Monetizing IPTV: The Next-Gen Video Advertising Opportunity

EXECUTIVE SUMMARY

With IPTV infrastructure investments reaching into the tens of billions of dollars worldwide, telecom network operators are eager – maybe even desperate – to seek out and tap into all revenue streams available to them via IPTV service delivery. The prospects for capturing a share of the revenue generated by commercial advertising are clearly enticing – TV advertising generated upwards of $70 billion last year in the U.S., by far the largest TV ad market in the world.

Globally, various estimates peg ad revenues at about $150 billion, or approximately one third of the global advertising market, which exceeds $400 billion. Broadly speaking, TV ad revenue has been growing around the world, though economic surges and recessions naturally influence growth in any region. PricewaterhouseCoopers predicts that TV ad revenue will grow to $186 billion by the end of 2009.

While the aggregate numbers for TV-related advertising are wildly impressive, the true actual potential for IPTV network operators can only be understood in the context of the various types of revenue opportunities that make up the TV advertising universe. For network operators, the real challenge to capturing IPTV-derived ad revenue lies in identifying those opportunities and then ensuring they have the technologies and business processes in place to take advantage of them.

Monetizing IPTV: The Next-Gen Video Advertising Opportunity examines the value chain for TV advertising today, and discusses the challenges that the TV advertising business poses for IPTV service providers. It explores potential technology and business models available to network operators and provides an in-depth accounting of the digital TV advertising technology ecosystem, as well as the key players and technology suppliers. Given that most of the developments in the industry come from legacy pay TV operators (i.e. cable and satellite) and have been regionally focused on North America and Western Europe, the examples and data provided are mostly from these regions.

The report profiles and analyzes 20 companies that are emerging as significant forces in the next-gen video advertising ecosystem and analyzes their likely roles in reshaping this critical market sector. Along with portfolio analysis, the report provides a comparative rating for next-gen TV advertising suppliers based on their respective strengths, weaknesses, opportunities, and threats.
This quantified SWOT analysis gives IPTV network operators a concise, objective evaluation of incumbent and startup companies in the following areas:

- Ad campaign management
- Traffic and billing systems
- Targeted, customized, and addressable advertising
- Enhanced and interactive TV advertising applications
- Ad insertion servers
- Ad splicers

Advertisers and programmers are exploring new approaches to make TV advertising more measurable and effective. The existing advertising model was developed in an analog world and is becoming increasingly unpopular. The deployment of digital TV infrastructure enables a wide variety of new advertising approaches, many of which are dependent on the pay TV provider’s network. A two-way digital network enables many of the features of Internet advertising, such as ad targeting and on-demand ad delivery. It also allows for interactive TV (ITV), which lets viewers of TV programming use their remote controls to interact with the TV screen. This could take the form of a request for information, a purchase transaction, or simply a click-through to get additional information on a product – typical selling points for Internet advertising and direct marketing. Pay TV operators can tie together the strengths of Internet advertising with the richness of TV and take aim at not only the $150 billion market for TV advertising, but also the $200 billion market for direct marketing.

**Monetizing IPTV: The Next-Gen Video Advertising Opportunity** identifies and analyzes the entire TV advertising value chain and assesses the likely impact that new technologies and new business relationships will have on that value chain. The report also provides a quantitative framework that IPTV network operators can use to make a realistic assessment of the revenue opportunities available to them via video advertising.

**Excerpt 1: The TV Advertising Value Chain**

![Diagram of the TV Advertising Value Chain]

*Source: Heavy Reading*
Report Scope & Structure

Monetizing IPTV: The Next-Gen Video Advertising Opportunity is structured as follows:

Section I is an introduction to the report, with complete key findings.

Section II provides an overview of the TV advertising value chain, the various categories of TV advertising, and lists the key industry members and their roles.

Section III details the important challenges faced by TV advertising in the area of measurement and effectiveness.

Section IV explores potential answers to these challenges, some built on new technology and others independent of it.

Section V explains why telcos should be aggressive in adopting new advertising approaches and explores the revenue potential of next-generation advertising approaches.

Section VI examines the technology components for new forms of TV advertising and explains how advertising will be inserted into VOD and switched digital video streams.

Section VII analyzes the key vendors in each next-generation advertising technology category and assesses their relative market positions.

Section VIII provides snapshot analyses for 20 leading suppliers of next-gen TV advertising products and technologies.
Monetizing IPTV: The Next-Gen Video Advertising Opportunity is essential reading for a wide range of industry participants, including the following:

- **Suppliers of next-gen video advertising technologies:** How will the ongoing development of IPTV services from telecom network operators affect your business? Where are the new opportunities for market growth? Are your products and marketing messages in line with network operator plans and expectations? Are there significant gaps in your product line coverage that need to be addressed to meet future demand for next-gen advertising products and services?

- **IPTV network operators:** What is the realistic revenue potential from IPTV-based advertising for your organization? What types of technologies will your company require to maximize that revenue potential? How will ongoing changes in the TV advertising ecosystem affect your plans and your ability to tap into new revenue streams efficiently and profitably? Which technology suppliers are in the best position to deliver the products you need?

- **Investors:** How will the development of next-gen video advertising technologies affect the current TV ad ecosystem? Which technologies and companies are emerging as the most likely leaders in this new environment? What role are IPTV network operators most likely to play in the TV advertising ecosystem, and how will that role affect other players in this sector?

Monetizing IPTV: The Next-Gen Video Advertising Opportunity is published in PDF format.