

*Involved,
innovative and
sophisticated:
advertisers and
agencies join the
digital party*

Global entertainment and
media outlook 2011–2015

Through economic and technology cycles, the fundamentals of what advertisers are looking for remain consistent: they will pay to appear where their target consumers are engaged, especially if they can interact with those consumers in a personalized way. The move to digital media has vastly increased their opportunities to do this.

In the same way that content providers have set about using creative thinking and innovation to drive digital revenues from consumers, so advertisers and agencies have followed suit, becoming increasingly sophisticated in identifying and exploiting the new brand opportunities brought by digital content services and platforms. As advertisers move to exploit these opportunities, they are also listening to—and engaging directly with—their consumers to a greater extent than ever before.

Advertising agencies are responding to these shifts by providing their clients with new ideas for connecting with consumers via digital platforms, thus enhancing ad effectiveness and RoI. Agencies are also investing in the success of digital advertising by sharing the risks and rewards with brand owners, and experimenting jointly with new ideas. At the same time, advertisers are increasingly demanding transparent, verifiable evidence that they are hitting the right segments with the right messaging via the right platform, a requirement that is seeing audience measurement move away from volume toward engagement.

Advertising on the up...

These new approaches are emerging amid a concerted advertising recovery, led by online and TV advertising—an upturn that has confounded many expectations and helped to restore the attractiveness of ad-funded models, often blended with subscriptions. Consumers' strong engagement with content has undoubtedly been a factor helping to drive the rebound in advertising.

For example, the greater resilience of TV advertising compared to publishing media reflects deep consumer engagement with TV content, driven by factors including the compelling nature of video and TV's enthusiastic embracing of social media, enabling it to build strong online communities around its content. Also, with some content—such as live action sports and major public events—TV delivers an intensity of experience and audience reach that other media struggle to match.

...buoyed by digital engagement

Advertisers are using this type of strong content engagement to build deeper brand engagement through digital channels, embedding and targeting their messaging in new ways. One sign of this growing involvement is a more insightful view of the relationship between consumers' buying decisions and their use of electronic media. Through an analysis of electronic media's influence at each stage of the buying process, advertisers can target and structure campaigns to yield the optimal return.

A key current focus for brand owners is on using mobility and social networking to develop direct relationships with consumers, turning social media into social intelligence—and ultimately brand engagement. Today there are myriad examples of major brands making committed use of social networks: Coca-Cola has nearly 24 million Facebook fans, and broadcaster ITV attracted two million users to its *ITV Live* community within the first four weeks, through incentives such as direct chat with celebrities. Filmed entertainment companies are also making growing use of social networks as a source of revenues, such as Warner Bros. streaming its 2008 action film *Batman: The Dark Knight* on Facebook.

More generally, while online services and social media were once seen as a threat to television consumption and advertising, they are proving to be *complementary* to TV revenues. Indeed, TV and social networking are increasingly integrated and experienced as a single offering known as “social TV” (see information panel).

Addressable advertising continues to advance

As the techniques for monetizing social networks as advertising and commerce platforms continue to develop, advertisers are already looking to the next stage. This involves using new platforms and technologies as central brand touchpoints, and using developments such as location-based marketing and addressable advertising to target ad content and messages at consumers based—respectively—on their location or demographics and interests.

New technologies are rapidly pushing back the boundaries of what is possible. Emerging innovations include “gladvertising”, which uses cameras backed by advanced emotion recognition software to detect a passer-by’s mood and target them with an appropriate advert. More generally, digital billboards will link with smartphones and offer interactive experiences enriched by personal details such as anniversaries, favorite foods and the shops a consumer has visited. These kinds of advances mean advertisers will continue to narrow the gap between the digital and physical worlds.

Collaboration will be key for advertisers, platforms and content companies looking to capitalize on opportunities such as these. The E&M CEOs in our 2011 *Global CEO Survey* say they expect most of their innovation to be driven by external partners. Addressable advertising will inevitably be among the emerging revenue streams that many will be seeking to tap into through these collaborations.

Social TV: combining the power of TV and social networks

*TV and social networking are becoming increasingly closely integrated to harness the combined power and complementary experiences of the two media. TVNZ’s U live show, launched in early 2011 on the new TVNZ U channel, is an interactive youth entertainment and music show featuring chat, commentary and user-generated content driven by a Facebook app. A month earlier, HBO in the US aired the Howard Stern movie *Private Parts* while Stern commented live on Twitter during the screening.*

This integration is mirrored in the home by the behavior of younger consumers, through what is known as “social TV”. In a recent study of UK mobile internet users below the age of 25, the digital marketing agency Digital Clarity found that 80% of respondents use a mobile device to communicate with friends while watching TV—with 72 percent using Twitter, Facebook or mobile applications to actively comment on shows as they are watching them.