Next Gen Interactive Video

Empowering Publishers to Monetize Video Content

A Video Monetization Whitepaper **(September 2008)**

**www.veeple.com**

Veeple

Contents

Synopsis

Video is the fastest growing segment of the Internet. What you may not be aware of is that your online video has serious potential for enhancing your story and generating revenue. Veeple technology can help you, as a web publisher, take advantage of this huge opportunity. Over the next few pages we will brief you on the benefits of online video; how to directly monetize your video content, how to indirectly better monetize your overall business through the use of viral video and how to better tell your story or deliver your message.

Empowering Publishers

You have a vested interest in online video. You have seen the rapid growth of video sites and the rapid growth of using online video as new medium for communicating your message and building your business. You know the opportunity, if done well, is huge. However, the technology is evolving rapidly, there seems to be few standards, players and new CDNs are appearing everywhere;
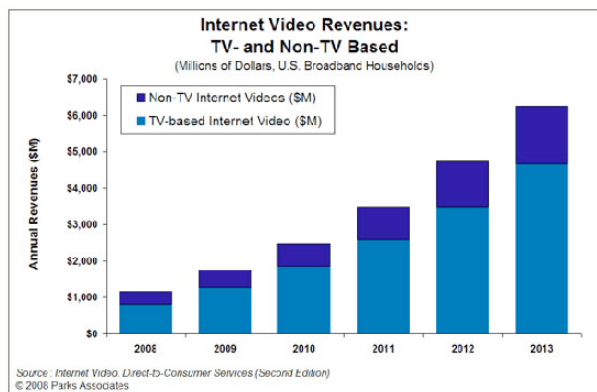
even YouTube has difficulty monetizing video. Not to worry. Once you have framed your business objectives, the video tools and service providers are quite easy to implement.

Before we begin with the specifics, keep in mind that when you communicate using streaming video, you are not only using one of the most efficient forms of communication in history, but you are also saying something about yourself and your business. You are saying that the information is important enough that you want to reach your intended audience. Unlike broadcast, cable TV, or satellite services, your eligible audience is over a billion people who have broadband Internet service around the world. You can broadcast your message for one minute or continuously for years and do it without third party permissions, licenses, and virtually without restrictions. This provides you with the means and medium to be empowered like never before. But as you embark on this journey, keep in mind that you need a plan of how to get to your intended destination.

Setting Context

How one gets to where they want to go in life, including the design and implementation of an effective web site or web business, amongst other things, depends on contextual planning. Context is everything.

Let's say that you are taking the trip of a lifetime to Alaska. You arrive in Juneau and climb into your small twin turbo amphibian aircraft and take off to your destination. On the way you encounter severe weather, the plane loses power and crashes into a lake. Everyone aboard survives, but the plane is sinking and you only have 5 minutes to collect critical items and swim to shore, which is about 200 yards away. Here is the problem, you have 30 items in the plane but you can only take 10 with you – what 10 items would you take? How would you decide which 10 items were the most important? *(I sometimes use this allegorical story when I speak at certain public events.)* To end the suspense, you first must decide whether your plan is to stay put, once you reach the shore, or whether you plan to hike out to civilization. Survivalists tell us that the top 10 items are almost completely different depending on your first decision.

Online video survivalists, those of us innovating on the leading edge of Web2.0 Video Internet, will tell you the same thing: you need to have a plan for when you reach the shore. Or in this case a plan for implementing the next generation online video to augment your overall business strategy. As we have studied the Internet ecosystem we have found a myriad of types of web publishers. So, as you think about your own online video needs, think about context over content and think content over technology. Now we begin with the specifics.

Video Dynamics

Video is viral. Video is social. Nearly 13 billion videos were viewed online during June 2008. 75% of all Internet users watch video online. Analysts estimate that the total revenue for online video will expand to over $6 billion by 2012. Recently, ComScore stated that a majority of U.S. Internet users watch an average of 158 minutes of online video per user per month. Furthermore, over 50% of online adults have used the Internet to watch or download video, more than half share links, and 20% do so everyday.

This is primarily because broadband has made it to the bulk of homes in the U.S. and to almost all developed nations, which provides the means for richer content to become available online. Broadband use combined with content providers promoting online video has helped to pave the way for mainstream audiences to embrace online video viewing. Video viewers who actively exploit the participatory features of online video, such as rating content, posting feedback or uploading video, make up the motivated minority of the online video audience. New advertising opportunities are emerging, and users are accepting certain forms 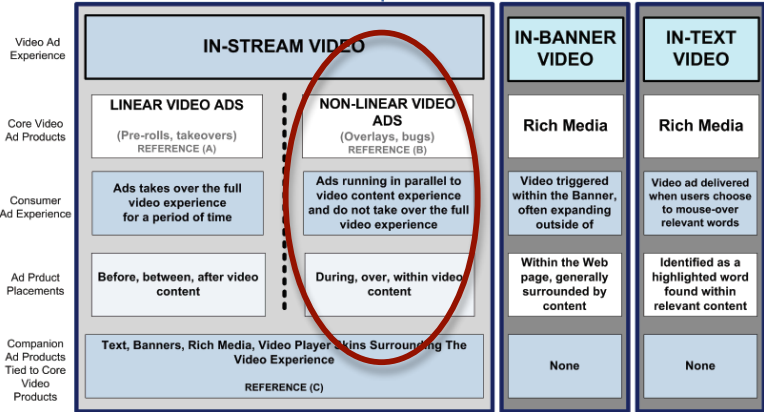of ads on Internet. According to Jupiter Research, 80% of online video users accepted the presence of advertising as a trade-off for providing free online video content.

Next generation video services will combine the passive medium of video with the active medium of the Internet

The essential challenge, however, is that video has always been a passive viewing experience, which makes it notoriously difficult to monetize directly. This is puzzling when one considers that online video is part of the Internet, an active medium. So when will video become interactive? Right here, right now! The best video

4

delivery services incorporate interactivity as an integral part of their service offerings. This now makes the ability to target advertising more directly in an online video, resulting in a significant increase in relevancy, click-through rates and ad pricing. No longer is a pre-roll video the only way to monetize. Now you determine where and when ads appear. To achieve maximum value and high click-through rates, ads are targeted to viewers geographically (by where they are), contextually (by what they are watching), and demographically (by who they are). By controlling the placement and frequency of interactive ad

|	IN-STREAM VIDEO		IN-BANNER VIDEO	IN-TEXT VIDEO
Video Ad Experience				
Core Video Ad Products	**LINEAR VIDEO ADS** (Pre-rolls, takeovers) REFERENCE (A)	**NON-LINEAR VIDEO ADS** (Overlays, bugs) REFERENCE (B)	Rich Media	Rich Media
Consumer Ad Experience	Ads takes over the full video experience for a period of time	Ads running in parallel to video content experience and do not take over the full video experience	Video triggered within the Banner, often expanding outside of	Video ad delivered when users choose to mouse-over relevant words
Ad Prduct Placements	Before, between, after video content	During, over, within video content	Within the Web page, generally surrounded by content	Identified as a highlighted word found within relevant content
Companion Ad Products Tied to Core Video Products	Text, Banners, Rich Media, Video Player Skins Surrounding The Video Experience REFERENCE (C)		None	None

spots yourself, as opposed to handing over your inventory to an ad sales network, you retain total control over when, where, and how often spots run. Furthermore, interactivity coupled with embed-ability creates a new opportunity for your message to travel far beyond your web site. By placing dynamic interactive links into your video, whenever a third party embeds your video in their site, a common practice for viral videos, the spot travels with the video. This results in not only attribution to you, but a clickable link back to your site – or wherever you chose to send the viewer. This makes the new video paradigm viral and social.

As a result, publishers are becoming ebusines and Web 2.0 savvy and they are exploring whether they can make a living producing, distributing and monetizing online video. So what are the best practices surfacing in the industry? Continue reading.

The Winning Formula

To help you, we have framed what we believe to be four key ingredients, or critical success factors, necessary to ensure your success as to deploy interactive online video. Fundamentally, you must be able to show the right ad, in the right video, at the right time, and to the right person. Anything else is insufficient to produce an effective and potentially viral video.
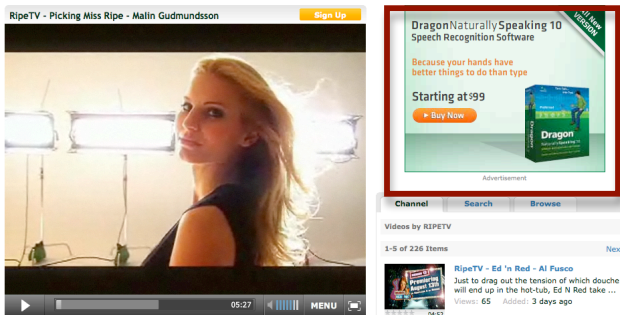
The best place to begin is to show an example of what not to do. The picture to the left demonstrates the current state of the art, which is a non-relevant, intrusive ad the takes away from the video viewing experience. We call the online video generation 1.0; pretty good for its day, but a far cry from where things need to be.

The next generation service will have four primary elements: 1) Interactivity, 2) Manual and Dynamic Ad Insertion / Monetization, 3) Advanced Video Analytics and 4) A robust content management system, known as a CMS, and delivery capability, known as a CDN. First, the interactivity must be capable of meeting the varying needs of different types of web publishers. It must have the breath of offering that ensures that the interactive, or clickable experience can be as forward leaning as an

Next Generation Services Elements
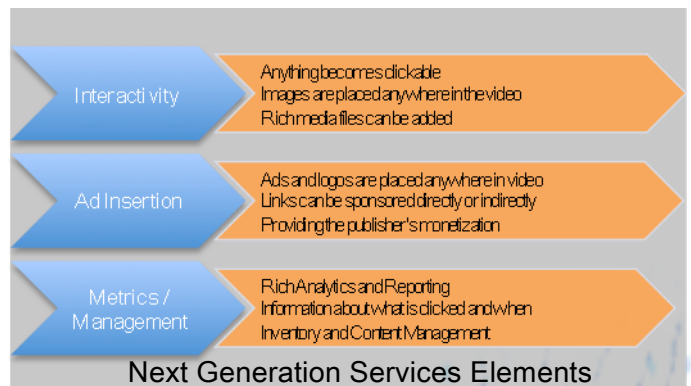
interactive gaming site or less forward leaning, less interactivity, such as an activism or information oriented site. Second, the platform must be able to insert ads, logos and other media files and do so either manually, by the publisher and content owners, or dynamically, by third party advertisers and/or ad networks. Furthermore, the platform should have the capability to ensure that the dynamically placed ad is both appropriate and relevant. This means it must be able to provide a filtering mechanism for both the publisher and the advertiser. Third, a robust analytics capability is important so you know how often, when, where and at what time links are clicked on. This functionality is also important to your advertisers so they understand the effectiveness of their programs. Last, but not least, the platform or service must include an inventory management and delivery capability to keep track of the administrative aspects of all the attributes of a video, such as where it is located, how it is accessed (secure FTP, et al.), when it is accessed (time of day), format, metadata, links, views, interactions, keywords, etc.

Once you have selected a next generation video delivery service you will be able to deliver video to you audience in ways that up until now you could have only imagined. An example of this is set forth below. You can see that the video is different
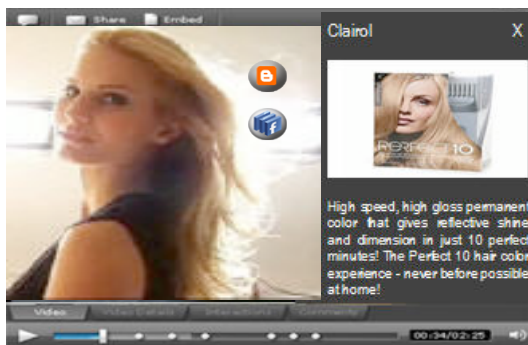
in a myriad of ways. The ad or logo is placed directly in the video stream. It is relevant to the viewing experience. The interactive link will follow the video as it is embedded anywhere on the Internet, such as a Blog or Facebook *(see Icons),* so it has the potential to reach an audience far greater than just those few whom visit your site directly. Not only are videos sharable, but the links are as well. This makes the links themselves more interesting to the advertiser as shared links are more likely to be relevant to the person to whom the link has been sent.

Getting Started

To review, know your business and know your audience before you begin. Understand your overall objectives and fit interactive video within the proper context. The context that best helps you enhance your business. Keep in mind one of our maxims: context over content and content over technology.

So once you have selected your video service provider, such as Veeple, start simply. Start with making a few of your videos interactive. Don't boil the ocean with your video. Learn how best to spot a video with the appropriate level of interactivity. Implement your first interactive videos with no more than three or four clickable links each. Keep in mind not to destroy the flow of the viewing experience with too many links. This will interrupt the quality of the experience, having the unintended consequence of an adverse reaction by your audience due to the video being too intrusive. The video must be engaging and relevant, but not intrusive. Think of the points of interactions as a way to tell your story. Links should not be thought of as an addition to the video but as an integral part of the video; supplement and augment your video, be not intrusive.

Now the most important part begins as you place your first interactive video into your site. You need to measure the results. Make no assumptions about how well it should do, just observe how well it is doing in actuality: test, measure, learn, iterate, test, measure, learn, iterate, and so on. At Veeple, after having interacted with scores of videos, we found that the videos we initially spotted were not as interesting, nor as effective as the ones we have recently spotted. You will also find this to be the case. No worries. Your videos, too, will soon be compelling.

Conclusion

The new video monetization paradigm for online video has arrived. You are now acutely aware that your online video has serious potential for generating revenue; billions in the aggregate. The Veeple service helps you, as a web publisher and content owner, take advantage of this huge opportunity, empowering you to reach this awesome potential. Yet at the same time, we understand that you should keep all the revenue you generate directly and that we provide a service to help you do just that. We don't get in the way. We assist and augment. Good luck and we wish you all success as you begin the journey.

US Online Video and Total Online Advertising Spending, 2006-2010 (millions, % change and % of total)

	2006	2007	2008	2009	2010
Online video ad spending	$214	$371	$619	$962	$1,399
% change	-	73.3%	66.9%	55.5%	45.4%
Total online ad spending	$16,879	$21,206	$26,168	$31,248	$36,215
% change	-	25.6%	23.4%	19.4%	15.9%
Online video % of total online	1.3%	1.8%	2.4%	3.8%	3.9%

Source: LiveRail, "State of the Industry: LiveRail's Q3 2008 review of online video advertising," September 3, 2008

097780   www.**e**Marketer.com

Thank you for taking the time to read this Whitepaper. To learn more, please visit our site @ www.veeple.com. Feel free to press the "Contact Us" button on our site at any time and speak with one of our great Veeple people. We would thoroughly enjoy helping you get started with Veeple.