

EBay Ad-Sales Plan Gets Breath of Air From Oxygen

The companies behind a controversial new online exchange for buying ad time on television are moving ahead with their plan to test the system, over the objections of many TV networks, which argue that it could erode prices.

The Online Media Exchange system, which was created last fall by eBay and a group of about 10 high-profile advertisers, including Home Depot, Hewlett-Packard and Microsoft, uses an online auction site for buying TV ad time. It represents a massive shift from the way ad time has been sold for decades, breaking from the traditional model, which is heavily dependent on personal relationships and haggling via phone, fax and email.

In the months since the idea was floated last summer, the exchange had failed to find any TV networks willing to sell ad time through the site. But now, the Oxygen network has agreed to participate, leading organizers of the ex-

change to decide to push forward with the venture.

"If there is a process where we are going to be exposed to more advertisers, we think that's an opportunity," says Lisa Gersh, president of Oxygen, which targets women.

The exchange is still in testing mode to determine whether it's a viable way to buy and sell ad time. And even with the participation of Oxygen—which reaches only about 73 million homes, compared with 94 million for a network such as ESPN—the project faces long odds.

Nonetheless, it is a sign of the new pressure that the decades-old model of buying ads is facing. Companies like Google are trying to take the way that Web ads are sold online and apply it to traditional ads. Google recently signed a deal to sell TV ad spots through satellite-TV provider EchoStar Communications via an online auction.

The consortium of advertisers

Changing Times

Some advertisers seeking to use an online exchange to buy a portion of their TV ad time. Total U.S. ad spending for 2006

Advertiser	Ad spending, in millions
Home Depot	\$542.8
Hewlett-Packard	472.0
Microsoft	447.3
Toyota's Lexus	246.5
Intel	98.2

Source: TNS Media Intelligence

behind the new exchange won't disclose their ad budgets for the site, but people close to the process say that the total ad dollars committed to the initial pilot over the next 60 days will be about \$5 million to \$8 million. The group signaled earlier this year that it was trying to raise about \$50 million from advertisers for testing the site.

The exchange offers advertisers the ability to post online a request for ad time during a specific time frame, including details about the type of consumers they want to attract. Participating networks can look at all the requests on the site and decide if they want to bid for any of the business.

The exchange has met with a tremendous amount of resistance from network and ad executives, who worry that, among other things, it would further commoditize ad time. Some of the biggest-spending advertisers, meanwhile, have been opposed in part because they get price breaks under the current system.

The biggest blow for the exchange came last month when the Cable Television Advertising Bureau, a trade group that represents the major cable networks, came out against the plan. It said the system wouldn't help in buying ad time because ad deals have become more complex and now

often include Web components, retail extensions and product placement on TV programs.

The advertisers behind the venture believe it will attract additional cable channels because, as networks lose ad revenue to the Web and other newer media, they can ill afford to walk away from sales opportunities.

"I don't foresee anyone will leave money on the table," says Scott Berg, director of worldwide media at Hewlett-Packard.

The consortium of advertisers hopes that their pledges to buy ad time via the site will stimulate more interest among other marketers. Home Depot plans by the end of this week to place an order for ad time that it needs in the fourth quarter on the exchange, while Hewlett-Packard says it will place a buy order for the fourth quarter on the site within the next 60 days. Microsoft also plans to place a request on the exchange within the next 60 days.