

Only Cable can deliver On Demand Advertising... a business whose time has come.

Getting Started with On Demand Advertising – It's Time.



Rarely does a week go by that there isn't a feature story about the future of advertising and how profoundly it will be affected by the 'what I want, when I want it' nature of today's television viewing experience. This year, more than a billion On Demand streams will be consumed across America, more than 20 million homes will watch programs with DVRs, and more advertisers than ever will worry about the impact of ad-skipping, and ad-free On Demand experiences.

At the same time, we consistently hear the call for new advertising options – new ways to reach younger demos, new ways to communicate product benefits in depth, new ways to build brand experiences and new ways to put advertising where it cannot be avoided.

Perhaps more common than any other call is the call for accountability – for some greater proof of effectiveness, some better measure that the money was well spent.

These forces are acting upon our industry and we need to respond to them, to harness them and turn the situation to our advantage.

Only Cable Can...

For the last two years, CTAM has run a campaign called 'Only Cable Can' aimed at fending off the satellite providers and winning back customers. It features capabilities such as High Speed Data, On Demand and High Definition, making clear that all of these features are unique to Cable or substantially better with Cable.

'Only Cable Can' may as well be the slogan for the future of advertising as well. Cable television is the only platform with access to On Demand technologies today. Only Cable can offer household level ad insertion, shelf space for long-form ads and detailed viewership reporting at the atomic level. No one else can do it.

These are brand new concepts. They have amazing potential but they are not without risk. No one has done anything like this before, and none of the old models really fit. Who do we sell it to? How do we price it? How much data do we give? On Demand Advertising takes elements of television, direct mail and internet advertising and mixes them into something unique to Cable that is at the same time new and unknown.

Shooting the Moon

Its an imperfect analogy, but jumping directly to selling all advertising at the household level with On Demand Advertising would be a bit like trying to go to the moon with the very first rocket. America didn't try it, and neither should we. Long before the Apollo program, Gen. Chuck Yeager was learning to fly faster than the speed of sound, the Mercury program taught NASA how to keep men alive in space, and Gemini explored how to rendezvous, dock and spacewalk. We can and should adopt this approach – getting underway, learning systematically and putting the industry on a path of learning as we head for our goal.

Starting Easy - Shelf Space

The easiest way to make money with On Demand is to sell space on the On Demand server itself. Typical installations have 2,500 – 10,000 hours of storage, and rarely run more than 75% full. There is plenty of space to be allocated for :15, :30 and even hour long ad content. Movie previews, detailed looks at the latest autos, real estate showcases, the possibilities are endless for both national and local customers.

On Demand systems typically report every stream use, so there is detailed information to provide back to the advertiser, but On Demand penetration varies by market, and usage by position in the menu tree, so it is hard without direct experience to determine how to price this space. The most common solution to this is to pair shelf space with a schedule on the linear networks or to provide it as part of an annual renewal. The linear schedule promotes traffic to the advertiser and to their shelf space and gives you a straightforward way to charge for the service. Using it with an annual gives you a way to sweeten the deal for your largest advertisers. Either way, you get started, and this time next year, you have a good idea what to charge for the service going forward.

What about cost? How much equipment do you need? Virtually none. Selling shelf space requires only two things; a local encoder that can upload to the On Demand system, and a reporting engine to tell you the results. Almost every On Demand system out there already has a reporting engine. Standards for uniform reporting across platforms are just beginning to appear, but as long as you have a clear picture of what your platform can report, what those reports mean, and what your MSO is willing to release, you can tell your advertiser what to expect.

On the encode front, many ad sales operations are buying new encoders so they can handle digital into digital insertion for simulcast operations. Many of these encoders come with the software required to create On Demand assets. When you choose an encoder for digital simulcast, simply choose one that can upload to your On Demand system and you will be on your way. If digital into digital insertion is still a ways off, you can still buy the encoder now, making your ads look significantly better on air, preparing you for simulcast and getting into the shelf space business – all for about \$40,000.

Simple :30's - Local Origination On Demand

Owning an On-Demand capable encoder also enables the second step in On Demand Advertising – placing ads in locally produced content. This operation is very straightforward. Much like the major networks, you simply edit ads into the local content before you encode it and upload it to the VOD system. High school football, coaches' shows, etc. all can be ad-supported. Here again, you may wish to pair it with a schedule or put it in an annual until you ascertain the value through experience and can begin to charge for it with confidence.

Ad Insertion in On Demand

The real promise in On Demand advertising is household-level targeting. Accomplishing this requires real time dynamic insertion in the On Demand platform itself. This is a technical reality today, but in a

way it is ahead of its time. The problem here is operational, not technical. How do you schedule and bill household-based ads? How do you predict inventory? How do you know even where to put the ads? These are all real issues.

The answer here again is to start simply and build our operations out as we learn. We start by placing dynamic On Demand Advertising based on broader criteria, like network, program, genre or time. We step from there to Zones, and Zips. Then to Zip +4, and ultimately we look at household level insertions. Along the way we learn about inventory and how to manage it, desirable targets and not so desirable targets, and what to do about them, scheduling, billing, and what exactly the agencies want from us.

Version 1.0 of On Demand Advertising will be released by SeaChange® in August of 2005. This starter kit for On Demand Advertising lets Cable operators begin exploring. It supports insertion to the Zip +4 level, and includes robust splicing and execution code required to make insertions in On Demand look as good as they do in broadcast, and basic trafficking tools to let operators schedule placements. To keep things simple, version 1.0 focuses on placing ads before and after programs, while providing robust new reports on viewer behavior as it relates to the ads. Were they fast-forwarded? Rewound? Paused? Version 1.0 will let you know - so you can begin to build the models for your On Demand Advertising business, and to see what the important features are for versions 2.0, 3.0 and beyond.

When you subtract the complexity of household, or even Zip+4 ads, it becomes easy to see how to start. Picture a sponsorship or marketing message running in front of specific On Demand shows. Perhaps a local auto dealer sponsors both a little league team and On Demand baseball lessons. The grocery store sponsors a cooking show, or even the MSO itself promotes related On Demand content. Five seconds or thirty, one ad or several, putting ads in front of an On Demand asset based on the program, network, genre or time is an obvious place to start.

Starting at this level also lets you bring your advertisers along. They get to explore with you, getting used to the idea of precision targeting and learning what value it holds for them. You get to invent the business together – a business only Cable can perform.

SeaChange understands the need to get started, to explore, and to do so with little risk and moderate expense. We are looking for partners in this exploration. Partners who will help us determine how to build the next generations of this business. Version 1.0 of On Demand Advertising will be available for around \$200,000 for all but the largest DMAs. If your site has SeaChange, On Demand Advertising belongs in your budget for 2006. The small investment gets you and your advertisers in the game, learning first, exploring together, and building the future.

To learn more about how you can expand your business with On Demand, visit us at www.seachange.tv, or call us at 978-897-0100.