

Video's Payday:

PART I:

The Modern Marketing Dilemma And The State of Business Video

New Research on Video Marketing Reveals
a \$135 Billion Dollar Industry



Foreword

The once simple and linear marketing funnel has morphed into a complex matrix of communications. Social channels have invited consumers to engage on their terms and made word-of-mouth a medium all its own, the largest body of media the world has ever known. That disruption has left even some behemoth brands questioning how to spend their digital ad dollars effectively.

The change in marketing communication is paired with a larger culture change taking place. And while Millennials are undeniably the agents of change, Generation X has been cast into the role of facilitator. Gen X is saddled with the heroic task of transferring the knowledge of the past in a way that aligns with the realities of the present and future. In a world where attention is a scarcity, promotions and advertisements are no longer sufficient. Authenticity and transparency are the new marketing currency and so far, video is the best way to communicate those.

Our mission at Magisto is to facilitate the role of video communication as a medium for authentic connectivity, and our research set out to determine what role video is playing in the shifting relationship between customers and businesses. Our hypothesis was that the recent changes in communication and engagement have spurred businesses in the U.S. to increase their usage of digital video. Since video combines the emotional impact of story with the efficacy of digital advertising, it is a perfect way for businesses to authentically engage with today's consumers.

We have our own conclusions and we'll let you draw yours, but it is plain to see that we are in a new era of marketing — one where the players, the play and the script are all different from as few as five years ago.

Best Regards,

A handwritten signature in black ink, appearing to read 'Oren Boiman', with a stylized, flowing script.

Oren Boiman, CEO of Magisto

Introduction:

In order to gain insight into the rapid rise of digital video as a marketing tool, Magisto surveyed over 500 marketing decision makers in the U.S. at small, medium and large businesses. We will bring you a comprehensive examination and the state of digital video marketing in three separate reports this fall.

The key questions we are considering here in Part I are:

A. What is the true size of the digital video market? And

B. What about digital video makes it appealing to marketers?

That's \$135 Billion, with a B

On average, each American business will spend \$20K on video marketing in 2017, totalling **\$135,000,000,000**

The meteoric rise of digital has opened a discussion about the opportunity of video and the size of the market. Our research allowed us to examine and size the entire digital video ecosystem, including production, tools, people and media.

We found that over the next year American businesses intend to spend a whopping **\$135 billion** on digital video.

As a point of reference: Advertisers this year expect to spend **\$83 billion** on digital ads and **\$71 billion** for TV commercials. Our research points to the digital video spend nearly equaling the combined spend of digital and TV advertising in the U.S.



Section I:

Authenticity and The Rules of Engagement

In the Madmen days, the rules of engagement were clear. Advertising was, in many ways, regarded as a class of information. It was a simple and highly functional linear relationship between marketers, their medium and their customers. Today, the rules of engagement have been almost entirely rewritten by the enormous influence of social media and the bottoms up culture of Millennials. Word-of-mouth is no longer a perishable, interpersonal exchange. It's become a permanent medium, tied to an effective mode of social distribution and commerce that makes it larger and more powerful than any other media. Unlike water cooler conversation which evaporates after it's shared, social content lives indefinitely as part of a swelling matrix of public opinion. "Social" is no longer a channel, it's a transformation of the very nature of communication and culture. It's not just about the media generation but, more importantly, about the power of personal trust — the new rules are driven by authenticity in relation to narrative. Marketing and business communication have been irrevocably reconstructed. This report explores the modern marketing dilemma and the the state of business video, a new form of narrative and a booming \$135 billion industry.

Throughout this research, video marketing is defined as all activity related to earned, owned and paid business communication via online video, excluding sponsorships, product placements, TV and other offline forms of video.



The Old Rules of Engagement - Branding

A linear mode of communication dominated by advertising and controlled by marketing



New Rules of Engagement - Belonging

A matrix mode of communication dominated by social content and controlled by the customer



Section 2:

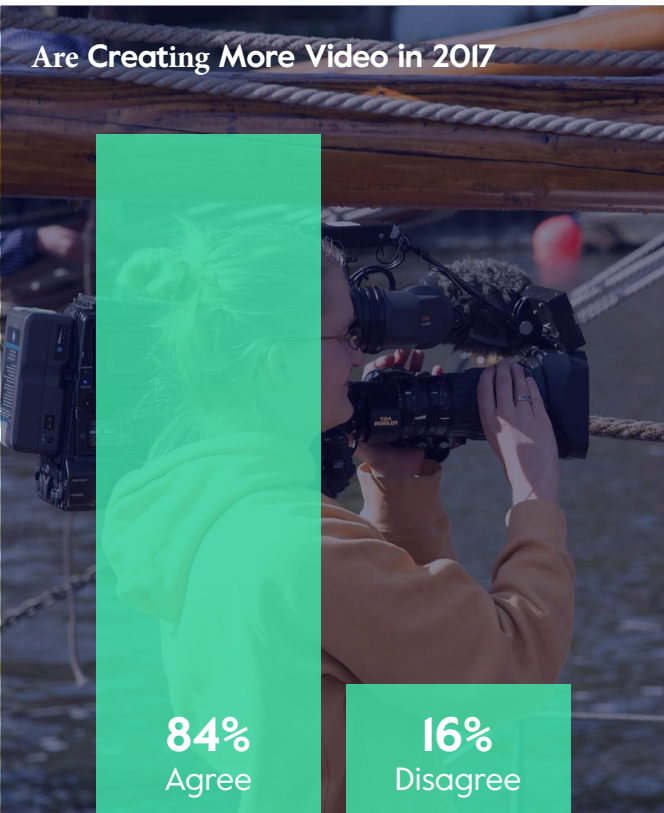
Video Marketing and the New Rules of Engagement

The Creation of a \$135 Billion Industry

American businesses will spend a staggering \$135 billion on digital video this year. Video marketing adoption is a central way by which businesses are responding to the demands of the new rules of engagement and the growing power of social narrative.

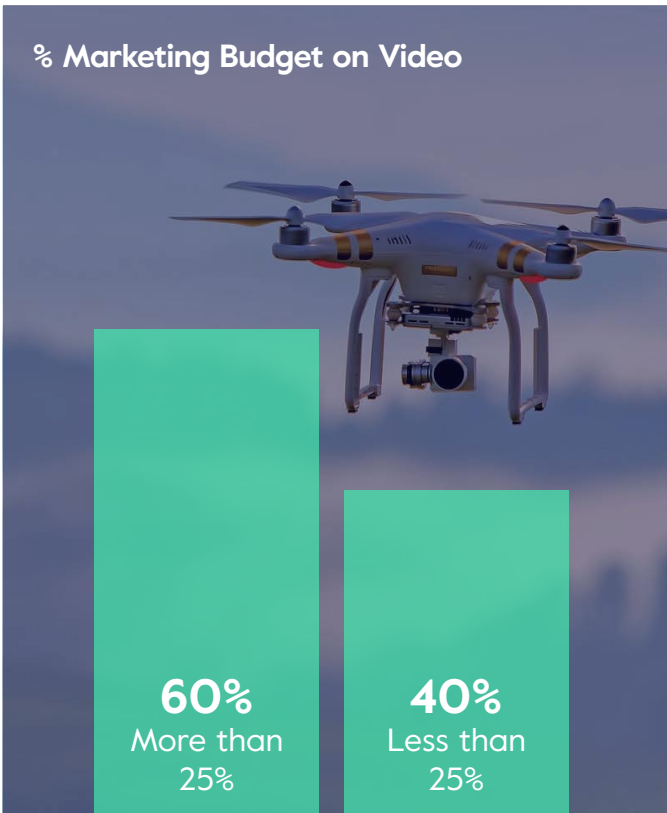
Video marketing is growing at an astounding rate

84% of Marketers intend to create more business videos in 2017



Video marketing already dominates marketing budgets

60% of businesses spend more than 25% of marketing budget on video



Section 3:

The Why and How of Video Marketing

Scaling Authenticity in the Attention Economy

The concept of an Attention Economy is at the core of understanding the future of business and how to approach video and marketing in the social era. The individual's attention span is more or less fixed. However, the amount of information coming at us is growing exponentially. At noon Pacific Time on any given day, upwards of 120 billion emails have already been sent and 35 million photos uploaded to Instagram. Advertising is no longer perceived as information, but rather as part of a growing slush of white noise. Video narrative offers businesses authentic and renewable currency, a way to create value in the attention economy.

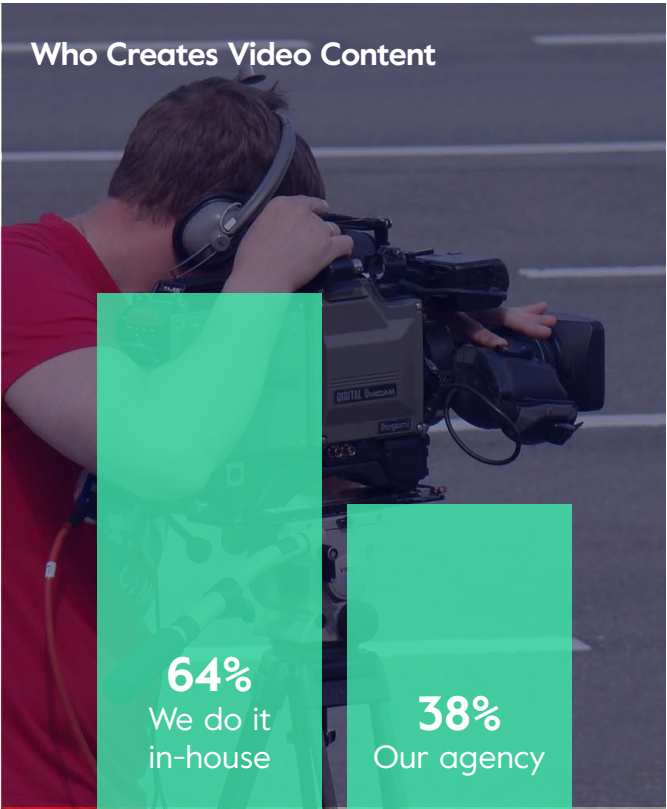


The State of Video Marketing and the Promise of Scale

Video marketing offers businesses a scalable way to increase the signal to noise ratio of their company narrative. It combines the emotional power of story with the efficacy of digital advertising. In order to do so, businesses are re-imagining what video communication is, and moving from long lead times and highly scripted broadcast messaging to ad hoc, everyday narrative. Marketers are using video to move from branding to belonging, from binary conversions to complex conversation, from creating demand to creating relationships and, most importantly, from being white noise to being valuable contributors in the social narrative.

Businesses are trading award winning creative for authenticity

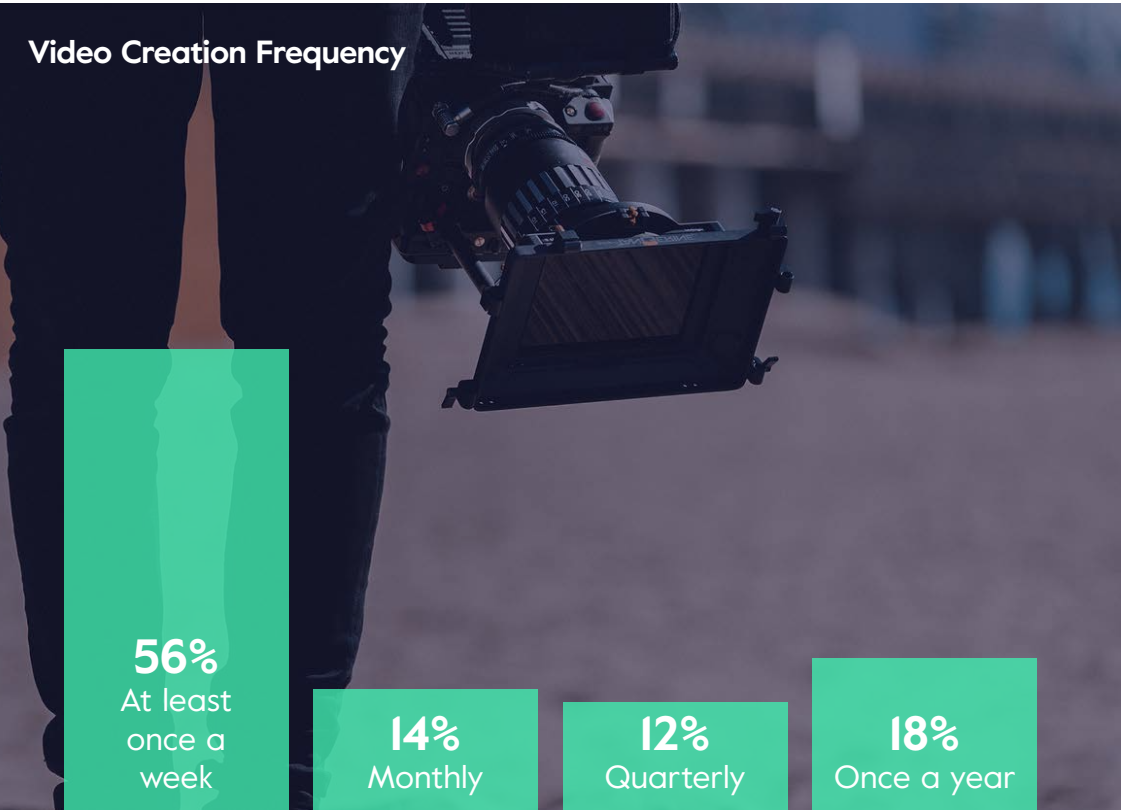
64% of marketers report creating video content internally



The Pace of Video Marketing

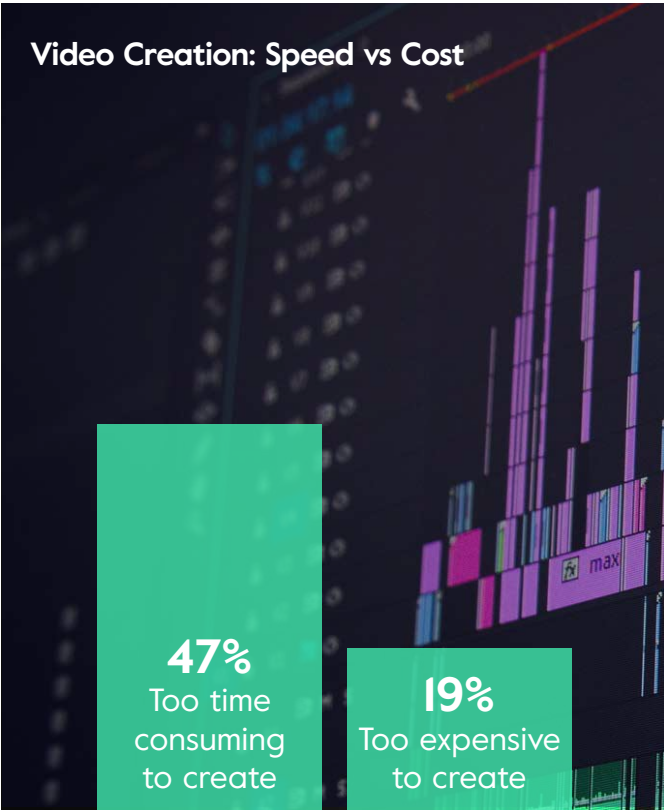
Businesses understand that video marketing is about continuity and frequency

56% of businesses engage in video creation at least once a week
26% create video content daily



Agencies may be playing the wrong game

Businesses are 150% more concerned about the speed of video creation than the cost



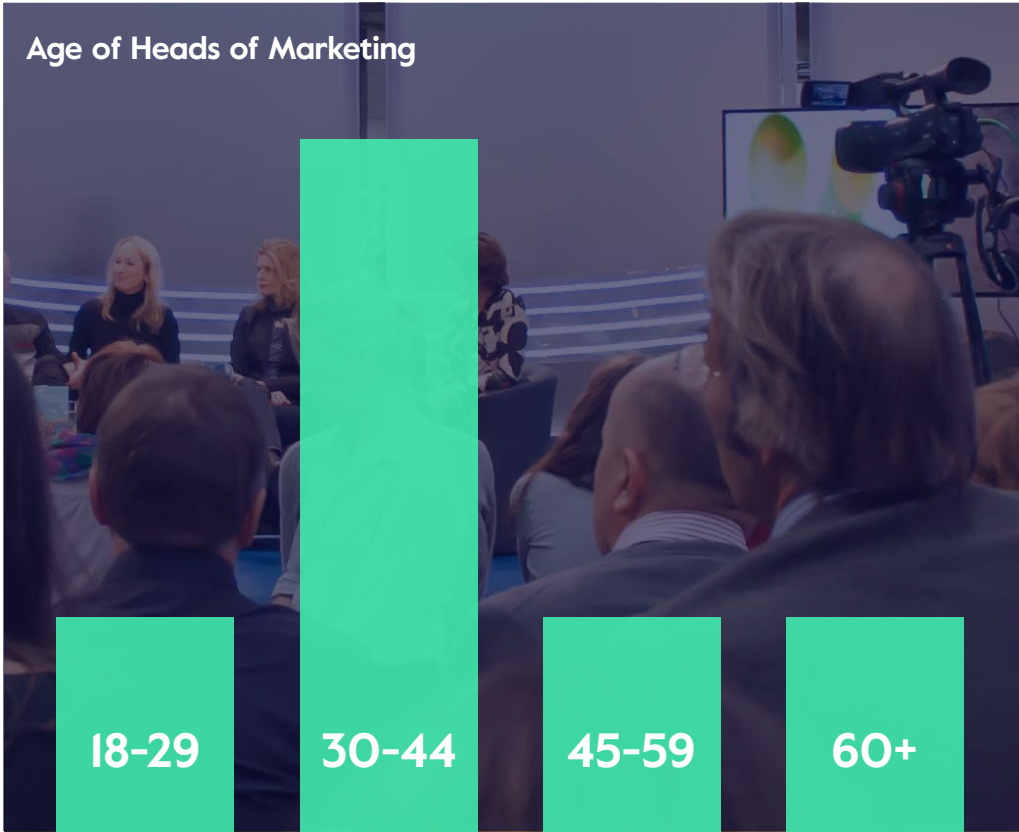
Section 4:

Generation X is Steering a Market Driven By Millennials

Millennials are the first digitally native generation. They are forcibly redefining culture and authoring complex new rules of engagement. Interestingly, Generation X is the one tasked with going to market in the midst of a violent upheaval of context. Individuals between the ages of thirty and forty-five are 250 percent more likely to be heads of marketing than any other age. The role of the digital hinge comes with the unique challenge of decoding extreme cultural change, but it also comes with the unique benefit of perspective. The ability to track the form and function of traditional communication against the evolving new narrative is a powerful asset. Video marketing truly requires a blend of disciplines, and Generation X has the context and professional obligation to figure it out.

Video Marketing and the Generational Divide

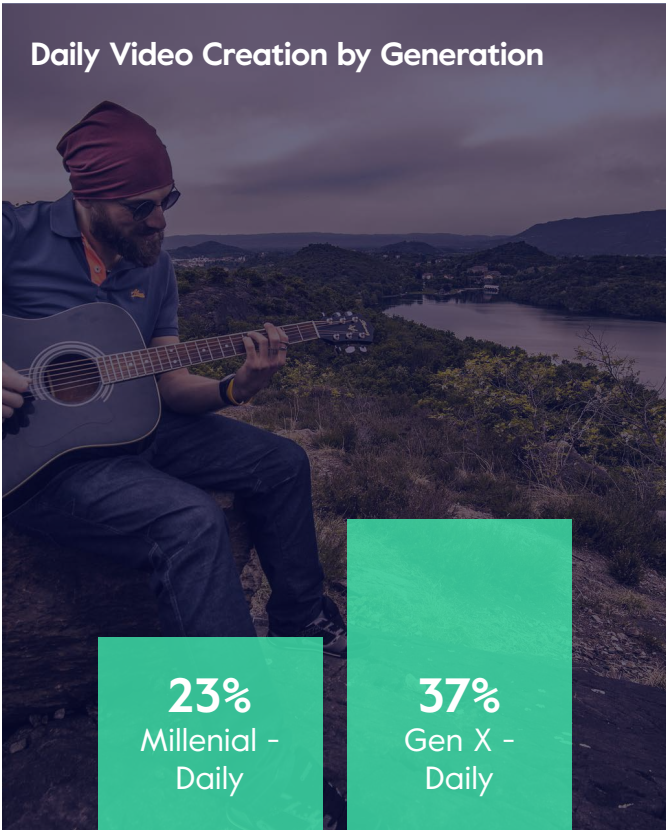
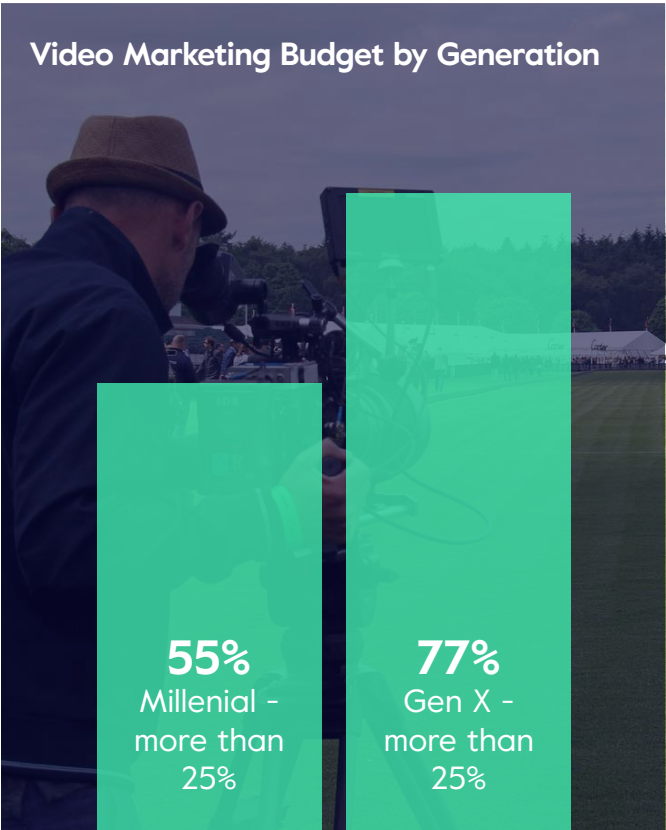
30-45 year olds (Gen X) are 250% more likely to be heads of marketing than any other age cohort



In The Face of Cultural Disruption, Generation X is Tasked With Driving the Adoption of Video

Marketers From Generation X are 40% more likely than Millennials to spend on business videos

Marketers From Generation X are 60% more likely than Millennials to create business video daily



Section 5: Conclusion

How Video Solves The Marketer's Dilemma

In the first few decades of the internet, we witnessed what seemed at the time to be mechanical disruptions of vertical industries and niches of consumer behavior; digital music, publishing, transportation and so on. As the Millennials come of age with an astonishing trillion dollars of purchasing power, we are realizing the true impact of the digital age, which is both promising and problematic. What's taking shape is not a new channel for communication or commerce, but rather a fundamentally new culture — a new way of being, thinking and interacting with the world at large. For businesses, this is the disruption of all disruptions. It requires us to play in a landscape that is not of our own devising. There is no doubt that Millennials are the agents of change, but as business leaders and members of Generation X, we play an equally important and unique role as facilitators and interpreters of that change. We're tasked with transferring the knowledge of the past in a way that translates to the new realities of the future — a future where personal expression, relationships, authenticity and transparency are the currency.

Because video offers businesses a credible way to be engaging and to actually be heard in the din of new social narrative, it is being adopted at an astonishing rate. Businesses are using video with rapidly increasing frequency, creating video and implementing its use in ways never before imagined. For those businesses that can successfully adapt to the breakneck pace, constant communication and authentic voice that this new narrative requires, video marketing offers the perfect medium to present a new breed of communication. Done correctly, video has the scale of television, the precision of digital marketing and the power of authentic story. Businesses are using video to distribute their messages in ways that contribute real value to the attention economy and, as a result, is becoming a fiscal economy unto itself. All told, video marketing, composed of all business video communication excluding Television, is already a \$135B dollar industry in the United States and this is a story that is just getting started.



Video Marketing is a \$135 Billion Industry



Methodology: Magisto surveyed over 500 marketing decision makers in the U.S. at small, medium and large businesses from July to August, 2017. Our research explores the entire digital video ecosystem, including video capturing, creation, hosting, distribution, analytics and staffing. Responses were random, voluntary and anonymous. The data reflected in this report represents only a small portion of the data collected in that survey. This report is the first in a series of three reports examining how video is maturing as a mode of business communication. The key questions we considered in Part I are the true size and scale of the video marketing industry and the drivers for growth. In Part 2, we will examine more precisely where and how marketers are spending the \$135 billion. In Part 3, we'll explore how consumers are reacting to the new voice of business video.

