

Cable companies target commercials to audience

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The advertiser's dream of sending a particular commercial to a specific consumer is one step closer to reality as Cablevision Systems plans to announce the largest project yet using targeted advertising on television.

Beginning with 500,000 homes in Brooklyn, the Bronx and some New Jersey areas, Cablevision will use its targeting technology to route ads to specific households based on data about income, ethnicity, gender or whether the homeowner has children or pets.

The technology requires no hardware or installation in a subscriber's home, so viewers may not realize they are seeing ads different from a neighbor's. But during the same show, a 50-something male may see an ad for, say, high-end speakers from Best Buy, while his neighbors with children may see one for a Best Buy video game.

"We have, as an industry, been talking about this since the beginning of time," said Matt Seiler, the global chief executive of the media firm Universal McCann, a part of the Interpublic Group. "Now we've got it in 500,000 households. This is real."

The potential of customized ads worries some privacy advocates, despite the assurance of cable companies that they maintain anonymity about the households.

"We don't have an objection to advertising that is targeted to demographics," said Marc Rotenberg, the executive director of the Electronic Privacy Information Center, a civil liberties group in Washington. But, he said, there is a need to show "that they can't be reverse-engineered to find the names of individuals that were watching particular shows."

Cablevision says it segments its subscribers only by demographics, so that an advertiser can divide ads among various groups: General Motors, for example, could send an ad for a Cadillac Escalade to high-income houses, a Chevrolet to low-income houses, and one in Spanish to Hispanic consumers.

Cablevision matches households to demographic data to divide its customers, using the data-collection company Experian.

Experian has data on individuals that it collects through public records, registries and other sources. It matches the name and address of the subscriber to what it knows about them, and assigns demographic characteristics to households. (The match is a blind one: advertisers do not know what name and address they are advertising to, Cablevision executives said.)

Advertisers can also give their existing customer lists to Experian, and Experian can make matches — so G.M., for example, could direct an ad based on who already owns a G.M. car.

Advertisers are willing to pay premiums for ads that go only to audiences they have selected.

Cablevision tested the technology by promoting its own services with targeted and untargeted ads. In the eight-month test, the targeted ads brought in new subscriptions at a significantly higher rate than untargeted ads.

"The revenue opportunity for the various constituents within television is enormous," said Irwin Gotlieb, the global chief executive of GroupM, the media division of WPP Group. (WPP is an investor in the targeting companies Visible World and the Invidi Technologies Corporation.)

That is money the cable companies are eager to have. "Penetrations have flattened out, and cable companies need a way to grow," said David L. Kline, the president of the Rainbow Advertising Sales Corporation, Cablevision's ad unit.

Cablevision has been testing the system in about 100,000 Brooklyn households over the last year and a half. By summer, Cablevision plans to have it in 500,000 households, and, if the introduction goes smoothly, to extend it to all 3.1 million of its cable subscribers.

Visible World, the New York-based company working on the Cablevision project, was founded in 2000. It initially worked on showing versions of ads based on the weather or general location. Then, Visible World began working on the capability of sending different ads to specific households, starting with Brooklyn.

Cablevision is not notifying customers about the targeted advertising specifically. It last sent its privacy policy, which included information about ad targeting, last May, said a spokesman, Jim Maiella. The privacy policy is also available online.

Jeffrey Chester, the executive director of the privacy group Center for Digital Democracy, said this was not enough. "They need to be very clear to the consumer what's being collected," he said. "Give people a choice."

One thing Cablevision will not be doing is sending ads based on what shows a consumer is watching.

But a competitor of Visible World, Invidi, is conducting a test with the cable company Comcast and will soon work with Verizon. It uses data from remote controls to follow what a person is watching, then matches that with ratings information and program guides to infer that person's gender and age. It can use census data or data sources like Experian for further refining. Then, it shows an appropriate commercial.

Eventually, said Michael Kubin, the executive vice president of Invidi, the company will be able to identify who is watching based not just on what they are viewing, but also how they watch it: whether they channel change frequently or not at all, or immediately turn to CNN or to Bravo. That will help it show the right ads in households where multiple people watch television.

Mr. Kubin said Invidi did not have the capability to store any data, and could not, even if subpoenaed, tell what programs someone was watching.

But Invidi's access to data has raised some concerns among even its advertisers. In late 2008, Invidi began conducting a test in Baltimore with Comcast, with about 70,000 households.

Comcast sent letters to all households in the trial area when the test began, alerting them to the trial and giving them an option to decline participation.

Advertisers wanted even more caution. While Invidi could have used the remote-control data to target ads, Starcom MediaVest Group, a media unit of Publicis Group, asked it not to.

"We want to make sure that we took a very conservative approach toward data usage until we have an opportunity as an industry to understand the consumer's desire for more relevant advertising," said Tracey Scheppach, senior vice president and video innovations director at Starcom Worldwide.

While advertisers are pushing the cable industry to begin offering targeted advertising, it has been a slow process. Cable companies control only a portion of advertising — the bulk is sold by the networks, like ESPN or MTV.

To coordinate their efforts, last year the six largest cable companies announced they had created an entity called Canoe Ventures. It is trying to get national distribution for the targeting technologies, to ensure the networks support targeted ad sales, and to come up with industry standards.

“Television was always big and dumb,” said Seth Haberman, the chief executive of Visible World. “Now, hopefully, we can be big and slightly smarter.”

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