Digital and Social Media Marketing

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Advertisers look for ways to follow consumers

Ever-growing online outlets offer marketers more varied points of contact and fresh forms of doing business, reports *Emily Steel*

The year was 1994. Jonathan Nelson, then 27, was huddled round a computer in the San Francisco offices of HotWired as a team prepared to push the button on the world's first website featuring both original content and ads.

Bright pink cables were strung through the ceiling to his offices on the floor above, providing internet access to his hot digital marketing start-up Organic. The ad agency, which he had founded the year before, had designed half of the then tech-savvy, now rudimentary, banner advertisements featured on the original HotWired site for marketers, including telecom company AT&T and carmaker Volvo. The team was exhausted, having put in countless all-nighters to make the technologies work. The excitement in the room was palpable as the site went live, ushering in a vast digital transformation that continues to upend today's $518bn advertising and media industries.

Fast forward two decades. Mr Nelson now works as chief executive of digital at Omnicom, one of the world's largest advertising and communications companies. While marketers have shifted nearly a fifth of their budgets to digital outlets and largely believe in the value of online advertising, crucial challenges remain that will shape the next generation of media, when the divide between digital and traditional is blurred.

"It's the calm in the eye of the hurricane," says Mr Nelson. "You know the winds around you are swirling, and the times are changing."

The pace of change is both exhilarating and exhausting. Advertisers are sifting through a proliferation of data and technologies that are making a reality of the promise of targeting the right ad to the right person at the right time, whether those ads appear on the web, a mobile phone, a billboard, in store or on television.

> 'Marketers are challenged to understand how digital ads translate into a change in perception of their brand'

Despite the ability to measure each click that an ad generates, marketers still are challenged to understand how digital ads, especially those on social media, translate into a change in perception of their brand or sales of their product.

Meanwhile, marketers are also figuring out how to crack the code on a new era of crafting digital stories. The rise of social media, combined with a surge of internet-connected televisions and digital video viewing, are providing a new creative palette for commercials. The explosion of smartphones is leaving media companies and advertisers alike struggling to figure out how to pitch to consumers on the matchbox-sized screens.

"Back in 2000, banner ads were the big thing. That is where the money would go, and click through rates were the focus. Now, a lot of that stuff is being done by machines," says Bob Lord, global chief executive of Publicis' Razorfish digital advertising group.

"Where we are growing the most in our business is the next generation of story telling."

Indeed, the obituary for the television ad industry was written years ago but the rise of social media, coupled with the development of new technologies, is granting the $205bn

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Keyword-driven system requires refinement

Future of search

Richard Waters sees fresh challenges to Google's dominance

Search remains the undisputed king of online advertising and Google the undisputed king of search. But the monolithic keyword-driven system that has come to dominate the industry over the past decade is facing a sea change, according to advertising industry experts.

The result will be a more sophisticated system that responds to a wider range of signals, where companies other than Google are likely to play an influential role.

Keyword search has been in a transition that has brought reassessment of its importance. One reason has been the greater refinement that has come to measuring the effectiveness of different forms of advertising. Because the response to search advertising can be measured precisely and advertisers can track when consumers go on to make purchases, it has come to be seen as an unrivalled form of online direct-response marketing. But other forms of advertising play a part earlier in the process.

"People are getting more sophisticated about where search fits in," says Ben Wood, UK and Emea head at iProspect, the digital marketing agency. That has led to greater awareness of the value of other forms of advertising, from television advertisements to social media, he says.

The shift to mobile has brought a direct challenge to the importance of search in the online world.

"A lot of traffic is going to mobile devices – and a lot of that is in apps, which are unsearchable," notes Karsten Weide, vice-president of media and entertainment at researchers IDC.

Search's share of overall online advertising has been slipping, though at a very slow pace. From 56 per cent in 2009, it will fall to 50 per cent by 2017, forecasts IDC.

However, the biggest shifts in search functions are only just starting to be felt. They involve the combination of new types of data with traditional keyword search to produce more refined forms of targeting.

"Keywords are certainly a signifier of intent but there are so many different signals now," says Rebecca Lieb, an analyst at Altimeter, a research group.

As a result, she adds, "what once looked like a highly targeted form of advertising looks like a blunt instrument now."

Foremost among the new types of data is the information that comes from the social media world. Facebook did not announce any new forms of advertising to accompany the revised "graph search" it launched this year, though few in the industry doubt that such a move is far off.

"If they decided to switch it on in a big way, they have tremendous distribution. Overnight, it would be a big threat to Google's dominance," says Mr Weide.

> 'What once looked like a targeted form of advertising looks like a blunt instrument now'

An indication of Facebook's potential to disrupt the search market can be seen in its influence in local search, argues Greg Sterling, an analyst at Opus Research. He points to data from online measurement body ComScore showing that, thanks to its large scale, the social network is second only to Google as a local search source and ahead of specialist local sites and directories.

A second source of data having an impact on search comes from mobile devices. Adding information about location can help advertisers target more precisely. Mobile searches often happen when people are close to a decision about a purchase, making them more valuable, says Mr Wood.

If mobile search prices have been rising, however, it may not entirely be because advertisers have reassessed their value. Google this year combined its PC and mobile search advertising services, ending the pricing division between them.

The move has inevitably brought complaints that the company set out deliberately to force mobile advertising rates higher. Most brand owners are content with the changes, which have resulted in a simpler system that makes it easier to buy campaigns and track user behaviour across different devices, says Mr Sterling. One of the most valuable bodies of data that has yet to be fully applied to refining search advertising involves individual users' purchasing histories.

The prospect of combining data about a person's past purchases with signals about their future intent has advertisers salivating, according to analysts.

Were a company like Amazon to make this data available to others, allowing it to be combined with other sources of information to create new targeting possibilities, "it would be incredibly powerful", says Ms Lieb.

Such an advertising network, while long rumoured, has yet to see the light of day. Like Facebook, though, Amazon looks poised to move in on a market that has effectively been built and owned by Google, with far-reaching implications for online advertising.

Struggle to stay on top of a moveable feast

People

April Dembosky discovers an industry desperate for talent

The Silicon Valley talent war is spilling over on to Madison Avenue.

Advertising-backed technology companies such as Google and Facebook are not just looking for the best engineers and designers to design a mobile app – they want the best technical and strategic thinkers in advertising too.

Creative and digital marketing agencies in New York are not simply competing with each other to recruit the next generation of talent. Now they must fend off the technology giants in the Valley and their promises of stock options, free food and the opportunity to change the world.

"The agency industry has done a bad job over the past decade of keeping the industry appealing to top-tier talent," says Brian Wieser, analyst with the Pivotal Research Group.

The technical landscape in marketing is changing rapidly, creating a dramatic rise in demand among agencies for people with digital skills. Competition for people with a specialisation in search advertising was high about four years ago, then it was social media marketing, notes Nigel Morris, chief executive of Aegis Media, Americas and Emea. A year ago, everyone was chasing app developers. Now the hot commodity is people who can build sophisticated user experiences.

It is rare to find people who understand the technical side and the broader strategic thinking of the marketing world – people who can move from television to mobile, yet connect different media to the goals of the advertiser.

"We have people who are good at digital strategy but they see everything from a digital perspective," says Mr Morris.

"There are relatively few people who have a strong enough understanding of all the different emerging opportunities in digital, with a broad enough brand and business understanding in order to provide the strategic context under that."

The advertising and marketing world must contend with the shifting cultural values of the younger, millennial generation. The *Mad Men* appeal of working in advertising has narrowed among younger people, who are increasingly interested in joining a company with a bold mission statement.

"In the past, advertising was sexy, it was the cool thing to do," says Jana Rich, managing director at Russell Reynolds Associates, a recruiting firm. "Now there's a whole other option that is quite different that speaks to the same group of people. Many younger folks are making choices to join high-growth, exciting companies, where there may not be a financial upside but, first and foremost, is about being part of a mission."

While cash salary may be 20-30 per cent lower in the tech world compared with advertising, the stock options, if the person waits the four years until they vest, make the overall package higher, Ms Rich says.

The work environment plays its part. Tech start-ups have pioneered flat leadership, open plan offices, beer and Red Bull-stocked fridges that have become a signature of Silicon Valley offices. There, people in their mid-twenties with a few years experience can get senior positions with serious responsibility. In the ad world, young people have to earn their stripes and move up through the ranks, while opportunities to move beyond middle management are limited.

"It's as much people escaping agencies as joining something new," says Mr Wieser.

Executives at Aegis Media are taking a leaf from the Valley playbook. They are trying to flatten the hierarchy so that young people have more opportunities. They now include social media-style software that allows greater collaboration and

> 'We talk about people, we don't talk about consumers'
> Nigel Morris

the leadership is trying to be more transparent so people feel more motivated.

Even the way they pitch their business to young college students thinking about which industry to go into is changing.

"I wouldn't use the word 'advertising'," says Mr Morris. "We talk about people, we don't talk about consumers."

Other agencies still find that young people see the prospect of working with big brands such as Coca Cola, Wells Fargo, or Apple as more important and exciting, says Ms Rich.

Don Scales, the chief executive of iCrossing, a digital marketing agency, says this gives promising talent an opportunity to develop their own voice better than a tech company with a singular focus. "You can create your own personal brand quickly, as opposed to start-ups where personal branding for the most part is limited to the CEO."

The company tries to keep up with Silicon Valley, where campaigns are prototyped every two weeks and changes can be seen in real time.

"You can bring these kids in and can pump them full of Red Bull all day, but if the CEO doesn't know their name and doesn't say 'hi' to them and don't know the things they're working on and congratulate them on a good job, then they're going to get disenchanted."

Watching television no longer rates as passive pastime

Media Broadcasters find ways to make viewing increasingly interactive, writes *Andrew Edgecliffe-Johnson*

Casting shot: Charlotte Letitia Crosby of the reality TV series, 'Geordie Shore', which has 7m followers

Getty

What can the second screen do for the first? Television was once a "lean-back" experience, passively consumed from the comfort of the couch, but the proliferation of laptops, smartphones and tablets is making media multi-tasking the norm.

As viewers' eyes flick from the set in the corner to the device in their hand, how do television companies – and their advertisers – turn a potential distraction into a tool for deeper engagement?

The scale of the distraction is impressive. A survey by Time Warner's Medialab found that 52 per cent of people with both a television and a laptop habitually multitasked while watching TV. Add a smartphone and a tablet and the figure rises to 65 per cent.

Some of those screens are being used for emails, texts and content unrelated to what viewers are watching. Yet much of the growth is in social media discussions of TV shows and digital content designed to deepen engagement with programmes.

PwC found that "social TV" activity on Facebook, Twitter and Google nearly tripled in the second quarter of 2012 from a year earlier. This year's NCAA basketball tournament similarly generated 16.3m social media comments, an increase of 112 per cent over 2012, Turner Sports reported.

Audiences' appetite for digital alternatives to shouting at the screen has spawned several second-screen applications and analytics companies and some prominent deals. Viggle, which offers loyalty rewards to fans who "check into" shows, bought GetGlue, a social TV app developer with 3m users who have checked into, rated or reviewed 500m shows.

In November, Nielsen bought SocialGuide, a social media analytics group, and in February Twitter bought Bluefin Labs, which analyses social TV chatter.

"Twitter is an amazing complement to live television viewing," Ali Rowghani, Twitter chief operating officer, said in announcing the deal.

TV networks seem to agree. "The reality of the second screen is that broadcasters are already on board," PwC's report concluded. A second screen is a second opportunity to sell advertising and networks increasingly cite social media buzz as part of their pitch to brands.

Time Warner's Turner Broadcasting System recently boasted, for example, that Conan O'Brien's late-night comedy show on TBS generated 20 per cent more social media comments per episode than those of his peers.

To demonstrate that those commentators were not ignoring the show, TBS used biometric monitoring to show that people using Facebook, Twitter or GetGlue while watching TV were 1.3 times more engaged than those watching without social media sites or apps.

Such figures suggest that social media can heighten viewers' interest without much effort on programmers' part, but TV executives are putting increasing resources into social marketing and digital content to deepen engagement further.

MTV has invited viewers to tweet their votes for its Video Music Awards and CBS recently staged a "TweetWeek", with stars – and even set designers – live-tweeting shows from NCIS to the venerable *The Price is Right*.

> A scene may last just 30 seconds on TV but a tweet from a star can direct fans to an extra 30 minutes

Philip Bourchier O'Ferrall, senior vice president of Viacom International Media Networks, says the *Geordie Shore* cast's combined 7m social media followers have helped build the MTV UK show's TV audience. "I have no interest, frankly, in just growing the successes of Twitter and Facebook," he points out: "My number one role . . . is to drive TV ratings."

To do so, he says, VIMN has started to look differently at the "story arcs" of its shows to make sure each one has enough "digital media peaks", which will drive social chatter or direct viewers online for additional content.

When a *Geordie Shore* cast member gets a tattoo the scene may last just 30 seconds on TV but a tweet from the star can direct fans to 30 minutes of extra footage.

Such second-screen content needs to offer the audience value, Mr O'Ferrall adds, but the definition of value content varies between genres. Statistics may be what persuades a baseball fan to download the MLB.com At Bat app, whereas HBO's *Game of Thrones* app can inform fans exactly where Aegon the Conqueror landed in Westeros or distinguish Tysane Frey from Tytos Brax.

Not all shows generate such obsessive interest and some caveats are worth remembering. In many markets, tablets remain relatively rare and audiences of different ages respond differently to social media.

Nielsen's SocialGuide found that an 8.4 per cent increase in Twitter volume correlated to a 1 per cent rise in ratings for new shows among viewers aged 18 to 34. For 35 to 49-year-olds, however, it took a 14-per-cent jump in tweets to produce the same 1 per cent ratings bump.

SocialGuide's finding that 32m people tweeted about TV last year in the US – just 10 per cent of the population – sets social TV into perspective.

The average American still spends about five hours a day glued to TV, which suggests that the first screen has staying power but, as viewers lean in to social and digital media, broadcasters and advertisers can ill afford to lean back.

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Advertisers look for ways to follow consumers

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business a new lease on life.

"I don't want you to think that television is going to lose here," says Laura Desmond, global chief executive officer of Publicis' Starcom MediaVest Group, whose clients include Procter & Gamble, Samsung and Walmart. "Screens that can allow more relevant messaging, based on more personalised data will win."

Marketers develop sophisticated systems to target television commercials to particular consumers based on who is likely to be interested in their product. Think dog food ads for dog owners and nappy ads for parents of a newborn.

Advertisers increasingly tap into the proliferation of social media data to help determine the videos, graphics, pictures and other content that they create. The goal: to understand the messages that will best resonate with a target audience and make it easy for people to share those messages with their social networks, catapulting the brand to the centre of digital chatter.

"In the last 50 years, we have been working in black and white," says Mr Lord. "What technology does is it brings you new talent and it brings you into colour."

Samsung worked with Networked Insights, a social media analytics company, to help design its much-talked-about campaign for its Galaxy S III Android mobile phone.

A Networked Insights team followed social media for critiques on the iPhone5 as Tim Cook, Apple's chief executive, announced its launch. Copywriters instantly worked the comments into a series of acclaimed print, digital and television ads that Samsung credits with helping to boost its market share.

Marketing executives say that, without doubt, social media have emerged as a crucial and valuable new tool for understanding consumer sentiment and communicating with customers.

What they are still seeking to understand is exactly where social media should fit into their broader ad budgets, where television and print still compete for valuable resources.

Previously, Facebook focused its sales pitch on the small but growing portion of budgets that marketers spent on social media. Now, with an audience of more than 1bn, the social network sees itself as being part of mass media.

That puts it in direct competition with television, where marketers still spend the largest portion of their ad dollars.

"The biggest challenge is making sure that we do not have a conversation that is solely focused on a social media budget, but that we actually are having the right conversations at the right levels as Facebook as a brand-building platform," says Carolyn Everson, Facebook's vice-president of global marketing solutions.

The quick rise of new digital ad players increases the competition for some of the companies that have long dominated the industry. Google faces a wave of new competition for ad dollars in the $48bn search advertising business, from players ranging from Facebook to Amazon.

Some new media are wildly popular among consumers but have yet to develop sustainable ad models. Mobile media is expected to capture more than 20 per cent of media consumption in the next five years, but just a minuscule portion of total advertising revenues.

A glut of advertising inventory is flooding the market at the same time as marketers raise questions over the value of mobile ads. As a result, ad rates are plummeting, causing concern for publishers.

Sleek Hollywood studios have emerged to produce high-quality online video content for a generation of viewers who are just as likely to watch content online as they are on television. Questions loom over whether the advertising dollars will follow. These vast changes are transforming the type of people who rule the advertising business. The 1960s era of three-martini lunches and "creatives" who ruled the advertising world depicted in the *Mad Men* television show is no more. It is being replaced with employees armed with data and schooled in technology. Marketers and advertising agencies struggle to compete with tech companies to recruit the next generation of talent.

Indeed, the change has only just begun. According to Omnicom's Mr Nelson: "You are seeing the industry really shift fast right now, the budgets are moving really quickly to digital. But we've only just scratched the surface."

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Agencies scramble to find the next big thing

Networking apps Innovative ideas can offer rich rewards but launching products also requires exquisite timing, reports *Tim Bradshaw*

It was a typically polished conference presentation by Google – until its sci-fi goggles came out.

Ending a session at a marketing association event on its latest mobile advertising products, Google showed a video of Project Glass, its experimental wearable technology that places a camera and tiny screen inside a pair of spectacles.

"It was so random," said one attendee of the event. "We were all pretty confused by it."

Google Glass is a technically impressive achievement yet, in the wrong context, it risks looking like a gimmick. What goes for Google goes for the rest of the marketing world.

Although agencies often attempt it, leaping on the "next big thing" does not always bring long-term value.

"We don't hunt for new things, just for the sake of jumping on the 'shiny new thing' bandwagon," says Babs Rangaiah, Unilever's vice-president for global media innovation.

Unilever identifies trends and companies "that we feel have potential for the longer term", he says. These are companies such as Jawbone's health-monitoring devices and the "Quantified Self" movement for self-monitoring, and content "curation" apps such as Flipboard. "Within that, companies will come and go, there will be some consolidation, there will be some winners and many that will lose."

Labour-intensive campaigns incorporating buzzy new apps, such as Foursquare in 2009, may give brands a shot of good public relations for appearing innovative. In hindsight, however, the costs probably outweigh the benefits. Even Pinterest, last year's hot startup, has seen its momentum falter.

"Within the social space it's very hard for newcomers to break the social monopolies held by Facebook and Twitter," says Norm Johnston, global digital leader at Mindshare, a WPP media agency.

"Both have done a good job in acquiring, adding to, or augmenting their experiences to the detriment of Foursquare and Pinterest."

At the same time, early adopters of photo-sharing app Instagram have been handsomely rewarded. Within a year, the Facebook-owned app has seen its audience grow from 30m to more than 100m. A handful of brands, including Starbucks, Nike, MTV and Forever 21, have attracted more than 1m followers on Instagram, while dozens more – mainly retailers, fashion labels and media companies – have hundreds of thousands of fans.

Instagram highlights the rise of images in social networking, an area where brands have a natural advantage, with access to professional photographers and celebrity endorsers.

"I think increasingly – and arguably since the beginning of time – people find they can express so much more than words through imagery," says Justin Cooke, chief marketing officer at the fashion retailer Topshop, who believes that Instagram and Pinterest are "scratching the surface – we are at the beginning of their capabilities".

Dan Calladine, head of media futures at Carat, part of the Dentsu Aegis Network, has noticed that many brands' posters and in-public stunts are being created in Instagram-friendly square formats. "It's a wonderful way to get your brand personality across," he says of Instagram.

Brands are finding that slogans and catchphrases are making a resurgence, embedded in photos on Pinterest or Instagram. "I love images with quotes from great authors and leaders and I see that as a big trend combining the two," says Mr Cooke.

As marketers scramble to find the Instagram of video, Twitter's app for six-second clips, Vine, has proven an early contender, topping the iPhone US app charts in April, three months after its launch. Mr Calladine says the app has attracted interest from clients such as Adidas, who sent out new shoes to Vine users who run sneaker blogs, and Fox, which made a six-second trailer for its film *The Wolverine*.

"It's analogous to Twitter," says Mr Calladine of Vine's enforced brevity. "When it came along people said you couldn't do anything in 140 characters. But people are."

In March, British agency veteran Trevor Beattie became the latest adman to declare "the death of the 30-second TV ad", this time because it was "too long". "Five seconds is the right length," he told the Advertising Week conference in London, noting that brands using YouTube's skippable pre-roll ads have only that long to grab viewers' attention before they move on. "People know within two seconds if they like something."

Mindshare's Mr Johnston says that, while the likes of Vine have seen "some limited interest" from his clients: "Most are still struggling to work out the new six-second format."

Yet mastering short, snappy content will become only more important as media consumption goes mobile. Chat apps such as Whatsapp, Line, WeChat and Snapchat are gaining huge followings on smartphones, with hundreds of millions of users between them.

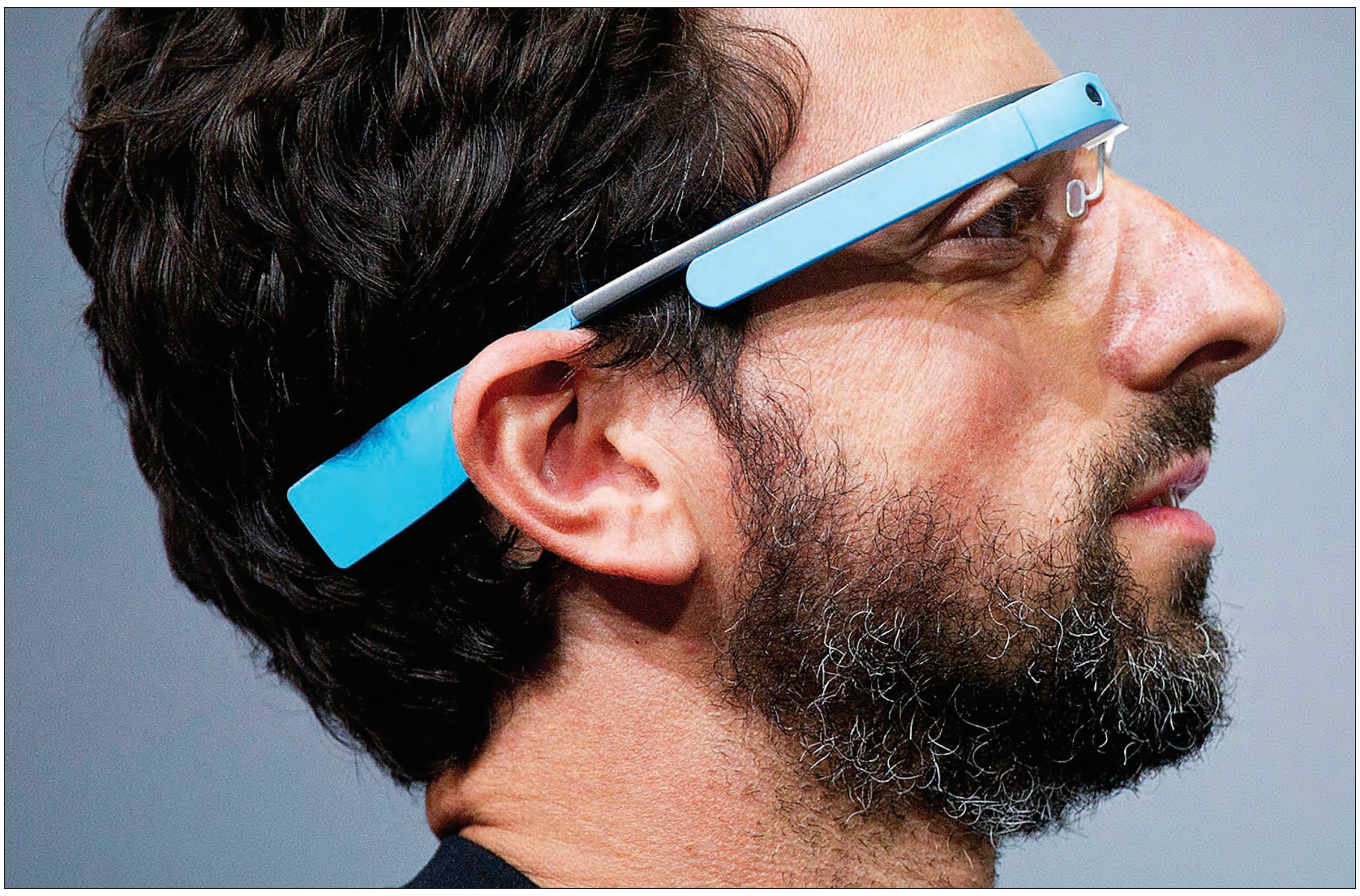
Some of these are starting to allow brands to join what have largely been private conversations between friends. Starbucks and Nike are among the early adopters of WeChat.

Unilever's Mr Rangaiah says such apps are "clearly generating traction in various markets and hitting scale among younger users".

"So, we're interested, but we'll have to work with them to create a model for marketers because there doesn't seem to be one yet," he says.

The makers of Whatsapp have said they are generally opposed to advertising and some brands are concerned that people may not expect to be interrupted by brands in private messaging apps. Mr Calladine suggests that in spite of a few marketers experimenting with Snapchat such activity is more likely to be for the PR value.

So, if the lure of the gimmick remains alive and well, will brands soon be vying for the ultimate in geek chic, Google Glass? Mr Johnston says there is a limit to just how geeky brands want to be, suggesting it is "arguably ahead of its time. It's an imperfect glimpse into the future".



Geek chic: Sergey Brin, Google co-founder, wears his experimental Project Glass Getty

'Within the social space it's hard for newcomers to break the monopolies held by Facebook and Twitter'

Web of creativity means greater opportunities to boost sales

Online video

Growth of platforms and content changes the nature of the game, writes *Matthew Garrahan*

There is a new kid on the block in the advertising world, with online video evolving rapidly and audiences on the rise. Forget about skateboarding cats and the amateur, user-generated videos that used to dominate YouTube: these days the internet is full of slick, professionally-produced programming that would not look out of place on prime time television.

Whether it's Vuguru's comedy *Little Women, Big Cars*, which attracted big audiences on AOL, *Burning Love*, from Ben Stiller's Red Hour Films, airing exclusively on Yahoo, or any of the new YouTube channels packed with professionally-made content, the quality of original online video is beginning to compare favourably with TV.

The question for producers of this content and the platforms that distribute it is whether advertising dollars will follow viewers moving from TV to online. Analysts say it will, eventually. Total advertising on digital video is forecast to almost double from about $4bn in 2013 to $8bn by 2016, according to eMarketer, the research company.

TV will continue to be the primary home of video advertising, with revenues projected to rise from $66bn in 2013 to $73bn. Despite the fragmentation of audiences and time-shifting viewers who use DVRs to watch programmes when they choose – and skip the ads – TV will "continue to dominate spending", says the eMarketer report.

"These two worlds – online video advertising and television advertising – are going to collide," says Tracey Scheppach, executive vice-president of innovation at VivaKi, a division of Publicis specialising in digital advertising. "What will emerge is the idea of addressable advertising." In other words, advertising that is targeted specifically to the particular viewer based on available data. DirecTV and Dish Network, two satellite operators, are already experimenting with targeted TV ads.

Online video can personalise ads – some sites, such as Hulu, allow viewers to choose ads which are more relevant to them before viewing. But, until they perfect the art of addressable targeting, the digital video sector has a potential problem to grapple with. The sheer number of platforms, producers, publishers and programmes out there mean an abundance of advertising inventory is available for brands looking to reach particular audiences.

YouTube has bankrolled more than 100 channels from companies, including Vice Media and Machinima, to create original content; other operators, such as Maker Studios, which is backed by, among others, the actor Robert Downey Jr and media executive Elisabeth Murdoch, have created a network of online video stars.

These companies have built vast online audiences but, with all the programming available, advertisers are struggling to catch up. CPMs – the cost per thousand impressions, a key advertising metric for the sector – are under pressure. BrightRoll, a digital video advertising company, says online video CPMs in 2012 were down by as much as 15 per cent on 2011. CPMs, says eMarketer, will fall from $45 in 2010 to $31.20 by 2014, where they are projected to stay flat until 2017.

Is this decline bad news for the producers and distributors of online video? "The people making the shows are seeing more users and [the number of users] is growing exponentially," says Dan Mosher, general manager of BrightRoll Exchange, the video advertising exchange.

This, he says, will offset the decline in CPMs because the number of people watching online video is growing faster than those rates are falling. "This is about the overall industry growing. Advertisers aren't hitting the kind of scale in digital video that they are used to in TV." Advertising spending will continue to move from TV to online platforms, he adds. "We're already seeing that and it will continue to happen."

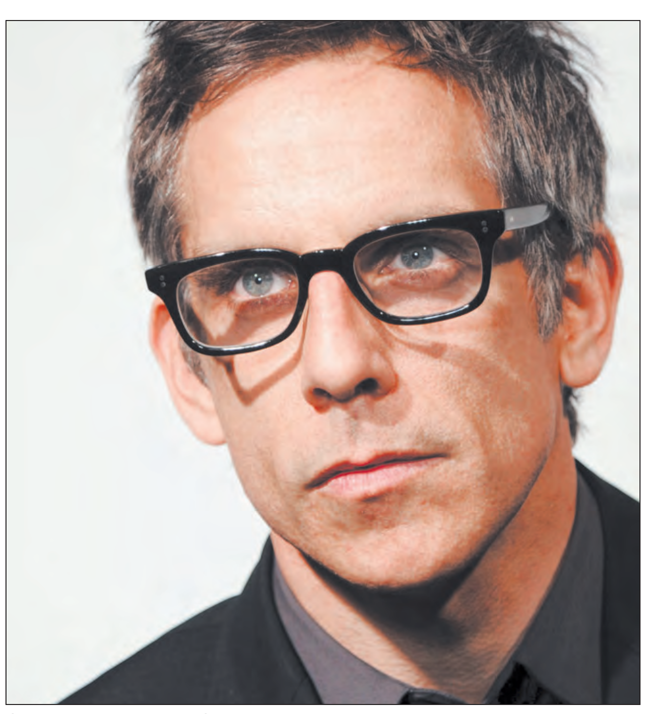
His confidence is echoed by Larry Tanz, chief executive of Vuguru, one of the most prolific producers of programming for the web. The company makes shows for distribution on a range of platforms, including Hulu, AOL and Yahoo, which is airing Vuguru's puppet comedy, *The Fuzz*.

"There's been a big increase in volume [of viewers] and there are also more advertisers," he says.

The bigger issue for the sector is that it is so young, Mr Tanz adds: brands are not used to buying advertising time in the way they buy airtime on TV.

That will change. "This is a great time to be a content owner and creator because now you have distribution platforms that are trying to increase their inventory by increasing their audiences," he says. "They need premium and original content to do that."

The number of people watching online video is growing faster than ad rates are falling



Screen saver: Ben Stiller's 'Burning Love' airs on Yahoo Getty

Digital and Social Media Marketing

Facebook measures up for marketers

Social network

The site is moving closer to advertisers and developing tools to show it can deliver customers for their products, writes *Emily Steel*

Global mission: Carolyn Everson, Facebook's vice-president of global marketing, wants to build services that appeal to users and advertisers Getty

Carolyn Everson is in the midst of a marathon week. It started at Facebook's headquarters in Menlo Park, California, with a day-long meeting for its council of some of the world's most powerful advertising executives followed by a 20-hour day on the launch of Facebook Home, the social network's new "super app" for Android smartphones.

Facebook's vice-president of global marketing then found herself flying through Montclair, New Jersey, New York and London, evangelising Facebook's advertising business. The week, which included a stop in Austin, Texas, for the wedding of another Facebook executive, mirrors the whirlwind of the past year, during which she has circled the globe on a mission to listen to marketers' needs and convince them of the value of advertisements on the social network.

"The business is in a fundamentally different position today compared to a year ago," she says, which has nothing to do with going public but rather a focus on building services to appeal to both advertisers and Facebook users. "We're on a journey, and we always say we are 1 per cent done."

The bubble around Facebook's initial public offering started to deflate last spring when major marketers questioned the value of advertising on the site. It wasn't that they dismissed the value of communicating with consumers on the site, which largely was free, but rather they didn't know whether buying ads would spur sales.

The most prominent was General Motors, which announced it would stop buying ads because of questions over what returns the ads generated.

Facebook has spent the past year working closely with major advertisers to develop new advertising products, including ads that feature more prominently in the news feed as well as on mobile devices. It launched a series of measurement and data initiatives that let marketers more precisely target ads based on parameters such as actual shopping patterns and then measure whether people who see their ad end up buying the product.

Conversations between Facebook and marketers have shifted from social media speak about the number of fans a brand has, executives say, to measuring the actual business results. "They were talking in a language that media buyers and marketers didn't really want to speak to them in," says Colin Sutton, director of social media for advertising company Omnicom's OMD media buying firm. "They needed to talk the language – not of money – but of marketing."

While some questions linger, marketers are changing their tune and are expected to spend more than $5.6bn on Facebook advertising this year, up more than 31 per cent from $4.3bn in 2012, according to eMarketer, the digital media analyst. On mobile alone, Facebook is expected to earn $1.5bn this year, more than three times the $471m it earned in 2012.

Even General Motors recently announced it would return to buying ads on Facebook by testing the site's new targeting and measurement offerings for a mobile ad campaign promoting its Chevrolet Sonic sedan.

"It is generally accepted that Facebook does have an impact," says Jonathan Nelson, chief executive of digital at Omnicom. "What we're struggling to figure out is the exact impact and how that fits into the overall media mix."

Laura Desmond, global CEO of Starcom MediaVest Group, whose clients include Procter & Gamble, Samsung and Walmart, adds: "When you try to have the old systems of the past measure what Facebook is doing with consumers and brands, it doesn't work. What Facebook is doing is a model buster. Brands and measurement are catching up."

Take Unilever, maker of Dove soaps, Ben & Jerry's ice cream and Vaseline, which has boosted its Facebook spending in the past year. Keith Weed, chief marketing officer, is a member of Facebook's client council, where he has provided feedback on marketing initiatives, advocated new products and gained early access to new capabilities. The developments have helped Unilever understand how ads on the site lift sales, spurring big promotions such as a recent campaign in Brazil for Seda hair products. Unilever designed a campaign with mobile ads featuring a soap opera actress. The company credits the campaign with boosting market share.

"The challenges and opportunities of online advertising . . . [revolve around] the speed of change and innovation," says Debbie Weinstein, Unilever's vice-president of global media.

"We are confident that the degree of collaboration we have with them puts us in a good place to be able to capitalise on this ever-changing landscape, and shape what we are able to do with them."

Ms Everson, a former ad sales executive at Microsoft and MTV, says she aims to continue to build mobile business and convince marketers to think about Facebook on the same scale as television, where marketers spend the majority of their ad dollars to reach massive audiences.

"The pivot from just being a social media conversation to actually being an indispensable media partner," she says: "That is my mission here."

Data industry scrutinised over profiling

Privacy

Consumer groups are worried about how information on them is being used, says *Emily Steel*

During the important back-to-school and holiday shopping seasons, a US national department store chain wanted to steal customers from the competition.

The retailer sought help from Acxiom, the global consumer data broker that collects information about more than 700m people across the world and sells that information to more than 7,000 clients. Tapping credit card transaction data, primary research, geographic information and other demographic details, the companies designed a targeted marketing push around Acxiom's new Audience Propensity models.

The system does not simply track a consumer's past but analyses a broad set of datapoints to predict what individuals are likely to do. The result: a 50 per cent lift in average purchases and a more than tripling of return on investment in the campaign.

"Modelling in the past was elementary," says Tim Suther, Acxiom's chief marketing and strategy officer. "This development is game changing."

The holy grail for marketers has long been to show the right ad to the right person at the right time, whether they are on the web, mobile phones, digital billboards, in stores or on television. A proliferation of data about the individuals – from credit card transactions and other finances to social media activity, online searches and political leanings – coupled with cutting-edge analytic and targeting technologies makes that dream possible today.

On Facebook, for instance, a marketer can buy ads targeted at people who spend three times more than the national average on children's cereal based on purchase information from Datalogix, a data company. Marketers then can tap the data to figure out whether or not people who saw the ad end up visiting the store and buying the advertised product.

Other futuristic visions, such as a Verizon patent application that describes a television that can listen in on people's conversations to select personalised ads, are not beyond the scope of what is technologically possible today.

But questions over digital privacy threaten to prevent that future from becoming a reality.

Consumer privacy advocates fear a world where such personal information creates a so-called "database of ruin", where individuals' secrets about sensitive topics such as medical conditions, sexual history and financial details would be mined and used against them. Imagine not being able to obtain health insurance, a mortgage or a job based on those details. They worry about corporations that use the data to prey on vulnerable populations, such as children or people with mental health issues.

"I am concerned that the rich profiles being created about consumers can be used to harm them at work and in their financial lives," said Julie Brill, a commissioner with the US Federal Trade Commission, in December. "I'm equally concerned that consumers are unaware of this data collection and use activity or the companies that engage in it, and so have very little opportunity to exercise any current rights they may have to opt out, access or correct this data."

Prompted by concerns about a data industry that long has operated in the dark, lawmakers and regulators across the globe are stepping up their scrutiny of the business.

In the US, for instance, the Federal Trade Commission in December launched an investigation into nine data brokers, including Acxiom and Datalogix. The effort followed similar queries raised by US lawmakers. The Obama administration last year unveiled a Consumer Privacy Bill of Rights to create greater protections for consumers and pledged to work with Congress to develop more robust privacy legislation.

No laws in the US require that data brokers maintain the privacy of individual's data unless they are used for credit, employment, insurance, housing or similar purposes.

Some data brokers are attempting to fend off regulation by making their operations less opaque. Acxiom recently said it was in the process of building a new system that would reveal to consumers what it knows about them. Acxiom said it was "not on the radar now" for people to be able to completely delete their profiles. Facebook said other data companies are required to build similar systems to sell data as part of its new ad targeting initiatives.

> 'I am concerned the rich profiles created about consumers can be used to harm them'

Privacy advocates worry that the developments are not enough. "The fact of the matter is, yes, this is too little, too late," says Jeff Chester, executive director of the Center for Digital Democracy, which is conducting research into the invasion of privacy tied to online financial marketing, children, mobile, social networks and the pharmaceutical industries.

"Businesses have perfected a model that allows for the millisecond-by-millisecond collection of data to create individual profiles on global consumers."

Lawmakers may fall victim to a conflict of interest, meanwhile, when developing stronger privacy protections. Increasingly, politicians deploy the same tracking, analytics, personalisation and targeting technologies as corporations in their election campaigns.

Canny advertisers target your mobile phone

Smartphones

As devices become more sophisticated, marketers upgrade their pitches, reveals *Robert Cookson*

It knows your most intimate details, from your online browsing habits to where you live, work and play – and it demands your attention wherever you go.

Marketers could hardly have dreamt up a better medium for advertising than the smartphone.

Yet, even as people spend an increasing amount of time glued to their smartphones and tablets, mobile represents less than 3 per cent of total ad spend across all media in most major markets. But that is starting to change as brands wake up to the unique opportunities of the medium for immersive, highly-personalised ads.

As smartphone ownership last year surged past 50 per cent of the US population, mobile ad spending has become the fastest growing among all media categories.

In the UK, at the leading edge of the trend, mobile advertisement expenditure more than doubled in 2012 to more than £500m. This accounted for a tenth of all digital advertising.

Publishers, for their part, grapple with the speed at which visitors to their sites are shifting from desktop computers to mobile devices, says Rob Jonas, an executive at PubMatic, an ad sales platform for publishers.

The problem for publishers is that demand from advertisers for mobile ad inventory has lagged behind the huge increase in available space, causing average CPMs (cost per thousand impressions) to fall well below $1.

In an attempt to boost their revenues, a small but increasing number of publishers are allowing media buyers to place ads on their mobile sites in real time, using exchanges where individual ad impressions are traded like stocks. Real-time bidding, which now accounts for about a fifth of online display ads, is especially powerful on mobile.

"On mobile, there's an awful lot more information about the user. It knows where you are and it knows more about things that you've done than perhaps your PC does," says Mr Jonas.

"So, therefore, it's very attractive to advertisers because of that richness of information."

To illustrate the power of mobile advertising, London-based ad technology group BlisMedia recently launched a showpiece campaign targeted exclusively at potential clients.

The company identified the precise co-ordinates of the offices of big agencies such as WPP, and targeted any mobile phone it could detect at those locations with interactive banner ads.

The ads, which showed a soapy screen, were expandable and allowed viewers to "clean" away the soap bubbles with their finger. Behind the bubbles stood BlisMedia's sales director, inviting viewers to call the company by touching the screen.

Kevin McGovern, BlisMedia

"It was incredible," says Kevin McGovern, chief operating officer at BlisMedia.

"We started running the campaign at 9am on a Monday morning and by 11 o'clock the phone was ringing with people asking, 'how did you do this, how does it work?'"

Brands have started to spend up to £100,000 a go on location-based mobile campaigns, something that was unheard of a few years ago. Tesco, the supermarket group, used BlisMedia to target ads at people within a mile of competitors' stores.

Royal Bank of Scotland used a combination of location and demographic data to advertise its sponsorship of the Six Nations rugby championship only to males aged 20 to 24 who were in certain places, such as four and five-star hotels and airports.

Not everyone is convinced that location-based targeting is mobile's biggest strength.

"I'd say what makes mobile different is first and foremost the personal nature of the device," says Victor Malachard, chief executive of Adfonic, a platform for buying ads on mobiles.

"If you're engaging with a person through a smartphone or a tablet, you're going to have that person's attention far more than if you were engaging with them through desktop or television or print."

One of the biggest trends this year will be the rise of immersive, "rich media" ads on mobile, says Mr Malachard.

Until recently, mobiles have mostly been vehicles for search and display advertisements.

The rollout of ultra-fast 4G mobile broadband across the world is expected to fuel this shift to bandwidth-hungry interactive ads, which are able to make the most of the touchscreen features of mobile.

Innovations in mobile advertising are cropping up almost every month.

Nuance, a US company that develops speech recognition technology, this month launched a product that allows advertisers to create ads that respond to a user's voice.

Gone are the days when advertising was limited to static images or dumb videos.

Tomorrow's ads will not only be personalised, based on where you are and what sites you visit, but they will also be able to ask you questions, too.

Instant response requires cultural change by brand owners

Real-time marketing

Need for speed and relevance overtake traditional models of advertising, reports *Rob Budden*

The Super Bowl, climax of the American football season, has long been one of the most watched television broadcasts in the US, making it coveted real estate for advertisers.

So much so that brands compete to have the most talked about advert during the sporting event.

This year, it was arguably a single tweet that eclipsed all this noise and at a fraction of the cost.

Oreo, a popular cookie brand, was quick to capitalise on an unexpected electricity blackout shortly into the second half of the game.

Within minutes of the power failure, the company had released a simple image into the Twittersphere of an illuminated Oreo cookie on a black background with the caption: "You can still dunk in the dark."

The image was retweeted more than 15,000 times and has been held up as a highly creative – and successful – example of the latest buzzword in the ad world: real-time marketing.

Oreo's success was not an accident. Mondelez International, maker of the cookies, had assembled a team of creatives with the remit of responding quickly to events.

It was important that it got its creative message right. But, in the world of social media, speed and relevance is key, say advertising executives.

A separate tweet by Motel 6, the hotel chain, made 16 hours after the Oreo message, read: "Next Year's Super Bowl will be played at Motel 6. They'll leave the lights on." It received less than 30 retweets.

Drew Burdon, head of strategy at digital agency R/GA London, says the shift to real-time response is forcing brands to question their traditional thinking.

"Brands have been broadcasted entities rather than participative," he says. "It's always been a pre-placed piece of thinking. But the rules pretty much change when you get into online and an always-on environment. It's almost the opposite of where campaigns have been."

In the online world, says Mr Burdon, brands cannot really get away with telling consumers they are interesting, they have to be interesting.

And "being relevant on Facebook is probably commenting on something that happened five minutes ago", he says.

Big brands are starting to respond. Ron Peterson, practice lead of social at AKQA, a digital agency, says that Coca Cola has committed to doing 30 per cent of its marketing in an agile way, which means taking more risks and doing more of it in real-time.

"We are starting to see a lot of brands and businesses being able to take social data to personalise in a real-time way for the individual," he says. "It will be inevitable for every brand to start thinking this way."

Dan Plant, head of real-time marketing at media agency MEC, says this shift to real-time will spread to more traditional media, such as press and television. He says television ads can be put together in a more modular fashion, say, by creating two minutes of copy in 12 10-second vignettes and tailoring a final version based on live user feedback.

"It means making more pieces of copy than you need to, but it's the right thing to do to make media-spend work that much harder," says Mr Plant.

The shift to digital advertising and the growing need to respond to live consumer feedback has already seen agencies and brands invest heavily in data collection and analysis systems so they can track – and react – to user behaviour in real-time.

> 'Clients have to let go a little bit. That is going to require courage and is a little bit scary'

On the launch of EE, the mobile phone network of T-Mobile and Orange, MEC tracked data from more than 20 sources in real-time, examining information such as footfall, search behaviour and user clicks on adverts. This allowed the marketing campaign on behalf of the new mobile network to be tweaked as it went along.

"When you are spending millions of pounds, you don't have three or four weeks to wait," explains Mr Plant.

However, to react to this quickly requires cultural change at brand owners, say advertising executives. Often this will mean having to clear creative campaigns within minutes rather than months.

"When people look back at the success of that Oreo moment it was not just that the agency was set up ready to go, but it had the client with them so it could be 100 per cent reactive," says Rob Sellers, director at Dialogue, a shopper marketing agency. "If they can't get the client at the end of the phone then they can't do anything."

MEC's Mr Plant says: "Clients have to let go a little bit. That is going to require courage and is a little bit scary."