I have a question for you. When you meet someone for the first time, and they ask, "what business are you in?" How many of you say you're in the TV business? How many say you work in marketing or maybe design? How many of you say you're in the media business? How about the entertainment business?

I was thinking about that the other day when I came across a copy of **Theodore Levitt's *Marketing Myopia***, published way back in 1960. You may not know the paper or the author, but you've probably heard of the case studies.

For example, he contended that railway companies, at one time part of the most successful industry in the U.S., declined because they thought of themselves as being in the "the railroad business" rather than being in the "transportation business." And sure enough, trucking companies and the airlines came along and took a big chunk of their business—and their customers—away from them.

He argued that in the 50's much of Hollywood suffered through the introduction of television because they thought they were in the "movie business" instead of the "entertainment business."

And he predicted that oil companies would suffer because they believed were in the "petroleum business" instead of the "energy business." I guess we're the ones paying the price for that. $4.56 a gallon to be exact.

All of this he attributes to **Marketing Myopia**—the idea that the vision of most organizations is too constricted by a narrow understanding of what business they are in.

Now I know, you think I'm going to tell you that we're not in the **TV business, we're in the media business, or we're not in the media business, we're in the entertainment business. Actually, I think we're more like the railroads. We're in the transportation business. The transportation of ideas.** Now, that's not as esoteric as it sounds.

:30 Fed Ex "Responsibilities"

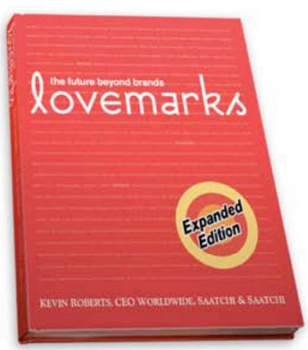
If you think about it, transportation involves a sender, a receiver and a pathway between the two. Just like media. Except instead of highways and flight paths we have channels, networks, stations, portals. And we're learning that we need to be involved in every step of the transportation value chain—just like Fed Ex.

I'm serious about this. Fed Ex, which had already revolutionized the transportation business, realized it was an industry with many layers. That's why they bought Kinko's.

I believe the same is true for us in electronic media, we need to explore the many layers of the **media value chain**—and I want to spend some of our time today talking about that.

Let's start out at the top—**brand**. We all know that "brand" is the most overused word in our business. You launch of new design package and you've got a new brand. You finish an image campaign and you've rebranded your channel.

Those of you who have attended one of my brand workshops know I define a brand as **"a consumer's perception of a service or product."** It's not the logo, the programming, the packaging, the promotion. It's all those things taken all together. It's the way consumers "think" about your service.



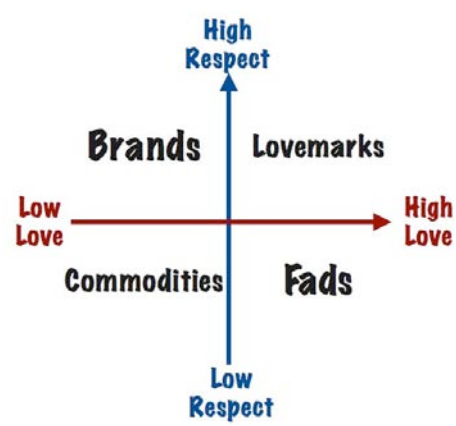
Last month I had the opportunity to speak at a conference with Kevin Roberts, CEO World-Wide of Satchi & Satchi. He's also the author of the book, *Lovemarks: the Future Beyond Brands.*

Roberts believes that "for great brands to survive, they must create **Loyalty Beyond Reason**…" That "this is the only way they can differentiate themselves from the millions of going-nowhere 'blands,'" as he describes them.

He believes that brands, as we know them, have simply "run out of juice." There's just too much competition. Too much product parity. His solution? Build products and experiences that have the power to create long-term emotional connections, what he calls "**Lovemarks**."

He charts out part of this idea on a Love/Respect Axis, pointing out that without respect "there is no foundation for a long term relationship." But it's no longer enough.

Low Respect, Low Love creates commodities. Sand, salt, gravel, iron.



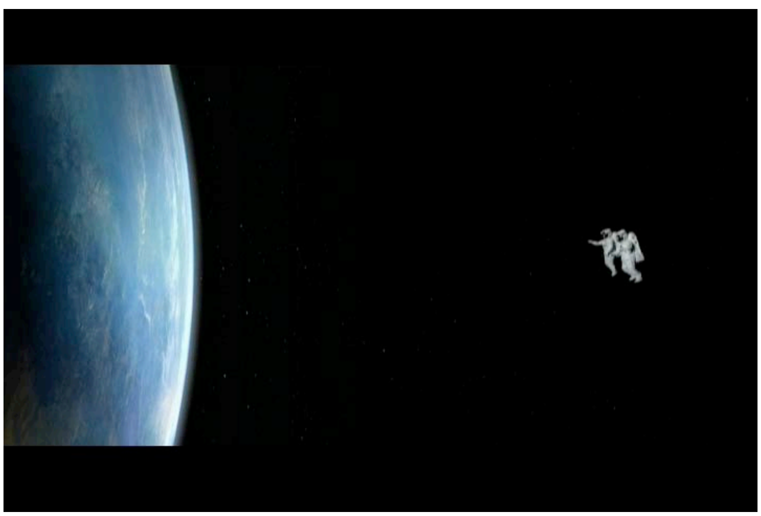
Stuff people need but don't really care about. And their marketing reflects that.

High Love, Low Respect is for fads. Remember "pet rocks," those "Ugg" boots, the Hustle? People clamored over them for a time, but they had no staying power. People didn't respect them.

High Respect, Low Love he holds for brands. Well managed, hard working products and services we know and need, and maybe even like, but don't necessarily love. They don't engender *Loyalty Beyond Reason*. If something we perceive as better comes along we take it.

And that leaves us with High Respect, High Love. "Lovemarks." And according to Kevin, that's where we need to be to survive. Brands that fit that category are Apple Computers, Virgin Airlines. In our world you'd include MTV, ESPN, Discovery.

Let me give you an example. Right after I got back from speaking with Kevin, I was sitting with my family, watching Discovery, our family viewing channel. And during a break this came up.



:60 Discovery "I Love the Mountains"

I immediately turned to my family and asked, "what did you think of that?" I knew it was a risky piece a creative, and I honestly wasn't sure if it had succeeded or failed. The answer came quick. "That's exactly how we feel about Discovery." For them, this spot captured reflected and an emotional connection that they probably couldn't even express.

Discovery Channel is a "**Lovemark**."

I talked to Dan Bragg, Discovery's creative director, about the spot. I wanted to know how this idea had been pitched and what it took to get it approved. You can just imagine, "Hey, I've got this great idea… 'boom-dee-a-da, boom-dee-a-da…"

Turns out the original idea was to shape the spot around Arlo Guthrie's "This Land is Your Land." But, as luck would have it, they couldn't get the rights. So they came across this old camp song, rights free. They were also in the middle of a management restructure, so—and this is just my guess—I think it kind of slid through the cracks. Sadly, that's often the way great creative, risky creative, gets made.

But more importantly, I think it reinforces Kevin's thesis. Particularly as our business becomes more competitive with parity programming on lots of different devices. Niche marketing—owning a strategic position—which I've always advocated, is no longer enough, whether you're a GE trying to be have a more focused offering or a cable channel trying to grow a broader audience.

I agree with Kevin that we have to build more than brands—we have to build an emotional relationship with our viewers and users that creates **loyalty beyond reason.**

In our world, I believe it is **brand personality** that creates the greatest emotional connection. It's not enough to have great programming and a great strategic position. You have to add another layer. A personality that creates an emotional connection. I'm not talking about on-air talent, but a channel personality—as multi-faceted and complex as your best friend.

I see that emerging over at USA Network. They have a great position in "Characters Welcome," as does TNT with "We Know Drama," TBS with "Very Funny," "FX There is No Box." But if you watch USA over time—and remember everything in our business builds incrementally—you get a strong sense of the literal "character" of the channel. I could almost give the "voice" of the channel a name. I'm not sure I could do that with their competitors.

:30 USA L&O:CI "Logo"

So back to our metaphor. To transport, to move an idea effectively, we need multiple layers: **a strong message, a respected brand, and an emotional connection.** Not easy to achieve, but I believe necessary to successfully compete.

Let me show you the antithesis. And I apologize for offending anyone who works for these companies.

:30 Direct TV "Anti-Cable" **:30 TWC "Anti-Direct TV"**

Do we really believe that consumers respond to this? Where would you put these two companies on the Respect/Love Axis?

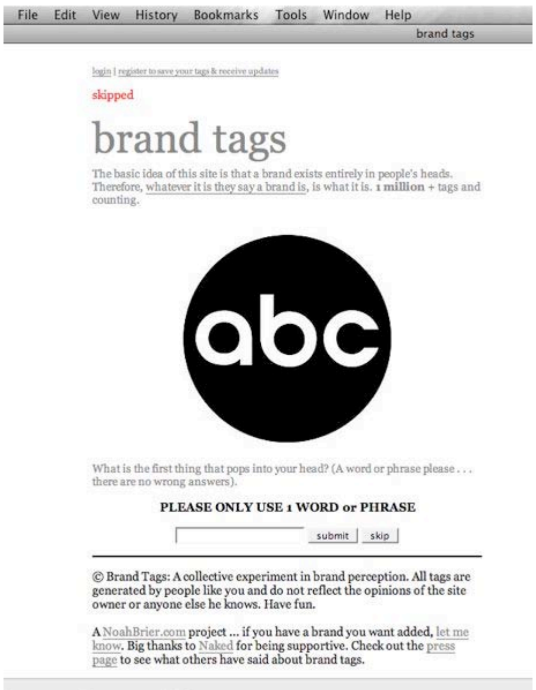
I think these spots illustrate a different kind of marketing myopia—not being able to see beyond yourself. Do viewers care about the animosity between cable and satellite? Do subscribers like this petty creative? I don't think so, unless it stirs up a price war. These companies are not building Lovemarks. I don't even think they're building their brands.

If you're a satellite or cable operator and feel you need to ridicule someone at least pick a target we can all enjoy.

:30 Dish Network "DVR"

We always have to remember, **"It's not who we are, it's who they think we are."**

There's a great site that explores that truth, **www.brandtags.net**. One of my clients turned me on to it. Whenever you go to the site it randomly selects a brand to tag. There are brands for every imaginable product and service on the site. I purposely skipped through dozens of brands until I found a television channel for this demonstration.

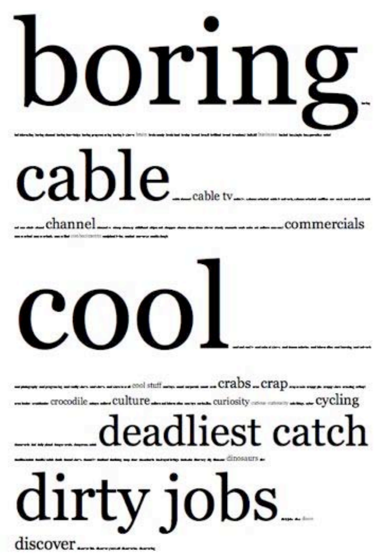


I'll read from the page. "The basic idea of this site is that a brand exists entirely in people's heads. Therefore, whatever it is they say a brand is, is what it is. One million plus tags and counting."

"What is the first thing that pops into your head? (A word or phrase please . . . there are no wrong answers).
I also like the copyright: Brand Tags: A collective experiment in brand perception. All tags are generated by people like you and do not reflect the opinions of the owner or anyone else he knows. Have fun.

Since ABC/Disney is a client, and I've probably already burned any chance of working with cable or satellite operators today, I'll say… "Brilliant!," hit submit, and that tag will be added to all the other words or phrases people have tagged to ABC.

But let's take a look at the results of our lovemark case study, Discovery. The tags are sized in a cloud formation. The larger the type, the more times it was tagged with that word or phrase. I've sort of faked the experience of scrolling down here.




discovery
discovery channel
do it like they do on the discovery channel
documentaries
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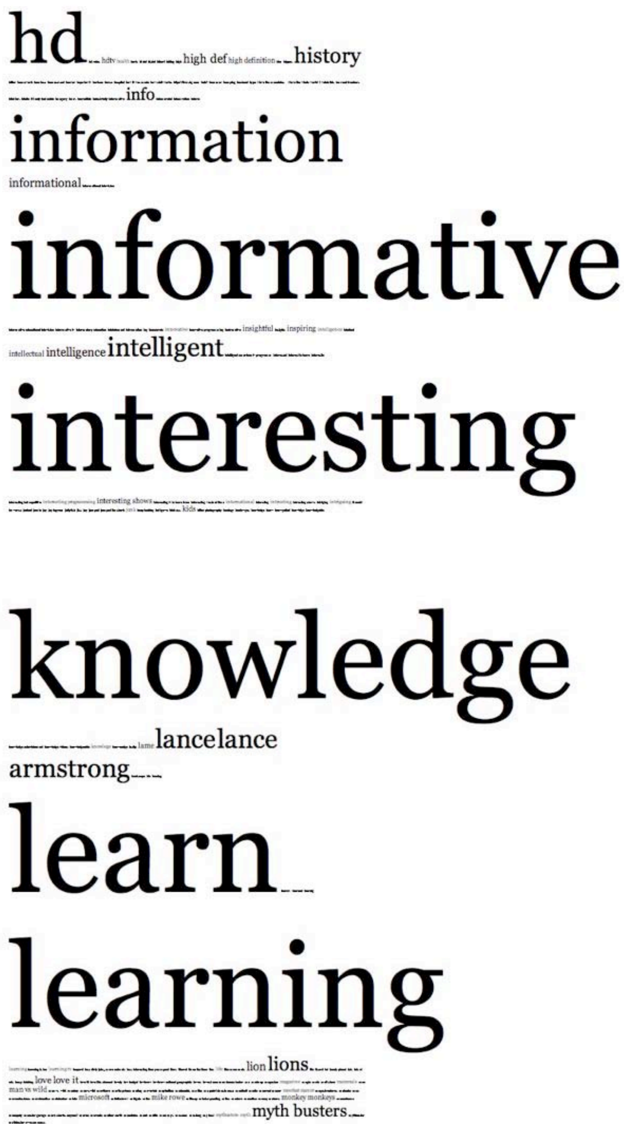
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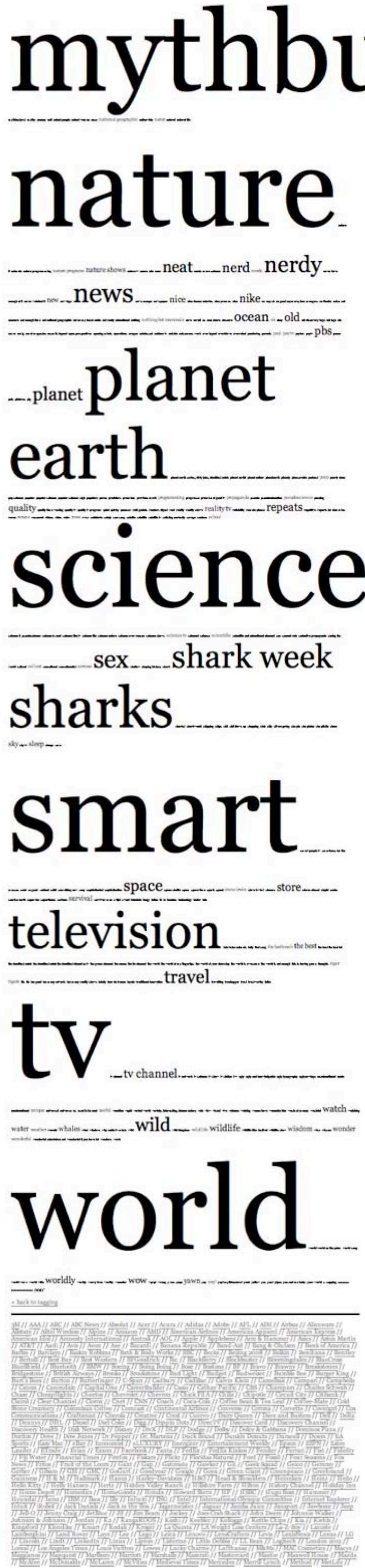
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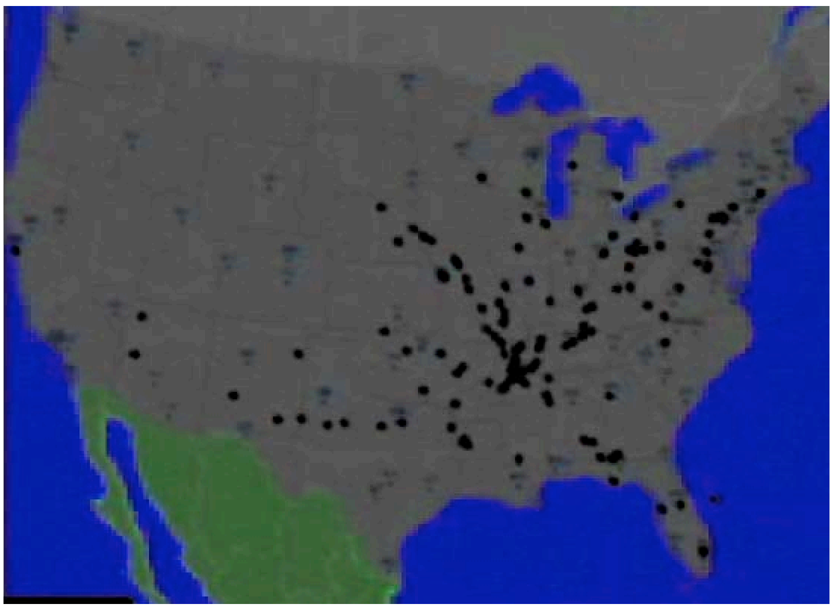
survival
store
television
the best
travel
tv
tv channel
watch
water
whales
wild
wildlife
wisdom
wonder
wonderful
world
worldly
wow
yawn
« back to tagging

Obviously, there are a lot of show names and descriptors, but if you look at the adjectives, they all tend to be positive attributes. Now obviously this survey is skewed by the demo it attracts, but it's a fascinating experience. You can see more at www.brandtags.net and even add your own brand to the list.

Let's move from the quality of the idea we're transporting to the movement itself. In the transportation business a significant variable is optimal performance in traffic—air traffic, road traffic, even foot traffic.



This is a representation of **24 hours of Fed Ex flights across the U.S.** Our traffic may not be as concentrated, but certainly as congested. Except we call it "clutter" and it occurs not in Memphis, but in our breaks.

If you remember last year at this time we were just entering into the new realm of C3 ratings. For those of you from outside the U.S., **C3 is the Nielsen ratings metric that was introduced in June 2007. Instead of measuring program-ratings—how many people are watching a show—C3 ratings takes the average rating of commercial minutes in live programming—the "C," plus 72 hours or 3 days of DVR playback—the "3." C3.** This metric is quickly becoming the new currency of our $65 billion dollar television advertising industry. And as you can imagine its introduction has played havoc with the way television is produced, scheduled, marketed, and of course, sold.

Last year, I showed you a few examples of how channels were beginning to cope with this new metric and shore up their commercial pod retention.

Now that we've had a full year of C3 under our belts, I thought it would be a good idea to review the impact of C3 on our channels, our ratings and our marketing.

A couple of weeks ago I sent out a survey to 20 of the top 100 broadcast, cable & satellite networks. I randomly selected a few broadcast networks, and some large, medium and small cable channels and asked them to participate. The results reflect the wide variety of ways C3 has affected our industry. We'll get to the survey in a minute. But first, a little history.

In July 2007, only a month into the new metric, TiVo Stopwatch, the second by second measuring service, reported that **"the five most watched commercials on TiVo did not air during the five most watched shows."**

Theoretically, that means a number one show in program-ratings could drop out of the top 10, even the top 20. It might garner a large audience for the content, but an audience that wouldn't stick around for the break.

And a marginally performing show in program-ratings could become the number one C3 rated show because the majority of its viewers hung in for the commercial break.

Last fall, we began to see some interesting movement in the top 10 shows. According to MediaPost's analysis through October 14, 2007, *Grey's Anatomy* was the number one show in program-ratings as well as C3 ratings.

***Desperate Housewives* went from number two in program-ratings to number three in C3 ratings. Not necessarily a significant change.**

FOX's *House* went from being the number six program-rated show to replace *Desperate Housewives* in the number two position.

***ER*, the number four program-rated show, dropped all the way down to number 25.**

***Heroes* went from tenth place to sixth.**

***The Office* dropped out of nowhere—from a tie at 30th to 9th place.**

And *Law & Order: SVU* went from 13th to 10th.

Overall, what we saw was a **96% break retention for broadcasters and 92% retention for cable networks.**

The reaction was… I think panic would be a good way to describe it, followed by experimentation and lots of it. Over the last year, I've tried to chronicle the different attempts to combat C3 erosion and organize those attempts into categories.

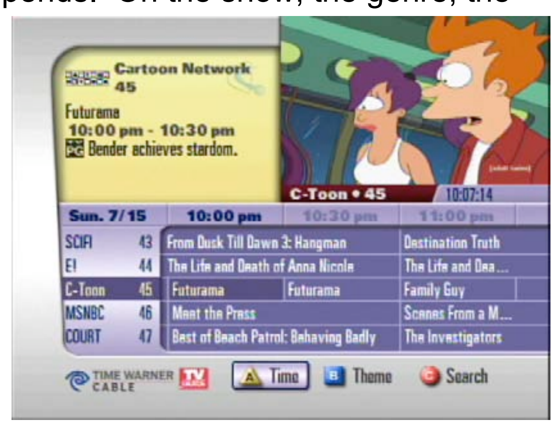
Here's what I came up with…

C3 Retention Tactics

- Fewer pods
- More pods
- Single sponsor programs
- Single sponsor pods
- Interstitials
- Additional content
- Watch to win/play along
- Short form franchises
- Shows within shows
- Bridged breaks
- Accelerated transitions
- Contextual bumps/BBs
- Contextual commercials
- Squeezed pods
- Integrated promos
- Sponsored promos

Now, I'm not going to show you examples of each—that would take the rest of the afternoon—though I do have them all. So I've selected examples that I believe are innovative, take interesting risks, and in a few cases seem to even work.

A big debate has been **"is it better to have fewer, but longer pods? Or more, but shorter pods?"** The research I've seen tends to tilt to fewer pods, but like everything in this business, I believe, it depends. On the show, the genre, the time, the daypart, the season, the demo, the channel, even the platform.



For example, we know that analog cable homes surf breaks more often than digital cable and satellite homes, for the simple reason that in a digital environment you can text surf the IPG without having to change the channel. That affects break retention.

:05 TBS "Countdown"

But let me give you an example of how people are handling the more or less question. Here's a simple one from TBS's "More movies, less commercials" campaign.

I think we've all seen single sponsor programs, particularly for season premiers. And most nets have had advertisers take over an entire break, so let's move on to Interstitials.

Interstitials—such as "behind the scenes" pieces—have long been used to fill short movies, but now, dropped into the middle of a break, they can also help reduce DVR fast forwarding.

Take a look at this minute-by-minute ratings graph of a broadcast show. As you might expect, the live rating—the blue—stays up here, but the DVR rating—the red—drops to the bottom of the basement.

Now look at the same show measured second-by-second. See that spike? That's a :10 spot that includes footage from the program being interrupted. DVR speeders see that "content," thinks they've hit the end of the break, and press their play button. The DVR stops, rolls back and the viewer ends of up seeing a little of the spot before and the spot after. We know DVR viewers watch breaks intensely waiting for their content to return. And that turns out to be an opportunity. We'll get to that in a minute.

Additional content. Sometimes it's footage that ended up on the cutting room floor. (And probably should have stayed there.) But now we're seeing an investment in original additional content.

A few months ago, USA launched a series of animated shorts around their show Psych. The pieces all revolve around the two lead characters when they were kids.

:50 USA Psych "Lounge"

The pieces were so successful that the sponsor, Alltel, asked USA to create Little Shawn and Gus commercials that could air run-of-schedule on USA.

By the way, of all the examples I'm showing you, only USA has released any data that suggests their experiments are working. I'm not saying the others don't. Only that those nets have not released their findings, so I can't tell you for a fact which of the retention strategies is successful even if I know. But you can do like me when the information is not available. Use empirical evidence. If a channel continues to use the same tactic, you can probably assume it works. If they dump it after a short run, well, draw your own conclusion.

But let's take a break here and take a look at the survey.

I asked 10 open-ended questions about the **impact of C3 ratings on on-air promotion.** I was genuinely surprised by the variety of answers I received. There seemed to be no consensus on any issue.

Consequently, I realized that it would take me this whole session to go through the entire survey. So instead, let me give you a quick overview of one question and answer. If you'd like to receive the results of the entire survey, you can email me, and I'll send you a pdf. And, of course, those of you who participated will be receiving a complete copy.

The first question was, **"Has the introduction of C3 ratings changed the way you plan, create or schedule your channel's on-air promotion? How?"** Here are a few of the answers I received.

> **"The urgency to address C3 ratings allowed us to be more experimental and try different things out on our air that we may not have done otherwise. While some efforts didn't provide the desired results, overall being able to try many**

> **different approaches allowed us to think differently about how we can use the air in less traditional ways."**
>
> **"At this time, no. The reality is our shows have generally shown improvement or remained flat as a result of C3 measurement so, if anything, we're getting a little more bang for our buck on most nights."**
>
> **"Sales requested all First (A) Positions to go back to clients and be used for commercial placement. However, On-Air Marketing keeps the First Position for NEXT promos in the last break of a show. No change in planning GRPs."**
>
> **"It really has had very little impact. We a re a leader in the C# metric so we already succeed in this regard. Also, we have so little promo inventory that we are always, first and foremost, focused on attaining the reach and frequency required to support our aggressive programming priorities."**
>
> **"Not really. We have always worked hard to make our breaks as sticky as possible…it's just now more company attention is on this area. And to be honest all our planning, and measurement of success is still largely based on Nielsen overnight data,. I would say that we experimented a lot but we have pretty much ended up doing what we were doing."**
>
> **"It's changed everything. We plan differently, we create differently and we schedule differently."**

So, yes, no, yes, no, no, yes. To see the complete results of the survey and the answers to all ten questions, send me an email, and I'll send you a PDF. All right, back to the list.

There are many different variations on "watch to win." Actual contests and sweepstakes with prizes to guessing games to more content. Here's an example from Discovery.

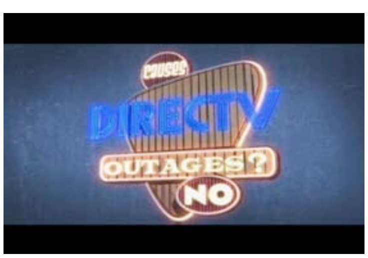

2 x :30 Mythbusters "McGyver Set Up & Pay Off"

Comcast Networks has been a leader in experiments with many forms of C3 retention. Watch to win, like E's *Be Right Back*, short-form franchises and shows within shows on E! and Style, and bridged breaks, like E!'s News Ticker that bridges between content and commercial.

Accelerated transitions, like ABC's accelerated flow bumps that I showed last year, haven't seem to have caught on much—even at ABC.

Anyone who knows me knows how I feel about billboards. They're not added value, they are diminished value. You could not make more boring television if you tried—they chase viewers away. And while I advocate dumping billboards all together, a couple of networks have met me half way. We've recently seen the introduction of contextual bumps/billboards. And while I may not be 100% convinced, I do have to give these attempts credit.

Here are a couple from Discovery Channel's *Mythbusters* and USA's *Law & Order: SVU.*



2 x :10 DSC "Mythbusters Direct TV" & "Guiness" **:05 USA "SVU KFC"**

I do believe that context is everything. That's why promos are successful. I came to your channel to watch one of your shows, so when you give me a message about one of your other shows, I'm likely to listen.

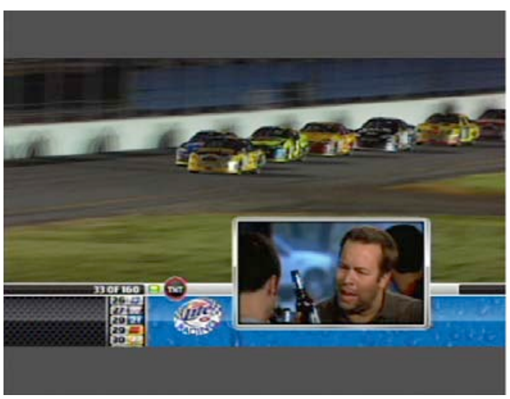
Channels and advertisers are beginning to understand that relationship and use it reduce erosion. Here's a spot that aired in the first break of the TNT Playoffs a few days before the movie, *What Happens in Vegas* premiered. Context!

:30 TNT NBA/Vegas

Spike has taken that idea further on a lot of fronts.

2 x :30 Spike "CSI Guys"

Squeezed pods were first introduced as "ESPN's Side by Side." I showed you those a couple of years ago. But last summer, TNT took it to the next level with their "Wide Open Coverage." Note that almost all the commercials were created by Turner to be contextually relevant to the race.



:60 TNT "Wide Open Coverage"

As we all know, clutter is a killer. The fewer elements you have in a break, the more successful they'll be . To that end, we've been seeing more and more integrated promos—two spots in one—like the USA Psych/Alltel spot I showed last year. But leave it to Geico to take the idea into the commercial realm. You've probably all seen the "celebrity spokesperson" spots from Geico. Here's the "celebrity spokes-sponsor-bottle."

:30 Geico "Mrs. Buttersworth"

And of course, finally on my list are sponsored promos. They're usually 15 second spots with a five second advertiser tag slapped on. I've been playing those at Promax for the last few years. Normally, I'd skip this example, but I came across one I just couldn't resist.

:35 VH1 "Kid Stars/Pampers"

Remember, when I mentioned DVR users intense viewing—"lean in" viewing?

This year NBC commissioned a study to measure the **effectiveness of television ads that viewers skip with their DVRS**. They found that viewers still remember the spots -- or at least some elements of them -- even when they're watching at up to six times the speed of regular live TV.

NBC wanted to understand how and why DVR viewers recalled ads they skipped, which doesn't make any sense.

Part of the reason, it turns out, is that viewers speeding through ads often pay more attention to the screen than live TV viewers, waiting for a cue to return to their show.

In the study, the two spots that scored highest were a trailer for the Bourne Ultimatum with Matt Damon, and a piece of animated of phlegm, Mr. Mucus for Mucinex. NBC didn't specify which of the two got the top spot.

But they did draw some interesting conclusions on why some spots had higher high speed recall.

1. The study suggests that for a spot to be effective in high speed viewing you should concentrate the action and the brand logo in the middle of the screen.

2. Don't rely on multiple scene changes, audio or text to tell the story.

3. Use familiar characters. Like Mr. Mucus. Or Matt Damon, if you can get him.

4. And probably most important, mix spots placed in highly DVR'd shows like, for example, *The Office*, with spots in programs that are most often viewed live, like news or sporting events. DVR'd spots tend to reinforce spots originally viewed live at regular speed.

Let's get back to spots at regular speed. One that caught my eye this year was for the new season of Deadliest Catch.

:30 DSC "Deadliest Catch Returns"

Good solid use of clips and graphics. But Discovery took that idea and kicked it up a notch. Imagine your watching Deadliest Catch, let's pick it up in the middle of the story…

: 35 DSC "Shark Week/Deadliest Catch" embed

What do you think? Risky, but contextually relevant and only slightly intrusive. You may be looking at the future here, folks.

And obviously, Deadliest Catch is a great vehicle to build off of. Discovery isn't the only one to think so.

:30 Nat Geo "America's Ports"

:10 Tru TV "Black Gold"

Both these shows build on the prestige of *Deadliest Catch* and the aura Discovery has built around it. But this next one…

:30 Spike "1000 Ways to Die"

Maybe I'm getting old, but I have to put that show in the category of "Now why do I love this business?"

And while we're at it…

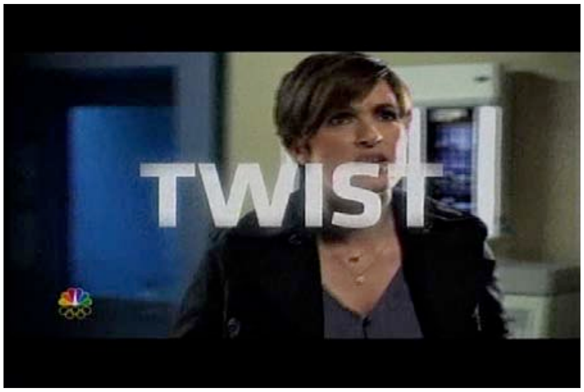
:15 FX "Dirt Gerbil"

Sorry, just had to get that off my chest.

Maybe we can just chalk that up to the writer's strike, which obviously had and is still having a tremendous impact on the way we promoted our programming.

:20 NBC "Strikes Over"

Maybe the strike helped us get back to the heart of promo making—finding the hook. “What one thing is going to get my target audience to watch this show?” Well, recently I found a couple of spots, very refreshing, that hang their hooks out for everyone to see.



:20 NBC “SVU The Twist”

:30 HGTV “The Reveal”

:45 Web Montage

One thing has been bugging me for the last couple of years. I get that we’re moving into transmedia storytelling—that television is more than the TV platform, And I understand why we use television to push people to other platforms. But our success is still primarily judged by ratings, C3 or otherwise. And if we are pushing people away from the set, do we get credit when they land somewhere else. I’m concerned that as television marketing professionals we’re very good at our jobs. And if a good chunk of our job is transporting our viewers away from TV, well who’s going to bring them back?

But let me show you two marketing ideas that send people from the computer to the TV. The first I came across a week after last year’s Promax.

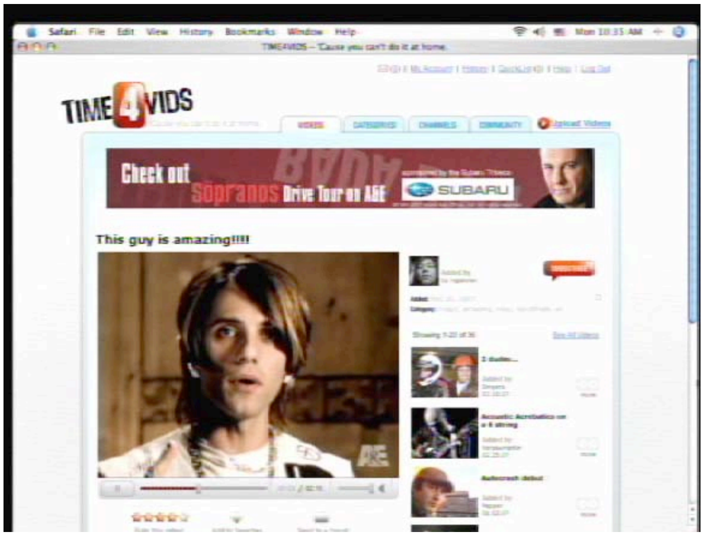
I got an email from my good friend Jane Potenzo at HBO. The subject line is “This will freak your mind.”

Now to help you appreciate this as we go forward I should let you know that my telephone number is 679 0848. Keep that in mind. 679 0848.

So I open my email and it says, “Hey, check this guy out. He’s amazing!”

And I click on the link.

2:56 A&E "Mind Freak Viral"

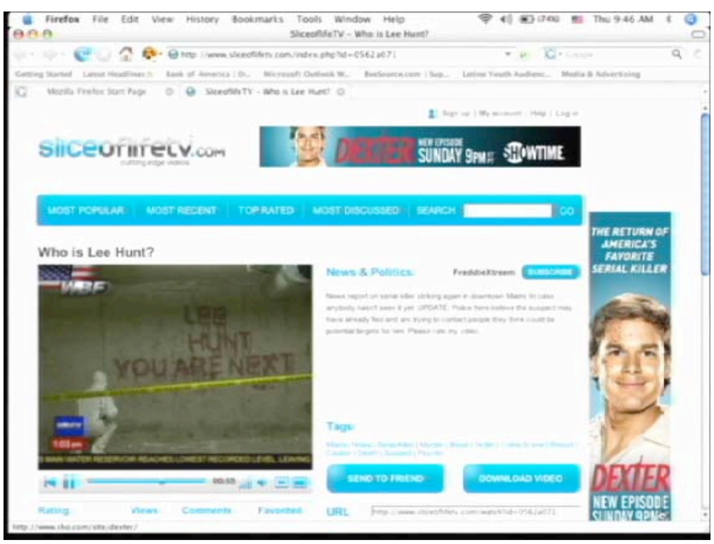


So I'm sitting there in front of my computer thinking "wow, that's really cool" when the phone rings. I answer it and I hear this…

(Audio) "Lee, it's Chris Angel. Hope you dug the mind freak. I had a little help from your friends, but that's not how I work. This was an exception. I'll do anything to make you watch my show. I guarantee you it will absolutely blow your mind for real. So don't miss it. Mind Freak. Tuesdays at 10pm, 9 central only on A&E. Check it out, you mind freak!

That's brilliant.

But a few months later I got another email from Jane.



This one was a little… mmmm different. The subject line was "check out this news alert." By the way, Jane is a strategist at HBO and is so on top of what's going on in the business it's scary. So getting an email with this header was not unusual. The body copy said, "you have to see this — is this YOU?"

I clicked on the link, and then hit the video play button.

2:04 Showtime "Dexter Viral"

From there it goes to a full screen promotion for Dexter and let's you send an email to someone else. I did this to several friends. One of them is still not speaking to me.

I don't know if she watched the series, but I know she'll never forget the promotion.

OK, time to wrap up, but we can't leave without the 2008 Bug Collection—a random sampling in-content messaging from channels across the dial. And once again edited by the brilliant Mark Valentine of Anatomy Media—one of the best creatives I've ever had the pleasure to know or work with.

:20 2008 Bug Collection

In closing, whether we consider ourselves in **TV, media, entertainment** or even the **transportation** of ideas, it's important that we don't let labels get in the way of our work. Moving brands to **lovemarks, increasing C3 retention, creating transmedia experiences.** They're all about doing **smart, strategic, creative and engaging work.** Don't judge them by their name.

:30 Fed Ex Name

If you'd like a pdf of this presentation, the survey, or to sign up for the Best Practices video site, send me an email at **lee@leehunt.com**. Thanks and have great conference!