HBR.ORG
Harvard Business Review
JUNE 2013
REPRINT F1306A

IDEA WATCH

How to Profit From “Lean Advertising”

Online video offers a way to achieve higher engagement with consumers for far less money.

by Thales Teixeira

MARKETING

ILLUSTRATION: SETH

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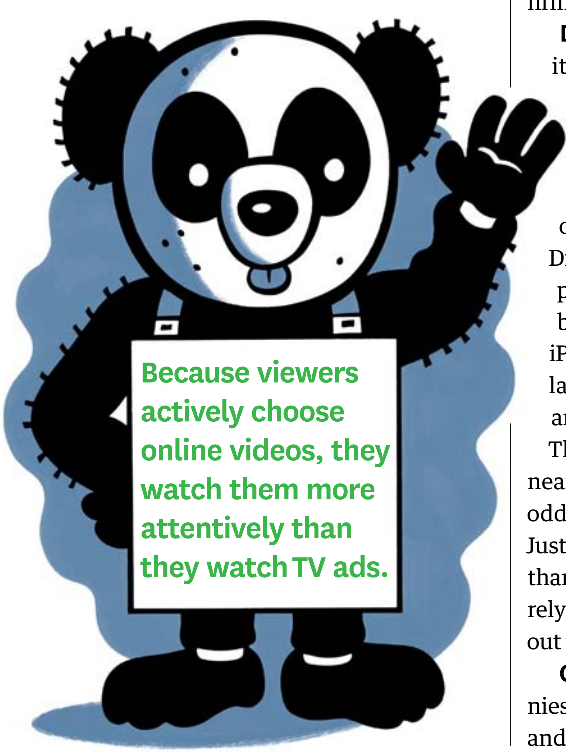
The footwear industry has traditionally been a hotbed of memorable advertising, with brands such as Nike and Reebok spending millions to sign athlete-endorsers and hire ad agencies that create spectacular TV campaigns. But the approach taken by DC Shoes, which makes footwear for skateboarders, couldn't be more different. In 2009 the company began shooting videos featuring its cofounder Ken Block driving a tricked-out race car around closed-off airports, theme parks, and even the port of San Francisco. The videos last up to nine minutes and have almost no talking; the stunt driving is interspersed with glamour shots of footwear. Instead of buying expensive TV time, DC Shoes uploads the videos to YouTube. Over the past four years they have gotten more than 180 million views—and in 2011 alone, sales jumped 15%. One was YouTube's most-shared video of 2011; another garnered a million views in its first 24 hours. Paying online media for this type of exposure would cost upward of $5 million. Using "lean advertising," DC Shoes achieved it for a tiny fraction of that amount.

Many other companies would like to mimic this approach. In my research, I use eye-tracking technology, facial-expression analysis, and lab experiments to better understand why people choose to view online videos, what narrative techniques keep them watching, and what features prompt them to share videos with friends. Since writing about this work in HBR last year (see "The New Science of Viral Ads," March 2012), I've received a steady stream of requests from companies asking: How can we put that research to use? As a result, I've been studying how companies create and distribute online video advertisements, and I've examined some of the new firms that specialize in helping them do so. I've found many examples of companies that have produced effective campaigns for 10% or even 1% of what they would have spent on traditional ad agencies and paid mass media.

Lower cost isn't the only reason to consider online video. Because of channel surfing, DVRs, and the growing use of "second screens" (mainly smartphones and tablets), fewer people watch TV commercials than in the past. And online video is becoming more popular each year: In 2011, 83% of U.S. internet users regularly watched online videos, and the research company comScore estimated that 12% of the clips viewed were ads. Moreover, because viewers actively choose online videos, they tend to watch them more attentively than they watch TV ads. According to a 2010 survey by the research firm Vision Critical, 48% of those who watched an online ad at any point subsequently visited the brand's website, 11% shared the video with a friend, and 22% made a purchase.



Create It Yourself or Find Outside Talent?

Developing an ad campaign involves two main tasks: Creating content and distributing it. A traditional agency typically charges $100,000 to $1 million to produce a 30-second TV spot, and networks charge $14,000 to $545,000 each time a spot airs. Companies looking to cut those costs can take a do-it-yourself approach or outsource one or both of those tasks to lower-cost firms. Let's look at content creation first.

DIY content. As you'd expect, the do-it-yourself approach is the cheapest—and sometimes it works remarkably well. In the most celebrated example, in 2007 the kitchen appliance company Blendtec created a series of videos in which the founder, Tom Dickson, demonstrated the power of its products by blending such items as marbles, a rake handle, hockey pucks, and iPods. The videos went viral on YouTube, landing Dickson on the *Tonight Show* and the *Today Show,* and sales took off. The Blendtec videos have been viewed nearly 240 million times to date. But the odds of replicating that success are low: Just 3% of YouTube films are viewed more than 25,000 times. Inside the ad industry, relying on YouTube alone to get a message out is derided as "post it and pray."

Outsourced content. Many companies, including Duck Tape, Lego, Duracell, and Braun, have turned to Tongal, a four-year-old firm that, for a fee, posts specs for a project and matches it with freelance creative talent willing to work for relatively low pay. For instance, a company might want 90-second videos that mention the brand name at least twice and show the logo for two seconds. Tongal members submit 250-word proposals that meet those specs, and the brand company pays $500, on average, for the rights to the ideas it likes. Members then create clips based on the winning ideas, with those who produce the best ones typically receiving $5,000 to $20,000. Because Tongal draws on the skill sets of many professionals and competent amateurs, the ads tend to be of high quality.

Companies pay $10,000 to $50,000, on average, for ads from Tongal, and the most successful Tongal contributors have earned more than $150,000 from their work on dozens of projects. Companies generally use the ads online, but some go further: For example, Speed Stick paid $17,000 for a Tongal-produced ad and laid out $4 million to air it during the 2013 Super Bowl, whose viewers ranked it higher than conventionally produced ads for Coke, Pepsi, Subway, Lincoln, and Anheuser-Busch.

Engineered to Go Viral

High-quality content is not the only requirement for successful lean advertising; effective distribution matters, too. Companies can again choose to do it themselves or to contract outside help.

DIY distribution. Some companies that outsource content creation handle their own distribution, putting videos on their websites and posting them on YouTube. Most, however, enlist at least some help drawing in viewers—a service known as "inbound marketing" (to distinguish it from traditional, or outbound, marketing). For a relatively small fee (typically less than $10,000 a year), inbound-marketing companies such as HubSpot use search engine optimization and sophisticated analytics to help clients understand which of their content offerings draw viewers and which don't.

STEP ASIDE, MAD MEN

People watch more online videos each year, and savvy companies are taking advantage of that fact. Those with tiny budgets can create and distribute videos themselves at low cost; others can spend more to crowdsource content or hire expert distributors. Companies can also mix and match strategies—for example, crowdsourcing content but distributing it themselves.

	Do It Yourself	Others Do It for You	Traditional Approach
CONTENT CREATION	Companies are developing the ability to create their own commercials, ranging from simple product demos like Blendtec's to elaborate productions like DC Shoes'.	Even large companies that can afford agencies, such as Duck Tape and Lego, are tapping into low-cost creative talent and crowdsourcing ads via Tongal.	Large companies with big budgets hire full-service ad agencies to create TV spots.
	COST PER AD: **<$10,000**	**COST PER AD:** **$10,000–$50,000**	**COST PER AD:** **$100,000–$1,000,000**
CONTENT DISTRIBUTION	Instead of simply posting a video online and hoping people find it, companies hire inbound marketing firms such as Hubspot, which use low-cost strategies to drive traffic.	Newer ad agencies, such as Mekanism, have expertise in engineering ads to go viral; they use social media (and sometimes paid spots) to drive traffic.	Full-service agencies charge commissions when they buy time on television for traditional ads.
	ANNUAL COST PER CAMPAIGN: **$3,000–$6,000**	**COST PER CAMPAIGN:** **$250,000+**	**COST PER CAMPAIGN (PRIME TIME):** **$500,000**

NEW APPROACHES WITH LOWER BUDGETS

Outsourced distribution. Companies seeking more-aggressive distribution often look to social media syndication firms such as the San Francisco–based agency Mekanism. The firm does produce traditional ads, but since 2009 its forte has been making and disseminating blockbuster online ads; in 2010 its CEO asserted, "We guarantee we can create an online campaign and make it go viral." Mekanism's services include managing digital platforms (such as dedicated YouTube channels and, occasionally, paid online video) and building networks of high-profile digital influencers to spread campaigns. Its ability to tap into huge online audiences through those influencer networks is the reason the CEO is so confident of its viral reach. About 75% of Mekanism's online videos have garnered more than 1 million views (a commonly accepted threshold for "viral"), and the cost is far less than that of conventional distribution channels: Mekanism charges as little as $250,000 to run a campaign that doesn't involve traditional paid media.

Research by Michael Norton and colleagues has shown that people are more engaged in things they've had a hand in creating (see "The IKEA Effect: When Labor Leads to Love," HBR February 2009)—and Mekanism often involves consumers in the creation of its clients' ads. In a campaign for Golden Grahams aimed at recent college graduates, it posted a series of animated videos about job interviews gone comically awry. It then solicited viewers' own stories via Twitter, turning more than 50 of them into online videos. Together the videos got more than 2.5 million views (60% of which were the direct result of influencers' actions). Viewers remained engaged with the videos for four minutes and 10 seconds, on average, and each person typically watched multiple videos, with many later visiting the company's website.

As ad viewership increasingly shifts online, traditional measures of cost and effectiveness, such as cost per impression—the dominant metric for print, radio, and TV ads—will become less relevant, and new metrics will be needed. I often discuss with my students potential ways to measure "cost per engagement." By tracking the amount of time a person spends viewing an online video and seeing whether she forwards it, visits the company website, or begins following the company on Twitter, you can quantify the benefits your company receives from a campaign. Looking at those benefits against your expenditures will give you a good sense of the efficiency of your campaign, allowing you to compare online lean advertising techniques with traditional media efforts.

Most online video advertisements today promote large, established brands. That's because big companies, blessed with hefty ad budgets, have begun aggressively allocating some of their spending to the web. Over time, smaller companies' ads will become an increasingly large part of the mix. Web video and novel distribution strategies are perfectly suited to rapidly building brands on limited budgets—the core of lean advertising. Whether companies create campaigns themselves or enlist outside help—or some mix of the two—there's growing evidence that this new approach can have a big payoff.

HBR Reprint F1306A

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