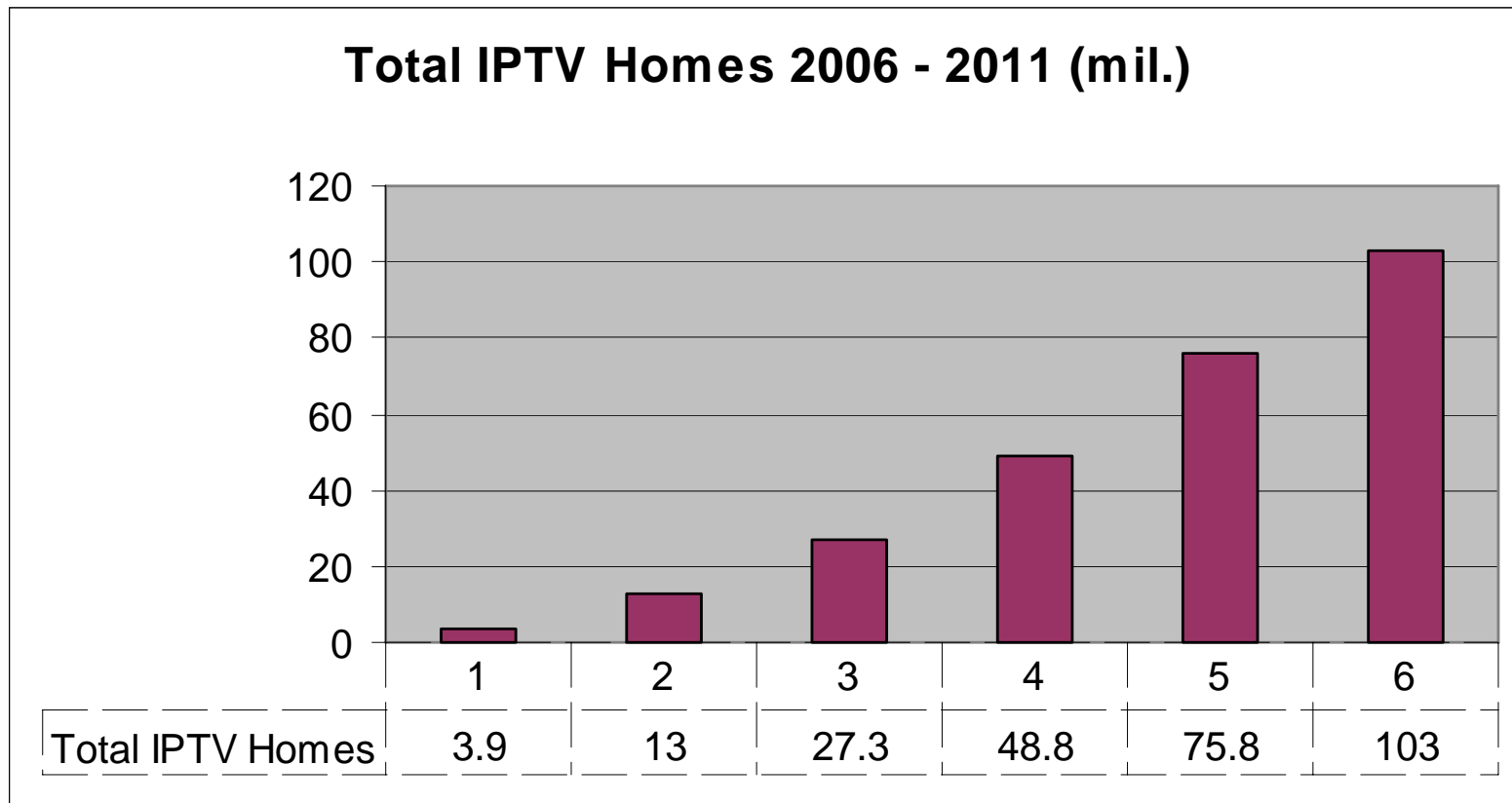


The On Demand Opportunity: VOD and Advertising

Jim Wilkinson
EMEA On-Demand Business Manager, C-COR

VOD Viewership Continues to Grow



New Business Models Needed

As time shifted content models are becoming mainstream, advertisers & network service providers are searching for new models.

Key considerations:

- Supporting extended content libraries
- OpEx – keeping operational costs low
- Ad Revenue – garnering untapped advertising revenue from ad insertion & advanced advertising

The screenshot shows a user interface for the movie 'King Kong' on the C-COR platform. At the top is the C-COR logo with the tagline 'Meeting the demands of an on demand world.'. Below the logo, the movie title 'King Kong' is displayed. The interface is divided into several sections: a cast list (Naomi Watts, Jack Black, Adrien Brody), a description of the movie, a genre selection (Action), and pricing information (Price: \$3.95, Rent: 24hrs, Length: 187 min, Rating: PG13). At the bottom, there are navigation buttons for 'Buy', 'Help', 'Preview', and 'Back'.

C-COR
Meeting the demands of an on demand world.

King Kong

Naomi Watts
Jack Black
Adrien Brody

Available Until: 04/18/06
(2005) Jackson will bring his sweeping cinematic vision to the iconic story of the gigantic ape-monster captured in the wilds and brought to civilization where he meets his tragic fate.

Action

Price: \$3.95
Rent: 24hrs

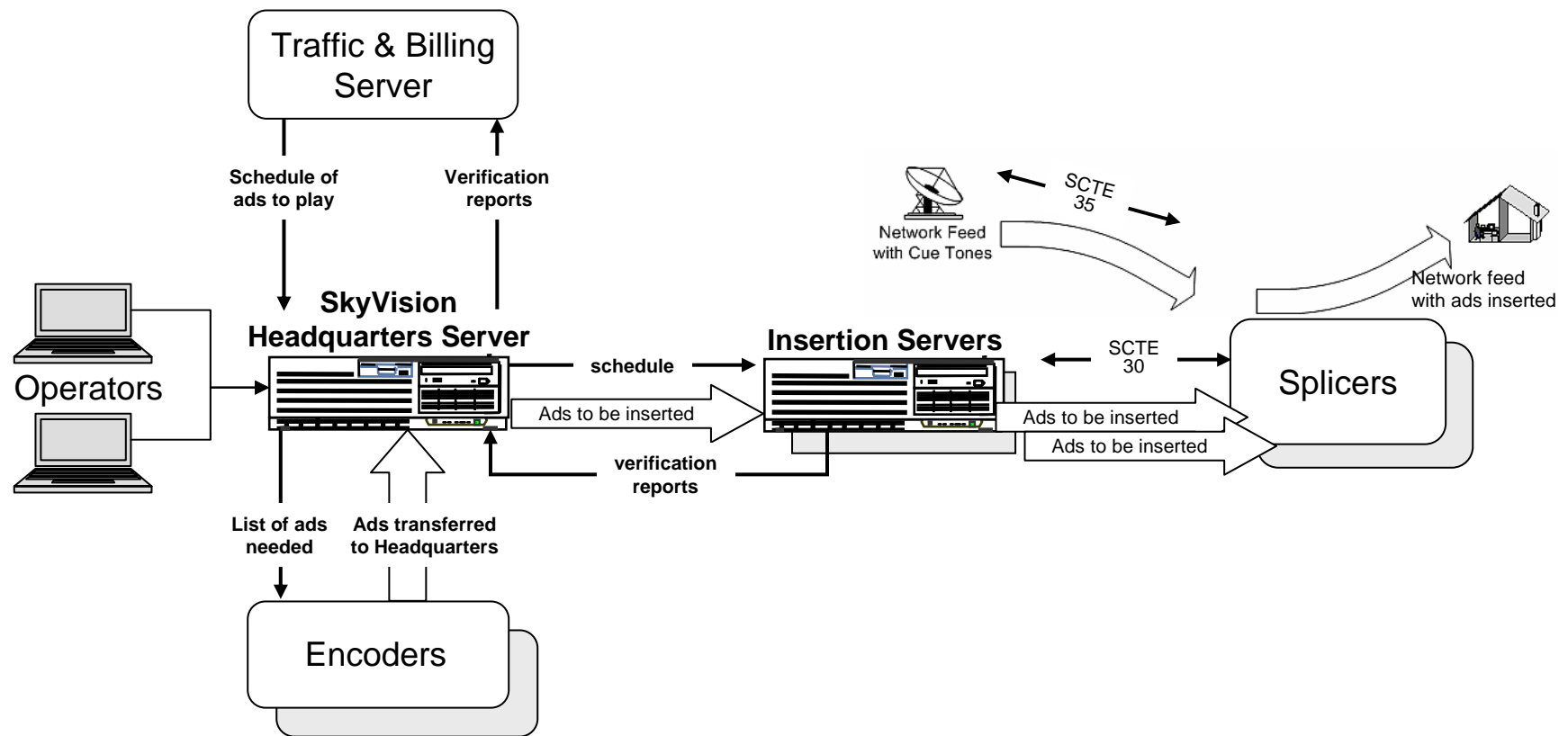
Length: 187 min
Rating: PG13

Buy **Help** **Preview** **Back**

What Is Ad Insertion?

Encoded analog or digital video forms (commercials, news updates, infomercials) inserted automatically and selectively into television network streams in response to cue signals transmitted by the network

Basic Ad Insertion Architecture



Today's Advertiser Perspective....

- Time-shifting has exacerbated doubts about TV media efficacy
 - Large agencies re-organizing around holistic approaches versus TV-centric organizational structures
 - P&G and other major brands are cutting TV ad budgets
- TV advertisers have taken notice of the web's ability to measure and optimize creative ad performance and want the same flexibility and accountability with all digital media
 - Major brands are shifting ad dollars to the web
- Video programs with pre-roll ads are proliferating on the web which puts the pressure on the value of the VOD ad model
 - TV advertisers say VOD could be even more powerful if they could have increased copy rotation and ad measurement

Ad Agencies Changing Their Decision System

Traditionally, ad prices have been based on how many people watch a show when it airs

In the age of advanced services, ad agencies use multiple metrics as they offer more proof of what an advertiser gets for the dollar

Various Measures:

- Live viewing
- DVR and On Demand playback
- Commercial ratings: total viewers for all of a program's ads rather than a break out individual spots
- Program engagement: the attention viewers pay to a show. After a show airs, IAG will ask an online panel of about 1.5 million people about it and track what they recall
- Cross-platform valuations: web, cell phones

The New Order....Ad Insertion in VOD

Today: Hard-coded programs with ads = Cumbersome

- Ads are pre-edited into VOD program in advance
- Long lead times - “Slower than magazine advertising”
- Ads can't be changed without re-pitching entire programs & constant reloading of the same programs with new ads onto the VOD systems
- Ads can't be measured separate from programs

Future: Dynamically assembled programs and ads = Easy & Flexible

- Dynamic ad copy rotation and optimization
- Ad measurement

Better VOD content = increased ad revenues and reduced churn

- Dynamic VOD ads worth ~\$60 CPM with today's content
- Web pre-roll ads are fetching 3x to 4x CPM's than traditional TV ads
- C-COR and Atlas On Demand

Dynamically assembled VOD Advertising



Ad 3: Pepsi



Content: Happy Days



Ad 2: Chips



Ad 1: Salsa



Dynamically assembled stream of multiple assets playing to a subscriber

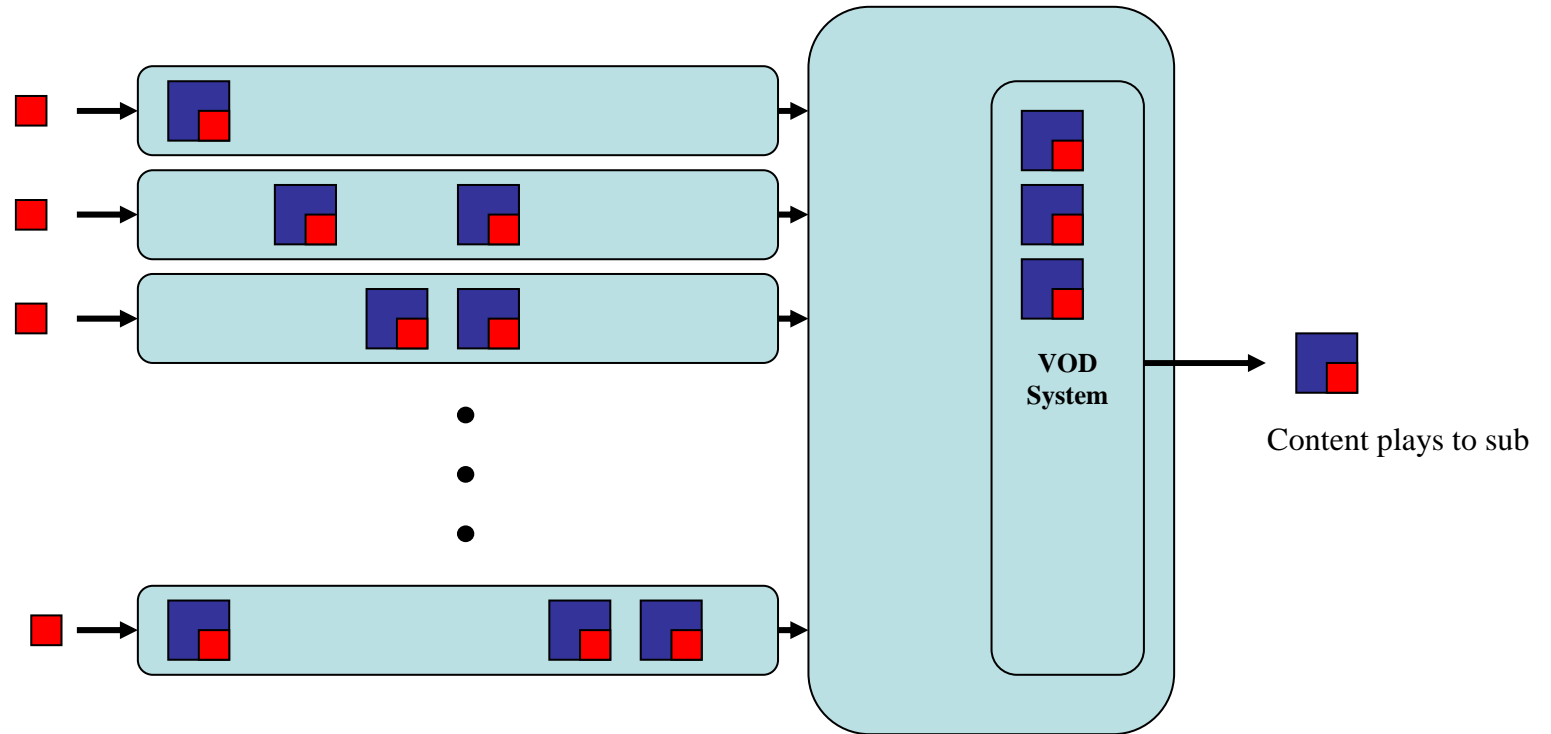
- Ad creative flexibility / copy rotation
- Creative and media optimization
- Future targeting and addressability
- Track and measure ads independent of content



Today's Free VOD Model

Ad Agencies /
Brand Clients

Content Providers

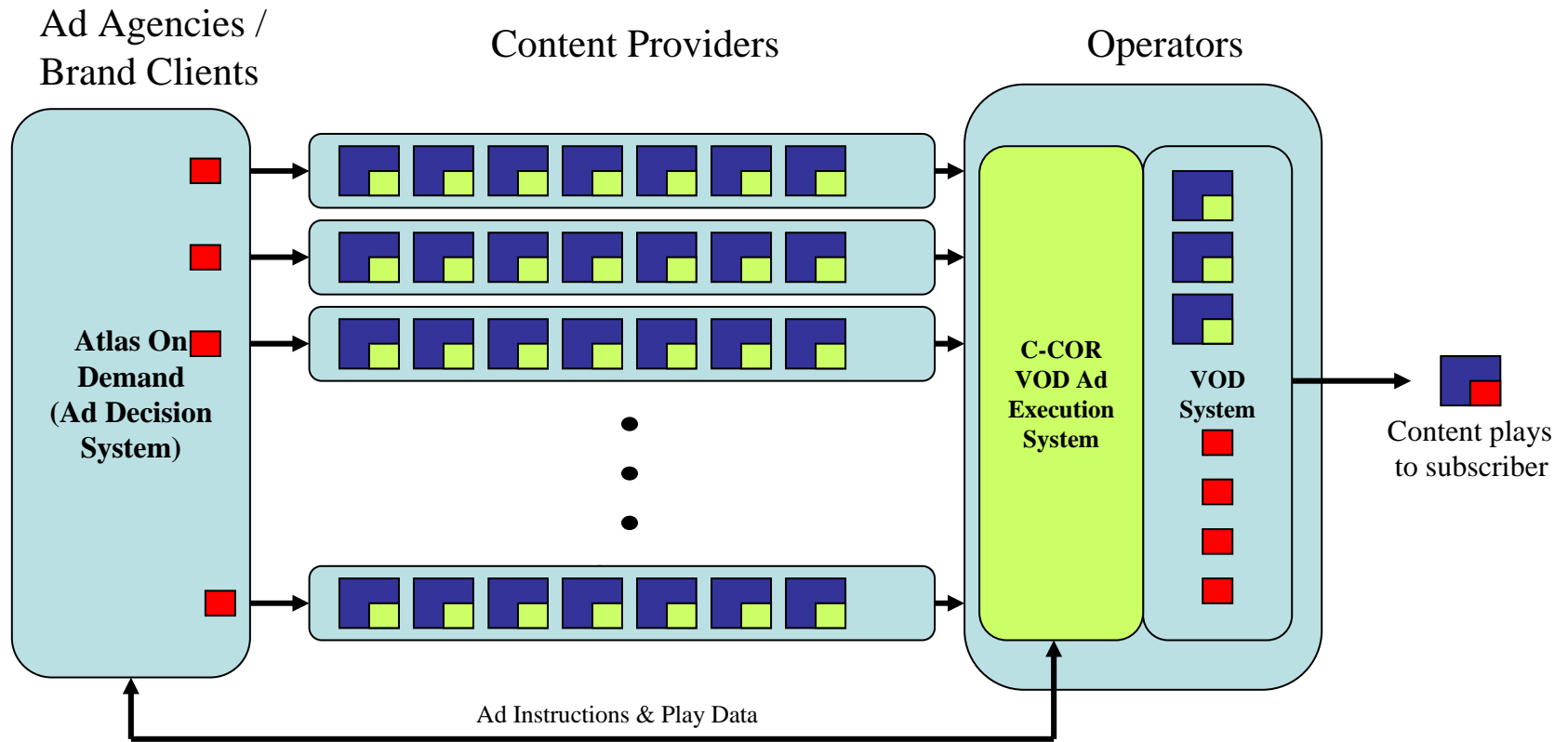
Operators






 = Ads assembled in programming
 = Ads bought from content providers

- Content providers lack the capabilities desired by advertisers
- Content providers are not motivated to populate FVOD with quality and quantity
- Free VOD offers little differentiation for MSO's

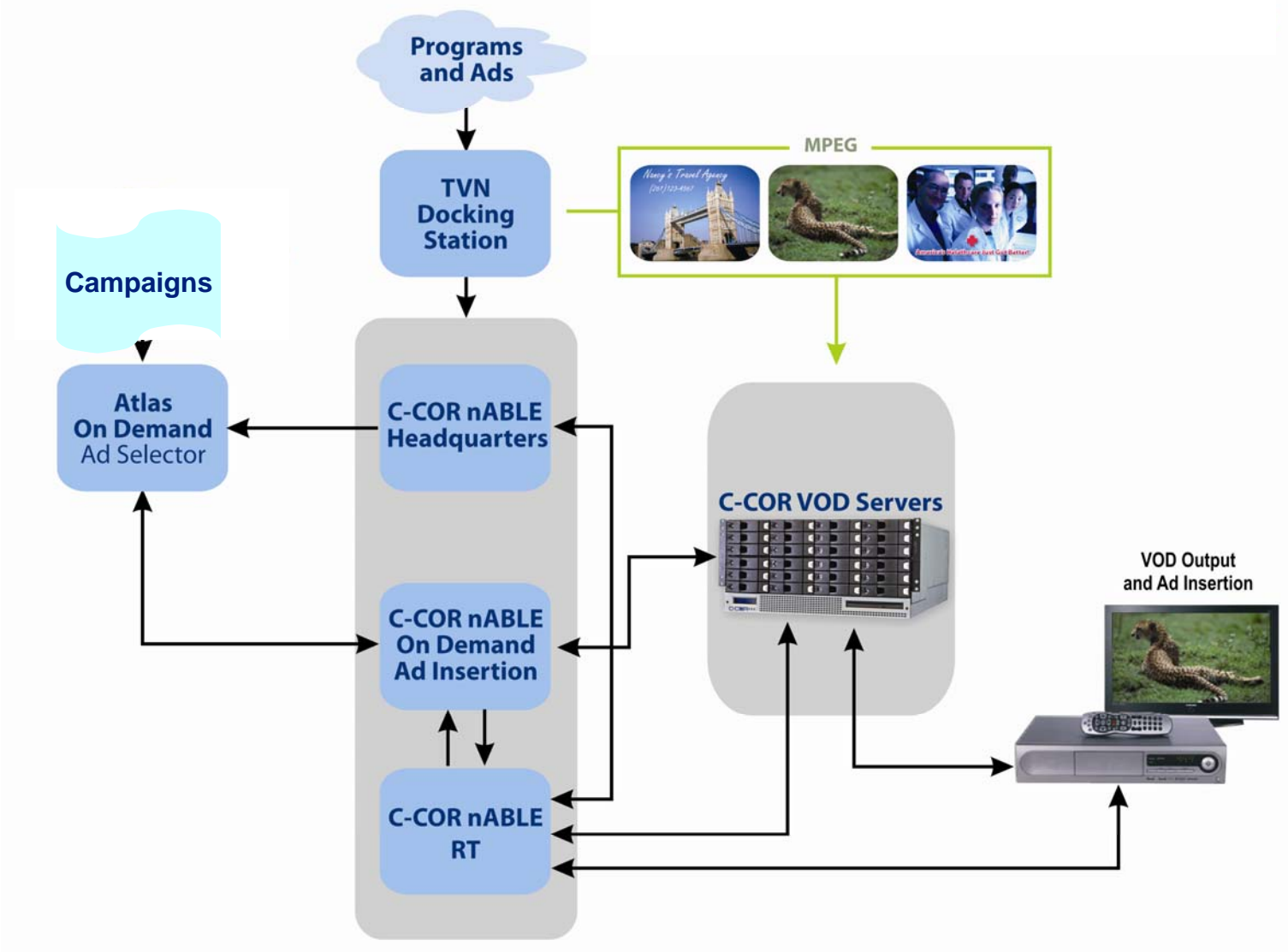
Model for Dynamic VOD Ads



-  = Ad avails in programming
-  = Ads assembled in programming
-  = Ads bought from content providers

- Content providers gain the capabilities desired by advertisers
- MSO's improve Free VOD quality and quantity which reduces churn
- MSO's could share in the ad dollars spent with programmers to justify investment

VOD Advertising Real World Example



Network DVR Advertising Question

Puts subscriber in control of viewing options through time-shifting

- Gives subscribers control over broadcast programming
 - Allows “start-over”
 - Enables DVR functionality in a basic set-top box
- Maximizes return on VOD infrastructure investments
 - Extends compelling services offerings
 - Leverages existing infrastructure
 - Differentiates from satellite competition
 - Opportunity (& challenge) for targeted advertising

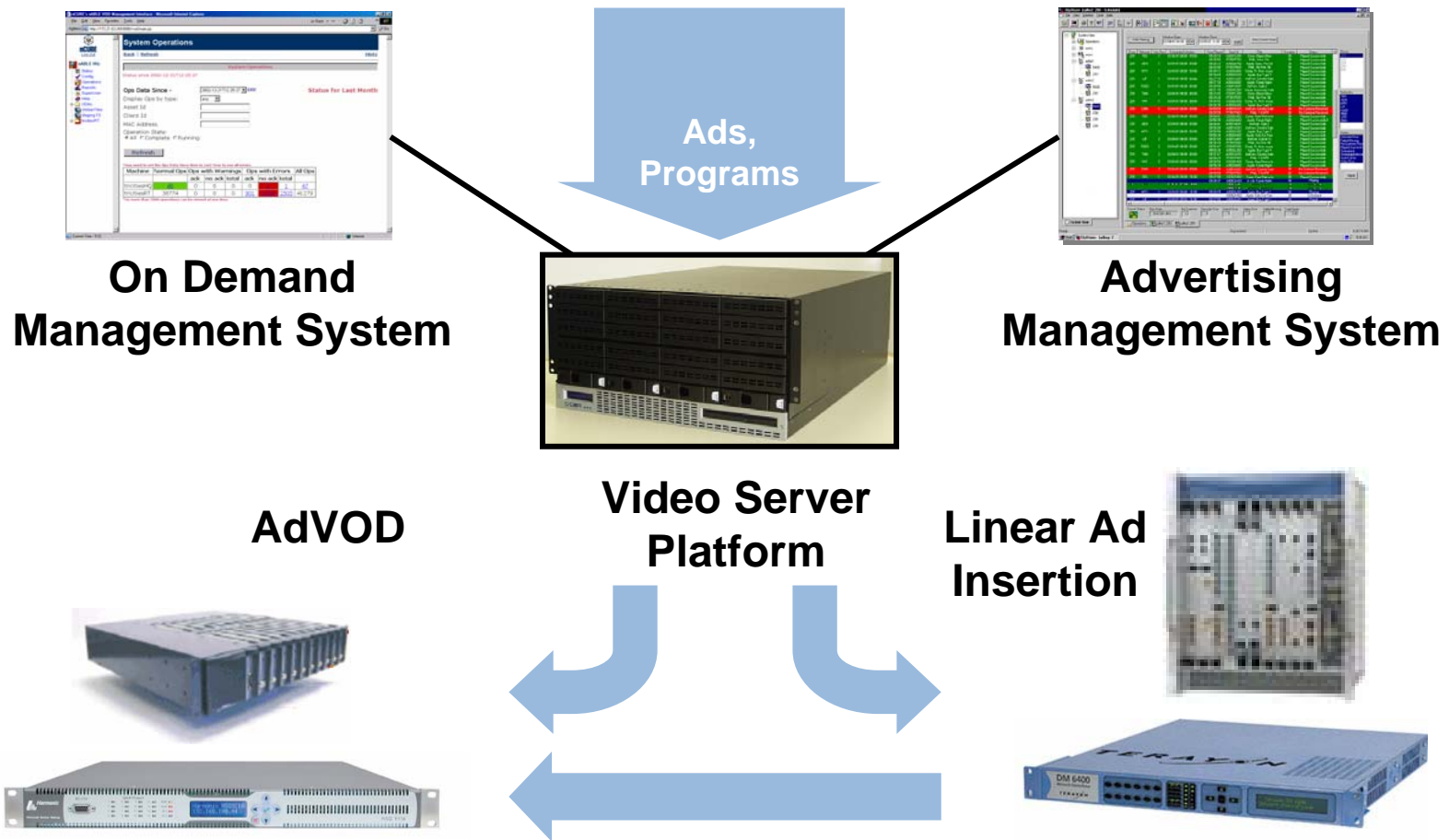


Advanced Advertising Standardization

International standards and consortiums can facilitate innovation:

- SCTE DVS WG5 is addressing many of the back office API's
 - Program ID for more dynamic spot selection
 - Traffic and billing improvements
 - AES to ADS message protocol
 - Client-based advertising models
 - Campaign to traffic and billing message protocol
 - Many now using xml technologies

Linear and On Demand Advertising Converging Into One Platform



Thank You!

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