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Online Video Advertising 101

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Online Video Advertising 101

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Professional Report

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Dedication

I dedicate my report to my one and only parents who supported and believed in me for the last two years. Also to my BFF B.

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I would like to show my appreciation to my PR committee, Dr. Sejung Marina Choi and Dr. Yongjun Sung, for guiding me to complete this report. Their inputs and advices were absolutely valuable and could not accomplish the report without them. Millions of thanks to them for not only helping me with my study but also for mentally supporting me during my master's program. Also special thanks to my close Korean friends, Eunice Kim and Kacy Kim.

05/ 03/ 2011

Abstract

Online Video Advertising 101

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Online streaming service sites such as YouTube and Hulu are popular these days. The fact that these websites utilize online video advertising as a revenue model led to a natural curiosity: Is online video advertising effective? Although this report does not give a conclusive answer due to lack of available data, it still covers enough topics to provide a comprehensive idea of what online video advertising is to those who are interested in the subject. As the title of this report states, its original purpose is to deliver an introductory guideline to internet video advertising.

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INTRODUCTION

Online video has now settled down as a new medium and has provided many innovative ways to advertise. As the new form of medium arrives, new advertising kinds arrive. A recent report by ComScore announced that in 2010, more than 88.6 million Americans viewed online videos daily. Especially, in December, an average of 179 million Americans spent over 14 hours watching videos on the internet (ComScore, 2011).

As stated, online video viewing is popular in the US and commonly used as an entertainment source. People no longer wait for the reruns of their favorite episodes on television, and rather go online to watch the missed episodes. In just quarter 3 of 2010, cable television companies lost more than 500,000 customers, and it is not surprising to see them discontinue the service (DailyTech, 2010). As people get busier and spend less time at home, it is hard for networks to hold on to their viewers. As a result, the major broadcast networks chose to upload the latest episodes to their websites for free in exchange for viewing ads. This revenue model seems to work for both parties: audiences and the networks. Since the ads are fewer than those on television and audiences have more control of the viewing schedule, some audiences choose to go online rather than catching episodes live. Also, online platform allows ads to be interactive and get creative in terms of formatting for cheaper prices. However, not all marketers prefer online to TV, due to the unidentified effects of online advertising. For a very long time, brand marketers have used traditional media, such as television, magazines and newspapers, to establish brand presence, and still count on the traditional media for advertising their

brands (Figure 1). Meanwhile, online mainly has been used for a direct-response purpose (Frelinghuysen & Joshi, 2010).

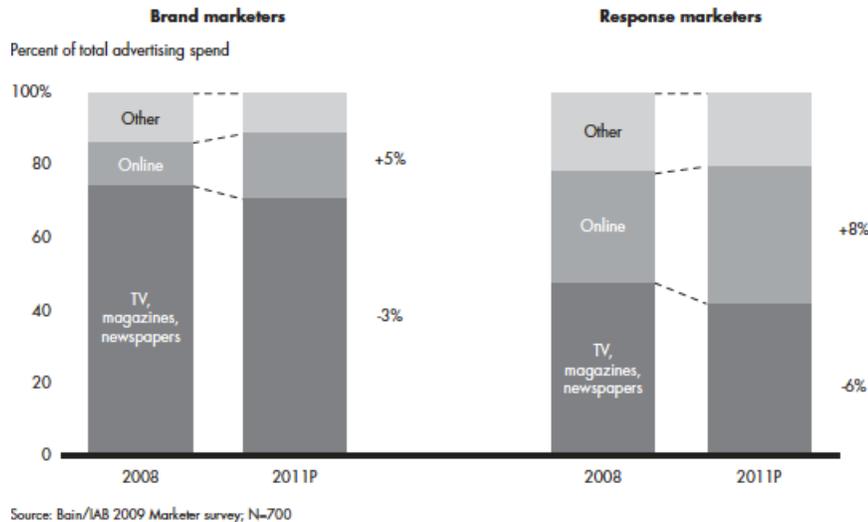


Figure 1: Brand marketers relying on traditional media than online

However, there are some studies asserting that online advertising is not only effective in getting direct-responses, but also as effective as building brands on television (Hollis, 2005; Li & Leckenby, 2004; McCoy, Everard, & Galleta, 2007). Since many audiences these days start to substitute TV by choosing to watch full episodes online with fewer ads (Mintel, 2010), it intrigued me to learn if online video advertising can have an equivalent or higher effectiveness than that of television commercial.

Although it is imperative for both scholars and marketers to understand the nature of online video advertising and its potential effectiveness, little research exists in this important area. Since this report has compiled several literatures that have been studied regarding the topic, providing a significant answer is hard to achieve. Instead, this report is intended to provide an overview of the current practice of online video advertising and

offer insights into the effective strategies for maximizing its effectiveness in today's cluttered media environment. Beginning with the history and types of online advertising, this report will first look at the state of online video advertising, including its growth, presence and format. Second, this paper will review two past studies reporting the effectiveness of online video advertising on two major online video websites, ABC and Hulu. While findings of the two studies (Hollis, 2005; Loughney, Elchholz, & Hagger, 2008) are still limited and may not reflect the most recent development of such advertising, they offer preliminary insight into consumer responses to the relatively new format of online advertising. This report will conclude with discussion on strategic implications of online video advertising as well as suggestions for future research.

OVERVIEW OF ONLINE ADVERTISING

In 2008, Louisa Ha (Ph.D., Michigan State University), a professor of the department of Telecommunications at Bowling Green State University defines online advertising at her article as "deliberate messages placed on third-party websites including search engines and directories available through internet access, whether it was paid or not" (Ha, 2008). In this report, online advertising is defined as a form of promotion that uses the internet for delivering marketing messages to attract consumers.

Online advertising has been on a steady rise. Since 2004, its growth has outpaced not only cable advertising but also any other medium (Kridler, 2004). Internet advertising started in 1994 and the accrued spending reached \$22 billion in 2010. As technology develops, the formats of advertising on the Internet have diversified and evolved from e-mail listings to rich media.

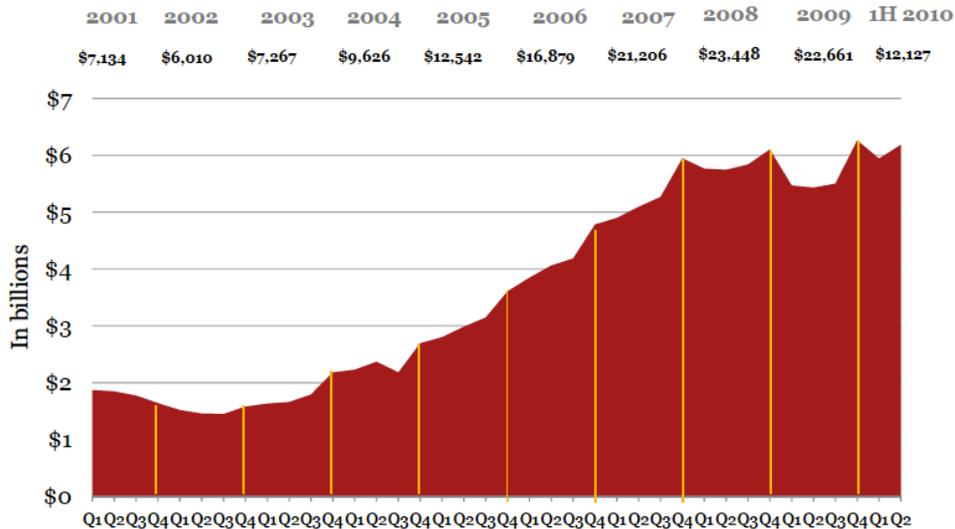


Figure 2: Interactive Advertising Bureau(IAB) and PriceWaterhouseCoopers(PwC)

HISTORY OF THE INTERNET ADVERTISING FORMATS

Since the early 1990s when internet advertising started, its ad formats have evolved and changed. In Michael Strangelove's book *How to advertise on the Internet* (1994), he documented several ad formats seen on the Internet. The formats included e-mail lists, Usenet newsgroups, signature files, free e-newsletters, software samples and e-brochures. However, as the 2004 report by the Interactive Advertising Bureau (IAB) shows, newer formats, ranging from keyword search ads to banner ads, classifieds, sponsorships, rich media, email, slotting fees, and referrals, have been added to the roster. The report also indicates the dramatic changes in the use of each ad format, estimated by their revenues (Table 1).

**Internet Advertising Revenues by Ad Format: 1998-2003
(Percent)**

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|----------------|------|------|------|------|------|------|
| Banner ads | 56 | 56 | 48 | 36 | 29 | 21 |
| Sponsorships | 33 | 27 | 28 | 26 | 18 | 10 |
| Interstitials | 5 | 4 | 4 | 3 | 5 | 2 |
| Email | - | 2 | 3 | 3 | 4 | 3 |
| Classifieds | - | - | 7 | 16 | 15 | 17 |
| Rich Media | - | - | 2 | 2 | 5 | 8 |
| Keyword search | - | - | 1 | 4 | 15 | 35 |
| Referrals | - | - | 4 | 2 | 1 | 1 |
| Slotting fees | - | - | - | 8 | 8 | 3 |
| Other | 6 | 11 | 3 | - | - | - |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |

Source: IAB, 1999-2004.

Table 1

For example, banner ads have declined from 56 percent in 1998 to 21 percent in 2003. On the other hand, keyword search ads have increased significantly, from 1 percent in 2002 to 35 percent in 2003. In addition to the formats introduced, online advertising has adapted to new technologies, such as three-dimensional visualization, web video advertising and online games (Li & Leckenby, 2004).

ONLINE VIDEO VIEWING AND WAYS TO ADVERTISE

The Internet has become the second most popular platform to watch videos after television. A recent study found that more and more people go online to view videos, and 52 percent of Americans over the age of 12 have streamed or downloaded a digital file (Hein, 2008). Although 66 percent of general audiences view programs mostly on TV, 19 percent of the age 18-24 group spends more time online or on cell phones and 33 percent of them almost spend the same amount of time on TV and online or on cell phones (Mintel, 2010). The video viewing websites such as YouTube, Hulu, and major broadcast network sites have millions of visitors everyday and they naturally attract advertisers. They provide various ways to advertise. For example, YouTube provides four formats of ads: InVideo Overlay Ads¹, InStream Ads², Standard Banner Ads, and Rich Media Ads. More specifically, 11 kinds³ are available depending on placement, from homepage masthead units to mobile banner ads (YouTube, 2011). Although there

¹ InVideo ads are located in a video as a format of static/ flash banner or video

² InStream Ads are video commercials placed within video contents

³ Homepage Masthead Unit, Homepage Expandable Masthead Unit, Homepage Tandem, Masthead Unit(Cross-talk), Standard YVA(YouTube Video Advertisement), Expandable YVA, YouTube InVideo Ads, Standard InStream Ads, Rich Media Ads, Standard Banner Ads, Standard Mobile Banner Ads, Promoted Video Ads

are many ways to advertise, this report will concentrate on In-stream ads --known as digital video ads-- that are played before, during, or after the streaming video content that the consumer has requested and called "pre-roll," "mid-roll" and "post-roll" video advertising.

Digital video advertising started a decade ago, but it is only since 2005 that it started to grow dramatically (IAB, 2008). Major broadcasting networks such as ABC, NBC, and CBS provide full episode viewing services on their websites, and consider digital video advertising as a revenue model.

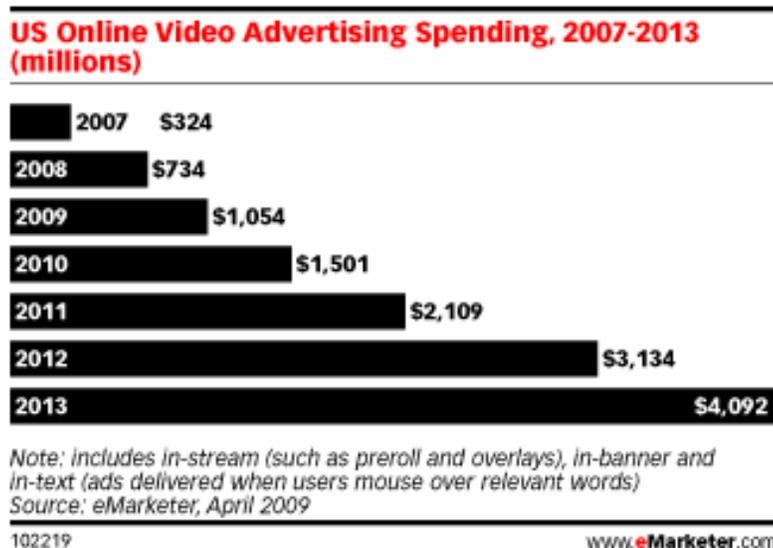


Figure 3: eMarketer, April 2009

Although online video advertising spending is a relatively small share among the overall online advertising industry, it is increasing consistently. The US online video advertising spending dramatically increased from \$324 million in 2007 to \$1,054 million in 2009, and is expected to grow up to \$4,092 million in 2013 (Figure 3). According to a report by eMarketer (2009), the amount spent per hour on online video advertising has

been more expensive than the television commercials. The fact that undefined effectiveness of digital video advertising has higher price than television advertising leaves a question regarding the effectiveness of online advertising to the table. In the following section, more details regarding digital video advertising will be introduced: its various formats, and popular online video websites that present original internet video advertisings.

DIGITAL VIDEO ADVERTISING

The most common digital video ads we see these days are within or around In-Stream, In-Banner⁴ or In-Text video⁵ formats. Among major online video viewing sites, In-stream video ads are typically viewed and the most comparable to a traditional TV ad type. Accordingly, this study will particularly focus on in-stream video, particularly, linear video ads -- often called online video advertising.

FORMAT OF DIGITAL VIDEO ADVERTISING

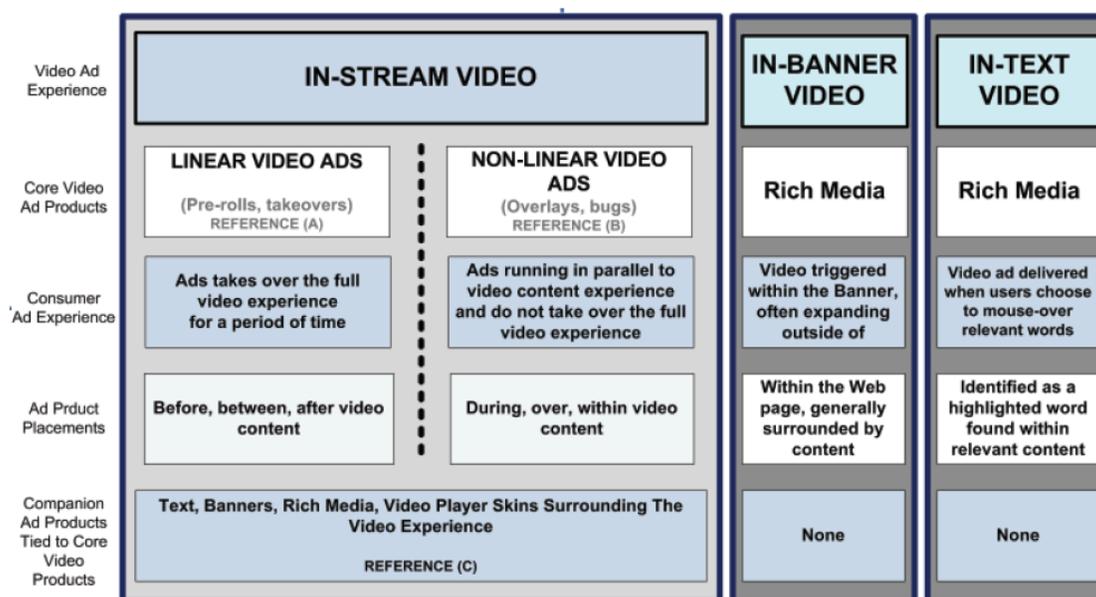


Figure 4: Distinguishing In-Stream, In-Banner, In-Text Video

Source: IAB Digital Video Committee

⁴ A video ad experience displayed or triggered within a display banner

⁵ A relevant video ad experience displayed only when a user chooses to mouse-over, a highlighted word or phrase within the text of web content

The IAB defines In-Stream video as an ad experience either viewed within or around content from a digital player. Within In-Stream Video, there are two core video ads: Linear Video Ads (Figure 5 Reference A) and Non-Linear Video Ads (Figure 5, Reference B). Linear video ad is shown before, between, or after the video content. Its key characteristic is that the ad takes over the full view of the video, like a traditional TV commercial. Not only plain commercial-like ads but also ads with interactive elements have developed. In fact, many content providers are experimenting with the format hoping to find the most effective way to advertise.



Figure 5: Linear Video Ad with Interactive elements

On the other hand, a non-linear video ad runs parallel to the video so the user still gets to view the content at the same time as s/he watches the video. The most common non-

linear ad product includes overlays⁶, and product placements⁷, which can be delivered as text, banner, or even video overlays.

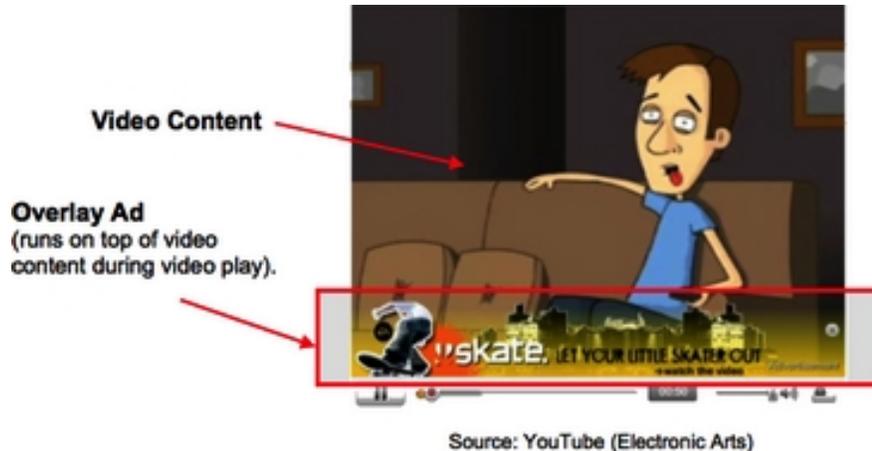


Figure 6: Non-Linear Video ad with overlay ad

Both linear and non-linear video ads are commonly paired with companion ads (Figure 5 Reference C), such as text, display ads, rich media, or skins that wrap around the video. The purpose of companion ads running along with other ads is to offer visibility of the sponsor and to gain immediate direct response through click-through and rich media interactivity. The combination usually goes either linear ads (A) + companion ads (C), or non-linear ads (B) + companion ads (C) (IAB, 2008).

⁶ Overlay are ads that shown directly over the content video itself

⁷ Product placements are ads that placed within the video content itself



Figure 7: Combination of Linear(A)+Companion(B) ads

ONLINE VIDEO PROVIDERS

Nowadays, there are many ways to watch full TV episodes without paying an expensive cable bill or even without a physical television. Major broadcast networks such as ABC, NBC, Fox, CBS, The CW, and PBS have full episodes available on each of their websites. Besides the broadcast network sites, there are websites like Hulu that aggregate the full TV episodes and movies of many different networks. Other than these sites, there are many more websites to catch whole episodes (Appendix 1). This study will choose representative content providers from major broadcast networks and aggregated sites to discuss further--ABC and Hulu.

The reason for choosing ABC.com as a representative major network website is because the ABC was the first broadcast network to provide full episodes online for free in exchange for ads. ABC is one of the big three television networks and is owned by the Walt Disney Company. Its website, ABC.com, provides contents for free on their unique ABC FEP (Full Episode Player) since May 2006. Also they have launched their own

player, called FEP (Full Episode Player) in May 2006. Hence, looking at how ABC.com utilize the FEP for advertising can bring an interesting insight. For example, the FEP offers four ways to advertise⁸ while the requested video is played (ABC, 2011):

- Companion logo: The companion logo appears below the video area.
- Pre-roll logo: The pre-roll logo is featured in the pre-roll ad, a video ad encoded by ABC.com that plays before the content.
- Ad Pods: An interactive linear video ad that appears within the episode. The commercial breaks occur in the same positions as commercial pods during broadcast. The FEP lets a sole sponsor advertise 100 percent for the available inventory, or different sponsors can share the inventory and rotate, just like TV's commercial breaks.
- Pause Ad: This is a specialized static ad that appears on a user-initiated pause.

Another representative online video viewing website is Hulu.com. There are several reasons for choosing Hulu for this report. First, Hulu is a giant aggregated streaming site that provides full episodes of television and movies since 2008. It is a joint venture by NBC, Fox and ABC, and is the third most visited online video site behind Google (YouTube) and Fox Interactive (ComScore, 2009). Also, in 2010, Hulu was watched twice as much as the major TV networks online (ABC, NBC, CBS, Fox and CW) combined. While Hulu was viewed for total of 19.4 billion minutes, the five major broadcast TV websites were watched for 9.7 billion minutes combined (ComScore,

⁸ See Appendix 2 for examples

2011). In addition, Hulu not only offers unique advertising opportunities to marketers but also makes an exceptional effort in maximizing the ad effectiveness by finding the right target. Hulu keeps track of customer satisfaction with advertisements and if the commercials are relevant to the customers. Furthermore, Hulu experiments with ad placements to figure out the best placement combination. For example, some viewers prefer most of the ads to come out in the beginning while some audiences prefer sporadic arrangement.

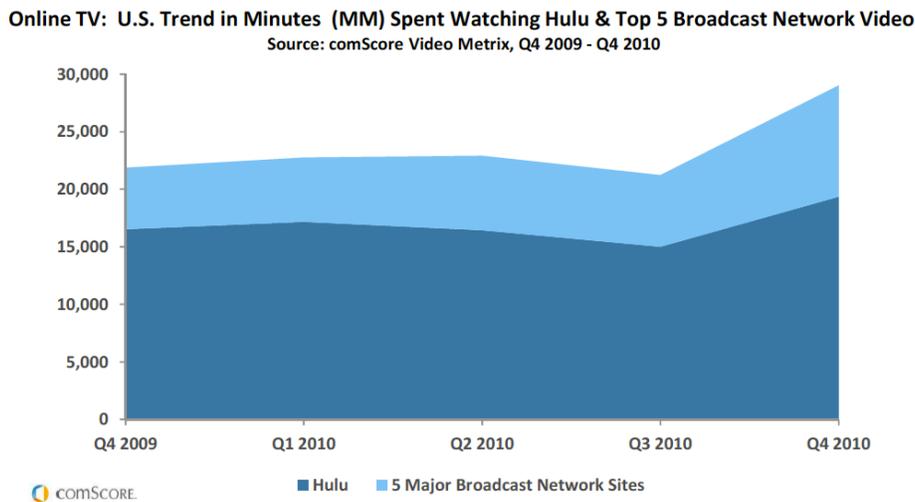


Figure 8: Hulu tops the major broadcast network online

As ABC.com, Hulu has its own unique ad models to attract advertisers along with many visitors. The ad experiences Hulu provides are comprised by four categories, and many formats exist within each category (Appendix 3):

- Standard Video Ad Package: This includes a standard linear video ad that plays randomly before, during, or after the contents (at the end card), as well as companion ads.

- **Branded Slate/ Premium Branded Slate:** The branded slate is the custom static screen of the advertiser's brand logo before the show starts. It usually comes with voice over. The premium branded slate is exactly the same but is able to add more images.
- **Branded Player Skin/ Premium Player Skin:** The branded player skin provides an opportunity to set a skin background around the player relevant to a client's in-stream video ad.
- **Branded Entertainment Selector:** This is a unique ad format that lets users have control in their video viewing. The audiences get to choose whether they want to watch a long commercial or webisodes⁹ in exchange for commercial-free content viewing, or view short ads with regular commercial breaks. Also, some companies provide a quick survey in exchange for a commercial-free experience.
- **Ad Selector:** This let audiences to have complete control over commercials by choosing one commercial among two or three options. In the beginning of a selected content play, the user will be presented two or three category options of one brand.
- **Product Interstitial:** Product Interstitial is not a usual in-stream video ad. Instead, Hulu provides the spot to play a flash ad that is made by the company. It is usually in a creative interactive form and it can be played during the designated time, just like an in-stream video ad. Product Interstitial was originally made for

⁹ Webisode is a blend of web and episode. It is referred to a short episode made to view online. For example, it can be a show on YouTube that an amateur shot, and also a TV episode that was made to view only online and not to telecast.

brands that do not own playable video commercials. However, these days, some companies with video ad choose this format to promote their products.

EFFECTIVENESS OF INTERNET VIDEO ADVERTISING

CASE STUDY A: ABC.COM

As ABC launched the FEP(Full Episode Player) in May 2006, it researched its audiences to learn their attitudes toward the ads on FEP, compared to traditional TV (Loughney, Elchholz, & Hagger, 2008). Since the ABC FEP is a representative broadcast network that provides online viewing, the conducted research will give a general idea of online video viewing experiences and the effects of the digital video advertisings within them.

The research was conducted in survey format, and a total of 21,833 respondents from the age of 18-54 participated. The survey found out that online viewers are younger and more educated than TV viewers. In terms of viewing experiences, 88 percent of viewers were very satisfied with FEP and 92 percent of those viewers were willing to recommend the player to someone else.

The video advertising within FEP had a powerful effect in increasing top of mind brand awareness. In the pretest of survey, participants were asked to name the top three brands on their minds in certain category, and measured the changes of brands in the posttest. The result showed that the average top of mind brand awareness increased from 29 percent to 49 percent (Figure 9). Notably, no single advertiser's awareness decreased.

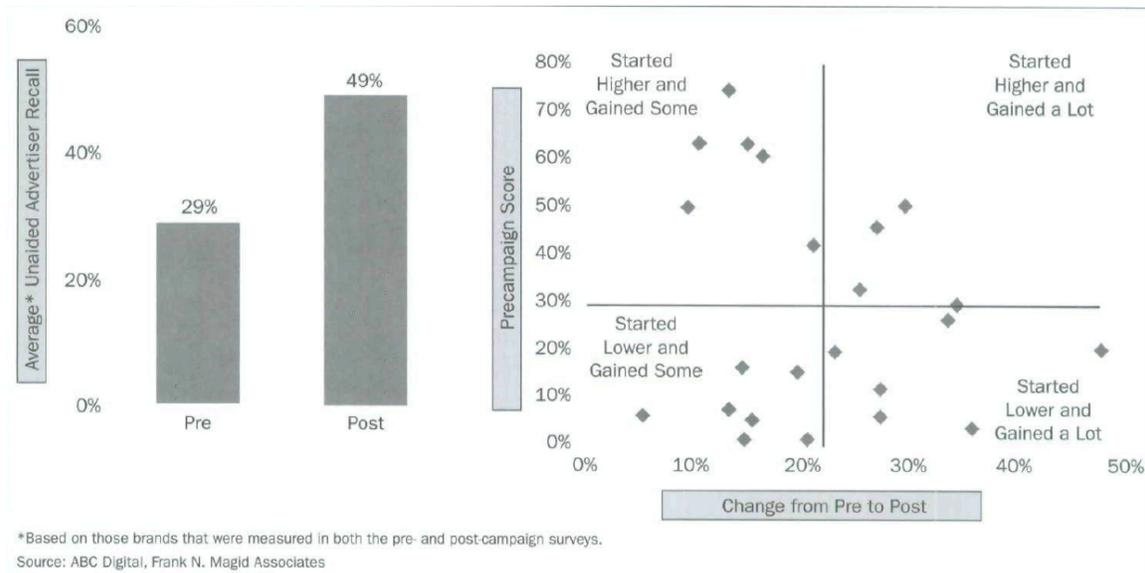


Figure 9: Pre-Post changes in top of mind brand awareness

Also, sponsors of the program were recalled well. On average, 54 percent of viewers were able to recall the sponsor unaided, and 68 percent of them correctly recalled the sponsor when aided. The range of unaided sponsor recall was 29 percent to 80 percent, and an interesting point was that advertisements with an 'entertaining factor' performed better. For example, in the case of unaided recall, the commercials that were rated highly entertaining scored 60 percent, while the commercials evaluated as the least entertaining got 49 percent.

In general, viewers had positive attitudes toward the ads in FEP. As shown in Figure 10, 37 percent of participants found the ads entertaining, while 31 percent of participants found them to provide useful information. The audiences who were already willing to purchase a certain product category were more likely to consider purchasing the product advertised. For instance, while 37 percent of audiences with purchase

intention considered the product in advertisement, only 24 percent of overall audiences agreed on purchasing the product from commercial (Figure 10).

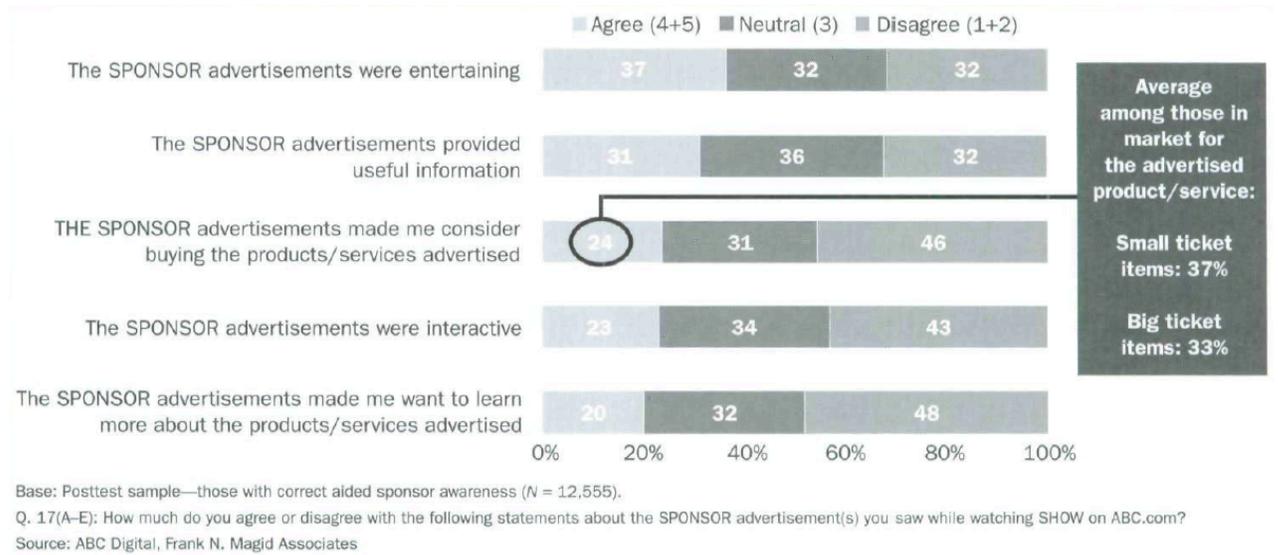


Figure 10: Overall attitude toward ads on FEP

To sum up, the ABC research had several distinct findings. First, ads on FEP are effective in developing unaided recall for both brands and sponsors. Considering that TV's ad recall rate was 22.5 percent on average between 1992-2005 (Morais, 2007), the FEP is twice more effective than the traditional TV in unaided recall. Second, the entertaining factor is essential when planning on airing ads on FEP. Although online media provide interactive factors in ads, being interactive does not necessarily mean enjoyable. Only 24 percent of FEP audiences actually interacted with the ad and it did not guarantee recall. Thus, the results indicate that regardless of the medium, entertaining copy and message are more crucial than interactive ones. Third, demographics of viewers are younger, more educated, and female-oriented compared to that of TV with the same

episode. In addition, overall audiences had favorable attitudes toward the ads on FEP. This might originate from liking the player itself and ads benefitted from it.

As said in the beginning of the chapter, this research results give significant insights to both advertisers and online video providers. ABC.com is a representative digital video viewing site and major broadcast network. Observing its performance in terms of learning ad effectiveness and audiences' attitudes toward both ads and the player could give us a better understanding of the digital video ad industry.

The ABC.com research gave a remarkable vision of how online video viewers feel about in-stream video ads and effectiveness of the ads. Compared to TV commercials, online video ads have advantages in unaided brand recall and better perceptions -- more entertaining and less annoying. Now the question is, what makes internet video ad successful? According to the ABC research, entertaining factors are important, even more than interactive elements. In addition to the content itself, external features such as playing length and placement should be considered as well.

CASE STUDY B: HULU.COM

Hulu is another representative video viewing site with ABC and as said in the previous chapter, it experiments with its ads in many different ways. Majorly, they change ad lengths and placements randomly to find the best performing combination. However, it is not an easy way to learn which works and which does not, unless every viewer is surveyed.

In order to identify the answer, a research team consisted of Lloyd Munjanja, Monica Navarro, Wendy Webb and Jennifer Rosato at the College of St.Scholastica, conducted an experiment simulating the content viewing experience of Hulu. Their goal was to find out the preferred ad placement and duration combination among viewers, and their attitudes toward ads along with recall rate (Munjajnja, Navarro, Webb, & Rosato, 2008). The experiment was performed on students of ages 18-24 at the College of St. Scholastica. The participants were randomly assigned into one of the three groups and made to watch either two commercials: a 15-sec taco commercial or a 30-sec pizza commercial. Each commercial was played three times and their placements were differed by group. For example, group 1 was assigned to the 15-sec taco commercial and the ad was shown in the beginning (0:00), 10:00, and 20:00 of the 30-minute video. Group 2 and 3 were assigned to the 30-sec pizza commercials and ads were allocated differently throughout the 30-minute content. The ads within group 2 were shown sporadically at 0:00, 10:00, and 20:00, while group 3's commercials were clustered in the beginning at 0:00, 0:30, and 1:00. The 30-minute video was the same across the groups and participants were asked to fill out a survey to examine the results after viewing the ads.

The result indicated that participants preferred the shorter ads to the longer ones. However, longer ads were better recalled with 80 percent rate, while 15-sec ads were recalled by 60 percent of group 1 participants. More importantly, group 3 participants who viewed ads altogether had the highest viewing experience although their video was 15 seconds longer than that of group 1. Thus, this study implies that regardless of the length of ads, placement has a more powerful effect. The choice of the ad length will depend on the marketer's decision, whether to pursue higher recall rate or be favorable to audiences. However, in terms of placement, scattered ads were less preferred to the cluttered ones in the beginning regardless of the length. Therefore, the best combination for gaining fondness from audiences is to have short ads all in the beginning.

In addition, students at the College of St.Scholastica are more likely to watch shows online compared to one year ago. However, due to the slow internet speed, students preferred TV to internet. This indicates that the online video viewing experience is highly related to external factors such as connection level, beyond mere content availability. Although the connection speed situation will be resolved as technology gets better, ad avoidance seemed to be a difficult issue to fix. Overall survey participants tend to open multiple websites while online viewing to check their emails, Facebook pages, or online class bulletins. Since it was not identified under what situation they would open other pages during the play, it was possible to assume when ads are on. Considering that ad avoidance on TV, such as zapping, muting or even leaving the room, is still a huge problem, online video ads will be no different when it comes to the ad ignorance issue.

CASE STUDY C: RECALL ON TRADITIONAL AND INTERACTIVE TV COMMERCIAL

Traditionally, TV has been the major medium for advertising for a long time. It is still the most preferred medium for many brand managers when the objective is to build brand (Frelinghuysen & Joshi, 2010). The format of TV commercial is not so different from internet video advertising. The sponsored brands appear randomly during commercial breaks of a program and commercials are mostly played for 15 or 30 seconds. In standard television, audiences have little control over advertisements and advertisers push their messages to passive audiences. However, these days, technology has enabled audiences to possess more power through interactive TV or smart TV. Advertisers pull the messages and audiences actively participate in advertisements. For example, interactive TV provides many ways to attract the viewer's attention by giving choices with interactive factors such as the following (NDS Business Consulting, 2000):

- Jump: you can directly go to a specific interactive site from a catalogue.
- Tag: you can also mark the site for later access.
- Response: act accordingly to the advertisement by ordering a brochure.
- Impulse purchase: let audiences purchase immediately through ads.

Advertisers also make an effort to customize the ads to each viewer based on his or her profile. In addition, they also provide incentives to those who participated in ads, such as coupons or special promotion. Sometimes they even offer quizzes and interactive contests to engage more viewers by rewarding those who provide the right answers (Jensen, 2005).

Despite the opportunities interactive TV brings, traditional TV remains the most

common and more familiar medium to advertisers. Although TV's unaided recall rate is 22.5 percent on average, the overall rate -- including aided recall -- is still around 40 percent (Rossiter and Bellman, 2005). Since internet video advertising has basically a similar format to TV commercial, looking into what makes brands successful in TV ads will bring more insight into the study of internet video advertising.

What make audiences recall brands in TV ads? According to media specialist David Brennan, the stronger the relationship the viewer has with the program, the more effective the brand will be. Liking is such an emotional behavior. Fans of the program are more likely to remember and like the brand than neutral audiences. Also, the sponsorship works better when there is an obvious relationship between the brand and the program. For example, advertising food or cooking appliance brand will work better with a cooking show, than computer brands. This emphasizes a good product fit between the program and the brand. Another point he made was that keeping a long-term rather than a short-term relationship with program has more advantages. Sponsoring is not only for maximizing awareness but also for getting the meaning transferred from the program. Most of the time, the brand is the one that gets affected by the content. However, when sponsoring certain programs for a long time, sometimes brands play the role of affecting the program perception as well. He argues the most important point in successful sponsorship is to find the right fit and maintain the relation between the program and the brand (Brennan, 2009).

Another study (Romaniuk, 2009) was conducted to find the specific tactics of maximizing brand execution effectiveness. The indicator of effectiveness is recall rate as

usual and there are six dimensions to analyze the execution:

- Visual frequency: How frequently was the brand visually represented?
- Verbal frequency: How frequently was the brand mentioned?
- Total brand exposures: How often was the brand referenced regardless of the mode?
- Dual mode: Did the brand include both visual frequency and verbal frequency?
- Duration of brand: For how long was the brand represented to audiences?
- Early branding: How early did the brand appear in the advertisement?

Among these elements, the study result shows that visual frequency, early brand presence, and dual-mode branding are the strong elements that lead to high recall.

Duration of brand was the least significant factor and verbal frequency had a positive influence but it was not as linear as the three above-- visual frequency, early branding and dual mode. The author also pointed out that these tactics can be adapted to internet video advertising as well. Since the audiences of internet are more precisely targeted and face less ad clusters than TV viewers, the effectiveness might be more powerful than TV's if online video advertisement utilizes these elements when creating their ads.

AUDIENCE STUDY

As seen in previous chapters, internet video advertising is as effective as traditional TV advertising in branding. However, this branding concept can only be achieved when recall rate is considered as an indicator. In fact, building a branding involves a more complicated process. Some advertisers desire to see direct-response than a mere recall and some would wish for increasing brand awareness or change audience's attitudes. Most of the time, online advertising aims for direct-response, such as banner or sponsored link, and the effectiveness can be easily determined by looking at their CTR (Click-Through Rate). However, the nature of online video advertising is similar to that of TV. In order to measure the success of establishing a brand through ads, audience's characteristics, needs, and brand building process need to be considered.

CONSIDERATION OF AUDIENCE'S PERSPECTIVE

The study (Hollis, 2005) conducted by Nigel Hollis introduced the BrandDynamics™ pyramid that shows five levels of audience attitudinal loyalty to a brand (Figure 11). The model shows an attitude of an individual toward a brand, in other words, the attitudinal relationship. As seen in figure 11, as the level moves upward, the possibility of purchase increases.

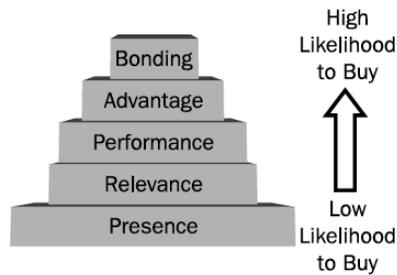


Figure 11: BrandDynamics™ Pyramid

The first stage is Presence, and this level requires some knowledge of a brand besides awareness. The next stage, Relevance, is a transitional step in which a customer holds some kind of opinion --more likely negative opinion-- toward the brand. If the opinion is negative, such as unreasonable price or bad quality, the relationship between the brand and the customer remains in the Presence stage; otherwise, it proceeds to the next level, Performance. Performance is also a transitional stage in which customers agree that the brand offers an acceptable performance level in terms of satisfying the basic criteria of each product category (i.e. freshness for vegetable). If the consumer agrees, the stage moves on to Advantage, which requires elements that will make the brand competitive in the market compared to other products. There are eight components that can possibly give an edge to a brand according to the pyramid:

- Efficacy: Does this product perform well?
- Relevance: Does this product meet your desired needs?
- Saliency: Is this the first brand that comes to mind when you think of a certain product category?
- Ubiquity: Is this brand considered the most popular in the product category?
- Momentum: Is this brand considered trendy?

- Appeal: Does this brand appeal to you compared to other brands?
- Status: Is having this brand considered better than purchasing other brands?
- Differentiation: Does this brand have a unique differentiation point to others?
- Price: Is this product in an acceptable price range?

The last step, Bonding, also applies the same measures to the previous Advantage stage.

The difference is the degree of emotional bonding with a brand.

In addition, Hollis pointed out that looking into the consumer's purchase cycle is important as well when evaluating whether or not the branding was successful. The purchase cycle involves a total of six stages:

1. No current need: consumer is aware of the advertised brand but has no need for purchasing
2. Identify need: consumer is thinking about needs and they are developed based on current knowledge and experience
3. Shopping: consumer is actually in the market and looking for an option
4. Purchase decision: consumer is making a decision as to which one to buy
5. Use/ ownership: consumer experiences the brand purchased and sees if it is meeting expectations
6. Identify new needs: consumer is thinking about new needs-- back to stage 2

Also, audiences are divided into three groups when seeking information: passive receiver, active seeker, and attuned receiver. Passive receivers are viewers who do not have immediate need for purchasing and passively receive any information an ad gives. Active seekers aggressively look for information when they feel a need for purchasing a

product. Attuned receivers are those who currently are passive receivers but turn into active seekers if an ad provides information on the product that is relevant to their needs.

So far, this chapter explained how to understand the branding concept in ad viewers' perspective. The BrandDynamics™ pyramid showed the viewer's attitudinal steps of building a relationship with brands. In addition, purchase cycle and the viewer category by information seeking style gave an insight into whom to target when advertisers wish to successfully establish a brand through an ad. Lastly, Hollis combined all of these and clustered them into one (Table 2). This table shows an easy way to identify audiences by their purchase cycle and attitudinal cycle.

| Stage | Purchase Cycle | Consumer State and Actions | Attitudinal Loyalty Level | Information Mindset |
|-------|-------------------|--|--|---------------------|
| 1 | No current need | Aware of brand promise but no active consideration | Presence | Passive receiver |
| 2 | Identify need | Thinking about needs. Consideration set developed on basis of current knowledge and experience | Relevance or Presence | Attuned receiver |
| 3 | Shopping | Assessing options based on relevant information and experience of alternatives (checking out) | Relevance or Performance | Active seeker |
| 4 | Purchase decision | Identifying which one best meets needs, desires, and budget | Advantage or Performance | Active seeker |
| 5 | Use/ownership | Assessing experience in light of expectations | Performance, Advantage, or Bonding | Passive receiver |
| 6 | Identify new need | Thinking about needs. Process starts again at stage 2. | Level depends on experience and current needs. | Active seeker |

Table 2: Combination of purchase cycle and attitudinal loyalty

Observing how audiences in each purchase cycle establish their attitudes toward a brand gives an implication to internet video advertisers as well. The major advantage of online advertising is the ease of targeting. Considering each of the cycle that audiences

face and knowing their information mindset will help advertisers decide on the kinds of advertising that needs to be created. For example, when targeting teenagers who are in the Shopping cycle and actively seeking information, advertisers need to produce advertisements that will form a positive opinion among them. For instance, this can be achieved by showing a popular teen star using the product when aiming for emotional appeal, or perhaps a more rational appeal depending on the product category. In fact, the best content will be a combination of the factors that were proved to work effectively, and a customization of the contents according to the audience's status. The next chapter will sum up the whole paper and give a clear guideline that can possibly assist in creating the most effective online video advertisements.

DISCUSSION

The objective of this paper was to make a comprehensive report regarding online video advertising. So far, this paper has covered the overall online video viewing trend, major players, and online video advertising formats in chapters 2 and 3. Chapter 4 introduced who the audiences were, what attitudes they had towards the digital video ads on ABC.com and the effectiveness of ads in the FEP in terms of recall rate. Also, it included the factors that drive linear video ads successful, such as their placements, frequency level, and duration, by looking at Hulu and TV commercials. Chapter 5 covered how audiences build brand relationship and gave an insight into how advertisers can target viewers under each purchase cycle.

In this report, many elements were discussed as major driving factors toward a successful digital video ad. Here is a list of the recapitulated components:

- Having an entertaining component in content -- copy or message -- is important when creating an ad than having interactive characteristics.
- Targeting audiences who already have strong preference or loyalty toward the video serving sites. Viewers who have favorable attitude toward the video player have a higher tendency to like the ads on it.
- Targeting the avid fans of a program: Likelihood to like an ad is higher when viewers like the program.
- Finding the right fit between the product and the program: Congruent combination has proven to be more effective than mismatched mix.

- Trying to form a long-term relationship with a certain show to get the most out of the show: It is common to get the image transferred from the show.
- Shorter ads are preferred to longer ones among viewers. However, longer ads are better recalled.
- Although length of an ad is important, placement plays a more significant part.
- Trying to locate ads altogether in the beginning rather than sporadic placement.
- When creating an ad, wisely using visual frequency (of the brand), early branding and dual mode (combination of visual frequency and verbal frequency).
- Knowing your viewers: consider the purchase cycle of audiences and their attitudinal status in the brand loyalty pyramid.

It is needless to emphasize how important these rules are, when you decide to advertise on online video viewing sites. However, more than anything, choosing the right medium should come first. Be aware of the pros and cons of each medium and make the wise decision, because online advertising is not for everyone. For example, online video viewing site has advantages over TV in several ways. First, visual frequency is significantly higher than TV. For instance, viewers of ABC FEP are exposed to only one national advertiser brand per episode. However, not every site operates this way so always research the system beforehand. Second, it can utilize the interactive nature of online. Third, online advertising has a characteristic of targeting one on one. In other words, it is highly possible for an individual to watch a show by him/herself than with someone else. Fourth, the same show can be played anywhere, anytime, meaning

audiences can be reached ubiquitously.

On the other hand, online advertising has limitations in targeting the audience. Not every viewer has access to internet and the web knowledge. Also, there is a low chance of unexpected exposure in online video advertising while TV can reach random audiences. Thus, when aiming for general increase of brand awareness, TV is a better choice over internet video sites.

This paper has introduced several tips regarding the nature of internet video advertising. It has been proven to be effective in building a brand when measured by recall rate. However, it is still a big assignment to prove if online video advertising has as much brand establishing ability as traditional media, when measured with other standards. Also, many online video providers are expanding their services to new digital devices, such as tablet PCs and mobile phones. Just like internet video ad adopted television's linear video format and created unique features on its own, it will be interesting to see what kind of new ad formats will be introduced and how the effectiveness will be like. Since each device has its own unique strengths, weaknesses, and audience demographics, it is expected to bring new possibilities to the advertising industry.

Appendix 1

Online Video Resources

| Name | Address | Pricing |
|--|---|---|
| BROADCAST NETWORK | | |
| ABC | http://abc.go.com/player/index?pn=index | Free |
| CBS | http://www.cbs.com/video/ | Free |
| NBC | http://www.nbc.com/Video/library/full-episodes/ | Free |
| Fox | http://www.fox.com/fod/index.htm | Free |
| The CW | http://www.cwtv.com/cw-video | Free |
| PBS | http://www.pbs.org/video | Free |
| SPORTS | | |
| NFL GamePass (Live in HD) | http://www.nfl.com/gamepass | \$25 per week \$90 per team \$110 for the entire league |
| NFLRewind | http://www.nfl.com/gamerewind | \$15 per month \$40 per the entire off-season |
| CBS Sports (Live SEC) | http://www.cbssports.com/ | Free |
| ESPN360 (Live) | http://www.espn360.com/ | Free but need specific a broadband provider |
| Cable Networks with Full Episodes or Live Streams | | |
| MTV Music | http://www.mtvmusic.com/ | Free |
| MTV Show | http://www.mtv.com/ | Free |
| TNT | http://www.tnt.tv/dramavision/?cid=39824 | Free |
| Nickelodeon | http://www.nick.com/turbonick/index.jhtml?gatewayid=86182 | Free |
| TBS | http://www.tbs.com/video/index/#/all-video/full-episodes/ | Free |
| CNN | http://www.cnn.com/video/ | Free |

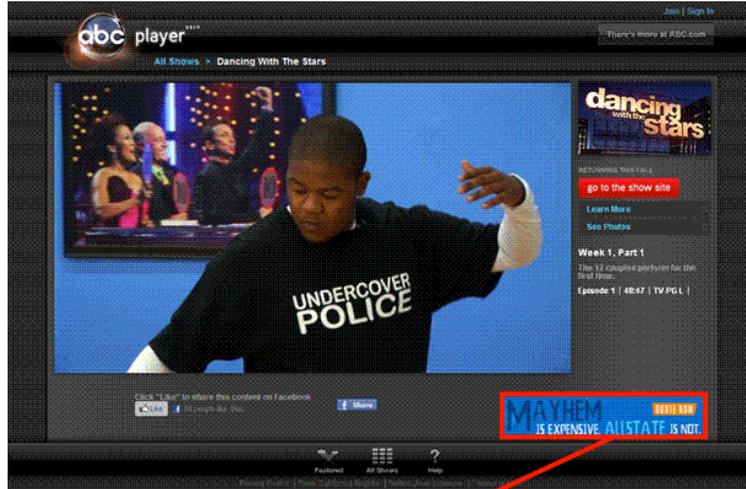
| | | |
|---|---|-----------------|
| Lifetime | http://www.mylifetime.com/on-tv/full-episodes/ | Free |
| CNBC | http://www.cnbc.com/id/15839263 | Free |
| USA | http://www.usanetwork.com/fullepisodes/ | Free |
| SciFi | http://www.scifi.com/rewind/ | Free |
| VH1 | http://www.vh1.com/video/full_episodes.jhtml | Free |
| Cartoon Network | http://www.cartoonnetwork.com/video/index.html | Free |
| TruTV | http://www.trutv.com/video/index.html | Free |
| FX | http://www.fxnetworks.com/episodes.php | Free |
| ABC Family | http://community.abcfamily.go.com/watch | Free |
| History | http://www.history.com/video.do?action=home | Free |
| BET | http://www.bet.com/OnBlast/ | Free |
| A&E | http://www.aetv.com/videos/display.jsp | Free |
| Disney | http://disney.go.com/videos/#/videos/tvshows/ | Free |
| TLC/ Discovery/ Animal Planet | http://video.discovery.com/ | Free |
| CSPAN | http://www.c-span.org/Watch/C-SPAN_wm.aspx | Free |
| Current | http://current.com/currenttv | Free |
| Comedy Central | http://www.comedycentral.com/ | Free |
| SPECIFIC FULL EPISODE SITES | | |
| The Daily Show | http://www.thedailyshow.com/full-episodes/ | Free |
| The Colbert Report | http://www.comedycentral.com/colbertreport/full-episodes/ | Free |
| South Park | http://www.southparkstudios.com/episodes/ | |
| INDEPENDENT INTERNET-ONLY NETWORKS | | |
| CNET TV | http://www.cnettv.com/ | Free |
| Revision3 | http://www.revision3.com/ | Free |
| NextNewNetworks | http://www.nextnewnetworks.com/ | Free |
| College Humor | http://www.collegehumor.com/ | Free |
| Funny or Die | http://www.funnyordie.com/ | Free |
| AGGREGATION SITES | | |
| Hulu | http://www.hulu.com | Free |
| iTunes | http://www.apple.com/iTunes/ | Pay per episode |
| YouTube | http://www.youtube.com/ | Free |

| | | |
|---------|---|------|
| Vimeo | http://www.vimeo.com/ | Free |
| Blip.TV | http://www.blip.tv/ | Free |
| Revver | http://www.revver.com | Free |
| TV.com | http://www.tv.com | Free |

Source: Obsessable.com

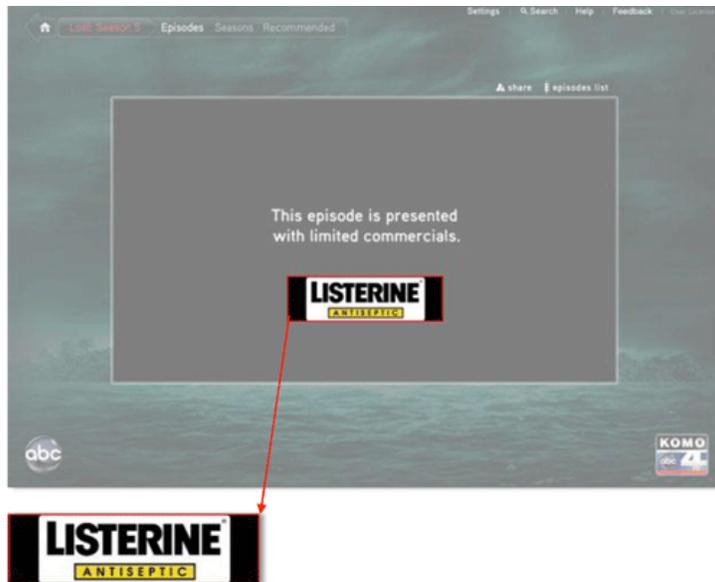
Appendix 2

Companion Ad:



MAYHEM IS EXPENSIVE. ALLSTATE IS NOT. QUOTE NOW

Pre-roll logo:

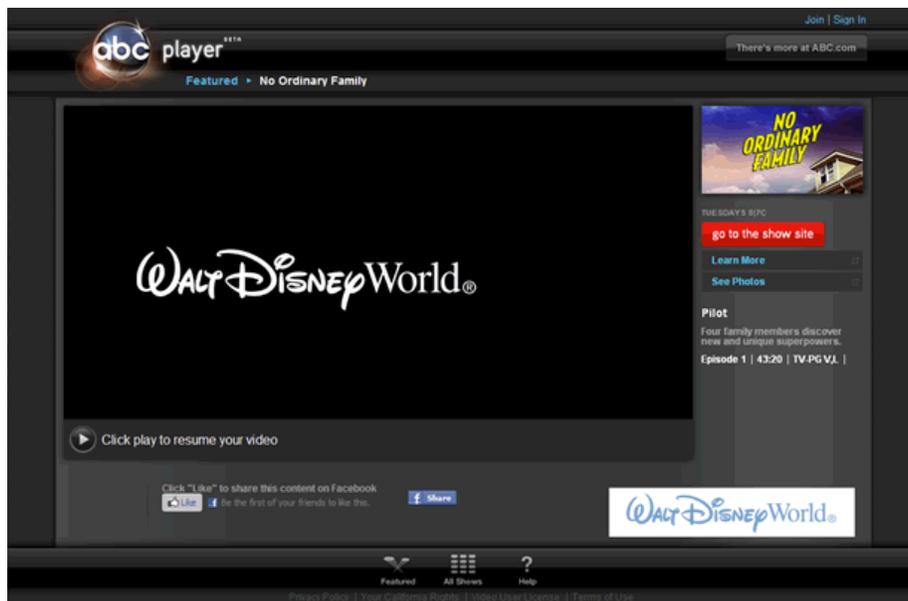


LISTERINE ANTISEPTIC

Ad Pods:



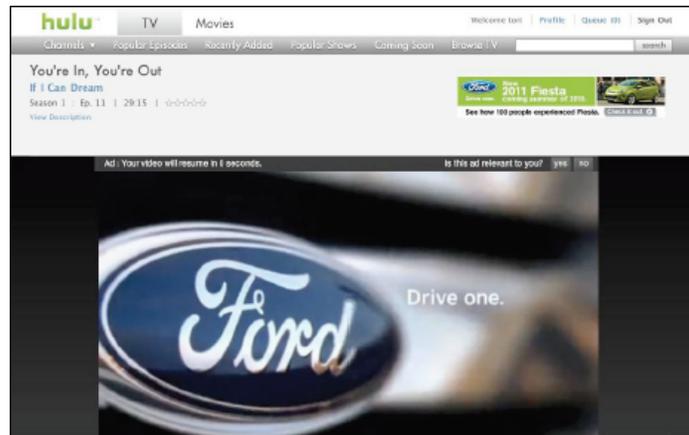
Pause Ad:



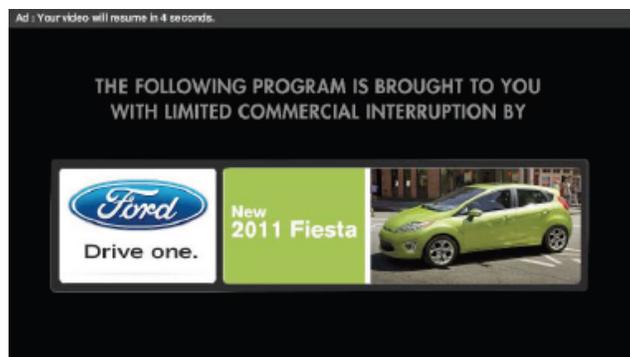
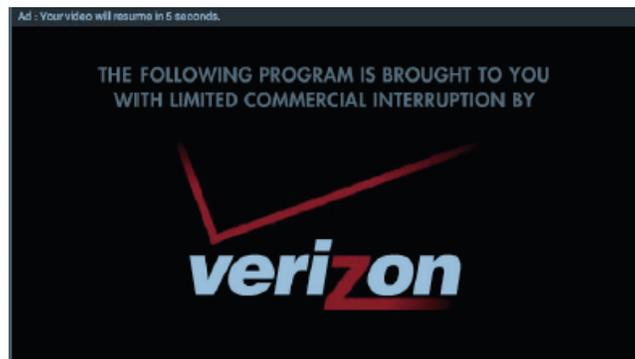
Source: ABC.com

Appendix 3

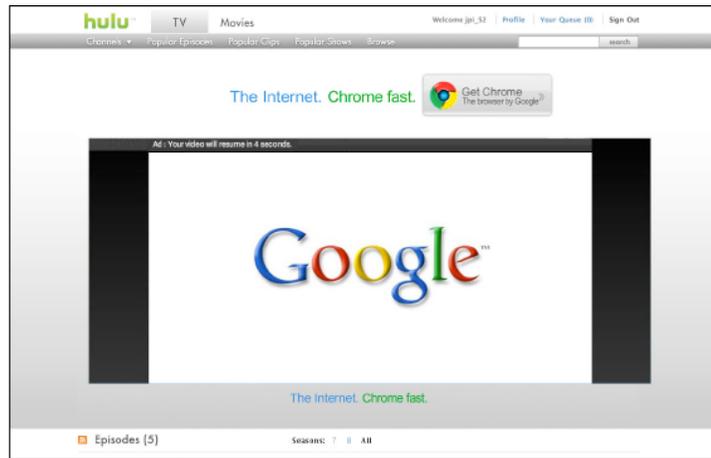
Standard Video Ad Package:



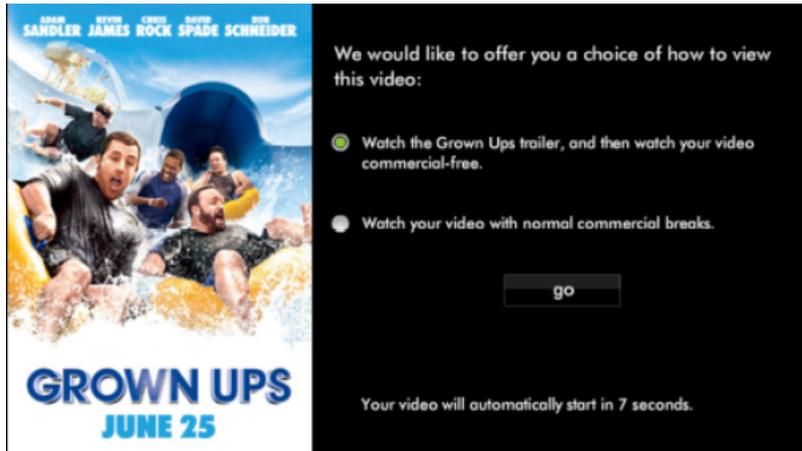
Branded Slate/ Premium Branded Slate:



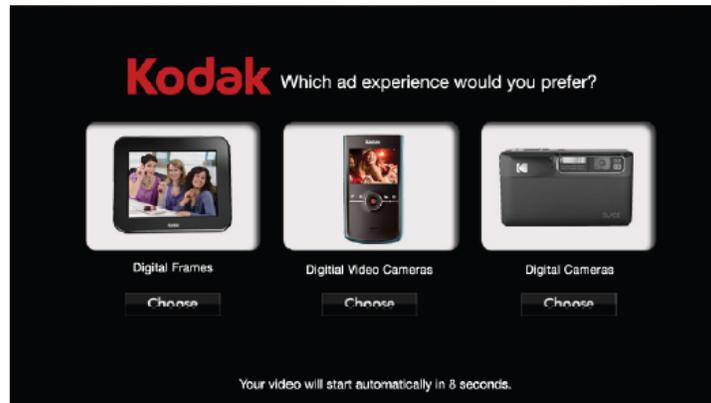
Branded Player Skin:



Branded Entertainment Selector:



Ad Selector:



Product Interstitial:



Source: Hulu.com

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YouTube. (2011, April). *Youtube ad placement*. Retrieved from <http://www.google.com/support/youtube/bin/static.py?page=guide.cs&guide=30071&topic=30072&answer=187101>

Vita

So Hyeon Park was born in Gwang-Ju, South Korea. She went to Seolwol Girl's high school in Gwang-ju, and admitted to the Korea University in Business Administration major in March 2004. During she attended the Korea University, she flew to New York City to study film producing for one year at New York Film Academy in 2007. She came back to Korea University in 2008, and completed a dual degree program in Mass Communication (B.A.) and Business Administration (B.B.A.) in August 2009. She immediately started her master's program at the University of Texas at Austin majoring in Advertising since August 2009 and expected to graduate in May 2011.

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