

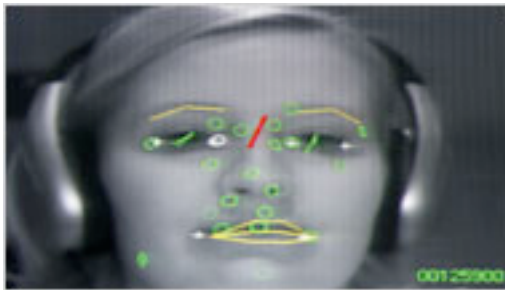
The New York Times

Lab Watches Web Surfers to See Which Ads Work

By BROOKS BARNES

July 27, 2009

AUSTIN, Tex. — A technician in a black lab coat gazed at the short, middle-aged man seated inside the Walt Disney Company's secretive new research facility here last week, his face shrouded with eye-tracking goggles. Read ESPN.com on that BlackBerry, she told him soothingly, like a nurse about to draw blood. "And have fun," she added, leaving the room.



In reality, the man's appetite for sports news was not of interest. (The site was a fake version anyway.) Rather, the technician and her fellow researchers were eager to know how the man responded to ads of varying size. How small could the banners become and still draw his attention?

A squadron of Disney executives scrutinized the data as it flowed in real time onto television monitors in an adjacent room. "He's not even looking at the banner now," said Duane Varan, the lab's executive director. The man clicked to another page. "There we go, that one's drawing his attention."

Like other television companies, Disney Media Networks — which includes ABC, ESPN, ABC Family and Disney XD — has long conducted intense consumer research about its programming. But now,

as the Web and DVRs uproot the way people consume television, and thus rip apart the industry's business model, the unit is adding advertiser research as a fresh focus of intense inquiry.

Disney will unveil some of the lab's early findings, including some surprises about new forms of online ads, on Tuesday in a presentation to about 200 advertisers in New York.

It is relatively easy for Internet companies and their advertisers to measure precisely how often Web site visitors click on advertisements, and which kinds of ads draw the most clicks. But what about those who do not click, the many millions of others whose eyes merely flit across the screen? Disney and other companies say they believe that not nearly enough is known about them — what kinds of ads in which configurations are likeliest to draw them, and hold them?

A good deal is at stake. Although the recession has slowed its growth, nearly \$25 billion will be spent on Web advertising this year, eMarketer, an Internet research company, estimates — a mother lode that will grow to more than \$37 billion by 2013.

The goal, quite simply, is to increase ad revenue by offering skittish clients serious research about what works and what does not in new media, said Peter Seymour, the unit's executive vice president for strategy and research. There is also a focus on new forms of advertising in programming shown on actual televisions.



Are ads that play before video clips, known as prerolls, more effective when paired with banner ads? Do animated ads keep viewers' attention on mobile devices better than live-action ones? How well do so-called watermark ads — an image that sits on part of a Web page like etched glass — affect buyer intent?

"The goal is ultimately to have laws that apply," Mr. Seymour said.

The Austin facility — a squat, gray building alongside Interstate 35, north of downtown — is not identified as part of the Disney empire (a sign outside simply reads "Media Panel") so the brand cannot influence how participants respond to questions.

The tools are advanced: in addition to tracking eye movement, Dr. Varan and his 14-member team use heart-rate monitors, skin temperature readings and facial expressions (probes are attached to facial muscles) to reach conclusions.

Among the researchers findings is that, when it comes to online video, "flyout" ads that appear next to the media player deliver the same punch as see-through "transparency" ads that appear over the content, but are less intrusive. And keeping the news ticker running during commercial breaks on ESPN does not take away from the commercials — people

only spend about 12.6 percent of ad time looking at it — and instead helps retain viewer attention.

"Negative results are also important to share," Dr. Varan said. "Advertisers need to trust that we will tell them, 'Hey, this thing that you want to spend money on isn't actually that valuable.'" (In this category, consumers learn to ignore watermark promos.)

"Completely invaluable" is how Tracey Scheppach, video innovations director for Starcom MediaVest Group, describes Disney's work. "Everybody is trying to figure out the ad models of the future, but nobody is doing it on this scale," she said. Starcom's clients include Allstate, Kellogg and Bank of America.

Other companies are also pursuing this type of research. The rise of new media platforms paired with the ubiquity of DVRs has made it a business imperative for television companies, especially since advertisers now pay rates based on how many people watch the commercials. (For decades, largely because the technology could not measure audiences so finely, advertisers paid rates based on how many people watched programs.)

In 2001, CBS opened a research facility in Las Vegas called Television City, with a primary aim of testing pilot programming. But the company has recently moved deeply into advertising and new media testing. Through a partnership with NeuroFocus, a company based in Berkeley, Calif., that is partly owned by Nielsen, CBS monitors the brain activity of people while they watch television and ads. In 2008, about 70,000 people participated in one of CBS's tests.

"You're seeing science moving into the marketing sector in a major way," said

David Poltrack, CBS's chief research officer.

Disney hopes to also use its research to design Web sites and advertise its own wares.

"We see this as a very powerful research and development tool for the entire Disney company," said Artie Bulgrin, ESPN's senior vice president of research and analytics.

The smattering of research labs that already exist, most of them based at universities, cannot conduct research as quickly, Mr. Bulgrin said. "As ideas arise, we want to research them and have the results in the hands of our sales force as fast as possible," he said.

Dr. Varan is based primarily in Perth, Australia, where he is director of the Interactive Television Research Institute at Murdoch University (which is not connected to Rupert Murdoch, the Australian head of the News Corporation). Disney picked Austin — a 26-hour flight for Mr. Varan, who spends one week a month there — largely because residents represented a wide demographic range.

Austin also offers a pool of participants from a wide political spectrum. Currently, none of the research involves children.

The facility, which operates seven days a week from 9 a.m. to 9 p.m., has eight research rooms decorated as living rooms or home offices, with hardwood floors, soft lighting and comfortable furniture.

There is also a theater that allows a dozen people to participate in a simultaneous experiment. Disney's investment is estimated to be in the low seven figures.



The rooms are built around a central command post, where researchers scrutinize participants via video monitor — one room has 20 cameras — and through one-way mirrors.

Dr. Varan cautioned that more research was needed before the media industry caught up with the evolving way people consume its product. He equates Web advertising to the early days of television advertising, noting that networks just relied on the radio model they knew.

"Everybody is still shooting in the dark," he said. "We're trying to turn on the lights."