

As Barry Llewellyn, VP, sales and marketing at Packet Vision, points out, the real IPTV advertising opportunity is not so much in reaching the right target viewer, but reaching those viewers at the exclusion of other audience groups. According to Llewellyn, this allows the TV channels the opportunity to sell a commercial spot to multiple advertisers, thereby monetising their entire audience delivery and it allows TV advertisers the opportunity to reconcile budgets against an intended audience with no wastage.

"Addressable TV advertising provides TV channels the accuracy to match advertiser with consumer," he advises. The actual cost to an advertiser to reach their designated target audience can now be charged at a lower price (or CPT) because the channel has the capability to sell the remaining audience to another advertiser (also at a discount). "The economic efficiency is simple - the TV channels can now generate a higher yield from their airtime inventory and at the same time offer their advertisers a cheaper price to reach their absolute target audience."

Rick Mallon, VP, product management, Sigma Systems, points out that targeted advertising is already happening in the VOD space. "Less so in linear TV; however, it's coming," is his assessment. "Several service providers have lab and field trials underway or planned, based on the new SCTE 130 Advanced Advertising standard. New interactivity is appearing in linear TV, such as Requests for Information in ads and polling mechanisms to enhance shows. The business models for TV ads will likely still be based on cost per impression. What will be different is that each impression will go to a more targeted audience, meaning that the advertiser will experience more interest in their products."

RIGHT PATH. Paul Delzio, director of on-demand product strategies for the Arris Group, suggests that targeted, or addressable, advertising is on the right path. "The need to efficiently increase the advertising accuracy to align an advertiser's service or product with an interested customer is the ultimate goal. The industry is making investments in this area and field deployments and trials are yielding great results."

Pat Dunbar, director of advertising for Microsoft's TV, video and music business group recognises that advertisers and media companies are just beginning to understand how to use the emerging targeting capabilities in the TV space to their advantage. "The economic downturn has seen advertisers moving toward capabilities that demonstrate ROI; and this is an area where targeting delivers."

She also thinks it is too early to tell whether projected sales volumes and spot rates stand up to scrutiny, as there is no consensus on what that projection is. "With this economic downturn, as in



"EACH IMPRESSION WILL GO TO A MORE TARGETED AUDIENCE, MEANING THAT THE ADVERTISER WILL EXPERIENCE MORE INTEREST IN THE PRODUCTS."

RICK MALLON,
SIGMA SYSTEMS

IN THESE RECESSIONARY TIMES, PROPONENTS OF TARGETED ADVERTISING SUGGEST THAT IT OFFERS BETTER VALUE TO ADVERTISERS AND IS MORE USEFUL TO CONSUMERS. DOES ITS RECENT PROMINENCE ALSO REFLECT THE REALISATION THAT THE ULTIMATE VOD, LONG-TAIL, PERSONALISED MEDIA ECOSYSTEM IS BETTER SUITED TO IPTV THAN TRADITIONAL SUBSCRIPTION OR PPV MODELS? COLIN MANN SEEKS SOME ANSWERS.

many downturns, there will be substantive market shifts as we emerge; however, because this market is in such a stage of infancy, we don't know what we don't know."

BASE CAMP. Valerij Zaichenko, VP, business development for Sotal Enterprises feels that it is still too early to talk about significant revenues coming from targeted advertising, as well as from interactive TV itself, "because the subscriber base is still rather small and providers are deploying one or the other interactive TV solution as an 'experiment', keeping in mind future development of this very promising technology."

John Reister, chief architect, IPTV, BigBand Networks, suggest that the need for targeted advertising is on target. "Research indicates that subscribers pay attention longer to ads that are targeted and consequently, advertisers are willing to pay a higher CPM. And with the introduction of switching and routing to cable and IPTV delivery systems, targeted ad delivery is now feasible," he notes, recognising that there are a lot of 'moving parts' necessary to make targeted linear TV advertising happen.

"Today's advertising buying/selling processes are constructed around inventory management with ads scheduled far in advance, and pricing and fulfilment are based upon programme ratings built from statistical audience sampling. Changing to a more transactional, real-time model is disruptive to the large, existing ad revenue stream. In addition, the operators - the service providers - have a better ability to target than the content providers, who are a step removed from the subscribers. But most advertising, especially in Europe, is sold through the content providers, not the operators. Because of these challenges, we are mainly seeing targeted TV advertising happen in non-linear video.

EARLY DAYS. Joachim Roos, CEO, Edgeware, is another executive who feels it is early days. "There's a lot of talk, but little on the market," he says. "IPTV seems to be falling behind cable in terms of maturity [of targeting]. It's not quite ready for the market. It will become an important element; we've seen service providers expressing interest, but not going as far as issuing RfPs at the moment. First of all, we need to see decent penetration of on-demand viewers, which will create value for advertisers."

Gidi Gilboa, advertising solutions marketing manager, NDS, feels that the sector is on target, "but you



Hitting the tar

have to understand that it's a very long process. A big shift has already happened. The important issues are ones of better accountability and addressability." He suggests that operators see great opportunity to increase revenues. "It's a long road, but people are already making commitments. The day will come when it's a standard part of the offering," he predicts.

Lisa Ciangiulli, global advertising solutions marketing director, Alcatel-Lucent, notes that as with all advertising there are three 'levels': geographic, namely advertising to everyone in a defined area (which is obviously the most basic and least targeted); demographic, which is slightly more sophisticated using elements such as post codes to define targets; and finally behavioural, which uses a range of indicators including lifestyle data for the most precise targeting.

RAMP UP. "Ultimately, everyone wants to get to behavioural, but this is some way off," she suggests. "We are however seeing operators in Europe, Asia and the US experiment with basic geographical advertising, for example linear ad insertions, and then progressing quite quickly to demographic. In March 2009, we announced an extensive interactive IPTV advertising proof of concept pilot for Telefónica's Imagenio IPTV customers throughout Spain based on our Interactive Media Manager platform. Using their remote controls, viewers can access interactive content linked to a specific consumer brand product. It's still early days, but we expect to see a significant ramp up in activity in 2010."

According to Kevin Lingley, head of marketing, solutions at Amino, one of the key requirements for targeted advertising is the ability to understand the viewer's preferences by analysing what they consume, with a number of 'great solutions' already available.

"So the infrastructure now exists to understand the viewer, it's just now necessary to integrate that with segmentation technology and existing advertising management and delivery tools to make the end-to-end chain. IPTV operators have an easier time than broadcast network operators because segmentation is much easier. IPTV allows for STB and node level addressability and, because IPTV is all-digital, there is no analogue legacy to deal with."

ON DEMAND. Noel Matthews, VP, business development, EMEA and APAC, Tandberg Television, accepts that to date, there has been little appetite for selling advertising against VOD. "But as the number of on-demand viewing sessions has grown, media buyers have become more interested in this channel to market. As soon as cable and IPTV can provide the reporting and addressability expected of VOD, advertising can help pay for the expansion of on-demand," he suggests,

"An increasingly unicast delivery network creates many opportunities for advert sales in addition to traditional linear and local advertising. This includes static adverts that are burnt into the on-demand programme stream and adverts that are inserted into pre-established positions in the programme as it is played out,



and which can change according to targeting requirements like season of the year, *etcetera*. Ultimately, commercials can be dynamically changed according to who is watching the time-shifted session.

He notes that advanced advertising systems can target content to audiences based on many considerations, including

market groups, service groups, postcode, demographics, time of day, day of the week, consumer device identifiers and name/value pairs. In the mobile industry, targeting can be based on mobile phone usage such as the volume of SMS messages sent/received, and location, among other things. "Advanced advertising technologies should be able to target consumers down to individual household level, but today the priority for media buyers is to seek out demographic groupings," he says.

TIPPING POINT. David Price, VP, business development and marketing communications at Harmonic, observes that there is no one large-scale full deployment of targeted advertising as yet, with limited testing being carried out globally. He points out that the company has had the necessary technology enabling ad-splicing available for many years. "There's a chicken-and-egg situation whereby there remains too few addressable viewers to make investment appear worthwhile," he says. "The tipping point will be when the advertising industry starts to demand targeting of ads and there are enough subscribers to unicast services available to make the audience sufficiently large to target *en masse*. To accelerate this tipping point it will be necessary for a single set of standards to be agreed upon, to which all content suppliers adhere."

He notes that with addressable audiences fragmented into catchments that all use different delivery methods, this will prevent advertisers from engaging as they want to see a single unified and aggregated group to which they can individually target adverts. "Operators need to agree on a standard such as the SCTE 130 that's being adopted by a number of US Cable operators and has the potential to expand to be embraced by all kinds of operators (not just cable) around the world. The faster one standard prevails as the recognised industry specification, the quicker we'll all be viewing adverts specific to our interests."

Microsoft's Dunbar suggests that it is too early to identify predominant business models, with the company's research indicating that marketers are going to need to create individual 'targeting models' that reflect the behaviour of the customers for their product or



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MICROSOFT



“FIELD DEPLOYMENTS AND TRIALS ARE YIELDING GREAT RESULTS.”

PAUL DELZIO,
ARRIS

service. “For example, a home improvement store may target or put more media weight on households in areas with new construction, while a CPG maker may look for households with children. Over time, those models are going to evolve and be individualised to the specific brand. Targeting, especially when it is paired with engagement capabilities such as microsites or RFIs, can support marketers in better understanding how their media plan is performing in terms of translating viewers into customers – and that, after all, is the ultimate goal,” she says.

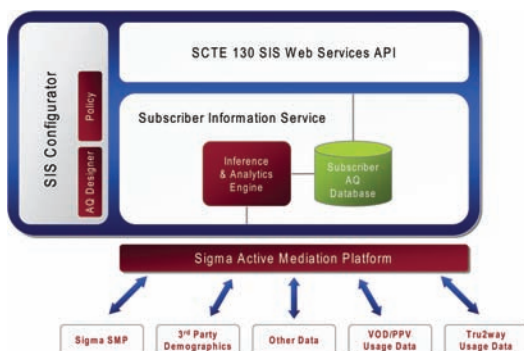
SPOT SALES. Joseph Weihs, director of advertising systems, SeaChange International, suggests that creative versioning is finding its place as a leading

model for driving advanced advertising. “In these cases, a spot will still be sold to an advertiser, but the advertiser can run different ad copy geared toward different demographics. For example, an electronics retailer could run a campaign advertising HDTVs. Lower income neighbourhoods would receive an ad for a \$500 model, while higher income neighbourhoods would see an ad for a \$2,000 model.”

Noting that consumers have a finite budget for television and multimedia, Matthews suggests that advertising can fill the gap between what consumers want and what they are willing to pay for, making services viable that would not otherwise be possible to launch. “We believe that by using advanced advertising technologies, platform operators can sell advertising space to exploit the resource consuming, non-revenue generating parts of their infrastructure. An obvious place to begin is VOD, where the majority of the content viewed is free of charge and all of the content is delivered on a unicast basis so the operator knows which household is watching which content. Advertising can then help to pay for the expansion of on-demand services to include Everything-on-Demand and eventually network PVR.”

Alcatel-Lucent’s Ciangiulli suggests that in the area of linear TV advertising, CAPEX is the predominant consideration. The company enables its customers to leverage the Alcatel-Lucent Triple Play Service Delivery Architecture (TPSDA) for integrated linear ad insertion that offers a lower cost method in terms of CAPEX: a minimal incremental investment, and with OPEX: savings in training, maintenance,

repairs, floor space, power, etc. when compared with standalone appliance based splicing solutions. “For regions where linear



TV advertising is common due to an existing business model between broadcasters, content developers and service providers forged by the cable industry such as in the United States, and select countries in Latin America, Eastern Europe and Asia, our customers can start with proven business models for national, local and zoned advertising, and move to demographic and behavioural targeting in the future when they are ready,” she claims.

CAPEX. “For interactive advertising, we have seen revenue sharing between the operator and the broadcaster/content provider as a predominant model given that the interactivity in the advertisements typically require both parties to enable the technology. A service provider may want to consider alternative business models to CAPEX and revenue sharing in the TV domain such as aggregating inventory of multiple service providers like the Canoe Venture is doing with cable. Another option may be to partner with a media sales house within the broadcaster, content provider or cable companies to have them sell the ad inventory of the IPTV service provider with a revenue sharing agreement.”

Arris’s Delzio observes that it is all revenue based, so the increase in accuracy yields increases in value and hence increases in the rate that the service provider or programmer can charge for the placement of the advertisements. “Models are different for linear/broadcast programming and VOD programming but the premise remains the same: increase targeting and increase revenue.”

Amino’s Lingley identifies three particular business models:

VOD – Often called Free On Demand (FOD) advertising, the viewer is willing to exchange their time watching targeted adverts for free VOD rental. “For this to be a success, it requires great content in exchange for the advert, clear navigation to find it within the UI, dynamic ad insertion, delivery measurement, STB or even viewer addressability,” he advises.

RFI – The request for information ad - originally a phone number overlaid on top of video became augmented with web and email addresses, with fulfilment and response definitely separate from the ad. “With the advent of Digital TV, response was integrated with the availability of automatic triggers and a return path and fulfilment automation became possible. But these were still ‘spray and pray’. Response rates should be greatly improved if the viewer not only responds within the ad but that the ad is relevant to them in the first place.”

DVR. “This has so far been restricted to whatever the viewer has recorded. Operators don’t track what is being watched by the viewer unless they have a consump-



“THE TIME WILL COME TO ACTIVATE THE TARGETED ADVERTISING FEATURE, WITH THE CONTENT PREPARED AND TARGETING INFORMATION COLLECTED AND ANALYSED.”

VALERIJ ZAICHENKO,
SOTAL ENTERPRISES



"TO DATE, THERE HAS BEEN LITTLE APPETITE FOR SELLING ADVERTISING AGAINST VOD."

NOEL MATTHEWS,
TANDBERG
TELEVISION

tion engine. But it is the ideal platform for the implementation of 'telescoped' long form advertising leading from short-form showcase ads."

PREMIUM PRICE. Fundamental questions arise as to the value of targeted or addressable advertising. Will advertisers pay a premium for targeting? Why should they if they're reaching the target and not paying for the wastage anyway? Ronald Brockmann, managing director, Europe, ActiveVideo Networks, suggests that the answer is somewhere in between. "It is likely that advertisers will pay a higher CPM for targeted advertising, but that number will be based on a smaller audience base, so the total cost to an advertiser for almost any individual spot will be reduced. If advertisers



target groups and individuals wherever they are, regardless of what device they are using to consume their video. They will want the ability to unify their advertising campaigns so they know how many times their message has been seen by their targets across all platforms."

Arris's Delzio notes that being revenue-based, the increase in accuracy yields increases in value and hence increases in the rate that the service provider or programmer can charge for the placement of the advertisements. "Models are different for linear/broadcast programming and VOD programming but the premise remains the same: increase targeting and increase revenue," he suggests.

SUBS BASE. Sotal's Zaichenko identifies a similar dilemma to Harmonic's Price. "Although operators are still in a subscriber base gaining phase, they have to start deploying an interactive applications/targeting engine, as it enables the new viewers' experience offering lots of new features that interactivity brings to TV. As the subscriber base will reach a decent volume, the time will come to activate the targeted advertising feature, while already having the content prepared and targeting information collected and analysed."

Matthews emphasises the relevance of advertising to the consumer. "Adverts should be addressable and relevant so they deliver value to the consumer. The viewer must have the option to opt-in to receive advertising in return for subsidized or free content, and the right to refuse adverts. Each platform operator will decide whether their subscribers are ready to be offered this trade-off. Independent research confirms that on nearly every mass-market Pay TV platform there is a sizeable subscriber demographic that will accept adverts in return for free content."

Dunbar contends that what marketers are interested in paying for are consumers that are, or have a potential to be, interested in their marketing message – not in people to watch their ads. "They know that viewers can find

pay more – and that remains to be seen - it may well be because they are reaching an audience base that maximises the number of individuals who are interested in the product and minimises wastage."

Sigma's Mallon suggests they may pay a premium if it can be demonstrated that they are receiving more value. "At least initially, targeted advertising in VOD and linear TV is more about competing with Google for ad dollars than about increasing ad revenue," he says. For Gilboa "the bottom line is that we see willingness on the buy side to pay more for better, measured results."

According to Tandberg Television's Matthews, addressable adverts are more valuable than traditional broadcast messages, noting that Frost & Sullivan research from October 2008 indicated that CPM increases 10 times when you move from anonymous to personalised advertising. "The CPM rate for anonymous advertising is \$5 while contextual advertising, where the advert is based on criteria such as the type of content viewed or location, is worth \$25. CPM for personalised advertising based on specific personal criteria such as preferences, location, usage and time is \$50."

USER PROFILES. He suggests that advanced advertising gives media buyers what they want. "Buyers want the ability to deliver the right message to the right audience, at the right time. This requires targeting, including by geography and demographics, and ultimately addressable advertising that matches messages to user profiles, delivered to set-top box level." He adds that media buyers need accurate reports about how their messages are received including where and when they were watched. "Given the increasing competition for their dollar, they expect CPM rates to be justified with demonstrable results. When television is unicast, operators can provide second-by-second and near real-time reporting."

He notes that a cable or IPTV operator can report whether an on-demand asset has been watched and how many times, whether delivering a programme or the advert inserted into a programme. "With the right VOD platform, cable operators can even report on trick-mode usage during playback and tell advertisers if their ads were watched or fast-forwarded. We anticipate that as media buyers gain experience in a personalised TV environment, they will want to



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RONALD
BROCKMANN,
ACTIVEVIDEO
NETWORKS



"IPTV ALLOWS FOR STB AND NODE LEVEL ADDRESSABILITY."

KEVIN LINGLEY,
AMINO

irrelevant ads annoying, and this does not improve their brand image. So it is to their advantage to pay a premium when they can more accurately focus their message."

CPM UPLIFT. According to Ciangiulli, we are seeing a decline in the value of traditional national advertising CPM rates. In addition, online ad values seem to be weathering the economic storm and are taking share from more traditional forms of advertising such as broadcast TV because of their ability to better target users and provide more accurate response rates. "We believe IPTV advertising can leverage the best characteristics of online and

broadcast advertising to target relevant ads to their subscriber base," she affirms. "By utilising interactive advertising and applications, service providers can benefit from the uplift in CPM that rich media campaigns have been proven to provide (about 20% uplift in CPM). What is unique is that IPTV advertising has improved mechanisms for behavioural feedback, and overtime has the ability to couple both linear and interactive advertising to create new formats that can target users from a demographic and behavioural perspective."

She recognises that the advertising industry is facing a number of challenges including reaching the right audience resulting from the fragmentation of media consumption. "Reach and frequency were the dominant methods of reaching the consumer and very often this could be easily accomplished through advertising on broadcast TV.

But as more consumers access content on their own terms such as time shifted, on demand sessions and various devices, it becomes increasingly difficult for advertisers to find their audience."

She suggests that advertising activity is beginning to shift

- Towards more accountable and responsive media
- Towards inserting ads in on demand sessions
- Towards new formats such as mobile and sponsored content/entertainment
- Towards placing ads based on an individual rather than a context – moving from reach and frequency to reach and relevancy

Alcatel-Lucent co-sponsored a Next Generation Advertising study with Heavy Reading that was conducted in September 2008 that included a survey of 34 respondents from the Advertising com-

munity from media planning and buying agencies, full service ad agencies, brand marketers, etc.

When asked the question, "Will advertisers pay a premium for real-time subscriber and context information based on network and subscriber data?" 67.65% of the respondents said yes that they might pay a premium, which indicates that the advertising community knows it is not always reaching its target audience.

FUTURE PROSPECTS. So what are the realistic prospects for targeted advertising? According to Packet Vision's Llewellyn, "the future for this advertising dynamic looks good but, so far, addressable TV advertising has come nowhere near realising its true potential. Although the technology exists today to allow addressable advertising to happen and the interest and appetite from advertisers and their media agencies is strong, true addressable advertising relies on TV channels being distributed over IP based networks and distribution needs to grow to a sensible level before advertisers automatically prioritise and appropriate their budgets."

He points out that IP networks that collect registration or subscription data from their customers, offer a key aspect in the addressable advertising scenario; the requirement to segregate audience groups by any combination of socio-economics, age, gender and geography allowing the technology providers/middleware operators to deliver relevant commercials to each demographic.

"Additionally and just as important," he suggests, "is the ability to report actual audience delivery by harvesting the return path data from the network provider. Actual audience data (rather than panel or sample based audience measurement) can create a few challenges though. One of these is that the current TV advertising trading culture is based on ratings data collected from long established panel based reporting systems independently operated under contract by organisations like TNS, GFK and Nielsen."

RETURN PATH. He contends that TV sales departments and airtime planners/buyers have long recognised this research as the sole established metric to define airtime trading currencies, and suggests that as return path data is introduced in to the ecosystem, it will need to live alongside the current audience measurement methodology and become accepted within the airtime efficiency auditing process until the balance of TV distribution falls in favour of IPTV.

"Distribution of linear TV channels over IP (whether closed networks or OTT) is beginning to happen in earnest (especially in markets such as France, Scandinavia, Benelux and Spain where national telcos are offering competitive triple-play services) and this method of delivery benefits all constituents; media owners, advertisers and TV consumers. As IP delivery grows and addressable TV advertising becomes part of the advertising ecosystem, it will enable TV channels to generate a higher yield from their advertising inventory and TV will become more affordable and viable for a wider advertising community."

He suggests that at the same time, it will provide a more efficient, accountable and economically superior service to TV advertiser clients and provide the viewers with more relevant (and therefore engaging) advertising breaks. "TV is still regarded by the consumer as the most entertaining advertising medium and with revenues declining slower than other above-the-line media during the global recession it continues to be a priority for advertisers. Addressable TV advertising is all about providing added efficiencies to an existing and proven spot advertising model and an ecosystem that is long established. The question is not 'if' but 'when' and the depending factor is IP network carriage and the point at which critical mass is reached in any one territory."



"WE NEED TO SEE DECENT PENETRATION OF ON-DEMAND VIEWERS, WHICH WILL CREATE VALUE FOR ADVERTISERS."

JOACHIM ROOS,
CEO, EDGEWARE