Outdated TV advertising is 90% too expensive

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TV adverts must be targeted to individual households, to combat viewers skipping the ad breaks, new research from UCL School of Management reveals (https://www.mgmt.ucl.ac.uk/news/outdated-tv-advertising-90-too-expensive).

Television advertisers could save costs and increase their response rate by better understanding viewer behaviour and providing smarter targeted television advertising.

In their research, Professor Yiting Deng from UCL School of Management and Carl F. Mela, a professor at Fuqua School of Business, Duke University, found that it's possible to lower advertising costs per target view by over 90%.

They used data from set-top boxes on what people view, and scanner data on the viewers' purchase history, to better understand viewer behaviour and propose effective ways for advertisers to improve their targeting profitability.

"The digital targeting of advertising on television is transforming. Digital TV is allowing the measurement of household TV viewing, to better forecast household advertising exposure, and set-top boxes offer precise targeting of households," says Deng. "With the growth of catch up TV and the ability to skip the adverts, broadcasters now have to change their ways."

In the study, households were found to watch prime-time TV almost every night – with an average household watching it on 85% of days – and for most of the evening, watching 88% of peak hours from 8pm to midnight. Thus, any gains from targeting largely come from what a viewer watches rather than whether they watch.

The findings indicate that micro-targeting can lower advertising costs and raise profit even in the face of ad avoidance. For example, when buying adverts in advance, it's possible to lower costs per target ad view by over 90% taking into account viewers' viewing behaviour. With real-time buy, it's possible to lower costs per view and at the same time increase viewings. In one case, views to target households were shown to grow by 47% while costs reduced by 7%. Real-time ad buy is also found to substantially increase advertising ROI.

Overall, they found that the greatest potential to increase the profitability of advertising comes from monitoring the same individual or household's behaviour over time - and the ability to buy advertising slots in real-time instead of in advance.

In addition, the report added that more effective targeting may open new paths to TV advertising pricing by allowing TV networks and cable companies to sell particular households as well as shows to

advertisers. These findings are due to be published in the Journal of Marketing Research.

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For more information, a copy of the study, or to speak to Professor Deng, please contact Stephanie Mullins at BlueSky PR on smullins@bluesky-pr.com or call +44 (0)1582 790 706.

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