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Commentary

2009 Advertising Industry Predictions

Zac Brandenburg, Mar 19, 2009 07:00 AM

Everyone is speculating about where the online advertising industry will go in 2009. Here are a few predictions.

1. The shrinking of "premium" inventory and premium CPMs

As the economy goes down, unsold inventory has gone up -- from about 40% last year to 70% this year by some estimates. What does that mean? Web sites that once resisted the urge to sell off remnant inventory at remnant prices or on CPA are going to have to bite the bullet. In fact the whole concept of "premium" can only exist with a scarcity of supply in relation to demand. But the Internet is a game-changer. Consider, media buyers have seen their choices go from four major TV networks to hundreds of stations with addition of cable to literally millions of Web page options. It has become a buyers' market and Web publishers are going to have to learn to adapt.

2. Faster-than-predicted online ad spending growth

Most forecasts show traditional offline advertising spending declining and online showing a modest increase. But based on the sheer number of brand advertisers we've seen come to our network looking to do online what they can no longer afford to spend offline, I'd say the forecast for online growth is overly conservative. From ad production to media placement, the fact remains that online costs way less than offline. You can say TV is like Neiman Marcus, and online is like Wal-Mart. And we all know how well Wal-Mart is doing.

3. More online consumer protection

We've got our first-ever BlackBerry-toting President, whose savvy online fundraising and campaigning helped get him into office. Given that knowledge combined with a willingness to regulate, it's a fair bet that his administration won't shy away from cleaning up the remaining Wild West elements of the Internet. Already we are seeing a crack-down on negative-option abusers among nutraceutical marketers and others. And they are just getting going.

4. The ascendancy of marketing 2.0

Marketers had a tough time getting their heads around Web 2.0. With the ascendancy of user-generated content, they lost a lot of the control they once had over their brands. They didn't like it, but they had no choice but to adapt. Now, the same can be seen in how they market online. Fact of the matter is that the Internet is too vast a place, with too many nooks and crannies, for any single marketing department to master it-hence the explosion of affiliates each offering specialized knowledge on how to maximize their niche. Advertisers are begrudgingly admitting the value of this system. As the marketing head of a billion-dollar brand recently told me, "I hate relying on affiliates for search. It means my own team is not doing the job. But our search affiliates are getting results we haven't been able to get on our own."

5. Increased privacy concerns due to increased behavioral targeting

Concerns about online privacy have been on the rise. In 2007, 61% of adult Americans said they were very or extremely concerned about the privacy of personal information when buying online versus only 47% in 2006 according to a study by the USC Center for the Digital Future. But now we have a down economy. And a down economy leads to increased focus on ROI leads to more behavioral targeting to minimize waste leads to more capturing of consumer data. Increasingly desperate, digital marketers will get increasingly aggressive. And if consumers find out the true extent, more backlash can be expected.

6. Branded response becomes more than just a catchphrase

The title of one article I read in a trade recently pronounced "The Death of Branding." No doubt a provocative overstatement to lure readers, the fact remains: Advertisers are neither willing to nor can they afford to wait to slowly change perceptions over time. They need sales and leads now, and they're pouring more money into direct response to get them. But direct response traditionally has focused on results to the exclusion of the image projected. That's going to change. Not wanting to cheapen or otherwise compromise their brand, big name companies engaged in online DR are going to insist on some semblance of brand standards. And in doing so they will find that it IS possible to go after results while reinforcing the brand.