

OTT is becoming the next advertising superpower

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The biggest piece of the advertising cake goes to the television. The share of television advertising has never seemed threatened as it has grown steadily over the past decades. But there is a serious rival on the horizon who can guarantee the same and even better content and deliver it to the user at any time. This persuades advertisers as well. Real-time intelligent data enables advanced targeting and management of advertising. Over-the-top (OTT) platforms of different providers are already making billions (in any global currency).

Igor Mali, COO, iPROM



Advertising on OTT platforms and services represents a serious competition to traditional television advertising since it has many advantages over the latter. The most

obvious advantage is, of course, its ability of more targeted advertising which also means programmatic advertising. The advertiser can address the consumers he wants rather than delivering his advertising content to the wider target audience of thousands or millions of viewers who belong to the typical viewer groups of a particular series or broadcast. OTT has an additional advantage that might prove decisive: accessibility – users don't carry their TVs around, but they do so with mobile devices which can be used to consume vast video content that providers can equip with advertising inputs.

OTT is the future of television advertising

The numbers are persuasive. Worldwide television advertising in 2015 weighted in more than \$ 178 billion, but then OTT providers started showing their muscles too. The Diffusion Group study reflects the effects of this revenue redistribution, the total in the years to come will be almost one third lower than last year. Advertisements via OTT channels are expected to bring \$ 50 billion to providers in 2020, while traditional TV advertising will firstly remain flat at around \$ 85 billion but will eventually gradually decline. Why the fall? Mostly on account of the fact that online advertising, even though in video format, is becoming cheaper and cheaper, the costs of (internet) distribution are lower as well. Targeted advertising at the same time significantly reduces the price per user.



Experts predict OTT is facing at least two decades of growth. Consequently, OTT will definitely be an advertising bestseller, but before all, it needs to educate and convince everybody that is a part of the advertising ecosystem. The OTT advertising model does not yet function as a well-oiled machine and will go through an evolutionary process. Firstly it needs, above all, common standards and metrics that are now freely chosen by a particular platform or provider. Not all advertisers are yet aware of the vast options targeted and programmatic advertising brings to the table. Once they realize that advertising content on the internet platforms can be adapted to each individual and that OTT will also allow advanced direct interaction, OTT will become extremely profitable for advertisers while at the same time being much cheaper for the same reach or effect.

Televisions are right to be worried as their honey and milk are endangered in the long run. Linear television simply does not have an adequate (technological) answer to OTT platforms and services. The Diffusion Group study predicts that the amount of advertising on the OTT platforms will increase from today's 6.4 minutes per hour to 10.2 minutes per hour, while the volume of ads on linear television will decrease by more than a third (-38 %).

Television and OTT video services are rapidly gaining users worldwide. Penetration in US households has already reached 70 percent, and OTT's share in West European countries is close to or more than half, about the same goes for the most developed countries in the Asia-Pacific region. Last year an American watched on average nearly twenty hours of content via OTT platforms per week.



Advertising shakedown

The OTT will deliver the best of both worlds (the internet and television) and shake traditional TV advertising, programming schemes, the way content is produced, and the "old world" way of doing business. Advertising revenues will surely take new paths just as advertising dollars and euros simply follow the eyeballs. Advertisers are only interested in the screens potential consumers look at.

There will be no reinventing the wheel. But something is obvious – OTT has by far bigger potential for targeted advertising and can deliver measurable accuracy of impact as well as integration in the wider web ecosystem. The traditional television cannot do this. OTT devices can collect a whole lot of data, for example, about the use of apps, in app purchases, downloads, etc. which helps advertisers significantly better target groups or individual users. Instead of publishing a TV ad on a local station an advertiser may opt for a completely different approach (and ad) based on local demographics and user data (and historical data). The technology already allows for user-centric advertising where the key currency will be the user not the content or program.

OTT service providers will emerge as winners. According to their latest practice, users of OTT services are also offered an alternative – for a certain monthly fee they can consume ad-free television and video content. This approach works too because some people are willing to pay for enjoying the content in piece without ad breaks.



For more information contact:

Igor Mali

COO

✉ igor.mali@iprom.eu

📱 +386 41 558 412

☎ +386 590 761 70

📞 +386 1 511 07 83



About iPROM

iPROM specializes in planning and running advertising campaigns in digital media. The tools we create are used across the industry by advertisers, direct marketers and web publishers and help them plan, execute and analyze their digital marketing activities. They are designed to increase the effectiveness of these activities as well as to make the complex world of web advertising a little simpler for our customers, justifying their investments with outstanding returns.

In a data-driven world, ad-serving efficiency is very important. Using media properties, data analytics, in-depth research and the smartest technology available, we enable marketers to deliver the right message to the right person at the right time, every time. With our tools for ultra-precise targeted audience segmentation, effective planning and proficient execution, companies are equipped to build better brands, more successful operations and stronger customer relationships.