

>>CAROL SHANOFF

All right. I think everybody's here. And this is on. Okay. We're only three minutes into our day. Well, good morning, everyone, and welcome to Ad It Up! I'm Carolyn Shanoff and I head the Division of Consumer and Business Education here at the FTC. To say that we're really glad that you're able to spend the day with us focusing on kids is an understatement. We've been looking forward to an exciting and informative exchange not only with our panelists but actually with all of our guests here in the room. Before we get started, I have the pleasure of sharing the obligatory housekeeping details with you. First, the bathrooms are on the other side of the lobby. Go past the security desk and you'll see little signs and rooms that are appropriately labeled. Second, if you go outside the building, you'll have to go through the magnetometer and the x-ray machine before you come back in, so please allow time after lunch to clear security yet again. Third, in the unlikely event of a fire or evacuation of the building, please follow FTC staff out of the building across the street to the Georgetown Law Center. Look for people with signs indicating the floors of our building and gather round the person who

has the sign that says conference center. Check in with them. And depending on the event, it may be safer to stay inside the building, and if that's the case, trust me that you will be told exactly where to go. Finally, if you see any suspicious activity, please say something to the security people in the lobby. And I've just been asked to add that coffee and snacks are for sale right out here in the lobby. Catering is by our own Top of the Trade, the folks who run the cafeteria in our headquarters building. So let's move on to the substance of the day. Thirty years ago, when my kids were kids, any discussions about kids' experience in the commercial world focused almost exclusively on television advertising. In technological terms and years, that was a millennium ago. It was before the first commercial email was sent. It was before the web, at least as we know it, was invented. And it was before mobile phones, let alone mobile phones with wireless internet capabilities. Fast forward to today when marketing can really safely be characterized by four words. I would say one would be ubiquitous. Another one would be targeted. A third would be integrated and finally I would add interactive to the mix. What's a regulator

to do? On the theory that kids are our most precious resource, here's what the FTC has done in the last 12 months relative to marketing and kids. In May 2008, almost a year ago, our workshop on the mobile marketplace included a session to consider the impact of mobile marketing on kids and teens. Later the same month, we published the results of our under cover shot to determine the extent to which retailers prevent unaccompanied kids from buying tickets to R rated movies and from buying M rated video games. Last June we published a study on alcohol industry self-regulatory efforts and we made recommendations for improvements to reduce the likelihood that alcohol ads target young people. Come on in. In July, we completed a major study on the marketing of food to kids and teens and to address concerns about childhood obesity we published a report recommending a number of changes in how food is marketed. In December, we announced the latest in a string of cases related to violations, this one a settlement of a complaint against Sony BMG. Just last month the commission published self-regulatory principles for online behavioral marketing, recommending that businesses only collect children's data for behavioral advertising

after they get the parents' express permission to do so. That takes us to today. The Children's Advertising Literacy Initiative, the newest program designed to protect kids and a complement to all our other activities that deal with kids in the marketplace. So here at the FTC, we have two primary missions: Enforcement and education. And we believe that education is among the most effective consumer protection tools that we have really and that's the basis for this new campaign, targeted to kids eight to 12, their parents and their teachers. The program will include an interactive website, classroom curriculum tied to standards of learning. Our goal is to help kids learn how to engage in principle thinking about marketing wherever they encounter it. We want to promote asking questions and, more importantly, key questions about -- to turn on when they see advertising. Questions that might include is this advertising? Who's responsible for this ad? What's the ad actually saying? Why is the ad here? Key questions. Over the last few months, we've been laying some groundwork for this initiative and, frankly, for this day, thinking through the approach to our various audiences, working on how to deliver the messages to

each of them. And today really is the chance to begin that bigger conversation about the campaign, to talk about the techniques and the messages that should be included to ensure that the campaign is not only relevant, but successful. So I think that this is the time to mention there are a few things this campaign is not about. It's not about teaching kids about any one category of products or services. And it's not about developing new advertising standards or guidelines. Once again, what it is about is developing a curriculum that's going to help kids understand marketing across the board. So we're going to start the day by looking at what today's kids experience in the commercial world. Then we'll talk about what they understand about that experience. We'll take a break for lunch. And we'll come back to talk about what kids need to know to navigate in this commercial world. In short, how can this initiative increase their commercial skills and make them savvier consumers now and in the future. We've built in time for discussion during each session and I think you all can look to the left and look to the right and agree with me that there's a lot of experience and expertise in this room and we are ready and completely jazzed to tap into it. So as I

said at the outset, we're looking forward to some lively discussion, to developing a campaign that's going to reflect all of our best creative thinking about our kids. At the end of the day, we want to help them grow into people who get it, people who can recognize advertising when they see it, people who can understand and appreciate the information that it offers. So now, I'd like to introduce Mary Engle, the Acting Deputy Director of the Bureau of Consumer Protection and the moderator of our first panel. Let's look forward to a great day.

(Applause)

>>MARY ENGLE

Good morning, everybody. I'd like to ask the panelists to come up. Okay. Good morning. As Carolyn mentioned, this advertising literacy education program that we're trying to learn -- trying to undertake and hopefully will learn some -- a lot of good, valuable advice from both the panelists who are here today as well as some of the audience members who of course have a lot of experience in these issues. We're focusing on tweens, which is children age 8 to 12, so we'll be gearing our discussion around that age group. Tweens are an economic force in this country right now. Our

panelists -- there are estimated about 20 million American tweens, spend about \$43 billion annually on their own. But also influence family spending of billions more on such products as cell phones, automobiles, you name it. Anyone who has tweens will agree with the power of their influence. One survey shows that in a given week, 30 percent of tweens go to the mall and 30 percent give advice to their parents. We have a lot of data on this age group. We know that they're heavier media users. Like kids 30 years ago, they watch a lot of T.V. But unlike kids 30 years ago, they have access to many more forms of media and use two or more of them at the same time. They don't just access media in their own home. Currently 35 percent of tweens have cell phones, which they use in addition to talking to texting to watching T.V. and accessing the internet. So before you can develop a good consumer education program you need to thoroughly understand the issue that you're addressing. To achieve that this morning I'm pleased we have a very excellent panel to discuss the issues. For the first panel, we're not going to be having formal presentations, but it will be more of a question-and-answer session and then at the end we've

allowed time for questions from the audience as well. I'd like to introduce the panelists. We have first, Kelly Pena, Vice President, Disney Channel worldwide Brand Research. She is responsible for consumer research that helps shape the development of original entertainment programming, web content and brand and marketing strategies for Disney's Kids' Media Networks. She also leads Disney's Healthy Kids Initiative. Kelly is there. They're not in order. Next to Kelly is Janet Oak, who's Managing Director of Just Kid Incorporated a marketing consulting company specializing in research strategy and innovation of kid, preteen, and teen products. At the far end is Professor Jerome Williams. He is Professor of Communication at the University of Texas at Austin. He conducts research in a number of consumer marketing domains with emphasis on multicultural marketing. To my left is Sheila Millar. She is a partner with the law firm of Keller and Heckman where she counsels clients on advertising, privacy, and product safety. Sheila is a longtime member of the Supporters Council of the Children's Advertising Review Unit of the Better Business Bureaus and is active in International Chamber of Commerce Marketing and Advertising Commission.

Kelly, I'd like to start with questions for you.

Disney is certainly a powerhouse in tween entertainment and marketing. Such shows, and I think they go beyond shows, but are Hannah Montana, High School Musical and the Jonas Brothers, which are all very popular in my household I may add, are just a few of Disney's current blockbuster tween entertainment vehicles. Can you talk about why these brands are such hits with tweens?

>>KELLY PENA

Sure. First of all, thank you Commissioner Engle and the entire FTC Commissioner.

>>MARY ENGLE

Well, I'm not a Commissioner. But -- (laughing).

>>KELLY PENA

-- for the invitation to join you here today to speak on this very important topic. So I have a do-over? (laughing) But, you know, the success of these properties is all about that strong emotional connection with kids. And there are a lot of ingredients for that, but that emotional connection is really key. One of the things we do is we're reflecting kids' everyday lives, so we're actually showcasing topics that are important to kids. And everything from -- they see characters going through

the journey of maybe starting a new school, they're meeting new friends, they're trying to navigate their way through life, through relationships with their family and their friends and their siblings. And we do that in a way that's very authentic. And I think that authenticity is key here when you're talking to kids. So we have this authenticity. We have topics that are relatable, everyday life, things that are important to them. And when you add all that up together, you have a powerful connection that is on a strong emotional level.

>>MARY ENGLE

Can you talk a little bit about how tween preferences influence the development of marketing and entertainment programs?

>>KELLY PENA

That's such a great question because everything we do at the Disney Channel starts with listening to kids and parents. I head up the research function and research is actually critical to everything we do. It informs all of our strategies. So everything we do, we conduct focus groups and the one-on-one interviews, but we also take care in listening to both parents and kids, so we do dual paired interviews. We go in homes, observe

them in their natural environment. What are the discussions around the dinner table? How are the kids relating to their siblings? What's the language they use? What are they talking about? So that all feeds back into this authenticity that I was talking about. And then even just starting with building Disney Channel, we spent a lot of time with kids doing research and we were trying to understand their values, their aspirations, their heroes, but also their everyday life and friends and family. And from that research, we actually created the essence of Disney Channel with universal themes that you'll see in everything that we do. And those themes are express yourself, follow your dreams, believe in yourself and celebrate your family. And those universal themes are the basis for everything we do and that resonates with kids across cultures.

>>MARY ENGLE

Thanks. So kids don't just watch the Disney Channel, but also they can go to Disney online and play games there, for example. They also can purchase Hannah Montana clothes or High School Musical accessories, things like that. What's the appeal of all of those kinds of licensed products that go beyond the

entertainment vehicle itself, but into the things that they use in their everyday life?

>>KELLY PENA

Yeah. And I think you're hitting on it right there, is that kids when they're connecting with our characters and our shows and our story lines, they want to actually extend that experience. And what may seem obvious, if you see a child wearing a High School Musical shirt, is that they're connecting with the characters. And, yes, they are. But they're also connecting with the message, so the message and the positive, empowering theme of believe in yourself and stay true to yourself. So they're taking that throughout their lives and they're actually broadcasting that passion to friends as well. So it's deepening that connection. It's furthering that connection. And when kids are going online, it gives them that added benefit of being able to interact. And so now what kids tell us is they can, when they're playing a game, they can actually become their favorite character. So they're living a little vicariously through that. And then they also like to participate, of course, and so we give them a voice, and we have lots of different elements on the website where we ask

them to -- they can choose their favorite scene, their favorite episode and also they can vote on certain elements that would be included in say High School Musical 2.

>>MARY ENGLE

I've heard the term social currency. Can you explain what that is and what the importance of it is to kids?

>>KELLY PENA

Such a great term, social currency. And it's so vital to kids. So social currency is that medium of exchange, and it's exchanging on a social level. It's something that kids can actually talk about and bond over. And it's very powerful. When we launched and premiered High School Musical, and if you haven't seen High School Musical, it's okay if you didn't like it, but if you hadn't seen it, you were out of the discussion.

>>MARY ENGLE

For those five people who didn't actually see it.

>>KELLY PENA

But one caller was telling us it gave her a voice to talk to other kids because she knew if she met a girl at school or at camp that they'd have something in common to at least talk about or start the

conversation. But she also felt that this bonding and discussion about it actually brought her friendships to a whole new level. That was very powerful story to hear her saying that in her own words as well.

>>MARY ENGLE

So similar to what adults do in terms of what was on T.V. last night, whether it was Lost or whatever, American Idol, even, which I know is popular with kids as well as adults.

>>KELLY PENA

Absolutely. I think the way it's different is kids are just learning to have a voice and learning what it feels like to talk about issues, things that they liked and didn't like and start to bond. They're really bonding over that socially.

>>MARY ENGLE

Now, Disney just launched Disney XD Channel. Can you talk about that and why you developed that?

>>KELLY PENA

Sure. We spent about 18 months talking to boys and their friends and their families and sisters and basically there are -- and there are probably child development experts here on the panels and in this audience that can speak to this as well, but

developmentally boys are going through different things. They tend to be a little more physical. They are into sports and the gaming, video, electronics. They're about accomplishment and getting to the next level. whereas girls tend to be a little bit more on the social side, so it's about connecting and belonging. But taking all that, so they have different activities and there are slightly different ways that they approach things. But they're more similar than they are different. So they're both trying to -- learn to go navigate through the world today. They're both on an emotional journey. So basically, we're trying to showcase different aspects of Disney XD, the accomplishment, getting to that next level, the feeling of unstoppable and I can try something. By the way, I should say that even for Hannah Montana -- and I looked this up last night, if my assistant was correct it is about 5 million boys tuned into an episode of Hannah Montana last month. So powerful on both sides, and inclusive but slightly different storytelling and angle.

>>MARY ENGLE

Okay. Turning to purchasing decisions, who's making the purchasing decisions for the products? Tweens or

their parents or combination?

>>KELLY PENA

well, there's a bit of a negotiation going on there. I think when it's -- when kids are younger, it tends to be more the kids are a bit of the influencer, but the parent is the decision-maker. Then it flips slightly, and this isn't in every case of course, but what we see with tweens, is that the parents become the influencers, don't you want this item, and the tweens actually become the actual decision-makers. So as an example, mom might be out shopping on her own without her daughter and she might buy some Camp Rock or some High School Musical, bring that home, and that's where the child actually becomes the decision-maker.

>>MARY ENGLE

Based on your research, what do parents think about tween entertainment marketing?

>>KELLY PENA

well, it depends on the product. It depends on the entertainment. And so what's so great is, again, we conduct a lot of research. We're in the field on a continuous basis. So when I say every day, I do mean every day. I had to turn off my BlackBerry just in case. I'm going to have it off for today. But it's

important what parents think. And what a great combination when you have something that is very wholesome and has great values for your tween and it's cool. And that combination is actually hard to find. But we listen to parents. They give Disney Channel extremely high marks, along with our programming, but along with that comes a lot of responsibility. So we're always looking for the balance there and that's something that's extremely important to us.

>>MARY ENGLE

Okay. Thank you, Kelly. Last year the FTC completed a major study of food marketing to children and adolescents. We found that when it came to food advertising targeted to kids age two to 11, T.V. still garnered half of all commercial dollars.

Unfortunately, this pie chart doesn't label those other pieces of the pie, but luckily none of them is more than 7 percent or so, so you can see T.V. is the big lavender half. The others are things like packaging and labeling, in-store advertising, premiums, cross promotion and licensing, and in-school marketing. One of the things we also learned in our study is that today marketing is integrated across virtually all of these marketing channels. So a child might first see

an ad on T.V. and see related displays packaging up premiums in the retail setting, be directed to a website to enter a code or play a contest and once at the site, the child will be invited to interact with the brand by playing games or sending E cards to friends. Turning now to Janet Oak, marketing today is ubiquitous, as Carolyn mentioned at the outset, but are there different patterns of marketing for different categories of foods? For example, does the marketing of other products such as toys or shampoo differ from the food model?

>>JANET OAK

Excuse me. Hello. It actually -- interestingly, we found that -- well, this number isn't surprising to me, because we see the food marketing and manufacturers have the budget, so they can afford T.V. which is one reason why they put a big investment into television. But the second thing is that kids actually wield a ton of influence when it comes to food specifically. We conducted a global kids study in 15 countries around the world and we asked mothers in which categories do you allow your child to choose or do you consult your child on purchase decisions and food is actually second after toys. So the food marketing and manufacturers

recognize the fact that kids wield a ton of influence when it comes to food decisions. It's not surprising they're advertising them in television

>>MARY ENGLE

Can you characterize the marketing efforts tweens encounter most among these various types and obviously T.V. is huge. But how prevalent are these other types? Are some growing or waning?

>>JANET OAK

In top five that kids have influence over are the top five that spend in television advertising. Number one is actually toys. Number two is food. Number three is candy. Number four is sneakers. Number five is movies. Those are the top five things children influence most often with their parents. Those are the products that have the biggest media budgeting targeting children. There is a lot of shifting of emphasis into different medium. What marketers are looking to do is talk to kids through various screens. Television is considered the first screen. Computer is considered the second screen. Mobile is considered the third screen. There's also movie theater advertising, a fourth screen. There's iPod or MP3 download advertising now on video iPods and that kind of thing.

So there is a sort of shift, but it's in an integrated way. It's not going away from television, but using television as part of the medium, again where budgets allow.

>>MARY ENGLE

Is there a difference and if there is can you describe it between how marketers market to older tweens versus younger tweens both in terms of products, but also methods they might use?

>>JANET OAK

It used to be with younger tweens it was always about fantasy. If you remember it was the Skittles taste the rainbow and that sort of fantasy world they create from a messaging standpoint with younger tweens. With older tweens it's more about showing the product in the context of what it might look like in real life, what Kelly was saying with the programming. Now we're seeing a lot of the older tweens are actually aspiring up to the teens and starting to watch more teen programming, seeing more teen advertising. So the reality sort of genre seems to be growing more with the younger tweens and you see that reflected in programming as well.

>>MARY ENGLE

Okay. Thanks.

>>JANET OAK

The other part of your question I think was about marketing as well, right? So the younger tweens are less apt to be able to read. At six and seven and eight, so they don't see as much in a print medium, like a magazine. They are less likely to be in social networking scenarios. Older tween is more likely to be exposed to more media because they're on those media more.

>>MARY ENGLE

Okay. Thanks. Recently Media Mark Research published data showing that more of half of kids who surfed the web did so because advertising drove them there. Internet advertising is inexpensive, so it did not rank very high in our marketing expenditures in the Food Marketing Report that we did, but nevertheless I assume it's critical and something that is -- that any marketer would want to use now days.

>>JANET OAK

It's true in the adult market as well. More eyeballs are going to the website. You want to have more messaging in that medium. It reflects the overall media shift.

>>MARY ENGLE

what about branding? And Kelly I think touched on this as well, but what is the importance of branding to tweens?

>>JANET OAK

We did a survey with tweens and we asked them how much they agree with the statement you can tell a lot about a kid by the products that they use or choose. And 40 percent of kids agreed to that, of tweens, agreed to the fact that you can actually tell a lot about a kid by the products they choose. We asked them to describe a kid who drinks Gatorade. That kid is an athlete. We asked them to describe a kid who drinks Kool-Aid and that kid is silly and goofy. They do get it, the associations. Branding I guess in general help kids decipher what's cool and popular in culture essentially, essentially it's a shorthand and originally a brand actually used to be what you put on cattle so you could determine the quality and value of which farm that cattle came from. That's what brands do, by association they let you sort of navigate your world in terms of shortcutting to what's cool and popular and acceptable.

>>MARY ENGLE

They also provide the sort of connection that Kelly was talking about, sort of like, well, if you both like Hannah Montana or something like that, it's something that kids can relate to each other, it establishes that kind of connection?

>>JANET OAK

Absolutely. But one of the things we found is that they don't all want the same Hannah Montana T-shirt. They want to belong, they want to be part of the Hannah Montana club but they don't want to have the same Hannah Montana. They want to still be seen as an individual. You see that with an Abercrombie and Fitch t-shirt. We all have one but mine is green and yours is red.

>>MARY ENGLE

Turning now to interactivity and how that is becoming important in the lives of tweens, can you talk about some examples of marketing to kids involving games and social networking and the more, you know, just -- more push and pull of interactive marketing?

>>JANET OAK

Adware gaming is becoming a growing category. You'll be in a driving game and all of a sudden a billboard will go by and you'll see Mountain Dew. Those kinds of

things are becoming much more prevalent. Facebook just made an announcement saying that the advertising is no longer going to be in the columns, where they are currently dedicated to but it's almost going to be as a background. MySpace has already started doing that. So the advertising becomes a background for your personal information. It's going to be much more surround sound essentially in social networking. You can send virtual gifts to one another in these social networking sites and those gifts are branded. If you want to pay for them, it's not. If you want to send someone a puppy dog or a Valentine, that's not branded, but if I want to send something from Axe deodorant, I can send it for free, but it's branded. They are sending messages around sort of virally in these social networking sites. Endorsements, you asked about Vanessa using Noxzema. It's really powerful. It's one of the things I'm going to talk about in the minute. But the one thing kids do not differentiate is between, they do understand what ads are, but they have a tougher time differentiating when celebrities endorse products and also products within a television setting. So, for example, kids who watch American Idol don't realize the judge is drinking Coca-Cola actually,

that's a paid for placement.

>>MARY ENGLE

So they don't understand when there's that product placement or the celebrity isn't -- that the celebrity is probably using that product because they have a contract with the company versus the celebrity just happens to enjoy that product.

>>JANET OAK

Vanessa Hutchins likes Noxzema and that Proactive really works for -- what's her name -- Jessica Simpson.

>>MARY ENGLE

what about in terms of interactivity, the popularity of virtual worlds and things like that, where you buy the stuffed animal and go online and play with it? You have all the little -- the link is between the physical world and the virtual world.

>>JANET OAK

I'm sorry.

>>MARY ENGLE

So the question is what's the -- can you describe the appeal of that to tweens and how that is used as a marketing technique?

>>JANET OAK

It's about empowerment, which is one of those sort of

timeless kid needs, and about control. So this child can go in, build their own world. They can do it on their own. The other day my daughter who is seven dashed out and ran downstairs and said I have to go on webkins and click this heart because if I do it every day this week that heart is going to fill up and I get some kin cash, really driven by the fact that I need to be on there every day. They do a very good job of getting you that urgency. It's very difficult to get eyeballs to websites and they have found a way within that environment specifically to get kids to return constantly. That's important if you're trying to build a relationship with kids that way.

>>MARY ENGLE

Okay. Now, kids actually do have a fair amount of income of their own to spend. According to an youth monitor organization, an average 8-year-old has an annual income of about \$569, which comes from their allowance and other sources like gifts. And 12-year-old has an annual income of about \$1,686. Do you know about the extent to which kids actually budget and plan their expenditures and how much kids are spending this money on their own and making their own decisions or is it influenced by their parents?

>>JANET OAK

So I don't believe that kids have an actual budgeting skills necessarily, but I do know that they do plan their next purchases. I know what my next download, I know what the next DVD is that I'm going to buy, I know the next movie I'm going to see. They plan for big-ticket purchases, that new bike or the iPod. Different parenting styles will dictate within a family how much control that child has over that allowance. As they get older, they have more control. Go out and buy yourself something small, that's okay, but if you want the big-ticket items, parents still need to approve it. Encouragingly we actually conducted an altruism study and 40 percent of kids said they donate their own money to a cause they care about. So that's very encouraging for us. They're not just spending their money on frivolous candy and toys, but on something that they care deeply about.

>>MARY ENGLE

Nonprofit and pro social programs are using some of the same marketing techniques that food marketers use that we found in our report. Can you talk a little bit about that?

>>JANET OAK

Yeah. Absolutely. We were just working with the Heart Association on a project optimization in schools with kids, trying to get them healthy. Taking the same sort of marketing practices that we use in the commercial world, you know, we can help not for profits and pro social programs use some of the same strategies to influence kids to live healthier lives, to eat more nutritious foods, to get more active, those kind of things. So I find that a very promising thing about sort of this cultural shift to more pro social programs and the way that we can leverage these kinds of learnings to advance their missions.

>>MARY ENGLE

Okay. Great. Now, based on your research, how much do kids understand about what they're seeing in ads? You mentioned earlier that they may not understand a celebrity endorsement or a product placement is a paid for thing. But with respect to ads or other marketing techniques generally, do you have a sense of how much they understand that it's an ad and -- you know, obviously, T.V. ad may be more obviously an ad, but there are other techniques as well.

>>JANET OAK

When we ask, kids do understand the difference between

an ad and content. One child said to us I can tell because they turn and look at me. That's how I know it's an ad. I see words scrolling across the screen, that's one way I can recognize that it's an ad. In most larger commercial media they do recognize it's an ad. The exceptions are the celebrity endorsements and product placements, they have a harder time navigating that. But, again, I think they have less knowledge about the intent behind the ad. That is the big differentiator. They understand it's an ad, trying to sell you something. They don't have enough information about what's behind that and what's driving it, who came up with it, who's it for, what is their true intention.

>>MARY ENGLE

I would imagine then with respect to that determining or understanding the intention behind the ad and who's behind it, you're going to see a difference between the older tweens and younger tweens. Is that a significant gap at that point?

>>JANET OAK

And I think it's about degree. The older tweens I've seen them in focus groups say I don't like the font they're using there. I wonder who they're targeting

for that. I was doing some cereal work. I wonder who the target is for that. You find the older tweens are getting a little bit more savvy about it, but a lot more work could be done to make sure kids are more well-educated about that.

>>MARY ENGLE

Now, in your research have you looked at all at how kids process advertising they see that's not targeted to teens? Because obviously in addition to the ads that are clearly meant for them, when they're watching general audience programming, they're seeing ads that are targeted for the general audience. How do they process those kinds of ads?

>>JANET OAK

We did a study called Parents as Peers. Big trend we're seeing, kids and parents are becoming more friend-like and less like it used to be. Now they're friends. So nine out of ten moms told us that they watch some of the same television programs as their children. So that is a reality. I think two things happen. One is they either tune it out if it's completely irrelevant, so an ad for Tylenol or Viagra, I don't even know what that is for a child, so they tune it out. They do look to some of the ad as to

what's popular, relevant in popular culture, ads for mobile phones on American Idol. Ads for movies that are coming up, those things they do internalize those. The coke placement on American Idol, they don't recognize it or acknowledge it but we don't know what the long-term implications are of that exposure to the brand and what kind of internal subliminal relationships they are making with that brand as a result.

>>MARY ENGLE

Thank you, Janet. Turning now to Jerome Williams, can you describe what's different about advertising today? Say -- I mean, Carolyn was talking about 30 years ago, but I would say even from ten years ago it seems things have changed quite a bit, away from just the T.V. or magazine model. Can you describe a little bit about the newer forms of advertising and marketing?

>>JEROME WILLIAMS

Yes. I've been teaching advertising for about 30 years. I think the biggest thing I see today is there's a blurring of the lines. I'm not even sure what advertising is anymore, how we define it. The blurring of the lines has occurred not only in terms of the marketers, but also in terms of the consumers, and

particularly younger consumers. So we tend to hear terms as you mentioned earlier about integrated marketing communications and promotion and there's such an integration today that there's blurring of the lines has become such that there's so much overlap, so much crossover and that it's the total package of promotion and communication that marketers are dealing with now. I think the other thing that's so different today is that the media has changed so much in terms of what media are used to reach not only tweens and consumers, but adults, and the most difficult challenge I think is measuring it, because when it was very neatly packaged and defined in the past, we had very nice ways of measuring it. And today that's very difficult. In fact, I often use that phrase a lot of the promotion and advertising is flying under the radar. As you mentioned, the FTC did its study on food marketing and you came up with \$1 or \$2 billion. I was an IOM study and we came up with \$14 billion. You say why the discrepancy? well, it depends on how you measure it and what's included in the bucket? That's one of the greatest challenges I see today.

>>MARY ENGLE

Now, turning to the issue of different -- of marketing

and how it may differ, if it does, to what is viewed and what is consumed by different racial and ethnic minority segments, can you talk a little bit about that? I know that's an area of your expertise.

>>JEROME WILLIAMS

I've studied the racial ethnic markets for many, many years. There's kind of a dualistic answer to that. On the one hand, race, ethnicity has always been important. It's still important. You look at the usage patterns, social network access; you look at internet access, who uses email. There are distinct differences among the different racial ethnic groups, even among the tween category. On the other hand, as I've studied the concept which we call social distance, which measures the degree to which people interact with people from other racial ethnic backgrounds, what we've observed is that the social distance is not as great among younger people today, which would suggest that race and ethnicity is not as much of a factor as it is among older people. I think one study pointed out when you ask young people, do you have a close friend who's a member of a different race ethnic group, the number is significantly higher among younger people compared to older people. I have a little exercise I do in

class with my students where I look at certain things related to race, ethnicity and advertising and I get this response. Then I ask them to take it home, usually over spring break, which is next week, at the University of Texas, I say ask your parents this same question. Ask your grandparents the same question. I have grandchildren. I ask them questions about it. It's interesting that as you get older, race and ethnicity is more important, but among younger people today it's really just not as significant a factor as it was in the past.

>>MARY ENGLE

Okay. Let's see. This next slide shows that about 42 percent almost of tweens and young teens are multicultural, but as you are suggesting, it may be less important to that age group than to older age groups. Are marketers -- and I know I've seen usage data on mobile phones for example that is higher among Hispanic Americans in particular, but are marketers using different media and techniques to reach different racial and ethnic groups?

>>JEROME WILLIAMS

Marketers doing it. There is still room for more progress to be made there. For many, many years,

racial ethnic groups whatever age were called invisible segment. Even if you look on internet content today you don't have a lot of websites that have the multicultural content as much as it should. When you do see it, it resonates with the audience. There is something in theoretic theory called the distinctiveness theory. The more distinct you are in society, if you're a member of a minority group and you see something that appeals to you, it immediately jumps out. Typically example, I remember when they remade the Cinderella story and they used Brandy as Cinderella. Some kids asked the question because I did some studies on this, why is Brandy black? She's not the Cinderella I remember seeing in the other stories. Others we they saw that said that speaks to me, that resonates with me. When we look at multicultural content on the internet, one of the things that happens, particularly with social network sites, if there are social network sites that speak to multicultural audiences, they tend to get very high -- they resonate very highly with those audiences. There are a lot of reasons why people of minority groups would gravitate toward social network sites. You actually find in some of the recent studies that if you ask people the question, this has

been done among different age groups, tweens, adolescents, how many times a month do you visit a social network site, the numbers are much higher among minority adolescents and tweens than they are among non-Hispanic whites.

>>MARY ENGLE

Is that suggesting perhaps there's a sense of community there?

>>JEROME WILLIAMS

Yes. There's a sense of communities. Most minority groups tend to be collectivistic as opposed to individualistic. There's a certain degree of -- I don't want to use the word anonymity but we found that when there's interpersonal interaction and people can judge you by what you look like and see you, there are certain types of constraints on communication. But when you're in a social network site and you're not anonymous, but your race, ethnicity doesn't matter as much, other factors are what's driving the conversation, people feel more comfortable in that setting. We've done studies where this has been a significant factor in shopping experiences for older people who feel that, okay, I may have to dress up to go into a store because I know people are going to

assume that I can't purchase this product. But if I shop online, that's different. They don't know my race, who I am, they don't know much about me, so greater comfort level. So even with younger people, we've seen some tendencies to engage -- maybe that's what's driving the greater participation in social network sites.

>>MARY ENGLE

In terms of interest in different products, do you find that multicultural tweens have different -- there's a variation there or is it pretty much the same across the board?

>>JEROME WILLIAMS

There are significant differences. It's interesting when you look at some of the Media Mart research data and you look at usage indices and you get wide differences. Sometimes you can't explain them. You will take things like video games and for whatever reason you'll have blacks and Hispanics measuring a 400 or 500 on an index usage and whites will measure a 98 or 97. Sometimes you'll get a specific brand and it will resonate more with a particular racial ethnic group. If you try to explain it, I don't think you can link it to advertising or promotion. Many times it's

word of mouth and other things that are driving it. But you can take things like Playstation and other video games and you will see significant differences among the different brands as to what's more popular among racial ethnic groups.

>>MARY ENGLE

Now, in terms of reaching different racial and ethnic groups in advertising, are there certain elements marketers need to include to make their ads or products more appealing?

>>JEROME WILLIAMS

I think one of the main things, I work with companies and there is an implicit assumption sometimes that all groups are a whole. I tell people there is no such thing as the African-American segment or Hispanic segment. In the general population, there's great diversity within each segment. If you're talking about Hispanics, there may be levels of acculturation, language levels. I teach at the University of Texas and I probably have more Hispanic students that don't speak Spanish that I have Hispanics that speak Spanish. If you tell me, I'm going to reach the Hispanic market by using Spanish language, you're missing a large segment of the market if you try to do that. If you

look at African-Americans, one of the measures we use is called strength of identification, which basically measures how strongly you feel about being African-American. Even though it tends to rank higher among minorities compared to nonminorities, the fact of the matter even within racial ethnic groups, some people feel very strongly. We use these measures like you know how much you know about your cultural, history, etc. and some people know quite a bit and some people know very little, so if you use content on the internet or other ways of advertising it resonates very much with people who feel strongly about their racial ethnic background. I might mention too as I look out at my class and these are older than tweens, but it's surprising how many multiracial people that I have in my class. And that may be more of why race ethnicity is not important today too. There are many biracial kids in my class, significantly. I have a son who's a teacher here in the Washington D.C. area and he told me I think in his class 40 percent of the kids were biracial.

>>MARY ENGLE

I think it was last night I heard a story on NPR when I was driving home, the commentator was saying like the

new vehicles that are hybrids, Americans are basically all hybrids.

>>JEROME WILLIAMS

We seem to be moving in that direction.

>>MARY ENGLE

I'd like to ask you the same question I asked Janet about what you know about when kids see general audience ads and how they process those as opposed to ads that are targeted to them specifically and is there any difference there?

>>JEROME WILLIAMS

Yes. There's a whole school of research in marketing and advertising about the targeted and the nontargeted and if you're not in the targeted market, particularly if you come from one of the minority groups, that has historically been the case, you've not been targeted because you've been this invisible segment. So you've basically had to look at ads and process them without being targeted. Now that you're being targeted, as I said before, those ads tend to resonate more with individuals who are targeted, but at the same time they also process ads in the general media. I've done work with some of the black media, Ebony and Jet, and BET and so forth and sometimes marketers make this

assumption that's well let's say for African-Americans that's where they're getting most of their information, news, advertising messages, etc. They also have to recognize that those same individuals are also processing the mainstream channels, reading the mainstream media, et cetera. There may be different ads that appear in the different media. But if you have an ad that's in the context of something that's specifically targeted toward an individual within a particular media that's targeted toward an individual, that's definitely going to resonate more with that individual.

>>MARY ENGLE

Thank you. Turning now to Sheila Millar. Sheila you have substantial experience with CARU, the Children's Advertising Review Unit. Can you talk about what CARU's guidelines are for advertising to kids? This is kids under 12, is that correct?

>>SHEILA MILLAR

That's right. Sure. I think when we think about advertising that is directed to children, which is really what CARU is all about, we should step back one step and think about what goes into an ad from the advertisers' perspective because all the kids'

advertisers will closely review the CARU guidelines, but at the core there's also, as you very well know Mary, a variety of legal requirements that apply to advertising and obviously advertising has to be truthful, nondeceptive. If you're offering a sweepstakes component, there are laws in all the states that apply. There is a lot of legal review that typically goes into any ad that's directed to kids, certainly by any of the major brands, because the brands have, at their core, a desire to be trusted. If you don't have the trust, you're not going to have a future as a brand. So for any kids' advertiser, there's a lot of training, both of your marketing managers and of personnel and of your agency and typically even in your contracts you're going to require that your agencies be familiar with the CARU guidelines and comply with the CARU guidelines in developing advertising. The CARU guidelines themselves certainly evolve over time. CARU was founded in 1974 and has been I think an excellent force for education within the advertising community and also for advancing sound advertising policy utilizing both the resources of the supporters, the industry supporters of the council and bringing in the viewpoints of the academic

advisers. The guidelines are really pretty detailed. Since I also do a fair amount of work on international advertising policy, it's interesting to me coming from the American perspective that when we have discussions internationally about say CARU versus the general guidelines that are embedded in the ICC, is to some degree that is resistance to adopting CARU wholesale because CARU is very American in some of its perspectives. So while you have guidelines internationally, I would say that generally the CARU guidelines are probably far more detailed than other children's guidelines at an international level. So the guidelines are reviewed periodically and there are a couple ways that this has happened over the years. Certainly in my career, and I've been active in CARU for many, many years, one of the most interesting things is that CARU proactively addressed children's privacy before children's privacy was an issue and we had a task force of folks that I was involved in CARU staff, a number of members of different companies, and we worked very actively to update the guidelines. We worked very closely with the FTC staff on COPA, provided our perspective on COPA and also worked with the staff to provide perspectives on the FAQs, which

have been I think extremely helpful to industry in addressing those issues.

>>MARY ENGLE

Thank you. And so can you just maybe describe briefly some of the ways that -- what the CARU guidelines provide for in terms of appropriate advertising to children that go beyond just don't be deceptive or mislead. That would apply across the board to any advertising.

>>SHEILA MILLAR

At the core the CARU guidelines in terms of kids is really a more detailed reflection of general FTC guidelines, which means advertising has to be appropriate for the intended audience. You look at the reasonable intended consumer who is the intended target of your message. So I think at the core of the CARU guidelines is the notion that children do not have identical cognitive abilities as adults, and so when we look at issues like disclaimers or use of simpler language that's kid-directed, the privacy component, there are guidelines that address endorsements and celebrities and certainly privacy as well. All of the elements of the CARU guidelines derive from that fundamental position that children aren't just little

adults. They have special needs and special requirements that the advertisers need to be mindful of in developing their marketing messages for children.

>>MARY ENGLE

How does CARU monitor advertising directed at tweens?

>>SHEILA MILLAR

I know Wayne's here and a number of the staff. They do a tremendous job in monitoring in all of the relevant media. Obviously, the major focus, and you saw it in your statistics on food ads, it's no surprise that by far the bulk of advertising messages are in television. I think a lot of resources are also devoted to monitoring company websites and then the kid-oriented websites that have advertising. I think the mobile media, which is a much newer media, really it's very difficult to get attention there. It's very diffuse. So I would say there has been a lot of attention to the traditional media, print, television, and increasingly the internet, which is a very big component of the CARU monitoring process.

>>MARY ENGLE

what is the role of academic advisers at CARU?

>>SHEILA MILLAR

The academic advisors provide a perspective based on

research available, often research that they have done on issues related to kids' marketing. I've always found it really fascinating and we have often met with the academic advisers as a supporters group -- we actually haven't done that for the past couple of years, but I think sometimes we'll have a discussion, should we do X, do we need more guidance in this area. I always find it helpful to ask the academic advisers, what's the research, have you looked at this, do you think this is a concern, what is the concern? We try to look at what are the practical issues for advertisers. What's the research show? What's the right thing to do? That's how you try to advance the notion of responsible children's advertising by bringing those pieces together.

>>MARY ENGLE

And have there been specific changes in CARU's guidelines over time to address changes in the whole marketing scene since 1974?

>>SHEILA MILLAR

Yeah. Certainly, as I mentioned, I think the focus on privacy, which really is a new focus because most of the guidelines really apply to national advertising, advertising that is primarily directed to children

under 12. In the privacy arena, there is more of a sense that you look at issues that might appeal to children and you adopt careful privacy practices such as age screening to try to limit the collection of information, personal information from children. And certainly there has been an effort to reinforce that the CARU guidelines do apply to all national advertising in all media where it is found.

>>MARY ENGLE

Okay. And then, you know, we mentioned earlier that kids, for example, on T.V. don't just see ads that are targeted to them. They see general audience ads. Also in the online environment, kids don't want to just be at the kids targeted sites, they go there too but they also want to be part of the general audience sites. What do parents need to know about when their kids are navigating the general audience sites and what should they be aware of?

>>SHEILA MILLAR

That's a great question. I think it goes at the heart of this wonderful FTC initiative and that is developing critical thinking skills in children. As a parent, I think you want to always be talking to your children on all important topics. When I was a kid and I

learned -- I think it was in 5th grade. We had a class on reporting. I always think that those basic who, what, where, why, when and how questions are really part of the critical thinking questions that you should be talking to kids about. So, you know, who's the message from? What kind of message is it? Are they trying to sell you something? Are they trying to influence your thinking? I think the past -- the fall campaign has offered a great opportunity to talk about political advertising and how to influence your thinking. How are they trying to appeal to you? What do you like about this commercial? What don't you like about the commercial? What are the techniques that are being used? What do you like about the filming or music or the actors or people in the commercial? Then for certain types of commercials, you know, do you think it really comes with everything you see? Do you think it really works like that? These are just basic questions because at the core you want the children to really take a step back and think about what it is they're seeing. I think when you're looking at advertising literacy types of programs, it's a commercial, as Janet said, kids at a pretty young age understand it's a commercial. It's trying to sell me

something. They don't necessarily process through all those various elements that go into making a commercial. But if they can be focused on critical thinking in advertising or any other area, it's going to help them advance as consumers, as citizens. So I think it's just a great type of skill set for parents to be talking to their kids about.

>>MARY ENGLE

Thank you. At this point I'd like to bring the audience in for participation. Keeping in mind that the subject of this first panel is what kids experience in the commercial world. I'd like to separate our inquiry into two parts. First, are there any places or venues that kids see advertising and marketing that we haven't talked about so far this morning? And, second, are there any techniques used to reach kids that we haven't talked about this morning? So we have roving microphones, if you can raise your hand. Any questions?

>>AUDIENCE

(off mic comment) Can anyone speak to the issue of cell phone advertising in the tween market?

>>FEMALE SPEAKER

I mentioned it as a third screen. It's getting more

popular. Kids are getting BlackBerries as they are getting older. You're downloading videos. You have to watch a commercial before you can watch the video. It's definitely getting more prevalent. The younger tweens aren't as likely to have a cell phone just because of the monthly expenditure required. As tweens get older, again they want the things that teens have and cell phones are number one on my 5-year-old's list for Christmas. They want the cell phone. They just can't have it.

>>FEMALE SPEAKER

I'm actually going to moderating a panel on social networking and mobile marketing tomorrow at the International Association of Privacy Professionals meeting. We have Phyllis Marcus (ph) from the FTC and someone from Verizon on the panel, so we've all been chatting about our panel. That's an interesting question. I think from Mike McKeenan (ph) of Verizon's perspective, what they see is obviously there are a lot of new controls that cell phone companies are looking at. They're looking at developing their own self-regulatory guidelines. CARU is a great self-regulatory organization. They're not the only game in town for viral marketing for example. The word of Mouth

Marketing Association has a set of guidelines. So there's awareness of the issue and interest in it. But I think what I hear from the cell phone companies is that particularly in the tween market, it's about connecting with each other. And so a lot of the use is text messaging and talking to each other as opposed to downloading things. And as we advance in parental controls and filtering controls, you still hopefully will have the ability of the parents to restrict access to things that they don't want their kids to have access to. But I think as a medium, maybe the difference is the cell phone is I talk to Mary, she talks to me, we're not so much downloading commercials or videos, et cetera. We may be getting into that as we get older, but in the younger population it's more about connecting.

>>JEROME WILLIAMS

And I guess the other concern too is that as cell phones take on more and more technology, particularly the ability to know where you are in addition to how you use it, so it's great for parents to know where their kids are, but marketers may also tap into this kind of information. Then we get into issues of privacy, how far do you go. There's always that

tension between the marketer getting more and more information about you as an individual, developing what we call a segment of one, versus how much does it invade privacy. And I think that's a tension that will continue to exist and cell phones is probably that real battleground where that's going to occur.

>>FEMALE SPEAKER

Mary we have a question.

>>AUDIENCE

Good morning. You talked about advertising in different mediums, but I was curious about different locations, like the role of advertising in schools and if there's any regulation or thoughts about regulation regarding that in public schools or how you guys have thought about that.

>>JEROME WILLIAMS

well, I can give a little single area. We just published a study using GPS data on billboards. It's not very high-tech. But we looked at every billboard in five cities across the country and located the billboard in terms of location of what we call child-serving institutions, playgrounds, schools, day care centers, parks, recreation facilities, and we analyzed the content on the billboard. Then analyzed

and tried to get a sense of how much young people go by the billboard. And the next step then is to look at scanner data to see the homes, which they are purchasing and the nutritional content of food in the homes and how much it's linked to the billboard. In terms of location, it's interesting that there's certainly a strong connection that we're finding. The article hasn't come out yet. It will be coming out later this year. But it addresses that issue to some degree.

>>FEMALE SPEAKER

I don't know about these restrictions in school, but I know that the schools themselves place their own restrictions on what is allowed to be put up. The Heart Association can put up a poster for an event they are doing which is again trying to get kids active. I know Pepperidge Farms does a program in schools through Scholastic, again I'm sure Scholastic has their own guidelines, trying to teach kids about optimism and positive thinking, not letting themselves get derailed by negative thoughts about themselves or others. I think a lot of the messaging has to be filtered through the school system. But you would probably know more about the actual regulations in schools than I do.

>>FEMALE SPEAKER

Yeah. I don't think there are specific -- certainly no federal regulations on in-school marketing. I know that the -- with respect to food marketing, the CBBs, the Council of Better Business Children's Food and Beverage Advertising Initiative, has 15 member companies who have pledged to limit their in-school marketing to foods that meet better for you standards. That's something that is a recent development.

>>FEMALE SPEAKER

Yeah. And I think these are schools traditionally in the U.S. are under local control, apart from say No Child Left Behind, there are local controls. So nothing happens in the school that isn't approved by that school board, that local board, whatever the political arena is surrounding that particular school. It goes through their own approval mechanism. I think as Mary mentioned, the Children's Food and Beverage Advertising Initiative took a proactive step to self-limit advertising in schools. I think for those companies there was a pretty limited amount of advertising in schools anyhow. But I think it's -- the focus of that initiative is limiting advertising in elementary schools, but, again, it's a local control

initiative and I think it's -- it can be -- those ad revenues can be very important to schools in supporting athletic programs and field trips and other things and it's in a sense supporting schools by the advertiser and marketer, particularly schools where they have facilities. It's part of their community support. They are asked to do it. They're expected to do it by the community. The community typically wants them to be supportive. I think there's some very complex dynamics when you talk about the issue of marketing, sponsorship branding and relationship to schools. And I think you really need to think about it in the context of some of these community dynamics where companies are located as sort of a corporate social responsibility initiative.

>>AUDIENCE

Sheila, you mentioned earlier word of mouth. I'm wondering is the tween age younger than typically a company would use word of mouth or influencers to reach its audience? If so, at what age does that kind of marketing usually kick in?

>>SHEILA MILLAR

The guidelines as I recall basically say don't do it for under 12. I think traditionally -- and this has

been clear in the COPA regulations themselves, the notion of E cards within the ambit of protecting privacy of children had been viewed differently. But paying the influencers to go out is really not consistent with what the top marketers are doing. They're not focused on the kids in tween market. It's really not an accepted best practice. Maybe there are some that do it, but I think the major advertisers, the marketers that I work with certainly do not.

>>AUDIENCE

I don't think I need a mic. Can you hear me?

>>FEMALE SPEAKER

It's for the webcast.

>>AUDIENCE

For the webcast. All right. (off mic comment) All right. Now I can't remember my question. My name is Kathryn Montgomery. I have a question for you. You commented -- I was really interested in what you had to say about how kids perceive the use of products by celebrities in shows. I think you mentioned American Idol and the judges drinking Coke. And I just would be interested to know what you think the implications are when kids don't quite get what's going on there in terms of product placement and advertising. And yet

you did also refer to the kind of hope, I guess, for advertisers, though you didn't say it that way, that there is an association that's made in the long run in terms of brand awareness that may not be happening, you know, in connection with realizing that this is an ad.

>>FEMALE SPEAKER

Again, I don't think we know the long-term implications of exposure to brand messaging in children over the long period of time. I've spoken to middle schoolers and I've said what's the label on that drink that the judges are drinking? What products are they drinking? I don't know. Some of them don't even recognize it. They just -- for us it's like it's very unique to see a brand in television because we never saw it before and it's a fairly new discipline essentially. But for kids I don't think they -- not only do they sort of not understand the fact that it's placed there, but it doesn't stand out to them I don't think as much as it does for us because in the past it's been regulated -- or not regulated, but the industry hadn't sort of accepted that. It was always generic cornflakes or whatever in Seinfeld's cupboard. Nothing was ever branded. They deliberately did it that way. But long-term do they have different perceptions of Coke?

I don't think Coke is specifically targeting children by being on American Idol. I think when you make a media buy on American Idol, you're buying the older audience.

>>AUDIENCE

(off mic comment)

>>FEMALE SPEAKER

But I think when they make a buy, they don't just buy American Idol. They make a buy on Fox or whatever and part of that is American Idol and they have identified a target of 18 to 34 or whatever their target is. I know by default the kids to see it. But I know like in the liquor industry, for example, 20 percent of the audience or I think it's even more now cannot be under the age of 18. So perhaps that's something that should be proposed for brands that shouldn't be targeting kids at that age.

>>AUDIENCE

I'm Sandra Calvert. I'd like to come back to your comment there that kids don't necessarily know what the brand is when you ask them. There are different kinds of memory systems. One is explicit, which you're asking tell me what this is. The other is implicit, which is based on do you recognize pattern recognition,

things like that. An implicit memory system is basically you don't consciously remember something, but you still know it.

>>FEMALE SPEAKER

Sure.

>>AUDIENCE

And so when you walk into a drink machine or something like that and you see Coke, if that's what they're drinking on American Idol, you match that recognition-wise and you're more likely to choose it. It's a way to go after nonconscious processing. Even if somebody doesn't consciously know it, that doesn't mean it doesn't affect their behavior?

>>FEMALE SPEAKER

Right. I agree with you. That's why I said subconsciously they may be internalizing it in ways we don't know. (off mic comment)

>>FEMALE SPEAKER

To add to that there's a lot of research that shows when you can link kids to a brand at early age, they're in for their life. Even though preteens or young children who are watching American Idol may not be the target for Coke when they are five, six, seven or eight, although certainly kids that age are drinking

Coke. They are connected to that brand in a way so that when they decide to drink it, that's the brand they go to. I think -- not that -- to think that they are not -- that advertisers are not wanting to make that connection, that that's not part of the reason for the buy I think would be naive.

>>FEMALE SPEAKER

Let me make a comment on that. I think when you're talking about purchased media, you're spending money to reach an audience. One of the reasons that the CARU guidelines are focused on advertisement that's primarily directed to children under 12 is because of the realities of the buying market. If you are buying very expensive media on American Idol to reach 5-year-olds, it's a hugely inefficient buy. You're spending an enormous amount of money. You could spend a fraction of time on any kid-directed, advertiser supported channel to reach that audience with a kid-appropriate ad. So I think we have to remember that in this environment it is, first of all, an environment where we do actually have commercial speech rights and the advertiser has the right to reach a target audience. So I think we have to be mindful of both the responsibility and I think this critical

thinking program will be very, very helpful there because kids are going to be exposed. There's no question about it, to ads that aren't intended or targeted to them, so they need to be thinking about that and the parents need to be thinking about is this an appropriate vehicle for them to be watching. But the notion that advertisers are, you know, really trying to reach the 6-year-olds by their American Idol buy is economically nonsensical. It does not make sense.

>>MARY ENGLE

So I think one of the things we're hearing is that when it comes to the purpose of this -- of our advertising literacy program, we want to teach kids critical thinking as you are saying Sheila and understand and be able to recognize advertising and marketing in the different forms that it takes currently. In fact, maybe that type of thing, American Idol or another show that's popular with both children and adults is a good opportunity for parents then to actually explain that cup of Coke is there for a reason. It's not just because those judges want to drink Coke. It's a paid placement. And use that type of opportunity to explain to kids that it's not just a 30-second ad. It's these

other techniques as well that are there. And I think it's -- we can understand that the advertiser is creating a warm fuzzy essentially, right, with the presents of its logo and so kids understand what that's about.

>>FEMALE SPEAKER

Question over here. Oh, I'm sorry.

>>AUDIENCE

I'm Matt Wood from the Federal Trade Commission. Thank you for being here. I know the later panels are going to get into this at length, but just curious from you speaking to us directly, the upshot of this being an educational campaign, what's your advice to us as we develop this educational campaign to teach children about advertising literacy?

>>FEMALE SPEAKER

I'd say be authentic. It's not always easy. I don't have a clear definition on that. But that authenticity is key. Kids, when you're trying to talk down to them, they turn off. If you're speaking above them too much, they're not listening and retaining. So I think really figuring out that authenticity and things that are important to them, so the topics that are important to them, reaching them that way as well. And especially

if it's a topic that's important to them. Then you can actually connect on that emotional level as well.

>>FEMALE SPEAKER

I'd also say make sure you keep it entertaining because remember your competition is the other places that they're going online. So you have to be as fun and exciting and as engaging as Disney Channel online.

(Laughter)

>>FEMALE SPEAKER

You know, I think it's also critically important, don't forget about the parents. The parents really are the influencers to a large extent, particularly with the younger tweens. I'll just share a personal anecdote. When I was in second or third grade, I was totally horse mad and I had a chance to enter a sweepstakes to win a horse and it required my father, who did not chew tobacco, to buy chewing tobacco for the little entry form. I grew up in central Pennsylvania. We were at a big farm show with all the animals. So there was the horse in the corral that I could have won and I was so excited about it. And my dad bought four packages of chewing tobacco with the little entry form. I wrote out my name and he helped me do it. And there was a big bowl with all of these entries. And so I remember

vividly my father telling me that, you know, we bought four of these. These -- he explained chances to win. He said it's not very likely that you're going to win, but good luck. Of course, I didn't win the horse. But I understood -- I understood that it was pretty unlikely that I would win the horse and my parents were so relieved that I actually didn't win the horse. But the fact that my father explained it to me and took that time to personally walk through it with me and I was right there looking at the horse and putting in my entries and I could see how much of these little things were in the bowl. I could see other people putting them in. Really was a powerful lesson. And I don't enter many sweepstakes now because I don't think I'm going to win.

>>FEMALE SPEAKER

I'd reiterate that about the parents. I remember playing a game with my parents where you had to guess who the advertiser was the minute the commercial came on and you got points for that. It's a fun way to reinforce that.

>>JEROME WILLIAMS

My comment would be as a researcher that's done a lot of survey work and communications work, if you're going

to develop a program directed toward an audience, you should build that program around the audience. I remember a number of years ago I was involved in a program by the federal government about trying to reduce marijuana use on campuses. And I was at Penn State at the time. This whole program seemed to be built around the notion that marijuana was like hard drugs. And I kept trying to make the point, if you ask kids do you do drugs, they'll say no, I don't do drugs but I smoke a little weed every now and then. So they don't put marijuana in the same category as heroin. If you're going to communicate a message about the dangers of marijuana, if you're trying to reduce that, you need to think about it from the perspective of how that kid thinks about it. So the same thing here. For any message or any program you need to do some ground-up work, look at the foundation, talk with kids a little bit about them so we're not just talking down to them and trying to convey messages from our perspective. One thing that has occurred to me, I do a lot of research on privacy, and the notion that we have of privacy as adults is quite different than the notion young people have of privacy. That doesn't mean as an older person who knows more we're not right. But I see

young kids, I mean law students at UT, put things on Facebook and I'm thinking what are you thinking about? And the very first thing that most lawyers do that I know when they hire somebody, they go to Facebook or MySpace and see what's put out there. Their notion of what is private is different than what we may think. So we've got to build these communications programs in a way that resonates with the audience and understand things, what they're thinking about, how they're processing things, so that the message that we develop resonates with this audience.

>>FEMALE SPEAKER

Thank you. Here. Thanks.

>>AUDIENCE

Just wanted to know about for a while program commercial separators alerting kids to the fact that on television that you're about to see commercials, which used to be in the guise of, you know, we'll be right back after these messages. Those have degenerated quite a bit in the last ten years. So now most of them are promos for upcoming shows. For a while Fox was having program commercial separators that said don't you dare change that channel or walking away from your T.V. set gives you pimples and stuff like that. And I

just wondered whether you see that as useful or if it ever was useful to alert kids to now you're going to see different kinds of content that has a different purpose. And if they had ever said now we're going to try to sell you something, that might have helped. But just whether you think that's useful at all or whether those guidelines should still be in place, especially maybe Sheila and Mary.

>>FEMALE SPEAKER

You know, I think from the research I've read -- and I'm not a psychologist, I'm a lawyer -- but I've been struck by the research that shows that the pause, the change, now they're looking at me, that children pick up these cues and I think the research supports that, certainly in the television media. They pick up cues and understand they're looking at something different. Over time, you know, from three to seven and then seven to 12, they develop better skills to understand advertising and critically think about advertising intent. I think that in the CARU guidelines there certainly has been suggestions of making sure that kids will understand in kid-directed media what's an ad. So for the kid-directed websites, you typically will see banner ads, you'll see visible cues. In the branded

kid-directed websites, you will sometimes see, hey, kids, you may see an ad on this website. In the web environment, particularly if you're at a corporate website, I think really the understanding is it's about the brand. You're going to a website to hear about the brand. Maybe not everything is trying to sell you something. There's information. There may be other things. But I think a branded website is different. But I think probably it's an area where the research really I don't think has shown that a -- this is advertising that you're going to hear next is necessarily useful. There should be some perceptual differences in the media. Typically there are in most of the media.

>>FEMALE SPEAKER

Yeah. I mean, the Federal Communications Commission, the FCC, does require those sorts of bumpers between programs and ads, but I'm not familiar with any research on how effective those are. I know it is a concern about once we move away from T.V. or you get to websites or interactive T.V. what's going to happen when it's no longer easy to do the physical separation. And I know that's an issue that they're grappling with. (off mic comment)

>>FEMALE SPEAKER

Sandra?

>>FEMALE SPEAKER

Sandra Calvert again. There is older research about this. It's by Palmer and I think McDowell is the second researcher. And what they did is they're looking at these program separators and they're having some kids with separators and some without. I think these kids are maybe five, six years old. They are operating at chance level in terms of understanding the difference between the program and the commercial. So they're not making the discrimination even with the program separators. Now, this is older research, but at the same time, it's very telling about some of the age-based problems children have in understanding that this is a commercial and this isn't.

>>FEMALE SPEAKER

Was that research done with older kids as well and so that's where they found the difference, was with the younger? Or do you think this they just did it with the young --

>>AUDIENCE

I'd have to look, but I think these are five and six-year-olds. I think they were trying to do it with

younger kids. But really commercial intent and these things emerge at older ages. About age eight is like a striking place where kids start to really process differently than they do when they're under age eight. But the separators have been something that we've tried to use as a community to help them get the message and they've had trouble with that.

>>FEMALE SPEAKER

Okay. We've reached the end of our time. I want to thank the panelists for participating. (Applause)  
we'll have a 15-minute break and reconvene at 11:15.