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Issue Alert Stories

Picture this: Online video generating excitement

By Kate Maddox

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Online video is becoming the killer application of the Internet as b-to-b marketers embrace it as an integral part of their marketing programs, using it in such disparate formats as 15-second banner ads and long-form documentaries.

Spending on online video advertising will more than triple in the next three years, growing from \$775.0 million this year to \$2.90 billion in 2010, according to research company eMarketer.

With the anticipated surge in spending, media companies are scrambling to get in on the action, as demonstrated by the partnership announced last month by NBC Universal and News Corp. to form an online video ad network.

In announcing the as-yet-unnamed venture, News Corp. President-COO Peter Chernin called it "the largest ad platform on earth," with an audience that will reach about 96% of the U.S. Web viewing audience. The video network will be distributed by partners including Microsoft Corp.'s MSN, News Corp.'s MySpace, Time Warner's AOL and Yahoo.

Already, the video venture has lined up charter advertisers including Cisco Systems, General Motors Corp. and Intel Corp.

"The partnership is another great venue for us to reach our audience, which is people who are using their computers for entertainment," said Thom Campbell, senior media manager at Intel. He said the partnership encourages the use of computers for watching video, which is one of the product benefits of Intel's Core 2 Duo Processor.

When Intel introduced its vPro technology last September, it used 90-second video ads to promote the package of hardware and software on sites aimed at IT buyers. "Online video has proven more effective than standard banners," Campbell said.

Doug Scott, senior partner and executive director-branded content and entertainment at Ogilvy North America, said one of the benefits of online video is lower production costs than traditional TV spots.

"It costs less than doing a 30-second TV spot, but a more important question is the value of the video asset versus that of an ad," he said. "The longevity of an ad is three to six months at best, but the longevity of a story being told about business solutions is much longer."

For example, Ogilvy has been working with client IBM Corp. since November developing "long-form documentaries," which are then cut into different formats and distributed across multiple platforms, including online, TV and mobile.

The longer-form films, which range from five to seven minutes, showcase how IBM is helping its customers solve business problems. So far the agency has created 10 films for IBM, including six in the U.S., featuring customers such as the National Football League, New York City Police Department and Professional Golf Association.

The videos are running on IBM's Web site, and shorter versions have been packaged together and are running on CNBC's TV program "The Business of Innovation." In addition, the video content will be distributed across online media properties, including Google and YouTube, as well as business and technology sites.

Visa started using online video in 2002. "At that point, a lot of the ads were taking 30- or 15-second TV spots and throwing them online," said Jon Raj, VP-advertising and emerging media platforms at Visa USA.

Raj said Visa's first "breakthrough" online video project came in 2003, with a program called "Ideas Happen." Visa created a Web site and invited young adults to upload their own videos, much like today's YouTube, with their ideas for business, self-expression and community. Users could vote on the best ideas, and Visa awarded prizes to 12 winners.

Visa has been making use of online video recently with its BusinessBreakthrough.com, a Web site aimed at small businesses. The site, which debuted in October, features five three-minute videos of small-business owners talking about business challenges and how Visa helped them solve their problems.

So far, more than 2 million users have visited the site. Visa also tracks other metrics, such as whether users watch a video and average viewing time. But perhaps more important is the impact the site is having on achieving Visa's business objectives, Raj said.

"A key metric is third-party research that looks at raising the attributes that we know grow our business," he said. "We define our success based on that."

Rick Bruner, research analyst at DoubleClick, said online video ads are proving effective as branding vehicles as well as direct response units. He pointed to recent DoubleClick research that found average click rates for online video ads were five times higher than those for ads without video. "Most advertisers see video ads as more of a branding vehicle than a direct-response vehicle," he said. "Nonetheless, these units get a much higher direct response rate on click-throughs."

Other b-to-b companies that have been experimenting with online video for years are now using it prominently in their marketing communications programs, and they're seeing positive results.

"We've been doing video for a long time, but we have really been more aggressive in the last year," said Helen Lechner, senior manager of Web marketing strategy at Cisco. "We have video all over our site."

Cisco uses online video for product demonstrations, executive speeches, interviews with product managers and excerpts from ad campaigns. The videos range in length from 30 seconds (for ad campaigns) to five minutes (for more in-depth product demonstrations). "My rule is two minutes," Lechner said.

Cisco has also run online video ad campaigns as banner ads and seeded viral video campaigns on YouTube. "You really have to experiment with all of this," Lechner said.

Sun Microsystems has been using online video—encompassing online ads, product demonstrations, interviews with executives, You-Tube videos and e-mail communications—for the past five to six years, said Felix Serna, senior director-global eMarketing at Sun.

"We had videos up very early," Serna said. "It has really changed from being a PR-driven vehicle to a collection of digital assets."

For example, Sun recently produced 10-to-15-minute video discussions on technology, which ran on newsletters and Sun Web sites.

Sun uses a variety of metrics to track the performance of online video ads, such as open rates and time spent viewing the ad. Now the company is exploring new ways to gauge performance, such as tools that allow advertisers to track online video in real time and even change the ending of an ad based on user behavior.