

TODAY'S COMMENTARY by Jack Myers — Tuesday, August 15th 2006

Jack Myers

## Media Business Report

### Challenging McKinsey's Report on Television Ad Effectiveness

**Combined Studies Suggest Only 12% of TV Ads Will Be Effective in 2010**

Television network companies who are clients of McKinsey & Company must be questioning their continued use of the consulting firm if the company's recent report is being accurately interpreted in press coverage.

The report was prominently featured as one of two front page articles in last week's *Advertising Age*, the once influential voice of the advertising industry.

The other front page article, a review of Rex Briggs and Greg Stuart's new book, *What Sticks: Why Most Advertising Fails and How to Guarantee Yours Succeeds*, is headlined *Half of Your Advertising Isn't Wasted - Just 37%* and focuses primarily on why advertising value has been declining. Author Jack Neff acknowledges (deep into the story) that "The book actually comes across as remarkably hopeful amid a growing genre of 'advertising is dying and we're all going to be fired' literature. TV advertising clearly works, according to numerous studies reported in the book."

*What Sticks* is far more focused on models for improving the effectiveness of advertising than *Advertising Age's* headline would have us think, although the small type does invite readers to "Read on to get the good news." Briggs and Stewart offer an important tutorial for marketers, agencies and media sellers. But the good news from the McKinsey report is difficult to find.

While acknowledging that advertisers will continue to invest in the television medium, McKinsey suggests they will be doing it against their better judgment and only because there won't be viable options. According to *Advertising Age*, "McKinsey & Co. is telling a host of major marketers that by 2010, traditional TV advertising will be one-third as effective as it was in 1990."

Matched with Briggs' and Stewart's contention that 37 percent of advertising works to begin with, McKinsey's data translates into only 12 percent of television advertising being effective in 2010, only three short years away.

I have not read the full McKinsey report, the firm's first major publicity initiative in the media industry since the departure of Michael Wolf for MTV Networks several months ago. Wolf headed McKinsey's media and entertainment practice for years and is the author of the best selling book, *The Entertainment Economy*.

McKinsey uses irrefutable and well-established statistics to make the case that television advertising value is declining. The stats include "a 15 percent decrease in buying power driven by cost-per-thousand increases; a 23percent decline in ads viewed due to switching off; a nine percent loss of attention to ads due to increased multitasking and a 37percent decrease in message impact due to saturation."

The solutions offered by McKinsey analysts include more focus on attention-based metrics rather than on the basic reach of television advertising, and more active involvement of the chief marketing officer to "dramatically evolve" corporations' marketing models.

McKinsey's goal, of course, is to convince major marketers to hire the firm to guide them in this process and to convince television companies to use the firm's consulting services to develop solutions.

I welcome enlightenment from McKinsey's analysts, but the conclusions McKinsey has chosen to publicize and promote are dangerous, misleading and, in my opinion, short-sighted. An intelligent focus on the future of the television medium should emphasize the growing importance of multi-platform extensions, interactivity, consumer engagement with content, shifts away from traditional commodity-based metrics, and off-channel marketing partnerships and sponsorships.

The analysis should reflect the growing value of branded properties that make an emotional connection to their audiences, and that can then be packaged and transferred to relevant marketers. Perhaps other sections of the report value new distribution platforms and the rapid advances being made by television networks in developing new business models for these distribution streams.

Perhaps converting these advances to advertising revenues are not occurring as quickly as McKinsey would like, but a more accurate long-term perspective is important to counter the imbalanced short-term view of Wall Street. Perhaps, when looking forward only three years to 2010, the broadcast and cable TV business will still be in decline, but from among the array of today's networks major winners will be emerging. To group all networks under the same negative cloud is unfair and unrealistic.

A more accurate view of the future of the television business would require visibility to 2015, when the full impact of digital, high definition, DVR technology, mobile, Wi-Fi, and multiple other new technologies will be felt. By 2015, new business models will be attracting fresh marketing revenues to the TV industry.

In the scenarios I envision, television's most challenging year might be 2010, followed by a decade of significant upside for the industry.

In yesterday's [Jack Myers Media Business Report](#), I outlined the dynamics of the shift from a commoditized supply/demand driven market to a relationship and brand-based model. Powerful network television brands ranging from *American Idol* and *24* to *Iron Chef* and *Project Runway* are valuable franchises that offer marketers significant enhancements beyond the traditional :30-second commercial.

Television companies will not quietly slink away into the night as new technologies encroach on their territory. Each network's response remains to be seen. Today's smart moves might be tomorrow's failures. The concept that television's value to advertisers is declining recognizes only the traditional commoditized advertising marketplace and ignores the emergence of new, more profitable business models.

To comment, write Jack Myers at [jack@mediavillage.com](mailto:jack@mediavillage.com).

Jack Myers  
[Jack@Mediavillage.com](mailto:Jack@Mediavillage.com)