



STATE OF VIDEO IN E-COMMERCE



Quarterly Research Report – Q3 2010



Video Made Simple.

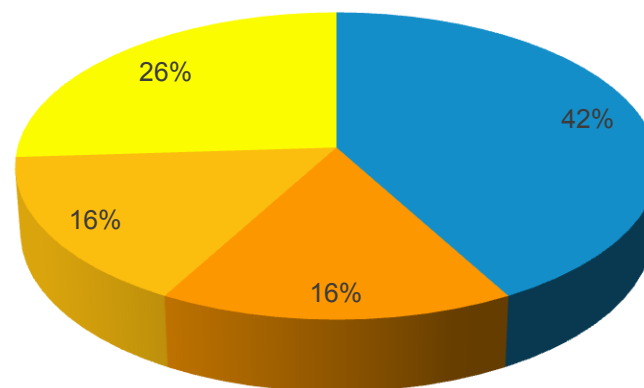
GOALS AND METHODOLOGY

- ▶ Goals of the research are to show:
 - The number of videos on each website and how search engines index those videos
 - What strategies e-retailers employ regarding YouTube syndication
 - How effective those strategies are in terms of user traction
 - How do e-retailers use videos on social networks (focusing on Facebook)
 - What is currently done to deliver e-commerce videos on mobile devices
- ▶ Focus:
 - Top 50 online retailers as published by [Internet Retailer's 2010 guide](#)
 - Syndication: we've focused on YouTube, the largest video network
 - Social media: we've focused on Facebook, the largest social network
- ▶ Methodology:
 - A mix of manual and automatic methods to formulate the underlying data

KEY FINDINGS (PART 1 OF 2)

- ▶ More than 65 percent of retailers use videos.
- ▶ Retailers not reaping video potential: only 25 percent of the top 200 have more than 10 videos indexed.
- ▶ Twenty-four percent of retailers are not present on YouTube, while 42 percent have more than 1 million video views.
- ▶ Forty-two percent of the top retailer sites have no significant video presence

Number of Videos on Site



- Fewer than 10
- Between 11 and 100
- Between 101 and 1000
- More than 1000

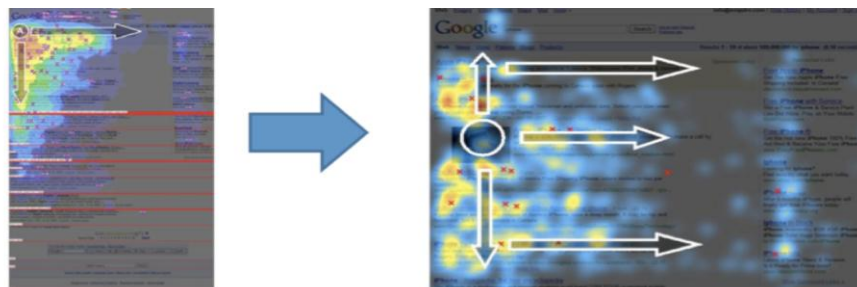
KEY FINDINGS (PART 2 OF 2)

- ▶ Mobile video for e-commerce is still in its infancy:
 - Mobile versions of websites do not contain videos
 - Regular versions often do not play well on mobile devices
 - No significant HTML5 video deployments
 - The vast majority of videos do not play on iPhone OS.
- ▶ Videos on Social networks:
 - Half of the retailers uploaded 10 videos or more to their Facebook page
 - Videos often get hundreds or thousands of fans likes and comments



BACKGROUND

- ▶ The importance of mass-enabling commerce Web sites with product videos:
 - Leverages the benefits of online video to a greater range of products:
 - Increase conversion rates to product sale
 - Increase stickiness
 - Reduce return rates
 - The SEO advantage: The more indexed product videos on the Web site, the more targeted traffic to the site.
 - Video results rank higher
 - Video results drive more traffic due to the attractiveness of the thumbnail in the video result.



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).

BACKGROUND (CONTINUED)

- ▶ The benefits of video syndication:
 - YouTube has been the number two search engine since 2008 and is the fourth overall web property.
 - Therefore, uploading videos to YouTube enables online retailers to promote their brand as well as to increase traffic and sales
- ▶ The importance of social media and the role of video in it:
 - Facebook, the largest social network, is the #2 website overall, and user sessions are much longer than the top site (Google). It is also the 2nd largest video referral
 - Facebook offers retailers three methods for sharing video links: uploading a video, posting links to videos and allowing fans to upload videos
 - Videos on Facebook increase brand's fan base: each video has a "Like" button that can turn the viewer into a new fan ("like" is for the brand, not for the video).
 - The viral effect of videos: when a user "likes" or shares a video, his friends get notification, immediately turning them to potential fans

NUMBER OF VIDEOS ON E-COMMERCE SITES

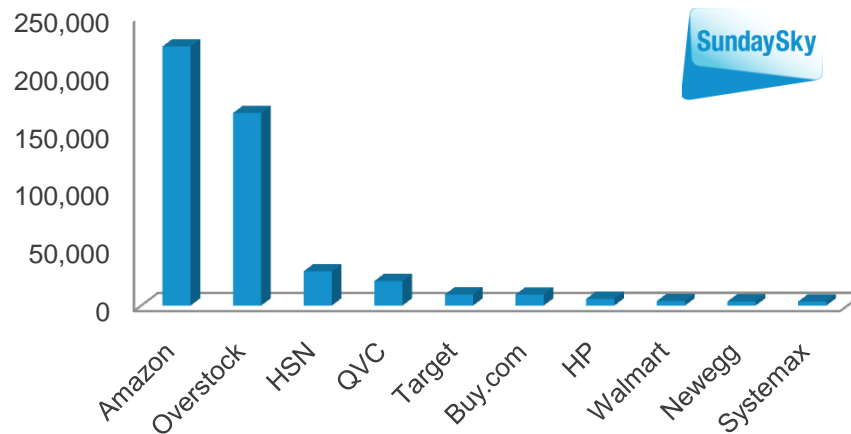
Top 10 Online Retailers

by Number of videos



Video Rank	Retailer	Est. # of Videos	IR 2010 Rank
1	Amazon	224,000	1
2	Overstock	166,499	28
3	HSN	29,620	25
4	QVC	21,159	11
5	Target	9,572	21
6	Buy.com	9,471	32
7	HP	5,780	17
8	Walmart	3,887	6
9	Newegg	3,501	12
10	Systemax	3,397	37

Estimated Number of Videos



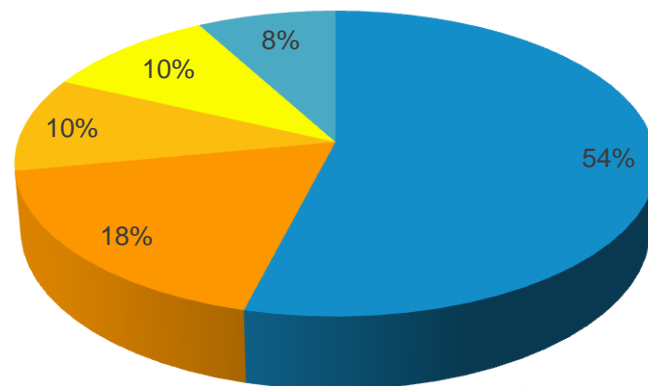
SEO EFFECT

Top 10 Online Retailers by Number of Indexed Videos



Rank	Retailer	Indexed Videos	IR 2010 Rank
1	Amazon	224,000	1
2	Overstock	56,069	28
3	HSN	29,620	25
4	Nike	1,900	48
5	Apple	633	4
6	Systemax	579	22
7	Redcats USA	516	31
8	Symantec	174	33
9	HP	109	17
10	QVC	82	11

Number of Videos Indexed by Google

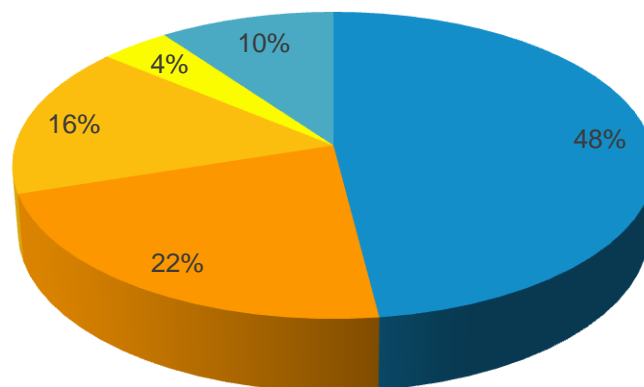


- None
- Between 1 and 10
- Between 11 and 100
- Between 101 and 1000
- More than 1000

ADDITIONAL SEO EFFECTS

- ▶ Our previous report showed differences between Yahoo! and Bing indexing. Since then, Bing started to power Yahoo! Search results and now most retailers get similar video indexing numbers on both engines. Retailers no longer need to optimize for both engines now.
- ▶ Some e-retailers lost ground due to this move:
 - Apple previously had 11,520 videos indexed on Yahoo! but now has only 1,230
 - Newegg who had 3,927 now has 24.
- ▶ On the gainers front:
 - Target had one video indexed on Yahoo and now has 2,110.

Bing-Indexed Video



SundaySky

- None
- Between 1 and 10
- Between 11 and 100
- Between 101 and 1000
- More than 1000

YOUTUBE PRESENCE

TOP 10 ONLINE RETAILERS BY NUMBER OF VIDEOS UPLOADED TO THEIR YOUTUBE CHANNELS



Video Rank	Retailer	Number of Videos	IR 2010 Rank
1	62580	HSN	25
2	3424	Systemax	22
3	2186	Buy.com	32
4	1484	QVC	11
5	855	Nike	48
6	812	Dell	3
7	647	ToysRUS	37
8	596	Redcats USA	31
9	577	BestBuy	10
10	381	Musician's Friend	38

TOP 10 ONLINE RETAILERS BY NUMBER OF VIEWS ON THEIR YOUTUBE CHANNEL



Video Rank	Retailer	Number of Views	IR 2010 Rank
1	Nike	More than 120M	48
2	Systemax	67,242,131	22
3	HSN	32,115,441	25
4	Victoria's Secret	16,075,738	18
5	Apple	13,003,221	4
6	Musician's Friend	9,269,001	38
7	ToysRUS	8,227,958	37
8	Redcats USA	6,043,799	31
9	Dell	5,711,124	3
10	HomeDepot	4,533,017	39

- ▶ There are retailers on both ends of the YouTube presence scale: 24 percent have no notable YouTube presence, whereas 38 percent have more than 100 videos on their channels.
- ▶ The same is evident when counting the number of views of those videos: there are 42 percent that have more than 1 million views and 22 percent with fewer than 10,000 views.
- ▶ HSN has, by far, the largest number of videos. Each video has a link to the matching product page, hence YouTube is not only used for brand promotion, but also to drive traffic back to the website.

SOCIAL ENGAGEMENT

- ▶ Many e-retailers maintain a very active Facebook page:
 - 12% have more than 1M fans (Victoria's secret, Kohls, Nike, Target, Walmart, Bestbuy)
 - 52% have more than 100K fans

- ▶ Many users interact with posted videos
 - Whenever one of the top brands posts a video to the wall, there are hundreds or even thousands of comments & likes.
 - This translates to tens of thousands of impressions from fans' friends, on top of the fans themselves.

FACEBOOK VIDEO LEADERBOARD

- ▶ We ranked top 10 e-retailers by the number of videos posted to their Facebook's page wall in July-August, and the total number of videos uploaded to Facebook.
- ▶ In terms of fans' videos, Target and Nike are leading with 58 and 57 fan videos respectively, but a lot of those seem like spam. We advise brands to monitor fans' videos periodically.

TOP 10 ONLINE RETAILERS BY NUMBER OF VIDEOS UPLOADED TO THEIR FACEBOOK PAGE*



Video Rank	Retailer	# of Videos	IR 2010 Rank
1	QVC	487	25
2	HSN	99	32
3	Victoria's Secret	88	11
4	Overstock	81	3
5	Target	79	10
6	Barnes and Noble	68	31
7	Sony	62	37
8	Buy.com	48	38
9	J.C Penney	47	42
10	Office Depot / Kohl's	38 / 43	49

TOP 10 ONLINE RETAILERS BY NUMBER OF VIDEOS POSTED TO THEIR WALL (JULY-AUGUST 2010)**



Video Rank	Retailer	# of Videos	IR 2010 Rank
1	QVC	29	11
2	HSN	17	25
3	Sears	12	8
4	Sony	12	13
5	HP	11	17
6	Victoria's Secret	10	18
7	Overstock	10	28
8	Office Depot	8	5
9	Gap	7	23
10	Dell / JCPenney / HomeDepot / Kohl's	5	3 / 16 / 39 / 43

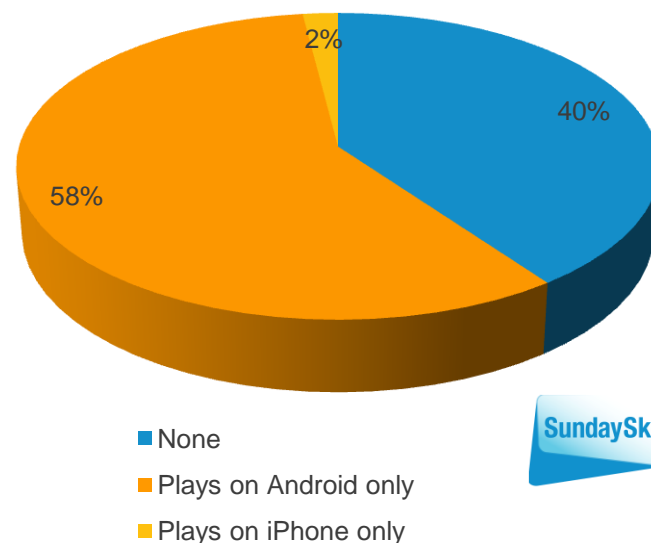
* Video uploaded by the retailer

** Video uploaded or linked to by the retailer

MOBILE VIDEO

- ▶ e-retailers may serve mobile devices the same pages that non-mobile users get, or a dedicated, often scaled-down, version of their sites.
 - Mobile versions of sites that were examined did not contain videos
 - When there's no mobile version, the site's videos are present but about 20% of the pages tested had severe UI issues (e.g. a video popup window that would not open etc.) and many others were not optimal graphically.
- ▶ We tested videos on iPhone and Android devices. Flash video, the dominant video format on the web, is also playable on Android 2.2 devices, but not on iPhone OS devices. As can be seen in the chart on the right, websites do not implement any flash alternatives (e.g. HTML5)

Do Videos Play on Mobile Devices?



CONCLUSION

- ▶ In this research we have tried to capture:
 - What retailers may hope to achieve by deploying videos
 - How they can use those videos outside their core website: on Youtube, Mobile devices and social networks.
 - What they currently achieve and what is the future potential
- ▶ 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.
- ▶ It is now possible to have video for large portions of retailer catalogs, and get those videos indexed by search engines. However, this marketing channel is currently pioneered by a handful of retailers.
- ▶ Companies like Overstock and Nike have defined a clear and successful video strategy and are setting the stage for full industry adoption.
- ▶ Videos on iPhone: the HTML5 buzz hasn't made any impact on top e-retailers yet.

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 Tel Aviv with a product and technology center there and a business center in New York. The company is funded by Carmel Ventures and Globespan Capital.

Learn more at www.sundaysky.com

Yaniv Axen, co-founder and CTO

Yaniv.axen@sundaysky.com

SundaySky

242 West 27th St., New York, NY 10001

P: 212-929-8111