



Online Video & the Media Industry

QUARTERLY RESEARCH REPORT, Q1 2010

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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 more than 1,400 customers in 45 countries, which operate video across more than 5,000 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. Over 175,000 users rely on TubeMogul's distribution and analytics, and hundreds of marketing agencies and brand advertisers are among the company's clients.

Brightcove and TubeMogul have teamed up to develop a new 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 a cross-section sample of Brightcove customers representing media industry verticals. 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.

The research report draws on three data sources:

- 1) Platform data from a *sample* of Brightcove media customers;
- 2) Consumer engagement reports based on TubeMogul's online video analytics from this aggregate data set; and,
- 3) Results from a questionnaire sent to Brightcove media customers (n=104).

Key Findings

Growth Trends

- Broadcast networks and pure-play Web media properties represent the fastest growing sectors for online video streams.
- Newspaper and magazine publishers have the greatest number of video players across online media properties.
- Newspaper publishers show the most growth in video production for online properties, followed by broadcast networks and pure-play Web media brands.

Engagement

- Online video content from broadcast networks attracts the most viewing time per video.
- Newspaper and magazine publishers garner the highest online video viewing completion rates.
- Consumers in the U.S. average more minutes of video watched per stream from broadcast networks and newspaper publishers, compared to their European counterparts who average more minutes per stream from magazine publishers and music labels.

Discovery

- Google generates the highest volume of referral traffic to online video content, followed by Yahoo!, Bing and Facebook.
- Compared to search engines and other social media sites, Twitter referrals generate the highest level of consumer engagement for online video content from broadcast networks, magazine publishers and music labels. Newspaper publishers see the highest level of engagement from viewers who find their content via Yahoo!.

Formats & Strategy

- In-stream video advertising is the dominant ad format followed by overlays, sponsorships, companions and player skins.
- Despite experimentation with other ad formats, 35 percent of survey respondents said in-stream video advertising produced the most revenue for their media business compared to other ad formats.
- For in-stream advertising, respondents said the dominant insertion point is pre-roll, followed by post-roll, player load and mid-roll.
- More than half of the survey respondents indicated that they would add sponsorships to their monetization strategy for online video this year.
- Close to 70 percent of respondents said that their media companies sell their own advertising versus using an ad network.
- While just over 10 percent of respondents said that they currently distribute ad-supported video content to mobile devices, more than 50 percent said that they will roll out ad-supported mobile video within the next twelve months.

Platform Usage

The following reports are based on aggregated Brightcove platform data from a sample of more than 200 media companies representing key industry verticals, including broadcast networks, magazine publishers, music labels, newspaper publishers, Web media brands, and radio broadcasters. The data set spans 2008 to 2009, as well as the first quarter of 2010.

Video Stream Trend Data

Broadcast networks and pure-play Web media properties represent strongest growth sectors:

- Broadcast networks and pure-play Web media brands represent the largest volume of online video streams with a combined quarterly run rate that now surpasses 700 million streams.
- Last year, these broadcast networks grew online video streams by 74 percent. During the same period, Web media brands grew online video streams by 165 percent.
- Data from Q1 of 2010 suggests another strong growth year for both media industry verticals. Broadcast networks have started the year doing more than 380 million video streams, which represents a 44 percent increase compared to the same quarter last year. Similarly, Web media brands kicked off 2010 with 326 million video streams, which is an increase of more than 300 percent compared to Q1 of 2009.

Magazine publishers and music labels achieve next highest volume of video streams:

- Magazine publishers have achieved eight consecutive quarters of video stream growth.
- Overall, magazine publishers grew video streams by nearly 100 percent between 2008 and 2009.

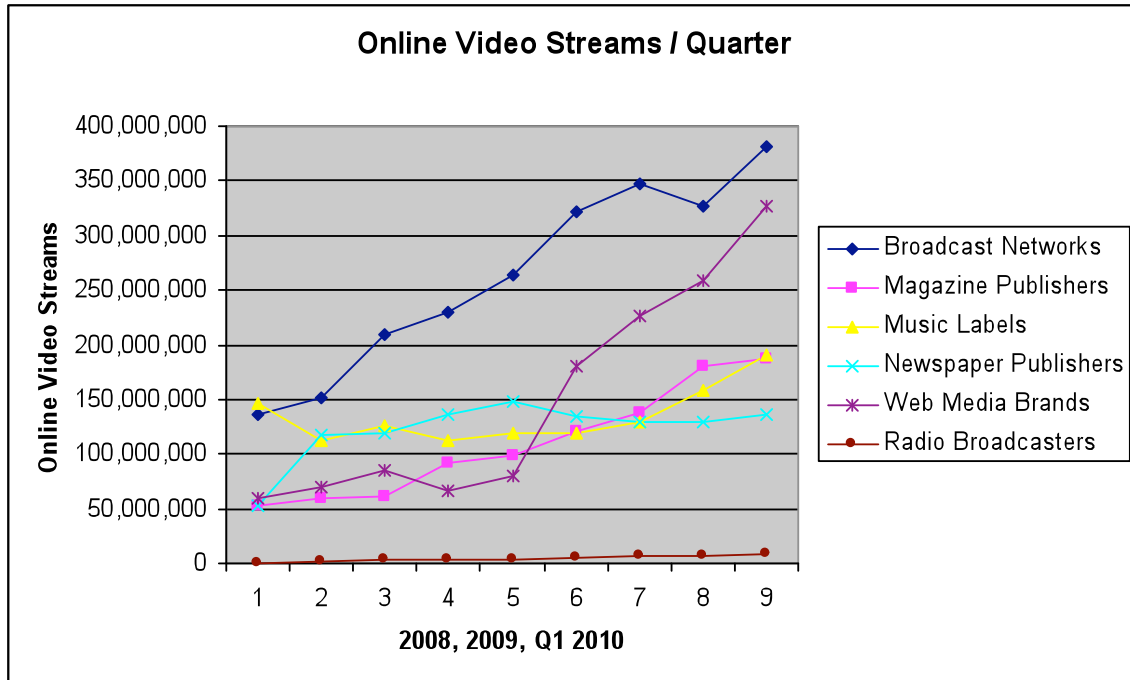
- Magazine publishers walked into 2010 doing more than 190 million video streams in the first quarter of the year, which is up 90 percent as compared to Q1 of 2009 when this media vertical did 99 million video streams.
- Music labels grew video streams by six percent between 2008 and 2009.
- After a relatively flat growth period in the first half of 2009, music labels achieved three consecutive quarters of video stream growth in the second half of the year. In Q1 of 2010, music labels did 191 million video streams, which when compared to the 119 million video streams in the same quarter last year, represents an increase of more than 60 percent.

Newspaper sector video streams flat in 2009, but signal growth ahead for 2010:

- As a category, newspaper publishers did nearly 136 million video streams in Q1 of 2010, a similar volume compared to Q1 in 2009.
- Newspaper publishers had only one quarter of stream growth in 2009, but have grown overall by five percent from Q4 of 2009 and Q1 of 2010.

Radio broadcasters show consistent growth in video streams:

- Over the past two years, radio broadcasters have had eight consecutive quarters of video stream growth.
- Between 2008 and 2009, radio broadcasters grew video streams by more than 200 percent.
- In Q1 of 2010, radio broadcasters did almost 8.5 million video streams, which is up more than 100 percent compared to Q1 of 2009, when radio broadcasters did slightly more than 4 million video streams.



Player Loads – Q1 2010

A player load represents the graphics, data and other components rendered on a webpage in order to view a video stream and monetize the content. Player loads are an important measure for the amount of video content included across website properties.

Newspaper and magazine sectors publishing more video on more pages:

Compared to other media industry verticals, newspaper publishers and magazine publishers have the highest volume of video player loads on the webpages for their online media properties. In Q1 of 2010, there were more than 2 billion video player loads across newspaper websites, which is up 37 percent from Q1 of last year when the newspaper vertical did almost 1.5 billion video player loads. In Q1 of 2010, magazine publishers topped 1.2 billion player loads on web pages. This represents an increase of more than 70 percent compared the 750 million video player loads done in Q1 of 2009.

Broadcast networks consolidating video players and centralizing viewing experiences around long-form content:

Broadcast networks and Web media brands followed with the next highest volume of video player loads. Broadcast networks did 670 million video player loads in Q1 of 2010, which is down more than 50 percent from the same quarter last year. The decline could be the result of a trend toward portal and aggregated video player experiences around longer-form content, compared to the distributed, contextual and short-form nature of video content in the editorial and website strategies represented by newspapers, magazines and other media industry verticals.

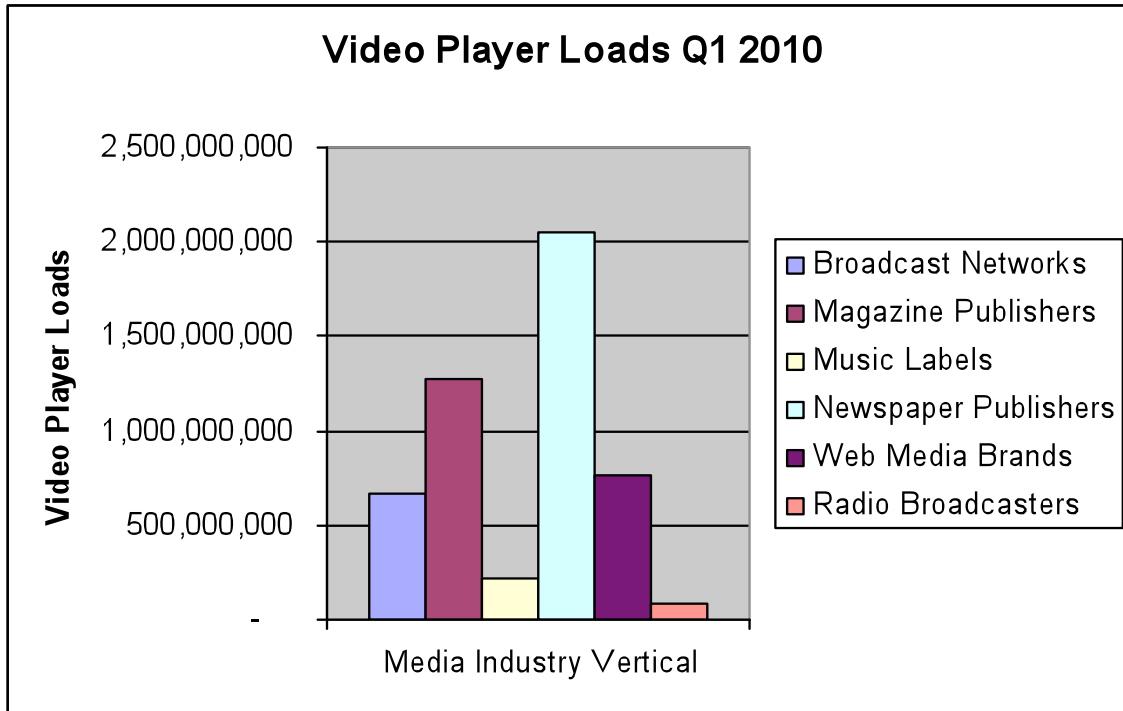
Web media properties and radio broadcasters show highest growth rate in video player publishing:

Web media properties did 760 million video player loads across webpages in Q1 of 2010, which is up by more than 500 percent since Q1 2009 when the sector did 123 million video player loads.

Similarly, radio broadcasters ramped video publishing across their webpages, growing player loads to nearly 81 million in Q1 of 2010. This represents an increase of 330 percent compared to the same quarter in 2009 when the category did 19 million video player loads.

Music labels flat on video player loads:

Music labels remained relatively flat on video player loads, exiting Q1 2010 with 223 million player loads. This is slightly less than Q1 of 2009 when the category did 257 million player loads.



Video Uploads – Q1 2010

Brightcove is a cloud-based software service. Media companies upload video assets into the service to encode the content, create video players, and manage distribution and monetization, among other tasks. Video uploads provide a measure of investment and production associated with the online video initiatives of media companies.

Newspapers ramp video production for online media properties:

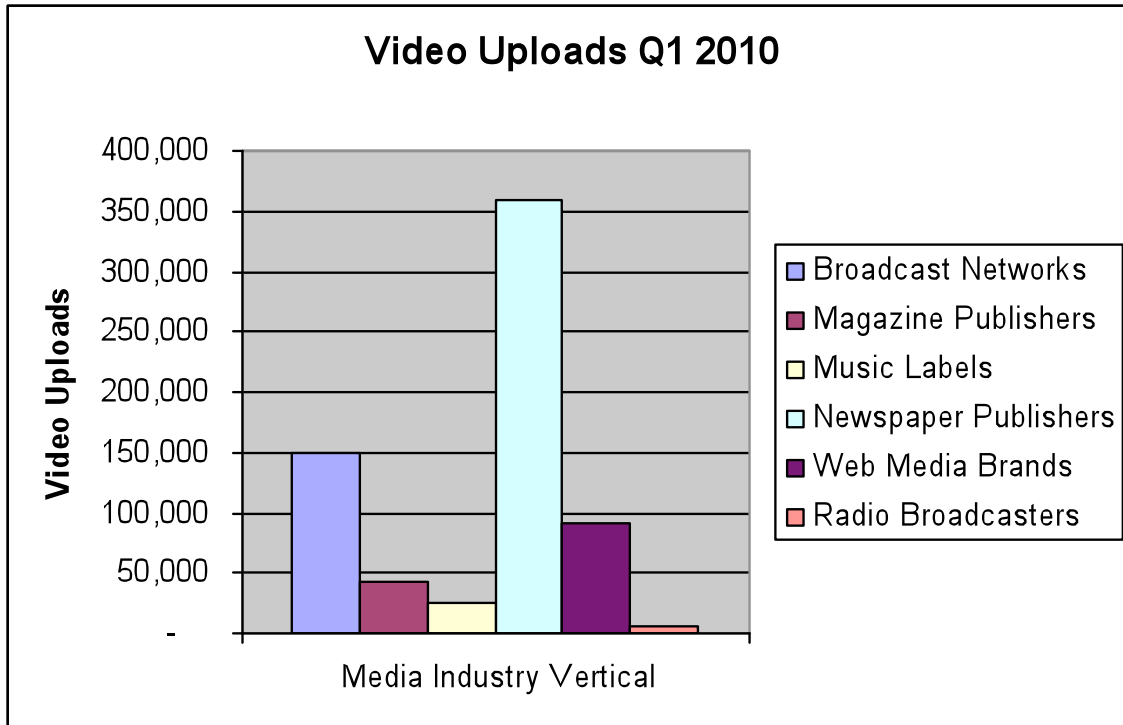
Newspaper publishers uploaded 359,256 videos into the Brightcove platform for publishing and distribution in Q1 of 2010, which is up 190 percent compared to the same quarter in 2009 where the category uploaded 123,975 videos.

Broadcast networks and Web media brands show growth in new video uploads, but Web media brands down from same period last year:

Broadcast networks and Web media brands represent the second and third highest volume of video uploads. In Q1 of 2010, broadcast networks uploaded 148,774 videos into the Brightcove platform, an increase of 10 percent from 134,709 uploaded in Q1 of 2009. Web media brands uploaded 90,922 videos in Q1 of 2010, a decline of almost 100 percent from a two-year high of 184,733 video uploads in Q1 of 2009.

Magazine publishers, music labels and radio broadcasters show consistent growth in video uploads:

Magazine publishers, music labels and radio broadcasters all showed higher numbers of video uploads in Q1 of 2010 compared to the same quarter last year. Magazine publishers uploaded 43,554 in Q1 of 2010 compared to 27,224 in Q1 of 2009, an increase of 60 percent. Music labels uploaded 24,538 videos in Q1 of 2010 compared to 14,918 videos in Q1 of 2009, an increase of 64 percent. Radio broadcasters uploaded 5,730 videos in Q1 2010 compared to 3,528 videos in Q1 of 2009, an increase of 62 percent.



Engagement, Discovery & Distribution

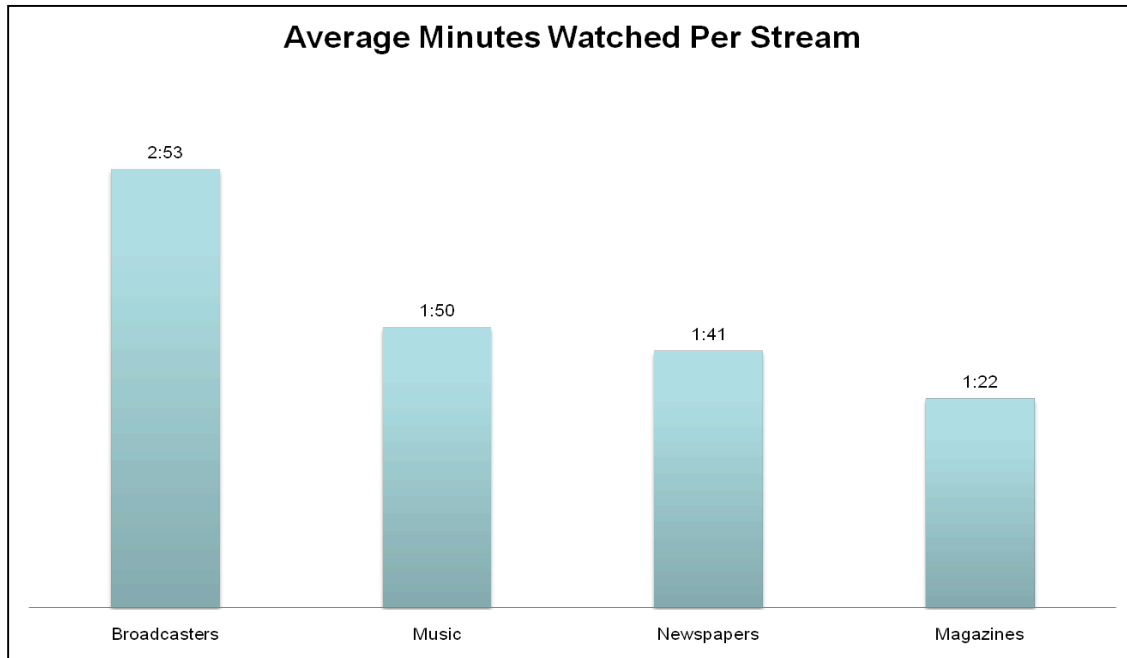
Video Engagement

The following analysis focuses on viewer engagement analytics for a cross-section sample of media customers, including broadcast networks, music labels, newspaper publishers, and magazine publishers. In aggregate, the sample spans 2.84 billion viewed minutes.

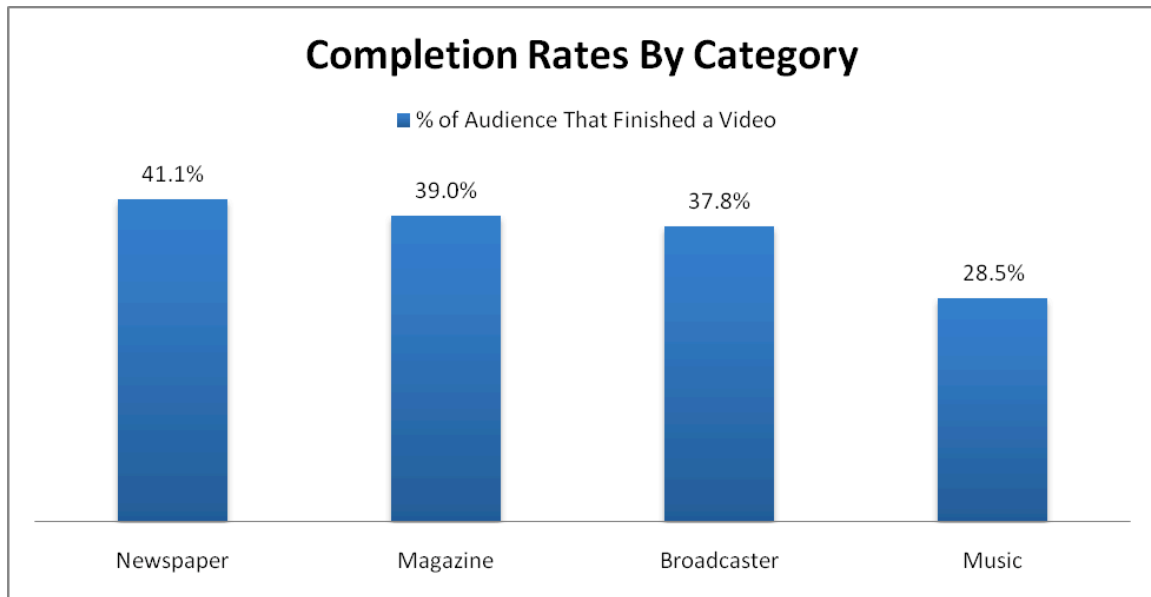
Overall, viewers watched an average of 5:55 minutes of video in each session, growing by an average of 9.46 percent per month over the past six months. The number of videos watched per viewer in a given session averaged 2.82, growing at a pace of 0.34 percent per month in the same time period.

In the sample, online video content from broadcast networks attracts the greatest level of viewing-time, averaging 2:53 minutes watched per stream. Broadcast networks are followed by music labels at 1:50 minutes and newspaper publishers

with 1:41 minutes per stream. Magazine publishers registered the lowest duration of video content viewed per stream at 1:22 minutes.



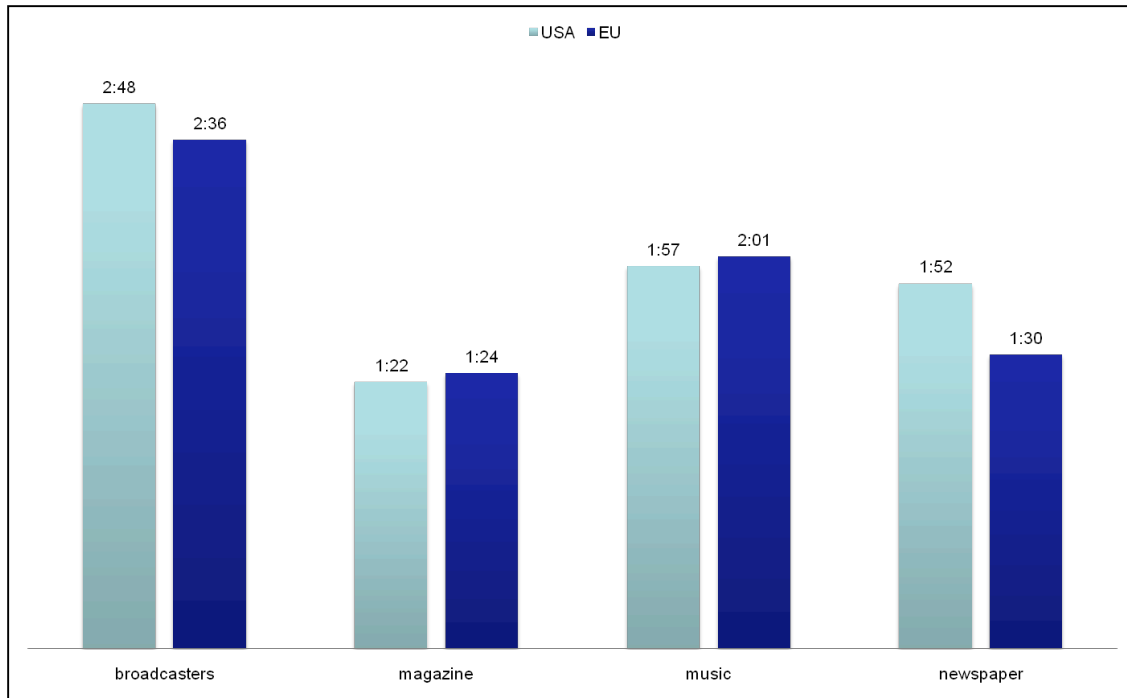
Although much more time is spent overall with broadcast and music video content, much of this is due to longer video length relative to other categories. Holding time constant, newspapers and magazines are the best at getting viewers to watch an entire video (below).



Several differences can be seen when comparing online video engagement levels between the United States and Europe. Broadcast networks in the U.S. average 2:48 minutes per stream compared to an average of 2:36 minutes for European networks, a difference of 12 seconds on average.

An even more substantial difference exists in engagement levels for online video content from newspaper publishers. In the U.S., the average minutes of newspaper video watched per stream is 1:52 compared to 1:30 for Europe, a difference of 18 seconds on average.

Smaller differences can be seen in engagement levels for online video content from magazine publishers and music labels in the U.S. and Europe. In the U.S., the average minutes of magazine publisher video watched per stream is 1:22 compared to 1:24 for Europe, a difference of only two seconds on average. Similarly, in the U.S., the average minutes of music label video watched is 1:57 compared to 2:01 for Europe, a difference of four seconds on average.



Discovery and Engagement

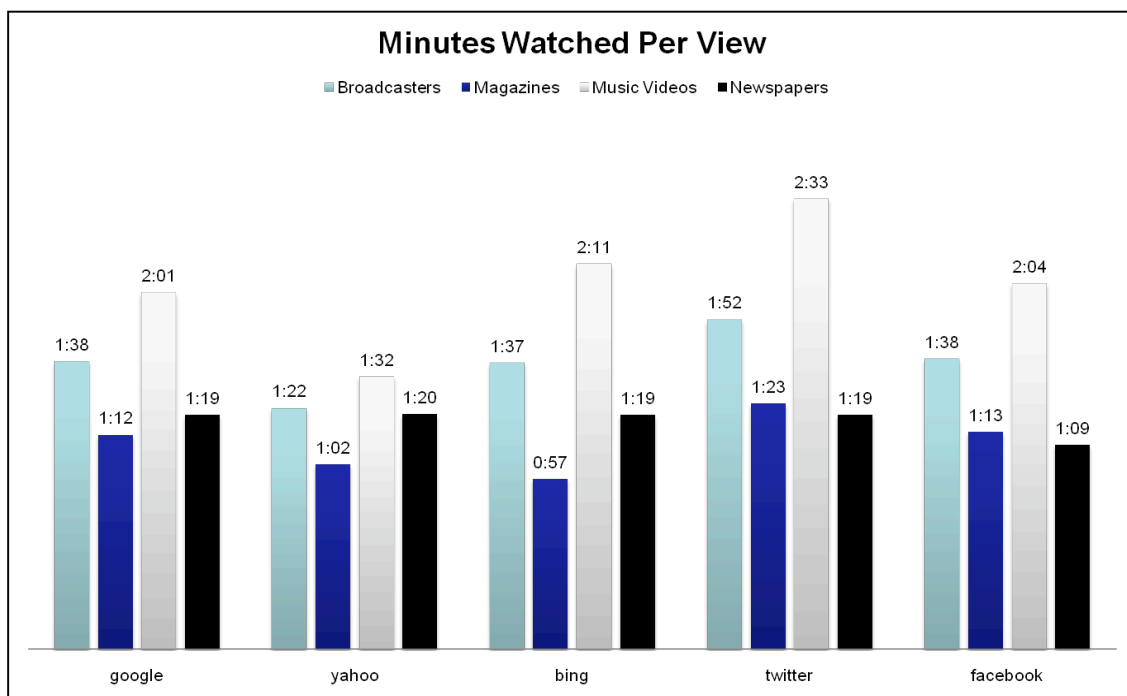
Overall, 51.75 percent of all video streams in the sample were discovered via direct traffic, meaning that viewers are directly navigating to videos once they are on a given publisher’s site. Google is the largest external source of traffic, with 38.92 percent of all streams in the sample referred by Google searches, followed by Yahoo! (5.58 percent of all streams), Bing (2.29 percent) and Facebook (0.40 percent).

For consumers who find online video content through search engines and social media websites, significant differences can be seen in engagement levels across media industry categories.

Average minutes watched per stream by referrer:

- Broadcast networks: Google (1:38 min), Yahoo! (1:22 min), Bing (1:37 min), Twitter (1:52 min), and Facebook (1:38 min).
- Magazine publishers: Google (1:12 min), Yahoo! (1:02 min), Bing (0:57 min), Twitter (1:23 min), and Facebook (1:13 min).
- Music labels: Google (2:01 min), Yahoo! (1:32 min), Bing (2:11 min), Twitter (2:33 min), and Facebook (2:04 min).
- Newspaper publishers: Google (1:19 min), Yahoo! (1:20 min), Bing (1:19 min), Twitter (1:19 min), and Facebook (1:09 min).

Compared to other sources, Twitter referrals generate the highest level of engagement for broadcast networks (1:52 min), magazine publishers (1:23 min), and music labels (2:33 min). The exception is newspaper publishers, which see the highest level of engagement from viewers who find their content via Yahoo! (1:20 min).



Geographic Distribution

The largest volume of video stream traffic represented in the sample originates from the U.S., which is consistent across each media industry vertical (broadcast networks: 49 percent; magazine publishers: 60 percent; newspaper publishers: 55 percent; music labels: 40 percent).

Beyond the high concentration of video traffic from the U.S., each media industry vertical has a unique mix of countries contributing to the traffic composition for online video content.

For both broadcast networks and magazine publishers, the U.S., Canada and United Kingdom represent the top three volume producers, though the difference between the three countries is substantially higher amongst magazine publishers. The U.S. represents 60 percent of video stream traffic amongst magazine publishers, with Canada following at 7 percent and the UK in third at 6 percent.

Broadcast Networks – Top 10 Countries	
1. United States	49.26%
2. Canada	12.17%
3. United Kingdom	9.19%
4. Japan	3.89%
5. Germany	2.66%
6. Mexico	2.22%
7. Brazil	1.63%
8. Australia	1.43%
9. Argentina	1.36%
10. Chile	1.07%

Amongst broadcast networks, the volume is slightly more distributed, with the U.S. representing 49 percent, Canada at 12 percent and the UK at 9 percent.

Interestingly, Latin America represents a notable portion of video stream traffic in the broadcast industry, with Chile, Argentina, Brazil and Mexico generating a combined 6 percent of total volume. This is the only category in which Latin America is represented, as this region does not break the top ten for any of the other media vertical categories in terms of video stream traffic.

Magazine Publishers – Top 10 Countries	
1. United States	60.39%
2. Canada	6.99%
3. United Kingdom	5.84%
4. Germany	3.90%
5. Spain	2.22%
6. Australia	1.15%
7. France	0.91%
8. Italy	0.89%
9. United Arab Emirates	0.74%
10. Japan	0.65%

The music label industry is the only media vertical segment where Japan ranks in the top two in terms of video stream traffic. Japan represents 11 percent of traffic amongst music labels, followed closely by the UK with 9 percent and Canada with 8 percent.

Music Labels – Top 10 Countries	
1. United States	40.23%
2. Japan	10.85%
3. United Kingdom	9.39%
4. Canada	7.87%
5. Germany	3.36%
6. Spain	2.50%
7. France	2.00%
8. Switzerland	1.78%
9. Mexico	1.59%
10. Italy	1.12%

In the newspaper vertical, it is interesting to note that Germany represents a substantially higher amount of video stream traffic (7 percent) than the UK (4 percent), which is a trend not seen in any of the other media verticals. Also of note, the United Arab Emirates ranking amongst newspaper publishers is much higher than in the other categories, though it still only represents 1 percent of video stream traffic for newspapers.

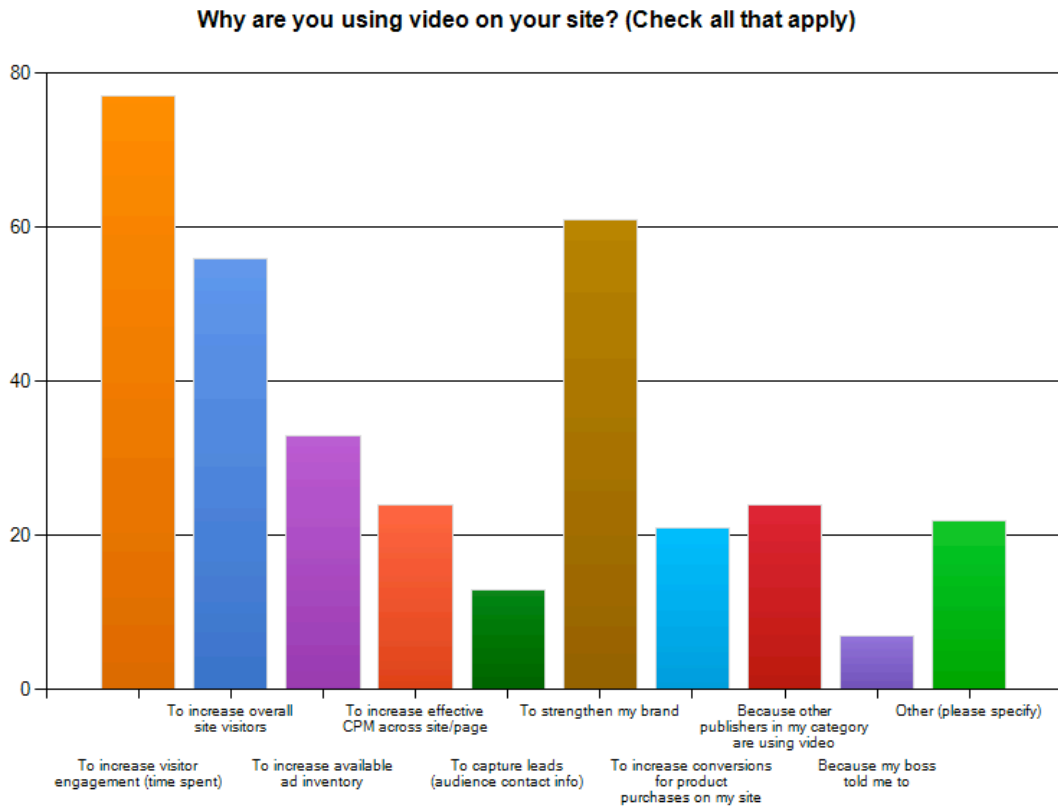
Newspaper Publishers – Top 10	
1. United States	54.56%
2. Canada	15.75%
3. Germany	7.77%
4. United Kingdom	3.82%
5. Spain	2.40%
6. United Arab Emirates	1.03%
7. Italy	0.74%
8. France	0.70%
9. Australia	0.64%
10. India	0.64%

Media Industry Survey Results

In Q1 of 2010, Brightcove conducted a survey of more than 100 media customers representing television broadcasters, newspaper publishers, magazine publishers, and music labels. The sample included customers across North America and Europe.

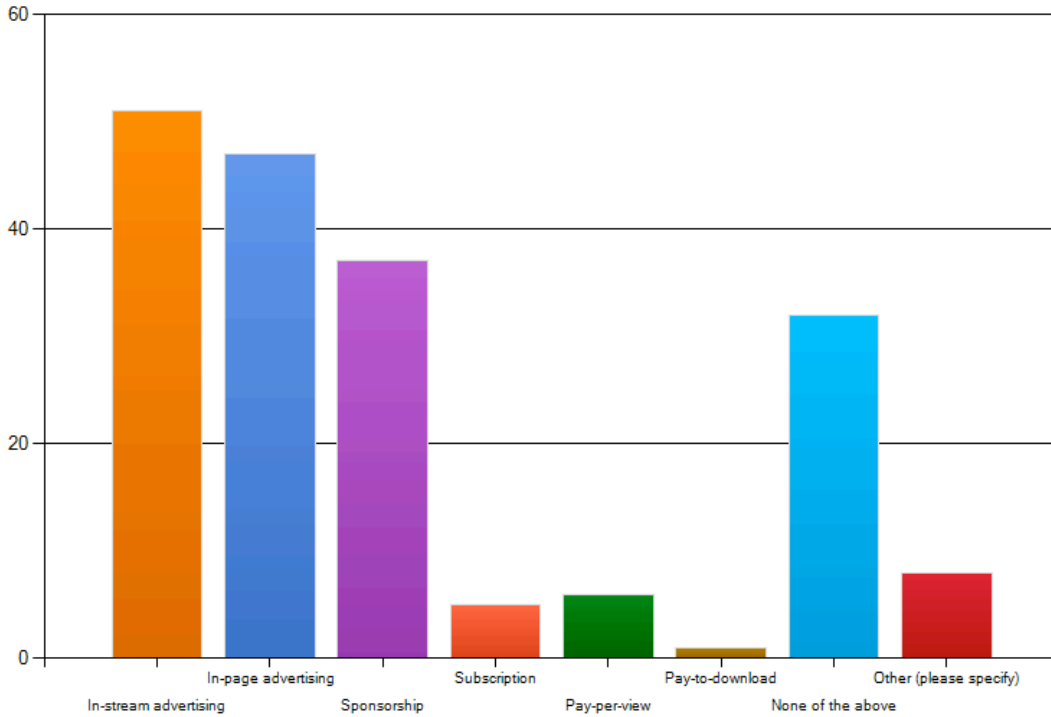
Business Strategy

The top three reasons respondents gave for using online video on their websites included increasing engagement (76 percent), strengthening their brand (60 percent), and increasing site visitors (55 percent). Surprisingly, increasing advertising inventory ranked fourth in the list of top reasons for using online video (33 percent).



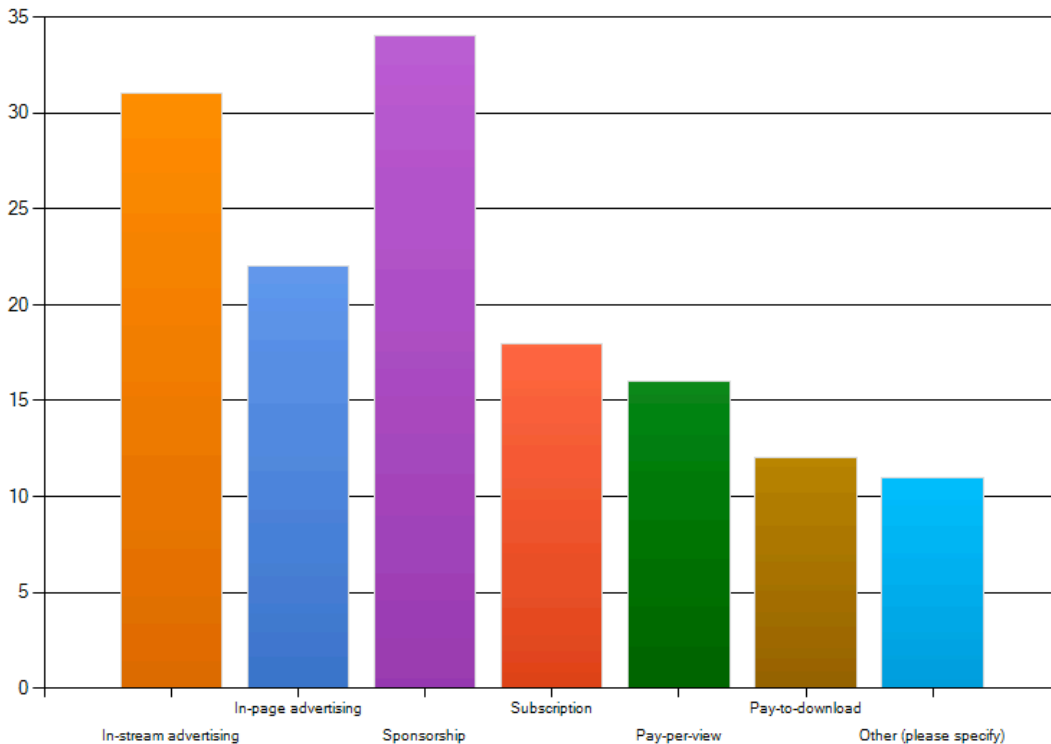
The majority of respondents indicated that they are using in-stream advertising as the dominant monetization strategy (50 percent), followed by in-page advertising (47 percent) and sponsorship (37 percent).

**What video monetization strategies do you currently use for your online video content?
(Check all that apply)**



Looking ahead, respondents were asked which monetization strategies they plan to add in 2010. Almost 50 percent of respondents indicated that they would add “sponsorship” to their monetization strategy this year, followed by “in-stream advertising” and “in-page advertising.”

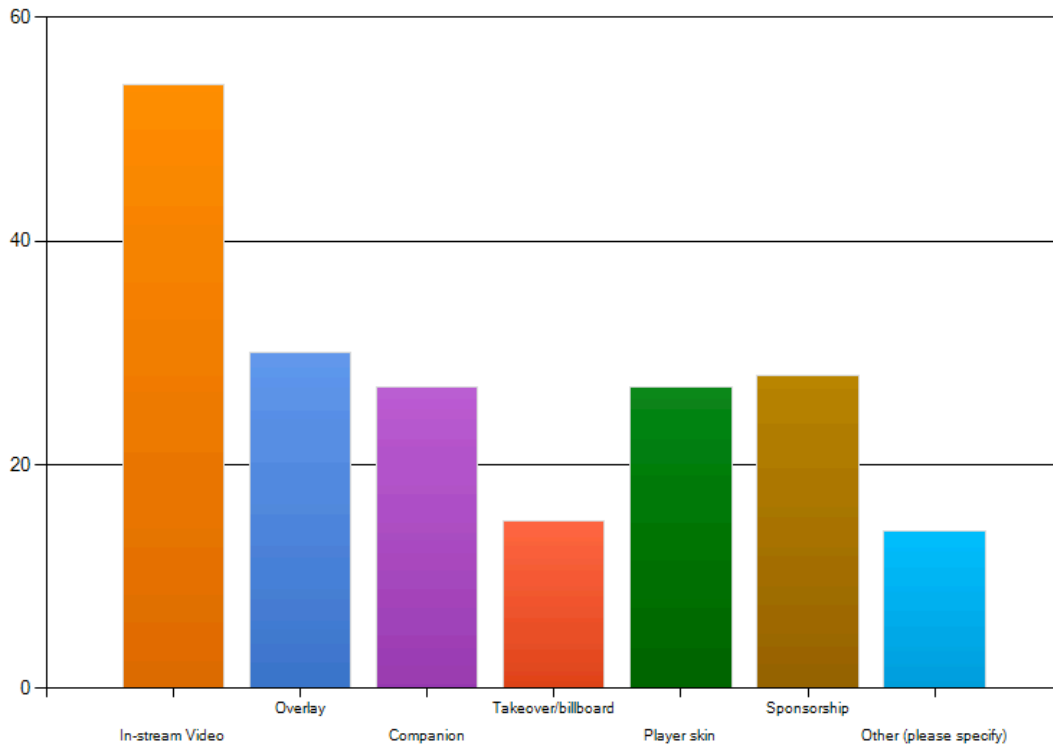
Which video monetization strategies do you plan to add in 2010? (Check all that apply)



Close to 30 percent of respondents said that their online video operations were either “profitable” (18 percent) or “break even” (10 percent), while 32 percent said that online video was not yet profitable.

While in-stream video advertising appeared to be the dominant ad format used within our sample of media customers (63 percent), the results also showed a wide range of additional formats currently in use, including overlays (36 percent), sponsorships (33 percent), companions (32 percent) and player skins (32 percent).

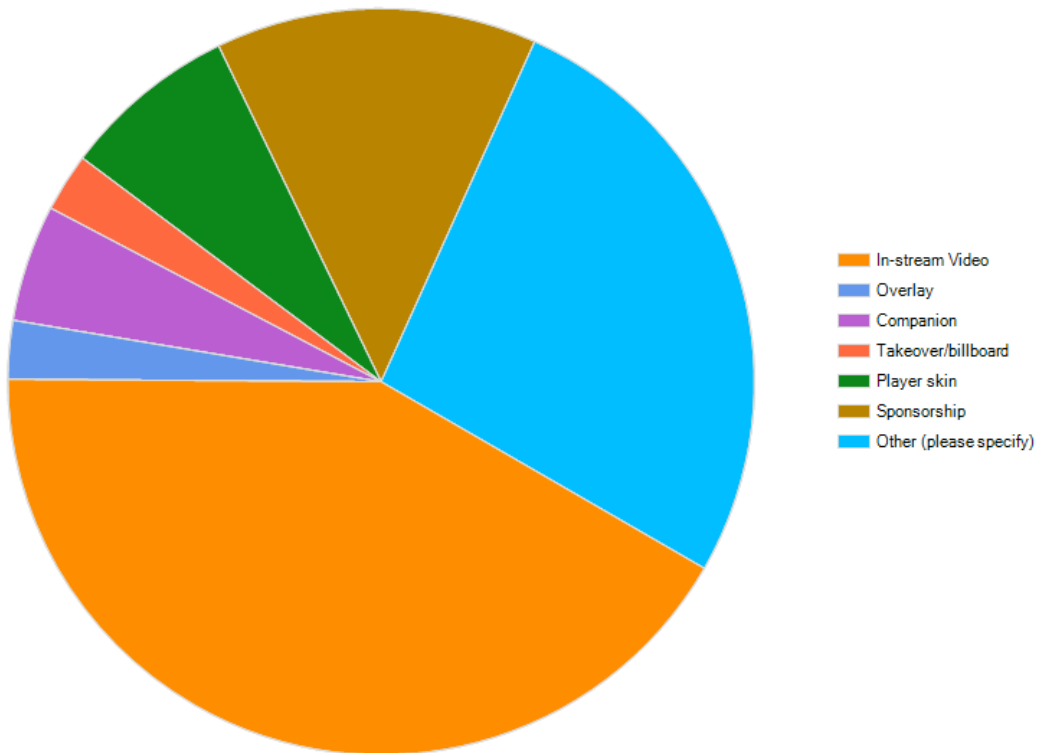
What ad formats are you currently using? (Check all that apply)



Despite the experimentation with new formats, from a sales perspective media customers are still focused primarily on in-stream video advertising.

More than 35 percent of survey respondents also said that in-stream video advertising produced the most revenue for their media business compared to other ad formats.

Which ad format do you sell most?



For in-stream advertising, respondents said that the dominant insertion point is pre-roll (75 percent) followed by post-roll (24 percent), player load (11 percent) and mid-roll (10 percent).

More than 35 percent of respondents indicated that they are augmenting in-stream ad revenue with in-page display advertising.

For respondents who are not currently using in-page display advertising in conjunction with in-stream ads, 25 percent said that they would look to add this strategy later this year.

Online video advertising represents a significant revenue contribution for many Brightcove customers. Close to five percent of respondents said that online video

advertising represents between 75-100 percent of ad revenue. Slightly more than five percent said that online video ads contribute between 50-75 percent of ad revenue. However, almost 40 percent said that the contribution amounted to less than 10 percent of their ad revenue.

Online video advertising is dominated by branding initiatives (68 percent) compared to direct responses campaigns (18 percent).

Advertising Sales & Inventory

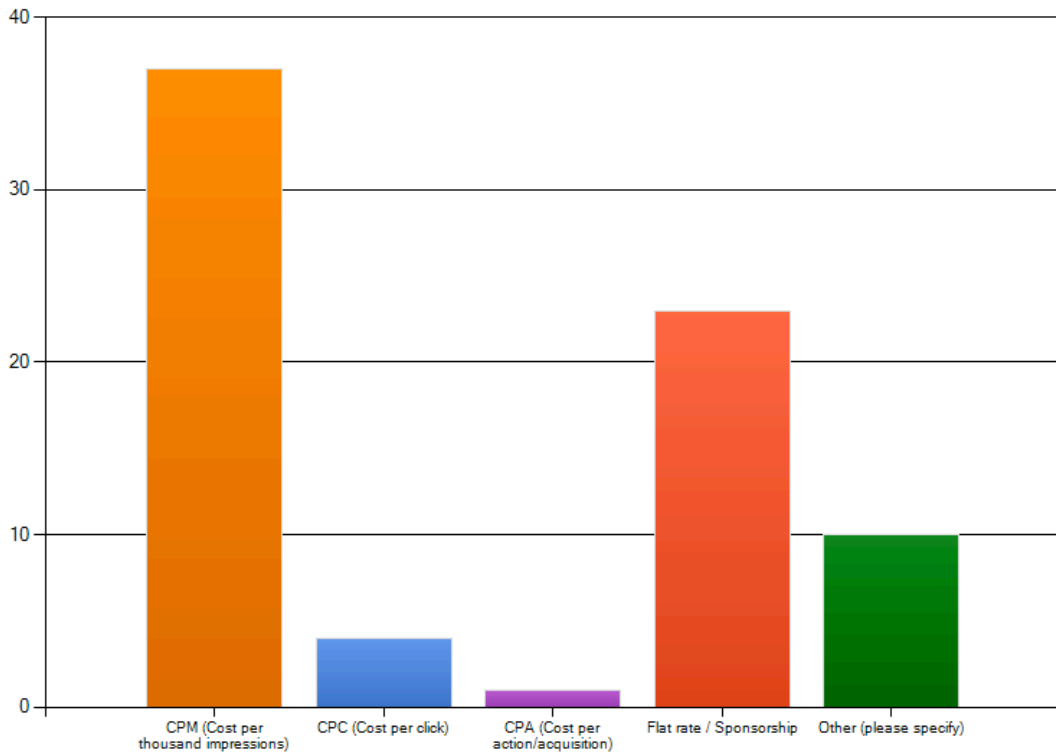
With regard to advertising sales, the vast majority of respondents indicated that they were engaged in direct ad sales (69 percent) compared with advertising networks (30 percent).

For those using advertising networks, 37 percent said that the primary motive was “backfill for unsold inventory (remnant),” while 23 percent indicated that advertising networks were their primary sales channel.

Close to 45 percent of respondents using advertising networks said that they use multiple advertising network providers for advertising sales.

The dominant approaches for pricing and selling video advertising include CPM, or cost per thousand impressions (62 percent) and flat rate sponsorships (38 percent).

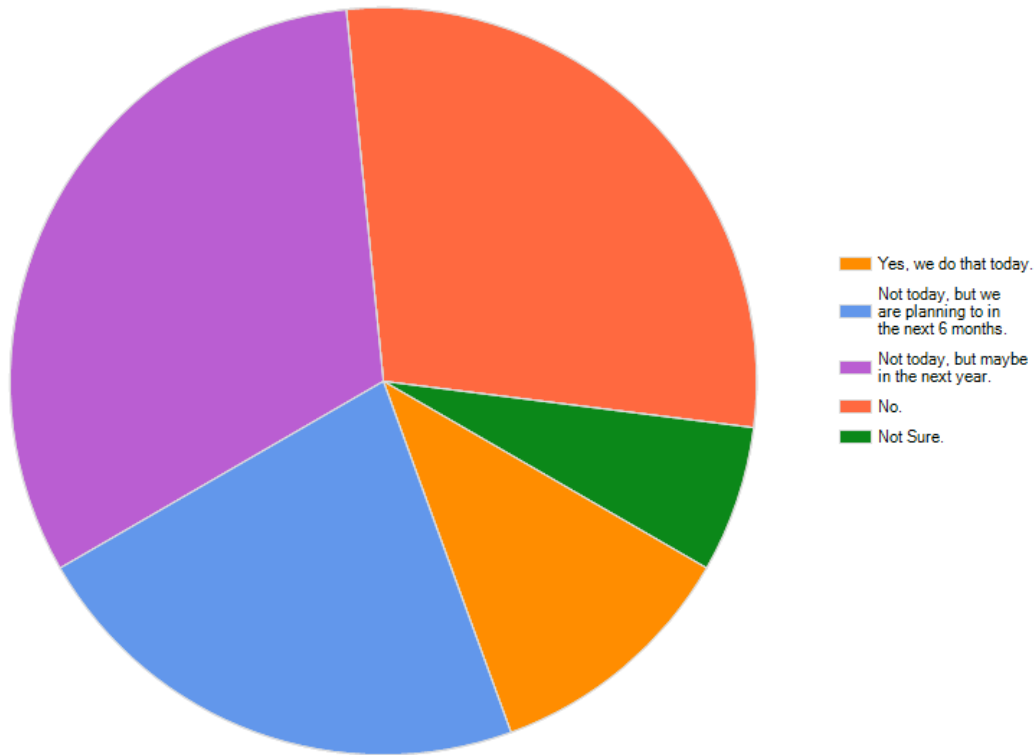
How do you price / sell video ad inventory?



Targeting methods for online video advertising is dominated by contextual (53 percent) and demographic (49 percent) approaches, but behavioral targeting is gaining traction with respondents (15 percent).

While only 11 percent of respondents said that they currently distribute ad-supported video content to mobile devices, a full 54 percent said that they would be introducing the strategy within the next year (22 percent within six months; 32 percent within the year).

Do you distribute ad-supported video content to mobile devices?



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