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A Relevancy in Advertising Tool

For Making a Better Impression

By Leo B. Willner, Ph.D. with R. Gregory Kalsow
Partners at CMS Derfler Associates

When it comes to ad skipping the cat is indeed out of the bag, as more and more people are doing it and doing it — and loving it! Yet for a TV ad to make a valid impression a disconnect of any kind from a pause, fast–forward, muting of the sound, channel change or other viewer action like leaving the room, must not occur. Unfortunately that is happening all the time now especially during a pause in the programming as when a TV program switches from content to an advertisement or two. As obvious as this is, some in the media business — acting with blinkers on — continue to ignore or discount its importance to the TV advertising revenue model. In fact ‘time–shifting’ is a hard brick being thrown at TV advertising’s masonry that is enabled by the rapidly growing number of PVR (TiVo), OD, VOD, DVD and similar systems in American homes. In the meantime network and head–end executives continue their practice of willy–nilly cutting into entertainment and news with advertising in a most hap hazarded way that only stimulates more ad skipping. They do so with disregard for the natural push–button reflex of viewers feeling rudely interrupted by out–of–context ads breaking into their stream of viewing consciousness. Even children naturally respond to this by pressing the buttons on their remote controls. This shows the necessity of ensuring that each ad in the stream fits in with the programming content and context that precedes it. If you doubt that, just watch your children use their remote controls as they watch the Saturday morning TV cartoons. Indeed multitasking is as natural to children and adults today as playing stickball was a few generations ago. **Herein you will find ways to create simple metrics to gauge**

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CMS NewsLine
CMS Derfler Associates
Lake Forest, CA 92630
Tel: +1.949.584.0989
www.cmsderfler.com
newsline@cmsderfler.com

how well ads fit contextually at the point of insertion in the program.

We are indeed moving into a mostly on–demand or OD media world on many of the platforms including the TV, PC and Cell Phone. In this on–demand environment the viewer is in charge and often unwilling to be distracted or interrupted. On the other hand he or she will give more time and attention to the content as well as the advertising that is relevant and in the context of the moment. In the auction business dear friend that is known as 'Fair Warning', so take heed — and read on.

This fact of life is magnified by the growing prevalence of ad skipping and fast–forwarding capabilities just a click away with TiVo–like trick–play 'time–shifting' on millions of set top boxes. As the continuity of the viewing experience matters to those watching TV, successfully placing advertising within the programming stream now requires carefully matching–up the advertising with the in–line show content and its context. This goes a full step beyond advertisers choosing programs to advertise in on the basis of ratings and demographics. What is required is that TV shows endeavor to interlace contextual advertising into the stream of a program, where it links in just right; or choose the alternative of embedding advertising right into the content itself. The Apollo Project of Arbitron and NVU using 'Portable People Meters' cannot deal with many of the critical factors now in play. What it does do is record an 'event', whenever an electronic ad is played in the proximity of a viewer wearing a PPM device. It uploads all such information to an Apollo head–end at the close of each day. It would seem on–demand in combination with time–shifting, trick–play and multi–tasking on PCs, PDAs and Cell Phones in the proximity of the TV and the radio (playing on without getting too much attention) means that the results derived from a PPM can have only limited utility in this brave new world. Five years ago this approach would have had greater import — too bad and truly too sad. Nonetheless Apollo is a step forward and a valiant try to get the better measurement we all require. It is an effort we should applaud, encourage and support.

"This fact of life is magnified by the growing prevalence of ad skipping and fast–forwarding capabilities just a click away..."

In this article the matter of carefully matching–up advertising with programming and choosing in–line ad insertion points that are in–context with the programming stream where relevance is preserved is examined in search of a better way to grab and hold the audience. When such an *In Context Advertising* or INCA practice becomes commonplace the value of TV advertising to advertisers and their viewers will be greatly enhanced. The payoff for one and all on the commercial side will be better advertising contact with viewers that leads to greater public approval and rising CPMs. How is this evolution to proceed and what needs to be done to steward the process along? That is the big question. In fact much of the technology needed to incorporate an in–context 'lets keep them happy and involved' way into electronic media advertising is already in place or in development, including the metadata systems needed to make it work. What is required is that a revamped TV advertising platform that includes Inca and focuses on relevance be programmed and put into practice on all TV delivery systems.

Of course any in–context relevance driven advertising system must also work easily, efficiently and effectively — never an easy assignment. To do so requires that the advertising industry learn to do in–context ad insertion with great skill. An **I**nca **R**elevance™ **S**ystem for electronic advertising, or IRS, would sure be of help. After all what makes for good ad insertion is a switch from content to an ad that is to some degree contextual and unlikely to cause the viewer by quick reflex to press a trick–play button on his or her remote. But exactly what are the characteristics of such an IRS? It certainly is far from a science at this point. To bridge the gap, easy to use steps toward a useful IRS must be found by trial and error and lots of testing. For our part we offer up a few suggestions that we hope will prove fruitful. The matching up of ads to content using an IRS will also require more extensive embedded 'metadata' for each ad than presently is in use and additional strings of data for the programming. Here metadata values change from the beginning to the end of a show as its content and context change, offering a mixture of ad insertion points to examine for a suitable match. When a good match is found between an ad and an in–stream point in a show the ad message placed therein has a better chance of being seen and not ad skipped. Thus the purpose of the IRS is to somehow quantify the matchmaking process in terms of content, context and overall relevance to a viewing population. Especially for the target demographic population of a given sponsor message.

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In this regard here are some of the elements that may prove useful in making such a system work effectively:

1. Metadata at each possible ad insertion points in a recorded show.
2. Metadata that characterizes each ad, its style and its form.
3. Viewer behavioral results to use in determining a good match.
4. Ad insertion rules for broadcasters and head–ends.
5. Ad factors that support Inca and enhance ad relevance in practice.
6. Ways of tailoring ads to fit into particular context streams such as news, weather, comedy and sports.
7. An IRS grid for choosing ad insertion points effectively.
8. Ad viewing factors and behavior patterns by demographic group.
9. Ad viewing factors by program genre and level of appeal.

That said one might nonetheless feel righteous in the opinion that viewers simply watch what interests them or seems relevant to their lives or mood at the moment. A viewpoint that skips over the obvious fact that to find relevance in an ad requires paying it a bit of attention prior to clicking away. It is that window of attention that is lost when a viewer disconnects because the storyline breaks, say when an out–of–context ad cuts in! So too with programming, when viewers get 'bored' and change the channel as relevance diminished and interest in the content declines. Say when the story line gets a bit muffled or confused from bad writing or poor acting. That is taken by one and all as a good time to click away, and millions do so every night; and the advertising message is lost. Consequently, selling an advertiser on the idea that a show fits in well with a company's demographic and profiling requirements is simply not enough anymore. For if ads are islands in the content stream as in "that is what they are", these little isles must get noticed and not bypassed for lack of relevance.

"...continuity of context and preservation of relevance are essential at the point of ad insertion..."

Therefore continuity of context and preservation of relevance are essential at the point of ad insertion so that the ad does not inadvertently cause the viewer to click away on his or her remote. With that in mind we need to judge the degree to which an ad fits at a specific point in the programming stream in terms of context and relevance, its IRS. That is, employ such a measure to match ads with content at each prospective ad insertion point. Insertion at the best place found tends to maximize the likelihood that the viewer will at least pay it a little passing attention. The job of the IRS is to help rationalize the selection process — while also keeping the 'fitting' as simple as possible. Although this is more complicated than just placing an ad into any open time slot, it is a necessity in the 'time–shifting' TV world now emerging. Indeed, it is believed by the experts that within several years some 25% of households will have PVRs and many more will own DVD players as well as use VOD on cable. Each of these technologies possesses similar ad skipping and trick–play capabilities.

Before addressing the metrics issues that underpin the creation of a practical IRS tool, we must be mindful of the factors that underlie any approach to gauging the fit of an ad with a given target group, such as young males. After all, targeting an ad to an audience does not in and of itself address the question of melding it in with the programming. It merely raises the likelihood that an ad will suit a target population, not the where or the when it should be seen. A necessary condition is that the audience actually notices the ad, or else all is for naught. In a like manner the in–context advertising aspect has little connection with the demographics of the target audience as it mainly relates to the program and the ad, both taken at the point of insertion. Consequently for an ad to achieve viewing success there needs to be a positive likelihood that its chosen audience will watch a portion of it at the point of contact. That is unless it is being recorded for later viewing. Specifically what is needed is that: 1) The advertisement is suited to the demographic of the audience and thus properly targeted, and that 2) The advertisement fits well with the content and context of the show at the chosen point of insertion. A condition said to be unnecessary by some senior practitioners.

Facing these necessary conditions is the fact of life that most TV advertising now appears in pods of two to ten commercials, strung together without much regard for continuity or a clear fit with the programming at the point of insertion. It follows that as long as this practice is continued the likelihood of achieving an in–context smooth transition into advertising is at best limited. Remember that this lengthy pod approach came about under vastly different conditions over a period of fifty years of linear TV, wherein viewers had little choice but to abide the annoyance or change the channel. While many in the business continue to resist it and will have to be dragged by their heels into reality, this way of advertising on TV will no longer play as a PVR, DVD and VOD enabled 'time–shifting' world empowers more and more viewers to easily click away and avoid the abuse. Ergo the second condition listed above becomes a bone fide necessity, or else many of the $60 billion of US TV advertising monies will soon be wasted. As to the advertisers who must pay the bill, the growing disconnect they have with people meters, Nielsen ratings, Arbitron numbers and the rest means that these tools may no longer serve their purpose. Instead they become part of the process of covering up an inherent deception of measuring the wrong things more or less on purpose — to keep a charade going on behalf of the networks, service providers, media buyers and all the rest. When TV advertising is out of context with programming, modern viewers will simply pass them by — and do so with growing ease and convenience.

"...we have now entered the world of elective electronic advertising viewing or permission based advertising..."

As more and more folks in the media have come to realize, we have now entered the world of elective electronic advertising viewing or permission based advertising where the public is in charge of what it watches. That has always been the model in use with newspapers, magazines, billboards and the like. Yet the electronic media remained a linear or serial experience for years and years as an unintended consequence of an evolving technology and the actions of a few clever gatekeepers. As with water rushing to the sea at the outflow of the Mississippi river such obstacles are ultimately bypassed by new channels created to provide more efficient flow. We now have a similar development in accessing information and content in the electronic media. While a monopolist or two may decry the newfound freedom of the public to get what it wants when it wants it, life goes on and everyone including the gatekeepers will adapt. How many remember Brian Roberts, CEO of Comcast, acting as the keynote speaker at Broadband Plus (formerly, the Western Cable Show) two years ago publicly denouncing ad skipping via a TiVo or PVR tantamount to stealing? He sure got religion fast when he realized that the satellite providers DirecTV and Echostar with their PVR enabled set–top boxes were eating his lunch. Now Comcast leads the way with advanced SA and Motorola set tops that feature PVR — a dramatic turnabout with nary a blush or attempt at a retraction or apology.

As a consequence the new world of elective electronic media advertising requires maintaining context in the stream as a necessity for anyone wishing to make valid impressions with their advertising. Any other approach is a bit like swimming upstream against a rising current — or simply a waste of time and money. No amount of shameless hypocrisy on the part of those who blocked the way for years can cover up these new facts of electronic media life. Thus these same MSOs and other service providers must adjust to the fact that viewers will from now on elect to watch the programming and the ads they wish to see. Thus the commercial side must modify its way of doing business — and remember that the consumer is now in charge, and smile.

> *"What is going on is mostly concerned with a public seeking a better viewing experience within which to enjoy the content it chooses..."*

While some may still feel that 'time–shifting' is aimed at the commercial players including the advertisers that is not the case. What is going on is mostly concerned with a public seeking a better viewing experience within which to enjoy the content it chooses or gain product knowledge from the advertising it wishes to see. Indeed they already act in that manner with all variety of other media, as in skipping along over dull passages when reading a book, or flipping through the pages of a magazine. The good news for advertisers is that viewers do return to material including ads that please or interest them. They do so to examine it in greater depth at their own leisure. As we are now in the middle of the 2004 baseball playoffs those who have a PVR can actually pause 'live' TV so they may watch each strikeout pitch or homerun in slow motion as many times as they wish. All the while downstream of this reviewing the actual live event continues to be recorded on their hard drive — say some 15 minutes ahead on the timeline. Try watching the Kentucky Derby, the start of the TV show Las Vegas or a sexy Victoria Secrets lingerie commercial in slow–mo and see what it's like. Time shifting, as a method of viewing is the new paradigm and it works. Unfortunately it means that the poorly placed ad is lost.

That said, what is an advertiser to do to make sense of this situation? First of all, and say you read it first in CMS NewsLine, 'trick–play' such as time–shifting in DVD, VOD and PVR will not result in a decrease in TV advertising as is often predicted by pundits and prognosticators. Just the opposite will be true we say, as a decline in ad viewing is an inefficiency from the point of view of the advertiser. Thus it will take more advertising to get the same degree of penetration for the message. Bingo! To take a sports analogy, notice that the muscle size of the young athlete is typically smaller on average than that of the thirty–something player competing at the same level — just look at Barry Bonds, Roger Clemens or Tiger Woods and compare them to ten years earlier. As muscle tissue ages it tends to become less efficient and to compensate the athlete requires greater size to accomplish the same result. Now apply that observation to TV advertising when 'time–shifting' is in play. With efficiency being lost when viewers trick–play away there is a need for more not less advertising to achieve the same impact. Lord have mercy.

Of course when advertising and other messages are being 'warehoused' for nonlinear random access in a PVR or in the pages of *Glamour* magazine, there is plenty of room for many more ads to be made available. More advertising not less is the result, and better targetted and personalized ones too. You want ad telescoping? You've got it. You want a multi–tiered approach wherein you can get down to the nitty–gritty of the new Mercedes Benz SLK model? You've got it. The messaging solutions come in many forms out of the vast opportunity to employ interactive TV to enable and empower better TV advertising, and much else. But the starting point is to find a better way for an electronic ad to get some notice in the first place. The steps involved in you turning your attention to something new are:

1. You notice something on your 'radar' — say an ad.
2. You may choose to focus on it momentarily.
3. You can then elect to attend to it or to move on.
4. You may remember to come back to it or not.
5. And your multitasking multistreaming life moves on.

The goal is to improve the efficiency of the advertising by:

1. Improving its entertainment or informational value.
2. Better targeting and personalization.
3. By inserting it the in–context with relevance preserved way into the media stream.

The accounting and business types among us may notice that such enhanced systems will end up costing more money, and so they will. As a validity test let us consider the input–output model of the US economy and see what we find. If US advertising is at some 250 billion dollars or about 2.5% of the GNP of our economy, than that is its true cost–value today in its present incarnation — or it would not be at this level. If the new technologies such as VOD, PVR and DVD that benefit the public are of real value, then the ad game must change to adjust the input–output factors. The result of the fact that 'time–shifting' reduces the efficiency of impression making implies that advertising's part of the GNP will have to grow to keep up. Thus we should not be surprised if US advertising grows to some 3.0% or even 3.5% of the GNP. It will do so in order to once again fulfill its proper role of helping to match up information about products and services with the wants and needs of the public — for its benefit and that of the providers. In that manner, the level of TV advertising will naturally adjust over time and grow toward a new economic equilibrium that once again meets its role within the state of economic affairs. And it will have to grow to do so as much more ad skipping is sure to take place. As for the advertisers, whenever a factor of production or distribution changes in terms of its cost–value, say the cost of petroleum today, the economy

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with a few huffs and puffs then adjusts — it has to. That's macro economic theory and reality — just think about it. Ergo, the PVR and its ad skipping will mean a growth in the advertising sector as well as a shift in types and forms.

This brings us to the question of 'whose ox is being gored at the moment' by on–demand time–shifting? Who is taking it in the neck or the pocketbook and how will they react? It is inevitable that some attempts at the head–end to rig the game and prevent ad skipping will be undertaken — although these are mostly doomed to failure. It is also inevitable that out–of–the–home or OOTH advertising on thousands then millions of flat panel screens in shopping malls, office buildings, and in outdoor public places such as giant billboards will grow immensely. In a similar manner more and more advertising will be on display on other electronic media platforms such as laptops, PDAs, cell phones, game boxes, PCs and the like. Thus various forms of intermediation are likely to make great inroads. Nonetheless, as TV is quite likely to remain the most relaxing 'lean–back' experience for years to come, its position as the greatest place to advertise is not likely to diminish, only to grow and change.

"This brings us to the question of 'whose ox is being gored at the moment' by on–demand time–shifting?"

With that said let us ponder a simple little metric to gauge TV advertising value via an easy to use little formula. If you are not mathematically inclined, please do not feel ill at ease with this as it is easy to understand and even easier to use — not much gobbledygook here. All that is required to make this recipe for a metric work well is some experience and good judgment regarding advertising. At a basic level an in–context advertising and relevance system or IRS can be assigned value as follows:

IRS of ad = Demographics–Relevance + Context Level + Degree of Personalization

So that we can write **IRS = DR + CL + DP**

where —

> Demographics–Relevance = {DR | were DR = 0,1,2 = poor, average or good}
> Context Level = {CL | where CL = 0,1,2 = none, modest or good fit}
> Degree of Personalization = {DP | where DP = 0,1,2 = none, some or high degree}

Or use a similar IRS formula with more choices than three for each variable. In this version the relevance and the demographic fit factors are combined for simplicity. More complex models may be needed, but only careful testing can determine the utility and ease of use of any such approach. In the present form it should be pretty easy to assign a 0, 1 or 2 to each of the variables, as a system operator would have little difficulty distinguishing between (say) poor, average or good demographics–relevancy (to set the value of DR) for a given ad.

Here for example an IRS = 0 represents placing an ad place where it has poor demographics–relevancy (DR=0), where no attempt is made to match the ad context with that of the show (CL=0) and where no degree of personalization is in use (DP=0), so that IRS = 0+0+0 = 0. This advertisement is a straight shot in the dark, as in a tree falling in the forest — there may not be any perception or sound. If you watch TV tonight you will see that the great majority of TV advertising today falls into this category, it is mostly a zero by this way of reckoning. On the other hand an IRS = 2+2+2 = 6 would mean that all three factors come into play at their best level. This means that such an ad is valuable to the advertiser who will learn to prize it and which in time he or she may even be willing to pay a premium for. Here we have an ad that fits the demographic (DR=2), is inserted at the right context point in the programming (CL=2) and is sufficiently personalized so as to have a good impact on its audience (DP=2), therefore the IRS =6 to mark a great ad value. At present such a situation is rare indeed, even on the Internet.

Today advertising placement is to a large degree focused on targeting an audience in terms of its demographics, as that is the approach that gets much of the attention. Say for example in the show ***American Idol*** where a value of DR = 2 for a hot car or beer commercial is easy to understand and accept. That result is a still paltry IRS=2 as the IRS=2+0+0=2 when context and personalization are mostly ignored. Note that with this simple IRS model the proper value to use for each of the three primary variables is usually self–evident. Today, as we move toward a 500 channel system, the very fractionation of the audience into highly targeted viewing populations for golf, fashion, cartoons and the like will make the process of calculating the IRS easier and easier to accomplish.

While much is already known about viewer behavior, much more development work and testing of ad personalization is needed to establish how to raise viewer interest. The same can be said of the in–context and relevance aspects of an ad. What is certain is that viewers tune out when they lose context with what is on the screen or when it becomes irrelevant to them. But how much of an in–context and relevance fit is needed to keep the viewer from opting–out will require a lot more testing. In permission–based advertising, where the push must be light handed, any stickiness or pull must be driven by relevance and context that leads to interest and attention. An effort by advertisers and the ad industry to work to achieve a truly practical and useful IRS may yield a great success which all can share. It can go a long way to re–enabling the declining TV advertising model of today to once again shine brightly as a most effective and successful way to get the ad message across to the viewer. Difficulties aside, and there will be many, technological change has made such an adventure a necessity for all involved in the TV business. So why not address this challenge head on and bring in–context advertising and advertising relevance to their proper place in electronic media. Hi Ho Silver, Awayyy…

(Leo Willner and Greg Kalsow contributed to this issue. In order to discuss any of these points with the authors, please e–mail them at: leo@cmsderfler.com and greg@cmsderfler.com)

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"...technological change has made such an adventure a necessity for all involved in the TV business. So why not address this challenge head on..."

This month we take a break from our usual biting commentary to editorialize on the recent ANA national meeting. Held at the Ritz–Carlton Hotel in Naples, Florida on October 7–10, 2004, the Association for National Advertisers annual meeting apparently broke much new ground on what the future has to hold for the major US advertisers. So says Leo Willner, Senior Editor, upon returning without a tan.

The weather, the food, the accommodations and most of all the meeting itself, in terms of its organization, preparation and execution, made it enjoyable to sit up and attend. A number of highly qualified and gifted speakers helped to unmask what the future has in store for the major US advertisers.

■ Greater relevance to viewers in advertising, said Larry Light, Global CMO for McDonalds, is key to an ongoing brand's success. In a fine talk he made it clear that mass marketing is dead and that fractionalization and segmentation are central to restoring true relevance to advertising. He also noted that the media mix at McDonalds (and others) has shifted from two–thirds to one–third on TV. To his mind product differentiation is now much less important than establishing true relevance and a high degree of trust in a brand — a historic watershed.

■ 'Lovemarks' instead of trademarks that is what brands have to become to flourish. So spoke Kevin Roberts, the iconoclastic and brilliant CEO of Saatchi & Saatchi, in revealing sound bites including "seek loyalty beyond reason — because you love it." He noted that consumers now own the brands and that a "sensory emotional connection" is the best way to bind her to a brand. Also that "emotions not reason lead to action" to wit advertisers must make their brands 'irresistible'. Also that the old ROI is no longer the right measure; instead ROI, as in Return on Involvement, is the way to hold the consumer. And then he went on...

■ On the basis of the remarks of Bob Liodice, ANA President and CEO, Jim Stengel and Jim Speros, incoming and outgoing Chairmen of the ANA it seems clear that the ANA and its membership are intent on setting their own course in the brave new world of drastically changing technologies. Reading between the lines it would seem that the big advertisers and the ANA, acting as a group, intend to look inward and take their own counsel as they set about creating their advertising model for the future. This means that ad agencies, media buyers, content producers and service providers need to focus back on their own jobs, instead of that of planning and directing the media activities of the national advertisers. That is the way it sounded, with more and more of the non–creative moving back in–house — a paradigm shift as to who controls advertising.

■ Bigger and more centralized and more controlled is the way to go at HP, so said Mike Winkler, EVP and CMO of this 80 billion–dollar company. Lots about 360 degree marketing, a marketing resource center, return on marketing investment, point of record analysis, increases in accountability, customer knowledge management systems and the like. A visitor from Mars, caught by surprise, might have thought that Carly and company have resurrected from the grave the 1940s Sloan school of centralized management at GM. Profit centers eliminated en masse, lots of new systems and controls etc. Out of Winkler's mouth it sounded like the bitter lessons learned at GM (and in the Soviet Union) were forgotten as HP's accountants have taken over the marketing department. Lord have mercy and let's buy IBM, Dell and Cisco stock!

■ Seek to optimize marketing, so said Jim Stengel, CMO and Ted Woehrle, VP Marketing of Procter & Gamble. Their challenge is to effectively combine: 'Permission Based Marketing' with "Holistic Marketing" and "New Metrics". From the sound of it this is a power duo with lots of good ideas and a call for the 'best and the brightest' to join them. As an example P&G intends to play a key role in the Apollo portable people meter project of Arbitron and VNU in order to help develop new metrics and other tools to better gauge their advertising. The P&G team with its focus and energy were most impressive.

■ Combine brands with talent, so said Rich Frank, CEO of The Firm, a prime talent and media buying Hollywood insider. This former senior officer at Disney and Paramount started out as a media buyer and he says that on–demand media and time–shifting via DVR and VOD necessitate a closer working connection between brands and top talent. He suggested that this is a better way to go and this most senior player tells a very good story.

Many other informative speakers including Jeff Bell of DaimlerChrysler, Tim Finchem of the PGA Tour, John Hayes of American Express, Peter Sealey of the Los Altos Group and Elizabeth Comstock of GE among others weighed in with new ideas and better ways to advertise and to market. All in all it seems clear to us that the national advertisers are leagues ahead of the ad agencies and the media in general when it comes to facing up to the new world of 'TiVo' time–shifting in advertising in the TV, PC, cell phone, PDA, game box and media center. These ANA member guys and gals are truly on the ball. Let us only hope that the supporting cast of consumer electronics folks, cable, telcos and satellite providers, and creative houses will soon catch up and follow them. It's a brand (pun intended) new world out there with some $260 billion per year packed and ready to move. Caveat Venditor — let the sellers beware!

[Your mileage may vary. —RGK]

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CMS NewsLine
CMS Derfler Associates
Lake Forest, CA 92630
Tel: +1.949.584.0989
www.cmsderfler.com
newsline@cmsderfler.com