FAR FROM CRYSTAL CLEAR

Members of the *Response* Advisory Board tackle a series of questions about the technologies, the outlets, the content — and more — that will shape the future of TV advertising.

BY THOMAS HAIRE

From TV Everywhere and addressable advertising to the consolidation of media ownership and content investments by virtual multichannel video programming distributors (vMVPDs) like Netflix and Amazon, the landscape of the television and video advertising industry is undergoing constant change.

Meanwhile, the expansion of marketer spending across all facets of digital advertising continues to undercut budgets for TV campaigns. Still, TV remains the only outlet that provides massive scale for new marketers and established brands alike.

What does the future of TV advertising hold? How about in two years? In five years? Ten?

"The future of advertising will be based on performance and the ability of a medium to most accurately identify, deliver, and track a target audience for an advertiser," says Richard Stacey, president and CEO of Toronto-based Northern Response Intl. Ltd. "Today's TV technology can't do any of these things very efficiently. TV will likely always have a place in the marketer's tool box but — in most cases — just an increasingly shrinking place."

Suffice it to say, Stacey's opinion has supporters and naysayers alike. The debate about the effectiveness of TV in today's marketing climate is surpassed only by the debate about TV's place in the future. Read on to find out what Stacey and other members of the *Response* Advisory Board have to say about the future of TV advertising.

How are you or your clients using TV Everywhere marketing opportunities, such as addressability? What opportunities does the ongoing shift in video consumption create for performance-based marketers?

Abed Abusaleh, Havas Edge: Marketers are using it as an extension of linear TV, or as a way to hone in on the end user that fits their target demographic.

Tony Besasie, Cannella Media: Depending on who you talk to, TV Everywhere and addressability can cover different areas. From a carrier's perspective, TV Everywhere enables subscribers to watch their favorite channels on any device in or away from home — so it helps retain reach for those network buys. Addressability is targeting specific subscriber households based on specific characteristics.

We think addressability and performance-based marketing may drive better media efficiency for the right type of client. For example, if we are placing media for a product targeting expecting mothers, we may find addressability to be more affordable than a national campaign that has significant spillover. However, if the national campaign is bought at lower DR rates that deliver the same media efficiency ratio (MER), then we would still opt for the national and spillover for the brand awareness factor.

Peter Feinstein, Higher Power Media: We're not acting rashly, nor irrationally. Instead we're testing, testing, testing. Thus far, the jury is decidedly out on addressability. Our experience demonstrates that the pricing premium and lack of scale make client ROIs an insurmountable challenge for addressable TV. We prefer using well-sourced data, and applying it against larger-scale, more linear-oriented media. Our methodology works, whereas addressable TV hasn't yet proven itself a winning investment.

I'm sure that addressable TV sounds magically appealing to those who have mostly digital media experience, as well it should for all the pitfalls of digital. But for those of us who've been successfully leveraging TV for decades, addressable TV isn't the holy grail, nor even necessarily a gift. It actually labels those people falling outside of a digitally-driven algorithm's parameters as "waste" when — in fact — the way TV works, those "wasted" viewers may be the only thing that stands between the client and a positive ROI.

Doug Garnett, Atomic Direct: Clients aren't yet seeing impact from TV Everywhere. While it's captivated many industry watchers, it will take time to develop into a real truth. At this point, some clients are dabbling in the alternatives to traditional TV in order to learn about the other options. But that's about it.

Eventually, traditional advertisers will come to understand TV Everywhere better. At that point, a large

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amount of time will open up for low-cost purchase — which is always to the benefit of performance marketers.

The one threat to this time opening up is that it may become available only through programmatic — which I believe networks will use to attempt to raise DR rates. Programmatic will be a middle-priced tier of TV advertising. How much performance marketers will benefit from TV Everywhere will depend on whether true remnant time becomes available.

Peter Koeppel, Koeppel Direct: Addressability allows us to get very granular in terms of reaching potential prospects, but we have to meet them wherever it is that they are turning to learn more about our advertised products and services. With viewers watching TV with their smartphones and other devices, we are making sure that — when a TV spot runs and viewers jump on their second screens to discover more — that we are there to provide that education. That way we can push them down our clients' sales funnels versus serving them up to go online and be co-opted by a competitor.

Fern Lee, THOR Associates: Brands are using TV Everywhere marketing opportunities, such as addressability, to be more specific in delivery to segmentation specific goals. The idea of delivering different ads to different households within the same programming schedule is a strong marketing tactic. The tenet is to be able to attribute conversion based on these consumers, as well as capture their data for retargeting and future marketing. These ads are very costly, as only 13 percent of all households have addressable capabilities, and the technology varies with different operators, contributing to standardization issues.

Richard Stacey, Northern Response Intl. Ltd.: Video has always been an integral part of our marketing. As new media opportunities have evolved, we have followed with video whenever the technology has allowed. Once Amazon is more fully able to enable video, it will be a game changer for many marketers. With the proliferation of video and user-generated content, we've also found the acceptable production level has been reduced — which has meant that we can produce video more quickly and cheaply than before.

As major media ownership groups continue to consolidate, how will that impact availability and pricing for performance-based marketers? How will it affect combined offline/online planning with those groups?

Abusaleh: As these groups continue to consolidate, and sales groups find themselves with more inventory and new non-linear offerings to sell, there could be more packaging and bundling of the inventory being sold, which would then favor clients with larger budgets and broader audiences.

Besasie: The hope is these mergers strengthen the legacy TV base to enable them to compete more effectively against the new programming coming from Amazon, Netflix, and Hulu.

Feinstein: We haven't seen a huge shift. Much of what we project is going to be dependent on how the entities that are left choose to sell their inventory. Bundling platforms for sale in packages will likely reduce some of the available inventory we've traditionally been able to secure at reasonable CPMs, but there will always be options and opportunities for us to establish win-win situations for both our media partners and our clients.

Garnett: With every new deal, the newly combined networks attempt to demand a premium. And then, that premium quickly disappears because there isn't an increase in effectiveness for advertisers — mergers deliver other values to the companies merged but not in effectiveness for advertisers. So, I expect no value from combined offline/online planning. Networks have spent years presenting "deals" that combine offline and online buys. I have yet to see one that was worth enough value to even consider seriously.

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>
> **TONY BESASIE, CANNELLA MEDIA**

Koeppel: More consolidation means there is more money to fund more programming, which ultimately creates more inventory and more audience fragmentation. That creates a situation ripe for performance-based marketing because as audiences become more micro, they may not be as appealing to traditional advertisers owing to their lack of scale. For direct response, the proof is in an ad's ability to deliver an ROI based upon flexible pricing, regardless of audience size.

Lee: The consolidation of media entities will take time and effort before pricing will be impacted, which will be modulated by supply and demand. Of greater concern, will be the effect of people power. Performance-based marketers have relied on relationships, which will be severely affected by the merging of these corporate entities. Integration, innovation, and creative strategies will be needed in partnership with media entities to deliver breakthrough campaigns.

What does the investment in content by the likes of Netflix, Alphabet, Amazon, and others portend for traditional television — and television advertisers?

Abusaleh: The investment signals that there are big bets being made by large cap companies in the over-the-top (OTT) and vMVPD world. The risk could lead to further fragmentation and time-shifted viewing but could also bring new opportunities to marketers. It will also allow for more efficient audience targeting.

Besasie: There is no disputing the fact that these companies are drawing viewership away from legacy TV. If the largest among them, Netflix, begins to take advertising, media spend will flow away from other platforms. This will lower demand on legacy platforms which will be good for performance-based marketers.

Feinstein: In the near-term — one-to-three years — the decline in traditional TV viewing will likely accelerate. The content delivered by these platforms won't be the sole reason for this acceleration. They are instead a small component of an over-arching trend in delivery technologies, and human expectations of how, where and when to find entertainment, plus the unstoppable force of advancing demographics.

There are so many legitimate question marks that speculating on exactly what it means for TV advertisers is really a fruitless venture, other than to say it will look quite different from today. The biggest concerns will fall under scale and data-integration: will the advances in technology be able to integrate into TV, and the human psyche, enough to make small-scale use of TV affordable for advertisers to use, while being profitable for those who sell it?

Garnett: This area is one of my areas of concern. *If* primary viewer habits were to shift to viewing without advertising, then our businesses and our clients would all suffer. The truth is, I think the U.S. economy would suffer.

That said, there are serious questions about whether Netflix can build the profits necessary to fund their extraordinarily high levels of program development without recourse to advertising. It's the same with all the digital "let's make programming" players like Amazon and Apple, as well.

What they never paid attention to is the reality that great programming is quite costly. So far, only Netflix, HBO, Showtime, and more traditional players show they understand what it takes to make a great show.

Koeppel: On-demand content that is not ad supported will likely dilute viewership for content that is ad supported, but it is entirely possible that once the likes of Netflix, Alphabet, Amazon, etc., have viewers hooked on their water-cooler content, that ads may enter the mix. Recall that the beauty of the cable model is that it replaced a single revenue-based business model — broadcast television, supported by advertising — with a dual-revenue-stream model whereby subscribers paid for content that also generated a secondary revenue stream in the form of advertising.

That suggests that the public is willing to both pay to subscribe to content and put up with advertising. So, for example, if Amazon were to win the rights to the NFL, which has contracts coming up for renewal, it may very well sell advertising in addition to charging for access to the content, which may or may not remain a benefit of Prime membership.

Stacey: I wouldn't want to be an owner of a television station right now. TV is getting attacked from all sides, with both audiences and advertisers shifting their habits as the media landscape changes around them.

How can digital marketing options hope to match the scale that TV offers marketers? Or is that merely a pipe-dream? If so, why?

Abusaleh: Currently, it is a bit of a pipe dream. The only way that digital marketing can match the scale of TV is if the industry goes through a massive consolidation so that there are major hubs that agencies can go to and reach massive audiences.

Feinstein: Today? It's a pipe-dream. Five years from now, it may be less so. And in 20 years, scale in digital will be real, but it won't be easy to come by, even when dramatic consolidation happens online… beyond Google and Facebook.

Garnett: It's a pipe dream. When people are online, they are on a mission — seeking something, reading something, browsing a specific area, watching something. Because the web ad formats are so incredibly invasive and easily avoidable, the person's "mission focus" makes it extraordinarily difficult to break through with a message about a new idea, product, or service. That means only a tiny number of attempts actually reach consumer consciousness.

Koeppel: If you examine the shift in generational media usage habits, eventually it is likely that what we consider a "TV audience" will simply be migrating to other devices creating a blur and a new definition of what such an audience is. Aggregating an audience of scale will therefore likely require buying eyeballs across multiple platforms that include both TV and digital to reach a sufficient critical mass of viewers.

Lee: Digital marketing options, such as streaming video, have a chance to deliver mass audience appeal. All other digital-designed initiatives need TV, radio, print, and other channels as a halo to drive to the web.

Stacey: Digital marketing offers scale already and is growing daily. Differentiating between all these new media technologies and methodologies really depends on what it is you are marketing and what your campaign objectives are.

For the complete and unabridged answers to the questions from our Advisory Board, find the March issue online now at *responsemagazine.com*.