

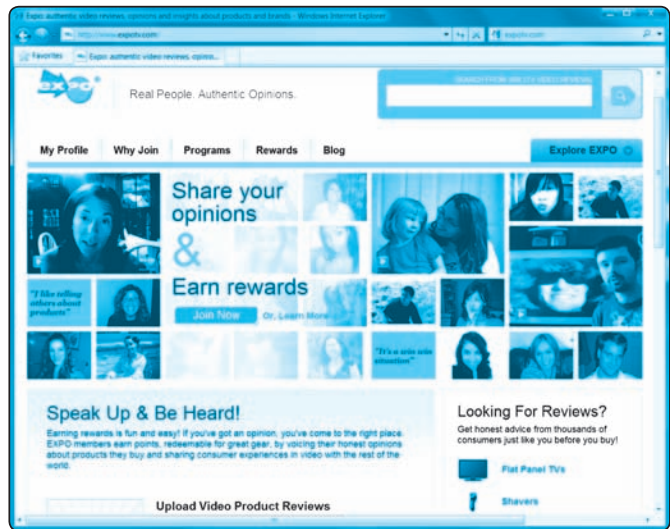
Video Ads:

Shoot, Click, Buy

The age of online video ads is upon us, just in case you haven't noticed. Improvements in video production tools, higher bandwidth, and better streaming quality have fueled an online video surge. Video production is no longer the exclusive province of just a few major players in New York and Hollywood, but instead has expanded to a much larger group of potential creators, including users themselves. In addition, the ways online video can be viewed have also expanded, from desktop PCs and laptops to smartphones, tablet computers, netbooks, and Web-enabled television sets.

The online audience for videos is huge. In July 2013, 187 million U.S. Internet users watched online video content during the month, with each viewer spending an average of 22.5 hours! Because this is where the eyeballs are, video is an obvious advertising medium. And just in time: Internet users have learned how to avoid traditional banner ads by instinctively moving their eyes to a different part of the screen. Click-throughs on banner ads are miniscule but videos are another story: next to search engine advertising and focused e-mail campaigns, videos have the highest click-through rate. In addition, nearly 100% of online spenders are video viewers, and they provide a highly desirable demographic with strong buying power. Research by comScore has also found that retail site viewers who view videos are 64% more likely to purchase. As a result, advertisers are jumping on the bandwagon. Americans viewed nearly 19.6 billion video ads in July 2013, more than double the amount in July 2012. Video ads reached 55% of the total U.S. population. Google Sites (YouTube) delivered the highest number of video ads, with 3.4 billion, followed by the BrightRoll Platform (a video ad network) with 2.1 billion, and Adap.tv (a video ad exchange) also with 2.1 billion. Hulu served about 1.2 billion video ads.

Firms are using online video for marketing in a variety of ways. Many companies produce their own videos to promote their brands and sell products. User-generated video reviews are another effective marketing mechanism. EXPO is a consumer network that aggregates hundreds of thousands of video reviews created by over 200,000 members on its Web site, ExpoTV.com. EXPO also distributes the product review videos to retailers such as Amazon, Walmart, and Target, to social media sites such as Facebook and YouTube, to manufacturer Web sites and mobile apps, and as paid media, including pre-roll, rich media campaigns, and newsletters via such firms as WebCollege, a leading provider of



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rich product information to a network of more than 1,000 retailers in North America and Europe. EXPO has created a trusted database of videos that can be used as advertising by accepting reviews for any nationally available product and publishing all videos received, regardless of positive or negative opinion, as long as they meet quality standards. EXPO screens each video for relevance and quality, and rewards members who submit quality reviews by offering recognition, contests, loyalty points, and special consumer programs. By 2013, over 400,000 videos related to over 200,000 different products have been produced by EXPO members, and these videos have generated over 50 million views. A study by comScore and EXPO using a sample of 25 video product reviews across various categories, such as electronics and consumer packaged goods, found that the highest performing reviews contained many of the same effective elements seen in professionally produced television commercials, and that the rates of presence of many of these elements were greater than those seen in regular online display ads. comScore research indicates that after seeing a video product review, 40% more consumers considered the product unique and differentiated, and willingness to pay more for the product rose by 30%. EXPO's clients include consumer packaged goods brands such as Nabisco, Clairol, Febreze, and many others, as well as consumer electronics firms such as LG. For example, for LG, EXPO collected 720 video product reviews of LG products that were viewed over 280,000 times, totaling over 6,000 hours of engagement. On ExpoTV, there is an 11% click-to-commerce rate for the electronics category, which EXPO believes is driven by genuine and credible video reviews posted by peers that provide deeper knowledge and greater purchasing confidence to consumers.

Many large firms are moving into the online video advertising marketplace with sophisticated campaigns and big budgets. For instance, Rite Aid was searching for ways to boost sales in a recessionary period. One idea was to use its Web site to drive sales at its 4,600 retail stores. In 2010, Rite Aid introduced its Video Values program. Online visitors who watch videos about Rite Aid products receive a coupon that can be redeemed at the store. If you watch 20 videos, you receive a \$5 bonus coupon in addition to product coupons. Currently, Rite Aid is streaming 500,000 videos a month, which are generating a 20% coupon redemption rate. The coupons are personalized and participants have to register. Rite Aid generates extensive demographic data on its most engaged customers who can later be contacted in e-mail campaigns. In turn, bargain hunting sites and blogs add a social component to the effort by driving bargain hunters to Rite Aid's site.

As of July 2013, the top 100 global brands collectively have about 1,400 YouTube channels with over 250,000 videos that have attracted 9.6 billion views. Brands with over 40 channels include 3M, Disney, Nike, IBM, and Google. The top 100 brands have invested over \$4 billion in the creation of video assets. Disney, Google, and Sony have achieved over 1 billion total views, and 15 out of the 100 brands had more than 100 million views. Media and consumer technology companies are by far the most active producers of online videos.

Smaller firms are also using video. Online fashion retailer KarmaLoop offers KarmaLoopTV, with the objective of creating a community focused on Verge Culture, a demographic of young people heavily involved in music, fashion, sports, and the arts. The videos feature exclusive interviews with fashion designers, brands, artists, and musicians.

As of September 2013, KarmaLoopTV has more than 40,000 subscribers and over 21 million video views on YouTube, as well as a dedicated Web site, KarmaloopTV.com, with 5 million unique visitors and 16 million page views per month.

Orabrush is another small firm that has successfully used video ads on YouTube, in its case, to build its business from the ground up. Dr. Robert Wagstaff, a dentist who invented a breath-freshening tongue cleaner, was unsuccessful marketing it through traditional channels. Jeffrey Harmon, an MBA student at nearby Brigham Young University, whom Wagstaff had hired on a part-time basis, convinced him to give video ads a try. He initially posted a YouTube video called “How to tell if you have bad breath” on Orabrush’s landing page, and found that it tripled Orabrush’s conversion rate. From there, they decided to create Orabrush’s own YouTube video channel. Today the channel has more than 100 videos, over 190,000 subscribers, and more than 50 million video views, and more importantly, has resulted in sales of over 3 million units. YouTube continues to account for 80% of Orabrush’s marketing effort, although it now also has a Facebook page.

People care and get excited about videos far more than banner ads and e-mail. This makes videos an ideal advertising medium. Several changes in the underlying technology of video advertising are helping to increase the effectiveness of these ads. For instance, it is now possible to make video ads interactive so viewers can click on a product and add it to their shopping cart as the video is playing. It’s sort of like “streaming e-commerce.” These “interactive video ads” are appearing throughout the Web, especially at newspaper sites as an alternative to display ads that are increasingly ignored. Video ads can also be optimized, allowing retailers to change elements of the videos and measure the impact in near real time. The introduction of the iPad in 2010 made viewing videos much more pleasant and mobile. Interaction rates with videos displayed on iPads are six times higher than desktop PCs. The challenge is figuring out how to package advertising messages more directly with the videos, and how to piggyback advertising onto millions of user-generated videos and measure the impact on sales. Google, Yahoo, AOL, and literally hundreds of smaller firms are hard at work trying to attach the right ads to the right videos, a tricky process since computers cannot “understand” the content of videos (although they can “understand” the audio script—sort of). One start-up firm, YuMe.com, specializes in matching ads to popular online videos. One risk: your ad is attached to a perfectly inappropriate video. No one wants their product ads attached to stolen, pornographic, or inappropriate videos.

Another challenge is to figure out how to show the ad while the video plays without destroying the viewing experience. The final challenge is to avoid turning the viewer off, and causing a kind of video blindness on a mass scale, which is the fate of display ads today. One solution: YouTube now offers the TrueView ad format, which provides “skippable” ads that allow users to skip the pre-roll ad embedded in videos and which doesn’t charge the advertiser for skipped ads. Skippable ads offer the prospect that the video ad marketplace will be self-cleansing with really unpopular, annoying, frequently skipped ads disappearing. And for those ads where “the creative” works, as they say in the ad industry, the rewards are potentially huge. For instance, Toyota’s Swagger Wagon campaign, featuring a couple of unhip GenX parents rapping, went a long way toward advancing the Toyota brand in a demographic that they otherwise had difficulty reaching.

SOURCES: Corp.ExpoTV.com, accessed September 14, 2013; KarmaloopTV.com, accessed September 14, 2013; “comScore Releases July 2013 U.S. Online Video Rankings,” comscore.com, August 19, 2013; “The Top 100 Global Brands on YouTube,” Pixability TV 30 Webinar, June 19, 2013; “Rethinking the Brand-Retailer-Consumer Ecosystem,” by Adam Paul, News.expotv.com, April 24, 2013; “Orabrush Surpasses 50 Million Views on Its YouTube Channel,” Orabrush.com, November 15, 2012; “Global Social Media Check-Up 2012,” Burson-Marsteller, July 2012; “As Seen on YouTube! Orabrush Reinvents the Infomercial,” by Joseph Flaherty, Wired.com, May 21, 2012; “YouTube Sees ‘TrueView’ Boosting Best Ads,” [eMarketer, Inc.](http://eMarketer.com), December 28, 2011; “Yahoo Study Shows Changes in Online Video Audience,” Zacks.com, June 29, 2011; “The Video Viewing Audience,” [eMarketer, Inc.](http://eMarketer.com), (Lisa Phillips), February 2011; “Persuasive Potential of Consumer Produced Content,” [comScore](http://comScore.com), December 2010; “YouTube to Introduce ‘Skippable’ Ads,” [Wall Street Journal](http://WallStreetJournal.com), June 29, 2010; “Video E-Commerce: Innovative Models Drive Sales,” by Jeffrey Grant, [eMarketer, Inc.](http://eMarketer.com), May, 2010; “How EXPO Helped LG Learn More about Their Customers,” EXPO, February 17, 2010; “Video Ad Start-Up YuMe Raises \$25 Million,” by Brad Stone, [New York Times](http://NewYorkTimes.com), February 17, 2010.