

TV Advertising in a Non-Linear World

By Leo B. Willner, Ph.D. and R. Gregory Kalsow

It will definitely get a lot harder for TV advertising to prosper in the rapidly changing world of advanced TV technology. It seems that the TV viewing public is being armed with powerful new weapons — such as VOD, DVD and PVR — with which to fend off the insidious and oh so clever advertising offerings of a most skillful and gifted profession. The media may be the message, but it is now the TV media itself that is being transformed in profound ways from a linear to a non-linear television viewing experience. The public is changing its viewing to new modes using new devices with capabilities that go far beyond the standard remote control and VCRs. For example, the so called ‘trick play’ advanced viewing features, now available in some TV set-top boxes and personal video recorders (PVRs), empower viewers to fast forward, pause, rewind and replay ‘live’ TV, on-the-fly, and to skip through commercials. So what is an advertiser to do?

It is almost too much, and a bit ironic, to see conservative TV tycoons, hat-in-hand, soliciting the U.S. Congress for legislation to limit non-linear TV viewing, the FCC for relief against the electronic gadget

makers and the courts for injunctions against new technologies that threaten their business model. Yet here are the same free speech boys among TV broadcasters, satellite and cable multiple system operators (MSOs) and the advertising industry that now fervently desire to constrain a ‘Jeffersonian democracy’ free public from employing new ‘non-linear’ TV technologies that offer to enhance freedom, convenience and enjoyment.

The term non-linear is used herein to describe an ability to experience a sequence of broadcasted or recorded TV segments, that we have arbitrarily numbered as, for instance, {1,2,3,4, ..., 45, 46, 47, ..., 1000}, perhaps in the order of their original occurrence, to be viewed later on in any other sequence, for example: {4,3,2,10, ..., 1,11,11,11, ...}, that the viewer may select on-the-fly. In addition to the reordering of programs being viewed, devices with advanced ‘trick play’ functions can also alter the temporal nature of content — by changing the speed and duration of the viewing experience.

Furthermore, the non-linear environment includes the case where there are two or more co-existing media streams, e.g.,

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video/channel number one and video/channel number two, that we can ‘multi-stream’ in some way and jump in and out of, from one ‘program’ to the other, repeatedly navigating among the different parts and perhaps following varying sequences of TV clips as we view the two videos. The TV content may be live or stored, it may be integral or sliced and diced (as in a picture album), as it is enjoyed in an ad hoc sequence of choice. Also, it may be preferable to watch a recorded sports event in double time. Viewing time and sequence is changed from the original real-time of the material itself to a ‘time-is-elastic’ viewing mode. Simultaneous multi-streaming of multiple content, or user customized ‘channels’ is enabled, in a fashion never before possible. Previously, the most analogous viewing mode available was picture-in-picture (PIP) — TVs that can show two video streams or channels simultaneously, but with all the linear and temporal constraints in place.

A technology-empowered consumer now has advertisers, broadcasters and advertising agencies slack-jawed with bewilderment, launching the pleading and back room maneuvering in the halls of Congress, the courts and the FCC to put a stop to all of this ‘nonsense’. This process involves politicians and other public ‘operatives’, who are always on the alert for any opportunity to gain a useful trading card in their uncomfortable détente with the electronic media. After all, politicians, judges and commissioners also need access to public attention, and the electronic media is their primary means of achieving this end. Are they all bedfellows in a brazen conspiracy to limit the rights of the public and of the consumer electronics industry? Perhaps...stay tuned.

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To digress a bit: It all reminds one of the protracted attempts by AT&T, then a regulated monopoly in the 1970s and 1980s, to prevent so called ‘interconnect’ telephone equipment — from the likes of Nippon Telephone, Eriksson of Sweden, Stromberg–Carlson and Northern Telecom (communists and evil doers all) — from entering the US market. AT&T’s argument was that such equipment was dangerous and would damage the US telephone network. How utterly ridiculous that shallow ploy of theirs seems now! But AT&T spread a lot of money around, twisted a lot of arms, and wined and dined a lot of power brokers. Nevertheless, it lost its universe, was broken up and placed in a competitive environment, that it was ill prepared to understand. No smoked-filled backroom parties here. For, in the good old USA, even with the shenanigans of the ‘good old boys’ in Washington, the people do remain sovereign. The old AT&T now lives on in name only, as it was broken up and discarded on the waste heap of industrial history. It did put up one hell of a big money fight, with lawyers by the bushel, and everyone involved enriched themselves, while the pork rolled all around.

Is a similar fate and future now awaiting the TV advertising industry? It seems that few days go by in the media business without some news regarding TV advertising’s travails or its upcoming downfall and the disastrous effects to follow. Who is to pay for new TV programming and for comprehensive TV news coverage, once TV advertising revenue drops off? Is the second or third or n’t h coming of DTV and ITV the answer, or does it go much deeper than that? When the workday is done, the American family does want to be entertained, amused and kept occupied,

but is it willing to pony up for more at the pay window? The wise folks in cable TV and the bright analysts at CTAM (the industries' technology and marketing arm) worry that \$60 per-month for cable may already be pushing a price ceiling. Are tiered service fees the answer? Can cable and satellite TV get along without massive advertising revenues? Broadcasters certainly cannot.

In counterpoint, as with the recent US stock market when it was on the brink and about to go awry, annual upfront TV advertising contracts continue to blossom. Multi-billion dollar TV advertising deals are still being placed with food, auto and other major commercial enterprises — at more than \$8 billion in 2002 alone. Thus, with all the heralding of doom and gloom for the future of TV advertising in a soon to be non-linear TV world, there are numerous commercial interests still ready to line up and pay a fortune to access the public mind via traditional TV advertising. Were this economic force to wane after a run of more than fifty years, what alternatives would the TV industry offer advertisers in order to sustain the TV advertising golden goose, the one that lays the golden eggs?

In a holding action, linear television and its advertising paradigm seek to fend off the threat to their hegemony coming from numerous newer and more convenient TV technologies — such as DVD, VOD and PVR. This embattled state of affairs is a subject that continues to puzzle the experts, befuddle Chairman Powell and the FCC and frighten the securities markets. Look at what happened to AOL Time-Warner's stock price or even Viacom's when advertising revenues fell off. Everyone likes to speak in favor of modernity and new technologies, but few

are as willing to face the consequences that such change portends. In practical terms, it all depends on whose ox is in the arena — about to be gored. Today it would seem that linear TV and its wedged-in advertising are at the cross hairs of change.

In order to understand how TV advertising is likely to be transformed in the coming months and years, we would do well to re-examine the fundamental nature of TV viewing itself. A place to begin is:

- To consider the atavistic basis and nature of TV viewing in the context of human social behavior;
- To examine how TV molds the public with a compelling experience that leads to patterns of habitual behavior;
- To understand how interruptions by outside intruders — read, advertisers — are dealt with in the social setting of the family in the home.

Unraveling the more arcane aspects of TV viewing, including how we currently digest today's spoon-fed, in-your-face, TV advertising, is a way to garner some understanding of the risks faced by today's TV advertising forms as technology moves us from linear to non-linear TV. As TV viewing now engages, on average, something like five hours per-day of the attention of the population, any fundamental change to TV advertising will impact everyone's life-style. In order not to drop the goose-that-lays-the-golden-eggs on its head in the process, the TV industry needs to be careful and wise in how it transforms its advertising offerings.

The TV industry must bear in mind the fact that established TV advertising is well ingrained and actually a most valuable part of the public's life experience. In its present incarnations, television advertising must

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not be changed, or worse eviscerated, while in the primary care of well meaning but inexperienced and perhaps overzealous technologists alone. This is a human problem requiring a humanistic solution, as opposed to a Bill Gates 'let them eat technology cake' approach of, say, a Microsoft or an IBM, or — dare we say it — a Motorola or a Scientific–Atlanta.

Among the fundamental questions, is holding our heads and eyes in a mostly fixed and locked position while watching TV for hours on end a form of human behavior that is likely to survive? In contrast to the multiplexed forms and discontinuities of everyday life, is the strangeness of linear TV viewing behavior just an anomaly that will quietly pass away as technology offers more convenient alternate solutions? Is our present way of watching TV but a temporary adaptation to TV technology–in–transit, or is it a life-style pattern we are likely to continue to tolerate for the long term even when we have better alternatives?

After all, in our everyday non–TV watching life, we typically move about physically and figuratively among multiple activities in a proactive and mobile state. Generally, we are not sitting around passively viewing life as a serial program. In fact, our attention is not necessarily in serial mode or even fully focused as we scan a report, flip through a magazine, engage in casual conversation or passively observe the scene about us. Humans are far from linear animals when it comes to everything, except for the passing of time itself.

Numbed by the cadence of linear TV, we all acclimatized long ago to the frequent interruptions and distractions caused by TV advertising and reconciled ourselves to

the loss of enjoyment we suffered thereby. One might even speculate that some of our multi–tasking behavior in the home may have matured out of our habit of attending to other matters — while TV commercials droned on. With linear TV, short of changing the channel or surfing with the remote control — habits that can cause conflict in the living room — a viewer either abides the interminable commercial interruptions, or sits transfixed by the Madison Avenue mantra. Advertising impressions are still being made, but the process is at best unsatisfactory for many people.

Yes, it's a brave new world out there, and various forms of 'digital' seem to be the answer. The linear TV experience is now but one of numerous ways of viewing video content. Other means of enjoying varieties of TV and video involve VOD, SVOD, VCR, PCTV, PVR, new types of cell phones, PDAs and DVD toys housed in fancy consumer electronic boxes. Each of these new gadgets offers a far more convenient and typically non–linear method of viewing television content and other information.

These new devices enable dynamic new ways for the TV fan to control the content that is presented and the time sequence of its showing, thereby enjoying his or her vicarious TV experience with greater flexibility and convenience. With DVD you get fantastic quality in audio and video, as well as additional, specialized content. With VOD you get content–on–demand, not otherwise available, that you can view in 'trick play' mode. With PVR you can capture content and view it 'live' or in time delayed mode as well as store it for posterity, all with 'trick play' and many other features, graphics and capabilities. With Microsoft's UltimateTV

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service for example, you can fast forward at 2X, 15X, 30X, 60X and 300X; at 300X you can fast forward through a half-hour program in just six seconds.

While using the 'time shifting' features now available in many of these devices, one enjoys a 'time-is-elastic' mode of navigation through the content. You watch what you want when you want it while pausing, fast-forwarding and replaying segments of programs at will. You can leave the room whenever you want without missing a beat, by just pushing one button. It is a random access experience that is more efficient, convenient and satisfying than linear TV. The resulting change in consumer TV viewing behavior and the acceptance of other home entertainment devices, such as electronic gaming, is a source of great frustration, confusion and uncertainty for the TV advertising business. Its very survival depends on finding new ways to advertise within these new medias. Its instinctive response — as we have already noted — has been to seek to stifle or block the new technologies via restraining business practices and new legislation and regulation. This approach is most certainly doomed to failure.

“The wedging in of advertising has been abused by the TV industry to the maximum — and without shame.”

It is readily apparent that the problem with linear TV advertising today, is inherent in the nature of its disconcerting-to-the-public, non-elective forms of advertising. After all, few people object to elective advertising displayed at airports, along the highway or in newspapers, magazines and periodicals. Such advertising has proven to be of great value for many decades. In general, it does not interfere with the experience of individuals as they travel, entertain or inform themselves. It contains elective attention getters that can contribute to the

life-style and general well being of the population. Linear TV advertising on the other hand, as a wedged-in form of undesired interruption, tends, at best, to interfere with the public as they watch the TV programming of their choice. The wedging in of advertising has been abused by the TV industry to the maximum — and without shame. How many of us stopped watching Jay Leno or earlier on, Johnny Carson on the Tonight Show, simply because we could no longer stand the incessant advertising interruptions? Today, many of what would be high informational value primetime newscasts are spoiled by excessively frequent commercial breaks. It is not only the percentage of advertising to total program time, but the frequency of interruptions that is disconcerting.

Success with TV advertising lies in balancing the likely interest and usefulness of the advertising message to its public against the undesired impact of their being interrupted. Today's linear TV advertising often feels more like an unpleasant transgression than an appealing seduction. It is a process that frequently employs a shotgun approach to reach a smaller targeted part of the TV audience; those who might actually have an interest or a need for a particular product or service. It is often placed within the viewing stream with little regard to the annoyance that it may cause the rest of the audience watching the same channel or program. Think of a bellhop in a crowded lobby of a fancy hotel who goes around shouting out repeatedly: “telephone call for Mr. Jones, telephone call for Mr. Jones...”. That may be of benefit to good old Jones, but it sure is annoying the heck out of everyone else in the room. Especially, if it occurs repeatedly, as with typical TV advertising interruptions to programming

that are inserted every seven or eight minutes and can last two, three and four minutes in average programming, or even more frequent (though shorter duration) during the news.

The answer to better TV advertising, advertising that the public will continue to tolerate and abide, lies in far better targeting and less multi-purposing of advertising. That is, focusing advertisements directly onto the sub-populations whose interest in the product or service being promoted may justify the untimely interruption. Otherwise, by means of now available new technologies, the public, in ever-greater numbers, is likely to find ways to opt-out. The golden goose may fail to deliver up any more golden eggs.

Instead of using the media to blast out a message in multiple directions at once, new technology can make it possible to better personalize the message and target the audience. Such an approach will also tend to provide greater CPM advertising revenue to the TV service providers. As more and more TV viewing occurs in homes with two, three or more TVs, a large proportion of all viewing occurs in solitude — perhaps as much as 40 to 50-percent today. This results in a great opportunity for the advertising industry to individualize the message and focus the advertising on a targeted one-to-one basis. For example, the teenage son could be shown the GM Corvette advertisement in his room while his father views the GM Cadillac ad in his study. Mother is shown instead a brief Martha Stuart infomercial. With new technologies that are already well developed — but not yet extensively deployed — such individualization can, and will, soon be routinely accomplished.

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Once very large video storage devices — such as PVRs and VOD servers — are available either at the client-end or at the cable or satellite service provider head-end, the use of sophisticated application software will allow prestored ads to be inserted on-the-fly into the content being viewed in the home — room by room. Within the limits of what is allowed, while protecting the privacy of family members from excessive intrusion by the media, profiling and personalization can be the key to efficiently targeting advertising. The technology is already available, but the commercial practice is yet to be developed and institutionalized. The key is capturing the attention of the viewer in a manner that allows the desired advertising impression to be made. In a non-linear TV world, this desirable outcome is more likely to occur when an ad is properly targeted and therefore of greater interest to the viewer — unless a viewer is in a truly passive lean-back mode — unwilling or unable to act in self-defense with the remote.

With personalized TV such as PVRs, VOD and other forms of content-on-demand, it may soon be possible for the public to participate in aspects of the ad selection process by indicating their preferences in advance or even on-the-fly. As viewers experience repeated examples of useful advertising coming from this process, then, over time, they will be conditioned to want to participate. The net result is likely to be a more efficient and useful TV advertising system that works well even in a non-linear TV system.

Sticky advertising campaigns may also gain popularity, as in a set of TV commercials that follow a given viewer for a period of time, as he or she goes from channel to

channel or device to device, until it is viewed, or set aside, or a time limit runs out. In such a system, it would be straightforward to accurately measure the actual advertising impressions being made. With personalization technologies the possibilities multiply, and only time will tell what will become popular and gain market currency.

In this regard, it is important to bear in mind that we are dealing with the dynamically changing state of mind of the population as technology changes its communication forms. It is being conditioned over time by new media to adapt new ways. Therefore, it would be short sighted to draw any ultimate conclusions as to what will or will not work, at least until a significant amount of real-world experience has been gained.

The trick is to develop better forms of TV advertising that do not readily cause viewers to reflexively turn away via the remote control, or to otherwise respond negatively to the ads. In a non-linear TV world, where time shifting is at everyone's fingertips, delicately interdicting TV programming with advertising will require great creativity and a deft touch on the part of the advertising community. But the world of advertising is a haven for creative and imaginative personalities, even for a genius or two. Therefore, with the passing of time and the development of practical experience as to what works best, we can anticipate that the probability of capturing the maximum advertising impressions from a given body of programming will be developed to a fine art. It may even rise to a higher level than today and thereby further energize the TV world and the overall economy. This will take time.

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The biggest obstacle of all to successful new forms of TV advertising, that work in non-linear TV, may not be the obstinacy of the public — it may instead come out of the locked-in-the-past frozen mindsets of a few key people in advertising and television. After all, while the past is already fading over the horizon, some may have a hard time letting go of what has worked so well for so long. Yet, it will do no good to lament the loss of the captive audience of the old linear TV environment. Advertising, as an elective and permissive experience, is of great value to everyone; it is part of the free market engine that drives economic success. As a wedged-in form, TV advertising cannot readily survive in the face of pervasive new technologies. Only when it is elective, selective and seductive can it work at its best. In the non-linear TV world now dawning, such advertising will surely become a springboard to new profit and growth for cable TV and the rest of the TV industry and its allied interests. The king is dead, long live the king!

If targeting the population with individualized ads focused on narrow market segments, a few at a time, is on the money, we

can anticipate that viewers will soon become conditioned to the fact that a portion of the advertising on their TV is intelligently placed and of value to them. When this occurs, the pattern of viewing behavior will begin to stabilize around the new technologies in such a manner as to make the new forms of advertising attractive, and profitable for the entire TV industry. Over time the advertising metrics will be reconstituted to reflect the impact of advertising in the non-linear targeted brave new world.

TV advertising will survive and will

succeed because personalization and targeting will work. To the interested party, a relevant advertisement does not represent so much of an interruption, rather, a pleasant and unexpected introduction of valuable content or material of interest. Therein lies the hope, and perhaps even the recipe, for making new forms of TV advertising succeed in a non-linear TV world.

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The salvation of the electronic media community, including TV, resides in the soon to be discovered new forms and genres of a category that might best fit the term: 'non-linear advertising'. You heard it here first.

[Until the light bulb goes on, advertising execs everywhere will be going a bit non-linear, wrestling with this puzzle. — Ed.]

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