

# Can targeting rescue TV advertising?

**Despite the hype, business models behind targeted advertising are far from clear, finds Philip Hunter**

**T**argeted advertising presents both opportunity and threat, not just for IPTV, but the whole broadcasting and video industry. It is true there is the sub plot of whether targeted advertising will enable IPTV to wrest customers from traditional satellite and cable operators. But the greater question is whether targeting can help the TV industry as a whole stem an exodus of advertising bucks to other media, especially the internet and online video sites. The appeal of the internet for advertisers lies in its ability to target customers individually and provide more accurate feedback about the success of campaigns.

"Today we see advertisers moving massively to the internet as they do not feel they have a good return on investment (ROI) on TV ads," says Thierry Fautier, director for telco solutions at video delivery systems vendor Harmonic. Some of the biggest names in TV advertising are shifting to the internet. General Motors plans to divert half its annual \$3 billion advertising budget, the third largest in the US, to online marketing and one-to-one channels over the next three years, a dramatic rise from \$197 million in 2006. Other automotive makers plan to make similar if more modest shifts to the internet, while consumer goods conglomerate Procter & Gamble, the world's biggest advertiser spending about \$7 billion a year, has stated that its future strategy lies with what it calls "targeted scale". This seemingly oxymoronic expression implies that larger advertisers want to target,

**"Larger advertisers want to target, but in an automated way that still enables messages to be delivered to a large audience."**

but in an automated way that still enables messages to be delivered to a large audience.

This contains a clear message for IPTV operators, given that their audiences are mostly small at the moment. In the US, where the telco field is fragmented into many regional and local operators, some IPTV services have audiences as small as 100. This is obviously of no interest to a major advertiser, no matter how good IPTV is at targeting with its superior facility for interactivity and measurement given the high capacity always-on return channel. The other point is that a fast growing number of purchases, including cars, begin and end on the internet. TV operators, therefore, need to provide similar interactivity so that their networks can take control of the whole purchase cycle, from initial advert to final payment. In the case of IPTV, telcos need to grow their audiences and probably pool them in order to provide an attractive target for advertisers.

The need for such aggregation has been appreciated by PacketVision, which almost uniquely provides a managed targeted advertising service for telcos and IPTV service providers. "Part of the service we provide involves aggregating numbers across telcos, such that advertisers can start targeting within much bigger audience groups," says Patrick Christian, PacketVision founder and CTO.

The company can do this by distributing adverts via its managed platform to multiple IPTV operators on a targeted basis. Indeed, this is an argument for having a managed

approach to targeted advertising for IPTV, as opposed to operators deploying appropriate technology to implement the functions within their own platform.



**“TV operators need to provide interactivity so that their networks can take control of the whole purchase cycle, from initial advert to final payment.”**

### Still clunky

However, this does appear to rely on sufficient numbers of IPTV operators subscribing to the PacketVision services, so the success of this strategy remains to be seen. Furthermore, there is the question, which is common to all broadcasters and TV service providers, of how to incorporate targeting within a successful business model, according to Alan Lipman, chief video architect at Redback, a subsidiary of telecoms giant Ericsson, which specialises in IP routers optimised for video delivery. “I think the biggest hindrance is figuring out the business model behind targeting, and fitting this into the old model of buying ads in TV,” says Lipman.

To start with, operators must exploit interactivity in order to match the internet, raising the question of the extent to which viewers will engage with adverts while in lean back mode. But TV operators have to be optimistic and assume that viewers will engage, providing they have the right platform capable of faster response and a more “televsual” experience than current red button interactive adverts shown on many major TV networks.

Sky transmitted the first interactive ads in March 2000, and the UK has continued to lead in this field, with ITV

launching an interactive advert service in April 2006. Now 15 million UK viewers have the option of pressing the red button to interact with adverts. Major UK advertisers such as BT, British Gas, and Sony, have created interactive ads for this medium, but even so success has been limited and it has failed to stop the exodus to the internet. As PacketVision's Christian argues, red button interactivity is still slow, clunky, delivers rather static images, and above all fails to match the granular level of targeting of the internet that Google in particular has exploited within its search engine.

“TV operators need to provide interactivity so that their networks can take control of the whole purchase cycle, from initial advert to final payment.”

It is clear then that the bandwidth and latency of the return path must be adequate, which is where IPTV currently has an edge. More significantly though, IPTV operators are better placed to integrate their services with the internet and exploit the information that can be gained about their viewers' preferences by analysing their online habits. This avoids the need to rely just on feedback from the set-top-box (STB) to glean viewers' preferences, while immediately tapping into the same resource as online advertisers.

“The real power in profiling comes when a viewer's online activity and their television viewing activity can be linked,” says Stephen Reeder, managing director for Europe at ICTV, whose main product is the interactive video creation platform ActiveVideo. “Once this linkage occurs, via opt in of course, Web style ad profiling technology can be used to great effect.” As Reeder notes, existing red button type interactive TV advertising has suffered from a dearth of reliable data about viewers. “Even when personalisation is introduced, the granularity of profiling data will be quite poor compared to the Web in terms of

favourite channels, propensity to interact, etc,” says Reeder.

The other critical element is the ability to measure how successful an advert has been, for there is little point in targeting if this fails to persuade a higher proportion of viewers to buy the product or service concerned. Here again IPTV has the edge, according to Christian, who cites PacketVision's own trial completed in January 2008 in which adverts were targeted at students watching the Inuk Freewire service providing IPTV services to UK universities. The trial provided much more accurate information about who saw adverts than traditional TV services, which rely on survey-based statistical sampling.

“Because the network monitors channel changes, zaps and clicks on a second by second basis, it is possible to get a count of the exact number of clients online when the advert went out,” says Christian. There was then the potential to segment the audience, and target more accurately by combining this information with Inuk's own database of subscribers. “It is possible to use information about what TV shows are being watched and for how long to predict with 97% accuracy whether the viewer was male or female,” says Christian.

This is still a long way from measuring response to an ad, which ultimately can only be done when a sale is closed. But short of that, much more can be accomplished with IPTV to ascertain the extent to which a viewer is engaging with an ad, according to ICTV's Reeder. “I think the true measurement will come through the viewer's interactive engagement with the advertiser's brand. Once interactive, everything can be measured from viewer selections to scene-by-scene linger time, which could be used as a proxy for viewer interest,” says Reeder. The other great advantage of interactivity is that it enables the advertiser to enhance its customer profiles and the brand owner's “microsite” where the session is controlled, in near real

time. The aim is to ensure that the microsite keeps viewers engaged but without detaining them unnecessarily, or annoying them with irrelevant messages.

### Matching IPTV's interactivity

Such interactivity also dovetails well with the ability of IPTV to open up the long tail of content, according to Elena Branet, senior marketing manager for the Connected TV Business at Microsoft. "At a base level, the ability to deliver virtually unlimited content with IPTV allows for a broader spectrum of content and advertising opportunities in general," she says. "With such a wide array of content becoming available to consumers, technology can deliver benefits by offering smart new ways of search, discovery, and recommendations of TV and film shows across connected TV devices."

This all appears to throw down the gauntlet to cable and satellite operators. But many of them have the big advantage of greater "eyeball contact", with much bigger audiences at present. They probably actually have greater experience of targeting adverts, albeit with limited interactivity. Against this, these operators have had the common handicap to date of reliance on the STB to provide the interactivity, with functionality and richness of content constrained by limitations in processing power and memory. "With IPTV, the interactivity is more in the network, enabling operators to build a better platform delivering more interesting interactive ads," says PacketVision's Christian.

Yet Sky defied the pundits by being a pioneer in targeted advertising purely via its STB, and there is the potential for cable and satellite operators to continue making some of the running just through basic targeting without matching IPTV's interactivity, according to Redback's Lipman. For example, the ability to target enables advertisers to create and deliver stories in short snappy episodes that keep the viewers engaged. "Serialising makes sense because communication is all about telling a story," says Lipman. "Cable operators can do serialisation by having

a little talk back channel, or just keeping the episodes locally in the STB. Satellite operators can also hold the ads in the STB and insert them as appropriate using some form of digital program insertion (DPI)," says Lipman.

But in the longer term all operators will need true interactive capability served by a high bandwidth low latency return channel. In the case of satellite, this can only be achieved by integrating with some wire based network, usually DSL, via hybrid STBs. AT&T has done this in the US with its HomeZone service, combining direct broadcast satellite (DBS) with high speed internet access to support interactivity and on-demand content. AT&T has yet to focus much on targeted advertising, but the potential is there.

In the case of cable, the main game at the moment is switched digital video (SDV), achieving a degree of interactivity and multicasting without going all the way to the home with IP. SDV enables channels to be switched in and out of coaxial segments at the edge of the HFC network on demand on a multicast basis. That means a channel is delivered into a segment when and only when at least one subscriber in that segment is receiving it. Clearly then SDV is not an effective mechanism for delivering true one-to-one advertising, since a segment relies on the statistical assumption that a number of the subscribers within a segment will be watching the same channel (or none at all) at a given time, rather than all watching different channels.

In practice though, one-to-one targeting is not yet a reality on any network, so SDV should work fine in the immediate future, enabling operators and advertisers to zoom in on groups of subscribers identified on the basis of common interests, or other factors such as socio economic group and previous buying habits. Advert selection can also be modified by non-personal factors such as time of day and weather.

But SDV is likely to be only a stopgap approach, partly because of failing to scale properly down to one-to-one unicast advert

delivery. In the longer term, therefore, cable operators will migrate to IP over DOCSIS, but this will take time and investment since new infrastructure and STBs will have to be deployed. In the meantime, cable operators must avoid technical fragmentation through adopting too many different STBs or approaches to interactivity, according to ICTV's Reeder. "One issue that the cable companies will face is the variety and capability of the set top boxes in their installed base. In exactly the same way as multiple networks cause technical fragmentation, so do multiple devices within a single network," says Reeder.

Architectures are being devised to allow a common set of communication protocols between ad decision systems, campaign managers and execution systems such as DVS-629/SCTE 130. The standards are currently not completed but this does not prevent an early adopter implementation, according to Basil Badawiyeh, VP of on-demand strategy at Arris, which has performed some of the largest on-demand advertising trials in the world. "The DVS 629/SCTE 130 standards aim to provide a set of communication criteria between the various targeted advertising components including definitions of the ADS-ADM, playdata and content information service interfaces. IPTV operators could very well make use of such standards for similar implementations," he says.

Then for all operators, there is the issue of privacy lurking behind their targeted advertising strategies. This applies to internet advertising as well, but people seem resigned to having their browsing and certainly searching activities monitored, although they might take a dim view of a Big Brother inside their TV sets. As with the internet, viewers will have to opt in to monitoring, but may be less likely to do so unless enticed by discounts or perks such as free holidays. Indeed, it is likely that successful exploitation of targeted advertising will depend more on innovative business models that embrace the viewer, rather than technical distinctions between platforms. **CSI**