



# EUROPEAN MEDIA LEADERS SUMMIT 2007

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## **Monetising the new consumer: advertising comes back to the future**

Amid the wide-ranging discussion of changing media consumption habits, some of the most striking observations at the Summit focused on the ongoing shifts in consumers' attitudes to online advertising. It has long been accepted that 'relevance' is critical in getting consumers to engage with advertising content. But, as several speakers at the summit pointed out, it is now becoming increasingly clear that – in some circumstances – consumers are willing to accept advertising as a trade-off for gaining access free of charge to the content they want.

This point was made most clearly during the session "*Another life for advertising*". During it, John Enser, a partner with the specialist media law firm Olswang, revealed the findings of consumer research that his firm has conducted into this issue. His initial comments covered the more negative findings. "From our survey, it seems that there is real antipathy to pop-ups," he said. "They're intrusive and get in the way. In fact, all online advertising was generally regarded as more intrusive than that on traditional media such as TV or billboards."

However, he then revealed a substantial potential upside for advertiser and media companies. "But our study also showed there was clearly a pay-off," he continued. "If people felt they were getting real value from being exposed to online advertising, then – despite their natural antipathy – they said they were willing to embrace advertising as a payment mechanism. The message is that consumers understand very clearly the explicit bargain for online content. Forty-six per cent of our survey base said that if they had a choice between getting something for free in return for watching some ads, or alternatively paying money for the content, then they would tolerate a few ads. And 8% said they would tolerate more than a few ads in those circumstances."

### **A price consumers are prepared to pay?**

These findings suggest advertising has substantial commercial potential as a proxy for payment with today's consumers of online content and services. This potential is already being demonstrated by the rising value of online advertising, and its increasingly core

positioning as a pivotal element of the advertising mix. Location-sensitive mobile advertising is seen as a particularly exciting area going forward.

One of the key attributes of a digital advertising value chain is that the results are so measurable – as Marc Overton, Vice President of Strategy and Business Performance with Orange UK, pointed out in the session on internet video, “*Unlocking the global audience*”. “The CPM on the pre-roll videos on our portal is five times that of banner ads,” he said. “We ran a click-through for Orange Flybox that had a register facility, and the click-through rate was phenomenal. But while the click-through CPMs are remarkably cheap, what matters isn’t just CPMs. In the end advertising is about results – changing perceptions and moving products. And we have seen some absolutely compelling testimonials with video on broadband.”

Other speakers highlighted the potential for embedding brands in online content and services, enabling consumers to interact with them direct. Phil Guest, UK Managing Director of the virtual world Habbo, another panellist in the session on advertising, commented: “Clearly, in a virtual world, displaying a banner is not very interactive. However, what works very well is when we bring these brands into a virtual environment, and have people interact and engage with them.”

He gave the example of an interactive campaign run on Habbo for the *Fantastic Four* DVD, where users took the storyline and characters and developed them for themselves. “Our members built over 400 virtual rooms of a DVD release,” he said. “If you can build that level of engagement for a brand, then you are also building a really strong group of advocates. That’s worth ten times what you might spend on traditional advertising.”

Speaking in the same session, Ed Bartlett, Co-founder of in-game advertising specialists IGA Worldwide, pointed out that his company’s “networked outdoor” advertising in video games achieved recall rates among game-players of over 70% – partly because users were so focused on the screen while playing. “You can’t be multi-tasking when you’re playing a video game,” he said. “So we can pretty much guarantee that if an ad hits our time and size on screen metric, the user will have seen it. And it isn’t disruptive.”

Another non-disruptive approach was described by Ziv Navoth, VP Marketing, International with Bebo, in the session on video content. Discussing the costs of producing high-quality content, he commented: “Even if you bring the cost down to £1,000 per minute, the only way you can fund that is by having brands incorporated into the storyline. So you quickly get to a model where advertisers can integrate their products and services into a story that then users want to watch.”

### **Closing the gap**

However, despite all the optimism, there was a widespread sense among the speakers that advertisers are lagging behind consumers in the migration to online media. Marcus Starke, President and CEO, EMEA, with Wunderman, commented: “Advertisers are still relatively traditional in the way they spend allocated budgets. Most budgets are going into traditional media, but consumer behaviour is shifting. So advertisers are taking time to adjust to what’s happening in the real world. From my perspective, it’s still trial and error in many industries – almost learning by doing.”

So, what will it take to make advertising migrate to digital channels at the same speed as consumers? According to Tom Eslinger, Creative Director, Interactive with Saatchi & Saatchi, the answer lies on both the buy- and sell-sides of the deal. "Part of the big challenge we have had is getting the right people in place on both the agency and client side," he said, during the keynote presentation on advertising on day two the Summit. "Clients like Toyota commit to on-line because it's a natural channel for them. But trying to get budget commitment out of some clients requires a real shift in their organisation.

The message from the Summit is clear. The demand is there, the consumers are there and the models are there to create digital advertising that delivers real results. Some advertisers are catching on – and, given time, eventually all of them will.