Hype Cycle for Media Industry Advertising, 2007

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The advertising landscape remains volatile as ad spending continues to grow online and remains relatively flat elsewhere. Advertisers and publishers continue to struggle with problems of fragmentation and the onslaught of emerging forms and models.
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ANALYSIS

What You Need to Know

As consumer media time share continues to shift toward new media, advertisers continue to wrestle with the problems of audience fragmentation, content quality, consistent measurement and a jungle of complex technology-enabled media choices. Publishers and broadcasters are adding online to their advertising rate cards and upfront presentations as quickly as possible, but the winning formula for media companies remains elusive. New media titans such as Google, Microsoft and Yahoo, meanwhile, are on consolidation sprees aimed at fixing their role in the post-Internet world of cross-channel marketing platforms that support emerging mobile and next-generation TV formats. Media agencies are responding with alarm as they see potential threats in disintermediation and excessive automation, and they are responding with their own acquisitions and reorganizations to better align their services with the emerging technology-driven advertising landscape.

The Hype Cycle

As the economic engine for much of the media business, advertising holds the keys to many dramatic power shifts now under way in the mass media and marketing value chain. The digital transformation has resulted in numerous fundamental discontinuities in media advertising. Key issues include the following:

- **The Web has become a global mainstream participatory media platform.** The Web continues to grow its global reach and now rivals traditional media platforms. Its two-way nature has given rise to its role as the premier word-of-mouth medium, influencing decisions about other media such as movies, music and TV, as well as brand attitudes and purchase decisions.

- **The Web and emerging digital channels are increasingly consumer-controlled.** As user-generated media on the Web draws eyeballs away from traditional media, digital video recorders (DVRs) and clutter are disrupting advertising’s mainstay: the 30-second spot. The explosion of media choices — online and offline — has fragmented audiences and undermined the economies of scale inherent in mass-media advertising, leading to increased uncertainty about the value of traditional advertising channels. This has also led to operational inefficiency, as infrastructure lags in its ability to support a variety of emerging technology-driven forms.

- **Search creates a new media power structure.** Having achieved new levels of direct-marketing efficiency, search engine marketing continues to dominate online ad spending and has become a significant economic force. It has also challenged traditional media brands by unbundling their content online and shifting the focus of ad targeting from content-as-proxy to intent-as-proxy models. This undermines content-attached publishing models and shifts value from producers of content to producers of indexes and metadata.

- **The call for accountability is growing.** The Web has created unprecedented transparency into media and advertising consumption behavior, challenging other media to follow suit. However, the complexities inherent in developing new measurement models, combined with the inertia of the massive global media market, are currently creating more stress than solutions.
Against the backdrop of this transformation, numerous alternative advertising formats and technologies have emerged to re-aggregate audiences and exploit the rise in media consumption as it extends beyond traditional dayparts into enterprise screens, commercial venues and mobile time.
Figure 1. Hype Cycle for Media Industry Advertising, 2007

<table>
<thead>
<tr>
<th>Technology Trigger</th>
<th>Peak of Inflated Expectations</th>
<th>Trough of Disillusionment</th>
<th>Slope of Enlightenment</th>
<th>Plateau of Productivity</th>
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<td>Widget Advertising</td>
<td>Social Network Analysis</td>
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Source: Gartner (June 2007)

Years to mainstream adoption:
- ○ less than 2 years
- ○ 2 to 5 years
- ● 5 to 10 years
- ▲ more than 10 years
- ☒ before plateau

As of June 2007
The Priority Matrix

Volatility continues to rule the advertising landscape. This means that advertisers, advertising agencies and media companies must develop the agility to experiment with numerous emerging forms and quickly assess results.

Many organizations mistake point solutions for agility, and they assume that investment in service architectures for marketing IT is ill-advised due to marketplace volatility. However, IT leaders should understand that agility is a key benefit of having the right kind of service architecture. Moreover, certain capabilities, such as cross-channel campaign management and measurement, transcend the differences in media and create opportunities for competitive advantage, while eliminating the risks and inefficiencies that result from silo-based approaches.

Global brand enterprises, in particular, must recognize that this is a critical time to invest in worldwide cross-channel marketing capabilities. Those that fail to do so risk costly errors, brand obsolescence or both.

Figure 2. Priority Matrix for Media Industry Advertising, 2007

<table>
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<tr>
<th>Benefit Level</th>
<th>Years to Mainstream Adoption</th>
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<tr>
<td>transformational</td>
<td>less than 2 years</td>
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<tr>
<td></td>
<td>Search Marketing</td>
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<tr>
<td></td>
<td>Advertising Distribution and Management Software</td>
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<td>Engagement Metrics</td>
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<td></td>
<td>Word-of-Mouth Marketing</td>
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<tr>
<td>high</td>
<td>5 to 10 years</td>
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<td>Location-Based Services</td>
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<td>Social Network Analysis</td>
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<td>TV-Ad-Targeting Technologies</td>
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<td>moderate</td>
<td>less than 2 years</td>
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<td>Widget Advertising</td>
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<td>low</td>
<td>5 to 10 years</td>
</tr>
<tr>
<td></td>
<td>Desktop Adware</td>
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</table>

Source: Gartner (June 2007)

Off the Hype Cycle

- Mobile Marketing, which is defined as the use of direct text messages for marketing and is distinct from Mobile Advertising, which uses various media formats, has moved off the cycle as the technology has reached a plateau (although the market is likely to continue
to grow in parallel with Mobile Advertising). Our Hype Cycle focus is now on Mobile Advertising, which is more highly impactful from a technology perspective.

- Community Marketing has been subsumed by Word-of-Mouth Marketing in this Hype Cycle.
- RSS for Marketing has been replaced by Advertising Widgets.
- Mashup is continued in Web Services.

On the Rise

Widget Advertising

Analysis By: Andrew Frank

Definition: Widgets, small pieces of embeddable code that can add feed-driven functionality to a Web page or desktop, are being turned into ad delivery systems that create new opportunities for advertisers, Web portals and social-network denizens to create and monetize relationships. Although the models are various and the standards are few, a clear class of Web 2.0 startups has formed around the concept. Giants such as Google and Yahoo have also been experimenting.

Position and Adoption Speed Justification: The concept of advertising widgets came out of the lab in 2007 and is still known only to a relatively small class of social-media natives. However, the principle is intriguing enough to have caught the attention of a few tuned-in agencies, which have been experimenting with the benefits of establishing a persistent, updatable beachhead on the sites and desktops of brand-friendly fans. Given the problem of information overload in the new media world, viral widgets for advertisers enjoy relative persistence and are a very attractive way to cut through the clutter and build relationships — at least until they themselves become clutter.

User Advice: For brands that target social-networking youth, advertising widgets may be a highly effective way of establishing valuable relationships, at low media cost, with as-yet little clutter. However, advertisers experimenting with this form need to be aware of the bloglike hidden costs of continually updating widget content, as well as the possibility that the widget could become an object of ridicule in consumer-controlled environments. So, test carefully with your target audience, and use with caution.

For site owners with social-networking components, evaluate models that make ad widgets available as page ornaments or desktop accessories, and look for opportunities to leverage new vendors' need for exposure to negotiate favorable revenue splits for you and your membership.

Business Impact: Ad widgets could eventually displace some portion of the online display ad market and create stronger revenue opportunities for relatively low-valued social-media pages. However, several details of an emerging standard for interoperable widget forms must be resolved before this can happen.

Benefit Rating: Moderate

Market Penetration: Less than 1% of target audience

Maturity: Embryonic

Sample Vendors: Bebo; Google; Pheedo; SocialPAY; Tumri; Widgetbox
Online Ad Exchanges

Analysis By: Andrew Frank

Definition: Online ad exchanges are real-time marketplaces for buyers and sellers of online advertising media, in particular for display forms, such as banners. Exchanges are similar to ad networks, in that both are aggregators of fragmented (and often distressed) inventory. However, three qualities distinguish online ad exchanges from ad networks:

1. Exchanges are optimized for price efficiency, which means that they support some sort of auction model between buyers and sellers and are compensated for transactions, rather than being value-added resellers.
2. Exchanges are neutral, which means that they don't compete with their counterparts for the sale or purchase of media.
3. Exchanges are transparent and auditable, which means that advertisers and publishers can see what they're buying and accepting, and that each transaction has no hidden costs.

In addition, some exchanges offer clearinghouse functions to guarantee payments and handle collections. They also support various methods of specifying and filtering inventory, target audiences and pricing models.

Position and Adoption Speed Justification: Online ad exchanges have drawn major attention from a series of high-profile events in the first half of 2007, including DoubleClick's announcement that it would launch an exchange, followed quickly by Google's announcement that it intended to buy DoubleClick, and Yahoo's announcement that it would buy the 80% of Right Media that it didn't already own. Prior to this, Right Media had announced it had grown over 80% in six months.

The exchange model is attractive to both publishers that struggle with unsold and undersold inventory and advertisers that have difficulty locating enough appropriate inventory to buy. Although this will continue to support growth, issues related mostly to questions of neutrality raised by recent merger and acquisition activity loom.

User Advice:

• Publishers and advertisers must evaluate the use of online ad exchanges to improve media sales, reach and operational efficiency.
• Exchanges must move beyond verbal assurances of neutrality and offer independent proof.
• Ad networks and media agencies must reinforce their strategic value propositions beyond just aggregated buying power.
• All parties must understand the privacy implications of exchange-based targeting. They must ensure that personal information is strictly safeguarded and that no party can gain an advantage from data it doesn't explicitly own.
• Businesses concerned about tracking must implement cookie deletion policies within their firewalls.

Business Impact: Online ad exchanges have the potential to ultimately transform the way media is bought and sold, not just online. Efficiency is generally good for the market overall, although it may be particularly disruptive to media agency buying models that rely on exclusive access and
negotiation skills. Exchanges will raise the profile of technology in the media marketplace, which
will force both buyers and sellers to become much more strategic in their approach to adopting
advertising systems and applications.

There is a possibility that, in the future, more ad networks will come to resemble exchanges by
adopting online ad exchange principles into their models.

**Benefit Rating:** High

**Market Penetration:** Less than 1% of target audience

**Maturity:** Emerging

**Sample Vendors:** AdBrite; AdECN; DoubleClick; Right Media

**Podcast Advertising**

**Analysis By:** Andrew Frank

**Definition:** Podcast advertising consists of platforms and tools to let advertisers insert audio or
video spots in podcasts. Podcasters can opt to carry them and receive part of the revenue.

There are two types of podcast-advertising platforms: “Type 1” solutions, which are specific to the
media player and distribution platform or digital rights management (DRM) program, and “Type 2”
solutions, which use a more generic approach, based on RSS or offline program insertion, and
are indifferent to which media player or distribution platform is used.

For platforms of the first type, Apple's iTunes provides the only platform for podcasting that can
collect offline play data when users sync their iPods. Play data (that is, which files were played
when) is accumulated on the iPod, as well as on iTunes, when it is used to play files on the PC,
and this data can be provided, on an opt-in basis, to iTunes-based ad platforms. For this reason,
solutions of the first type have been deployed as iTunes plug-ins. Another possible approach of
this type is to use Windows Media DRM, which can track and report plays on Windows Media
Player-enabled devices.

**Position and Adoption Speed Justification:** The rapid growth of podcasting, spurred by major
media companies joining podcast bloggers to offer premier content through iTunes and other
Web platforms, is creating strong demand among marketers that want to reach the elusive and
valuable iPod demographic (young and affluent).

**User Advice:**

- Advertisers and agencies: Experiment and learn how to use the medium better.
- Emerging publishers and technology startups: The window remains open for platform
  and audience development.

**Business Impact:** This media advertising opportunity is a way to reach an elusive market.
Significant questions remain regarding the evolutionary course of personal media players (for
example, local versus network storage).

**Benefit Rating:** Moderate

**Market Penetration:** Less than 1% of target audience

**Maturity:** Emerging

**Sample Vendors:** Fruitcast; Pod2Mob; Podbridge; PodShow; Podtrac; VoiceIndigo
Dynamic VOD TV Ads and Brand Units

Analysis By: Andrew Frank

Definition: Cable operators are offering dynamic insertion capabilities to advertisers on their video-on-demand (VOD) channels. Today, these are generally nonskippable 30-second pre-roll forms, although alternate forms are also common, and considerable experimentation is occurring. Dynamic VOD ads support different targeting options (typically by neighborhood and daypart), along with advanced usage metrics and features such as telescoping (that is, delivering ads in a defined sequence) and "chyrons" (that is, accompanying interactive graphic panels).

Along with spots tied to programming content, operators are offering long-form opportunities, such as branded programming and infomercials on demand, with tie-ins to inserted spots, referred to, in the United States, as "branded navigation units."

In the U.S., Comcast has been leading the pack and launched these services in 2006, sold through its Spotlight business unit, in several markets. Its VOD ad insertion product is based on Tandberg Television's AdPoint technology, which is now part of the Ericsson Group. Other cable operators have recently deployed similar services.

Position and Adoption Speed Justification: Although several major U.S. and European cable operators have launched or expanded deployments of VOD advertising in the past year, the category continues to move at a slow pace, impeded by both technical and business challenges, as well as a global preoccupation with broadband video. CPM rates for VOD advertising remain high and often hard to justify, while overall reach remains low. Driving adoption is the need for cable operators to find new revenue streams for VOD and enticements for cable networks and studios to commit programming to the VOD channel.

Meanwhile, competition from Internet video sources and outlets through products as diverse as Apple TV and Joost continues to suggest that IP video is becoming a significant threat to traditional distribution models. IP video delivery could ultimately lead to a convergence between Internet and traditional TV infrastructure and business models, although high-definition television (HDTV) adoption significantly complicates this convergence scenario. Microsoft's intended acquisition of aQuantive, which owns Atlas, whose Atlas On Demand product has pioneered the trafficking of these ads on the part of agencies, could accelerate visibility and demand for this opportunity.

User Advice:

- Advertisers should look at VOD insertion as an experimental medium, in which to gather useful data on the effectiveness of various formats in multivariate ad-testing scenarios.

- Agencies must be able to offer campaign management services that include dynamic VOD insertion, preferably cross-media. They must produce spots in segmented form to experiment with different lengths and techniques, such as telescoping and sequencing.

- Cable operators and IPTV telecommunications companies must continue to work with advertisers and programmers to refine the technology and the creative aspects of the medium.

- Networks and studios must learn how to structure video products to best accommodate dynamic ad insertion in a VOD format and negotiate fair revenue splits with distributors.

Business Impact: Music video, kids’ programming and lifestyle themes, such as cooking and exercise, tend to be most popular among early adopters of VOD. So marketers targeting these
specific consumers in affluent households are likely to find the most near-term relevance in this medium.

**Benefit Rating:** High

**Market Penetration:** Less than 1% of target audience

**Maturity:** Emerging

**Sample Vendors:** Atlas; C-Cor; Comcast; SeaChange International; Tandberg

## Engagement Metrics

**Analysis By:** Andrew Frank

**Definition:** Engagement metrics seek to refine the evaluation of advertising effectiveness across channels, beyond traditional exposure-based measures such as gross rating points (GRPs). Potentially relevant techniques include response samples such as brand or message recall; exposure measures such as usage durations, avoidance behavior (for example, ad skipping), degree or frequency of interaction (where available), method of targeting, and observed attentiveness; and delayed measures such as view-throughs (that is, later visits to a Web site that may be partially attributed to an ad exposure), preference lifts, or traceable buying behavior. The intent of engagement metrics is to provide a unifying framework to simplify media evaluation and optimization.

**Position and Adoption Speed Justification:** The standardization of engagement metrics is still in an early stage, and it continues to enjoy a tail wind of hype. This has dampened somewhat from a year ago as the magnitude of the standardization task has become clearer. Media researchers, sellers and buyers are continuing to trade on nonstandard, media-specific applications. With the rise of Nielsen's commercial ratings on television, incumbent media companies could face a serious challenge to their staple of 30-second spots.

**User Advice:** Despite the relatively long horizon we put on the Hype Cycle, the impact of engagement metrics is being felt by companies across the advertising value chain.

- **Marketers:** Work with research companies to determine correlations between new measurement techniques and brand economic performance.

- **Advertising and media agencies:** Embrace and leverage developments in advertising and media performance assessment methods. Continue to push for accountable pricing models, such as commercial ratings on television and cost per action (CPA) or duration of online video exposure.

- **Traditional and new media sellers:** Create cross-channel advertising packages and analytics platforms that can deliver engagement metrics. Work with researchers to develop better proof of engagement with media properties as a selling tool. Develop capabilities to predict audience response to ad units to support engagement-based payment models.

**Business Impact:** Engagement metrics will affect marketing accountability and optimization; media and advertising strategy and design; media sales strategy, packaging, and delivery; and advertising research methods and products. Traditional media research firms and Web analytics firms are facing demand for new metrics.

**Benefit Rating:** Transformational

**Market Penetration:** Less than 1% of target audience
Maturity: Emerging

Sample Vendors: Advertising Research Foundation; Atlas; IAG Research; Maven Networks; Mediamark Research; Nielsen BuzzMetrics; Nielsen Media Research; OTX; TNS Media Intelligence-Cymfony

Recommended Reading: "Engagement Measures Hold Keys to Marketing Performance"
"With New Definition, 'Engagement' Gets Off to Cautious but Positive Start"
"Consumer-Controlled Media and the New Marketing Organization"

Dynamic Product Placement

Analysis By: Andrew Frank

Definition: Dynamic product placement involves postproduction positioning of commercial products in TV shows, movies, videos, music and video games. Referred to in last year's Hype Cycle as "Embedded Product Placement," this definition has been narrowed to refer only to the technology to automate the switching of product-related objects in content after it has been produced. This technique shortens lead times for advertisers, creates new targeting and inventory opportunities, and creates more ad market liquidity. The technique remains controversial, however, and regulatory environments vary markedly across regions.

Position and Adoption Speed Justification: Static product placement in media is a mature concept. However, recent innovations, along with the personal video recorder (PVR) threat to traditional 30-second TV spots, are igniting interest in the model, as well as in the underlying technologies to scale up and simplify its execution. This interest is giving rise to a new technology vendor landscape.

However, in the U.S., there is also resistance from watchdog groups, such as Commercial Alert, that consider undisclosed product placement a form of deceptive advertising that should be aggressively regulated, if not banned. Given the unpredictable nature of the Federal Communications Commission (FCC), the effects of any legal challenges to the technique remain speculative.

In the EU, on the other hand, there is a movement to relax the rules, with the proviso that all brand involvement in a show be made clear to viewers upfront.

User Advice:

- Advertisers should investigate new technologies to improve media market efficiency and accountability of their product placement initiatives, while considering ways to incorporate product placement into media mix optimization models.

- Studios and networks should agree on consumer-friendly guidelines for disclosure notices regarding paid product placement before guidelines are set up for them by regulators. Studios and networks should also be wary of controversial product categories, such as tobacco and alcohol, which are more likely to create backlash.

Business Impact: Dynamic product placement techniques have the ability to virtualize the insertion model so that commitments do not need to be in place at production time. Instead, they can be made closer to airtime and can be varied by market and syndication window — and, in some cases, can be varied and targeted demographically.

Geographic variation of virtual signage in sporting venues, sometimes referred to as "virtual advertising," for example, has attracted the enthusiasm of broadcasters. This is particularly true in...
Europe, where sporting events may be broadcast from other countries, although its use is still highly restricted in most European countries. Emerging platforms such as online gaming hold the promise of deeper audience engagement — for example, with 3-D product models.

Measurement and analysis techniques will increasingly help to integrate product placement into optimized media mix models by providing objective engagement metrics that can be compared with other media options, such as 30-second TV spots. These approaches can also provide indications of cross-channel effects when combined with other advertising strategies associated with a media property or audience.

**Benefit Rating:** Moderate

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Emerging

**Sample Vendors:** iTVX; Marathon Ventures; Media Matchmaker; NextMedium; VideoAnalytica

### Advertising Distribution and Management Software

**Analysis By:** Andrew Frank

**Definition:** Advertising distribution and management software is an integrated platform to support management, delivery and measurement of advertising traffic and assets across multiple channels.

**Position and Adoption Speed Justification:** Advertisers and agencies would strongly benefit from a common interface to distribute advertising across multiple platforms. However, distribution networks have long remained separate for each platform. Creating one platform not only lowers costs, but also reduces complexity and opens up more cross-media integration and reuse possibilities. There is a wide gap currently between online and offline models for ad delivery and measurement. Adoption of new technology is also hampered by integration issues with legacy infrastructure. The volatility of emerging formats and business rules also impedes rapid progress.

**User Advice:**

- Advertisers should add distribution management capabilities to their list of agency evaluation criteria and ensure centralized coordination of distribution activities.
- Advertising and media agencies must develop cross-channel distribution management capabilities with best-of-breed vendors.
- Publishers and broadcasters should adopt insertion, traffic and billing management systems that can integrate with advertiser solutions.

**Business Impact:** Advertising distribution and management software enables real-time advertising placement, reduced advertising costs and improved ad traffic coordination, media mix optimization, and return on investment (ROI) reporting.

**Benefit Rating:** Transformational

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Adolescent

**Sample Vendors:** Atlas; DG FastChannel; DoubleClick; Operative; Point.360; Solbright; ValueClick-Mediaplex
TV-Ad-Targeting Technologies

Analysis By: Andrew Frank

Definition: These technologies enable advertisers to target TV ads to consumers at the geographic, demographic and household levels, through cable, satellite and IPTV delivery systems.

Position and Adoption Speed Justification: Despite considerable investment in TV-ad-targeting technologies — which promise more efficiency and higher CPMs for cable TV, satellite TV and IPTV operators — adoption continues to proceed slowly. The technologies' reach and capabilities remain limited, while various business and privacy issues have yet to be addressed. Also impeding a more rapid adoption are the sales model, which often requires coordination between formerly siloed local and national markets; the pricing model, which has a large number of variables and no good precedents; and various technical and operational issues. These problems are exacerbated by the current focus of hype on IP-based advertising and delivery technologies, such as Apple TV. These IP-based technologies could provide an alternative path to targeted TV capabilities should a set-top-box solution take too long to arrive.

User Advice:

- Advertisers must consider how to position their media and sales strategies and privacy policies against emerging TV-ad-targeting technologies.

- Agencies must offer campaign management services that include support for various targeting capabilities, preferably across media.

- Cable and satellite operators must continue to work with manufacturers and advertisers to optimize targeting and metrics feature sets, as well as resolve business issues.

Business Impact: TV-ad-targeting technologies affect advertising agencies, TV distributors, TV networks and privacy advocates. These technologies also affect brand advertisers considering media strategy and the CRM implications of new targeting capabilities, as well as set-top-box and related equipment manufacturers and software vendors considering how to implement privacy controls.

Benefit Rating: High

Market Penetration: 5% to 20% of target audience

Maturity: Emerging

Sample Vendors: Atlas; C-Cor; Motorola-Broadbus Technologies; SeaChange International; Tandberg Television; Visible World

Recommended Reading: "Findings From the 'All Company' Research Meeting: Trust Is Key to Digital Advertising Success"

At the Peak

Word-of-Mouth Marketing

Analysis By: Andrew Frank

Definition: The Word of Mouth Marketing Association (WOMMA) defines "word-of-mouth (WOM) marketing" as "giving people a reason to talk about your products and services and making it easier for that conversation to take place." WOM marketing encompasses different techniques for
influencing online consumer dialogue about products and services. These include identifying and amplifying expressions of consumer enthusiasm, addressing negative commentary, and creating conversational opportunities in the context of advertising or sponsored media. Techniques range in ethical value from the acceptable (such as buzz monitoring, cause and grassroots marketing, product seeding, conversation creation, and brand blogging) to the deceptive (such as stealth marketing, shilling and spam).

**Position and Adoption Speed Justification:** As a concept, WOM has been around for as long as marketing; its emergence as a marketing technology discipline has arisen out of the spread of online community participation and consumer-generated media on the Internet. To make it an acceptable mainstream marketing category required an organization to address ethical challenges. WOMMA's ethics code, first published in early 2005, has now taken on the role of a de facto industry standard, although violations abound in practice.

WOM marketing is likely to soon experience a Trough of Disillusionment as scale issues become evident, high-profile attempts backfire and proven techniques significantly lag hype. However, it will remain an inevitable and enduring consequence of permanent changes in the media landscape that increase consumer participation and influence in buying decisions.

**User Advice:**

- Consumer marketers should study and use WOM marketing techniques as a key strategic initiative. Codify ethical standards and ensure that advertising campaigns have addressed WOM marketing components. Keep in mind that, if a campaign has impact in any medium, then it's bound to create dialogue online — the only question is whether you will be participating. Carefully examine case studies in your category to determine best practices.

- National and international brands should be aware of the powerful potential for backlash on borderline unethical techniques that affiliates may be considering. Clarify and enforce strict ethical guidelines across marketing and sales channel partners.

- Media companies should use their online properties to create WOM marketing opportunities for advertisers. Include these in cross-channel packages that use integrated opportunities with other media, such as sponsored social-networking support for television properties.

**Business Impact:** WOM marketing is a macro trend phenomenon, whose influence will be felt across marketing categories.

**Benefit Rating:** Transformational

**Market Penetration:** 20% to 50% of target audience

**Maturity:** Adolescent

**Sample Vendors:** Affinitive; Avenue A/Razorfish; Branddimensions; Cymfony; Nielsen BuzzMetrics; Umbria; Visible Technologies; Waggener Edstrom Worldwide

**Recommended Reading:** "The Media Company Online Privacy Play"

"Consumer-Controlled Media and the New Marketing Organization"

**Mobile Advertising**

**Analysis By:** Tole Hart; Andrew Frank
**Definition:** Mobile advertising is advertising or direct marketing on wireless cell phones and PDA screens. Examples include ads via Short Message Service (SMS), Multimedia Messaging Service (MMS), Wireless Application Protocol (WAP) banners, mobile TV, mobile radio, and insertion into games, videos and applications.

**Position and Adoption Speed Justification:** Mobile advertising has taken root only in the past two to three years, as carriers and content providers seek to increase wireless data revenues. There has been a great deal of market growth in the past year for mobile advertising, but it is still not a primary focus of brands when annual budgets are being developed. Mobile advertising is being adopted by the innovative brands, but it is not a main focus as they try to develop the cost-benefit model for this type of advertising. The market is still highly fragmented in terms of ad-serving companies and standardization around ad formats. During the next two years, more wireless carriers and brands will adopt mobile advertising, especially as a way to reach a younger demographic.

Mobile advertising will also be used to offset content production costs or to subsidize content consumption. The user benefits of mobile advertising will be free or discounted content, free minutes or messaging, and cash or product awards. The carriers' largest issues are the advertisements' annoyance to the customer and privacy. Carriers and content providers must ensure the relevancy of the ads by using demographic and usage data. However, they must balance this against maintaining the privacy of those customer records. These must remain secure for customers to feel comfortable about mobile advertising.

As the market matures, we expect more consolidation, greater standardization around ad formats, and greater tie-ins with other types of media. We expect these occurrences to happen in years three to five. We placed the Plateau of Productivity at five to 10 years, because that is the time range in which high-speed networks and data-friendly handsets will catch up to the mass market to make mobile advertising a truly mass-market event.

**User Advice:**

- Mobile carriers should work with a number of content providers and brands to offer customers the content they desire, so that advertising can gain the maximum revenue.
- Carriers must be aware of the limitations of mobile advertising such as small screens, as well as relevant advertising and privacy issues, and plan accordingly.

**Business Impact:**

- Mobile advertising will grow to over $10 billion worldwide by 2011.
- This amount will be small compared with the $400 billion to $500 billion in overall advertising spending worldwide.
- Mobile advertising will be a key driver for mobile content over the next five years and beyond.
- Mobile advertising will become the third, and interactive, leg of a full media campaign.
- Mobile advertising will be a key way to reach the youth segment.
- For developing nations, mobile advertising is a good way to get a brand message to a large number of people.

**Benefit Rating:** Moderate

**Market Penetration:** 1% to 5% of target audience
**Maturity:** Emerging

**Sample Vendors:** AdMob; Enpocket; Greystripe; Millennial Media

**Recommended Reading:** "Mobile Advertising Is Calling"
"An Introduction to the Mobile Search Market"

**Search Marketing**

**Analysis By:** Adam Sarner and Andrew Frank

**Definition:** Search marketing is the ability to market products and services using a search function through methods such as:

- Organic search (getting free or paid inclusion on third-party search engines, such as Google, Yahoo and MSN)
- Advertising based on keyword search, including bid management applications.
- Using a company's own search tool to find product and service aids in Web site navigation as well as on-site search methods, such as using the site's search tool entries for cross-sell and upsell recommendations.

**Position and Adoption Speed Justification:** Conducting searches by using key words to access information on products or services is becoming a key navigation tool for prospects and customers on the Web. Google has successfully combined advertising with relevant search requests. Consequently, visibility surrounding search marketing is extremely high, and the technology is displacing mass banner advertising. Although use of search marketing for business to consumer organizations is high, business-to-business companies are using search marketing techniques as part of a lead management tool, and sometimes salespeople are buying and tracking keyword purchases. However, exploiting search marketing in an overall multichannel campaign management strategy is less evolved. Key insights into customers' intent based on searches will be harvested and used to support broader campaign strategies beyond the confines of stand-alone e-marketing.

**User Advice:** Search marketing techniques can be used to collect and gain key insights into customer behavior. Search marketing functionality can help marketers determine which products customers are seeking, how customers are asking for them, which products or services are in greater demand and what customers are looking for but cannot find. This explicit insight into customer needs should be used for campaign management creation.

**Business Impact:** Search marketing has transformed how customers seek products and services online. Search navigation is essentially mandatory for all types of Web sites. Internally, search marketing can serve as a real-time lead generation tool, as well as collect customer queries for improved decisions about which products or services to offer and how they are promoted.

**Benefit Rating:** Transformational

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Adolescent

**Sample Vendors:** Endeca; Google; Microsoft; Omniture; SEMDirector; WebSideStory; WebTrends; Yahoo

**Recommended Reading:** "Magic Quadrant for Multichannel Campaign Management, 1Q07"
Sliding Into the Trough
Broadband Video Ad Insertion

Analysis By: Andrew Frank

Definition: Broadband video ad insertion is the serving of video ads (pre-roll, mid-roll, or post-roll) within a piece of online video content, whether streamed or downloaded over the Internet to a PC. The ads, often distributed using Flash, sometimes allow pause or rewind controls, sometimes can be skipped, and could include interactive features, such as "hot spotting," which lets viewers click on objects in the video. Ads can be clicked to access more information, whether via direct link to an advertiser's Web site or a "microsite," which is an individual Web page or cluster of pages that function as an auxiliary supplement to a primary Web site.

Position and Adoption Speed Justification: The speed with which online video ad insertion climbed the peak was driven by rapid consumer adoption of online video services. This has caused broadcasters and publishers to quickly deploy online video content and make it widely available through a flurry of distribution deals — both on a pay-per-download basis through iTunes in the United States and, on a growing basis, through syndication partners' Web sites. The scalable market for online video ad insertion began at the end of 2005, when the Interactive Advertising Bureau (IAB) announced guidelines for online video ad insertion, with the goal of standardizing the model and, thus, enabling its wider commercialization as a revenue stream for content providers. Throughout 2006, video advertising grew very quickly.

In 2007, disillusionment began to set in as the initially dominant forms — nonskippable 30- and 15-second pre-rolls — were increasingly disparaged by consumers and site owners, who called for more innovative forms that advertisers and agencies were unable to supply outside of a few isolated cases. The rise in popularity of consumer-generated video, which was never designed to accommodate ad insertion, was found to be resistant to anything but post-roll tags, which are not generally watched to the end. As of this writing, there are still reportedly plans to monetize YouTube videos with ad insertion, although the form that this will take remains unknown.

As agencies come to terms with the realization that re-purposing 30-second spots in online video, which is still predominantly short form, is not generally an effective use of the medium, the technology will continue to sink into the Trough of Disillusionment until the next wave of more appropriate standard forms becomes widely accepted.

User Advice: Content owners should experiment with new forms in ad-supported models for online video distribution. Although ad-free paid models likely will continue to be available, ad-supported content clearly has the potential to generate revenue and additional consumer adoption.

Although the IAB standards permit 30-second-length content, it is generally believed that much shorter spots accompanied by interactive features, such as bookmarking for later retrieval of longer-form content, are more effective in the medium. Advertisers should experiment with different spot lengths, as well as interactive links to longer content and different experiences, thereby optimizing consumer interaction.

Business Impact: The increase in the consumer's control over media consumption is causing a dramatic impact on the advertising business. Advertisers are increasingly questioning the value and effectiveness of TV advertising and looking for ways to increase their engagement with the consumer. Online video ads provide advertisers with the chance to interact with their customers, as well as improve the collection of metrics for measuring campaign performance.

Benefit Rating: High
**Market Penetration**: 5% to 20% of target audience

**Maturity**: Adolescent

**Sample Vendors**: adapt.tv; Atlas; Brightcove; DoubleClick; Maven Networks; VideoEgg

**In-Game Advertising**

**Analysis By**: Andrew Frank

**Definition**: In-game advertising covers a variety of scenarios in which ads can be placed in video games. The most prevalent scenario involves putting a static display ad onto a sign that appears in a networked 3-D gaming environment, accessed through either a PC or a dedicated game console. In this scenario, an advertising network buys in-game space from game publishers and sells it to advertisers, handling the production and distribution aspects of the placement.

More generic game scenarios, such as banner placement on online social-gaming and gambling Web sites (which are considered online display advertising), are not included in this category. Also not included are advertisements and branded regions and objects in 3-D environments, such as Second Life, that are not exclusively gaming environments, unless the ad is explicitly embedded within a game.

**Position and Adoption Speed Justification**: Although in-game advertising has shown continuous growth over the past few years, it remains largely ignored by many advertisers. Microsoft, Google and News Corporation have all placed bets on its future in the form of acquisitions, and Google recently filed patents on a number of advanced in-game advertising techniques, following its acquisition of in-game advertising vendor Adscape Media in early 2007.

Gaming can be divided into the hard-core and casual audience segments, with the hard-core segment representing a relatively narrow slice of the population, and the casual segment offering fewer opportunities for high-impact, immersive ad placement.

**User Advice**: Media companies and marketers should evaluate the use of in-game advertising to reach the hard-core segment's targeted demographic of 18- to 35-year-old males, but should also carefully track non-hard-core audiences for engagement in new forms of gaming.

**Business Impact**: The rise of new gaming formats (such as mobile gaming, which is among the most popular mobile applications among early adopters, and games in 3-D environments such as Second Life) will continue to expand in-game advertising’s reach and popularity.

**Benefit Rating**: Moderate

**Market Penetration**: 5% to 20% of target audience

**Maturity**: Adolescent

**Sample Vendors**: IGA Worldwide; Microsoft-Massive; News Corporation-IGN

**Recommended Reading**: "Microsoft's Acquisition of Massive Bolsters Media Strategy"

"Microsoft's Xbox 360 Innovations and Xbox Live Portal Position It for Success"

**Social Network Analysis**

**Analysis By**: Whit Andrews

**Definition**: Social network analysis (SNA) is the use of information and knowledge from many people and their personal networks. It involves collecting data from multiple sources, analyzing
the data to identify relationships and mining it for new information. SNA is related to organizational network analysis by its goals, but differs significantly in what drives its use. Enterprises use it less than individuals do as a means of developing "communities."

**Position and Adoption Speed Justification:** SNA is used to analyze organizations and other explicitly collaborative environments (for example, R&D sources, organizational charts and collaboration processes). It will increasingly be used to mine data from communities of interest (for example, MySpace, Flickr or del.icio.us) — that is, usually well-known "folksonomy" sources in which users' social tagging content (via "age," "gender" or "blurb") provides the metadata for analysis, which identifies relationships. Such sites create social network content, but they aren't SNA applications. The sites serve as models for creating content in the business world, accelerating the development of social network information, and spurring the development of tools that can mine such data. It can also be used to establish perspectives on user behavior in enterprises where linkage is explicit in communications, such as e-mail or instant messaging.

**User Advice:** Users who believe they can benefit from SNA deployment should seek vendors that offer it as part of a broader product, such as information access technology or collaborative work spaces.

**Business Impact:** SNA can be used to identify target markets, create successful project teams and serendipitously identify unvoiced conclusions. It can also be used to detect unexplicit connections.

**Benefit Rating:** High

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Adolescent

**Sample Vendors:** Attensity; Attunity; Baynote; BEA; Collarity; Contact Networks; MetaLincs; Orgnet.com; Visible Path

**Recommended Reading:** "Use Technology to Support Collaboration in KM Programs"

"The Implications of Societal Changes on Enterprise Technology"

"Use Gartner's Evaluation Criteria for Integrated Collaboration Products"

**Blogs**

**Analysis By:** Michael McGuire; Allen Weiner; Andrew Frank

**Definition:** A blog, which derives from the term "weblog," is a Web site designed to make it easy for users to create entries in chronological order. The entries are then displayed in reverse chronological order (most recent first) and are generally archived on a periodic basis. Blogs are mostly used to express opinions on topical events such as sports, music, fashion or politics. They may be maintained by an individual, group or organization.

**Position and Adoption Speed Justification:** Blogs are pervasive. Google, Yahoo, Six Apart and MSN, among others, have blogging platforms, and publishers have begun to monetize blogs. While some press reports have characterized the blogging trend as having peaked, this perspective ignores the fact that new users are coming on the Web every day. It also ignores a trend toward extending the blogging phenomenon to mobile devices.

**User Advice:** Blogs have grown from a novelty to a mainstream platform for content distribution. Therefore, it is time to align IT and business forces to develop a blogging strategy for corporate and public-facing opportunities. Enterprises must define clear strategic objectives for blogging
and support them with policies both to encourage executives and employees to maintain regular entries and to identify and discourage harmful blogging practices. It's generally a best practice to involve a PR group in the review of an enterprise's blog and, if a public company, to involve investor relations.

Companies should fully disclose the provenance of its blogs and eschew temptations to create false or deceptive "fan" blogs, often called "flogs," which almost invariably backfire into public relations disasters.

**Business Impact:** Print content companies — from magazines to newspapers — are affected. Increasingly, any public-facing media company or enterprise must have a blogging strategy. A need for better blogging tools will continue to drive developer and hosting business opportunities.

Liberal citation and quotation of other sources — not always clearly or appropriately referenced — is the current norm for blogs, which makes monitoring them important, to protect syndication policies in the case of media companies, and brand integrity in the case of marketers. Several tools support the monitoring of brand mentions in blogs, and at least one tool — Attributor — can identify specific instances of copyrighted text in blogs.

**Benefit Rating:** Moderate

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** Blogger; Bloglines; Movable Type

**Viral Marketing**

**Analysis By:** Andrew Frank

**Definition:** Viral marketing involves video, audio, graphical, or interactive advertising or branded entertainment content in downloadable or referenceable form that can be copied and distributed by consumers to one another. This content is distributed through e-mail, instant messaging, blogs, consumer content sites or any other consumer-controlled digital channel.

**Position and Adoption Speed Justification:** The rise of broadband adoption and online-community and content destinations, such as MySpace and YouTube, has ignited interest in the viral distribution of ad content. A viral video demonstrating the chemical reaction of mixing Diet Coke with Mentos, for example, gave rise to a global craze of spinoffs during the summer of 2006. Viral ad distribution is particularly attractive to marketers as it eliminates media costs, while reinforcing word-of-mouth credibility. The nature of the phenomenon, however, makes it particularly vulnerable to abuse and disillusionment as marketers attempt to engage viral channels with content that either resembles spam or attempts to be deceptive about its commercial origins. Some low-profile applications, such as targeted e-cards, newsletters and petitions, can still prove effective in reaching targeted online communities at little media cost. However, the use of online consumer content channels by brands to seed viral ad content has reached a low point in its journey toward transparency and effectiveness.

**User Advice:** Advertisers seeking to leverage the power of viral marketing must ensure that the messages they craft resonate enough with their target audience to inspire sharing and that they are distributed under full disclosure. Generally, this requires more testing and tuning than conventional advertising. Brands must avoid the use of such techniques as false blogs and shilling, or risk severe backlash. Brands must also understand that viral success will be relatively rare and unpredictable.
**Business Impact:** Viral marketing could become a disruptive technology for ad-supported media companies, because it can deliver extensive reach without compensating media sellers. Viral marketing also has the potential to disrupt media-commission-based compensation models of ad agencies. On the other hand, it offers new opportunities for advertisers and marketers to create powerful brand experiences and take advantage of the "presenter effect" of peer referrals to maximize receptivity. The unpredictability of viral effects, however, limits their usefulness in situations where results must be forecast.

**Benefit Rating:** High

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** Avenue A/Razorfish; Branddimensions; Crispin Porter + Bogusky; Nielsen BuzzMetrics; OgilvyOne; Umbria; Visible Technologies

**Recommended Reading:** "Consumer-Controlled Media and the New Marketing Organization"

### Location-Based Services

**Analysis By:** Annette Zimmermann; Monica Basso; Nick Ingelbrecht

**Definition:** Services that use information about the location of mobile devices, derived from cellular networks or via satellite links to receivers in (or connected to) the handsets themselves. Examples are services that enable friends to find each other, parents to locate their children, mapping and navigation. Location-based services may be offered by mobile network carriers or other providers. They are also known as location-aware services.

**Position and Adoption Speed Justification:** The E-911 mandate in the U.S. has spurred deployment of GPS, and operators are now offering a variety of location-based services beyond just E-911. In Asia, most mobile operators run services that locate the nearest restaurant, cinema or automated teller machine. European operators are taking advantage of the current interest in portable navigation devices, providing route planning, navigation and dynamic information (such as traffic updates). However, the market is far away from having well-established business models, and revenue streams need to be much more significant in order for cellular operators to show any real interest. Changes are expected in the next 12 to 18 months as new disruptive business models begin to emerge. Advertising as a means to offer these services free of charge for the consumer is one of the disruptive models that have been recently introduced. Moreover, location-based services seem to do best when there is a return on investment (ROI) attached to them, like in enterprise field service applications, and fleet and asset management.

Barriers to the widespread adoption of location-based services on cellular networks include high prices, limited scalability of location platforms, high latency and low accuracy in urban, underground and indoor locations where GPS won't work and where terrestrial location plotting isn't accurate enough. Europeans are concerned about privacy, which is one of the reasons why there has been delayed deployment of location-based emergency services in this region. In addition, a high degree of technology fragmentation and a lack of fully interoperable software middleware have limited the availability of seamless services.

**User Advice:**

Mobile carriers should follow one of two strategies, depending on their size and intentions.

Smaller carriers should follow a two-pronged strategy and:
• Avoid wasting resources trying to create a market for location-based services. Instead, experiment with services — initially those associated with personal safety and security.

• Respond opportunistically to developments in this market by offering suitable location-based services to individual groups of customers, capitalizing on the spread of assisted-GPS (A-GPS) handsets.

• Larger, well-resourced carriers and those aiming to make a name for themselves in the field of mobile data services should:

• Consider moving determinedly into the market for location-based services by using their central position in the mobile industry to create the complex network of partners needed to capture market share early on and so generate meaningful revenue later.

**Business Impact:** Mobile carriers shouldn't regard location-based functionality as an end in itself, but as an aid to creating a suite of integrated services that work seamlessly from the perspective of users. Though location-based applications have been deployed fairly successfully in some countries, widespread adoption will require the integration of many different capabilities that together fulfill more of the potential of location-sensing technology. One example is local search: players such as Google, Yahoo and other Internet search providers have started to pursue cooperative partnerships with location players to provide search with inbuilt location-based functionality.

Initially, location-based services will make their biggest impact in the fields of security and personal safety, where they can prevent crime and save lives. Another important area will be navigation and route planning. Calculating specific routes with an off-board solution, or requesting the latest traffic situation or the nearest automated teller machine (ATM) adds to the operator's data revenue.

**Benefit Rating:** High

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Adolescent

**Sample Vendors:** Telenav; TruePosition

**Recommended Reading:** "Forecast: GPS in Mobile Devices, Worldwide, 2004-2010"

"Gartner's Top Predictions for IT Organizations and Users, 2007 and Beyond"

**Climbing the Slope**

**Desktop Adware**

**Analysis By:** Andrew Frank

**Definition:** "Desktop adware" refers to client-side ad-serving software that end users download to their PCs, preferably on an opt-in basis and generally in exchange for free software or content with which the client is bundled. Non-opt-in variants, frequently classified as "spyware," are considered unethical (and frequently illegal) and are not included in this definition, although there is a gray area inherent in some opt-in disclosure schemes.

The most common form of desktop adware is an application running in the system tray of a Microsoft Windows PC, looking for opportunities to display contextual ads based on sites that a user visits or topics for which a user searches.
**Position and Adoption Speed Justification:** We are positing no gain for adware from last year's position, as various developments have basically offset one another.

On the progressive side, TRUSTe has certified a number of adware applications as being in compliance with its whitelist standards for privacy protection. This indicates that TRUSTe has judged these applications as being easy to uninstall and allowing users to maintain control of their computing environments. WhenU and Vomba Network received such certification in the past year, although Vomba Network's certification is "provisional."

On the other side, these companies continue to draw the ire of Web publishers by overlaying Web pages with banners that are not part of the pages' codes. Adware vendors continue to be targeted by anti-spyware providers, to the point that one vendor, Zango, has sued an anti-spyware vendor twice. And adware vendors continue to rely on the practices of their distributors (that is, the software that hosts their applications) and their advertisers. These practices include enough nefarious examples to continue to frustrate adware vendors' attempts to position themselves as safe and aboveboard.

**User Advice:**

- Advertisers should use desktop adware with caution. Certain highly competitive categories, such as travel- and hotel-booking services, may be in a good position to leverage "comparison shopping" scenarios to target timely messages at the point of greatest interest through desktop networks. However, premium brands must be sensitive to perceptions of privacy issues, even if these are addressed appropriately in practice. On the audience side, it's likely that adware consumers will predominantly be less-computer-savvy members of the late-majority mainstream.

- Enterprises should generally take steps to block adware and treat it as a form of spam or virus.

- Adware vendors must reject deceptive practices, submit to independent privacy audits, strictly police their partners and ensure association with high-value software for distribution.

**Business Impact:** Desktop adware is most appropriate for value-based sales promotion opportunities in competitive categories.

**Benefit Rating:** Low

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Adolescent

**Sample Vendors:** WhenU; Zango

**Recommended Reading:** "Judge's Ruling Gives Users, Not Publishers, Control of Online Ads"

**Interactive TV**

**Analysis By:** Andrew Frank

**Definition:** Interactive TV is any platform that enables two-way television services, such as electronic program guides (EPGs), video on demand (VOD), interactive advertising, games, and information, transaction, and communication services. Interactive TV can consist of both local or network interactions, but must support some return path to a network-based station that can collect data, process transactions and so on.
Position and Adoption Speed Justification: Interactive TV has taken nearly 20 years to make its Hype Cycle journey, since it first emerged in trials in the early 1990s. During this long period, its architecture, design and business models have changed considerably and continue to do so. Thus, although it is climbing the slope toward productivity, we still see it as a slow-moving technology at least five years away from fully realizing its ultimate promise.

EPGs and VOD are now common with the success of digital cable and satellite TV. Other interactive TV applications lag behind, and regional adoption varies significantly (for example, North America lags parts of Europe and Asia). Interactive TV will gain more exposure with wider application of digital production and distribution and as broadband video delivery influences cable, satellite and broadcast delivery.

Satellite TV companies increasingly offer interactive features, particularly in the U.K. and the U.S., with cable companies in early deployments. The ongoing addition of new technology and standards to this field (and the ensuing interoperability issues) means that interactive TV still faces slow adoption, and TV delivery architectures will continue to evolve, adopting more IP elements and Internet standards, before stability is reached.

Interactivity will be driven largely by advertising applications. However, advertisers have not yet found sufficient value in interactive TV — especially in linear-programming contexts — to justify the high investment in developing reliable and effective ways to use real-time interactivity.

User Advice: The technical capability for interactivity will move into the TV set-top box by way of the broadband connection, as it has for digital video recorder (DVR) platforms.

• Television operators must continue to press for interoperable standards based on Internet protocols.
• Operators and TV networks must develop business models that can effectively leverage technical possibilities.
• Advertisers and agencies must consider how best to support emerging interactive TV capabilities within a multiplatform model through integrated ad server platforms.

This area is ripe for partnerships that combine cutting-edge technology with business vision and staying power.

Business Impact: Cable, satellite and IPTV operators have a substantial opportunity to increase their revenue share from advertisers and direct marketers by offering interactive features that can support transactions and consumer engagement. Consumer electronics, middleware and set-top boxes face potentially decisive competition to strike the right balance between features and cost. TV networks and advertisers, for whom DVR-based ad-skipping is a significant disruptive trend, rely on interactive features, along with more-dynamic targeting, to shore up the value of the TV medium to advertisers.

Benefit Rating: High

Market Penetration: 5% to 20% of target audience

Maturity: Adolescent

Sample Vendors: emuse technologies; Gemstar-TV Guide International; OpenTV; Tandberg Television

Behavioral Targeting

Analysis By: Andrew Frank
**Definition:** These systems and networks accumulate consumer interest indicators across participating sites and sessions, and use this data to offer improved targeting relevance to advertisers for online display ads. Behavioral-targeting systems generally make use of third-party cookies to track a user across multiple sites. This has led to privacy concerns and legislation in some countries, as well as to the general adoption of standard policy disclosures on the part of most participants.

Occasionally, behavioral targeting also refers to targeting techniques within a single domain, in which third-party cookies are unnecessary. It can also refer to re-targeting efforts that identify users who recently visited a marketer's Web site, but failed to complete a transaction.

**Position and Adoption Speed Justification:** Privacy concerns, though addressed to the satisfaction of many, still cast a shadow over the technique and continue to impede its ubiquitous adoption. Both the U.S. and the EU have adopted specific rules on setting cookies, with debatable results. Today, most publishers disclose their orientation toward third-party cookies in their privacy policies, which their affiliate networks contractually support.

The efficacy of behavioral targeting has been convincingly demonstrated for certain product categories and driven adoption. This is also evident in the market's willingness to pay substantial premiums for behaviorally targeted ads on pages where content fails to provide much context for product affinity, such as news, consumer-generated and social-networking Web pages. These pages provide a large supply of relatively low-cost inventory to targeting networks. This has led most advertising performance networks to adopt some form of behavioral targeting in their offerings, although first movers in the category still hold an advantage in terms of "mind share" and the quality of affiliate networks.

Recent attention to ad exchanges in the wake of DoubleClick's entry into the market and Yahoo's acquisition of the remainder of Right Media creates a new landscape for behavioral-targeting networks, whose relationship with exchanges is not yet well-defined. Although ad exchanges have the capacity to create a much larger pool of buyers and sellers for behavioral networks to operate in, it comes at the cost of having these relationships intermediated by the exchange.

In addition, consolidation among ad networks in general has been accelerating in 2007, which is often a sign that a technology is reaching productivity.

**User Advice:** Strong researched-category advertisers, such as automotive, consumer electronics, telecom and financial services, should consider using behavioral targeting to reach customers who are in the market for their products or services, especially for branded direct-response efforts.

- Publishers looking to raise the value of their nonpremium ad spots should consider allocating inventory to a behavioral network if they're not already there and if doing so clearly does not violate their privacy policy.
- All should ensure full disclosure at each stage in the process and diligently plug information leaks that violate privacy policy intentions, particularly any inadvertent exposure of personally identifiable information to unauthorized third parties.
- Advertisers and publishers should be aware that cookies are an imperfect way of identifying users, because many users regularly delete cookies, many computers are shared resources and some Web sites are accessed in error.

**Business Impact:** Behavioral targeting enables greater efficiency for advertisers, increased revenue and inventory value for publishers, more advertising relevance to consumers, and new business opportunities for ad performance networks.
**Benefit Rating:** High

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Adolescent

**Sample Vendors:** Advertising.com; Revenue Science; SpecificMedia; Tacoda; ValueClick Media; WunderLOOP

### Internet Ad Networks

**Analysis By:** Andrew Frank

**Definition:** Internet ad networks provide advertisers access to online advertising on an aggregated group of Web sites with various forms of targeting. Ad networks act as intermediaries between publishers and advertisers.

**Position and Adoption Speed Justification:** The past year saw the beginning of a new phase in the evolution of online ad networks, as exchanges gained scale, and consolidation among networks began in earnest. At the same time, many large publishers discovered they, too, could play in the ad network space, leveraging their premier brands and customer relationships to resell distressed inventory from smaller players. The market will continue to favor large-scale, superior targeting and strong vertical category credentials, as advertisers and publishers struggle with fragmentation and liquidity problems. Google's moves (such as the DoubleClick acquisition and launch of Universal Search with rich-media results) are beginning to blur the distinction between search and display networks, opening the door for a more comprehensive network marketplace. Microsoft also plans to expand its ad network footprint with the acquisition of aQuantive, owner of DrivePM.

While acquisitions among the top-tier players may simplify the marketplace for buyers and sellers, there is still a risk that too much proprietary vertical integration will create silos and hamper market efficiency in the near term.

**User Advice:**

- Advertisers and publishers are likely to see even more deals, as ad networks eyeing high valuations try to become acquisition targets for Google, Microsoft and Yahoo. Publishers should evaluate how they can leverage network techniques to create more value from their assets (for example, advertiser and end-user relationships), and advertisers should evaluate their buying strategies to maximize use of networks. (In WPP's case, this led to the acquisition of one such network, 24/7 Real Media.)

- Advertisers and publishers must also be wary of operational risks in the ad network model, particularly when inventory is passed among several networks, which can lead to delivery failure and redundant billing.

- Online publishers should evaluate how best to acquire ad network capabilities, through partnership, acquisition or construction, using a platform such as Adify.

- Large networks should look for opportunities to acquire innovative technology, publisher relationships and operational capabilities from smaller players. They should also evaluate their positioning relative to exchanges.

- Exchanges must protect their neutrality with respect to networks.

**Business Impact:** Internet ad networks should be in the media-planning playbooks of all serious online advertisers.
**Benefit Rating:** High

**Market Penetration:** 20% to 50% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** Adify; Advertising.com; Google; Microsoft; Tacoda; ValueClick Media; Yahoo

### Rich-Media Display Ads

**Analysis By:** Andrew Frank

**Definition:** These online ads appear in various standard and customized formats that can be placed on or associated with Web pages, using various targeting techniques. Rich-media ads can incorporate video, sound, animation and interactivity to produce engaging online consumer experiences. Adobe's Flash currently dominates as a delivery format.

**Position and Adoption Speed Justification:** Left by the wayside five years ago, display advertising is back in high demand as more than $10 billion of merger-and-acquisition activity has consolidated power among key players (both portals and advertising companies) in the first half of 2007. Display advertising is gradually enveloping formerly distinct rich-media and video forms and is blurring the line with paid search as more display formats show up contextual networks. Google's acquisition of DoubleClick, along with its release of a unified search tool, which puts display opportunities on search results pages, and experiments with video and display forms in AdSense are evidence of this development. The rise of display ad exchanges promises to bring badly needed liquidity and transparency to the market, and shifts in consumer time share toward broadband guarantee that it's only a matter of time before large brands unlock a bulk of spending to online display.

**User Advice:**

- Consumer packaged goods companies, traditionally among the largest spenders on advertising, still lag in the adoption of online media and rich-media display ads, in particular, and must look at Web video as an essential branding medium. This means, for example, experimenting with short-form interactions that can telescope to longer-form viral video content.

- Digital publishers must consider both standard rich-media form placement and differentiated opportunities, such as page takeovers and integrated community engagement capabilities like polls and mashups. Publishers must also understand and, if possible, participate in off-site targeting through ad networks (by building, buying or partnering) and exchanges. In addition, publishers should syndicate ad-supported content with appropriate affiliate revenue splits for display ads.

- Agencies and advertisers must stay abreast of the latest capabilities of the medium to ensure that they're exploiting its potential to the fullest. They must consider their buying relationships with ad networks and exchanges and ensure that they're using data and buying power to the fullest in their targeting strategies.

- New media titans and challengers must continue to innovate extensions of rich-media formats, especially those involving video forms and syndicated feeds, as well as improved targeting and usage metrics. They must be proactive in addressing privacy concerns and ensure transparency and auditability around data practices.

**Business Impact:** Online publishers, advertising and media agencies, and marketers have formed a sizable ecosystem around rich-media display ads. This is likely to continue growing,
potentially at the expense of other media — television and print in particular — even as power is consolidated into fewer hands, notably Google, Yahoo and Microsoft. The applicability of display ads to consumer-generated video and social-media pages is a particularly critical issue for the stability of the medium.

**Benefit Rating:** High

**Market Penetration:** 20% to 50% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** Adobe Systems; Advertising.com; DoubleClick; Eyeblaster; EyeWonder; Gannett-PointRoll; Google; Microsoft; Viewpoint-Unicast; Yahoo

**Recommended Reading:** "The Media Company Online Privacy Play"

"Google Extends Advertising Dominance With DoubleClick"

"Microsoft Shows It's Serious About Advertising"

**Interactive Consulting**

**Analysis By:** Andrew Frank; Matthew Goldman

**Definition:** Interactive consulting services for integrated marketing, media, commerce and technology include professional services that preface, enable or influence the adoption and use of IT in user-centric Internet processes. These services may be sold or sourced as discrete projects or as preludes to outsourcing engagements. They include interactive marketing, e-commerce and digital operating strategy; online media planning and buying; database and information architecture development; creative asset development, deployment and management; system integration; and performance analysis and optimization.

**Position and Adoption Speed Justification:** Interactive consulting services are offered by many kinds of service providers. Pure-play service providers unify the components of these services, while other consulting and system integration providers offer some components ad hoc. The penetration of these services has peaked, and the offerings are now beyond the hype of the dot-com days. The number of end-to-end solution providers is limited — in particular, few providers have the ability to unify strategy, marketing, media, engineering and operational support in an integrated process. Although still primarily a path for establishing or refurbishing an online presence, interactive consultancies now offer extended capabilities to design, enhance or complement an organization’s total customer experience — applying brand, channel and technology expertise across all interactions, including mobile, enhanced TV and out-of-home experiences.

**User Advice:** Interactive consulting services can be purchased piecemeal from a series of providers based on the requirements of a project or promotion. If you are developing an integrated process for marketing, media, commerce and technology, seek out a full-service provider. As you consider how to address a specific initiative or business issue (for example, defining a particular customer experience), explore providers that demonstrate a more focused capability that combines customer-centric interface design with leading technology skills. Beware of handoffs among specialty firms addressing a common initiative.

**Business Impact:** Using the Internet channel as a business driver is imperative to keep up with the maturity curve of the marketplace. This means exploiting the channel as a mode of influence, a brand builder, a source of transactions and a self-service tool.

**Benefit Rating:** Moderate
Market Penetration: 20% to 50% of target audience

Maturity: Early mainstream

Sample Vendors: Avenue A/Razorfish; Blast Radius; Capgemini; Interpublic Group; Isobar-Molecular; Method; Omnicom Group; Sapient; WPP

Recommended Reading: "Case Study: Ford Employs Razorfish for Interactive Consulting"
"Engagement Measures Hold Keys to Marketing Performance"
"Consumer-Controlled Media and the New Marketing Organization"

Entering the Plateau

Campaign Tracking and Measurement

Analysis By: Adam Sarner

Definition: Campaign tracking and measurement is the ability to define, track and measure the effectiveness of marketing campaigns.

Position and Adoption Speed Justification: Most marketing organizations collect only basic data about their campaign results. However, campaign tracking and measurement functionality should include the ability to customize and create success definitions, such as what constitutes a successful response to an acquisition, a retention or a growth campaign. Tracking and reporting use includes revenue and profitability measurements, such as campaign performance, return on investment, planned versus actual budget, planned versus actual campaign timeliness, channel attribution, and measured response and conversion rates with different types of campaigns or customer segments.

User Advice: Marketers must include campaign tracking and measurement functionality, for both cost and revenue attribution, as a key consideration in marketing automation investments. As accountability for marketing budgets continues to rise, additional focus will be placed on campaign tracking and measurement functionality that will justify different campaigns and will align them with return-on-investment goals. In addition, campaign tracking and measurement can be used to help facilitate a successful marketing resource management strategy, which helps determine the overall allocation of marketing resources. Marketers should use Web analytics for online-campaign tracking and measurement, which then can be incorporated into these accountability and response attribution metrics.

Business Impact: Campaign tracking and measurement functionality gives marketers the ability to measure response, conversion rates and revenue generated from different types of campaigns in a multichannel environment.

Benefit Rating: High

Market Penetration: 20% to 50% of target audience

Maturity: Early mainstream

Sample Vendors: Aprimo; Coremetrics; Omniture; SAS; Teradata (a division of NCR); Unica

Recommended Reading: "How to Improve Campaign Management Effectiveness"
"World-Class Building Blocks for Multichannel Campaign Management"
Appendices

Figure 3. Hype Cycle for Media Industry Advertising, 2006
As of June 2006

Source: Gartner (June 2006)
Hype Cycle Phases, Benefit Ratings and Maturity Levels

Table 1. Hype Cycle Phases

<table>
<thead>
<tr>
<th>Phase</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Trigger</td>
<td>A breakthrough, public demonstration, product launch or other event generates significant press and industry interest.</td>
</tr>
<tr>
<td>Peak of Inflated Expectations</td>
<td>During this phase of overenthusiasm and unrealistic projections, a flurry of well-publicized activity by technology leaders results in some successes, but more failures, as the technology is pushed to its limits. The only enterprises making money are conference organizers and magazine publishers.</td>
</tr>
<tr>
<td>Trough of Disillusionment</td>
<td>Because the technology does not live up to its overinflated expectations, it rapidly becomes unfashionable. Media interest wanes, except for a few cautionary tales.</td>
</tr>
<tr>
<td>Slope of Enlightenment</td>
<td>Focused experimentation and solid hard work by an increasingly diverse range of organizations lead to a true understanding of the technology's applicability, risks and benefits. Commercial, off-the-shelf methodologies and tools ease the development process.</td>
</tr>
<tr>
<td>Plateau of Productivity</td>
<td>The real-world benefits of the technology are demonstrated and accepted. Tools and methodologies are increasingly stable as they enter their second and third generations. Growing numbers of organizations feel comfortable with the reduced level of risk; the rapid growth phase of adoption begins. Approximately 20% of the technology’s target audience has adopted or is adopting the technology as it enters the Plateau.</td>
</tr>
<tr>
<td>Years to Mainstream Adoption</td>
<td>The time required for the technology to reach the Plateau of Productivity.</td>
</tr>
</tbody>
</table>

Source: Gartner (June 2007)

Table 2. Benefit Ratings

<table>
<thead>
<tr>
<th>Benefit Rating</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational</td>
<td>Enables new ways of doing business across industries that will result in major shifts in industry dynamics</td>
</tr>
<tr>
<td>High</td>
<td>Enables new ways of performing horizontal or vertical processes that will result in significantly increased revenue or cost savings for an enterprise</td>
</tr>
<tr>
<td>Moderate</td>
<td>Provides incremental improvements to established processes that will result in increased revenue or cost savings for an enterprise</td>
</tr>
<tr>
<td>Benefit Rating</td>
<td>Definition</td>
</tr>
<tr>
<td>----------------</td>
<td>------------</td>
</tr>
<tr>
<td>Low</td>
<td>Slightly improves processes (for example, improved user experience) that will be difficult to translate into increased revenue or cost savings</td>
</tr>
</tbody>
</table>

Source: Gartner (June 2007)

Table 3. Maturity Levels

<table>
<thead>
<tr>
<th>Maturity Level</th>
<th>Status</th>
<th>Products/Vendors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embryonic</td>
<td>In labs</td>
<td>None</td>
</tr>
<tr>
<td>Emerging</td>
<td>Commercialization by vendors Pilots and deployments by industry leaders</td>
<td>First generation High price Much customization</td>
</tr>
<tr>
<td>Adolescent</td>
<td>Maturing technology capabilities and process understanding Uptake beyond early adopters</td>
<td>Second generation Less customization</td>
</tr>
<tr>
<td>Early mainstream</td>
<td>Proven technology Vendors, technology and adoption rapidly evolving</td>
<td>Third generation More out of box Methodologies</td>
</tr>
<tr>
<td>Mature mainstream</td>
<td>Robust technology Not much evolution in vendors or technology</td>
<td>Several dominant vendors</td>
</tr>
<tr>
<td>Legacy</td>
<td>Not appropriate for new developments Cost of migration constrains replacement</td>
<td>Maintenance revenue focus</td>
</tr>
<tr>
<td>Obsolete</td>
<td>Rarely used</td>
<td>Used/resale market only</td>
</tr>
</tbody>
</table>

Source: Gartner (June 2007)

RECOMMENDED READING

"Microsoft Shows It's Serious About Advertising"
"Findings: Microsoft Must Optimize Its Assets to Launch Silverlight"
"Changes in the Media Industry Will Drive a Shift in Power Among Key Stakeholders"
"Customer Experience Is King"
"Nine Things Media Executives Should Do Today"
"Mobile Advertising Is Calling"
"Advertisers and Advertising Agency Executives Lack Alignment on Interactive Media"
"The Media Company Online Privacy Play"
"Google Extends Advertising Dominance with DoubleClick Deal"
"Newspapers Can Find Salvation as TV Channels"
"Cool Vendors in Media, 2007"

"Expect to See AT&T and Yahoo Closer Than Ever in 2007"

"Findings: Free Unlimited E-Mail Storage From Yahoo, But What's the Catch?"

"Key Issues in the Media Industry, 1H07"

"New/Old Media Strains Show in Viacom's Google/YouTube Lawsuit"

"Understanding Gartner's Hype Cycles, 2007"

This research is part of a set of related research pieces. See "Gartner's Hype Cycle Special Report for 2007" for an overview.

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