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TODAY'S COMMENTARY by Jack Myers Tuesday, May 15th 2007

## Rapt Says TV Stations and Networks Must Respond to DoubleClick/Google Combo

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*Online Back-Room Systems Provider Expands to TV Networks*

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With **Google's** acquisition of **DoubleClick** and **Yahoo!'s** acquisition of **Right Media**, the online community has thrown down the gauntlet to television networks and stations. These acquisitions send a clear signal to advertisers and agencies that they will not suffer the same administration and reporting roadblocks that have plagued advertisers and agencies in their dealings with the television industry. While TV networks and stations may not immediately acknowledge, nor even recognize, the implications of these acquisitions for traditional business models, they will become increasingly apparent in the next several months as cross-media buying and selling becomes more prominent and accessible. The TV industry has been working on electronic data interchange (EDI) initiatives for at least three decades and has only recently made advances

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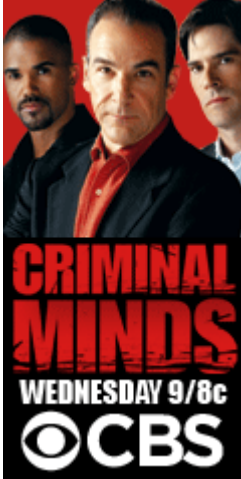
through the TvB's ePort effort and the ANA/AAAA AdID service.

The ease with which media buyers and an expanded array of advertisers will be able to immediately access inventory availabilities, price various options, buy and evaluate the performance of online advertising are expected to accelerate the shift of budgets from television to online. Most television networks and stations remain wedded to outdated administrative back room systems, even as companies such as **Wide Orbit** have sought to modernize the back rooms of local TV stations. Not only are legacy network sales and traffic systems often unable to communicate with each other, but buying and selling systems are incompatible, and most networks and TV stations are actively resisting the development of online buying and selling exchanges since few of the proposed exchange models adapt to traditional station control of inventory and pricing.

Several companies are seeking to address these issues, and quietly under the radar screen, Rapt, the leading online back room admin system used by Yahoo!, MSN, iVillage and others, has made headway with TV networks and is emerging as a leading contender to modernize the TV industry. Rapt CEO Tom Chavez, who founded the company in 1999 to provide order management and enhanced procurement enterprise software for high tech companies such as Sun and HP, believes the issues being faced by media companies in 2007 are not unlike the issues confronted by high tech companies in the late 1990s. Boston-based [Backchannelmedia](#) has similar aspirations, but is in the process of aggregating media budgets for a major test of a buying system and is focused on a digital interface and advanced accountability measures.

Chavez believes "there's a need for disciplined optimization of assets and improved efficiencies in the media back room processes," he explained to *Jack Myers Media Business Report* in an exclusive interview. "Matching supply and demand is the game. Media companies have no physical thing they put in a warehouse, but there's the issue of how 'eyeballs' [advertising impressions] are monetized, and optimizing the many ways to unpack eyeballs into units of demand."

Rapt expanded into media when Yahoo! approached the company in 2003, asking Chavez to develop a proposal for optimizing banner ad pricing. "Yahoo! was frustrated by being undersold on its low grade inventory and oversold on high grade inventory," says Chavez. "They did a competitive analysis and we won the business." Since then, Rapt has built similar systems for MSN, AOL,



NBCU, Weather.com, CNET, and Tacoda. Is in "late stage" discussions with several more web companies, and recently was contracted to develop similar systems for Viacom's MTV Networks.

Chavez reports Rapt, which recently hired Turner Broadcasting and MSN veteran Ben Crain, has been invited by several networks, broadcast station groups and print media to discuss modernization of systems. "We don't have ambitions to launch order management systems from scratch," says Chavez. "But the big media companies are talking about cross-media fusion of TV and the Internet, and we provide a solution for their systems modernization. Our leadership and experience in the digital space is our advantage and differentiation."

Chavez defines Rapt's #1 competitor as "lethargy" and the #2 competitor as "Microsoft Excel." "Most sales pricing and inventory management systems are run by the sales manager's seat of the pants," he says ironically. "Companies are throwing bodies and spreadsheets against the problem and are bumping up against the same set of challenges faced in the online space. What was 'good enough' in the past and is still accepted in current practice will no longer be acceptable as traditional media address the needs of cross-media optimization."

Chavez acknowledges discussions with Donovan and other legacy sales and traffic systems are essential and he says those discussions are underway. Systems and processes that are essentially managed manually through established systems and Excel all need to be digitized, and while the Interactive Advertising Bureau is driving standards for online, there is no organized standards push for network television. "There is not the same level of standardization in media as there was in technology companies," advises Chavez. "It's hard to understand why. The media industry needs sophistication and is crying out for analytic discipline."

Chavez believes that as mid-market websites with revenues of \$50 to \$500 million modernize their pricing optimization, traffic and inventory management systems and expand their video assets, they will be positioned for significant revenue gains. "The most important asset in managing profit and loss," he suggests, "is control over pricing and inventory management. Google threw a match with the acquisition of DoubleClick and there is a huge bulge bracket of mid-market publishers who need traffic inventory systems to compete. The supply and demand balance is now weighted to the advantage of either the buyers or the middlemen who want to broker the buy and sell. It's not in the best interests of either sellers or buyers to have a super powerful middleman. They still want to control their own data."

Chavez believes Rapt is well positioned as companies on both the media buying and selling side require advanced data driven solutions for assessing inventory availability and optimizing pricing. "Lots of companies will serve that opportunity," he believes. "There is pressure on the agency community to

develop robust systems. They are good at buying but most have not conquered the challenge of cross-media optimization." Although Rapt is principally focused on the media sell side today, Chavez says the company will expand to work with media agencies as well. "It only makes sense to continue as a neutral arms merchant and sell the same solutions to competitive parties, unlike Google," which Chavez points out has proprietary interests.

"The future," Chavez adds, "is already here." He is convinced "old habits and the reluctance to embrace change" are being eroded as cross-media buying and selling advance. "Google might control large swaths of inventory," he adds, but it will be remnant inventory. "Sellers need to optimize the value of their premium inventory."

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