

A REMADE TELEVISION ADVERTISING MODEL IS

FINALLY BEGINNING TO TAKE SHAPE, AND IT

LOOKS A LOT LIKE THE INTERNET

THE NEW REALITY

AS THE AD for dog treats winds down, an on-screen icon appears, promoting a free product sample. The viewer — a dog owner, by no coincidence — clicks on the icon, which triggers an order to send the sample to the address the dog owner had previously added to her profile page. A follow-up e-mail is sent to confirm the shipment, to offer discount coupons good at a local grocer, and to recommend additional pet-related resources.

Just another consumer engagement on the Web? Not quite. This sample interaction occurs largely in front of the TV, the much maligned advertising platform that is increasingly taking on the characteristics of its younger, more dynamic media sibling, the Internet. After years of fits and starts trying to turn the concept of interactive TV into a broadly based reality, a collection of service providers, technology companies, agencies, and marketers finally seems to be making some legitimate headway in transforming TV into a more addressable, more targetable, and more measurable advertising medium.

Sure, we've seen this dance before. For years, we've been hearing promises of two-way engagement, better buying and measurement systems, and addressable ads

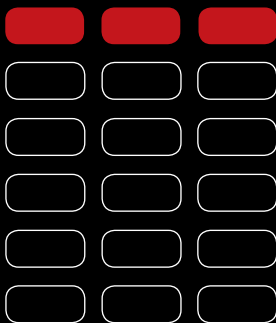
for TV viewers. But real milestones have been elusive in an industry known more for inertia than innovation.

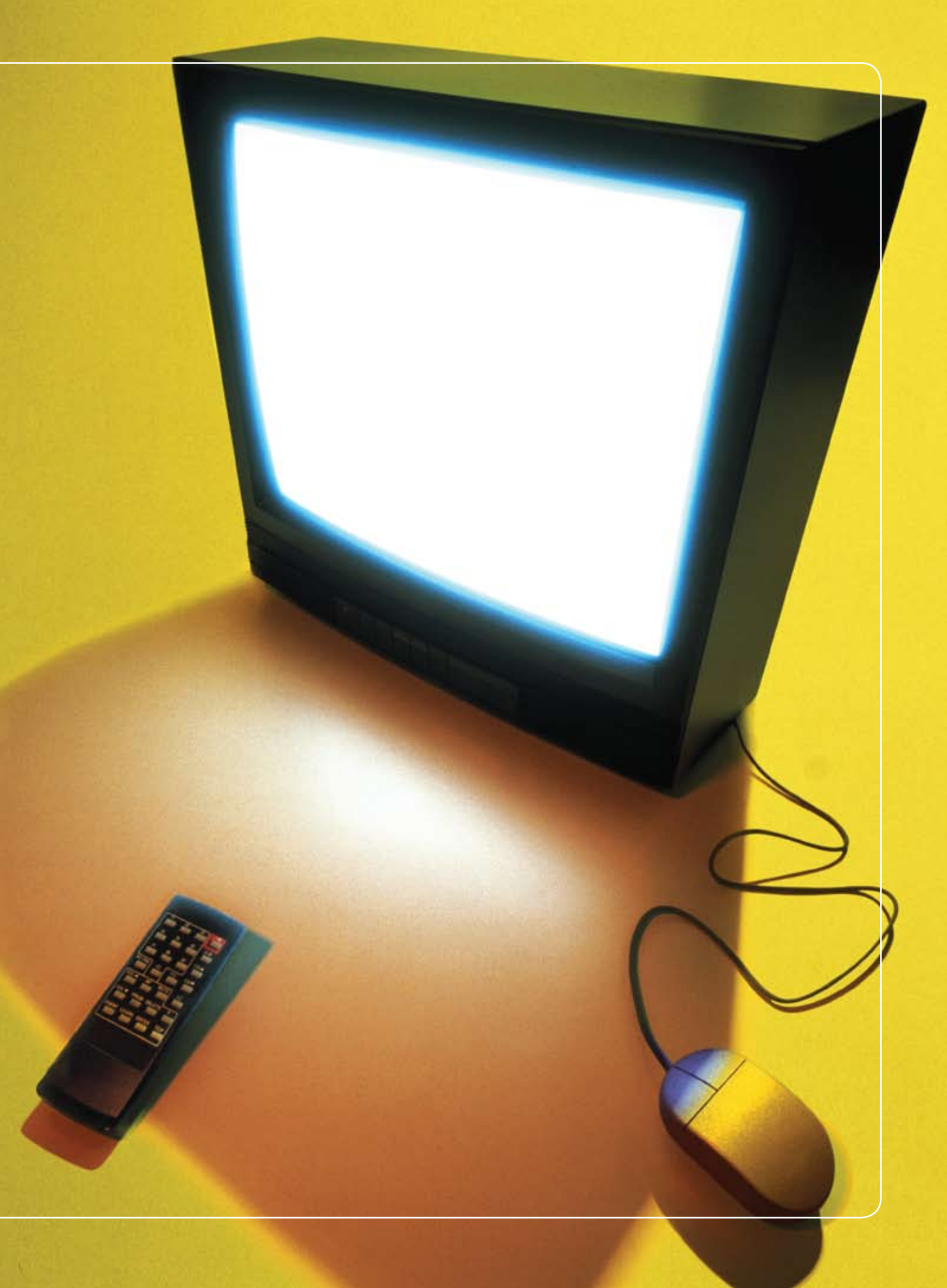
Something feels different now, however. Big advertisers are more willing to go where their consumers are — even if it means chasing them across an increasingly fragmented media landscape and as far away from a passive, linear experience as possible. Smaller advertisers, given a taste of the power of sight/sound/motion through broadband-fortified Web video, are eager to latch onto the long (and more affordable) tail of cable and satellite programming to reach a broader audience. At the same time, other players in the TV advertising ecosystem — agencies, multiple service operators (MSOs), technology vendors — are jockeying to take the best aspects of the Web and apply them more smartly to TV.

"We look at 2009 as a seminal year," says Michael Kokernak, founder and co-CEO of Backchannelmedia, a Boston-based firm that provides interactive TV technology to cable networks and local stations. "For the TV industry to understand that content can be clickable is a dramatic shift."

Not only clickable but also more addressable and measurable. To be sure, there's still

BY
ROB O'REGAN





UNILEVER EXTENDS THE INTERACTIVE EXPERIENCE



UNILEVER HAS BEEN aggressive in its embrace of digital media, and Kevin George, vice president and general manager of the company's Deodorants and Haircare business, reflects that assertive approach. He talked to us about interactive TV and other ways in which the television landscape is changing — and being influenced by the Internet.

Q. Talk about your strategy behind interactive TV.

A. Interactive TV allows us to extract more from our TV spend. We're taking what was before a bit of a restrictive or passive experience for consumers and giving it more access and accountability. iTV allows us to extend the interactive experience from sitting at a keyboard to sitting on a couch with a remote in the living room, which is important because people have different relationships with those two devices. iTV also increases the reach. We put a Web site address at the end of a TV ad and we expect people to get up from the TV, go to their computer, and type in a Web address — assuming they remember it. The idea that they can do that in their preferred environment while punching a button on their remote is pretty appealing. iTV is an example of the evolution of TV advertising, not the dismissal of it.

Q. What's the value proposition of iTV for advertisers?

A. It's data-driven design. We can change the things we're doing the next day. I don't have to wait for Nielsen to give me the approximate number of households. I can actually see through the set-top box. The ability to track where the consumer goes is much more interesting. That's a big change in innovation for the television industry.

Q. Are you still kicking the tires or is iTV an established component of your mix?

A. Oh, no — it's an established component. We've got learning, and we learn by leading. You can reach 70 million homes via some sort of set-top box. It has the scale that you need. Is it new? Yes, it is. Is it different? Yes. But the scale is there.

Q. What are some of the types of content you've created for iTV?

A. Product samples — consumers can order them through iTV. Consumers can engage with additional content through "showcase channels." They can make a donation to charity — click on the remote to donate a dollar when they vote in polls. We're bringing to the living room all of the interactive elements in an online campaign.

Q. How does time-shifting play into your strategy?

A. There's a simple answer to time-shifting: create stuff people want to watch and they won't skip it. As more people go online or time shift, we focus on creating experiences and content that people want to engage with. This lets us eliminate any disadvantages of time-shifting.

Q. What about custom content for particular shows or channels?

A. Custom content has been in our DNA for about three to four years and has worked out well. Some of the branded entertainment we created for the Web is now making it to TV — ABC bought the rights to our online series "In the Motherhood" and plans to air it as a network program in early 2009. We'll continue to evolve our approach to custom content just as our consumer is constantly evolving.

Q. Does the current economic crisis make TV more or less appealing to you as an advertising medium?

A. Neither — it's still about the message.

plenty of convincing to be done among the old-guard traditionalists who don't see the value in advertising that's focused on increasingly smaller niches. But the shift is under way, at least in the hearts and minds — and, finally, the programming — of the growing stable of true believers.

Beyond the Tire-Kicking Stage

Count Unilever among the early proponents of interactive TV, which enables viewers to use their remotes to interact with programming or advertising content. Aggressive in its experimentation in the digital world, the global consumer products company has been producing "iTV" campaigns since 2005 and is well past kicking the tires.

"Interactive TV allows us to extract more from our TV spend," says Kevin George, vice president and general manager of Unilever's Deodorants and Haircare business, which is based in Englewood Cliffs, N.J. (see related Q&A). "We're taking what was a bit of a restrictive or passive experience for consumers and giving it more access and accountability." Unilever has created iTV campaigns for several of its brands, with calls to action ranging from ordering product samples to viewing additional content online, including polling. "We're bringing to the living room all of the interactive elements in an online campaign," George says.

Not so fast. For many advertisers, the desire is there, but significant hurdles remain. Consistent technological and measurement standards are not in place. Ad dollars continue to shift toward the Internet. And broadcasters and media buyers are so entrenched in their existing solutions that some can't begin to fathom a way out. "It takes about two minutes to convince consumers about the value of interactive TV. They instantly get it," says Kokernak. "But the TV and advertising culture takes longer to accept innovation."

That hasn't kept companies such as Backchannelmedia from trying. The company's technology, embedded in set-top boxes, enables viewers to "bookmark" items of interest with their TV remote. Combined with an opt-in database, this action will trigger a follow-up e-mail or a link to additional content from a Backchannelmedia portal site. The company, which

AVERAGE ANNUAL ONLINE AND TV ADVERTISING SPENDING PER U.S. TV VIEWER AND INTERNET USER, 2007 AND 2012

	2007	2012	CAGR 2007-2012	
INTERNET	Internet users (millions)	188.1	216.9	2.9%
	Online ad spending (billions)	\$21.2	\$51.0	19.2%
	Average online ad spending per Internet user	\$113	\$235	15.8%
TV	TV viewers (millions)	286.3 ¹	301.7	1.1%
	TV ad spending (billions)	\$67.8	\$75.4	2.1%
	Average TV ad spending per TV viewer	\$237	\$250	5.5%

1. Nielsen Media Research, as cited in news release, August 23, 2007

SOURCE: eMARKETER, 2008

began piloting the technology in mid-2008 at a handful of New England TV stations, hopes to ramp up quickly this year with additional stations and distributors.

Data as Currency

As the infrastructure slowly takes shape, another challenge looms: what to do with all the additional data that advertisers will be able to access from (and about) TV viewers. "The reality is that companies have been waiting for this moment for so long, and the market has yet to really answer in terms of the process," says Jacqueline Corbelli, chair and CEO of BrightLine iTV Marketing Specialists, a New York-based marketing/communications firm that specializes in interactive TV and counts Unilever among its clients. "We're at a point where the data exists, but the analysis and a marketer's ability to act on it is not there yet."

Advertisers need to understand the differences between, for example, the way consumers interact with their remotes and how they engage with content online. "It's important to know

when consumers are most receptive to an encounter with the brand and when they're most willing to press the button on the remote," says Corbelli.

Other efforts are under way to make those clickable moments more plentiful. An anticipated new player is Canoe Ventures, which is developing a national platform for addressable and interactive advertising. Backed by a half-dozen cable operators, including Time Warner Cable and Comcast, the company is expected to release its first product in early 2009. Called Creative Versioning, it is a cable-zone technology that allows advertisers to send different flavors of an ad to specific demographic

and geographic market segments across the country. For example, a bank could buy a single ad spot nationally on ESPN; in households with incomes under \$50,000, the ad would be an offer for free checking; for households with incomes under \$125,000, the spot would promote home equity credit lines; for households with higher incomes, the ad would focus on mutual funds.

"Our vision is to help big-ticket advertisers eliminate waste by putting their ads in front of the interested," says David

ANA MEMBER CASE STUDY

LENOVO PARTNERS WITH GOOGLE TV TO INCREASE BRAND AWARENESS

FOR PERSONAL COMPUTER maker Lenovo, Google TV Ads presented an opportunity to increase brand awareness without breaking the budget on a broadcast TV buy. "I don't have the budget for national broadcast TV, but given the way our brand is — still relatively unknown for consumers and small business — there is definitely a need to get our message out to a broader audience," says Gary Milner, global marketing director for interactive and teleweb marketing at Lenovo.

The company kicked off its first Google TV Ads campaign in November 2007, using existing online

video as the creative and customizing the last 10 seconds of each spot with different promotional offers, which it placed across various programs on the DISH Network. Familiar with Google Ad Words for the Web, Milner was able to navigate the TV platform to bid on specific types of programming — soccer broadcasts, *Law & Order* reruns, the Weather Channel — that fit Lenovo's admittedly basic criteria.

Meaningful Metrics

Because of the different calls to action, Milner could also track which ones were driving the most traffic to the Lenovo

Web site. The key metric: 60 percent to 70 percent of the people driven by the ads had never been to the Lenovo site before. "Obviously, we are hitting a different target audience, beyond our traditional tech-oriented crowd," he says. "That was one of our main objectives." Lenovo continues to run campaigns on Google TV Ads each quarter.

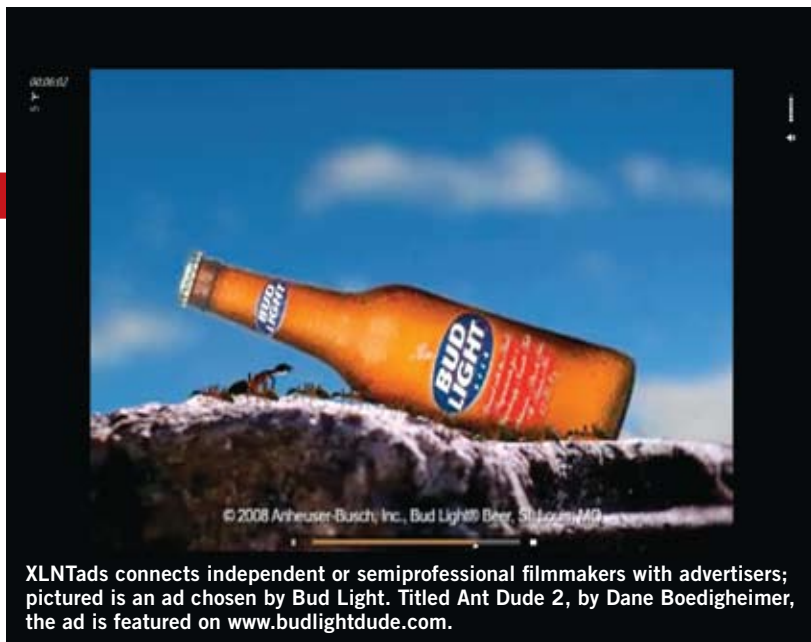
Scale remains an issue for Google and many other new players rolling out new platforms or technology in this space. Google initially supported only DISH Network, with a subscriber base of just under 14

million, and Wave Broadband, a West Coast cable provider. In the fourth quarter of 2008, Google announced additional inventory partnerships with Bloomberg Television, Hallmark Channel, and six networks from the NBC Universal family — Sci Fi, Oxygen, MSNBC, CNBC, Sleuth, and Chiller.

"Our concern six months ago was not advertisers, it was inventory," says Steib. "It's different, so people are hesitant. But with these recent deals, we're seeing that start to change."



Lenovo's Google TV Ads campaign featuring The Apology Troll was popular during last year's Olympic games.



XLNTads connects independent or semiprofessional filmmakers with advertisers; pictured is an ad chosen by Bud Light. Titled Ant Dude 2, by Dane Boedigheimer, the ad is featured on www.budlightdude.com.

STARTUP XLNTads HOPES TO FILL GAP AS A PLATFORM FOR USER-GENERATED ADS

WE HAVEN'T SEEN MUCH of user-generated ads on broadcast TV since last year's Super Bowl. Sure, Microsoft pulled together several user submissions for its I'm a PC campaign last fall, but the hype around consumers creating their own product pitches has quieted down significantly.

Many user-generated ads have found a home online, on sites like CurrentTV or YouTube or occasionally on brands' corporate sites (usually as part of a contest). But few have made the jump to TV. Advertisers realize that truly "amateur" videos don't have the necessary production values to make it to the 50-inch plasma.

But there's an untapped space between ads produced by agencies with high-end production houses and those created in someone's basement. It's this gap that a startup company called XLNTads hopes to fill by connecting independent or semiprofessional filmmakers with advertisers looking for low-cost quality video content.

The company was launched in February 2007, initially to create a platform for consumer-generated advertising. "We thought by reaching out to consumers, we could supply brand marketers with quality video along with the extra insight of passionate consumers," says Tony Romeo, XLNTads' senior vice president. "But the realization, as we got to know the videographer community better, was that there are a lot of independents out there who have a significant degree of filmmaking talent."

Breaking with Tradition

The XLNTads model has evolved accordingly. The company launched a community site, called Poptent (www.poptent.net), where content creators can showcase their wares, collaborate on projects, and connect with brands. The company claims to have signed up more than 7,500 community members. Companies, such as Anheuser-Busch and Nestlé, have used Poptent to post campaign assignments for which Poptent members can submit creative. The brands pay only for the spots they choose to use in a campaign.

Romeo admits that most of the creative produced by Poptent members is more suitable for the Web than for TV, partly because of the quality but also because big brands remain hesitant — often on the advice of their creative agencies — to break out of their traditional TV advertising routines.

"With any innovation, people are hesitant to take the risk, particularly in tight economic times," says Romeo. "Our sweet spot is probably video for the Internet. But we know our community can produce TV-quality content — for one-tenth the cost."

Verklin, CEO of Canoe Ventures, based in New York. "We want to transform MSO data, particularly set-top box data, into a new currency for TV advertising."

Other products in the Canoe pipeline include interactive tools that allow consumers to request free samples or additional information on products featured in ads or programming, participate in polls, or purchase items using their TV remotes. "We're trying to turn television into a platform, just like the Internet is a platform, to allow advertisers to directly interact with consumers," says Verklin.

The Search Model Applied to TV

As companies such as Canoe look for standard bearers among big brands and major agencies, others are leveraging their Web expertise to focus on the long tail of the cable and satellite networks.

Consider Google, the Web's 800-pound search gorilla. Google TV Ads, which the company launched to the general public in April 2008, brings some of the concepts of online advertising and search to television advertising. Google offers inventory across multiple networks; advertisers bid on slots based on a variety of traditional criteria, such as by network, by show, or by time slot. But they can also place ads on the basis of keywords associated with inventory. If you sell security systems, for example, you can bid on any show that has a crime theme in it. If you sell cooking utensils, you can buy spots not only on the Food Network but on any program about cooking. The auction system ensures that

SHARE OF TOTAL AD SPEND BY MEDIUM 2006–2010 (%)

	2006	2007	2008	2009	2010
Newspapers	28.4	27.1	25.6	24.5	23.3
Magazines	12.5	12.1	11.7	11.4	11.1
Television	37.5	37.4	37.5	37.3	37.0
Radio	8.2	8.0	7.9	7.7	7.5
Cinema	0.5	0.5	0.5	0.5	0.5
Outdoor	6.2	6.5	6.6	6.8	6.8
Internet	6.8	8.6	10.2	11.9	13.8

SOURCE: ZENITHOPTIMEDIA, OCTOBER 2008

advertisers never pay more than what they consider fair value for each spot.

Google claims its platform appeals to both major advertisers and media buyers, which can now easily purchase a broad swath of inventory across multiple networks, as well as to smaller companies that historically haven't had access to (or the budget for) broadcast TV. "It's a whole new way to buy television, and once you step back you can see that it's extremely intuitive," says Mike Steib, director of Google TV Ads. And extremely measurable. Using set-top box data, Google can track, at an anonymous, aggregate level, how many televisions were tuned to the ad, through which networks, and how long they stayed tuned. Advertisers can rapidly make changes to the networks, dayparts, and programs they've selected to optimize their campaigns.

"One advertiser put 70 or 80 different calls to action on a single piece of creative, in the form of a one-second bumper at the end," says Steib. "You can see the impact on your Web traffic immediately and determine which [spots] work better for your target. You're constantly optimizing."

"The platform at the time didn't have much in the way of demographics, so we were fairly basic in our approach — emerging programs that we thought might break through or existing programs that we knew did well," says Gary Milner, global marketing director for interactive and teleweb marketing at Lenovo, which has U.S. offices in Research Triangle Park, N.C. A big benefit of the Google platform — in addition to the low CPM rates — was the tracking tools. "We could measure drop-offs during the ad, in real time," Milner says. "If someone was dropping on a particular channel, we could switch that media off."

Message over Medium

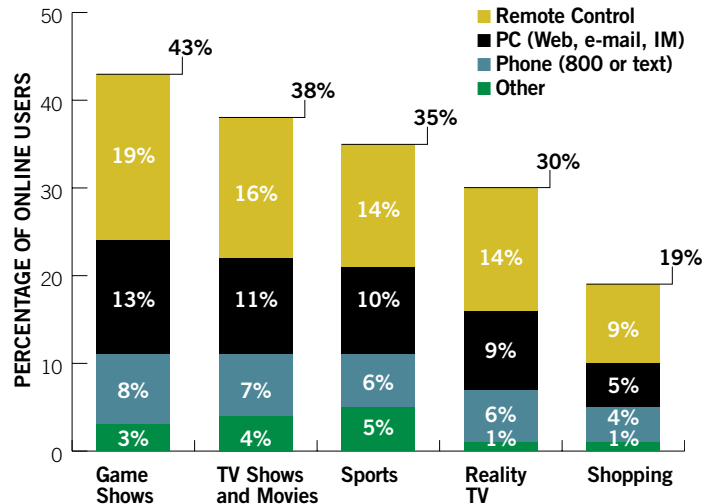
By reworking the advertising ecosystem, Google, Canoe, and other players are hoping to change the way consumers engage with their TVs. What many don't want to see change is the creative itself or, for that matter, the basic concepts behind TV advertising.

"I believe TV is still the best way to get across your brand message through sight,

INTEREST IN INTERACTIVE TV, BY GENRE AND DEVICE

Game shows, TV shows and movies, and sports programming scored highest among respondents asked how they would be most interested in interacting with TV content. The remote is the preferred device for interacting with the TV across all types of interactions.

SOURCE:
JUPITERRESEARCH,
APRIL 2008



sound, and motion," says Spence Kramer, global account director for the Nike business at Wieden + Kennedy. "You might be able to reach a narrower target through digital, but you can't deny the reach of TV." He doesn't believe TV is destined to morph into a big-screen version of the Internet, with clickable moments at every turn. But even traditionalists like Kramer acknowledge the power of integrating the two media.

"We can use TV to complement a digital story, or vice versa," he explains, citing Nike's Courage campaign for the Summer Olympics in Beijing, which highlighted nearly 100 moments of athletes showing various forms of courage. "There was a great overall takeaway [with the TV spots], but the moments went by very quickly. We wanted to give viewers another way to dig deeper and understand the context. We took each moment and broke it down frame by frame online, so you could learn more of the back story.

"I see it like this: TV is the intro, and online is the novel. It demonstrates our ability to tell a story in many minutes — while only buying 60 seconds."

Mike Goff, vice president of national advertising for Sprint, expresses a similar sentiment. "TV is the medium where you want to make sure your brand plays in a big way, to give the brand legitimacy," he says. "TV is what you use to entice people to have a closer interaction with the brand, which you can drive them to do online."

It's the theory behind the microsite the Overland Park, Kan., firm set up for the Samsung Instinct phone, as well as the

e-mail address it ran at the end of the first spot Sprint ran in the spring of 2008 featuring new CEO Dan Hesse. "We put Dan on camera when we had something newsworthy to say, and we wanted to give consumers an audience to talk about what was on their minds," says Goff. The Hesse spot generated thousands of e-mails (Goff says they were all answered), which helped improve perceptions of Sprint as a more approachable customer-focused brand.

A Natural Extension

Those concepts don't change when the medium becomes more interactive. "Custom creative is often not required to ensure that an interactive television ad experience is successful," says BrightLine's Corbelli. "Indeed, clients experiencing the most success in creating a two-way TV dialogue with their audiences will focus first on *how* viewers will encounter an opportunity to interact in ways that naturally extend from their viewing experience."

The bottom line is that, regardless of the form it takes, the content must still be relevant and compelling to its intended audience — however niche that group may be. That's just one of the challenges facing companies that are looking to deliver the next generation of interactive, addressable advertising. ■

NEXT STEPS

Get the past, present, and future of iTV at www.ana.net/interactivetv.