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NBC UNIVERSAL
unite...

EXCLUSIVE

Welcome to The Convergence

GREATER PHILADELPHIA'S MOST COMPREHENSIVE INDUSTRY NEWS SOURCE

On Thursday, December 3, 2009, Comcast and GE announced a joint venture worth the Comcastic sum of \$37.25 billion, which will ultimately give Philly's homegrown cable colossus control of NBC Universal. Some local wags go so far as to quip that Hollywood is coming to JFK Boulevard. Or is it the other way around?

By Mel Ciociola

WELCOME TO

From where I sit, this is major news. Comcast's carefully crafted confluence of content, distribution and integrated interactivity has created a compelling new blueprint for the prototypical modern mass communications and entertainment network, most ideally suited for our varied viewing pleasures in the 21st century. The big variable, of course, is where, when and how you want to be entertained.



"Beyond technology, Content and Distribution is the big idea...the core concept, if you will."

-Steve Burke

In some regards this is more like the good old days, rather than a brave new world. Why? Because Comcast has figured out how a modern Media & Entertainment empire can fashion together mega-audiences for advertisers that may eventually rival those stratospheric broadcast reach numbers of yesteryear. Only more targeted and, as the operational leader of this bold new venture says, "viewable anytime, anywhere..."



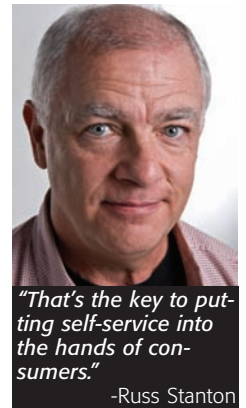
It was just another one of those February morning-after-the-snowstorms when I had the distinct pleasure of speaking on the phone with **Steve Burke**, the brilliant yet affable COO of Comcast Corporation. Dubbed "**The Man Who Will Run NBC Universal**"

by no less an authority than *Forbes Magazine*, we're talking about a person with both a vision and a vote about what media convergence is and where it's going.

With all the hoopla and hullabaloo surrounding this guy, it was interesting to hear him discuss the future of communications, advertising and convergence in simple, logical terms that almost anyone could understand. When you think more about this one insightful nugget of clarity, you begin to see part of the reason Steve is where he is today.

"Consumers want their content anytime, anywhere," he began. "They want more choices and there was a time when more choices meant more channels. Today choice is more about being able to choose where and how to spend viewing time. We have the means today to *time-shift* video, which can put whatever you want to watch, wherever you want to watch it, whenever you want to see it."

According to **Russ Stanton**, an ad industry expert on Digital Asset Management who has practiced his trade for BBDO and JWT, "At the heart of the matter is the content more than anything else. In order to have this kind of "anywhere, anytime" access, it's key that those video assets reside on high-speed servers, in the highest possible resolution, and be able to be exported and trans-coded seamlessly to any format for output to any kind of device. That's the key to putting **self-service** into the hands of consumers, so that they can select the content they choose and view it in whatever venue they want to see it—whether web, download, mobile or otherwise."



"That's the key to putting self-service into the hands of consumers."

-Russ Stanton

Or as Steve Burke explained, "However people want to consume their video, we can

Comcast Headquarters, Philadelphia, PA

enable them. Did you know that right now, today, nearly 100% of our digital cable subscribers have Video On Demand? And 50% of them have advanced services like DVR's? *We already have the interactive technical platforms and distribution in place.* Combining with NBCU was really the next logical step. Beyond technology, Content and Distribution is the big idea...the core concept, if you will." Bingo, Mr. Burke!

When it comes to content, NBC Universal is universally acknowledged as one of the world's leading media and entertainment companies in the development, production and marketing of entertainment, news and information. While there have been ups and downs along the way, that's been the case for well over a half century.

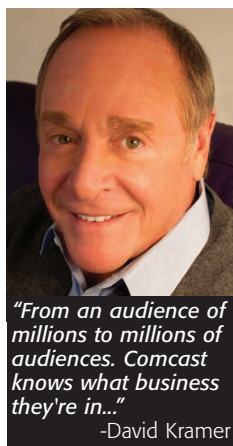
So while there are simply far too many properties to mention here, the Comcast-NBC Universal combo will own and operate a powerful portfolio of blue-chip broadcast brands, headlined by NBC TV, NBC News and NBC Sports; and complemented by some of the world's most famous and valuable cable TV networks, including #1 ranked USA Network, Bravo, MSNBC, CNBC, E! Entertainment Television, the Golf Channel, Oxygen, Style Network, Syfy and The Weather Channel.

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You can be 100% certain that NBC will provide a plentitude of premier programming produced in and by their own world-class television production operations. And let's not forget that they also own a legendary Hollywood motion picture company. Put it all together and you should have at least some sense of the quality and scope of their content.

Which brings us to Comcast's prodigious "pipes"...as in a huge content distribution network that includes the nation's largest cable operator (with 24 million subscribers), America's largest Internet Service Provider (with 16 million customers), and the country's third largest phone company. In addition, something like 82 million distinct users will visit the combined Comcast-NBC Universal web interests every month. Pipes, indeed. And by the way, are all those fabulous broadcast and cable holdings really content...or are they distribution? Or are they perhaps both?

From an advertising perspective, Comcast clearly seems to have been first to crack the code; showing friend and foe alike how a modern Media & Entertainment company can perhaps once again reach mega-audiences for major advertisers, while also weaving together more precisely targeted micro-audiences for local and niche marketers. With relevant content that's interesting and viewable any-time, anywhere.



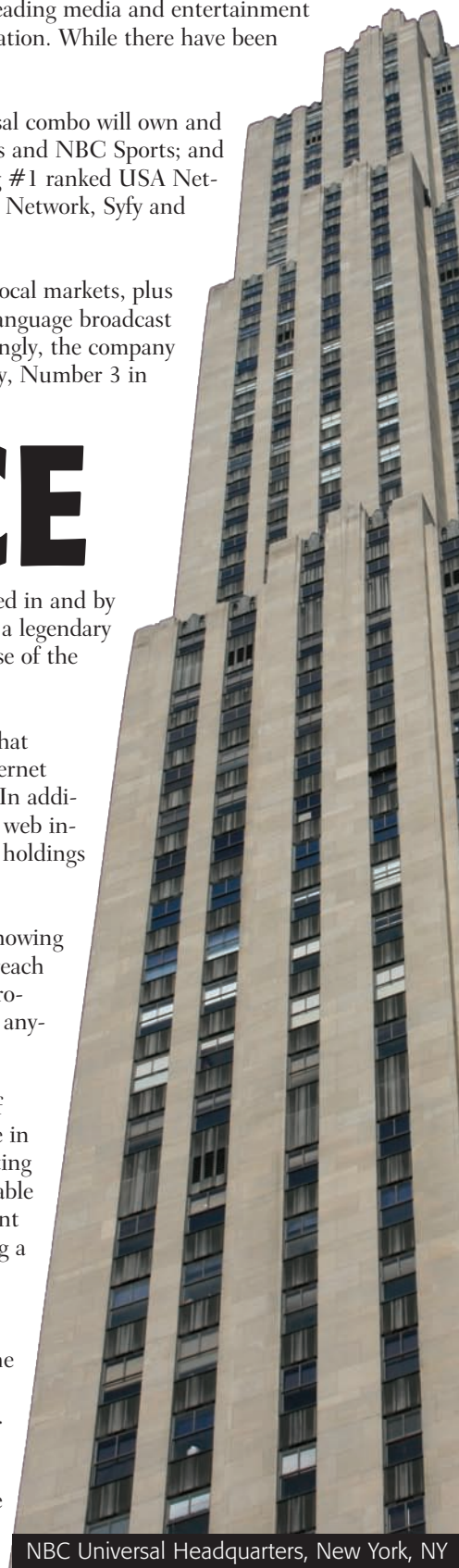
"From an audience of millions to millions of audiences. Comcast knows what business they're in..."

-David Kramer

As **David Kramer**, CEO of Digitas Health put it, "From an audience of millions to millions of audiences. Comcast knows what business they're in...eyeballs & fingertips. They are in the midst of a move from broadcasting to participating. With their technology, they are on the verge of being able to supply whatever content viewers want, where and whenever they want it. Empowering people to make their own choices, rather than following a rigid predetermined schedule. That's the way we live today.

"Imagine if Comcast were to aggregate programming around wellness, healthy living, science & medicine, disease specific information. Like the Nancy Sniderman segments on the Today Show. Take all that health content, shake it up and make it accessible. It's a valuable video library. So give it a name. **Make it searchable, on demand.**

"For example, if you had a parent with Alzheimer disease, wouldn't the ability to access segments about how to care for them be helpful? Our clients who make
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NBC Universal Headquarters, New York, NY

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pharmaceutical products that treat Alzheimer's symptoms might be interested in this kind of programming...or perhaps even get involved in some engaging interactive way."

xfinity Speaking of interactivity, I'm sure by now you've heard about XFINITY, the futuristic-sounding brand created collectively for Comcast's technology platform, products, and integrated services. But have you heard about CANOE, a joint effort forged by Comcast and other leading cable operators, designed to bring the addressability and interactivity of the web to television? Yes, that means TV advertising viewers can choose to get involved right on their home TV sets.

Actually, if you find the future fascinating, you may also want to check out other Comcast online ventures, including Fancast.com, fandango.com, iVillage.com, highspeed2go.com, and Hulu.com.

On the other hand, to better understand the promise and pitfalls of the future, sometimes it helps to analyze the past. So let's look for a moment at the demise of the Big 3. No, I'm not referring to America's automobile industry. I'm talking about the original Big 3 Broadcast TV networks.

Once upon a time ABC, CBS and NBC accounted for 80% of the people watching television on any given night...and I swear that's not a fairy tale. But as cable and online alternatives have grown like wildfire, the networks' collective fortunes have been on a steady decline. Prime time Network TV viewership now languishes at levels closer to 30%.

It seems apparent that Comcast and cable have grown up largely at the expense of the broadcast networks. So frankly, I think most of us would expect to see more Comcast-driven out-of-the-box-and-on-the-pulse-of-America thinking in on-air promotion for NBC.

And while you still may not be able to reach 35% of America with one spot on one show in a single evening, it seems to me that you should be able to reach that number at a relatively reasonable CPM with one short-term burst on the combined Comcast-NBCU Network.

Steve remarks "Advertisers today should really consider looking at what some are calling **Whole Home Ratings**. It really shouldn't matter if the ad is seen live in a linear stream, or the day after in a video stream, or the day after that online. In fact it shouldn't matter how or when, so long as it was consumed."

Not only do I agree, but I'm thinking that beyond **Reach & Frequency**, there should be a third metric...like maybe "**Involvement**." Because you definitely get more involved with online or interactive media. So...Frequency X Reach X Involvement = **FRI's**? As in, would you like Coca-Cola with those FRI's? How about McDonalds or Chevrolet or Walmart? We'll assume Steve Burke probably likes all of those advertisers. But I digress...



"The consumer is now in control."
-Mary Meder

Mary Meder, President of Harmelin Media, says "Convergence is finding a straighter path to our consumers. As a media agency, we know how to make a national plan work locally

with highly targeted media. For our clients, we'd want to be able to work with the options Comcast offers together when I need to and separately when that's best. It's an advantage if managed correctly. But one-stop shopping in media is a challenge, to say the least."

Although I didn't have time to share Mary's comments with Steve, he believes "Viewers are more engaged today than they were 30 years ago. More content means they are more interested in what they are choosing to watch. Which actually makes it easier for advertisers to target a niche with accuracy. For example, if a Philadelphia advertiser wants to target young women, we should be able to help them do that by blending broadcast, cable and interactive media locally...depending on the product, say NBC 10, Bravo and iVillage."

I think it was more than just good business for Comcast to figure this whole thing out. The combined companies will leapfrog some of their major competitors, and that's when it could get really interesting. It's easy now to prophesize that there will be more deals like this coming soon to a screen near you and yours. Others will combine as savvy competitors follow this content and distribution format, so deftly and dramatically defined by Comcast.

From my perspective, in an environment entwined with loosely aligned interests and almost no real dominant businesses, very few industries are still so obviously in need of a good, healthy, market-driven consolidation. If we the public (or we the advertisers) are fortunate, 4 or 5 of the best will take the biggest share of the pie. And it should be a tasty dish indeed, with those leaders providing more consistently good production and information across roughly 75% of the available content.

Hey, by 2010 I should know that I'm probably going to pay someone for access to the internet.

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Written exclusively for AD NEWS by Mel Ciociola

Mel Ciociola now consults with clients and agencies in the Delaware Valley on a project basis, covering everything from branding and strategy to creative and beyond. He has built major brands as one of the top worldwide Creative Officers for BBDO in NY and Chicago and from his own agency's offices in the heart of midtown Manhattan.

Mel lives in the suburbs of Philadelphia with his lovely wife Mae, two dogs and three cats. He can be reached by email: mel@ciociola.com

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I'm also aware that some TV is free and some you pay for. At the end of the day as long as there are choices, then the creative content, the American public, and the competitive alternatives will determine price and preferences. You'll choose to watch what you like best. And as it always does, the market will determine price. Or reject it by choosing not to watch.

Mary Meder sums it up quite nicely. **"The consumer is now in control."**

So aside from the viewing public and advertisers interested in greater media efficiency, who will be the winners? Some people say top tier distribution companies such as AT&T or Verizon will be looking for content to combine and conquer with. As a more artistic type, I'd like to think the content people will emerge on top.

Will anything except age unseat octogenarian **Sumner Redstone**, Chairman of the Board and controlling shareholder for both CBS and Viacom? How about media mogul **Rupert Murdoch**, 79 year old Chairman & CEO of Fox Entertainment and News Corp? Is there anyone who thinks the team running perennial juggernaut(s) ABC and Disney will go hide in the corner like a mouse? Does Time-Warner know something the others perhaps don't through its rocky marriage and subsequent divorce from AOL?

And then there are the usual dark horses (and prospective white knights), like Microsoft and Google, who have extremely deep pockets and seem willing to duel over almost anything digital.

Are we supposed to be seriously concerned about possible unfair competition between this collegial conglomeration of powerful business dynasties, which basically rank between Number 8 and 115 on the 2009 *Fortune* 500 List? All except fast moving Google were among the *Fortune* 70 last year. Comcast was only number 68, but I'm thinking both of those companies will be moving up smartly within a year or two.

And BTW, one of the most beautiful and amazing facts about mass media today is that there is always room on the internet for a creative phenomenon like YouTube or Facebook to come along and kick the establishment in the keister; especially given the low cost of entry for access to a worldwide audience. Trust me, if it's good enough to be a web sensation we'll all see it on the evening news too. Think Susan Boyle or Subservient Chicken.

According to Steve Burke, "Yes, we see the TV market changing very rapidly. As we get more content on our platform, we can take a leadership position. Just 5 years ago, you really couldn't consume high-quality video on computer. Eventually, if you're a video customer you'll be able to get all your video content on the internet and your internet content on a video device."

I swear he actually chuckled when I interrupted to mention that I was writing this article on a Pioneer 50" HDTV. No seriously, I am. And, dear reader, if you truly want to taste the power of convergence in a really big way, you just might want to try this for yourself, at home.

Yes, the same big hi-def flat screen TV that my family sat in front of to watch the Olympics, American Idol and *Slumdog Millionaire* is now doing everything my computer does, only super-sized. It makes the words, research and news stories look bigger even if they're not. Still, we're only just beginning to scratch the surface of media convergence.

"Please understand," Burke continued, "this is not all about having ONE convergence device that does everything. iPhone, BlackBerry, pc, laptop, TV, whatever...ONE is not the way you consume this product."

In other words, for all those mobile megalomaniacs out there who thought their iPhone was the be-and-end-all of media convergence, wake up and smell the java script. iPhone or iPad, computer screen or HDTV...the hardware will

change like it always does. Take that from someone who has been blindsided by hardware changes from Beta to VHS tape, laser discs to DVDs, HD to Blu-ray, and DVR's to VOD.

Hmmmm...come to think of it, wasn't superior content one of the primary reasons that VHS vanquished Beta...and why Blu-ray bested HD?

The big idea, as Comcast has figured out, is to have quality content that's relevant to each viewer...and the ability to deliver that content to wherever the viewer is when they want it. The biggest question is how do you like your movies served up these days?

At this point I'd like to make a few essential clarifications. Among the things I absolutely never discussed with anyone interviewed for this article were any kinds of financial facts to do with the deal, post-merger personnel or organizational plans, or hearings of any kind—including Congressional, FCC, you name it.

My story and focus have been on **The Convergence** because in my vision THAT is the big news here. While convergence has been hyped and hyperbolized to high heaven, it seems all too apparent to me that aside from a few interesting mobile phone apps (simple parlor tricks) we've barely scratched the surface.

Can you truly imagine having total interactivity? Anytime access to the specific information and entertainment you choose? The ability to watch whatever you want to watch—or what you NEED to watch—when and where you choose...everywhere...anywhere. Can you see why that might help your business...or perhaps enhance or add to your family life? That's the real promise of The Convergence.

Steve Burke's last words to me? "You're on the right track."

Sign me up.

We welcome your comments.
Send them to:
news@phillyadclub.com