

Thank you  
for shopping  
with us, Jim!

## The end of advertising as we know it

*The next 5 years will hold more change for the advertising industry than the previous 50 did. Increasingly empowered consumers, more self-reliant advertisers and ever-evolving technologies are redefining how advertising is sold, created, consumed and tracked. Our research points to four evolving future scenarios – and the catalysts that will be driving them. Traditional advertising players – broadcasters, distributors and advertising agencies – may get squeezed unless they can successfully implement consumer, business model and business design innovation.*

Based on IBM global surveys of more than 2,400 consumers and 80 advertising experts, we see four change drivers shifting control within the industry:

**Attention** – Consumers are increasingly in control of how they view, interact with and filter advertising in a multichannel world, as they continue to shift their attention away from linear TV and adopt ad-skipping, sharing and rating tools. Our survey suggests personal PC time now rivals TV time.

**Creativity** – Thanks to technology, the rising popularity of user-generated and peer-delivered content, and new ad revenue-sharing models (e.g., YouTube, Crackle, Current TV), amateurs and semi-professionals are now creating lower-cost advertising content. Our survey suggests this trend will continue. Further, established players, like publishers and broadcasters, are taking on traditional agency functions and broadening creative roles.

**Measurement** – Advertisers are demanding more individual-specific and involvement-based measurements, putting pressure on the traditional mass-market model. Two-thirds of the advertising experts IBM polled expect 20 percent of advertising revenue to shift from impression-based to impact-based formats within three years.

**Advertising inventories** – New entrants are making ad space that once was proprietary available through open, efficient exchanges. As a result, more than half of the ad professionals polled expect that open platforms will, within the next five years, take 30 percent of the revenue currently flowing to proprietary incumbents such as broadcasters.

To envision four possible scenarios for the industry in 2012, we juxtaposed two of the most uncertain change drivers – the propensity for consumers to control marketing; and the openness of advertising inventories (see Figure). Because industry

players will progress at differing rates, these scenarios will likely coexist for the foreseeable future.

**Continued evolution:** In this scenario, the one-to-many model still dominates, but the industry evolves in response to DVR penetration, the popularity of user-generated content and new measurement capabilities (albeit for “old” formats). Advertisers therefore allocate a greater portion of dollars traditionally spent on direct marketing to channels typically used for brand-oriented advertising.

**Open exchange:** Here, the industry morphs behind the scenes, with little to no additional consumer influence. Advertising formats largely remain the same, but advertising inventory is bought and sold through efficient exchanges, bypassing traditional intermediaries.

**Consumer choice:** Tired of intrusions, consumers exert more control over the advertising they view and filter. Formats evolve to contextual, interactive, permission-based and targeted messaging to retain attention.

**Ad marketplace:** Consumers choose preferred ad types as part of self-programming their media choices and are more involved in ad development and distribution. Advertising is sold predominantly through open, dynamic exchanges, allowing virtually any advertiser



© Copyright IBM Corporation 2009

IBM Global Services  
Route 100  
Somers, NY 10589  
U.S.A.

Produced in the United States of America  
February 2009  
All Rights Reserved

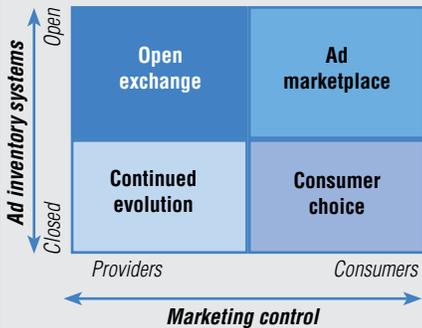
IBM, the IBM logo and [ibm.com](http://ibm.com) are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or ™), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the Web at [ibm.com/legal/copytrade.shtml](http://ibm.com/legal/copytrade.shtml)

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.

To request a full version of this paper,  
e-mail us at [iibv@us.ibm.com](mailto:iibv@us.ibm.com)

The future of advertising is largely dictated by the outcome of two disruptive variables.



formats across media devices to attract and retain customers.

2. *Business model*: Pioneer changes in how advertising is sold, the structure and forms of partnerships, revenue models, advertising formats and reporting metrics.

3. *Business design*: Support consumer and business model innovation through redesigned organizational and operating capabilities across the advertising lifecycle – consumer analytics, channel planning, buying/selling, creation, delivery, and impact reporting.

(large or small) to reach any consumer. With new consumer monitoring technologies in place, consumer action drives bids on inventory up or down.

As the advertising value chain reconfigures, broadcasters, advertising agencies and media distributors will need to innovate in three key areas:

1. *Consumer*: Drive greater creativity around traditional ads, while also pursuing new ad

There is no question that the future of advertising will look radically different from its past. The push for control of attention, creativity, measurements and inventory will reshape the advertising value chain and shift the balance of power. For both incumbent and new players, it is imperative to plan for multiple consumer futures, craft agile strategies and build new capabilities before advertising as we know it disappears.

## How can IBM help?

- **Business Model Innovation**: Capitalize on opportunities enabled in new, interactive formats while also protecting core revenues
- **Advertising Workflow Transformation**: Re-design of processes, organization and supporting technology infrastructure to support new advertising models
- **Advertiser/Audience Analytics and Reporting Integration**: Design and integration of data from disparate sources to enable more granular profiling, targeting, delivery and analysis
- **Advertising Inventory Optimization**: Improved inventory management capabilities to maximize existing inventory and drive increased yield

## Key contacts:

**IBM Institute for Business Value:** Karen Feldman, [karen.x.feldman@us.ibm.com](mailto:karen.x.feldman@us.ibm.com)

### Media and Entertainment:

- |                               |   |
|-------------------------------|---|
| <b>Global</b>                 | Steven Abraham, <a href="mailto:steven.abraham@ibm.com">steven.abraham@ibm.com</a>  |
| <b>North America</b>          | William Serrao, <a href="mailto:william.serrao@us.ibm.com">william.serrao@us.ibm.com</a>  |
| <b>Europe</b>                 | Marten Symons, <a href="mailto:marten.symons@us.ibm.com">marten.symons@us.ibm.com</a><br>Frank Schwarz, <a href="mailto:frank.schwarz@de.ibm.com">frank.schwarz@de.ibm.com</a><br>Lionel Vidart, <a href="mailto:lionel.vidart@fr.ibm.com">lionel.vidart@fr.ibm.com</a> |
| <b>Japan</b>                  | Kazumasa Ochiai, <a href="mailto:LC043738@jp.ibm.com">LC043738@jp.ibm.com</a>   |
| <b>Asia (excluding Japan)</b> | Rong Xiang Chen, <a href="mailto:chenrx@cn.ibm.com">chenrx@cn.ibm.com</a>   |