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Cable Seeks Ways To Bring Online Ad Dollars To TV

BY NAT WORDEN

The cable industry's longstanding efforts to bring new ad technologies pioneered by Internet companies to television took on a new sense of urgency at this year's Cable Show conference.

Ad dollars have fled traditional media outlets, like cable television, as marketers have found more targeted and accountable ways to advertise on the Internet. But cable companies have long dreamed of a day when they could use data collected in TV set-top boxes and interactive technologies to beat Web companies at their own game.

With online video now gaining momentum, that dream is turning into a strategic imperative for TV programmers and cable operators, and the collapse of ad markets amid the recession has left an opening for an industry flush with cash flows from subscriptions to make its push.

"Interactivity is of crucial importance to cable," said David Joyce, analyst with Miller Tabak & Co. "A lot of advertising market share has gone over to Internet media properties because of this, and the entire TV ecosystem needs to try to get that share back. Advertisers have shown they want this, and they will pay more for it."

The industry has been talking for years about building cable TV viewing into a more interactive experience for audiences, with the ultimate goal of using data gathered from viewers for advertising that uses behavioral targeting techniques.

So far, such efforts have brought about the advent of features such as digital video recorders and on-demand offerings, but so-called addressable advertising methods are still largely out of reach for the industry.

That's not so for the Internet, a medium fundamentally based on interactivity. Companies such as Google Inc., Yahoo Inc. and Microsoft Corp. have won market share from traditional media outlets by offering marketers detailed measurability with search and display ads targeted at niche audiences and a more tangible return on investment.

"Interactivity has been available on the Internet for 15 years, and it has leap-frogged television," said Mike Eason, chief data officer with Canoe Ventures, a unit formed in 2007 by Comcast, Time Warner Cable Inc., Cox Communications Inc., Cablevision Systems Corp., Charter Communications Inc. and Bright House Networks to set standards for the technology across the industry. "We need to make up that ground now."

Cable companies don't have a great track record of working together, but Canoe marks the industry's most collaborative effort on a national scale. A variety of technologies and strategies are being pursued. Currently, Canoe is collecting data from set-top boxes, and evaluating ways it can be used for advertising. Meanwhile, companies are experimenting with new set-top box technologies and on-screen interfaces to give viewers a more Internet-like experience on TV, allowing them to purchase products, vote on preferences and control their viewing experience.

"Consumers want to experience Internet content on their television," said Bill Leszinske, general manager of networked media with Intel Corp.

Canoe's chief executive, David Verklin, said his group expects to launch a community addressable messaging initiative within six weeks that will be the industry's first national ad campaign segmented to audiences based on geography and demographics. For instance, an American Express Co. ad will be launched, with one version going to cable subscribers in affluent communities and another going to lower-income areas.

"You'll see interactivity deployed on a large scale 18 months from today," Verklin said.

Behavioral targeting on cable could combine the broad reach of television with the targeting capability of the Internet, and if the industry waits much longer for a major push in that direction, it could soon be too late.

"I think the economy will push us to make progress on this now," said David Zasloff, chief executive with Discovery Communications Inc.

Privacy issues remain a concern when it comes to collecting data about individual viewing habits, but Internet companies have skirted the issue with technology that keeps people's personal identity under wraps and analysts say cable companies could employ a similar strategy.

Sanford C. Bernstein analyst Craig Moffett, however, says that for investors, the notion of addressable advertising on TV has largely receded back into obscurity, encumbered by the real-world politics of competing priorities, constrained capacity on cable systems, and a bewilderingly complex ecosystem of agencies and advertisers.

"That so little progress has been made on this is a tragedy of lost opportunity [for cable companies]," Moffett said at the conference hosted by the National Cable & Telecommunications Association. "After a decade of waiting for addressable advertising, investors are impatient."

Jeff Gaspin, president and chief operating officer with Universal Television Group, said that may not change.

"I suspect we're going to be having the same discussion 12 months from now," he said.
