

STRATEGY

Television Luxury Memo special report

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The world of television has experienced rapid change and brands need to keep up the pace or risk being left behind. Image credit: Bang & Olufsen

By DANNY PARISI

The television landscape has undergone massive changes over the past few years, changing the ways consumers interact with TV ads and forcing marketers to come up with new advertising strategies for the channel.

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Thanks to the rise of mobile devices, the shift to streaming services and other disruptions, the television world is an unsteady area, but it is still rife with opportunities. For luxury brands seeking to maximize their TV advertising returns, understanding the major shifts of the past few years and how they affect ad buying is paramount.

"Luxury brands are now able to target the right TV viewer with greater precision and deliver more customized messaging," said Jennifer Bolt, executive director of media and integration at **Team One**, Playa Vista, CA.

"While we have not yet gained the ability to truly personalize marketing messages on TV, we can tailor our messaging more strategically than broad targeting previously allowed," she said.

Top 5 trends in television advertising:

- Shift from cable to streaming

Arguably one of the biggest changes in the TV world over the past five or 10 years has been the massive surge in popularity of streaming services. Netflix, Hulu and Amazon Prime are challenging, and beating, traditional cable networks at every turn. The shift has significantly altered the way brands must think about televised ads.

- Native content

Streaming services often run without ads, adjusting consumers' expectations to the point where traditional TV ads can feel intrusive and clunky. In response, many brands are turning to native content - ads units that take the form of the content they are running on - so as not to disrupt the smooth flow that customers expect.

- Mobile taking over

Mobile devices are everywhere, and research shows that people have no problem watching TV on the small screen as well as the big. The portable, always-connected nature of mobile TV means that brands need to

create ads that are suitable for a mobile audience.

- Making TV ads measurable

For so long, TV ads were not measurable in any significant way. Brands played commercials to the demographics they thought would receive the ads positively and hoped for the best. The rise of smart TVs and connected devices has meant that brands now have more options than ever before to measure the success of those ads and use the data collected to create better and better-targeted ads.

- Second-screen experiences

As consumers become more reliant on their mobile devices and more hungry for interactive, digital content, some brands are deploying second-screen experiences. These experiences can range from checking in on an application during a commercial or using a code from a TV ad to gain discounts or extra content from a second device.

The landscape

The current TV landscape is vastly different than what it was just 10 years ago.

A decade ago, DVR was just beginning to become popular, few people had heard of Netflix and *The Sopranos* had just finished, laying the foundation for the TV shows of the future.

Now, people are "cutting the cord" constantly, abandoning their cable subscriptions in favor of a la carte streaming services and watching their favorite shows on their own time.

Cable has suffered massively from this change. Customers are often dissatisfied with their cable service, citing poor customer support, high prices and a lack of options between service providers.

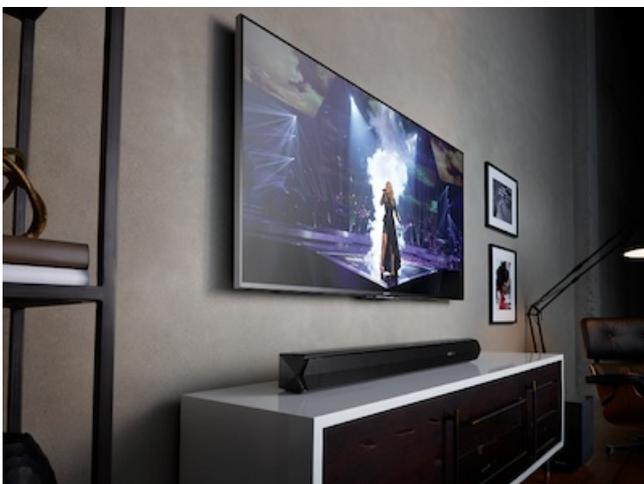
This dissatisfaction has paved the way for companies such as Netflix to swoop in and scoop up large numbers of customers who have abandoned their cable subscriptions in favor of streaming.

HBO's *The Sopranos*, after its landmark run, ushered in a new era of so-called "prestige television." Whereas 10 years ago, TV was full of soap operas, sitcoms and mediocre dramas, the television landscape is now positively bursting with high-quality programming that dominates cultural conversations.

Shows such as Netflix's *Stranger Things* have captured the attention of practically the whole country, even making a cameo of Louis Vuitton's most-recent runway presentation. HBO's *Game of Thrones* is one of the most popular pieces of entertainment ever created.

Not only does TV now have more popular relevance in the cultural conversation, it is also attracting bigger names than ever before.

In the past, it used to be that actors would start in TV and "graduate" to doing films. But today, some of the biggest actors in the world are clamoring for the juicy, award-worthy roles being written for television.



TV has become a cultural powerhouse. Image credit: Sony

From Matthew McConaughey and Woody Harrelson in HBO's *True Detective* to Kevin Spacey and Robin Wright in Netflix's *House of Cards*, A-list celebrities are increasingly going to TV, and their fans are following them.

There are a few consequences for luxury brands in light of these changes. For one, it is clear that luxury brands need to put a renewed emphasis on TV, given its status as a cultural touchstone that has exceeded movies in terms of both popular appeal and critical acclaim.

TV is where all the viewers are and it is where ad dollars should go.

The challenge comes from navigating the shift away from cable, which relies on customers regularly watching commercials, to streaming, which is usually based on subscriptions and therefore presents fewer opportunities for ads.

"According to our research, TV continues to be the number one media platform on which luxury consumers recall seeing advertising," said Bob Shullman, founder/CEO, [Shullman Research Center](#), Greenwich, CT.

"So, considering TV as an advertising platform, we believe, makes sense for many luxury brands depending on their knowledge of how they can micro-target using television platforms and the incremental cost of micro-targeting through TV," he said.

"From our perspective, it is all about the ROI of advertising through TV."

From cable to streaming

Growing dissatisfaction with cable services has led to mass migration away from cable and toward streaming services.

One of the major consequences of this shift is that consumers are watching fewer TV commercials as subscription streaming services tend to avoid them.

While that may seem solely negative for brands and advertisers, there are upsides as well.

For one, streaming services offer a much clearer picture of who is watching television ads. Since every device used for streaming must be connected, advertisers can use the data collected from that device to learn more about the people who are watching.

The trade-off then is that streaming services mean fewer ads, but also units that are more measurable and actionable.

Television's advertising system needs to be overhauled to enhance, rather than distract, from the viewing experience, according to an executive from Turner speaking at ad:tech New York 2016.

During a panel discussion titled "Defining the Future: The Turner Ad Lab Research Initiative," speakers explained their joint venture to uncover ways to make advertising more relevant to consumers. With increasing ways to avoid commercials, whether through online streaming or ad-blocking, marketers need to find ways to deliver messages that provide value to the consumer, making them want to engage ([see story](#)).

Audi's Super Bowl ad

Additionally, the fragmented nature of streaming services means that data can be more granular. Whereas before, brands would run ads during a cable network show and every viewer who saw it would be consuming it through the same platform, now customers might consume the same campaign through a variety of different streaming services, giving even more data which brands and advertisers can use.

"This ad placement capability has raised the ire of a good number of consumers who are concerned about their rights to privacy," Shullman Research Center's Mr. Shullman said. "As such, the Federal Trade Commission (FTC) is now monitoring what the smart TV brands are doing advertising wise."

"Based on what recently happened with the Equifax data breach primarily in the United States, consumers' rights to privacy, and not just for credit, are becoming a much more discussed topic in the U.S. just as the right to privacy has been in Europe for many years," he said.

"For those luxury brands that market in Europe, the privacy rules change during spring 2018 when new European Union rules on consumer privacy rights come into effect in 28 E.U. countries."

But cable is not entirely being left behind. For one, it is still the most-popular way for consumers to watch live events and sports.

Events such as the National Football League's Super Bowl or the summer and winter Olympics bring in massive

numbers and are where many luxury brands invest lots of advertising dollars to capitalize on that huge viewership.

Tiffany x Lady Gaga

German automaker Audi packed a powerful punch for its 2017 Super Bowl advertisement by bringing up a hot-button political topic, and leaning on interactive tools such as Snapchat for greater impact.

Playing on the automotive sector and using childhood as a theme, Audi's spot "Daughters" put the focus on equality in the workplace during a tumultuous political time. The spot aired during the third quarter of Super Bowl LI, but was also paired with a Snapchat filter to further drive the conversation ([see story](#)).

U.S. jeweler Tiffany & Co. also debuted a new fashion jewelry collection during a 60-second television spot that premiered during Super Bowl LI.

In a first for the brand, Tiffany's commercial featured singer, Lady Gaga, also performed during the Super Bowl Halftime Show. Part of the Grace Coddington-produced "Legendary Style" campaign, the commercial promoted Tiffany's then-new Tiffany HardWear collection ([see story](#)).

These events, which have the opportunity for regular TV ads, sponsorships, second-screen experiences and digital tie-ins, are a cornucopia of opportunities for luxury brands to engage consumers through television.

Connected devices

Another main development in television is the introduction of smart TVs and the rise of mobile devices as tools for watching TV.

As streaming has become the popular choice for watching TV, consumers have eschewed their unconnected TVs in favor of devices that can connect to the Internet.

Mobile devices, in particular, represent a major opportunity for brands and advertisers. These devices are a constant companion to consumers and can help brands and advertisers get a better picture of who their customers are demographically and what other interests they have.

"Traditionally, cable TV is mostly watched from home on television sets and marketers can measure ROI to the household level," said Gladys Kong, CEO of [Ubermedia](#), Pasadena, CA. "But as more streaming content is being consumed on mobile devices, marketers can actually measure ROIs such as store visits and purchases, by individual mobile device.

"That allows for better understanding of consumer behavior and direct measurable results," she said.



Mobile TV content. Image credit: Sony

For example, a marketer could serve an ad and collect data on the general groups that responded positively to that ad. Oftentimes, the demographic that a brand might think is its target audience may end up being overshadowed by a different group altogether.

The marketer could then follow up to see what kinds of stores the customers that saw its ad shop at, what other interests they have and other aggregate data that will help calibrate its advertising.

Additionally, streaming services allow for more modular advertising. With cable, everyone who watches a show sees the same ads, but digital television can offer different ads to different consumers based on background data.

"As more streaming TV content is being consumed on mobile devices, marketers can obtain a much clearer profile of each TV program audience by leveraging mobile data," Ms. Kong said. "Luxury brands can then identify the TV programs that capture the attention of their best set of targeted customers and carve the right message to send to them via native content."

Many brands are embracing the possibilities provided by streaming and smart devices.

For example, in 2016 British fashion label Burberry launched an application for the Apple TV platform.

To celebrated the debut, Burberry live-streamed its menswear show via its app, becoming the first fashion brand to broadcast its runway show in that manner. Burberry is commonly known in luxury as an early adopter of digital, and the brand continues to lay claim to its tech-savvy positioning with industry-first partnerships ([see story](#)).



Burberry's partnership with Apple TV. Image credit: Burberry

Similarly, online retailer Mr Porter brought its editorialized commerce to a new channel with the launch of an Apple TV application devoted to its video content.

The brand's Apple TV app connects to user's mobile devices, enabling them to shop the looks seen on screen as they watch. While other luxury labels have emerged on Apple TV, this first-of-its-kind shoppable app represents a new concept in luxury retail ([see story](#)).

Social media has also given brands an extra opportunity for advertising through livestreaming events with interactive elements.

Marketers are taking a bigger stance on live-streaming video on Twitter after sponsored live streams from the NFL produced positive results, boosting efforts to reach a more engaged audience with real-time content.

Marketers looking to get into live-streaming videos also have the opportunity to campaign on Twitter and can garner a substantial number of views and appeal to those uninterested in packaged cable deals, but they need to value relevancy. Providing highly contextual content in the right space at the right time can really make a difference in the success of live stream ad campaign, such as sports-related ads within NFL game streams ([see story](#)).

Toyota Corp.'s Lexus, for instance, is giving consumers a second-screen viewing experience for its branded television series, "Verses and Flow," through a dedicated mobile application.

This app connects fans with performers on the show, allowing consumers to both enjoy content and create their own and share it with the platform's community. This app extends the concept of the show, which gives a platform to well-known black artists across spoken word and music ([see story](#)).

Going native

Another looming challenge facing TV marketing is customers moving away from ad-supported TV.

Subscription services usually have no ads and DVR allows many people to fast forward through commercials if they are watching an event after it has aired.

This means that brands need to come up with new ways to get their products out and in front of consumers' eyes.

One way they are addressing this is through native content - ads that are made to look like the content they are running on so as not to break up the flow of consumption.

Last year, *Business Insider* reported that revenue from native content made up 74 percent of total U.S. display ad revenue. This figure includes all revenue made from native TV content ([see story](#)).

This native content often goes beyond simple product placement, taking the form of entire plot lines or scenes in a television show that seamlessly integrates a product or brand. For example, a three-episode arc in Fox's "Empire "

revolved around a character vying for a role in a Pepsi commercial.



Native content created with Gucci and GQ. Image credit: Gucci

Occasionally, shows will organically integrate aspects of a brand into their plot lines without an official endorsement.

For example, Ryan Murphy, the creator of "Glee" and "American Horror Story," will focus the third season of his "American Crime Story" series on the 1997 murder of Gianna Versace. Tentatively titled "Versace/Cunanan: American Crime Story," the FX network show will debut in 2018 with more than 10 episodes.

The storyline, slotted for American Crime Story's third season, will be based off "Vulgar Flavors," written by *Vanity Fair* reporter Maureen Orth in 1999. While not officially endorsed by Versace, the show provides the brand with an opportunity to capitalize on having its history be seen on TV organically. ([see story](#))

Other brands are creating their own primetime TV programs that bridge the gap between advertising and standalone content.

French footwear and accessories label Christian Louboutin opened the doors on its operations and its eponymous founder's lifestyle with a documentary for British television.

Aired on Channel 4 in 2015, "Christian Louboutin: The World's Most Luxurious Shoes" followed a year in Mr. Louboutin's life as he worked to grow his 20-year-old label's business in Asia. With its strong core of brand fans, this first-ever documentary for the brand was met with a lot of interest as viewers tuned in to get to know the designer behind the red-soled shoes ([see story](#)).

Future of television

Amidst all these changes, it can be confusing and difficult to discern exactly what luxury brands should do to keep up with the changing TV world.

As consumers increasingly turn to digital and streaming television, cable continues to seem less appealing. Should luxury brands abandon cable entirely in favor of streaming services?

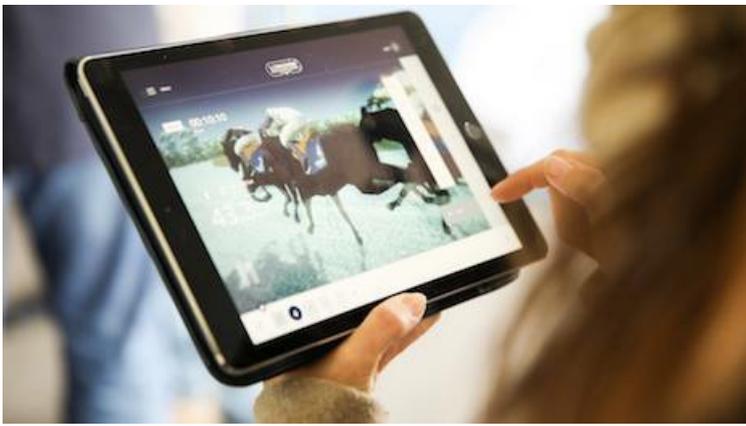
While streaming is certainly a powerhouse, cable television still offers some incredibly important tools for brands and marketers.

For one, cable is still the best way to consume live sports and other events, which rake in huge numbers of viewers and have been a mainstay for TV advertising for decades.

While streaming may be popular, consumers are still likely to gather around a traditional television to watch the Super Bowl or the US Open. Luxury brands should embrace these events and use them as tools to reach the kinds of consumers who still hold on to their cable subscriptions month after month.

Additionally, second-screen experiences are a newly rising element that allows brands to activate campaigns and distribute content to a mobile device while consumers are viewing television content on another.

A good example of this comes from Swiss watchmaker Longines, which reinforced its dedication to equestrian sports through the launch of a mobile app that dispenses real-time data during equine events.



Longines' second-screen app. Image credit: Longines

The Longines Horse Racing app will allow users of Apple iPads to watch equestrian sporting events as they happen through 3D renderings of the action occurring on the racetrack. Second-screen apps help brands extend real-time events to a greater audience and can demonstrate its commitment to the sport in question as well as its emphasis on innovation ([see story](#)).

As luxury brands negotiate the changing landscape of TV, they will have to remain open to new ideas without abandoning the concepts that have worked well for them in the past and that will continue to find purchase in the modern day.

Streaming services, subscriptions, DVR, mobile and smart TVs all present exciting new challenges and opportunities, while traditional models of TV marketing can still be just as effective through new channels as they were before.

"Mobile devices and smart TVs provide an incredible opportunity for enhanced targeting of luxury consumers through insights about their cross-device behavior," Team One's Ms. Bolt said.

"Once these behaviors are identified, the data can be applied to TV, which brings increased efficiency and effectiveness to the overall campaign," she said.

Best-practice tips for television marketing:

- Bob Shullman, founder/CEO, Shullman Research Center
 - "To the extent that a luxury brand knows that its customers or prospects watch live TV programming on ad-supported platforms such as news and sports programming, that's the platform I would recommend they consider using. If live TV programming is not a practical option, then I would seriously investigate the reach of addressable advertising options."
- Jennifer Bolt, executive director of media and integration, Team One
 - "Apply data to your plans and buys. Many of the broadcast and cable networks have enhanced targeting capabilities. It is the perfect time to test and learn while some of these products are still in the emerging and infancy stages."
 - "Undertake a cross-device study and apply the key learnings to future campaigns. One of our greatest marketing tools is understanding how different channels work together as the luxury consumer moves through the purchase-decision cycle."
- Gladys Kong, CEO, Ubermedia
 - "Target the right message to the right set of devices at the right time. More tailoring is allowed when TV is being watched on mobile devices or connected TV. You can send two different messages to two groups of devices when they are watching the same TV program."
 - "Luxury brands should measure ROI and collect as much data as they can so that they can learn from the success or failure of each marketing campaign and improve in future campaigns. For each marketing campaign, luxury brands should be able to learn more about their customer behaviors, for instance, whether they are influenced by the TV ads to go visit the stores or which message works better against which audience set. Those are all things you can learn from data collected during the marketing

campaign."

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