

Research Brief

Goodbye TV Strategy, Hello Video

Overview

For the majority of our history, video content has been controlled by the Big Three Television Networks: ABC, CBS and NBC. During the 1950's and lasting until the early 1990's, every hit series appearing in the top 20 Nielsen ratings was aired by one of these networks. From an advertiser perspective, it wasn't as much a question of **where** to reach one's target, but **how**.

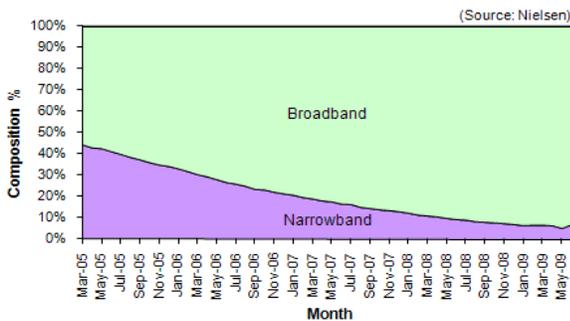
The media landscape today looks dramatically different than it did in the 1950's. As fragmentation continues to escalate, it's more critical than ever that advertisers truly understand their target's video behavior.

The following brief will discuss the digital video landscape with a focus on online TV viewership, covering growth trends, audience composition, major players, and why it's more important than ever that advertisers start to rethink their **video** strategies.

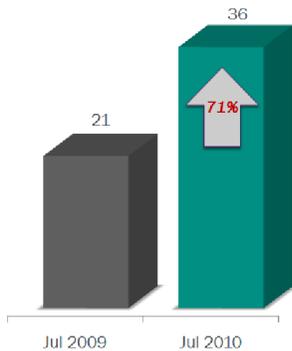
Online Video: BOOM!

In the beginning, accessing video content on the internet was painful. Connection speed made it impossible to enjoy online video in the same way users were accustomed to experiencing their favorite TV content on air. Growing dramatically since 2005, broadband access has made it possible for large amounts of information such as data, graphics files, or video to be conveyed quickly.

Web Connection Speed Trends - Home (US)



Online Video Views (Billion)



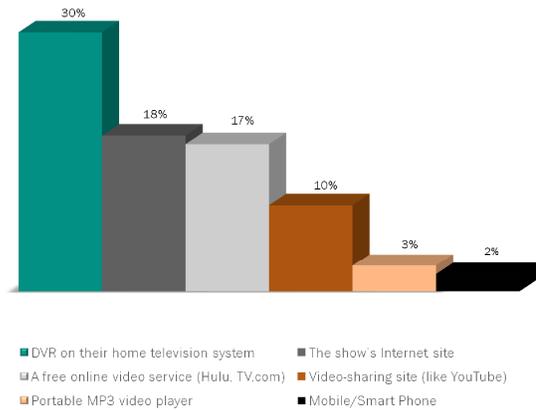
Source: comScore Video Matrix, 2010

With connection speed no longer a barrier to enjoying quality video content online, adoption took off. Between July 2009 and July 2010, online video views were up 71%. According to Cisco Systems Annual Visual Networking Index Report, internet traffic is predicted to quadruple between 2009 and 2014 with online video as the primary driver of that growth.

From 'Primetime' to 'My Time'

Initially a platform for short-form user-generated content and web-only clips, the internet has evolved into an all-access pass to premium video content. With the introduction of TiVo in 1999, the movement from 'Primetime' to 'My Time' had begun. The evolution of that behavior is exemplified with the success of online video properties like Hulu, which not only enables viewers to watch their favorite shows when they want, but more importantly, **where** they want.

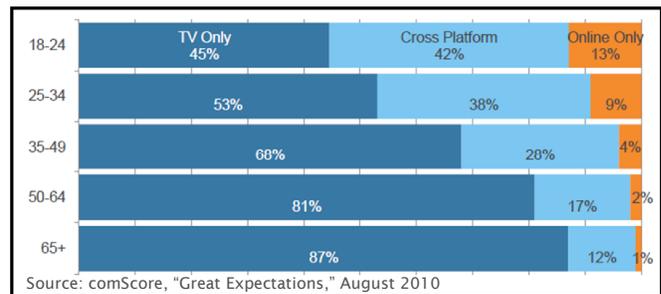
U.S. consumers have watched their favorite TV programs on the following platforms



Source: Deloitte's State of Media Democracy Survey, Dec 2009

TV Online: Who's Really Watching?

Following typical online trend growth patterns, the largest group of 'online only' viewers are the younger adult 18-24 audience, with 13% completely bypassing traditional television. Although a seemingly large percentage, the most significantly growing segment is cross-platform viewers. For cross-platform viewers it's not an either-or decision, but rather a matter of convenience.



Convenience and portability are the key drivers leading to the adoption of viewing TV video content online, and it's appealing to all demographics. The male/female online video split mirrors traditional television at 47/53 compared to television's 46/54 split.⁽¹⁾ Beyond the obvious platform fragmentation, this growing cross-platform segment has created a new opportunity for advertiser's to reach their audience and combat the YOY decreases in television ratings, especially in Primetime.

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TV Only: A Missed Opportunity

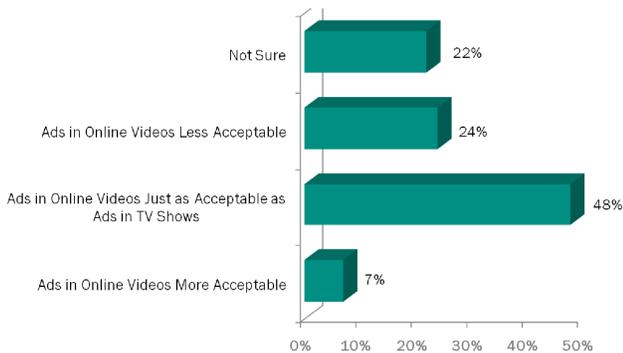
According to a recent study executed by SAY Media and comScore released in October 2010, 56MM consumers are *off the grid* - they are slipping past advertisers because they are removing themselves from the live broadcasting ad experience. This *off the grid* group represents nearly one third of the adult online population in the United States. The fact is, the old model of thinking about video is no longer effective—with consumer control increasing, advertisers need to be more strategic about the way they plan and buy video against their target. As displayed in the chart on page 1, the majority of viewers are still TV-only audiences, but that number is shrinking. Alternate video platforms are necessary to consider, especially for advertisers that have younger targets (to supplement traditional TV buys.)

The Cross-Platform Viewer

Initial research by comScore via their *Great Expectations* August 2010 study shows that the cross-platform viewer is more receptive to advertisers' messages than a TV-only viewer.

- 36% of cross-platform viewers find commercials interesting vs. 15% for TV-only viewers
- 30% of cross-platform viewers find commercials enjoyable vs. 14% for TV-only viewers
- 35% of cross-platform viewers find commercials more memorable vs. 15% for TV-only viewers
- 29% of cross-platform viewers think favorably about brands advertised vs. 13% for TV-only viewers
- 43% of cross-platform viewers have momentarily stopped watching a TV program online to get to an advertiser's website

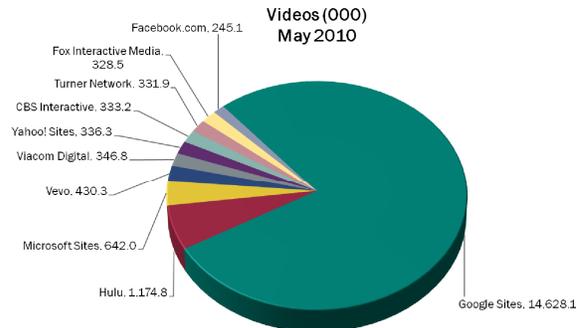
Online TV commercials are delivered during an opt-in viewing experience, and compared to TV, in a much less cluttered environment. Most online streaming networks have a similar number of commercial breaks as their on-air program counterparts, but only 2-3 commercials per pod without the option to skip. Audiences have grown to accept this advertising model, and the majority find the presence of ads in online videos just as or more acceptable than ads on TV.



Source: Frank N. Magid Associates, Inc., "Magid Media Futures 2010: Online Video"

Online Video: Where Are They Watching?

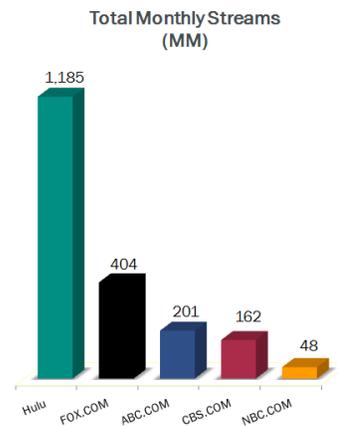
YouTube is by far the category leader, accounting for 43.1% of all videos viewed online.



Source: comScore Video Metrix, May 2010

Although the top 10 video platforms have their value, it's important to remember that with digital, size isn't everything. Digital's long tail provides very targeted opportunities for advertisers to efficiently reach their target audiences.

Advertisers have multiple ad options when it comes to distributing their content, mainly: pre-roll, user-initiated, and rich media. Depending on an advertiser's objectives and target, each of these formats should be considered. Online TV properties provide an easily executable solution for advertisers that are already investing on-air, or who are looking for an effective alternative for distributing their content at scale. In looking at the top streaming networks alone, Hulu is by far the



Source: comScore Video Metrix, July 2010

category leader.

Investment Trends

Online video advertising spending is a billion dollar industry and growing - set to outpace the growth of every other ad format over the next 3 years.^[2] The format is not just grabbing the attention of advertisers' online dollars, but TV budgets. By 2014 over 15% of advertisers' online dollars are predicted to go towards video and 8.5% of their TV budgets.^[3] As the consumer differentiation between on-air and online TV viewing begins to blur, advertisers need to adjust their approach to reaching a growing time and space shifting audience. The question is no longer "What's my TV budget?" but "What's my video strategy?"

1. Nielsen Online Video Census, 2009
 2. Growth stats derived from published study of projected spend growth by ad format, eMarketer, May 2010
 3. eMarketer 2010