Widening Video Ad Market

The $12.5 billion global online advertising market is poised to grow. As broadband penetration increases, eMarketers are eyeing opportunities to tap the online video ad market, which is set to cross $1.5 billion by 2009. With major portals such as AOL and Yahoo re-inventing themselves to showcase more multimedia and interactive elements, sky seems to be the limit.

By **Manu Kaushik**

Buoyed by the rapid growth of broadband penetration, the online video ad marketplace is on pace to triple to $640 million by 2007 from $225 million in 2005. As online video advertising becomes more widespread, marketers and industry organisations are defining modern metrics to use to measure the effectiveness of the new medium. It is estimated that by 2009, online video advertising will represent 42.4 percent of online advertising spending, compared to just 17.9 percent in 2005.

Now, the internet has replaced the TV as the most sought after medium across different demographics, and time spent online continues to grow. This trend will enable Internet advertising to steal a greater share of advertising dollars away from TV networks. It is estimated that internet advertising will continue along on the same trajectory that the cable TV industry travelled during the 80s and 90s. The key differentiating factor that will continue to fuel growth of internet advertising is its transparency, flexibility and accountability, making it the ultimate marketing tool.

Increases in online video advertising spending may also be enhanced by so-called "pre-roll" advertising as online video download and streaming services ramp up: pre-roll advertisements are video ads placed within another video stream, either as separate segments (like traditional television commercials) or as bugs or crawls appearing alongside the primary content. Static (or "in-page") internet video advertisements are typically embedded alongside other forms of online content as banners or separate objects. Portals like Yahoo, Google, AOL and MSN have recently aggressively promoted video and other rich media ad options.

Even as performance- and acquisition-focused advertisers gravitate towards the direct response benefits of search, experts expect to see a significant uptake in search from the major agencies and traditional off-line advertisers. This will be led, at least in part, by continued research and data into the branding benefits of search, studies into assisted and unassisted recall of brands based on participation in both display and search results in the same user session, the emergence of view-through data, as well as the tendency both from the engines and search engine marketers/agencies to bundle search messaging with display/affiliate/e-mail/other elements into consolidated media plans. This will allow the search sector to continue its current growth rates, reaching a critical mass in terms of benefit and audience that will enable it to finally become more than just a speck on the "big agency" media schedule.

The explosive growth of mobile ownership and the emergence of novel mobile behaviour in India and China will far overshadow mature markets elsewhere in South East Asia. The next year will see mobile carriers begin to experiment with a variety of ad models and delivery platforms as they look to expand their revenue beyond usage. In addition, experts anticipate that video ads will begin to appear on phones as mobile video usage increases to the approximately 6.1 million subscribers. SMS will be utilised primarily as a customer relationship management (CRM) tool for advertisers to continue dialogue with existing customers much in the same way email is currently used. Ad standards will also begin to shake out for WAP display ads through the efforts of the major carriers, service providers and mobile industry group.

While bullish on online video's future as an advertising tool next year, several reports identified areas that still need improvement, including reliable metrics on the efficacy of online video to reach potential customers, and the ability to optimise online video advertising performance. Also, the upward trend in ad spending for online video isn't a harbinger for the end of television advertising. Instead, online video advertising will increasingly feature the same content as traditional television advertising and increasingly push aside forms of advertising developed specifically for the Internet.