

## Online advertising Recession/Video

# Reasons to be cheerful

When many sectors are seeing negative growth, should the online advertising industry take heart from projected growth of 20%?

Mark Sweeney

Last month Sly Bailey, the Trinity Mirror chief executive, painted a bleak picture for digital media, saying that next year could bring something akin to the dot com crash in the late 1990s.

"Remember 1999? Well 2009 will be like Groundhog Day. For the lucky, we should expect consolidation and, for the less fortunate, failure," Bailey told the Association of Online Publishers conference last month.

"Digital businesses can no longer rely simply on a rising tide of growth. The latest market figures show that the downturn in the economy is now affecting digital media, with growth rates in internet advertising revenue falling in 2008 and the market expected to be more challenging in 2009 – and as we've seen, even Google is not immune," Bailey said.

Her concern has been underlined by several research organisations downgrading future internet advertising growth. With recession looming, the seemingly unstoppable darling of the advertising industry is proving susceptible.

However, before opening the windows and preparing to jump out, digital advertising executives should take heart that even with the growth of online advertising flattening, the medium is still set – at the moment at least – to grow by 20% year-on-year in 2008. Any other medium would call low single-digit growth a major success in this climate.

Enders Analysis and PricewaterhouseCoopers both reduced UK online ad growth forecasts from around 27% to



David Halliday  
Bailey: 'Even Google is not immune'

'The latest market figures show that the downturn in the economy is now affecting digital media'

### Brand engagement The impact of online advertising

A recent study found what marketers often fail to recognise: the potential of online display advertising to get consumers to "love" a brand.

Research from the Internet Advertising Bureau on the advertising strategy of five major high street brands – Debenhams, John Lewis, Marks & Spencer, Woolworths and Next – found that for particular demographic groups online display advertising had far greater impact than TV or printed press advertising in influencing "brand engagement", this is how marketers describe the process of a consumer forming an attachment – emotional or rational – with a brand.

Conducted earlier this year, the study highlighted the influence that advertising contributes to consumers' engagement with a brand.

Consumers are most influenced by underlying "pre-loaded" factors including brand heritage, good or bad in-store experiences and how far shops are from their homes.

"Taken out of context the number looks quite small but it is hugely important because if you are, say, Marks & Spencer, and you can lift sales by

5% using marketing, then the payback is much better than refitting all their stores," said Mary Jeffries, director of the research and analytics company evoolve.

The report found that 40% of the effect of advertising communications was accounted for by online display advertising, against 31% by press advertising and 19% for TV ads. Jeffries adds that there are a number of caveats that need to be taken into account in interpreting the figures. The study group was a high internet usage group of around 1,000 women aged between 30 and 50 who are regularly on the hunt for "retail messages".

In addition, the ad campaigns analysed contained a "reasonable element of digital spend" – in general retailers are not major internet advertising spenders – and the research does not take into account the impact of companies offering massive sales promotions.

"We are investigating brand love, not the impact of sales," says Jeffries. "The results are pleasantly surprising, if not necessarily representative of the whole population – there is a disconnect in marketing departments over the impact online advertising can have". MS

about 18%. The third quarter Bellwether report, a key indicator of advertiser confidence, found marketers were keeping internet budgets flat as the report noted the weakest growth figures in seven years. Researchers believe that online classified and display advertising are likely to bear the brunt of the downturn.

Online classified growth has been downgraded to just 7.7% growth this year, to an expected £630m, compared to 35% growth a year ago, according to Enders Analysis, although this is hardly surprising, given that in a recession the amount of classi-

fied ads will fall in the recruitment, property and finance areas, regardless of the medium. Display ad growth forecasts have been cut for the full year from 23% growth between 2006 and 2007 to an expected 8.9% growth this year, says Enders, which forecasts display advertising to reach £650m in 2008, up from £454m in 2006.

Rhys McLauchlan, head of broadcast implementation at media agency Media-Com, says advertisers will significantly pull back from newer, largely unproven areas such as online video advertising. "The growth in video advertising will

be nowhere near as significant next year. There will be huge consumer uptake of online video but in 2009's economic climate big marketers will cut back to what they know and trust."

He argues that there could be a fall of as much as 20% in the rates that advertisers are willing to spend for advertisements using online video. Market sentiment about online video advertising is also being hit after the UK Competition Commission in August delayed the launch of Project Kangaroo, the mooted, ad-supported online video site being developed by UK broadcasters ITV, Channel 4 and BBC Worldwide.

"Everything will become more cautious. Companies will focus on core activities and anything peripheral, fragmented, not properly measurable that may have been tolerated before, will be cut back," says Phil Chapman, marketing director at T-Mobile.

### Healthy growth rate

Earlier this year ZenithOptimedia predicted that online display advertising, including banner ads, would hit £1bn by 2010. More recent reports in a deteriorating climate estimate £650m in 2008, making the bigger target now highly unlikely.

"Compared to most areas of marketing, online display has been the least innovative because of previous limitations on the file size of ads," argues Martin Baillie, planning director at Glue London, because of slow broadband connections.

The ever-shining star in digital is paid-for search advertising, Google's bread and butter, where clients buy certain keywords to move them up the results of an online search. Most digital media executives think search advertising is the most recession-proof of all online advertising.

Analysts put the search growth rate at a healthy 25% this year and, while Google's total revenue growth is slowing, the recent decision to allow gambling ads targeting UK web users could see an income boost of as much as £100m a year to Google.

# Online movies rewrite the rules

Video in interactive campaigns is becoming a key element in connecting with an online audience and creating that buzz

Ross Biddiscombe

Online video advertising is coming of age. Whereas this time last year the jury was still out, in the final quarter of 2008, industry experts now see online video as a key component for digital campaigns.

"Although we have to be realistic about it, the upside of a good online video advert is that for a low investment you might be able to knock one out of the park," says Mark Boyd, head of content and creative director at Bartle Bogle Hegarty.

Big brands in particular are finding online video effective. Sony Ericsson has launched an online drama serial for its Xperia phone series that acts as part of an online game, called Who is Johnny X?. And Diesel's Dirty 30 video is capturing the attention of brands and internet surfers. Both show how effective the medium can be.

In fact, online video is becoming part of almost every ad campaign. Of the £1.7bn of online advertising spend in the first half of 2008, the Internet Advertising Bureau (IAB) estimates that online videos ads made up about £300m, or 18% of the total.

"The most important medium for communication is not TV or radio anymore, but the community of the audience," says Al Young, creative partner at ad agency St Luke's. "And the most effective way of activating the audience is online. Video content is very important for that because it can be such powerful content."

Jack Wallington, IAB programmes manager, says: "Consumers are now more familiar with watching TV on a computer screen and that is helping the emergence of online video advertising. Advertising around programming from traditional broadcasters now putting shows online is the jewel for the ad agencies."

Viewer familiarity with iPlayer and Channel 4's on-demand service has prompted ad agencies to add an online component to any TV advertising campaign, says Jon Buckley, head of digital at Archibald Ingall Stretton. "We used to

### Enriched content Case of the Cactus Kid



Run Cactus Kid Run: London-based agency Mother's campaign for Oasis has almost doubled awareness of the brand

The Cactus Kid campaign for Oasis drinks began with a series of TV ads in July – created by London-based agency Mother – featuring a strange, Cactus-like looking boy who runs away with a "normal" looking girl, both of whom – of course – only drink Oasis and "don't like water".

Simultaneous with the TV adverts were short pieces of online-only video made by digital agency Glue London that talked about "sightings" of Cactus Kid and the girl where the Oasis tagline "For people who don't like water" was reinforced. The plan was to intrigue the online community and create a content-rich campaign. Glue put the videos on Flickr and YouTube. Viewings of the YouTube footage now top 100,000. As the campaign developed on TV,

more footage from the original film shoot in Mexico was used to build a main website and half a dozen microsites to help flesh out the fictitious story of the young lovers.

The microsites were developed over three months. Eventually, a MySpace page created by Glue for Cactus Kid gathered over 2,250 friends and microsites including Mothers Against Cactus Kid and one dedicated to the sheriff trying to catch the couple were also set up. The main Run Cactus Kid Run ad generated more than 54,000 unique users over the course of the campaign.

In September, the final TV advert as well as posters, phone box ads and the Run Cactus Kid Run website asked consumers to decide the fate of the

couple. Three options – happy, sad or twist – were offered and consumers voted on the website. Some 11,000 people cast a vote online and the final episode in the couple's story was the winning "twist" and was made available exclusively on the Cactus Kid website on September 22.

According to research from Millward Brown, 70% of Oasis consumers engaged with the campaign in some way and brand awareness has risen from 27% to 45%. RB

### Weblinks

Glue London: glue.london.com  
IAB: iab.net  
Run Cactus Kid Run: runcactuskidrun.com

send along just a stills photographer to the TV advert shoot to provide extra coverage, but now we have a separate brief for online video as well.

Adding the relatively small cost to the TV shoot for the online element means better value, especially when the click-through rates are so impressive with video online. "You may spend more money on the media placement online and the streaming costs, but it's worth it," says Buckley.

However, simply streaming the TV ad online is not enough: either agencies are finding new ways to connect with their audiences, by adding interactive elements to the videos or making bespoke videos only for the online audience.

Thiago de Moraes, digital creative director at CHI and Partners, says agencies connect more easily with an online ad when it is user-generated. He says that it can sometimes be very simple. "[For] the 888.com campaign, viewers bet on whether a piece of toast fell to the ground on the Marmite site (black) or the strawberry jam site (red). This is very basic, but for the online gambling brand it was perfect as well as being gratifying for the user."

A cinema advertisement using celebrities made for Friends of the Earth kicked off the group's The Big Ask campaign but it also had a big video element. The public was asked to send their own video messages asking for stronger laws to prevent climate change and global warming to The Big Ask website.

More than 1,200 people uploaded their own protest videos to the website, while another 172,000 people contributed other messages online, often simply by email. This user-generated content eventually fed back into a new series of cinema advertisements to support the Friends of the Earth campaign to badger MPs about climate change. It also created a community of interest that gave people a way to connect with each other as well as the Friends of the Earth campaign.

"You can ask people to do things, capture it on video and then use it somewhere else," de Moraes says. "It completes the circle of communication for the brand."

### Weblinks

Archibald Ingall Stretton: ais.london.com  
IAB: iab.net  
The Big Ask: tinyurl.com/5zlkjg  
Who is Johnny X?: whoisjohnny-x.com

## Internet advertising Client liaison/Creative view

# Digital divisions come in from the cold

Persuading the public to buy a product is one thing, but urging a client to lead with an online campaign is quite another

Lucy Rouse

Time was, back in the 1990s, online ads were relegated to specialist digital agencies. Now, any full-service agency worth its salt has a digital division, although some agencies are trying to lift the digital workers out of that particular ghetto and just say they are an "integrated" agency. But ensuring that digital advertising sits at the heart of what an agency does is more difficult than a name change.

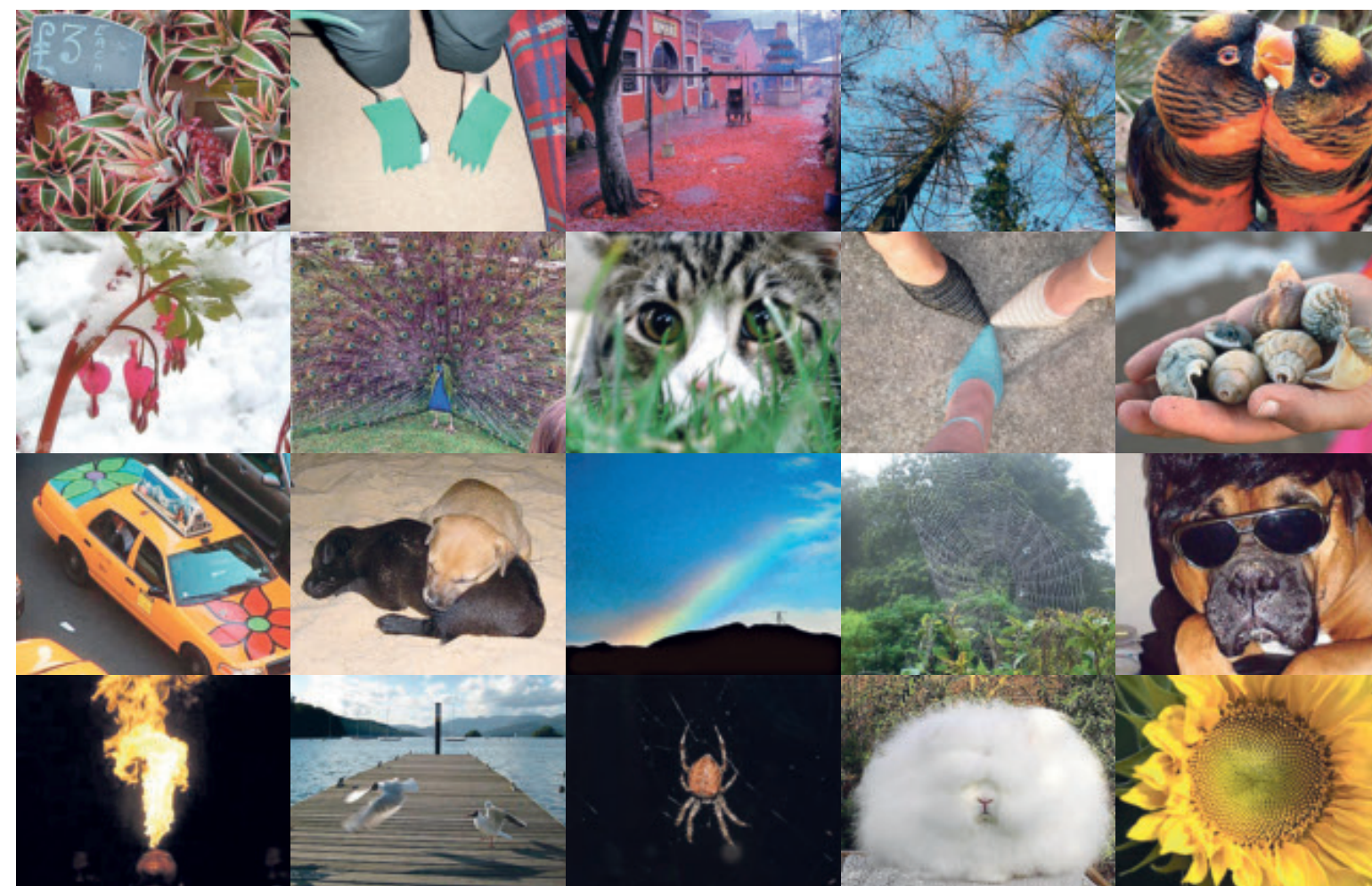
Ad agency St Luke's has a content and community department, so-called because the starting point for any advertising brief is what audience the brand is targeting. St Luke's new business director Liz Little explains: "Because of this focus on audiences, we look to create communities and conversations around brands online." She says that to call it a digital division or department suggests that digital marketing is "bolted on" to more traditional advertising on TV, in print or on billboards or radio.

### Creative direction

Client budgets are often the biggest hurdle to a full 360-degree solution that embraces both digital and traditional advertising. "There's been a massive change to the received wisdom in the last five or 10 years," says Little. "But a lot of clients still come in talking about 'advertising' and wanting a 30-second TV ad."

The disconnect between what the clients think they want and the growth in digital media sometimes leaves agencies with the problem of how to develop their online advertising expertise and whether it is best to grow their own talent or buy it in by acquiring a digital agency. The big question is, should they lead advertisers into digital marketing, or follow wherever the client wants the agency to go?

The St Luke's community department was folded into the main agency some 18 months ago. A unit led by creative director Bo Hellberg at Ogilvy London has gone



Kaleidoscopic content: The St Luke's Magic Good Mood Film campaign for Magic 105.4 invited listeners to join in a collaborative project, uploading their own films and photos

'In digital, people spend a lot of time with a brand in return for good content or functionality'

### Creative forum Campaign successes

We asked three top creatives how digital technology has influenced the way they work and how the advertising industry will fare in a recession

Al Young, creative partner, St. Luke's

St. Luke's has traditionally been an offline agency, but now we want to "act out" ideas we have for brands, and online allows that. The Holy Grail for advertisers is positive word of mouth and online is a brilliant place to find it.

Today we hire more people than ever from the content world and our art directors have digital animation skills; we also use journalists and their blogs to send out compelling information about our clients. Online video is very important because it can be entertaining.

But the other way to go online is to be very useful. For example, for Space NK, we use a blog by a top fashion and beauty journalist to set agendas for that community. Any compelling information is just as valuable as the funniest video on earth. We don't mind how the message is used on the web – in words or video – as long as it is entertaining and useful.

All of our investments in marketing for our clients are now online because our clients like the accountability. Offline just can't be as accountable, especially in retail. Online ads allow clients to do more than just get customers to feel warm about the brand. An online presence helps create a community and that can create content as well as sales, so the whole investment washes its face.

Particularly now, as we enter a recession, marketing has to fight for every penny, but there is much more confidence in online advertising now because it delivers return on investment, an

element that has become one of the by-words for advertisers.

We want to make the bridge between advertising and sales. Our angle is to turn the brand's audience into a vibrant community that it can inform and also sell to. For retailer Ikea, we set up a website where customers could redesign a room of a house using all the possible products and colours available, and they could also buy the products. It was called "Be brave not beige" and it got 170,000 unique visitors to the site in the first month. It was also linked to, or talked about in, 300 opinion-leading blogs and forums.

For radio station Magic 105.4 we linked an on-air request for pictures and video to a website where people could post them; the idea was for the site to be full of images to make people feel happy. The Magic Good Mood Film campaign was launched on radio in March this year and it is still running.

Some 12,000 photos and 150 videos have been uploaded by users – users stay on the site for up to four minutes per session, which is a huge dwell time.

Dave Bedwood, creative director and co-founder, Lean Mean Fighting Machine

The recession has been pretty good for us so far. When you work in digital you are used to being your poor cousin to TV, press and billboard. You always come into briefings afterwards and you always have a budget of about one-eighth of what traditional media get, but what seems to have happened in the recession is it's the biggest stuff that gets belt-tightened first. Because it is so accountable, digital can be a good option when brands are risk-averse. We have seen more money coming in, and so far this year it hasn't slowed down at all for us. I went through the dotcom bubble in 2000-2001 where the floor fell out, but in the last year we have won some awards – so even though there is doom and

gloom we seem to be all right at the moment.

What you have to keep in mind is that digital is so cheap relative to traditional media that it will be easier to hold up the budgets.

And of course one of our biggest clients is Emirates Airlines, which is in a bit of a world of its own. We did a project for Emirates last year called Non-stop Fernando, which was to promote the new Emirates non-stop flight to Sao Paulo, Brazil. We had an actor who spoke to the camera for 14.5 hours and we put that online and had more than 200,000 unique visits. Doing that for Emirates I think was what landed us a new project from Samsung, because they saw it and liked it. The Samsung project is a digital-only project for their new Pixon camera phone. We hired Nick Turpin, a street photographer, who takes one picture a day, which we will then load on to the web. We will then add clickable elements so people can vote by clicking on their favourite bit, and whatever bit of the picture gets the most clicks is where Nick will go next, take the next picture and so on. So it is all about the unexpected moments, which is what a camera phone is good for. It's a six-figure budget and it will last for 28 days.

We also have a new project for Emirates promoting their new route to LA, where we have made a six-minute video of LA with no people or actors in it – just empty streets – and we have created a script and a site where people can upload their audition tapes to be in the film on the site.

I think that digital is getting more creative and that traditional media is almost a dirty word now. A lot of online work used to be pretty hollow because it was all about the technology, but that's starting to change. To get people to engage in anything these days is hard because they are busy and you are competing with boxed sets of [TV series] like 24 and so on, so you have to give them something interesting and that takes creativity and good writing as a starting point.

I think, at first, the big missing skill of online was that there weren't enough good joke writers who knew the online culture. But I think that clients are starting to get beyond the bamboozling of the latest technical thing and realise it's about what you say as much as where you are saying it, and the combination of the two is what makes digital work.

Daniele Fianadca, chief executive, Profero Europe and founder, Creative Social

The recession is kind of irrelevant because there is going to be a flip – and the recession is going to accelerate that – where digital is going to become more important. Already the digital industry is getting more mature. But in my opinion, agencies are going to have to decide if they are ad agencies, or communications agencies or production companies. This is a conversation that has been going on for the last 12 months already.

For me the whole discussion of integration between offline and online is crucial, especially as digital becomes more important. To some extent I would say that, because we are a full-service agency with 500 people globally and 85 in the UK. We have a phrase we use at Profero, which is media multiplied by creative multiplied by technology equals a better idea.

The problem that people have with digital is what has it done compared to the big, famous BA campaign and Cadbury's gorilla, but I think that people forget that film itself is used in so many different senses that it is hard to compare the two. I think digital is going to start changing that now. We are doing things that are far more exciting and getting people engaged in conversations.

For Channel 4 we did the Lost for Words campaign off a programme about how one in five kids can't read. We partnered with the internet service provider AOL and created something that tackled the problem itself. We created a story

generator, got a famous story writer, and then the parents could read the story to their kids either on screen or on a print-out PDF. The campaign reached 4.5 million parents and some 12,611 stories were created in four weeks.

In Disarming Britain – part of a Channel 4 programme about knife crime – we made Bebo the central hub so we went where the kids were. We had a texting portion where kids could send us their thoughts and we created a game using Jon Snow from Channel 4. We also integrated one of the fictional characters we created into Bebo's online drama, Sophia's Diary. There were 90,000 unique users of the Disarming Britain Bebo hub page and more than 1,500 comments. The Sophia's diary episode was viewed more than 170,000 times.

A more commercial campaign, for HBOS International, was to create a special branded spot on the Sun newspaper website called "Expats". It will give HBOS a way to talk to expat Brits who want their own news. It beat its annual target for unique users within the first month. The web weekly reach has been 118,634 page impressions and 340,500 unique users. There are 3,950 registered monthly email subscribers and 1,000 plus monthly posts in the "Brits abroad" discussion forums.

### Weblinks

C4 Lost for Words: living.aol.co.uk/parenting/lost-for-words  
Disarming Britain: 1.bebo2nd.com/disarmingBritain  
Emirates Dubai-LA route: thepostureofomking.com  
HBOS International: thesun.co.uk/sol/homepage/news/expats  
Ikea: bebravenotbeige.com  
Magic FM: goodmoodfilm.co.uk  
Samsung Pixon camera phone: thephotographicadventuresofnickturpin.com  
Space NK blog: spacenk.co.uk/category/nicky-blog

Interviews by Kate Bulkeley and Ross Biddiscombe