How Consumers Shop With Video

Based on a 4Q 2012 Research Study of 1,000 Consumers

the e-tailing group

Commissioned By invodo

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REFLECTIONS: INTRODUCTION

Last year, the e-tailing group and Invodo completed a groundbreaking study on consumers' use of and sentiment towards video with *Delivering Superior Shopping Experiences via Video: Consumer Insights and Retail Execution*. We discovered key insights into video consumption directly from shoppers that now serve as the industry standard for consumer video behavior.

In this day and age, a lot can change in a year – have consumers' opinions of video, frequency of viewership, or video demands shifted? Prior to defining or refining a video strategy, what other video shopping insights may exist?

Consumer consumption of video has exploded over the past few years. According to YouTube, over 4 billion hours of video are watched each month. Our e-tailing group 2012 Mystery Shopping review revealed that 70% of retailers, versus 59% in 2011, made video part of their shopping experience in the past year. In light of this, we are grateful that Invodo once again commissioned this research so we can share critical findings about this quickly evolving retail tool with the industry.

Knowledge of consumer viewership helps to provide future direction to the industry, especially given that retailers are increasingly shifting their emphasis and investments to product videos. This knowledge of viewership includes an awareness of the product page structure, including where on the page video best engages and converts shoppers. This effort to understand product page structure will be important as we reach out to the retail community to explore current experiences with video, the associated ROI, and any future plans for video which will be part of a second phase of this research, to be published in early 2013. Lastly, as mobile shopping continues to grow, it is essential to comprehend how devices are being used. Therefore, we asked questions designed to provide a look into the use of video on these devices.

This whitepaper allows retailers to gain perspective before pursuing a specific video agenda, and is the first of a 2-part series detailing the use of and sentiment towards video. We hope that this series will drive every retailer to evaluate their video options and set a winning course.

THE STUDY

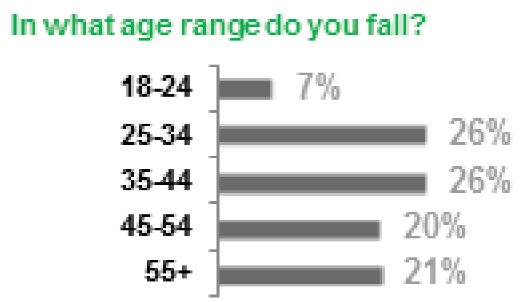
Five Survey Goals

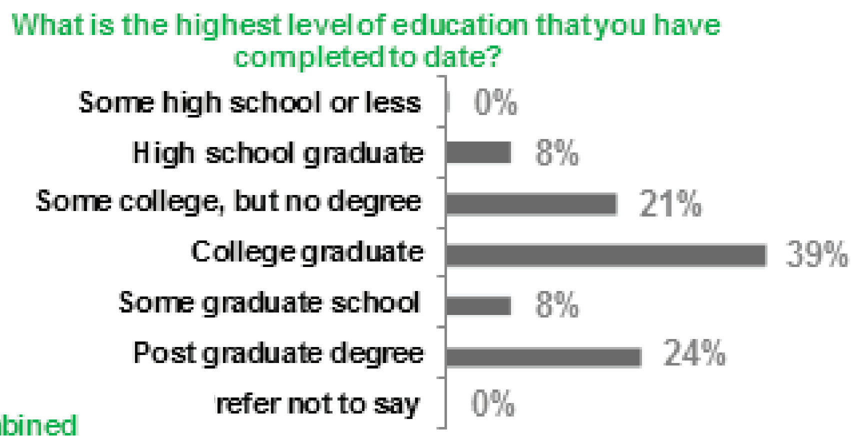
1. Trend year-over-year video consumption (number of videos watched, time spent watching videos, locations, categories, etc.)
2. Evaluate the evolving role and usage of onsite and offsite video locations
3. Explore product page consumption, perceived consumer value and desired elements
4. Understand video's viewership across devices and channels along with consumer sharing sentiments
5. Review consumption beyond the website

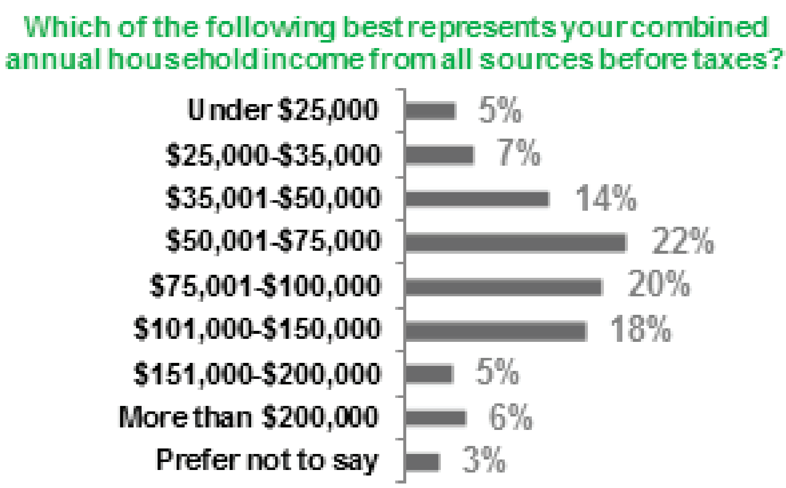
Survey Sample

- 1,073 consumers completed an online questionnaire in December 2012
- 52% Female/48% Male
- Shopped online 4+ times in the past year and spent at least $250
- 100% owned a smartphone/56% owned a tablet

Survey Demographics







FINDINGS OVERVIEW

Click Findings To Tweet

A. Video Viewership/Trending

- Consumer interest in video has grown exponentially year-over-year (number of videos watched, time spent watching, category consumption, etc.)
- Consumers watch video in more locations and across more channels than ever
- Consumers expect retailers to have broader video coverage across a growing number of categories

B. Engagement & Product Page

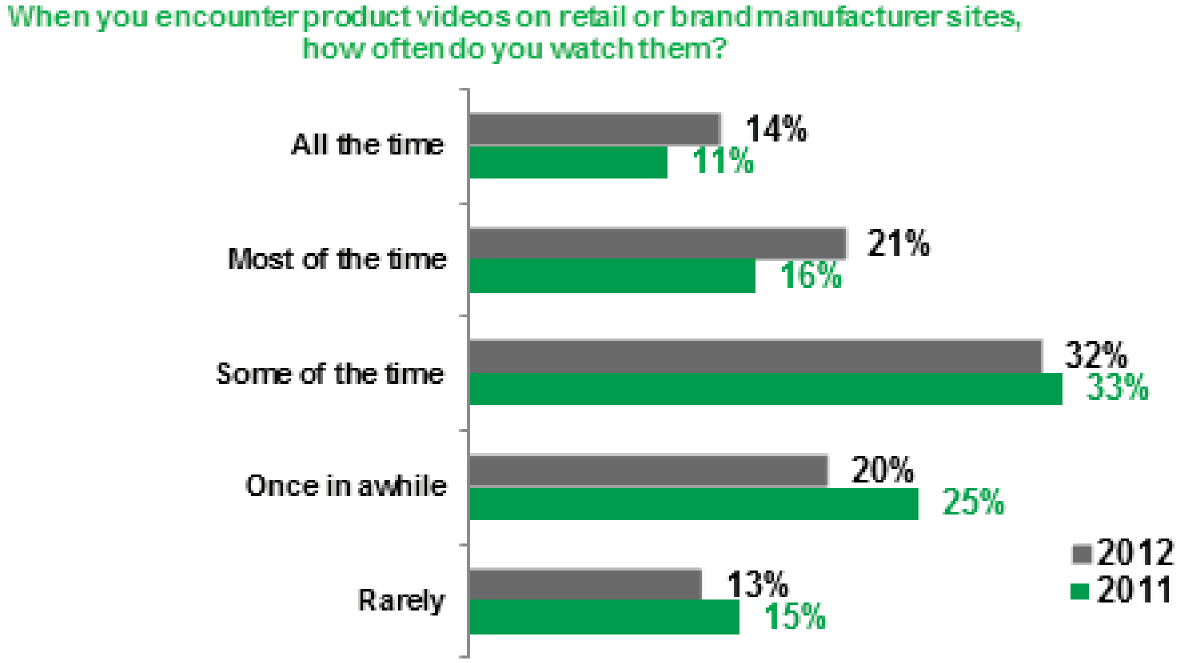
- Consumer preference for video centers on product page integration rather than on advertising or banner-driven models
- Customer engagement is greater on retail sites with video, and viewers are more likely to purchase
- Product videos must contain complete information in order for shoppers to make confident buying decisions
- Among online video formats, product videos have the greatest potential to inform and convert shoppers
- Key elements of a successful product page video include showing the product and demonstrating the features in a simple, non-distracting environment (as opposed to a "branding" experience)
- People are more inclined to share video vs. static images

C. Video Beyond Websites

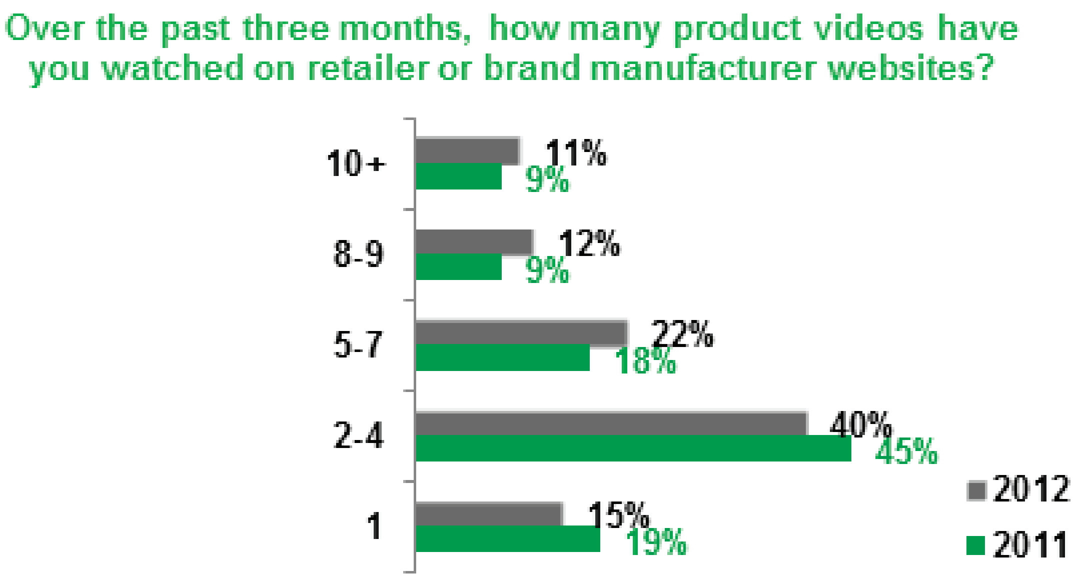
- Smartphones serve as an excellent cross-channel conduit and a quick video viewing channel for consumers
- Tablets will play an increasing role in video consumption as shoppers find tablets to be an ideal device for video viewership and subsequent purchasing

THE RESEARCH: VIDEO CONSUMPTION TRENDS UP

Simply put, consumers are willing to watch videos more often and for longer periods of time across an array of categories.

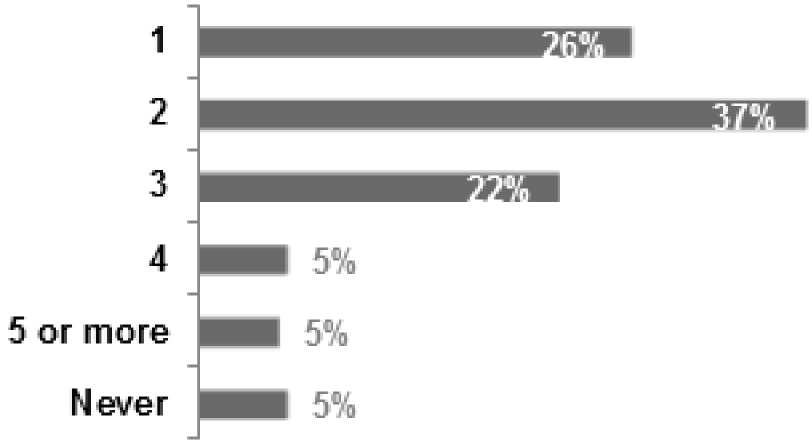


One in three consumers watch video all or most of the time it is encountered, even more than in 2011. Beyond that, over half (52%) engage with video in the purchasing path with some regularity, and nearly 9 out of 10 watch at least once in a while. It is rare that consumers do not connect with product videos, reinforcing that they are poised for shopper involvement. These factors and the overall incremental gains in video viewership suggest the timing is right to delve deeper into retail video execution.



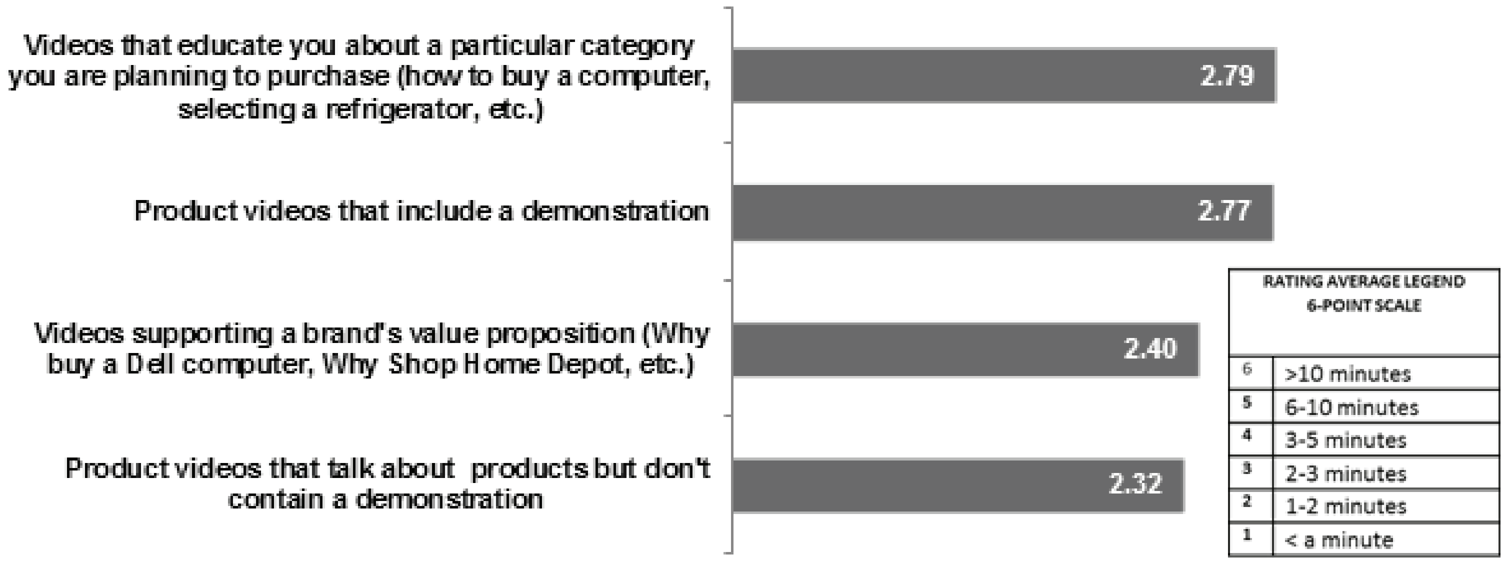
Compared to 2011, we see an increase in video consumption driven in part by the habitual video users who consume 8+ videos per month on retail sites. This is consistent with what we would expect based on insights from both external sources and internal data.

For information-intensive products or those categories where product education is important (TVs, computers, refrigerators, power tools, etc.), how many times would you typically view a product page video prior to making your final purchase?



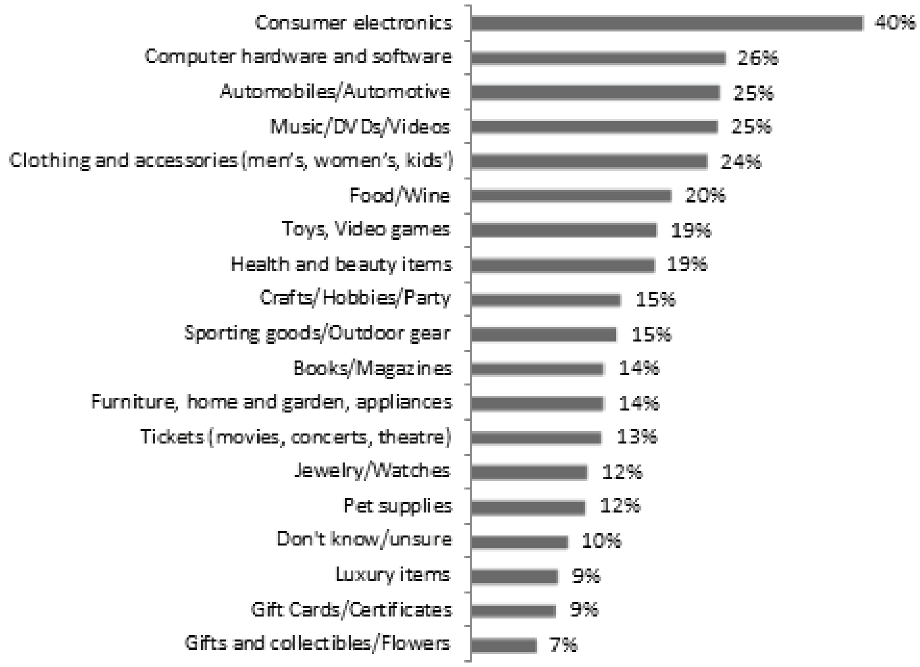
The majority (74%) watch videos two or more times for information-intensive products, such as appliances or consumer electronics, before purchasing. This trend toward repetitive video consumption is significant and may indicate that consumers are seeking out and engaging with video earlier in the purchase cycle.

How much time do you typically spend watching the following types of videos on a retail or manufacturer website?



Consumers are willing to spend the greatest amount of time on product/category video that provides educational value. Video is clearly suited for this task, and customers recognize the benefits of watching a video of this nature. Note, however, that consumers are willing to spend at least two minutes watching any variety of product or brand video.

In which of the following categories have you watched a product video online over the past 3 months? Check all that apply.



We also wanted to examine viewership by product category. The consumer electronics, computer hardware/software, automotive, music/DVDs/videos, and clothing & accessories categories top the list. However, viewership was seen across categories. The lower score for luxury items is interesting and may relate to the fact that luxury brands are slower to deploy video at the product level due to heightened concerns around branding, making it a segment that lags the rest of the industry in product video adoption.

When thinking about a retailer's complete product assortment, to what degree do you expect to find product videos for each of the following categories?

Answer Options	Rating Average
Consumer Electronics/Technology	3.67
Autos	3.43
Sporting Goods	2.82
Toys	2.82
Health/Beauty	2.77
Furniture, home and garden, appliances	2.76
Apparel/Accessories	2.51

RATING AVERAGE LEGEND 5-POINT SCALE	
5	Majority (>75%)
4	Most (75-50%)
3	Sometimes (50-25%)
2	Limited (25-10%)
1	<10%

From there, we were curious to see if consumer expectations for coverage by category matched their desires on what types of video they like to see. While some categories, like consumer electronics/technology, meet the demand, others, like sporting goods, seem to fall short of expectations. One can only surmise that this is a bit of a "chicken and egg" issue, with merchant adoption being somewhat slower.

Coverage expectations again start with consumer electronics/technology but are expected in all categories at least some of the time. Given that consumers are coming to expect video across categories, it is imperative that retailers weigh their unique circumstances, including brand and category concerns, against consumer expectations when constructing their video strategy.

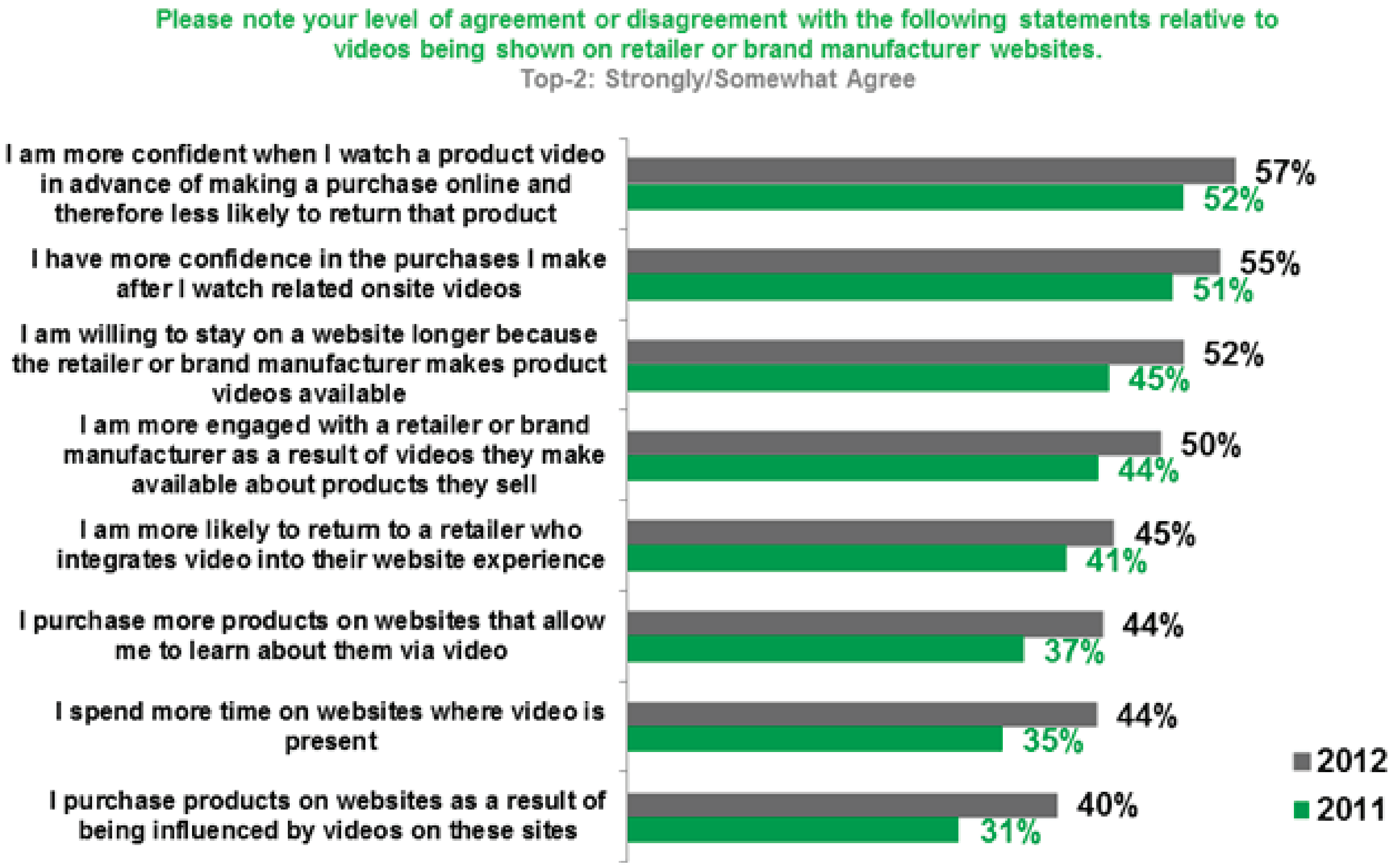
THE FINDINGS: ENGAGEMENT & CONVERSION

Consumer confidence, engagement and purchase likelihood all increased over last year.

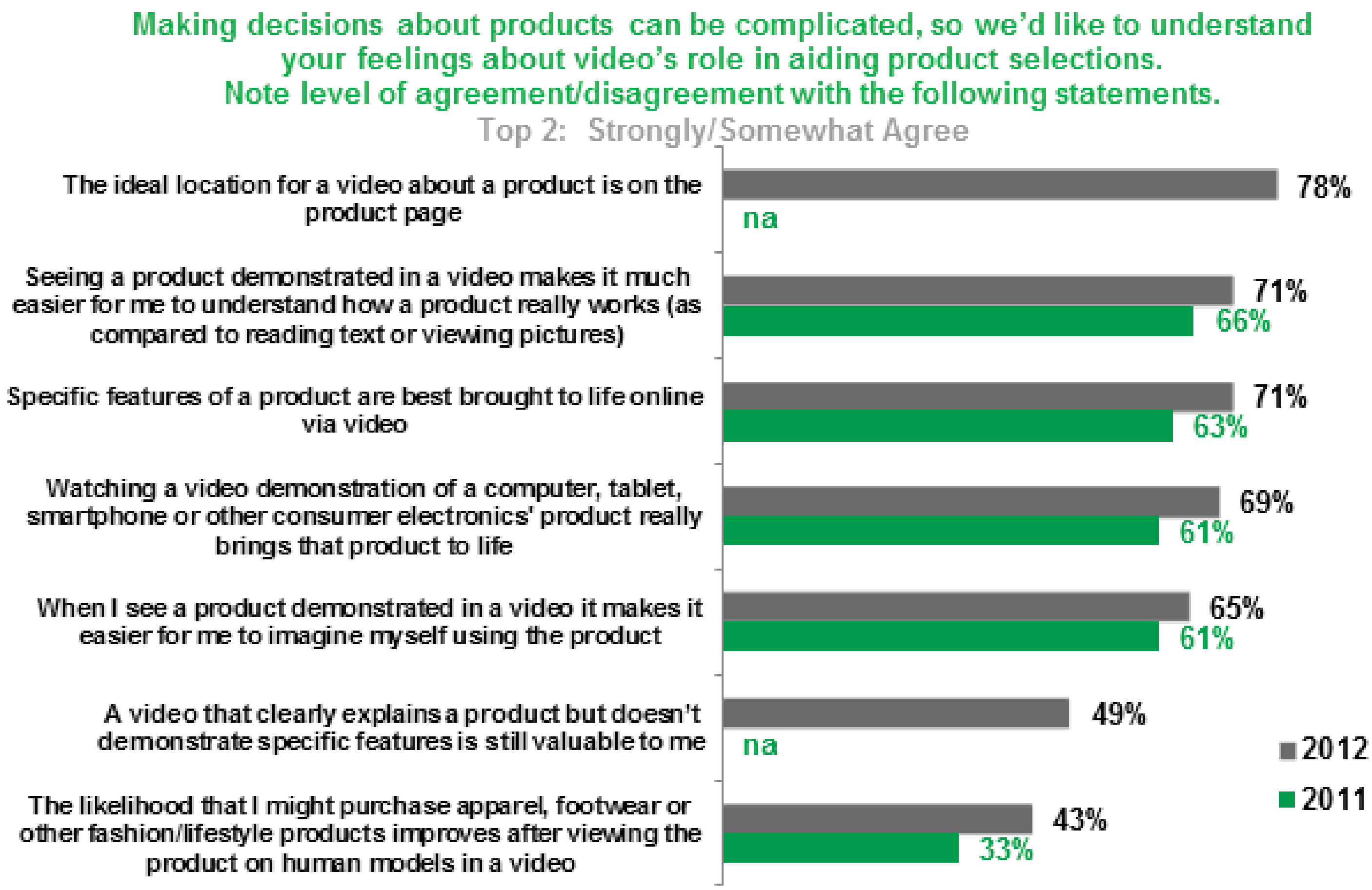
The product page has long been at the core of the consumer shopping experience. Despite the challenge of limited real estate on the product page, merchants embrace productive elements such as video.

From copy to imagery and now to video, the consumer gains an even clearer picture of the product than ever and is able to make the right decision. Of course, shopping starts with engagement. Video's ability to assist and educate while also converting browsers into buyers is yet another reason for retailers to readily embrace the medium. This is central to retailer video adoption and implementation.

The confidence that consumers gain from watching product videos is powerful and has several important ramifications that favor the retailer's bottom line, including fewer returns. Video also secures the stickiness factor that retailers seek with greater engagement times. Retailers with video are also able to better retain shoppers. Lastly, profit-minded retailers should take note that 44% strongly/somewhat agree that they purchase more products after viewing a related video.



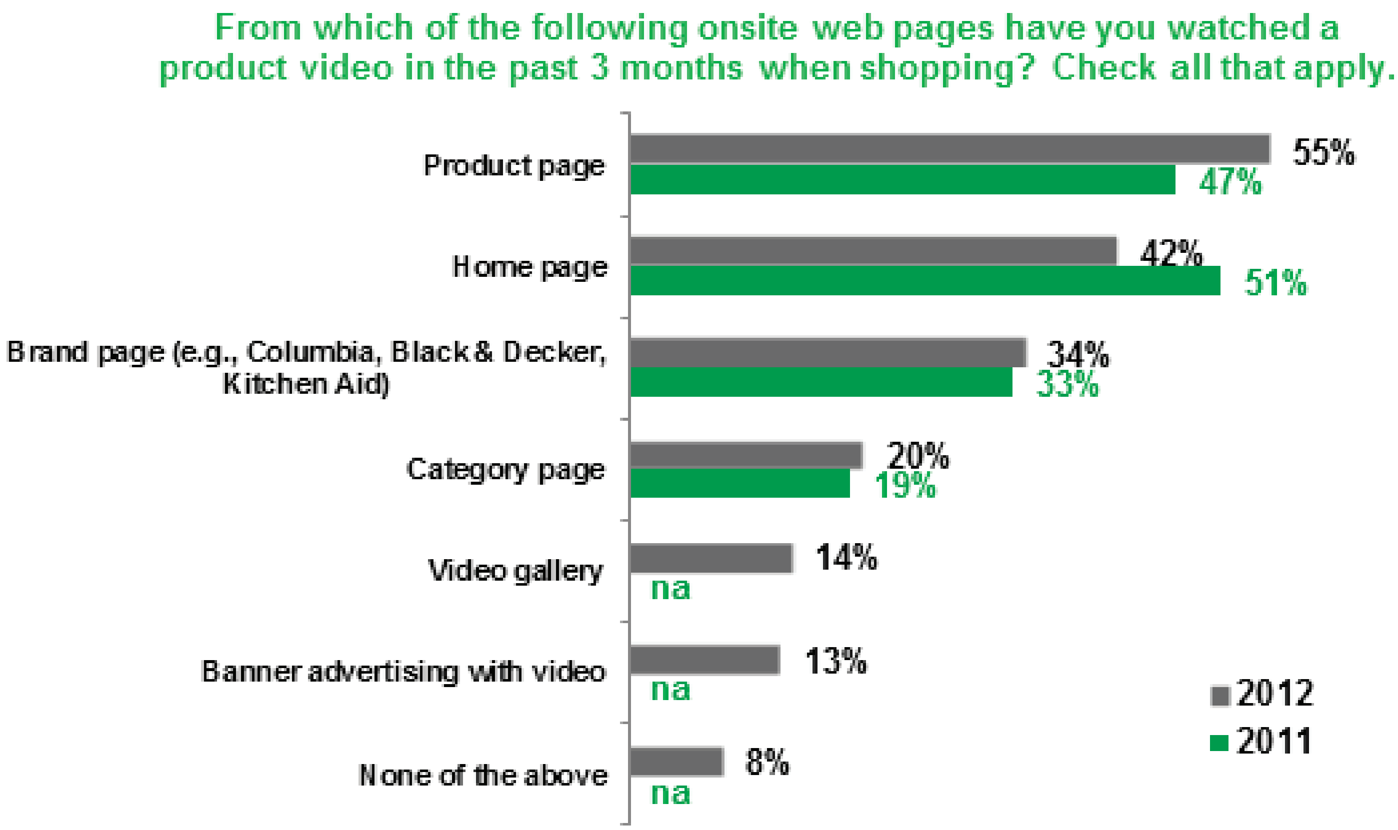
Video's ability to deliver product knowledge in a way that brings products to life has grown year-over-year. This next question solidified in our minds that the product page is the destination of choice for both retailers and consumers. While half of shoppers find value in video that contains only an explanation, the power lies with the demonstration. Three out of four shoppers strongly or somewhat agreed that demonstrations foster understanding. Features are best brought to life when shoppers can sense what it's like to use the product.



THE FINDINGS: THE PRODUCT PAGE RULES

Product page consumption escalates, overtaking all other locations for viewership.

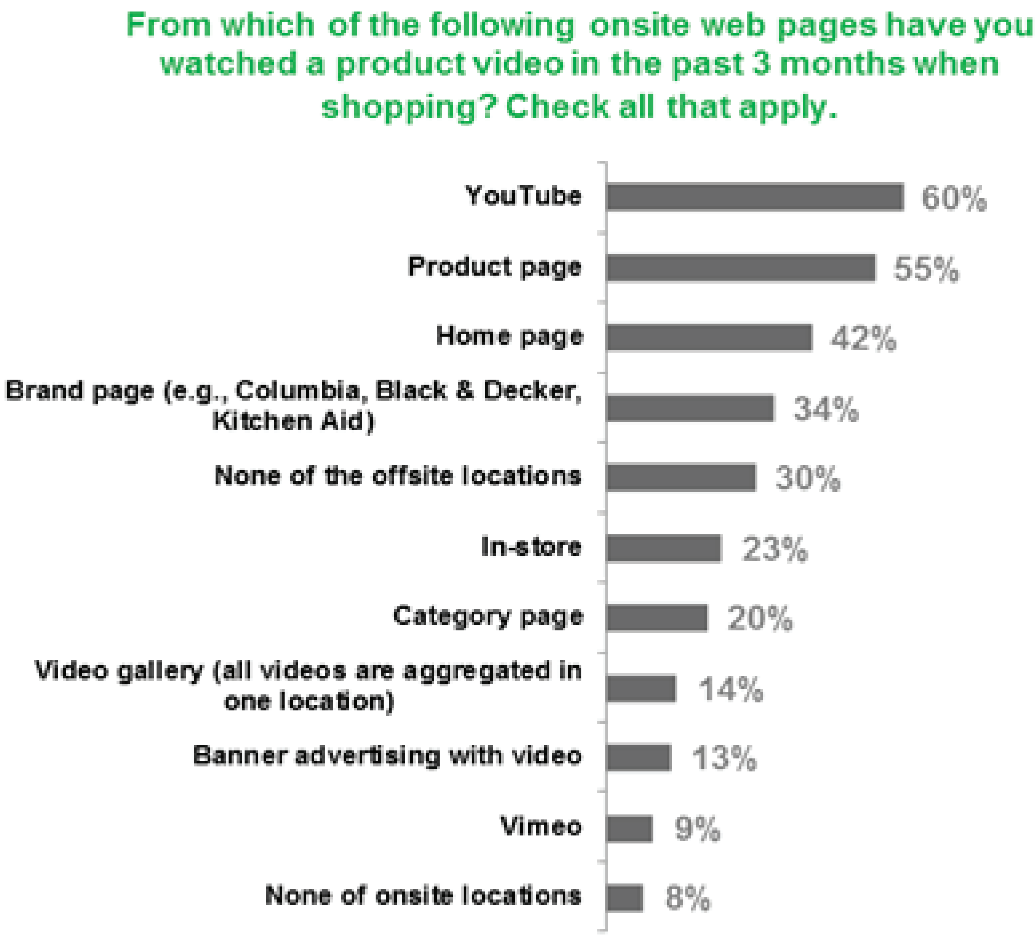
While other locations like the home page and manufacturers' brand pages play a positive role, the product page is the video location of choice. Category pages and video galleries garner honorable mentions for video viewership. We expect this trend to continue as retailers place greater emphasis on the product page and consumers seek out targeted shopping information that supports decision making.



Each year the e-tailing group mystery shops 100 retailers (EG100) to explore merchandising presence and execution. As a starting point, the 85% penetration of videos across our EG100 is remarkable given video's very recent rise in stature. The product page is the preferred location on just under eight out of ten sites (79%) followed by brand pages, the video gallery and category pages. The fact that 70% of how-to guides are in video format reinforces the tool's multi-dimensional nature. It is interesting to see consumer consumption closely mirror retail presence as evidenced by the e-tailing group's proprietary research.

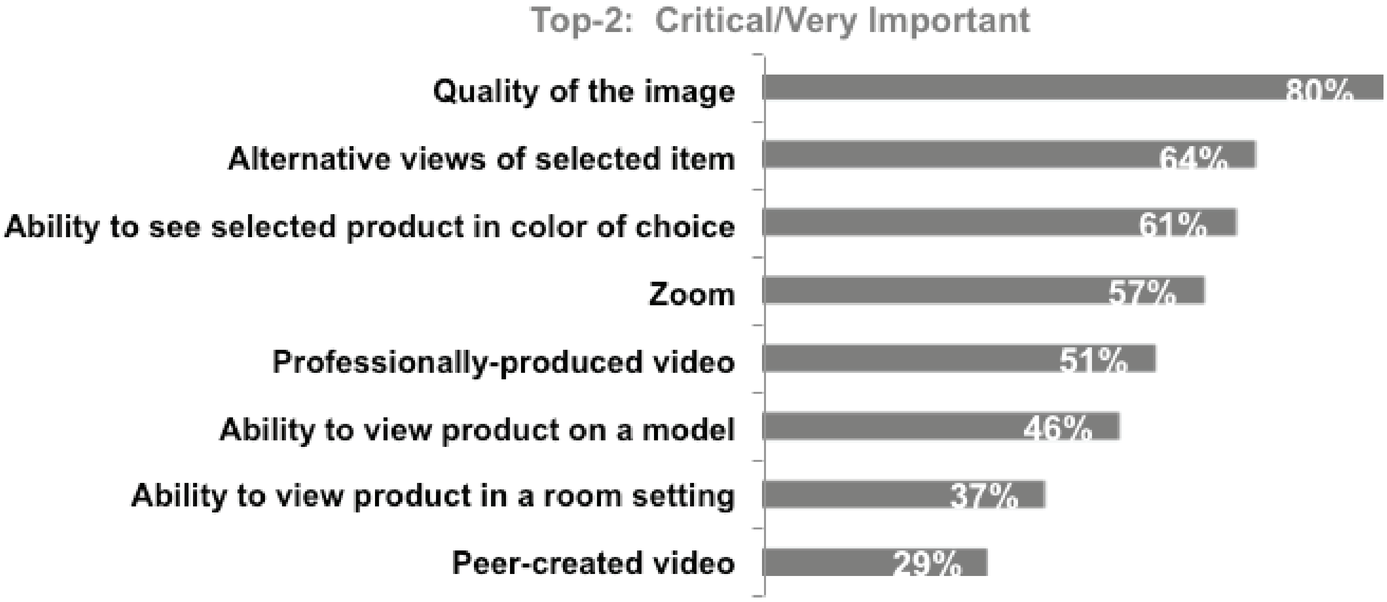
	2012	2011
Guides/How-To	67%	74%
Text/PDF	88%*	95%*
Video	70%*	59%*
Videos/Audio	85%	83%
Product Page	79%*	69%*
Brand Boutique	49%*	47%*
Video Gallery	41%*	43%*
Category Page	40%*	36%*
Home Page	18%*	19%*

2012 e-tailing group Mystery Shopping Survey
**subset of 100 merchants*



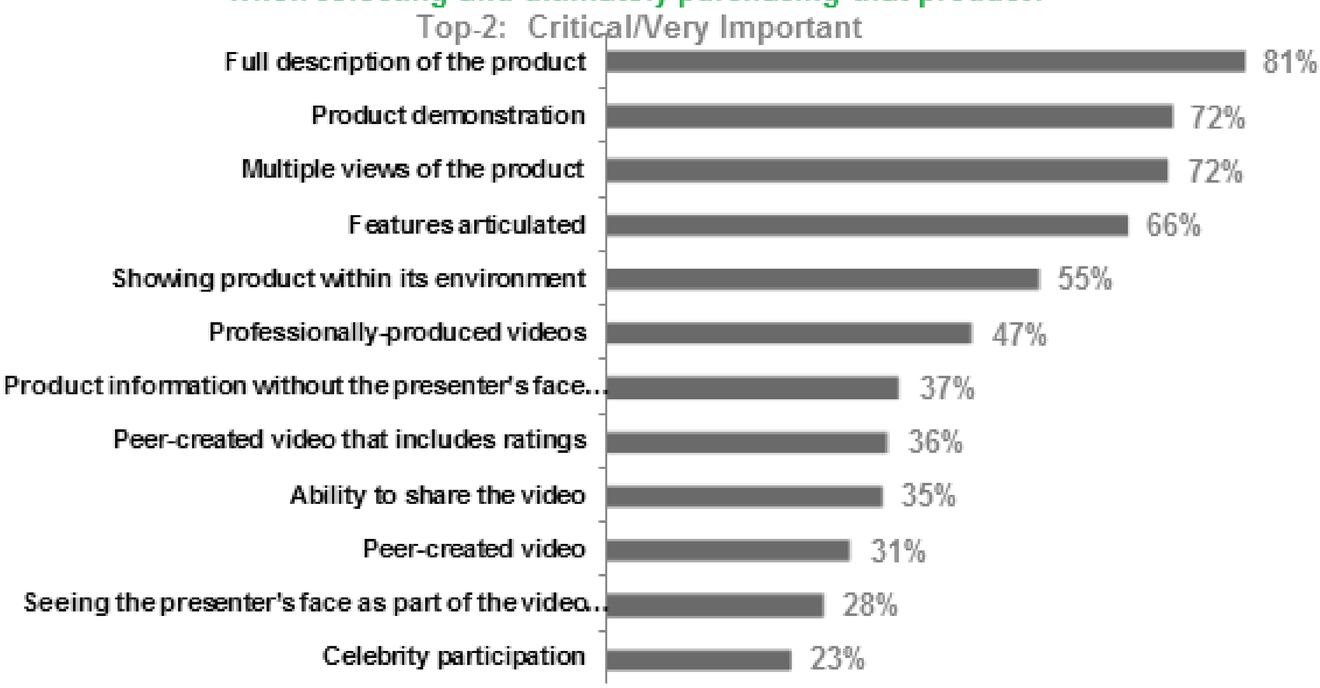
As far as video viewing locations, the product page and YouTube see comparable video viewership confirming the importance of the product page in the consumer's mind. The home and brand page see one in three consumers expressing interest.

When viewing a merchant's product page online, how important is the following image-related information when selecting and ultimately purchasing a product?



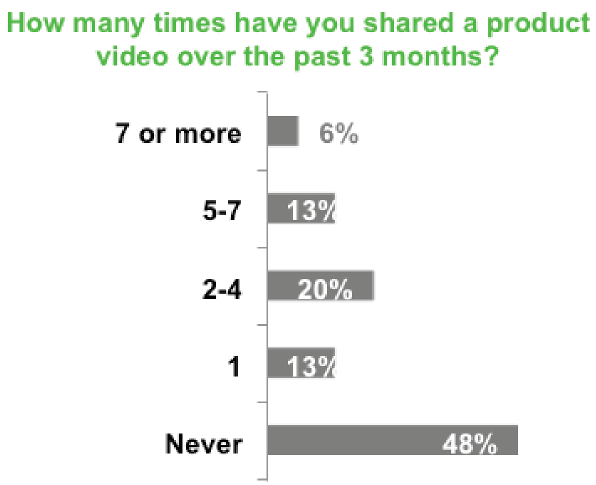
Universal standards of image-related information (image quality, alternative views, color change, zoom), are important for most shoppers. This translates to video, as professional production holds weight for one in two online shoppers. Since product video is relatively new to many retail shopping experiences, the fact that video quality achieves a top-5 position in the minds of consumers warrants attention.

When thinking about a video that you might find on the product page of a retailer's website, how important is each of these elements when selecting and ultimately purchasing that product?



Complete product details including a description, views of the product from multiple angles, and articulated features are very important, along with influential demonstrations (ideally within an appropriate environment). Once again, high-quality production makes a difference, with 47% noting its impact on purchasing. We expect over time that some of the social elements, like rating and sharing, will grow in importance.

Sharing and tapping into one's social network is standard operating procedure for connected consumers. Our research indicates that 41% of shoppers are more likely to share video than photos or written text on a retailer's product page.



More than half of consumers (52%) report having shared a product video over the last three months and, more importantly, one in five have shared five or more times. We expect these numbers to rise since this behavior comes naturally to the younger audience though we see activity across the demographic spectrum. Though almost half of the respondents have not shared video to date, shifts should be seen with adoption growing in the coming year. Consumers are likely to share video across channels including email, Facebook and YouTube.

THE FINDINGS: MOBILE & SOCIAL EMBRACE

The PC reigns regarding video viewership, though mobile devices, including smartphones and tablets, are making important strides.

US Retail Mcommerce Sales, by Device, 2011-2016
billions and % of total

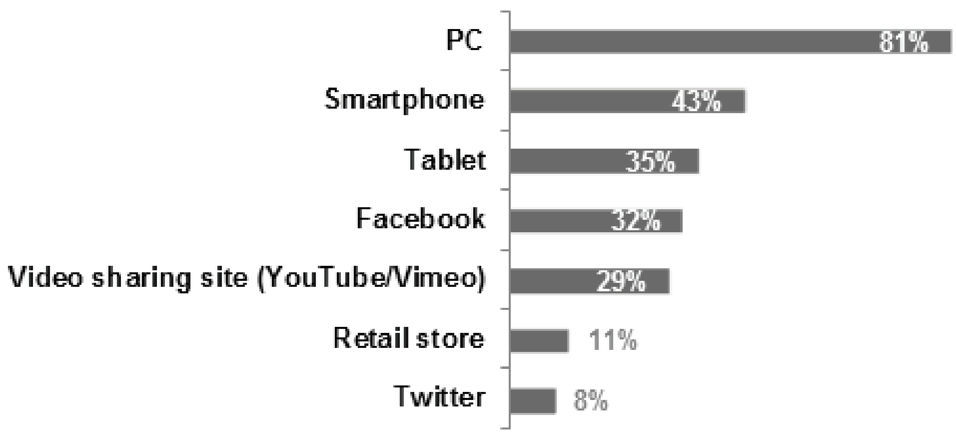
	2011	2012	2013	2014	2015	2016
Tablet	**$5.45**	**$13.86**	**$24.00**	**$34.33**	**$46.44**	**$61.06**
—% of total	40.0%	56.2%	62.5%	65.8%	68.0%	70.3%
Smartphone	**$7.50**	**$9.86**	**$13.44**	**$16.69**	**$20.49**	**$24.32**
—% of total	55.0%	40.0%	35.0%	32.0%	30.0%	28.0%
Other mobile devices	**$0.68**	**$0.94**	**$0.96**	**$1.15**	**$1.37**	**$1.48**
—% of total	5.0%	3.8%	2.5%	2.2%	2.0%	1.7%
Total	**$13.63**	**$24.66**	**$38.40**	**$52.17**	**$68.29**	**$86.86**

Note: excludes travel and event ticket sales
Source: eMarketer, Jan 2013

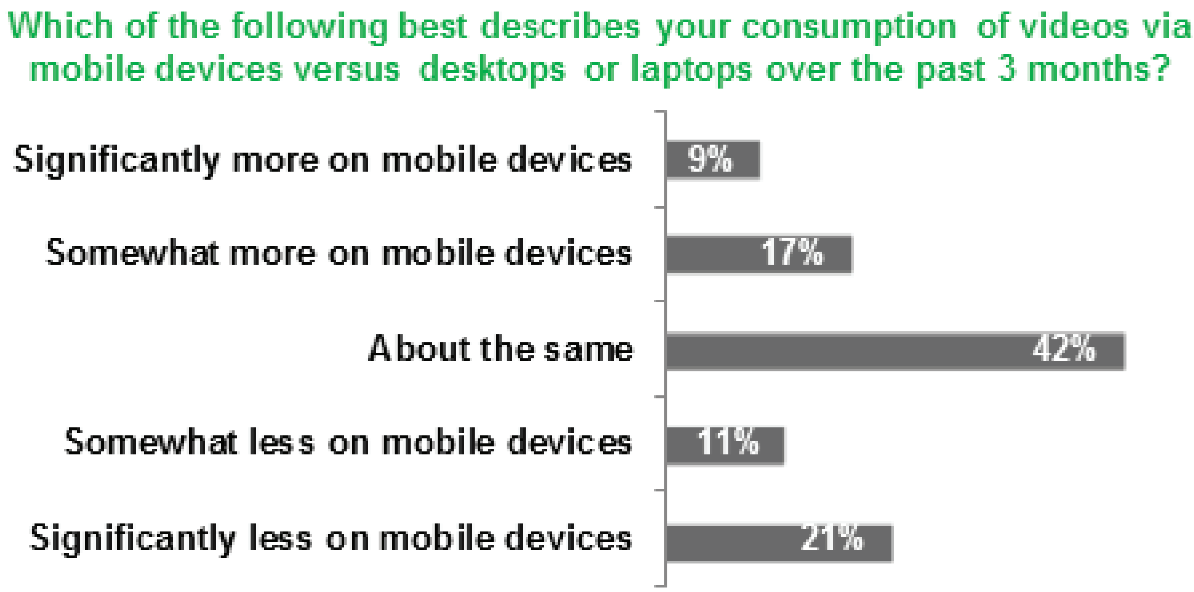
149662 www.eMarketer.com

eMarketer reported that US retail m-commerce sales rose 81% to just under $25 billion in 2012 with increases of over 56% predicted in 2013. Mobile is also expected to account for 15% of all retail e-commerce. We evaluated the mobile arena, including how mobile users interact with video and how this differs between devices.

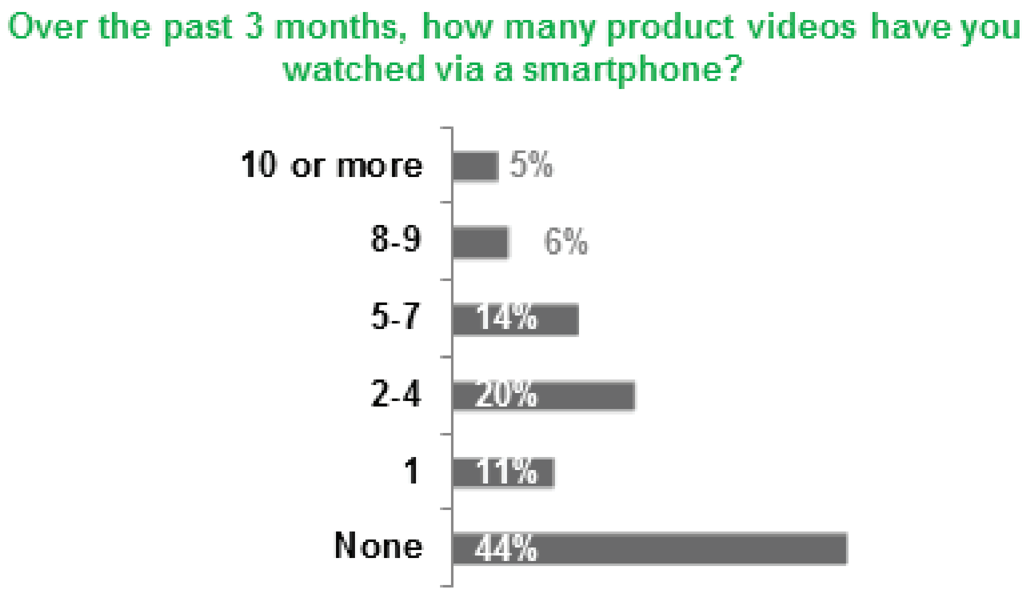
In what locations or on what devices have you watched a product video over the past 3 months? Check all that apply.



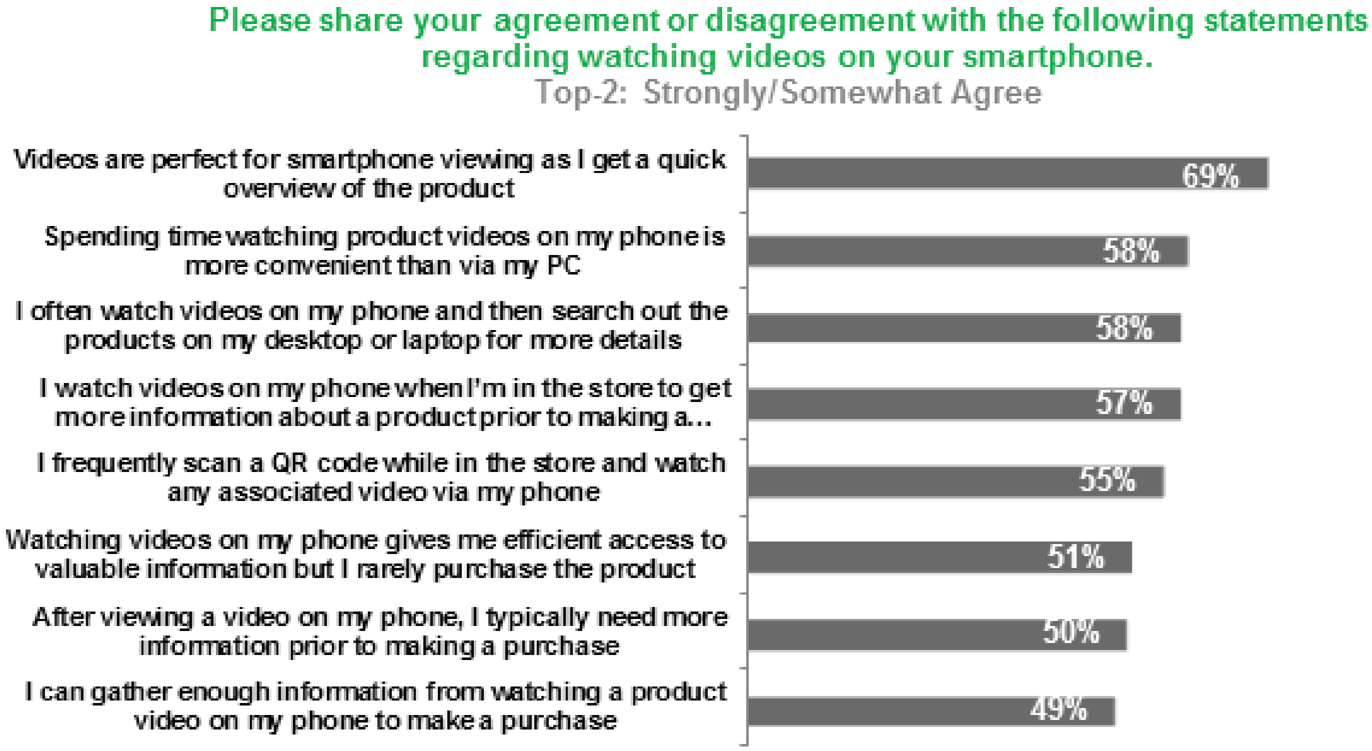
The most provocative part of this research stemmed from the fact that beyond the PC, smartphones placed second with tablets coming in a close third. Consumers typically spend significant time with PCs and are therefore comfortable with viewing video. In addition, social saw more activity than expected at 32%. Though in-store viewing occurs less frequently, look out for growth in the coming year.



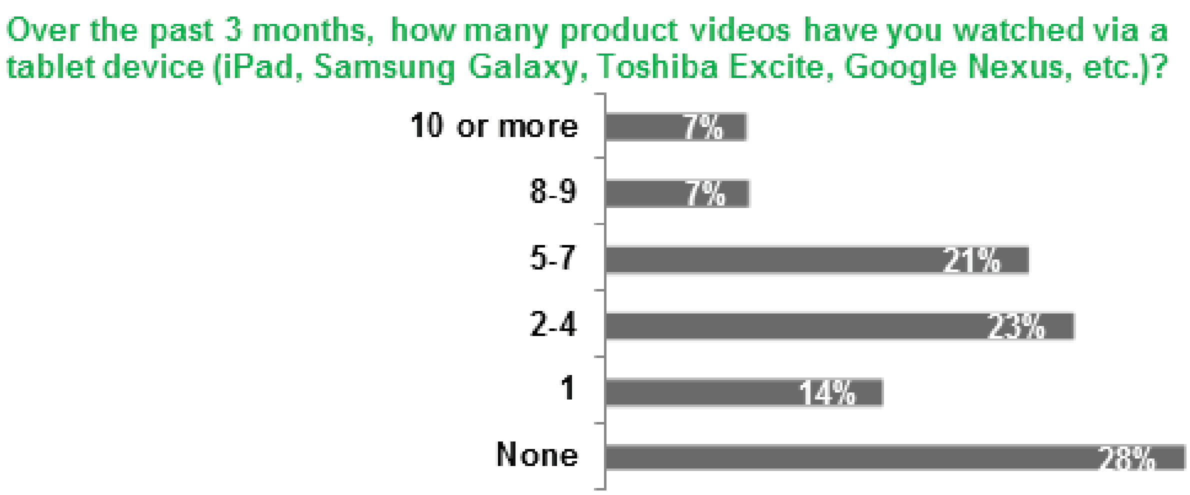
One in four shoppers consumes more video via mobile.



One in two shoppers watched at least one video on their smartphone, while one in four is passionate, watching five or more over the past three months. Heightened mobile adoption coupled with video enthusiasm will be a powerful combination.

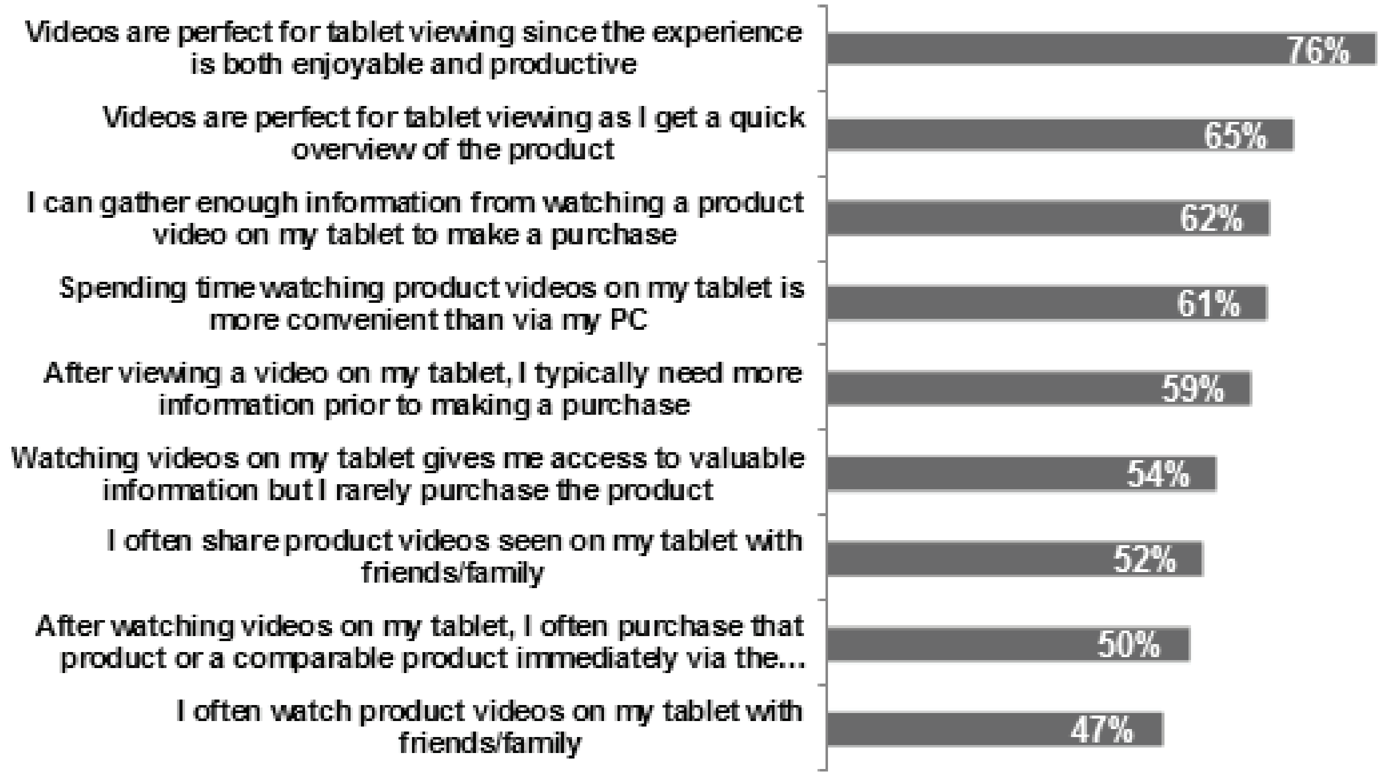


Smartphone video viewership provides a quick, valuable product overview. This is particularly important for in-store shoppers who evaluate product information on a mobile device prior to purchasing in-store. Contrary to our expectations, many consumers are perfectly content with getting an overview of the product on their phones. Therefore, it is likely that the convenience factor coupled with the utilitarian nature of a phone simply trumps perceived obstacles.



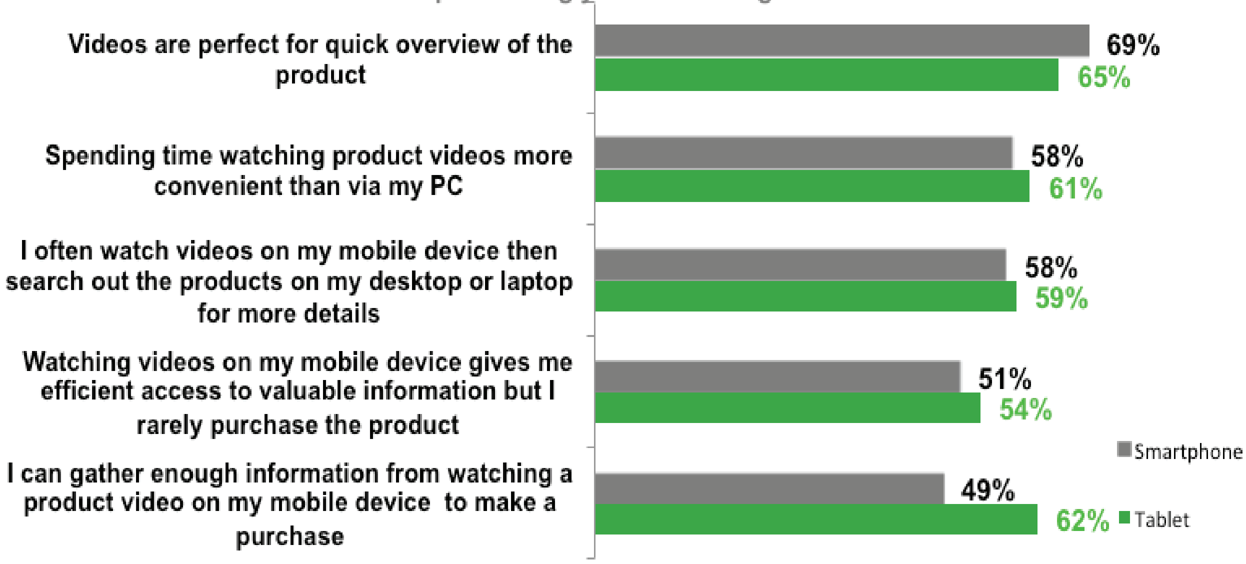
The tablet has been the talk of the industry. The cause for excitement is justified, as 58% have watched two or more videos on this mobile device. The strength of the tablet experience coupled with its convenience and broad appeal make this devide ideally suited to video. As phones and tablet size converge, the nature of the consumer usage will shift based on individual needs.

Please share your agreement or disagreement with the following statements regarding watching videos on your tablet.
Top-2: Strongly/Somewhat Agree



The tablet user experience is positive and productive in that it provides both an overview the shopper needs and sufficient information for decision-making. However, the need to gather additional information from other channels remains a factor.

Please share your agreement or disagreement with the following statements regarding watching videos on your mobile device.
Top-2: Strongly/Somewhat Agree



The sentiments seen across both mobile devices are quite similar, but tablet viewers are more often poised to purchase. Industry insights support such findings, with sales likely to accelerate in 2013.

REFLECTIONS: SUMMARY

Video's impact on consumers' decision-making and purchasing processes continues to increase and shows no sign of slowing. Shoppers are viewing more video across a growing range of categories with higher frequency and for longer periods than ever before. The product page takes center stage, with the majority of consumers agreeing that it is the perfect location for product video viewership. Smartphones and tablets also play a significant role in product video, as consumers demand convenient ways to experience, explore, and enhance shopping across channels.

As the Web transforms into a video medium, consumers are naturally coming to expect video not as an add-on or a destination, but as an integral part of their online experiences – including shopping experiences. Understanding how your consumers interact with and consume video allows you to gain a competitive advantage by deploying video in a way that generates a substantial and measureable return on investment.

ABOUT THE COMPANIES

About the e-tailing group

the e-tailing group is a niche e-commerce consultancy that helps merchants deliver the right customer experience on their websites and across all of their channels while adeptly assisting technology companies to create and execute go-to-market strategies that simultaneously educate the retail community and deliver cost-effective thought leadership and lead generation. For more background about our research or for additional information on the e-tailing group, inc. please contact Lauren Freedman via email at LF@e-tailing.com, by phone to 773-975-7280 or visit the e-tailing group website www.e-tailing.com.

About Invodo

Invodo helps businesses sell more through the power of video. A full-service video solution for business, Invodo creates high-quality product video at scale and develops new technology to influence consumers across retail channels. Invodo videos increase sales conversion rates, reduce returns and drive site traffic for customers, including Internet 500 retailers and major brands. For more information, please visit www.invodo.com.

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