

## AdGorilla Strategy Saves SMBs

August 1, 2007 - If there's one thing smaller cable operators like, it's the new revenues from advanced services such as video-on-demand (VOD) and applications like local ad insertion.

Vendors such as C-COR Corp. (Nasdaq: CCBL - message board) and the Comcast Media Center (CMC) have created special pre-integrated systems to address adding VOD to small MSOs. And now AdGorilla has stepped in with a system that gives small- and mid-sized operators an opportunity to get a piece of the local ad pie without breaking the bank.

For small operators looking to get into that game, "the biggest barrier has been cost," says AdGorilla CEO and Founder Dan Ryan. "When you get down to about 5,000 subscribers, spending \$60,000 or more for ad insertion gear just doesn't make any sense."

Ryan, an 18-year cable vet, knows a thing or two about the special economic challenges faced by smaller operators. Most recently he founded Precis Communications, a provider of cable services to small communities in Utah, Arizona, and Nevada. He also served in the Rocky Mountain Group of Charter Communications Inc. (Nasdaq: CHTR - message board), handling a region with 260,000 customers in 12 states. He ended up with Charter in 1999 after the MSO purchased Rifkin & Associates, a mid-sized operator.

AdGorilla, which is hawking its "RevGen" wares this week at The Independent Show in Monterey, Calif., entered the analog ad insertion market in March, starting with a four-channel, entry level system that runs about \$5,500. The modular design allows operators to expand to as many as 12 channels per box.

AdGorilla has set up two models depending on how much an operator can handle on its own. An operator can buy the equipment and sell the ads, or have AdGorilla's AdPro division handle the ad sales, download the spots, and schedule them into the local avails. Of the 100 or so [AdGorilla] installed so far, roughly half are full turn-key customers, Ryan says.

Ryan admits that the first question operators tend to ask is whether AdGorilla's system actually works and is also reliable at such a low price point. "Hell, yes, it works," is his response. "It has to be reliable and also easy to install." Several operators are taking those claims to task.

To date, the largest system to deploy AdGorilla's system serves about 20,000 subs, with others serving fewer than 1,000. Some of its customers include Buford Media; Willamette Broadband of Woodburn, Ore.; and Semo Communications Corp. , a provider that operates in parts of Southeast Missouri.

"Any additional revenue is always a good thing," says Ben Hooks, CEO of Buford, which serves primarily markets with fewer than 500 subs. Its largest property serves about 8,000 customers. "We've always been somewhat limited [on ad sales] because headend equipment tends to be too expensive."

AdGorilla's "reasonable" pricing has allowed Buford to offer local ads on about eight channels in its system in Greenbrier, Ark. "It's installed now and going after the ad revenue source. We expect to do more of it as we go forward," Hooks says.

In addition to drawing local ad revenue, operators can also tap the system to insert ads that talk up new cable services and promotions, complementing direct mail, radio, and other tactics.

"The marketing opportunities are equally as compelling," Ryan says.

Although AdGorilla's initial strategy targets small- and mid-sized MSOs, "there's no reason why any system couldn't use this," Ryan says. "We can serve any system size; it really doesn't matter."

Beyond mid-sized operators, AdGorilla should expect to face stiff competition from market-leading suppliers such as C-COR and SeaChange International Inc. (Nasdaq: SEAC - message board), which don't relinquish market share easily.

Ryan also realizes that cable's future is digital, and that future extends to ad insertion. Operators can use the analog system as an inexpensive "placeholder" as they transition to digital, he claims. AdGorilla, a company with 13 employees, expects to rollout an all-digital ad insertion platform in September.

Ryan says he has already started some integration discussions with the people behind Beyond Broadband Technology LLC (BBT), an operator-led venture that is developing a downloadable conditional access system and an "open" digital set-top platform. Buford Media is one of BBT's backers. (See [Small Cablers Plan Sub-\\$100 Set-Tops and BBT Exits Alpha](#).)

- Jeff Baumgartner, Site Editor, Cable Digital News