

# *touching* that dial

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High costs, audience fragmentation and measurability issues are making TV advertising less desirable. But don't unplug your TV strategy just yet.

### *It's Time for Marketers to Change the Channel.*

The traditional medium has long dominated marketing budgets and strategies, particularly for large consumer brands, but given TV's cost and clutter issues along with frustration over measurability and audience fragmentation, many marketers don't like what they're seeing anymore.

Approximately 62% of national advertisers believe TV ads have become less effective in the past two years, according to a survey conducted in December and January by the New York-based Association of National Advertisers Inc. and Cambridge, Mass.-based Forrester Research Inc. The compound annual growth rate (CAGR) for TV advertising spend will be just 4% over the next five years, according to Forrester. U.S. digital marketing spend, by comparison, will have a CAGR of 17% in the same time frame.

That said, TV isn't going away: Viewership reached an all-time high during the 2008-2009 season, according to The Nielsen Co., headquartered in Haarlem, the Netherlands. TV will command the bulk of U.S. marketing budgets through at least 2014, according to Forrester.

Yet given greater spend scrutiny and more demand for measurable ROI today, marketers can't keep rerunning the same strategies in the medium. You have to be smarter about pushing for better deals for your media buys, improving your targeting capabilities and enhancing TV presence with branded opportunities and online integration.

### *Staying on the Air*

Marketers may feel less incentive to invest in TV for a number of reasons. Alan Cohen, U.S. CEO of media planning company OMD in New York, says some clients feel TV is less effective because the audience is split among 200-plus channels, diluting the number of impressions that can be made with one aired spot.

"Audience fragmentation is the most dangerous threat to the TV industry today," says Dave Morgan, CEO of media planning agency Simulmedia in New York. "If you're no longer able to have a massive reach with a single ad buy," you may have to spend more money accumulating more ad buys for the reach you want. "It's far less efficient ... and so it becomes pricier for the advertiser to maintain the same return on investment," he says.

In this economy, there's more pressure to deliver results, particularly with more measurable Web marketing vying for a larger portion of the budget.

"In the age of the Internet, you've got so much accountability from that medium that TV still doesn't deliver on," says Michael Bollinger, director of client services for Pittsburgh-based marketing firm Smith Brothers Agency. "There are some brands out there with pretty sophisticated models that allow them to see the impact of TV, but most don't have that. It's still too much of an act of faith for most marketers."

"Every marketer today is under pressure to be able to communicate a return on investment to their bosses," Morgan says. "In times when the economy is down and you have to spend less, you're more likely to spend what you can measure better."

Even when TV campaigns get the green light, "the economy has increased the speed in which we need results," says Rob Schwartz, chief creative officer at TBWA\Chiat\Day, Los Angeles. "The boardroom wants numbers like brand opinion [measurements], which are typically glacial, to spike immediately after launch. ... It forces us to make every idea we do have to really work to spike numbers." TV campaigns may have once had a full fiscal year to work, Schwartz says, but today's clients want to see major positive sales and brand opinion numbers within a quarter.

But TV will still dominate marketing spend largely because Americans continue to watch the small screen in big numbers, devoting 99% of their video watching, an average of 140 hours a month, to TV, according to Nielsen. Average viewership for the 2008-2009 TV season was up 20% from 10 years ago.

"Unlike other traditional media such as newspapers, magazines and radio, TV has held market share as far as how consumer time has been spent through the whole intrusion of the Internet," Morgan says. "There is no other place to get to so many people at once with a really impactful message in a short period of time."

TV remains the foundation of the communication plan at Plano, Texas-based beverage company Dr. Pepper Snapple Group Inc. The company's executive vice president of marketing,

#### Approximate costs for TV ads, 2005 and 2009

TV Air Time/Format	Avg. Cost 30-Second Ad, Sept. 21-Dec. 31, 2005	Avg. Cost 30-Second Ad, Sept. 21-Dec. 31, 2009	Percent Change
Prime Time, Broadcast	\$108,156	\$89,961	-17%
Daytime, Broadcast	\$32,128	\$31,412	-2%
Prime Time, Cable	\$4,603	\$4,013	-13%
Daytime, Cable	\$1,755	\$1,179	-33%

Source: The Nielsen Co., Feb. 2010

#### Anticipated spend in broadcast and cable television per year, in millions

TV Format	2009	2010	2011	2012	2013	2014	%
Broadcast	\$40.5	\$39.9	\$40.2	\$41.1	\$42.4	\$40.0	1.7%
Cable	\$28.4	\$29.6	\$31.4	\$33.5	\$36.0	\$38.8	6.5%

Source: Forrester Research Inc., April 2009

## How Much is Enough?

How big should your marketing budget be to invest in national TV advertising? Opinions vary. **Michael Bollinger**, director of client services for Pittsburgh marketing firm Smith Brothers Agency, says it has to be **at least \$20 million**. **Jim Trebilcock**, executive vice president of marketing for Plano, Texas-based beverage company Dr. Pepper Snapple Group, says **\$8 to \$10 million** must be spent per brand. **Chris Geraci**, managing director of national TV for media planner OMD US in New York, says the bare minimum is **\$5 million**.

## What Marketers See

**42%** of marketers surveyed expect their TV media budgets to stay the same in 2010. 27% anticipate an increase and 26% plan to decrease the budget.\*

**86%** of marketers surveyed feel that measuring the effectiveness and efficiency of their media strategies was the biggest challenge they faced in 2009.\*

**65%** of marketers surveyed believe Internet usage measurement is more useful than TV viewing measurement.\*

**59%** of marketers surveyed say it's a challenge to compare marketing effectiveness across media.\*

**62%** of marketers surveyed believe TV ads are less effective than they were two years ago.\*\*

## ...and expect or want to see

**70%** of marketers surveyed wish it were easier to compare TV ratings to online data.\*

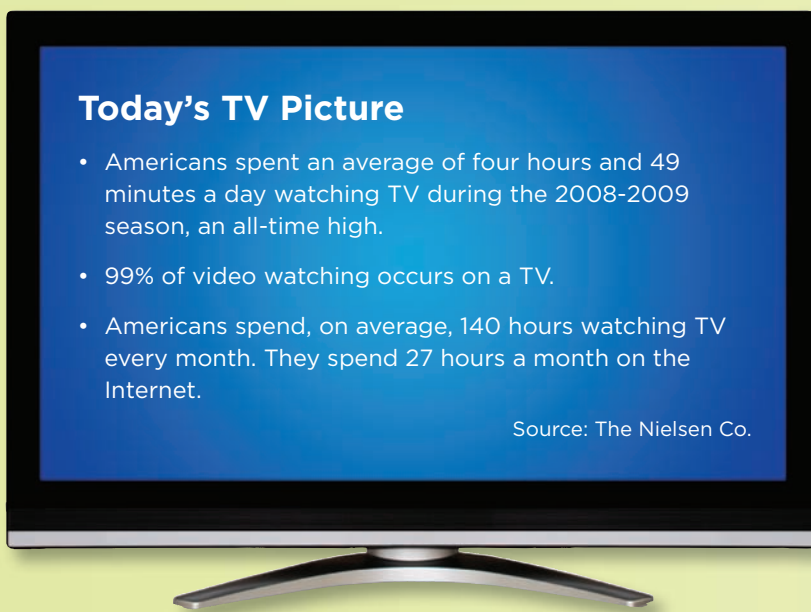
**78%** of marketers surveyed want to target consumers more precisely through TV. 59% would be willing to pay a premium for the option.\*\*

**82%** of marketers surveyed want ratings for individual commercials.\*\*

**80%** of marketers surveyed believe branded entertainment will play a bigger role in TV.\*\*

\*Forrester Research Inc.

\*\*Association of National Advertisers/Forrester, Feb. 2010



## Today's TV Picture

- Americans spent an average of four hours and 49 minutes a day watching TV during the 2008-2009 season, an all-time high.
- 99% of video watching occurs on a TV.
- Americans spend, on average, 140 hours watching TV every month. They spend 27 hours a month on the Internet.

Source: The Nielsen Co.

Jim Trebilcock, credits a 10% volume increase of its ginger ale brand Canada Dry to its return to TV last year following a 10-year absence. Herndon, Va.-based Audi of America Inc., which like Dr. Pepper bought a Super Bowl ad this year, also sees the value of TV's ability to create mass awareness, says company CMO Scott Keogh. "In comparison to our competitors Mercedes and BMW, we need to make people more aware of Audi," he says. "Irrefutably, television is the way to do that. We have 0.7% market share for the total market ... so there are not a lot of [Audis] on the road. We only have 270 dealerships across the population of 300 million people. So the place for the majority of Americans to experience and see an Audi on a semi-consistent basis is the television."

### A Whole New Line-Up

While the economy, audience fragmentation and measurement issues provide their own obstacles, there are ways marketers can use such challenges to their advantage.

Lower ratings per show and fewer upfront TV buys have given advertisers more negotiating power. The average cost for a 30-second prime-time ad on broadcast TV, from mid-September through late-December, cost 17% less than it did in the same time period five years ago, according to Nielsen (see table on page 17). "This is a great [time] to be a buyer in the media world," Trebilcock says gleefully. "I've waited 22 years for this to happen."

Consequently, media buyers can better negotiate for ad placement across channels, be it on multiple networks owned by the same company or through TV and online combination packages, says Chris Geraci, managing director of national TV at OMD.

They also should negotiate for more consumer insights, Simulmedia's Morgan says. "This is a time to focus less on putting pricing pressure [on networks] and more on trying to get smarter from the spend," he says. "The natural reaction when times are tough is to jam your suppliers. That's not the best way to build long-term relationships." So instead of demanding more ad slots or lower costs, Morgan suggests asking networks to work with research companies to deliver more telling data about the consumers tuning in to certain networks and programs. "That investment makes you look smarter, you have better ROI stories for your bosses and you're actually happier with your partner," he says.

### On Message and on Target

TV fragmentation may have reduced the number of people watching certain programs, but the creation of channels devoted to niche audiences has created more advanced targeting opportunities, OMD's Cohen says.

After Smith Brothers created a TV spot last year for San Francisco-based Del Monte Food Co.'s Del Monte brand, the company opted for cable-exclusive ad buys on the Food Network, ABC Family and Hallmark Channel to reach its target demographic of foodies and families, Bollinger says. While San Francisco-based Levi Strauss and Co. paid nearly \$3 million

for a Dockers ad in this year's Super Bowl, it's restricting media buys to sports and comedy programming watched by its coveted 25-to-49 male demographic, says Jen Sey, Dockers' vice president of global marketing. "Television is inefficient when it's not very targeted because you pay for all the eyes you get and a lot of those aren't the ones you want," she says. "If you make it as targeted as possible, it can actually be pretty efficient."

Marketers also should find fresh ways to stand out on TV. As DVR share continues to grow, 80% of respondents to the ANA/Forrester survey believe branded TV entertainment will play a larger role in TV marketing. It already has for Audi, which, in addition to buying air time to broadcast its ads during the 2010 Winter Olympics, also presented an hour-long documentary about the U.S. Ski Team that aired on NBC and is available to download on iTunes.

It's also crucial to marry TV to online for better impact and reach. Dockers, for its Super Bowl strategy, ran a TV spot and also established a branded content site with song identification mobile application Shazam. Audi, as part of its Super Bowl strategy, created a customized YouTube channel. Smith Brothers' Del Monte ads include call-outs to a specially created recipe Web site.

"I don't remember the last meeting that I walked in where I said, 'Hey, let's make a TV spot,'" Schwartz says. "Everything is integrated. If you don't have a second piece of communication, you're not as effective as you can be. That is probably the biggest learning shift. Never do TV in isolation." ■

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#### Commercial Conundrum

A *Marketing Management* story that addresses consumer attitudes towards TV advertising.

#### Twelve Kinds of TV Ads

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### Podcasts:

#### Dockers' and Audi's Super Bowl Game Plans: Extending Marketing Beyond the Ads

Two execs from this story, Jen Sey and Scott Keogh, explain why they purchased Super Bowl spots this year for Dockers and Audi, respectively, and how they hope to score with their integrated TV campaigns.



## Stay Tuned

Measurement complaints are nothing new, but times are changing.

"I think set-top box [measurement] in houses will get to the place where TVs in every home are addressable," says Doug Checkeris, CEO of media planning company MediaCom North America. He predicts that just as online display ads can alternate based on user location and search history, TV ads will alternate based on neighborhoods and viewing behavior. Such data will be determined via set-top boxes that allow for programming content to stream on TVs. Parties such as Nielsen and Mountain View, Calif.-based Google Inc. are exploring this technology, Morgan says. David Cooperstein, vice president and research director for marketing leadership practice at Forrester, says widespread adoption of Web-like targeted ads on TV may begin by 2014.