

Is The Big Shift Underway?

by Eric Franchi, Monday, March 30, 2009



Eric Franchi is the Senior Vice President of Business Development for Undertone Networks. In this role, Eric works toward forging strategic relationships and developing new revenue generation programs, while working closely with the executive team on critical endeavors. Since joining the company in 2001, Eric has held various executive-level positions such as Senior Vice President of Media and Senior Vice President of Sales.

This week, I was having a conversation with a colleague who has been at the top of the digital agency world for the past decade. This is the kind of person from whom you tend to learn something every time you chat -- a real maven. We touched on a variety of topics, including online video. Specifically, I wanted to get his take on why we aren't seeing a seismic shift of budgets from TV to online. The online user base is highly engaged, and there is more premium content and measurement ability than even one year ago. My question centered around the marketers who are interested, but not at the level of going all-in.

"Simple," my friend said. "Big brand advertisers want scale. TV delivers it, and cheaper. It's hard not to justify just buying more TV rather than investing in online."

That statement points to a supply/demand imbalance that online has been struggling with for the past few years. In mid-2008, Forrester pegged premium online video CPMs at \$40-\$70 (the latter being for a level of programming like NBC's "The Office") while TV averaged \$25. Even in 2009, when CPMs are lower across the board, TV still wins because it has the critical mass to deliver pricing efficiency. Right now, the only online video format that has significant scale is user-generated video, which most brand advertisers shun for reasons discussed many times in Video Insider posts such as brand adjacency, length of content, quality of content and user experience.

So we wait for the big shift of more professional content creation and consumption to occur, while TV gets the lion's share of marketer attention. And we wonder when the shift will begin.

Well, recent findings by AccuStream iMedia Research presented by eMarketer in late February show that the shift may have started last year. AccuStream reported that professionally produced content grew nearly 25% last year, with TV content (think those prized episodes of "The Office") making up 17% of the viewed streams.

It's difficult to project out growth rates in anything online due to the emergence of game-changing properties and technologies every couple of years. Irrespective of that, it's clear that the supply is growing. And if it keeps up, the "TV is just cheaper" argument won't last for much longer.