

A Video Chatterbox Nation

A report on live video communications today & tomorrow

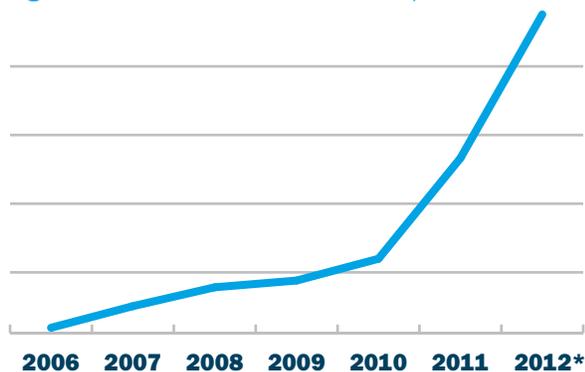
Introduction

The past decade has seen rapid developments in video communications; from the spread of corporate TelePresence systems from Cisco, to the democratization of video chat through services such as Skype, to the socialization of video through services such as ChatRoulette and integration into networks such as Facebook.

But suddenly, in the past 12-24 months there has been another change. There has been a frenzy of press coverage (see figure 1), video-centric startup funding growth has been outpacing the overall Venture Capital market (see figure 4.1), and consumer adoption has soared (see sidebar) and is expected to continue growing at an increasing rate. It is clear something big is going on.

This new primary research report from TokBox uncovers what is driving usage of live video chat today and looks at what the future holds as video chat becomes increasingly mainstream.

Figure 1: Press Mentions of "Video startup"



The rise and rise of video calling/video chat

Pew Research Center, 2010: "Almost a fifth of American adults – 19% – have tried video calling either online or via their cell phones." In a 2012 survey by TokBox* this number had more than doubled to 44%.



NPD In-Stat Report, November 2011: Number of active video calling users will surpass 380 million in 2015, a monumental increase from 63 million in 2010.

NPD In-Stat Report, January 2012: Living Room Video Calling will increase from 1.5 million in 2011 to 16.4 million in 2015. The total number of video calling minutes of use will approach 550 billion minutes in 2015, a monumental increase from 141 million minutes in 2010.

Skype, 2011: 75% of their users have made a video call.

Pew Research Center, May 2012: 37% of internet users ages 12-17 participate in video chats with others using applications such as Skype, Google Talk or iChat. Girls are more likely than boys to have such chats.

Snapshot of Video Communications Today

Adoption, Platforms & Devices



44%

Adoption

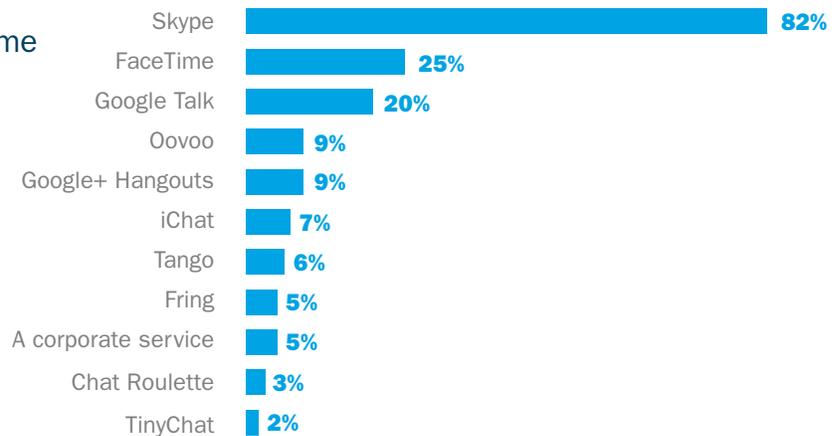
Nearly half the people surveyed use Video calling or video chat

Skype dominates

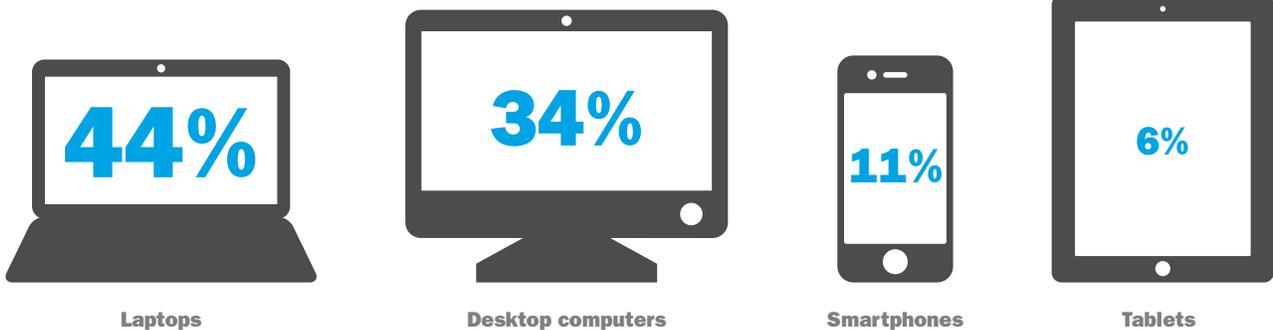
82% of people who video chat use Skype, followed by FaceTime and Google Talk. New entrant, Google+ Hangouts has yet to enter double-digits



Figure 2: Which services?



Devices

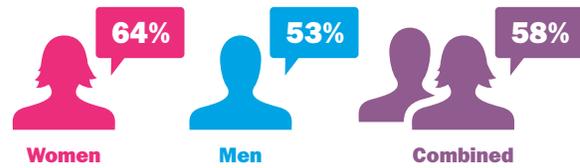


Snapshot of Video Communications Today

Motivations

Human Interaction

Creating a meaningful and communicative experience is so much easier when you can see face to face.



Good for the Environment

I wish more people would use video chat for meetings and avoid travel - so much better for the environment.



Simplicity

I don't find video chat technology to be overly complex or difficult to use



18% use video to chat with colleagues

Telecommuting

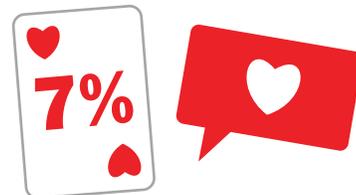


1 in 10 work from home more now as a direct result



Shrinks Distance

I video chat with friends & family far away



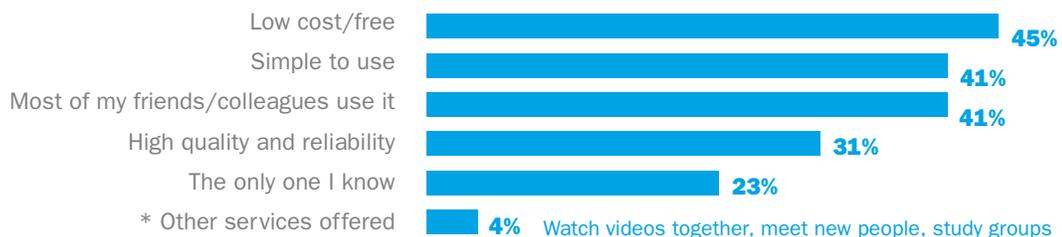
New Forms of Social Interaction

7% use video to chat with people they don't know- online dating, gaming, casual chat rooms

Key drivers behind service-choice

Low cost and 'where my friends are' still main driver. A small but not insignificant group are motivated by the additional services.

Figure 3: Key drivers behind service choice



Snapshot of Video Communications Today

Investment

Investment as a predictor?

The venture capital industry has certainly noticed the trend in video and has backed it with its investment dollars.

Since the 2009 recovery, VC dollars flowing into video-centric startups have outpaced the market significantly.

In particular, as the rest of the market dipped over the past 12-18 months, investments in video startups have continued to rise, both in raw dollar terms and investment focus.

Figure 4.1 Total VC investments (\$) vs \$ invested in video-centric startups

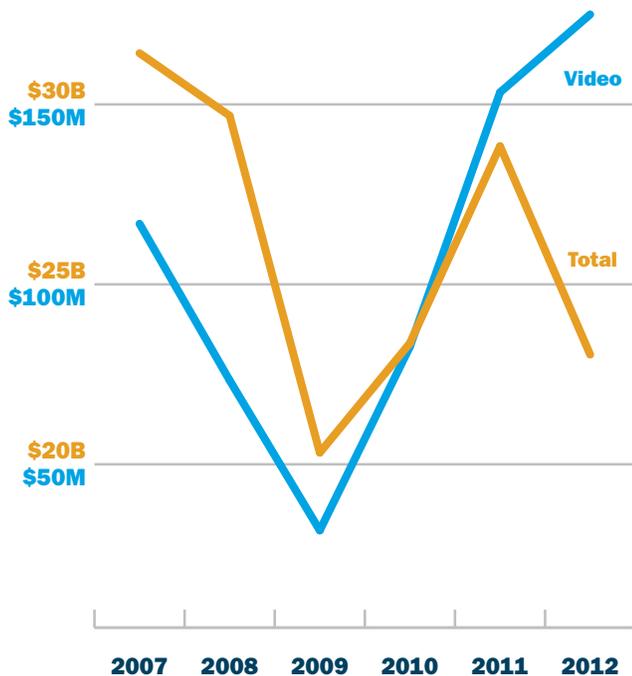
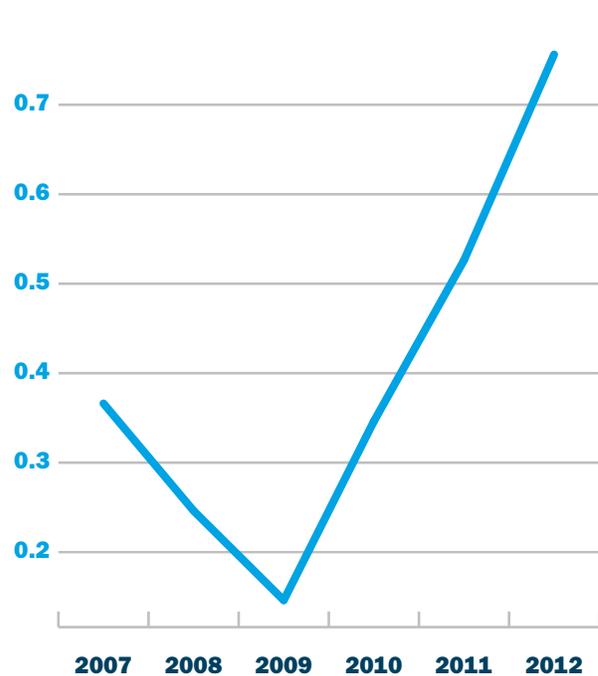


Figure 4.2 \$ invested in video-centric startups as % of total \$ invested



Source: PricewaterhouseCoopers/National Venture Capital Association & primary research

A Look at Video Communications Tomorrow

Emerging Trends

Currently, video communication is dominated by video calling, either with friends/family who live far away or within a corporate environment.

The two clear emerging trends are the use of video to add social elements to a range of activities, from online dating to watching sports, and the use of video calling for increased convenience and efficiency, from online shopping assistance to video-doctors appointments. Despite the relatively recent introduction of these services, there is already widespread adoption.

Who do you video communicate with?

- 61.24%** Friends/family who live far away
- 13.95%** Corporate/professional
- 10.47%** Social-online dating, gaming, casual chat
- 6.20%** Teachers/fellow students
- 5.43%** Recruiter/potential employer
- 5.04%** Customer support agent
- 3.88%** Celebrity/public figure in a town hall forum
- 3.49%** Healthcare practitioner
- 2.33%** Friends/fans while co-viewing sport/TV/movie online

Four main categories of usage

- 61%** **Family & Friends**
Overcoming distance
- 20%** **Convenience & Practicality**
Driven by convenience
- 16%** **Entertainment & Social**
Driven by connecting interests
- 14%** **Business**
Overcoming distance

So where to from here?

It is commonly accepted by industry researchers and commentators that video communications usage will grow. Fast. But why? While pundits and investors have their opinions, this report looks at the industry from a consumer perspective.

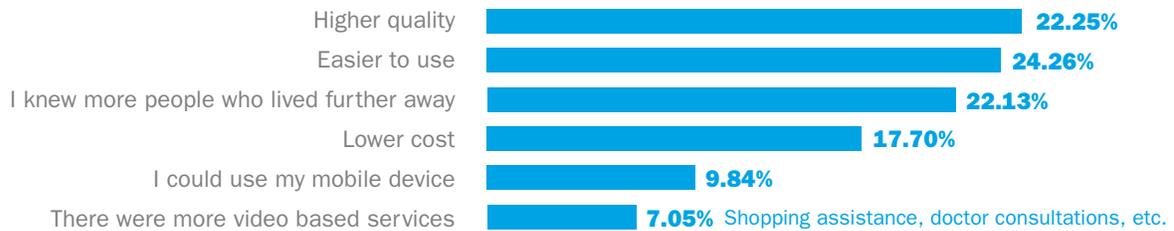
38% of people said they “will increase the amount they video chat in the future” – we asked “why”?

A Look at Video Communications Tomorrow

Why is Video Chat Growing?

As with any emerging technology, continuing improvements in quality, lowering of costs and increasing ease of use will drive increased usage of video. In addition, live face-to-face video growth is clearly being fueled by globalization trends and with the introduction of new and compelling value-added services.

Figure 6.1 What would make you more likely to use video communications?

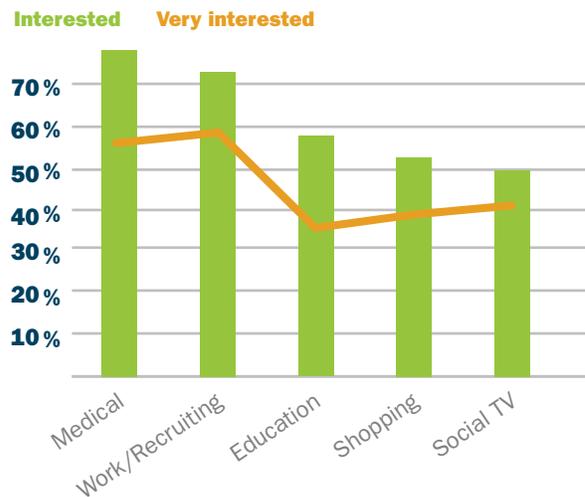


Upon further examination

Consumer interest is highest for ‘practical’ applications that save people time or money and deliver convenient solutions to everyday problems. We have termed these interactions ‘Convenience Calls’. Consumers are also interested in the addition of video chat services to other activities, such as co-viewing sports matches or movies. We have called these ‘Entertainment/Social Chats’.

Let’s look at each area in more detail.

Figure 6.2 Interest levels in video communications use cases



A Look at Video Communications Tomorrow

Why is Video Chat Growing?

Medical

Driven by convenience, and in some cases, necessity, interest in the use of live interactive chat within the medical and therapy communities is the highest of all. On average, 3 out of every 4 people would be interested in accessing medical/therapy services via video chat if it were offered.

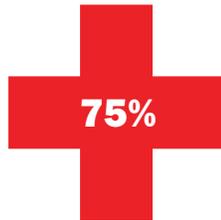


Figure 7.1 Interest levels in medical use cases

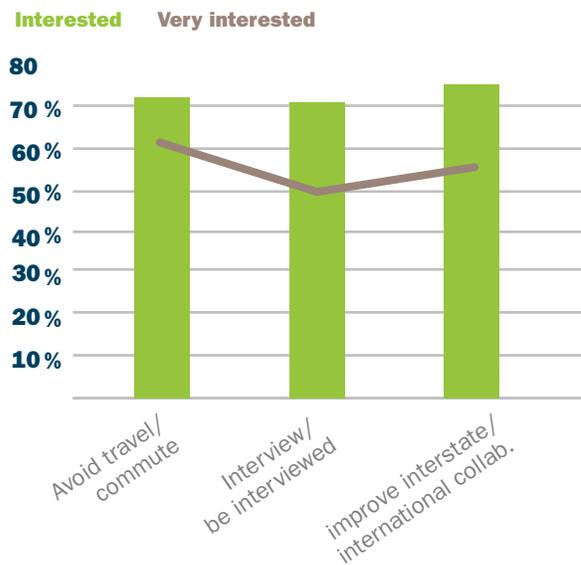


Work/Recruitment

The second highest interest area is around work and recruitment. One third of respondents were aware of and/or had participated in recruitment interviews via video, and 70% of respondents had an appetite to incorporate video into their work/professional experience in some way.



Figure 7.2 Interest levels in work/recruitment use cases



A Look at Video Communications Tomorrow

Why is Video Chat Growing?

Education

Many of the most popular use cases of video chat are coming from within the education sector, both formal and informal. Consider for example MIT and Harvard's Online edX courses, the growing use of webcams for lessons, and education-centric collaboration tools such as Hoot.me.

In this report we looked at how online courses including video chat will be making education more accessible, in particular for informal education such as learning a musical instrument, yoga, language classes etc.

Video is poised to make a big impact.



56% indicate they would be more likely to take a class over video chat, of which 31% would be “extremely likely”

Despite the already strong performance of some online education services, this figure is lower than both medical and professional categories of usage.

A Look at Video Communications Tomorrow

Why is Video Chat Growing?

Shopping

Online shopping and customer service are two significantly untapped areas of video chat usage, despite the availability of tools and a clear consumer appetite. 51% of respondents are interested in shopping-related video chat, of which 31% show a very strong interest.



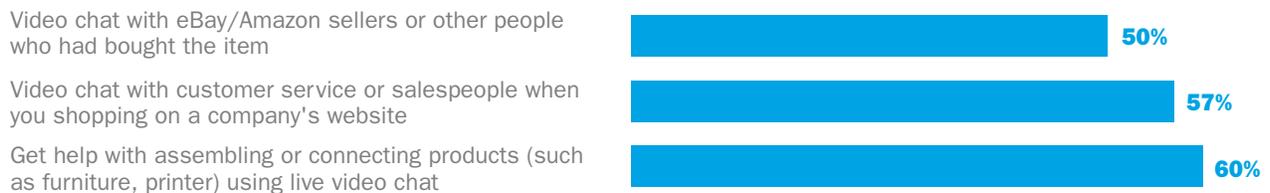
Video chat for shopping can be split into two broad areas – assisted/social shopping and advanced customer service.

Both are popular with respondents, although customer service more so, with 55% interested in the use of video chat within customer service, compared with 47% for assisted shopping.

Figure 9.1 Assisted/social shopping



Figure 9.2 Advanced customer service



In general, women were up to twice as interested as men when it came to getting assistance – 168% more likely to chat with friends, 154% to chat with a stylist and 148% to get assistance with assembly.

A Look at Video Communications Tomorrow

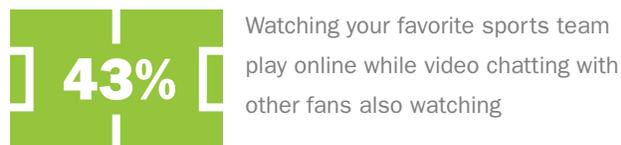
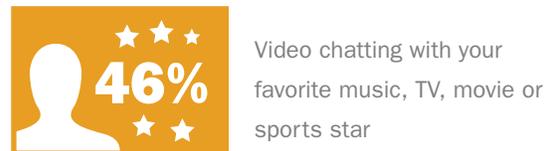
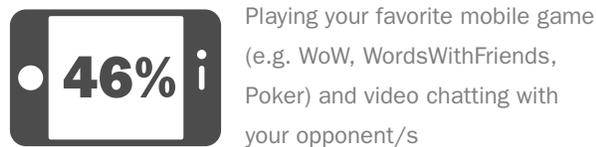
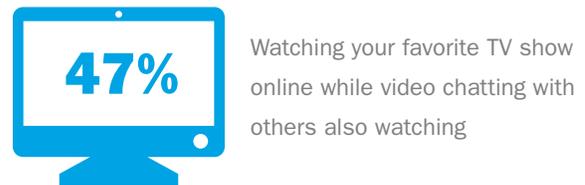
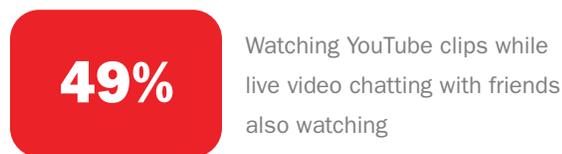
Why is Video Chat Growing?

Entertainment

With 16% already using entertainment/social video chats, and a further 7% saying their use of video communications will be driven by the addition of video to entertainment/social services or sites, this is a major growth space driving both consumer and investor interest.



This study explored the levels of interest in video chatting with others while consuming a range of content types. Across the board there was a pretty steady level of interest, but in rank order:



Conclusion

When consumer interest, press interest and investor interest converge, it can be a pretty compelling sign that an industry is growing and set for further growth. Since 2011 video communications have clearly ranked against all three of those metrics at unprecedented levels.

While affordability, availability and usability are necessary factors for a technology's adoption, these factors only yield dramatic growth when leveraged to meet an underlying need. In the case of online, face-to-face communication growth appears to be driven by two needs – convenience/efficiency and entertainment/social. As startup businesses develop innovative services built around video communications, consumers are realizing opportunities for convenience – such as medical appointments and job interviews – as well as social – such as online dating and co-viewing of sports and entertainment programs.

What seems clear is, despite years of development and expectation and significant usage, we are still only at the beginning.

About the research

Research was conducted by TokBox in May 2012. A representative panel of 610 US based individuals completed a survey via TolunaQuick.

About TokBox

OpenTok from TokBox is the leading global online video communications platform, enabling the addition of live group video communications into any web property or iOS app. OpenTok incorporates solutions for enterprises, entrepreneurs and developers. Now anyone with a web presence can harness the power of live video to drive user engagement within their site or service.

This scalable, customizable face-to-face video technology platform enables up to 20 simultaneous broadcasters and unlimited viewers.

TokBox is a privately held company headquartered in San Francisco, CA.