

**Interactive Television:
Will advertising be the next wave of success for this much maligned industry?
By David Barron**

Interest in interactive TV services is growing due to improved infrastructure, real-time two-way communications and feature-rich consumer devices. Advertising is a key focal point, this year, because of its potential to deliver more effective and relevant experiences for consumers and advertisers.

A much-used infamous example of Interactive TV in the past decade was that a viewer watching the television show “Friends” could use their remote control to buy Rachel’s sweater. Although, this scenario is not realistic today, the technology has evolved to make interactive advertising effective. Advertisers are also ready for new methods of TV advertising. According to a study by the Association of National Advertisers and Forrester Research, nearly two thirds of companies surveyed indicated that TV ads became less effective in the past two years and 43% also said they would like to try interactive TV advertisements.

There are two distinct categories of services that are on the interactive horizon, consumer engagement technology and advertiser targeted messages to specific viewer demographics. Each of these approaches present opportunities and challenges.

New Ways to Engage Viewers

Interactive advertising can be as simple as clicking on a remote control to obtain a coupon or request product information, or can be more complex such as ordering a product or playing a game. Response rates for some interactive TV advertising campaigns have been reported to be in the 3-6% range and even higher for some niche programming. Recently, the Disney Destination Channel 24/7 asked viewers if they wanted to receive a call from a travel specialist and of those who responded, 23% actually booked a vacation. Even though technologies are in place for these kinds of interactive experiences, it is necessary to understand how different technologies work and which solutions are in use by different network operators in order to deliver interactive advertising that works.

Another approach to interactive advertising is enabling the user to control or request specific content. Several large MSOs (Multiple System Operators) have worked with technology provider, Navic Networks, to allow viewers in some markets to tailor the delivery of ads to a specific product category. For example, the viewer could select trucks, sports cars or sedans and would see an appropriate ad during the normal 30 second spot that a participating car company would purchase. In another implementation, network operators are enabling viewers of an ad to select and tune to a longer form video ad relating to products of interest to the viewer.

There are, however, challenges to widespread use of Interactive TV advertising. First, the industry must find ways to create simple, interesting and relevant ways to engage the viewer in a medium that has been historically been a passive experience. Many of the early forays into this arena were not particularly useful or interesting to viewers. Currently, there are no industry wide standards for creating interactive elements, causing advertisers to create multiple versions of the same ad in order for it to work on different technology platforms.

The cable industry has taken a step towards standardization with Cable Labs and with the formation of a joint venture called Canoe Ventures. The goal of Canoe is to create a common technology platform to be used by all major cable TV operators. Inclusion of satellite TV and telcos in standardization would further ensure the economic viability and success of interactive TV advertising.

Customized and Targeted Addressable Advertising

As network operators complete the transition to a fully digital television delivery system, they will also be able to take advantage of the addressability capabilities of their networks. Network operators can sell multiple versions of a company's ad in a single slot and deliver the appropriate version to a desired demographic. Another approach might be to sell "micro-buys" of specific types of households at a higher CPM and at the same time allow the advertiser to only pay to deliver an ad to the intended consumer profile. Addressable advertising can enable national advertisers to deliver a number of specialized ads to appropriate targeted segments of the audience.

In addition to network operators' ability to charge a premium CPM and increase overall revenues, advertisers can benefit from both being able to promote the appropriate products to specific demographics as well as enjoying increased efficiencies, if they choose to only advertise to certain segments of the overall population.

Finally, consumers will also benefit from addressable advertising, receiving more relevant advertising messages and reducing the number of messages that are completely inappropriate for the household. Data released from Tivo suggests that viewers do tend to watch ads that they deem relevant and fast forward past others.

In order for addressable advertising to be truly successful on a national scale, several key issues must be addressed. Privacy advocates are concerned about the use of consumer household demographic information for any purpose. Industry standards and national regulation may address privacy and data use concerns. The use of addressable interactive advertising will gain popularity if the industries work together to create acceptable policies.

Interactive Momentum

Interactive Television has had many false starts the past few decades, largely due to technology constraints and business model issues. While Interactive Advertising may not be the silver bullet or “killer application to propel interactive TV, it appears that interactive advertising is providing enough momentum to ensure that interactive television will finally become a reality. When viewers are comfortable with interactivity on television, their behavior will likely shift the traditional television paradigm. Television business models are currently evolving and interactivity will undoubtedly play a key role in both the content and profitability of television in the twenty-first century.

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Keys to Interactive Success

- Compelling features
- Ease of use
- Standardized platforms
- Industry cooperation
- Respect for privacy concerns



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