

# 2012 STATE OF ONLINE VIDEO

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## US RESEARCH REPORT

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# EXECUTIVE SUMMARY

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This is a compilation of US online video industry key trends and metrics, as well as outlook and perspective for 2013. The collective findings and data shared in this report are sourced from industry leaders and experts, specifically Adap.tv, comScore, eMarketer, Forrester, Nielsen, the Interactive Advertising Bureau, Pew Internet, and SundaySky's forthcoming 2013 SmartVideo Index.

The last 12 months have been pivotal for the US online video industry.

1

## Online Video Consumption

shows record-breaking numbers of content videos watched and video ads viewed.

2

## Personally Relevant Video

fosters higher engagement.

3

## Video Advertising Market

recognizes ROI, and hence, increases spending.

4

## Mobile Video Viewing

reaches an all-time high, and is forecasted for continued growth.

5

## Use of Video Among Online Retailers

enriches on-site experiences for visitors.

6

## 2013 Online Video Trends

include personalized customer experience and engagement strategies.

Yes, it's been quite a year for online video. And we've collected it all in one place, for you.

**Welcome to the 2012 State of Online Video Report.**

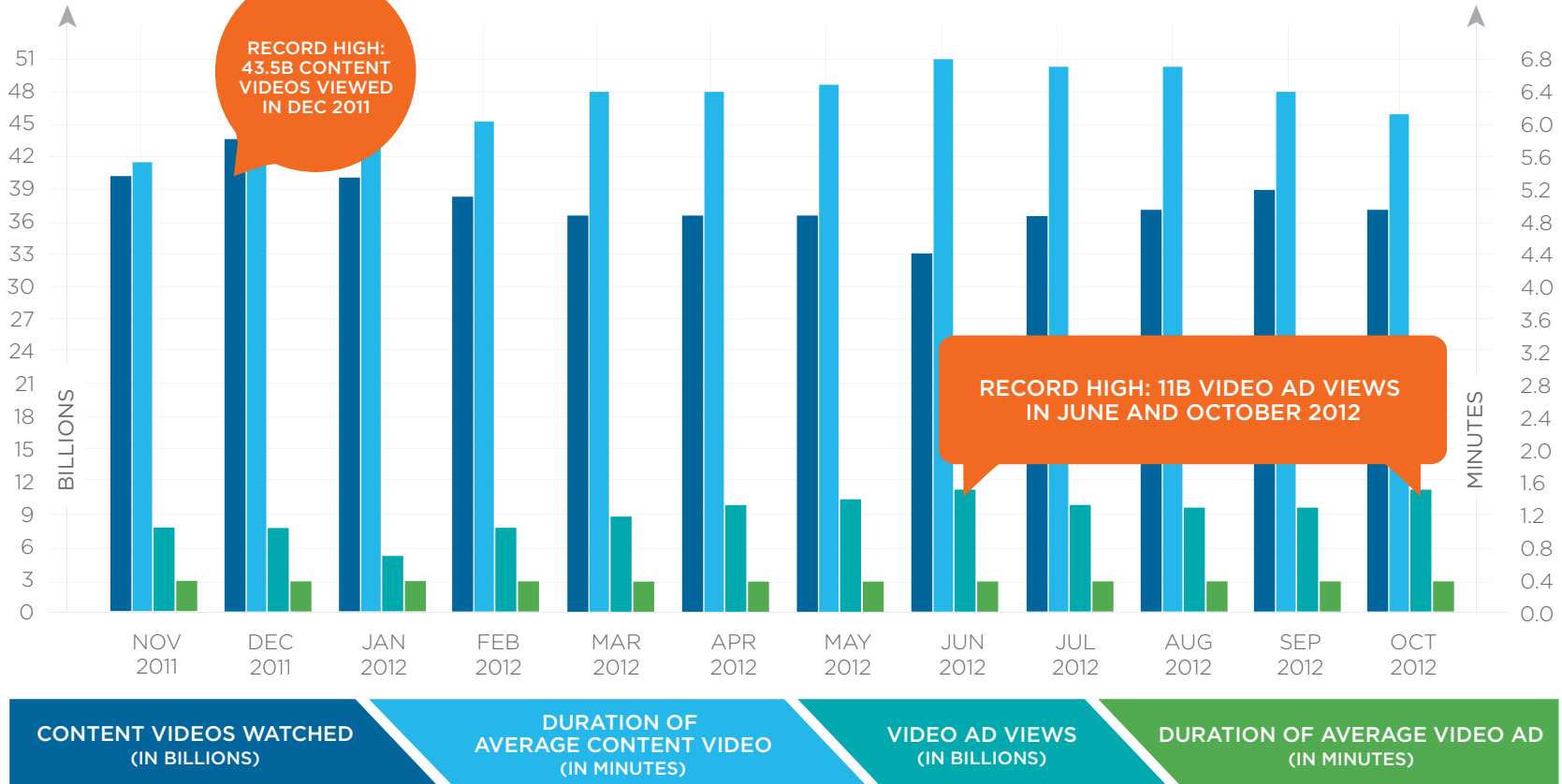
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# ONLINE VIDEO CONSUMPTION



While there has been a consistent and steady stream of US Internet users watching online video (to the tune of 182 million viewers) in the last 12 months, the industry has seen record-breaking numbers of both content videos watched and video ads viewed during that period.

**ONLINE VIDEO CONSUMPTION IN LAST 12-MONTHS\***  
\*from Nov 2011 through Oct 2012



Rankings by comScore

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Online video consumption continues to surge, and has most recently outpaced TV consumption. This year, [Nielsen found](#) that more people are watching video online at least once per month than watching TV at least once per month. Additionally, [Cisco Systems reports](#) online video made up 56 percent of consumer web traffic in 2012, up from 51 percent in 2011.




From sports to politics, video has become a pop culture phenomenon. 2012 saw the emergence of the first “online Olympics” and the first “digital election” due to the number of online videos streamed and social media impressions of both.

The 2012 London Games had 159 million total videos streamed online, a 111 percent increase from the 75.5 million videos streamed of the 2008 Beijing Games. The 2012 Presidential Election campaigns spent over \$78 million on video ads, combined from both parties. This represents an impressive 251 percent increase from the 2008 race.

 **2012 London Olympic Games**  
streamed **159 MILLION** online videos

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**2012 Presidential Election Campaigns**  
 spent **\$78 MILLION** on video ads 

# PERSONALLY RELEVANT VIDEO\*



During 2012, we learned that personal relevance is the key to increasing video engagement. Typically, a short-form video designed for communication to a mass audience (i.e., one-to-many product videos) is viewed with a 50 percent completion rate. Yet viewers will spend 2.5x more time watching a slightly longer short-form video if the content is personally relevant to them.

Video content has become a standard in email marketing, as it greatly increases the likelihood of email opens. The average text email open rate is 11 to 22 percent. When you add 'video' to the subject line of marketing related emails, open rates rise up to 30 percent. SundaySky data also reveals that when customer emails contain video content that is personally relevant to the recipient - such as a bill, statement or account status - open rates jump to 40-60 percent. Furthermore, the click to play rate for personalized video ranges from 80 to 99 percent.

The above findings verify the significance of personal relevance to customers, a forecasted trend for 2013 ([see page 10](#)).

*\*Data from the forthcoming 2013 SmartVideo Index.*

Viewers spend **2.5x more time** watching personally relevant short-form videos

**40-60% open rate**

for emails containing personally relevant videos

**80-99% visitors**

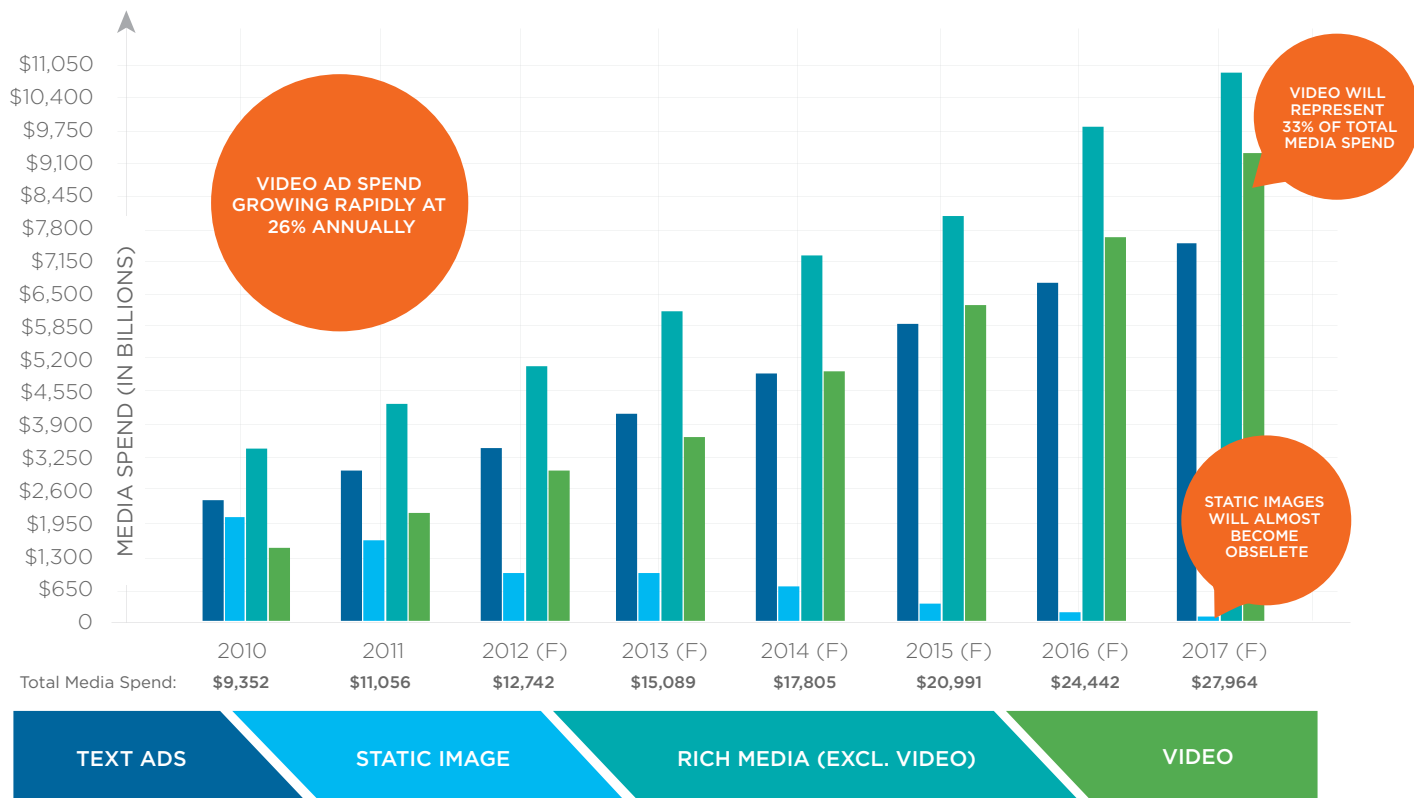
click-to-play personalized videos

# VIDEO ADVERTISING MARKET



Video ads have become the most popular rich media format for ad buyers. Advertisers are recognizing the return on online video advertising, and are steadily increasing their spending year over year. [Forrester predicts](#) online video advertising spend will grow from \$2.9 billion in 2012, to \$9 billion by 2017, for a 26 percent growth rate each year.

**US INTERACTIVE DISPLAY MEDIA BUYING FORECAST, 2012 TO 2017**



Research and forecast by Forrester, October 2012

Due to the rise of social media advertising, total ad impressions have expanded and CPM prices have nearly doubled. Forrester predicts this is another reason for an increase in rich media ad formats, especially video.

Above all, savvy digital media buyers will become more reliant on technology, data and analysis as the CPM rates of good-quality inventory rise. Marketers plan to increase investments in real-time media, third-party data targeting and video. Both brand and performance marketers must ensure their digital media investments, especially in video, are driven by data and analytics, in order to justify higher CPMs.

**\$2.9 billion** video ad spend is  
**23%** of total display media spend for 2012

Additionally, 2012 saw the emergence of video advertising taking new shapes:

1

**Social video** is blurring the lines of advertising and branded content. This video ad form is designed to be easily shared among consumers, and is favored over the pre-roll ad because the viewer opts-in to watch. Social video views peaked in the first quarter of 2012 at 1.3 billion, due to shared Super Bowl video ads, according to [Visible Measures](#). Another instance of high social video consumption was during the Presidential Election campaign, where 62 percent of registered voters viewed political videos because they were recommended by their social networks, according to a [Pew Internet study](#).

2

**Video and TV** are aligned and complement each other more so than video and display. [Adap.TV research](#) shows that advertiser video budget funding has shifted in 2012 and is now coming from display, not TV. Additionally, video and TV are no longer viewed as separate silos, as 58 percent of digital marketers and advertisers planned their TV and video campaigns in tandem this year, and 20 percent plan to over the next 12 months.

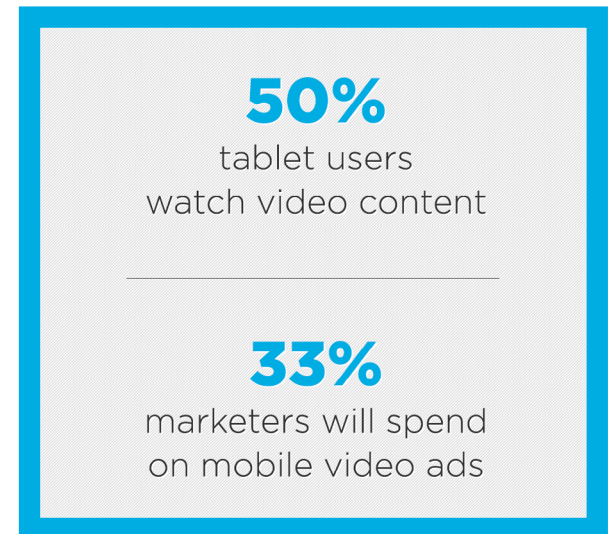
# MOBILE VIDEO VIEWING



[ComScore reported](#) that more than half of tablet users watched video content this year, compared to only 20 percent of smartphones users. However, [eMarketer](#) is forecasting double-digit growth of video consumption among smartphones, a 22 percent increase in 2012 to 70.8 million users.

Mobile video is racing into the top five video advertising alternatives, according to [Forrester and the National Association of Advertisers](#). When surveyed, “Which of the following video alternatives to the 30-second spot, if any, will you likely spend more on in 2012?” a majority 33 percent US marketers responded with “mobile video ads.” This is significant because just two years ago, mobile video advertising was not even an option for respondents.

We will continue to see an increase in mobile video ads as we see more consumers shopping and spending via mobile and tablet devices. These devices delivered \$21 billion of mobile commerce sales in 2012, accounting for about 9.2 percent of all ecommerce sales this year.





# USE OF VIDEO AMONG ONLINE RETAILERS



Internet retailers are one of the primary drivers of online advertising revenue. In addition to reallocating media spending to video ads, online retailers are also enriching their on-site experiences for visitors with branded video content and product-focused videos.

In the last year, we've seen an uptick of online retailers implementing video on their sites for better customer experiences. Forty-eight of the top 50 online retailers feature videos on their websites, a 200 percent increase from only 16 retailers in 2011. Forty-six percent of the top 50 online retailers have more than 1,000 videos on their site, up from 22 percent in 2011.

While on-site videos deliver brand awareness and engagement, what is most appealing to CMOs is the performance and financial impact they are generating, specifically conversions and revenue.

“*Five percent of consumers who get to the configuration stage and view one of these videos makes a purchase, tripling the conversion rate from before we implemented.*”

- *Lewis Broadnax, Executive Director,  
Web Sales & Marketing, Lenovo*

**48 of the top 50**  
online retailers feature  
videos on their websites, up  
**200%**  
from the 16 retailers in 2011

# 2013 ONLINE VIDEO TRENDS



Naturally, we anticipate the continued rapid growth of digital and mobile video consumption and ad views. What's more, we eagerly anticipate the C-suite enhancing customer experience and customer engagement strategies with smarter applications of video in 2013.

Forrester cites personalized video as an emerging technology for CMOs to watch for "driving deeper levels of [customer] engagement," and we couldn't agree more. The powerful combination of big data and video can deliver customer experiences that are personalized, real time and offer increased levels of interactivity. These traits will drive not only deeper engagement, but also greater lifetime value and advocacy.

In 2013, we will see the C-suite enhancing customer experience and engagement strategies with **smarter applications of videos**

““ *We all, as consumers, want to be treated like individuals more and more... We want to personalize engagement, including real-time offers and rewards.* ””

- *Dr. Phil Shelley, CTO, Sears, 2012*

““ *To succeed in today's digital environment, firms must deliver smarter, more customer-centric interactions that feel like they were tailored for each user and his or her specific set of circumstances.* ””

- *Forrester, "Contextualization: Delivering Relevant Experiences In The Multichannel World," 2012*

2012's early adopters of video for customer engagement included the following use cases:

1

### **Proactive education and support.**

Seven of the top 10 US cable operators and telecommunication providers are pursuing customer care strategies that involve the delivery of personalized video bills to their customers. This is in line with the finding that viewers will watch a video for a longer period of time if it is personally relevant to them. Watch for related industries that enjoy recurring customer relationships to adopt similar strategies for their monthly statement delivery, such as insurance and financial services. For example, health insurance leader [Humana announced](#) its intent to deliver a smarter explanation of benefits statement to customers via video.

2


### **Smarter, personalized loyalty building.**

Customer loyalty programs are not a new trend, yet there will be a new trend in how brands drive program membership and utilization. In order for ecommerce brands to stay competitive, they must apply customer intelligence and data for better results and deeper lifetime value, states Forrester. Enhancing loyalty programs with personalization features, such as preferences, transactional history, social data, and communication via the most engaging medium - video - will be a recurring theme in 2013.

## **Ecommerce giants pursuing personalization to drive loyalty:**

20-30% of  revenue comes from personally relevant product **recommendations**

's 2012 acquisitions expected to enhance **personalized, relevant** shopping experiences

' sophisticated big data program driving **customer loyalty**

# ABOUT SUNDAYSKY

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SundaySky is the creator of SmartVideo, a newer, better, smarter way of using video to communicate at every stage of the consumer lifecycle. SmartVideo delivers a compelling, personalized, real-time video experience designed to reach people with what they need to know in the most engaging, entertaining and informative way possible.

Our platform generates hundreds of thousands of SmartVideos daily that target prospects, convert prospects to customers, support customers, and foster long-term loyalty and value.

SundaySky SmartVideo customers include leading customer-centric organizations like AT&T, Lenovo and Office Depot.

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