



The State of Online Video

The State of Online Video is Limelight Networks' latest in a series of annual surveys that explores consumer perceptions and behaviors around digital content.

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The State of Online Video

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The State of Online Video is Limelight Networks' latest in a series of annual surveys that explores consumer perceptions and behaviors around digital content.

The report is based on responses that Limelight Networks received from 1,206 consumers ranging in demographics, gender, and education. Key findings from the survey include:

- Young Millennials are driving a gradual transition from broadcast television to online video
- Consumers are willing to “cut the cord” under the right circumstances
- Whether it is Over-the-Top (OTT) or cable, consumers want variety
- Video buffering drives abandonment but only so far
- For advertising in online video to be successful, it must be personalized and skippable
- The PC remains the dominant way users watch online video
- Social media drives video sharing
- Longer-form content is propelling online video consumption
- Canada leads in watching online video while Australia lags
- For young Millennials, watching online video is all about the devices

Young Millennials are Driving a Gradual Transition From Broadcast Television to Online Video

Although online video is clearly becoming an increasingly large portion of Internet traffic¹, and despite a seemingly growing preponderance of cord cutters², linear broadcast still accounts for the vast majority of the “television” experience³.

But if these survey results are any indication, a shift has already happened and is being propelled generationally. When asked how much online video they watch each week, the majority of consumers (Figure 2) indicated 1-2 hours per week.

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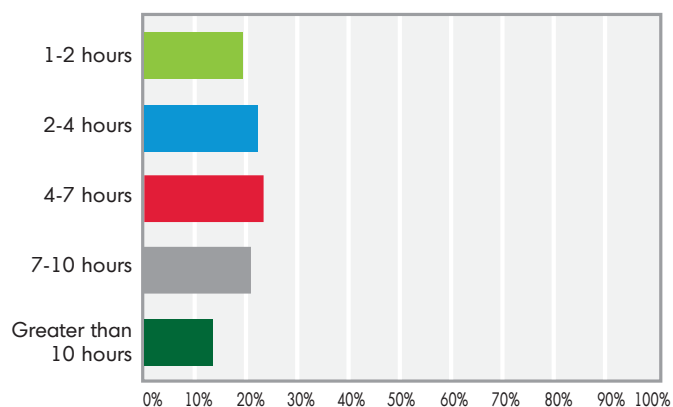


Figure 1: How Much Online Video Do you Watch Each Week? Respondents (18-25)

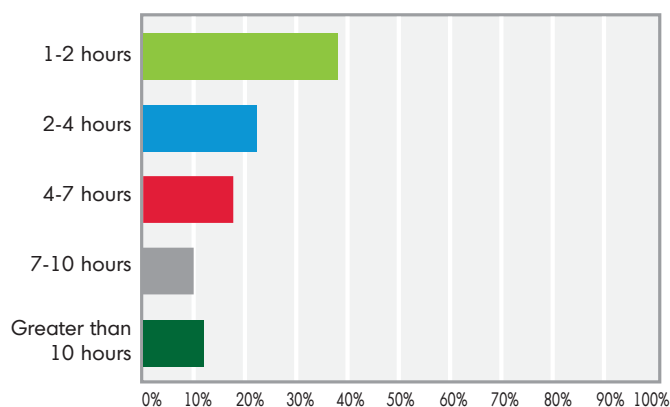


Figure 2: How Much Online Video Do You Watch Each Week? Respondents (18+)

And yet as we correlate the data against demographics, it appears that as the respondents skew younger (Figure 1) they watch more online video, with the majority indicating 4-7 hours per week. Based on this data, it might be said that young Millennials represent the “tipping point” for television—a transition from traditional, broadcast delivery to online—which will only continue to accelerate with subsequent generations that grow up with the availability of content anywhere, anytime, from any device.

Consumers Are Willing to Cut the Cord But Only Under the Right Circumstances

There has been a sudden and explosive growth of OTT television throughout 2014 in North America. CBS AllAccess, Dish Network, Apple TV, HBO, and more are jumping into the OTT space which, according to Pricewaterhouse Coopers (PwC), is poised to triple in size by 2018 from \$3.3bn to more than \$10bn⁴. Although OTT may just be ramping up, it’s clear that it empowers consumers with something they have not had before—the ability to get the content they want, when they want, where they want, directly from the content owner.

Still, as pointed out previously, we are in the nascent stages of OTT’s growth—online video represents only a fraction of content consumed as part of the “television experience.” Yet that growth percolates behavioral changes as well. Consumers are beginning to think differently about their relationship with their cable provider as it relates to where they can acquire and consume video content.

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Answer Choices	Responses	
When I can directly subscribe to the channels I want online (i.e., CBS AllAccess)	16.05%	196
When more sports and other live events become available online	7.78%	95
Because the price keeps going up	37.92%	463
When I am able to get the channels I want over-the-air using an antenna	5.81%	71
I don't currently have a cable or pay-television subscription	20.07%	245
I will never terminate my cable or pay-television subscription	10.48%	128
Other (please specify)	1.88%	23
Responses		
Total		1,221

Figure 3: Under What Circumstances Would You Terminate Your Cable or Pay Television Subscription? Respondents (18+)

When asked under what circumstances respondents would terminate service with their cable or pay-television subscriber, the largest percentage of respondents indicated, by a wide margin, that they would terminate their subscription because of increasing prices (Figure 3). What's more, this was exacerbated amongst young Millennials of which more than 40% indicated that they would terminate for financial reasons.

But perhaps more insightful is the fact that only 10% of respondents indicated they would never terminate their cable or pay television subscription (9% amongst young Millennials). That means almost 90% of respondents are amenable to the idea of ending their cable service for various reasons (Figure 3), the most prevalent being when they can subscribe directly to the channels they want online (23%)⁵. Additionally, 20% of respondents currently don't have a cable subscription to begin with (22% amongst young Millennials).

Ultimately, this data seems to illustrate a tenuous relationship between subscriber and cable operator, the state of which, we might insinuate, is partly responsible for the growth in online video.

Whether it's OTT or Cable, Consumers Want Variety

If there is one thing that cable has become synonymous with, it's choice—subscribers sometimes have hundreds of channels of content from which to choose. But it's that very variety which is also partly responsible for driving viewers to "cut the cord"⁶. Consumers don't want to spend unnecessarily for channels they never watch.

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But don't let that fool you. Consumers want choice, especially if they are in control. When asked, "how many online video services do you currently subscribe to," the majority (approximately 80%) indicated between zero and one⁷ as illustrated in the graph below (Figure 5). And yet 20% subscribed to two or more services pointing to a desire for variety in their programming. Equally interesting, though, is that as the demographic skewed younger (18-25; Figure 4), that number of viewers subscribing to two or more services increased (25%) and the number not subscribing at all dropped by over 5%.

Clearly, variety is an important part of this generational shift. It's possible that as more OTT services become available (especially direct from the content provider), this younger generation will continue to move towards more simultaneous subscriptions.

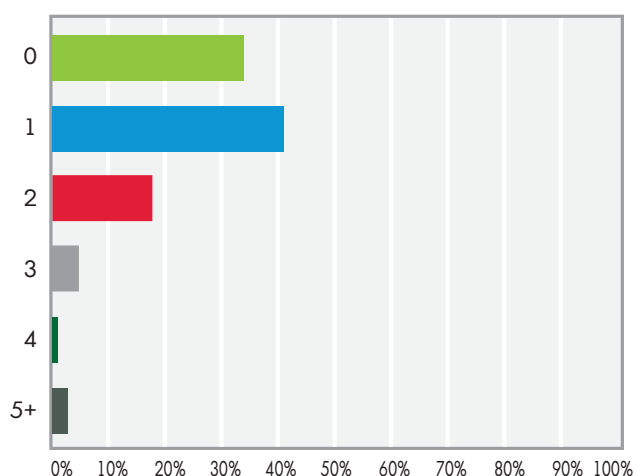


Figure 4: How Many Pay Online Video Services (i.e., Netflix, Hulu, etc.) Do You Currently Subscribe to? (Select one) Respondents (18-25)

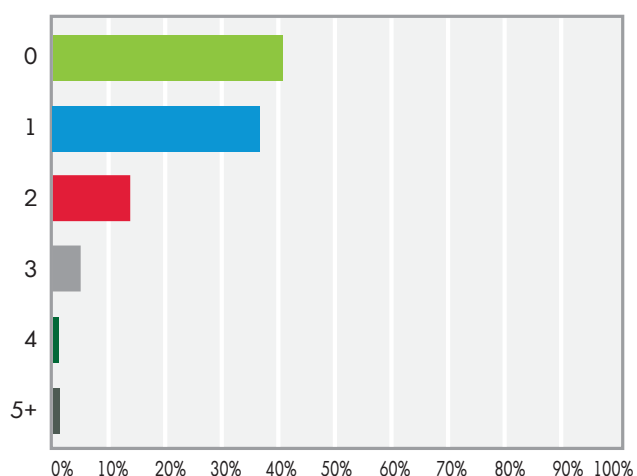


Figure 5: How Many Pay Online Video Services (i.e., Netflix, Hulu, etc.) Do You Currently Subscribe to? (Select one) Respondents (18+)

Video Buffering Drives Abandonment—But Only So Far

The length and number of times a video buffers has long been linked to abandonment. According to a 2012 study from the University of Massachusetts at Amherst, for example, audience abandonment increases with buffering—viewers begin to disappear after a two second delay with 6% leaving each second thereafter⁸. The data from the university study correlates with what we discovered from our survey respondents—buffering is the number-one cause of frustration when watching online video (Figure 6).

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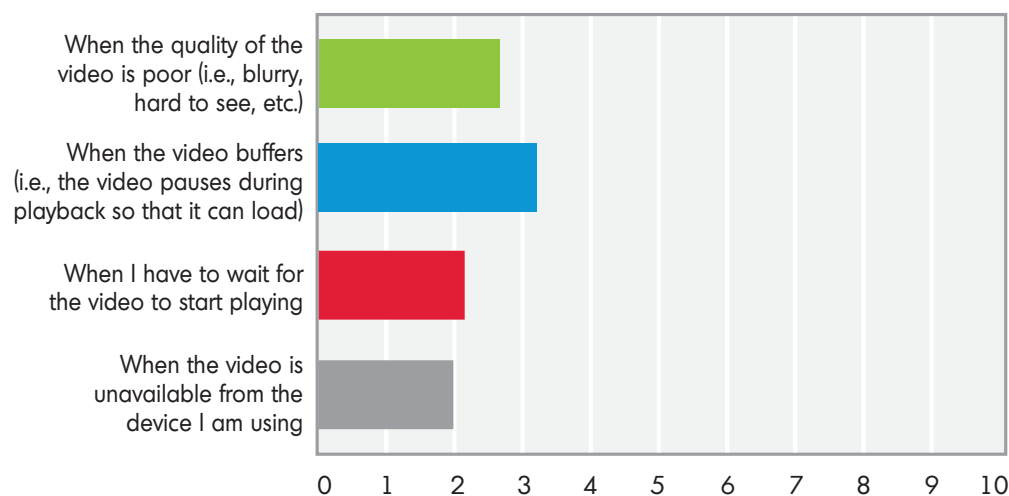


Figure 6: What is the Most Frustrating Aspect of Watching Video Online?
(Rank in order of frustration, 10=most frustrating)

But where the university study examined the impact of the length of time of a buffering event on abandonment rates, we looked at the other side of the coin—the impact of the number of buffering events. What we found when we asked the question, “how many times will you allow a video to buffer before abandoning,” was startling.

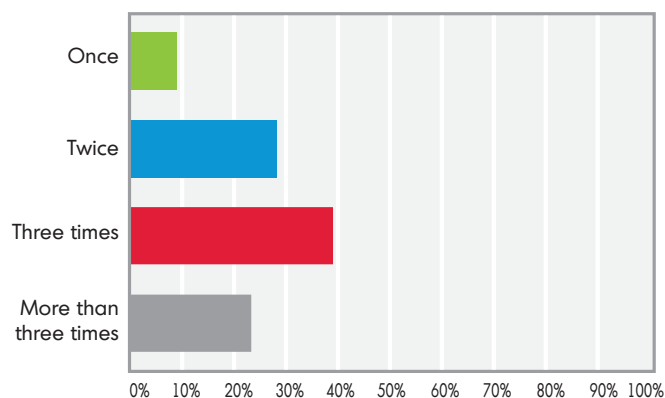


Figure 7: How Many Times Can an Online Video Buffer Before You Abandon it?
(Select one) Respondents (18-25)

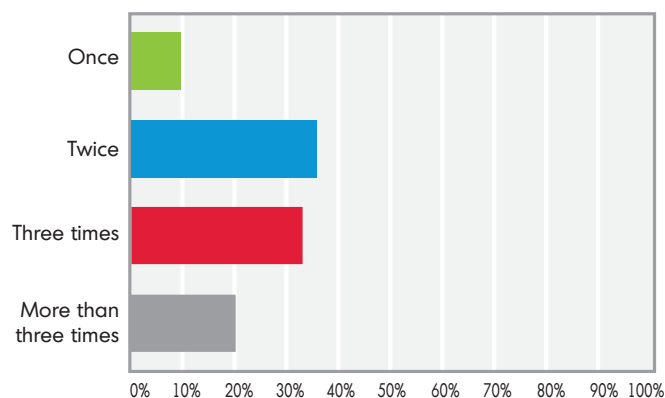


Figure 8: How Many Times Can an Online Video Buffer Before You Abandon it?
(Select one) Respondents (18+)

As indicated in Figure 7 and Figure 8, the majority of all respondents (Figure 8) would allow a video to buffer twice before abandoning but when the demographic skewed younger (Figure 7), the majority was willing to allow a video to buffer three times before leaving. This insinuates that young Millennials have a much higher “frustration threshold” than the general population perhaps indicative of a deeper understanding (or forgiveness) of the technology required to enable online video.

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But a critical question remains unanswered—does the length of video affect the number of buffering events a viewer is willing to accept before abandoning? As we see in Figure 9, users do not typically watch an entire YouTube video all the way through suggesting that viewers are far more interested in “bite size” content⁹.

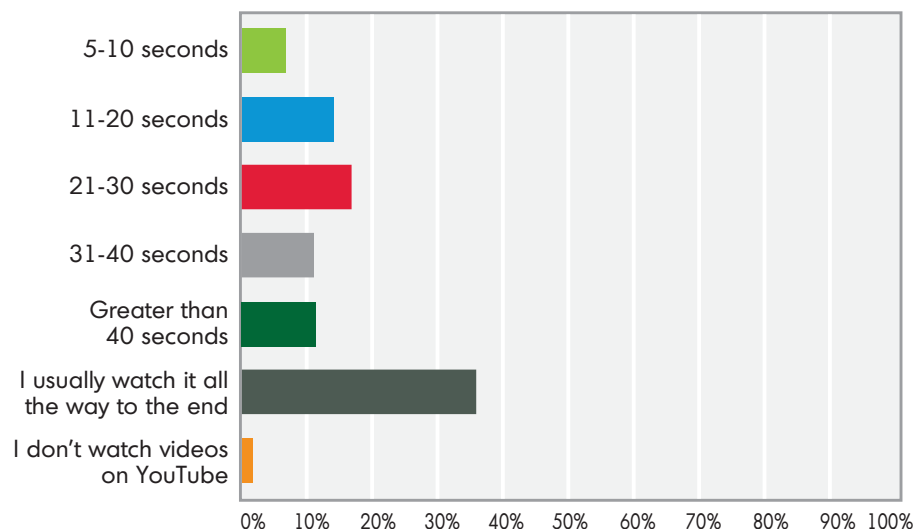


Figure 9: How Much of a Typical YouTube Video Do You Watch Before Abandoning? (Select one)

When we correlate the two datasets (Figure 10), we uncover an interesting conclusion:

	5-10 seconds	11-20 seconds	21-30 seconds	31-40 seconds	Greater than 40 seconds	I usually watch it all the way to the end	I don't watch videos on YouTube	Total
Q8: Once	24.17% 29	20.83% 25	16.67% 20	14.17% 17	2.50% 3	17.50% 21	4.17% 5	9.83% 120
Q8: Twice	6.11% 27	20.36% 90	17.65% 78	12.22% 54	9.50% 42	33.03% 146	1.1% 5	36.20% 442
Q8: Three times	4.90% 20	10.29% 42	20.34% 83	11.52% 47	14.95% 61	36.03% 147	1.96% 8	33.42% 408
Q8: More than three times	3.98% 10	8.37% 21	11.16% 28	9.16% 23	15.14% 38	49.40% 124	2.79% 7	20.56% 251
Total Respondents	86	178	209	141	144	438	25	1221

Figure 10: Correlation Between How Much of a YouTube Video Users Typically Watch With the Number of Buffering Events Before They Abandon

As viewers are more willing to accept buffering events, they are also more likely to watch a YouTube video¹⁰ through its entirety (almost 14% higher than the majority) perhaps indicating a causal relationship between content they want to watch and a willingness to ignore frustrating circumstances¹¹. We could surmise, then, that abandoning a video is as much related to buffering as it is related to the viewer’s desire to watch it.

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For Advertising in Online Video to Be Successful, It Must Be Personalized and Skippable

Advertising in online video is rapidly growing. According to Business Insider, online video ad revenue will reach nearly \$5bn in 2016, up from \$2.8bn in 2013 while TV ad revenue will drop by 3% in the same time period¹².

As this channel of advertising explodes, it becomes critical for content owners to understand user behavior in order to improve the chances that users will watch more of the video and, as a result, engage with more of the advertising. This is especially important in light of some of the data in this survey that clearly paints the picture users are willing to abandon videos for a variety of reasons.

	Agree	Neutral	Disagree	Total
▼ I'm okay with it	33.08% 399	38.47% 464	28.44% 343	1,206
▼ I find it disruptive	60.23% 727	31.40% 379	8.37% 101	1,207
▼ It's okay as long as I can skip it	70.98% 856	24.30% 293	4.73% 57	1,206
▼ It's okay as long as I'm interested in it	42.08% 505	41.25% 495	16.67% 200	1,200
▼ I'm okay with it if it prevents me from having to pay for content	57.81% 696	33.64% 405	8.55% 103	1,204
▼ I'm not sure	10.38% 119	58.38% 669	31.24% 358	1,146
▼ I don't care	12.80% 146	46.80% 534	40.40% 461	1,141

Figure 11: How Do You Feel About Advertising in Online Video? (Agree, Disagree, or Neutral)

We asked our survey respondents what they thought about advertising in online video (Figure 11). Although 60% found it disruptive, 71% were okay with it as long as they could skip it while 42% indicated it was fine so long as the advertising was personalized. All of these numbers jumped up slightly as the demographic skewed younger—for young Millennials (18-25), 73% wanted to be able to skip it while 46% wanted it personalized.

Is there a connection between abandoning videos and the way that advertising is presented? Back in 2010, TubeMogul fielded a study that indicated up to 25% of online video audiences clicked away from a video if it started with an ad¹³ which is, coincidentally, the same year that YouTube introduced their TrueView online video advertising system¹⁴, charging advertisers only when viewers saw the entire ad (and introducing skippable content). Although there is no hard and fast connection, it is possible to propose that non-personalized, non-skippable pre-roll video advertising may increase the opportunity for video abandonment. We plan on exploring this in subsequent versions of this study.

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The PC Remains the Dominant Way Users Watch Online Video

Each year the proliferation of mobile devices such as smartphones continue to increase as Figure 12 indicates (developed using data from the Consumer Electronics Association and the U.S. Census Bureau).

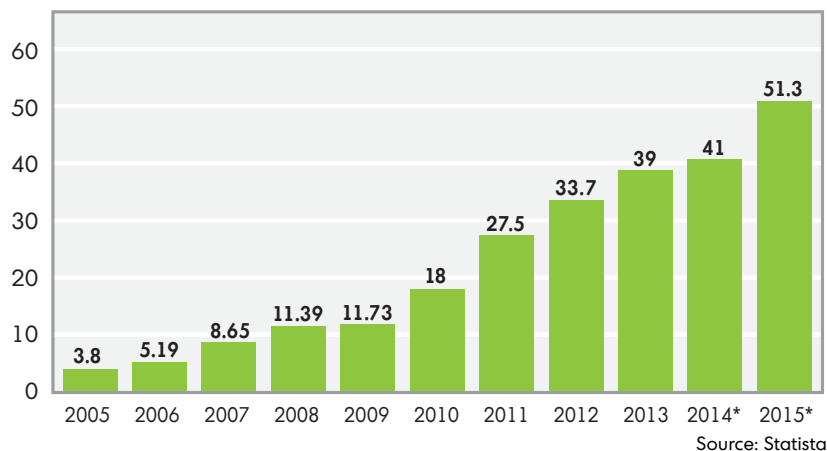


Figure 12: Smartphone Sales in the United States from 2005 to 2015 (in Billions)

Despite the growing popularity of smartphones and other mobile devices, the personal computer is still the preferred means by which to consume online video (Figure 13).

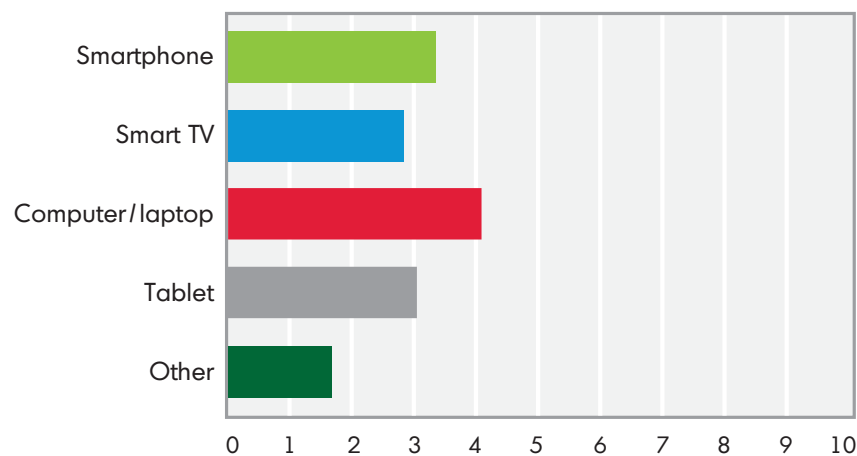


Figure 13: From Which Device Do You Watch Online Video?
(Rank in order of frequency, 10=most frequent)

But much like online video itself, the device used to consume content is a generational activity. As the demographic skews younger (18-25), smartphone increases significantly in usage (by approximately 10%) indicating that it may well take over the laptop/PC as the predominant device to consume online video content over the next five to 10 years.

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Social Media Drives Video Sharing

The online video revolution isn't just about consumption. It's also about sharing. When asked how likely they were to share online video, almost 50% of respondents indicated that they either currently do or would consider doing it (Figure 14).

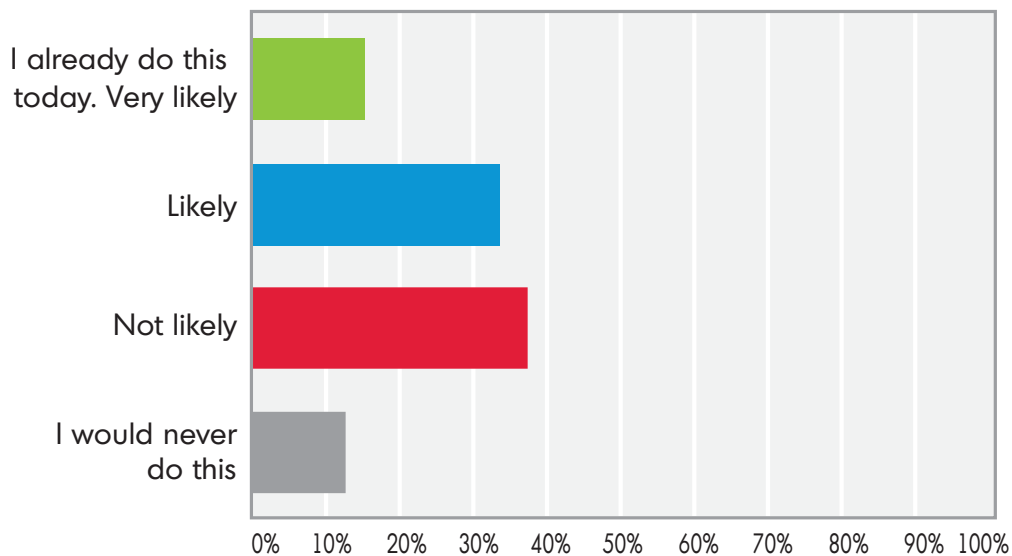


Figure 14: How Likely Are You to Share Your Videos Online?

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One might be inclined to think that video sharing sites would be the dominant location for sharing videos but that is contrary to what respondents indicated when asked where they share their videos:

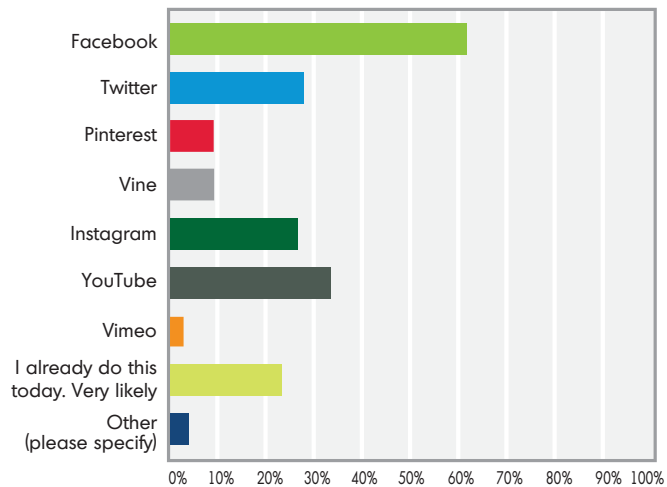


Figure 15: Where Do You Most Often Share Your Online Videos? (Select all that apply)
Respondents (18-25)

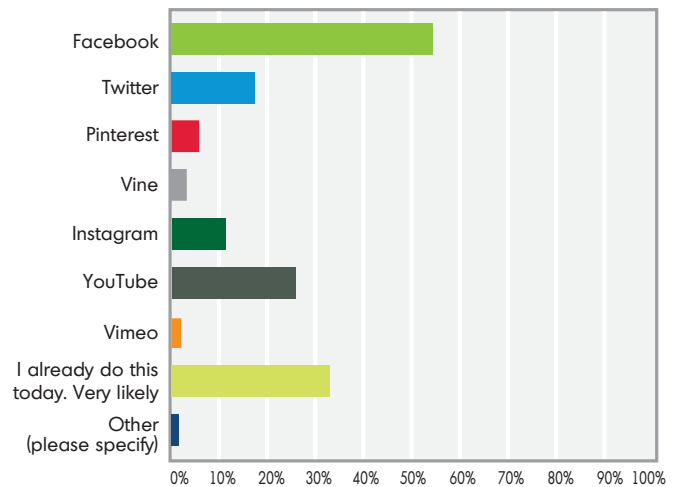


Figure 16: Where Do You Most Often Share Your Online Videos? (Select all that apply)
Respondents (18+)

As depicted above, it's clear that social media (Facebook, Twitter, Pinterest, Vine, and Instagram) vastly outweigh the dedicated video sites (YouTube and Vimeo) as a destination for sharing video amongst all respondents (Figure 16). This is even more pronounced as the demographic skews younger (Figure 15). Perhaps what is most interesting, though, is seeing the relative predominance of specific social networks. Although amongst young Millennials, Facebook grew by a few percentage points, Instagram, Vine, and Pinterest nearly doubled in usage as the young Millennials' destination for posting online videos. Even YouTube grew. What this younger generation might be demonstrating is a proclivity for posting videos simultaneously to multiple social networks.

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Longer-form Content is Propelling Online Video Consumption

Despite the willingness to abandon videos because of buffering and perhaps advertising, consumers tend to favor long-form content (TV shows and movies) when they consume online video (Figure 17):

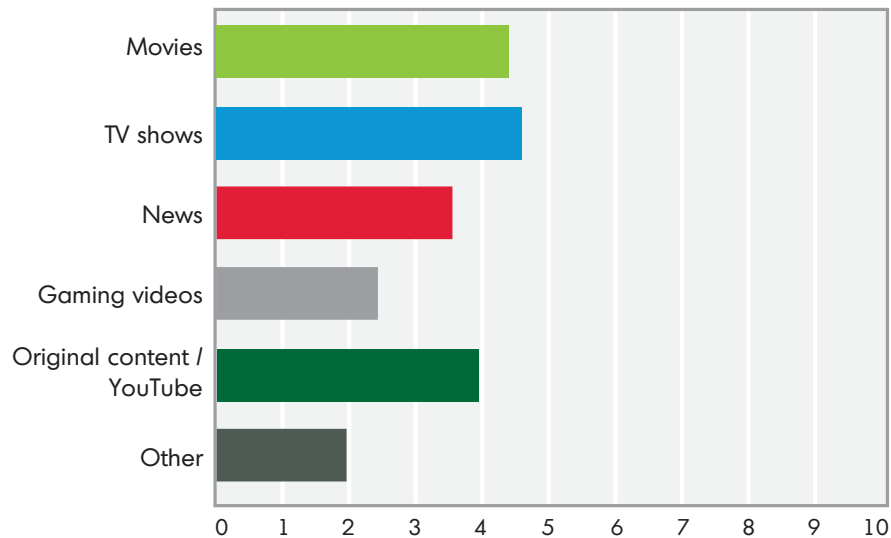


Figure 17: When You Watch Video Online, What Type of Video Do You Tend to Watch Most Often? (Rank in order of frequency, 10=most frequent)

Canada Leads in Watching Online Video while Australia Lags

Although every country is seeing lots of online video consumption, Canada leads the way with the greatest proportion of consumption per week.

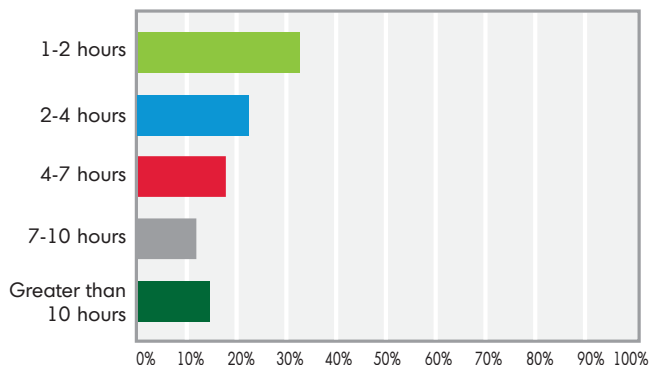


Figure 18: How Many Hours Per Week Watching Online Video? (USA; all ages)

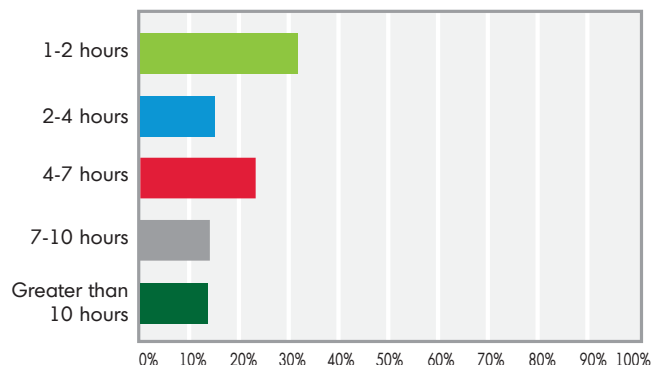


Figure 19: How Many Hours Per Week Watching Online Video? (Canada; all ages)

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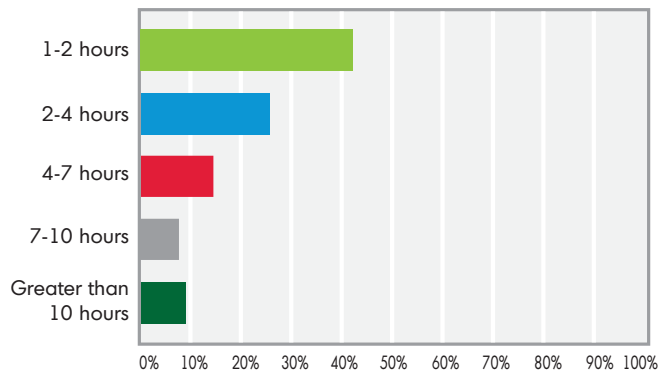


Figure 20: How Many Hours Per Week Watching Online Video? (UK; all ages)

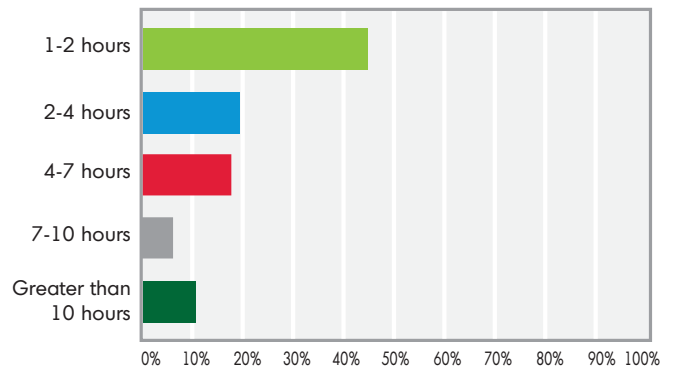


Figure 21: How Many Hours Per Week Watching Online Video? (Australia; all ages)

As Figure 22 illustrates, Canada has the least viewers at 1-2 hours and the greatest number at 4-7 hours and 7-10 hours.

	1-2 hours	2-4 hours	4-7 hours	7-10 hours	10+ hours
Canada	31.84%	15.42%	23.88%	14.43%	14.43%
U.S.	32.68%	22.60%	17.94%	12.04%	14.74%
Australia	45.00%	19.50%	18.00%	6.50%	11.00%
U.K.	42.37%	25.91%	14.53%	7.99%	9.20%

Figure 22: Comparison of Hours Watched of Online Video Per Week by Country

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For Young Millennials, Watching Online Video Is All About the Devices

Although there is a growth in mobile devices to consume online video content (and a trend amongst young Millennials towards smartphones), it's clear from the graphs below that consumers are purchasing and using multiple endpoints to consume their online content.

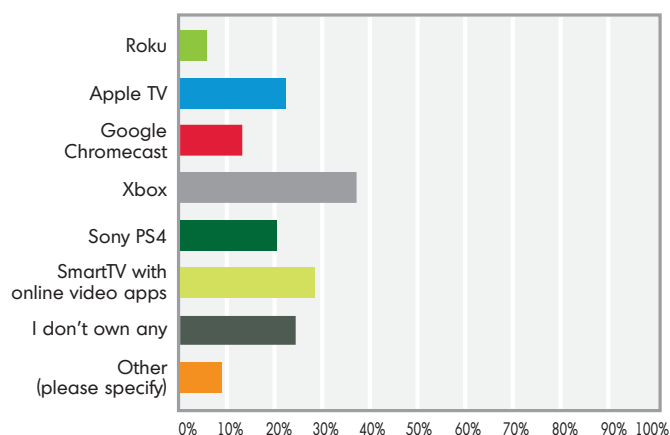


Figure 23: What Kind of Devices Do You Currently Own That Enable You to Watch Online Video on Your Television?
(Select all that apply) Respondents (18-25)

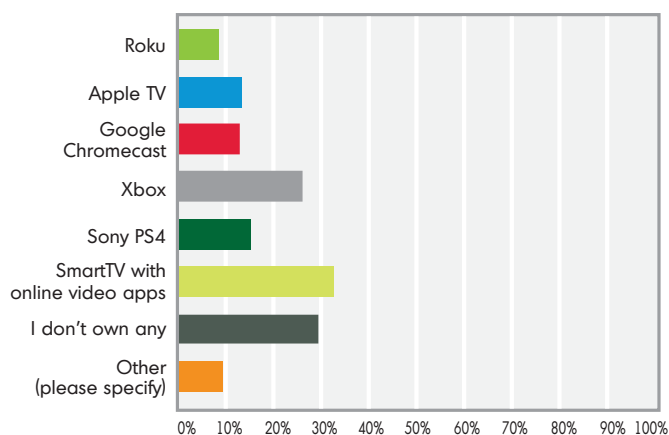


Figure 24: What Kind of Devices Do You Currently Own That Enable You to Watch Online Video on Your Television?
(Select all that apply) Respondents (18+)

As Figure 24 depicts, consumers own multiple devices through which they can consume online video. What's interesting is that as the demographic skews younger (Figure 23), the number of devices owned increases perhaps indicating a correlation with the amount of video watched per week—as young Millennials watch more video each week, the number of devices they own also increases providing them more opportunities to consume content.



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Conclusion

Online video, while growing in leaps and bounds, represents a complicated set of consumer behaviors that is exacerbated by demographic segments. Although we asked a wide variety of questions spanning attitudes towards cable providers, online video consumption activities, and even towards advertising in online video, we still don't have a complete picture of consumer behavior.

What is abundantly clear is that we are witnessing a tipping point in the traditional television experience as younger generations skew towards watching more online video, using more OTT services, and posting video to more places.

In short, young Millennials are embracing online video as the primary means by which to consume and share content and are, by that nature, driving significant change in the way that everyone experiences traditional broadcast television. It will be interesting to see, over the next decade, how prevalent these behaviors become in subsequent generations and the impact they have on behaviors outside of those generations that already embrace this new experience.

¹ <http://recode.net/2014/06/10/cat-videos-binge-tv-watching-to-account-for-84-of-internet-traffickisco-says/>

² <http://www.wsj.com/articles/pay-tv-cord-cutting-accelerates-1415321442>

³ <http://www.emarketer.com/Article/US-Adults-Spend-55-Hours-with-Video-Content-Each-Day/1012362>

⁴ <http://www.forbes.com/sites/stevenrosenbaum/2014/06/09/digital-video-and-ott-poised-for-dramatic-growth/>

⁵ This number is calculated based on total respondents less those without a subscription and those who would never terminate.

⁶ <http://fortune.com/2015/03/30/these-new-streaming-services-may-entice-you-to-cut-the-cord/>

⁷ Our supposition is that those subscribing to one service are most likely subscribing to Netflix

⁸ http://people.cs.umass.edu/~ramesh/Site/HOME_files/imc208-krishnan.pdf

⁹ This is a trend that we plan to explore in future versions of this report. For more anecdotal information on "snackable" content, visit <http://www.crafted.co.uk/latest/blog/the-rise-of-bite-size-content-and-the-impact-on-yo>

¹⁰ Given the amount of reach and traffic, we decided to utilize YouTube as the "bell weather" for representing all online video

¹¹ This assumes that YouTube, like all online video platforms that are accessed through a variety of Internet Service Providers, experiences buffering events

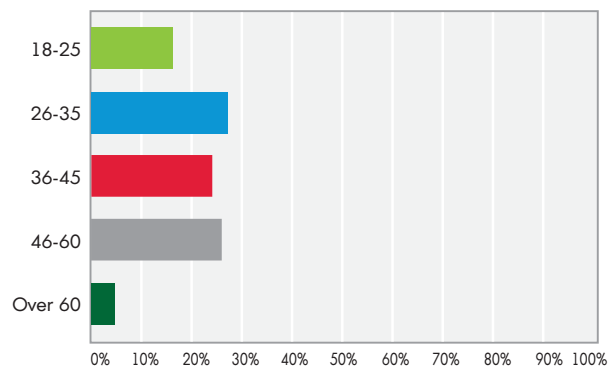
¹² <http://www.businessinsider.com/digital-video-advertising-aggressive-spending-and-growth-2014-9>

¹³ <http://www.podcastingnews.com/content/2010/02/up-to-25-abandon-online-videos-if-they-start-with-an-ad-and-thats-the-good-news/>

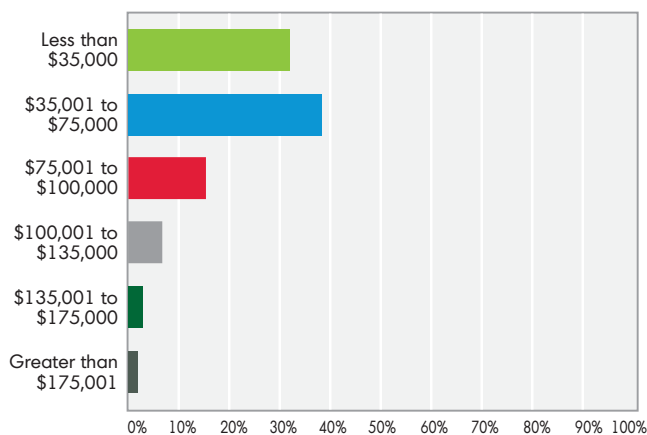
¹⁴ <http://www.businessinsider.com/youtube-launching-new-trueview-ad-format-today-2010-12>

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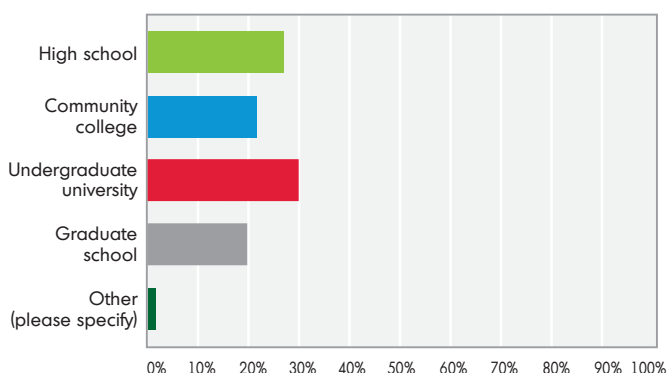
Demographics



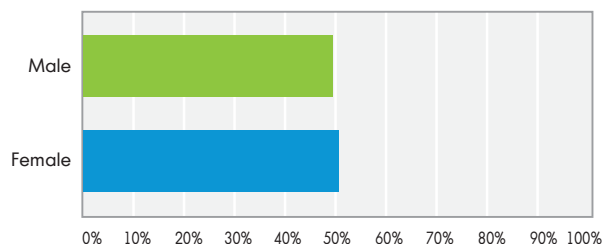
Age



Average annual income



Highest level of education



Gender

Methodology

This survey was conducted over a five-day period and included the following respondents who indicated that they watched at least one hour of video per week:

- USA—407
- UK—413
- Canada—201
- Australia—200

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