

## **Dentsu Develops the “Offer-Incentive Advertisement” for the Web 2.0 Era**

### **Background to the Development of the “Offer-Incentive Advertisement”**

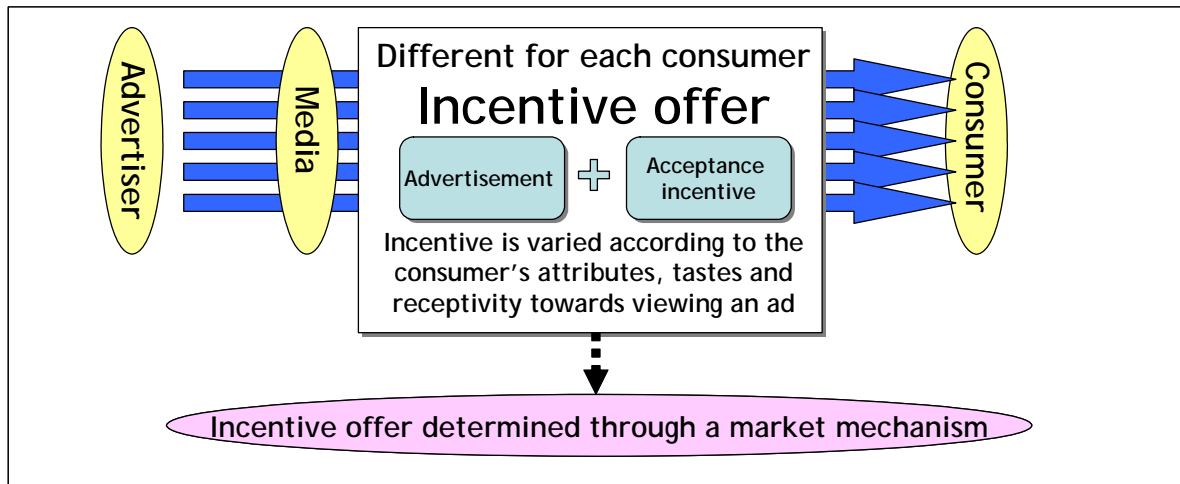
In recent years, the spread of the Internet and mobile Internet have had a major impact on the media environment and consumers' media viewing habits. For example, “pull advertising” is receiving considerable attention as an alternative to conventional one-way, “push advertising,” which is based on consumer exposure to a particular advertisement. Utilizing the Web 2.0 Internet user environment, the pull-advertising model provides an advertisement based on a choice made by the individual consumer, thereby switching the advertising model from passive exposure to active viewing. Within this changing environment, Dentsu has been pursuing the development of the “offer-incentive advertisement” as a method of advertising that enables clients to optimally communicate their advertising messages to consumers.

### **Overview of the “Offer-Incentive Advertisement”**

The offer-incentive advertisement is a form of “pull advertising,” which—together with the advertisement content—offers consumers a specific incentive in return for receiving an advertisement. In other words, this method actively works to encourage the consumer to view the advertisement.

Under this system, the advertisement content as well as the incentive for viewing the advertisement are set separately for each individual viewer, and the “incentive offer” is displayed on the user's terminal, at which point the user chooses whether or not to view the advertisement. Depending on the users' attitude towards viewing the advertisement, the incentive may also be varied.

## Offer-Incentive Advertisement System



The advertisement “content” used within this system is not limited to a television commercial-type format. Other types of content include the viewing of a promotional video, the answering of a survey, a hyperlink to an advertiser’s Web site, or joining a consumer panel. This advertising method has some similarities to what is commonly called “click-incentive advertising”; however, under the click-incentive advertising model, the incentive offered to viewers is a fixed value decided by the media providers. For this reason, click-incentive has tended to be unsatisfactory for both advertisers and consumers.

Under Dentsu’s new “offer-incentive advertisement” model, the incentive offered for viewing each advertisement is varied according to the viewer’s willingness to view an advertisement. Each incentive is only fixed when the consumer agrees to view an advertisement in return for accepting the offer. In other words, this is an advertising model whereby an appropriate incentive—agreeable to both the advertiser and the consumer—is derived through a market mechanism. In April 2004, Dentsu acquired a patent in Japan for this process as a “method and system for the transaction of advertising space.”

### **Factors Determining the Incentive Offer**

The level of incentive offered to each consumer is determined by how great or small a burden the consumer perceives is associated with viewing—or accepting—the advertisement. This is called the “acceptance burden”—a subjective value held by the consumer that is difficult to measure owing to the large number of variables involved. Such variables may include the category of the advertised product, the timing of the advertisement, the celebrities featured in the advertisement, and the actions required of the viewer. For example, even in the case of viewing a long advertisement, depending on the particular consumer, some advertisements may be perceived as having a small acceptance burden.

Furthermore, where the advertising comprises information that the consumer wants at a time when they want it, the acceptance burden for that consumer would—in this case—be zero. In such a scenario, it is possible that the incentive offered might also be zero. In other words, the advertising acceptance incentive (equal to the acceptance burden) is based on the concept of a reverse auction in which each consumer makes his or her final decision.

For the advertiser, by using the offer-incentive advertisement system, it becomes possible to offer an appropriate level of incentive to each consumer. This means the advertiser can use a diverse range of advertising communications, encompassing both small and large acceptance burdens.

### **Advantages of the Offer-Incentive Advertisement**

- Advantage for the consumer

It is possible to make a decision about whether or not to view an advertisement based on the balance between the advertisement content and acceptance burden on the one hand and the incentive offered on the other.

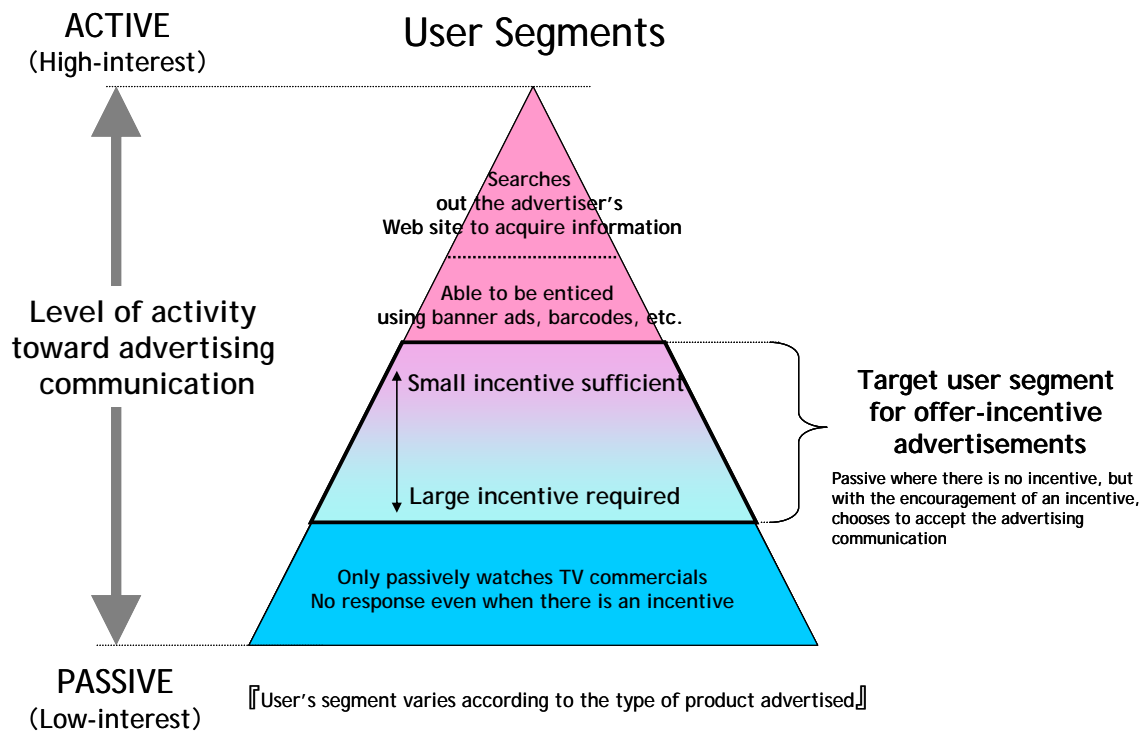
- Advantage for the advertiser

It is possible to provide advertisements that have a large acceptance burden after gaining the consumer's approval.

- Advantage for the advertising medium  
 Since this is a new method of cost-per-action (CPA) advertising, it can contribute to the revitalization of existing consumer loyalty programs (point-based rewards, etc.) and enhanced member satisfaction.

### Target User Segment for Offer-Incentive Advertisements

The target user segment for offer-incentive advertisements may be represented as one of the gradations between the pinnacle and base of a theoretical pyramid. In other words, this segment includes neither consumers who actively seek to acquire information even when there is no specific incentive offered nor consumers who are passive regarding information acquisition no matter how high an incentive is offered. Therefore, the user target is based on the hypothesis that an intermediate segment exists between the aforementioned extremes.



For the target segment, the incentive becomes an extra boost or

encouragement for the consumer to initiate action that will lead to information acquisition. Even within this scenario, some consumers will initiate action when provided with a relatively small incentive, while other consumers will not initiate action unless a large incentive is provided. Due to this variable, it becomes necessary to offer a different incentive to each consumer. In addition, a consumer may fall within a different segment depending on a range of situational variables. These may include the type of product being advertised and the timing of the advertisement. Consequently, the ability to vary the incentive becomes critical.

### **Target Media for Offer-Incentive Advertisements**

Dentsu anticipates developing the market for offer-incentive advertisements mainly through existing Internet and mobile Internet media, particularly in partnership with those companies that manage membership-based sites catering to consumers. Many such sites operate loyalty programs, which reward members with points, and Dentsu envisages utilizing these points as the basis for calculating ad placement fees.

For example, one of the current standard advertising models involves a site providing video content to consumers free-of-charge in return for the inclusion of advertising within the video content. With the use of offer-incentive advertising, such a model can be modified. The consumer can accumulate points for viewing advertisements in advance, and may then redeem those points to view video content that is free-of-charge and does not include advertisements.

Another example involves mobile Internet users. One of the possible services would involve users earning points by viewing advertisements on their mobile phone during their spare time. The points may then be redeemed to receive free ring-tone downloads or other such content.

In the ways illustrated above, for Internet and mobile sites operating a

points-based loyalty program and boasting a large membership base of consumers, which fall within advertisers' target markets, offer-incentive advertisements provide an effective new advertising method.

### Case Example of the Use of Offer-Incentive Advertisements

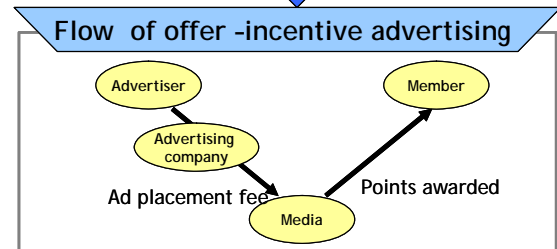
**1. Partnership with media sites that operate points-based loyalty programs**  
Collaborate with membership-based media in which users can earn loyalty reward points. Such sites may include providers of video-on-demand (VOD), electronic commerce and other services



**2. Media within media**  
Within media that utilize loyalty points programs, place offer-incentive advertisements as sub-media through which users can earn points



**3. Points awarded on a cost-per-action basis**  
Through points-based loyalty programs, reward users with points as the advertising acceptance incentive



Using the offer-incentive advertisement model, Dentsu plans to provide the functionality of Web services in the form of application programming interfaces (API) (see Note 1). Media sites may then utilize these APIs to easily build mashup (see Note 2) services.

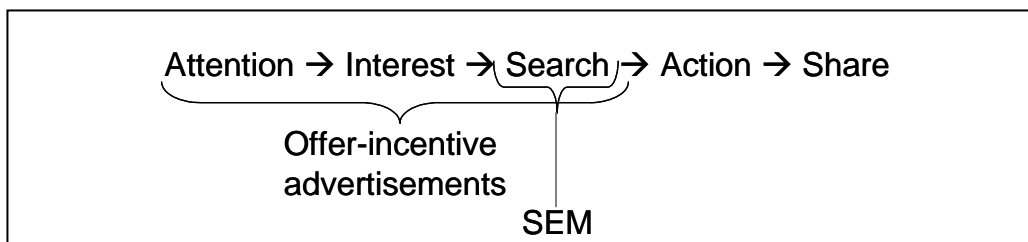
### Different Roles of Search Engine Marketing (SEM) and Offer-Incentive Advertisements

In recent years, the use of SEM—advertising that provides consumers with information relevant to the particular consumer's interests or needs—has

expanded rapidly. In contrast, offer-incentive advertisements provide information through a rich communication environment (video, etc.) to foster interest among consumers, who agree to an acceptance burden in return for the viewing incentive offered.

When analyzed within the Attention-Interest-Search-Action-Share (AISAS) consumer purchasing process, offer-incentive advertising serves to create attention among consumers with a low level of interest. In some cases, it also helps consumers who already have a relatively high level of interest to initiate a search. For consumers who already have an extremely high level of interest, the incentive offered may fall to zero, in which case the offer-incentive advertisement fulfills a role very similar to SEM.

Consequently, as we can see below, the offer-incentive advertisement model can potentially be utilized across a greater span of the modern AISAS® (see Note 3) consumer purchasing process than SEM.



**Note 1**

APIs are interfaces and protocols used for communication between a computer's operating system (OS) and the software applications running on the computer. APIs are also required to utilize the functions of a programming language. Since some functions of a computer may share a common API, the use of APIs often simplifies the software development process.

**Note 2**

The mashup (Web application hybrid) is one of the key elements advocated within the Web 2.0 concept. A mashup in this context refers to newly built software or services, which are based on a combination or hybrid of existing information or services provided as Web services.

**Note 3**

In the advertising industry, purchasing behavior has traditionally been defined by the acronym AIDMA, for “attention, interest, desire, memory and action”. As consumers have come to examine pricing and other product information more carefully prior to making purchases in the era of the Internet, the Dentsu Group developed a new purchasing behavior model, AISAS®. It reflects the consumers’ information “searching” behavior as well as the word-of-mouth communication generated and “shared” through this process.