



# Business Case for Ad Insertion and VOD

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# Profitable Video

Some view profitable video with other phrases:

1. Central Intelligence Agency
2. Jumbo Shrimp
3. Healthy Tan
4. Taped Live
5. Microsoft Works
6. Educated Guess



**Microsoft**



# What are video components today?

## Revenue

- Broadcast Revenue
- Expanded Tier Revenue
- Premium Channel Revenue
- Video on Demand
- Set Top Box Revenue
- Installation

## Costs

- Programming Costs
- Retransmission Costs
- Franchise Costs
- Headend Investment
- Plant Investment
- Set Top Box Costs
- Home Wiring
- Operating Costs

# Intangible Video Revenue

- **Defensive Measure**
- **Retain Access Lines**
- **Boost High Speed Internet Take Rates**
- **Create or Remove discord between the haves and the have not's.**



# Is that All there Is?



## Traditional Cable Providers also have



# Ad Insertion



HI-DEFINITION • HIGH DRAMA™



## What is Ad Insertion?

- **National and regional content providers give video providers opportunities to insert advertising spots defined in the content agreements.**
- **If these spots are not taken, then the opportunity will go to a default regional or national spot.**
- **Average cable company have ad insertion capabilities on 30 channels per system.**

# What are the most popular channels?

NETWORK	%	RANK	NETWORK	%	RANK
ESPN	92.6%	1	Fox Sports	41.8%	11
TNT	72.2%	2	Food Network	35.6%	12
TBS	65.9%	3	A&E	35.2%	13
Lifetime	61.2%	4	CNN	31.5%	14
USA	60.2%	5	History	30.3%	15
Discovery	57.2%	6	MTV	26.9%	16
Fox News	53.5%	7	Nickelodeon	24.9%	17
HGTV	52.3%	8	FX	20.3%	18
ESPN2	50.6%	9	Weather Channel	18.7%	19
TLC	49.4%	10	Comedy Central	18.6%	20

## Ad Insertion Facts

- Ad Insertion with local, regional and national ads.
- 2 to 3 minutes of local insertion available per hour.
- Assume 16 channels of insertion
- Assume 4 – 30 second Spots per Hour
  - 64 spots per hour
  - 1,536 spots per day
  - 46,080 spots per month
  - 552,960 spots per year

The logo for ESPN2HD, featuring the text "ESPN2HD" in a bold, italicized font. The "HD" is in a larger, bolder font and is colored red.

# Ad Insertion Market

- Direct Local Sales
- Cross Selling of Content Providers
- VOD Teasers
- Local Telco Bundles
- Barter off-air retransmission payments



# Who Do I Sell Direct Ads To?

- **Local Ads**

- Banks
- Car Dealerships
- Farm Machinery & Fertilizer

- **Regional Ads**

- Dairy Queen, Pizza Hut
- NAPA
- Dollar General

- Political Ads
- Restaurants
- Anything Competitive

- Wal-Mart
- State Political Ads
- Anything Competitive

## Revenue Model

- **Primetime ads - \$5 to \$10 per 30 sec spot**
- **Daytime ads - \$2 to \$3 per 30 sec spot**
- **Late night ads - \$1 per 30 sec spot**

**\*Rates will vary with number of viewer eyes**

## Sales Options

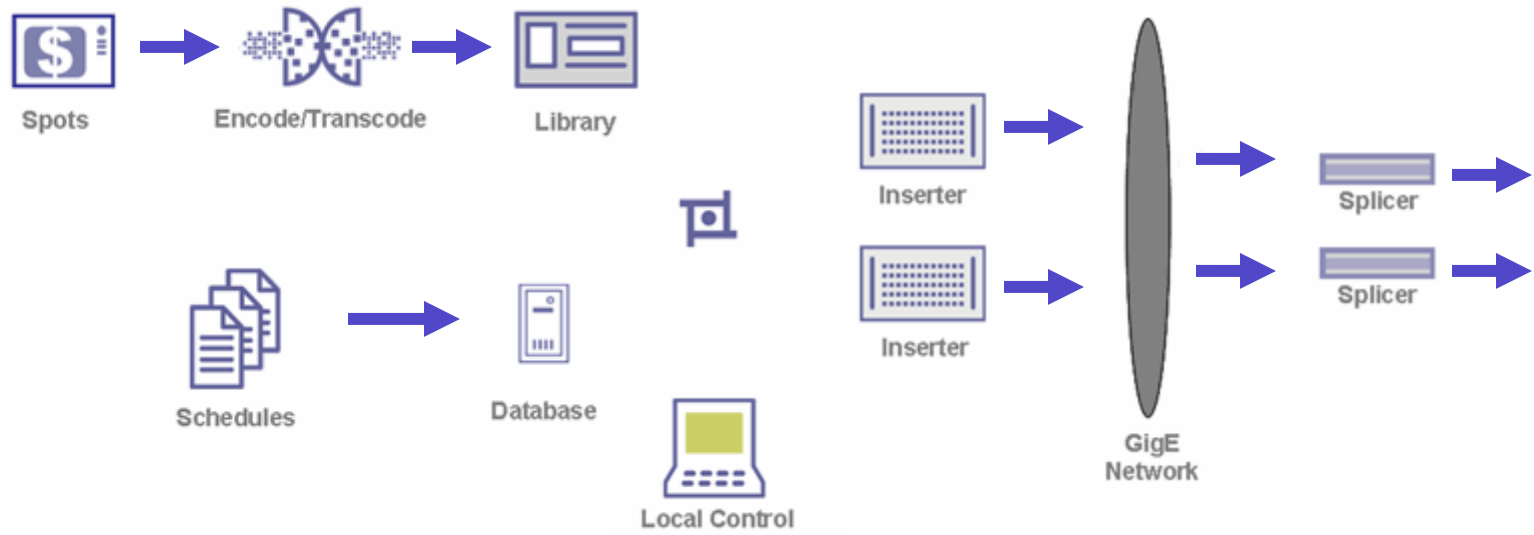
- Local sales staff
- Regional ad reseller with revenue split option

## What about making the ad?

- Ad production Purchaser Responsibility

## IP vs. RF Ad Insertion

- **Different Equipment is Necessary**
  - MPEG-2 RF QAM for RF and MPEG-4 IP
  - Ad activated off Cue Tone in RF
  - Ad activated off Meta Tag in IP
  - Uses 11" of rack space
  - Require Traffic and Billing Software to document ad
- **Must encode the ad and insert unencrypted**



## So what are the Capital Costs?

- Ad Encoder/Transcoder
- Ad Server
- Ad Splicer
- Ad Inserter
- Traffic & Billing Software

**10 Channels of Insertion with  
Traffic and Billing = \$35,000 to  
\$50,000**

**20 Channels  
of Ad Insertion = \$50,000 to  
\$100,000**

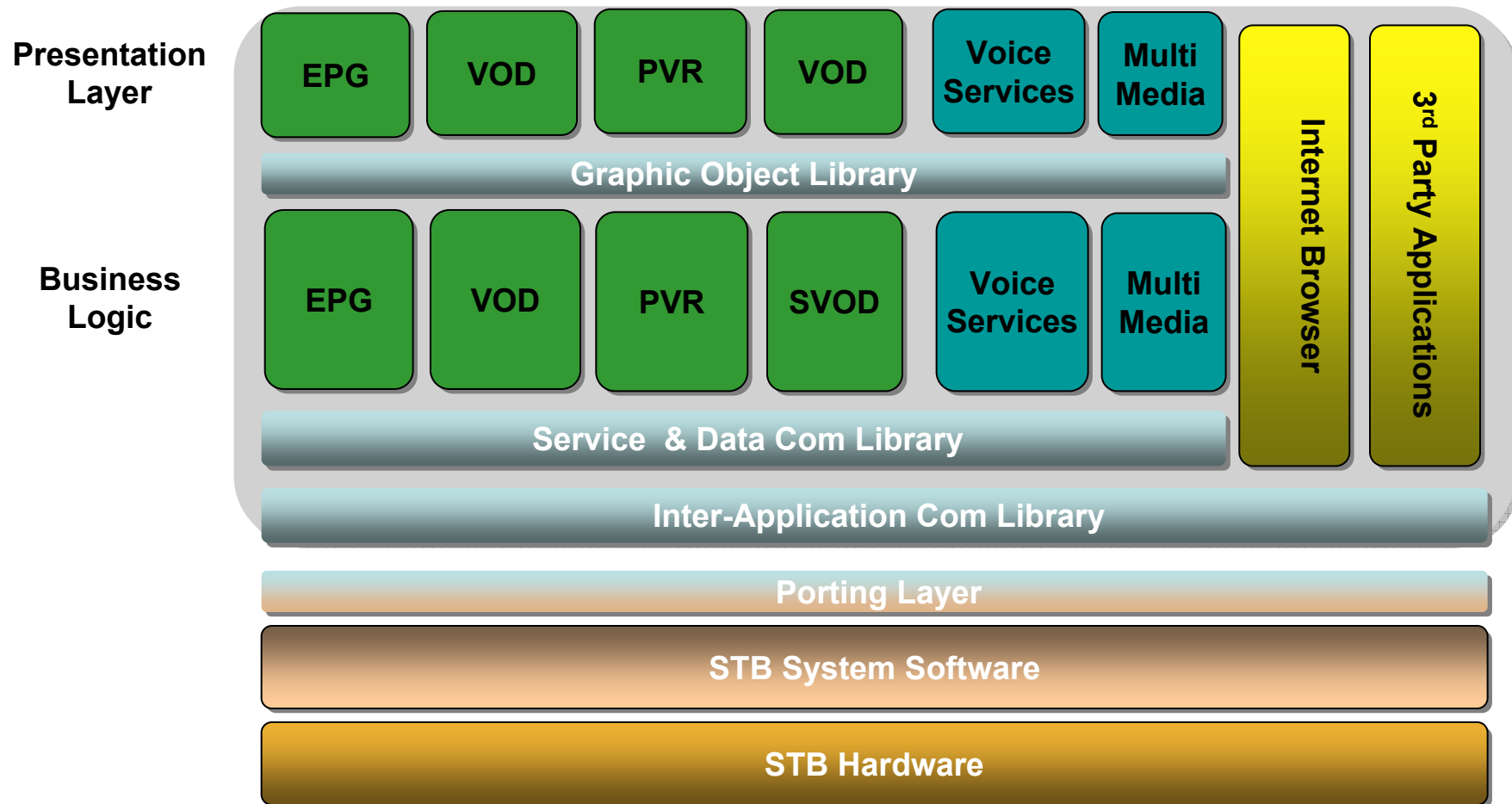
# Video on Demand

## Is VOD a valid revenue stream?

- Video Store Replacement
  - New Releases - \$4.00 Selling Price - 15% to 20%
  - Adult Releases - \$11.00 Selling Price - 80% to 90%
- Karaoke Channel
- Kids Channel
- Hispanic and Asian Channels



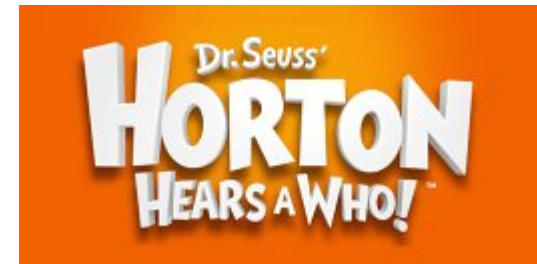
# VOD Architecture



## With 8,000 Titles, How do you choose?

Middleware and Content Provider must provide Metadata capable of:

- New Releases
- Genres
- Search Functions
  - Titles
  - Actors
  - Directors
  - Subject
  - Concerts



## VOD Local

**Provide what the satellite and MSO's will not provide**

- **Local School**
  - Athletics Events
  - School Plays
- **Community Events**
  - Church Services
  - Parades
  - City and County Meetings

## What is Required?

- **Personal SD/HD Camcorders**
  - Small Handheld Digital
  - Small Handheld Analog / Tape
- **Small Commercial Cameras**
  - JVC
  - Sony
  - Cannon
  - \$3,000 to \$5,000 Low End
  - \$10,000 to \$15,000

**HD with 60 GIG HD  
\$1,000**



# What is Required?

- **Audio Options**
  - Remote Microphone
- **Digital Storage**
  - Live Feeds – Feed with fiber and firewire
  - Storage with Portable Drives
- **Post Production Options**
  - Various Alternatives
  - Apple
  - Microsoft



## Local VOD Content

- **School Production**
- **Parental Volunteers**
- **Booster Clubs**
- **Consider of Liabilities of Live Broadcasts**



## Conclusion

- **Ad Insertion**
  - Opportunity to Create a Revenue Stream
  - Must be dynamic like program marketing
  
- **VOD**
  - There is a revenue stream for VOD
    - Video Store Replacement
      - New Releases
      - Kids and Karaoke free content
      - VOD related to Linear Content
    - Local Content placed on VOD



