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SERVICE AREA:

Business Development Strategies

ANALYSIS

PERSONALIZED VIDEO IN MARKETING

TAKING THE NEXT STEP IN ADVERTISING TECHNOLOGY

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contents

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Introduction

Picture this: A two-year startup is ready to take the next step. It has released a proven product—one that is already connecting with a small audience. With more exposure to the public sphere, this company is confident that it can grow profits and increase operational size. There is, however, an issue: While this company has a superior product, it exists within a crowded, competitive space. Many organizations of various sizes are jockeying for brand awareness, trying to keep the consumer's attention focused squarely on their respective products. For this new company to succeed, it must find a marketing method that will set it apart from its competition.

Enter personalized video, a relatively new form of marketing that stresses customization and engagement. Since personalized video is so new, its process is still being refined. Larger companies may be weary of technology that has not yet established a clear pathway to consistent, measurable profitability. This creates an opportunity for smaller businesses, like that two-year startup, to become trailblazers.

By doing personalized video right, this new company can corner a developing customer communication medium, placing itself ahead of the competition. In this analysis, Keypoint Intelligence – InfoTrends (InfoTrends) will outline exactly why personalized video is effective, how companies can avoid potential pitfalls with the technology, and where the future of this marketing medium is expected to go.

Key Highlights

- ♦ According to InfoTrends' research, 71% of survey respondents watched at least half of the personalized video content they received.
- ♦ Roughly 37% of consumers shared videos that were funny, informative, or relevant.
- ♦ Runtime matters with personalized videos. 64% of consumers prefer videos that are under a minute in duration.
- ♦ In general, younger generations prefer to watch personalized videos with their smartphones/mobile devices, while older consumers are more likely to watch videos on their laptop or desktop computers.

Recommendations

- ♦ Firms that are interested in exploring personalized video should prize quality over quantity in their video marketing campaigns to help increase viewer share.
- ♦ Since the best personalized videos will be customized to the consumer, companies should not design personalized videos with any single ideal hardware platform in mind.
- ♦ Using firmographic/demographic filters to divide consumers into groups can help improve personalization, and this process can be improved with machine learning.



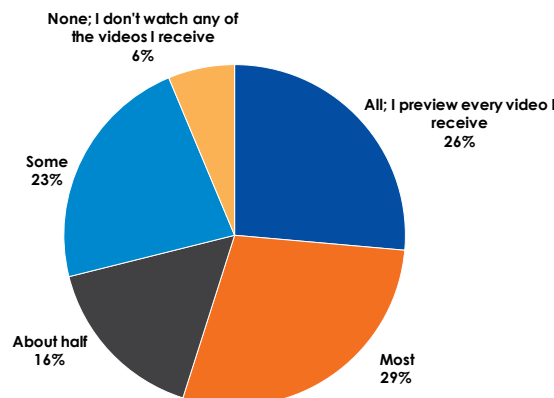
The Importance of Personalization

Personalized media has a long history of being more successful than mass-marketed messages. InfoTrends has been observing the effectiveness of direct mail for years. Direct mail campaigns tend to be at least partially personalized, even if that personalization only extends to putting the specific recipient's name on the envelope. However, the results of this are impressive—according to InfoTrends' 2017 *Annual State of Marketing Communications Consumer Survey*, 83% of respondents engage with direct mail. That's a higher rate than social media, mobile apps, or web portals.

E-mail is the only communication channel that triggers a higher rate of engagement (91%), and this format also tends to be personalized. InfoTrends has been analyzing consumer response rates for a number of years, and companies that prioritize personalization are often rewarded for their extra investment.

InfoTrends is already seeing the same positive consumer engagement levels with personalized video. In our study entitled *Personalized Video: Evaluating Consumer Demand from Around the Globe*, an impressive 71% of respondents watched at least half of the personalized video content they received. Furthermore, 55% of respondents watched most of their received personalized videos.

Figure 1: What percentage of the personalized videos (or links) that you receive do you actually watch?



N = 1,502 respondents in Australia, the UK, and the US who have received a personalized video
Source: Personalized Video: Evaluating Consumer Demand from Around the Globe, Keypoint Intelligence – InfoTrends, 2017

With only 6% of respondents not watching any of the personalized videos they receive, this medium is already showing an impressive consumer engagement rate. The next question is, why video?



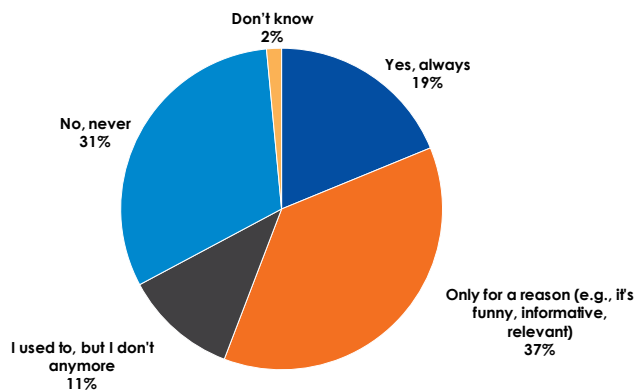
What Makes Video so Engaging?

We've all heard that a picture is worth 1,000 words. If this is true, then InfoTrends puts the following question to its clients—how many words is a 30-second video worth? Modern marketing is all about creating an engaging and ongoing conversation with consumers. In this regard, video has several factors working toward its advantage.

The first is convenience. Video technology is far more accessible than it was even a decade ago. According to InfoTrends' research, 86% of North Americans own a smartphone. An even higher share have access to a PC—be it a desktop or a laptop—for home or professional use. These devices are all capable of Internet connection and can play videos with just the push of a button.

Another advantage of the video format is its entertainment value. According to YouTube, people across the globe now watch more than 1 billion hours of video content each day. This is a staggering amount of time—over 100,00 years of watched content daily. YouTube also believes that this statistic is reflective of the quality of content on its site. This quality aspect is important. InfoTrends' research has shown that consumers are far more likely to share personalized videos if they find them interesting. In total, 37% of respondents shared videos that were funny, informative, or relevant, versus only 19% who always shared their videos. If our hypothetical two-year startup wants to rapidly increase viewer share, it should prize quality over quantity when developing its personalized video marketing campaign.

Figure 2: Do you share the personalized videos you've watched with others?



N = 1,407 respondents in Australia, the UK, and the US who watch personalized videos
Source: Personalized Video: Evaluating Consumer Demand from Around the Globe, Keypoint Intelligence – InfoTrends, 2017

Videos have another advantage to them. It sounds obvious when stated, but no information must be read. Consumers are often in a rush, hurrying from one task to another—this is especially true for working adults and parents. Multi-tasking has become a prized skill, and it makes the fight for consumer attention even harder. Since video only needs to be heard and not read, consumers do not need to focus as much to absorb the relevant information. Personalized video is a multi-sensory marketing tool that can capture



a consumer's attention, even if the individual is not fully focused on the video. It is an easily accessible form of advertising that can be viewed at home, work, or on the go.

Avoiding Pitfalls: Keeping the Customer Connected

With so many natural advantages, our two-year startup might be wondering why more organizations are not capitalizing on personalized video. This may be because, as they say, "You can lead a horse to water, but you can't make it drink." Technology is incredibly prevalent in today's world and businesses have access to more tools and greater quantities of information than ever before. At the same time, however, all of this access does not equal control.

Earlier InfoTrends research has found that many businesses have been slow to fully capitalize on personalized videos because of perceived breaks in the customer journey. Many respondents worry that the follow-up actions to watching a personalized video are disconnected from a fluid, trackable dialogue. For instance, if a consumer watches a personalized video and then visits the company website, that company cannot tell what brought the consumer to its website. Without interactivity, it is difficult to track consumer behavior.

Firms can take another lesson from YouTube in this regard. While the website celebrates quality as its reason for achieving over a billion hours of content viewed daily, there may be another reason behind its growing success—linking. YouTube enables its users to directly insert links to other videos and relevant information within the videos they upload. A company that took advantage of this capability could create a trackable path from the initial viewing to follow-up actions. For instance, if a personalized video ended with a call to action (CTA) that linked directly back to the company website, that company could track how many users clicked on the CTA. Users could also view the video and then decide to pursue additional information at a later time. This would create a partial picture, but that's better than none at all.

In addition, organizations can also prompt consumer feedback on their webpages, perhaps asking what brought the consumer to the site. With "personalized video" as a clickable option, firms would have even more trackable data insight into the consumer journey.

Runtime Matters!

Here's something you'll never hear: "Hey, check out this new personalized video that (insert company name here) sent me! You have to see it... it's only 6 minutes long!"

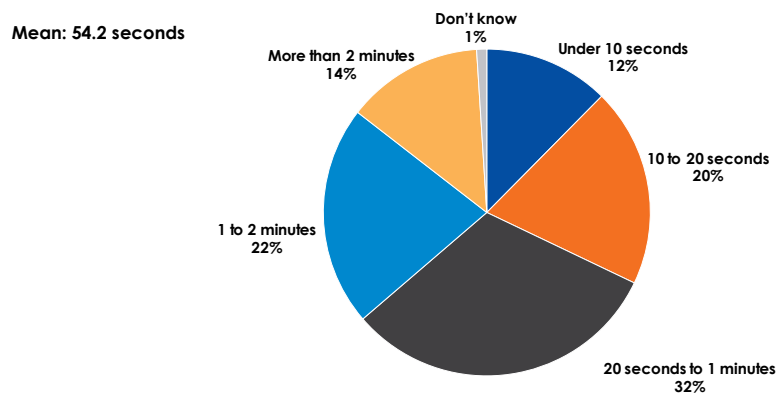
Companies that develop personalized videos have a history of televised advertisements to look back on and learn from. For example, consider how quickly infomercial channels disappeared from everyday conversation once the Internet became popular. While



isolated consumers might still respond to long-form video content, there is a documented sweet spot for run length—under 1 minute.

InfoTrends' research has found that 64% of consumers do not want to watch a personalized video that is over a minute long. Additionally, roughly 32% would prefer if the video were under 20 seconds long. When it comes to designing an effective personalized video, the key is to be concise and on point. If a company cannot articulate its product value in less than a minute, it may lose over half of its viewership.

Figure 3: On average, what is your preferred time length when watching a video for transactional purposes?



N = 193 respondents in Australia, the UK, and the US who receive transactional personalized videos
Source: Personalized Video: Evaluating Consumer Demand from Around the Globe, Keypoint Intelligence – InfoTrends, 2017

Be Platform-Agnostic

InfoTrends data has shown that age can have an impact on consumers' viewing preferences. In general, younger generations prefer to watch personalized videos with their smartphones/mobile devices, while older consumers are more likely to watch videos on their laptop or desktop computers.

Given that the best personalized videos will be customized to the consumer, this variation in preference means that companies should not design personalized videos with any single ideal hardware platform in mind. An older consumer may be confused if the personalized video they receive references viewing it on a smartphone, in the same way that a reference to desktop use would not land for a mobile viewer. Keeping personalized video creation platform-agnostic means creating content for each generation.



Making the Leap from Personalization to Individualization

It has been said that Amazon's shopping algorithm knows a what consumer wants before he or she buys it. This represents part of the future of personalized video marketing. Right now, many companies are using firmographic and demographic filters to divide consumers into groups. Although this process is by no means perfect, it can be dramatically improved through machine learning.

With machine learning, computers are able to "learn" from past experiences, enabling them to perform increasingly better over time. A common example is the game "Go," which a computer mastered in under a year using machine learning. Essentially, the computer played millions of games with itself, and over time it learned to differentiate the strategies that worked from those that did not.

Machine learning in the marketing world will function along similar lines. This automated process will help companies connect to their customers in a way that was never possible before. It will also streamline the creation of personalized content. A computer with a detailed shopping preference profile of a million consumers could, in theory, tailor a million individualized videos.

By implementing personalized video strategies now, companies can get a head start on developing this technology. Creating more sophisticated algorithms is a great first step in enabling a customer to tell a seller exactly what he or she wants, and how best to communicate with that individual.

InfoTrends' Opinion

Although personalized videos are not a perfected technology, this is one of the things that makes them exciting. Businesses that are diving in to the technology now are helping to transform the modern world. Abundant data has shown the potential for personalized video marketing—consumers like it, and they are willing to share it! By filling the holes in the customer journey with controlled links, companies can better understand exactly how consumers respond to each video.

Some organizations may want to take their time with entering the realm of personalized videos, but the pace of technology is not slowing down. Many sellers—including Amazon, Google, and YouTube—have achieved their dominant positions by dabbling with developing marketing technologies. A two-year startup of today can become a dominant industry player of the future if it is willing to properly commit to personalized video technology.



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