

The Importance of Delivering a Great Online Video Experience

## VENDOR RESEARCH

### AKAMAI

# THE IMPORTANCE OF DELIVERING A GREAT ONLINE VIDEO EXPERIENCE

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**Vendor Research**

**July 11, 2007**

# **THE IMPORTANCE OF DELIVERING A GREAT ONLINE VIDEO EXPERIENCE**

With the increased popularity of online video content, now is the time for publishers to experiment with online video as a new means of storytelling and offering an enhanced experience on their Web sites. JupiterResearch's February 2007 survey of 2,319 online consumers found 46 percent of online consumers watch online video monthly or more frequently. Also, 43 percent of online consumers who connect to the Internet by broadband watch online video at least once per week.

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Published July 11, 2007. © 2007 JupiterResearch, LLC

## **Table of Contents**

- 1 Executive Summary
- 3 Delivering a Great Online Video Experience
- 9 Appendix
- 14 Report Methodology

## **Table of Figures**

- 3 Interest in Viewing Video Content on a PC
- 4 Types of Sites Most Frequently Visited for Online Video Content
- 5 Deterrents to Watching Online Video on the PC
- 6 Reasons for Dissatisfaction with Viewing Video on Site
- 7 Consequences of Poor Online Video Experience
- 8 Receptivity to Online Video Advertising by Type
- 9 Predominant Venue for Viewing Video
- 10 Internet Connections of Online Video Users and Online Users Never Having Accessed Online Video
- 11 Age of Online Video Users and Online Users Never Having Accessed Online Video
- 12 Gender of Online Video Users and Online Users Never Having Accessed Online Video
- 13 Online Tenure of Online Video Users and Online Users Never Having Accessed Online Video

## Executive Summary

With the increased popularity of online video content, now is the time for publishers to experiment with online video as a new means of storytelling and offering an enhanced experience on their Web sites. JupiterResearch's February 2007 survey of 2,319 online consumers found 46 percent of online consumers watch online video monthly or more frequently. Also, 43 percent of online consumers who connect to the Internet by broadband watch online video at least once per week.

According to a JupiterResearch executive survey of more than 335 online marketers (conducted in May 2007), advertisers have clearly taken notice of this trend. Thirty percent of marketers indicated they would create online video content as a means of increasing consumers' engagement with their brand. The same survey also shows the number of online marketers using in-stream preroll ads will increase by 180 percent, and the number of marketers using in-stream mid-roll or post-roll ads will increase by 145 percent during the next 12 months.

Online video is seen as a mechanism for encouraging site visitors' engagement (e.g., increasing the duration of site visits), enriching site visitors' overall experience, and generating new advertising revenue streams with premium CPMs. Although prior experience and the success of sites such as YouTube suggest short-form video remains king online, advertisers are reluctant to advertise against user-generated video. As such, monetization strategies remain uncertain. Consumers also express interest in viewing premium content such as full-length TV programs. This interest suggests next-day streaming efforts offered by major broadcast networks will find an audience. Because advertising models around premium content are already established, there is a relatively much clearer business case for the video initiatives of established online publishers and traditional broadcast networks.

However, continued success regarding the adoption of video across the Web and success of associated business models will be dictated in large part by the overall quality of the viewing experience. JupiterResearch's survey offers insight into the actions and opinions of consumers when they encounter difficulties in viewing online video and the implications for online publishers adding video to their sites. Sites offering video that is frustrating to use or slow to render can adversely affect site visitors' loyalty and adoption of all types of online video content. Based on the survey results, JupiterResearch offers the following key findings:

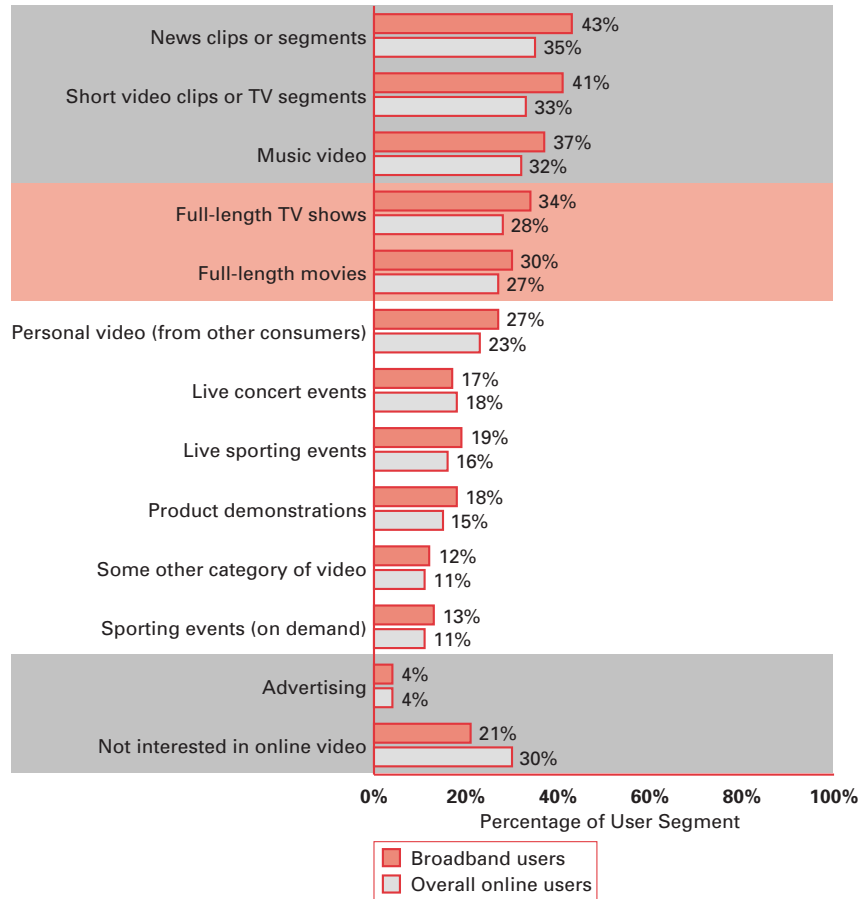
- **Online video that is interrupted for buffering purposes and playback that is slow to begin are the greatest sources of frustration with online video.** Buffering issues are the number-one problem online video users encounter. During the past 12 months, 44 percent of online consumers who viewed online video (referred to herein as online video users) and were frustrated with the viewing experience attributed their frustration to playback interruptions due to buffering. Also, 35 percent of online video users who were frustrated with their viewing experience felt the video took too long to begin playing.

- **Sluggish playback and the presumption of a slow Internet connection are mitigating online video adoption.** Forty-two percent of online consumers said preference for consuming video on the TV was a deterrent to watching more PC video. The second most widely cited deterrent was a simple lack of time (29 percent of online consumers). Regarding technological limitations, however, 27 percent of online consumers said their Internet connection was too slow to handle online video, and another 23 percent said they would not watch online video because it took too long to begin.
- **Web sites with an unsatisfactory video experience can expect to lose site visitors.** Sixty percent of regular online video users (i.e., those who watch online video at least once per week) are relatively less likely to return to a site for video content if the viewing experience is poor. Also, 43 percent of regular online video users said they would seek their video content from a competing Web site, and 27 percent said they would be relatively less likely to visit the Web site again for any reason.
- **Online video users are willing to accept advertising as a means of gaining free online video content.** Thus, Web sites must maintain a satisfactory online video experience. Eighty percent of online video users accepted the presence of advertising as a trade-off for providing free online video content.
- **More than one-quarter of online consumers are interested in bandwidth-intensive video content, such as full-length movies and TV programs viewed from their PCs.** News clips and short video clips or segments are intriguing to 35 percent and 33 percent of online consumers, respectively.
- **Second only to the ability to enlarge the viewing area, the most popular advanced feature for online video is the ability to download to a PC for later viewing.** Twenty-six percent of online consumers said they would be interested in the ability to download full video programs or content to their PC. Video publishers must focus their technology efforts to minimize video downloading times.

# Delivering a Great Online Video Experience

## Interest in Online Video Spans a Multitude of Genres and Formats

**Fig. 1 Interest in Viewing Video Content on a PC**



Question: Which of the following video content would you be interested in viewing on a PC or laptop? Please select all that apply.

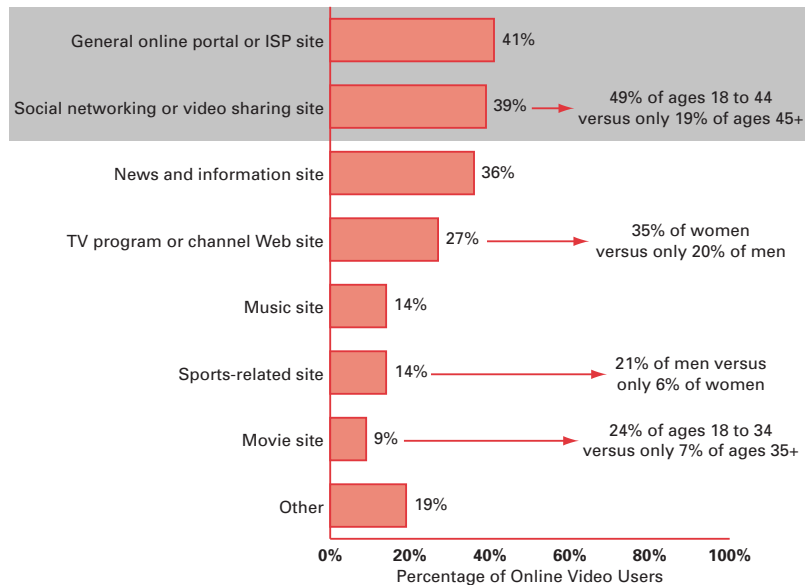
Source: JupiterResearch/Ipsos Insight Akamai Consumer Survey (2/07), n = 2,319 (overall online users, US), n = 1,247 (broadband users, US) © 2007 JupiterResearch, LLC

JupiterResearch’s recent consumer survey of 2,319 online consumers found significant interest in online video in many genres and formats. Two-thirds of online consumers watched at least one online video during the past 12 months. Also, 35 percent of all online consumers are interested in watching news clips or segments on their PCs, and 43 percent of broadband consumers are interested in doing the same. In addition, 33 percent of online consumers (rising to 41 percent of broadband consumers) seek video clips or TV segments. However, online consumers also show interest in long-format video such as full-length TV shows and movies (28 percent and 27 percent of all online consumers, respectively, as well as 34 percent and 30 percent of broadband consumers, respectively). Certainly, any interest in long-format video is driven by an expectation of having a similar viewing experience to that on the TV. (In fact, 42 percent of online

consumers said they are relatively less interested in online video content because they prefer their TVs for a rich viewing experience.) **Therefore, publishers must seek technology solutions that bridge the PC and the TV or ensure a seamless PC viewing experience that rivals the TV viewing experience.**

### Online Users Opt for General Portals to Find Online Video Content

**Fig. 2** Types of Sites Most Frequently Visited for Online Video Content



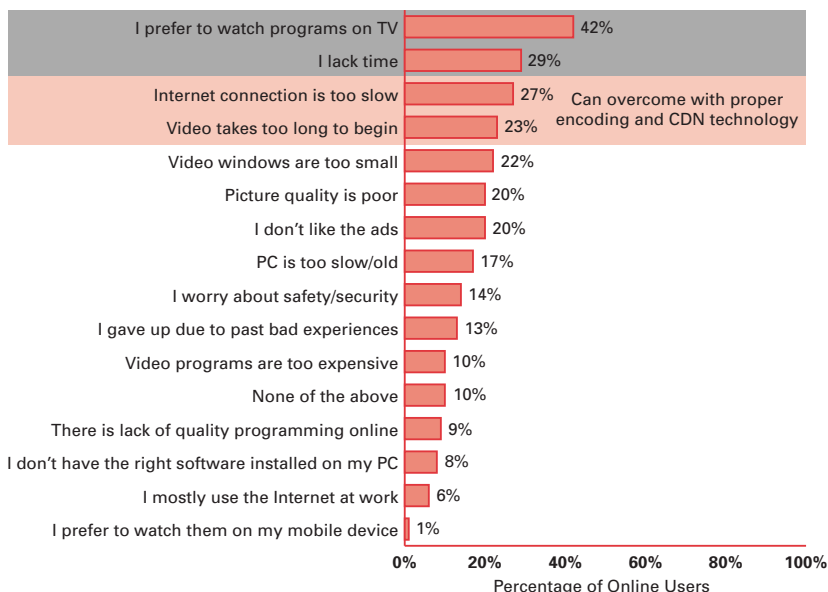
Question: What type of site(s) do you most frequently visit for online video content? Select up to three.  
 Source: JupiterResearch/Ipsos Insight Akamai Consumer Survey (2/07), n = 1,559 (online video users, US)  
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Consumers rely on a myriad of Web sites for online video. General online portals or Internet service provider sites are most popular, with 41 percent of online video users claiming they most often visit sites such as MSN and Yahoo! to watch video. Another 39 percent of online video users most often visit social networking or video sharing sites (e.g., YouTube, MySpace.com).

TV program sites and other entertainment-based sites such as those dedicated to sports, music, and movies also have their place in offering online video content. Twenty-seven percent of online video users go to TV program or channel Web sites for their video viewing experience. The broadcast networks (in particular) have substantially revamped their Web sites during the past 12 months, with a particular focus on online video. In addition, 14 percent of online video users turn to sports-related Web sites (e.g., ESPN, SportsLine.com) and music sites (e.g., MTV). Beyond user-generated video content, many video users seek out professional content mainly available on media companies' sites.

## Consumers Prefer TV for Video; Deterred Online by Sluggish Playback

**Fig. 3** Deterrents to Watching Online Video on the PC



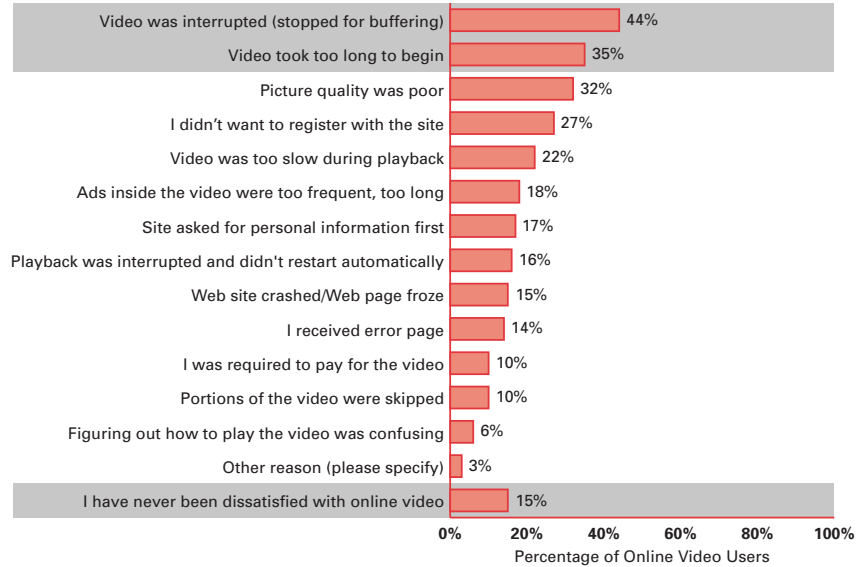
Question: Which of the following prevents or deters you from watching more online video programs on your PC? Select all that apply.

Source: JupiterResearch/Ipsos Insight Akamai Consumer Survey (2/07), n = 2,319 (overall online users, US) © 2007 JupiterResearch, LLC

Forty-two percent of online consumers said preference for consuming video on the TV is a deterrent to watching more PC video. The second most widely cited deterrent is a simple lack of time, after which comes technological limitations that JupiterResearch believes can be greatly ameliorated by improved encoding technologies and content distribution network (CDN) services. The two greatest technology-related deterrents are online consumers' belief that their Internet connection is too slow to watch online video and the feeling that online video takes too long to begin. (This belief is particularly prevalent among online consumers with dial-up connections, with 56 percent and 30 percent of them, respectively, expressing those sentiments.) **Online publishers must demonstrate a high-quality video experience that is free of choppy playback or other quality issues.**

## Video Buffering and Sluggish Playback Are Greatest Sources of Frustration

**Fig. 4 Reasons for Dissatisfaction with Viewing Video on Site**



Question: Thinking about the last time you viewed video footage at a Web site but were not satisfied with the experience, which of the following best describes why you were not satisfied? Select all that apply.

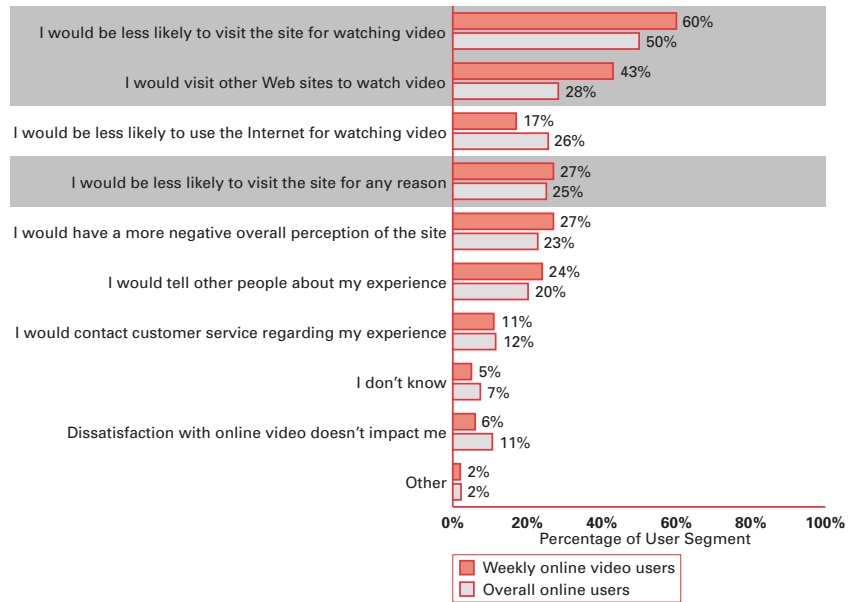
Source: JupiterResearch/Ipsos Insight Akamai Consumer Survey (2/07), n = 1,559 (online video users, US)

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**Buffering and delayed start of playback are still the greatest sources of frustration with online video.** Forty-four percent of online video users frustrated by the viewing experience attribute the frustration to playback interruptions (generally due to buffering). Another 35 percent feel the video takes too long to begin. Such problems are (not surprisingly) relatively more pronounced among online consumers with dial-up Internet connections (more than 50 percent attributing their frustration to these common problems).

## Dissatisfaction with Technological Aspects of Online Video Can Lead to Slowed Video Adoption, Lost Site Visitors, and Unrealized Advertising Revenues

**Fig. 5 Consequences of Poor Online Video Experience**



Question: If you find yourself dissatisfied with the performance of online video at a particular Web site, which of the following are you likely to do? Select all that apply.

Source: JupiterResearch/Ipsos Insight Akamai Consumer Survey (2/07), n = 692 (online users watching online video at least once per week, US), n = 2,084 (overall online users, US)

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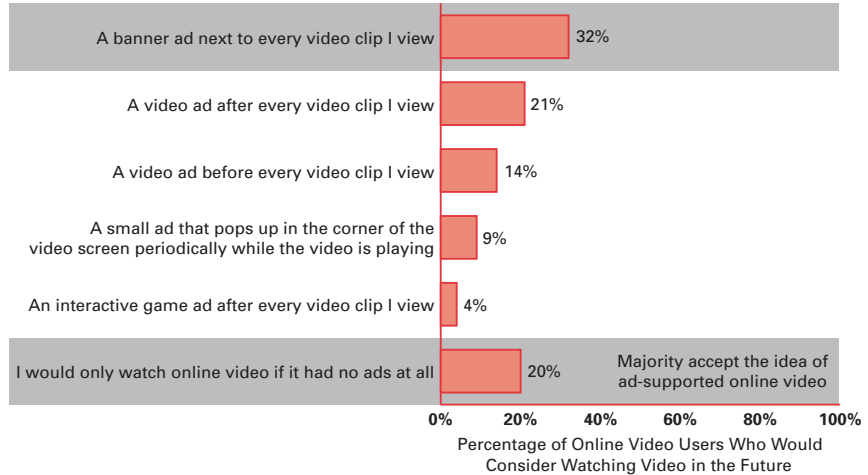
Ruining online consumers' expectations of the performance of online video content creates risks for Web sites. **Many Web sites with unsatisfactory performance of online video will not have a second chance with consumers.** One-half of overall online consumers and 60 percent of regular online video users (i.e., those who watch online video at least once per week) are relatively less likely to return to the same site for video content in the future. Moreover, 28 percent of online consumers and 43 percent of regular online video users will simply seek their video content from a competing Web site. **More than one-quarter (27 percent) of regular online video users who are frustrated with video quality also said they would be less likely to visit the Web site again for any reason.** Another 27 percent of regular online video users said they would have a relatively more negative overall perception of a site with poorly performing video content. With online video adoption still in its early stages, publishers and Web sites carrying video content should take necessary measures to ensure quality video experiences. **Alienation of this valuable online audience is also likely to result in lost advertising revenues.**

**Banners Are Least Intrusive if Ad-Supported Video Is Necessary**

**Fig. 6 Receptivity to Online Video Advertising by Type**

Question: In order to offer online video content for free, some Web sites sell advertising alongside the video content. Of the following options, to what type of advertising would you be most receptive? Select one.

Source: JupiterResearch/Ipsos Insight Akamai Consumer Survey (2/07), n = 1,438 (online video users who would consider watching video in the future, US)  
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In the recent consumer survey, JupiterResearch presented respondents with a scenario in which online video content was free if it was ad-supported. Although the most acceptable form of advertising to accompany online video is an adjacent ad banner, the general level of acceptance of advertising in some form is encouraging to publishers. Only 20 percent of online video users said they would only watch online video if it had no ads at all. Therefore, 80 percent of online video users accepted the presence of advertising as a trade-off for providing free online video content. **This willingness (albeit probably reluctant) to accept such advertising only heightens the importance of Web sites to maintain a satisfactory online video experience.**

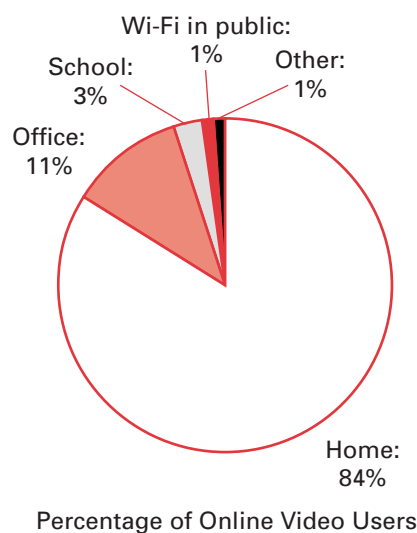
**The consequences of a Web site having underperforming video content are significant losses in good will, return visitors, and (most important) potential advertising revenues.** Because many technological limitations can be overcome by improved encoding technologies and partnering with a reliable content delivery network, online publishers should constantly evaluate alternative technologies to ensure they are delivering the highest possible quality of video experience.

## Appendix

Sixty-seven percent of the 2,319 respondents to JupiterResearch's consumer survey have watched video online during the past 12 months (i.e., online video users).

### Most Online Consumers View Video from Home

**Fig. 7** Predominant Venue for Viewing Video



Question: From where do you most often watch online video? Select one.

Source: JupiterResearch/Ipsos Insight

Akamai Consumer Survey (2/07),

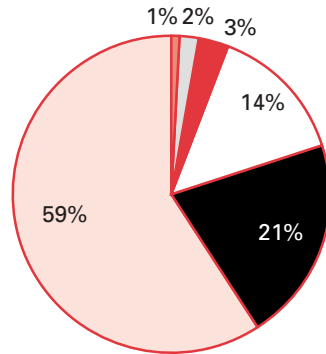
n = 1,559 (online video users, US)

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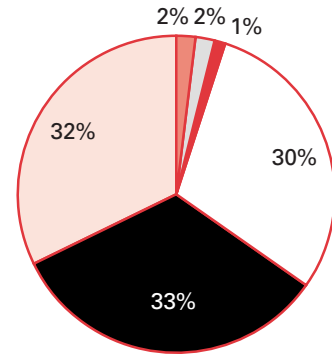
Eighty-four percent of online video users most often view video from the comfort of their own homes, rather than from the workplace.

**Fig. 8 Internet Connections of Online Video Users and Online Users Never Having Accessed Online Video**

Percentage of Online Users Never Having Accessed Online Video



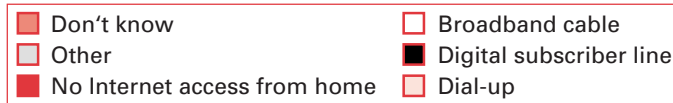
Percentage of Online Video Users



Question: How do you connect to the Internet from home? Select one.

Source: JupiterResearch/Ipsos Insight Akamai Consumer Survey (2/07), n = 1,559 (online video users, US), n = 760 (online users never having accessed online video, US)

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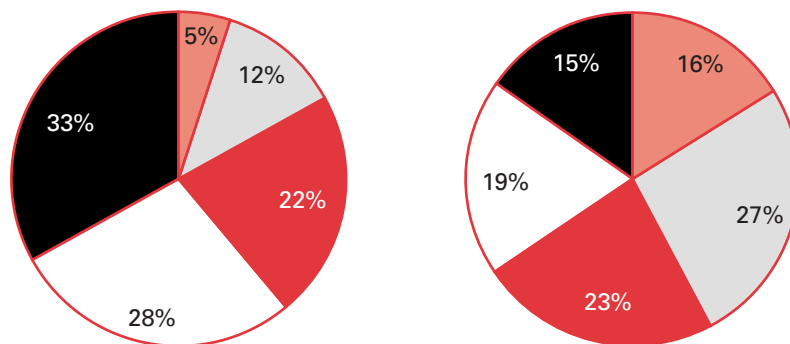


Sixty-three percent of online video users have digital subscriber line or broadband Internet connections for their home-based PCs, whereas only 35 percent of online consumers who do not view online video use such connections. In fact, more than one-half (59 percent) of online consumers who do not view online video still rely on dial-up Internet connections at home.

**Fig. 9 Age of Online Video Users and Online Users Never Having Accessed Online Video**

Percentage of Online Users Never Having Accessed Online Video

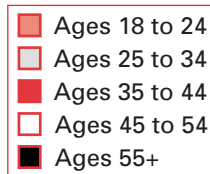
Percentage of Online Video Users



Question: Please indicate your age.  
Select one.

Source: JupiterResearch/Ipsos Insight Akamai Consumer Survey (2/07), n = 1,559 (online video users, US), n = 760 (online users never having leveraged online video, US)

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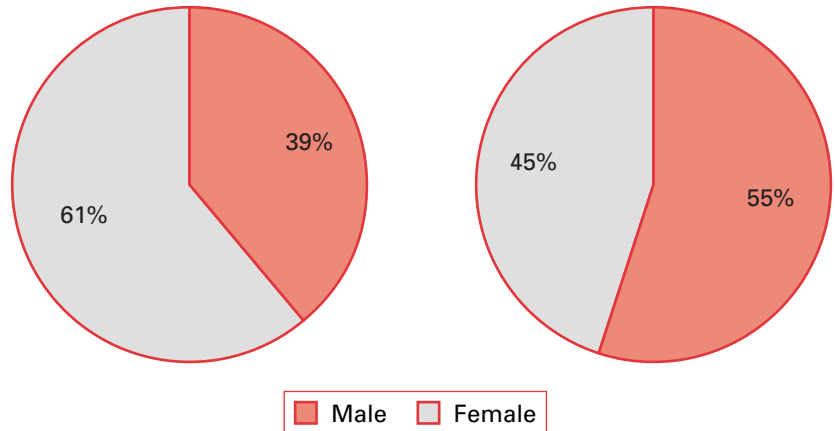


In general, online video users are also considerably younger than are consumers who have not yet experienced online video content. Forty-three percent of online video users are ages 34 and under, compared with only 17 percent of online consumers who do not view online video.

**Fig. 10 Gender of Online Video Users and Online Users Never Having Accessed Online Video**

Percentage of Online Users Never Having Accessed Online Video

Percentage of Online Video Users



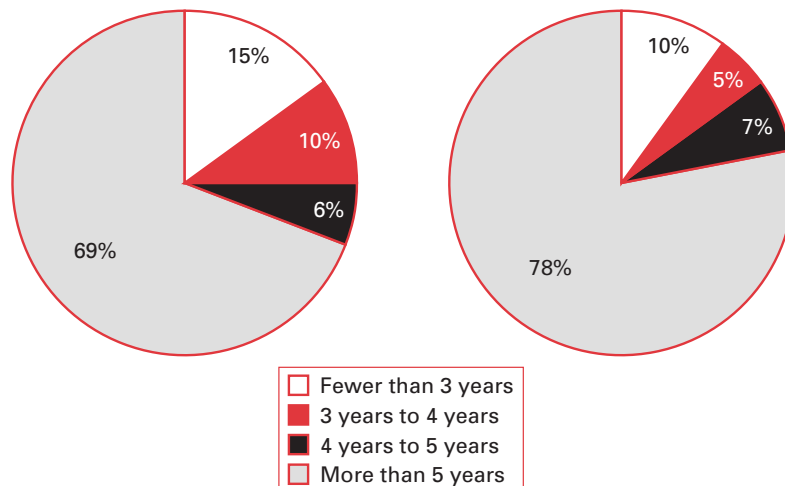
Question: Please indicate your gender.  
Source: JupiterResearch/Ipsos Insight Akamai Consumer Survey (2/07), n = 1,559 (online video users, US), n = 760 (online users never having leveraged online video, US)  
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Online video users are also predominantly male (55 percent), compared with only 39 percent of online consumers who do not view online video.

**Fig. 11 Online Tenure of Online Video Users and Online Users Never Having Accessed Online Video**

Percentage of Online Users Never Having Accessed Online Video

Percentage of Online Video Users



Question: How long have you been accessing the Internet? Select one.  
Source: JupiterResearch/Ipsos Insight Akamai Consumer Survey (2/07), n = 1,559 (online video users, US), n = 760 (online users never having leveraged online video, US)  
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Online tenure can also be indicative of online video use. Seventy-eight percent of online video users have been online for at least five years, compared with 69 percent of online consumers who do not view online video.

## Report Methodology

The core of JupiterResearch's products is the perspective and opinion of JupiterResearch's professionals. JupiterResearch's analysts are immersed in the industries they cover through ongoing contact with corporate and technology leaders, daily study of trends and events in the online world, and their collective professional experience. Individual analysts' perspectives are filtered through rigorous collective debate and deliberation, producing research that reflects the combined sensibility of JupiterResearch's entire team.

Analysts' perspectives are enhanced and refined through JupiterResearch-designed market research. JupiterResearch uses many data research tools, including consumer surveys, systematic polling of leading industry executives, comScore Media Metrix measurement data, and a rigorous approach to building market forecasting models. Specialists with JupiterResearch's data research group assist analysts in the technical development of these tools, such as survey design, sample building, data weighting, and data analysis.

This report benefited from a number of specific market research projects, described below.

### JupiterResearch Ipsos Insight Akamai Consumer Survey

In February 2007, JupiterResearch designed and fielded a survey to online consumers selected randomly from the Ipsos US online consumer panel. A total of 2,319 individuals responded to the survey. Respondents were asked approximately 11 closed-ended questions about their behaviors, attitudes, and preferences as they relate to viewing video online. Respondents received an e-mail invitation to participate in the survey with an attached URL linked to the Web-based survey form. The samples were carefully balanced by a series of demographic and behavioral characteristics to ensure they were representative of the online population. Demographic weighting variables included age, gender, household income, household education, household type, region, market size, race, and Hispanic ethnicity. Additionally, JupiterResearch took the unconventional step of weighting the data by AOL use, online tenure, and connection speed (broadband versus dial-up), three key determinants of online behavior. Balancing quotas are derived from JupiterResearch's Internet population model, which relies on US Census Bureau data and a rich foundation of primary consumer survey research to determine the size, demographics, and ethnographics of the US online population. The survey data are fully applicable to the US online population within a confidence interval of plus or minus three percent.

In this survey effort, JupiterResearch worked with its research partner, Ipsos Insight, on the technical tasks of survey fielding, sample building, balancing, and data processing. Ipsos Insight is one of the largest market research companies in the US and maintains a

general research panel of 400,000 households. Ipsos Insight also has access to the Ipsos US online panel, which comprises two million Internet users and offers JupiterResearch an easy way to target and survey current online users. Panel-based market research enables researchers to have baseline knowledge of each survey respondent, increase survey participation rates, and permit careful rationing of survey fielding to reduce survey burnout.



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