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Advertising: Why add it to your success equation? Part 2- Making it work for you.

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If last month's column imparted just one key concept, it is that multimedia is the next evolutionary step in communications arts. Multimedia has its own distinctive personality... and potential to grow into the multi-billion dollar industry the pundits have been telling us it would. Every other communications medium to come before it already has. In short, content is king, and the king's Royal Guard is paid for with advertising dollars.

Michael Schrage stated it well in the summer of 1992 writing for Adweek. "Perhaps it takes a capitalist tool (advertising) to engineer a new medium, and the personal computer is a medium. Why shouldn't (advertising) copywriters exploit the interactive properties of the PC to create a more intimate advertising message?"

The Behavior Driven Target Market

Schrage is a writer known for choosing his words carefully. By "intimate," Schrage clearly understood that the trend in commercial communications would be a shift from reaching masses towards smaller, self-selecting niches. Smaller, because the programming content best suited to multimedia is material with appeal to special interests. Self-selecting, because consumers make active choices to devote discretionary time to exploring content that rewards by engaging multiple senses. I call this concept the behavior driven target market. Behavior driven target markets appeal to advertisers for reasons similar to why "hot lists" are in demand by direct mail marketing companies. Hot lists contain names and other data on individuals who have engaged in a specific behavior (perhaps a purchase)

at least a certain number of times over a specified time frame, and are considered to be predictive of future behaviors.

Here are some guidelines you can use to assess the advertiser friendliness of your content.

1. Relevance

How many different types of advertisers can be comfortably associated with the general subject of your title? If you were doing a title on performance driving, with content supplied by Mario Andretti, anti-glare sunglasses, windshield wiper blades, headlamps, automobile clubs, and motor oil might constitute a “cluster” of products suitable for inclusion in the title. A credit card company, a fast food chain, a brand of women’s cosmetics would not be at home here. Such advertising would be a turnoff to purchasers of a performance driving title. Relevance is crucial in a medium where errant placements will either be zapped with a mouse click, or in some cases, create such a negative buzz around your title that it has a negative impact on sales.

2. Distribution

How is the title going to be marketed? What promotion is planned? Is your product conceived to have follow-on opportunities? Are there any captive markets where the title is practically guaranteed a high level of penetration? How many sell through units do you think you can realize in the first year? Satisfactory answers to each of these questions are needed before you can provide a compelling business case to potential advertisers.

3. Competition among suppliers

For every advertiser category identified in your relevance analysis, are there multiple suppliers of products and services (like in automotive accessories), or does one competitor have the market to itself? Is ownership of a particular type of product essential to the enjoyment of an activity? It is doubtful that a company with a near-monopoly in an activity where you must have their product would be a good prospect as a sponsor—but not necessarily!

4. How badly do you need the money?

Be honest with yourself. As a developer, you probably have concerns that advertising will somehow compromise the “integrity” of your effort. I don’t think that sponsorship has to get in the way of your editorial intent. Do the sponsorships on PBS’ “This Old House” get in the way of enjoying, and learning from, the show? Remember that those advertiser dollars are a source of financing for your project, and some compromises are probably worth making to placate, or woo, advertisers. (Unless a single advertiser is underwriting the major portion of your title, in which case the project begins to look more like work for hire.)

Working with the content

The mark of well-integrated interactive advertising is how well it helps propel the narrative along, while inviting and directing interested participants into a more extensive dialogue with the sponsor.

Since users don’t want to pay for ads—and it is highly doubtful most users really care about the arguments I presented last time around—they must be compensated in some way for spending time with advertiser-supported messages. That compensation can be entertainment, humor, or “something creative” that also imparts information. The copywriter who can create interactive advertising that satisfies the relevance requirement and offers rewards to the user will have a bright future in the next decade. Aspiring copywriters should train themselves to think in terms of multiple points of view, and multiple points of entry.

The following example, based on a CD-ROM project my company is currently working on, illustrates how advertising can fit into a title. About the only thing that has been changed here is the subject of the title. I was approached by a developer that had contracted with a noted stamp collecting expert to create a series of CD-ROMs on the finer points of stamp collecting. Comprehensive, almost encyclopedic in scope, the titles will explore topics of interest to collectors such as rarities, different printing processes, watermarking, and the significance in the number of perforations; but also include more specialized topics like how to participate

in stamp meets as both a buyer and seller, valuing your collection, and bequeathments.

This developer put together a target audience profile and created several scenarios for unit sales volume and revenue. Now, the developer and I will evaluate the market for relevance, distribution, and competition; then groom the content in order to make the title appropriately advertiser-friendly. On point four: obviously, they felt they needed the money!

Stamp collecting requires those who participate in the hobby seriously have certain tools, materials, and reference guides. Begin by compiling a list of all the manufacturers who have a significant stake in selling their products to stamp collectors. From here, break the list down into logical clusters; those companies that could, in your opinion, fit within the narrative framework of the title. Some companies from your first list will be eliminated. Those which remain form a prospecting list.

As it turned out, the developer's distribution plans were a textbook example of a captive audience. The developer had negotiated an agreement with a national association of stamp collectors to offer the CD-ROMs to its entire membership at a discount. Allowing for members who wouldn't buy, or didn't have PCs, we were looking at a near-certain 60,000 distribution. Right now, the developer is searching for a distributor to help get the title placed in selected bookstores.

Some of the manufacturers we identified had no significant competition in their categories. However, because these manufacturers were not solely dependent, or primarily dependent, on sales to stamp collectors (i.e.; they could sell to photographers and photo studios just as easily), we elected not to cut them from our prospecting list.

Next, review the storyboards for opportunities to integrate potential sponsors' products into the narrative flow. For example, the section on valuation may lend itself to the demonstration of magnifying glasses: the tool is already a natural part of the story. If there are, say, three main suppliers of magnifying glasses, approach them one at a time with the idea

of creating a product placement which could lead into a “more information about magnifiers” branch. If no magnifying glass manufacturers were to buy in, then we could quickly turn around and market the valuation section sponsorship to a publisher of reference materials. While this might result in modifying the content somewhat, the valuation topic is still covered. A worthwhile compromise, in my opinion, in order to lock up a sponsorship.

A section on bequeathing a collection to your next of kin, on the other hand, might lend itself better to “stand alone” treatment. The ideal advertiser here might be a national law firm specializing in trusts. In this case the content would be furnished—and perhaps produced—by the sponsor. The specialized nature of this module lends itself to such “breakout” treatment. Note that doing a sponsorship in this manner still manages to respect the governing rules of relevance and context sensitivity. The developer should reserve the right to review independently created storyboards for fit, and insist on adherence to interface design and authoring environment issues.

Category exclusivity

The actual number of sponsorships depends on how adept you are at designing them into the narrative flow. It is a delicate balance when you are asking a customer to pony up \$29.95 – \$49.95 for a title where advertising is not expected instead of the under-\$5.00 prices of a magazine where the ads are accepted as part of the value of the product. That said, I still believe that three or four major sponsorships, and perhaps an equal number of lesser “product placements” is all most titles will stand. And, absolutely do not bring more than one sponsor into any given segment. For what these advertisers are paying, they deserve to “own their moment.” It is up to you not to turn a title into a magazine (unless, of course, you are doing a magazine.)

This online success story just happens to be a magazine

This whole subject of advertising supporting release of better original content is still very new. Right now, the World Wide Web is the far more vibrant medium for advertising experiments than CD-ROM despite its

shortcomings at being able to deliver true multimedia interactivity. So we look to online for success stories.

Hot Wired is a very visible instance of a venture that took into account the medium, the user base, and the need when creating this service. And it also “went the extra mile” to deliver information its clients can use to evaluate this “experiment.” Hot Wired has been set up since its inception to force users to register before access is granted. Rick Boyce, VP and Advertising Director of Hot Wired, has amassed a wealth of data, about frequency of visits, about who the subscribers are, and where they go once they’re there from which to pitch prospective advertisers.

At present, Hot Wired is 100 percent advertiser supported—no doubt because net culture as it is today won’t tolerate pay-per-views to access a Home Page on the Web. Hot Wired has attracted over \$500,000 in sponsorships since its launch in (check date) November 1994. “The advertisers in Hot Wired are using us to draw users to their Web sites,” according to Boyce.

The presence of advertising, is no afterthought either. “The decision early on was that we weren’t going to build an ‘ad ghetto’—a folder where all the ads are contained,” according to Boyce. Hot Wired has a big lead already in the advertiser friendliness department because of the high regard techno savvy types hold for the print publication. The designers of Hot Wired used this knowledge of the magazine’s readers aggressively. Advertisers in print Wired “already are a pretty enlightened group of clients who clearly see the opportunities (online) for their business.” Most of the Hot Wired advertisers—MCI, Volvo, Saturn, Internet Shopping Network and Club Med among them—have appeared in the print version.

At this writing, Hot Wired is in the process of forging ties with both financial institutions and retailers so that Hot Wired, according to Boyce, can lead a visitor “from message to point of sale in about five seconds.” As evidence of intent to commercialize the ’net, Boyce points to the more than 35,000 “.com” domain name registrations already filed.

As a pipeline for real multimedia, the internet of today remains handicapped. Until huge increases in throughput are realized (and I don't think T3 connections are within reach of most of us), the future looks good for sponsored original content delivered on CD-ROMs.

CD-ROMs are introducing online components. For the stamp collecting title, there are plans to feature an online link to the national stamp collector association's Home Page, where users can download up-to-date info on swap meets and fairs. Microsoft's Baseball title requires that you dial up their server for "real world" data. In each case, the value of the online connection is as a pressure point where user response can be measured.

What is it worth?

The real reason companies want to participate in interactive sponsorship opportunities today is learning, and for that, they need understanding and cooperation on the part of developers and other providers. Betsy Frank, worldwide director of media research for Cordiant, the giant agency holding company which controls Saatchi & Saatchi, Bates, and Campbell Mithun Esty, sounds a cautious note. Advertisers cannot be expected to spend "tens, even hundreds of thousands of dollars, and not get learning back." Frank believes providers must "ensure that the creative is something that will get the response (the advertiser) wants. Ms. Frank is sure to build this learning part into any price negotiation with providers. "We're used to paying on what you get. Today, this interactive advertising is based on 'what is it worth?'"

Advertisers who have participated in online sponsorships have a better experience base from which to form opinions on "what is it worth?" The online environment lends itself to information capture and analysis much more readily than CD-ROM-based multimedia. While response to CD-ROM-based sponsorships and placements can be ascertained, unless there is a heavy online component involved, doing so requires post exposure questioning of a statistically valid sample. Not that many companies are actually doing that.

Pricing

As things stand now, setting a price for an interactive advertising opportunity is still a dance between supply—the developer who is looking for new revenue streams—and an advertiser base (demand) quite uncertain of “what is it worth?” The cost of providing the service is the largest factor to be considered when setting sponsorship fees. Are you, the developer, going to author the work from ground up, making each sponsored segment a mini-custom production? Or will your advertisers deliver a production that fully conforms to all specifications you laid out? The differences in cost of providing the service are quite different. The model we preferred for the stamp collecting title was to meld graphical and video assets furnished by the sponsor into our existing storyboard. The fact is, providers and developers are trying a number of alternatives, sometimes within the context of a single title.

Neil Ruggles of Ruggles Interactive Media, an interactive media marketing consultancy based in New York, and with whom I developed some of the principles set forth in this article, says that comparisons with radio, tv, and most print media are inappropriate when trying to establish a price. “Interactive has the benefit of being around longer, and being used in a deeper way, and for a longer period of time.” Not like a magazine, which reaches a specified—and usually audited—number of readers; or TV and radio, which strike swiftly, but then are gone, new media advertising derives its value from the bedrock concepts of depth and length of interaction.

Ruggles likes pricing schemes involving negotiable initial exposure fees, on top of which would be added a commission paid on each registration. “How do you charge advertisers before you have any subscriber base? You give away a few sample issues, perhaps. Or you send out feelers to get some idea of how big your audience is” before launch.

“Branded bits are worth more,” says Hot Wired’s Boyce. We already have “significant ratings” with 112,000 – 113,000 registered members as he likens his editorial environment to other branded destinations like ABC, Fox, CBS and NBC. Placements on Hot Wired run \$15,000 per month, with a two month minimum. And the advertisers’ content must arrive Web-ready.

My own approach to pricing an interactive sponsorship takes into account the projected distribution, the amount of presence a sponsorship has within a title, and the amount of intricacy and complexity involved in the production of the sponsored segment. The advertiser derives its benefit from the longevity factors Ruggles cited and the depth of interaction that goes back to the premise of behavior driven target markets.

Justifying your price to sponsors has caused no small amount of frustration, largely because measurement systems for evaluating variables like depth of interaction are sketchy and nonuniform. Because of this, using a straight cost-per-megabyte figure is appealing to many developers and providers. It simplifies things, for sure, and perhaps it works for simple “splash screen” style ads. However, for reasons I just described, I don’t think it to be an appropriate pricing model, particularly for media-rich sponsored segments.

Dan Levin, president of Books That Work, has gone down the experience curve with advertising on CD-ROMs (and floppies). Levin admits his experiences with advertising weren’t completely positive from a business standpoint, even as consumers felt the sponsored segments were appropriate and added value to the “Building Your Deck” title. “We’ve trod the path of ‘You just give us a Director Movie and we’ll jump to it from our product,’ and instead found ourselves to trying to support the different kinds of materials advertisers wanted to supply, and you get basically an insolvable technical problem.” In a nutshell, the problem is that advertisers want to use what they already have “or else they’re not interested.”

Levin’s company has since moved away from including advertising in the niche titles and towards bringing sponsorships to titles expected to be delivering in the multi-hundred thousands. Even then, these titles are not conceived as single shot products. (Good advice in my opinion, whether advertising is a part of the picture or not.) Presently, BTW is working successfully with publishing companies on interactive companions to their branded print publications. One such arrangement is a deal with Popular Mechanics to do a Car Buyers’ Guide.

Last fall, a consortium of advertising agencies and media companies formed a Coalition for Advertising Supported Information and Entertainment to establish standard definitions for evaluating new media vehicles. CASIE will standardize what is meant by “visits” and “hits,” and offer methodologies for gauging depth of interaction.

For large, national advertisers like the packaged goods companies Cordiant’s Betsy Frank deals with, this new media version of a “Nielsen rating” system is probably what’s needed for them to jump in with more commitment. That said, the types of projects I feel make the best cases for including sponsorships—the ones that sell 40,000 units to a behavior driven target market—are very appealing to smaller advertisers. And these advertisers use different yardsticks to measure their advertising’s value. Maybe that’s because the buying decisions are often made by the owners, not by the “media planners.”

George Washington, president of The Flood Company, was one of the satisfied advertisers on Books That Work’s “Deck” title. Not being able to quantify an immediate return was not a problem for this marketer of exterior wood care products. Washington told me he considered the following to be significant factors for getting involved on the project:

His product, or a competitor’s, would be needed by anyone building a deck.

Books That Work was willing to with Flood to create a response mechanism to enable learning. (In this case, users called an 800 number that required entry of a 3-digit code, identifying the response as coming off of the “Deck” title.)

A feeling of being in a partnership that’s going to develop further.

Washington says he paid around \$10,000 for his sponsorship, which would have been hard to justify on conventional media planning grounds. Given the evolving state of today’s multimedia market, reasons like Washington’s should encourage people like you to entertain the ideas I’ve set forth in this piece and see how they fit in with your success equation.