



The Local Video Revolution

By [Michael Boland](#) , June 1, 2007

It can be seen clearly from glancing across the blogosphere and news headlines that online video is hot right now.

A video revolution is brewing, as the awareness and popularity YouTube has brought to the medium has helped it reach mainstream levels. Business models, meanwhile, continue to be developed and [heavily funded](#) to meet this demand in new ways.

This video revolution has more recently reached the local level, with an ecosystem beginning to form around the production and automated distribution of video advertising for small businesses. It includes services such as [TurnHere](#), [Spot Runner](#), and [Spotzer](#), which have arisen to meet the local business demand for video advertising.

The demand is largely being fueled by user adoption. A Kelsey Group report released last week entitled "[Online Video: A New Local Advertising Paradigm](#)," showed that 59 percent of survey respondents watch online video. More importantly, more than half engaged in some sort of response activity such as visiting a Web site, going to a physical location, or making a purchase.

Leaning Forward

Much of this can be attributed to the quality of the viewership, which compared to cable can be arrayed against broadband user demographics to show the favorable likelihood of reaching attractive, buying-empowered users.

It also comes down to the "lean forward" mode of online video. Compared to sitting on a couch watching television, online viewers are more likely to be at their desks in search mode and a few mouse clicks away from being able to respond in a meaningful way. TV ads, by comparison, rely on less tangible impressions and response that involves a great deal more latency.

This supports the notion that opportunity awaits in the integration of video with different forms of online local search. Citysearch recently became the first major local online search destination to do this to a considerable degree, by adding 300 small-business video ads (produced by TurnHere) throughout the site. Other local search destinations that have done this to a lesser degree include Kudzu.com, MojoPages and Savory Cities.

The IYP Opportunity

But the greatest opportunity with local merchant video ads could be held by Internet Yellow Pages (IYPs) and companies such as AT&T-owned YellowPages.com and Idearc's Superpages.com.

One possibility is to embed video players directly within individual listings (like Citysearch), for advertisers to buy those ad units as an upsell or bundle with their existing online or print listings.

Most notably for IYPs, demand is strong among local business advertisers, where Yellow Pages companies have a direct and established sales channel.

"We operated a pilot phase because operationally, video was new to us," says Citysearch EVP Scott Morrow. "During this time, we set an initial sales target of 700 videos. After week four, we had to stop signing people up because we already hit that target."

Video is, in fact, more attractive to some small businesses than, say, pay-per-click, which may be an abstract concept to a plumber or a mom-and-pop store that is interested in foot traffic or phone calls.

"Sales reps get [video] and advertisers get it. It's something that everyone can relate to," said YellowBook CMO Gordon Henry during a panel discussion at The Kelsey Group's [Drilling Down on Local](#) conference in March. Similarly, the vanity factor that has driven a great deal of ad revenue for Yellow Pages publishers is certainly present in video advertising.

Verticals and Video

So far, the verticals that have warmed up the most to local online video advertising are real estate and autos. The high consideration items, pressure for leads, and high margins have made early adoption a necessity, and advertising spends are somewhat inelastic in these areas.

"TurnHere's initial foray into commercial video production was in real estate, with many agents such as [Ohio-based agency] Real Living seeing tremendous success using TurnHere videos to generate additional listings," says TurnHere CEO Brad Inman.

Spot Runner, meanwhile, has formed deals with national real estate agencies Cendant and Coldwell Banker to give their far flung agents immediate access to Spot Runner's automated ad creation and distribution dashboard (explained below).

The opportunity yet to be realized in online video, therefore, lies within categories of advertisers that possess these same characteristics (inelasticity of ad spend), and those for which the trust perceived in putting a "face" on a business has value.

Those that exude these characteristics the most are professional services such as dentists and lawyers. Here, again, an opportunity screams out for IYPs, given that they're traditional sweet spots for Yellow Pages publishers.

The New Video Providers

TurnHere, Spot Runner, and a handful of others including Spotzer, have stepped in to meet this demand by making it easier and cheaper than ever before to produce and distribute video online and off.

SpotRunner charges around \$500 for a 30-second ad that has customized print and voiceovers on top of stock video footage. It also provides a dashboard to buy cable television spots in local markets while targeting specific zip codes or demographics. This can drastically undercut ad agencies, with automated ad creation and distribution costing as little as \$12 for 30-second spots on popular basic cable stations such as CNN or Comedy Central in most markets.

TurnHere's price point for video production, by comparison, is between \$5,000 and \$10,000, depending on the level of shooting and editing. However, this premium gets you a longer form video (up to three minutes), which is shot on location and maintains appeal in the local "personality" of the finished product.

This on-location capability is enabled by the company's outsourced network of about 2,000 filmmakers who shoot short video ads in every major U.S. city and 50 countries. This approach gives the company a wide reach and few capacity restraints.

"We expect to produce thousands of pieces of content this year, and we are nowhere near our capacity," TurnHere CEO Brad Inman says, adding that the company's business levels are several times larger so far in 2007 than they were for full-year 2006 (actual numbers undisclosed).

Bringing Video to the Masses

Overall, these providers are causing this local ad space to follow a path similar to financial services, in its increased accessibility to new consumer segments. Nick Veronis, managing director of private equity firm Veronis Suhler Stevenson, during his Drilling Down on Local keynote, characterized Spot Runner as the Charles Schwab of video advertising.

Many of the benefits above have yet to be seen, though. Investment is required in site design, video delivery, video search engine optimization, and growing pains in sales integration. The payoff, however, could be considerable.

"We're not even in the first inning on this. Small businesses are just warming up," says Tom Bates, general manager of Kudzu.com." I think we'll see that smart companies eventually use longer-form video to showcase their work [such as] landscapers and photographers; their venues [such as] restaurants, wedding halls, day cares; and themselves [such as] financial planners, real estate agents and doctors. Combine this with directional advertising, and I think you've really got something."

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