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Microsoft Strikes DR Gold

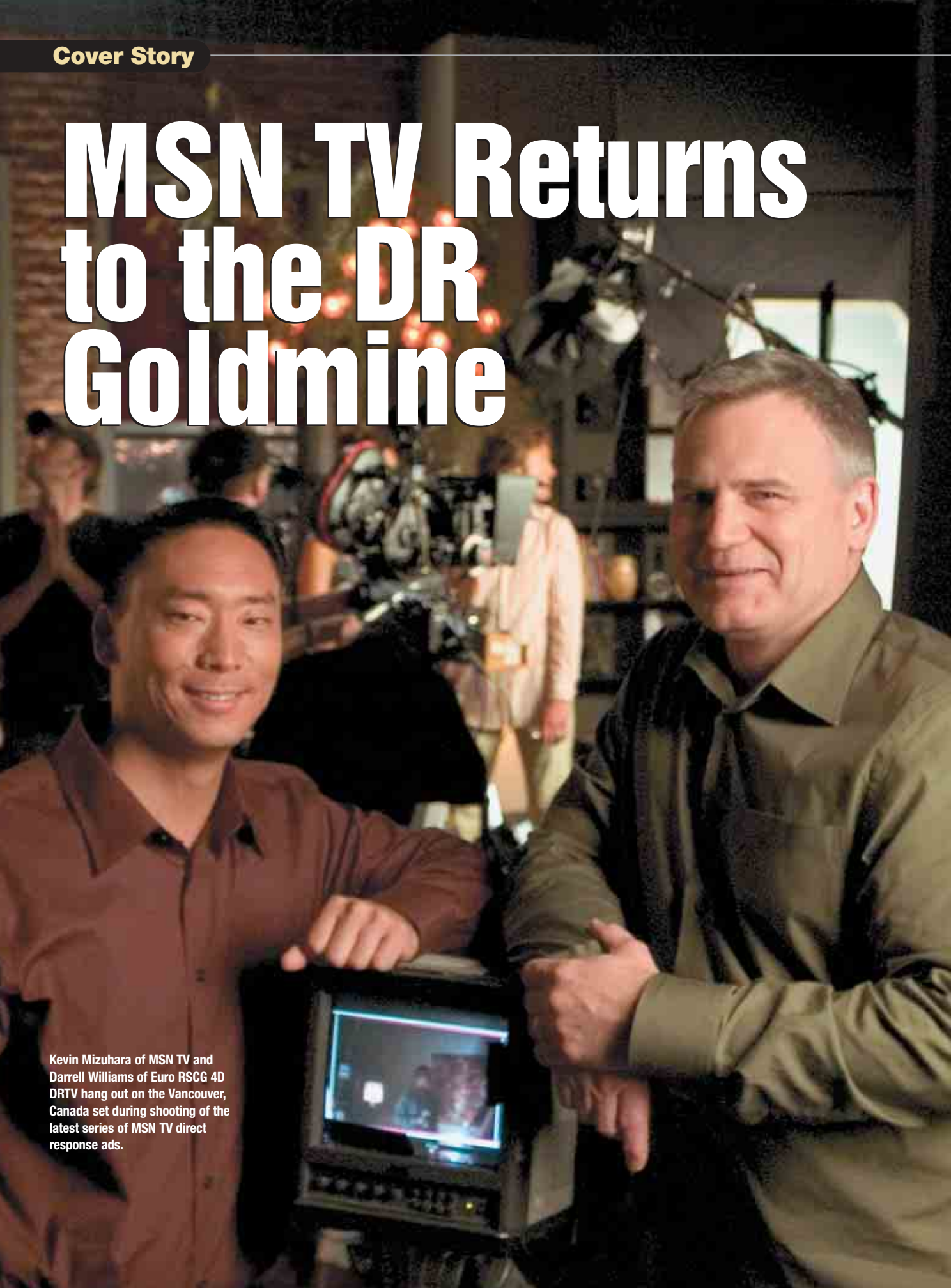
Kevin Mizuhara and MSN TV
Stake Campaign's Success
on User-Friendly Technology

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MSN TV Returns to the DR Goldmine

A photograph of two men, Kevin Mizuhara and Darrell Williams, on a film set. Kevin Mizuhara, on the left, is wearing a brown button-down shirt and is smiling. Darrell Williams, on the right, is wearing a dark green button-down shirt and is also smiling. They are standing in front of a television monitor that displays a scene from a video. The background is a busy film set with various equipment, including cameras and lights, and other people working in the background.

Kevin Mizuhara of MSN TV and Darrell Williams of Euro RSCG 4D DRTV hang out on the Vancouver, Canada set during shooting of the latest series of MSN TV direct response ads.

After a successful first run in direct response in 2002, Microsoft's MSN TV division is launching yet another DR campaign for the new and improved MSN TV 2 this month. How did one of America's biggest corporations become such a believer in this marketing method?

BY THOMAS HAIRE

“Direct response is absolute gold for us,” says Sam Klepper, general manager of the Mountain View, Calif.-based MSN TV business unit of Microsoft Corp. “For the rest of the company, it’s been used experimentally, but a lot of other companies notice when Microsoft uses DRTV (direct response television).”

Klepper adds, “They’re curious to know if there will be more or if it will become our mainstream advertising method. I’m not sure about other Microsoft units, but in our group, it’s clearly the No. 1 way for us to acquire customers. It is the dominant form of advertising for MSN TV.”

That’s right, folks. One of the key business units in one of the United States’ largest companies, Microsoft, calls direct response marketing its “dominant” advertising method. After debuting a DR campaign for MSN TV in 2002, the company’s success with the campaign has brought it back to DR again. MSN TV’s newest campaign launches this month, with three new spots.

“We were attracted to direct response at MSN TV because it allowed us to improve the efficiency of our advertising spend while quickly increasing product awareness and driving sales through our retail channel partners,” says Kevin Mizuhara, MSN TV’s senior marketing manager, who is the company’s internal creative force behind its DR campaigns.

MSN TV’s new, multi-million dollar DR campaign will launch its MSN TV 2 Internet & Media Player, a next-generation broadband and home network-enabled product that delivers entertainment, information and communication services usually reserved for personal computers (PCs) through a user’s television. “The device and service has been overhauled from its first iteration, and is much more powerful,” Klepper says.

The campaign, produced by Portland, Ore.-



based agency Euro RSCG 4D DRTV, targets both technological newbies, who may have avoided the Internet for various reasons in the past, as well as broadband and home networking enthusiasts looking to upgrade their technology throughout the home.

“For non-computer households, the media player provides easy-to-use Internet access via the TV,” says Darrell Williams, vice president and executive creative director at Euro RSCG 4D DRTV, who is the writer and creative director for the campaign. “For homes with broadband networking, the media player merges Internet capabilities with streaming media technology to provide a second Internet access point that also plays Windows Media-compatible audio and video on the TV, either from the Internet or streamed from a PC over the home network.”

It is just such a product — one that includes new technology and needs deeper explanation — that is a perfect fit for a DR campaign. But MSN TV is not the only Microsoft unit testing the DR waters.

Microsoft Uses DR Across the Board

While MSN TV has experienced the most success using DR, other Microsoft units have also used the method. “Because of its cost-effective nature and the ability to test creative executions, Microsoft has several divisions that have tested DRTV as part of their marketing mix,” Mizuhara says. “This includes Microsoft Office, Microsoft Windows and MSN.”

The company has always and will continue to use other direct response marketing methods as well, he contends. “Direct mail and E-mail are common direct response tactics used by Microsoft,” says Mizuhara, who, since 2001, is responsible for directing all customer acquisition marketing and public relations programs for MSN TV and develops and manages its annual media plan, including television, print and the Internet.

Klepper, who came to MSN TV when Microsoft acquired WebTV and became its general manager in early 2003, has seen the product through many of its ups and downs.

“We are part of Microsoft, but we have a fixed budget,” says Klepper. “DR is the best way for us to acquire customers within that budget, while also creating very positive branding.”

Williams has been working with the MSN TV product since the early days — he was part of the team that created the original half-hour infomercial for the WebTV Internet Receiver in 1997. “WebTV was acquired by Microsoft and re-branded MSN TV,” says Williams, who has also done creative work for companies like Apple, Philips, TiVo, Sony and others. “MSN TV asked us to create its first DRTV campaign in 2002, and they’re back again.”

Certainly budgets and experienced creative partners help, but there must be other reasons MSN TV believes so strongly in DR marketing? “It’s branded acquisition — the ability to acquire a new customer directly, while also increasing brand awareness for our



SAM KLEPPER

product,” Mizuhara says. “Plus, the longer DR spots provide us with up to four times more air time to communicate the benefits of our product at discounted rates that can be up to 60 percent less expensive than general rates.”

He also notes DR advertising’s capabilities to “quickly and affordably” identify the best creative through tracking and reporting. “DRTV gives us the ability to optimize our media buy ROI (return on investment) because it allows us to quickly measure the success of each tactic and refine our media mix while the campaign is running,” Mizuhara adds.

MSN TV 2 Revolutionizes the Internet

But just what is MSN TV 2 ... and what can it do for its users?

“The MSN TV 2 Internet & Media Player is a complete overhaul of the device and service from its first generation,” says Klepper. “It is a broadband and home network-enabled product that allows users to utilize the Internet and any information from a home network-connected PC on their television screen.”

Mizuhara adds, “Whether customers simply want to E-mail friends and family, visit their favorite Web sites, or do something more advanced

General Manager of Microsoft Corp.’s Mountain View, Calif.-based MSN TV business unit. Prior to joining Microsoft, Klepper served as a management consultant and then was co-inventor of Intuit’s QuickBooks small business accounting software. Klepper also worked with Procter & Gamble.

Defining moments: “In business, it has to be a year and a half ago, when we reached a watershed in the life of the MSN TV business. Microsoft was deciding how much to invest in the unit going forward and we had to come up with a plan to take the business into new and growing markets. I presented the plan to MSN executives and Microsoft leader Bill Gates and got the thumbs up to continue to make MSN TV a key part of the overall Microsoft strategy to reach customers in the living room. We got the investment and it led to my role as general manager. Personally, becoming a father changed me as a person, and as a manager. Having my son (7) and daughter (9) in my life really gave me a much broader perspective about many things.”

Biggest Career Accomplishment: “Creating QuickBooks — making something from scratch that didn’t exist and seeing that idea turn into a \$200 million division.”



KEVIN MIZUHARA

Senior Marketing Manager, MSN TV, Mountain View, Calif. Prior to joining Microsoft in 2001, created marketing launches for Sony's wireless broadband hub, MusicClip MP3 player and Clie PDA.

Defining moments: "When I was a commercial banking officer, I remember looking at a clock at 2 a.m. and then at the spreadsheet in front of me. It hit me that I didn't want to be stuck behind a desk crunching numbers for the rest of my life. It was an epiphany. I knew I needed to do something creative. Then I joined Sony and was responsible for launching their MusicClip MP3 player and Clie PDA. Working on the advertising strategies and creative was exciting and fun. I knew, from that point forward, that a career in marketing was my future.."

Biggest Career Accomplishment: "Launching Sony's MP3 player and PDA within a nine-month window."

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like enjoy digital photos, music or video streamed from their PC — they can do it all from their TV."

The original MSN TV product was designed to appeal strictly to less technologically savvy customers — generally older customers that have less experience with computer technology, but is comfortable with television. While the new device maintains its appeal to that group, the upgrades make it more attractive to more tech savvy users who

may have already outfitted their living space with broadband access and home networks that connect many electronic devices throughout the home.

"For the technical newbies, this product remains an alternative means of access to the Web," says Klepper. "It does a better job of delivering the Internet and E-mail to their televisions. It's faster, more compatible and has better digital photo capabilities — which is very important considering more people have used the first MSN TV product for viewing digital photos than any other reason."

However, Klepper is truly excited about MSN TV 2's high-end capabilities. "The market for broadband and home networking is growing so fast," he says. "About one-half of homes that have broadband access also feature some level of home networking. But they still mostly keep much of their good media — photos, video, music — on a PC in some side room. MSN TV 2 (which will retail for \$199.95) unlocks that media, gets you into your living room, on your couch and relaxed with the bigger screen of your television to utilize that media. It streams media from your PC to your TV set over your home network, as well as providing a second Internet access point for already-connected homes."

New Campaign Ups the Ante

Of course, the new DR campaign for MSN TV 2 plays to the product's strengths: easy-to-use, comfortable, and the latest in technological wizardry. But, what will it consist of and where will it run? "The core of our new marketing campaign will consist of a national DRTV cable and satellite overlay comprised of three new spots created by Euro RSCG 4D DRTV," Mizuhara says. "Additional awareness and drive to retail will be created by national DR print, online, E-mail and public relations campaigns."

The MSN TV team learned from its prior campaign in 2002 how to improve ROI on its media spend. "We learned through tracking and optimizing the performance of our TV spots, and also the networks and dayparts that they run in," Mizuhara contends.

The company also learned that MSN TV could become an entry port for new customers for all of Microsoft. "MSN TV users learned that the Internet can be wonderful instead of scary," Klepper says. "In tracking our customers, we've learned that many of these users graduate to buying a full-blown PC and choose MSN as their Web service because of their comfort level with our interface."

The new campaign highlights the product's affordability and ease of use to the two target markets. "We have several executions in TV and print that describe the benefits to both markets," Klepper adds. "The way these divergent customer bases come are brought together in the campaign is a positioning of 'being in your comfort zone.'"

What comfort zone? "For newcomers, it is about the comfort with an easy-to-learn, easy-to-use technology," Klepper says. "For the enthusiast, comfort means bringing all of your media applications — music, photos and more — from your office PC into the comfort of your living room, and the luxury of your larger-screen television."

The company is also seeking to drive business to its retail partners, and

to continue to maximize its ROI, Mizuhara says, “by testing, measuring and optimizing our media buy.”

“MSN TV has successfully used DR campaigns during the past two years to increase sales of its Internet receiver, while maximizing our media budgets and targeting Internet newcomers and gifters,” says Mizuhara. “In 2003, we increased retail sales by 10 percent on a product that has been in the market.”

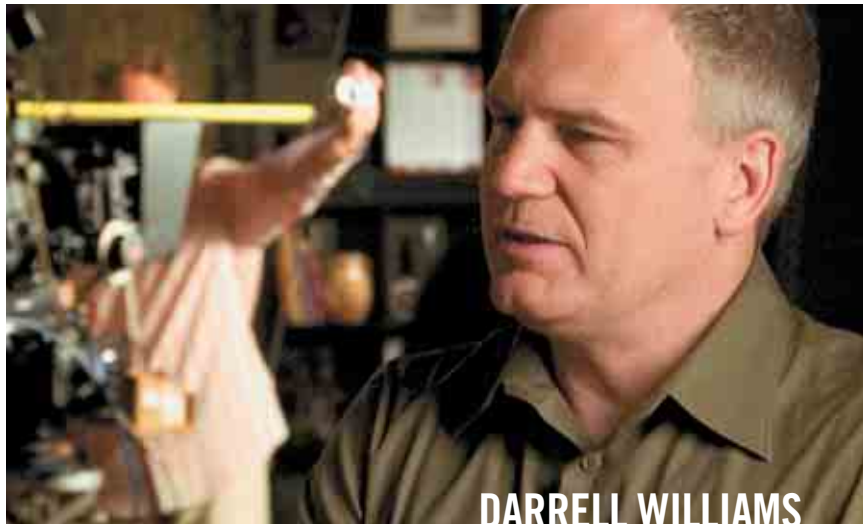
Industry Grows With Microsoft's Involvement

MSN TV is prepared to build on its already successful foray into DR with a brand new product and campaign. Agency veteran Williams credits the company and his cohorts on these two projects with a true belief in the power of DR to build their product's brand while closing sales. “The folks from MSN TV are demanding but fair, and will listen to our perspective,” he says. “This has allowed us to develop and fine-tune our second campaign to its full creative and sales potential.”

It is this level of trust between corporate giant and DR agency that signifies the direct response industry's growth into a vaunted marketing method. “Companies are learning the benefits of DR and how it can be efficiently used to reach target audiences and drive sales across multiple channels on a limited budget,” says Mizuhara.

Adds Klepper, “MSN utilizing DR catches the attention of others in the industry. They want to understand how and why we're using this method. And while we see experimentation in DR by other companies, we use DR for one reason — because it works.”

Williams says brand marketers like Microsoft are beginning to appreciate the ability of “well-crafted” DRTV to deliver immediate, measurable results



DARRELL WILLIAMS

Vice President and Executive Creative Director for Euro RSCG 4D DRTV in Portland, Ore. Writer and creative director of both of MSN TV's DR campaigns. Writer of more than 20 half-hour shows and 60 spot campaigns, and has supervised more than 180 DR campaigns as creative director.

Defining moments: “Back in 1999, when TiVo was first being introduced, sales were slow because consumers didn't understand what it could do. Philips (the maker of the TiVo box at the time) gave me an early model and asked that I write a show. After using TiVo for a few hours, I realized they had opened Pandora's Box, and advertising was going to be unavoidably altered. It's taking longer than I expected — thanks in part to the dot-com implosion, but it's happening.”

Biggest Career Accomplishment: “Helping to change the perspective that half-hour paid programming needs to be ‘yell-and-sell’ schlock in order to work.”

“without adversely impacting their brands.” “They recognize that direct response can work synergistically with in the total marketing effort, building sales and brand simultaneously,” he adds. “Because it is relatively underutilized, marketers who are exploiting its potential are reaping the rewards.”

That group includes MSN TV. “As a consumer, I see higher quality DR ads every day, and I like the direct style of communication,” Klepper says. “Sears does it with Bob Vila — good looking ads, nice specific product and offer. It's not crass at all. This is a trend we want to be part of. With the economy being so stagnant, budgets shrink. DR gives us more for our dollar.”

Mizuhara agrees. “I believe major brands and retailers are taking a second look at DRTV and other DR tactics,” he says, “as they start to understand the benefits and how professional the final product can look. More companies, including Microsoft, are realizing the importance of tracking the effects of advertising. Nielsen just isn't the only way to track success or failure anymore.” ■