

Viacom's Full-Court Press for Online Ads

Louise Story

Justin Timberlake did not attend Nickelodeon's annual advertising presentation this month, but one of Viacom's own ad sales executives, Jim Tricarico, took the stage to perform a rendition of the singer's "SexyBack."

"Nicktropolis, Nick at Nite, cool Web sites," he rapped to advertising executives gathered at the Nokia Theater in Times Square. "Come to the Nick and get your sales on."

Nickelodeon was the first of many television networks that will be rapping about their digital assets this spring as ad executives determine how to spend their clients' money at the annual advertising previews, known in the trade as the upfronts.

Video advertising, while less than 5 percent of online spending, is the fastest-growing advertising category online, generating \$410 million last year, an increase of 82 percent from 2005, according to eMarketer, an online advertising research firm.

While all television networks have seized upon online video, few invested more aggressively than Nickelodeon's parent company, Viacom. MTV Networks — the division of Viacom that oversees 28 networks in the United States including MTV, Comedy Central, Nickelodeon, Spike and Country Music Television — manages 44 domestic Web sites and was among the first to put video from its TV shows online, posting MTV video in 1994.

And Viacom has been aggressive in different ways. Last week, the company sued Google, asking for more than \$1 billion in compensation for its clips from shows that have been uploaded by users to its YouTube site. Other networks have negotiated deals with YouTube privately while Viacom executives have openly criticized the video site when Viacom owned-shows like "The Colbert Report" appeared there.

"Every day we have to scour the entirety of what is available on YouTube, so we have to look for our stuff," Philippe P. Dauman, Viacom's chief executive, said last week. "It is very difficult for us and places an enormous burden on us."

Other major media companies have accused YouTube of copyright infringement, but Viacom's lawsuit underscores its particular vulnerability in the face of the popularity of video site.

First, Viacom has been adamant about maintaining its own relationship with advertisers, in part because it is trying to sell ads across platforms, using the popularity of its Web properties to bolster its television ad revenue. That is leverage the company would lose if it cannot draw enough viewers to its own Web properties.

According to Hank Close, executive vice president for ad sales at MTV Networks, advertisers will get a spot online at events like the "Kids Choice" awards program on Nickelodeon and the MTV Music Awards show only if they agree to buy commercials on the television broadcast, as well.

"These are exclusive properties, and you're not going to get into them unless you do television too," Mr. Close said. "We've got the ability to connect with consumers and move with them from screen to screen."

Viacom also has a enormous amount of content aimed at younger viewers, the kind most likely to click on YouTube or other sites. More than 80 percent of Nickelodeon's and MTV's audiences are under 34, as is 57 percent of Comedy Central's, according to Nielsen. (Viacom says that clips of its programs have been viewed more than 1.5 billion times on YouTube.)

Advertisers like Internet commercials linked to online video because it allows them to communicate their brand messages with sight, sound and motion. And Web sites like video ads

because they are paid more for each viewer than they typically would be with simple text or banner ads.

Google, thanks to YouTube, remains the colossus of online video, with 1.167 billion videos streamed for viewing in January by 54.7 million people, according to data from comScore to be released publicly this week. By comparison, Viacom Digital had less than a quarter of the streamed videos — 264 million — and just over a third the number of people, or 18.9 million, making it the fifth most popular online video company in terms of video streams.

Nickelodeon, MTV and VH1 sites account for more than 70 percent of those streams. A user-generated video site that Viacom acquired last year, iFilm, represents about 15 percent of the streams and Comedy Central about 1 percent, comScore figures show. (MTV Networks says comScore Media Metrix does not capture video viewing on some of its sites.)

To close the gap with Google, MTV Networks last year hired several new executives who had digital expertise. Mika Salmi, now head of the networks' digital media, had been chief executive of Atom Entertainment, which Viacom acquired in August. Nada Stirratt, the networks' executive vice president for digital ad sales, was hired from Advertising.com, a large third-party ad server.

And Adam Cahan, formerly a member of Google's strategy team, was named executive vice president for strategy and business of MTV Networks. While television also falls under his authority, video distribution online is a large part of Mr. Cahan's focus. That has brought him into competition with his former employer.

In the last year, Viacom spent about \$1 billion buying Web sites specializing in games, user-generated content and other entertainment likely to be popular with its young audiences.

Nickelodeon, in particular, has been expanding. In the fall, it acquired AddictingGames.com. Last month, the network created Nicktropolis, a virtual site like Second Life where young users can interact online. It recently introduced MeTV, a site where viewers post their own video creations, and some of those videos are later shown on television. And Neopets, the network's virtual pet site, is moving into mobile phone offerings. Nickelodeon executives said they have learned how to reach younger viewers on multiple screens at all times of the day.

"Kids are now in the driver's seat," said Jim Perry, executive vice president for MTV Networks' Kids and Family ad sales, "determining when and how they want to interact with us."

Viacom is not entirely opposed to sharing its content with others, if paid for it. Last month, the company said it would allow Joost, an online video site now being developed, to show some of its clips. And in the fall, MTV Networks participated in a video distribution test of Google's AdSense program, which distributes video to thousands of sites, sharing the revenue with the media companies.

But in contrast to other companies like Condé Nast, which allowed Google to sell the ads that accompanied their videos, MTV Networks insisted on selling theirs.

"From a strategic perspective we deeply value our relationships with our advertisers," Mr. Cahan said in discussing the AdSense test. "It's very important that we maintain those relationships, regardless of platform."

At last year's upfronts, Viacom executives talked at length about the digital space at MTV Networks' presentation at Madison Square Garden, where the lobby was filled with an array of computers, iPods and other devices displaying the company's Web content. The approach seemed to work. MTV Networks landed a deal with OMD, an ad-buying unit of the Omnicom Group, that bundled \$300 million worth of digital and television ad sales.

But the emphasis by Viacom and other networks on digital media caused confusion at many agencies. Ad buyers traditionally purchase only one medium, and many large advertisers hire separate agencies to handle their digital and television ads, so many television buyers were unsure if they could purchase online video ads. In the last six months, several large agencies

have responded by consolidating all video ad buying, including television and Internet, under one person.

Other media companies have been making similar changes, signaling a sea change in the ad-selling business, as well. Last month, for example, NBC placed all ad sales, including television, under its digital chief, Beth Comstock.

"The networks are putting their stakes in the ground to grow that side of the business so they don't lose it," said Jason Maltby, president and co-executive director for national broadcast at MindShare North America, a WPP Group unit that buys ads.

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