Unleashing online video advertising dollars

MEMO FROM SILICON VALLEY AND HOLLYWOOD: THE HYPE IS HUGE, BUT THE POT OF GOLD IS REAL, WRITES HOWARD GREENFIELD

In these dog days between economic bubbles, entrepreneurs in Silicon Valley, Hollywood and around the world are not sitting on their hands. While most businesses have been keeping their heads down to maintain the bottom line, the intrepid still seek new growth opportunities. One upside in the cross-hairs is the enormous TV advertising revenue bounty poised to move to online video.

The stimulus behind this new development, of course, is the growing number of online video destinations. As these sites command more and more eyeballs, advertising budgets are gravitating toward the best spots in the new on-demand TV, PC, mobile platform landscape.

The numbers are beginning to stack up. Over 14 billion online videos are viewed each month according to Comscore, and Nielsen's Three Screen Report estimates over 13m Americans tune into mobile phone video. And, according to Google's blog, roughly 20 hours of new video content per minute is uploaded to YouTube-the equivalent of 100,000 feature films per week.

"We estimate $700 million to $1.5 billion annual spend over the next two years" says ScanScout CEO Bill Day who already sees online video ads as "a core part of an advertiser's media mix over the past 12 months." As evidence, he cites £18 billion UK cleaning brand giant Reckitt Benckiser's recent announcement that it would shift as much as $20m budget from TV to online video.

So, is there a killer app on the horizon-a catalyst to break open this new market? One could envision software that does for IPTV video advertising what Ad Words did for on-line ads. However, we are still waiting for such a solution according to Silicon Valley industry analyst Rob Enderle. "Even Google hasn't come up with it yet-and they may not," he asserts. Enderle believes the online video ad market has been underrated in part because broadcasters tend to "play down this trend that could impact them adversely". For now, it's tricky distinguishing the trend fact from hype.

Many new media broadcast executives acknowledge the online video advertising market is still small compared to advertising placed on traditional platforms. "We are making money, but it's just not large compared to traditional broadcast," says Albert Cheng, EVP, Digital Media, Disney-ABC Television Group (above, right).

As to whether there is a shift occurring from on-air to online video ad placement, Cheng suggests that a lot of the press and hype has been more about the promise of what online video could be in the future, and less about the reality of where it is now. "Right now, we haven't seen a shift, it's been more additive," he says. He accepts that not many broadcasters are taking the plunge at this stage. "I really haven't seen a lot of people saying I'm going to put money online instead of on TV. Innovative experimentation tends to retrench in more uncertain times. So, experimental things are more off the table like social networks and 'different advertising models'. So, I don't think we'll see a whole lot of shift of dollars from traditional to online [in the near term]."

He is sceptical as to whether user-generated video such as YouTube will ever capture ad budgets. "The user-generated stuff is just not a place the advertising community wants to place its money. The dog on the skate board is not going to get the advertising, more likely it will be the professionally produced show or one compelling video blogger who has a weekly show," he predicts. As to what will unleash big money allocation to online video ads, Cheng considers that how we package and window our product is going to depend on what advertisers are willing to pay for. "And I don't think the industry has figured that out yet," he says.

According to Cheng and others, one roadblock is the fragmented access to content. Both subscription and advertising online video models need to be fully multiplatform over television, Internet, and mobile devices to achieve break out success. Until that time, it's a chicken-egg question because as NBC Universal CEO Jeff Zucker puts it, the industry does not want to trade broadcast dollars for digital pennies. But the millions and billions of pennies will add up to high stakes in the months and years ahead.

Google, which has not yet unveiled its final strategy in this arena, intends to move heavily into video delivery according to Enderle. He believes they have this goal, and acquired so much dark fibre a couple of years ago, because "their intent is to 'obsolete' the existing media market across all vectors".

So what is the timing of the large-scale online video ad market in the next two years? "Often when a market moves," says Enderle, "it's almost like super-cooling water where you cool water and cool water but it doesn't freeze until something disrupts the surface and suddenly you've got ice." Technical teams everywhere are working on the problem, but that one brilliant idea has not yet percolated to the top so somebody can flip a switch. "But given the speed of this market, that switch flip is going to be impressively fast."

About the Author
Howard Greenfield is president of Go Associates, a global consulting firm helping companies bring technology to market, and co-author of *IPTV & Internet Video, Second Edition* (Focal Press/NAB, 2009). He may be reached at howard@go-associates.com.