



Backchannelmedia Solves Fragmentation



InSight with Michael Kokernak



"Marketers must take a fresh perspective and realize that fragmentation is not the enemy of direct response, but rather the opportunity."

-Michael Kokernak

DRTV Q: In general, how have marketers' jobs changed in the conventional advertising business compared to the DRTV marketer side of the business? Have consumers' attitudes driven this change? What other factors may have contributed?

MK: The internet, social/new media and digital TV have opened up new opportunities for marketing and advertising. More importantly, companies can get closer to their consumers and see the immediate impact of their marketing dollars on sales. This has created a shift on conventional marketing practices and placed an emphasis on ROI. Traditional marketers are just now beginning to adapt to a direct response model of having to justify their media expenditures - this is something DRTV has always been comfortable doing. This change has not been driven by consumer attitudes; it is more a function of the expanding digital marketplace and increasing media choices. Marketers are being drawn to direct response vehicles which can give them some sense of ROI.

DRTVQ: How has the process of buying DRTV media changed since you

joined the industry? Has it become easier or more complicated?

MK: The process of buying media has changed a lot, and it has become even more complicated. The issue of fragmentation has always been around, but back in the early 1990's, we had certain media outlets that we knew would be a hit -that is really not the case today. This makes the media buyer's job even more challenging.

DRTVQ: On November 1, 2006 Backchannelmedia issued a press release announcing the arrival of "DRTV Research", a component of your website that is dedicated to allowing media buyers and planners to access all programming that airs in the US. The data is further broken out by DMA, genre, day parts, etc. What was the vision behind this service and since it's such a powerful tool, why is it free?

MK: Our vision for the product was to create a central resource for media buyers and planners to access all the critical data they need on a daily basis. By providing it for free, marketers and agencies can learn about the tool and see its immediate benefit. This also allows us to increase its adoption in the industry and provides opportunities for us to license more advanced versions of the technology.

DRTVQ: Exactly how does "DRTV Research" resolve media buying challenges of finding media outlets that will have a higher chance of succeeding?

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Co-Chief Executive Officer and Founder

Michael Kokernak, Co-CEO and founder of Backchannelmedia, has researched and written about the future of television advertising and content throughout his nearly twenty year career in television advertising and home shopping. He started his career in the department of Institutional Equities for Lehman Brothers. Mr. Kokernak, then a media specialist at News Broadcast Network in New York City, managed television public relations campaigns for Fortune 500 companies that would become the basis for his future research into the fragmentation of media. Since the 1990's Kokernak has consulted with, and worked for, numerous shopping networks including ViaTV Network, Video Catalog Channel. and Future Mart. He is considered an expert in the use of software technologies in order to mine the return on investment from television media. Kokernak was also the past vice president of affiliate, investor relations and public relations for Shop at Home (NASDAQ: SATH).

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MK: *There are a few different ways that "DRTV Research" resolves the media buying challenges of finding those media outlets that are a hit. First, users can select media outlets based on market demographics, then based on their direct marketing criteria. Users can even see what outlets are airing similar shows. Also, users can search for television shows that have themes related to the advertiser category such as kayaking, or finance, or household repairs.*

DRTVQ: Just so we understand how this service works, the number 1 program that aired today (November 2, 2006) is "Paid Programming", with 13,854 airings. Does that mean that on a given day, across the United States, there are 13,854 possible infomercial timeslots for media buyers to access for their product?

MK: *That is correct, however keep in mind that "DRTV Research" includes digital TV stations as well as analog TV stations, which may duplicate some spots. However many television stations are breaking off their program schedules from analog and digital so we feel that it is important to report these occurrences as unique.*

DRTVQ: In the press release you are quoted as saying that one of the big ideas behind "DRTV Research" was to bridge the "chasm that long has separated direct-response TV and general advertising". How will "DRTV Research" accomplish this?

MK: *"DRTV Research" is giving users a new fresh way to add value to their content and to purchase media time. At Backchannelmedia, we see "DRTV Research" as the first step in tying sales*

back to media placements. "DRTV Research" allows media buyers and planners to better place advertisements, which will in turn help bring accountability back to TV advertising.



DRTVQ: You also indicated that Backchannelmedia hopes to "monetize" "DRTV Research" as new services are added. Are you at liberty to discuss what those services are? Will this service be unique enough to become a revenue generating entity?

MK: *Eventually we'd like to have the marketer subscribe to our service so we can marry their sales and response data with an interface that looks like "DRTV Research". "DRTV Research" will always be free, however, for those added services there will be a charge, creating new revenue streams for the company.*

DRTVQ: In the same press release, "DRTV Research" was noted as a "Web 2.0 Strategy". What specific elements in the "DRTV Research" module satisfy a Web 2.0 strategy?

MK: *Web 2.0 is all about advanced technologies and greater online collaboration through social media, RSS feeds and more. We have built "DRTV Research" using a Web 2.0 open source tool called Ruby on Rails. By leveraging Web 2.0 we were able to develop a richer portal and we are well positioned to deliver new services in the upcoming year.*

DRTVQ: How has the advertising community responded to this service?

MK: *The response has been tremendous! It has caused people within the industry to rethink their methods of media buying. Others have told me it's a breath of fresh air.*



DRTVQ: Is this a service that backchannelmedia envisions rolling out globally?

MK: *Yes, this is definitely something we are considering as we look to expand the product offerings and global reach of the company.*

DRTVQ: A recent article published in Advertising Age, stated "DRTV Research has the potential to let media planners and buyers put together some of the most outrageously targeted plans and buys ever by finding thinly sliced content segments such as spot availability on archery or kayaking shows." Would you agree or disagree that this kind of niche marketing takes away one of the fundamental rules of buying DRTV media: that the product must have mass appeal.

MK: *We think the specialized marketer will rejoice when they discover that they can buy a television schedule over the long term and gain market share. Imagine a rodeo supply store zeroing in month after month on rodeo shows, thus building market share in their niche category. The repercussions can be staggering!*

DRTVQ: In your opinion, what are the biggest issues challenging DRTV marketers today? How do you propose DRTV marketers shift their philosophy to overcome these challenges?

MK: *The biggest challenge to DRTV marketers today is that they lack the ability to target their media properly. In order to overcome this, marketers must take a fresh perspective and realize that fragmentation is not the enemy of direct response, but rather the opportunity.*

Web 2.0 - Get Connected: Heather Brunt

Never underestimate the power of the consumer, especially when they're online.

According to ERA's Buyer study from Ellison Research, internet users conduct 34% of their purchasing research online, before buying. And an increasing number of users are visiting sites that allow them to voice their product opinion and share that information with others. This social community is one of the key characteristics of Web 2.0. Covered in our last DRTV Quarterly, this aspect of the Web can be used to a marketer's advantage, and if done well, can foster a great relationship with users on your site. Done poorly, however, it can destroy that relationship just as effectively.

For example, Walmart has recently dealt with some negative press over a fake blog (quickly anointed "flog") started on their site. It featured the adventures of two people heading across the U.S. in an RV, spending each night camped in a Walmart parking lot. They interviewed Walmart customers and employees, reporting on the overwhelmingly positive experiences en route. But users are smart. It didn't take long for the internet community to realize that the blog postings were a thinly veiled promotion for the store. And despite the apology from the PR agency, Walmart's online audience was not impressed.

If you recognize how powerful user opinion can be, you can actually harness that collective intelligence and use it to improve your product. Google uses this strategy brilliantly by releasing new products clearly identified as "Beta" versions. Users are encouraged to try them out, and let the search engine giant know what they think. As a result, Google gets a better product and a trusting

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-Heather Brunt

relationship with loyal users.

But opening up the lines of communication can be an intimidating prospect. What about all the negative feedback? Not a problem, says Bill Hildebolt, President of expotv.com. Their website is a delicate combination of advertiser products and consumer reviews, and a great deal of the content is user-generated video. Bill points out that when users purchase products, they want fellow Expotv.com users to know what a great deal they've found. So it's no surprise to him that 85% of the reviews are positive while only 5% are negative. The rest are neutral. Giving online users their voice is sound marketing advice, says Bill. "We can't use marketing to control the story.

People can spread the message much more effectively." What's his advice? "Try to participate in the dialogue instead of control it." He says negative feedback is out there already, but consumer participation allows marketers to be a part of it, learn where it's coming from, and how to improve their product. In the end, communication should allow better products to fight through the clutter.

Rick Petry summed it up for Las Vegas convention-goers, in his inaugural speech as the new chair of ERA. "Over time, as the product works its way into the hands of consumers, these initial "planted" perspectives begin to get equalized by genuine marketplace opinions. In the best case, enough critical mass of opinion develops that a consumer can really

discern fact from fiction. That free flow of information and opinion circulation across the Web is the most powerful consumer advantage created in the history of commerce to date."

"There's nowhere to hide", adds Petry. And why would you want to?

City	Market Size
New York	8,000,000*
Los Angeles	3,864,900*
Chicago	2,898,076*
Houston	1,563,937*
Philadelphia	1,501,997*
Phoenix	1,321,040*
San Antonio	1,144,886*
San Diego	1,251,400*
Dallas	1,199,380*
Toronto	2,481,500**

Why would you leave the 4th largest market out of your media plan?

TMGTV Toronto Media Centre SHOFTV



Heather Brunt Operations Manager

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