

# Proximity Reports

a next generation connection

## Reaching Millennials on YouTube

**Video Stars and Branded Channels Can Attract the Cord Never Generation**

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Proximity Media Analyst

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Proximity is a social media consulting group based at Towson University. We study the trends and technologies that are changing how the Millennial Generation lives and works.

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## Executive Summary

Millennials, adults between the ages of 18 and 34, are leading a dramatic shift from broadcast TV to online video viewing. Because millions of Americans are willing to pay for online content with few or no advertisements, conventional TV ads are reaching fewer people and becoming less effective. YouTube, which reaches more Millennials than any cable network, provides an attractive venue for targeting this media savvy generation.

Brands can engage Millennials on YouTube in a number of ways: partnerships with YouTube stars, branded channels, video experiences, and in-stream TrueView ads. If properly employed, each method can engage specific audiences with a high success rate. YouTube’s research and analyses of its users’ video activity and preferences makes it easier for advertisers to target specific audiences. YouTube can also identify advertising opportunities based on people’s age, gender, location, and interests, and it can provide free analytical tools about who is watching existing ads.

## YouTube and the Streaming Video Landscape

YouTube is the largest online video community in the world. Since its acquisition by Google in 2007, millions of users have viewed, shared, and uploaded user-generated video content, including music videos, TV clips and episodes, short and full length films, video blogs, and educational videos. (Google, 2014).

### The Decline of TV and the Rise of Online Video

The success of YouTube has contributed to a dramatic shift in TV viewing habits. People are watching less TV and turning to online streaming alternatives. Nearly 5 million cable TV subscribers have gone elsewhere in the last five years. Over 1.3 million of Charter Communication’s 5.5 million TV subscribers have dropped their cable and only pay for broadband Internet (Business Insider, 2013).

- “27% of U.S. adults watched videos on non-TV devices every day and more than half of respondents did so on a weekly basis” (eMarketer, 2013).
- This year, one-third of US adults surveyed reported watching OTT (over-the-top, such as Netflix) content daily and 59% said they did so weekly (eMarketer, 2013).
- In 2013, 61% of U.S consumers used the Internet, mobile devices, and other non-TV methods to watch television content (Business Insider, 2013).

Because millions of Americans are willing to pay for TV content with few or no advertisements, conventional TV ads are reaching fewer people and becoming less effective:

	Paying Subscribers	Advertisements
Netflix	36 million	none
Amazon Prime	10 million	none
Hulu Plus	4 million	limited

**Table 1: 2012 US subscriptions to streaming services**  
Source: Stenovec, 2013

YouTube now dominates this new online video landscape:

	Unique Users <i>per month</i>	Minutes Watched <i>per month</i>
YouTube	132.8 million	31.7 billion
Netflix	10.8 million	7.4 billion
Hulu	14.3 million	4.2 billion

**Table 2: 2012 US streaming services video viewing**  
Source: Helft, 2013

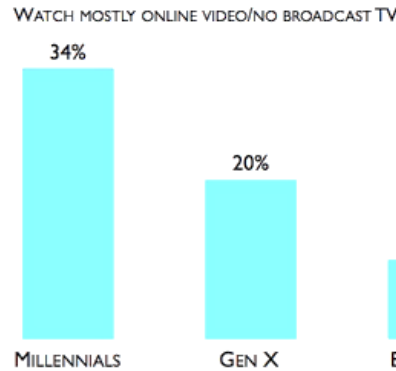
### Millennial Viewers: The Cord Never Generation

Millennials, adults between the ages of 18 and 34, are leading the shift from TV to online video viewing:

	Americans overall	Millennials
TV	34 hrs. per week	23 hrs. per week
Online Video	1 hr. per week	2.5 hrs. per week

**Table 3: 2013 US weekly video viewing**  
Source: Helft, 2013

Younger Millennials are often called the “Cord Never Generation” because they make up the largest segment of the U.S. population without cable who rarely watch broadcast TV:



**Figure 1: 2013 U.S. viewers who watch mostly online video / no broadcast TV**  
Source: Beaujon, 2013

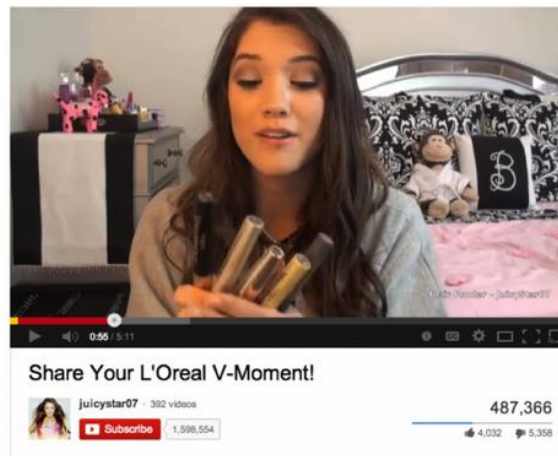
YouTube, which reaches more Millennials than any cable network, provides an attractive venue for targeting this media savvy generation (YouTube, 2014 Press Room). In 2011, for example, Chevrolet created a series of YouTube videos for the Chevy Sonic "Firsts" campaign. Chevrolet’s efforts resulted in increased Millennials subscribers to Chevrolet’s YouTube channel and ad clicks to the Chevy site. The campaign videos had very large viewer completion rates and brought the Chevy Sonic to the best-selling sub-compact car that year (Google Think Insights, 2013).

### Engagement Options on YouTube

Not only can brands on YouTube engage a wide range of audiences, but YouTube also gives them many options for creating video shares and channel subscriptions that propel advertising campaigns and actively communicate with their customers.

## YouTube Stars

Brands have long used celebrities to promote their products. YouTube has created an entirely new generation of stars who are famous solely because of the original content they post on their independent YouTube channels. (Honigman, 2013). These stars are often better known by younger millennials than conventional celebrities. They can be used in creative campaigns such as the one Blair Fowler lead for L'Oreal Mascara (see Figure 2).



**Figure 2. YouTube star Blair Fowler's L'Oreal mascara contest**  
Source: Honigman, 2013

## Branded Channels

YouTube's video platform allows advertisers to interact directly with YouTube users. Instead of buying TV time or YouTube's in-stream ads, advertisers can create their own channels and upload videos for virtually no cost. In 2011, DC Shoes uploaded two to three minute creative videos advertising their shoes and accumulated a million views in the first 24 hours (see Attachment 1). That year, one of the ads was YouTube's most shared video and the company's sales rose by 15% (Teixeira, 2013).

## Video Experiences

YouTube allows advertisers to host engagement programs on its site. Advertisers can sponsor a thematic experience organized around a video such as a show or a contest. In 2010, Kraft's Philadelphia Cream Cheese created a branded YouTube video contest hosted by Paula Deen, a Food Network star. On the first day of its campaign, Kraft bought YouTube's homepage for \$375,000 (the spot attracts about 45 million views per day) to invite women to create their own Philadelphia cream cheese recipes and post the videos on YouTube. The launch video was seen by 51 million people and about 100,000 clicked to Philly's site. The contest helped raise Philly's revenue for the first time in five years (Sacks, 2011).

## TrueView Ads

Introduced in 2010, TrueView in-stream advertising allows viewers to skip ads longer than thirty seconds once five seconds auto-plays. TrueView will also allow users to choose one of several ad options. YouTube does not charge advertisers unless their content is watched all the way through.

Nissan, Sony Pictures, and Ultimate Fighting Championship are a few of the thousands of advertisers to adopt TrueView and 75% of YouTube's in-stream ads are now skippable (Sacks, 2011; YouTube Statistics, 2014).



**Figure 3: YouTube TrueView Ad**

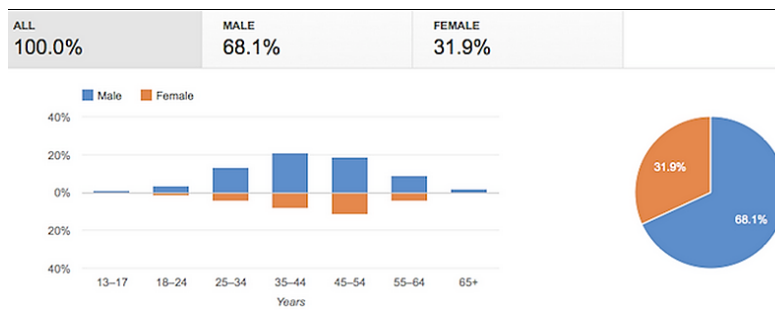
Source: <https://gigaom.com/2012/01/19/more-than-half-of-all-youtube-video-ads-are-skippable/>

Google has conducted research on the effects of TrueView by calculating a “follow-on-search” (FOS) metric. FOS measures the effectiveness of ads based on the number of people following up on an advertisement with search terms related to it.

Google found that the new skippable ads are just as effective as the standard non-skippable ones. When users do choose to watch an ad, they are much more likely to be interested in the product and have a higher rate of FOS. In addition, experiments indicated favorable attitudes about skippable ads that cause users to spend more time on YouTube and thus be exposed to more potential ads (Pashkevich, 2012).

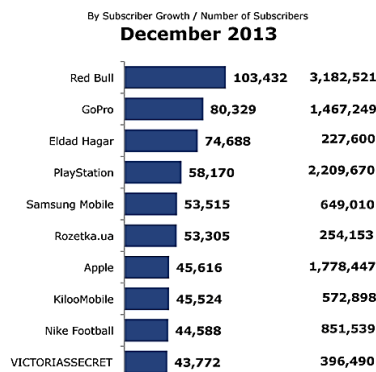
## YouTube Analytics

YouTube analyzes and researches its users' video activity and preferences and communicates that information directly to advertisers. It can identify advertising opportunities based on people's age, gender, location, and interests. In addition, it provides free analytical tools about who is watching existing ads (YouTube Advertise, 2014; see Figure 4)



**Figure 4: YouTube Analytics**  
 Source: <https://www.youtube.com/yt/playbook/yt-analytics.html#overview>

Ninety-four of the top 100 brand advertisers have run YouTube campaigns (see Figure 5). Ads streaming over premium content and original YouTube content are equally successful. Decipher Media Research found that promoted videos triple unaided brand awareness. (Sacks, 2011)



**Figure 5: Top 10 Brand Movers on YouTube**  
 source: <http://www.marketingcharts.com/wp/updates/top-10-brand-movers-on-youtube-december-2013-39139/>

### Platform Optimization

YouTube is now compatible with many different devices, including streaming media boxes (YouTube Devices, 2014). YouTube’s mobile team have transcoded all its videos so that they can play on mobile formats. Smartphones and tablets now bring in 40% of its worldwide watch time compared to just 6% in 2011. Apple’s iPhone has a pre-installed YouTube app, and eight other major mobile providers have YouTube apps available. However, YouTube has yet to make a functioning deal with Microsoft (Constine, 2013, YouTube Devices, 2014).

YouTube mobile users can capture, share, and watch videos, subscribe to channels, and build a Watch List on their phones. They can send YouTube videos from their phones to compatible TVs and play them instantly (YouTube Devices, 2014). In November 2013, YouTube launched a mobile application that lets users watch and save videos offline. Users

can also now minimize videos and multitask on their phones, which is especially helpful for users that watch YouTube music videos (Constine, 2013).

### **Challenges to YouTube Advertising**

Adblock and other ad-blocking software often present challenges to websites that display or auto-play ads (Leonard 2013). Since YouTube is a private company, Google does not reveal specific numbers, but potential advertisers should be aware that YouTube users could be employing ad-blocking features (see Attachment 2).

### **YouTube Success Stories**

YouTube does not provide averaged statistics regarding the success rates of its in-stream video advertising, but it does share success stories.

#### **Berkleemusic**

Berkleemusic, the online school of Berklee College of Music, uses YouTube to engage potential students. It's YouTube channel offers everything from video music lessons to faculty interviews, which attract more than 33,500 subscribers and have gained 16.7 million video views. Berkleemusic uses YouTube's search campaigns and search-engine optimization in addition to TrueView in-stream video ads. Milan Kovacev, Director of Interactive Marketing, said that, "YouTube Analytics is incredibly valuable in understanding our viewers and focusing our ad strategies." Since 2008, the school's success has increased due in part to YouTube's global reach:

- YouTube views are up 62%;
- subscribers have increased 76%;
- enrollment includes hundreds of students from over 40 countries;
- new views during the last winter term alone were up 99% over the previous term;
- Berkleemusic is now the 5th most viewed educational channel on YouTube out of 400 colleges and universities from the United States and Canada. (Google User Content Berklee, 2014).

#### **NASCAR**

The Richard Petty Driving Experience is an authentic NASCAR racecar-driving program meant to engage new and old fans. Elliott Antal, eMarketing Manager at The Richard Petty Driving Experience, implemented an in-stream ad campaign on YouTube that:

- increased fan engagement by 700%
- made \$0.10 for every viewer who watched the entire clip (16% of viewers)
- raised viewership from 14,000 to 117,000 during the 30 day promotion



Antal commented that Google's advertising tools "enable smaller companies like ours to play in the same online sandbox with industry giants" (Google User Content Richard Petty, 2014).

## Coming Attractions

Although traditional broadcast TV will be around for a long time, Millennials are no longer using it as their primary source for home entertainment. They are the viewers who will drive change on the new video landscape.

Basho Mosko, Vice-president of Marketing and Business Development at Rapt Media, has made nine predictions for the future of video in 2014 (Mosko, 2014). Four trends he foresees are of particular interest to marketers who use YouTube:

- increased replication of the "TV experience" on the web;
- further development of video that provides interactive, immersive experience;
- creation of more original online series;
- greater use of tablet video for shopping.

These developments will certainly be fostered on YouTube. The site is already generating its own professional content, creating easier ways for viewers to find material, and employing unique advertising features.

## Recommendations

As online video becomes more popular, companies should use that platform in addition to conventional TV to promote themselves. This report recommends that Proximity clients take the following steps to engage Millennials on YouTube:

- Use YouTube's analytical tools to understand the target audience.
- Take advantage of the appeal of YouTube stars to reach younger Millennials
- Upload video ads to a branded YouTube channel, a strategy which cost less than expensive TV sports ads but can reach just as many people.
- Buy YouTube advertising spots to promote ad campaigns.
- Employ YouTube's TrueView in-stream ads to reduce negative attitudes about ads without impacting their effectiveness.

Online video is a growing platform that advertisers will need to utilize in the coming years. Proximity clients should consider YouTube's large global audience and advertising tools when making decisions about online ads.

## Attachment 1: Anatomy of DC Shoes YouTube Channel

DC Shoes is a global brand that sells men's, women's and kids' skateboarding and lifestyle shoes, apparel, snowboards, snowboard boots, outerwear and accessories. It joined YouTube in 2007. The [DC Shoes channel](#) now has over 750,000 subscribers and more than 350 million views.

The image shows a screenshot of the DC Shoes YouTube channel page with several red arrows pointing to specific features, each enclosed in a red-bordered text box:

- playlist videos are organized by topic for easy navigation:** Points to the 'Playlists' tab in the channel navigation bar.
- users can interact on discussion board:** Points to the 'Discussion' tab in the channel navigation bar.
- banner image brands channel:** Points to the large banner image at the top of the channel, which features the DC logo, a skateboarder, and the text 'NYIAH'.
- subscribers are notified about new product related uploads:** Points to the 'Recent uploads' section below the main video player.
- featured channels allow customization by location and language:** Points to the 'Featured Channels' section on the right side of the page, which lists channels like 'DCShoesFilmEurope', 'dcshoesbrasil', and 'DC AUSTRALIA'.

Other visible elements on the page include the DC Shoes logo, a 'Subscribe' button with 756,242 subscribers, a main video player for 'DC SHOES: DEFY CONVENTION 20 YEARS', and a 'Related channels on YouTube' section.

## Attachment 2: Proximity Focus Group Results

### Proximity Finds Millennials Hate Online Video Ads

Proximity's focus group sessions with Towson University students reveal that Gen-Ys streaming video online are turning to ad-blocking software to avoid auto-playing ads.

**Towson, MD, January 13, 2014** - Proximity, a Gen-Y social media strategy group, announced today results from focus groups conducted with over 300 college students regarding their use of social media. The sessions revealed that GenYs are actively avoiding ads while accessing online video streaming websites. Almost all participants expressed frustration with annoying, long, repetitive ads that interrupt their TV shows and movies. The results also showed that young adults are employing ad-blocking software and even pirating videos to avoid ads.

"Advertisers are wasting their money on video ads," said Paul Miers, Proximity's Director of Research. "Young adults simply can't stand the interruptions."

### Millennials Turn to Adblock Plus

All the participants currently use or are considering using ad-blocking software. One focus group participant who uses Adblock Plus prefers to watch 45 seconds of black screen on Hulu.com instead of watching the ads. [Adblock Plus](#) alone claims over 200 million downloads and 50 million active users. Till Faida, its CEO, explained that websites are trying to bring in more revenue by running increasingly aggressive ads. He said, "As ads steadily become even more annoying, users click even less" (Leonard, 2013)

A 2013 [PageFair report](#), based on data from 220 websites, found that:

- 22.7% of web surfers are blocking ads;
- ad blocking is growing at a rate of 43% per year.

### Advertisers Can Engage Millennials with Non-Intrusive Ads

Although the participants complained about video ads, they do like some ads. Emily, a 20 year old focus group member, stated that ads are appealing when they are especially creative or funny, like Super Bowl ads. She said, "They gain a social aspect as they get shared around the Internet, and that makes them interesting." Focus group participants all agreed that if video ads did not interrupt their online TV content, they would be much more likely to watch them and even enjoy them. Faida noted that 80 percent of Adblock Plus' users have no objection to ads that are not obnoxious.

"Businesses can always engage young adults with online video ads," said Paul Miers. "We just need to listen to them, and tailor ads to their needs."

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