

Digital disruption dire for traditional advertising

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The advertising industry is facing more upheaval in the next five years than in the previous half century, according to a new report. "The End of Advertising as We Know It" from IBM Global Business Services shows more-empowered consumers, more self-reliant advertisers and evolving technologies are redefining how advertising is sold, created, consumed and tracked.

Traditional advertising players risk declining revenue as budgets shift to new, interactive formats, which are expected to grow at nearly five times that of traditional advertising.

To survive in this new reality, broadcasters must change their mass audience mind-set to cater to niche consumer segments, and distributors need to deliver targeted, interactive advertising for a range of multimedia devices, the report recommends.

"Digital entertainment is experiencing faster adoption than anyone had previously anticipated. The advertising community needs to dramatically re-orient its business to serve consumers who increasingly access content in non-linear formats," said Bill Battino, Communications Sector managing partner, IBM Global Business Services

More than half of ad professionals polled by IBM expect that the next five years will see open advertising exchanges (currently led by companies like Google, Yahoo, AOL) taking 30 percent of current revenues now commanded by traditional broadcasters and media.

"Advertising remains integral to pop culture and continues to fund a significant portion of entertainment around the world. But it needs to morph into new formats and offer more intrinsic value to consumers, who will have more choices," said Saul Berman, IBM Media & Entertainment Strategy and Change practice leader. "Young people in particular have grown accustomed to not paying for content. Despite greater consumer control over content and advertising, we envision a world where consumers will continue to prefer to view advertising rather than pay for content directly."

Source: IBM

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