

THE COMMERCIAL'S WORST NIGHTMARE

By Brian Steinberg
(AOL.COM COMMENT)

You know things are bad when even the guys who help craft and place TV ads are prone to skip right by them.

Advertising executive John Moore, who works at the Mul-len agency in Weymouth, isn't your typical TV-watcher. After all, he owns three digital video recorders. Despite his ad agency roots, however, Moore exhibits behavior far more common among the average couch potato: pushing the fast-forward button on the DVR remote control to speed past ads.

"I am in marketing, so I should have a keen interest in what is on the air," says Moore, director of ideas and innovation at Mullin, owned by Interpublic Group of Companies. Even so, he adds, "my consumer incentive always overrules my marketer's prerogative. I would probably say I just blow through the commercials."

DVRs were in about 20 percent of US TV households as of the second quarter of 2007, and that's expected to rise to about 35 percent by the end of 2011, according to media-re-search firm Magna Global. Even TV networks agree that

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THE DIGITAL VIDEO RECORDER CHANGED THE WAY TELEVISION IS WATCHED. IT ALSO CHANGED THE WAY ADS ARE WATCHED (OR SKIPPED) — PRESENTING A NEW CHALLENGE TO NETWORKS AND ADVERTISERS.



SLOWING THINGS DOWN

Television networks, advertising agencies, and other media outlets are devising various methods to keep viewers with DVRs from skipping the \$65.4 billion worth of commercials broadcast each year. Only time will tell whether they work.



The pop-up

Tivo Inc. has introduced a graphic overlay that appears when a subscriber fast-forwards past an ad.

No fast-forwarding allowed

Cox Communications is testing a new effort in Orange County, Calif., making select programs from NBC, ESPN, and ABC free via video-on-demand. Those who select those options are told fast-forwarding is not available.

Rethinking the commercial break

NBC is experimenting with the structure of its ad breaks. Viewers may have seen pieces of video featuring Jerry Seinfeld promoting the comedian's "Bee Movie." They were sponsored by Ford.

Ways sought to slow down the trend toward ad-skipping

► DVR

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about 60 percent of DVR owners skip ads when they watch their programs later. To salvage about \$65.4 billion worth of annual TV advertising, media outlets and ad gurus are trying to come up with ways to combat DVR usage. No matter how fast they work, however, more consumers have fingers at the ready, prepared to push a button on their DVR remotes and zoom past ads.

But DVRs aren't the only incentive media companies have to get consumers to watch ads: New technology from Nielsen allows advertisers to pay for viewership of ad breaks — not programs, as had long been the case. While the change this TV season so far hasn't had an impact, in the long run it could mean less ad revenue for networks.

As a result, a number of media-savvy parties are rolling out new technology and creative concepts. TiVo Inc., for instance, recently introduced a graphic overlay that can appear when a TiVo subscriber fast-forwards past an ad. A viewer might see the advertiser's logo, for example, even as the ad whooshes past. TiVo users can sometimes even choose to click and see more information, says Karen Bressner, TiVo's senior vice president of ad sales.

For its part, Cox Communications is testing a new effort in Orange County, Calif., making select programs from NBC, ESPN, and ABC free via video-on-demand; in exchange, viewers who select those options are told in a five-second message that fast-forwarding past ads isn't available. In 2008, Cox plans to take things a step further when it tests inserting specific ads in the video-on-demand selections, says David Porter, vice president of new media advertising at Cox Media. So if a viewer watches "Desperate Housewives" on a Tuesday, the ads could be updated for the time of viewing or

SUBSCRIBERS TO DIGITAL VIDEO RECORDER SERVICE



SOURCE: Magna Global Research

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even targeted at particular households.

Like Cox, Time Warner Cable also is testing new options known as "Start Over" and "Look Back," which allow viewers to watch certain programs — with the same condition that they can't fast-forward past ads. Additionally, in 2008, the cable company intends to offer certain subscribers the chance to view shows before they air; again, no one can blast through the ads.

DVRs require consumers to plan beforehand, says Peter Stern, Time Warner's executive vice president of product management. These ideas don't. "What we've given them is spontaneity," he says.

NBC also is testing some convention-defying methods. Viewers of programs like "Chuck" may have witnessed humorous pieces of video featuring Jerry Seinfeld tucked into the middle of ad breaks. The videos, which promote the comedian's "Bee Movie," don't look or feel like TV ads, but they have been sponsored by Ford. Additionally, an American Express ad that ran during "Heroes" played off the

show's theme by using comic-book imagery, then suggested viewers stick around to see an American Express ad featuring singer Beyoncé.

"I think the DVR penetration is clearly a main driver here," says Mike Pilot, president of ad sales for NBC Universal. He says he also sees more room for the network to offer customized content tailored to specific advertisers and particular TV shows, which could help snare viewers' interest between the end of one program segment and the start of another.

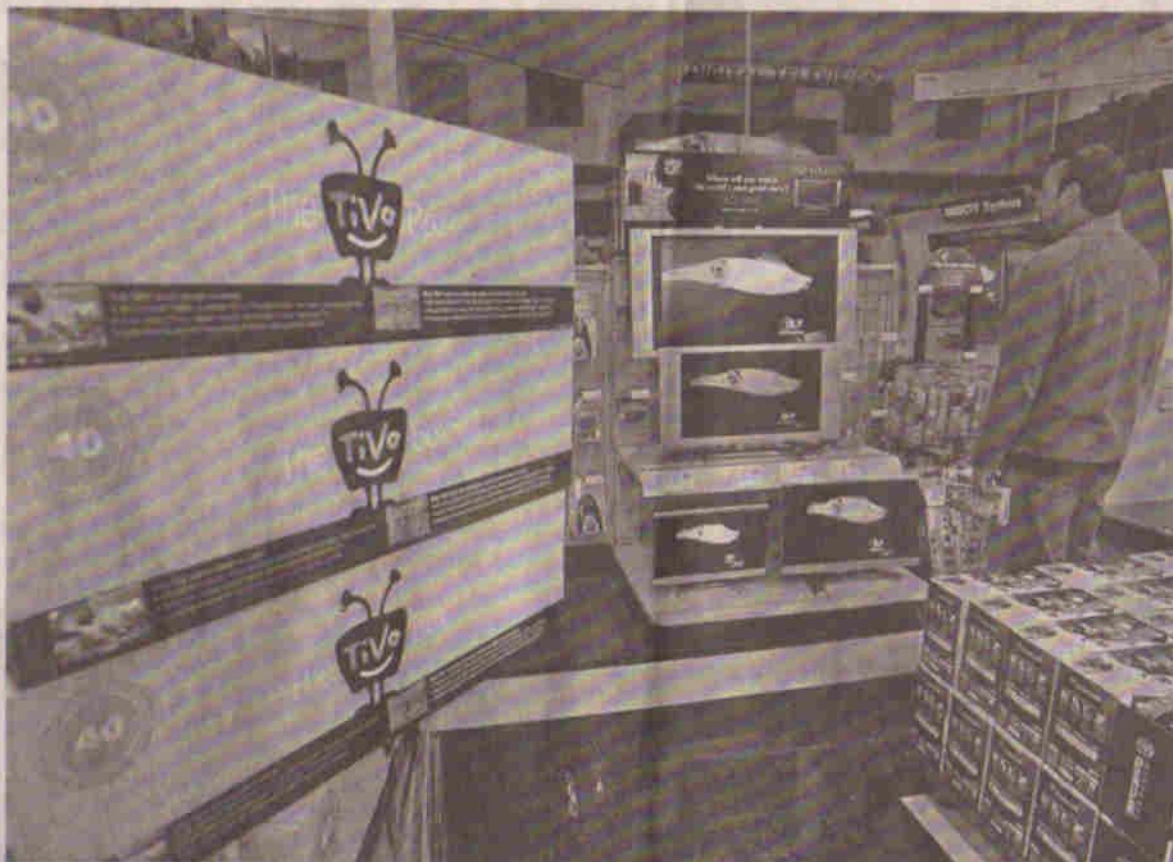
These latest experiments come after previous efforts to get people to watch ads were deemed too gimmicky or ambitious. Coca-Cola's Sprite, Audi of America, Yum Brands' KFC, and General Electric have all run ads that tucked pieces of content into their frames, requiring viewers to use a DVR to slow the ads down and take a peek, with limited success. And in 2005, ad-agency BBDO approached client PepsiCo with an interesting idea: a late-night ad that would last an entire TV ads break, with pieces of content embedded into the ad. The ad depended upon viewers to stop at a particular moment in the ad and then skip to the next content piece. In the end, the two sides decided the idea was too complex, according to executives from both sides.

Some ad analysts say the new techniques won't change consumer behavior either. Foiling the DVR ultimately means devising ads consumers think are important — even necessary — because of the information they carry or the entertainment they offer, says Tracey Scheppach, video innovation director at Starcom USA, a large ad-buying firm owned by France's Publicis Groupe.

"I don't think people hate advertising," she says. "What they hate is irrelevant disruption." More than ever, though, it's consumers who are deciding what is meaningful — not advertisers.

BOSTON SUNDAY GLOBE

Investing



ASSOCIATED PRESS FILE PHOTO

TiVo boxes are stacked for display as a shopper looks over televisions at a Best Buy store in Los Angeles. TiVo recently introduced a graphic overlay that can appear when a subscriber fast-forwards past ads.