

CASE STUDY DECEMBER 2011

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The POWER of VISUAL EFFECTS to DRIVE AUDIENCE ENGAGEMENT and VIDEO CONTENT POPULARITY

INTRODUCTION

The world's production and consumption of video is exploding as more and more businesses and consumers use video to build relationships, entertain, educate, or persuade audiences. By 2014, nearly 90% of on-line consumer traffic will be video.¹ New online video creators will have the same need to drive audience engagement as Hollywood and broadcast television have had for years. As context, for decades, media companies, studios, and advertising agencies have invested in using visual effects to drive audience engagement as measured using a number of metrics including: audience involvement, interaction, influence, and brand proclivity. Now, online video creators and distributors can use visual effects to engage viewers, increase popularity, and drive purchase intent for the first time. This research report highlights how visual effects can be used to drive business benefits in content development, ad premiums, and audience growth.



The targeted use of visual effects can increase the appeal of video content, increase video views, and improve the return on your advertising investment.

KEY FINDINGS

- ▶ Visual effects increase video appeal, preference, and likelihood to watch again
- ▶ Visual effects increase viewer's brand consideration, likelihood to purchase, and likelihood to download a coupon for the advertised product and lessen negative responses along similar measures
- ▶ Visual effects are the reason cited for preference over the same content without visual effects

BUSINESS IMPLICATIONS

The use of visual effects can drive video popularity, increase the value of published content, and improve the return on advertising investment.



Images Courtesy of Suspect

¹ CISCO's VNI (Visual Networking Index) Report.

SITUATION ANALYSIS

Online video aggregators and content distributors such as YouTube, Break.com, Pixelfish, and Vimeo are driving unprecedented audience volumes but are not always capturing their fair share of time spent by consumers watching and engaging with video content. In February 2011, the average U.S. YouTube user watched 2 hours and 14 minutes of YouTube content compared to the greater than 5 hours per month spent on sites that distribute network and broadcast quality content, such as Hulu and Netflix.² The primary driver of this difference is that sites like YouTube rely heavily upon user-generated content that lacks the story and production quality needed to engage today's viewers. As a result, online content networks are not maximizing the value of their audience reach and are not able to command the full premium for their ad inventory or subscription services that their audience reach may warrant.

"YouTube is looking to compete with broadcast and cable television, a goal that requires it to entice users to stay on the website longer, and to convince advertisers that it will reach desirable consumers." *Wall Street Journal*, April 7, 2011.

"In addition to increasing the average time a YouTube user spends on the site, which stands at about 15 minutes a day, the new strategic moves

are aimed at attracting new ad dollars, including a chunk from the \$70 billion U.S. television-ad marketing." *Wall Street Journal*, April 7, 2011.

This challenge to engage users is not limited to YouTube. The use of video is exploding and becoming the primary means of communication. By 2014, more than 90% of all online consumer traffic will be video and the number of video creators is estimated to increase from 350,000 today to more than 220 million.³ As more and more individuals and small-to-medium-businesses use video to inform, influence, and entertain, they face the same challenge to engage users as the legacy broadcast networks and their advertisers. Viewers today expect both a compelling story and the same production values as seen on television, in commercials, and at the movies.

Movie studios, broadcast networks, and advertisers have long understood the need to engage as they compete for users' attention. They invested in not only great storytelling but also enhanced production values across lighting, sound, and motion graphics to entertain, influence, and grow audiences. One of the least-investigated methods of enhancing production value has been the use of visual effects ("VFX"); how VFX drive audience engagement is a similarly uninvestigated topic of research.

RESEARCH HYPOTHESIS

Video treated with visual effects will outperform untreated video across a number of engagement metrics. In 2007, Forrester Research defined engagement as "the level of involvement, interaction, intimacy, and influence that an individual has with a brand over time."⁴ In a media-specific context, the brand elements or content that users engage with first is the show content and then, by extension, the publisher of the content, and finally, the ads seen on the network. For example, the popular television show *House* engages fans with its content, and FOX is the network and the platform publishing and monetizing the content. Advertisers running on the FOX network, like Coca-Cola or Nike, capitalize on the targeted audience to drive sales. In this case study, we hypothesize that the targeted use of VFX can help increase video appeal, brand preference, and purchase intent.

CASE STUDY CONTEXT

Since 1996, GenArts' customers have been using its visual effects software to create looks in video to set the mood, brand products, guide the audience, improve quality, and reduce costs. In this research effort, GenArts tested its working hypothesis that video treated with VFX will outperform untreated video. In May 2011, GenArts tested a national footwear company's product video advertisement to determine how the use of visual effects impacted brand consideration, audience engagement, and purchase intent.

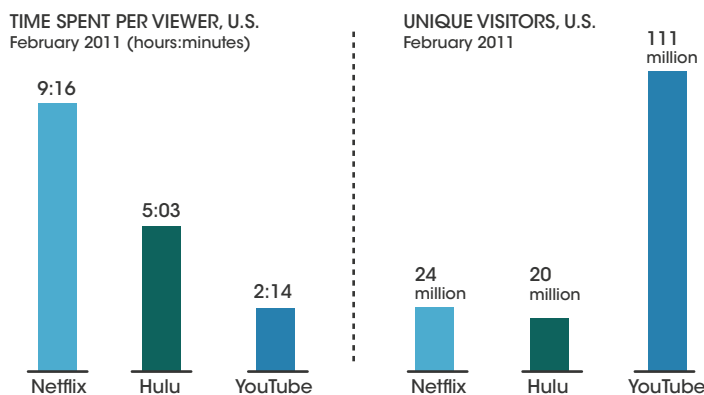
Research Purpose

- Measure the impact visual effects have on audience engagement
- Identify if visual effects influence audience engagement, recall, and overall likelihood to recommend, watch again, purchase, or forward
- Measure how these trends change between demographic groups

Research Goals

- Evaluate the control and enhanced video versions within a cell against each other
- Determine if the enhanced video version elicits the highest overall appeal

[Site Comparison]



Although traffic to YouTube supersedes Netflix and Hulu, users spent much less time watching video on YouTube than those sites.

Sources: The Nielsen Company; comScore

² Jessica E. Vascellaro, Amir Efrati and Ethan Smith, "YouTube Recasts for New Viewers," *Wall Street Journal*, April 7, 2011.

³ GenArts' market analysis.

⁴ "What Engagement Means for Media Companies," by Sarah Rotman Epps, March 2, 2009.

METHODOLOGY

In May 2011, GenArts worked with MarketTools, a leading online market research company to run a research study to quantify the impact of visual effects on audience engagement using a national footwear company’s video promotion for a new footwear model.

GenArts submitted two video advertisements, one treated with visual effects (“treated”) and one without visual effects (“untreated”) to be tested with the MarketTools’ online panel of 518 18- to 54-year-olds split evenly between men and women. The advertisement promoted a new footwear product targeted specifically toward males between ages of 18 and 54.

SAMPLE DEFINITION	Total Sample N = 518
18-54 years old	Males N = 264
Equal split of males and females	Females N = 254
Standard security screens	Fieldwork conducted in U.S.

Respondents were randomly shown one of two versions of a video advertisement created by a leading footwear company: one with the untreated video ad first and the treated video second or one with the treated one first and the untreated one second. After watching the first video, respondents were asked a series of twenty questions about the video they had seen. After answering questions, respondents were then shown the alternate version of the ad and asked additional questions.

Respondents were asked questions based on several key attributes and behaviors: likeability, engagement, memorability, and purchase intent.

ENGAGEMENT CHARACTERISTIC	KEY RESEARCH QUESTIONS
Likeability and Preference	Were the videos appealing, inspiring, credible, and entertaining?
Engagement	Would respondents watch videos again? Would they abandon them in the middle of an online session?
Memorability	Were the ads memorable? Would people talk about them after viewing them?
Purchase Intent	Were the videos informative, credible, and honest? Would respondents buy or consider buying the products featured? Would they download a coupon?

Key Findings

Overall, the video ad with visual effects outperformed the untreated video ad. Specifically:

- Adults found the treated video ad to be more appealing (+4%), more unique (+3%), and were more likely to watch the video again (+6%)
- Visual effects decreased the likelihood of adults to fast-forward or abandon the video by 5%
- Visual effects increased purchase intent and likelihood to download a coupon by 4%
- The majority of those who saw the untreated video first preferred the enhanced video
- Over 90% who saw both videos cited visual effects as they reason they preferred the treated video to the untreated video

The target audience—men—responded significantly more positively toward the videos with visual effects. In some cases, the *lack* of visual effects had greater negative impact on engagement measures. Specifically:

- Men found the treated video to be significantly more appealing than the untreated video (+14%) while the ad lacking visual effects was significantly less appealing: 22% rated it as “not very appealing” vs. 14% in the VFX-enhanced video test
- Men were 9% less likely to stop watching the treated video before its end vs. the men in the untreated group
- Men were 13% more likely to consider purchasing the advertised footwear brand vs. the men watching the untreated video
- The lack of visual effects increased negative brand consideration; male targets watching untreated video were 11% more likely to definitely not consider the brand vs. men watching the VFX-treated video
- Purchase intent among male viewers of the treated video increased 9% compared to men who watched the untreated and 12% compared to all adults who watched the untreated ad
- Without visual effects, the video ad was less effective; men in the untreated group were 13% more inclined to not download a coupon vs. the men in the treated video group



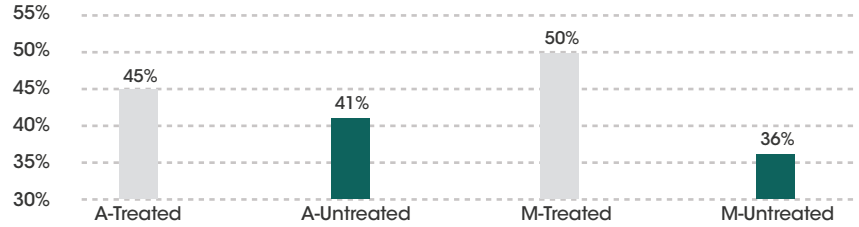
QUESTION: How appealing is the advertisement you just watched?

Analysis: Ad Appeal

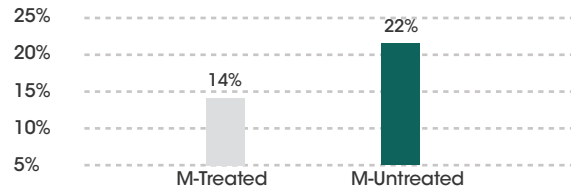
Adults in the enhanced video group found the footwear ad with visual effects more appealing than the untreated ad and rated the enhanced video 4% higher in the top two boxes (extremely appealing or very appealing). The target audience, men, found the enhanced video to be significantly more appealing—14% more appealing in top-box ratings at a 95% confidence level—than the men in the untreated group.

Furthermore, men in the untreated group found the untreated video ad to be significantly less appealing—8% more rated the ad in bottom two boxes (“not at all likely” or “not very likely to watch again”) at 90% confidence level—than those men in the enhanced group.

[Positive Ad Appeal]
Extremely Appealing and Very Appealing



[Negative Ad Appeal]
Not at All Appealing and Not Very Appealing



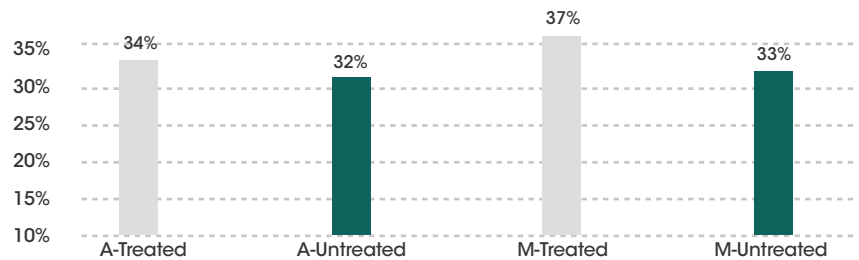
QUESTION: How unique do you feel this video is compared to other advertisements for similar products?

Analysis: Uniqueness

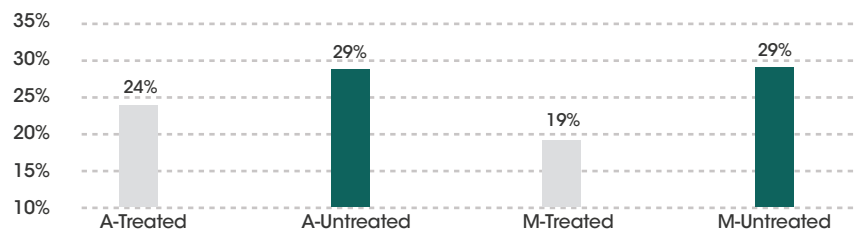
Overall, adults found the video with visual effects to be slightly more unique; however, the target audience of men rated the video with VFX to be more unique than the untreated group.

Visual effects counteracted the negative ratings of the video—29% of the men watching the untreated video judged it as not very unique compared to just 19% of men watching the enhanced video.

[Ad Uniqueness]
Extremely Unique and Very Unique



[Ad Uniqueness]
Not At All Unique and Not Very Unique

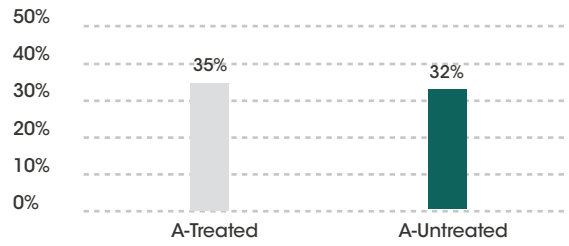


QUESTION: Based on the ad you saw, how likely are you to watch this video again?

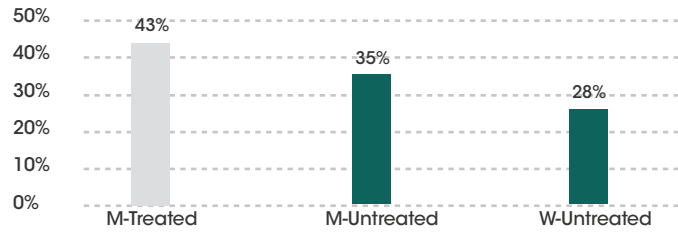
Analysis: Repeat Views

Visual effects improved repeat viewing by 3% overall and drove a greater impact among the intended target. Men watching the treated video indicated they were significantly more likely to watch the video again: 8% higher than men watching the untreated video and 15% higher than women in the untreated group (at an 80% confidence level). This is most likely due to the targeting of the ad toward men.

[Likely To Watch Again]
Very Likely and Likely



[Likely To Watch Again]
Extremely Likely and Very Likely

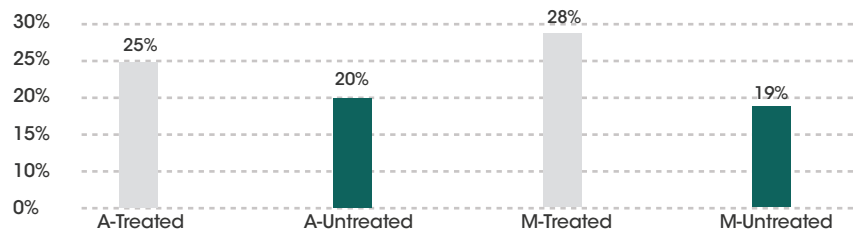


QUESTION: If viewing this ad online, how likely would you be to fast-forward or close out this video before it is finished?

Analysis: Abandonment

Visual effects decreased the likelihood to fast-forward or abandon the video; adults who viewed the enhanced video were 5% less likely to abandon while the male targets, specifically, were 9% less likely to close out of the video than men watching the untreated video.

[% Likely to Fast-Forward or Close]
Not Likely and Not At All Likely



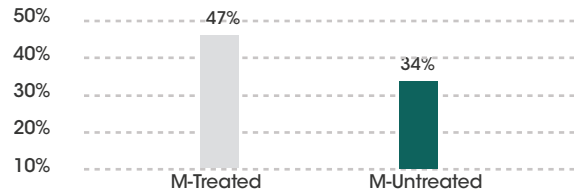
QUESTION: How likely would you be to consider buying this brand of footwear?

Analysis: Brand Consideration

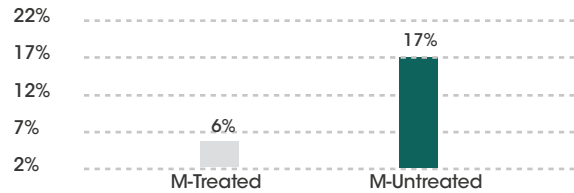
Visual effects increased the male viewer's willingness to consider buying the brand of footwear by 13%. Among the male targets, 47% would consider the brand compared to only 34% who watched the untreated video (at a 95% confidence level).

The lack of visual effects further polarized negative brand consideration. The male targets were 11% more likely to definitely not consider the brand (at a 95% confidence level) than those in treated group.

[Positive Brand Consideration] Definitely Will and Probably Will Consider Buying



[Negative Brand Consideration] Definitely Would Not Consider Buying



QUESTION: How likely would you be to consider purchase this particular brand of footwear?

Analysis: Purchase Intent

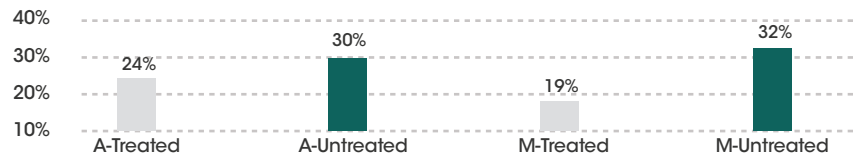
Visual effects increased purchase intent among the adults watching the enhanced video. Among the male targets, purchase intent increased 9% versus the men who watched the untreated ad.

Men who viewed the untreated video were much more likely to have a negative purchase intent than men who watched the VFX-enhanced video. Men viewing the untreated video were 13% more likely to probably or definitely not purchase the product (at a 95% confidence level).

[Positive Purchase Intent] Definitely Will and Probably Will Purchase



[Negative Purchase Intent] Definitely Will Not and Probably Will Not Purchase

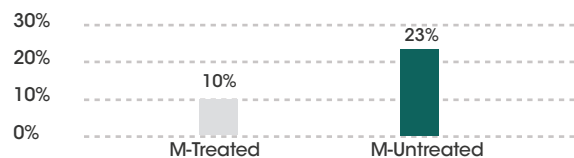


QUESTION: How likely would you be to download a coupon for this product?

Analysis: Purchase Intent

Without visual effects, the video ad was less effective in influencing men to act. Men in the untreated group were 13% more inclined to not download a coupon (chose "Not at All Likely" at 95% confidence level), which is significantly lower than the men who saw the enhanced ad.

[Likely to Download a Coupon] Not at All Likely



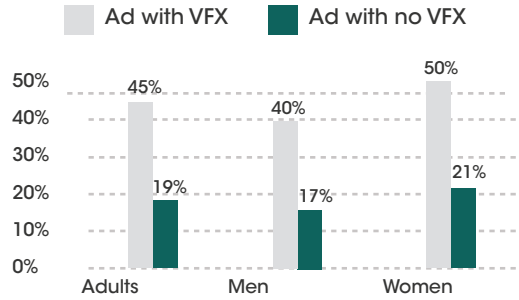
QUESTION: Now that you have reviewed both advertisements, which one do you prefer?

Analysis: Preference

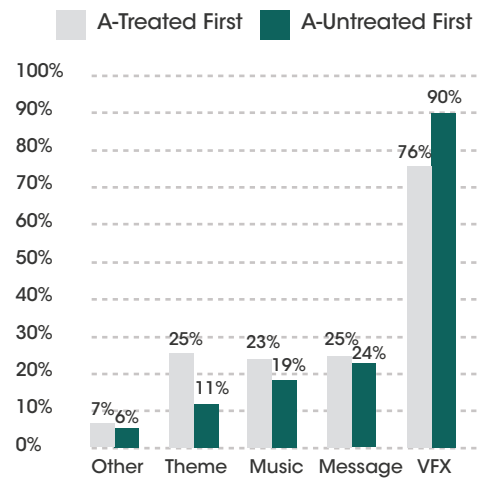
There was a clear preference for the treated video among those who saw the untreated video first. Over 90% who saw the untreated video first cited visual effects as they reason they preferred the treated video to the untreated video.

Both groups cited VFX as the primary reason for preferring the video ad.

[Ad Preference]
After Viewing Both Spots



[Reason for Video Preference]
Primary Reason



BUSINESS IMPLICATIONS

The targeted use of visual effects can increase the appeal of video content, increase video views, and improve the return on your advertising investment or your ability to monetize content.

- For example, presume our case study company decides to buy 1 million impressions to run their new footwear video ad at \$45 CPM for a total advertising investment of \$45,000
- Since visual effects generate a lift in likelihood to watch again as well as a decrease in likelihood to stop watching the video, and improvement in both areas will increase the yield on ad impressions, visual effects could increase ad impressions and improve return on advertising investment in this scenario by 8% for adults and 17% for males.

POWER OF VFX	NO VFX	VFX LIFT - Adults	VFX LIFT - Men
Investment	\$45,000	\$45,000	\$45,000
Video Impressions	1,000,000	1,000,000	1,000,000
Total Gains from VFX	0%	8%	17%
Likely to watch again		3%	8%
Gains from re-watching		30,000	80,000
Less likely to abandon		5%	9%
Gains from full views		50,000	90,000
Incremental Views		80,000	170,000
Value of Views		\$3,600	\$7,650
Implied CPM	\$45.00	\$41.67	\$38.46
% Return on Ad Spend		8%	17%

Visual effects can help increase the ability of your video content to convert users to purchase.

- In this example, the national footwear company is directly marketing to a group of 1,000 prospects that might be interested in the footwear category. Without visual effects to enhance their video, the national footwear brand could experience negative brand consideration and start off with a smaller base of consumers who would consider purchasing their brand.
- In addition, the lack of visual effects lowers the likelihood of ad viewers to purchase the advertised brand of footwear. With the use of visual effects, the footwear company is able to increase its brand appeal overall with adults and with its target audience, men. The use of visual effects helps drive up purchase intent, which equates to a potential 26% gain in revenue for adults and a potential 81% gain in revenue from their target audience for the new footwear products.

POWER OF VFX	Adults - No VFX	Men - No VFX	Adults - VFX	Men - VFX
Prospect Pool	1,000	1,000	1,000	1,000
Definitely Would Not Buy	30%	29%	24%	19%
	300	290	240	190
Consider the Brand	34%	34%	37%	47%
Number Considering	340	340	370	470
Intend to Purchase	26%	29%	30%	38%
Estimated Purchasers	88	99	111	179
Estimated Price Point	\$99.00	\$99.00	\$99.00	\$99.00
Revenue	\$8,752	\$9,761	\$10,989	\$17,681
Gain vs. No VFX			26%	81%

Further Research Opportunities

This case study highlights the opportunity to conduct additional research around the targeted use of visual effects and fully understand the impact across demographics such as gender, age and geography. This example highlighted a commercial that was designed to appeal to U.S. males and further case studies can explore the impact in similar scenarios with ads targeting women as well as investigating the impact of geography to fully understand the different ways visual effects can influence engagement across a variety of audience segments.



Images Courtesy of Keyframe Digital

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