



A Fragmented Universe Challenges Television Advertising

As the media universe continues to fragment, an already embattled television industry braces for the inevitability that will come as of February 17, 2009, the final transition date set by Congress for U.S. television broadcasters to convert to broadcast digital signals. While the benefits of digital television, like HDTV, are well known, many in the advertising world are unsure and concerned about what Multicasting will mean for an industry already struggling with media fragmentation. Already on the band wagon with Multicasting is PBS, which is currently offering consumers a choice between children's programming, do-it-yourself shows, adult education, popular documentaries, or other programming -- all from the same broadcaster.

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As new channels of programming are rolled out by thousands of local broadcast stations across the U.S., the amount of television advertising inventory and competition for eyeballs will increase at an unprecedented level in the history of the medium. This technology showdown may very well represent a checkmate for today's two major television advertising models: Audience Reach Measurement and Direct Response Television, both of which face their own

unique challenges. How traditional metrics models will rate all the new channels is the subject of much debate. As local phone companies are building yet another platform for television distribution on the eve of the Multicasting evolution, many advertisers

are feeling very boxed in by the apparent struggle to navigate these new waters. So what are the options?



ADVERTISERS ARE MOVING TO DIRECT RESPONSE TELEVISION

Many advertisers have turned to the Direct Response Television (DRTV) approach because of the additional metrics they receive in the form of consumer response. At one time, the favored television advertising model of hucksters selling widgets late at night, DRTV has not only grown at an explosive rate over the last decade, it has become mainstream among traditional advertisers. The value of DRTV is that it has become an immediate way to measure the effects of disruptive technologies, such as DVRs, and has enabled advertisers to quickly identify new opportunities, historically restrained by traditional audience estimate models and their inability to quantify viewership in a timely way across multiple new forms of television distribution and programming.

However, DRTV has its shortcomings, too. The DRTV model's biggest disadvantage is that it is a labor intensive model, and requires constant measurement & management to ensure media plans are achieving the advertiser's goals of cost effectively reaching relevant consumers measured through response and resulting cost per action. While the overhead of managing a DRTV campaign makes sense on larger network properties, it has remained a challenge for DRTV agencies to execute the model with smaller media venues where the return on investment becomes marginal.

As television continues to fragment into a larger number of smaller channel opportunities -- all vying for the same eyeballs -- the DRTV proposition is further weakened. As FORTUNE senior writer Marc Gunther recently stated, "The point is, mass culture isn't so mass anymore. Instead, culture is evolving into a 'mass of niches.'"(1)

If DRTV is to be a long term answer to the onslaught of problems created by evolving technologies, what the industry needs is a less labor intensive and more automated version of the model. We can turn to the Internet--- where media fragmentation is at the highest

level of any advertising medium---for such a successful model, which has done a great job of aggregating Internet advertising opportunities across countless websites into a seamless, integrated and effective advertising solution. Could a similar approach be the answer for television? Could such an adaptation make it more practical for agencies and advertisers to keep on working with television properties despite the level of media fragmentation that continues to erode the DRTV model?

The answer is unequivocally, yes.

COST-PER-ACTION (CPA) TELEVISION ADVERTISING IS THE SOLUTION

What agencies and advertisers need is an easier and automated way to distribute and manage television campaigns across thousands of cable systems and broadcast stations in a seamless, integrated way. An approach that would allow advertisers to define their demographic, or programming, choices and then easily execute the campaign across a vast universe of television

channel opportunities. What if this could all be accomplished without advertisers having to take significant financial risk or be burdened by staggering amounts of management overhead as they are today? Sounds too good to be true?

Well, it's not, and it's coming faster than you think.

The potential for such a CPA Television model begins with a reverse adaptation of the existing DRTV model. One where the currency of trade is simply to pay media based on consumer responses in a bid environment somewhat similar to the Pay per Click Internet Industry. Such a bid environment would consider what the advertiser is willing to bid per consumer response as well as track and measure the response rates of

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your commercial. A CPA yield based measurement and management approach would allow stations to understand what they are making each time they run your commercial on a CPA basis. A sophisticated and automated platform would operate behind the scenes making sure that relevant delivery of your commercial is taking place while also ensuring that the campaign is optimized to produce maximum yield for the TV stations.

Isn't it about time we let technology do some of the heavy lifting in the television advertising industry while at the same time providing media with real transparency in terms of how ad inventory is priced and sold? It is precisely because of the transparency that media prefers not to cooperate with traditional internet auction types of models some of which have been recently proposed. In an evolved CPA Television model, TV stations are not concerned because they are not really selling advertising, they are in fact selling consumer response.

Now that there is an understanding of how the proposed model would work, let's take it to the next level. Imagine the possibility of being able to target consumers across the huge fragmented television industry without the overhead of traditional DRTV management. Finding out what TV media customers are watching is easy, just choose from an automated menu of demographic targets or programming segments. Now brace yourself, you've just successfully executed a comprehensive television campaign across over 1000 plus television stations where your results are guaranteed. Not getting enough airtime? Simply increase the bid rate to make your creative more profitable for the media in comparison to the market competition bidding against you. Don't be fooled, the traditional DRTV model works the same way; it's a bid environment but one that doesn't leverage technology or put the onus on the agency

or advertiser to manage risk and manage programming choices that in the future will be far too vast for any human to be able to manage.

TV TIME AUCTION HURDLE

With metrics as the clarion call of agencies and advertisers, the Wall Street Journal opined early in 2006, "Much chatter this year is likely to center on marketers' increasing demands for better measurement of the effectiveness of their commercials. Advertisers are no longer content with simple measures such as circulation numbers or Nielsen ratings..." (2)

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Such sentiment was further championed by John Stratton, CMO of Verizon Wireless, at a Madison and Vine Conference in February when he encouraged the industry to become more relevant: "Your clients

are absolutely in trouble and they are looking for you to save them...What you've been selling for the last 50 years no longer works."(3) Is it any wonder then that advertisers, are working on a pilot online trading system for television airtime with eBay™? (4)

But non-CPA based auction systems essentially pit stations against each other in competition for advertiser dollars. While it may seem a solution for advertisers demanding more quantifiable results, it actually treats media as a commodity and is likely to fail for a variety of reasons, including the inability to make buys far enough in advance, as well as the inevitable station backlash over the idea of commoditizing their lifeblood - their airtime. Stations want and demand more transparency. Let's give it to them while at the same time achieving what advertisers and agencies have been screaming for, guaranteed results.

IT'S ALL ABOUT RESULTS

In contrast to traditional media buying where consumer audience profiles and volume is the basis of decision making for pricing, the next decade of multicasting advertisers will target relevant programming through technology enabled systems and buy consumer responses instead, thus embracing fragmentation. This creates a fair balance between the interests of stations requiring a safe way to monetize their inventory, and the interests of advertisers wanting a media with price guarantees tied to ROI. Advertisers get their offers on the air quickly and easily, and pay only for consumer response. What could be easier or more effective?

The future of television advertising is here & now and it is open to everyone... where will your next move take you?



Joseph Gray is founder and CEO of REVSHARE, television's largest cost-per-action (CPA) advertising network. REVSHARE has specialized in CPA television advertising since 1989. The company has relationships with more than 1,000 local market television stations, cable systems, syndicators and networks, which are willing to provide television time on a results basis. With a customer-oriented team, proven client results, state-of-the-art tracking and reporting tools and marketing know-how, REVSHARE continues to lead the industry in the evolution of television advertising models for the next generation of convergence and interactivity.

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