

## View Point



### Adding Advertising to the IPTV Business Model

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#### Summary

In order to justify the ROI for IPTV deployments, telecom service providers need to look at new revenue streams beyond monthly subscriptions which include interactive services and advertising. This paper talks about potential and complexity of providing advertising to the IPTV platform..

The problems of justifying the ROI for an IPTV deployment have been widely documented by many analysts and media outlets. Most generally, cost concerns about the associated network infrastructure, software platform uplift, customer premise equipment and content acquisition for an IPTV deployment seem to be the biggest issues. However, Telcos must provide IPTV services as a defensive hedge against triple play offerings of voice, broadband and video from competitors such as cable companies. This issue can be addressed by revenue streams beyond monthly subscriptions which include interactive services and advertising. The breadth of interactive services and deployment into a lean forward/back environment with TV remote navigation is a subject upon itself, so I will focus on the potential and complexity of providing advertising to the IPTV platform.

The good news is that cable local advertising sales and insertion in North America is a fairly evolved model for which to copy. European based operators have additional regulatory considerations which creates some adjustment. Based on cable local ad sales in the US, the addressable market is approximately \$19B\* with Comcast taking a lead, partially due to their highly regarded AdTag and AdCopy platforms (this may change with the new Canoe Ventures pan-cable advertising proposition). IPTV offerings from Telcos could potentially expand the market by providing new interactive capabilities such as telescoping (clicking through the ad to a landing page), better targeting and measurement which increases the ad avail value, and providing more channel sponsorship possibilities since IPTV does not have the current channel limitation concerns of cable.

The bad news is that establishing that advertising value chain from the Ad Agencies to the delivery at the set top box is still quite a task. Not only do advertising operations need to be established, but the supporting analytics, campaign management, ad insertion and measurement systems need to be deployed. Interestingly enough, the strength of IPTV, the ability to micro-segment customers and track distinct actions, creates issues with managing all the ad avail sales combinations and discrete ad serving. Tony Hart at Packet Vision, whose company helps Telcos integrate into the advertising value chain feels that while the complexity of establishing this model is significant, goal alignment with the Telcos and Ad Agencies will help to solve this problem with the assistance of innovative technology vendors. While this is exciting activity, the biggest value will be realized when a combined three screen offering is available across TV, mobile and web since the monetization potential of those ad avails would be significantly higher with unified campaign management and tracking. This is one of the reasons that owning the mobile channel will be so important. However both IPTV and the concept of three screen advertising are still evolving.

While the total potential for local advertising sales may change due to factors such as economic conditions and DVR (ad skipping) technology, there is still significant opportunity to increase average revenue per user with advertising. This is why at Infosys; we are focusing on new initiatives by proactively building out advertising value chain solutions to help our customers take advantage of this opportunity. These solutions include business process design to address value chain integration, advertising asset management for campaign control, business analytic tools to uncover key customer segments, micro-targeting capability to serve advertising to small segments, provisioning and ad serving technologies and full advertising operations outsourcing.

Leveraging Infosys' extensive communications and media domain expertise gives our customers total end-to-end support and confidence to deliver in a fractured and emerging technology space.

(\*2007 estimate from SNL Kagan)

For more information, read: [http://infosysblogs.com/livewire/2008/09/adding\\_advertising\\_to\\_the\\_ip\\_tv.html](http://infosysblogs.com/livewire/2008/09/adding_advertising_to_the_ip_tv.html)

## About the Author

**Jeremy Kloubec**, a Senior Principal with the Communications, Media & Entertainment Consulting organization, is responsible for the sales and marketing of Infosys offerings for digital content services, social networking platforms and acceleration of product launches for with IPTV and mobile services.

Jeremy advises clients on approaches to decrease time to market for deploying interactive services in addition to increasing the value of customer interactions via social networking and also creating new revenue opportunities in a multi-play competitive environment. Mr. Kloubec has previously worked for a number of consultancies and companies ranging from technology start-ups to Big 6 firms. He holds a Bachelors of Science degree from the University of Michigan and MBA from the University of Texas.



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