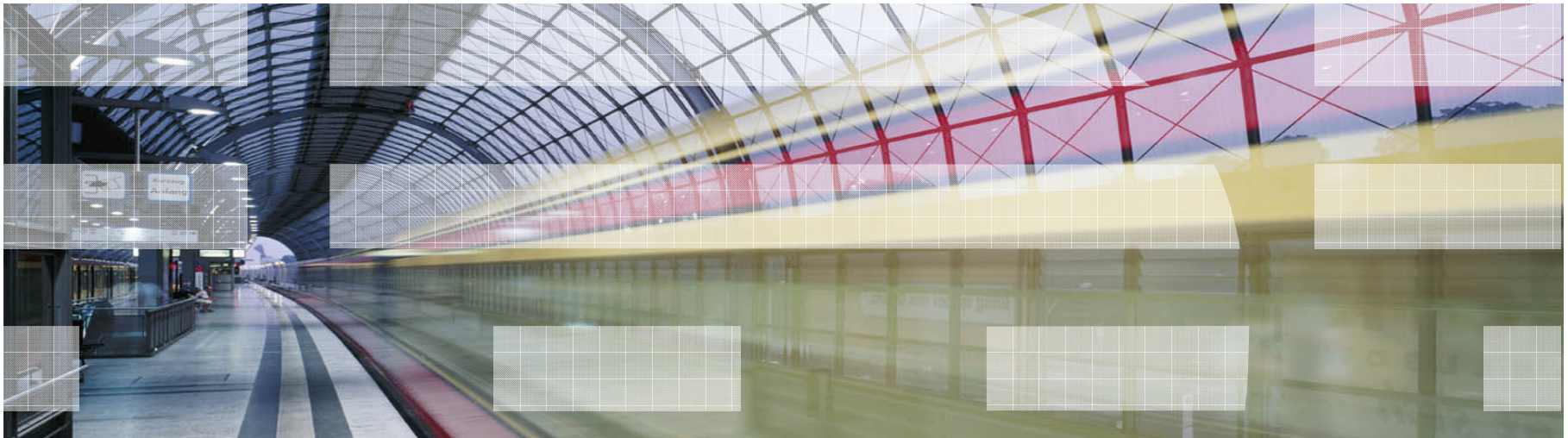


Beyond Advertising:

Opportunities for creativity and growth
Karen Feldman
Global M&E Lead, IBM Institute for Business Value



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IBM provides primary research and insight on digital media distribution, most recently advertising-focused

IBM Global Business Services
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The end of advertising as we know it

Thank you for shopping with us, Jim!

Media and Entertainment

IBM

This cover features a photograph of a tall, white, cylindrical structure with a sign that reads "Thank you for shopping with us, Jim!". The sign is tilted and appears to be part of a larger structure. The background is a clear blue sky and a brown, textured wall.

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Beyond advertising

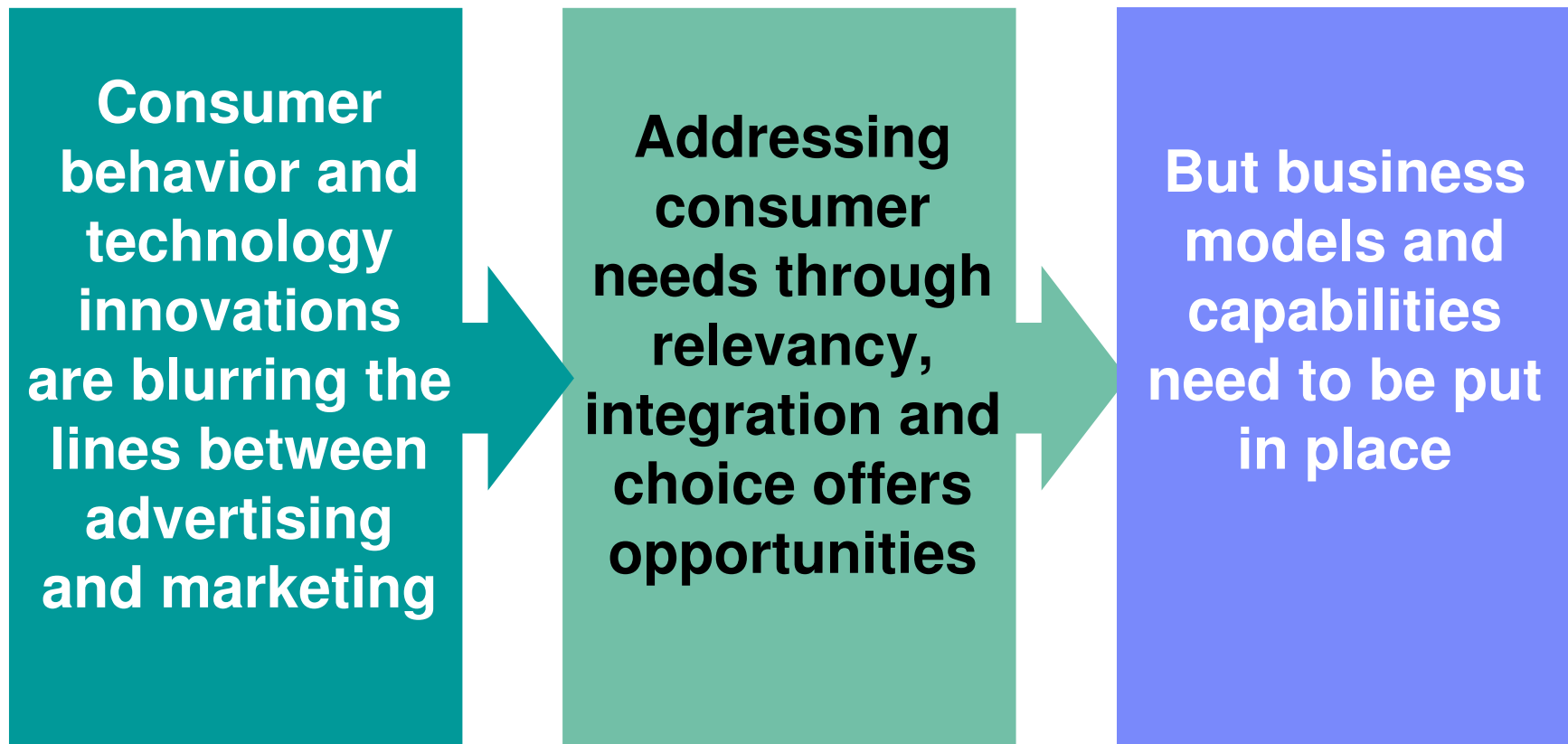
Choosing a strategic path to the digital consumer

Media and Entertainment

IBM

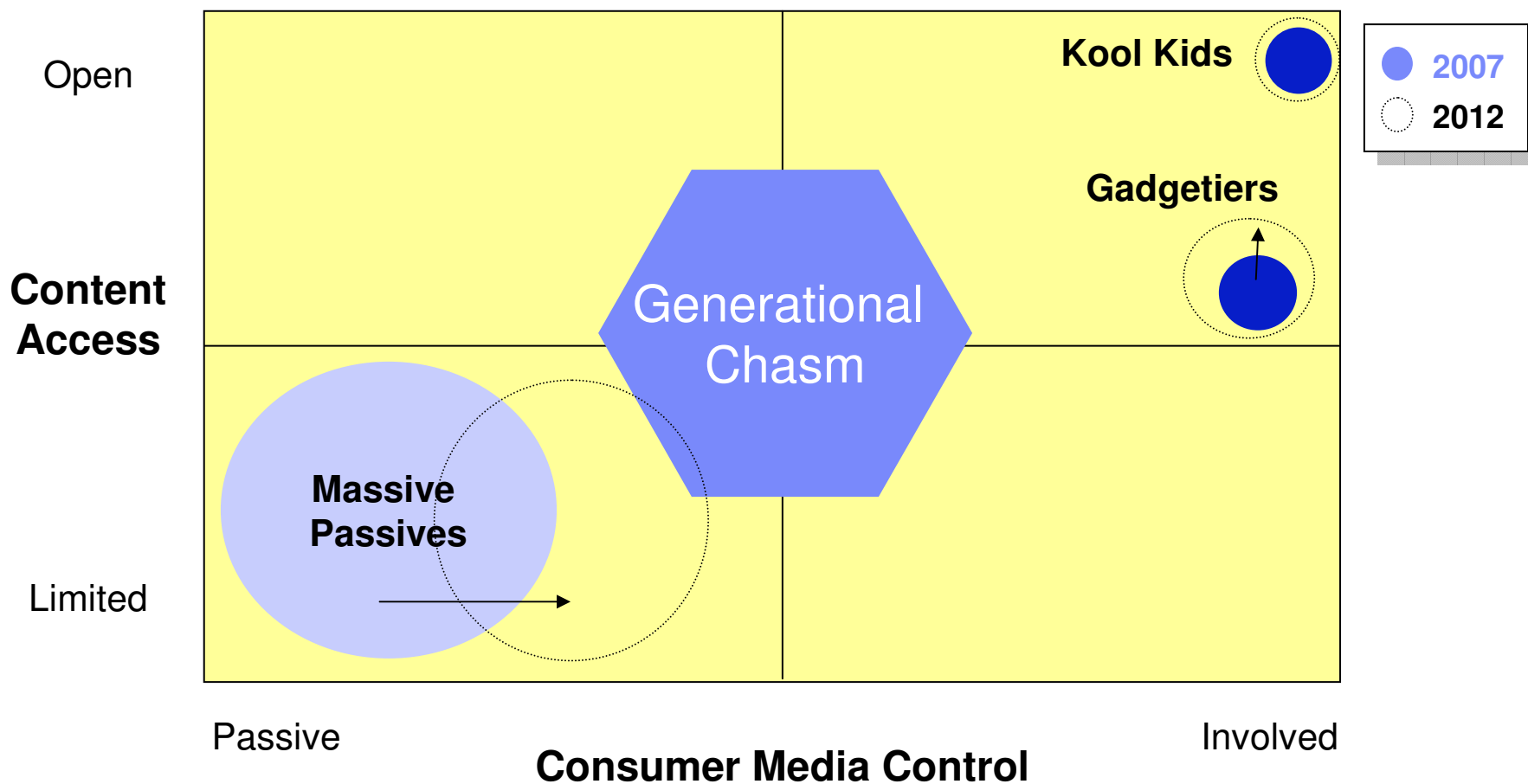
This cover features a photograph of three people sitting on a white sofa. A woman on the left is talking on a red mobile phone. A young girl in the middle is holding a red object to her mouth. A man on the right is looking down at a laptop. The background is a plain white wall.

As dollars continue to migrate to digital, companies need to focus “Beyond Advertising”

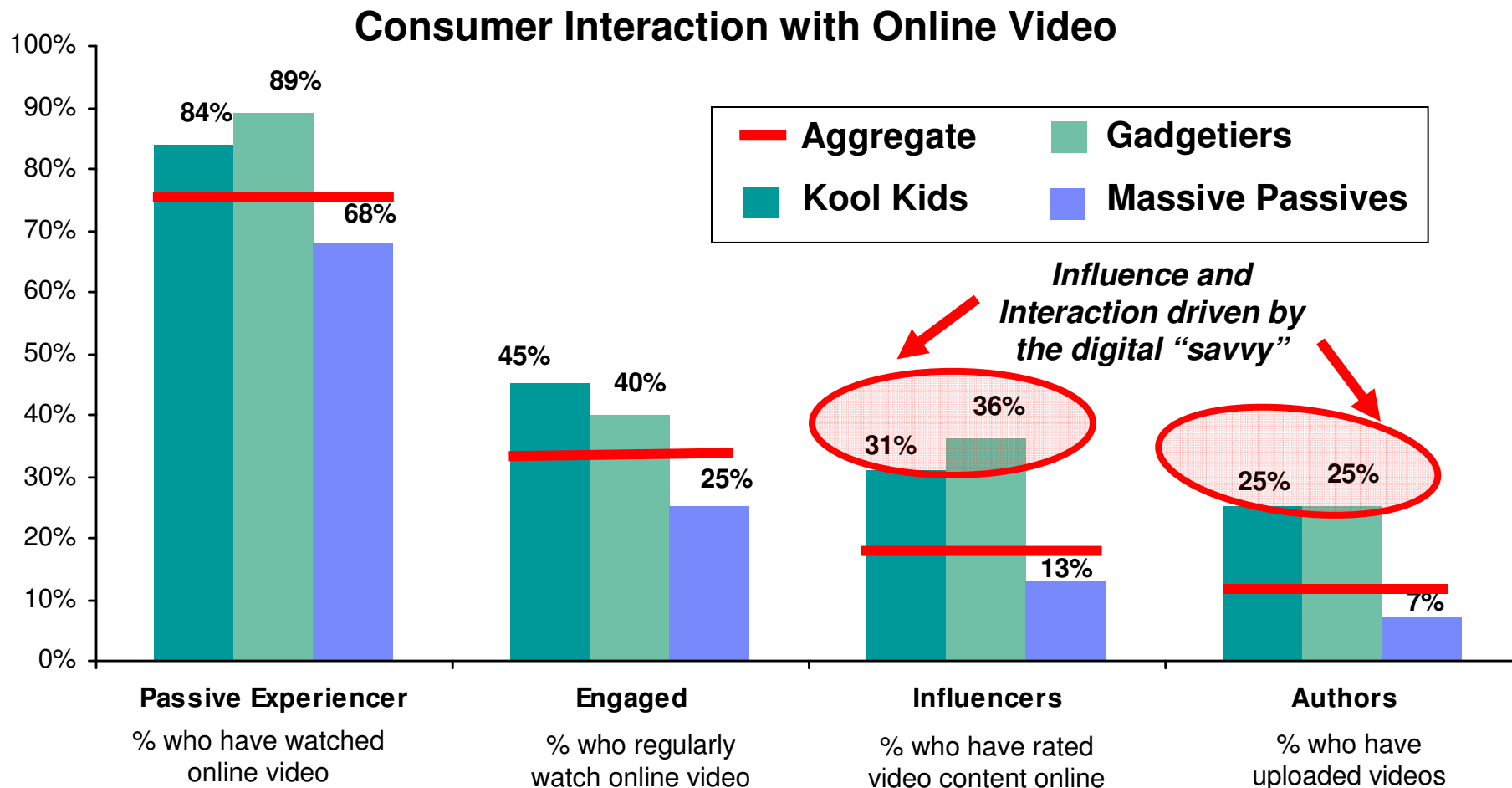


Dual strategies required to address distinct segments

Consensus Endstate for 2012



Digital content adoption outpaces expectations, but with varying levels of engagement



Let's hear directly from the “Kool Kids”

An eye towards the future – is there a role for traditional brands with the Kool Kids?



Kool Kids are more than twice as likely to visit a social networking site on a daily basis than an online newspaper site



Close to 50% suggest online television viewing is impacting their “regular” television viewing

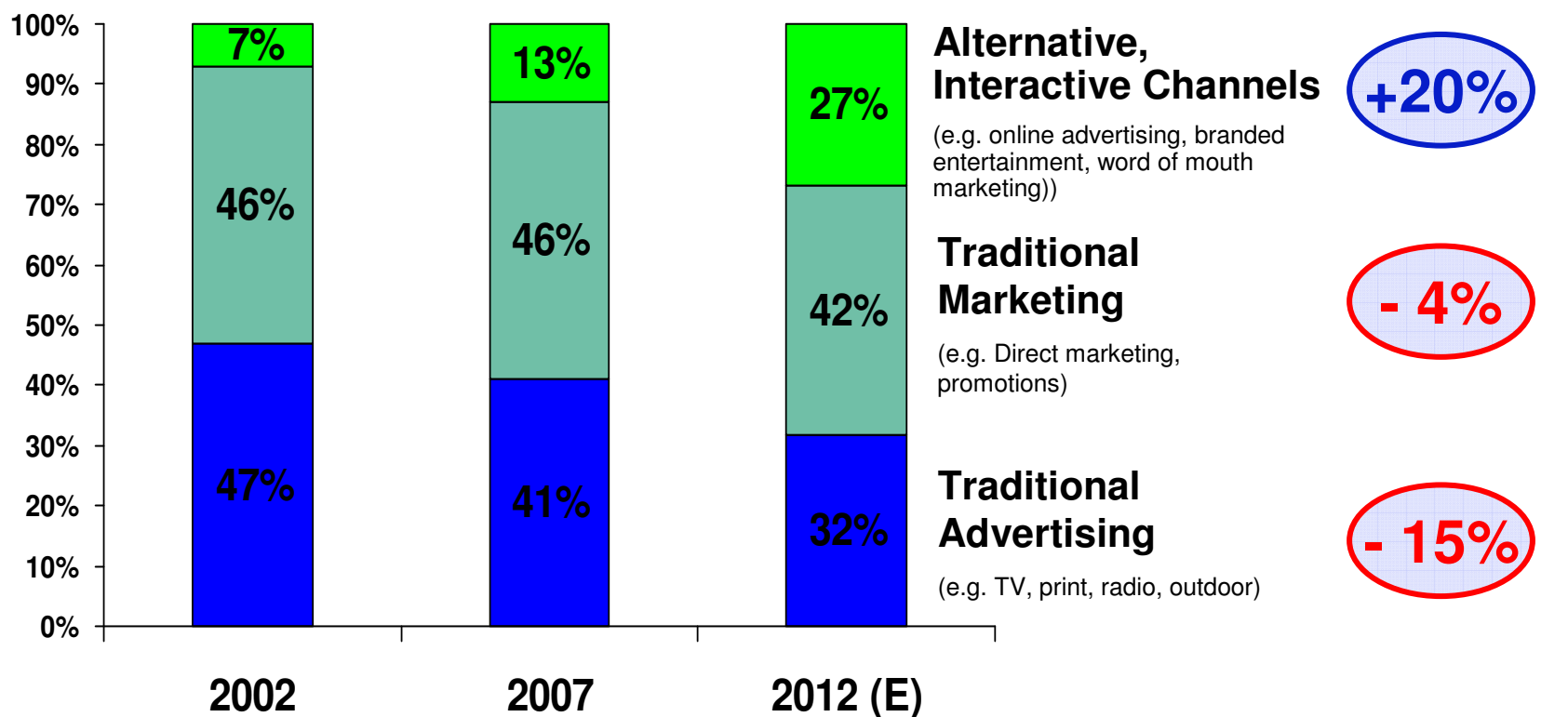


10% state the PC is now the primary source for accessing video content



Advertisers shift spend to measurable, interactive channels...

US Advertising & Marketing Share
2002 – 2012E



... and expect to pay for impact, not impressions



In an IBM study,
50% of
advertisers
expected 20% of
deals to be
impact-based
within 5 years

Source: Forrester Research, "Advertisers Face TV Reality," April, 2006

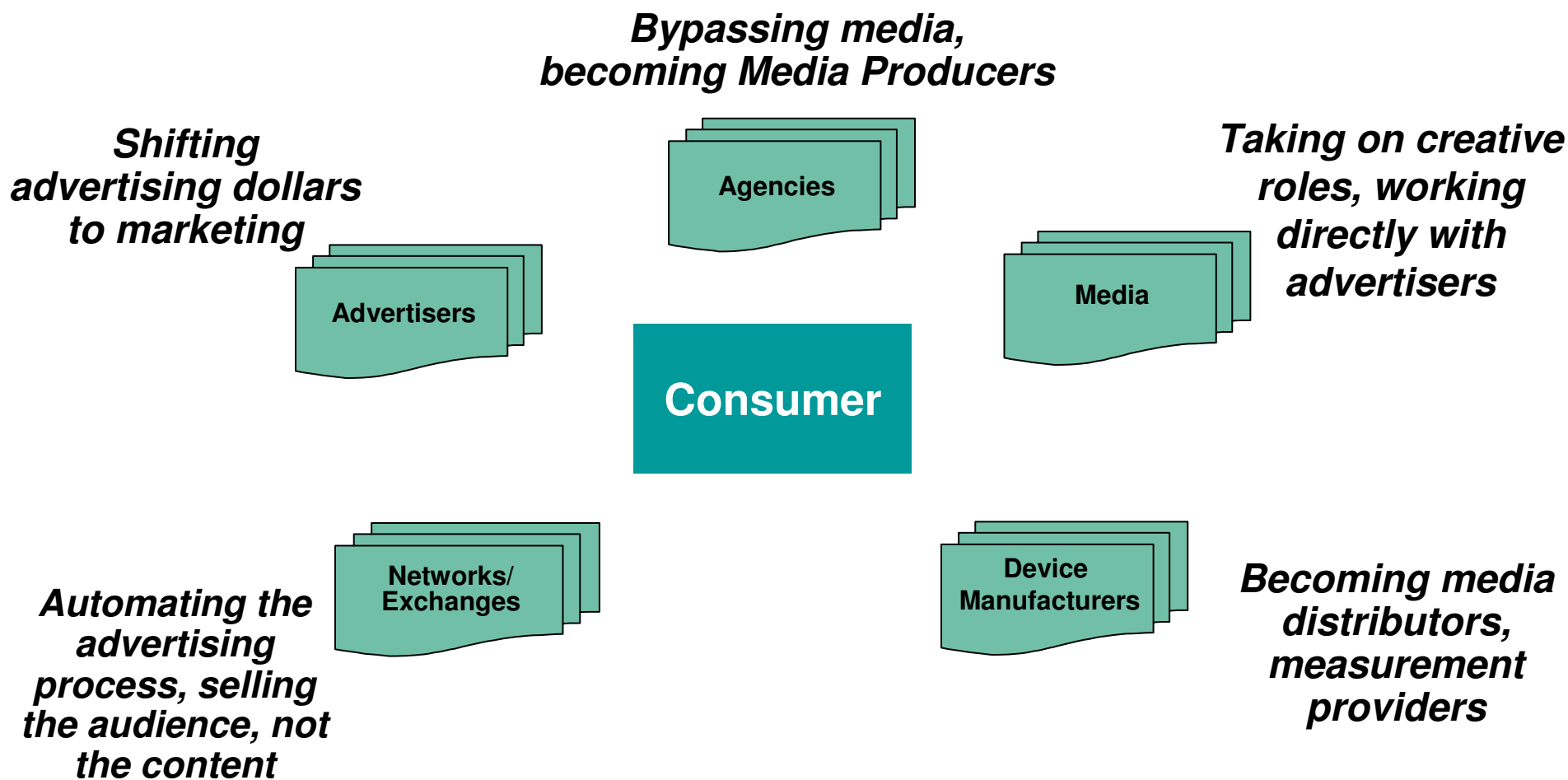
Digital migration blurs the historical distinctions between “advertising” and “marketing” platforms

“There is no longer a clear distinction between marketing and advertising disciplines.”

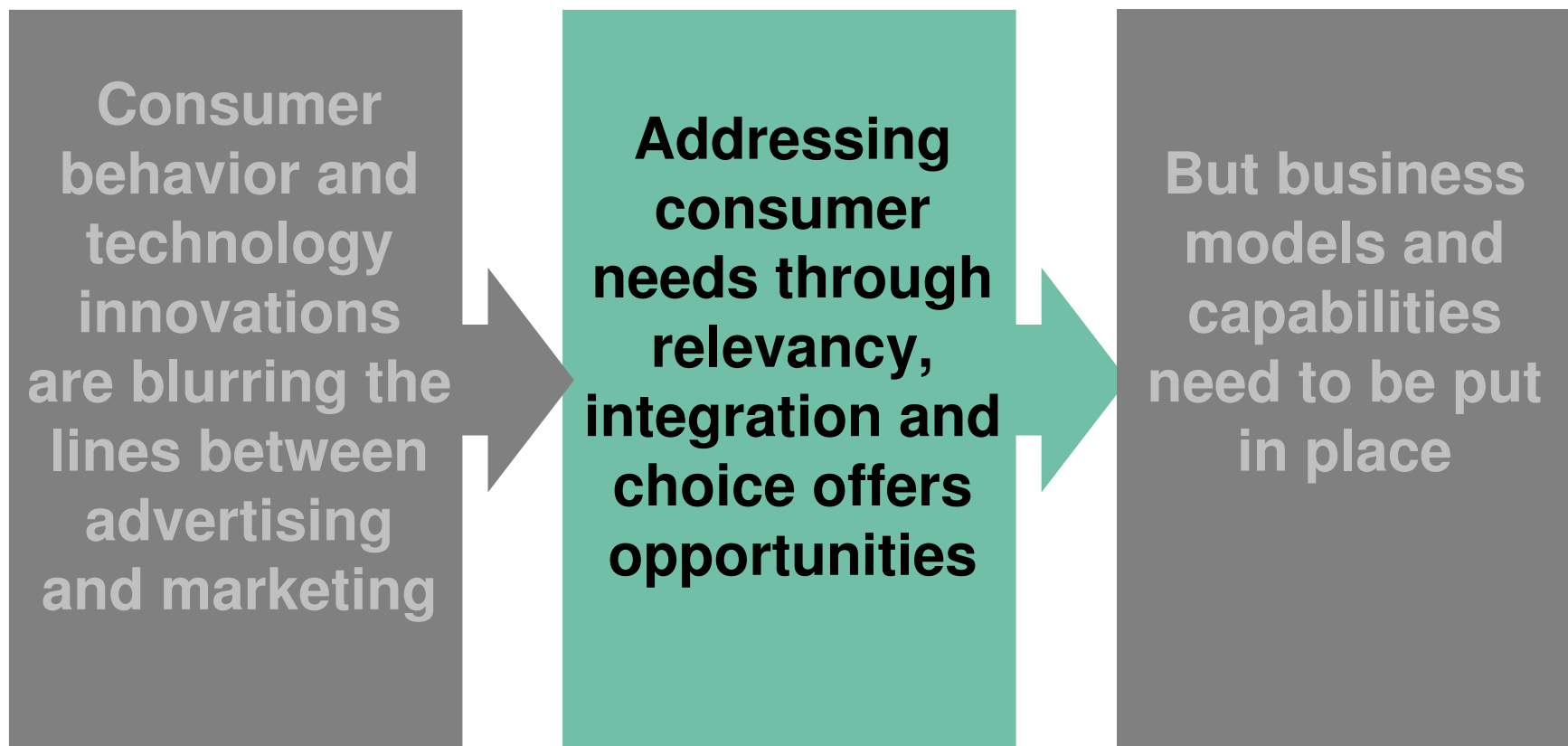
Every contact with a consumer is now an opportunity to impact your brand/reputation as well as an opportunity to drive action.”

(CEO North America, Global Advertising Agency)

Participants' roles in the ecosystem also blur

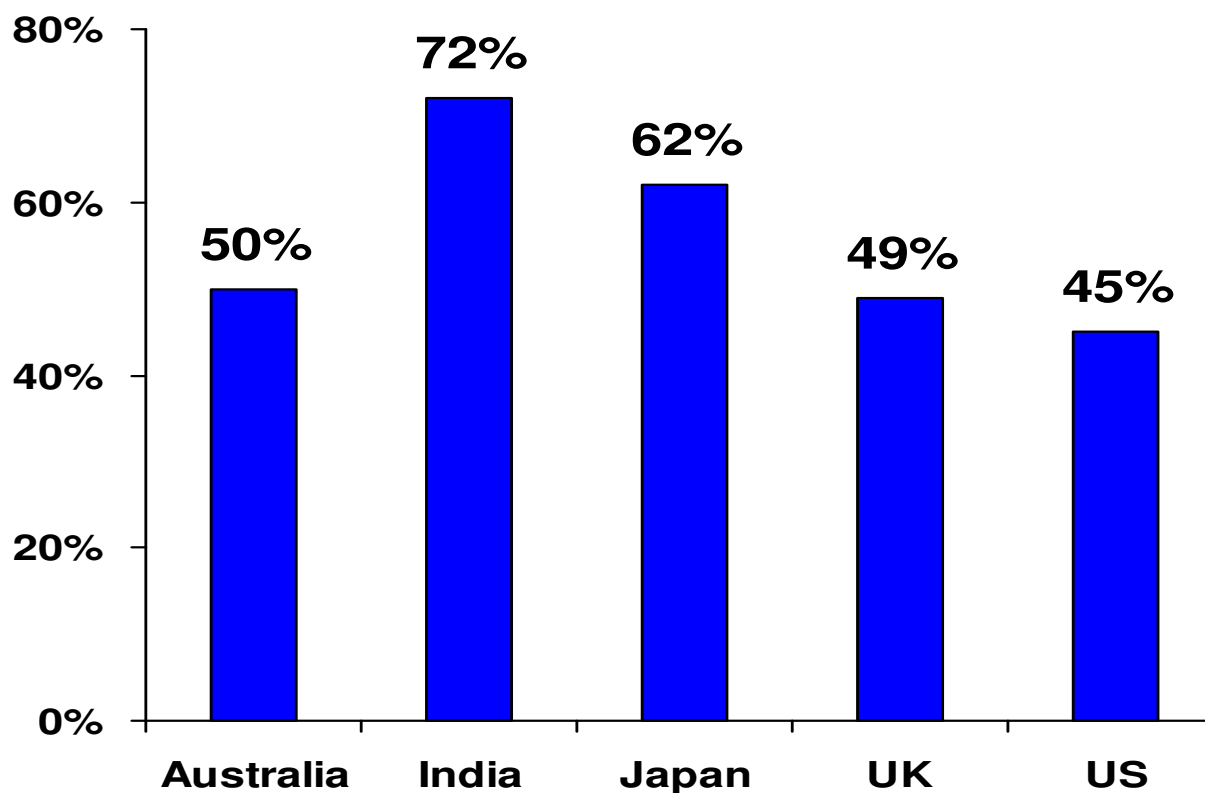


As dollars continue to migrate to digital, companies need to focus “Beyond Advertising”



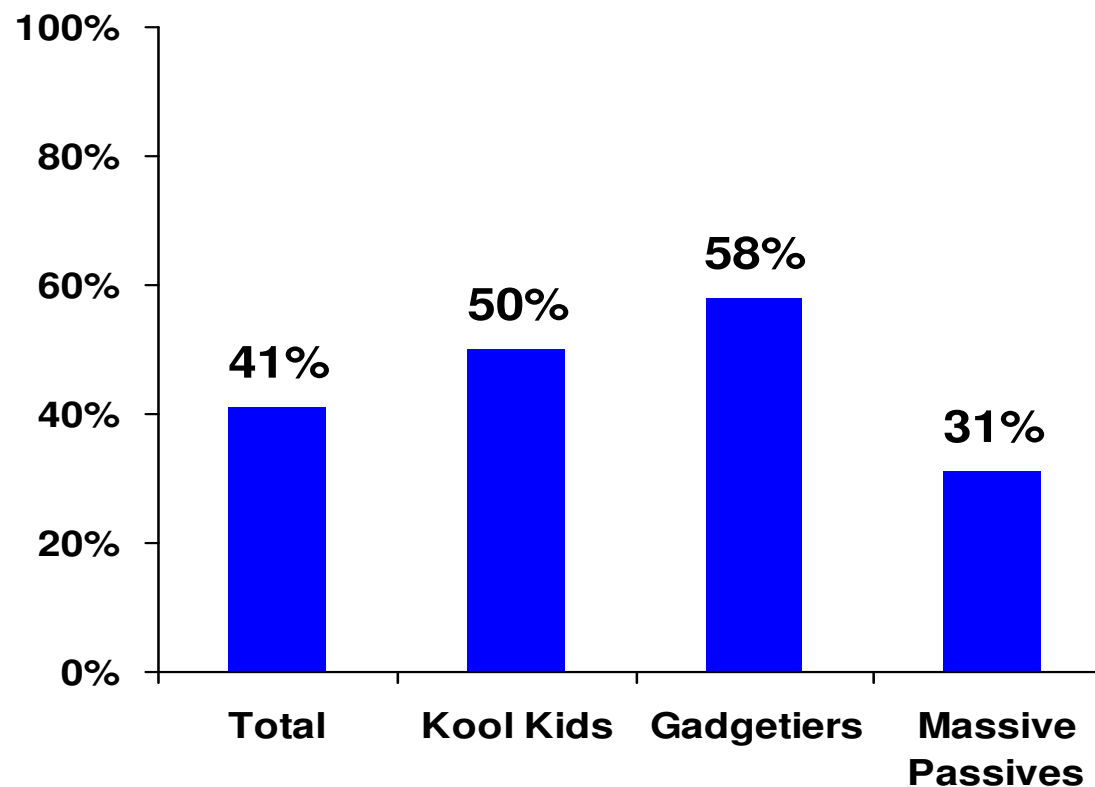
Relevancy: Consumers will trade information for value

Willingness to Provide Information About Yourself



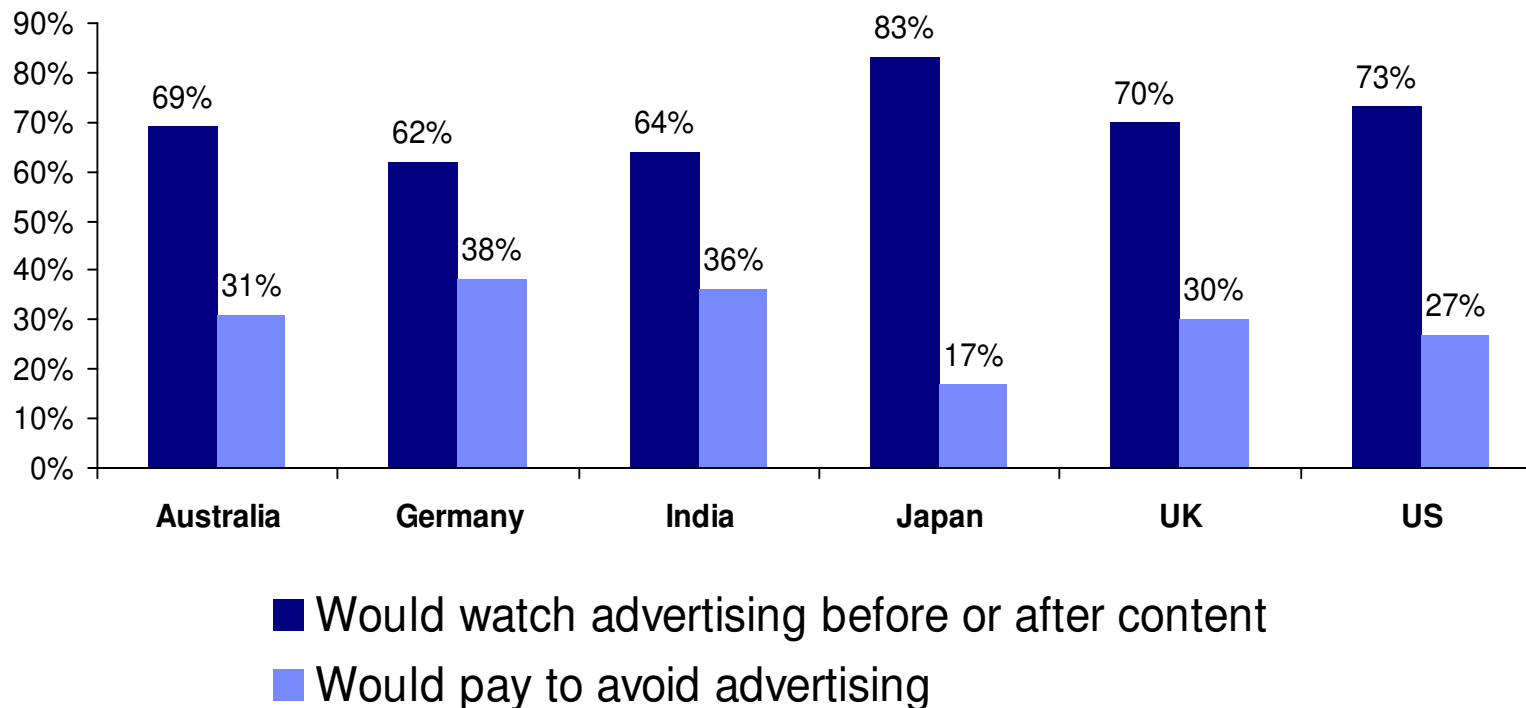
Integration: Consumers desire integrated content and messaging

Desire for Content Portability Across Devices (Global)

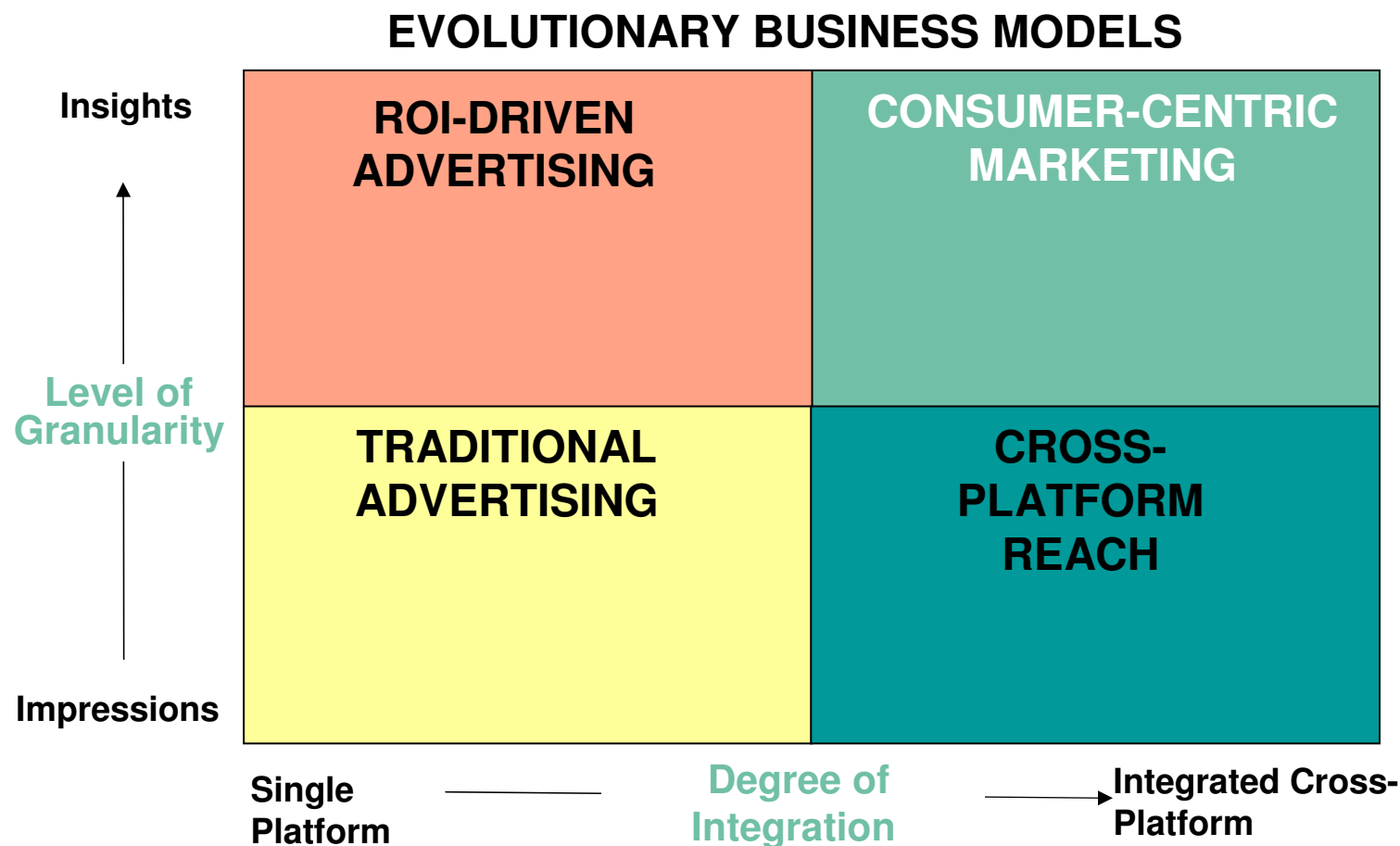


Choice: Sizeable segment will pay for content

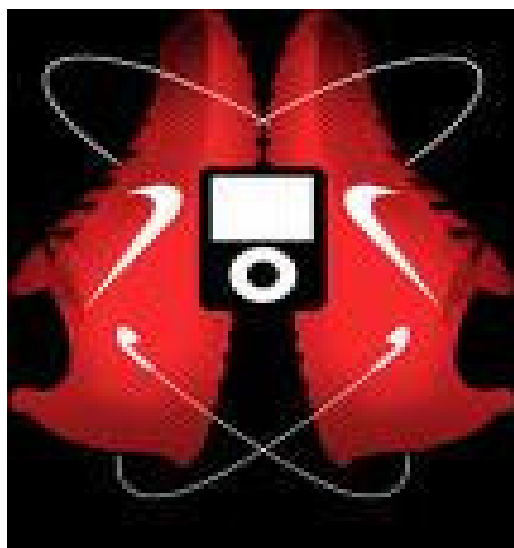
Business Model Preference Ad-supported versus paid content online



Beyond Advertising = Relevancy + Integration + Choice



Consumer-centric marketing: Nike Plus creates a seamless consumer experience and shifts ad dollars to marketing



Consumer-centric marketing: Vitamin Water creates Facebook App to crowd- source new product development



Consumer-centric marketing: Hearst develops contextually relevant, integrated campaigns for LG



HEARST corporation



Is this really a HOME MAGAZINE?
Or is it just the "new"?

CONTESTS

LG



Consumer-Centric Marketing: BabyCenter and First Response create online/mobile campaign, Booty Caller



+



=



"Booty Caller is the new and modern way for busy women everywhere to keep up with their fertility timing and options," said Linda Murray, editor-in-chief, BabyCenter.com.

As dollars continue to migrate to digital, companies need to focus “Beyond Advertising”



Industry realities continue to hinder progress in moving towards consumer centricity

Current Industry Realities

**NEW FORMAT
UNCERTAINTY**

FRAGMENTATION

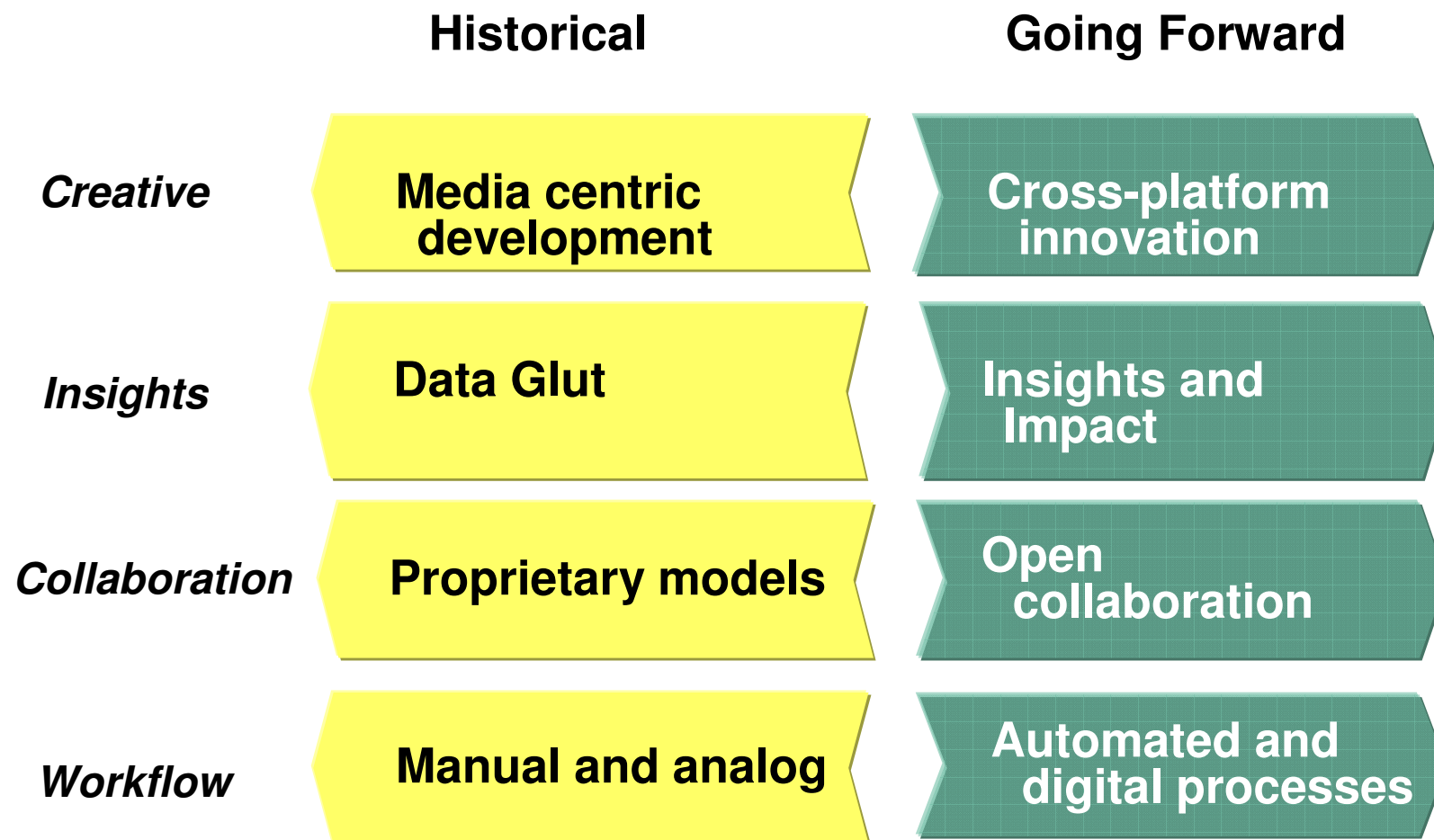
**SILO'D
OPERATING
MODELS**

DATA GLUT

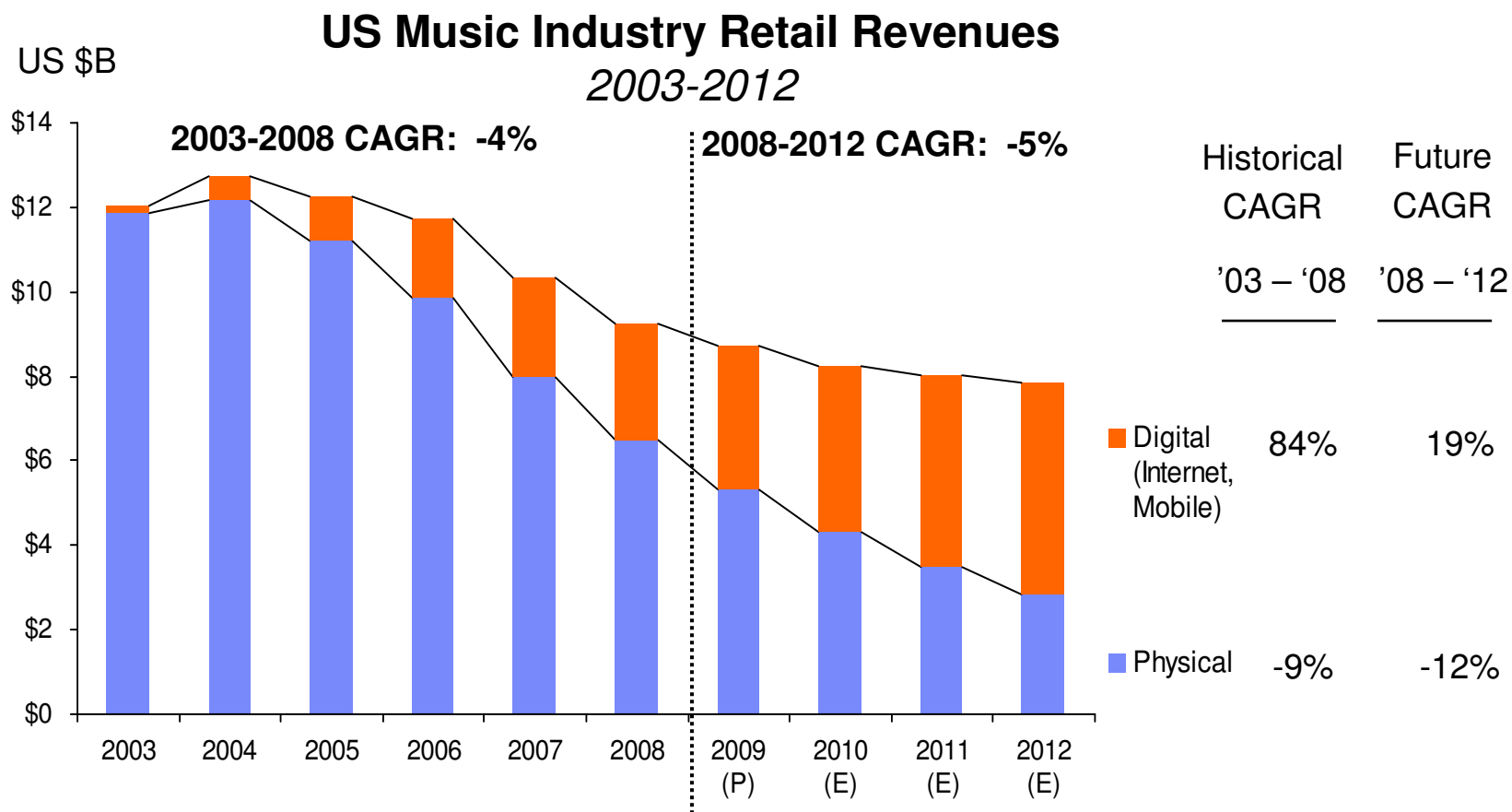
Industry Choices

- How to spend and allocate **investments** in light of current economic situation (e.g. targeting, video, social media)?
- How to drive **standards** in metrics, processes, and formats?
- How to **integrate across platforms** to offer consistency and relevancy to the consumer?
- How to turn the explosion in information into real-time, actionable **insights**?

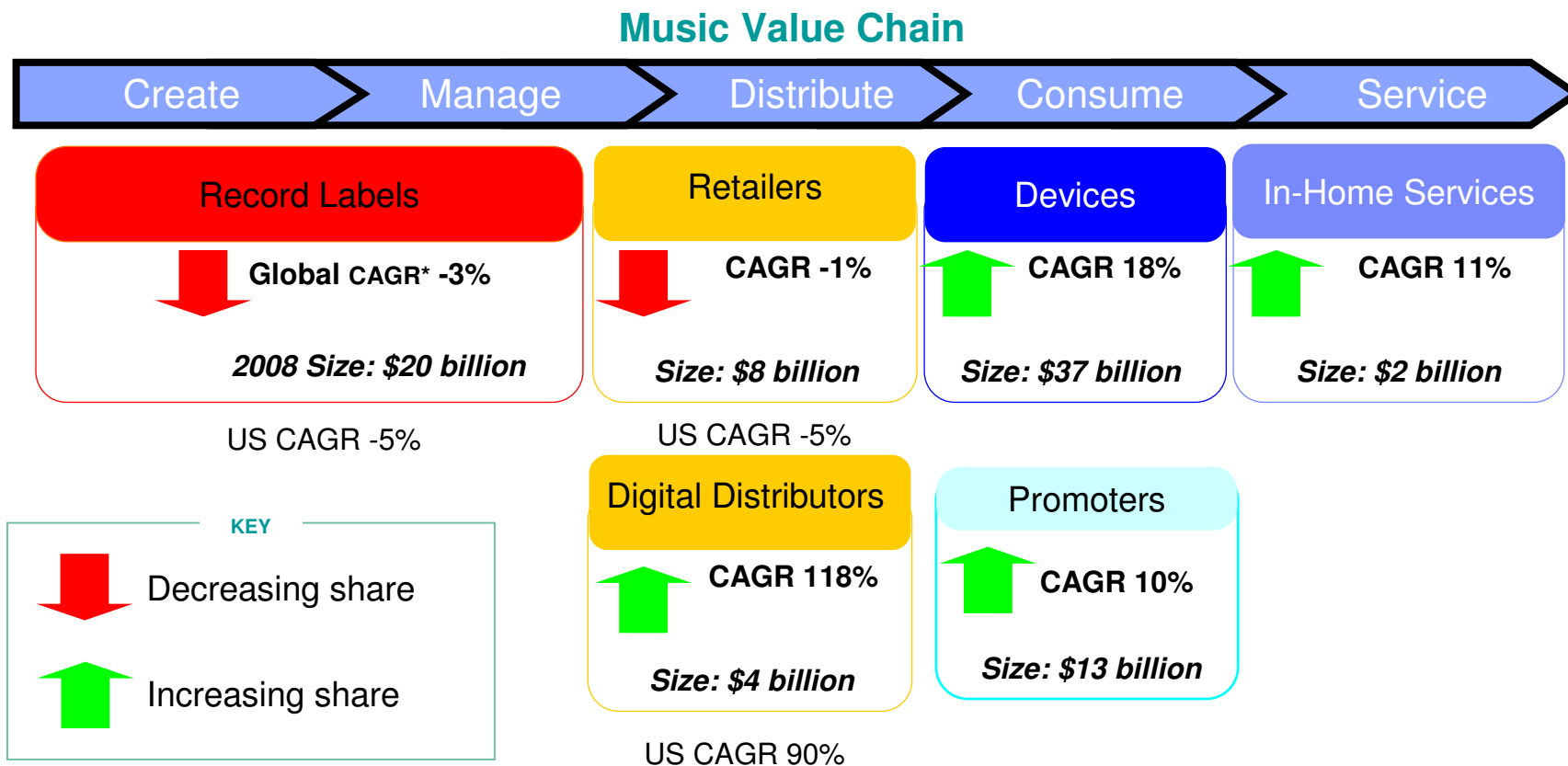
Competing in the new era requires new capabilities...



The music industry is a clear example of the impact of risk



Lessons from music -- value was not lost, but shifted closer to the consumer



Focus on multiple business models is required

Payer Innovation

*Beyond
traditional
advertising*

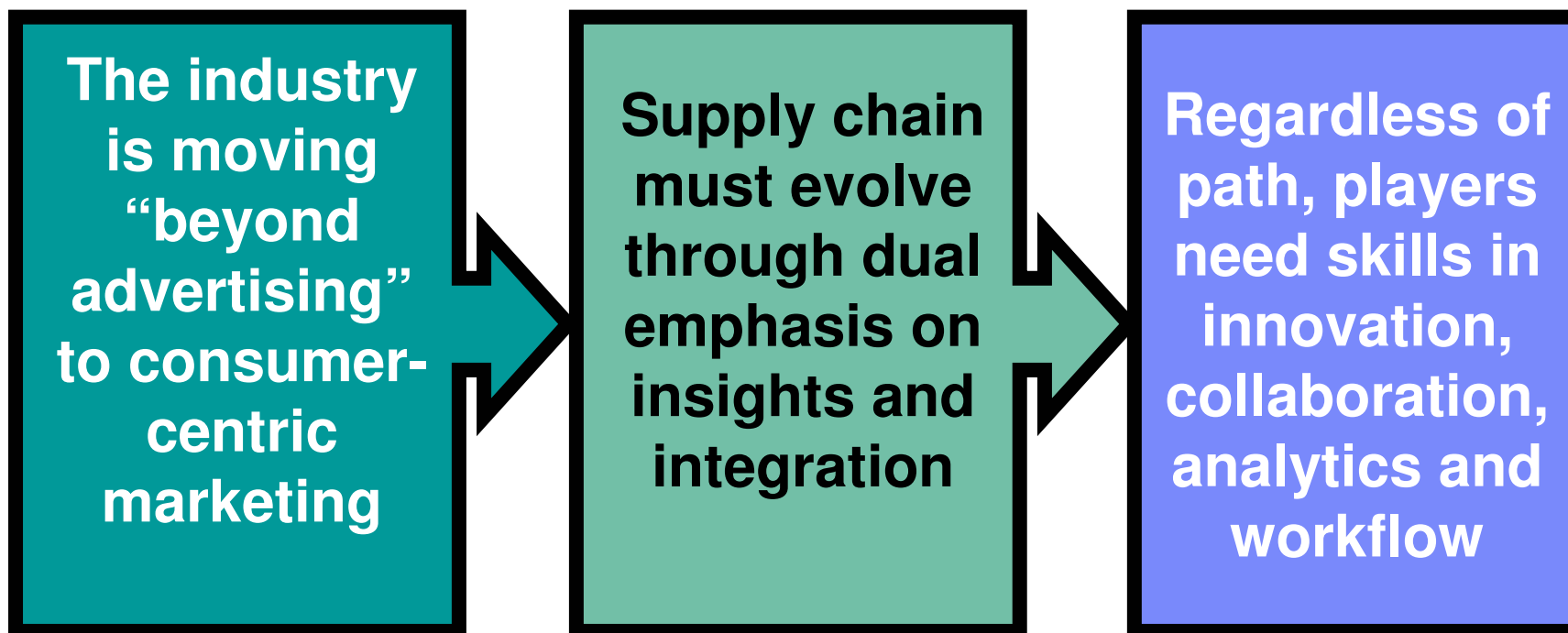
Pricing Innovation

*Tiered
pricing
strategies*

Product Innovation

*Seamless
experiences
across the
value chain*

In summary, the ongoing evolution of advertising will continually disrupt, *and provide opportunity* for players



Thank You

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