The Future of Advertising: Looking Ahead to 2020

By Scott Puopolo and Leszek Izdebski

From its relatively humble beginnings — with a choice of perhaps six broadcast channels — to the hundreds of cable and satellite offerings available today, there is no denying television's dramatic evolution. Throughout its development, TV has been an important advertising medium — and it will remain so, despite major industry disruptions such as On Demand, Start Over, video recording devices, personal video recorders (PVRs), interactivity, and Internet-to-television.

These changes, however, have fragmented TV's audience, changed how the audience is reached, and created new challenges in measuring that audience. Although advertisers have used tactics such as new formats and product placements to overcome ad-skipping by PVR owners, until recently, very little had really changed in traditional advertising models. This reluctance may have resulted from the belief that it's expensive and risky to change too much, too quickly in the advertising world.

While cost and risk remain concerns, cable companies and broadcasters are starting to make significant changes to reach audiences more effectively, including replacing old systems with more efficient and effective Internet-based systems, and allowing for more interactivity and increased ability for customers to choose what they watch and how they experience content.

In fact, we see this transformation accelerating in the near future. Recently, we published our "The Future of Television: Sweeping Change at Breakneck Speed" white paper, which identified 10 of the most important changes coming to television based on a number of technology and user-behavior trends. In this paper, we'll analyze the potential impact of these changes on advertising, and on the viewing experience.

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Four Ways TV Advertising Will Change During This Decade

1. Channels Will Go Away

While we do not postulate that all distribution will be through on-demand unicast technologies, in the future, consumers will not think about "channels" as the means of accessing programming. Adoption of VoD, IPG, and PVRs will shift viewing from linear broadcasts on a TV screen to a multiscreen, multidevice, multimodal, on-my-schedule, user-controlled experience. Brands and networks will no longer be able to ensure that ads placed in specific episodes will have sufficient audience reach. This behavioral shift will force advertisers to focus on new forms of addressable advertising:

- Since ads will have to be delivered to on-demand viewers in real time or prepositioned on their PVRs at various time intervals, this will drive the need for addressable ads. Buying will increasingly include purchases of specific audience segments across shows, requiring new capabilities for ad delivery and insertion, as well as yield management through analytics.

- Measures and reporting will need to increasingly reflect actual viewing of the ads, as well as brand engagement and impact.

- As product placement continues to play a greater role, campaign design and development activities will need to become even more closely integrated with show development. Branded entertainment will flourish and the lines between entertainment and infomercials will further blur (as evidenced by some of today's reality shows). This will drive the need for higher-quality branded stories.

2. Ads Will Get Personal

"Addressability" not only will become common, but will evolve from targeting an entire segment with one piece of advertising creative to further segmenting the audience and serving differentiated pieces of advertising creative based on the audience's characteristics. This personalization will manifest itself in different advertising spots appearing for different users, and in tailored product placement. Not only will one viewer see a different car, in a different color, driven by the show hero — he or she will also hear a different dialogue and possibly see a different scene. To avoid huge additional costs for advertising creative, detailed metadata and new rendering approaches will allow partial automated dynamic modifications of video based on the viewer's segment.

3. Don't Just Watch, Get Involved

Ad personalization will take many different forms, leading to greater user involvement. Brands will increasingly integrate with new types of apps associated with popular TV and movie characters. We will see new forms of marketing where apps currently positioned as extensions to the storyline will provide in-context advice by the show's characters. For example, through augmented-reality technology on a mobile phone, an app-based representation of a judge from "America's Next Top Model" will be able to assist in dress selection at a store.

4. Is It Real or Is It Television?

Brands will explore many senses in addition to audio and visual. Haptics, smell, and even taste will be used in advertising. With the proliferation of 3D printers, we will be able to print a model of a new car while haptic feedback will allow us to experience driving it on a mountain road. Cosmetic manufacturers will replace those scratch-and-smell inserts with smell-generating technologies.

Technical & Business Implications

This transformation will require dramatic changes in the entire advertising ecosystem — from creative development, ad buying, and show production to ad and show delivery mechanisms and device capabilities.

Metadata and Rendering Standards

Enabling in-show modification of complex moving objects (such as altering the model of a car during a chase) will require a completely new approach to metadata creation. Exact camera settings, positioning, angle, movement relative to objects, color correction, and post-production edit information will have to be available to the real-time rendering engine.

Ad Insertion

New standards will need to evolve to enable just-in-time insertion, prepositioning, and ad replacement. These techniques, which are already becoming available on the Internet and partially on TV, must be extended to accommodate insertion of rendering instructions, CAD objects for 3D printing, as well as new interactive capabilities associated with exploring different aspects of the products and selecting alternative paths based on the audience's behavioral characteristics (such as technical product details vs. status / aesthetics).

Analytics

Some of the biggest changes will have to occur in analytics engines. The ad decision system will need to decide on the right ad at any given point in time to address on-demand streaming and preloaded or PVR-based viewing. This decision will be based on context (screen type, who is in the room), demo- and psychographics, current mood, and intent. It will also have to deal with yield management, as campaign buys will more closely resemble Internet buys than current TV buys.

This new ecosystem will create new roles and exciting new opportunities within the advertising and entertainment value chain. The possibilities are thought-provoking and stimulating, and hold the promise of dramatically transforming the TV advertising landscape and redefining the capabilities required to succeed (as well as the players who will dominate). Agencies, media buyers, aggregators, and studios need to start today by developing audience-tracking capabilities; better metadata that describes video, scenes,

and technical production details; and new analytics to better predict viewership, timing, and demand.

For more information on the future of TV advertising and other transitions in media, please contact:

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