Addressable TV and the 30-Second Spot
The CMO’s guide to addressable TV advertising: accountability and performance for TV ad spend

An Experian white paper
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The 30-second spot, the cornerstone of any TV media plan, is getting a lot smarter. That’s because the ability to deliver addressable TV advertising and measure the effectiveness via digital set-top box technology is finally becoming a reality. Addressable advertising will revolutionize the tools TV media agencies need to plan, buy and measure TV media. Long-standing metrics such as Gross Rating Points (GRPs) and Nielsen Network demos will be replaced with effective cost-per-targeted-audience reach metrics. While cable, telecommunications and satellite video distributors have been pursuing the means to deliver unique audiences through TV ads for more than 15 years, the implementation of digital set-top box technology, along with direct target audience profiles using Experian consumer data, will enable this once-unattainable vision. In the next 12 months, the industry is poised to finally deliver what you need most: targeted and measurable 30-second spots. That means now is the time to begin preparing your organization to take advantage of this new opportunity.

Death of the 30-second spot? Think again.

In his 2005 book, Life After the 30-Second Spot, Joseph Jaffe argued that TV advertising, among other traditional media, no longer works because the Internet’s influence on consumer behavior has created more fragmented niche audiences that are too narrow for mass advertising to be effective. While Jaffe was not the first to say this, every year some media pundit has signaled the death of the 30-second spot for one reason or another. The reality is that Jaffe was both right and wrong. While relevant and meaningful brand experiences are critical to engaging today’s splintered consumer audience, the Internet, for all its creative destruction of consumer behavior patterns, has yet to dampen consumers’ love of TV. In fact, TV still enjoys a 96 percent audience reach, the largest reach of any media available today.

Audience reach by selected media

![Audience reach graph]

Source: Experian Simmons National Consumer Study
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Marketers have been looking for the 30-second spot to deliver what they love about online advertising: targeting and measurement precision and the interactivity that is inherent in the medium. The investments being made in advanced TV advertising bring some of the best direct advertising features of the Internet into consumers’ homes, where they still spend a huge amount of time watching TV on the big screen. There is a reason that TV commands $70 billion in media spend per year. It continues to reach more than 66 percent of consumers in each of the top 10 Mosaic® segments for TV viewership representing 48 percent of the U.S. population.

Top 10 Mosaic® segments that are heavy TV watchers

It’s clear that consumer behavior has changed in terms of TV viewing habits, but the fact remains that consumers want to enjoy professionally produced content regardless of when, where or on what device they are viewing it. In fact, cable operators like Comcast and Cablevision are at the forefront of making new ad units available through insertions in video-on-demand (VOD) platforms — taking advantage of consumer time-shifting behavior to watch video on their schedule and not being constrained by the linear TV schedule. With the maturity of advanced TV advertising, marketers can get both targeting and interactivity and more effectively coordinate their messages across TV, online, smartphones and tablets.
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Addressable advertising is sexy and smart
As an advanced tool entering the market, addressable advertising promises marketers the ability to maximize advertising spend. The concept is simple: Deliver TV advertising like one targets direct mail, using household-level analytical profiling and segmentation. Like direct mail, the ad can be tailored to the household, with different ads being delivered to different households simultaneously across the same ad unit. For example, Cablevision recently announced a TV industry first in rolling out addressable television advertising — the simultaneous delivery of advertising from five different advertiser brands sharing a single 30-second unit across its entire footprint, nearly 3 million households in the New York metropolitan area. Clearly, this is game-changing for TV advertising, especially since New York City is the highest-grossing TV ad market in the United States. This is a market all national brand advertisers should test to realize the power of addressability for themselves.

There have been a number of trials conducted by various cable system operators proving the value of addressable advertising campaigns. A trial conducted by Comcast Spotlight and Starcom MediaVest (SMG), supported by Experian Marketing Services for data-driven audience targeting, revealed that viewers who saw advertisements directed at their particular segment were less likely to change channels. Comcast Spotlight, SMG and their research partner, Kantar Media (formally TNS Media Research), found that, overall, homes receiving addressable advertising tuned away 38 percent less of the time than homes that received nonaddressable advertising. The trial demonstrated 56 percent greater efficiency from sending ads only to relevant groups.

How it works: what you need to know to get started
Addressable advertising is possible because new technologies and processes have been introduced into the traditional TV ad buying and serving ecosystem:

- **Digital set-top box** — The digital set-top box provides households with digital identifiers, and the feedback data from these devices enables the syndicated aggregation of the TV viewing audience. This feedback data is now the new currency of ad planning.

- **Dynamic ad serving** — Technology companies such as Invidi and Visible World provide the software to dynamically insert ads based on targets as well as collect anonymous viewing data for measurement purposes.
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- **Household and segmented targeting** — Data and data-management providers, like Experian, deliver the household or other aggregate-level insight based on consumer profiles or predictive models that define interest in a particular brand or product.

- **True campaign measurement** — Data and data-management providers attribute anonymous ad impressions to aggregate sales from various channels to deliver campaign-level return on investment (ROI) measurement.

As illustrated in the following diagram, the key to addressable advertising is being able to connect the advertiser’s target customer segments.

- **Step 1** — Media distributor subscriber file with audience targeting data is provided to support the process.

- **Step 1B** — Advertiser works with trusted third-party and media distributor to identify target segments.

- **Step 2** — Media subscriber file and advertiser target segments are sent to trusted third-party using a secure process.

- **Step 3** — Trusted third party matches the files in an anonymous, secure and privacy compliant method using a blind matching process. During this process, the targeting file is stripped of any personally identifiable information. The targeting file is then securely transmitted and loaded to the ad serving platform.

- **Step 4** — The ads at the household or other geographic-level.

- **Step 5** — Once the ad is served, anonymous user clickstream data is collected by the ad serving platform providers for performance measurement. True ROI can be achieved using a measurement company that can match anonymous clickstream data with aggregated geographic or other sales data from an advertiser’s online or offline sales channels.

Source: Bank of America Merrill Lynch Global Research, Cable & Media Industry Overview: A new life for Television, Sept. 15, 2010
As you can see, from media subscription files to advertiser databases to gathering clickstream viewing, addressable advertising is dependent on a massive amount of very detailed data. To unlock the value of addressable advertising, most of today’s TV advertisers will need to adopt new data-driven marketing processes that focus more on effective segmentation and profiling of their target customer to drive ad buys. It’s clear that in this addressable advertising environment that operates using a direct-marketing precision-targeting model, advertisers need to enhance their ability to define their target customer beyond the simple demographics in use today.

**Getting ready for addressable advertising: your to-do list**

1. **Get your customer database in order** — Secure customer names and addresses through third-party data enhancement and add consumer preference information for a 360-degree view of your customers. Make sure this information is linked with any customer transactional data, consumer demographic data or other profile data you may have.

2. **Profile and segment your target customer** — Identify your best customers using lifetime value, product affinity and geographic analysis.

3. **Engage your agency** to understand where addressable advertising and advanced household analytics should fit into your media mix.

4. **Contact addressable advertising media providers**, such as Cablevision, DIRECTV or DISH, to purchase their allocated addressable media inventory.

5. **Leverage a trusted third-party data provider** and analytics provider who can act as a neutral party for managing, deidentifying and aggregating your customer information to protect consumer privacy and your brand.

6. **Get in the game by performing a trial with your brand** — Work with your agency, your pay TV provider and your data provider to execute an addressable advertising test for your brand and begin your addressable journey.

**How Experian Marketing Services can help: Audience IQ℠**

For the past six years, Experian Marketing Services has been the industry leader in addressable advertising data services and has worked with the entire addressable advertising ecosystem, including Comcast, Cablevision, Charter Cable, TRA, Kantar Media, TiVO, Starcom MediaVest, GroupM and others, to help make advanced TV advertising and measurement a reality. Through Audience IQ℠, our addressable advertising service, we provide media-neutral targeting of advertising at a household or other aggregate level. We act as a trusted third party who can manage the connection of your target audience file to the media audience in a privacy-compliant manner, ensuring key privacy and security controls throughout the delivery supply chain. In addition, Audience IQ provides the attribution, measurement and reporting to deliver true ROI analysis of your addressable campaigns. Experian® gives you the confidence to prove the value of your advertising spend.

To learn more about Audience IQ for TV, contact Kosta Skoulikaris, Video Addressable Media-Practice Leader, Experian Digital Advertising Services. He can be reached at kosta.skoulikaris@experian.com. You also can visit our Website, www.experian.com/audienceiq.
Appendix

The details of advanced advertising
There is a significant amount of innovation happening in the advanced advertising space in TV that provides advertisers with different options to reach consumers, depending on their business and goal. The chart below explains the different forms of advanced advertising capabilities for delivering targeted advertising to consumers via TV.

Advanced Advertising Product Family Tree

Momentum building for advanced advertising
According to a 2010 report from Bank of America Merrill Lynch, addressability is still a few years away from wide-scale deployment in the cable industry. However, the company projects that by 2015, 66 million subscribers will be enabled for addressability, representing 60 percent of the pay TV marketplace. (Source: Bank of America Merrill Lynch Global Research, Cable & Media Industry Overview: A new life for Television, Sept. 15, 2010)

In addition, other market dynamics over the next 12 to 24 months are pointing toward the development of advanced advertising at scale, which is critical to adoption — including the growth in the installed base of digital subscribers by approximately 91 million for cable/direct broadcast satellite/telecommunications providers, a heightened content distributor focus on new sources of growth, the success in local cable advanced advertising deployments, the growing national interactive TV footprint and the robust footprint growth in the dynamic ad insertion capability of VOD.
As shown in the chart below, all major pay TV companies are on their way to having an addressable footprint that will reach scale by 2013, including the launch of Canoe Ventures' national campaign service.

### Advanced advertising roll out initiatives and timeline by distributor

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<td>RFI overlays launched in 2004</td>
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<td>1st addressable trial (Huntsville, AL)</td>
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<td>RFI overlays launched in 2004, run in upstate NY and Hawaii using TWC tech</td>
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Source: Bank of America Merrill Lynch Global Research, Cable & Media Industry Overview: A new life for Television, Sept. 15, 2010
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Definitions

Addressable advertising
Often referred to as the holy grail of advanced advertising, addressable advertising combines the reach of TV with the accountability of direct marketing. Advertisers will be able to design ads for a specific household segment or demographic profile and deliver with anonymity to targeted consumers.

Key features and benefits: Addressable advertising results in substantially greater ad efficiency as a specific household or demographic is targeted with a relevant message.

Dedicated advertiser channels
Dedicated advertiser channels represent a long-form ad medium that gives advertisers a branded VOD channel and designated channel position to market their services.

Key features and benefits: Superior engagement from unique messaging, persistent presence on TV (can be 24-7 with up to 30 minutes of content), exclusivity with dedicated brand ads, and enhanced ability to promote a specific product or service.

Dynamic Ad Insertion (DAI) on Video-On-Demand (VOD)
Dynamically inserted advertisements on free VOD allow advertisers to insert relevant and up-to-date information within 24 hours of viewing.

Key features and benefits: Brand promotion to viewers who are opting in and cost benefits from prolonging the life of a spot beyond the linear platform.

Interactive advertising
An interactive ad is created when a graphic overlay or interactive prompt is inserted into a commercial spot on TV. The promise of interactive advertising is the accountability of direct advertising combined with the scale and reach of TV. Principal forms of interactive advertising are Request for Information (RFI), telescoping and polling/trivia.

Interactive Program Guide (IPG) banner ads
IPG banner ads display brief advertising messages on the pay TV subscriber’s on-screen programming guide, providing detailed information to promote linear programming or links to on-demand content.

Polling
Polling overlays are driven by viewer opinion. The poll metrics enhance measurement for the advertiser as the results are applied to current or future advertising campaigns.
Request for Information (RFI)
An RFI overlay gives viewers the option to use “Select” on the remote to request more information on a product, such as receiving a brochure, entering sweepstakes, and/or acquiring coupons or product samples.

**Key features and benefits:** Indicates higher purchase intent, engenders a better attitude toward the brand and the ad, improves day-after recall, and generates phone or mail leads from interested customers.

T-commerce
T-commerce (television commerce) has the potential to provide additional revenue streams, as more than 90 million households subscribe to pay TV and on average watch eight hours per day of TV.

**Key features and benefits:** The clear benefit of T-commerce is the ability to take advantage of the purchasing impulse through TV. Notably, e-commerce revenue has grown to approximately $175 billion in 2010, according to Forrester Research, demonstrating the large potential opportunity for T-commerce.

Telescopi ng
A telescoping overlay allows viewers to “Select” a link to a sponsored on-demand channel or branded long-form video that advertises a product more robustly than a traditional 30-second spot.

**Key features and benefits:** Opt-in nature puts the viewer in control; superior engagement (i.e., day-after recall); generates leads; and improves measurement, which helps improve ROI calculations.

Vertical video-on-demand channels
Vertical VOD channels represent a unique VOD platform that allows consumers to view videos, listings, information and long-form advertising pertaining to key verticals such as auto, real estate, career, travel and leisure, etc.

**Key features and benefits:** Key interest group targeting; better engagement due to opt-in nature; an extended presence that cultivates customer loyalty; and lead-generation and performance metrics, which improve ROI.

Video-on-demand advertising/Dynamic ad insertion
VOD advertising allows advertisers to insert messages of varying lengths (15, 30 or 60 seconds) in the pre-, mid- or post-roll pods on relevant VOD content. The ability to do this dynamically or on a same-day basis enhances the value of the advertising inventory.