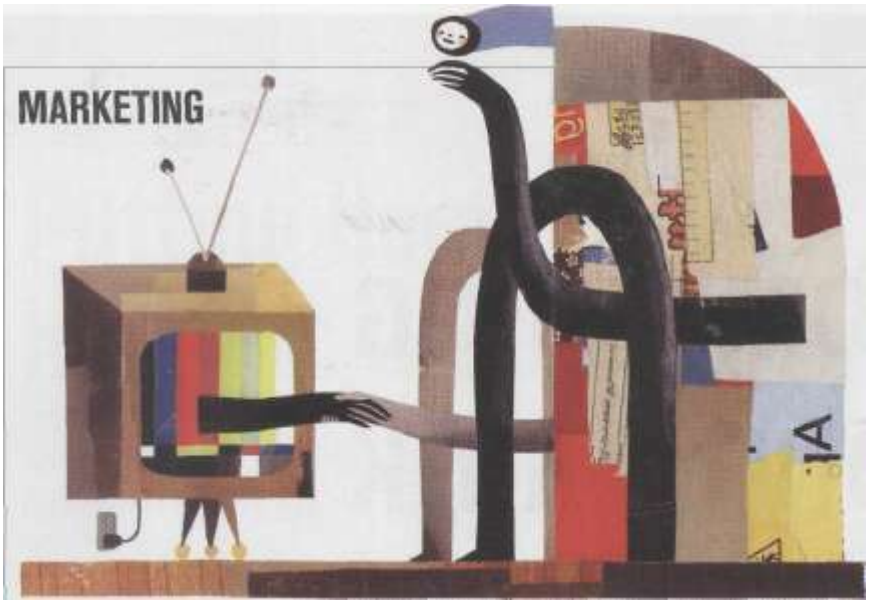

Paying for Viewers Who Pay Attention

Engagement scores are helping TV advertisers target ideal audiences—those who are really interested

By David Kiley

When ad agency Crispin Porter + Bogusky wanted to put a 1964 Beetle in ads for the 2009 Jetta sedan and Tiguan crossover SUV, Volkswagen's U.S. marketing chief Tim Ellis knew executives in Germany would be skeptical. And yes, they were put off by a 45-year-old Beetle named Max that talked like a German-accented Herbie the Love Bug in an ad touting sophisticated new vehicles. But Ellis figured he could placate his bosses with new data that purport to measure how engaged viewers are with a given show or commercial. The Germans relented when he told them that viewers were up to 75% more likely to pay attention to the ads with Max than without him. "The skeptics," says Ellis, "were silenced."

Marketing executives have long sought better information about how closely people watch TV programs and commercials. Engagement ratings, they believe, give them a better sense of whether ads are working and are matched with the right show. Not everyone thinks engagement ratings are ready for prime time. But industry executives say that at least half of the top 100 TV advertisers in the U.S. this year will demand that the networks use engagement ratings to help determine how much advertising time should cost. "It's almost like we're getting price guarantees on how well our ad is doing," says Ford Motor's marketing chief, James Farley. "And that's close to the holy grail for me."

For years, advertisers have relied on Nielsen ratings, which measure if the TV is switched on but not whether people are sleeping, snacking in the kitchen, or surfing the Web. IAG, a research firm, began asking viewers in 2004 how well they recalled programs and ads. The more viewers can recall and say what they liked, the higher the rating. In 2005 and 2006, a few advertisers—such as Toyota, which had been using the data simply to figure out which programs to advertise on—began cutting the first deals with networks to tie ad prices to how well their programs scored. Last year, Nielsen, seeing the trend, bought IAG for $225 million.

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NOT HARD CURRENCY-YET

Like many companies, Ford has slashed its TV advertising budget. Marketing chief Farley is keen to make every ad dollar resonate with potential buyers and has been striking more deals tied to a program's engagement ratings. On the face of it, Ford had little reason to advertise with the Discovery Channel's *Dirty Jobs* series, starring Mike Rowe. The show delivers puny Nielsen ratings. But when engagement metrics were applied to the program, the viewers most deeply absorbed in the show turned out to be truck-buying men aged 18 to 49, a ripe demographic for Ford. That prompted Ford to advertise heavily and hire Rowe to appear in Web videos demonstrating the durability of the F-Series pickup.

If advertisers love engagement ratings, network executives haven't entirely embraced them. They say they need more testing and fine tuning. "Engagement ratings are proving very useful [for advertisers]," says Alan Wurtzel, president for research and media development at NBC Universal. "But they aren't to the point where we can replace traditional Nielsen ratings as the hard currency for pricing deals."

Not yet. As advertisers push for the kind of accountability they have become used to on the Web, TV engagement ratings eventually will transform the negotiating game between networks and advertisers. Already Ford and other companies are demanding discounts if shows miss promised engagement scores.

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