By Brad Howarth

Online video is becoming the hottest marketing tool for businesses keen to spruik their products and services in a cheap and very effective way.

Alan Perrins never set out to be part of a revolution. He simply wanted a better way to explain the workings of his business, The BEAN Machine.

But by engaging production company BizTube to produce a low-cost one-minute video for his website, Perrins joined the early adopters of the internet's newest killer application.

Sparked in part by the rise of YouTube and the realisation online video does not need to meet the same production standards as television, companies all over the world are promoting themselves using video more effectively than they could through words or pictures.

"Video shows a lot more than a static website or a flyer or a telephone call," Perrins says.

It won't ever win an Emmy, but Perrins says the video clip is useful for explaining his company's Coffee Pod portable coffee-vending machines to potential clients and local councils.

He says creating the video was more cost-effective than producing 1000 high-quality flyers for direct mailing.

The growth of video online has resulted from a combination of both the falling cost of digital video production equipment and the increase in penetration of the broadband connections needed to watch it.

Numerous companies have emerged offering low-cost production of standard video formats. For less than $2000 businesses can have a short video produced for the web.

The group operations manager for Sensis's MediaSmart Group, Rob Manning, believes online video will further accelerate the already rapid growth in online advertising.

"One of the things that has kept the fast-moving consumer goods companies out of the online market is they haven't had the ability to properly target the audiences they wanted, nor have they been able to reach them with rich messaging in a way that they can now," Manning says.

According to Nielsen/NetRatings, 36 per cent of Australians have downloaded video, while 33 per cent have streamed content across the internet.

The question now for websites and advertisers is how to make money from that activity.

Managing director of Insomnia Marketing & Communication, Mellissah Smith, says video is clearly the hot area among her clients. Smith also sees strong potential for video in press releases, particularly in fashion and consumer brands.

"Our clients are looking at it as part of the integrated marketing mix," she says. "And it's allowing companies to tell messages more often, because of the ability of having a camera on your desk and saying a message and putting it online. It can be done in a matter of minutes."

In one instance, a direct marketing campaign using online video produced a 93 per cent response. "That's enormous. Where else can you get that sort of response?" Smith asks.

For many advertisers, the entry point into online video is simply to put their existing television commercials on to their website.

But managing director of Sydney-based online marketing company Bullseye, Jason Davey, says online video is better used in contextual placements that match the other content the consumer is looking at.

He points to a study by Viewpoint in the US that measured the responses of 4000 web users to campaigns run by four advertisers, where the "annoyance factor" associated with video advertising was only 26 per cent, as opposed to 57 per cent on television.

Davey says video also holds great potential for allowing consumers to interact with the advertising they are viewing, such as clicking on a link to request further information.

He says the interaction rate for video advertising is around 8 per cent, much higher than click-through rates on banner advertisements.

"Video is a very emotive medium, and online allows you to extend that, and perhaps take part in and direct the narrative," Davey says.

In the case of health food company Blackmores' sponsorship of the Sydney Running Festival, Bullseye used video blogs to show the training regime of high profile athletes.

The rise of video also has implications from the perspective of how search engines find and rank sites. Director of search engine marketing company PayPerClick, Stephen Murphy, says sites video clips must be properly titled and tagged so search engine crawlers can find and categorise it.

He says Google's universal search is also capable of returning video and audio files in addition to simple web pages, improving the chances of video content being seen.

"Humans can process images a thousand times faster than words, so what we are seeing in search engine result pages is that if you have an image that represents a video clip in the search engine results, even if it has a lower ranking, people's eyes are fixing on the image much more so than the top rankings," Murphy says.

Tips for making the most of online video:

- The quality of the message is more important than the quality of the footage.

- Ensure the content suits the context it is being presented in.

- Keep it short, no more than 60 seconds.

- Don't be too ambitious. Sweeping pans and zooms do not translate well onto a small video window at low quality.

- Use colours and images that capture the casual viewer's attention