



- a thinkpiece from pjb Associates

The Impact of Personalised On-demand TV on Advertising

Unless you are a major public service broadcaster like the BBC with a guaranteed income from compulsory TV licence fees from UK residents, most TV broadcasters have to rely upon advertising as a means for generating income that pays for the programmes that are broadcast. However, this landscape is changing.

Personal video recorders (PVRs) or digital video recorders like Tivo are enabling people to skip over the 30 second ad slot. According to Accenture 40% of US households will have a PVR/DVR device by 2009 and 22% will be ad-skipping. TV advertising in some households is now spread over 500 TV channels which make it increasingly difficult for advertisers to know where to place their adverts in order to get the biggest impact. A new business model is also emerging through paid for, but advert-free, video-on-demand services.

Personal Profiles

But, this is just the beginning, a wide variety of other personalised services will also start to compete for attention on the TV and for people's time. This will range from compelling, very immersive video games to home produced user generated video content that can be accessed by anyone through a search engine or pushed out on a regular basis through various feed services that the user has opted into or through various recommendation services that learn the user's interests. Each member of the household will be able to set-up their own profile and it should also be possible for parents to restrict the type of content that their children watch. Of course, this could also include advertisements.

New opportunities?

All this starts to become possible as broadband TV emerges through cable or through IPTV creating a new personalised TV environment allowing viewers to access to a wide variety of video-rich content. So what new opportunities are possible for advertising?

It's all going to become more personalised, enabling customised one-to-one marketing and the accurate collection of customer information and preferences. This is all good news for advertising agencies – but what about personal privacy – will there be a backlash from civil liberty lobbyists?

Companies are still trying to work out the business model for advertising around video-on-demand. Will it be 2.5 euro with advertisements or 5.5 euro without? Or will it be advertising-on-demand? There is some evidence from broadcast interactive TV that people do like to go specifically to watch a compelling advert – particularly if it is funny or there is has an on-going story.

With complicated products like cars and healthcare goods so-called “showcase advertisements” may be useful to drive people to the advert so they spend more time looking at them and interacting with them. TiVo appears to have been successful pushing these showcase adverts to its PVR where it could sit passively in an especially reserved storage area until it is accessed from its associated programme. The showcase advert could also be held remotely by a broadband service provider. For industries, like financial

services, “leads” are particularly important so the ability to “click-through” and then “volunteer” your interest adds value to the advert.

Another potential business model is to use these on-demand services as a way of conducting remote market research to test interest in new products or their associated adverts. It could be a very cost effective and rapid way of gaining feedback from potential customers.

Personalised ads?

Personalised ads are already a common feature of many web sites – served up by recommendation tools in the form of ads from Amazon or Google. There are now companies working on similar addressable advertising solutions for broadband TV. Adverts can be related to the types of content that the user accesses on demand. Or the user might choose by themselves the type of adverts they wish to watch. But, adverts of this type will become increasingly informational. Linear travel or shopping channels will benefit by becoming on-demand, but with the ability to search for content appropriate to a user’s interest.

As users increasingly have control over what type of adverts they want to see, word of mouth aided by the technology for easy distribution will become increasingly important. This might actually involve passing an advert around via video email or through the use of buddy networks or blogging. New business models still need to be fully worked out as to who gets compensated for what.

Ethical advertising

Peer-to-peer sharing of video-files and viewing them on a TV will increasingly become popular. So another way for advertisers is to tap into this culture through “video wikis”. Wikis are editable web pages and has resulted in Wikipedia, the online encyclopedia that anyone can edit. If people disagree with definitions or content they can edit it themselves. This can happen again and again. Eventually peer pressure and consensus building results in a definitive version of a definition or what should be the message. This is an interesting opportunity for creating ethical advertising. This could be dangerous for advertising agencies that might loose control of the message, but it would also provide new creative opportunities.

When’s the tipping point?

Advertisers will want to move to various forms personalised advertising only when they see clearly erosion from the linear TV business. But agencies need to be prepared for such changes that could start to happen rapidly as increasingly households become broadband enabled and cable and telecom companies push out broadband TV services. But, the key issue for advertisers will be they will have to increasingly compete for people’s time and attention on TV which is no longer a passive viewing environment.

This paper - a thinkpiece - has been produced by Peter J. Bates, Senior Partner of pjb Associates. The aim of this thinkpiece is to stimulate discussion and thinking around these emerging issues. If you think that pjb Associates can further help your company or organisation better understand these issues please contact us.

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