Interactive Advertising Whitepaper

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2 OVERVIEW OF iTV ADVERTISING

2.1 Introduction

Television advertising is transforming. The proliferation of channels and the advent of interactive television are creating a new landscape for advertisers. The interactive and personalized nature of iTV lends itself well to targeted advertising and lead generation as well as brand building through more in-depth communication. This new era of television marketing combines the power of direct marketing with the emotional and visual impact of TV advertising. In addition, it opens the door to numerous technological and business opportunities for network operators (telecom, cable and satellite providers), advertisers, broadcasters and television content providers. Network operators are seeing new revenue streams; content developers are benefiting from a new distribution outlet; advertisers are delivering targeted, interactive ads with higher returns; retailers are discovering a new sales channel; and viewers are realizing iTV is simply better TV.

2.2 What is iTV advertising?

iTV advertising combines television’s visual and emotional power as a mass market, high impact medium, with targeted interactive features to extend advertisers’ ability to reach and engage with viewers, generate responses or reinforce brand values.

Real estate is gained to reinforce product attributes and deliver a call-to-action to viewers. Viewers can interact immediately to an offer or message while they watch TV without waiting for a commercial break. iTV advertising can be used to elicit a “yes” response to free offers, an opt-in to receive targeted follow-up information, participation in a survey or poll (providing rich information about viewer preferences,) and make instant purchases. iTV advertising is a branding, direct marketing, advertising research and market research vehicle that delivers measurable results making television advertising spends more efficient and effective.

iTV advertising campaigns can be targeted and addressed to reach a desired audience using household data provided by third party data providers (Experian, Claritas, others). These data can be segmented according to demographic and geographic attributes or even purchase records from an advertiser’s own customer list. Data can be targeted down to the individual set-top box level which is the lowest metric of measurement. The direct targeting of customers leads to higher than average response rates to generate leads or sell products and services via this medium.

Interactive advertisers can now choose from a wide variety of formats ranging from synchronous overlays with simple direct response mechanics which are often template based, up to sophisticated DAL (Dedicated Advertiser Locations) applications offering a rich brand experience incorporating multiple video streams, audio and games.

2.3 Market forces in television advertising

There are currently several inter-related forces having an impact on the traditional 30 second spot advertising model. These include the fragmentation of the TV market into hundreds of niche channels and the diversification of broadcasting technology, ranging from traditional cable and satellite delivery models, but also the arrival of VOD (Video On-Demand) and PVRs (Personal Video Recorders) and new forms such as television over IP (Internet Protocol). The tendency is for small channels to deliver people who also watch a lot of mainstream network television, not hard-to-reach light or exclusive viewers. The amount of viewing has not increased while the number of channels has, leading to a spread in viewing patterns which dilutes reach, making it harder to get a single spot to impact a large number of viewers in one go (Source: Professor Patrick Barwise, The New Medium of Television, IDS, 2004). There is also a general trend amongst younger viewers to use the EPG (Electronic Program Guide) to personalize their schedules in order to reach programs rather than going directly to mainstream TV channels. Reaching target audiences is therefore becoming increasingly difficult and expensive. For example, twenty years ago, 45 percent of a target audience in
many countries could be reached with a 100 GRP or some five 30-second television spot. Reaching the same target audience today often requires at least 15 prime-time TV spots.

Television media research metrics are inadequate in fully analyzing the advertising investment because of the lack of data available to determine which commercial is most effective with which target audience.

The Addressable Advertising Coalition (the top 20 agencies, P&G, GM, et al) announced that 80% of the money invested in U.S. TV advertising each year is wasted. Marketers spend more than $60 billions+ per year in the US for TV advertising and are still extremely approximate in reaching the right audience with the right content or advertising. Rather than adopting a bottom-up approach and planning media around the targeting of high value consumers, the top-down approach of buying the biggest channels first continues to dictate the shape of clients’ media schedules. By continuing to support the traditional terrestrial model, many advertisers continue to pay a premium to reach people who are never likely to buy their products, thus under-investing in high value consumers (Source: Mark Howe, Beverley Clarke The New Medium of Television, IDS, 2004).
3 PRIMARY USES OF iTV ADVERTISING

Television is known around the world as a “lean-back” medium, and the viewer often is characterized as a passive couch potato. This conjures images of sleepy and inattentive audiences in less than an ideal state of receptivity for commercials. The original premise of iTV advertising is that Interactivity by definition heightens engagement. Engagement increases attention which in turn yields greater commercial recall, persuasion, and sales effect. The consequence is that the value of iTV advertising is becoming more apparent to advertisers both for Business building tactics and more importantly for Brand building activities.

3.1 Business Building

Advertisers today are leaning increasingly toward Customer Relationship Management (CRM) methods for maintaining loyal customers and increasing the profit yield from such customers. This is one of the primary reasons for the strong growth of direct marketing in the advertising community in the past 10 years. CRM has been blocked from use in the main medium of television by the inability to get a list of the homes reached. Today with the use of iTV advertising, television can finally build measurable business by managing customer behavior to sustain profitable customer relationships. iTV advertising can extend the advertising message of any 30 second commercial throughout the entire Customer Lifecycle: from awareness, trial and sampling through to purchase and renewal. The technology now enables advertisers to extend television advertising to relationship optimization and lead conversion.

This is a fundamental step forward for television advertising, increasing its value.

3.2 Brand building

Ultimately as content providers, retailers or advertisers use iTV technology, they are effectively extending their brands’ presence and messaging through enhanced television. iTV delivers brand extension in an increasingly efficient format as an interactive TV application where viewers can interact with the brand through, for example, games and further explore the product benefits or immerse the viewer in a rich creative execution of the brand’s values and attributes. In addition, iTV applications can link to long form video advertising further enhancing the advertising. iTV advertising is never meant to replace other forms of advertising, but to provide a visually rich channel for messaging and marketing within the overall marketing mix.
4 STATE OF iTV ADVERTISING

There has been a rapid growth of iTV advertising in the UK market. BSkyB, an OpenTV powered DTH platform, has handled some 450 campaigns for around 158 different clients through its Sky Active channel from March 2000 up to May 2004. Currently there are over 30+ interactive Advertising campaigns running per month on the BskyB platform. Sky Active technology revenues for iAds increased from £2.9 million in fiscal 2002 to £4.4 million in fiscal 2003 (BskyB 2003 Annual Report). More importantly, the interactive advertising premium on the airtime is not included into Sky Active’s interactive advertising numbers but within the advertising revenue for the respective channels. Since most broadcasters now support interactive advertising, it is estimated that interactive airtime accounts for an additional £24 million in 2004 growing to £41 million in 2005.

Interactive Digital Sales (IDS), one of the UK advertising media sales house in the UK and a subsidiary of Flextech - which operates a number of digital channels including Bravo and Challenge - has similarly reported high growth with 20% of all break spots carrying an interactive ad in the first quarter of 2003. Each campaign on IDS channels generates over 3,000 responses, peaking at 30,000 for travel brochure requests or free samples. In the UK, iTV advertising is clearly moving away from the proof of concept stage and becoming a real business and an integrated part of TV advertising campaigns.

In the US, some 61 advertisers and over 104 top tier brands have used the OpenTV ProSync Advertising Platform to enhance their ads, while more than 454 individual impulse ad creatives on some 28 broadcast and cable networks. ProSync averaged an impressive 1% response rate with impressive completion rate of 69% for contests, 59% for sample and 33% for brochures.

The Meyers Report analysis estimates that the iTV advertising revenue is expected to add some $3.8 billion by the end of 2010 in the US if deployed on a significant scale. iTV advertising revenue could then make up to over four percent of total TV ad revenue.

4.1 Current iTV advertising constraints

It is important to note that iTV advertising, just like traditional advertising, works when there is reach – a minimum of 10% to 15% of a defined advertising market needs to be enabled in order create a sustainable business. In addition, iTV advertising is best leveraged when a majority of mainstream TV channels within a defined advertising market have an interactive digital platform presence. The volumes of enabled set-top boxes in the market and channel reach are key factors in achieving advertisers’ objectives.

Cost and complexity of interactive applications also need to be reduced. The use of low cost generic iAd templates for overlays and GUI (Graphic User Interface) tools provides an economical entry solution for new advertisers. Once established, advertisers can progress to employing purpose built, hand coded DALs (dedicated advertiser locations) with a sophisticated, content rich offering – video, audio, animation, games – incorporating telescoped long form ads. Historically technical constraints have limited the growth of iTV advertising. There is still a general over-reliance on pre-tested templates which prevents advertisers from pushing the creative boundaries, coupled with a lack of widespread technical expertise in the field.
4.2 How interactive TV advertising works?

While there is a lot of technology required in the background to make an advertising response network actually work, to the consumer it is a very simple process. Simplicity allows a much wider range of consumers to interact easily with this form of technology and it ultimately produces better advertising and direct marketing results.

While a viewer is watching television, a “bug” called the “Attract Icon”, appears on the screen. The attract icon indicates that there is something “interactive” about the program or advertisement. It typically stays onscreen for about 10-15 seconds, cycling through colors, sometime indicating the call-to-action or rotating in some way in order to grab the viewers’ attention. By pressing Select/OK/red button on the remote, the viewer can interact with the ad at any time after this icon first appears – even after it disappears. The consumer is then either is taken away to a Dedicated Advertiser Location (DAL) or directly engages with the program or advertisement synchronously by viewing a screen overlay.
After the interaction, which may involve viewing additional footage or playing a game, the consumer may be prompted with a call-to-action. Again this takes place with a simple press of a button. After the transaction has occurred, the data are saved and then sent back to OpenTV’s Response Network where the information across the network is collated into reports and provided back to the advertisers. Below you can see a graphic depiction of this system.
5 iTV ADVERTISING FORMATS

The following section looks at the different advertising formats and their values illustrated using case studies.

5.1 DAL (Dedicated Advertiser Location)

DALs are usually 24 hour dedicated sites with links from on-air spots, as well as banners located in walled garden, EPG, or enhanced program content to drive traffic. DALs are designed for a more tailored, content rich solution employing video, audio, animation streams, games and competitions and can offer a picture-in-picture of the scheduled program. DAL applications are hand-coded (using for example OpenTV SDK) and have a high degree of design flexibility.

An example of a sophisticated DAL that incorporates a game is the Fairy Toy Quest campaign which aired on the BSkyB platform. P&G employed iTV to promote its Fairy brand because parents of small children – the class of consumers targeted for the products – was heavily represented among digital TV subscribers.

The iTV advertisement used the “Get Toys” call-to-action and promoted the Disney Toys which were available to buy by mail order with purchases of Fairy dishwashing liquid. The viewer was taken away from the main video of the channel they were watching and into an interactive environment which they could explore. The toy offer was presented in the first screen and then a looped trailer for Disney’s “Treasure Planet” was shown. The DAL additionally provided a “Kit out a Pirate,” where a viewer could customize an outfit for a “Fairy-soft” pirate, choosing hat and clothes options with the remote control and “Make a Ship”, which allowed the viewer to build a custom ship and race it on screen.

Micro-sites are scaled down low bandwidth DALs, authored using a GUI employing a library of pre-formatted templates. These have been pre-tested and pre-approved – saving time and cost. Micro-sites can be built by advertising agencies using approved content creation tools. Micro-sites are suitable for direct calls-to-action, combining the speed of impulse response overlays with a “poster” page of additional information and data capture options.

5.2 Advertising channel concept for DALs

The advertising channel concept offers the ability to jump to a DAL from an interactive spot on any broadcaster. A consortium of advertisers share costs and experiences using one shared channel where all DALs appear. All on-air spots and banners from all channels link through to the given DAL application on this one shared bandwidth. When a viewer clicks the interactive button they jump to the ad channel to view the DAL; after viewing they jump back to the program channel. Advertisers benefit from such a model by paying less and advertisers can share and refine response data which otherwise would be unavailable.
5.3 Telescoped ads using iTV application

Long format versions of on-air spots can be embedded within a DAL, alongside other content. There are currently 3 ways telescoped ads can be accessed by the viewer: 1) Via a Video-On-Demand or VOD server (usually on a cable platform only), 2) Via the Personal Video Recorder or PVR – the content will have been downloaded overnight, 3) Via broadcast closed loop – the content is continuously re-broadcast synchronously. The latter method is inferior to the extent that when the viewer accesses the content it may not be in the start position – hence some content may be missed.

An example of a telescoped long form ad within a DAL is the campaign for Adidas – “Jonny & Becks”, which features rugby star Jonny Wilkinson and soccer star David Beckham exchanging their skills and experience in kicking on the pitch. The DAL, designed by UK creative agency Weapon7 and with technical execution by Sky Interactive, allows the viewer to experience the full 90 second version of the TV advertisement and also access 90 seconds of out-takes from the filming of the campaign.

5.4 Overlays

Often referred to as “pop-ups” or “impulse response,” these overlays appear over the spot itself, appearing synchronously within the time span of the associated spot, rather than taking the viewer away to another channel. This type of interactivity minimizes the disruption of the ad and is ideally designed to integrate with the ad creative so that it enhances the existing message and brand. Overlays are used primarily to provide simple offers (samples, brochures, coupons, contests, etc.), give additional product information or gather viewer data and given the time constraints of the ad, they typically consist of simple text and graphics only.
5.4.1 RFI ads – Request for Information

RFI (“request for information”) ads provide a free offer to the viewer, such as a coupon, sample or brochure, entry into a contest, a phone contact, or a bill-me-later subscription. IDS research in the UK indicates campaigns which offer a free sample or coupon achieve more responses than information campaigns. A branded make-up sampling campaign in the UK run in September 2002 generated nearly 2,000 requests in the first day alone, and 13,000 overall. In the US, ProSync experienced an average of 1.1% interaction Rate. Interact Rate is the percentage of viewers tuned to an interactive ad and that chose to interact with it. The highest interaction rate on an RFI airing was 10.7% for a call-to-action to receive a phone call from a high speed internet access provider. Even more encouraging is the interactive advertising completion rate which stands on average at 36.8% of those who interacted took the RFI.

5.4.2 Non-RFI overlays ads - Survey and Polls

These ads are called “non-RFI” because there is no “request for information.” They typically provide or collect information, but no actual offers are made to the viewer. They include messaging and surveys/polls. Not only are these campaigns informative and engaging for the viewer, but they can be just as successful as RFIs at achieving viewer response, especially when they are used to conduct surveys and polls. According to OpenTV ProSync data, interact rates for non-RFIs are 1% - average. It is interesting to note that it is surveys/polls that did best (1.1%), while simple messaging was not as good (0.7%). Automotive ads have received the highest interaction rate for non-RFI ads with a peak at 14.2% for an automotive non-RFI ad with a survey/poll.

5.4.3 Purchase ads

These offer viewers the chance to make a purchase during the advertising spot by entering in their PIN code to the iTV overlay to authorize a charge to their registered credit card. They can either be a product purchase or a subscription (buy now bill-me-later). These types of ads typically do not perform as well as the others since there is not enough time within a standard 30 second spot to communicate the details of the purchase. Past experience shows that iTV impulse purchase has performed best on longer format programming typically as an enhanced iTV application with an average interaction rate of 0.5% up to 5.8% for a computer HW/SW advertiser. Completion rates for purchase ads have historically averaged out at 0.4% of the people who interacted with the purchase iAd.

5.5 Branded interactive games

These may be sponsored and allow product placement which is woven into the game elements, creating a positive association and engagement with the brand, particularly if linked into (and triggered via) traditional linear advertising. Warner Brothers, Aquafresh, Dominoes, and Mattel are examples of major brands that have worked with PlayJam, the leading interactive games channel (subsidiary of OpenTV) to develop games that successfully extend their brand(s) to reach their key market segment in a new and innovative way.
For example, the Eight Legged Freaks game developed for Warner Brothers as part of the movie promotion has become one of the most successful games on PlayJam game channel within the 4 week promotion. The objective was to raise exposure for the launch of the film in order to generate additional box office revenue.

Major consumer brands are now clearly recognizing the potential of incorporating iTV games as an integral part of a marketing campaign. Jeff Zie, Director of Creative Strategy for OpenTV’s PlayJam comments “We believe that the right brands working with the right games results in levels of user engagement that have, to date, been impossible to achieve in the world of TV advertising”.

5.6 In-show sponsorship

In-show sponsorship is the placement of a sponsor within an interactive program, such that the advertisers’ message and/or offer are part of the program interactivity. This type of interactive ad offer advertisers a prominent position, strong ties to a particular program or content, and the benefit of a very high level of viewer attention. It is particular effective when it is paired with interactive overlays during commercial breaks by the same sponsor.

An example of this was the Coke campaign which ran during ABC’s 2003 American Music Awards in the US. Coke’s sponsorship consisted of two pieces: First an interactive overlay on the Coke ads during the show; and then a placement of the Coke logo within ABC’s program interactivity, which offered trivia about the stars featured in the program. Interact rates with the commercial were three to four times higher than they would normally be.

5.7 iAd production rules

The rules that apply in making a successful linear ad apply equally in making a successful iAd. The interactivity must be as entertaining, relevant, memorable, compelling and fun for the target audience as the program they are watching. There must be a pull factor, where there is a desire for more information. The interactive application must be integrated holistically with the linear content so it blends together seamlessly and coherently, building on television’s core information orientation and entertainment values. This requires close collaboration between all parties at the pre-production stage – primarily the advertising agency, the interactive agency, the client, and the broadcaster – so that the interactivity becomes a central, integral part of the linear campaign, rather than being treated as a crude bolt-on component.
6 TARGETING

6.1 Efficiency: Targeting is a key driver

It is crucial to enable targeting of the right audience with the right interactive advertising. Targeted impulse response overlays are most efficient when targeted offers are proposed. DALs on the other hand can differentiate the experience based on the consumer profile. OpenTV provides advertisers with the ability to fine tune the targeting of traditional linear TV ads down to a more granular level – each cable or satellite household and set-top box – to reach the consumers they most desire. Multiple offers of an interactive ad can be played out simultaneously in order for the call-to-action to maximize quality leads generation and to appeal to different audience demographics.

Success factors for knowledge based Marketing program

<table>
<thead>
<tr>
<th>Targeted Profile / Person</th>
<th>Targeted time</th>
<th>Targeted medium</th>
<th>Targeted offer</th>
<th>Creative</th>
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<td>high</td>
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Groups of consumers can be targeted by, for example, ethnicity, household income, household size, presence of children or even by geographic location, such as state, etc. When specific transactions have actually taken place by a given household, consumers can be targeted at a household level based on past preferences.

An example of targeted advertising was for P&G’s Oil of Olay brand. The campaign ran a targeted sampling campaign for its Regenerist product. The enhancement was only seen by households with incomes greater than $50K to ensure that viewers who requested the sample had a higher propensity to purchase.
7 DATA COLLECTION AND USAGE

7.1 Types of data collection

iTV advertising provides an exciting new channel for customer knowledge opportunities. The Measurement Platform which forms part of the overall iTV Advertising Platform is used to track what a consumer is doing, how they interact, how long they interact and what their preferences are for certain products and/or services. OpenTV technologies deliver valuable research and media reports to help advertisers measure the effectiveness and efficiency of campaigns, and gain insight into consumer behavior. In turn, these data can be utilized to optimize the media plan.

The performance metrics used in interactive advertising campaigns include:

<table>
<thead>
<tr>
<th>Interactive Ad Types</th>
<th>Performance Metrics</th>
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<tbody>
<tr>
<td>• RFI (request for information)</td>
<td>• Impressions</td>
</tr>
<tr>
<td>Brochure, info packets, sample, coupon,</td>
<td>Number of set-top boxes tuned to the</td>
</tr>
<tr>
<td>other free offer, contingent offer, contest,</td>
<td>ad</td>
</tr>
<tr>
<td>phone contact, subscription (bill-me-later)</td>
<td></td>
</tr>
<tr>
<td>• Non-RFI</td>
<td>• Interact Rate</td>
</tr>
<tr>
<td>survey/poll, message</td>
<td>Percent of viewers tuned to the ad</td>
</tr>
<tr>
<td>• Purchase</td>
<td>that interacted with it</td>
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<tr>
<td>direct purchase, subscription (buy now)</td>
<td></td>
</tr>
<tr>
<td>• Take Rate</td>
<td>• Completion Rate</td>
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<tr>
<td></td>
<td>Percent of viewers interacting with</td>
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<td>the ad that accepted the offer</td>
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<tr>
<td></td>
<td>• Take Rate</td>
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<tr>
<td></td>
<td>Percent of viewers tuned to the ad</td>
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<td>that accepted the offer</td>
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Depending on the marketing objectives of the campaign, iTV advertising metrics can greatly enhance the accountability of advertising. For example RFI (Request for Information) metrics can assess the performance of lead generation and product trial campaigns. Non-RFIs are well suited for market research (viewer opinions, product questions and panel recruitment) and branded information (show 1-800 number, drive to web or retail, product info) or branded entertainment (surveys, polls). Finally, direct response advertising is ideally suited to the purchase metric (direct purchase, subscriptions). Advertisers also have the opportunity to use survey questions to qualify leads, analyze the success of their media buy or get viewer input on the appeal of their offer.

These metrics can easily be tied back to more traditional metrics such as CPM or GRP (TRP). The UK Direct Marketing Association in its Guide to ITV advertising (2002) highlights that one of the biggest opportunities data collections opens up is the ability to link data gathered from the iTV Response Network with database marketing, category management and CRM. As an initial step, using demographics or lifestyle databases, advertisers can identify the profile of their respondents by key demographics and lifestyle characteristics. Advertisers can compare profiles of iTV respondents with those of buyers of other products in a range and so identify opportunities to cross-sell and up-sell. Using response iTV data reports, advertisers can identify what combination of channels, day-parts, days of week, frequency levels, and even programming environments are best for their brand. Different creative executions can be tested to deliver the optimal response. All these new research opportunities enable advertisers to improve media planning and their overall advertising strategy and execution.

An example of excellent use of data was the Nestlé Purina campaign that ran on US cable operator Charter. Purina successfully enhanced their relationship with both pet lovers and canines alike by offering a free bag of Purina ONE puppy food. The targeting used geographic region as well as qualification question for coupon distribution to know if the dog was either a puppy or an adult. The campaign data was then merged and analyzed. The results showed that households had different calls-to-action depending on their interest in pet
food for a puppy or an adult dog. In addition to an increase in response among the target group, the results showed that their key target demographic of buyers of premium dog food had increased attentiveness to the ad during dog feeding times (morning and early afternoon) as well as during sporting events (genre). The advertiser was then able to shift media weight to day-parts and programming where viewers would be more receptive. This example shows how crucial it is to re-incorporate learning in a new campaign to fully leverage the potential of iTV advertising.

7.2 Lead generation

Advertisers need to generate qualified leads and the marketer and client need to be able to interpret the data and optimize ROI during the course of a campaign. Using iTV, advertisers’ lead costs are two thirds lower than through using other media. OpenTV ProSync completion rate indicates that for all RFI ads some 37% of viewers who clicked “YES” to an available interactive Ad offer turned into a qualified lead for the advertiser. There needs to be a mutual benefit point between the viewer and marketer. This mutual benefit point is important when developing iTV applications that request or use the viewer’s personal details in order to define what information is needed and return as appropriate and attractive an incentive.

7.3 Closed-loop tracking

Closed-loop tracking provides the tools to analyze the full-circle of consumer behavior. It measures what consumers are doing, how they interact with an iAd, and what they are subsequently purchasing. It provides the proof that the given campaign is working, giving the client the ROI they require. The significance of the closed-loop ROI research tool is the fact that it is a near absolute measure – not a qualitative measure about consumers’ intention to purchase, but rather what they actually purchased as a result of the television advertising campaign.

Within a given set-top box measurement panel, where viewers have opt-in, the audience measurement data collected is then matched to purchase information or additional marketing information (loyalty card, marketing and data providers, direct marketing lists). The merging of granular television audience data with purchase data further improves the accountability of television advertising.

7.4 Privacy

It is important to note that OpenTV’s technology preserves the privacy of individuals. All targeting information is usually based on anonymous information. In addition, to further protect individuals’ privacy, the technology is able to turn off all targeting and measurement mechanisms down to the set-top box level enabling either the opt-out or opt-in mechanism.
The technology also enables the targeting of individual households without the need of any Personally Identifiable Information (PII). Within the bounds of the most stringent privacy policies it is possible to surmount this hurdle by leveraging the cable, satellite or telecom’s subscriber list as a master list of homes reached by iTV. In the latter approach, the identities of these homes are only revealed when the home asks the advertiser to send information for limited follow-up as defined in the call-to-action.

OpenTV takes privacy extremely seriously and fully enables its partners and customers to protect the privacy of their subscribers while leveraging the advertising opportunities offered by the iTV advertising technology.
8 iTV advertising Learning

The list provides some of the learnings gained and success factors of iTV advertising:

- Integration between the aired spot and the iTV Advertising creative execution is essential to encourage use. iTV advertising is television and therefore the traditional campaign and the iTV component need to be fully integrated. Creativity will always stay one of the key elements of advertising.

- Spots aired during day/peak times generate the highest response. On average viewers were more likely to interact during the weekend. Specifically interact rates overall on Sundays were 33% higher than average at 1.4%. Far more impactful than day of week has been day-part with primetime the best performing slot.

- IDS analysis of 2002 UK campaigns indicates that substantial differences are apparent by category. The finance category overall is particularly efficient during the evenings whereas the female targeted credit card campaign was most effective during daytime. OpenTV ProSync data have found that highest performing advertisers in the US were for pharmaceutical and travel categories with 1.6% and 1.4% interaction rates respectively. Once again, in looking at how different product categories have fared so far in iTV one should not be too quick to rule out testing iTV for a category. Taking into account the creative and media best practices, even brands that have tested iTV before and been disappointed should re-engage using the guidance learned thus far.

- As in traditional media, a sound understanding of the audience of the ad and its placement within the programming is a key factor for success. In addition, iTV advertising has proved particularly successful when the programming itself is also interactive. The advertising interaction rate increases on average by +156% (more than double) if the interactive commercial is placed in a program that is also interactive. When viewers have gotten in the habit of interacting with a program they are more likely to also interact when an interactive commercial comes on.

- Spots on low rating programs (niche or narrowcast) are surprisingly successful. IDS as well as OpenTV figures indicate that they are +60% more responsive than the average. Niche programming does very well for iTV advertising since people are more focused and engaged with the programming and therefore more likely to interact.

- Channels which are relevant to the target audience produce above average results. OpenTV ProSync data showed that the type of interactive context in which an interactive ad aired clearly impacted the interact rate. Interact rates were highest at 1.9% for special programs where interactive content was specifically relevant to the program.

- Free sample / money voucher / coupon campaigns usually get high volume results. OpenTV’s ProSync US data indicates that RFI ads are by far the most effective overall, achieving interact rates of 1.1% for RFIs, 1% for non-RFIs and 0.5% for purchases. The use of the term “free” in the introductory text (which appears next to the attract icon) during RFI ads increased interact rates by 40%, but the completion rates were 22% lower. Perhaps “free” raised initial expectations, which were often not met in the end. In fact, non-RFIs had the highest “high water mark” interaction rate with 14.2% vs. 10.7% for RFIs and 5.8% for purchases.

The above observation shows that with the help of best practices, it is possible to dramatically increase the success of an iTV advertising campaign. It is therefore crucial to have an in-depth understanding of the advertising objectives and to include any interactivity element from the start of the advertising process in order to fully achieve the potential of this exciting medium.
9 COMPARISON WITH OTHER MEDIA

Marketers need to carefully compare the effectiveness of iTV advertising with other advertising interactive media such as direct mail or DRTV. For example, Next Century Media and BBDO in 1995 undertook a study of Nissan Pathfinder lead-generating commercials that ran in San Antonio, USA. Approximately 200,000 homes received 800 number DRTV spots and approximately 100,000 homes with similar demographics were able to respond by iTV. The creative was identical in both sets of homes. The take rate was 3.2% in the iTV homes and 0.3% in the non-iTV homes. In the UK, red button response rates have been frequently higher than telephone call-to-action - by 9 times - according to IDS data.

The ease of response of iTV advertising compared to the traditional DRTV model is one of the key factors in explaining the effectiveness of iAds vs. DRTV. Viewers are much more inclined to press a button on their remote control than to write down the phone number appearing on the screen and then dialing the number when watching television.

The direct response sampling campaign run by Rimmel on the BSkyB platform is an example of the effectiveness of the iTV advertising medium. Specific objectives were set for the test that included volumes of response, recruiting new users via sampling, and increasing awareness amongst key groups by involving them in interaction with the brand. OMD tvi created a campaign to run on BSkyB platform in November 2001. At the heart of the campaign was a DAL that simply asked “Which lipstick do you use?” Viewers could request a free lipstick as an incentive. The campaign generated 52,300 responses. In fact the iAds were so successful that larger audience spots had to be excluded from the schedule. The response rate from iAds providing a link to the Rimmel single page DAL was 3.2%, over twice the typical DRTV rate of around 1.5%.
10 iTV ADVERTISING CAMPAIGN CASE STUDIES

10.1 Johnson & Johnson

Johnson & Johnson’s Media Futures Group in collaboration with Universal McCann advertising agency and ABC’s Enhanced TV Group developed and deployed an iTV advertising strategy across 3 platforms – OpenTV ProSync, PC synchronized interaction, and mobile SMS – for 15 brands during a prime-time special of “The View: His/Her Body Test”. Pre-broadcast promotions included a press release, promotional network spots in both daytime and prime-time slots, in-show mentions during the week prior to broadcast, and a full-page ad in USA Today. During the broadcast, graphic and audio prompts encouraged the audience to interact. Among all platforms, enhanced TV and interactive TV applications led in increasing overall satisfaction with the program and ads.

10.2 Ford

Ford has capitalized on its reach by garnering a 1.7% viewer interact rate on their Ford Explorer iAd with 77% of all people who interacted actually requesting some 40,000 brochures from the enhanced content, using the OpenTV ProSync Advertising Platform. The cost-per-lead was lower than any other medium used for the campaign, and it produced more leads than rich-media ad clips running on the web. Ford Motor Company's agency, J. Walter Thompson (JWT), is an innovator in the interactive space and was one of the first agencies to work with OpenTV’s ProSync on behalf of Ford. JWT enlisted OpenTV's ProSync to help drive brand awareness as well as car sales. Early interaction efforts with OpenTV’s ProSync included the following brands: Explorer, Expedition, Excursion, Escape and Focus.

The screenshots below are from the iTV advertising campaign for the launch of the new Explorer 2002 model. An interactive enhancement was developed for the commercial that would serve as a lead generator for the car brochure. Ford’s marketing objective was simply to test this exciting new medium and determine how it could positively impact their campaign.
10.3 L’Oreal Garnier

L’Oreal Garnier ran a contest in the Toronto region by enhancing ads on just three networks. The ads generated 40% of the total contest entries across all the promotional vehicles the advertiser used to promote their contest. L’Oreal Garnier gained valuable learnings about their media schedule which helped to determine how to best engage and reach their youth-oriented target market.

10.4 HSBC

HSBC has launched an interactive TV campaign on the BskyB platform which allows viewers to literally play along with the TV spot. Blending completely with the broadcast commercial for HSBC, the interactive campaign takes the above-the-line golf creative and allows viewers to play a photo realistic golf game. Gaining a hole-in-one gives players the opportunity to win VIP tickets to the HSBC World Match Play Golf Championships. PHD and Lowes appointed Weapon7 to develop the campaign as part of the ongoing ‘World’s Local Bank Campaign’.

According to Simon Smith, Creative Director at Weapon7 the intention was to create a game which would look as much as possible like the broadcast commercial. The interactive ad is designed to look like a real life video so players would feel that they are actually playing the TV advertising.
11 OPENTV ADVERTISING MANAGEMENT PLATFORM

11.1 Overview of Advertising Management Platform

Four key pieces of technology are used in a successful iTV advertising platform.

First is the set-top box middleware capability which is necessary to the success of iTV advertising as viewers are drawn to the television for its strong emotional and visual impact. Second is an advertising management platform that can coordinate all advertising campaigns and schedule them at the right time. Third is a response network that has the ability to process the transactions, collate them into reports and provide them back to the advertiser for fulfillment. Fourth is the ability to measure the response for each advertisement and to produce helpful analytical data to be used in future campaigns.

11.2 Middleware

The set-top box graphic capabilities are crucial to the strong visual and emotional impact of iTV advertising. The middleware also needs to support games and smoothly mix video, audio, application and graphics together. In addition, flexible and solid authoring tools tailored to advertisers’ needs as well as a large development community are important to the rapid adoption of iTV advertising. The middleware needs to support a Store & Forward capability as well as set-top box measurement of channels and interactive applications. Finally, the set-top box client has to allow targeting of iAds by enabling the set-top box to store profile information while protecting viewers’ privacy. As a consequence, a proven, well tested and stable middleware is a priority to the success of iTV advertising.

11.3 Advertising Management Platform

An Advertising Management Platform is a fundamental component of the system. Typically this system resides in or near the head-end facilities (or uplink facility). This system is used to manage all of the iTV advertisements that are running on the TV platform's interactive...
system. It allows network operators, broadcasters and content providers to manage, schedule, synchronize and broadcast interactive applications, whether developed in house or by third parties. The entire process of managing, scheduling and delivering multiple advertising campaigns is controlled by this system.

11.4 Response Servers

The third set of components is the servers that collect all of the transactions and interactions from every set-top box across the networks and platforms. In some instances, these servers are independent of any CATV network or DTH network. When transactions are made, they are collected by the Response Servers. After collection of all transactions, the server sends these orders, leads or requests for information (RFI) to the appropriate advertiser or retailer.

11.5 Measurement Platform

Finally, the interactive advertising platform needs to support measurement as it is a critical component of the overall system. It typically sits as a backend component alongside the advertising management platform. The measurement platform tracks what consumers are doing, how they interact, how long they interact and what their preferences are for certain products and/or services. It is only with this information that the most targeted campaigns can be delivered. The platform needs to have the ability to measure the impressions, the interactions, the duration of the interaction and the takes of individual consumers. The privacy of viewers needs to be respected by enabling easy opt-out or opt-in mechanisms and by collecting only anonymous information for measurement and reporting. Further analysis is performed to better understand the demographics of respondents in comparison to the consumer base. All learnings are greatly beneficial to advertisers and retailers in enabling them to increase sales and improve their marketing communications.
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