

VERIZON WIRELESS CMO ADMONISHES AGENCIES

Stratton Warns 'Money Will Be in Motion' if Shops Don't Wake Up to New Media

February 08, 2006

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BEVERLY HILLS, Calif. (AdAge.com) -- Madison Avenue needs to figure out emerging media -- fast -- or lose billions of dollars to someone who will, warned one of the nation's top marketing executives today.



Some 400 marketing, media and content producers attended Advertising Age's Madison & Vine Conference at the Beverly Hills Hotel.

Madison & Vine event

"Major money is going to be in motion in the next decade and yet no one really understands exactly where it will and or even if it will land, or just disappear altogether," John Stratton, VP-chief marketing officer at Verizon Wireless said in a stirring address to 400 marketing, media and content producers at Advertising Age's Madison & Vine Conference at the Beverly Hills Hotel.

Mr. Stratton, who controls a budget of more than \$2 billion, exhorted agencies to take action, saying "Your clients are in trouble. They are looking to you to save them." He said the

ad inventory that has been sold for the last 50 years "no longer works," and marketers "have started to figure that out." In the process, "your clients will fire, hire, fire, and hire agency after agency...seeking someone — anyone! -- who can help them perhaps on where to go next."

'I'm not perfectly happy'

Verizon Wireless is among those seeking solutions. "Last year I spent well over a billion dollars buying space, time, air, hits and clicks across a multitude of mediums," said Mr. Stratton. "So if you've been selling me this stuff, you probably need to know that I'm not perfectly happy. And I'm not alone."

Marketing executives, too, are at risk, he said, noting that the average tenure of CMOs is likely to get even briefer as CEOs recognize "how much money they are blowing on antiquated media plans. So even if your CEO really loves you--if he goes down, you're going with him," he cautioned.

What marketers are looking for is an audience, but today's audiences are more sophisticated at avoiding ad messages. "So, they need more than an audience. They need an audience that cares about what they have to say. They need their message to be relevant to the audience they are saying it to."

Move to bland sheet

Mr. Stratton said media and advertising agencies have been dabbling in the new media, but now it's time to jump in with both feet. "We've been playing a game of incrementalism, in which we throw a few points of our spend at a variety of emerging channels, seeking to gain some insight into what will work and what won't, but all the while maintaining the vast majority of our spend on the foundational mass media plan that has carried advertisers for 30 years. My view is that increasingly, large advertisers are going to scrap that approach in favor of a far more aggressive one," he said. "Having sampled and tested a wide array of new and different delivery platforms, advertisers, I believe, are going to move to a 'bland sheet' approach, building the whole of their media mix from the ground up."

And Mr. Stratton predicted that as much as 25% to 30% of the \$100 billion spent each year on brand advertising will find its way onto the mobile screen.

In a major statement about the future of the cellphone as an advertising medium, he said that Verizon Wireless, the nation's No. 2 carrier with 51.3 million subscribers at the end of 2005, is testing a program to open up its phones to advertising through a two-tier payment model. Currently, advertising has been limited on the cellphone primarily to text messaging and short code promotions.

Need to show why

But the emergence of cellphone video capabilities has led marketers to take a closer look at the medium. Most of the video now available comes in a video-on-demand format with advertising limited at most to bumper ads. Live TV shows running on the cellphone contained the same ads as those running on the TV.

"Customers we've seen are willing to accept advertising, but we believe we need to show them why," said Mr. Stratton. "There should be some economic reason why" subscribers would opt in for ads, he said, giving a specific example of charging customers one fee for its VCast service without advertising, and a lower fee for those willing to accept ads "as long as it doesn't go over a certain threshold." VCast costs an additional \$15 a month, depending on plan. He did not indicate how much the ad-subsidized version would cost.

Ads would be able to tap a carrier's profiles based on demographics, geographic location, and content consumption, he said, but "ad delivery cannot be personal. It needs to respect the privacy of the individual while connecting them in a more meaningful way with the message we send."

He said the ad model for mobile is yet to be built. But Mr. Stratton said the supply of ads will be limited by the threshold of minutes available for sale. "The demand, given the billions of dollars being thrown at ever-shrinking mass-market advertising—would seem to be immense."

New canvas needed

As for content, he said Verizon Wireless' studies found that live TV is the most compelling. "The ability to watch the game or follow breaking news live, anytime, anywhere—that's powerful stuff. And customers tell us they're willing to pay for it."

Content-to-go, such as clips of news or sports highlights is used as a means of filling time. But he cautioned both marketers and content providers to view the third screen not as a place to "cut and paste" repurposed TV spots or content, but rather as a fresh canvas in which to build new ways of reaching people with a powerful personal media.

"The desire for quality short-form entertainment brings, I believe, our first chance to create something of great value over wireless broadband networks for those of you coming at this from 'Vine,'" he said. "This means creating content that is uniquely built for this medium." He cautioned against "simply exporting a dying model to another medium, destroying the chance to build value for advertiser and audience alike."

As an example of a new approach, Mr. Stratton said Verizon Wireless will soon announce a partnership with Warner Bros. and Fox Network for an animated short exclusively for VCast based on a comic strip created by Seth, one of the characters in "The O.C."