

White Paper

# Online Video: The New Merchandising

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## Executive Summary

Retailers have long understood that “merchandising”—the art of displaying, describing, and creating appeal around products—is of critical importance. Merchandising sets the stage for a pleasant and engaging shopping experience that drives immediate sales, grows brand loyalty and builds affinity over time. However, early-generation eCommerce Web sites were limited in the amount of “merchandising” they could deploy because of the static nature of Web 1.0. Increased broadband penetration and more sophisticated applications are making high-quality video a key weapon in the online retailer’s merchandising arsenal—just as it has been for advertisers. While video used well in the online retail space has been shown to increase the quality, duration and profitability of shoppers’ site visits, video not delivered quickly and seamlessly can have the opposite effect. The results are abandoned transactions, lost revenue opportunities and diminished brand loyalty. This paper examines challenges and solutions available to help online retailers successfully integrate video into their online merchandising strategy.

## Introduction

In recent years, online video has come into prominence as part of a more dynamic, engaging online experience. Marketers, advertisers, content aggregators and distributors (like YouTube) were all quick to exploit the increased penetration of broadband Internet which allowed greater capacity for video distribution. Now, as video has become an established feature across the Web and the ability to deliver HD-quality video comes within reach, eCommerce businesses are discovering the real value of video and Rich Internet Applications (RIAs). Beyond simple entertainment or education, video in the online retail space contributes to a total brand experience that can rival traditional “merchandising” in brick-and-mortar locations. It can create a more dynamic, memorable brand impression than static images or sound alone. Also, it can be used to effectively demonstrate, showcase and sell specific product features in a way that changes the nature of online transactions.

Until recently, the total customer experience at most online retail sites consisted of ‘1. Search, 2. Buy/don’t buy, 3. Leave.’ Across a range of best-in-class online retail sites, video and RIAs are changing the structure, duration and ultimately the result of online shopping experiences. Shoppers on sites with well-executed and seamlessly delivered video shop longer, browse for more items, and complete higher dollar value transactions than on sites without video components.

This white paper examines the trends in eCommerce video applications, current customer and eRetailer attitudes, and the challenges to successfully delivering high quality online video.

## The Opportunity

“With Akamai in place, our site visitors have a good experience and we can easily deliver the number of impressions that our online advertisers demand to meet their goals.” — *Rashmi Chugh, Head Internet, HT Media Limited*

Clearly, online video is becoming more prevalent with growth projected at 45% over the next year. Therefore, one can expect to see retailers producing high quality video—approaching that of HDTV. But what are the quantitative results eRetailers can hope to achieve by incorporating video into their eCommerce sites?

### ONLINE VIDEO — RECENT OBSERVATIONS FROM INTERNET RETAILER

- “Spending on U.S. online video media advertising is expected to total \$805 million by 2009, up 45% from \$555 million this year.”  
— *Magnainsights.com*
- “Industry statistics show that a sale tied to a video is about 50% higher and we fit that.”  
— *Online Pet Services*
- “Tests showed that a banner ad received only a 0.3% click-through rate while the video version received a 5% click-through rate.”  
— *Footwear eRetailer*

Preliminary research shows that adding video produces three measurable outcomes:

### 1. Longer site view times

A leading online home improvement retailer recently created a series of micro sites featuring specific product sets. Its video enhanced decking site increased site view time by 3X.

### 2. Increased value of sale

This retailer's push mower micro site with video produced an average 2X increase in average ticket price over category norms.

### 3. Improved conversion rates

A micro site with video for children's play sets on the retailer's site resulted in a 400X increase in total sales conversions.

The benefits of adding video vary based on a number of factors, including product type, product complexity, value of sale, purchase process and more. But the results seen by the retailer referenced above are far from atypical. ShopNBC.com, for example, has seen conversion rates double after deploying video — prompting some executives to hint that video may soon become the default product view, with static photography backing it up on demand. Adding video to the online shopping experience delivers benefits that vary based on the industry, product, customer and purchase process. Here are just a few examples of the role video can play in various online retail situations:

#### EXAMPLE 1: LARGE GLOBAL APPAREL BRAND (VICTORIA'S SECRET)

As a pioneer in the use of online video, Victoria's Secret started 1999 with an ambitious goal: produce a live webcast of its Spring Fashion Show, promoted with its first ever SuperBowl commercial. The ad generated millions of immediate hits on VictoriasSecret.com and the webcast drew a record-breaking 1.5 million visitors world-wide. That single event helped set the bar for creating interactive online experiences that would drive sales while growing the brand. Victoria's Secret enjoys a leadership position in online retail, largely due to its ability to incorporate high-quality video that creates a high level of engagement for serious shoppers and casual visitors alike.



#### EXAMPLE 2: LEADING OUTDOOR EQUIPMENT SELLER (CABELA'S)

How do you bring the great outdoors to a 15" monitor? If you're Cabela's, you bring in product feature video demos with inspirational outdoor footage that resonates with the outdoor-oriented lifestyle of customers — creating a 'just like being there' experience. The company also employs sophisticated RIAs that empower a more dynamic search, selection and checkout process — driving sales and increasing brand loyalty.



#### EXAMPLE 3: LEADING ONLINE BOOK RETAILER (BORDERS)

The Borders.com site includes original and exclusive video programming created by Borders. With the amount of online video content growing on its eCommerce site, Borders needed a high-quality digital media management tool to help manage online video assets. With digital asset management solutions, Borders easily and efficiently manages and delivers video content in Flash format, ensuring that its eCommerce site can serve up rich media content quickly and reliably.



#### A LEADING ONLINE RETAILER FOUND THAT DEPLOYING STREAMING VIDEO RESULTED IN:

- 3X longer site view durations
- 2X increased ticket price over category standards
- 400X increase in total sales conversions

## Current Challenges

While the opportunities to increase revenues and brand loyalty with high quality video are clear, so are the challenges facing such a deployment. Limited bandwidth, Internet traffic conditions and visitor traffic spikes (such as 'Cyber-Monday,' one of eRetailers' busiest days) can wreak havoc with the delivery of RIAs. A recent study by Jupiter Research<sup>1</sup>, highlights some of the risks facing companies that deploy online video without sufficient consideration of the performance challenges and requirements that exist:

- **Online video that is interrupted for buffering purposes and playback that is slow to begin are the greatest sources of frustration for consumers.** Buffering issues are the number-one problem encountered by users. During the past 12 months, 44% of online consumers who viewed online video (referred to herein as online video users) were frustrated with the viewing experience — attributing their frustration to playback interruptions due to buffering. In addition, 35% of online video users who were frustrated with their viewing experience felt the video took too long to begin playing.
- **Web sites with an unsatisfactory video experience can expect to lose site visitors.** 60% 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. 27% said they would be relatively less likely to visit the Web site again for any reason.
- **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 of great interest to 35% and 33% of online consumers, respectively.

The challenges are clear: once the strategic and creative aspects of video creation have been managed, ensuring adequate delivery speed and video quality becomes the primary driver of ROI for video deployment. More than one-quarter of regular online video users said they would have a more negative overall perception of a site with poorly performing video content. Other users cited a slow web site makes them question the integrity of the overall site and hesitant to enter sensitive credit card data online. For online retailers who are using video to extend and grow their core brands, these numbers carry a special relevance. Alienation of any portion of their valuable online customer base will result in an immediate lost revenue opportunity, along with diminished brand loyalty and affinity.

"Today's consumers expect Web sites to perform quickly and without fail. This is especially true of our Urban Outfitters' site, where we are catering to the younger generation who expect a seamless online experience. Our goal is to deliver those key pages in less than one second but we weren't originally able to do that.

As soon as we put Akamai's Dynamic Site Accelerator in place, we achieved our goal."

— *Keary McNew, Manager of IT Engineering for Urban Outfitters, Inc.*

<sup>1</sup> [http://www.akamai.com/dl/whitepapers/jupiter\\_onlinevideexp.pdf](http://www.akamai.com/dl/whitepapers/jupiter_onlinevideexp.pdf)

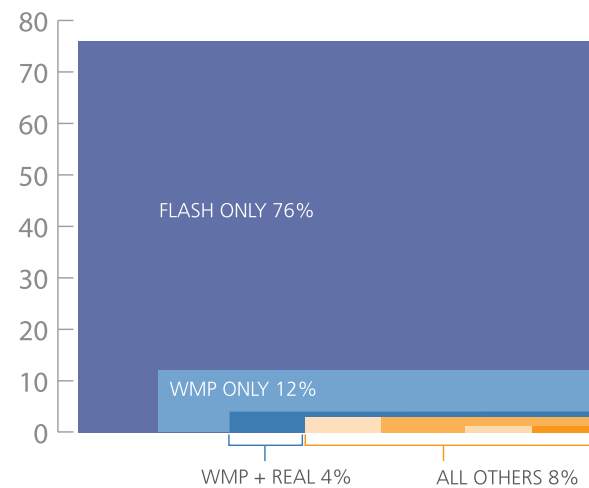
## Deployment Considerations

The primary considerations when deploying video can be divided into two areas: Pre-deployment and Deployment. Pre-deployment encompasses the basic strategic, creative and technological decisions that go into producing video, including scripting, production and video format choices. Deployment concerns are focused largely on delivery and end user site performance. The ultimate goal, of course, is to deliver the highest quality video possible while minimizing file sizes and streamlining delivery to ensure fast, consistent download performance without buffering lag times.

### Technical factors involved in the pre-deployment phase include:

- Selecting the video formats and codecs (Adobe Flash, Windows Media, Real Video, QuickTime) that will be accessible to the broadest number of users in the target audience.
- Preprocessing and filtering video to help codecs provide the best results — regardless of format chosen, making video that's appropriate for broadband distribution requires deinterlacing, color correction, cropping and resizing
- Selecting the encoding parameters that will provide the best video, while keeping bandwidth costs under control

### MEDIA FORMAT USED BY TOP U.S. CABLE TV NETWORKS FOR THEIR BROADBAND VIDEO



### As retailers enter the Deployment phase with streaming video, they face a number of critical challenges including:

- *Poor end user performance.* Internet latency and congestion problems can delay video start, cause slow, error-laden downloads or jittery, low-quality streams that will drive away end users
- *Limited delivery capacity/scalability.* Traditional centralized infrastructure is costly to scale, and typically cannot handle the highly variable traffic demands that commerce companies face
- *Poor availability.* It is costly and complex to create an infrastructure that provides highly reliable, global availability and can immediately scale to support the terabytes of content required by large digital merchandising libraries

### ONLINE VIDEO — RECENT OBSERVATIONS FROM INTERNET RETAILER

- “10% to 15% of shoppers who look at videos go on to click and buy. Without the videos, we get about a 1.5% conversion rate. The videos may be costly and a lot of work, but have helped increase sales over 200%.”  
— *Fireplace Supplies eRetailer*
- “Conversion rates increased 45% on ten different products after we tested more than 100,000 video impressions. Load times turn out to be a big deal for online video. If you delay the page load by a few seconds, it can reduce the conversion rate significantly.”  
— *Bridal Products eRetailer*

## To Learn More:

For further details about how Victoria's Secret, Cabela's, Borders and other eRetailers deployed Akamai solutions to maximize their web site performance look to our “Retail & Consumer Goods” case study section:

[CLICK HERE](#)

To learn more about Akamai services and solutions:

[CLICK HERE](#)

“By implementing Akamai’s suite of technology solutions, we can focus on delivering great services that ultimately translate into an enjoyable, reliable and engaging online shopping experience for our consumers.”

— *Kevin Ertell, Vice President of eBusiness for Borders Group*

## The Akamai Difference

Akamai® provides market-leading managed services for powering rich media, dynamic transactions, and enterprise applications online. Having pioneered the content delivery market one decade ago, Akamai's services have been adopted by the world's most recognized brands across diverse industries. The alternative to centralized Web infrastructure, Akamai's global network of tens of thousands of distributed servers provides the scale, reliability, insight and performance for businesses to succeed online. An S&P 500 and NASDAQ 100 company, Akamai has transformed the Internet into a more viable place to inform, entertain, interact, and collaborate. To experience The Akamai Difference, visit [www.akamai.com](http://www.akamai.com).

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