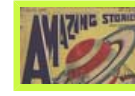




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Online Video Ads Finally Find Their Niche

by [Mark Glaser](#), June 26, 2008

Tagged: [advertising](#), [tv](#), [video](#), [youtube](#)



McDonald's sponsors Hulu

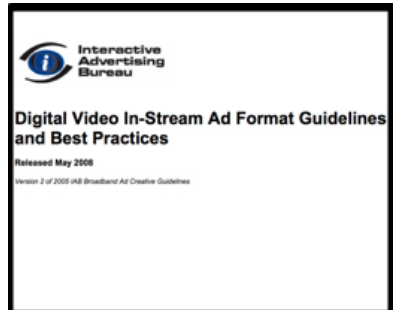
The numbers tell the story of the disconnect between online videos watched and online video ads sold: In December 2007, Americans watched 10 billion online videos, according to comScore. For the entire year of 2007, advertisers spent just \$554 million on online video ads, according to Jupiter, while they spent \$21 billion on all online ads. So many people are watching online videos, but so few advertisers are trying to reach them.

So what gives? The problem for marketers is that the most popular video site, YouTube, is filled with user-generated content that is too

edgy or unprofessional for brand advertising. Many online videos are too short for people to sit through "pre-roll" video ads that play before the content, and people don't like "overlay ads" that run during videos because they are intrusive. Another barrier for marketers is having to format ads differently for different video-sharing and media sites -- not to mention the challenge of gauging how effective the ads actually are.

But despite all of these obstacles, there are signs that video advertising is finally ready to bloom, thanks to a number of important factors:

1. [Hulu](#), the much maligned joint venture between News Corp. and NBC Universal (once called "ClownCo"), has quickly become the #9 most popular video site, while at times [selling out ad inventory](#) at stratospheric rates -- \$60 to \$70 CPMs (cost per thousand viewers). That compares to social networking sites that sell banners at 15-cent CPMs. Other media sites such as Nickelodeon, ESPN, CNN and ABC all have [built massive audiences](#) for their slickly produced online video.



2. The Interactive Advertising Bureau (IAB) has created [a new set of video advertising guidelines](#) including best practices, format guidelines, and measurement standards so that advertisers won't have to create a whole slew of formats for various sites. "Media buyers

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BY THIS AUTHOR

[Should Newspapers Become Online Ad Brokers for Local Businesses?](#)

Desperate times call for desperate measures, and that's where the newspaper business is right now. With profits slashed, unending layoffs, and online ad growth slowing, newspapers have to be open to new ideas that will help them deal with a media shift like no other. Last week I looked at the concept of crowdfunding, with people paying journalists directly for...

Click to download IAB guidelines

and video publishers need to develop a unified approach, just as television once did --

eliminating technical chaos with standards for ad delivery, insertion, playout and video player control -- in order to achieve ad buying scale to make Internet video a sound business," wrote Steve Robinson [on MediaPost](#). Robinson called for a consortium of major players to promote the standards into wide use.

3. Google CEO Eric Schmidt has admitted that YouTube has fallen short in ad revenues, but [he has pledged](#) to make monetizing the site one of Google's top priorities. Already, YouTube has started running longer indie films -- upping its professional-content quotient -- and has also allowed video producers to [sell their own ads](#). With the brains behind Google trying to solve the advertising problem at YouTube, there's a good chance they will find a breakthrough format or idea.

4. **Small and medium sized businesses (SMBs) are starting to use video to promote their restaurants, legal practices or shops**, and that's being spurred on by Internet Yellow Pages companies, Google's [video ad formats in AdSense](#), and video-production startups such as [PixelFish](#) and [TurnHere](#). The latter two companies have seen big demand by small businesses who want to have video profiles online to differentiate themselves from rivals.



Chris Johnston

Chris Johnston is the director of ad product management at Brightcove, a well-funded startup that serves videos for media sites of all sizes. Johnston says that video advertising has struggled as a nascent medium with no standards, but is hopeful that the IAB standards will help turn things around.

"There are thousands of publishers, from the mainstream to the highly niche, who are integrating video into their online presence," Johnston told me via email.

"Sometimes video is the focus, sometimes it's part of a broader media mix, but they're only doing it because it makes business sense to do so. The number of

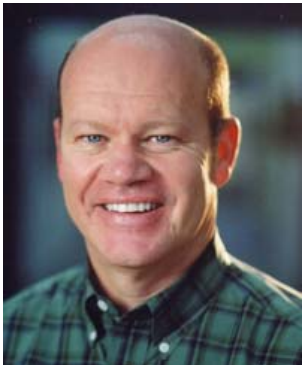
advertisers you see with online video ads corroborates this -- from Proctor & Gamble to the State of Texas Visitor's Bureau -- advertisers are finding online video an effective way to get their message to their market."

RISE OF INTERMEDIARIES

One effective way for small businesses to get their message out online has been with video profiles of their shops. These brief, one-minute videos sometimes look like TV ads or infomercials, other times are more entertaining, or take on a documentary style. The video-production company TurnHere, based in Emeryville, Calif., has become popular by sending out one-man-band video producers to do shoot quick profiles of businesses around the world.

Brad Inman, CEO of TurnHere, has bought into the D.I.Y. aesthetic of the web, and shuns everything about Madison Avenue -- and even the rise of viral video.

"Our model comes from a documentary tradition," he told me. "It's very localized, it's not the Madison Avenue model where 12 super-bright people in New York should define the stereotypes that we see in ads over and over and over again. Instead a local independent filmmaker/producer will work with a hotel, an author, a merchant -- whoever it may be -- telling the story of that business with music and with motion graphics. What you get is something useful and relevant."



Inman says that TurnHere built its own web platform for taking orders, for showing videos to customers in a virtual screening room, and for doing "the things that don't contribute to creativity but contribute to cost." Then he built a network of 5,000 video producers around the world who are assigned to shoot the video profiles. Business for TurnHere has been three to four times what Inman had planned; he says the company is shooting 100 videos per day. The cost for businesses to have a video made runs from less than \$1,000 up to several thousand dollars, depending on time and quality of the production.

"[Video is] a great way to see a business," Inman said. "A description, a phone number, an email, a picture vs. you're inside the business. We like this because you

Can Crowdfunding Help Save the Journalism Business?

Bands do it. Filmmakers do it. President-elect Barack Obama made an artform out of it. "It" is crowdfunding, getting micro-donations through the Internet to help fund a venture. The question is whether crowdfunding can work on a larger scale to help fund traditional journalism, which is being hit by the twin storms of readership and ad declines at newspapers and...

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I will be joined by an all-star lineup of new media experts, academics, and social media gurus to look at how online coverage of Election Day is going -- with pointers to the most innovative mashups, maps, video blogs and more. The plan is to chat today from 10:30 am to around 9 pm Pacific Time. Be sure to join...

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Brad Inman

know who's involved and it's not a viral video where you don't know who's involved. That's not our thing."

Here's a video TurnHere produced for a "dessert restaurant" called ChikaLicious:

**READER POLL**

Which approach will work best for crowdfunding journalism?

- Spot.us
- Representative Journalism
- Subscription fee for blogger
- Tiered subscriptions like Ana Marie Cox
- Crowdfunding won't work
- Other:

VOTE »

While TurnHere has focused its energy on documentary-style video profiles, PixelFish offers a wider range of video options -- from the low-end montage of narrated photos up to more slick productions. PixelFish CEO John McIntyre told me that his company is the most popular source for video ads on the Google's Ad Creation Marketplace -- an online exchange that matches small advertisers with ad makers. Plus, PixelFish is working with other networks such as Yellow Book and Microsoft.

McIntyre says demand has been huge for his video services, with 20% average growth in revenues each month this year. "We did 10 times more videos last month than a year ago," he said. "Our team has produced thousands of videos for the SMB market."



John McIntyre

While the costs associated with producing video ads have gone way down, every business isn't going to have the time or know-how to shoot their own videos. And if their rival tire shop has a video on Citysearch, then they will want one as well. "Almost everyone will have a video," said McIntyre. "If I am a plumber online, the person who has a video will be differentiated, and it will get them leads and at some point all plumbers will have videos. So it will start to matter how good the videos are. Quality will matter.

Along with the video-production startups, local news sites also have an opportunity to sell and shoot videos in their communities to kick-start video ads. Eric Janssen, director of online for the Commercial Appeal newspaper in Memphis, ticked off the various video

ad formats his site had tried: remnant ads with banner positions, sponsorships with pre-roll ads, customized content sponsorships, advertorial gift guides and content, pre-rolls, post-rolls and overlays. But what had worked the best?

"The advertorial formats work better from a selling perspective right now because it's something the advertisers can comprehend," Janssen said via email. "For some reason they don't mind dumping thousands of dollars into TV without any real way to measure the effectiveness but they cringe at the idea of spending 10% of that for online video advertising because they want clickthroughs to measure those traditional ads...I think the fact that we handle the video does help on selling it."

TO PRE-ROLL OR NOT TO PRE-ROLL?

One of the biggest arguments in the advertising community -- as well as among video viewers -- is the value of pre-roll video ads that run before the content. In polls, many people say they hate pre-roll ads, but tolerate them in exchange for not having to pay to see video. When I [asked MediaShift readers](#) what kinds of video advertising they would welcome, the first responses were knee-jerk:

"I don't welcome any video ads at all. I am very tired of seeing ads ads ads everywhere I look," wrote [Cheryl Colan](#), who then went on to say she could accept very short pre-roll ads. The overall response was that if we have to live with ads in videos, then they should be very short or creative or relevant to the subject matter.

Jayant Kadambi, CEO of video ad network [YuMe](#), says he lets publishers in his network experiment with different ad formats to see what works. So far, he's seen a definite dividing point between ads in shorter and long-form content.

"Short form clips tend to do better with something non-interruptive, like an interactive overlay -- that's why you see YouTube and other clip sites focusing on overlay strategies," Kadambi said. "In longer content, pre-rolls do seem to work well and generate strong click-through rates, even though people like to bash them...Advertisers like being able to compare the

performance of ad formats. If they're seeing a higher click-through rate on an overlay than a pre-roll, they can shift more of their spend to overlays."

How to: Create a smoky eye



Overlay ad for HP on YouTube

The problem with many pre-roll ads is that they are simply repurposed TV ads shoehorned onto an interactive medium. Steve Safran, senior vice president of the Media 2.0 division at AR&D, a consultancy for local media outlets, told me that untargeted video ads sold by CPM rates don't work online where one-to-one marketing rules.

"Pre-roll is dying," Safran said via email. "It's the only way we've had to deliver ads so far, but it's going away. The audience hates it. Overlays are an improvement. They also have the ability -- like a Google AdSense ad -- to target the viewer based upon what the viewer is watching. We have got to get away from the

idea that selling video ads by the CPM is the way to go. You'll need millions of impressions to make any money, and you still won't come close to turning serious profits. The way to sell video is by the demographic, one viewer at a time."

Probably the biggest mistake people make is in equating professional, studio-quality videos with the more amateur content that dominates video-sharing sites. Corey Kronengold is co-publisher of [Online Video Watch](#) and senior director of marketing and communications at Tremor Media, an online video ad network. He told me there is a huge gap between the amateur video content that people watch and what marketers are comfortable with advertising around.

"That gap is narrowing, but users will need to accept that content isn't 'free,'" he said. "It needs to be paid for either through advertising or subscriptions or some other type of value exchange. Users have been clear that they don't like advertising and aren't willing to pay for a lot of the content out there. But we, as an industry, haven't figured out what they are willing to do. It is very important, though, to keep the conversation about user-generated content separated from professional content. If you watch an episode of 'Lost' on ABC.com's high-def player, you get fewer ads than on TV. It is an excellent value exchange. But you can't create the same advertising experience around YouTube-style videos."

For more reading on the world of online video ads, check out these articles and blog posts:

[Economics of Online Video 1: One Tough Business](#) at Silicon Alley Insider

[Economics of Online Video 2: Unit Cost Structure](#) at Silicon Alley Insider

[Google Marketer's Playbook -- Online Video Advertising](#) a video by Google

[Local Video Gets More Attention; SEO Is Key](#) at Kelsey Group blog

[Online video advertising -- stats and status](#) at the Sixteenth Letter blog

[Online Video Advertising + Search Engines = Opportunity For Small Businesses](#) at Search Engine Land

[Online Video Watch's Coverage of the OMMA Video conference](#)

[Pre-Roll and The Return of the Covenant: An Editorial](#)

[Where TV and the Web converge, there is Hulu](#) at L.A. Times

[Why Does A Second Of Production Cost The Same Whether Anybody Watches Or Not?](#) at MediaPost's Online Video Insider blog

What do you think? Will video ads eventually become accepted as part of the viewing experience online? Which types of ads do you like and what formats do you think will become standard? Share your thoughts in the comments below.

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8 COMMENTS SO FAR, [ADD YOURS](#)

DW said: GREAT article! And thanks for all the helpful links.

June 27, 2008 5:38 AM

DW said: if you are a videographer, don't waste your time with

June 27, 2008 1:36 PM

DW said:

June 27, 2008 2:07 PM

TurnHere. Doing a quick search on Google or in reputable Videographer forums will reveal they pay lower than minimum wage for finished video products.

Brightcove is an outstanding company. I have successfully used their services and streamed over 100,000 videos since Oct. 2006. All without any problems. Keep up the great work Brightcove.

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Bryan said:

June 27, 2008 9:12 PM

there is a new video advertising site called www.planetchannel.com. check it out.

Beth Lawton, NAA said:

June 30, 2008 10:08 AM

Mark,

Nice job tackling a really complicated subject. I've heard from other newspapers that, like the Commercial Appeal, are having a lot of success with business directory/profile online videos, especially how-to videos wrapped in an ad from a relevant local business.

If anyone's interested, the Newspaper Association of America will be hosting a webinar about online video advertising on news(paper) Web sites on July 17 (3 p.m./ET) with experts from the Interactive Advertising Bureau and from Borrell Associates.

More information is on NAA's Digital Edge at www.naa.org/digitaledge.

Brett Hill said:

July 6, 2008 8:51 PM

Two thoughts in regards to your well crafted and researched article:

1. Hot Pluto: As an alternative to pre-roll, overlays and other intrusive video adverting. I believe content out there needs a different type of home as well as a different approach. With www.hotpluto.com people know they are coming there to view nothing but video ads--they are viewing company's and their products/services in motion. The thought is that consumers will be able to use Hot Pluto as a sort of video shopping channel. We call it a cross between a business version of YouTube and a video version of the Yellow Pages. Advertisers will be able to post multiple video ads (showcase top selling products),post to multiple categories, provide a complete business profile with their web link, create and offer online discount coupons, get their video ad commented on and rated for weekly Hot Spots, and view web statistics from consumers.
2. Hot Pluto: As an alternative to CPM campaigns that can be as costly as television ads, advertisers can use Hot Pluto as low as \$19.95 per month all the way up to \$99.95 per month for a Featured Listing on all pages.

We don't think we will be the exclusive site for content and don't really strive to be. We feel advertisers can't have their video ads in enough places on the Net. Hot Pluto is just a different spin--one we feel will catch on as content continues to fill the site.

We are also talking with some of the companies you have mentioned in your article as many of us have complimentary services--working together in this emerging market makes sense.

In closing we strongly believe YouTube will become an option for advertisers but there is work to do on there end to make it less intrusive and more affordable. Watch for a press release with a side by side comparison of YouTube and Hot Pluto. The comparison will be made for several reasons--not really who is better but more of a thought provoking piece that we believe will ultimately land more advertisers on Hot Pluto.

Croz said:

July 10, 2008 5:12 PM

Great article and comments. I just came across this www.adsonvids.com.au

Croz

George said:
July 19, 2008 7:14 PM

As everyone knows by now, video is very exciting. I think in the next few years people will discover that video is appropriate for certain areas of the consumer market, right now it seems like everyone wants to use video for everything. I think the small business arena will benefit the most from video which is pretty much the thesis behind Jippidy.com

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