ANA Insights

ANA members' overview of

Branded Entertainment

Leading the Marketing Community

June 2005

- What are the benefits?
- What are the risks/challenges?
- What are the best ways to measure?
- Where is the source of funding and is it cost effective?
- What external resources should be used?

Defined:

Brand message is integrated within the appropriate context as part of the interaction

Overview

You've heard the buzz surrounding integrating your brand into mainstream entertainment properties. Branded entertainment is the merging of an advertiser and an entertainment asset, ranging from television programming to video games to music to movies. The concept goes far beyond basic product placement to a level where the consumer is engaged with an entertainment property (or in some cases, several). The importance of branded entertainment as a marketing tactic has become more relevant in recent years due largely to media fragmentation. The benefits and intangibles of these deals can boost a brand's image, awareness, and sales if properly integrated. However, companies face broad challenges to justify branded entertainment's cost in order to properly calculate its effect on the bottom line. There is also the possibility of the integration being lost in the clutter of the rapidly growing space or improper utilization of the brand's attributes.

Top benefits of branded entertainment:

- Ability to make stronger emotional connection with consumer
- Alignment of brand with relevant content
- Build brand affinity with a desired target group/demographic
- Avoidance of traditional commercial clutter
- Protection from increased consumer control due to new technologies (i.e., ad skipping, VOD)

Source: ANA Branded Entertainment Survey - March 2005

Benefits

Regardless of these obstacles, there is a reason to be optimistic about branded entertainment. It is a dynamic and emotional connection to the consumer. It allows a brand to align with an emotional or functional aspect of its genetic makeup within a recognized and appreciated medium. It allows marketers to feel secure in the fact that technologies like TiVo will not make their media spend irrelevant.

A 2005 ANA survey fielded to senior marketers revealed a number of telling statistics that will help define the landscape in the coming years. Forty-two percent of marketers surveyed said the prime benefit of including branded entertainment in their marketing mix is to develop a stronger emotional bond with the consumer. This belief has a 2-to-1 advantage over other benefits chosen by respondents.

Other benefits revealed as a result of using the medium are (in order):

- alignment of their brand with relevant content
- building brand affinity with desired demographic
- avoidance of commercial clutter.

Relatively low on the totem pole—nine percent of respondents indicated this as a benefit—is avoidance of ad skipping and VOD (Video on Demand). Most experts in the area feel these technologies will force more marketers into the branded entertainment arena as consumer usage grows in the coming years.

To Quote:

It's (branded entertainment) five percent of the budget, but twenty-five percent of the press.

Mark Kaline at the ANA Television Advertising Forum - March 2005

There are a number of peripheral benefits of branded entertainment. Publicity resulting from these partnerships has been significant, and the integrated deals become stories themselves in the press. Other benefits:

- Data by IAG Research has shown that brand opinion shift and broadcast commercial efforts are enhanced favorably by its proper use of brand integration in entertainment properties.

- When asked recently about the dilemmas in justifying the cost, Diane Dudeck, director, marketing operations and sponsorships at Cisco, said the benefits outweighed the costs when you factor in the extended distribution of entertainment properties and the capability to leverage the relationship across their enterprise. Their partnership with the hit Fox television show *24* not only has international reach but considerable DVD sales which allows the integration to live on in perpetuity.
- There is typically a throw-in or low-cost online component to these deals. The online environment cannot be overlooked as tie-ins and instant measurable results provide justification to the measurement critics. At a 2005 ANA Western Region Meeting, Mark Burnett, producer of hit shows *Survivor* and *The Apprentice,* told members “The Internet component is the future of the category, not just because of the measurable results but the convergence of TV and the Internet.”

Risks and Challenges

There are two overriding themes amongst advertisers and experts alike about the risks and challenges. Branded entertainment typically does not allow the marketer to have control of the content and the measurable results are difficult to gauge. As far as content control goes, most producers will make an arrangement with a marketer and let them know upfront that the brand, in most cases, is an actor in the programming and is vulnerable to the whims of the participants in the show. This goes away from typical product placement deals of the past where the advertiser was involved in scripts, and in some cases, script development, and viewed and approved footage before the programming aired. A major aspect of the impact and charm of brand integration is that it is organic; therefore marketers must give up control over their brand. On the flip side, when the brand becomes part of a storyline and/or dialogue, the marketer receives a huge payoff for the risk.

Eighty percent of advertisers are currently measuring the impact of their product integration efforts, a majority of whom find it challenging.

Measurement and Standards

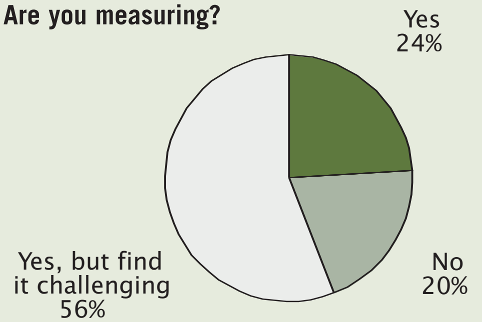
Whether branded entertainment ever becomes measurable in a form necessary for marketers to justify their spend has yet to be seen. A few firms, IAG Research, VNU, and iTVX, have developed certain standards of measurement that capture relevant data, but the jury is still out. Soft measures like brand recall and awareness have been tracked successfully and are all some marketers require. Regarding Pepsi’s integration deal with *The Apprentice*, CMO Dave Burwick said “Our goal was to drive awareness. We succeeded.” There is still a demand for more sophisticated metrics and many marketers feel this is an absolute necessity in selling the concept to upper management. Many brands have found success in measuring through Internet and promotional campaigns tied into the integration. For the time being, most marketers and experts in the field agree that it is a compelling channel that requires a mix of risk and faith.

There is little doubt that marketers feel strongly about developing some sort of measurements, but the position is a little cloudier when it comes to industry standards. ANA member companies, like Ford, feel that the industry should push for standards, because it will help sell the concept internally. Other members feel that standards might create a barrier for companies with fewer resources. “Inconsistency [of the branded entertainment environment] allows for deals. Standards might set the price too high for smaller companies,” says Diane Dudeck, director, marketing operations and sponsorships, Cisco Systems. Results from the 2005 ANA branded entertainment survey speak to this tenuous feel on setting standards for both the pricing of deals and measurement with 60-70 percent responding ‘No’ and ‘Not Sure.’ The stance of agency people in this space, where there has been a proliferation of growth, mirrors that of the majority of advertisers. “There should not be standards because different

Top Watch Outs for Marketers

- Is it right for your brand?
- Organic versus obligatory—the integration MUST be seamless.
- Make sure you have the right partnership
- Be prepared: branded entertainment deals can take months to develop.
- Who is right, internally, to assess if the deal is right?
- Pricing and relevant measurement within your organization. Are the cost metrics acceptable to senior management?

Are you measuring?



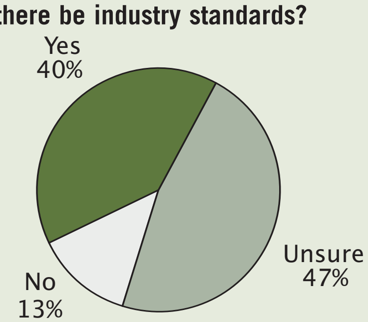
Source: ANA Branded Entertainment Survey - March 2005

To Quote:

Our goal was to drive awareness. We succeeded.

Dave Burwick, CMO, Pepsi, on their integration with The Apprentice, at the 2005 ANA Television Advertising Forum

Should there be industry standards?



Source: ANA Branded Entertainment Survey - March 2005

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Diane Dudeck, director, marketing operations and sponsorships, Cisco Systems

Tips for First Timers

- Make it natural. Remember: Consumers are tired of having advertising in their face.
- Never sell when entertaining. Always buy supporting media if that is your intention.
- Make it memorable. The best brand integrations are those that make an emotional connection with the viewer.
- Make it a partnership between advertiser and producer, and agency if applicable. Manage expectations of all involved parties.
- Know your brand and its inherent "personality."

External resources used:

Traditional media agency	66%
Traditional advertising agency	61%
Media owners (i.e., networks)	54%
Branded entertainment specialist	39%
Production company	30%

Source: ANA Branded Entertainment Survey - March 2005

To Quote:

> We are a big company with big budgets, making us a target for thieves. Hollywood is using corporate dollars to serve their own best interests rather than the marketer's interests. We feel we have to drive this independently to control what we want to do.

Survey Respondent

What marketers identify as successful integration:

- *The Apprentice* 'Tasks'
- BMW Films
- Campbell Soup integration on *American Dreams*
- *American Idol* and Coca-Cola
- FedEx on movie *Cast Away*

clients have different needs," says former client-side marketer Stu Shlossman, now of Madison Road Entertainment, "Look at what Crest needs versus what Cisco needs."

Funding

It should come as no surprise that the largest shift in dollars to fund these ventures comes from clients' traditional television budget which also happens to be the largest vehicle for these integrations. It should also come as no surprise that less than 20 percent of advertisers fund these deals through incremental budgets. The lack of measurement makes a lot of these deals a tough sell to upper management and therefore harder to find funding. Most marketers surveyed do feel that if the opportunity is right, the funding will be made available.

Others suggest that in developing partnerships with producers, you will find long-term relationships will pay off in better financial arrangements and first rights on prime opportunities.

A quarter of survey respondents claim that cost has prohibited them from entering the foray, and a majority claimed that they felt these deals were overpriced, though 80 percent said they have or will get involved. Perhaps the most telling statistic is the more than 70 percent of respondents who are dedicating less than 5 percent of their budgets to branded entertainment. Some members feel this will continue to be a suppressed percentage until a proper measurement system gets put in the place. The other angle is that branded entertainment engagement is just scratching the surface, and as marketers feel more comfortable in this space, the dollars earmarked in marcom budgets will grow.

Using External Resources

There are several schools of thought on this subject and, not surprisingly, a viewpoint from the many parties involved in this space. Over two-thirds of members responding to the recent survey have involved one of their agencies, traditional or media. A best practice here is if you are going to involve a creative agency for its input, do it from the beginning of any deal to ensure a richer output. Almost 40 percent of members are utilizing a branded entertainment specialist firm, and this number will continue to grow as the medium gets more complicated with the advent of VOD and the complexity of integration into such channels as video games, the Internet, and wireless. ANA members currently involved in the space have one consistent message: Choose your partners very carefully. "We are a big company with big budgets, making us a target for thieves. Hollywood is using corporate dollars to serve their own best interests rather than the marketer's interests. We feel we have to drive this independently to control what we want to do," said one survey respondent.

Sources:

These proprietary resources are available at the MRC Online (www.ana.net/mrc)

"Five Percent of Budgets, Twenty-Five Percent of Press" What Advertisers Are Really Doing And Thinking About Branded Entertainment. Marisol Rocha, director, ANA. *The Advertiser*, June/July 2005.

"ANA Panel Discussion: Measuring Branded Entertainment." Moderator Bill Duggan, EVP, ANA. ANA Advertising Financial Management Conference, May 3, 2005.

"The Current Model Is Broken – What Are You Doing to Fix It?" Speaker, Mark Burnett, executive producer - *The Apprentice* and *Survivor*. ANA Western Region Meeting, April 7, 2005.

"ANA Panel Discussion: Madison + Vine/Branded Entertainment." Moderator, Jonah Bloom, executive editor, *Advertising Age*. ANA Television Advertising Forum, March 23, 2005.

"ANA Survey: Madison + Vine/Branded Entertainment." ANA 2005 Television Advertising Forum, March 23, 2005.

"ANA Panel Discussion: Measuring Branded Entertainment." Panelists representing IAG, Nielsen and iTVX. ANA Television Advertising Committee Meeting, January 13, 2005.