



## TV+ advertising

The viability of the television advertising model is perennially called into question.

Yet over the past five years its share of all advertising revenue has grown, despite its absolute value falling in 2009.

Television advertising suffers, arguably, from a perception crisis. It is categorised as a traditional medium, alongside newspapers, magazines, music and radio. For some, being traditional signals that it is ripe for disruption. And disruption has already occurred in various sectors of traditional media, such as recorded music and classified advertising.

Technology is the most common instigator of disruption. Much of the technological progress that has occurred over the past few years might impact, in some ways, television and one of its three main sources of funding – advertising.

The Web competes with television for attention, it is perceived. Online advertising competes for marketing budgets, it is alleged. Moore's Law – an observation of the steady decline in the cost of technology – enables devices such as PVRs to become ever more affordable and thus television adverts, in theory, to become ever more avoidable.

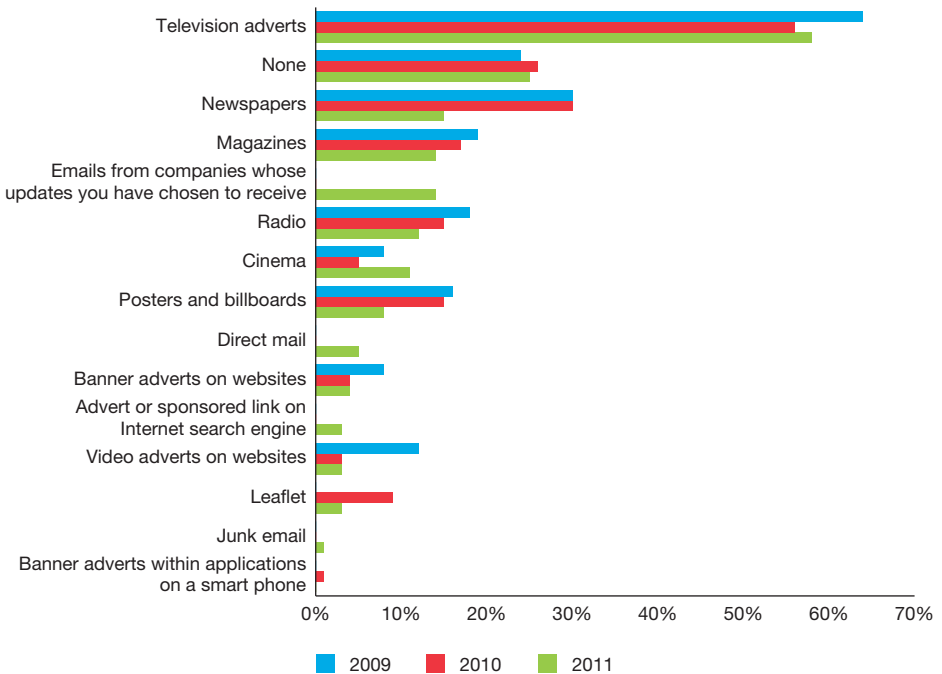
And to compound the challenge, technology is adopted most quickly by the youngest age groups – often those most sought after by advertisers.

Yet television advertising, in a post World Cup year in which TV advertising revenues grew 14 per cent, in an economy which is showing moderate growth,<sup>44</sup> in a market in which PVR penetration exceeds 50 per cent and half of whose owners claim to fast-forward through all pre-recorded ads,<sup>45</sup> is still expected to grow in 2011.<sup>46</sup>

TV advertising's continued strength in 2011 can be attributed to three main factors: companies need to advertise; television excels at the brand-building and awareness-raising component of this and in general, most of us are accepting, if not (quietly) appreciative, of television advertising, with younger age groups being TV ads' strongest protagonists.

The television advert has, since 2009, been rated consistently by respondents as the advertising type with the most impact (see Figure 13). It has led throughout by a significant margin. The results from the surveys run for the Festival have been commensurate with other surveys undertaken over the past three years in the United Kingdom and other countries around the world. Television adverts' number one ranking reflects two key factors: high production values for many TV ads and the fact that we spend a quarter of our waking hours watching television.

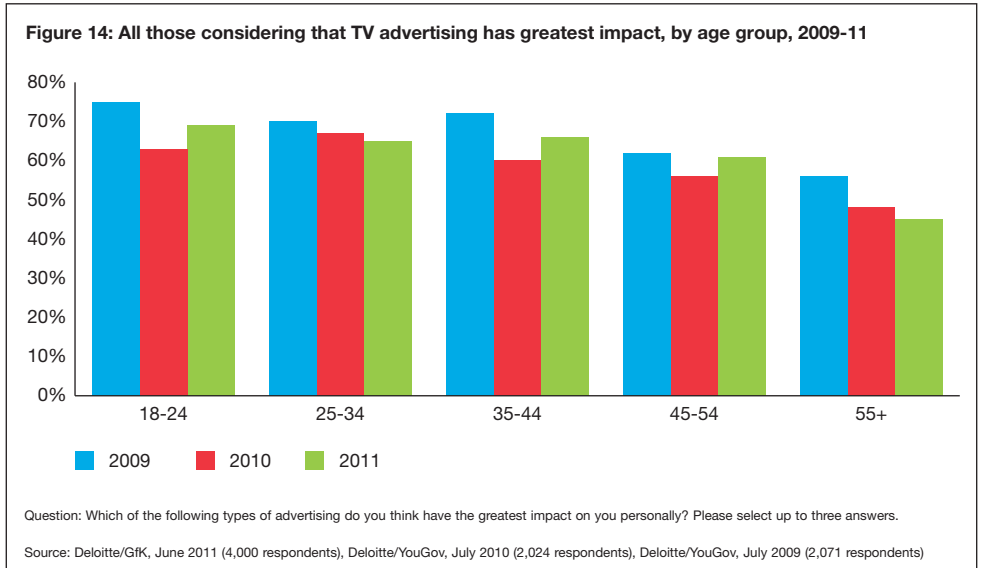
**Figure 13: Advertising type with most impact, 2009-11**



Question: Which of the following types of advertising do you think have the greatest impact on you personally? Please select up to three answers.

Source: Deloitte/GfK, June 2011, Deloitte, YouGov, July 2010, July 2009. Sample: 2011 (4,000 respondents), 2010 (2,027 respondents) 2009 (2,071 respondents)

As in previous years, the impact of TV advertising was highest among younger age groups – and lowest among older age groups (see Figure 14).



Among those with a favourite advertising campaign over the past year, 80 per cent said this was a TV-based campaign.<sup>47</sup> No other medium polled more than three per cent. The response to this question was similar to that seen in 2010.

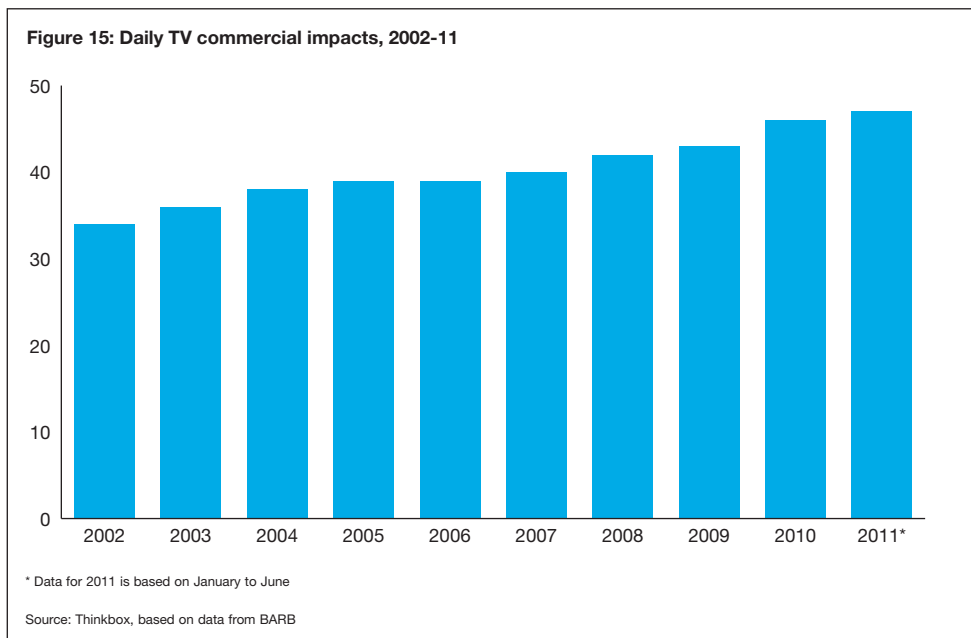
Television advertising is by no means invincible: it will have to keep on competing for ad display budgets with existing and emerging competitors. But neither does it appear to be in terminal decline, nor is it incapable of improvement or even reinvention.

Critically, for now, it remains competitive at delivering the key attributes of display advertising: highlighting, persuading and influencing. While online advertising has grown strongly for a decade, it has largely been at the expense of other traditional media.

Advertisers using television ads, media agencies selling TV commercials and broadcasters' sales houses need to have a pragmatic, considered view on what each advertising medium can do on a per campaign basis. Multiple advertising media exist and are sustained because they are diverse: each medium is optimal for a specific marketing objective. This is why the most successful campaigns tend to run across multiple media – each complementing the other, each reaching the target audience in a different context, but all conveying the core message.<sup>48</sup>

Therefore it should not be a question of, say, Internet or television: for some campaigns this may be akin to determining whether to paint a colour portrait with either black or white paint.

Looking to the future, as television production techniques improve, the audiovisual impact of ads should increase commensurately. If the quality of ads rises, and if hours viewed maintains its upward trajectory, the number of commercial impacts per person per day, up over a third since 2002, could continue to grow (see Figure 15). The best TV ads are, arguably, more akin to songs than to programmes. If brief and memorable, they can be consumed dozens of times without wearying the audience. In short, watching more commercials per day is not necessarily an issue if the ads are watchable.



New forms of television advert are likely to emerge, including the revival of interactive ads and the arrival of targeted ads. This is, in principle, a good thing: the TV advertising offer should always be iterated and enhanced. All innovations can have an impact, but these will be on the cost as well as the revenue side. The industry needs to ensure that it evaluates the true potential and likely investments of each new advertising format before taking major strategic decisions, or projecting major new revenue streams.