

# State of Video in E-Commerce

Quarterly Research Report, Q2 2010



**SundaySky**

## 1. BACKGROUND

Video is a vital medium for e-commerce because it can dramatically increase a website's conversion rate. From realtors to retailers, online businesses have found that video increases the stickiness of their websites, improves their search engine rankings and helps close more deals. This report is a reflection of research that measures the actual status of video in the e-commerce market. Which top online retailers utilize video? To what extent do they do it? Which key players affect this industry in terms of supplying and delivering videos? And, finally, what can online retailers do in order to better capitalize on their videos?

## 2. METHODOLOGY

The research in this report is focused on the top 50 North-American online retailers as published by [Internet Retailer's 2010 guide](#), with segments relating to search engine indexing in which the top 200 North-American retailers were considered. As such it focuses on the US online retail market but we believe its findings are relevant to worldwide retailers as well. The research was conducted using a mix of manual and automatic methods to formulate the underlying data. The dataset measured many aspects of the videos being used on the top 50 e-commerce sites, including estimating the number of videos on each website, how they are managed and delivered, and who provides those videos. Additionally, the research shows how search engines index those videos, what strategies e-retailers employ regarding YouTube syndication and how effective those strategies are in terms of user traction.

## 3. KEY FINDINGS

### **More than 65 percent of retailers use videos**

The e-commerce industry is absorbing the concept of online video as an important value-add for any online shopping site. In fact, more than 65 percent of top retailers have more than one video on their website. This is in line with a [Forrester report](#) dated November 2009 that reported 68 percent of retailers had deployed video.

However, those that do have video often do not maximize the potential impact those videos can have on search engine results, which is the next step in the evolution of online video. At this stage, the main focus of online video infrastructure vendors is on educating retailers regarding the various aspects of the vast potential video entails for their businesses.

### **Retailers not reaping video potential: fewer than 10 percent have more than 10 videos indexed**

Currently, e-commerce videos are not represented evenly on search engines. Only 12 percent of the top 50 retailers manage to get more than 100 videos indexed by Google. When the top 200 retailers are considered, the facts are staggering: only 4 percent pass the 100 videos bar, and

fewer than 10 percent get more than 10 videos indexed. Such low numbers are in complete contrast with the importance of search-engine based traffic for those retailers who typically report that such traffic accounts for around 30 percent of their total traffic on average. It is important to stress that although a small minority, there are vendors who perform well in terms of search engine indexing of their videos. Amazon, Overstock and NFL.com all have tens of thousands of videos indexed on Google, and we are certain that implementing common video SEO guidelines can boost indexing figures across many retailers.

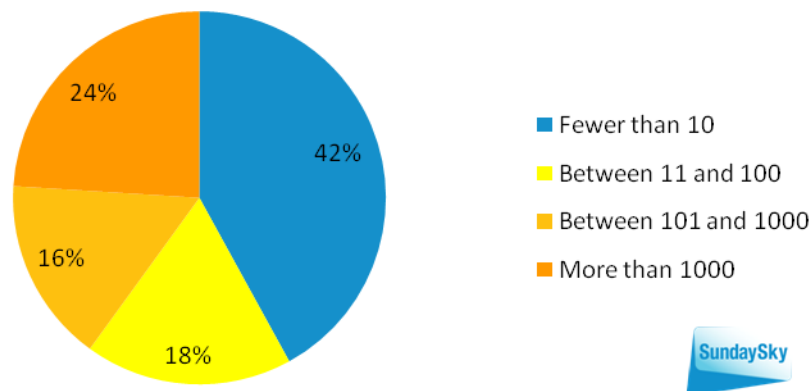
**Twenty-four percent of retailers are not present on YouTube, while 30 percent have more than 1 million video views**

As for the syndication of videos in YouTube, we found that 24 percent of top retailers have a limited presence on YouTube, meaning they are without a channel or their channel is inactive, while 34 percent of top retailers have a large number (more than 100) of videos on their channels. Companies that leverage the marketing potential of YouTube can receive significant exposure, as we see with 30 percent of top retailers that garner more than 1 million views for their channels' videos.

As you can see, there is still a lot of work to be done by retailers, and many still need to catch up. However, the initial market awareness exists, and some companies already reap the benefits of their investments in video.

#### 4. HOW MANY VIDEOS ARE THERE ON E-COMMERCE SITES?

### Number of Videos On Site



The charts above and below display the number of e-commerce sites that are employing videos and how they stack up next to their competitors.

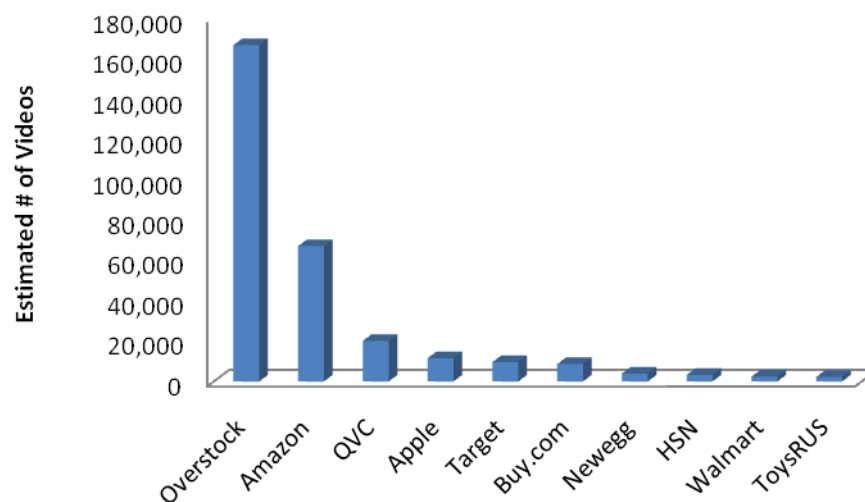
E-commerce merchants must find new and inventive ways to engage and convert customers. For those companies embracing online videos, they are beginning to demonstrate their value against their competitors who do not share the video model.

Currently, 24 percent of online retail sites have more than 1,000 videos. Those sites often partner with vendors (i.e., Webcollage, Sellpoint, SundaySky, etc.) or are built around video (i.e., QVC, HSN, etc.). These retailers continue to build a strong online community and enhance the customer experience.

Remarkably, 42 percent of the top retailer sites have no significant video presence. On the other end of the scale, we estimate that there are only 8 percent with massive video presence (at least one video per 10 website pages). Leading the list are QVC and HSN with roughly one video per three pages, followed by Overstock with one video per five pages. Naturally, as more videos are deployed, the benefits of increased conversion and higher SEO ranking apply to larger percentages of the retailer's catalog.

## Top 10 online retailers by number of videos

| Rank | Retailer  | Estimated # of Videos | IR 2010 Rank |
|------|-----------|-----------------------|--------------|
| 1    | Overstock | 166,499               | 28           |
| 2    | Amazon    | 67,021                | 1            |
| 3    | QVC       | 20,085                | 11           |
| 4    | Apple     | 11,520                | 4            |
| 5    | Target    | 9,572                 | 21           |
| 6    | Buy.com   | 8,605                 | 32           |
| 7    | Newegg    | 3,927                 | 12           |
| 8    | HSN       | 3,250                 | 25           |
| 9    | Walmart   | 2,391                 | 6            |
| 10   | ToysRUS   | 2,247                 | 37           |



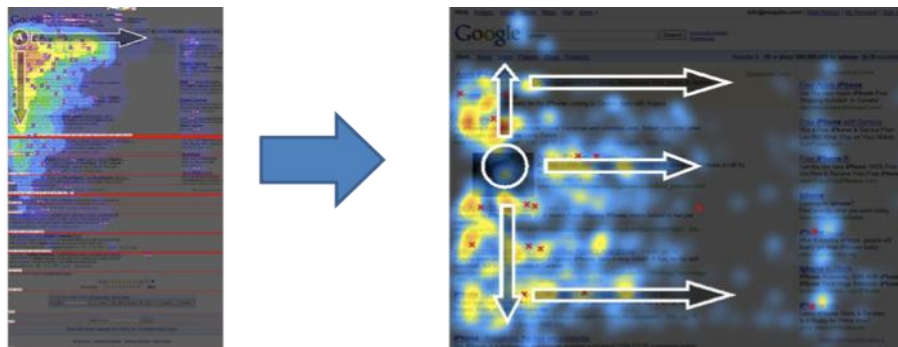
## 5. THE SEO EFFECT

As e-commerce companies take the next steps to realize the potential, impact and results of their online marketing efforts, they are realizing that search engines drive much of the traffic to e-commerce sites. The top 100 retailers report an average of about 30 percent of their traffic is search-engine based. In light of that figure and of the growing use of online videos as a driver of online retail revenue, it comes as no surprise that the field of video SEO is getting a lot of traction recently.

According to a Forrester Research report from November 2009, “Online retailers are committed to making product videos central to their merchandising and marketing strategies because of the positive return on investment (ROI) that this visual feature generates.”

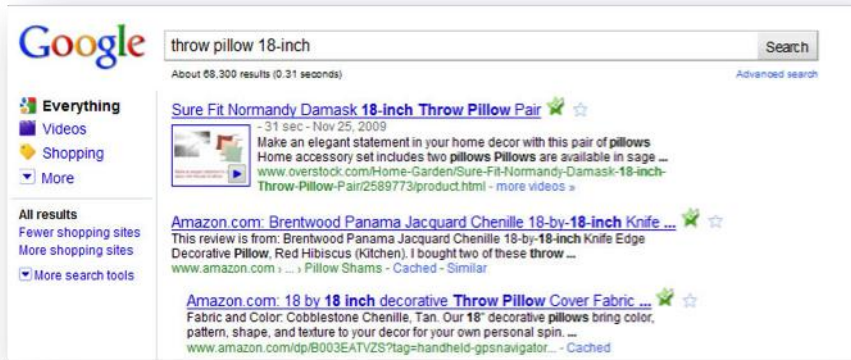
The statistics presented in previous sections are testament to retailers’ realization of the importance of deploying videos in large numbers across their websites. We know that videos contribute to search-engine based traffic for two complementing reasons:

- Pages with video are, on average, ranked much higher than those without: “Video stands about a 50 times better chance of appearing on the first page of results than any given text page.” [Forrester, Jan 2009]
- Google presents video-powered search results as part of its universal search result pages (the standard search that most people use). Those searches are much more appealing and eye-catching than their textual counterparts because they have video properties and a video thumbnail attached, taking up more page real estate. Heat-map depiction of human interaction with search result pages shows that video-powered results draw users’ attention even when those are not the highest ranked result (though often they are).

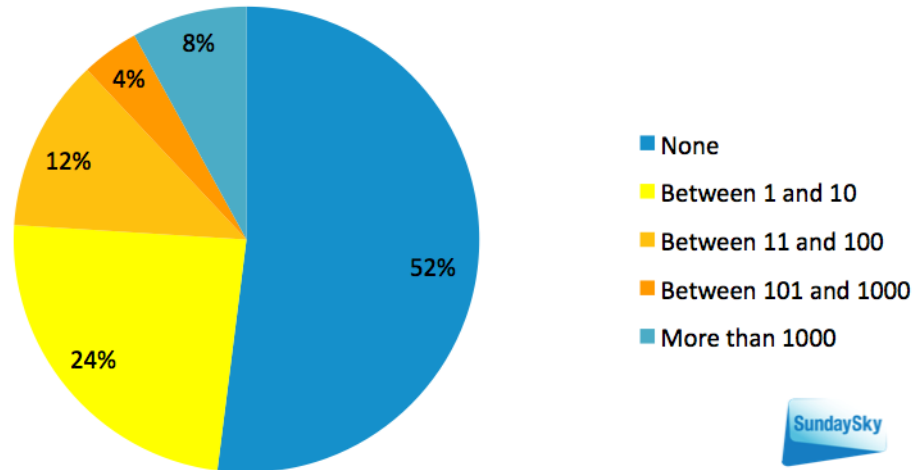


### Videos draw users’ attention on search result pages

To illustrate that, consider the following example: Entering “18-inch throw pillow” into Google results in the below search results page. The video result (from Overstock.com) stands out above results from other retailers such as Amazon due to the weight that Google’s ranking algorithms assign to having a video on the page. Additionally, Amazon only offers textual results that are less intriguing to click for the searcher.



## Number of Videos Indexed by Google



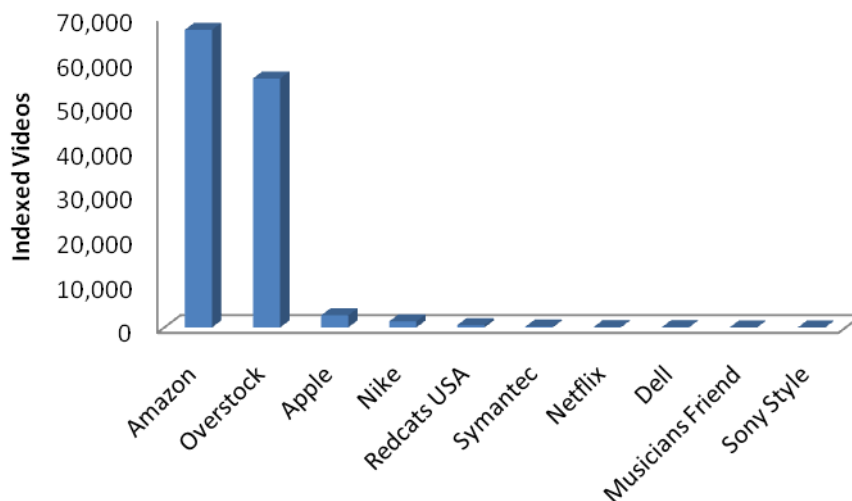
At the time of this writing, **52 percent of the top 50 retailers do not have any video indexed** in Google, and 24 percent have 10 or fewer videos indexed, amounting to a staggering **76 percent with no tangible video presence on Google**. As we show below, the situation isn't different when other major search engines are considered.

As we already noted that approximately two-thirds of retailers do deploy videos on their website, it is evident that it is not enough to just place videos on one's site; one needs to also ensure those videos are picked up by search engines to enjoy the search-engine ranking and traffic benefits. There are only a few companies that truly understand that "doing it" is much different than "doing it right." For the mere 8 percent of companies that have more than 1,000 videos indexed, leading the list by a huge margin are Amazon (with more than 67,000 videos indexed, mainly due to Amazon on-demand trailers), and Overstock (with more than 56,000 videos and SEO-optimized videos for a large portion of their catalog). The next two on the list (Apple and Sony) have fewer than 5,000 videos combined.

There is a large void in the number of e-commerce companies that understand the true connection between video in e-commerce and search-engine based traffic. The next step for retailers is to educate themselves on the importance and proven results of effectively deploying video for successful indexing results and subsequent traffic increases. Implementing proven SEO strategies will help retailers to harvest this potential.

## Top 10 retailers by number of videos indexed by Google

| Rank | Retailer          | Indexed Videos | IR 2010 Rank |
|------|-------------------|----------------|--------------|
| 1    | Amazon            | 67,021         | 1            |
| 2    | Overstock         | 56,069         | 28           |
| 3    | Apple             | 2,718          | 4            |
| 4    | Nike              | 1,362          | 48           |
| 5    | Redcats USA       | 528            | 31           |
| 6    | Symantec          | 196            | 33           |
| 7    | Netflix           | 84             | 14           |
| 8    | Dell              | 35             | 3            |
| 9    | Musician's Friend | 30             | 38           |
| 10   | Sony Style        | 27             | 13           |



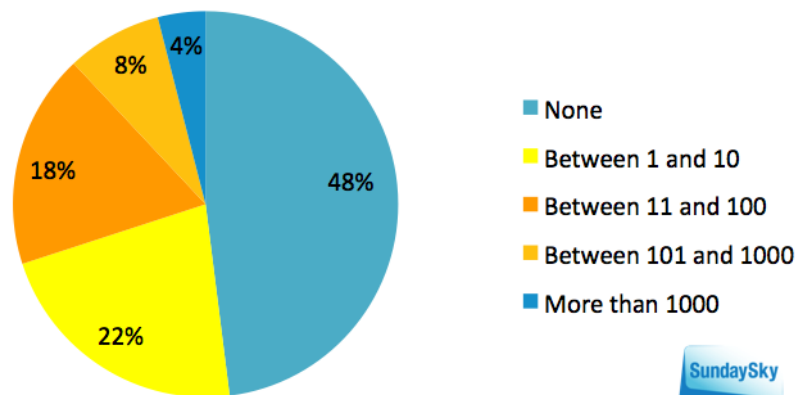
What is interesting about the table above is the large margin by which two of the retailers lead the list, as well as the video-driven sites that are entirely missing from it. Take, for example, QVC, an online shopping site built around tens of thousands of videos from its TV channel. Search engine traffic accounts for 22.67 percent of its shoppers, so it clearly has the motivation to promote its videos on search engines. And yet, only **seven** of its videos are indexed on Google, Bing and Yahoo! altogether.

Another interesting aspect of search-engine indexing of videos that was apparent from our collected data is that there are significant variations between the indexing of the same site on different search engines. It is common for websites to have many videos indexed on one engine and far less on others. For example, Newegg has approximately 4,000 videos on its website, and Yahoo! reports 3,927 videos indexed. However, Bing and Google together report only 30 videos. The main lesson to be learned is that video SEO techniques should cater to the preferences of all major search engines.

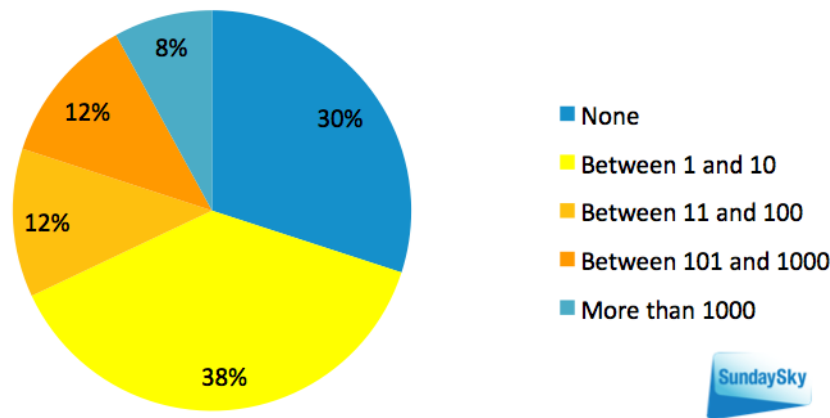
In terms of the variation between indexing rate on different search engines, there are no dramatic differences between Google, Yahoo! and Bing. Yahoo! does seem to index a broader range of retailers: 70 percent have at least one video indexed versus about 50 percent on Google and Bing. It also reports 20 percent of retailers with more than 100 videos indexed versus 12 percent for Google and Bing.

E-commerce companies that educate themselves about the nuances of SEO as it relates to online video will gain valuable advantages over their competitors who are just beginning to understand the differences between the search engines and how to best exploit their potential worth.

## Bing-Indexed Videos



## Yahoo-Indexed Videos



## 6. WHO PROVIDES THE VIDEOS?

The effort and required expertise involved in creating video content for websites often makes it impractical or not cost-effective for retailers to generate videos themselves. This has been a fertile ground for a variety of vendors, an ecosystem around online retail videos that focuses on providing online retailers with high-quality, effective video content to use on their websites. Considerations when choosing a video production service include: cost, flexibility, ability to scale and keep up with catalogue updates, and quality of video.

Retailers are immediately presented with three, often complementary, options for video production:

1. **Manual production:** Retailers can produce videos that are tailored to best fit the product. However, they will find that these cost hundreds to thousands of dollars per video. For a smaller product catalogue with few changes, this method will be effective. Additionally, some retailers may choose to manually produce video for their top selling products and use automatic video generation solutions as a complementary method to turn the rest of significantly sized catalogues into video.
2. **Syndication of manufacturer videos:** This refers to syndication services of videos that are made by the manufacturers and provide additional insight into the product. They are typically free, but the downside is that they are not customized to the retailers' needs, such as:
  - a. Catering to their target audience
  - b. Adhering to branding and look-and-feel as the rest of their websites
  - c. Keeping the information up-to-date (price, etc.)
  - d. Emphasizing the competitive advantages of the retailer (e.g., "free shipping on this product")
  - e. Having an embedded call-to-action (e.g., having an "add to cart" link in select points within the video)
3. **Automatic video generation:** The benefits of this method outweigh the concerns. While some retailers may be concerned with the quality of the video, solutions are available that are tailored to the audience, adhere to branding, are dynamic and scalable, and have calls to action that manual videos may not. In fact, automatic video generation achieves most of what manual production offers at a fraction of the cost, with added ability to scale and always remain up to date.

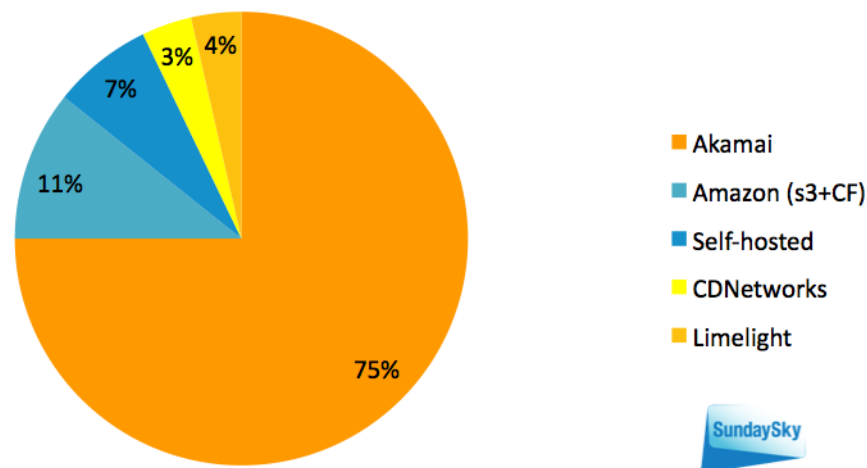
The market for video syndication is more established than newer methods for deploying video. In fact, most of the top 50 retailers have embraced some level of video syndication. However, recently we see increased adoption of automatic video generation services, as well, harvesting the benefits of both approaches.

## 7. VIDEO DELIVERY AND MANAGEMENT

Producing online videos is only one part of what online retailers need to consider when deploying videos. After videos are produced, there have to means to manage those assets and deliver them to site visitors properly. Those, again, are not usually the core competencies of online retailers and therefore they resort to using third-party solutions.

In terms of video delivery, there is a pretty clear ecosystem in place. Our research indicates that the vast majority of videos are being delivered from a content delivery network (CDN) and not hosted onsite. Additionally, Akamai dominates the top 50 retailers list by a large margin, and we also see videos being served from Amazon's cloud services (Either S3 or CloudFront), LimeLight and CDNNetworks

### Video Delivery / CDN Vendor



As far as video management goes, the market seems less mature. Our research only identifies two video management platforms in the top 50 list, and they include Brightcove (which has three deployments) and Liveclicker (two deployments).

As the market matures and more retailers have site-wide video deployments, we expect the demand for video management platforms to become significantly higher as the need for conveniently and cost-effectively managing those video assets will become a focus for retailers. As with video delivery and obtaining video content, the realm of video management will be dominated by third-party providers.

## 8. YOUTUBE PRESENCE

YouTube has been the number two search engine since 2008, and is the fourth overall web property. Therefore, it entails a huge potential for businesses in general and online retailers in particular. It is even more so for retailers that already have videos deployed on their websites, since they have the media assets and only need to syndicate them properly to further capitalize on their investment in video.

There are two main objectives for online retailers to promote their videos on YouTube:

1. Promote their brand: Examples include Blendtec. Following its "Will it blend?" series, Blendtec reported an increase of five times in sales, as well as the recent videos by Old Spice Guy which brought the OldSpice YouTube channel to more than 100,000 subscribers and more than 70 million video views.
2. Increase traffic and sales: While video syndication is not in itself a direct traffic source for online retailers, by embedding product URLs at the beginning of video descriptions and adding calls-to-action in their videos, such as coupons or offers information, YouTube videos can increase website traffic.

The following table presents the top 10 online retailers by the number of videos that were uploaded to their YouTube channels:

| Rank | Retailer          | Number of videos | IR 2010 Rank |
|------|-------------------|------------------|--------------|
| 1    | HSN               | 55,086           | 25           |
| 2    | Buy.com           | 1,793            | 32           |
| 3    | QVC               | 1,369            | 11           |
| 4    | Dell              | 693              | 3            |
| 5    | BestBuy           | 557              | 10           |
| 6    | Redcats USA       | 535              | 31           |
| 7    | ToysRUS           | 502              | 37           |
| 8    | Musician's Friend | 353              | 38           |
| 9    | Barnes and Noble  | 296              | 42           |
| 10   | Scholastic        | 229              | 49           |

And a similar ranking, now ordered by the total number of views for the retailers' YouTube videos:

| Rank | Retailer          | Number of views | IR 2010 Rank |
|------|-------------------|-----------------|--------------|
| 1    | Nike              | More than 80M   | 48           |
| 2    | HSN               | 28,489,299      | 25           |
| 3    | Victoria's Secret | 9,496,588       | 18           |
| 4    | Musician's Friend | 7,429,805       | 38           |
| 5    | ToysRUS           | 5,925,707       | 37           |
| 6    | Apple             | 5,203,305       | 4            |

|    |             |           |    |
|----|-------------|-----------|----|
| 7  | Redcats USA | 5,083,679 | 31 |
| 8  | Dell        | 4,918,755 | 3  |
| 9  | HomeDepot   | 3,532,213 | 39 |
| 10 | HP          | 2,365,017 | 17 |

Our key insight from the YouTube figures that were collected is that there are retailers on both ends of the YouTube presence scale: Twenty-four percent have no notable YouTube presence (no channel or a channel with fewer than 10 videos), whereas 34 percent have more than 100 videos on their channels. The same is evident when counting the number of views of those videos: there are 30 percent that have more than 1 million views and 26 percent with fewer than 10,000 views. So we see that between a quarter to a third of retailers have clearly decided to “go strong” for YouTube while a similar portion are lacking a prominent YouTube strategy.

The top retailers to make use of YouTube in terms of the number of uploaded video are: HSN (with more than 57,000 videos), buy.com with 1,793 and QVC with 1,369. Looking at the number of views, we learn that the retailers that top the chart are: Nike (more than 80 million views combined for all channels), HSN (more than 28 million videos) and Victoria’s Secret (with 9.5 million views), which goes to show that sometimes, with video, less is more. The case of HSN is particularly interesting because it has so many videos and links to the product page next to each video, hence YouTube is not only used for brand promotion, but also to drive traffic back to the website.

On a final note, the vast majority of retailers have one YouTube channel through which their content is syndicated. However, there are a few that have more than one (e.g., Nike has a channel per major sport line, and all of those channels are active).

Leveraging the loyal audience and traffic that YouTube has generated is a significant benefit for companies that upload to the platform. Additionally, hosting the videos on YouTube is free and allows the online retailer to focus on generation of content rather than hosting and delivery.

## 9. CONCLUSION

The research presented here is the first of its kind in trying to explore different aspects of the impact of online video as it relates to the online retail industry. We have tried to capture what retailers may hope to achieve by deploying videos, what they currently do in that respect, and how successful they are in achieving their goals.

Video effectiveness as a marketing and sales tool for e-commerce has been recognized and discussed in many forums. Despite that, we've seen that there is a relatively small portion of top retailers who actually use video and exploit its potential to the maximum extent. This initial, limited adoption by retailers demonstrates the early stage of the market. However, companies like Overstock and Nike have defined a clear and successful video strategy and are setting the stage for full industry adoption. Others will follow, and we will see an increased trend to use video in a more extensive way as retailers find ways to optimize their video initiatives.

## 10. ABOUT SUNDAYSKY

SundaySky is the leader in dynamically generated video, enabling e-commerce businesses to reinforce their brands and drive website traffic by creating limitless, high-quality, always up-to-date videos to showcase products and services. SundaySky's software-as-a-service (SaaS)-based video generation platform helps customers personalize web experiences, enhance customer engagement and increase conversions, ultimately improving marketing ROI. SundaySky is headquartered in New York with offices in the UK, France and Germany and a product and technology center in Tel Aviv. The company is funded by Carmel Ventures and Globespan Capital. Learn more at <http://www.sundaysky.com>.

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