MarketingSherpa

EXCERPT

2009 Video Marketing Benchmark Guide

Introduction

Writing a book on "video" in all its media formats and formless volatility was a daunting task. Video is a huge topic. Those most involved in video publishing, distribution, production, and monetization are often in violent disagreement about the medium. There is little "conventional wisdom" about how to proceed in this tumultuous environment precisely because video is evolving so rapidly.

So, this first edition is written with the intention of establishing some baselines. It is designed to arm you with the information you need to navigate the changing landscape of video, and to make the right strategic decisions for your organization.

We asked everyone who would tell us what they are doing and what they intend to do. We researched the politics and governmental regulations that establish the rules of the game. We even came up with a few ideas of our own.

We don't include up-to-date television ratings – Nielsen pretty much has this covered, and print is a poor medium for something that changes so rapidly. And we won't dwell on optimizing traditional 30-second ad spots. After more than 50 years of television advertising, there isn't much new to say on the subject, though we will revisit some of the best ideas out there.

We will talk about media-buying strategies, but you won't find the kind of detailed data you'll need to craft a functional media plan. This information is far too volatile for a book like this.

We've provided what we feel will best serve the typical MarketingSherpa reader -- a savvy, experienced marketer who is familiar with online marketing but can use some help incorporating video into their marketing mix.

We've taken a media-agnostic approach that starts with ROI and recommends using the right video tactics to match your strategic goals. Take viral video; it can be an amazing tactic, but it's a gamble. Online video can be surprisingly effective for big companies, while traditional 30-second TV spots can be surprisingly affordable for local businesses. In short, we look at all forms of video and their similarities and differences.

THE FUNDAMENTAL DIFFERENCE OF VIDEO

We can reference studies showing the greater efficacy of video in communicating a message, or simply talk about the common-sense notion that we are highly visual beings that learn with our eyes and fill in the gaps with our other senses. Both are valid ways of explaining why seeing something is more "real" than hearing something. Since there's plenty of quantitative data in this book, however, we'd like to illustrate the point with an anecdote.

Many MarketingSherpa analysts work remotely — they rarely see each other, the folks that sell our books, or the individuals at other companies who give us data. To write this book, I talked to dozens of people in a week, and yet one individual stands out above the rest.

Kevin owns a small personalized video company. He recorded a video greeting with his Web cam to introduce himself to me and comment on the MarketingSherpa homepage, which served as the backdrop for his video. It took about 20 seconds for him to create this greeting, but it had a huge impact on me.

I feel like I "know" Kevin far better than the people I talk to on the phone but have never seen. I'm not alone in experiencing this phenomenon. Many of the marketers we surveyed told us of the strange new Web celebrity status they are experiencing. After putting videos of themselves pitching their company on their websites, prospects and customers started behaving with a new familiarity, doing things like walking up at trade shows and yelling the person's name — a person they'd never met. It was as if they had become famous within the small universe of their target market.

Contrast this with a DR marketer to whom I sent an email. I received an automatic reply containing nothing but a lengthy, hard-sell form letter. I never did get a personal reply.

Customers have similar experiences. The personalization of electronic communication, combined with easy execution of highly targeted, relevant, one-to-few communications is a game-changer in a lot of real ways. Marketers that step up to the challenge will quickly differentiate themselves from the bunch.

IS TV TURNING INTO THE INTERNET OR VICE-VERSA?

Convergence has generated a lot of talk, and rightly so. Compared to only five years ago, TV looks a lot more like the Internet and the Internet looks a lot more like TV. This begs the billion-dollar question: Which one will emerge as the dominant medium? The answer: It will be both or neither, depending on the actions of just a few major media companies and government regulators.

Companies with a major monetary interest in maintaining the status quo, such as Time Warner and Comcast, are fighting for limits to be placed on what the Internet is capable of doing in this country. They desire to maintain an economic environment in which cable TV providers can double or triple dip – charge consumers multiple times for what is essentially the same thing – data.

Data transmission, like drinking water or electricity, acts like a commodity, and yet it's not treated as one. Imagine paying a subscription fee to the water company every month that "bundled" your shower water and toilet water for a small additional fee on top of what you pay for drinking water. If, however, you only want drinking water, you have to pay more in subscription fees for the drinking water than you would for the same water in a bundled package. This scenario is exactly what's happening with data transmission right now in this country.

The answer, it seems, is to meter bandwidth, which is exactly what these companies continually try to push through congress with anti-net neutrality legislation. What they want to do, however, is meter and charge the distributors – not the consumers. This could kill media innovation on the Internet as soon as the next viral video distributor that got popular is slapped with a bandwidth bill big enough to incur bankruptcy. Big media companies would be the only ones that could afford to distribute media to the masses via the Internet—effectively maintaining the monopoly the biggest media companies enjoy. On an economic level, it makes about as much sense as charging swimming pool makers for the extra water their customers use.

Online Video Portals such a Hulu, Veoh, Joost, MySpace, and even YouTube are distributing an ever-growing library of professionally-produced, made for prime-time TV programming and feature-length films — all ad-supported. Much of this is high-bandwidth content, some even in HD, and this means large amounts of data transmission. Consumers wishing to watch on-demand programming without ads can pay a few dollars to Netflix to instantly stream commercial-free video on their computers or buy a $99 device to skip the computer and stream directly to their TV.

Broadband companies, which tend to be owned by cable TV companies, have responded by introducing bandwidth caps to consumer accounts. Of course, the same subscribers that incur caps on internet usage can have all the bandwidth they want for the TV content the cable company gets a cut of ad revenue from. It's an obvious economic conflict of interest.

This stalemate kills the ability of online media publishers to distribute high-quality, innovative programming that's adequately monetized without subscription fees or sales revenue. If high-quality, ad-supported online video isn't allowed to flourish, the result will be consumers taking matters into their own hands the same way they have with iPods for music and DVRs for TV. It will drive up the incidence of media piracy and bankrupt the very people causing all the fuss (much as we've seen happen to the ineffectually squabbling music industry over the last 10 years). The only reason it took longer for video to reach this crossroads than it did for music was that we had to wait for the technology to catch up. Video requires more memory for storage and more bandwidth for distribution than music.

We haven't yet seen what happens when consumers run up against bandwidth caps on a large scale. The first thing I would do if my ISP capped my usage would be to find a new one. Small, local ISPs with "last-mile" solutions like fiber to the home are filling some of this void, but wireless is often a more practical option. We're not in the business of predicting the future, but you may want to keep an eye on the sky. As the airwaves switch from analog to digital signals, wireless methods of high-bandwidth content distribution like Wi-max may make the cable industry obsolete.

For consumers, there has never been a better time. There's plentiful content available on just about any platform possible (even xBox!) and it's nearly all either cost-free or potentially ad-free thanks to the Internet and the DVR. This is, however, not a sustainable environment. Someone has to pay for content, whether it's advertisers or consumers directly – or all that content

goes away. Without a reasonable system of media monetization in place, content creation stagnates, and we're stuck watching kittens, skateboarders, and reality TV.

If the major players in the media industry aren't careful, they could easily take down their industry with them instead of reinventing it. Like any industry that suddenly has to incorporate incredibly more efficient methods of doing business, there are going to be painful cuts. If there aren't, the crash is going to be a lot more painful.

NBC is one of the few big media companies that have foregone some short-term profits to realign itself to better take advantage of new realities. NBC's parent, GE, does own one of the cable companies, Cablevision. But unlike other media giants, they've been trying new methods of ad-serving and are far more open to letting consumers decide when and how they want to consume content.

Cablevision's Optimum Online Broadband service does not cap download bandwidth; they only reserve the right to cap sustained abuse by uploaders. In other words, you can consume all you want, but can't run a TV station out of your garage unless you buy the right upload service. NBC has also been at the forefront of media-agnostic content distribution as part owner of Hulu. And it is one of the first networks to offer new content on their own website. While not perfect, they are a model for other companies trying to switch from outdated to advanced content distribution methods. Let's just hope their investors have the foresight to see it through.

New entrants to online video are forcing the status-quo to shift. Everyone has to rethink what they're doing in order to compete with them. Just as cell phone makers have scrambled to keep up as the iPhone re-wrote the definition of what a phone is capable of, media companies are scrambling to keep up with sites like Hulu. Change seems inevitable.

If, however, the global media economy gets pulled into anarchic piracy by a few short-sighted media giants, it matters little in the long run to marketers. Innovation will increase and alternative methods of reaching consumers will arise. The tools of the trade will change; the goals will remain the same.

MONETIZATION ISSUES: WHO PAYS FOR THE CONTENT?

Economics teaches us some pretty simple concepts — scarcity drives up cost and clutter drives it down. If you have too much of something in a saturated market, you can't give it away, let alone sell it. Video portals trying to monetize user-generated video are finding that out the hard way right now.

Existing ad-supported monetization schemes tend to provide ad space that is worth less to marketers now that consumers have grown more adept at avoiding advertising. There is so much ad clutter online and on TV that the value of an ad impression on anything less than an excellent placement is often worth less to the advertiser than the publisher can afford to profitably sell it for.

Short-sighted publishers simply flood their property with more advertising, further driving down the worth of their media and creating a kind of inflationary effect similar to when governments flood their country with money. Smarter publishers know that the only good way to increase ad impressions without sacrificing quality and increasing clutter is to get more people to consume their content. This requires publishers to be better marketers.

Some publishers don't have the option of increasing the number of people they serve. A website that serves dentists cannot simply go out and mint more dentists. There is a limited audience to work with. Publishers of sites like this who want to monetize their content with ad dollars must increase the actual worth of the advertising opportunities. A site targeting dentists can charge a premium to advertisers hungry for this audience. Sites with a heterogeneous audience are a harder sell to advertisers. These publishers must find ways to make every ad relevant at an individual level. The only way to accomplish this is to plug into a large network of advertisers and employ advanced targeting options — something a little company called Google does very well.

Many publishers of premium content seek to shore up ad revenue with subscriptions (or vice-versa). For publishers and broadcasters of media content, however, coming up with inventive new ways to get paid is a daily struggle. As publishers ourselves, we feel that pain and have included some information that we hope will help.

VALUATION ISSUES: BUYING TIME VS. AUDIENCE

For marketers, it doesn't matter whether we're buying our advertising space from NBC, Google, or StupidPets.tv as long as it results in an efficient, positive return on investment. Every smart marketer gets this, but some advertisers may require a push to embrace the ways in which this will happen.

Historically, advertising space or time has been bought by the program. Advertising on Oprah gives an advertiser access to a pre-defined group of demographically similar eyeballs. While buying at the program level helps decrease media waste, it doesn't go far enough. Dynamic ad-serving technology allows advertising to disengage from the programming. Why serve an ad for diapers to everyone who sees Oprah when you could serve those diaper ads during all sorts of grown-up TV programs but only in households where children's television is on during the day?

This kind of targeting technology is already a reality online. As the distribution of TV programming becomes increasingly digital and on-demand, there's no reason this shouldn't be the dominant method of serving advertising. Broadcasters should love it because it makes individual impressions worth more, which can help reduce the amount of advertising shown and decrease clutter. Advertisers also should love it because it increases the effectiveness of their advertising while decreasing the amount of wasted media impressions they buy. Consumers should love it because they'll see fewer and more relevant ads.

BLURRING THE LINES—THE DEMOCRATIZATION OF VIDEO

Everyone is a media company. I am, you are, we all are. Publishers are marketers, and marketers are publishers. Television programmers increasingly turn to the internet to find the next hit show. Most new comedic talent was auditioned on YouTube without even knowing it. "Internet famous" is actually a real phenomenon.

The point of all this is that in a world where everyone has the tools and knowledge to create and distribute media, suddenly everyone is expected to do so. Like wearing a suit to an interview, it's simply becoming a normal part of doing business. If you're not engaging in this new form of self-published media, it's entirely possible that you'll miss out on your next sale because you haven't put out as much information about yourself in an easily accessible, online format as your competitor has. Your potential customer is searching for someone to trust in a dangerous world, and you are an unknown entity.

Unless you're in the enviable position of being sought out so often you can't keep up with demand, as a marketer, you do have to publish information about yourself online. Increasingly, that means putting video content up. It's a quick and easy way to provide lots of information quickly, and more importantly, build trust. The information you provide with video may not be how much your widget costs, but whether you seem likable enough to put up with during the sales process. This kind of information is often far more valuable to a consumer than knowing your price is five cents less than your competitors'. If you can figure out how to get "internet famous" (preferably the way the Blendtec guy did, not the way the Star Wars kid did) your company will reap the rewards. The world marketers live in is changing, but the need for smart marketing is not.

Tim McAtee
Senior Analyst, Lead Author
MarketingSherpa LLC

Executive Summary

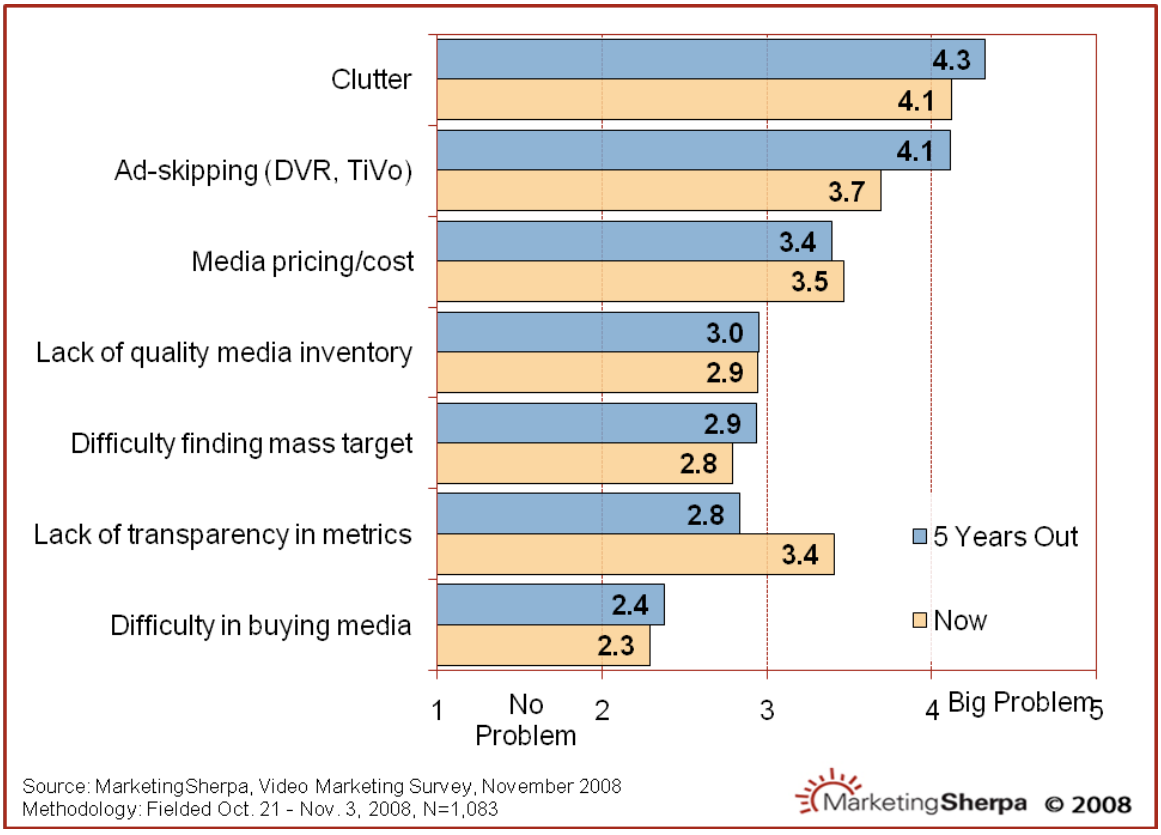
Understanding today's video environment is critical. Here's a book for those marketers saying: "I get it, but what do I do about it?" This book gives plenty of answers to questions about using video as a marketing tool. It offers solutions after looking at the problems.

1. Clutter and Ad-Skipping Will Force Improvements to the Advertising Model

The intertwined nuisances of clutter and ad-skipping top this list. These problems tie together because too much advertising is pushing consumers to go to great lengths to skip the ads. So the smarter publishers are figuring out how to limit the amount of ad content while boosting the value of their inventory through better targeting. Better targeting gives more relevance and increases satisfaction all around.

Advertisers, at some point, are going to have to vote with their dollars for publishers that figure this out and present a limited amount of high-value ad inventory. This is true regardless of medium. TV and online video viewing are both subject to the same constraints.

What are the worst problems for marketers using video, now vs. 5 years out?

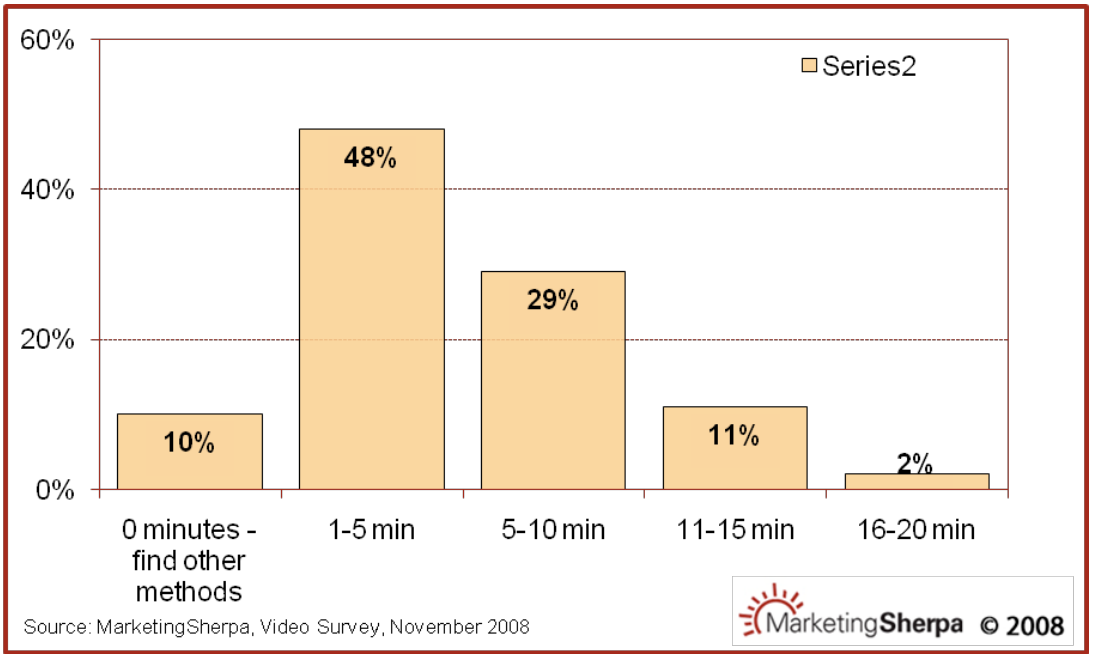


2. Ads are OK within Reason

Consumers are willing to watch advertising. This is the truth. There are some consumers that refuse to pay for their media content with either their money or attention to ads, but they are a minority within the population.

Another truth is that consumers value their time and money highly. They will trade either for media content, unless they feel the cost is too high for the value received. Most people understand that someone has to pay for media content. They will turn to downloading stolen content or ad-avoidance technology only when the legitimate options are perceived as unfair or a bad deal, or the business itself makes obtaining content legally too difficult. iTunes would not be in business today if this were not the case. It has, in fact, been thriving.

Pros' Opinion on Ideal Amount of Ads per Content-Hour for Linear Video

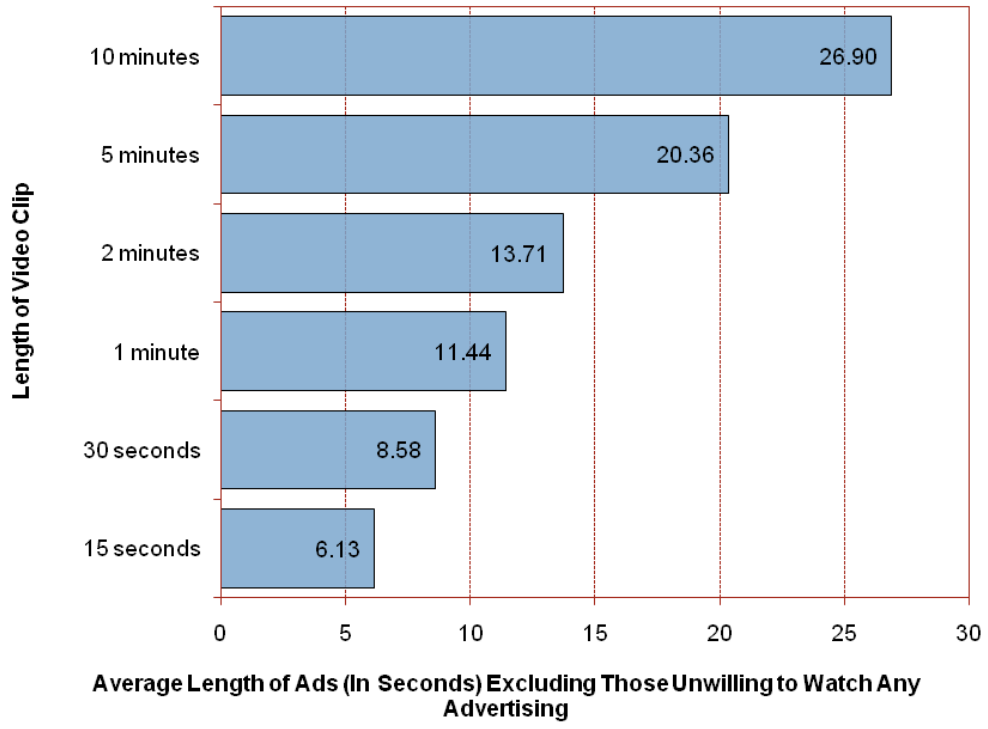


To avoid a nation of video Robin Hoods, advertisers and publishers need to find the right balance of advertising to content.

When you compare what marketing professionals think is an appropriate amount of advertising to what consumers think (see the next page), it turns out that the two groups agree. Both think that a certain amount of advertising is acceptable, but that amount is much lower than what is customary in media today —about 1/3 as much advertising per hour as we normally see on TV.

The really interesting qualitative factor we see is that the length of the advertising has to be proportionate to the length of the content and, to a certain extent, the quality of the content as well. What this says is that there is very much a transactional mindset in place among consumers. When consumers buy TV shows or Movies online, they're willing to pay more for longer content. A two-hour movie generally costs about $15, while an entire 10-hour season of a TV show costs about $25. The movie is worth more per hour because of its higher quality, but the TV season is worth more in total because of its quantity. Advertisers and publishers should acknowledge these qualitative factors when determining how to value the time being asked for from the consumer. It's really important that dynamic ad-serving systems be designed with this in mind. Automated ad-servers are absolutely capable of adjusting the amount and length of advertising an individual household is served based on these qualitative factors.

Consumers Think Ad Length Should Reflect Video Length

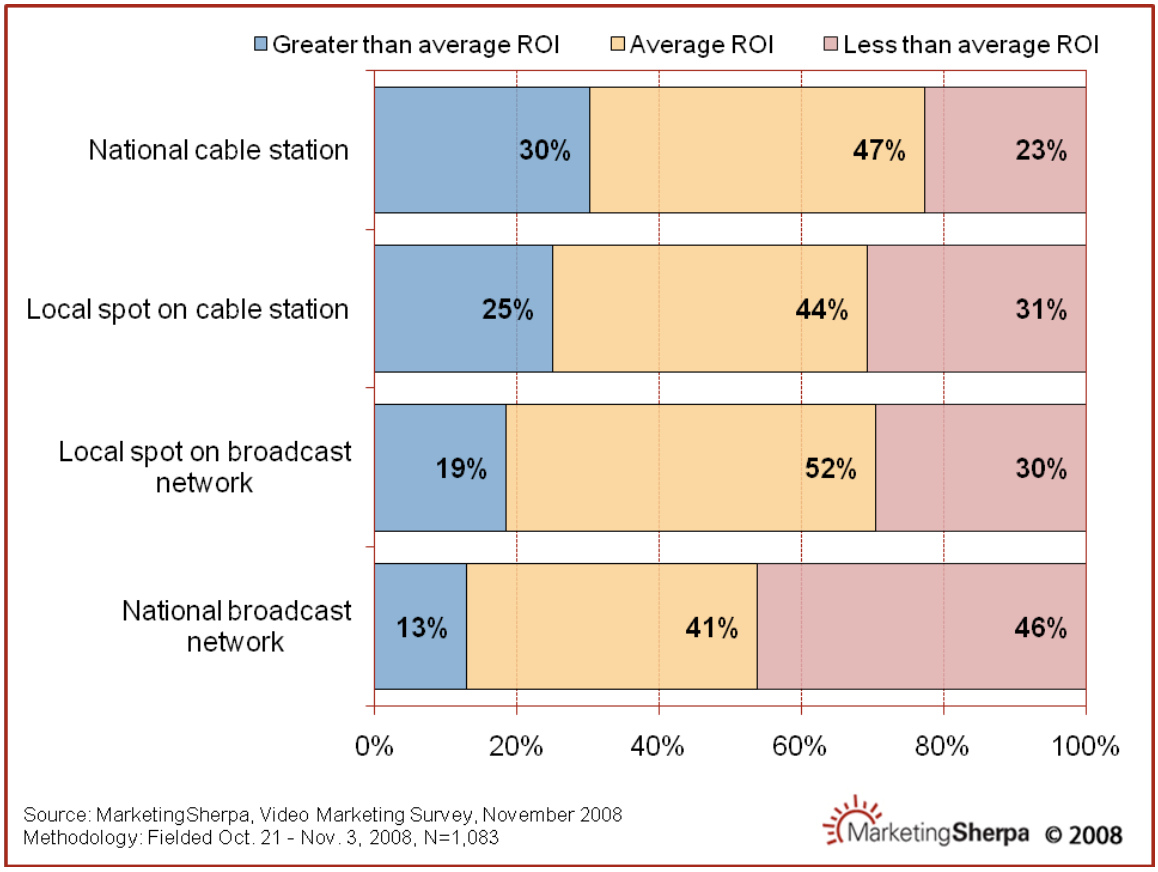


Source: Dynamic Logic, Exploring Consumer Perceptions of Online Video, October 2007
Methodology: AdReaction 5 Study, N=933 U.S. Respondents

3. National Cable Producing the Best ROI on TV

Throughout this book, we attempt to approach all video vehicles from an agnostic viewpoint. We think the best way to do that is to approach each media vehicle from the standpoint of return on investment (ROI). In addition to comparing media vehicles as a whole, we drilled down here to see what TV buyers thought of the ROI received from these different methods of purchasing air time. Overall, we saw that national cable has a solid reputation for delivering decent reach within distinct demographic targets at reasonable prices. For spot buyers that need to target distinct geographic regions, however, the expense sometimes outweighs the benefits. It's these marketers that are most likely to turn to online video to find efficient methods of targeting video advertising.

How would you rate the ROI from a comparable ad spot bought from each of these media?

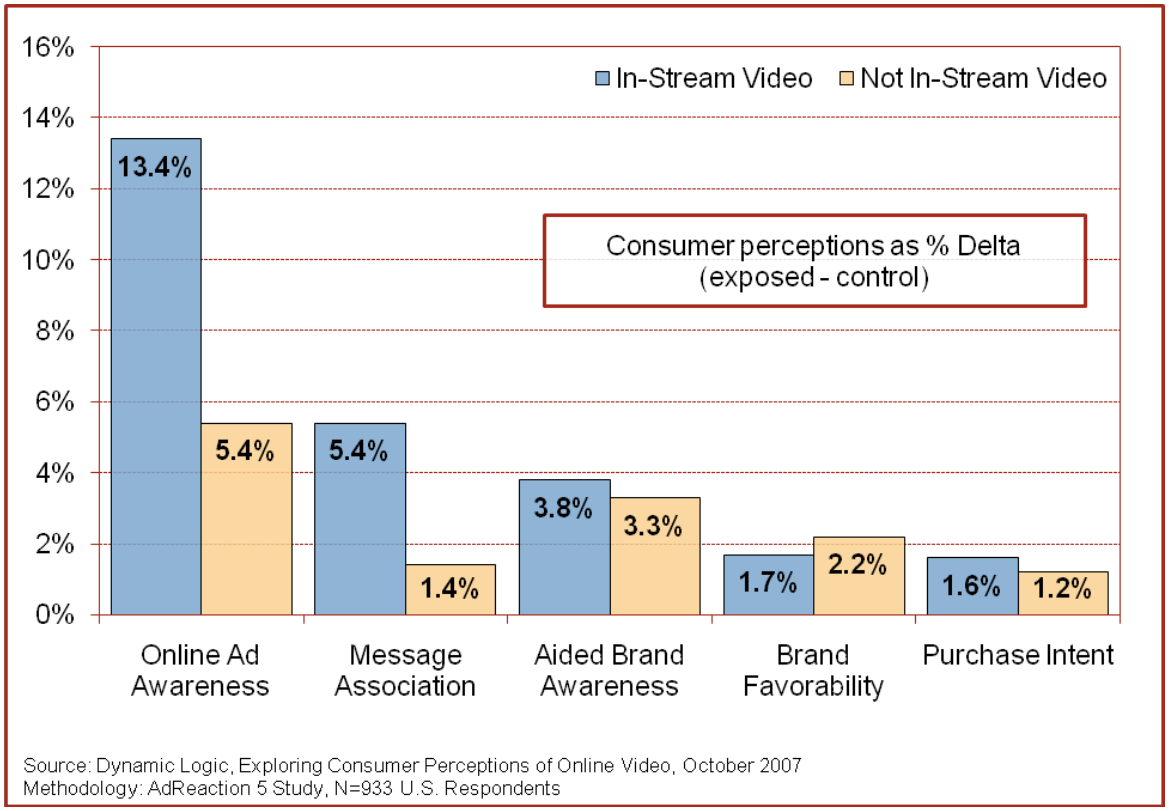


4. Online Video is the Future: In-Stream Ads Most Effective

Online video is roundly hailed as the next big thing in marketing. But there's still quite a bit of confusion about what form it should take, or how marketers should approach it for maximum effectiveness. What we find is that video on the whole does a far better job at moving qualitative branding metrics like awareness and consideration than does non-video advertising. Breaking it down further, however, we see that in-stream video advertising does a far better job of moving qualitative metrics up than its cousin – in-banner video advertising.

Both a blessing and a curse, in-stream video is far more intrusive than in-banner video. This higher level of intrusiveness ensures that the ad is seen, but it has the potential to suffer from backlash if the ad is perceived to be annoying or too long. Notice that while both in-stream and in-banner video are able to increase brand favorability, in-banner is able to do a little better job of it than in-video. On all other metrics, however, in-stream dominates.

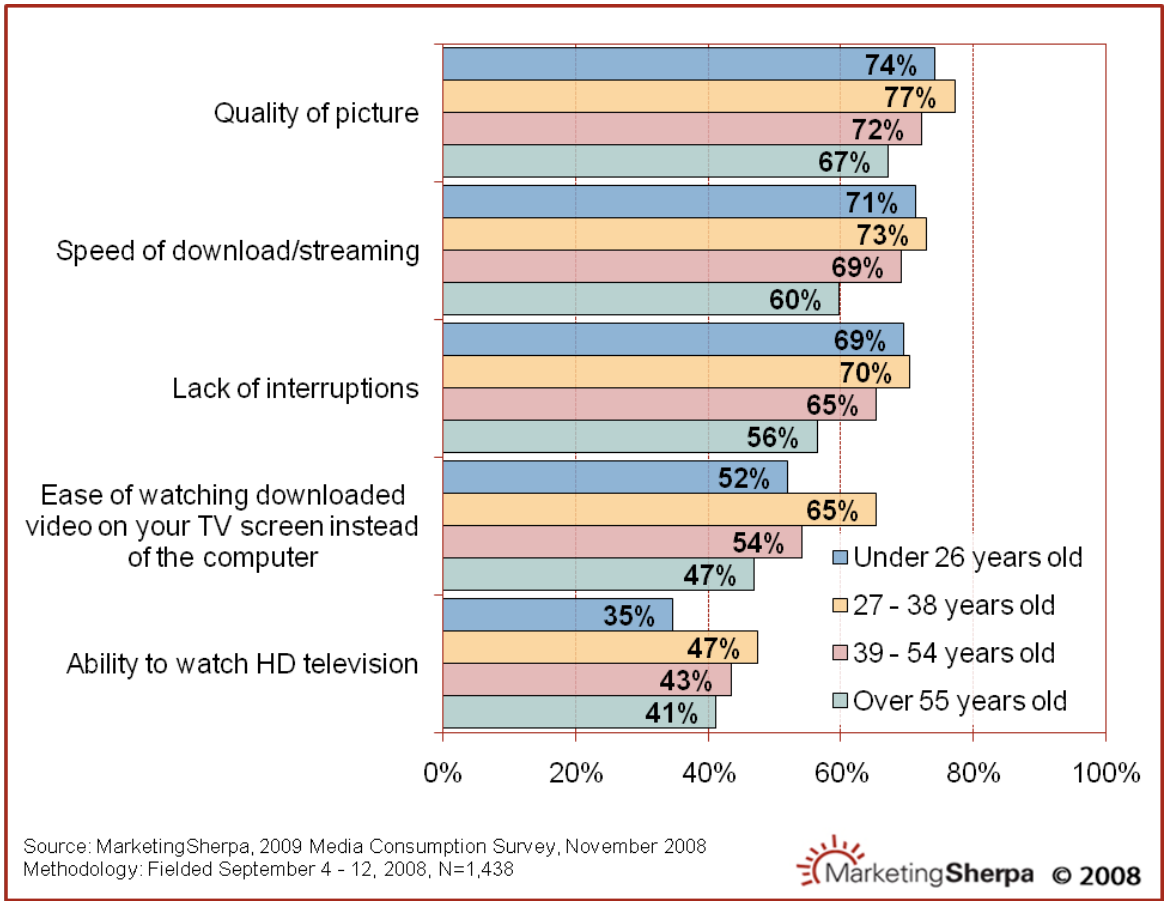
In-Stream Video Outperforms Not-In-Stream Video



5. Video Quality the Main Factor in Adoption of Streaming Video

To better understand how consumers view online video, we fielded a consumer survey asking about media usage. A main area of interest was finding out what the big factors were in adopting online video viewing, and how that changes with age. Overall, we saw that age plays a big part in how willing someone is to invest the money and effort it takes to adopt online video watching behaviors. Across all age groups, the key is that they simply want it to work. Unless broadband providers open up the data pipes for fast load times, and content delivery networks are able to keep up with the demand, satisfaction with the experience of streamed video will hold the medium back from becoming truly mainstream.

Most Important Factors in Adoption of Streaming Video by Age

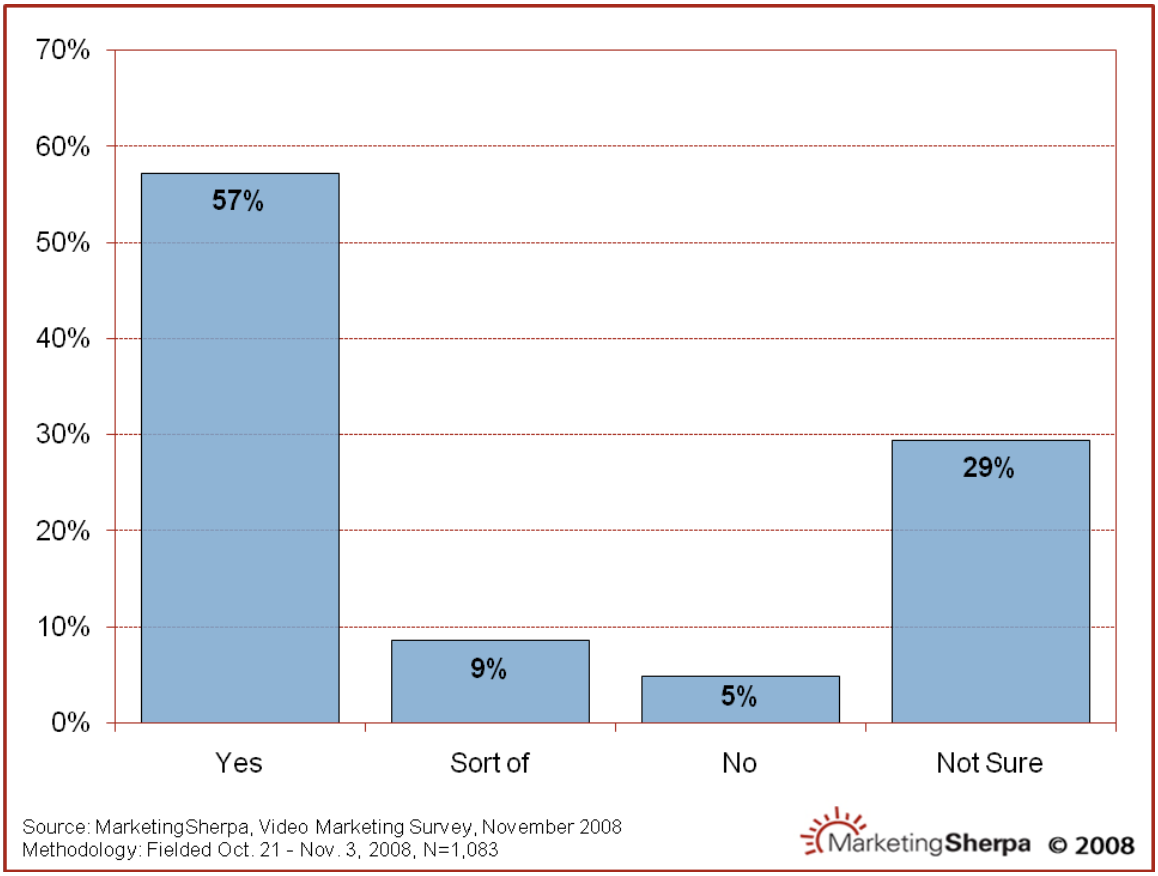


6. Very Positive Results for Marketers Putting Video on Marketing Websites

Putting video on websites has been a huge success. That's what our sample of marketers that put video on their own websites said about how it is working out for them. Their response was extremely positive. And these marketers gave us hundreds of great examples touching on dozens of ways in which adding video to their site has had a positive impact on sales, lead-generation, use of the site, and improved customer relations.

The 29% that fell into the Not Sure or Sort of camps still were almost all optimistic. They simply didn't have enough data to know for sure how effective their video was. Many of our unsure marketers have only had video on their websites for a short time. The minority of marketers that were unhappy with the results almost universally blamed themselves for not doing a good enough job. The medium didn't fail them, they failed the medium. Judging by these responses, we feel it's safe to predict that video will soon be commonplace on marketing websites. The task ahead for marketers is to figure out how to use it well, and in ways that differentiate them from competitors.

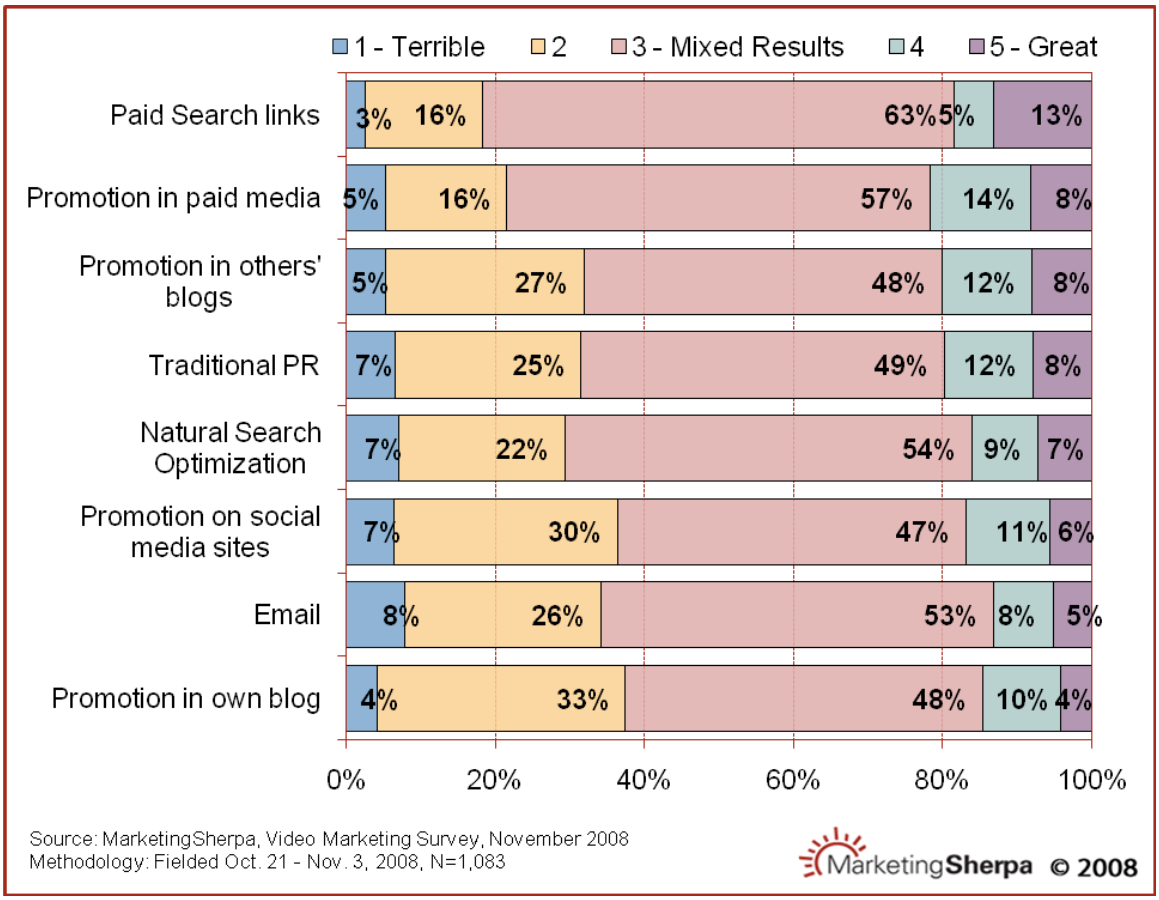
Overall Happiness with Adding Video to Website



7. Viral Video Popular, But Needs Work

We took a long look at viral video. And we found out what's working for practitioners of the tactic and then established some benchmarks for how to define what "working" is. Overall, we found that viral is a much tried but little understood tactic. Because it's seen as "free," many marketers don't put enough effort into using it strategically or tracking the results. The chart below shows one of the more counterintuitive yet effective methods of spreading viral video: paid search ads. This marriage of the branding and educational power of video with the efficiency of non-CPM, contextual promotion is a peek into the future. As video marketers work more closely with search specialists, this new, hybrid method of marketing could become huge.

Effect of Promotion Tactics on Viral Success Rate



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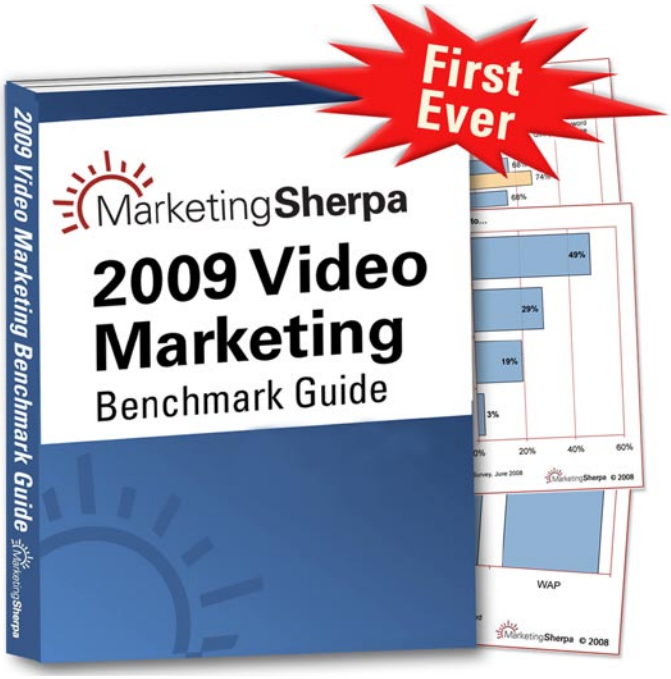

390 Pages

Practical data and proven strategies to improve your video results on internet, mobile, and TV

MarketingSherpa Video Marketing Benchmark Guide 2009 includes:

- 173 charts and 74 tables
- Primary research from 1.083 marketers
- Primary research from 1,422 consumers
- Secondary research from Nielson, Comscore, Rentrak, BrightRoll, TubeMogul, and more.
- 22 strategy reports, industry overviews and special reports

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