

Innovation/Web 2.0

The Global Human Capital Journal

Advertising & Technology: Emerging Interactive TV, Broadband, UGM & Mobile Capabilities

By Christopher S. Rollyson — Thursday, 9 August 2007

But Legacy Thinking Makes Agency Ecosystem Vulnerable to Disruptive Change—Who Will Be Their Southwest?

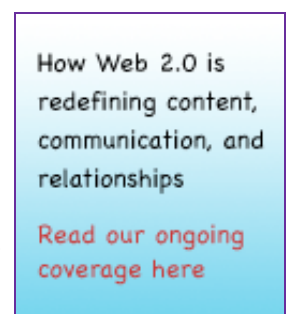
Technology is remaking the advertising business because it is beginning to enable individualized targeting via automated tools. It is not a moment too soon.

The ultimate context for this session is that technologies are driving interactivity, which is becoming the default for marketing communications. Legacy players in the marcom value chain have mixed feelings: they want to leverage their investments in legacy processes, people and relationships, and many of their clients are not pushing for interactive or its latest incarnation, digital video. Thought leaders and visionaries are frustrated by their colleagues' reticence because they perceive that marketers' worst fear—irrelevance—will soon ensue unless they begin to make serious investments in digital video and Web 2.0, which highlights peer-to-peer interactivity.

When it burst into public view with the growing popularity of the Internet ("Web 1.0"), "interactivity" represented new capabilities and sensibilities. Viewers of marcom messages could react to the messages by clicking, and these clicks could be tracked very economically. However, this was merely a brief overture to a long opera: Web 2.0 represents interactivity on steroids because consumers are originating content and constantly interacting via the proverbial "three screens" (TV, computer and mobile).

Panelists

- **Tim Hanlon, SVP Ventures, Denuo**—Tim Hanlon is chiefly responsible for all US client activity and agency initiatives in the field of emerging media technologies, including the firm's ground-breaking TV 2.0 Practice, centered around evolutionary television platforms such as interactive/enhanced television, on-demand video, digital video recording, interactive program guide navigation, addressable advertising, and digital broadcasting/datacasting.
- **Nash Parker, Director Strategic Alliances, Alcatel-Lucent**—As Alcatel-Lucent Director of Strategic Alliances, Nash Parker leads the company's North American Strategic Solutions Group in supporting the group's IPTV and Mobile TV initiatives. In this position, Mr. Parker is engaged in strategic partner development activities, analyst relations, and also serves as Alcatel-Lucent's primary liaison with the content and advertising community - including film, television, and gaming.
- **John Hocter, VP Business Development, Navic Networks**—John Hocter has been with Navic for over five years, and he has had a key role in growing the company. Currently John sets Navic's strategic direction and executes on a number of Navic's strategic initiatives. He develops partnerships with programmers, distributors, and national advertisers and oversees all of Navic's marketing activities. Through its on-demand content navigation and set-top box monitoring tools, Navic enables the next-generation services that have come to be expected by programmers and advertisers, including targeting, telescoping to VOD content, audience measurement and more.
- **Brian Shin, CEO VisibleMeasures**—Brian is a startup veteran who has co-founded four software companies and was an early member of two other startups, Allaire Corp. and Medsite, Inc. Two of the companies he helped found, Creative Aspects and The Cambridge Intelligence Agency, were acquired for positive returns. Allaire Corp. went public in 1999 and was subsequently acquired by Macromedia for \$310 million. VisibleMeasures enables self-service for ad insertion in video, which shrinks the advertising value chain. (Clients can disintermediate ad agencies by bidding, buying and inserting messages via VM's website).
- **Michael Shehan, CEO Booyah Networks**—Michael founded Booyah Networks in 2001 as a self-service paid search network.



Under his leadership, Booyah ranked 23rd on the 2006 Inc. 500 list of fastest growing private U.S. companies; Booyah was the top advertising/marketing company on the list. The Booyah Networks portfolio also includes The Booyah Agency, a boutique-style online marketing agency that Michael opened in 2005. Booyah's next division was SpotXchange, a solution that incorporates the company's successful self-service paid search network into a similar platform for online video ad serving.

- **Moderator: Christopher Stasi, SVP Operations & Development, TVN Entertainment**—Chris Stasi is in charge of all technical aspects of the company's on-demand products and services, including day-to-day operations, engineering, platform development and content distribution throughout TVN, the largest distributor of video on demand content in the United States. He also manages the design and implementation of ADONISS, TVN's revolutionary asset management system. Stasi's leadership on the project led to his being named the principal inventor on eight patent applications.

Reportage and Analysis

Technologies and Networks

All flavors of TV (cable, broadcast, mobile) are becoming digital, which is transforming the first screen. It means that metadata about their content can make it discoverable like never before. It can be chunked into smaller bits, which can be shared more easily. The quality of the video is increasing. Viewers have increasing choices about how they view the content (sports viewed from different angles). At the same time, digital technologies enable content providers to see who is consuming the chunks of data, and they can target advertising much better, significantly boosting its relevance and value. However, emerging (digital) content is still in its infancy, and agencies are loath to invest in it because it does not have the established metrics by which they are currently measured and paid.

- Technology is changing advertising profoundly. We increasingly have granular, real-time response data, and this is increasing the sophistication of the business. It is more data-driven; response data enables targeting and changes creative. This trend will drive an explosion of creativity, but it will be multidimensional and incorporate delivery, technology and content format as well as what is regarded as traditional "creative." The new generation (of consumers) gets it, but too many marketers and agencies do not.
- Agencies remain preoccupied with reach (the number of people who see their messages). The reach model is increasingly outmoded in the emerging environment, which is a cloud that contains myriad communications from innumerable parties (individuals). Advertising itself is democratizing: many things can affect the impact of advertising, as consumers contribute their messages and comment on everything. Consumers are increasingly involved in the communication process.
- Looking at it another way, ad owners have assets (creative) that they want to "leverage" by repurposing as much as possible—with the fewest changes possible. This impulse to amortize through reusing content is an opposite force to individualized communications, as far as creative goes. Two innovative ways to do this: having coupons "follow" consumers. For example, a woman is looking for a dry cleaner on her smartphone, and she receives a coupon on the phone. The coupon is subsequently delivered to her computer via email, where she prints it out and redeems two days later. Another example is geographically- and incident-based ad insertion.
- National advertisers are interested in advanced interactive advertising, but they will not buy until the ad buying process is aggregated. The advertising enabled by emerging technology is niche-y and technical.
- Legacy set-top boxes represent a huge bottleneck to enabling interactivity; most of them are too limited. They need to be able to capture viewer data and share with advertisers to enable more targeting, which will drive advertising value.
- Some helpful technologies for modernizing advertising would be:
 - Much better metrics and information about who is consuming advertising. The Web has wrought a sea change on the business because it generates highly granular feedback quickly.
 - Better video search capabilities. Metainformation is currently far too subjective (there's a lack of standards).
 - Cross-operator management systems to enable easy cross-platform ad buys. Currently local advertisers buy most interactive advertising, which differentiates cable from broadcast.
 - The technology value chain is far too complex, and technologies are not integrated well. It is necessary to assimilate technologies; too many (value chain players) need to access the inventory, which drives the need for options and technology complexity.

Content and Creative

Most agencies still feel that they add the most unique value through content, their "creative." However, panelists argued that, increasingly, the delivery was as important—or more so—than the message. Technology is enabling people to bundle content themselves, which is pressuring all content creators to unbundle content (the most common example is music: increasingly people buy songs and bundle them into playlists; the "album" is dying). Digital content enables unbundling and more interactivity. Another

prescient example: advertising that enables "viewers" to drill down and find more information before returning to the "program" in which the ad spot appeared. This is also blurring brand and direct response marketing.

- The choices for delivering advertising are exploding. It is increasingly possible to develop and deliver messaging on the fly (for example, ad insertion based on local conditions or response). It is possible to configure video messages dynamically. Users self-select video and SMS.
- Content is continuing to fragment. There are already hundreds of high definition TV channels, and their numbers are increasing rapidly. However, the "one on one" (ad to consumer) concept is a fallacy because the infrastructure cannot deliver it without massive rebuilds, and the industry is already struggling to recoup standard definition investments. The nirvana is not practical in the near future.
- Video is often the best medium to communicate the message, and agencies are experimenting, but slowly. Witness video resumes and the YouTube phenomenon.
- Video and advertising are converging: many of the most effective ads are targeted and provide relevant information (not so much a mass selling message), but to make ads more effective, advertisers need to infer preference based on imperfect information. One example of convergence: consumer-generated video that shares consumers' excitement and use of the products/services. They create excitement like ads, but they often provide entertainment value and insight into customer experience like video.
- Newspapers and TV still represent the bulk of advertising volume and revenue, which is too easy to forget. It is the reality. The 30-second spot may be on the wane, but it still generates a lot of revenue today.
- Brand and direct response marketing have traditionally been bought separately, but they are beginning to fuse due to interactive advertising. People want a seamless experience; for example, if they see a brand-oriented message that interests them, they often want more information on the spot (to "drill down"), and advertising needs to anticipate that. Note that providing drill-down information about the offering requires a completely different skill set than traditional creative; agencies are going to have to take wrecking balls to their silos and take a cross-boundary approach.
- TV must strive to become relevant in the new environment (note panelists said "become" relevant; it is not relevant right now). For example, NBC is inserting its "NBC tones" into shows purchased on iTunes. Networks have no brand awareness with the new generation, who have largely grown up with no TV or with cable. They are experimenting with reality shows and shows in which viewers rate competitors; some examples are Top Chef and The Last Comic Standing.
- Broadband video is far more granular, but broadcast TV is too general: no one knows who is watching. (In an interactive world, Nielsen's system is increasingly unacceptable.) It is possible to poll viewers, which enables telescoping (information drill-down in which the viewer requests and views additional information before returning to the show).
- It is hard to discover video, and this diminishes its network effect.
- Direct response ads are a way to measure the effectiveness of interactive and video ads.

Legacy Agency Issues

Although they are service businesses, agency responses to these trends are dangerously reminiscent of the airlines in 2000 because their processes are too brittle to respond to the market. They are open to a player like Southwest Airlines, who will change the model. Panelist remarks reflected that agencies are too focused on efficiency, and they give innovation short shrift. Their ad buying and insertion processes are tuned to aggregated buys and efficiency, so they curtail serious experimentation with emerging digital media. Worse, they are alienated from the accelerating explosion of niches, which demand individualized communications. Niches mean "higher cost communications" to conventional wisdom, but business models that prove that narrow targeting actually gets much better results are only emerging. UGM (user generated media) only accelerates the trend because users are often more relevant to other users, especially in light of the vacuum that traditional marcom provides.

- The status quo is biased toward the past, and risks increase with time. Only 12% of senior marketers think that Web 2.0 is important to their overall message. They are missing the whole generation: the zeitgeist is mashing up everything. Agencies are still too TV-centric. There is a huge CPG (consumer packaged goods) generation gap (and it is getting worse). This is partly reflected by the short average tenure of CMOs (chief marketing officers), which is currently 21 months. CMO churn also drives unprecedented change in agency selection. Agencies are now hired by professional procurement organizations, which have little understanding of advertising and marketing.
- Many traditional marketers are having conniptions: they do not know what to do. The attitude toward emerging media is too often, "We'll buy it when it gets big enough." Too many people still do not appreciate digital, and they risk fading into irrelevance. Agencies cannot buy digital; they have to do it. (In the medium-long term) innovators will be rewarded and laggards damaged. Emerging media vendors struggle with how limited agencies and their clients are.
- MBNA's strategy and operations are illustrative of where most agencies should go in the short to medium term: MBNA specializes in creating credit cards for affinity groups, which desire highly individualized card terms and conditions for their members. MBNA customizes the front end of its offerings and aggregates/leverages its back office to create scale for its clients. Agencies

should look to follow a similar strategy.

- Nielsen (and IRI) measurement systems do not address HD-TV because adoption is yet insufficient. But HD-TV is where extensive innovation will happen.
- Advertising is still hung up on broad categories, like "males 18-49." This has very limited relevance; consumers want to interact with more relevant (i.e. targeted) information.
- SEO/SEM and search represent a precursor to thinking beyond marketing push strategies. Search enables advertisers to pull people with highly individualized to them.

About the Author

Christopher S. Rollyson launched *The Global Human Capital Journal* in 2005 to address the most poignant issues of day for chief executives, namely global transformation, the reinvention of the enterprise, technology and culture. Mr. Rollyson has been a technology and marketing visionary and pioneer for twenty years, with distinction in corporate strategy and innovation. As a consultant and marketing executive, he has had a leading role in launching such game-changing offerings as: Java with Sun, e-business strategy with PwC Consulting, and SOA, Web services and architecture solutions with IBM and nVISIA. In 2006, he launched The Consumer Empowerment Adoption Curve™ and Transourcing™, a new approach to innovation that leverages high performance collaborative partner networks. He currently advises global enterprises on collaborating with Web 2.0-enabled customers—to drive innovation and to engage emerging markets.

Formerly the Vice President of Marketing at nVISIA, he developed executive marketing programs and service offerings to drive the value of software transformation through service-oriented architecture and Web services, working with IBM, Rational and Grand Central. Previously a subject matter expert for e-business and knowledge strategy in PricewaterhouseCoopers' Strategic Change practice, Mr. Rollyson developed original models and services frameworks for e-business strategy consulting. He consulted to clients in automotive, software, telecoms, consumer electronics, chemicals and petroleum industries, advising global enterprises in e-business strategy and technology start-ups on innovation and business strategy. Prior to PwC, he led marketing for KPMG's Midwest High Technology practice, where he built one of the firm's first intranets to transform the marketing organization to a real-time team. Before that the head of marketing at a leading edge Java consultancy, he played a key role in co-launching Java via marketing alliances with Sun and Netscape. Mr. Rollyson has done graduate work in corporate strategy and economics at the University of Chicago, with additional studies at Die Freie Universität Berlin, L'Université de Clermont-Ferrand in France and il Liceo Americano d'Aviano in Italy. He earned his undergraduate degree from Kalamazoo College. <http://rollyson.net>

About the Global Human Capital Journal

The Global Human Capital Journal addresses the global shift from the Industrial Economy to the Knowledge Economy, which is changing how human beings work and deliver value. In the Industrial Economy, products encapsulated the value of human work; in the Knowledge Economy, information produces the lion's share of value, and customer experience itself is the focus of commerce and government. A greater degree of collaboration among people of the world is possible than ever before, and increased interaction will bring unprecedented surprise and opportunity, especially because the potential is great to "level the playing field" among people of the world. Obviously, these developments hold significant ramifications for business and organizational strategy.

Global Human Capital covers two prongs of economic transformation: 1) strategically, how organizations can rejuvenate their relationships with customers and constituents by collaborating with them to drive innovation and 2) operationally, how organizations can build strong collaborative cultures and skills to engage the world's emergent network of expertise, both within and without their walls. We analyze how global sourcing and collaboration are transforming enterprise and government organizations, as they transition from relatively self-contained, closed entities to more networked, open organizations.

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