YouTube Gets Inline

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Summary: YouTube recently launched a new video ad format. These ad units, known as in-line ads, involve translucent windows that are overlaid on video content for about 10 seconds near the beginning of a given clip. Experimentation with more integrated and less cumbersome video advertising has flourished in the wake of the somewhat recent realization that consumers largely don't like pre-roll ads. Though YouTube isn't the first to market with this type of inline video advertising, such a move by an online powerhouse will shed light on the developing industry and bring it mainstream attention, as well as advertiser, publisher and investment interest.

A Boon for Early Market Entrants

Online video represents a double-edged sword for searchability and monetization. It is much more content-rich than text, allowing for a gold mine of content and "ad hooks" against which to apply search algorithms. The challenge is to mine that content effectively and bring it to the surface so search engine crawlers and contextual ad placing engines can effectively find it.

YouTube's contextual targeting platform for inline video ads, launched in August, is a step toward solving this puzzle. Known as InVideo, the platform integrates small hyperlinked animated windows for a few seconds during contextually appropriate times in a given video clip. In YouTube testing, these ads showed clickthrough rates 10 times greater than those of traditional banner advertising.

The ads are currently served with about 20 percent of YouTube ads, where more then 3 billion minutes of video is consumed each month. This will largely apply to the "head" content of professionally produced material on YouTube, which is easier to contextualize and is generally more advertiser friendly (read: less controversial). It meanwhile allows advertisers to target geographies, demographics, video genres and time of day.

However, the innovation behind InVideo has already been further advanced by the likes of online video start-ups Adap.tv, Blinkz and ScanScout, each of which integrates clickable inline ads at the bottom of a video window at contextually appropriate moments during a clip using speech recognition and other technologies (see TKG Advisory "Online Video, Inline Ads: A Conversation With ScanScout").

So although YouTube isn't first to market with this type of inline video advertising, many will treat this as a breakthrough given the company's cachet and that of its owner, Google. This should be seen by smaller players as a boon for the nascent segment, and their own marketability. The spotlight in this sense, shed by Google/YouTube, could in fact be tantamount to marketing gold. By that measure, it could indeed be a breakthrough.

YouTube's reach and exposure could also give this ad format the sizable test bed it needs to acclimate users and excite advertisers about getting in front of them. Or, as with pre-roll ads, consumers will largely reject the format. Either way, YouTube's scale will enable a more effective feedback loop for this medium's development, which will in turn lead to better product development.

This joins, and in many ways eclipses, other recent events that have served to push interest in this field forward, including ScanScout's investment by Time Warner last month and Adap.tv's US$10 million series A round from Redpoint Ventures in July.

Drilling Down the Purchase Funnel

Automotive search and lead generation engine Vehix also recently launched an inline ad insertion technology for cable television that likewise aims to bring the capability for video to lead to directional advertising and content. In this case it ties together CPM branding advertisements, which generally lie at the top of the purchase funnel, with the more targeted, directional and local advertising seen at the bottom.

More specifically, the interactive TV product will have small

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inline ads that appear during live broadcast TV auto ads, which allow users to then "telescope" in using their remote controls to a Vehix module through which they can search for and customize cars before viewing actual dealer inventory or requesting that a dealer contact them by phone.

This will take place in the cable TV environment among other possible venues, utilizing relationships Vehix already has with cable providers, most notably its part owner and key strategic partner, Comcast. This, along with the possibility of extending it to TV shows via product placement, resonated well with auto dealers attending the company's annual automotive summit in July.

"I recently picked up a Blu-ray disc player, which lets you do really cool things such as drill down to information on actors and things," said Reuben Muinos, business alliance manager of L.A.-based Gaipin Motors, during a panel discussion. "This same thing applies to autos. If you can enable interactivity with content that can drive you back to a Web site, that will be the next wow factor."

Panning back to look at Vehix's product next to those of YouTube, ScanScout and others, it's also interesting to see video content moving to the Internet, while online interactivity is brought to the TV experience. This cross-pollination will continue to produce lots of developments, as will the algorithms meant to better discern and assign meaning to video content for improved searchability and contextual ad placement.

More Cross-Pollination: Free DA

The prevailing technology at the heart of these efforts is speech recognition. Interestingly, this could be indirectly pushed forward by speech recognition technology that is receiving a great deal of attention from providers of voice automated free directory assistance products (see TKG Advisory "U.S. Mobile Advertising Forecast, 2007-2011").

Marissa Mayer, Google vice president of search products and user experience, expressed as much at the Searchonomics conference in June. Indeed, video search and video contextual ad placement have the same core challenge, and Google's speech to text capability could work toward addressing both. This suggests progress in free DA — a strong avenue for Google in itself — could seed YouTube's ad insertion initiatives.

This is even more relevant given Google's announced intentions with universal search, which will integrate video (among other things) more prominently in its search engine result pages.

This isn't the first time this has happened for 1-800-GOOG-411. As reported on the TKG blog in May, the free DA platform is also being used to push forward adoption and development of mobile mapping, by integrating SMS delivered links to Google Mobile Maps through the free DA voice interface.

Final Thoughts: Many Possibilities Await

The developing interplay between free DA, mobile mapping and video will be interesting to watch, especially given the fact that the potentially game changing iPhone will feature, enable and possibly accelerate each segment in all new ways.

Look for continuing innovation to help the exploding ranks of online video clips to be more effectively found and monetized. As this happens, TKG believes there will be more national advertisers interested in this medium, and its value will grow, via network effect.

Indeed, this will need to happen. Even if the above technologies can accurately identify effective ad hooks against which to serve contextually relevant ads, it will mean nothing if there isn't enough demand (possibly via keyword bidding) to fill that inventory.

The technology development, in other words, will need to be equitably met with enough advertiser demand to fill the growing volumes of inventory. Accurately determining advertiser interest will be an important goal going forward, in order to plot out the opportunities in this area.

It will be an equally important goal for marketers (and for TKG) to determine the corresponding abilities to integrate local directional advertising inlays or drill-downs in addition to the product or branding advertising that has traditionally accompanied video content in both the online and offline worlds. **ILM**

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