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The Future of TV

We'll Be Ordering Up Our Own Video, Ads and Products on a Web Convergence Device. But Who Will Reap the Revenue?

by [Brian Steinberg](#)

Published: [November 30, 2009](#)



NEW YORK (AdAge.com) -- In its heyday, "This is Your Life" was seen by a broad swath of viewers tuned into their Philcos all at once, never dreaming that someday it could be rebroadcast, paused live, accessed on another gadget, or that its entire run could be contained on a thin metal disc.



Alex Ostroy

Almost 50 years later, we're almost similarly in the dark. Those Samsung flatscreens in our living room might still be the go-to device, but they are fast being joined by computer monitors, laptops, gaming consoles, iPods and mobile phones distributing content once solely accessed by TV, or in some cases, content that competes with TV. It's conceivable -- and probably inevitable -- that TV/web convergence will lead to us ordering up movies, pizza and even advertising while watching custom-tailored content and interacting with social-network buddies at the same time.

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\$60.5 billion in ad revenue from going the way of Philco.

A host of companies are already salivating for some of the billions pumped by marketers into advertising on broadcast and cable outlets, syndicated TV programs and local-TV stations.

But there simply can't be enough money around to profitably support video on YouTube, Hulu, Xbox, Apple's iPhone and other platforms as well as on Fox, CBS, NBC, ABC and the rest.

TV dominance "is certainly up for grabs," said Bobby Tulsiani, a senior analyst at Forrester Research, "and there are a lot of hands in the cookie jar."

Fact: Traditional TV viewership is waning, while other kinds of video entertainment consumption rise. The top 20 shows on broadcast TV during the 1979-1980 TV season -- including "Three's Company," "That's Incredible" and "M*A*S*H" -- individually had a household rating of at least 21.7. These days, the titans of broadcast TV -- CBS's "NCIS" and NBC's "Sunday Night Football" -- notched an average household rating of 13.0 and 11.4 between the start of the 2009-2010 TV season and Nov 1. Total viewership for the top four broadcast networks in the current season through mid-November has slumped 42% since the same period in 1994, according to statistics provided by Brad Adgate, senior VP-research at Horizon Media. Including the CW, total viewership for the period is off about 38.5%, he said.

In the meantime, other technologies that provide access to video keep growing. More than one in four U.S. households contained digital video recorders (31 million TV households, or 27% of the total) at the end of the first quarter of 2009, according to Interpublic Group of Cos.' Mediabrands; the figure is expected to rise to almost half (51.1 million, or 42%), by 2014. Video on demand was used in 43.1 million TV households, or 42% of 2009 TV households, and is likely to reach 66.6 million, or 64% -- nearly two-thirds of households -- by 2014. And these are just the TV-viewing experiences that involve the traditional living-room apparatus.

When the big screen in our living room finally converges into one that can deliver both TV and internet content, the game will certainly change. It doesn't take too much imagining to foresee that in five to 10 years, many consumers will be able to access their online life with a TV remote, and the big screen will behave more like a touchscreen: It will know what shows we like, what music to offer us, and which social network sites and e-mail to feed us.

A realization has already begun to emerge that the TV screen is really just a monitor, said Phil Leigh of Inside Digital Media, a Tampa, Fla. market research consultant. "Whether it be a monitor for video games, DVD players or even a laptop computer. ... The TV is functioning essentially as a giant window into the internet cloud," he said.

And when content can be filtered through one big screen, those who know how to command an audience can choose to feed those consumers directly. Witness Oprah Winfrey's decision earlier this month to end her top syndicated talk show on broadcast TV, and instead develop her own 24-hour cable network. Sports leagues and, for that matter, movie studios, could arrange to have their

manage and monetize them in a world where the TV networks operate with a mass-media mentality and are anxious to keep

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own channels and sell directly to the audiences they amass directly, or sell those audiences to marketers. The National Football League currently has several deals in place with broadcast and cable partners, but it also has already put its own cable network in place.

And there's little impediment for marketers to set up their own video streams constantly at the ready to pitch consumers with their latest goods, or set up interactive options that allow you to order a movie, pizza, or anything that Amazon sells with the push of a button. Social-media sites will allow consumers to chat with friends about the shows they are watching, or direct one another to videos, movies or content to view.

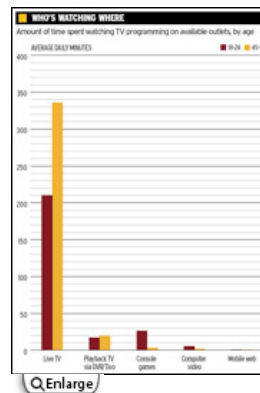
Forrester's Mr. Tulsiani sees a day when TV viewers will be able to watch a show on TV for a while, then "pick it up at the same point on their PC or mobile phone." TV users will be able to use their phone to program their DVR and do so much more, analysts predict. "The variety of content itself will just be exponentially greater, from the networks to cable to digital cable and even more ... more content choices and the quality content will be coming from not only studios but many independent creators," Mr. Tulsiani said.

What's To Come

This holiday season's hot new gadgets and entertainment services offer a clue to what's coming next, and who's looking to get a piece of that ad money. Netflix selections are available for streaming on everything from Microsoft's Xbox 360 to TiVos, as well as TVs made by LG Electronics and Sony and the Roku video-streaming device. Best Buy recently took a stake in a company that produces CinemaNow, a video-downloading technology that the electronics retailer plans to make available in the goods it sells that can connect to the web. Of course, there's also Apple's TV, which could over time allow viewers to order up programming on demand.

Already, rivals are dipping their beaks into the water. At Microsoft, executives hope to see the popular Xbox evolve into "a very all-purpose media consumption device in the living room for 100 million, 200 million people," said Mark Kroese, general manager-entertainment and devices for Microsoft's advertising business group. The gaming device also functions as a venue for watching content on-demand from Netflix, but one idea is to boost its potential to reach live audiences as well, he said. Rather than suffering through ads that interrupt the entertainment, users can opt to explore marketers' entreaties that are part of Xbox's "home" platform, and in exchange see entertaining videos or movie trailers. "Xbox can definitely support a live TV environment," Mr. Kroese said. "Whether the business model evolves for us to do so remains to be seen."

Others are working to weave advertising into emerging viewer behavior. TV users will do more fast-forwarding, pausing and searching for content with their remotes, and advertising can surface during those interactions, said Tara Maitra, VP-general manager, content services and ad sales, TiVo.



Who's Watching Where

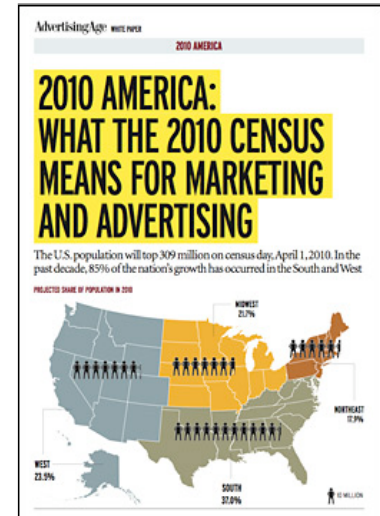
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2010 America explains what you need to know about the biggest consumer market-research project of the decade: the 2010 U.S. census. Demographics expert Peter Francese, author of this highly readable Ad Age white paper, analyzes what the census will reveal about the changing face of consumers.

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Imagine seeing a full-motion ad pop up when you pause a show, that "may be contextual to the content: "Your pause was brought to you by Audi," suggested Steve Tranter, VP-interactive and broadband, at TV-technology concern NDS. Another idea: sponsorship of fast-forwards and rewinds.

And there's lots of talk about addressable advertising, a technology that could prove destabilizing or lucrative, depending on who's doing the talking. Soon, ads for hot dogs could be dispatched to one home and ads for Pampers to another, depending on available consumer data. Networks might charge a premium for such ad inventory because it's targeted more finely. And because multiple advertisers could appear in the same 30-second space, networks would also be able to do business with a broader range of clients.

Some of the money, however, could be up for grabs, with cable systems or even media buyers inserting themselves into the process. Media agencies have considered buying up inventory and reselling it to their marketer clients. Experimentation has been underway for the last few years. In Huntsville, Ala., Comcast worked with Publicis's Starcom MediaVest Group, sending ads from marketers such as General Motors, Discover Card, Hallmark, Kraft Foods, Mars, Miller Brewing Company and Procter & Gamble to viewers who matched up with pre-defined demographic segments. The companies found that homes receiving addressable advertising tuned away from the commercials 38% less than homes that received non-addressable advertising. Even so, the industry has been slow to put technology in place, and web-connected TVs could render this idea obsolete.

New way of selling

TV networks, meanwhile, will work to retain control over the advertising that has for years bolstered their fortunes. But many TV executives acknowledge a day is coming when some of that revenue will be shared.

CBS Corp. already envisions selling ads in a somewhat new fashion: An ad might run in "CSI," the TV episode, but also in all streams of the show online for one week, suggested David Poltrack, CBS's chief research officer. In the future, "we'll sell you 'CSI' across platforms. You will get your advertising in the episode that goes on TV that week, and you'll get your ad running in all streams of any episode of 'CSI' online for that one week," he said. "Now you're building up more of a significant amount of internet coverage and then the same thing could apply to mobile."

At the same time, a realization has begun to set in that in an on-demand world, others will insert advertising into the process. Widgets and interactive-TV services will be able to advertise around programs in some ways, said Mr. Poltrack, but CBS will try to make the best of the situation by leveraging its ownership of the content. "If they are adding value, they've got to get compensated for that, so it's probably a revenue-sharing project as opposed to something we would not totally control," he said. As for new-media players who "bring an enhancement and are looking for revenue-sharing models, certainly, we're open to the conversation."

New technology and the upheaval it will cause are fascinating to discuss. What's not so much fun to talk about is severity. TV has always been an advertiser's tool of preference to reach giant audiences, goose fast-food sales, launch movie openings and push foot traffic into retail outlets. Imagine the difficulty in doing just that when ads will have to be tailored not only for specific viewers—a cooking show is quite different from an adventure



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drama—but also for how each of those genres is being viewed on a big screen, a mobile device, or on a DVR. Ads, too, will have to evolve, designed more at eliciting an active response—or even indication of purchase—from an active viewer, rather than merely dazzling a couch potato. Yes, it's true: In the future, TV will survive. But mass marketing may not.

How we watch

These days, the majority of viewers of ABC's "Desperate Housewives" watch the program when it airs on the network, Sundays at 9 p.m. But an increasing number of people have begun to watch and keep track of it in new and diverse ways. So, yes, for instance, approximately 4.2 million households watched the ads slotted



into this season's debut of "Desperate Housewives," according to Nielsen, but approximately another 700,000 watched those ads within three days of the program's original air-date, thanks to playback on a digital video recorder. Meanwhile, the program had 217,255 Facebook fans as of Nov. 23. As technology gives rise to other means of accessing entertainment, those smaller numbers will grow more important to TV networks -- and the advertisers who support them.

TIME-SHIFTED TV

Digital video recorders were in 31 million TV households, or 27% of the total, at the end of the first quarter of 2009, according to Interpublic Group's Mediabrands; the figure is expected to rise to 51.1 million, or 42%, by 2014. Video on demand was in 43.1 million TV households, or 42% of TV households at the end of the first quarter of 2009, and is likely to reach 66.6 million, or 64%, by 2014. Look for marketers to start tailoring more of their ads to the specific programs in which they air, such as Sprint did this past season on "Desperate Housewives"--the better to entice viewers who tune in because of the show, not the network or the time the program aired live.

MOBILE

Apple sold 7.4 million iPhones in its recently completed fourth quarter, each capable of playing video representing 7% unit growth over the year-earlier period--just one indication of the potential growth of mobile video.

COMPUTER SCREEN

Nielsen says video streams online rose from more than 95.3 billion in 2008 to more than 104.3 billion between January and October of 2009. The year, of course, is not yet over. Mediabrands sees households with broadband access growing to 87.4 million households by the end of 2014, compared with 71 million households at the end of the first quarter of 2009.

HULU

Overall streams per month at Hulu, the video-sharing site owned jointly by Walt Disney, News Corp. and NBC Universal, stood at

583.2 million in September of 2009, according to comScore Video Metrix. Overall streams at the site for the year-earlier period stood at 145.8 million.

FACEBOOK, MYSPACE

Nielsen says time spent viewing video on social networking sites increased 98% year over year, from 503.8 million minutes in October 2008 to 999.4 million minutes in October 2009. In conjunction, the number of online video streams viewed on social-networking and blog sites increased 45% year-over-year, from 240.8 million streams in October 2008 to 349.5 million in October 2009.

AND COMING SOON...

STREAMERS

A host of gadgets will start to function as ersatz set-top boxes, allowing us to find content and stream it to the screen we want. Blu-ray, Microsoft's Xbox, Roku, and Apple TV are just some of the devices that stream movies and other web-ready content, but in the future, users might just rely on them to watch TV series as well.

NEW SCREENS

This Christmas, a new category of internet-connected TV set is due out in stores from such manufacturers as Sony and Samsung. Retailer Best Buy will be including the CinemaNow service that allows users to download movies and other content through the TV they purchase. While these are likely to be aimed at early technology adopters, they mark a first step towards the ultimate goal: A TV that streams high quality content while allowing for interactivity.

6 Comments



By SingularityDesign | Philadelphia, PA [November 30, 2009](#)
[08:35:39 am](#):

The way I see it, this is a race between viewing technology and advertising technology, with significant impact from regulation and privacy concerns.

Technology is making TV watching more efficient, bringing the actual viewing more closely into alignment with our true desires and maximizing our entertainment. Time-shifting, watching anywhere or anytime, accessing old reruns or rare clips and getting "you might also like" recommendations all give us more of what we want and less of what we don't.

Advertising has the same potential, with addressable ads (to houses) being just the first step. Ultimately, I never need to see an advertisement for feminine hygiene products. Showing one to me is a waste of an impression, and a decreases the utility I get from TV watching. At the same time, I'd love to see commercials for new restaurants within a 50-mile radius of my home address. If TV technology evolves to be able to swap those two commercials for me, the advertisers win, and I win.

All of the Orwellian implications aside, the real difference right now is that I am actively involved in providing feedback and guidance to the actual TV-watching side of the equation, but I have no input on the advertising side of it. That's the root of the inefficiency. That's the challenge to overcome.

- Jeff Greenhouse
President, Singularity Design
<http://www.SingularityDesign.com>

<http://Twitter.com/SingularityDsgn>

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By Rodney33 | FRISCO, TX [November 30, 2009 09:16:12 am](#):

Web TV is now available. It includes widgets that enable most of the things this article reports will be reality in 5-10 years, to be done right now.

Smart Phone penetration in the US is approaching 30% and will outnumber computers in the US in the first part of 2010. Smart phones not only have video capabilities, they're also packed with GPS and Bluetooth proximity enabled identification that will make content and integration more relevant and linked to purchase than ever before.

Additionally mobile 4G is being rolled out and faster technologies like the 700 mhz spectrum are waiting in the wings that will accelerate web on the phone to unprecedented levels.

Television quality content will be coming directly from producers. Visit with any studio or production group in LA and see what they're working on, you'll find they're all into digital, not because it's cutting edge, but because it's a necessity for their business to survive long term.

Content seasons will be looking much more like video game title release vs. a regular TV season.

The future is now. All of this coming to fruition faster than most in our industry realize.

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Rodney Mason, CMO

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By Jonathansims | Rye Brook, NY [November 30, 2009 09:58:34 am](#):

In his otherwise very informative article, Brian Steinberg makes it seem as though the long term erosion of broadcast television is somehow inextricably linked to "...other technologies that provide access to video..."

But neither the DVR nor all the other devices and outlets that he cites, "YouTube, Hulu, Xbox, Apple's iPhone and other platforms..." have anything to do with the long term trend of broadcast viewing.

Despite the impressive growth of alternative TV outlets, the fact remains that overall television usage levels TODAY mirror the consistently high levels of the past 50+ years.

And while there are, "...a lot of hands in the cookie jar," there is persuasive evidence that traditional broadcasters and cable-casters are still hoarding the vast majority of sweets.

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By brantcollins | little rock, AR [November 30, 2009 10:27:40 am](#):

The future is bright! As a small startup we know this is the future of media. Not sure yet on how the money will be made but content is king and there is more distribution than ever. Advertisers and marketers will still pay to get eyeballs we just have to think creatively and develop a new model. Oh these are exciting times

Brant Collins
CEO

<http://www.stationx.tv>

<http://www.beerutopia.com>

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By Neal | Minneapolis, MN [November 30, 2009 11:03:02 am](#):

A fine overview of the TV/video landscape.

Of note in this article is the complete absence of any mention of digital signage networks, which is yet another viewing platform -- although with limitations.

It's those very limitations, and the digital signage industry's tunnel vision for many years, that keep this compelling medium on the farthest fringes of anyone's consideration. Perhaps as enlightened digital agencies incorporate digital signage in cross-platform campaigns, the medium's value will emerge.

But probably not fast enough to make it into next year's update of this article.

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By rpwesen | New York, NY [November 30, 2009 12:00:56 pm](#):

It's fascinating to see the ways in which TV continues to evolve. One question that remains and is not often addressed in articles such as these is how the production of TV shows will change when the network budgets shrink due to competing media and there are more outlets more must pitch a TV show to. How will this affect what sort of TV shows will still be produced and will it continue to lower the budgets available for producing TV shows? Or will advanced targeting make a spot more valuable in the future? We're currently seeing retracting budgets for spots and producers have tried to compensate in part through the proliferation of inexpensive to produce reality TV. As a buyer of TV programs for one's clients, what will our options be in five or ten years from now? What sort of programming will survive?

Just something intriguing to think about.

Rose Wesenberg
Luminosity Marketing

www.luminositymarketing.com

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