Online Video & the Media Industry

QUARTERLY RESEARCH REPORT, Q4 2010

brightcove + tubemogul
More Play Time

Contents

Background

Brightcove is an on-demand software platform that media companies and marketers use to publish and distribute video on the Web, mobile devices, and Internet-connected TVs. Brightcove has over 2500 customers in 50 countries with video viewed across more than 60,000 websites, including many of the most popular news and entertainment destinations on the Web.

TubeMogul is an online video analytics and advertising platform that processes billions of video streams every month from the Internet's top publishers and advertisers. More than 200,000 users rely on TubeMogul's analytics, and hundreds of marketing agencies and brand advertisers are among the company's clients.

Brightcove and TubeMogul have teamed up to develop an online video index and quarterly research report, which will help identify key industry trends and answer questions about the state of the industry.

Methodology

The data used for the analysis included in this report was taken from an anonymous, cross-section sample of Brightcove customers representing media industry segments and brands. While the sample aggregates a sizable data set, it is not intended to be statistically representative of the online video industry as a whole, or of Brightcove's entire customer base. Instead, the data analysis is intended to provide a directional snapshot of media trends and inform additional research initiatives focused on the online video industry. Any findings, opinions, or conclusions expressed here are those of the authors(s) and are based solely on the aggregated data sample.

This research report draws on a number of data sources:

- Platform data from an anonymous and random sample of Brightcove media customers; and
- Consumer engagement reports based on TubeMogul's online video analytics from this aggregate data set.

Key Findings

This report presents year in review data, as well as specific patterns from Q4 2010.

Platform Usage

- Broadcasters led in total minutes streamed in 2010. Broadcasters also regained their top position in total minutes streamed, beating out newspapers, who peaked last quarter.

- Newspapers saw huge growth (147% quarter over quarter) in number of titles uploaded for the second quarter in a row, which suggest that news organizations continue to embrace video to present multimedia news stories.

- Newspapers also had the highest number of player loads across all categories for the year, suggesting that newspapers have video players across more pages and have more total page views than other media categories.

Engagement

- Engagement rates trended upward quarter over quarter across all media categories. Audiences watched longer on average than in previous months, which is a good indication of the increasing consumer adoption and comfort with watching online video.

- Brands saw a massive 98% jump in engagement this quarter, reaching 2:03 minutes on average compared to 1:03 minutes watched the prior quarter. This suggests that brands are improving the quality of their content and connecting with receptive audiences.

- Completion rates trended upward across the board, which is not surprising given that minutes viewed also trended upwards.

- As a referral source, Facebook and Twitter accounted for the highest engagement rates across all media categories. Brands saw highest video engagement when referred by Yahoo!, which may point to the success of syndication efforts of such content.

Platform Usage

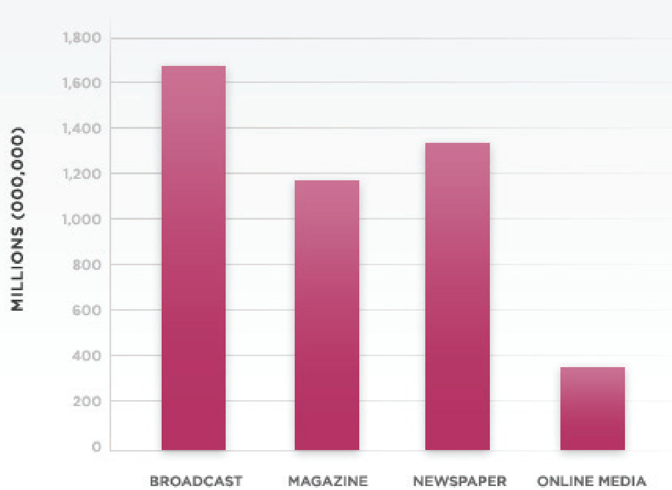
The following analysis is based on aggregated Brightcove platform data from an anonymous sample of more than 200 media companies representing media industry verticals, including broadcast networks, magazine publishers, newspaper publishers, and pure-play Web media properties.

Total Minutes Streamed

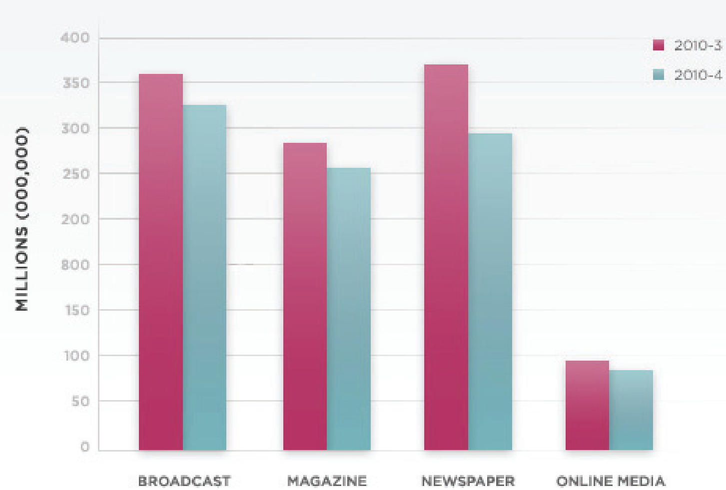
Broadcasters lead in total minutes streamed in 2010 with 1.7 billion total minutes streamed. This is unsurprising, given that the media vertical tends to have longer form content and is most familiar (relative to other media categories) with video production as a medium (see FIG. 1).

The newspaper category overtook broadcasters in minutes streamed in Q3, but the broadcast category regained its top position in Q4. Video coverage of the World Cup, fall elections, Pakistani floods, and trapped Chilean miners combined to overpower the broadcast industry during summer reruns, but the broadcasters came roaring back with popular new shows for the fall season (see FIG. 2).

Total Minutes Streamed 2010



Total Minutes Streamed Q3-Q4



Video Uploads

Continuing a trend from Q3, Q4 saw a massive increase in titles uploaded for newspapers, with quarter over quarter growth of 147%. With 1.2 million titles uploaded in the quarter, newspapers uploaded more than four times as many titles as the next highest category, which was online media. This dramatic increase for a second consecutive quarter suggests that newspapers have fully embraced video production and licensing to offer multimedia news coverage to audiences. We have heard from many newspaper customers that they are having great success selling pre-roll advertising against news video content, and this massive increase in the number of videos suggests that newspapers are attempting to dramatically increase inventory in light of this strong demand.

This quarter, we also saw healthy growth in title uploads from the online media and magazine categories, at 17% and 16% respectively (see FIG. 3).

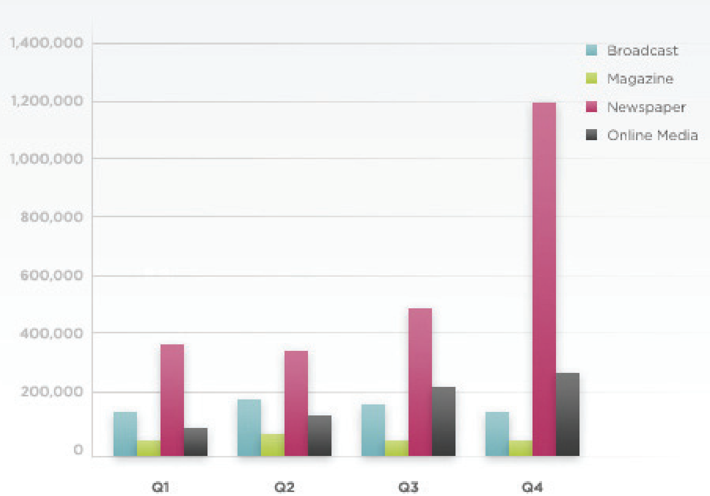
This puts Newspapers in the leadership position for the year in total, accumulating 2.4 Million titles uploaded in 2010. This is nearly three times as many total titles uploaded in the year as the next closest categories of online media and broadcast.

Player Loads

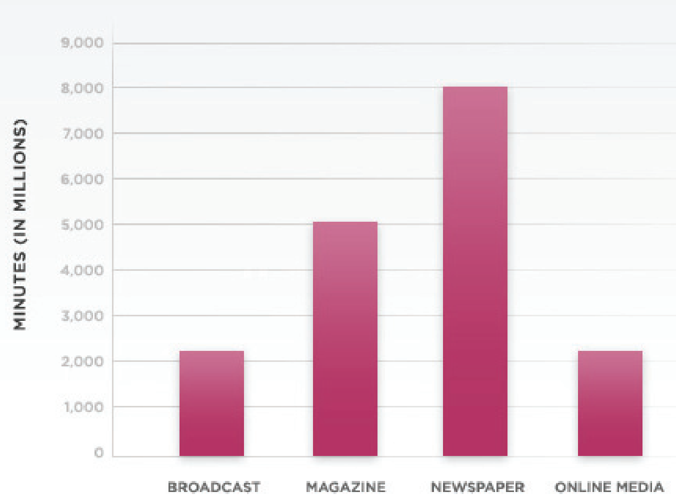
A player load represents the graphics, data, and other components rendered on a web page in order to view a video stream and monetize the content with in-page or in-player ads. The number of player loads is larger than the number of video streams because consumers do not press the play button on every video player that they see. Player loads are an important measure for the amount of video content embedded across Web properties, and can be viewed as a leading indicator of future video views as the total video player surface area increases.

Newspapers consistently led the categories in player loads over the last year. This is largely because they tend to have a

Total Titles Uploaded 2010



Total Player Loads 2010



relatively large number of total page views and increasingly embed video players in news articles, and therefore have a high number of pages initiating a player load (see FIG. 4).

Engagement and Discovery

The following section analyzes viewer behavior for a cross-section of media companies (broadcasters, magazines, newspapers, online media properties, and brands).

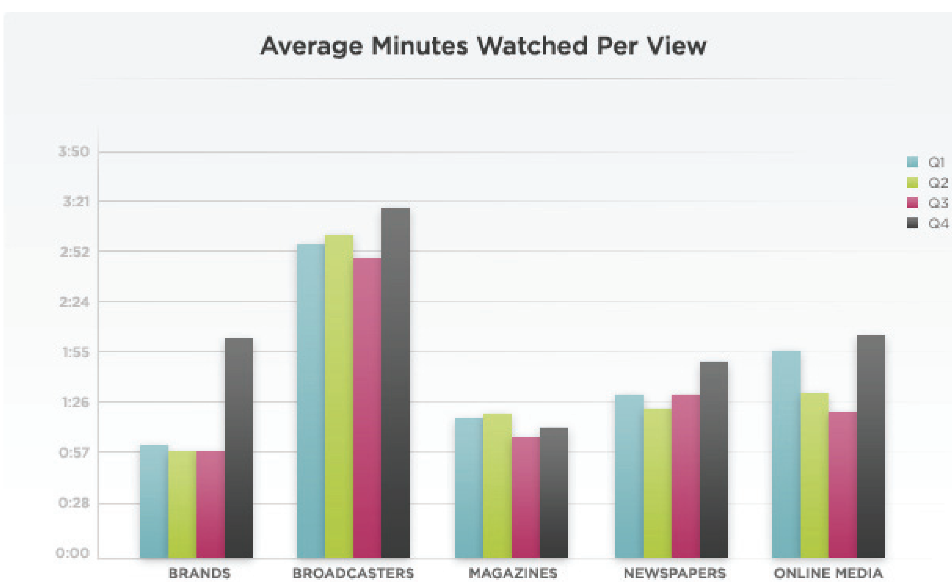
Video Engagement

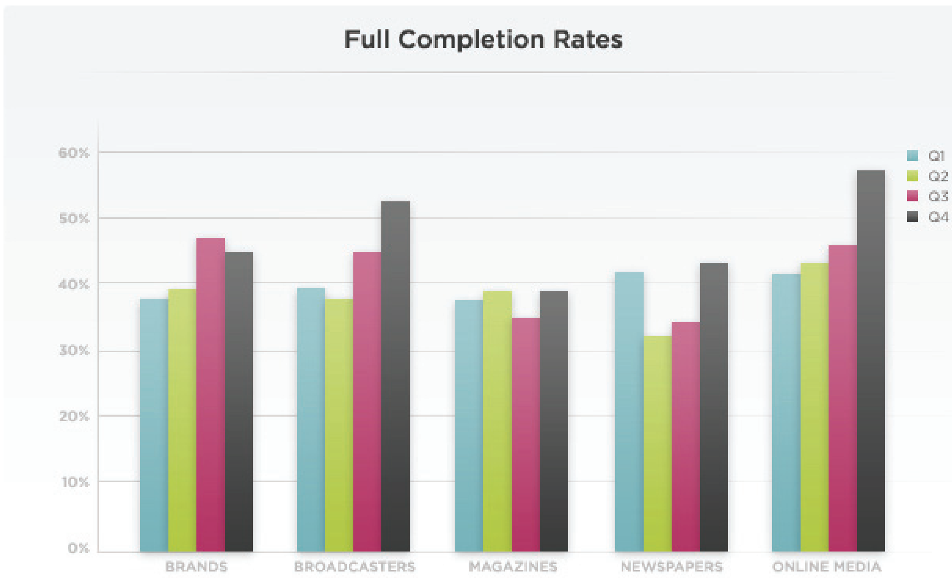
Audience engagement levels across all of the media verticals are trending upward, particularly in the last quarter. Brands and online media both saw significant jumps in engagement from previous quarters. Brands went from 1:03 to 2:03 minutes for average minutes viewed, quarter over quarter.

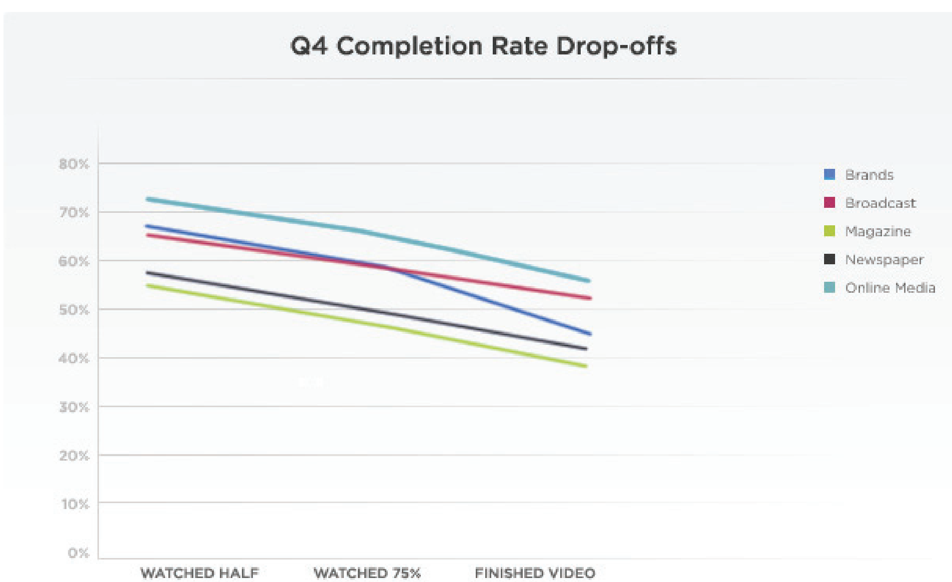
Broadcasters remain far above the rest of the categories in average minutes watched per stream, which can be explained by the tendency to produce longer-form content (see FIG. 5).

Along with minutes viewed, completion rates are also trending upward across the board. Completion rate refers to videos that were watched from start to finish. This is the first time we've seen any category surpass a 50% completion rate, which online media and broadcasters both achieved this quarter (see FIG. 6).

Broadcast and online media not surprisingly have the healthiest drop-off rates, given their completion rate. Interestingly this quarter we found that brands started strong and dropped off at a steeper pitch than other categories between 75% and completion of the full video. This could




Full Completion Rates
60%
50%
40%
30%
20%
10%
0%
BRANDS
BROADCASTERS
MAGAZINES
NEWSPAPERS
ONLINE MEDIA
Q1
Q2
Q3
Q4


Q4 Completion Rate Drop-offs
80%
70%
60%
50%
40%
30%
20%
10%
0%
WATCHED HALF
WATCHED 75%
FINISHED VIDEO
Brands
Broadcast
Magazine
Newspaper
Online Media

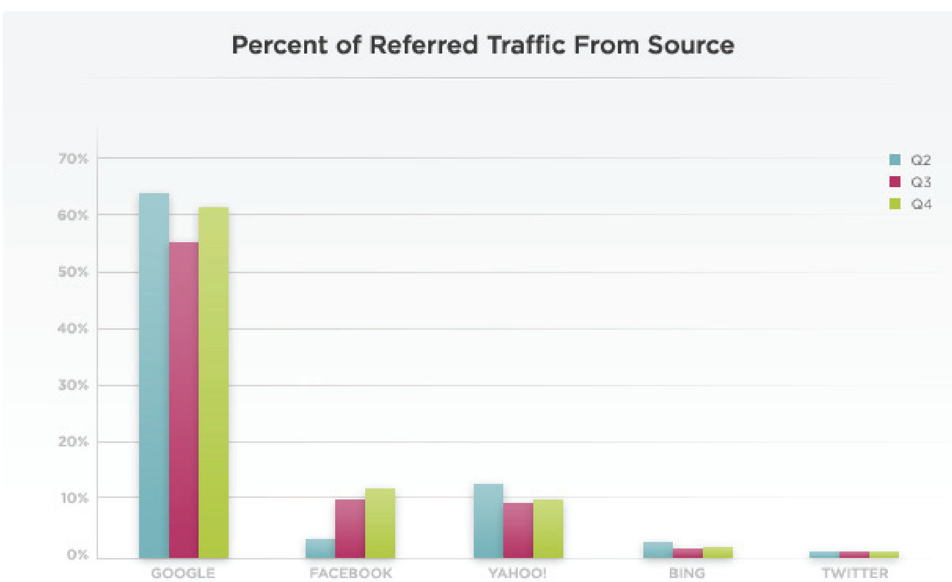
either suggest that branded content is potentially too long, or is watched in a highly-distracted browsing mode. The steepness of the graph is not surprising though, given the big uptick in minutes watched in the category this quarter (see FIG. 7).

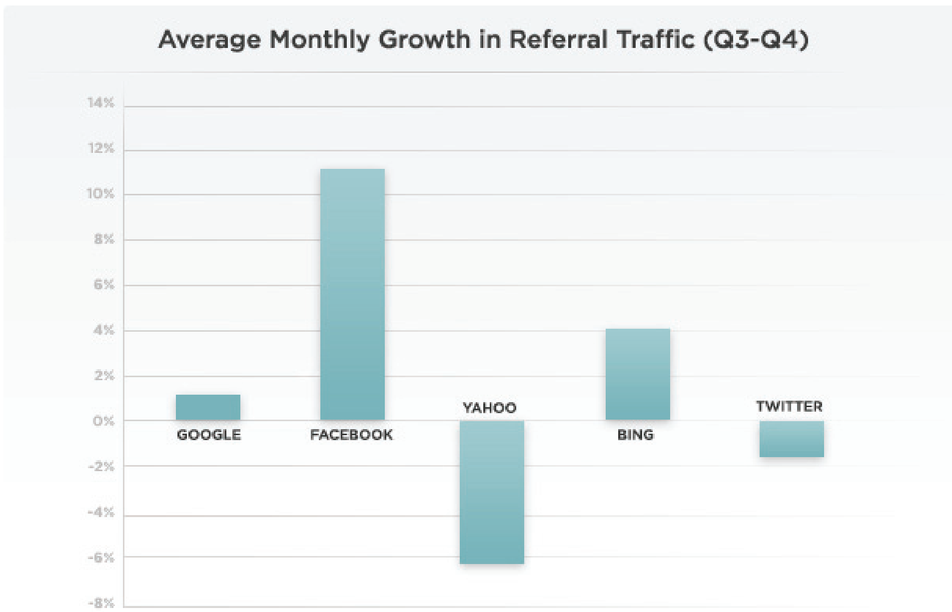
Discovery and Engagement

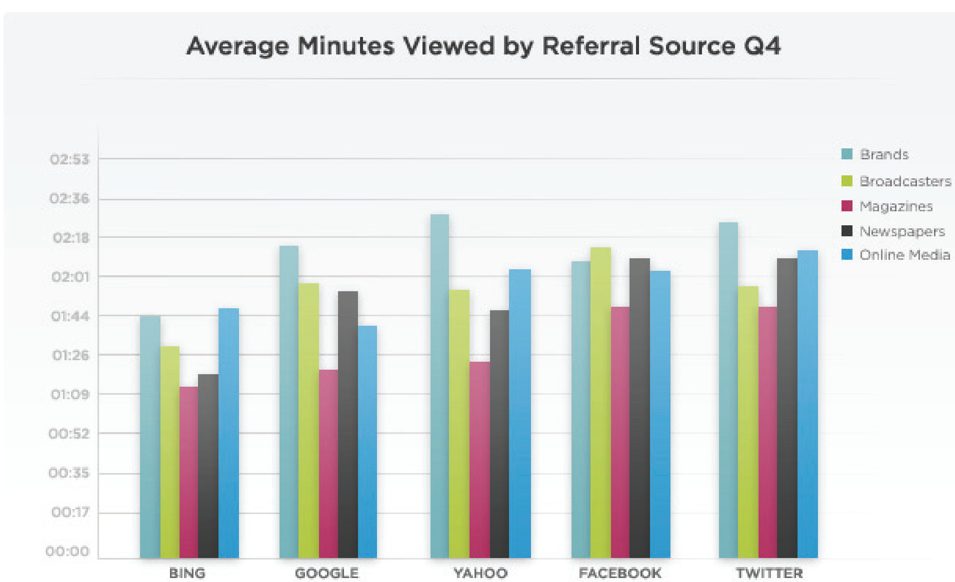
As of last quarter, Facebook surpassed Yahoo! as the referral source second only to Google in driving traffic to online video content for media companies and brands. Facebook now accounts for 11.8% of all referred video traffic to media companies (see FIG. 8).

This quarter we took a look at growth rates for these referral sources and found that Facebook exhibited the healthiest growth rates. This is largely benefited by Facebook's increasing support for white-listed embedded video that plays in-stream, allowing for contextual viewing without requiring any redirect of traffic (see FIG. 9).

Overall, Facebook and Twitter elicited higher engagement rates on aggregate as referring sites measured by minutes viewed. Interestingly, brands exhibited significantly higher




Average Monthly Growth in Referral Traffic (Q3-Q4)
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
GOOGLE
FACEBOOK
YAHOO
BING
TWITTER


Average Minutes Viewed by Referral Source Q4
02:53
02:36
02:18
02:01
01:44
01:26
01:09
00:52
00:35
00:17
00:00
BING
GOOGLE
YAHOO
FACEBOOK
TWITTER
Brands
Broadcasters
Magazines
Newspapers
Online Media

broadcasters in this quarter (see FIG. 12).

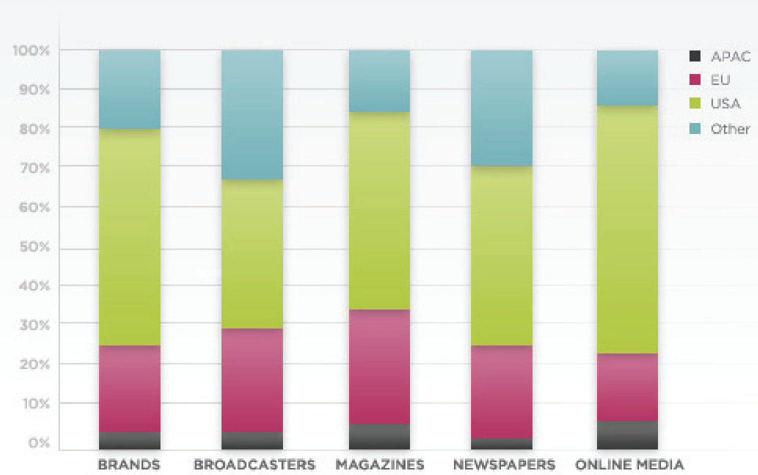
engagement rates across all referring sources than other content, which seems to suggest that both video discovered with SEO and through social sharing are resulting in increased engagement for brand viewers. Brands also saw highest engagement rates through Yahoo!, reaching 2:30 minutes viewed. This could suggest that syndicated content strategies might boost the engagement rates for that content (see FIG. 10).

Geographic Distribution

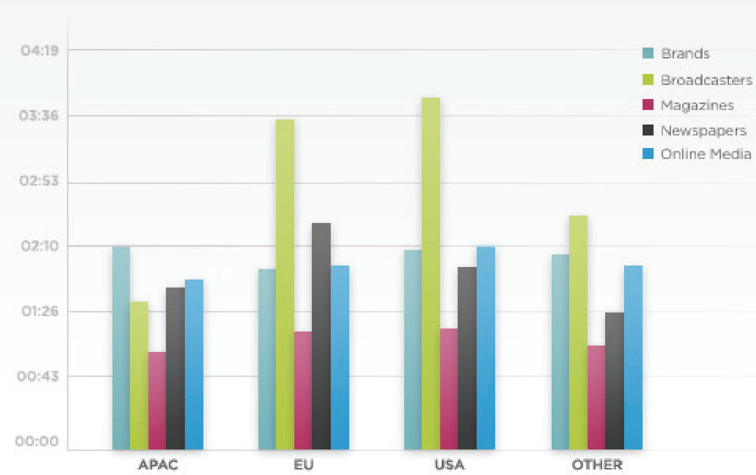
Certain regions have outsized influence in specific publisher categories. Viewers in the U.S. watched a much larger share of videos from pure-play online media properties, accounting for 61% of the total views in the category. Broadcasters showed the most diverse regional spread, with 33% of audiences from regions other than the U.S., Europe, or Asia-Pacific (see FIG. 11).

Broadcasters saw spikes in engagement metrics in terms of minutes watched per view in the U.S. (3:53 minutes) and in Europe (3:34 minutes). This is in line with the global aggregated stats that puts broadcaster engagement higher than all other categories, but the U.S. and Europe displayed higher engagement than the aggregate 3:15 minutes for

Percentage of Category's Total Audience by Region



Average Minutes Watched Per View by Region



Contacts

Sara Watson
Inbound Marketing Content Manager
Brightcove, Inc.
Phone: 617-245-6079
Email: swatson@brightcove.com

David Burch
Communications Director
TubeMogul, Inc.
Phone: 510-653-0501
Email: david@tubemogul.com