

## Advertisers try the soft sell as TV drifts online

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Sometime in the next few weeks, visitors to Hulu, the online video site jointly owned by NBC Universal and News Corp, will be able to do something that television viewers would never have imagined just a few years ago: choose their own advertising.

When, for example, an advertisement sponsored by a carmaker pops up, viewers might be asked to click on a sports car, a pick-up truck or a family sedan, depending on their preference, and watch a corresponding message. (Skipping past, unfortunately, is not an option.)

"It's choose-your-own-adventure advertising," says Jean-Paul Colaco, Hulu's senior vice-president of advertising, who is hoping to reduce the friction between audiences and marketers by making advertisements less intrusive for the former and more efficient for the latter.

The Ad Selector, as Hulu calls it, is just one example of a burst of innovation in online advertising. As audiences increasingly move to the web to consume video – be it full-length television episodes or short clips – media companies and advertising agencies are rushing to develop new and more effective advertising strategies in the hope of creating a profitable business.

They are eager to harness the interactive possibilities that differentiate the internet from the more passive experience of traditional television. In a marketer's dream scenario, consumers who see a message for a product that interests them might pause a video, click through to a website and even make a purchase.

But that same interactive power can also be a curse for marketers because it makes it easy for fickle viewers to jump to other websites if they feel bombarded by irritating and irrelevant advertisements.

"Internet video is a lean-forward experience. The audience is watching with their hand on the mouse, ready to click away as soon as they lose interest," says Matt Cutler, vice-president of Visible Measures, a company that tracks online behaviour.

Mr Cutler estimates that more than 30 per cent of consumers abandon an online video within the first 10 per cent of its stream. One reason is that labels touting particular videos often do not correspond to the content. Thus, the "sexy girl on a beach" promised by a poster on a video site instead turns out to be an advertisement for an erectile dysfunction remedy.

Ironing out those problems is vital for media companies. While they were once content merely to collect clicks on their web pages, they are now desperate to retain viewers for longer periods. "[Advertisers] are less interested in vanilla impressions. They want engagement," explains Patrick Keane, chief marketing officer at CBS Interactive, promising more innovative advertising formats in the future.

The ability to deliver on that may determine how quickly online video advertising grows. Last year, spending on the category in the US reached \$471m (£234m, €298m), according to Forrester, the media consultancy, which is predicting that it could swell to \$7.5bn by 2012.

So far, the bulk of the money has gone to pre-roll advertisements – those ubiquitous short clips that precede a video. The proposition is straightforward: a viewer trades 15 or 30 seconds of their attention for the right to watch a video, just as they would pay before entering a carnival attraction. Pre-roll is also easy for companies because they can often repurpose their traditional television advertisements.

The drawback is that pre-rolls often alienate viewers. "For a lot of consumers, it's just a lousy experience," says Baba Shetty, chief media officer at advertising firm Hill Holliday. It is made

even worse when viewers sampling lots of short clips are forced to endure the same pre-roll advertisements again and again.

Google apparently agrees. It has decided to ban pre-roll ads from its YouTube online video site and is now studying a variety of alternatives, including overlay ads. These are smaller, more discreet ads that run at the bottom of the main video. If a viewer is interested, they can click on the overlay and expand it into a fully-fledged video.

In a similar vein, some internet advertising executives refer to "telescope" ads, which allow viewers to click through successive links from a simple original advertisement to learn more about a particular product. A smaller overlay with a car, for example, could lead to a separate video and a webpage with specifics about its engine and interiors and even a local dealer's home page.

Other ideas abound. Some companies are experimenting with advertisements that pop up in a separate video player window. The idea is that they are less likely to disturb the central experience. Still others are developing technologies that would allow advertisers to embed their products in existing videos. A person watching a cooking show, for example, might be able to click on a refrigerator or a blender to learn its make and model.

"It's early days, but there's a lot of experimentation going on," says Mr Shetty. The goal, he says, is to develop formats that strike a balance between websites, viewers and marketers.

Towards that end, Mr Cutler's company is trying to use audience measurement techniques to determine the optimal moment for marketers to insert their messages into a video. It is a calculation that differs, obviously, depending on whether that video is a 30-minute television programme or a three-minute clip.

For all the excitement, not everyone is convinced that such innovations are poised for widespread adoption. "We've had these ideas around for so long, but people just haven't moved forward on them," says Jeremy Allaire, chief executive of Brightcove, which powers much of the video on the web.

Mr Allaire, an early web entrepreneur, is dazzled by the possibilities that the internet opens up for customised advertising. But he believes that much of this remains impractical because companies still want to buy advertising in bulk. Also, as with display advertisements before them, video advertisements will require common standards before they can become widespread.

In the meantime, Andrea Kerr Redniss, managing director at Optimedia, a division of Publicis, is advising clients to improve their pre-rolls. These can still be effective, she argues, if marketers raise their creative quality and take care not to repeat the same messages endlessly.

"Pre-rolls are going to be around for a long time," Ms Kerr Redniss says. "And savvy advertisers are going to get better about how they use them."

At Hulu, Mr Colaco is trying to do that. In addition to the Ad Selector, the company has decided to exempt viewers from any ads in longer programmes if they agree to first watch an extended film trailer. The company has also opted to reduce the frequency of pre-rolls that accompany its shorter clips.

It is all part of a broader effort to strike a profitable bargain between Hulu, its advertisers and its viewers. Or, as Mr Colaco puts it: "We want you to have instant gratification and enjoy the content before hitting you over the head with the ad."

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