



Phase 2 of Video: Revolution Evolution

In 2009, Yahoo! commissioned a study to help online marketers understand how they could take advantage of the emerging online video revolution. In just two short years, we've observed a change in online video that signals a maturation of this media format. Whereas phase 1 of online video was a revolution, phase 2 is an evolution. This evolution is happening on three fronts: video consumption habits, the sharing of video content and the video content itself. Marketers need to understand this shift in order to effectively reach their consumers in this truly engaging format.

As a follow up to our initial study, some key questions answered in this research include:

- How have online video consumption and viewing habits changed in the last 2 years?
- What type of video content is being viewed and what are consumers expecting to watch more of in the future?
- How does the professional production value of video content impact engagement and ad receptivity?



Methodology

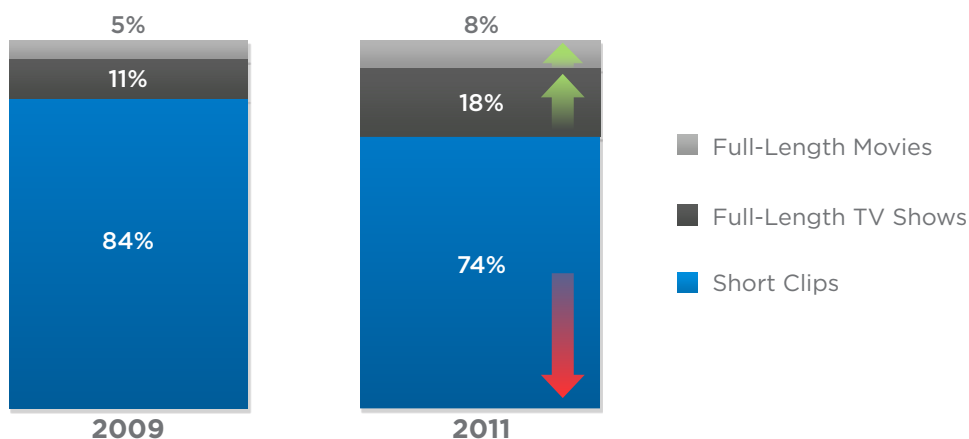
Yahoo! partnered with Interpret to survey more than 4,100 online video viewers about their last viewing experience in the past 24 hours. To ensure accurate representation of online video usage as it compares to traditional television, we used last occasion coincidental methodology, a common practice in TV advertising research but unique in online video.

Key Findings

1. Big Growth

Video continues to grow significantly, specifically full length movies and TV shows. In a given day 57% watched an online video, a 33% increase from 2009. However, short clips still represent the majority of videos watched, roughly 75%.

Proportion of Content Type - Watched in the Past 24 Hours



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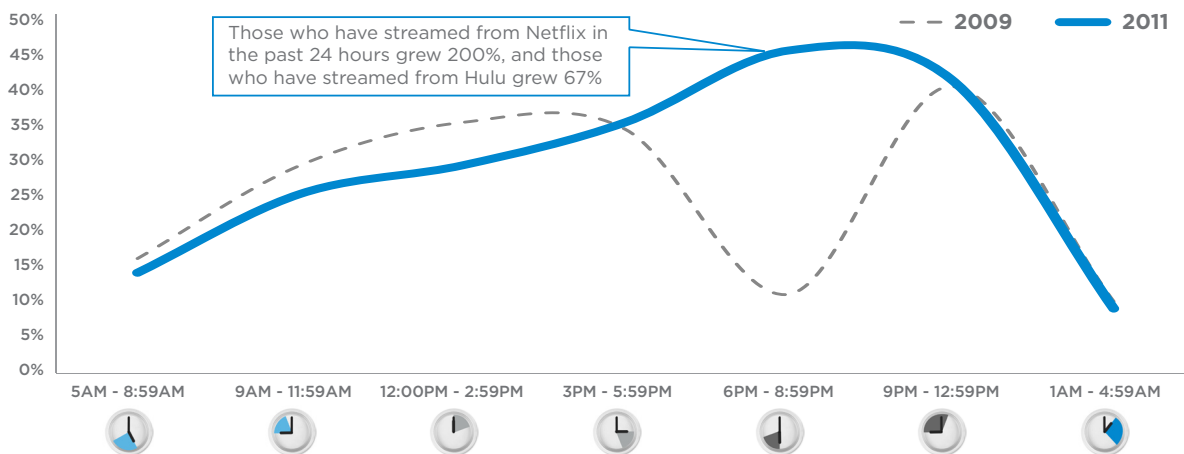
For more information on this study, please contact your Yahoo! account manager



2. Night Time Shift in Watching

There's been a marked increase, +30pts, in online video viewership between the hours of 6pm to 9pm. Viewership during "business hours" (9am-5pm) has declined, with the majority of videos seen in the evening when viewers are home. The growth of services like Netflix and Hulu (both of which have more than doubled in 2009) have likely prompted the growth in evening video streaming.

I Watched in the Past 24 Hours...



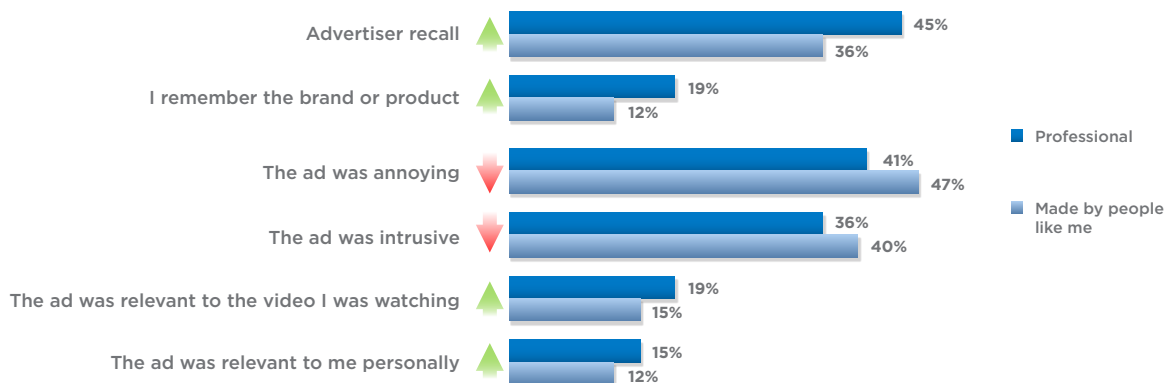
3. More Streams Shared, but Less Sharers

While there has been an overall increase in streams that are shared, the percentage of viewers that share videos has decreased in the past two years. Only 26% of respondents stated they actually shared the video they just watched, compared to 34% in 2009. Interestingly, the overall video sharer has gotten older, as the 25-54 demographic has grown from 64% to 72%. We found that older demographics are less likely to share video, thus contributing to a smaller proportion of online video sharers.

4. Ad Receptivity Increases with Production Value

Video advertising receptivity increases when it's tied to professionally produced content. We found that for professional videos, viewers are significantly more likely to remember seeing the ad, retain product information or recall the brand being advertised. Ads associated with professional content are also more likely to be viewed as relevant to consumers.

Professionally Made vs. Made by People Like Me



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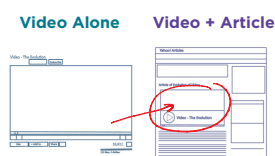


5. If You Build It, I Will Watch - Even If It's Short

When it comes to online video, half will follow an online original series to learn new things and 60% intend to seek more professionally-produced short online clips in the future. Roughly 70% who watch these clips find them by way of their homepage, on large content sites or by going to a video site directly.

6. Video+

Consumers show greater engagement to professionally polished videos attached to "mixed media," like articles. They're also more receptive to ads in video environments that include content. 57% of online video viewers say they enjoy watching a video next to an article. We also found that when a video is viewed on a page that includes an article, viewers are more likely to watch the video to get more information, recall seeing the advertising, and view the video as "professional" - resulting in a consumer who is in a more open mindset for advertising.



57%

I enjoyed watching online video when it's featured next to or part of an article

12% vs. **24%** = watched the video to get more information

52% vs. **42%** = watched the video to entertain themselves

39% vs. **42%** = recall seeing the advertising

54% vs. **61%** = more likely to be thought of as professional

Conclusion

As online video continues to grow and become more mainstream, an evolution is taking place on three fronts: viewer consumption habits, the sharing of video content and even the video content itself. By understanding these changes marketers can maximize consumer engagement by selecting the appropriate video content and sites according to their marketing strategy.

Marketing Implications

- **Online Primetime.** With the meteoric rise of online video viewership between 6pm to 9pm, online video is becoming a viable opportunity to connect with consumers during prime time. Capitalize on this trend by integrating TV and online video advertising.
- **Happen Upon Your Consumer.** While appointment viewing is more prominent for long form content, short form content is an integral part of consumers' every day online experience - leading to more opportunities for advertisers.
- **Get Shorty, but Professional.** Leverage professionally-produced short video series on large video sites and content providers.
- **Advertise on the "Right Content."** Consumers react significantly more positively to ads placed next to professional content, so make sure you know which content will be aligned with your ads.
- **Social is About Short Clips I Didn't Make.** Plan media buys next to content that is shared most often - mainly professional short clips like music, entertainment, or news clips. Achieve advertising "virality" by investing in great creative that aligns with content consumers want to share.

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