

MEASURABLE RETURN CRUCIAL TO BRANDED ENTERTAINMENT

AdWatch Panel Grapples With New World of Madison & Vine Possibilities

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By [Tobi Elkin](#)

NEW YORK (AdAge.com) -- The world of branded entertainment, much like other media, must deliver a measurable return on investment for marketers diving into the space,



Latest control units for TiVo systems.

said executives speaking at yesterday's AdWatch: Outlook 2003 conference.

'How much risk?'

"It all comes down to how much risk do you want to take with your brand," Bruce Redditt, executive vice president of Omnicom Group, said of so-called Madison & Vine, or product placement, deals.

In addition to Mr. Redditt, the Ad Age Madison & Vine panel included Lee Stimmel, vice president of marketing and product development for Atlantic Records; Roger Fishman, a senior executive at Creative Artists Agency who has engineered high-profile entertainment programs for Coca-Cola Co., Motorola and Nextel; and Kimber Sterling, director of advertising research sales for TiVo.

Music labels are increasingly involved in product placement deals, though some would argue that they have little choice as illegal file-sharing and downloading services have severely eroded revenues. "It's the Wild West for the music business right now," Mr. Stimmel said.

'Adopt' a music artist

"Hey, five years ago CEOs [at marketers] never met with us. ... We need to have new ways to drive revenue other than CD sales," Mr. Stimmel said, acknowledging that discussions are under way whereby marketers could be provided with incentives if they "adopt" an artist.

Such an idea isn't so far out. Evolving digital satellite and cable delivery systems, personal video recorders such as TiVo and other new media forms are increasingly requiring Madison & Vine players to think more creatively as they strategize deals with marketers. Digital video recorder (DVR) technology can offer return on investment metrics. TiVo, for example, offers a complete feedback loop to marketers participating in the company's branded entertainment "showcases," a format designed specifically for long-form video with brand messaging. Marketers can capture consumer profile data, something that can help prove return on investment as well as offering key business intelligence.

With the rise of TiVo and video-on-demand, it's anyone's guess how the major TV networks will respond.

'With or without TiVo'

"I don't think anyone knows how the networks will work with digital video recorders and how we will work with them," Mr. Sterling said. TiVo has had conversations with Viacom's president and chief operating officer, Mel Karmazin, among others. "We're trying to make sure we're not working against them. ... What's going to happen in the DVR space is going to happen with or without TiVo," Mr. Sterling said.

"The next three to four TV programming seasons are going to be very interesting," observed Mr. Redditt, citing a fierce battle taking shape between digital cable and satellite providers for subscribers that is likely to cannibalize advertising. Cable providers such as AOL Time Warner's Time Warner Cable are also developing their own DVR technology within the cable set-top box that is expected to yield new advertising revenue models.

As the economics for scripted TV programs evolve, advertising is more likely to support news, sports and reality programming, while scripted shows may shift into a for-pay subscription or a video-on-demand model,

Mr. Redditt said. In any case, ad agencies, marketers, studios and music labels will need to rise to the challenge of creating new forms of branded content.

Fragmentation, clutter

Audience, media fragmentation and clutter are a challenge for marketers, especially those implementing branded entertainment programs. "It puts the onus on all of us to find new ways to reach people and no one agency can have all the answers," CAA's Mr. Fishman said. "The risk is the status quo, staying in the same place," and to help marketers "sell more incrementally, faster."

"The clients are agnostic about where the great idea comes from -- they don't care where it comes from, they just want the great idea," Mr. Redditt said.

ROCKING THE BOTTOM LINE AT MADISON & VINE

How Steve Berman Mixes Marketing and Music Stars

April 07, 2003

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By [Scott Donaton](#)

Are you ready to go to the next level?"

That's the question a hyperactive record exec asks as he waggles an action

figure in the face of rapper Common in a comic scene from the launch spot for Coca-Cola Classic's "Real" campaign. The record exec, who's also heard in a skit on *The Eminem Show* CD in which he's gunned down by that rapper, is one of the few corporate suits smooth enough as an actor that he could give up his day job. Except for this: He's very good at his day job and clearly ready to go to the next level.

Meet Steve Berman, a 39-year-old ball of energy universally described as one of the smartest marketing minds in the music business and one of the nicest guys in Hollywood. Berman runs marketing for Interscope/Geffen/A&M, the Vivendi Universal labels overseen by Jimmy Iovine. That gives him a leg up to begin with, since Iovine is one of the most powerful players in the music business.

Musical roots

Berman's musical roots run deep. His grandfather, Sy Waronker, was a studio musician who co-founded Liberty Records in the '50s. His uncle was an executive at Warner Records, where Berman started work in the mailroom in the early '80s. Berman hooked up with Iovine a dozen years ago and has been a key player on his team since.

He's also one of the more vocal advocates of the intersection of music and advertising, seeing in the alliance ways for two industries to confront challenges by propping each other up.

Interscope cut one of the biggest such deals when it linked with Coca-Cola and Berlin Cameron/Red Cell on the new Classic campaign, for which Common and singer Maya recorded "Real Compared to What," which they perform in the spots and which could be a single on Maya's forthcoming album.

"We went to Maya and Common, not with a product endorsement, but with an idea that would give them exposure while giving Coca-Cola something that would be at the core of their message," Berman said over coffee at the Cafe Montana in Santa Monica, sunglasses on, his red hair damp and pushed back. "From our perspective, it's not a commercial; it's a record and a visual interpretation of that message."

Trying to make a buck

Music industry problems are business-related, he noted. "Music is more popular than ever, but figuring out how to monetize that is difficult in a world where CD sales have shrunk 20%. If you tap in to a culture, the market is

still there," he said, pointing to Eminem, 50 Cent, Avril Lavigne and Norah Jones.

One way around the challenges, he figures, is to partner with marketers. "We've decided to work with strong brands where we're targeting a similar audience," Berman said. "We're always challenged by budgets and have to come up with alternative ways to market our artists. A record company can't compete on traditional marketing platforms. For a major release, the entire TV budget might not equal one prime-time spot.

"On the other hand, we've gotten very good at the youth-culture, lifestyle-marketing thing. We offer a tremendous amount of expertise. Together, we can really penetrate in to the consumer and make stuff happen."



Steve Berman takes it to the next level in a Coke commercial.

A happy coincidence

Berman, like many in the Madison & Vine space, believes the "accident that caused this whole thing" was an art director's inclusion of a Jaguar in the video for Sting's song "Desert Rose." The singer's manager sent the video to Jaguar and Ogilvy & Mather, which ran it as commercials for the car.

"They built their campaign around that and we saw an explosion in sales" of Sting's CD, Berman said. "As it evolves," he added, "you're going to see a lot more of that sort of thing."

Or, as he says to Common in the last lines of the Coke spot, "Let's go all the way."

THE NONSENSE THAT PASSES FOR ADVERTISING WISDOM

Despite Talk of Radical Change, Traditional Formats Still Rule

March 24, 2003 [QwikFIND ID: AAO53M]

By [Rance Crain](#)

I always thought it was only the advertising industry that believed half of what it spent, or knew, or did was wasted -- they just didn't know which half. Then I read a *New York*

Times Magazine article about medical progress, or lack thereof. The doctor who wrote it said that at her "white-coat ceremony," welcoming her class to med school, the dean proclaimed half of what the school teaches is wrong -- only they don't know which half.

I'll bet there are many other similar cases. From the outside, we think these professions and industries know what they're doing; from the inside, they fully realize how little they really know. Some industries, however, think they know more than they really do. That's why there seems to be a growing disconnect between what people say and how the ad industry behaves.

Total nonsense

I'm not talking about the total nonsense that masquerades as traditional ad wisdom, such as that older people's brand preferences don't change, or that the "sweeps" week in TV is representative, for buying purposes, of the rest of the schedule. Or that publishers need to send subscribers a renewal invoice rather than automatically billing them, as the cable people do.

No, what I am talking about is all we've heard lately about how the pursuit of the big selling idea is driving marketers to nontraditional ways of reaching consumers, such as product placements, special events, PR and other marketing services. "If you're only about 30-second TV commercials, you're in big trouble," said one auto marketer, sounding the alarm.

Steve Heyer, the chief operating officer of Coca-Cola Co., generated huge reaction to his call to arms at our Madison & Vine conference in Los Angeles in February. "I am describing a magnitude and urgency of change" in the old marketing model "that isn't evolutionary -- it's transformational. If the new model isn't developed, the old one will simply collapse."

Old models work

The old model, however, seems alive and well. Network TV, the very embodiment of traditional media, is stronger than ever. Some predict buyers will spend \$9 billion in this year's upfront negotiations. Cable TV is also showing big gains; cable networks have done a great job of branding themselves, helping to drive up their CPMs. Cable's big rivals, magazines, have forgotten how to differentiate themselves, and their CPMs continue to fall as price-cutting threatens to turn them into a commodity buy.

Nontraditional media, including an array of marketing services, were to lead the way to a brave new marketing world -- and cushion the downturn for the ad agency holding companies. It hasn't worked that way. Some, such as PR, have been hit harder than advertising, and the move to integrated marketing has been a rocky road.

Difficult to execute and measure

A poll conducted for us by the American Marketing Association revealed integrated campaigns are difficult to execute and measure, and that it's hard for marketers to even define exactly what's being integrated. As for product placements, most marketers said they rarely use them.

Tradition dies hard. TV continues to be the safe buy, like IBM was when companies bought mainframe computers.

Some of our forward thinkers preach radical change. The reality is that forces embracing the status quo are fighting a very effective rear-guard action.

UNDERSTANDING STEVE HEYER'S PUSH FOR BRAND ENTERTAINMENT

Coke Exec's Manifesto Lays Waste to Old Advertising Theories

February 17, 2003

QwikFIND ID: AAO44D

By [Randall Rothenberg](#)

The only surprise in Steve Hoyer's war cry is that no one has said it as forthrightly before. Then again, change is a frightening thing to contemplate in an industry -- advertising -- that historically is so risk-averse it still considers talking animals "edgy."

Speaking at *Advertising Age's* inaugural Madison & Vine conference on Feb. 3, Mr. Hoyer, Coca-Cola Co.'s president, laid waste to a century of self-reinforcing theoretical trash, stating that "only the naive and foolish confuse presence with impact." With that one line, he challenged the ad industry to lose the legacy of Rosser Reeves, the 1950s-era Ted Bates & Co. agency chief, whose concept of the "Unique Selling Proposition" goaded advertisers into endless mass media buys for ads whose underpinning was annoyance.

Entertainment value

That approach worked in those

halcyon days of young veterans, new suburbs and three TV networks -- which means it stopped working 20 years ago. Today's "hyper-fragmented world," to use Mr. Hoyer's apt phrase, requires "ideas that bring entertainment value to our brands."

We've heard that philosophy before, of course -- incessantly, I admit, in this column, and even from Coca-Cola, which has dabbled for decades with Hollywood. What's required are entirely new models for marketing. Mr. Hoyer, a consultant, ad agency head and senior media executive before becoming a consumer-products leader, referenced how they might work. But let's take a deeper dive into where we're heading. Here are three things advertising people ought to be thinking about.

Brand as network

> *Brands are now portals.* Coca-Cola, Mr. Hoyer pointed out, is a network with a larger audience than any 20 TV networks combined, available "for the right value proposition" to others. This expansive idea of what might constitute a network has been in front of us for a long time -- the whole notion of a brand "borrowing interest" from a celebrity endorser is predicated upon it -- but it's rarely been articulated so starkly. In effect, anyone or anything with reach can help launch or sustain a brand -- if the product, strategy, channels and executions cohere.

> *Creative collaborations are unlimited.* Given the "brand/portal" phenomenon, ad agencies ought to search for appropriate synergies among their non-competitive clients, becoming, in effect, alliance managers, creating new forms of value in the demographic, psychographic and functional relationships possible in their client base, and between their clients and media producers/distributors. (Why can't "free" MP3 downloads be sponsored, e.g., turning my iPod into a simultaneous product-sampling device and marketing channel?)

Competing infotainment

> *Agencies ought to become studios.* All infotainment competes with all infotainment. I'm going to decide whether to spend an hour with your show, her ad or my iPod. That means agencies have to find writers, artists and producers who can compete with Hollywood's best. The good news: With scripted TV drying up, there's a supply of writers on the loose. The bad news: Talent will need to be compensated accordingly, perhaps by offering points in the end product. As a result, agencies will have to adopt a whole new risk-reward ratio.

Will these changes occur? The agency business will only be saved by a new generation of advertising explorers who are willing to sail into an uncharted world rather than be frightened away by old maps emblazoned with "Here lie demons." Or, as Steve Hoyer put it, "If a new model isn't developed, the old one will simply collapse."

REINVENTING THE MARKETING COMMUNICATIONS BUSINESS

The Real Meaning of Last Week's Madison & Vine Conference

February 10, 2003

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By [Scott Donaton](#)

Nothing focuses like pain -- a point made, well, painfully clear at *Advertising Age's* first Madison & Vine conference last week.

With apologies for the content-commerce convergence in this column

(a.k.a. the chest-thumping), the conference was the hottest ticket in town. A standing-room-only crowd of more than 450 people packed the Rodeo Ballroom of the Beverly Hills Hotel, a crowd notable not just for its quantity but its quality.

These were some of the boldest of bold-face names in film, music, TV, marketing and advertising: music impresario Jimmy Iovine jostling on the coffee line with General Motors media maven Michael Browner; branding guru Peter Arnell in a huddle with hip-hop video director Chris Robinson.

A crucial conversation

They came looking not for answers but to join a conversation, one that is just beginning but that is crucial to their industries' futures. Absolutely crucial.

In aggressively entering this space -- with a weekly Madison & Vine e-mail newsletter, conferences and coverage in print and on AdAge.com -- *Ad Age* communicated its belief that this area is vital to our readers. Our goal was to create a gathering place for these communities to debate and discuss the changes ripping through their business models. This is not about patting *Ad Age* on the back, but the conference turnout and level of discourse was a dramatic validation of our premise. "If a new model isn't developed," said keynoter Steve Heyer, president of Coca-Cola Co., "the old one will simply collapse."

From competitors to collaborators

So these East Coast and West Coast industries, having happily carved up the country decades ago, now find themselves at the same intersection, fierce competitors forced to collaborate. Underlying it all is fear. These are all industries with business models that are fractured and in some cases simply busted. Talent agents. Music executives. Ad agents. Marketers. Film makers. Network chieftains. Their bottom lines all threatened by consumer-empowering technologies.

It's the reason Turner Broadcasting's Jamie Kellner half-jokingly labels a TiVo executive the "anti-Christ" and warns that TV networks will be forced to switch from an ad model to a subscription model, getting consumers to cough up the money advertisers won't spend when their spots are being zapped into oblivion.

The most interesting battle is between talent agencies, trying to position themselves as corporate America's gateway to the entertainment community, and ad agencies, which bristle at any threat to their strategic role and grouse that talent agents aren't accountable and have no understanding of brands. Yet marketers demand collaboration without excuses, and the resulting tension is palpable.

The Madison & Vine name is a colorful description of the intersection of content and commerce, but this discussion is not merely about product placements or a fearful response to the perils facing the 30-second spot.

Fundamental transformation

At its core, we are talking about nothing short of reinventing the business of marketing communications, a fundamental transformation from an intrusion-based marketing economy to an invitation-based model.

The power shift will force change in how marketing communications are defined, created, distributed and consumed. It will make brands, and it will destroy brands. Innovators who respect the transfer of control and invite consumers to interact with brands on their own terms will survive. Resisters will be trampled. The CEO of one ad agency told me, "Nobody wants to live through that period of disruption."

From my vantage point, nobody has a choice.

MERGER OF ADVERTISING AND CONTENT WORRIES CONSUMERS

New Survey Explores Feelings About Product Placement

January 06, 2003

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By [Claire Atkinson](#)

NEW YORK (AdAge.com) -- Seventy-five percent of U.S. consumers believe that the intrusion of advertising into TV and movie content has increased over the past year -- and many find it a distraction, according to an exclusive *Advertising Age* survey.

The online poll, conducted by WPP Group's Lightspeed Research, found that consumers of all ages felt that the line between advertising and TV programs had become increasingly fuzzy.

The result of the survey might surprise advertisers ramping up product-integration initiatives as new technologies such as TiVo and other personal-video recorders make it easier for viewers to zap traditional 30-second spots.

Too pervasive

When consumers were asked whether they found product placement and integration and other new genres, such as online ad films, entertaining or distracting, 62% said they were distracting, with only 38% finding them entertaining. In a separate question, the majority, 72%, said the new genre was too pervasive, though consumers in the prime advertiser demographic of ages 18 to 34, were receptive: 46% of that group find it entertaining and 35% say it's not pervasive enough.

"It's gratifying that consumers understand that advertising and editorial [are] merging," said Jeff Chester, executive director at the Center for Digital Democracy. "The Chinese walls are being obliterated. The survey is an indication that there is fertile ground for directing consumer anger and getting the industry to clean up its act and be more vigilant about the relationships."

However, respondents to the online poll were almost evenly split about whether advertisers' efforts to influence content was a good or bad thing. Fifty-two percent -- a majority -- thought it was something that should cause worry; 48% did not.

'Majority are concerned'

Even so, Mr. Chester said, "in this sophisticated ad environment you'd expect most people to say, 'What else is new,' but 52% is a very big number. This shows the majority are concerned about it. This will give us ammunition to be more bold in our criticism."

The Center for Digital Democracy was formed to encourage noncommercial and public interest programming. Mr. Chester said the group will focus its fire on food advertising directed at children in 2003.

The timing of the survey may have something to do with the responses of the 500 participants. It was conducted between Dec. 5-9, just weeks after the huge box office opening of the latest James Bond franchise, *Die Another Day*. Ford and Revlon's tie-ins with the movie attracted acres of press attention in the weeks leading up to its Nov. 22 release.

Patti Ganguzza, president of New York-based AIM Productions, said neither advertisers nor movie studios held as much power as actors, who routinely veto products they don't like or wouldn't wear.

'Defenses are down'

Ms. Ganguzza, who placed Post's Honeycomb Cereal in *The Sopranos*, said consumers were no doubt more aware of product placement and integration because more and more advertisers are opting to do it. "Consumers dislike it because their defenses are down when they're following a storyline," she said. "They're not sifting through placements." (HBO, however, said it does not accept product placement.)

Recognizing that too many placements are a turnoff for viewers, Ms. Ganguzza added, "I would never want the product placement industry to turn a sitcom into a tattoo parlor."

As for PVR penetration, it was low among survey respondents, with only 3% reporting they had TiVo or ReplayTV. But 63% of TiVo owners reported they skip commercials all the time, as did 50% of Replay owners.

Shift toward Internet

The survey of 500 participants was conducted Dec. 5-9 and has a margin of error of 4.4%. It was commissioned with the intention of pinning down shifts in media consumption over the past year, and it found more people are giving network news a pass and instead using the Web as their primary source of news and information. The number of people citing the Internet as the first place they turn to for news has almost doubled over the past year, from 9% to 16%.

Only 31% of respondents cited network news as their primary news source, compared with 36% last year. The changes were most dramatic among those in the 18 to 34 category, which showed a 10% drop within the past 12 months. Only 36% in this age category continued to cite the network news as their primary news source.

Steve Marks, Lightspeed's national account director, said, "I think people are turning to the Web more because it is more pervasive than a year ago; people are surrounded by PCs and laptops. They're in an online environment more."

However, Mr. Marks doesn't think that network news is dead. He predicts the Web will continue to grow as a primary news source, but will not break the 20% barrier any time soon.

Less cable news

Respondents in the 35 to 44 age group are using cable TV less as a news source than a year ago (22% vs. 26%), although those age 18 to 34, 45 to 54 and 55-plus all said they are turning to cable TV more for news. Newspapers showed declines among all respondents except those in the 35 to 44 age group, who reported a 2% increase in them as a primary news source.

More than half (52%) of respondents said they are spending the same amount of time reading magazines as a year ago; 14% said they are spending more time reading magazines and 34% were spending less time with titles.

"Consumers dislike it because their defenses are down when they're following a storyline. They're not sifting through placements."

*-- Patti Ganguzza
President
AIM Productions*

THE CHANGING WORLD OF CONTENT & COMMERCE

Overview of the Advertainment Revolution

October 07, 2002

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By [Hank Kim](#)

NEW YORK (AdAge.com) -- The buttoned-up world of brand marketing and the freewheeling entertainment industry are not the most natural bedfellows. While hitching



Hank Kim is the editor of Ad Age's new 'Madison & Vine' coverage. Vine Street in Hollywood, Calif., is the symbolic center of the national entertainment business; Madison Avenue, New York, is the symbolic center of the national advertising business. Both industries are becoming increasingly entangled as content and commerce moguls adjust to the new technological realities of mass media.

a brand wagon to a celebrity has always had appeal, most marketers have trodden warily in their relationships with Hollywood's seemingly unpredictable players.

New interaction

But shifts in technology and the media landscape have spawned a closer courtship between the two--necessity, it seems, is proving to be the mother of a new level of interaction.

The surprisingly robust 2002-03 broadcast network upfront last spring put to rest much of the nonsense about the impending death of the 30-second TV commercial. But there is no ignoring media fragmentation or the fact that emerging digital technologies are wresting power from the hands of the content provider and placing it with the consumer, forever changing the traditional paid-media advertising model.

"The biggest factor is the consumer. Boomers, X'ers and Y'ers are all demanding a different kind of relationship with advertisers," said Bruce Redditt, executive vice president at Omnicom Group, referring to the three advertiser-coveted age groups known as baby boomers, Generation X and the younger Gen Y. "Technology gives them the clout to do it with more control over their own programming, content and time. The new consumer is a severe challenge for traditional media buying practices."

CEO John Wren has charged Mr. Redditt with tackling this conundrum for the leading ad agency holding company.

Paradigm shift?

As a result, while Mr. Wren and his peers publicly place more revenue demands squarely on the shoulders of their below-the-line marketing services units, marketers march toward an increasingly integrated approach as well, reassessing their branding mix. One result of this collective reassessment is greater

engagement with the entertainment industry, with the end game pointing toward a paradigm shift in which brand marketers view content providers less as vendors and more as partners.

Entertainment plays -- running the gamut from music licensing to movie product placements and TV sponsorships -- are certainly not new tricks in the marketers' bag. But their relevance and, in some instances, the controversy surrounding these tie-ins -- "content/commerce convergence" and "branded entertainment" are two of the more popular descriptors -- are demanding increasing attention in this changing landscape.

New TV universe

With the proliferation of media choice, driven by the explosion of new digital technology, the average consumer is bombarded with more messages than ever. Certainly, while the Internet has been debunked as a superior commerce venue over bricks-and-mortar outlets, its relevance as a viable advertising medium has maintained, rising above the chorus of skepticism. On top of that, digital cable television is gaining traction, as more and more cable operators are aggressively hawking their digital tiers, with nascent offerings in

interactive TV and video-on-demand. As a result an increasing number of Americans are now enjoying the experience of a multi-hundred-channel universe, an environment in which they can escape from the stranglehold of network programmers.

This change has created new tensions, with the most public dust-up between the TV networks and advertisers on one side and the purveyors of PVRs, personal video recording devices, namely TiVo and ReplayTV, on the



Music rappers like Jay-Z of Def Jam Records have shown high levels of interest in mixing music and product marketing.

other. Both devices feature the ability to time-shift viewing while affording the convenience and efficiency of recording and storing programming on a hard drive. The ability to fast forward through or virtually skip commercials has the old guard up in arms and has even led to litigation against Sonicblue, with its Replay TV device.

Viewers' free lunch

No one has been a more vocal critic of PVRs than Jamie Kellner, Turner Broadcasting chairman-CEO. Mr. Kellner hasn't pulled any punches in expressing his concern that TV networks may someday be faced with a crippled business model, one that is currently fundamentally reliant on advertising revenue. He has said that using PVRs to alter a programmer's presentation by zapping ads is nothing short of "theft" and that viewers shouldn't expect a "free lunch."

Despite all of the hue and cry, PVRs don't pose an immediate threat, since only about 1 million American households have the capability. And even if the technology gains wider acceptance -- which seems likely with the future rollout of PVR-imbedded set-top boxes by cable companies and satellite operators -- many observers aren't necessarily convinced that this would lead to the devastation of the network TV business model. They cite how VCRs with their time-shifting capabilities did not cripple advertisers and the networks when they were rolled out decades ago, and how people already avoid commercials by surfing with their remote controls.

What all agree on is that the net effect of these trends forces the advertiser to be more creative in terms of how it works with content providers to keep their brands top-of-mind.

And the TV networks, movie studios and even record labels are listening. Cost containment is paramount for all of these companies in varying degrees as they seek brand purveyors as partners in defraying production, distribution and marketing costs that are spiraling out of control in a stubbornly stagnant economy.

Buying into lyrics

Record labels have recognized the potential, as evidenced by Island Def Jam wooing marketers with their diverse roster of artists for paid product placement and licensing opportunities. Most of the major record labels have set up strategic marketing departments, whose jobs are to pursue deals with advertisers in a more consistent, proactive manner than just reeling in the occasional one-off.

"There has always been an importance in working with brand marketers, but now it's even more vital because you can't just rely on any one medium anymore to sell the music; you have to saturate this new media culture," said Lee Stimmel, vice president of marketing and product development at Atlantic Records. "Secondarily, the economic model has changed. As an industry we are looking at brand marketers for a partnership to benefit both parties financially."

Record sales have plummeted in recent years because of online file sharing services such as Napster, and the increasing difficulty in getting radio airplay. With the emphasis on quarterly earnings that globalization of the music industry has wrought, labels have been shackled by the cost-disciplined ways of their corporate masters. The industry is clearly no longer the profligate playpen of larger-than-life characters such as the notorious former CBS Records honcho Walter Yetnikoff, and is now ruled by the suits, in places as far-flung as Japan and Germany, with little patience for deficit spending. Thus, partnering with brands is being recognized as an effective way to generate new revenue streams with the ancillary benefit of pumping record

sales for their artists. For proof, look no further than the boost in units sold for Sting after he partnered with Jaguar Cars North America.

While product placement and co-marketing deals between advertisers and movie studios have been going on for years, don't be surprised if the number and the sophistication of these arrangements increase as the film industry relies increasingly on big budget tentpole features, and blasts out the hype for the make-or-break opening weekend.

Integrated marketing schemes

Sony-aligned Revolution Studios' Vin Diesel action adventure film *XXX* this summer has turned out to be a timely platform for General Motors Corp.'s modern reintroduction of the vintage Pontiac GTO, which was featured in the movie. With the franchise potential of this summer hit, GM can probably look forward to the strong possibility of an extended partnership with Revolution, which could lead to even more inspired integrated marketing schemes. Revolution founder and chairman Joe Roth's recent hiring of fashion executive James Costos to create innovative co-marketing opportunities with advertisers is a clear sign that the studio realizes the potential of these deals.

As for the TV industry, the popularity of reality programming on both network and cable TV has brought a raft of deals that go beyond the traditional commercial buy and now increasingly include more product placement and sponsorships. CBS' monster hit *Survivor* was a marquee opportunity for brands like Target and Reebok, although some critics were upset with the gratuitous nature of the product pitches. In general, producers and programming executives at the networks, not to mention advertisers, have become increasingly careful about not crossing the line with product placement -- preferring to redefine it as product or brand integration -- trying to avoid viewer tune-out by employing more subtlety and context.

Fox has received a fair amount of credit for having boosted the bar on contextual placement with its smash summer hit *American Idol* -- some argue they didn't raise the bar nearly enough -- which featured Coca-Cola's flagship brand as its main sponsor.

Pushing the boundaries

And as far as pushing the boundaries into new models goes, *Who Wants to Be a Millionaire* producer Michael Davies is developing a new show called *Live from Tomorrow*, which will be a commercial-free, hourlong exclusive platform for a handful of advertisers.

"*Live from Tomorrow* is an example of an attempt to organically integrate a new kind of advertising into TV and eradicate the 30-second commercial," said Matti Leshem, executive vice president of production company Diplomatic, and Davies' partner in the venture. "There are clearly brands out there who, like us, are willing to think about reaching consumers in a way that is completely recontextualized."

Perhaps the most intriguing tack that has emerged is attempts by advertisers to subvert the form by actually creating stand-alone entertainment vehicles around a particular brand. Undoubtedly the most celebrated example of this has been the BMW Films series on the Internet, "The Hire," starring a BMW sedan and its driver played by actor Clive Owen, directed by the likes of Ang Lee and the late John Frankenheimer.

The BMW Films buzz

The collaboration between BMW's brand advertising agency, Publicis Groupe's Fallon Worldwide, Minneapolis, and production house Anonymous Content created considerable buzz. The buzz was fed by a significant production and marketing budget, and culminated in an online Grand Prix at this year's International Advertising Festival in Cannes. The project's success has added more fuel to a spirited debate about what constitutes advertising in these changing times, what agencies are and what they should become. Its critics have questioned whether the effort has actually sold cars, dismissing it as more a vanity project than the manifestation of an inspired strategic idea. The client definitely believes the concept has legs, having commissioned a second round of movies with more A-list directors such as Tony Scott and John Woo.

"Traditional advertising will not go away, but we have to expand our palette of ways to reach increasingly hard-to-reach people," said David Lubars, president and executive creative director at Fallon. "The way to reach these people is to have them reach you, and that requires an entirely new set of creative tools."

Video-on-demand may also become another platform for advertisers to experiment with branded entertainment. Cable operator Cox Communications in its San Diego market recently started offering advertisers deals to showcase long-form ad programming ranging in length from 5 minutes to 30 minutes. The Diet Coke brand is running a series of vignettes about a young woman's experiences as a production assistant on a movie shoot.

Marketers developing content

A variation on this theme has clients co-financing entertainment properties. "Operating in a television world with diminishing returns, advertisers are willing to be more proactive and look at new ways to leverage the market, both creatively and financially. This includes the area of content development and financing," said Robert Riesenber, executive vice president and director of Magna Global Entertainment, an entertainment marketing unit at Interpublic Group of Cos. It remains to be seen if clients will have the stomach to get into the programming business on a sustained basis.

Certainly a more cautious approach is to pool funds among a number of different underwriters, which is what the Family Friendly Programming Forum has done. A consortium including such package-goods titans as Procter & Gamble Co. and Johnson & Johnson is dedicated to funding script development of programming that would create an optimal environment reflecting values embodied in their own brands. The most visible beneficiary of this family values largesse is the WB's moderate ratings success *Gilmore Girls* -- a show about a 32-year-old single mother raising a 16-year-old daughter. ABC's new fall season entry *8 Simple Rules for Dating My Teenage Daughter*, starring John Ritter, is another project funded by the consortium.

So how are these parties coming together to hammer out these arrangements?

Rainmakers and bottom feeders

Much like in the early days of the Internet, opportunists of every stripe are coming out of the woodwork. Those savvy enough, with the right Rolodex, can bank a lot of money by brokering relationships between advertisers and entertainment companies. The 10-percenters include everyone from talent agencies and management companies to lawyers and private consultants. Some deserve the appellation of rainmaker while others are voracious bottom feeders, whose eyes are bigger than their stomachs.

And what role do marketers' ad agencies play in all of this? Ad agencies and show business middlemen have always had an uneasy, and at times contentious, relationship. Just ask Interpublic CEO John Dooner. It was certainly one of the darkest days in the former Coke account manager's career at McCann-Erickson Worldwide when interlopers at the Creative Artists Agency usurped control of the flagship Coke Classic ad account under the auspices of Edge Creative. While McCann, in a display of will and resilience, was ultimately able to redeem itself, winning back much of the business years later, the move sent shock waves through Madison Avenue.

Ad agencies' declining relevance

That tussle is held up by some as a signpost in ad agencies' crawl toward marginalization. Couple that with public pronouncements over the years by the likes of WPP Group Chief Executive Martin Sorrell that ad agencies have ceded the high ground of strategic thinking to management consultants like McKinsey & Co., and you have agency players scratching their heads at how to reclaim their primacy as brand stewards in the eyes of both clients and the media.

To that end, Omnicom has been on the lookout over the past several years for properties in Hollywood that can give the holding company a broader palette of services. This has led to the acquisition of Hollywood integrated marketing outfits like Aaron Walton Entertainment and Davie-Brown Entertainment, both being parked within Omnicom's Diversified Agency Services unit.

Interpublic, for its part, has explored taking an equity stake in Endeavor, the Los Angeles talent agency that represents such stars as Ben Affleck, Matt Damon and Adam Sandler. But that effort has been stymied by the talent agents' inability to work out a new agreement with the Screen Actors Guild. Mr. Dooner has charged Mark Dowley with leading these efforts under the banner of Interpublic Sports and Entertainment Group. The acquisition several years ago of PMK/HBH, the Hollywood public relations outfit run by Pat Kingsley, notorious for her hardball tactics in controlling and shaping media access and coverage of her superstar clients such as Tom Cruise, was a harbinger of this grouping.

WPP has also trawled this space with a hand in Shine:M, a branded content vehicle for WPP clients; it's probably a safe bet that Mr. Sorrell has his eye out for more. And now that Publicis CEO Maurice Levy has closed his purchase of Bcom3 Group, officially being christened into the ranks of the elite holding companies, it will be interesting to track his interest in this space.

Hopeful, but wary

So will all of these flirtations between brand marketers and entertainment companies consummate in trusting, prosperous relationships or be stalled by suspicion and broken promises? One Hollywood studio executive, while hopeful, struck a wary tone:

"It sounds good on paper but the reality is that these are two very different cultures, and success in one far from guarantees success in the other."

BEWARE A DANGEROUS NEW MARKETING INNOVATION

Product Integration As Annoying, Ineffective Dreck

April 08, 2002

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By [Scott Donaton](#)

Over lunch last week, the chairman of a leading ad agency was asked about the flirtation between Madison Ave. and Hollywood, and the blending of commercial messages into entertainment content.

His view: Such deals are essentially meaningless and serve solely as ego boosters to marketing directors out to prove they can be "creative" or "risky." Cynical? No. Realistic is more like it.

Forgotten consumer

There are any number of marketing "innovations" being touted these days, but something is missing from the equation in the new marketing math: the consumer.

Marketers are hot on the idea of product placement. They've convinced themselves that giving it a new name (product integration) qualifies it as a creative concept rather than a recycled device from TV's earliest days. In assuming control over storylines and media content, their motivation is not to have a more engaging dialogue with consumers. It is the fear that personal-video recorders will make 30-second ads obsolete. How do you connect to consumers who give you a brusque technological brush-off?

The fear isn't unfounded. In an article in *The New Yorker* about Hollywood types who used TiVo to record the Academy Awards, each anecdote included a mention of commercials zapped to make the lengthy broadcast more palatable. But marketers' responses so far don't qualify as viable solutions. And they certainly don't have the consumer in mind.

TV networks embrace product integration and experiment with such gimmicks as program repurposing not to satisfy viewer demand but because the escalation of production costs has destroyed their economic model. Similarly, cross-platform integrated marketing programs are about buyers' bulk and sellers' inventory, not consumer innovation.

Most dangerous idea

Product integration is the most dangerous idea because of the real risk of harming the consumer's relationship with both the advertiser and the media outlet.

Its defenders say product integration, when done right, can enhance a brand's image and the entertainment experience. Be real: The goals are to avoid being zapped and to sell product. There may be a handful of instances where product integration is a good fit with the content, and perhaps even provides a measure of verisimilitude. Stephen King novels are certainly scarier because his characters live in the same world (i.e., consume the same products) as the rest of us.

But most product-integration deals are clunky and unnatural. They will surely be rejected by consumers -- who will no longer trust the advertiser or network that presents them with such transparent dreck. (This may be wishful thinking. The success of televised celebrity-boxing matches proves millions of people enjoy transparent dreck.)

Disguising commercials

Still, I have faith consumers will reject attempts to disguise commercials as entertainment.

Or not disguise them. *The Wall Street Journal* reported Ford Motor Co.'s Lincoln cut a deal with NBC's *Tonight Show* to sponsor concerts on a stage filled with Lincolns. "Lincoln also would like to have the musical performers be driven onto the stage in Lincoln vehicles," the *Journal* reported. Gee, that sounds like seamless, natural integration. Why not go the next step? Have Jay Leno deliver his monologue on the hood

of a Lincoln and interview guests from the front seat. The blatant disregard for the viewer is almost staggering.

Ellis Verdi of DeVito/Verdi warned in the *Journal* of the danger of overstepping the bounds: "You cheapen the product." He didn't specify whether his reference was to the media product or the advertised product. Let's assume he meant both.

MADISON AVE. GOES HOLLYWOOD

Ad Agencies Manuever Closer to Owning Stakes in Talent Agencies

January 28, 2002

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By [Wayne Friedman](#)

LOS ANGELES (AdAge.com) -- The convergence of Madison Avenue and Hollywood is poised to take a giant leap forward as negotiations between the actors union and talent agencies come closer to allowing ad agency holding companies to own stakes in talent agencies.

For years, ad agency holding companies have sought alliances with talent agencies. Creative Artists Agency has been rumored at times to have been in talks with WPP Group, Omnicom Group and Interpublic Group of Cos. In June 2000, Omnicom came close to an alliance with CAA; WPP Group Chief Executive Martin Sorrell has said the holding company has been interested in several entertainment groups. But so far, the closest ad agencies have come are small ventures or one-time program or movie deals for their clients.

Lifting the ban

Now the field appears to be widening. The Screen Actors Guild and the Association of Talent Agencies and National Association of Talent Representatives, which have long banned ad agencies, networks, movie studios or companies with a TV production division from making major investments in talent agencies, remain in negotiations to lift the ban.

SAG initially instituted the ban to avoid conflict of interest that could result in actors being restricted to working only for an ad agency's clients.

"Union negotiations could make it easier for ad agencies to have ownership and make [deals] more attractive for advertising agency acquisition candidates," said Phil Guarascio, chairman of PG Ventures, a media and marketing company, and former vice president of corporate advertising and marketing for General Motors Corp.

Mr. Guarascio has recently been a consultant for the William Morris Agency, helping it strike a deal to represent GM for its entertainment marketing initiatives.

Talent agency revenue has been hamstrung by the SAG contract. For instance, talent agencies are allowed to garner only a 10% fee from actors. However, on many other forms of business, including corporate clients, they are not restricted by the contract. This is why agencies have been rapidly pursuing corporate clients as well as expanding in other areas.

William Morris, for example, has a number of corporate clients including Tommy Hilfiger, Anheuser-Busch Cos., Compaq Computer Corp., Visa International and Nokia. Creative Artists Agency, which already counts Coca-Cola Co. as a client, has recently signed on Motorola and Boeing Co.

High-profile deals

As convergence gathers steam, high-profile deals continue to be inked. CAA brokered Coca-Cola's deal to become a tie-in partner with AOL Time Warner unit Warner Bros.' *Harry Potter and the Sorcerer's Stone*. OMD USA, a media unit of Omnicom, set a deal for product placement for its clients in UPN shows this season -- engineered by talent agency Endeavor, UPN's outside promotion and marketing agency.

In another example of the melding of product advertising and entertainment -- albeit one not brokered by a talent agency -- the WB in 1999 brought Coca-Cola into a summer series, *Young Americans*, as a title sponsor. Coke also got product placement in the form of a Coke vending machine appearing in the series. The Coca-Cola deal was done through Interpublic-owned Universal McCann's TV programming group.

For advertising agencies, there are several benefits in a share of a talent shop.

Owning *Friends*

"The investment opportunity [for ad agencies] isn't just investing in a company that gets a fee," Mr. Guarascio said. "You can basically invest in a company that owns content, and content is where the big money is. What you really want to do is own *Friends* or *All in the Family*."

The benefit for advertisers: stakes in hit TV series and blockbuster movies, access to product placement opportunities and even TV series built around their products.

"We've had all sorts of ideas brought to us from talent agencies -- shows built around products," said a senior ad agency holding company executive. "A joint venture could involve a deal in which the talent agency would come up with ideas, and the ad agency would come up with the clients, and there'd be shared revenues."

"This was where sports marketing was 30 years ago," said Mr. Guarascio of the current movement. "This whole sector of marketing and entertainment is going to be very important. Agencies are going to better serve their clients."