

TV Ads-Do They Measure Up?

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Advertisers across media are seeking unprecedented levels of campaign measurement and ad tracking. In this day of digital media, where Google, Microsoft and Yahoo! battle for online ad supremacy, the TV advertising marketplace seems almost criminally antiquated.

The TV advertising marketplace is worth an estimated \$70 billion annually (for comparison, the online advertising marketplace is worth \$15 billion per year). While this market remains a tremendous opportunity, a substantial portion of spend decisions are based on practices more akin to AMC's "Mad Men" than deep analytics. The current system is coarse, and provides no data to prove that advertisers are actually reaching their targeted audience. Do viewers really watch the commercials? Are they actively engaged? Do shows reach target demographics?

As a result, the TV advertising market is ripe with innovation from established players (Nielsen, MSOs in Canoe Ventures), new entrants (Microsoft, Google, TNS) and start-ups (Invidi, SpotRunner). Each is exploring different approaches, attacking the market with set-top box targeting, more specific geo-ad targeting, and dynamic ad insertion. Much of the recent buzz and focus, especially for the cable companies through Canoe Ventures, centers on more effectively targeting television ads. Industry visionaries imagine a day when ads can target specific households, much the way online ads target specific IP addresses. This approach will radically overturn television advertising's mass-market approach, improve ad relevancy, and dramatically lift CPMs.

Although the intense focus on television ad targeting will likely yield considerable returns in the long-run, the focus today for any player should be on the less-sexy, more tedious mechanics of measurement. Advertisers today see little or no reporting on how ads fared, and they want that to change. In truth, the winner of the race to transform TV advertising and capture the greatest share of profits will be the first to solve the oft-ignored measurement challenge.

The Importance of Measurement

Why is measurement so important? Second-by-second viewing data enables advertisers not only to evaluate the reach of an ad, but also lets payments be based on actual impressions. Ad measurement drives pricing, proves value, and allows targeting. Measurement capabilities deployed at scale provide tremendous power over the market, effectively reshaping the TV marketplace through leverage over targeting and insertion technologies. This power position begins to offer real, differentiated value to advertisers.

So, who are front runners in this measurement race? Clearly Canoe Ventures' position is strong, because cable companies already have set top boxes in a large portion of their homes – a critical piece of collecting viewership data. However, it will be expensive and time consuming to upgrade existing STBs with the capability to capture second by second data.

A potential dark horse candidate is Google. Google's TV ad platform efforts outside of its core search capabilities have been met by observers with some level of skepticism. But deeper investigation suggests they may be on the right path. The power of Google's TV ad system isn't ad targeting or better ad insertion—it focuses on compelling measurement.

Although still nascent, the Google and EchoStar partnership gives advertisers new power to measure ad reach. Advertisers using the Google TV Ads platform can track the number of impressions an ad received, when the number of viewers began dropping off, the average time tuned in per impression, and how many viewers watched the entire advertisement. Google reports second-by-second set-top data, so advertisers only pay for the actual number of impressions delivered. Through a new partnership with Nielsen, Google will be able to overlay demographics to viewing data. Google's experience in analytics and data processing create a competitive advantage. They are focused on national advertiser needs and designing tools to make more intelligent purchasing decisions based on the detailed reporting Google provides.

Google, of course, faces large barriers. Today's Google TV Ads trial is still small with only one major provider. To win in the long-run, Google will need to access data from more TV operators and a greater share of households. A partnership with cable companies is unlikely given the position of Canoe Ventures. But, Google could make an acquisition to enter the STB game (such as TiVO), expand the existing partnership with Nielsen, or even launch its own software or build a Google STB. In the same way they launched Gmail providing email with massive, market-changing amounts of storage, the possibilities are endless for a new consumer-oriented STB (maybe unlimited PVR capabilities, converged services?). Any of these options would allow Google equipment to enter the home to measure and analyze TV viewing behavior. With data in hand, Google would own a powerful competitive advantage to arbitrage or broker TV advertising inventory. Despite this short-term STB barrier, one could argue that Google may be further along than any other player because of its approach and focus on measurement.

Other players are also exploring this path. TiVo has started to offer second-by-second ad viewing data, Nielsen announced a DigitalPlus service aimed at providing more granular reporting, and Microsoft continues to invest heavily in this space.

This disruption in the TV advertising industry heralds a change that started with the Internet and is now migrating across media. Data and analytics are becoming the foundation of the industry, adding richness and rigor to buying decisions. One thing is true for any player—deep analytical capabilities and expertise are a requirement to compete and win in this new world order.

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