A seminar organised by the British Screen Advisory Council

BSAC SEMINAR ON NEW MEDIA ADVERTISING

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Sponsored by SJ Berwin

BSAC

FOREWORD

The British Screen Advisory Council is an independent advisory body to the government and policy makers at national and European level and to the audiovisual industry. It uniquely brings together the widest possible range of UK interests, experiences and contacts in the screen industries.

Members include senior management from terrestrial, satellite and cable television, telecommunications and new media companies; international film producers and distributors, cinema exhibitors, video distributors, technical experts, business people with media interests, media lawyers, communications consultants, TV producers and trade unionists; and the heads of training and trade organisations.

BSAC regularly commissions and oversees research on the audiovisual industry and uses its research to underpin is policy documents. In addition to regular monthly meetings, BSAC organises workshops, seminars, conferences, and industry briefings.

BSAC relies on industry funding for its activities and we are therefore particularly grateful to SJ Berwin for sponsoring this event. BSAC also wishes to express its gratitude to all the speakers and panellists at the seminar for their interesting contributions.

Please note that the speakers' presentations and panel sessions in this report are edited transcripts. Presentation slides are available on request.

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CHAIRMAN'S INTRODUCTION

Ajay Chowdhury, Chief Executive Officer, EnQii Holdings

After welcoming guests, the Chairman said that his research for the event had yielded some surprising results. He said that it was an interesting time to hold such an event because only a couple of weeks previously, Microsoft had made an announcement about a new search initiative. If one uses Microsoft Live Search to purchase certain items online, Microsoft will give the consumer a 5% rebate on the product. This means that Microsoft is trying to change the paradigm, and move on from where Google started – i.e. incentivising people to buy goods.

He then provided some thoughts as to what “new media” means. The Chairman commented that when he began his career, new media meant CD Roms. However, these days, “old media” can be defined as print, TV, radio, cinema and outdoor – while new media includes online (including search, display, social networking, online video), in-game advertising, mobile, digital out of home, and advanced TV. He said that the event would explore these new media, consider how they might change the advertising market, and how people might react to them in the future.

The Chairman observed that consumers are now beginning to take control of media, with social networking sites – such as Facebook and MySpace – growing faster than all other forms of media. Despite this, these products have little advertising on them, and the business models are questionable at this point in time. He then made the point that digital is at a tipping point. In the early 1900s people were only exposed to about 10 hours per week of media, while currently people are consuming about 90 hours per week of media – and most of this media consumption is digital media. Analogue TV is rapidly becoming digital, the internet is taking up a lot of people’s time, as is digital radio, games and mobiles etc. Naturally these media are going to be exploited by advertisers. He said that one of the debates during the event would be as to how money would be made from new forms of advertising.

Despite its rapid growth, compared to the overall media market the new media market is not as big as one might expect. Currently in the US, the ‘old’ media market is $170 billion, half of which is TV; whereas the new media markets are worth $25 billion, the vast majority of which is online. Looking ahead to 2012, the TV side is expected to remain extremely dominant, while new media will grow from $25 billion to $60 billion. Therefore the old media is not going to disappear overnight. The growth rates are very different – the old media will grow but below GDP, however new media is exploding.

The purpose of the seminar is to begin to unpick what is happening in these growth areas beyond online. ‘Emerging out of home’ is a strong growth area, as is mobile, gaming, and advanced TV. Mobile advertising is expected to grow massively.

The Chairman explained that the event would explore the following main issues. What are the implications for the traditional media companies? Are there any? What are the opportunities? What are the new business models? How are consumers going to react? What are the challenges and roadblocks to these things happening? And finally, what are the regulatory issues?

THE CHANGING ADVERTISING MARKET: AN AGENCY PERSPECTIVE

Mark Boyd, Head of Creative Content, Bartle Bogle Heggarty

To echo Ajay, it is critically important to say that advertising is in rude health. We are doing very good business. In the last four months BBH has been creating award winning epic TV advertising, print advertising, press advertising, our clients are giving us bigger and bolder budgets, work is travelling to more and more countries and we are delivering bigger and bigger business. I'm not going to say that everything in the advertising market has suddenly changed, but there are a number of factors that are evolving quite quickly and we are very interested, as a business, in being ahead of the times rather than behind.

I would like to talk to you about the kinds of opportunities that are opening up for us with changing technologies. Those are creative, commercial and business opportunities.

1. Content Businesses

BBH works across many diverse brands e.g. Lynx and Levis, and the work we are doing increasingly has a media element to it. For example, the creation of an intellectual property for Lynx in 2007 in the US (in the US, the brand is known as Axe).

Mr Boyd played a demo of the Axe campaign, which involved 'the gamekillers' idea, i.e. the types of people who are most likely to create obstacles to young men trying to attract women. The gamekiller characters have been developed for use in a number of different ways. For example, a one hour show which ran on MTV featuring a young man going on a series of dates – but on each date he was confronted with one of the 'gamekillers'. He had to try to 'keep his cool' (helped with Axe/Lynx dry) in order to get the girl. This attracted big ratings.

Mr Boyd said that the one-off TV show had now become a series, which is now rolling out through other markets. It became part of a comedy festival, it was featured as magazine content, it was used as radio shorts: it was exploited in a number of different ways. Therefore a big new platform for the brand was developed through the creation of a new IP.

2. Content & Business

The kinds of content that BBH is creating and delivering are very diverse. One example is a piece of entertainment content that is geared towards young males – The Audi Channel. The Audi Channel is going into its fourth year – developed specifically in response to the difficulties that car brands face in terms of communication. Generally, there is only a certain amount of people an advertiser is looking to communicate with at any one time in the market. It is very expensive to communicate to them via launch ads on TV for a new model – all the other car brands are there. We know that consumers need more time with a brand, and specifically with information around the model they are interested in buying. Therefore we need to help them to get closer to that – and to help them along what we call the 'customer purchase cycle'. Consumers are watching the channel for half an hour each time. Recent research indicates that 60% of all Audi car-buying prospects are as a result of viewing The Audi Channel content. The Audi Channel is therefore a central forum for all marketing and communication activity within the business. The content on the channel becomes direct marketing for branded content in the magazine, as well as content for mobile platforms and online interactive content. We are now on about 20 major platforms.

3. Business of ideas

The way that we are developing ideas for clients is also very varied. Increasingly we are creating less and less ad campaigns, and more and more big intellectual properties that can be exploited in a range of different ways. I would like to talk you through our TT-re-mastered campaign which we developed last year and which will be rolled out in a bigger form later this year. Audi wanted to reposition the TT car - their initial thought was that they should come up with some press and poster work. BBH were given a small production budget to work with, we took that whole budget and created a central intellectual property of TT-remastered. Our thought was if music launched the original car (i.e. the Jimi Hendrix launch ad campaign) then we should go back to that thought.

Mr Boyd then showed a demo. Hendrix tracks and other classic songs are covered by other artists and made available for download and remixing. It's a project that has evolved massively – now Radio One, XFM and Sunday Times are providing programming and content. Jo Whiley's show on Radio One now dedicates a significant amount of time to this project, and she speaks to the artists about their influences.

We are interested in exploiting all platforms - gaming experiences, partnerships with print media companies, TV, etc. We feel that there is not a deficit of content – but there is increasingly less and less good content.

4. Content Business: CIPI

Mr Boyd then discussed another project which involved advertising a major confectionary brand in Italy. The campaign does not even look like advertising; it is more like an entertainment franchise. Mr Boyd then played a demo, which explained that the campaign revolves around a farting squirrel called Chippy, who is able to perform heroic feats, e.g. putting out forest fires with a blast of cold air after chewing some menthol chewing gum. There have been unprecedented levels of interest online and offline, and Chippy has his own destination site, showing the squirrel leaping over obstacles and putting out fires. Spin-off products are now being produced, such as the farting beatbox and world's first digital whoopee cushion. There are even rumours of a TV series and more merchandise.

There are some campaigns that are beginning to actually generate quite significant amounts of money. For example 'The Weapons of Mass Seduction' campaign for Lynx, which turns mobile phones into "pulling machines". Mr Boyd then showed another demo, which presented the 'get in there' web site, LynxEffect.com - an online cornucopia of tips, tricks and gadgets to help a guy seduce a girl. A sound board is downloaded onto a mobile phone, which then enables a range of sound effects which supposedly help guys to attract the attention of girls e.g. the "fit girl finder", a sound which helps a guy to serenade a girl, a Porsche lock-system sound etc. Guys are able to upload videos of themselves trying to pull girls using their phones onto the website. This project has been a massive success.

Therefore, hopefully this gives you a flavour of the kind of work that we are doing. We are looking for new models for ourselves and for clients as well. We are currently involved in a theatrical release film project – where we are investing in production but covering the advertising budget around the film as well. We are also developing a significant entertainment franchise, which is designed to encourage a form of piracy. We are going to make sure that everyone involved in the process is paid up front though. Everyone knows how the project is going to work and is very happy with it. The idea is that because it's going to be so hyped and so good, people are going to want to "steal" it and send it onto their friends.

SPOTLIGHT ON NEW MEDIA ADVERTISING

James Davies, Board Director, Hyperspace/Posterscope

New media advertising is an evolving market place – it might be helpful to start with a quote which encapsulates why digital/new media is so important for advertisers and agencies. The quote is from a colleague at a sister agency called Isobar. "Digital is a new way of life – but for many consumers digital is the only way of life." 'Digital natives', i.e. people who are growing up in a world where all they have known is digital communications, behave in very different ways to people who have grown up with analogue and digital media. In one study in Asia, it was found that 18-24 year olds manage to cram an average 38 hours of digital activity into a 24 hour day – this is enabled by multi-tasking. As a distribution channel, there is so much more content available to consumers now – whether it is consumer generated content or commercial content. Therefore, for brands there is a lot more scope to immerse consumers in advertising. As a communications channel it is now possible for us to have much more in the way of a two-way dialogue. The area of consumer participation is very important. The two big implications of this are that, firstly we now have much more opportunity to add value to consumers in our communications (i.e. through entertainment or by doing things that are genuinely useful for them). Secondly the rise of e-commerce and m-commerce (i.e. purchasing products via your mobile phone) is significant. Increasingly, this mobile activity is very much including activities such as social networking.

It might be worth trying to illustrate the breadth of issues that agencies need to get to grips with these days. The word 'digital' isn't particularly helpful, because everything's going digital, e.g. books, TV, phone calls, computer games etc. I'd like to start by talking about digital word of mouth. According to one study in the US, consumers currently act on one in every 7,000 ads that they see on TV. However, they act on one in every three recommendations that they get from a person that they trust. People are increasingly trusting consumer generated content. You might notice that when you go online and Google a topic, you get Wikipedia (the online encyclopaedia) results coming very high in your result ranking. This is because increasingly content written/created by consumers is becoming much more important.

Other growing phenomena are: widgets, which enable consumers to have very specific content delivered directly to their desk top on any subject that they want; search – i.e. paid for advertising on search engine results; website optimisation – i.e. designing websites so that they appear very highly in Google search results. The search engine optimisation sector is hugely profitable for firms that create websites. We are likely to see social networking sites going mobile. A lot of the activity that is taking place in the virtual world is very much converging with digital activity that is taking place in the real world. I work for an "out of home" communications agency, which means that we only work in the real world (e.g. mobile etc). So, that will be the area that I will focus on for the remainder of the sessions.

Mobile and digital "out of home" add an extra dimension to digital experiences, mainly in terms of the location. When specific locations are combined with some of the new technologies you end up with a very powerful combination and new ways of targeting specific consumers.

We are in the business of creating engaging experiences for people, not just sticking ads in front of them. Advertising on out of home screens (e.g. the screens at Piccadilly Circus) has growth rates of between 30-50% year on year, whereas lots of other media have only single digit growth, or possible declines in some cases. Putting the out of home screen market into perspective in terms of scale, taking all the screens together, they can deliver similar audiences to that of the national press. That's an incredibly powerful resource for an advertiser to have in their toolbox. There are screens on the underground – screens up the side of the escalators, and from the end of this month there will be 25 cross track projection locations (big projections that appear on the walls of the tunnels when you are standing on the platforms waiting for trains). Consumers are very habitual in this area – they go to the same station every day, the same platform, stand on the same bit of the platform etc. So this creates some interesting possibilities in terms of the kinds of dialogue we can have with consumers. For example, soap opera-type content, stories that can develop over time etc. Many other environments are going digital as well – all the advertising sites/posters are digital in Heathrow Terminal 5. In city centres there are similar kinds of trends with landmark installations i.e. giant screens. Local authorities like these as they suggest that the city is cutting edge. In some countries people are targeted with advertising on screens while they are driving, e.g. it is legal in America. The beauty of ads on digital screens is the flexibility, i.e. being able to change your ad at the touch of a button, rather than sending a guy down with a bucket of paste and a billposting brush.

In terms of the choice of location or environment for advertising, places like pubs and bars are very social environments, and are good places for getting people talking about the advertising. Advertising is also very effective in environments that people trust, for example, a hair salon. One chooses to go to a particular salon because they trust it. Research shows that consumers in these places are twice as more likely to trust the brands that are advertised there than they would as advertised on television.

Of course technology is very much changing our targeting possibilities. For example, screens on the side of buses are now GPS enabled, meaning that as the buses drive through town, the messages change depending on the exact location of the bus at that time (e.g. specific to Oxford Circus, Piccadilly, Bond Street etc). Cash machines will know whether you are male or female, and will send you a different ad accordingly.

From an advertiser perspective, in terms of their involvement, there is scope to change your advertising in real time. For example, we enabled Expedia to change their destinations and their pricing depending on exactly what products they had available at any one time - this was all done on a live basis. And even 100% personalised ad content is possible through technology like radio frequency ID. For example, a person passes an out of home screen, and an ad or a piece of content appears that is exactly tailored to them. Some people might think that the concept of a screen knowing that you are there is a bit scary, but websites like Amazon have been offering personalised experiences for years. There is no reason why we can't take some of these much more positive associations with personalisation and apply them in different places, not just on the internet.

There are lots of different ways that people can physically interact with out of home advertising. For example, accessing content by plugging your iPod into an ad at a bus shelter to listen to exclusive music. With multimedia content, there are touch screen-based opportunities. The interaction levels for these sorts of things are often much higher than the interaction levels online. We have discovered that if the interactive content has some sort of public utility the interactive levels are much higher. Examples of interactive content could include bus shelters, which provide information on businesses and entertainment in the local area and interactive maps etc.

As a way of accessing content when out and about, mobile is increasingly important. Consumers spend £800 million per annum purchasing content for mobiles. Bluetooth downloads are potentially very powerful as they are free, but often brands are over optimistic about the appeal of their content. Sometimes companies offer downloads to the public thinking that they are going to get huge response rates, but often they are wrong as the content is not good enough. In the future, it will be possible to use a camera phone to access content. For example, by taking a photo of a poster containing a QR code (similar to a bar code) a website will automatically open on the phone. This is already popular in Japan - a third of all advertising has these codes on them. About 85% of all the handsets that are sold in Japan come preloaded with the software enabling this activity. Another idea, currently a prototype, is that after taking a picture of a poster (and the code) a thirty second video will begin playing on the phone. For content companies this is potentially enormous. One company in Japan is currently making a fortune sending people a personalised fortune cookie every time they MMS a photo of the product. In the future, mobile devices will take on much more functionality, and higher spec devices (e.g. the i-phone and high-end Nokia phones) will become much more prolific, which will enable people to browse the web wherever they are. WiFi hotspots will appear in more and more places around the country. The next generation of WiFi, WiMAX, will provide wireless internet access across several miles, i.e. whole towns that have either free or paid for wireless access. From an advertiser's point of view, this has some very important implications.

A mobile technology called Near Field Communication is currently being trialled on the London Underground. It enables one to touch a phone on a poster site, which then triggers a website to open. At a different poster site, a different website will open. Accessing the internet on the phone currently is quite clunky and difficult, but this technology changes that. In the not too distant future, mobile phones will also become our oyster cards and electronic wallets. We will soon be able to just buy things by touching our phones on poster sites. There are also efforts to combat the problem of screen size – ideas have included roll up screens and tiny projectors which enable images to be projected onto surfaces. Even the humble shopping trolley is going digital. One Microsoft product enables one to upload a shopping list to the trolley, and in the super market as one wanders around the screen will tell the shopper about relevant offers that are based on the shopping list, and suggest other items that might go well with products that have been purchased. All the recommendations will also be relevant as to which aisle the shopper is walking down within the supermarket.

Therefore, these developments are based on our experiences rather than just adverts. Posterscope recently developed an interactive window for Adobe (the software publisher) which creates animations that are unique to individual people as they walk past. Other similar projects include video projections on the ground which can be interacted with and which then triggers a separate projection on the side of a building. People actually queue up to take part in this kind of advertising, which is naturally something that advertisers find very attractive.

There are also various 3D options on the market, e.g. 3D plasma screens which do not require the person to wear 3D glasses, holographic projections which produce a floating, moving image in the air, and object recognition where the content provided on a screen depends on what a person is holding in their hand at the time or on what they are wearing. Out of home advertising can also have the potential to make people feel famous, for example it is possible to enable people to write on the side of a building – a very simple technology which has a profound effect.

In summary, it is difficult to predict exactly where all this is going, but to echo Mark Boyd's point, collaboration will be needed between experts in consumer insight and behaviour, experts in technology, and experts in content. Through collaboration, the advertising sector will be able to exploit the opportunities that new technologies present.

MARK BOYD AND JAMES DAVIES IN CONVERSATION WITH AJAY CHOWDHURY

The Chairman: Mark, is there a new challenge for agencies now that there are so many more platforms on which to try to target people? Does it make the job more difficult than previously through the relatively few old media platforms?

Mark Boyd: That is quite a sophisticated question. First of all, there has to be brilliant consumer insight to determine what an agency needs to do. It is important to recognise that just because you can reach people on many platforms does not mean that this is necessarily the route that should be taken. I think that a lot of businesses get very distracted in trying to do everything. As well as insight, there is a need for effective planning, to decide on what the most appropriate channels may be. I am interested by this question because I think the plethora of new platforms is going to drive an evolution of the agency model. Speaking from a BBH perspective, we add value strategically by coming up with fantastically strong creative ideas. Increasingly there is an implementational repurposing process for different platforms. It might not be cost effective repurposing adverts for 400 different screen sizes, but I'm sure there are businesses that can do that.

The Chairman: James, is there a danger that as consumers get inundated by media wherever they go they will just become tired of it and switch off?

James Davies: That's a good point. It's important to be able to add value for consumers –simply finding lots of ways of shouting at people will not work. Some high profile failures have been a result of failing to focus on the consumer, and instead building a business that made money from advertising. Out of home advertising is very interesting because it is everywhere. There are about 200,000 poster sites across the country. On top of that, there are all the ads in every pub and shop i.e. there are millions of ads. Some of them are not necessarily annoying as they can be consumed fairly subliminally. The more subconscious forms of advertising are actually quite powerful. Really it is now our job to understand the full range of new media opportunities, and to re-assess what we are trying to do.

The Chairman then opened up the discussion to questions from the floor.

David Brennan, ThinkBox: What is your view on the impact of the separation of the media and creative departments?

Mark Boyd: From an industry perspective the separation of media and creative departments has been detrimental. We have made a massive commitment to bring those two back together. We are looking for creativity both in terms of the message and the medium as well. For 3rd generation games there is no media, as we are the medium as well. So, I think that there have been fewer projects in this area because of that separation some time ago. However, agencies are re-structuring again, and the prognosis for the future is quite attractive. The other theme that came out of my presentation is that we are earning money from consumers as well as brands – creating IP has some real value above and beyond just the content. For us it's a much bigger, wider canvas.

Catherine O'Conner, Deloitte: What pricing challenges does new media advertising present? What different kinds of pricing revenue models are emerging?

Mark Boyd: We are trying to charge clients the value of what we deliver them, rather than the price of the hours of the people participating on project. There is often no precedent for the kinds of projects that we are working on now – so there is an opportunity for us to frame these conversations. But I'm conscious that in other areas prices are emerging as mediums establish and mature.

James Davies: There are often some benchmarks you can use, however they are not necessarily that obvious. It can involve finding the most similar opportunity, assessing what the pricing model for that is, considering how a new format performs relative to that, and working out an appropriate price. But also, generally something is worth what someone is willing to pay for it. A lot of entrepreneurs start by working out what they need to charge to make their business plan work. This won't necessarily bear any relation to what the market will stand. So, it's very much a wait-and-see in a lot of cases. But most agencies are making significant advances in being able to somehow relate expenditure to the predicted returns – so really it's up to everyone to put more effort into evolving pricing models.

Mark Boyd: One of the challenges is that what we are doing is increasingly less commoditised; therefore breaking out the price of a project that might have fifty different elements is very difficult. In terms of pricing revenue models, we are more interested in discussing what the value is – creative agencies are at risk of giving away ideas of tremendous value while getting paid peanuts for them.

Nitzan Yaniv, Amobee: Have you managed to communicate your ideas on new models with clients?

Mark Boyd: Yes we have with some quite diverse clients and some quite significant projects. It's more difficult with the old commercial clients – they've got to respect what you're doing. It's an ongoing mission.

PANEL DISCUSSION – ADVERTISING AND NEW MEDIA

Where are the opportunities for growth for new entrants and traditional players? What are the risks and potential pitfalls?

Panel Chairman: Ajay Chowdhury

Ed Bartlett, VP, Publisher Relations, Europe and Co-Founder, IGA Worldwide Inc

David Brennan, Head of Research and Strategy, Thinkbox

Hugo Drayton, CEO, Phorm UK

Charlie Horrell, CEO, Packet Vision Ltd

Nitzan Yaniv, VP, Business Development, Amobee

The Chairman asked each panellist to introduce themselves, and to provide some information about their sectors and specific issues facing their businesses currently.

Hugo Drayton, CEO, Phorm UK: Phorm is a behavioural targeting specialist. We are yet to launch properly, although there has been quite a lot of publicity around us in certain markets already because what we are doing has sparked a debate about the use of personal data by online companies. We are perhaps also slightly controversial because our software, which sits alongside major ISPs (BT, Virgin and TalkTalk - who between them represent approximately 70% of the UK's broadband subscribers), enables us to understand what people are interested in and therefore serve them more targeted advertising. So, the area I'm involved in is helping publishers derive more yield from their inventory, helping advertisers to improve their ROI, and helping ISPs to get something from their investments in broadband infrastructure. The opportunity now exists with our system for the ISPs to share with us the data between the price of inventory on the open internet exchange, and the price of a campaign that the advertiser sets in an automated auction.

In summary, I'm very interested in how we make markets more effective, and how we use digital tools to enable advertisers to better target audiences. There is a huge gulf between the current capability of behavioural targeting, and the new situation we are moving to. The breadth and depth of the data is expanding dramatically - Ad.com, Revenue Sscience or Wunderloop – had only fragmented information about an individual because they only see that behaviour when people are on certain sites. Whereas, in the case of Phorm, you get to see everything that an ISP consumer does. This means that on the advertising side, rather than having a limited number of pre-determined buckets of behaviour, one can develop a bespoke system whereby advertising agencies can create or edit existing channels. So this is a massive shift in terms of the opportunity to target consumers.

Charlie Horrell, CEO, Packet Vision Ltd: Packet Vision has some similarities to Phorm. We offer a service to TV channels that are carried on IPTV networks, e.g. companies like

France Telecom, Telefonica in Spain and AT&T in the US. In France, 3 million people get TV over telephone lines – this method of TV delivery is bigger than cable now and growing very fast. When a channel like TF1 is distributed over that sort of network, we enable them to deliver different adverts to different homes and individuals around the country. From the advertisers' point of view it's about effective targeting; and for TV channels it's about raising the CPM levels out of these homes.

In terms of the challenge we face – it's technically very complicated, and also we are sometimes dealing with large, entrenched businesses which sometimes seem like immovable beasts.

I think you can derive about £50 per home in TV revenue, just by being able to send a more targeted message. The fact that a viewer is seeing something that reflects their age, demographic or location will drive that amount of money. With 3 million homes in France being delivered TV in this way, with rapid growth projections; if you do the maths even the most immovable beasts begin to see the point of it. The question is, are viewers even aware they have been targeted in this way? I think it is quite subtle – over time people might become more aware of it – but I'm guessing that initially someone in Paris will not realise he's looking at a different commercial to someone in Lyon.

Dave Brennan, Head of Research and Strategy, Thinkbox: In some ways I feel a bit like BBH's black sheep, in that I'm here representing the so-called traditional media – but also because, actually, I don't really believe in the concept of 'new media' any more. I think we've grown out of that stage. I think we're at a much more mature stage where we should be looking at all media channels, indeed all touch points between brands and audiences, and looking at how to play the very complicated media ecosystem.

I've worked in the field of researching audiences, consumers, listeners and readers for 28 years. During that time I've worked in TV, radio, print and digital. Probably the most important thing I have learnt in all that time is not to believe the futurologists. 9 times out of 10 futurologists will talk to you about what a technology can and will do. What I have learnt in that time is that it's not about the technology, it's about the people and how people use technology. What I love about my job is getting to understand how people subvert technology – in other words, how they use it not in the way that was first envisaged. In my view, up until 12 months ago there was a real danger of throwing out the media channels that have worked incredibly well for a long time – because of a fixation on new media channels. But the two work together extremely well. We have just done a piece of work with the IAB called 'TV and Online' which reveals what a powerful combination the two are in terms of advertising. When we talk about advertising and brand communications we should be looking at great ideas – we need to work out how to get those great ideas be exposed to the audience, engage with them, and create a communication dialogue with them.

Ed Bartlett, VP, Publisher Relations, Europe and Co-Founder, IGA Worldwide Inc: IGA is a dynamic in-game advertising network. Investors include Intel Capital, Morganthaler, NBC Universal, Easton Capital, Itochu Corporation, Sumitomo, DN Capital and Translink. I was a games developer originally, for about 15-16 years, and have grown up with the sector. It's gone from being a fairly niche bedroom industry into a living room-based, major entertainment platform in a very short space of time. We have seen recently the launch of GTA4, which had sales of about £500 million in its first week. People are spending more and more time playing video games – an average 12.5 hours per week, while TV viewing is typically around 10 hours per week. This means that games are taking over the screen in the living room.

IGA has effectively created an aggregate network which serves up advertising directly into the gaming environment. For example, if you are playing a racing game, there will be ads around the circuit. We also have the proprietary technology that measures the size of that impact on the screen, as well as the duration and territory. We already have a reach of about 15 million consumers globally, and this is growing very rapidly. Analysts such as PWC forecast the revenues to reach about £1 billion-$2 billion by 2011-2012.

We have a broad range of clients, e.g. Toyota, Burger King, MacDonald's, Levis, Lynx/Axe etc. We are looking to take a small percentage of that big TV budget, which we feel can be a wasted expenditure at times due to ineffective targeting and move it into in-game advertising where there is a much stronger ROI.

Nitzan Yaniv, VP, Business Development, Amobee: Amobee is also in the business of providing technology and infrastructure, in our case to mobile operators, enabling them to deliver advertising to consumers on their phones. Mobile has great potential as a media channel; hopefully most people in the industry feel the same. The fundamental reason for this is that not only is mobile a media channel in its own right, but it is also a great way of bringing together some of the other channels that advertisers use. The wonderful thing about mobile is that, in terms of its potential, it has better reach than desktop PC. It also has potentially far better targeting than the internet. Therefore it could potentially bring in the best of web and TV – and the best of targeting in the online advertising space. For this reason, mobile's potential is perceived to be significant. Of the emerging media channels, it has had its fair share of growing pains though. We are probably facing the same kinds of issues that ad people grappled with when TV was launched, and when the internet was launched, etc. Hopefully the cycles for sorting those issues are becoming ever shorter. We are currently facing some issues with user adoption and technology. Having said all that, there is a genuine sense that mobile advertising is reaching a certain tipping point. I think there are a couple of main reasons for this. On one hand, all the internet giants (e.g. AOL, Microsoft, Yahoo, Google etc), are making big plays into mobile right now. Recently, a Google executive, when asked about the future of digital interactive advertising said, "Mobile, mobile, mobile". On the other hand, mobile operators have been notoriously slow to engage with this new opportunity.

There is an increasing sense in the agency community that mobile is a growing area, and ripe for investment. Consumers have demonstrated that in spite of certain security and privacy issues they are willing to engage with ad-funded content on mobile phones.

The Chairman: Hugo, what is single biggest change that could affect your business positively going forward? Is it consumer behaviour change, technical change, legal change? If you had a magic wand, what improvements would you make to the business?

Hugo Drayton: There is a slightly spurious or red herring debate about opt-in and opt -out regarding the systems we are bringing in. A magic wand that could dismiss that debate would have the most telling impact. What we really need is consumer adoption in order to try to prove the proposition

Audience Member: Could you explain why you used the word 'spurious'?

Hugo Drayton: The trouble with opt-in and opt-out is that it's a very binary thing – you're either in or out. I don't think it needs to necessarily be such a blunt instrument, as we use the web, we make many choices about what to see or accept.

The Chairman: So, if some measures forced people to opt-in, do you think that would be the biggest impediment to your businesses?

Hugo Drayton: I don't think that's going to happen. We're obviously a provider to the ISPs and they have to be comfortable because it's their subscribers that we are engaged with. There are a lot of slightly misinformed debates in the press, either because of lazy journalism, or simply mischief-making. But, the interesting thing is that we've gone through the argument in a very transparent way, including having a very open event (in the Town Hall), which was attended by many of the UK and Europe's leading privacy experts. All the arguments have been discarded as either red herrings or simply not applicable to what we are doing.

The Chairman: Doesn't Google do exactly the same thing?

Hugo Drayton: Google does something far worse because they keep personal data. Phorm, however, does not know who people are or where they've been. The consumer also has a choice – they can choose to be switched on or switched off. Google and all the other search engines store huge amounts of data. The debate in Brussels is whether Google should be able to store data for 12 months or 16 months; whereas Phorm does not need to store any personal user data at all.

The Chairman: Charlie, what keeps you awake at night? What makes you wake up and say, why did I take this job?

Charlie Horrell: What people in the audience might not know is that the Chairman and I used to work together. We successfully launched a business which we then closed four months later. So, the idea of things looking good on paper and then not working out is something that I've seen a couple of times. Inevitably, sleepless nights can be created by having a good idea but struggling to implement it – and then also questioning the underlying logic of the idea later on. A more serious answer to the question is that when you are melding cutting edge technology with asking people to change certain habits, this gets complicated. When the pot of gold at the end of the rainbow is worth chasing it gets better – but you have to demonstrate that pot.

The Chairman: As media planning becomes more complicated and crucial to a campaign, is the media agency becoming a more powerful player than the creative agency?

David Brennan: I think it's a great loss to the industry that media and creative got separated in the first place. The irony is that they got separated just at the time when they really needed to come together. Figuring out how to engage people in a wide range of creative ways on a number of different platforms needs a combined approach. But, ultimately it is the creative idea (on television) that actually grabs people. Jonathan Mildenhall, the global VP of marketing strategy at Coca Cola, recently spoke at a conference about the idea of cross media story telling. You have to establish a brand 'story' in people's minds – and then find different ways of building on it, reinforcing it, personalising it, and giving people a chance to go deeper with it. This is a very different form of consumer touch point to how it worked in the old days when each media channel had a very clear purpose and it was very siloed. Therefore, it's all about the strength of the campaign. In the US where you find engagement there are basically 3 elements: content, context and audience. The creative agency provides the content, and the media agency defines the context in which that content will be consumed. The audience is then down to both of them in terms of the media delivering the audience, while the creative determines what the audience is going to do.

Above the line advertising includes the traditional forms that are served up on TV, print, radio to large audiences, whereas below the line are the personalised and direct forms, which will eventually also become point of sale. It is important to realise that advertising is now going through the line. You can go from point of exposure to point of sale very quickly and very intuitively. There is now a growing phenomenon of people watching TV with their lap top open, tuning into their WiFi broadband. This is changing the way people consume advertising. There are many examples of people saying that they saw an ad for a product on TV and then purchased that product instantaneously online. This is a step change in the role of advertising, and a step change in the power of advertising. If we continue to silo it, in other words to try and separate out digital and broadcast media, we are missing the point.

The Chairman: What if you are a TV company seeing your ad revenues declining as audiences fragment as they move on to other platforms, what do you do?

David Brennan: You carry on doing what you've always done. I worked for ITV in the very early days in Network Centre. I'll be honest, in those days they were incredibly resistant to change – to the extent that in 1993 when I warned the programme making team that by 2003 ITV would be down to 23% audience share I was laughed out of the room. Of course I was a year out: they hit 23% in 2002. But now they have realised that going from 40% to 23% in such a short space of time means that they have to do something about it. They have also realised that their greatest asset is content. When you strip everything else away – devices, platforms – it's all about content. It's about consuming content in the way that you want to consume it. And that's their biggest strength of course because they produce a lot of their own content. They have now found ways to develop different distribution channels for that content to be repurposed and reformulated, enabling people to access it in a variety of ways. They have used TV, mobile and online to promote and exploit 'Britain's Got Talent' very effectively – and are now bringing the audience back to a big shared experience event. This is exactly what ITV should be doing – which then enables them to offer this to the advertiser on a 360 degrees sales basis.

The Chairman: Ed, to a certain extent, people might think that games offer niche advertising. Is gaming going to remain a niche business or do you see it becoming more mainstream?

Ed Bartlett: Definitely the latter, I would say that games are mainstream already. Some linear games are beginning to look and feel like movies, and games overtook music at retail in the UK last year. In terms of the ads, we control the entire process – it isn't the developer and publisher who upload the ads, this is all done by us, and the adverts are targeted according to the player's geographic location. We are also constantly developing and evolving new formats. We are introducing a new game soon, a football management simulation game, which will feature billboards that will deliver targeted adverts that link through to the website for that same game, so if the consumer sees a certain brand sponsoring a tournament in the game, that same brand will be on the website. In future, we may also see consumers making real purchases through in-game ads. The PlayStation 3 platform, for example, has all their players' names, street addresses, credit card details etc, which would enable one-click purchase and billing. The content and the advertising within the games also changes according to the time of day, day of week etc, which allows brands to keep their messaging fresh and relevant; something which couldn't be done in games before now.

The Chairman: Nitzan, if I'm being slightly provocative – we've been hearing that mobile is coming for years and years. Is there a real danger that consumer and operator resistance will prevent it from happening?

Nitzan Yaniv: I don't think the resistance will come from consumers so much. You have to bear in mind that mobile is probably the only media channel which is 100% paid for by consumers – so mobile content is a huge business (approximately 40 billion euros in Europe). Having said that, when you present an end user with the option of paying a full price for a piece of content or paying less or nothing for that content in return for tolerating some advertising, we've seen that consumers are very much in favour of the ad-funded model. I wouldn't say that all sections of society are that way inclined – but there are certain groups which are more likely to engage in that kind of model.

The Chairman: Are you saying that the mobile business is moving to the ad-funded model?

Nitzan Yaniv: We will not see ad-funded content over night – but every major operator has an ad-funded proposition. Some operators are building their entire business model around free mobile service in return for advertising messages. The ad-funded model works on every other media channel, so why would it not work on mobile? I think consumers will become involved, provided that they are informed about issues such as privacy and targeting. There is always someone in an audience who says, "But mobile advertising has been the next big thing for last five years…" I understand where those frustrations are coming from, and as I said previously, there are some genuinely powerful forces making a play for mobile now. Operators see this as a critical piece of the mobile value chain – without them its difficult to get into the scale and to leverage all the wonderful promises that mobile media potentially has. What keeps me up at night is the worry that all this investment and expectation on the supply side would be wasted if we don't do a good enough job on the demand side, i.e. engaging advertisers and bringing them into mobile. So our message to agencies and advertisers is that mobile offers a fantastic opportunity, but they also have a part to play in realising the opportunity, and demonstrating a willingness to engage in it.

The Chairman: Ed, how do gamers feel about in-game advertising?

Ed Bartlett: Recent research has revealed that over 70% of gamers like to see ads in their games that have context. We are no longer in a situation where people have to tolerate ads. If you talk to any big brand or any agency, it's about engagement and in-game advertising, and gaming, in general, delivers unrivalled engagement.

The Chairman: Are there any questions from the floor?

Melvyn Kirner, Vivacast: In terms of targeting people effectively, presumably ads have to be relevant to the content as well as the audience?

Ed Bartlett: With games, it's now about creating verticals, and reaching bigger aggregated audiences, since even the biggest blockbuster game does not create enough reach when you split it by territory, demographic and daypart. The creative for the ads also needs to be relevant. Using an example from a recent billboard campaign, we took characters from the Heroes TV series and linked them into the game world using clever strap lines, which we found engaged the audience very effectively.

Mark Boyd: I disagree with Nitzan's assertion that the advertising model works on all platforms. I have not seen one good mobile ad. I want ads that are going to add value. We are in the business of creating long-term properties – we want to move away from smaller campaign thoughts. There is now an opportunity to do much more interesting work.

Nitzan Yaniv: I agree. A shift is definitely occurring from the interruptive model of advertising to a more engaging one. In terms of the ad-funded model, my point was that people are happy with the idea of getting more and better content on their phones in exchange for fact that it includes some advertising content. Let's face it, the internet wouldn't be anywhere near the size it is if it wasn't for advertising, the same goes for the press and TV. Advertising pays for a lot of the fantastic content that we expect. Yes, we do have to move away from the interruptive model to the next stage in the evolution of advertising. At end of the day – today, the vast majority of mobile ads are not as good as we would like them to be. We have to face up to this and develop them.

David Brennan: The idea that ads are either interruptive or engaging is ridiculous. We have to accept that interruption in some shape or form will be part of the model for the majority of touchpoints a brand has with its consumers. Not least because a lot of the ideas people are putting forward as alternative to that involves some kind of stealth marketing. Actually it's becoming harder to disguise the role that the brand plays in that communication. So in some shape or form, we have to interrupt something by putting the brand in front of people. As to how we do that, by deploying different media channels to make it more engaging, that will evolve. TV has been liberated by technology. Because it does not need to provide all the information – it can "provide the love" - enable people to feel good about the brand and find the information etc. We just have to be more engaging in the ideas in order to make that advertising work.

Hugo Drayton: Consumers are only unhappy about irrelevant advertising. Targeting is key.

Melvyn Kirner, Vivacast: The channels that do well on the internet are those that are designed for the internet. Whereas brands advertised on TV have more of a scattergun approach. TV probably needs to change its programming structure to make advertising more effective.

David Brennan: I think you are mistaken. ABC1 viewing to commercial channels is 10% higher than this time last year, which is a record high. Whichever audience you look at, viewer to commercial broadcast programming is higher. I think we have an inferiority complex about advertising in this country. We are too busy worrying about tiptoeing around the consumers. We were told two years ago that the PVR was going to destroy the 30 second ad spot. We now have PVRs in about 1 in 5 households, and the effect has been that people watch more live TV than before, and more commercials than before. That tells me that this idea that we have a big scatter gun approach, and that advertising on TV is not working, and that people want to bypass adverts, is wrong. I think we run a risk of making assumptions based on wrong information about audiences.

Vincent Létang, Screen Digest: Charlie, I am currently working on a report about IPTV advertising opportunities. Which of the IPTV ad solutions do you think are the most practical and visible in the foreseeable future? Perhaps telescoping i.e. advanced version of the red button? VOD–based advertising? Or the 'holy grail' best of two worlds with dynamic live and targeted ad substitution? Which of these solutions are acceptable in the value chain?

Charlie Horrell: Apart from the experience with Ajay, I had another one in France selling interactive TV technology. We tried the telescoping and the red button etc. Whilst the technology I use now is complicated, it is much less so than it was for interactive TV. In essence, putting interactive elements into TV for live broadcast video is very complicated technically. It is far better to keep things simple, i.e. to insert ads seamlessly into a TV show. My advice would be to keep the technology simple, keep the usability, and keep the impact in terms of what it does to the TV picture. Interactive TV does not fulfil either of those criteria and is dead and gone.

The Chairman: The audience here today are relatively new media savvy. When do the panellists think that approximately 40-50% of the audience will be receiving targeted ads?

Hugo Drayton: This is not something that a consumer would necessarily notice. In the early months, no one will notice; but over time people might notice that there are more relevant ads. BT will be rolling out a new system over next few weeks. Virgin and TalkTalk will rollout their new systems over Q3/Q4. By Q1 2009, all these ISPS who have should be fully deployed.

Charlie Horrell: Is it going to take BT and other ISPs a long time to reach a level of sophistication?

Hugo Drayton: It's simply about deploying the software. Once BT has put the software into its network, it might have more interest as a publisher and advertiser, but as an ISP it simply begins collecting the cheque from being in that data stream. The ISP splits with us the upside between the cost of the inventory and the price of the campaign. We don't sell advertising, we run a platform.

The Chairman: Let's assume that today's audience are living in Spain, France, or the US. When would they be invisibly targeted?

Charlie Horrell: In Spain, by the end of this year. In the US, by June next year.

The Chairman: David, you spoke about the 360 degree model, when will we see this in a meaningful way?

David Brennan: It's happening now. The big broadcasters are already creating a whole range of opportunities around TV, internet, and mobile. As we are seeing, some of the content they are producing can be integrated and used for multi touch point campaigns very effectively.

The Chairman thanked the panel for a fascinating discussion, and also the sponsor SJ Berwin for supporting the event.

The Director of BSAC, Fiona Clarke-Hackston, thanked Ajay Chowdhury for chairing the event. She also thanked Nigel Palmer for SJ Berwin's generous support.

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