

Embracing Fragmented Media



BY JOSEPH GRAY

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 digital signals. While the benefits of digital television, like HDTV, are well known, many are concerned about what multicasting will mean for an industry struggling with media fragmentation.

As new channels of programming are rolled out by thousands of local broadcast stations, the amount of television advertising inventory will increase at an historically unprecedented level. This technology showdown may very well represent a checkmate for today's two major television advertising models: audience reach measurement and direct response television (DRTV), both facing their own unique challenges. How traditional metrics will rate all the new channels is the subject of much debate. On the eve of the multicasting evolution, many advertisers are feeling boxed in by their struggle to navigate these new waters. So what are their options?

ADVERTISERS ARE MOVING TOWARD DRTV

Many advertisers are turning to DRTV, seeking consumer response measure-

ment. At one time, the favored television advertising model of entrepreneurs selling widgets late at night, DRTV has not only grown at an explosive rate, it is fast becoming 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 that have, in the past, been restrained by traditional audience estimate models' inability to quantify viewership 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 very labor-intensive strategy. 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 venues where the return on investment becomes marginal. As television continues to fragment into a larger number of smaller channel opportunities, 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.'"

If DRTV is to be a long-term answer to the onslaught of newly created problems,



what the industry needs is a less labor-intensive version of the model. We can turn to Internet marketing models—where media fragmentation is at the highest level of any other advertising medium—for examples of effective advertising solutions. 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?

The answer is, unequivocally, *yes*.

THE SOLUTION: COST-PER-ACTION TV

What agencies and advertisers need is an easier way to distribute and manage television campaigns across thousands of cable systems and broadcast stations in an integrated way. In essence, they need a way for advertisers to define demographic choices and easily execute campaigns across a vast universe of television channel opportunities. What if this could be accomplished without advertisers having to take significant financial risk or be burdened by staggering amounts of overhead? Sound 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, where the currency of trade simply is to pay for media based on consumer response in a bid environment, somewhat similar to the pay-per-click Internet model. Such a bid environment would consider what the advertiser is willing to bid per consumer response, as well as measure response rates. A CPA yield-based measurement would allow stations to understand what they are making each time they run the commercial on a CPA basis. A sophisticated and automated platform would operate behind the scenes, making sure that relevant delivery of a commercial is taking place, while also ensuring that the campaign is optimized to pro-

duce maximum yield.

Isn't it about time we let technology do some of the heavy lifting in the television advertising industry in terms of how ad inventory is priced and sold? Recently, automated CPM auction site models have tried to tackle these challenges. The stumbling block has been the unwillingness of media to participate due to transparency of economics. This is based on a valid concern that recent models have commoditized media. CPA models can uniquely relieve these concerns due to consumer response measurement being aggregated, which does not reveal individual station economics. Advertisers achieve accountability with guaranteed cost per lead, as well as audience viewership data, without the arduous task of having to negotiate and manage media across thousands of individual stations. CPA models offer a fair and balanced trade environment for both advertisers and stations.


That's it, you'd be in rollout. Check daily to see whether your program is achieving enough clearance according to your goals. Not getting enough airtime? The system could show you the pay-per-lead increase that you needed to meet goals. In fact, this entire process is exactly how the economics work in today's DRTV model with one major improvement to the CPA model—the media buyer stays in control of his or her campaign's cost per lead.

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. Traditional viewership metrics also can be provided to calculate CPMs via this kind of a

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Now that there is an understanding of how the CPA model would work, let's take it to the next level. Imagine the possibility of being able to easily target consumers across television programming for your desired DMA markets. You could choose from an automated menu of demographic targets of relevant programming without having to do it station by station. You would upload your creative for testing and within a few days receive the optimal cost-per-lead range according to the marketplace and your goals. Decide what cost-per-consumer response you'd like and push a button to begin.

CPA-bid environment. This creates a fair balance between the interests of stations requiring a safe way to monetize their inventory, and the interests of advertisers wanting media with price guarantees tied to ROI. Advertisers get their offers on the air quickly and easily, and pay only for consumer response, mitigating the effect of DVRs. What could be easier or more effective? 

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