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CABLE TV CONFERENCE GRAPPLES WITH MEDIA UPHEAVAL

CTAM Operators and Network Marketers Struggle to Keep Up With Pace of Change

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PHILADELPHIA (Adage.com) -- Quickly adapt to a new media universe or die was the stark message for cable TV operators and network marketers at this week's CTAM Summit.



In both the humor of its pugnacious event theme as well as the hard facts of its session presentations in the Pennsylvania Convention Center, the CTAM conference emphasized the dramatic changes and challenges now confronting cable system operators and network marketers.

Held in cable giant Comcast's hometown of Philadelphia, speakers at the conference told the 3,400 attendees not to get too comfortable because their roles are changing as quickly as their number of competitors are growing.

'Thrilla in Phila'

The increasingly pugnacious nature of the competition for subscribers was also echoed in CTAM's theme of "The Thrilla' in Phila," which used boxing imagery to present the annual event as the "World Cable Heavyweight Conference."

Beyond the humor, though, speaker and speaker underscored the dramatic nature of the changes that continue to reshape the media world and the cable business at mind-boggling speed.

For instance, in her keynote address, Ogilvy & Mather Worldwide CEO Shelly Lazarus pointed out that while it once took only three network TV shows to reach 80% of America's consumers, today it takes 57. She said networks and cable operators are faced with a "huge sea of competitors ... some of whom you didn't even know you had before."

Telecom, broadband and satellite

Those competitors include telecom companies launching video delivery systems; Internet portals proving to be powerful broadband video distributors; and satellite companies continuing to be a threat. Last month AOL amassed 5 million viewers during its coverage of the Live 8 concert event.

Ms. Lazarus called cable multiple system operators part of an industry "that held the consumer captive, [operators] in some instances were monopolies and most often viewed as a utility." She held up video-rental chain Blockbuster as an example.

THE THRILLA' IN PHILA'

"Blockbuster didn't care about its customer because it didn't have to," she said. "There was so little competition until a Silicon Valley company called Netflix came into the picture." Netflix founder Reed Hastings got the idea for Netflix after sheepishly paying Blockbuster a \$45 late fee for *Apollo 13*.

Later that day Peter Sealey, former chief marketing officer at the Coca-Cola Co. and, later, Columbia Pictures, declared the end of "ad-supported network TV as we know it."

Runaway ad rate inflation

He pointed to ad rate inflation: Between 1982 and 2002 the cost of gasoline went up 21%, milk up 83%, a U.S. Postal stamp up 85% and a cost-per-thousand-viewers on ABC up 400%. "[General Motors] doesn't have the money to keep up with that kind of increase," he said.

"Last year I begged C.J. Fraleigh [then General Motors Corp.'s executive director of advertising and corporate marketing] and [Procter & Gamble Co. Global Marketing Officer] Jim Stengel. I said, 'If you guys didn't go to New York there's no upfront.' ... Someday that'll happen."

Mr. Sealey, now CEO of consultancy Los Altos Group and adjunct professor of marketing at UC-Berkley's Hass School of Business, called the current TV ratings system "outrageous" and said paper diaries --

THE WORLD CABLE-HEAVYWEIGHT CONFERENCE

used by selected viewers to track their TV-watching habits -- create "fancified data." He said a "thermonuclear explosion" of electronic, integrated media measurement will come, but not from ratings trackers VNU or Arbitron: "What we're looking at right now is a device you'll wear -- it's your cell phone."

Permission-based TV marketing

And while Mr. Sealey said cable will benefit in the short term from advertisers' desire for targeting -- "We know [the audience] on Food Network but we don't know [the audience] on Fox at 8 p.m. on a Friday night, at least nowhere near that [of Food Network]" -- eventually, advertisers will insert ads at the household level, to which cable operator's are the gatekeepers. "It really goes to permission-based ... 'I will allow this marketer to reach me.' And when people say, 'I would like to have your advertising stream,' you've got to honor that."

Peter Weedfald, senior vice president of sales and marketing for Samsung Electronics, talked about the difficulty marketing in an economy with attention deficit disorder, a theme he introduced at *Advertising Age's* AdWatch: 2005 last month. After saying "a dollar on the Internet is worth a hundred on TV" and imploring cablers to lower their ad rates, he went on to talk about the ways in which his company has created marketing partnerships with Comcast, Time Warner and other cable pipelines to push both their HDTV services and Samsung's high-definition TVs. He noted Samsung will continue to work with cable -- "we want digital cable-ready TV in 2005."

Video on demand a hot topic

Finally, video on demand continued to be a hot topic as a session on Rentrak's measurement of the medium solicited a standing-room-only crowd.

Rentrak, originally a video rental and box office tracker, has been hired by all the major cable operators except Time Warner Cable and Cox Communications to aggregate four metrics: the VOD universe, a VOD's total views, unique set-top box views and total minutes viewed. Right now the cable operators decide how much of that data they want to share with advertisers; Rentrak will soon begin offering content providers daily measurements of VOD delivery.

Additionally, Internet ad insertion company Atlas, a division of aQuantive, announced an initiative it hopes will help it offer ad insertion in the VOD world.

Making VOD an ad-supported medium

There are three key barriers to making video on demand a dynamic ad-supported medium, said Scott Ferris, senior vice president and general manager of Atlas on Demand. One, there needs to be an economically efficient ad-insertion model so agencies don't have to deal with a half-dozen different cable operators to make a national VOD ad buy. Two, cable operators must sort out the data sharing and privacy issues that will deliver demographic measurements to advertisers. And, finally, content providers (a.k.a. the networks) and the cable operators need to strike a viable commercial agreement.

"We hope to take care of the first," Mr. Ferris said, suggesting it may become a reality by first quarter 2006. Atlas on Demand has partnered with C-Cor, which supplies VOD technology to 8% to 10% of the market. It aligned last May with VOD software vendor Sea Change, which controls about 65% of the VOD market.