



Advanced Advertising Media Project

PHASE ONE: SUMMARY REPORT

Remaking Video-on-Demand to Deliver Media Value

Findings of Interviews with Key Media Influentials



ENGAGEMENT MARKETING GROUP

May 11, 2011

Purpose

The following summary report provides an abbreviated version of the Media Influential Study that is Phase I of the Advanced Advertising Media Project

This report summarizes key perceptions and expectations of 20 senior Media Influentials — as they relate to the future of ad-supported VOD and how best to overcome the barriers of the past that have hindered VOD's potential as a significant player in the advertiser/media mix

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What is AAMP: Summary

What is AAMP?

- The Advanced Advertising Media Project (AAMP) is a research-based industry initiative to quantify the impact of advertising within free, on-demand television environments
- AAMP will test and measure the difference in the impact of advertising in on-demand versus traditional TV environments

Why was AAMP created?

- AAMP was founded on the premise that on-demand TV offers unique benefits for consumers, advertisers, ad agencies, programmers and operators
- AAMP brings together various stakeholders in the business of ad-supported VOD television to develop a greater understanding of its advertising potential and opportunities

What Is AAMP: The Three Phases

Phase One: Media Industry Insight

- **Description:** Gather perspectives on, and expectations about, free VOD (FVOD) and its advertising potential from key media influencers (networks, agencies, advertisers, operators)
- **Objectives:**
 - A. Secure baseline understanding of current industry perceptions
 - B. Identify barriers to entry across all stakeholders
 - C. Use insight to compile capabilities requirements and best practices to drive market momentum around dynamic VOD advertising

Phase Two: VOD Media Lab

- **Description:** Validate best practices by evaluating consumers' experiences when engaging with advertising in simulated on-demand and traditional TV environments
- **Objective:** Explore the effects of advanced advertising on consumers using control and test groups to contrast traditional TV and on-demand advertising experiences

Phase Three: In-Market Test

- **Description:** Evaluate real-world results in a live, consumer test with a major cable TV operator
- **Objective:** Use key findings from phases one and two to inform test; leverage in-market trial to yield significant hard data



Phase I Overview

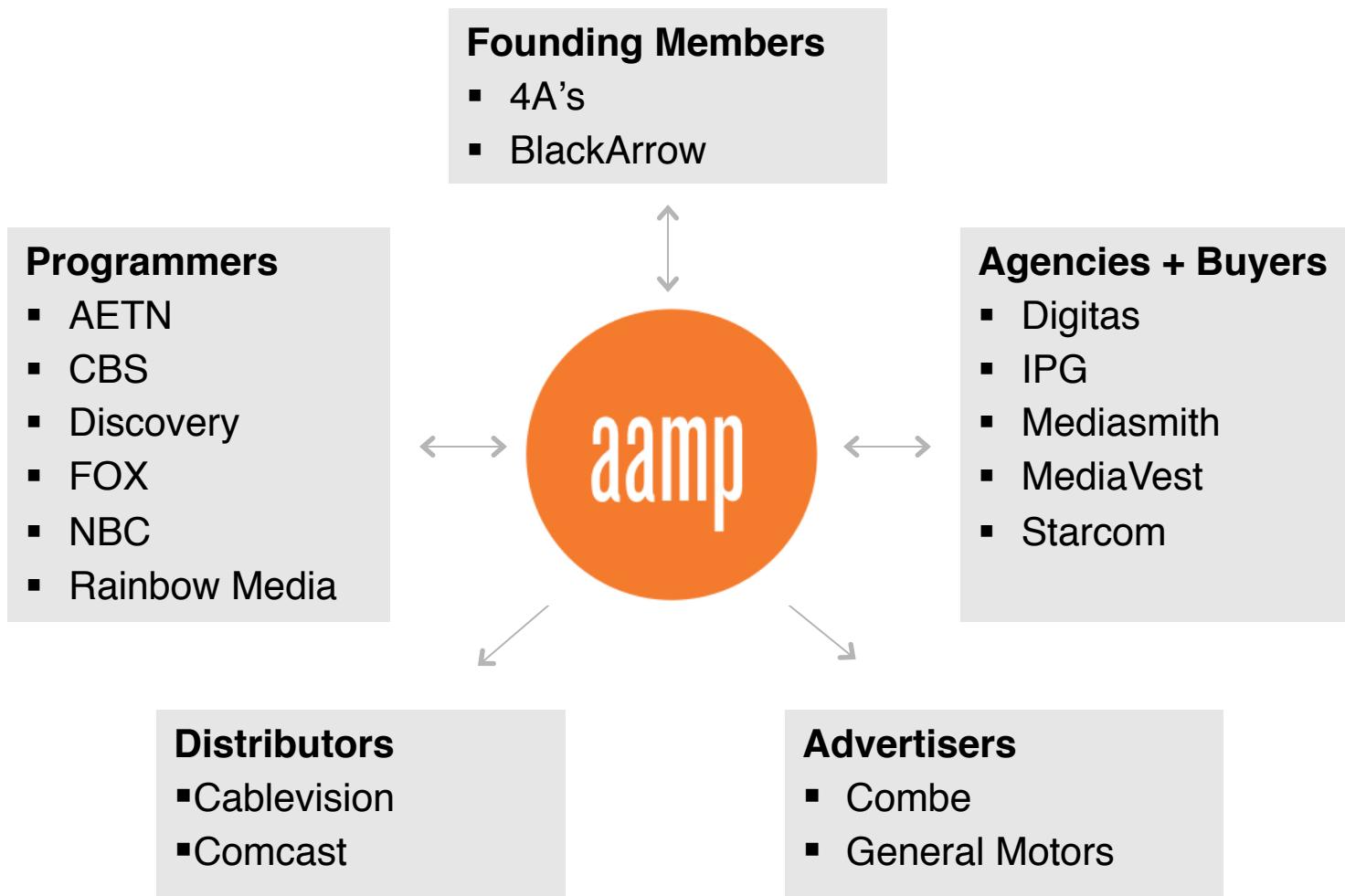
Methodology

In-depth interviews were conducted among a select sample of Advertising/ Agency and Programmer/Distributor Media Influentials

- In total, 20 media professionals across different specialties were interviewed by the EMG Senior Consultants — whose experience in advertising, traditional and digital media, as well as media research spans over 25 years, including Agency and Marketing Management
- The interviews were conducted during the fall of 2010* and on average lasted 40 minutes — and some as long as 75 minutes
- Content analysis of interview notes and transcriptions was conducted

* One interview occurred in early January 2011

What is AAMP: Industry Participants in Phase I



Areas of Inquiry/Discussion

Over **four dozen specific areas** of inquiry were pursued by the research team in the course of the interviews

- These ranged from high-level, strategic perspective on the *Future of Television* to predominant and contrarian perceptions about the past and present realities of VOD and its advertising value as held by agencies and advertisers, programmers and distributors
- Additional focus examined specific tactical operational and measurement challenges that has hindered VOD's advertising potential and how this is being addressed

Topline Summary

Topline Summary

In Phase I of AAMP, the range of comments, perceptions and expectations concerning VOD, advertiser support - as well as the context of television's changing face - yielded numerous perspectives from the Media Influentials who were interviewed.

VOD Scale and Demographic Advantage Poorly Understood

- There is a lack of real understanding of the pure scale of the VOD user market and total VOD usage hours that already exist *versus* online video - which garners the majority of the “news value”
- The average age of VOD users is significantly younger than the average age for linear TV viewers - but there appears to be little understanding of this as well

VOD Ad Spending Dollars Disproportionate

- Ad dollars going into VOD are disproportionate, on the downside, to the volume of VOD users and usage

Topline Summary

Concern with Pace of Change

- Past barriers are coming down, but not fast enough, in the opinion of many of the Media Influentials

“Frozen Perceptions:”¹

- Ingrained attitudes about VOD are still operative — especially among the Ad Agency Influentials — and create resistance to “hearing” the actual benefits of VOD for advertisers

Dynamic Ad Insertion Is Necessary - But Only One Piece of the Puzzle

- Especially with respect to opening up new advertiser categories and easier/faster production/operations, dynamic ad insertion capability will help significantly — but only to a point; other barriers must also be addressed

¹ “Frozen Perceptions” is a term of art that describes ingrained perceptual biases, which close a person’s mind from “hearing” the benefits of a product, service or other proposition.

Topline Summary

Gap in VOD Media Analytics

- Disaggregated, non-demographically defined data about consumer usage of VOD must be changed to become **intelligent information** that delivers demographics compatible to what Advertisers and Ad Planners use on a daily basis

Gap in Consumer Research

- Understanding the awareness, perceptions, biases and behaviors vis-à-vis VOD is essential, but largely missing in the industry

Topline Summary

Need for Industry-wide Consumer Apps

- There is latent demand for VOD offerings/applications that are industry-wide to drive broad-scale consumer trial and VOD engagement — even as YouTube and Facebook have done in the online universe
 - That is, applications not just available to customers of a *single* system

Consumer “Education” Essential

- What VOD is, how to use it, its variety of benefits are critical agenda items

Smarter Promotion Mandatory

- If VOD were a product, ***trial*** and ***retrial*** strategies — plus savvy promotional tactics — would be hallmarks of the future efforts to grow consumer usage and advertising revenue

Summary: Topline Perspective

Major VOD Growth Is Envisioned

- Among many of the Media Influentials, there is expectation that significant growth for VOD lies ahead

Unique Opportunity for VOD

- Some Influentials envision a powerful new role for VOD
 - To act as a bridge between the worlds of linear TV and online
 - To bring the marketer in closer, direct relationship with the consumer

Summary of Findings of Interviews with Media Influentials

On the Changing Face of Television:

Television In a Mash-up with the Digital Revolution

The ever-increasing penetration of digital into the media world changes everything: some Influentials see **risk** and others significant **opportunity**

- *“The digital revolution is the best thing that ever happened to the consumer and the worst thing that ever happened to the [television] business.”* - Research Director, Programmer
- *“The question is [has our network] put too much stuff on the Internet? Is Hulu really a good thing? Are we making money off our content that we should be? The ship has sailed, of course — the consumer now expects that they will have the ability to access this stuff all over.”* - Research Director, Programmer
- *“Where is television evolving? I see it as being much more Web-enabled and viewable on any device at the time the consumer wants to see it...”* - Marketing Executive, Advertiser
- *“What does that say to me as an advertiser that wants to bring my message to an audience? **It says the platform is irrelevant.** It has got to be much more focused around the actual content itself.”* - Marketing Executive, Advertiser

On the Consumer:

The Consumer Is Ahead of the Industry: It's About *Mainstreaming* Now

- To point to a “change front” in television is to state the obvious.
- What is significant is how Media Influentials perceive the shape of change and what consumer and advertising dynamics are at work.
 - *“I am convinced that **the consumer is way ahead of us...** in terms of... people who realize they can have **what they want, when they want it, on any platform.**”* - Research Director, Programmer
 - *“**That whole thing is over about ‘Is the consumer going to change?’** The real question is ‘**what are we to do?**’”*
- Research Director, Programmer

On the Business Opportunity for VOD:

VOD Poised for Significant Growth

These sophisticated players — planning and buying on behalf of some of the largest ad spenders in the world — would readily consider utilizing VOD more extensively as a valuable, higher engagement environment for advertising, if certain historic hindrances could be overcome

- *"I believe we have solved the technical challenges of being able to deliver the ads in a targeted manner. **But I am not sure the merchandising of the platform and the way in which it will be brought to market actually matches well with the functionality that is provided.**"* - Senior Executive, Distributor
- *"It is way too hard [to sell and manage VOD advertising.] But we believe in it as a medium. It is funny, my team will moan and complain about it, but nobody wants to give it back to the television team, because **we still believe it is the future.**"*
- Ad Sales Executive, Programmer

On VOD Perspective Over Time:

A Promise Unfulfilled...That Needs To Be Fulfilled Now

- Frustration characterizes this “promise delayed” — especially among agency players in reflecting on VOD’s potential as an ad-supported platform
- However, hidden in this feeling of a promise of something special and, then, not seeing it materialize — one can find the way forward
- But first, the frustration:
 - *“The actual way video-on-demand was presented to the consumer is probably going to be a Harvard Business Case on how not to market something. Essentially, if you walked into a store that had 10,000 objects randomly placed in it and were trying to find one, you probably wouldn’t go into that store too often. That is really what video-on-demand was when it first started.”* - Research Director, Programmer

On VOD Perspective Over Time:

A Promise Unfulfilled...That Needs To Be Fulfilled Now

- “**VOD was just terribly marketed by the MSOs. The consumer didn’t know they had it, and if they did, they didn’t know what to do with it.**” - Research Director, Programmer
- “*There is no consistency in the industry for how VOD is presented to the consumer. Again, I think it is changing, but we have a lot of catching up to do. That is why I think the advertising on VOD has never really met the potential that it had.*” - Research Director, Programmer
- “*Plus I think Network Operators in many respects have also failed pretty broadly on how they present on-demand content. The way a navigation environment looks or doesn’t look. How you find Video-On-Demand content.*”
- Senior Executive, Ad Agency

On VOD Perspective Over Time:

A Promise Unfulfilled...That Needs To Be Fulfilled Now

At the same time, some of the programmers and distributors point to increasing, positive VOD growth

- *"Our VOD growth has been phenomenal, as we are actually seeing good VOD growth numbers across the board and have been for a number of years...I think it goes back to that fundamental or philosophical question, which is: Is it marketing your own shows and driving tune-in? Or, is it about...extending your reach and providing ad impressions?"*

At our company, VOD is seen as extending your ad impressions and utilizing it as an advertising vehicle. I know there are other companies out there that pretty much only look at it as a marketing tool...think that the VOD industry...has really shot itself in the foot and allowed it to get to that marketing question because they haven't invested in the systems to make it efficient for everyone." - Ad Sales Executive, Programmer

On Impact of Dynamic Insertion on Advertiser Categories:

Upside Opportunity With DAI Rollout

DAI is perceived as an essential ice-breaker for VOD advertising growth impacting not only previously difficult timing and production constraints, but opening up VOD to new types of advertisers.

- “***One of the categories that is going to be extraordinarily strong would be future film campaigns***, because of the way they are planned.
 - *They are very heavy saturation campaigns leading up to release across a short period of time. That is perfect for people selecting similar genres or styles of film on the VOD platform. What could be better?*
 - *There are also categories like CPG — even tune in — that are going to benefit greatly from the quick turnaround [DAI is] able to provide”* - Senior Executive, Distributor
- “*When you think about co-op advertising, there are a lot of co-op dollars that go in from brands and those brands want to know they are being delivered in the time that they are providing the products to the retailers through the supply chain. I don’t care if it is Coke or Pepsi or KitchenAid.”* - Senior Executive, Distributor

On Interactivity and Video-on-Demand:

Good, Bad or Indifferent: Opinions Vary

“Interactivity” elicits polarized opinions as to its importance and value in a television context.

- *“Back in the ‘90s, I was at [major broadcast network] and doing research...these guys came in and said, ‘we have a way where people can order pizza from television.’ I said, ‘you can order pizza on the phone’...In the early part of the decade, the Holy Grail was you can click on Jennifer Aniston’s sweater and get it. Nobody cared...”*
- *“I firmly believe the notion of interactive marketing on television is just a non-starter. I could be wrong, but I have never seen it work...”* - Research Director, Programmer
- *“I think that television with respect to the Big Screen — I hate the cliché — is a ‘lean back experience.’ People don’t want to interact; they have been interacting all day and want to relax. Online is different...one of the reasons it works more is that it “knows,” so to speak, whether you are in the market for a car...so sends you the information that is relevant. But those numbers compared to TV are relatively small.”* - Research Director, Programmer

On Demand Impressions vs. Linear Impressions:

Overall: VOD Would Likely Deliver Better Ad Metrics Than Linear TV

By and large, all Media Influentials were willing to accept the idea that - versus linear TV impressions of the same commercial - VOD-delivered “demand impressions” would produce superior brand performance measures.

- *“I would want to test that and see. If there were a Nielsen or IAG measure, I would tend to trust that as far as those differences go.”* - Marketing Executive, Advertiser
- *“The fact that you are less likely to be channel switching is going to increase the likelihood of your exposure to commercials. The recall scores would likely be boosted.”* - Research Director, Programmer
- *“You choose a time when you are going to watch it, so the time would be expected to be relatively free from distraction.”* - Ad Sales Executive, Programmer
- *“And, if you combine that with the fact that you now have targeted advertising, where some attempt is being made to make the advertiser in the show more relevant to the individual consumer watching it, that could even make for a more effective communication.”* - Senior Executive, Programmer

On Ad Load: Less, More or the Same as Linear TV:

No Advertiser or Agency Wants Ad Loads in VOD Getting Near Linear TV Levels

- *"I think if anything, it is better to be less than linear TV in terms of ad load to be able to break the back of video-on-demand. Linear TV has just gotten really crazy. And, we are seeing a real drop in ad effectiveness."*
- Marketing Executive, Advertiser
- *"In the current VOD ad environment you have the combination of less clutter and higher engagement. We see the same thing in online video. But if you did have a comparable ad load [as in linear TV], I think [better performance from the ad in VOD context] would still be the case, but the extra lift (premium) would be much more comparable. With greater ad load, I think you would lose one element of what is driving that. On the other hand, if there are more ads there is greater monetization."* - Research Director, Programmer

On Research with the VOD Consumer:

Needed: Better Consumer Insights Fuel VOD Acceleration as an Ad Platform

- Surprisingly there was little evidence across 20 interviews that any significant amount of basic research has been done with consumers about their awareness, attitudes and usage of VOD — let alone about their reaction to advertising in the VOD content
 - *“I really don’t think we understand what consumers decided about VOD and what they really want and expect...Right now, I think a lot of people are thinking ‘Oh, let’s just throw in a bunch of commercials like we do on regular TV and we will make money. I don’t think that is going to happen.”* - Senior Executive, Distributor
 - *“I really want to understand how the consumer makes a distinction between linear TV, VOD and their DVR. Is there any distinction? What is that VOD would give them that they are not getting now?”* - Marketing Executive, Advertiser

On Research with the VOD Consumer:

- It will be important to understand how the consumers of the **best VOD system offerings** perceive VOD versus those who have **less advanced VOD offerings**
 - *“How do consumers make a distinction between their DVR, VOD and Pay TV? What do they like and not like about VOD? What would they like VOD to do that it is not doing?*
 - *“My sense is that every MSO has a different VOD offering...[while] everyone knows what a DVR does...with VOD I think it is very different.*
 - *“Which of the MSOs have the gold standard VOD offering...who has the middle and who has the least robust? We need to talk to consumers within each of those footprints.”* - Research Director, Programmer

On Measurement Challenges:

Weak Ad Measurement Results in Undervaluing VOD

- Robust measurement of VOD viewership and advertising impact will support the “premiumness” of VOD that almost all Influentials ascribe to the platform
 - *“You would have to have a different kind of Nielsen: it would probably have to be a hybrid between a set-top box and a panel, something like that.”*
 - ***“So essentially, the medium is almost logically undervalued.”***
- Research Director, Programmer
 - ***“Here is a huge issue... I don’t have a dashboard, which lets me look at the entire VOD landscape like I can look at Internet and like I can look at TV. It would be great to have some visibility across the entire landscape. It would probably benefit us as much as anybody if we had some idea of what our share is, of the total VOD marketplace.”*** - Senior Executive, Ad Agency
 - ***“We can tell how many households are using TV, how many persons are using TV, and we can look at [our] share of that viewing. How do you do that in VOD?”***
- Senior Executive, Ad Agency

On Validating VOD Ad Effectiveness:

Use Conventional Metrics to Prove the Point

- In attempting to validate the performance of advertising over VOD, the closer one is to **metrics that the entire industry accepts and uses**, the better.
 - *“If you can use existing metrics that everybody sort of accepts, but use them in a way that helps us understand and demonstrate what we want to show, I think you are better off.”* - Research Director, Programmer
 - *“At the end of the day, what are we trying to do: we have clients that want to sell a lot of crates of a product...**any metric we have is always in some way a proxy for the real gain**: did we sell more Coca-Cola today?”* - Research Director, Programmer
 - *“Advertisers say show me **programming that has high engagement, and we are more willing to spend money because it’s a better environment**. Why wouldn’t that approach work with VOD? If we could get the consumer to understand that VOD is a very special place and they look at it differently...then you could say, now the commercials that run on it ought to be better...but then you have to demonstrate that...”* - Research Director, Programmer

On Selling VOD Advertising:

No Universal POV on Ad Sales Organization

Opinions may vary as to how the VOD ad sales functions should be organized. The more dominant view is that it should be sold by the existing TV sales organization.

- *"I believe that it will be sold by television network sales organizations or MSO sales organizations in the same way that they are able to sell spot or sell network."* - Senior Executive, Distributor
- ***"What basically has to happen is you have to align with where the money is. And in this model you have to align with the television people.***
*You aren't going to be able to align with the search people. This is 'TV plus.' It is more than TV. **It is advanced TV.** It is better than today's TV."* - Senior Executive, Ad Agency
- *"You are going to have to have an inventory across all operators if you are able to project usage across all operators. How the value of the inventory is presented to the market has the furthest to go."* - Senior Executive, Distributor

Expanding the Vision for VOD

Advertiser Point-of-View: VOD Could Have a Very Special Role on the Emerging Media Landscape

- “*VOD offers the consumer the ability to manipulate time, content and access, in ways I don’t get to do in linear TV...I would also want to have the ability to share in VOD...*
- “*It is great that, as an advertiser, we are a sponsor of some VOD content...but I want some way that people could take a piece and share it — by the Net or by mobile or whatever.*
- “***Now we are talking about not CPM or impressions, but going further into the relationship/building process with the consumer...People who are embedded in the traditional model just don’t see it.***
- Marketing Executive, Advertiser

Expanding the Vision for VOD

Advertiser Point-of-View: VOD Could Have a Very Special Role on the Emerging Media Landscape

- “**VOD is a medium on which people are willing to watch long-form TV video.** That is one thing that has not been proven at all on the Internet, which is to say on the computer.” - Senior Executive, Ad Agency
- “*Clients would see that VOD is more effective because of storytelling capabilities and all that. You would merge the two [Ad Sales] units [linear and VOD] and say I am selling all of those at one time.*” - Senior Executive, Ad Agency

Expanding the Vision for VOD

Brand Marketers Wish: To Remove Everybody Between Them and Their Consumer

- The strategic role of VOD for major advertisers was considered by a number of the Influentials with some very creative “visioning” for a re-launched VOD platform
 - *“More and more clients are going to go into direct marketing as they build eCommerce engines. **They really want to eliminate any intermediary between themselves and their consumer.** So all the large brand marketers from P&G onwards are building eCommerce engines in partnership with Amazon and various players.”* - Senior Executive, Ad Agency
 - *“My whole basic belief is that the brand marketers are going to become non-brand marketers: they are going to become eCommerce people. “That is where a lot of the economics of VOD begins to work very very well. Because VOD becomes a more cost effective way of doing eCommerce, lead management, longer sell. It becomes a more expensive way of doing traditional marketing... but...also more effective.”* - Senior Executive, Ad Agency

Strategic Implications and Future Direction

Strategic Implications and Future Direction

Interviewing the Media Influentials yielded a wide range and depth of insight regarding the state of television, the changing exigencies of media advertising, and, more specifically, the role of video-on-demand as a platform for consumer engagement and advertiser utilization.

In reflecting on what the Media Influentials said about VOD, a series of strategic implications and tactical considerations emerged

- One major headline that comes out of the study is simply this:
 - **VOD maintains its “horizon of expectations” among these media market-makers.** Despite some real frustration among constituents, most express a continuous and pragmatic optimism that **VOD’s “time” may have come**
 - Even as they are, on occasion, brutally honest about the limitations of their recent past experiences in trying to utilize VOD as more than a third-tier media platform

Strategic Implications and Future Direction

- **The players who can take a forward leadership position must press their influence** to accomplish what these Media Influentials have pointed to as the mandatories for VOD, in order to realize its long-promised, long-awaited potential
 - There is a willingness to give VOD another shot. There is, as it were, a **strategic window of opportunity for VOD's reemergence**: it is a “now” mandate and will not always be open.
- **Developments outside VOD in the broader digital environment are moving toward capturing what could be a VOD opportunity**
 - Or, at least, a VOD “partnering” with the IP/digital environment where VOD becomes something of a bridge between linear TV and the Internet

Strategic Implications and Future Direction

- The clear sense is that **VOD is advanced television** - not a retrograde form of Web-based video
- At the end of the day, while VOD is TV...
 - It is **TV with differences that permit viewer-directed, intentional engagement** in an environment that has characteristics which are unique in their own right

For the future of VOD advertising to be as bright as some analysts predict, business-as-usual cannot continue

Strategic Implications and Future Direction

- Already the most forward-directed players recognize that the inhibitors of the past - in the technical and operational arenas - must be solved
 - As seen from this report, the capability of dynamic ad insertion will go a long way to open up VOD to advertisers who must have “**time-currency**” — like the entertainment companies, retailers, those who spend co-op dollars, and those with creative constraints on campaign duration
 - DAI also paves the way for a type of ad targeting flexibility that can modulate commercial exposure by program type and content, daypart of viewing and other attractive ad media variables
- But, while DAI will go a good part of the way toward addressing some of the past inhibitors that have kept VOD from breaking forth as a major ad platform, it is not the whole story

Strategic Implications and Future Direction

- **The challenge for VOD is multidimensional: it is technical, operational, research-oriented, measurement-focused - and also perceptual**
 - Case in point: among some distributors and programmers, VOD is still viewed as primarily a vehicle for pay-TV-like revenue and network tune-in promotion
- **The consumer's understanding of VOD and its repertoire is a major information gap.** While this study was not intended to examine the consumer directly, a number of the Media Influentials, in some sense, acted as proxies for the consumer.
- **The insight here is that many potential VOD users among consumers are not aware - or not conversant - with what VOD is, what it has to offer, and how it is accessed**

Strategic Implications and Future Direction

In fact, the entire industry - all players - operates with a thin portfolio of consumer insight

- The kind of research typical of great packaged goods companies is just not practiced with the same rigor in the VOD world
- While there are superb researchers on staff, **in-depth consumer insight has not been a management mandate** in an industry where competition has been too easily waged on the basis of geographic inheritances
- This is a critical area for industry focus because of its **double economic impact**: better understanding of consumer perceptions and how to influence them toward VOD engagement will generate more consumer “eyeballs”/interaction and greater advertising interest

Strategic Implications and Future Direction

- The clear strategic implication from this study is that there needs to be a **multisector outreach to change attitudes and drive some new behaviors** — including the consumer, and among all parties on the “trade” side:
 - **The consumer**
 - **The ad agency**
 - **The advertiser**
 - **The standards and measurement bodies**
- **This thrust has to be led by the programmers and distributors**
 - But they, in turn, need a re-orientation to their own platform

Strategic Implications and Future Direction

▪ VOD as Product

- VOD as a *media platform* must essentially be re-launched as a *product*
 - With a concerted effort to “**re-platform**” VOD by addressing the things that undercut awareness, preference usage — including such basics as user interface navigation
 - And, in terms of **positioning and messaging** to overcome “**frozen perceptions**” within the advertiser/agency community that are really legacy issues — which, to some extent, VOD leaders in the industry are beginning to address

▪ VOD and Social Media:

VOD has a role as a platform for consumer-to-consumer sharing of content — some reasonable portion of which can be advertiser-created or at least advertiser-connected. This is a highly attractive potential for the most sophisticated major brand advertisers

- Recognizing the need for an easy means for consumers of VOD to easily provide their own content (likely via online and mobile importing)

Strategic Implications and Future Direction

- **Consumer Insight is Mandatory:** To emphasize again, it is essential that each VOD sector (distributor, programmer, advertiser, agency) pursue more rigorous and continuous consumer research efforts to better understand who the VOD consumer is
 - And, especially to focus on the “**alpha consumers**” who are the leading-edge users
 - This investigation must consider how the consumer perceives and understands VOD versus DVR versus linear TV among other key issues
- **Inventory Aggregation:** The larger distributors and programmers must lead the way in **addressing the aggregation issue to create true media “scale”** on a cross-program, cross-provider basis. Smaller MSO's will not want to be left behind here.
- **Aggressive Pursuit of Dynamic Advertising Insertion:** For reasons stated, DAI is the necessary component to future VOD and growth, but not all sufficient

Strategic Implications and Future Direction

- **Re-valuing, “re-messaging” VOD for advertisers:** Research to validate the differentiated value(s) of VOD, such as “**demand Impressions**”, must be executed by arm’s length research providers — possibly commissioned by an industry consortium
 - It is essential that trials of VOD advertising secure **leading brand participation** for “credentialization”
 - **Case studies** of current/future VOD advertising successes must be created and shared with advertisers and agencies in an effort to “re-educate” and address “frozen perceptions”
 - The industry needs to issue a series of **white paper(s)** over time addressing the re-valuation of VOD
 - It will also be key to develop advertising for the trade publications (e.g. AdAge) that will break the “**frozen perceptions**” about VOD which are a legacy of the past

Strategic Implications and Future Direction

- **Metrics and measurement:** It is important to persuade the ratings/data firms to rethink their approach to VOD and to provide **the needed demographic profiling data essential for media planning and ad budget optimization**
- **Operating standards:** VOD **cross-industry technical/operational standards** for reducing complexity must be addressed as well as **ad media-related standards**
 - A coordinated, industry-wide effort should be put in place, working with the relevant players including 4A's, ARF, CIMM, IAB, MRC, Nielsen, Rentrak

Strategic Implications and Future Direction

- **Embracing a larger vision for VOD:** There is a significant strategic opportunity for VOD to become **the bridge between linear TV and online environments** — a kind of “**hybrid**” given innovative VOD consumer applications
- Additionally, as major advertisers increasingly want to disintermediate their engagement and get closer to their consumers, it will be critical to provide VOD advertisers new means of enabling more **direct, immediate access/relationship-building applications**

Strategic Implications and Future Direction

In summary: the future of VOD as a major advertising media platform is waiting to happen

- By rigorously addressing the practical and perceptual issues, so well identified and discussed by the Media Influentials, the only direction is up—both economically and as a significant integrating force in the increasingly digital media marketplace.



ENGAGEMENT MARKETING GROUP

APPENDIX

About Engagement Marketing Group

About Engagement Marketing Group

- Engagement Marketing Group (EMG) is an advisory firm of senior executives.
- Founded in 2006, EMG has expertise across consumer and market research, strategy development, database and cross platform measurement. Clients include leading companies in the digital services space, often in the early stages of development.
- **Bob DeSena** is the founder and CEO of Engagement Marketing Group. **Joel Tucciarone** is Senior Associate. Each has more than 25 years of experience in advertising, traditional and digital media and media research, including agency and marketing management. In their careers, DeSena and Tucciarone have worked with more than 100 major brands, media groups and e-commerce businesses including AT&T, General Motors, Mars Inc., Procter & Gamble and Time Warner.