TV Dollars and Internet Dimes Revisited

Things aren’t always what they seem.

Rick Mandler

Long Form Online Video
Long Form Online Video

• Total online video (long and short form) ad sales marketplace: $1.2 Billion*

• Led by Hulu and broadcast network sites, long form video has shown strong growth.

• But is it a business?

* Disney Media Networks consensus estimate

The conventional wisdom

$$ TV = $ \quad PC = \$ $$
Where did this conventional wisdom come from?

<table>
<thead>
<tr>
<th>One-Hour of Video Viewed by One Person</th>
<th>TV</th>
<th>PC</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPM</td>
<td>$35</td>
<td>$45</td>
</tr>
<tr>
<td># of Units</td>
<td>22</td>
<td>5</td>
</tr>
<tr>
<td>Revenue</td>
<td>$0.77</td>
<td>$0.23</td>
</tr>
</tbody>
</table>

Is it really that simple?

Nope!
A truer comparison of TV and PC

<table>
<thead>
<tr>
<th></th>
<th>TV</th>
<th>PC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total People</td>
<td>1000</td>
<td>1000</td>
</tr>
<tr>
<td>%A18-49</td>
<td>40%</td>
<td>N/A</td>
</tr>
<tr>
<td>Sellable People</td>
<td>400</td>
<td>1000</td>
</tr>
<tr>
<td>Gross CPM</td>
<td>$35</td>
<td>N/A</td>
</tr>
<tr>
<td>Net CPM</td>
<td>$29.75</td>
<td>$45</td>
</tr>
<tr>
<td># of Units</td>
<td>22</td>
<td>5</td>
</tr>
<tr>
<td>Revenue</td>
<td>$262</td>
<td>$225</td>
</tr>
</tbody>
</table>

How about that!

• When you account for:
  – TV is sold on the 18-49 demo, PC straight impressions
  – TV CPMs are gross, PC CPMs are net
  – TV CPMs are generally lower than PC CPMs (for the same video)

• The revenue difference for a 1000 users/viewers is only: 14%
Wow! Is this sustainable?

- Probably not
  - While a slight increase in ad load would achieve parity today…
  - There is a definite trend in the online marketplace toward demo based sales
  - This means networks will, at some point, need to achieve parity

What can networks do?

- Increase ad load
  - Take advantage of the current marketplace and gradually increase ad load
  - Hopefully by the time all online video is sold on a demo basis networks will be close to parity
- Maintain value differential between TV and online
  - Interactive ad units
  - Finer targeting beyond demo
What about selling TV and PC together?

• Nielsen is pushing a unified measurement
  – The same commercials would run online and on-air
  – Nielsen would provide an aggregated measure
• Is this a good way to achieve parity?
  • Nope
    – Would increase online ad load all at once
    – Would immediately make a demo based sale
    – Would require lowest common denominator creative (:30 spot)
    – Would encumber leveraging the power of a digital platform

Thank You!