

Forrester Consulting

MAKING LEADERS SUCCESSFUL EVERY DAY

Prepared For Veoh Networks

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Watching The Web: How Online Video Engages Audiences

A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks

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Executive Summary

Since the rise of user-generated content established the Internet as a viable medium for video distribution and consumption, producers of many forms of video have followed suit. Although experimental at first, these content efforts have demonstrated their ability to attract and retain audiences of significant size. As is the case with content delivered to the television, the primary way content is paid for is by advertisers eager to reach engaged audiences.

But because this medium is so new, advertisers and content owners alike do not yet understand what kind of audience they are attracting and how engaged that audience is. Are online video viewers somehow “special” as many suspect, either in demographics, engagement, or willingness to experience an ad-supported medium in exchange for greater control over and flexibility of their viewing? It was with this question in mind that Veoh Networks commissioned Forrester Consulting to undertake a study that revealed online video viewers are indeed unique, both in the way they watch video and in their readiness to engage with advertising. This report reveals which online viewers are most engaged and what kinds of online video experiences best prepare them to receive advertisers’ messages. In summary, the study found that:

- Engaged online video viewers (Engaged Viewers) being those who watch more than one hour of online video per week, represent just 38% of online viewers, yet account for 74% of all video viewing.
- These viewers are watching more than just user-generated content. In a typical month, they watch on average 6.1 types of video content, from animations to full-length TV shows to movie clips.
- Engaged Viewers watch, on average, 3.6 different videos during a typical session, to which they usually devote 26 minutes, or roughly seven minutes per video.
- More than a third of Engaged Viewers, 37%, say they pay more attention to online video than they do to television; 43% say their attention levels between the two media are comparable.
- Although they already watch more than the average amount of online video, 61% of Engaged Viewers expect to watch even more over the next twelve months.
- Engaged Viewers can be further broken down into three segments: Watchers, Controllers, and Connectors.
 - Watchers spend a little more than an hour watching video each week but besides showing up to watch, do not engage the experience deeply by controlling playback or sharing videos.
 - Controllers go a step further; these younger viewers take an active role in controlling their video experiences and feel that online video is important in their lives.
 - Connectors, typically even younger and representing just 7% of online viewers, consume 20% of all online video and are responsible for 42% of all the online video sharing.
- The most desirable viewers, Connectors and Controllers, watch long-form video content more than Watchers do, making long-form content sites an ideal place to reach them.
- Long-form content sites not only attract desirable viewers, but they also cultivate an environment that garners more attention to and engagement with advertising. Forty-three

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percent of these desirable viewers believe video advertisements to be a fair exchange for free online viewing.

The full report that follows presents the evidence that supports these findings. The report concludes with concrete recommendations to advertisers for how to reach the most engaged viewers with their advertising messages.

Study Objectives And Methodology Overview

In the summer of 2008, Forrester Consulting conducted a commissioned study on behalf of Veoh Networks to determine the current state of online video viewing, including long-form content viewing, across all consumer demographics.

Specifically, Veoh Networks commissioned this study to determine:

- What it means to be an engaged online video viewer.
- Why Engaged Viewers watch online video.
- How online video holds viewers' attention.
- Which types of online video are more likely to engage consumers.
- Whether online video presents advertisers with a unique medium with which to reach consumers.
- How viewers feel toward online video advertising.
- Which advertising experiences are more likely to be accepted by viewers.

In August 2008, Forrester Consulting conducted an online survey of 1,013 people in the US, 13-years old and older, who watch online video at least one hour each week. Responses were calibrated against Forrester's ongoing Consumer Technographics® research to assure response validity. In addition to the quantitative questions in the online survey, numerous open-ended items were included to afford engaged video viewers the greatest opportunity to describe their video experiences in their own words. Building on this insight, a sub-sample of ten individuals who completed the online survey and explicitly consented to be contacted for a follow-up interview were recruited to participate in one-hour, in-depth, telephone-based interviews to discuss their experience with online video more fully. The combination of rigorous quantitative measures and qualitative insight paints a picture of today's engaged online video viewer.

The State Of Online Video Today

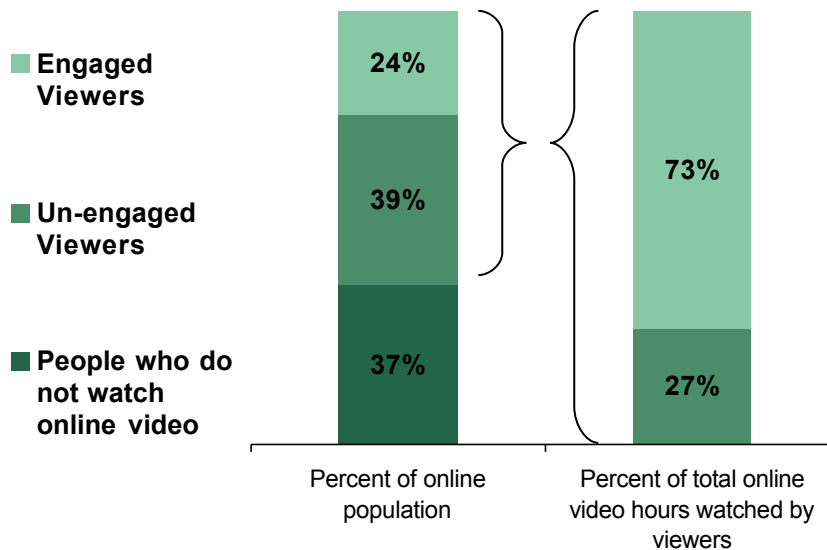
Online video has arrived: watching video online is one of the top five activities on the Internet, behind email, search engine use, and online shopping¹. But what does it mean that 64% of online teens and adults in the US² — 117 million online consumers thirteen-years old and older — regularly watch video online? As online viewing matures, what likely effects will it have on how consumers experience the Web? Will online video uniquely engage consumers? What opportunities will it present for content producers and advertisers eager to place their content and brands in front of such a large and powerful audience?

This study was designed to address these questions. To definitively pinpoint what it means to be an engaged online viewer, this study focused on viewers who are engaging with online video more than the average online viewer. According to Forrester Research's Consumer Technographics® Q2 2008 Media And Marketing Survey of nearly 5,000 online adults, the average online viewer spends 56 minutes, nearly one hour, each week watching online video. Thus, we define an Engaged Viewer as follows:

Engaged Viewer: An online video viewer who watches online video more than one hour per week.

Based on Forrester's research, 24% of online adults – 38% of online video viewers – can be described as Engaged Viewers (see Figure 1). Precisely because they are more engaged in the online video experience than Un-engaged Viewers who watch less than one hour per week, nearly three-quarters, 73%, of all online video is viewed by Engaged Viewers.

Figure 1: Engaged Viewers View More Than Their Share of Video



Base: 844 online adults who watch online video

Source: Consumer Technographics Q2 2008 Media And Marketing Survey, Forrester Research

This quantitative survey of more than one thousand Engaged Viewers and in-depth interviews with a subset of ten of these respondents reveals how deeply people are engaging with online video today.

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Because online video is still in its relative infancy, Forrester believes that these findings offer not only insight into today's Engaged Viewers, but also a glimpse of what tomorrow's Engaged Viewers will look like as more Un-engaged Viewers graduate to watching more online video than they do today.

What It Means To Be An Engaged Viewer

First, listen to a few of these Engaged Viewers describe online video in their own words.

"I can get what I want, when I want." (42-year-old)

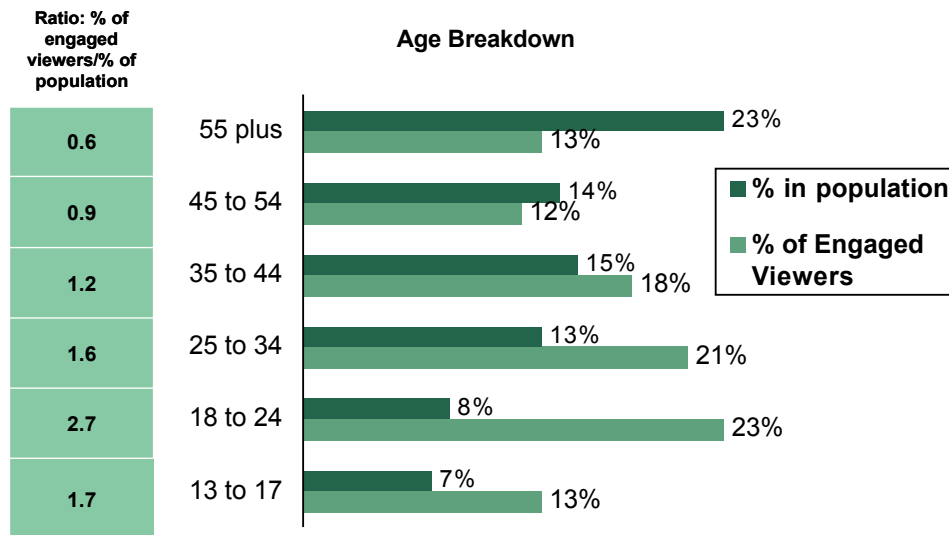
"I like it just because I can choose whatever I want to watch right away, certain episodes or whatever. If I want to skip something, I can, and I can do other things on the computer, too. It's convenient and it saves money." (20-year-old)

"The nice thing about watching video on the PC, I can stop what I'm watching, get up and go take care of my kids, and not miss anything in between. Sometimes if I'm watching the TV in the other room I will miss something; now I know that I can go back to the computer and catch what I missed." (37-year-old)

As these comments suggest, Engaged Viewers are thrilled with the online video experience. They value the control and convenience it gives them. Seen quantitatively, Engaged Viewers live up to their name in many important ways. They:

- **Are young.** Although 13- to 17-year olds make up only 7% of the total population, they represent 13% of Engaged Viewers (see Figure 2). Expressed as a ratio of 1.7, this shows these teens to be nearly twice as important in the Engaged Viewers population as their numbers in the population would suggest. Similarly, 18- to 24-year-olds account for 23% of Engaged Viewers, although they represent just 8% of the population. A ratio of 2.7 makes them the most disproportionately powerful group of Engaged Viewers.

Figure 2: Engaged Viewers Skew Heavily Toward the Young



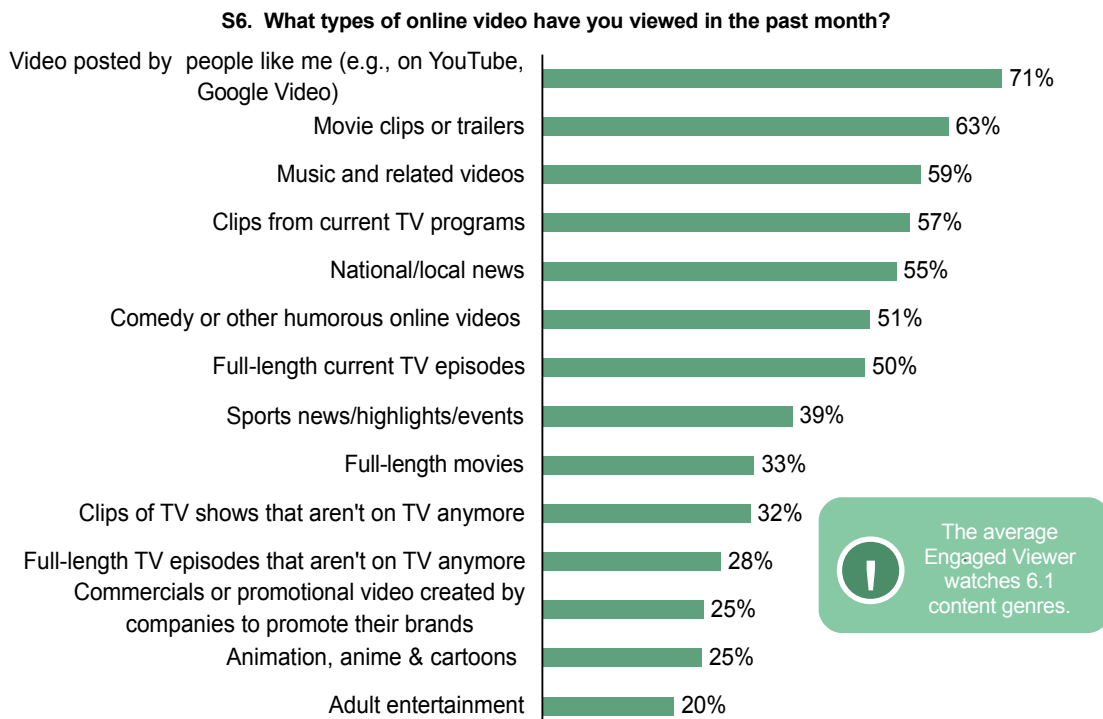
Base: All respondents
Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

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- **Watch 2.5 hours of online video per week.** Engaged Viewers tend to fall into two camps: those who view less than two hours and those who view three or more hours of online video, producing an average of 2 hours and 28 minutes of viewing each week.
- **Experience a variety of content types.** It is critical to note that Engaged Viewers are sampling the full variety of online video content available to them (see Figure 3). On average, they watch 6.1 types of content in a typical month, including user-curated sites as well as content sourced from professional media like movies, music videos, and television.

“I love user generated content, - lower budget stuff you couldn’t get on network TV, – either homemade or student made, – budding filmmakers that wouldn’t get into Hollywood,. Web shows that I find entertaining, as much as anything on TV. Web video makes that possible.” (25-year- old).

Figure 3: Viewing Is Spread Over Many Different Content Types

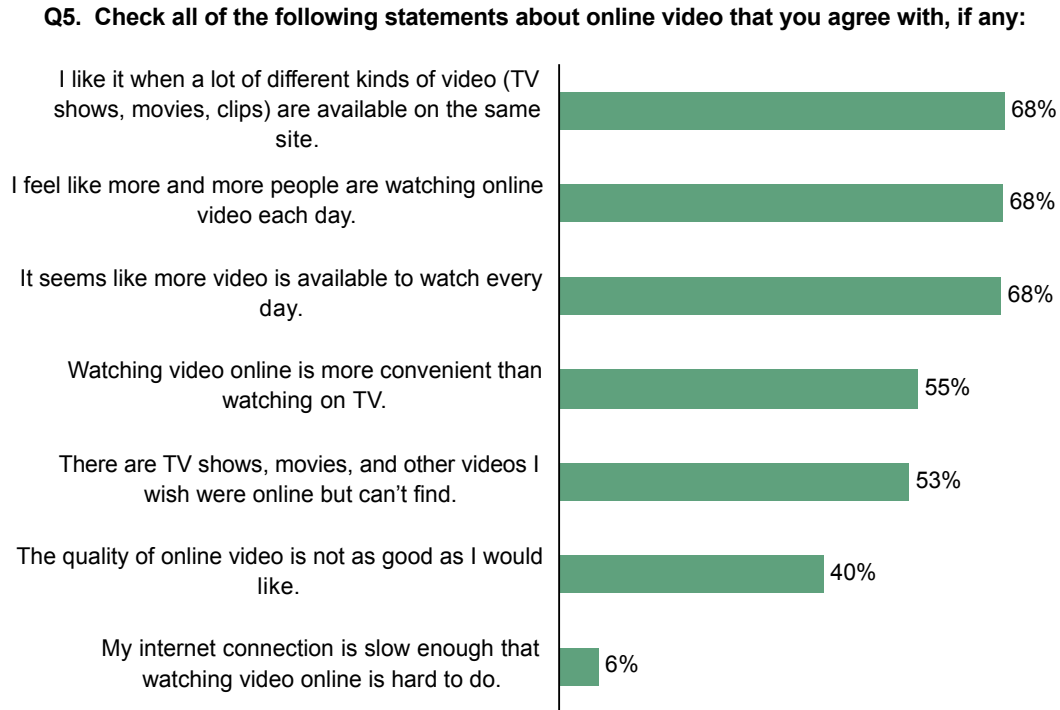


Base: 832 respondents
 Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

- **Know what they’re doing.** It’s clear that Engaged Viewers are settling into specific patterns and attitudes related to their online viewing. For example, 68% of them like to have a variety of content types available to them on the same site (see Figure 4). More than half, 55%, feel that watching video online is more convenient than watching programming on TV, even though 53% note that some of their favorite videos are not online and 40% wish video quality was better.

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Figure 4: Viewers Generally Positive About Online Video Experience



Base: All respondents
Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

As evidenced by Figure 4, these Engaged Viewers feel that they're part of a rising tide. Two thirds feel that more and more people are watching online video every day, and an equal number feel that more video is being made available for their viewing pleasure every day.

"The industry – the more they have, the more interested I get. They used to not have anything; no one had anything available that didn't take forever to download. [Now] the quality is better, the options are better. Just in the past few years, it has improved a whole lot." (25-year old).

"There's a lot more available now, there's a lot of TV shows available now, that's pretty interesting. Seems like that's the direction everything is going in and that's the direction I was going in anyways." (37-year old).

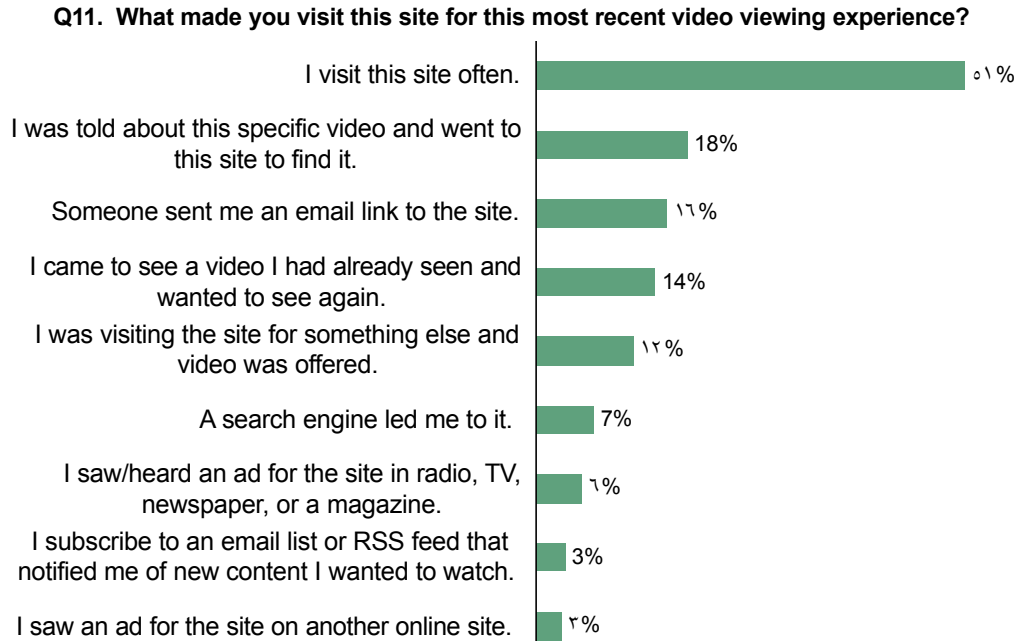
Lessons Learned: The Last Time They Watched

To understand the experience of Engaged Viewers more concretely, we asked them to describe in detail the last time they watched video online. From them we learned:

- **How they find what they watch.** Engaged Viewers appear to have established clear preferences for the sites they visit: 51% told us their most recent session was at a site they visit often, although some also found the site from an email or were on the site for other reasons and came across a video worth watching (see Figure 5). Browsing and search are the two most commonly cited ways to find videos on a site, although there is clearly a diverse range of other options for finding videos (see Figure 6).

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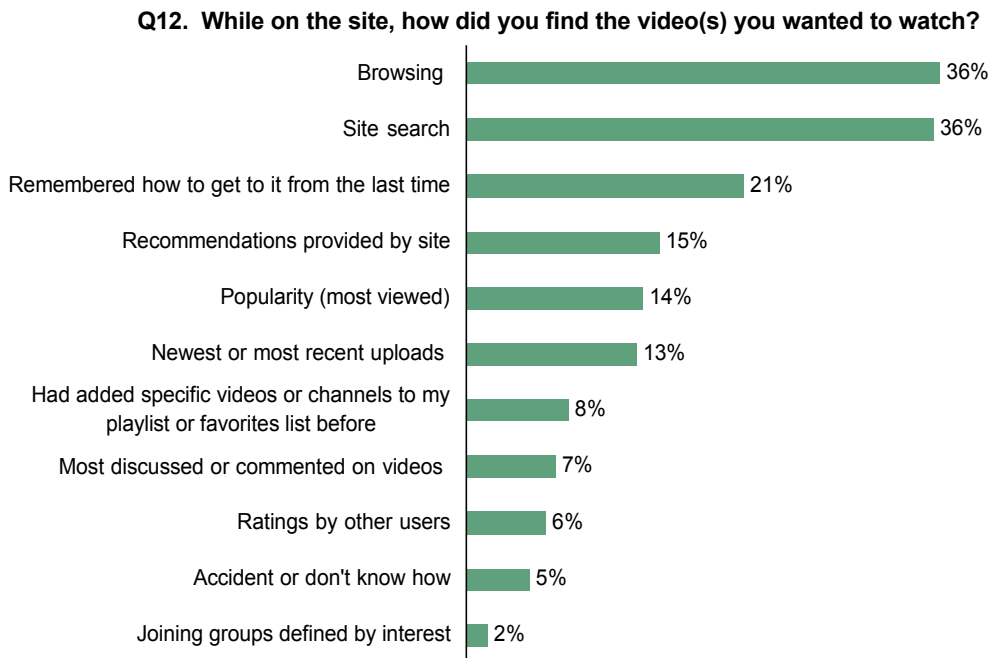
Figure 5: How Engaged Viewers Find the Video Sites They Visit



Base: All respondents

Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

Figure 6: How Engaged Viewers Find the Videos They Watch



Base: All respondents

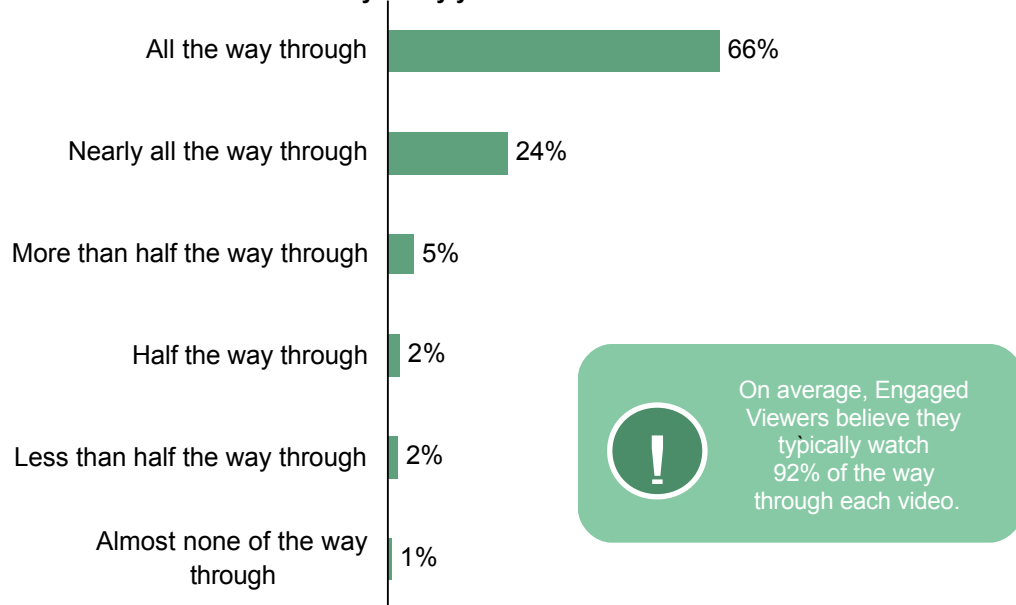
Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

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- **What a typical session is like.** In this most recent session, Engaged Viewers watched an average of 3.6 separate videos. It typically took them 26 minutes to do so, or roughly seven minutes per video. Interestingly, despite protests from site administrators who complain that many videos are abandoned just seconds into playback, these Engaged Viewers assert that they are watching most of the videos they view all the way through (see Figure 7).

Figure 7: Engaged Viewers Typically Watch The Whole Video

Q17 & 18. Sometimes people start videos but do not watch them all the way through, stopping before the video is finished. Of the video you watched during this most recent session, would you say you watched it:



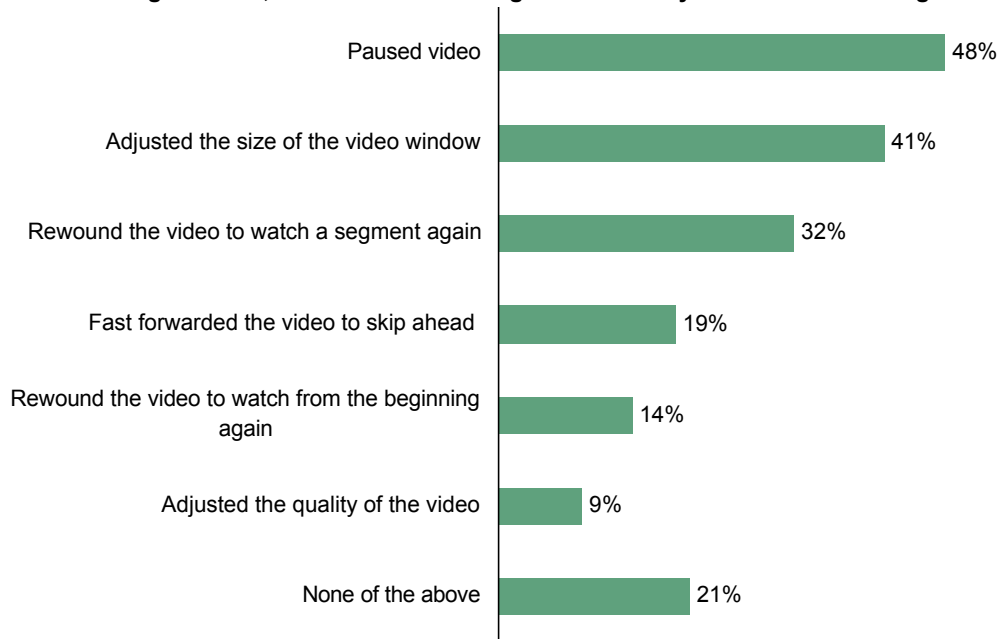
Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

- **Most are comfortable controlling playback.** The playback interface appears not to intimidate Engaged Viewers. Nearly eight-in-ten, 79%, engaged the player at least once in the most recent session, ranging from pausing the video to rewinding or fast forwarding to get to the “good parts” (see Figure 8).

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Figure 8: Engaged Viewers Are Not Intimidated By Video Player Tools

Q19. During this visit, which of the following activities did you do while watching the video?



Base: All respondents

Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

- **How they engage with other viewers.** A majority of Engaged Viewers engage their fellow viewers on some level. Only 37% said they didn't participate in any social activities: 40% said they read comments from others, and 28% said they looked at ratings (see Figure 9). Fewer went so far as to send a video link to a friend, even fewer to rate a video or post a comment, suggesting that enjoying a video doesn't require engaging the social features of a site.

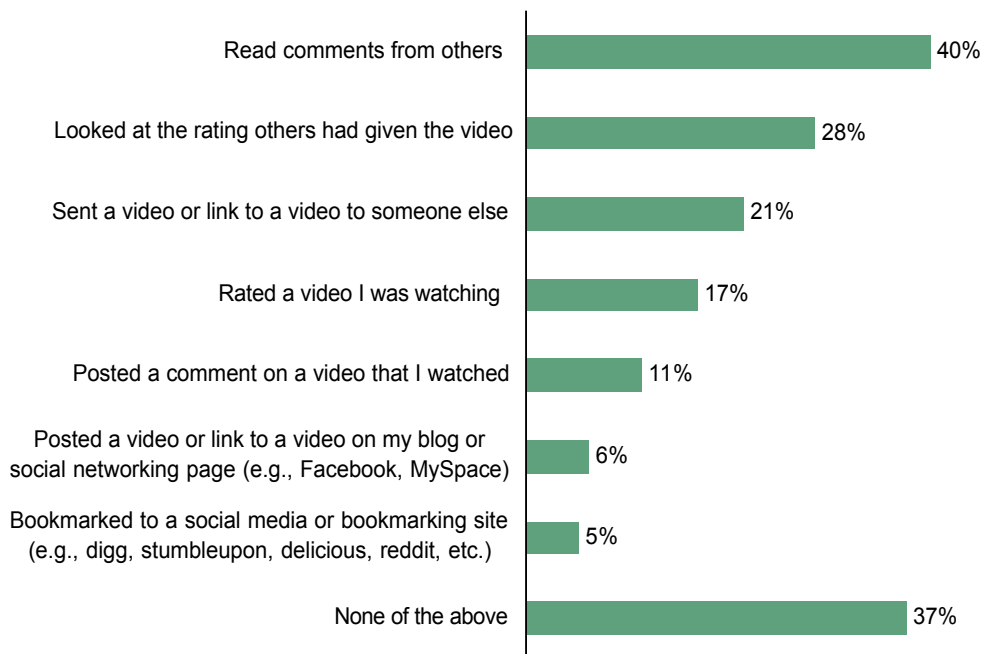
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Figure 9: Engaged Viewers Participate In Social Video Activities

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Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

Q20. Which of the following activities did you do with any video(s) you watched?



Base: All respondents

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- **They're paying close attention.** Of significant interest to content producers and advertisers alike is that Engaged Viewers are paying close attention to the online video they watch. More than a third, 37%, said they paid more attention in this session than they do when they watch television; 43% described their attention levels between TV and online video as comparable.

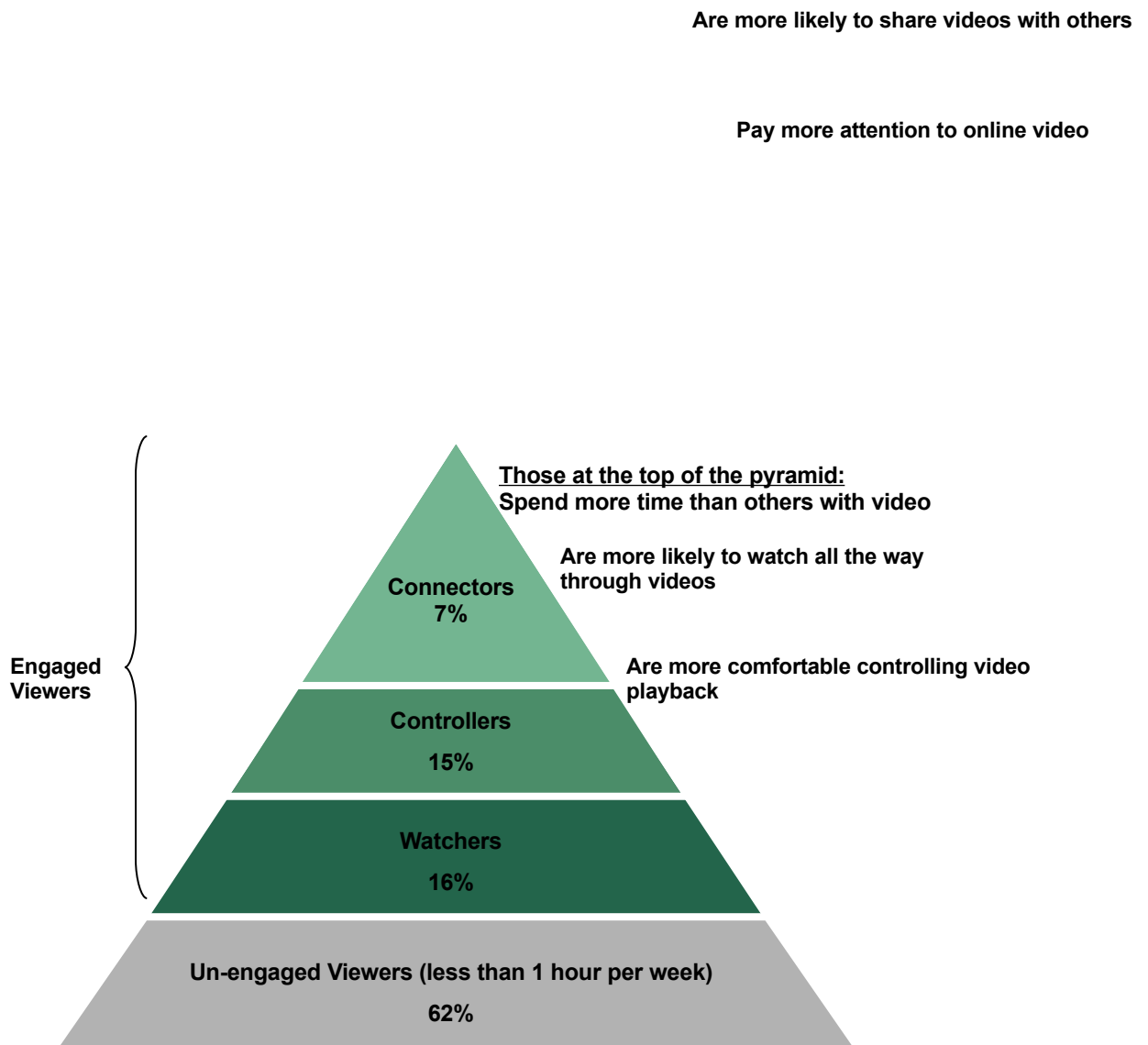
"I think I pay more attention because if I'm going to log on and then I'm going to choose to put that into my Internet. If it's TV, then it just happens to be in the room at the moment. Not as deliberate." (28-year-old)

The Pyramid Of Online Video Engagement

Looking at Engaged Viewers' most recent online video sessions, it is clear that some members of this group are more engaged than others. We segmented Engaged Viewers into three subgroups based on their tendency to spend more time than others with video; the percent of a video they typically watch; whether they are comfortable managing video playback; whether they share videos with others; and how much attention they pay to online video compared to television. By clustering respondents according to these five behaviors, we identified three distinct groups that can be depicted as a pyramid of online video engagement (see Figures 10, 11, and 12):

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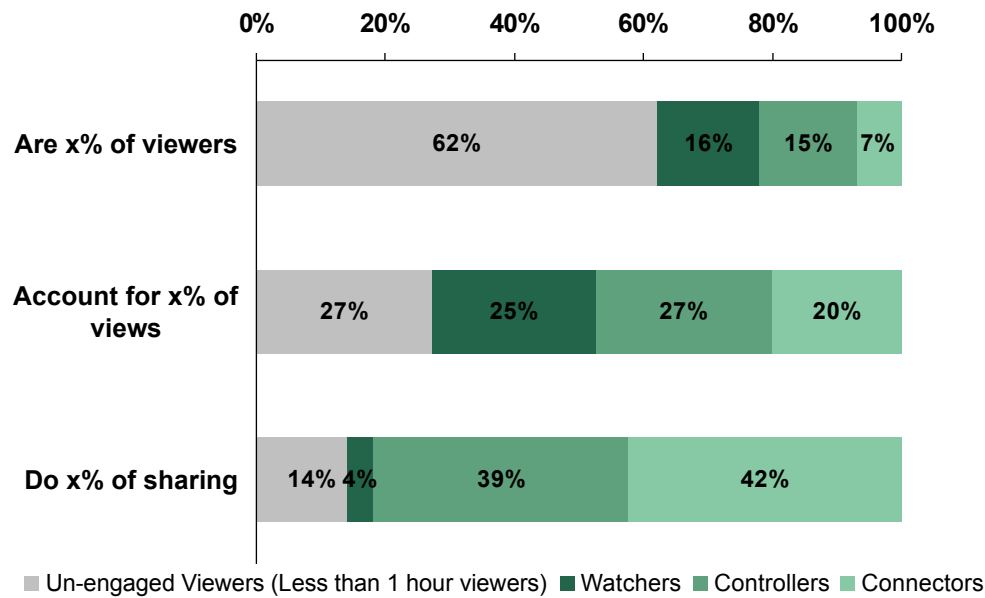
Figure 10: The Pyramid Of Online Engagement



Base: all online video viewers
Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks. Un-engaged Viewer data from Q2 2008 Consumer Technographics Media And Marketing Survey, Forrester Research

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Figure 11: The Pyramid Reveals The Most Powerful Viewers



Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks. Un-engaged Viewer data from Q2 2008 Consumer Technographics Media And Marketing Survey. Forrester Research

Watchers. This group represents 16% of the online viewing population and accounts for 25% of all video views. But beyond showing up to view, this segment is less connected to the experience than the rest. They watch fewer types of video, a smaller percent think they pay more attention online than to TV, and they're less likely to think their online viewing will increase in the future. Most telling is the fact that Watchers are the least likely to share videos with others via email or other means. So while they are watching online, they are not embracing the channel enough to take control of the experience. One 44-year-old explained it this way:

"Online video is like cotton candy, sweet, but doesn't fill me. TV is like a four course dinner!"

- Controllers.** This group is similar in size to the Watchers representing just 15% of online viewers; yet like the Watchers they watch a little more than one quarter, 27%, of all videos viewed online. There the similarities end, however, as Controllers go on to exercise much more control over their online video experiences. A full 40% say they pay more attention to online video than to television, and two-thirds say they expect to increase the amount of online video they watch in the future. They engage the social features of online video with modest energy: one-fourth shared a video in their most recent session, and 18% rated a video. Typical of a Controllers is this comment by a 24-year old:

"I pay for extended cable and still sometimes don't find anything on TV worth watching, whereas online I can find what I want to watch when I want to watch it."

- Connectors.** The cream of the Engaged Viewers crop are the Connectors. They don't just watch online video, they rejoice in it. Though a trivial 7% of online viewers, they account for 20% of all views. We call them Connectors because they are responsible for 42% of all video sharing online. This is what makes the Connectors stand out; not only are they watching more than others, spending nearly twice as much time in their last session as the others, but they are also shaping

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what others watch through their sharing. Sharing is also what keeps women in this group despite the fact that men tend to spend more time with online video. Connectors' acceptance of online video is total, as evidenced by this 20-year-old's observation:

"I don't even have cable anymore, I just watch everything online."

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Figure 12: Key Measurements of Pyramid Segments

		Total Sample	Watchers	Controllers	Connectors
Percent of engaged viewers			41%	40%	19%
Demographics					
Gender*	Female	51%	50%	51%	53%
	Male	49%	50%	49%	47%
Income	Less than \$75,000	66%	63%	66%	71%
	\$75,000 or more	34%	37%	34%	29%
Age	13 to 34	57%	55%	58%	60%
	35 to 54	30%	31%	30%	28%
	55 plus	13%	15%	12%	13%
Behaviors					
Time spent watching online video in the last 7 days	1 hour to less than 1 ½ hours	26%	30%	24%	18%
	1 ½ hours to less than 2 hours	22%	25%	21%	17%
	2 to less than 3 hours	21%	22%	22%	20%
	3 to 4 hours	15%	13%	16%	16%
No. of types of video watched		6.1	5.7	6.1	6.9
Minutes watched in last session		26.3	11.4	32.6	45.6
How far through each video typically watched		91.7%	87.3%	93.6%	97.3%
Percent of viewers who will increase online video use in the next year		61%	51%	65%	75%
Activities performed while watching online videos	Sent a video or link to a video to someone else	21%	3%	24%	54%
	Posted a video or link to a video on my blog or social networking page (e.g., Facebook, MySpace)	6%	1%	6%	17%
	Bookmarked to a social media or bookmarking site	5%	2%	5%	12%
	Rated a video I was watching	17%	8%	18%	33%
	Posted a comment on a video that I watched	11%	7%	11%	23%
Percent who pay more attention to online video compared to television		36%	17%	40%	69%
Attitudes					
	Watching video online is more convenient than watching on TV	55%	48%	55%	69%
	The quality of online video is not as good as I would like	40%	38%	44%	37%
	I feel like more and more people are watching online video each day	68%	64%	68%	77%

*Sample was recruited with the purpose of approaching a 50/50 gender split.

Base: All respondents

Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

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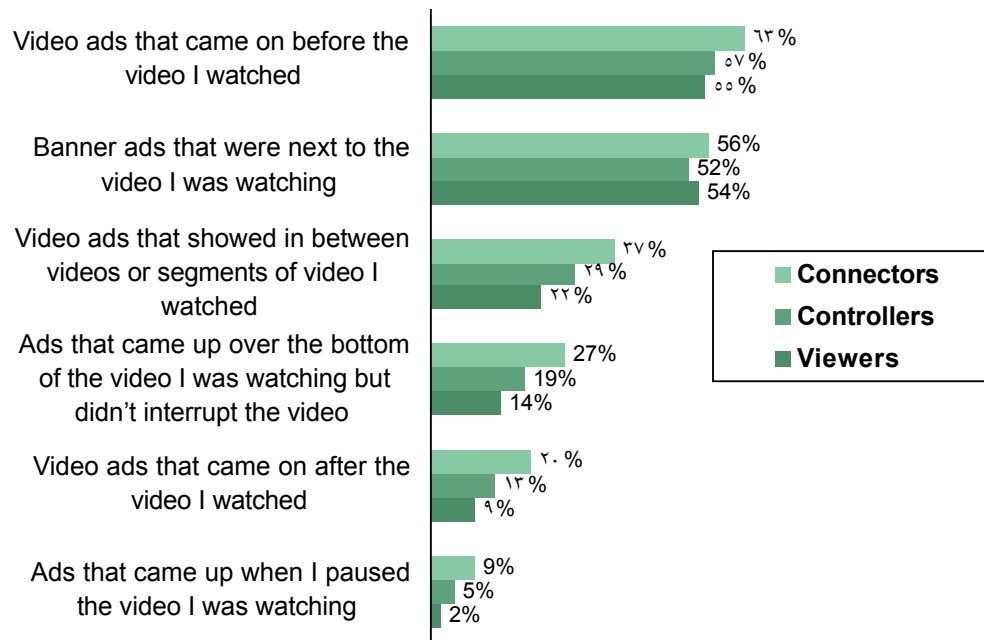
Where Advertising Fits

It's important to define the segments in the Pyramid of Online Video Engagement because it significantly influences the effectiveness of advertising in the online video experience. Viewed through this lens, we can see that the segments have slightly different experiences from one another, affecting:

- How many ads are seen.** Obviously, because Connectors watch more video than everyone else they're more likely to see ads. Appropriately, Connectors reported seeing 2.9 ads in their last viewing experience, compared to the 2.2 ads viewed by Controllers and the 1.4 seen by Watchers.
- Which formats are seen.** Similarly, Connectors can recall seeing more types of video-related advertising, from in-stream video ads to banner ads (see Figure 13). This is possibly because they were exposed to more ads, but also because their experience and sophistication have taught them more about the formats of advertising they'll typically encounter.

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Figure 13: Connectors Notice More Ad Formats



Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

Q26. Which of the following ad types did you see during this online video experience?

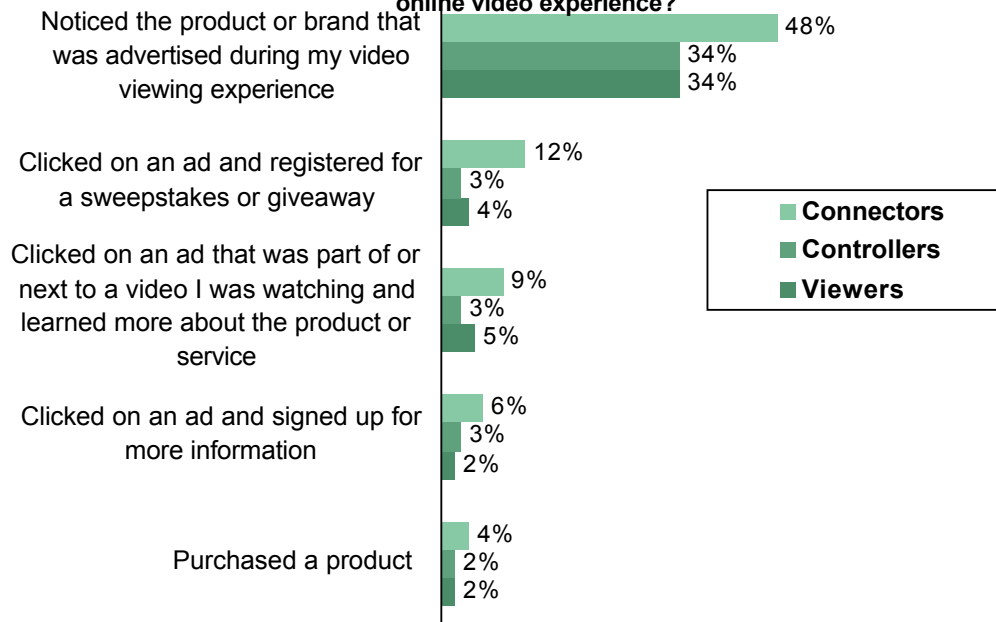
Base: Viewers (n=415), Controllers (n=397), and Connectors (n=193)

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- **Whether they acted on the ads.** Despite the notion that younger viewers like Connectors don't have time for advertising, Connectors were the most likely to not only notice the brand presented in the ads, but also to click on a promotion or advertising message (see Figure 14).

Figure 14: Connectors Act On Ads More Often

Q27. Which of the following actions, if any, did you perform while watching video in this most recent online video experience?



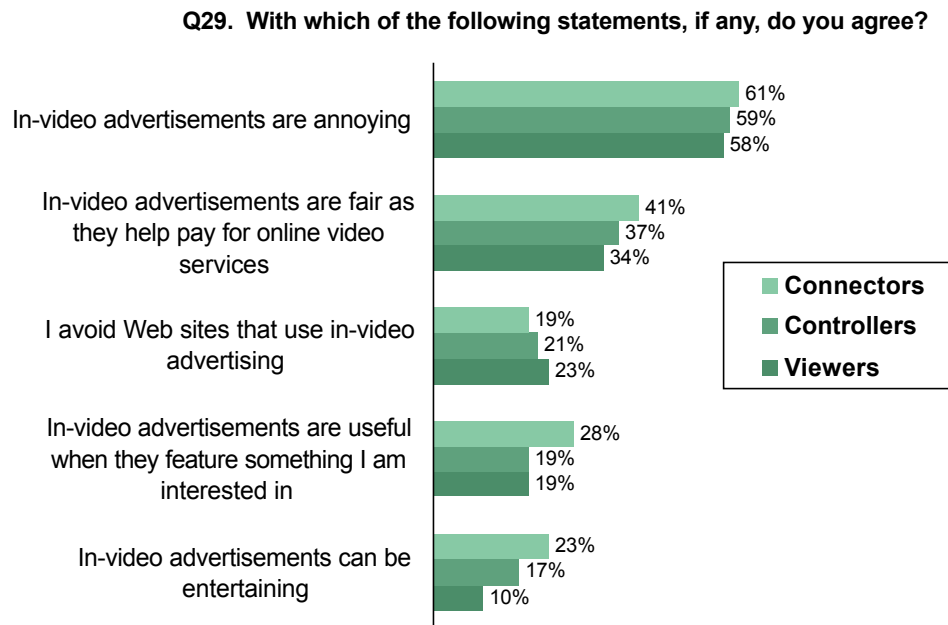
Base: Viewers (n=415), Controllers (n=397), and Connectors (n=193)
 Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

- **Openness to advertising.** Most encouraging to advertisers is that these young, technically sophisticated Connectors are more open to the need for advertising. Nearly half, 41%, agreed that advertisements are fair because they help pay for the video (see Figure 15). Beyond that, they're the most likely to report enjoying ads and finding them useful.

"I don't really like or dislike [ads]. I understand why they are there; they help the site generate revenue. I'm really impartial. If I see something that interests me, I'll look it up. If its something I need or want, I'll buy it." (24-year-old)

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Figure 15: Connectors Are More Open To Advertising



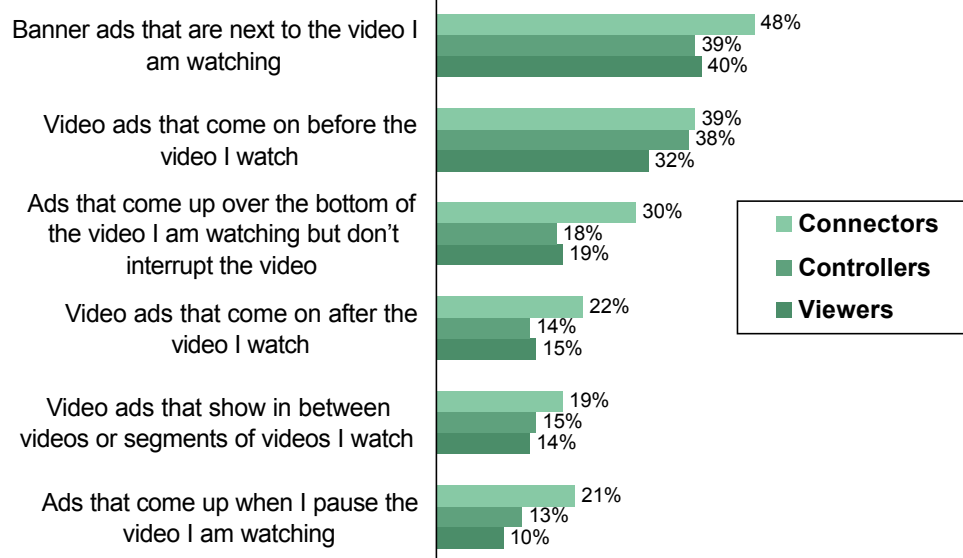
Source: Online survey of 1,013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks. Base: Viewers (n=415), Controllers (n=397), and Connectors (n=193).

- Opinion of ad format effectiveness.** Connectors even have opinions about which ad formats are most effective in communicating their messages (see Figure 16). Connectors prefer banner ads over pre-roll video ads, and are much more willing than the other segments to consider video overlays.

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Figure 16: Connectors Think More About Ad Formats

Q30. There are various ways to show advertisements during an online video experience. Which of the following types of ads do you find effective?



Source: Online survey of 1,013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks. Base: Viewers (n=415), Controllers (n=397), and Connectors (n=193).

The Most Engaged Viewers Are Watching Long-Form Content

If Controllers are more open to advertising than Watchers, and Connectors are even more open, it is logical for advertisers to seek those online video environments that are most likely to deliver these most-engaged Engaged Viewers. Among the most compelling places to find these viewers is while watching full-length television shows and movies.

We arrived at this conclusion by examining two different types of full-length viewers, those who watch full-length shows in a typical month, and then the subset that watched a full-length show in the most recent online video session³. The rationale for using both definitions is clear: a full-length viewer might well be an advanced viewer whose natural sophistication will tend to correlate with behaviors like sharing and interacting with online video advertising, but is that viewer, when actually experiencing full-length programming, even more advanced and sophisticated? The answer is yes. The difference shows up in (see Figure 17):

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Figure 17: Long-Form Viewers Are In The Sweet Spot

		Do not watch full length	Watch full length	Watched full length in most recent session
Demographics				
Gender*	Female	50%	52%	57%
	Male	50%	48%	43%
Income	Less than \$75,000	69%	66%	71%
	\$75,000 or more	31%	34%	29%
Age	13 to 34	44%	64%	66%
	35 to 54	34%	27%	27%
	55 plus	22%	9%	7%
Engagement Pyramid	Viewers	53%	33%	12%
	Controllers	31%	46%	56%
	Connectors	16%	21%	32%
Behaviors				
Time spent watching online video in the last 7 days	1 hour to less than 1 ½ hours	34%	20%	21%
	1 ½ hours to less than 2 hours	24%	20%	13%
	2 to less than 3 hours	20%	22%	23%
	3 to less than 4 hours	12%	17%	17%
	More than 4 hours	10%	21%	26%
No. of types of video watched		4.6	7.0	6.4
Minutes watched in last session		18.2	31.9	48.6
Percent of each video they typically watch		91.5%	92.1%	94.0%
Percent of viewers who will increase online video use in the next year		60%	65%	67%
No. of ads recalled during most recent session	None	44%	34%	31%
	1-2	36%	35%	30%
	3-5	14%	21%	27%
	6-9	5%	5%	8%
	More than 10	2%	4%	4%
Desire to watch online video through TV	Do not currently, or desire to watch online video through TV	53%	41%	38%
	Do not currently, but desire to, watch online video through TV	28%	27%	30%
	Currently watch online video through TV	19%	32%	32%

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		Do not watch full length	Watch full length	Watched full length in most recent session
Experience with advertising				
No. of ads viewed during last session		1.7	2.3	2.7
Ad types viewed	Banner ads that were next to the video I was watching	55%	52%	47%
	Video ads that came on before the video I watched	59%	56%	61%
	Video ads that showed in between videos or segments of video I watched	14%	36%	50%
	Video ads that came on after the video I watched	9%	16%	18%
	Ads that came up over the bottom of the video I was watching but didn't interrupt the video	15%	18%	27%
	Ads that came up when I paused the video I was watching	1%	7%	10%
	In-video advertisement opinions	In-video advertisements are fair as they help pay for online video services	33%	41%
	In-video advertisements can be entertaining	11%	16%	20%
	In-video advertisements are annoying	60%	61%	56%
Which types of ads are most effective?	Banner ads that are next to the video I am watching	39%	43%	38%
	Video ads that come on before the video I watch	36%	37%	39%
	Video ads that show in between videos or segments of video I watch	11%	19%	23%
	Video ads that come on after the video I watch	18%	14%	18%
	Ads that came up over the bottom of the video I am watching but don't interrupt the video	21%	21%	20%
	Ads that come up when I pause the video I am watching	11%	17%	19%

*Sample was recruited with the purpose of approaching a 50/50 gender split.

Base: All respondents

Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks.

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- **Who they are.** Full-length viewers are younger than those who don't watch full-length programming. This helps explain why 21% of full-length viewers are Connectors in the Pyramid of Online Video Engagement. Of those who watched full-length video in their most recent session, nearly a third, 32%, were Connectors.
- **How they behave.** By watching full-length programming, these viewers are spending more time with online video, exposing themselves to more ads in the process, reporting 2.7 ads viewed in the last session.

“There are certain commercials that, yes, they catch my attention, and yes, there are times when I will pause a show that I am watching to go to the Web site . . . based on my personal desire to know more. That's nice about the computer. If I want to know more about something at that point in time, I can pause the show and go get more information about what is shown.” (37-year-old)

- **How they feel about ads.** A healthy 43% of recent full-length viewers say that video ads are fair to viewers. This disposition shows up in numerous places, both in the kinds of ads they noticed as well as their estimates of the effectiveness of ad formats. Consider these quotes:

“Online ads give the viewer the option to get more information immediately, where TV ads can only give brief information and you must take time later to get more information.” (37-year-old)

“I think online ads are far more effective and entertaining. I put TV commercials on mute, but enjoy online ads.” (18-year-old)

- **What they want in the future.** A clear majority, 62%, of those who watched full-length programming most recently are starting to make the connection between their TV and their PC. Nearly a third say they have watched online video on the TV through a PC or some other kind of set top box or game console, and another 30% are interested in doing so.

This evidence suggests that Engaged Viewers who watch full-length video content are not only unique people, but are made even more unique by the act of watching full-length video. This suggests that watching full-length video might be a critical part of what makes Controllers different from Watchers, and certainly what makes Connectors unique.

What Advertisers Should Do About It

It's clear that online video viewers are maturing in ways that create opportunities for content providers and advertisers alike. In particular, it is clear that long-form viewing 1) attracts more Connectors, the kind of people disposed to have a more positive experience with advertising, and 2) reinforces that disposition for Connectors and others with an engaging environment that the viewer has consciously chosen to experience. In this environment, viewers:

- are more likely to pay full attention to the videos they watch.
- are more likely to interact with and rate the videos they watch.
- are twice as likely to recall in-video ads and post-rolls.
- agree more readily that advertising helps pay for their free experience.

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- consider banner ads and ads run between videos the most effective ads.
- try to replicate the TV experience, looking for things “they wish were on TV.”

For advertisers, this implies that the mindset of long-form video consumption is potentially quite different from that of short-form video viewing, or even receiving an embedded video link as part of an email marketing campaign or instant message. Perhaps this participant expressed it best:

“If it’s just a short clip I probably don’t want to sit through an ad, but if it’s a full episode or something I just think of that balanced with having to go rent the video or whatever. It’s a small price to pay; it kind of works out for everyone. I think if it was just a little clip it would probably frustrate me.” (36-year-old)

Due to the differences found among long-form video viewers, advertisers have the opportunity to rethink their approaches in order to captivate these valuable viewers who have consciously chosen a maximally engaging, long-form video experience. This is especially critical because as was shown above, even Engaged Viewers who are open to online advertising can be annoyed by it. This is likely to be exacerbated by the poor execution of many online video ad campaigns. To address this annoyance, we recommend advertisers keep the following lessons in mind:

- **Think “Advertainment”, not Advertisement.** These viewers tell us they are more open to enjoying the advertising they watch. Advertisers should give them what they want by creating ads that are as entertaining as the video clips with which they are paired. Make the advertising a part of this engaging environment by telling compelling stories rather than repeating the same 30-second spot four times in the same online TV show. Take this advice from our respondents:

“Shoot more spots for the Internet. Nothing is more annoying than to see the same [car] commercial multiple times in a row while watching videos on a site.” (26-year-old)

“Be more creative. If you are going to want me to be interested in your product, make me want to go to your Web site and buy your products.” (32-year-old)

- **Active mindset equals greater action.** People who watch long-form content tell us they are more engaged with every aspect of the experience, including the advertising. This implies that viewers who sit down to watch a one-minute user-generated clip come to the screen with very different mindsets. Consider having multiple creative units depending on the mindset of the watcher.

“It’s the same commercial over and over again. I think a lot of different stuff needs to be available because after I’ve watched the same commercial three times in a row, at that point, I just want to boycott the commercial.” (20-year-old)

- **Use all the ad units on the page as a team.** Remember, all viewers expressed equally the belief that advertising *can* be annoying. But none of them said it *had to be* annoying. Viewers responded to ad formats that didn’t intrude unfairly. Their preference for banner ads supports this. But banner ads can be supported by a comprehensive ad experience that ties display ads, sponsorships, and in-video ads together into a coherent package.
- **Target it and they will come.** Another reason our respondents felt advertising was annoying was that it was not effectively targeted at them. Now that online video has matured to the point that the average viewer spends an hour a week, it’s time for advertisers and the sites that

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enable them to start matching ads to viewers more intelligently. The easiest place to do this is with long-form content, where the choice of programming, such as an episode of a favorite tv show, says more about a viewer than a short clip about a dog on a skateboard ever can. Even viewers recognize that targeting is a core strength of online video advertising. In the words of a 21-year old respondent:

“Online video ads are generally more effective because they target their audiences better by appearing on sites they are related to.”

Don't let this optimist down. Otherwise you're likely to hear more comments like this from a 20-year-old respondent who could recall a brand advertised, but for all the wrong reasons:

“[Online ads are] effective as in . . . you have to watch them, sure. But I'm personally not going to use [a ladies razor], mostly because I'm a guy.”

Appendix A: Study Methodology

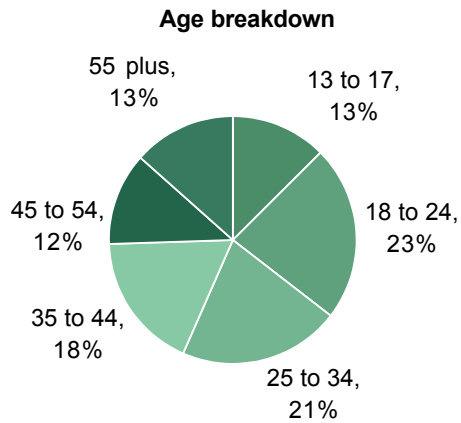
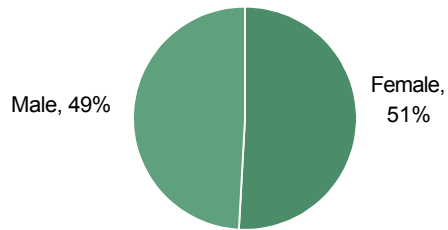
In August of 2008, Forrester Consulting conducted an online survey of 1,013 people in the United States 13-years old and older who watch online video at least one hour each week:

- Respondents were invited to participate based on their membership in an online survey panel.
- Surveys took between 10 and 20 minutes.
- Survey invitations were balanced to reach equal numbers of men and women.
- Survey respondents were balanced to represent the age distributions of the overall US online population.
- All respondents indicated that they watch online video at least one hour per week.
- A range of closed- and open-ended questions enabled respondents to express their opinions in their own words when they so desired.

The margin of error on a randomly drawn sample of this size is +/- 3.1%. Although this sample was drawn at random from members of an online survey panel of more than a million members, by virtue of their membership in this panel, this sample of respondents is not considered to be randomly drawn from the total online population. As a result, the data was compared to other sources of online data for validation.

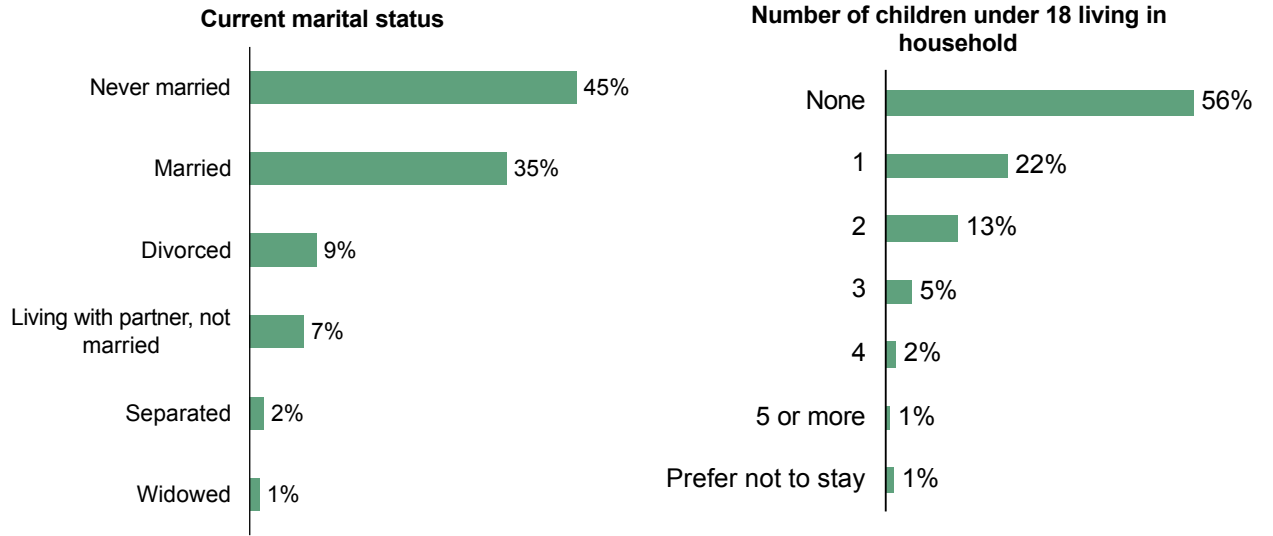
A sub-sample of ten individuals who completed the online survey and gave explicit permission to be contacted for a follow-up interview were recruited to participate in ten one-hour, in-depth interviews telephone-based to discuss their experience with online video more fully. This sample of ten people was chosen based on the insights derived from their open-ended responses. As a result, they are not representative of the survey base, but afforded the opportunity to explore key topics in greater depth. Their quotes are included in the analysis above. The interviews were completed in early September 2008.

Appendix B: Respondent Demographics



Base: All respondents
Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks. Sample was recruited with the purpose of approaching a 50/50 gender split

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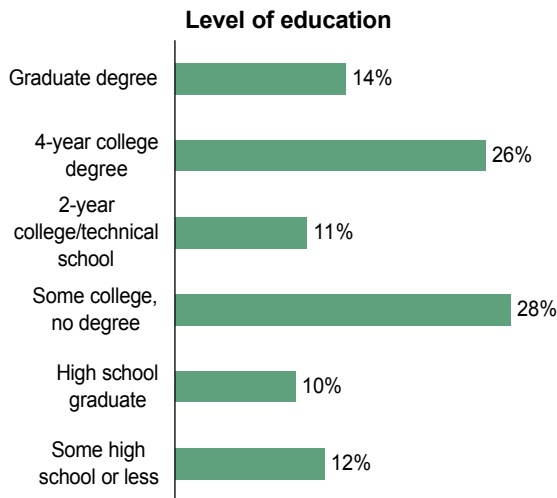
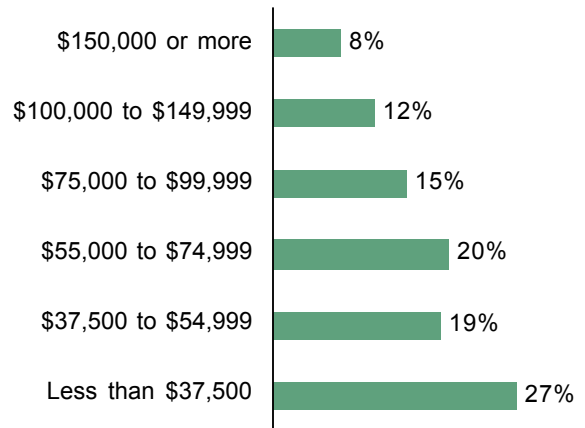


Base: All respondents

*Responses may not equal 100% due to rounding

Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks

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Base: All respondents

*Responses may not equal 100% due to rounding

Source: Online survey of 1013 US online consumers. A commissioned study conducted by Forrester Consulting on behalf of Veoh Networks

Appendix C: Endnotes

¹Source: North American Technographics® Benchmark Survey, 2008 – US, Forrester Research

²Sources: This population projection was based on two surveys of online consumers. The North American Technographics® Digital Home And Wireless Online Survey (Q3 2008), Forrester Research, surveyed online adults 18 and up while the North American Technographics® Youth Online Survey (Q2 2008), Forrester Research, surveyed youth 12-18, of which the 13- to 17-year old sample was used to create this projection.

Population estimated from 2 surveys to get the 13+ market.

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³ Sample size for those who watch full-length shows in a typical month was 520 respondents. The sample size for the subset of them who watched a full-length show in their most recent online video session was 274.