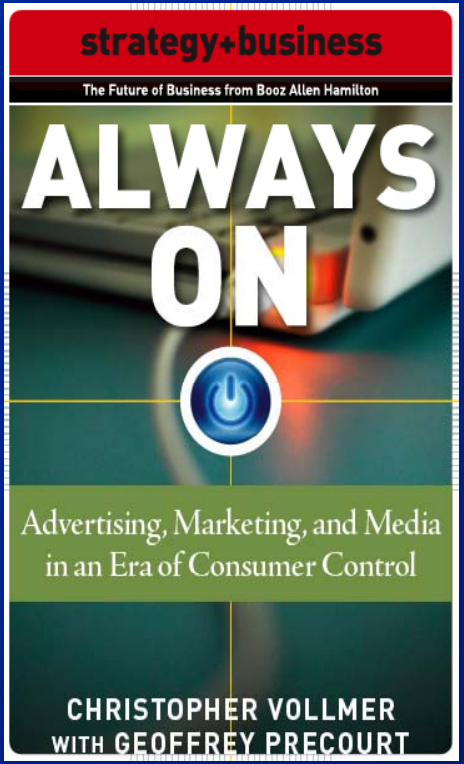


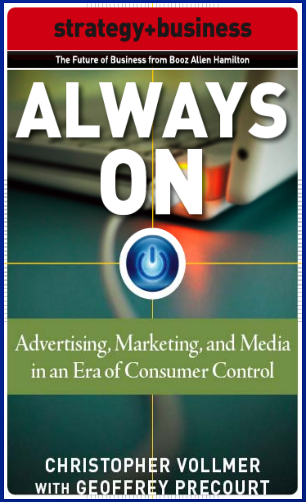
Always On: Advertising, Marketing, and Media in an Era of Consumer Control

Christopher Vollmer
Leader, US Media and Entertainment
Booz Allen Hamilton

May 8, 2008
strategy+business Webinar

"Always On" first in a branded S+B series: Future of Business with McGraw Hill

Advertising & Marketing

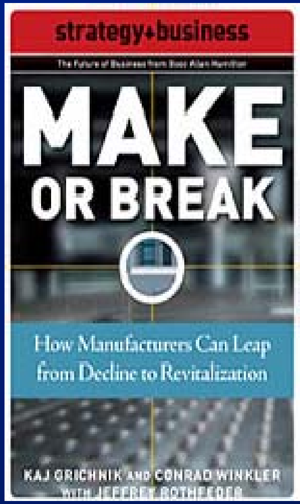


Always On: Advertising, Marketing, and Media in an Era of Consumer Control

by Christopher Vollmer with Geoffrey Precourt

April 2008

Manufacturing

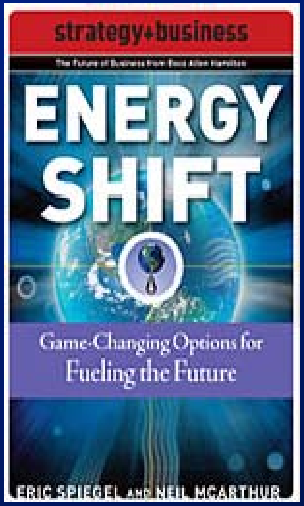


Make or Break: How Manufacturers Can Leap from Decline to Revitalization

By Kaj Grichnik and Conrad Winkler with Jeffrey Rothfeder

April 2008

Energy

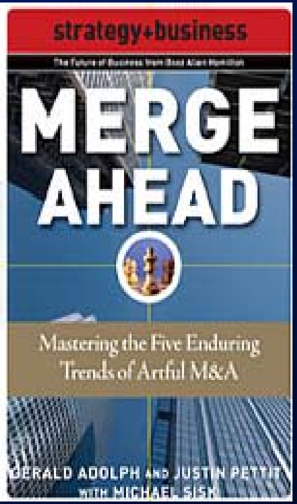


Energy Shift: Game-Changing Options for Fueling the Future

by Eric Spiegel and Neil McArthur

October 2008

Mergers & Acquisitions



Merge Ahead: Mastering the Five Enduring Trends of Artful M&A

By Gerald Adolph and Justin Pettit with Michael Sisk

October 2008

Today's Focus: How Advertising, Marketing And Media Are Being Redefined

- New opportunities for growth and market leadership across the marketing and media ecosystem
- Marketing more measurable, targeted and "two-way/ interactive" than ever before
- Many new platforms to entertain and engage the consumer
- Media mix being re-defined in virtually every industry
- Important new requirements around advertising innovation, media strategy, organization and metrics

Media Markets Continue To Fragment

of UK Programs with Audiences of 15MM+

1999	2004	2007
153	4	0

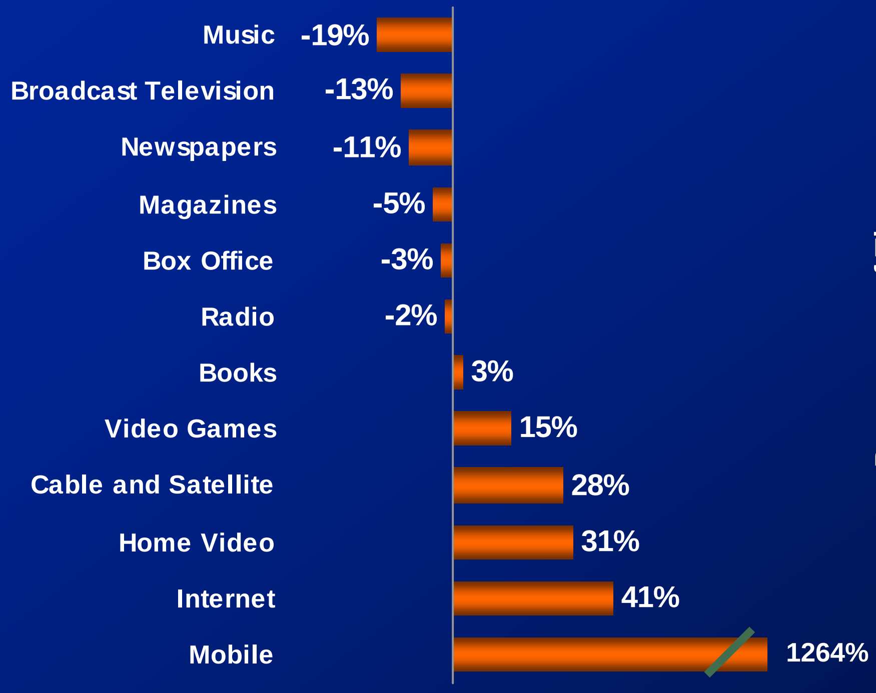
Average TV Channels Per Household (US)

1985	1995	2006
19	41	104

Source: BARB/Starcom; Booz Allen, Nielsen

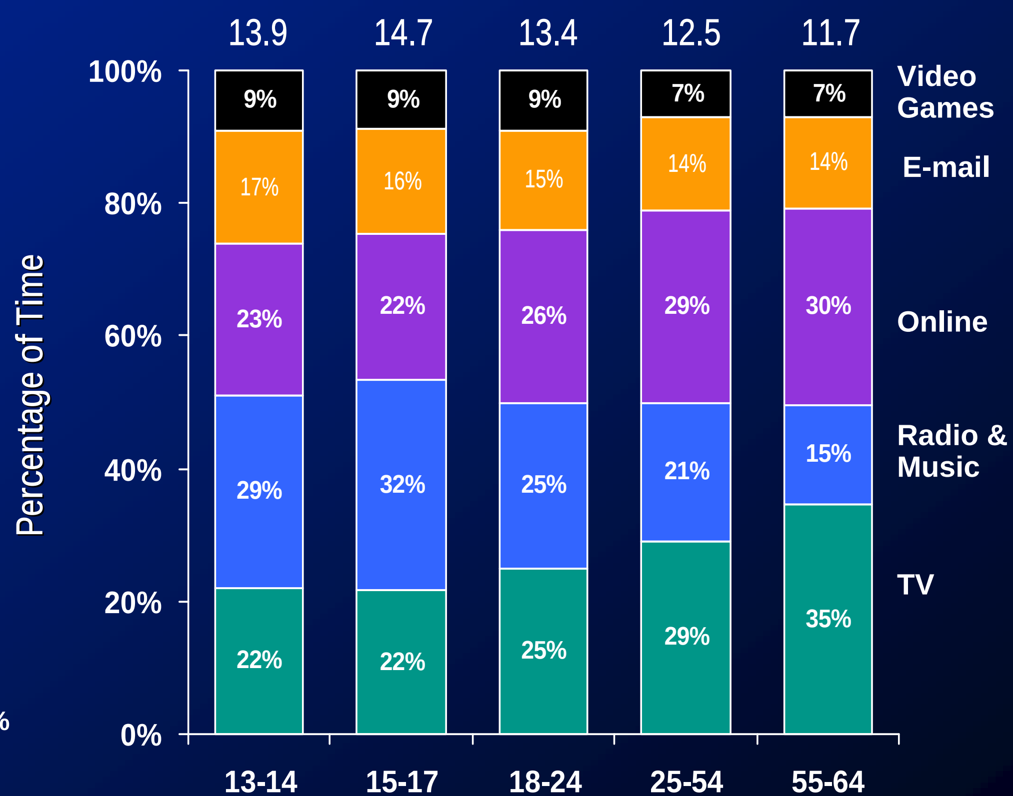
Consumers Shifting Media Usage Towards More Interactivity And User Control

U.S. Growth of Time Spent with Consumer Media: 2001 and 2006 (hours per year)



Source: Veronis Suhler Stevenson, PQ Media, Adams Media Research, Alexander & Associates, Arbitron, Audit Bureau of Circulations, Ball State University Media Design Center, Booz Allen Analysis

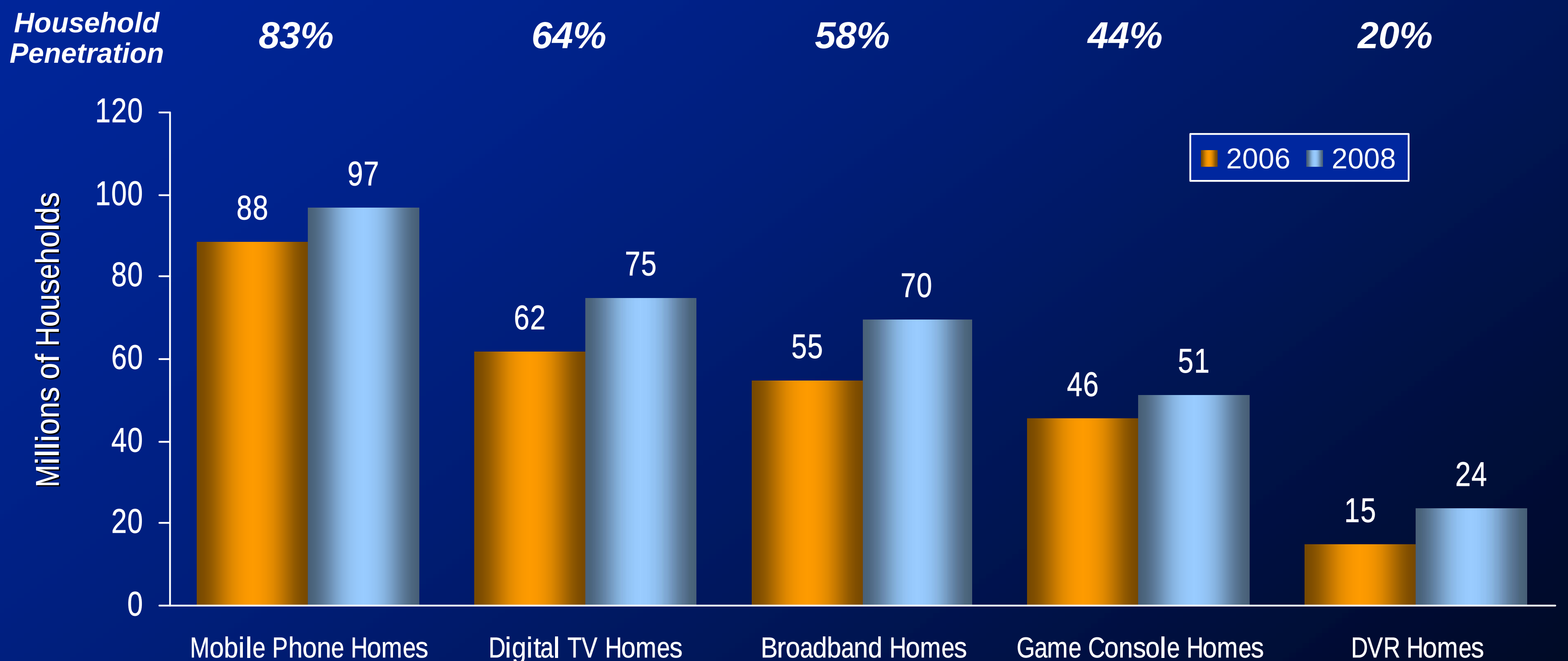
% of Time Spent with Media per Day (2007)



Source: eMarketer

Digital Platforms Reaching Critical Mass

U.S. Digital Media Households by Platform
(2006, 2008E)



Notes: Digital TV homes include digital cable households and satellite TV households

Source: Veronis Suhler Communications Industry Forecast 2007-2011; PWC Global Entertainment and Media Outlook 2007-2011; Forrester Research; CTIA; Nielsen; US Census; Booz Allen analyses

The "Always On" World

1. Proliferation of alternative media platforms that are at critical mass

2. Boundaries blurring between above- and below-the-line media

3. Advertising evolving from commercials to experiences

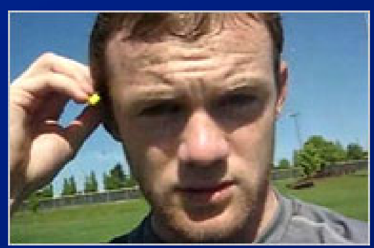
4. Intensifying focus on measurement of business impact

5. "Arms race" for consumer insight and big ideas

New Advertising Playbook Emerging: Relevance, Interactivity, and Accountability

Branded Digital Communities

Viral Online Video



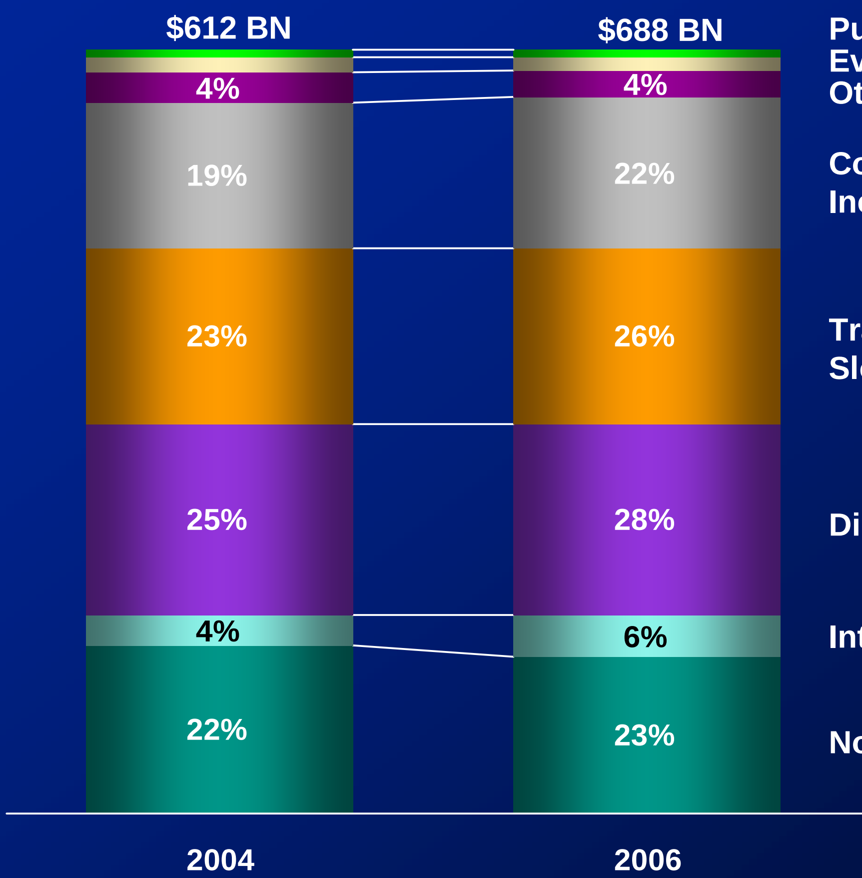
Interactive TV

Event Marketing/ Sponsorships

- Reduced Role of Traditional Media in Marketing Mix from 40% to 33% ('03-'06)
- US sales increased during the same period by 7%

Marketing Dollars Shifting To Focus On Measurability And Engagement

Marketing Mix
- 2004 vs. 2006 -



Growth 04-06

Public Relations	**10.0%**
Event Marketing	**8.5%**
Other	**2.0%**
Consumer Promotion/ Incentives	**8.0%**
Trade Promotion/ Slotting Allowances	**5.5%**
Direct Marketing	**5.7%**
Internet Advertising	**26.5%**
Non-Internet Advertising	**1.7%**

Below the Line Marketing 6.0% Annual Growth

Source: Unmeasured spend – Jack Myers Report Sept 2005, Veronis, McCann
Measured spend is average of Morgan Stanley, Zenith Optimedia, PWC, Veronis Suhler 2005/ 2006, Booz Allen Analysis

Major Players Transforming Their Marketing

Johnson & Johnson

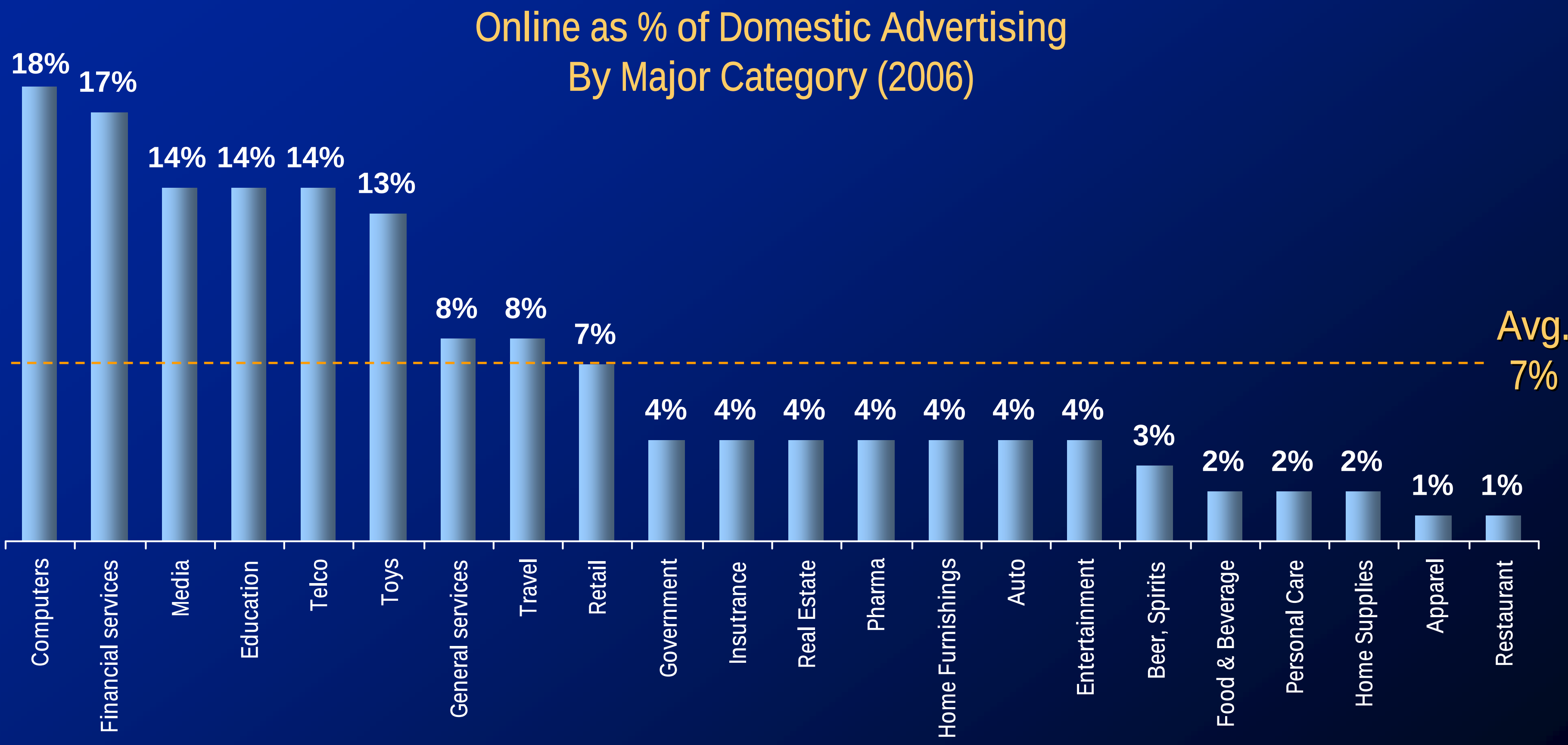
Change the Marketing Organization

- New media/marketing roles at Corporate – recruited new sr. talent
- Intergrated communications planning approach
- Central “media innovation” fund at Corporate

Redesign the Marketing Mix

- New metrics (IAG)
- Slashed measured media by 22% -- 2006-07
- Shifted ~20% of media spending to nontraditional media
- Increased investment in BabyCenter.com

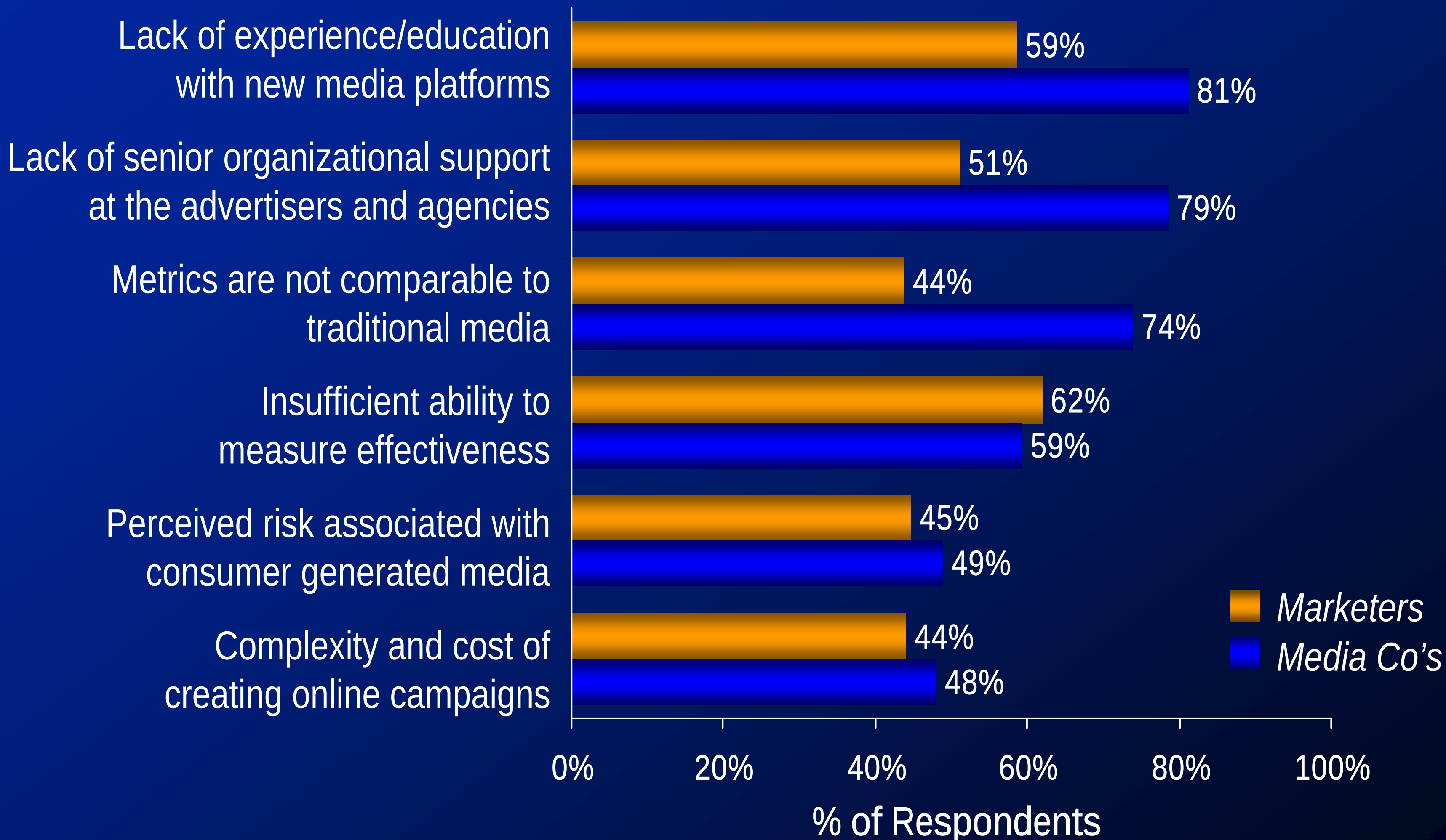
Many Brand Advertisers Have Yet To Move Significant Spending Online



Source: TNS ; Booz Allen analysis

More Education, Better Metrics Required

Perceived Barriers to Online Spending



Source: Marketing & Media Ecosystem 2010 - an ongoing study jointly sponsored by the ANA, IAB, AAAA & Booz Allen

The Ecosystem Is At An Inflection Point

- Online Is No Longer Experimental –
  It's Part Of The Media Mix

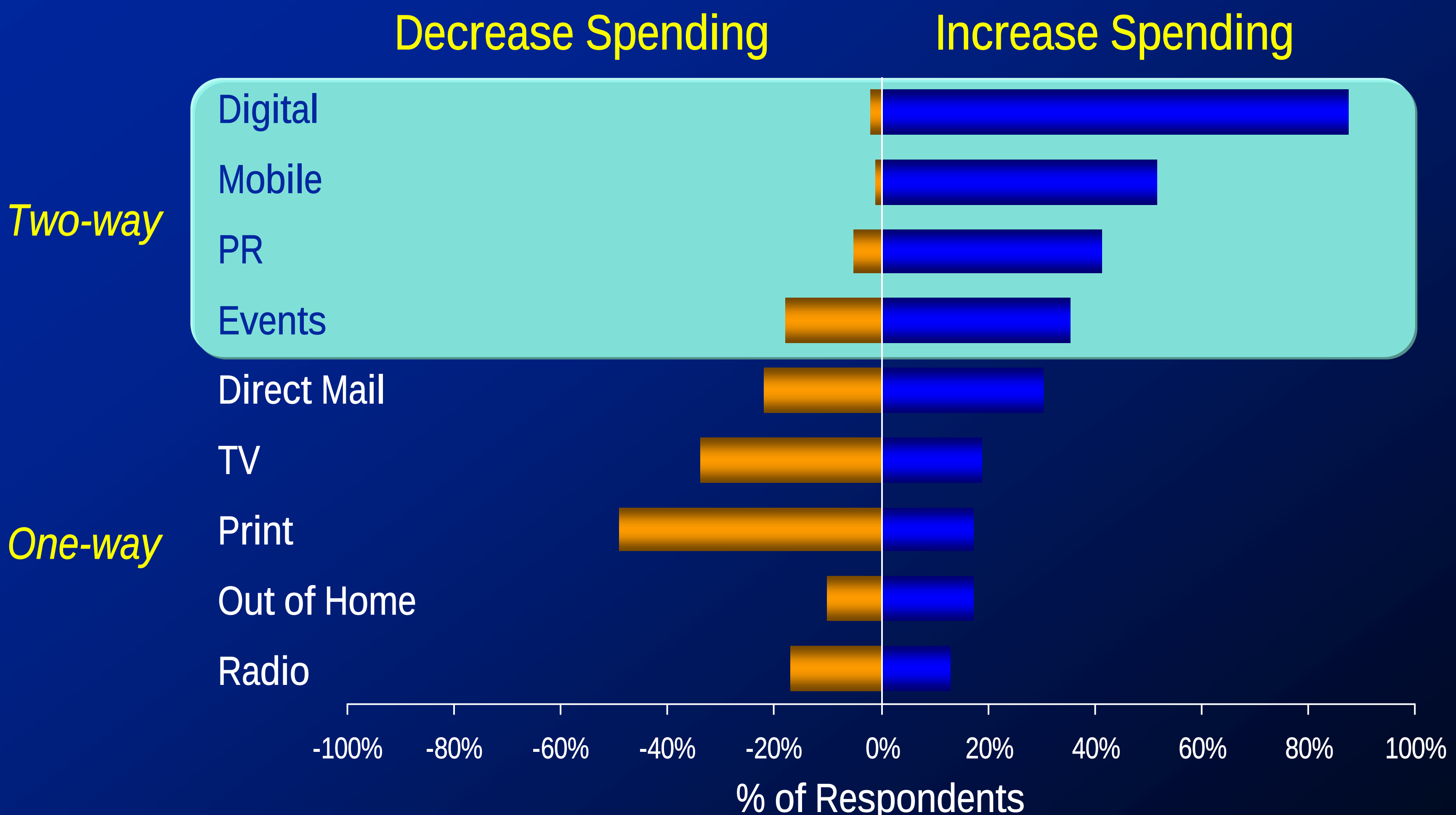
- Massive Audience Fragmentation:
  More Choices than Ever for Consumers <u>and</u> Advertisers

- Search and Ad Networks Have Been Key Growth Drivers

- Video and Social Networks Lots of Usage
  but Undermonetized

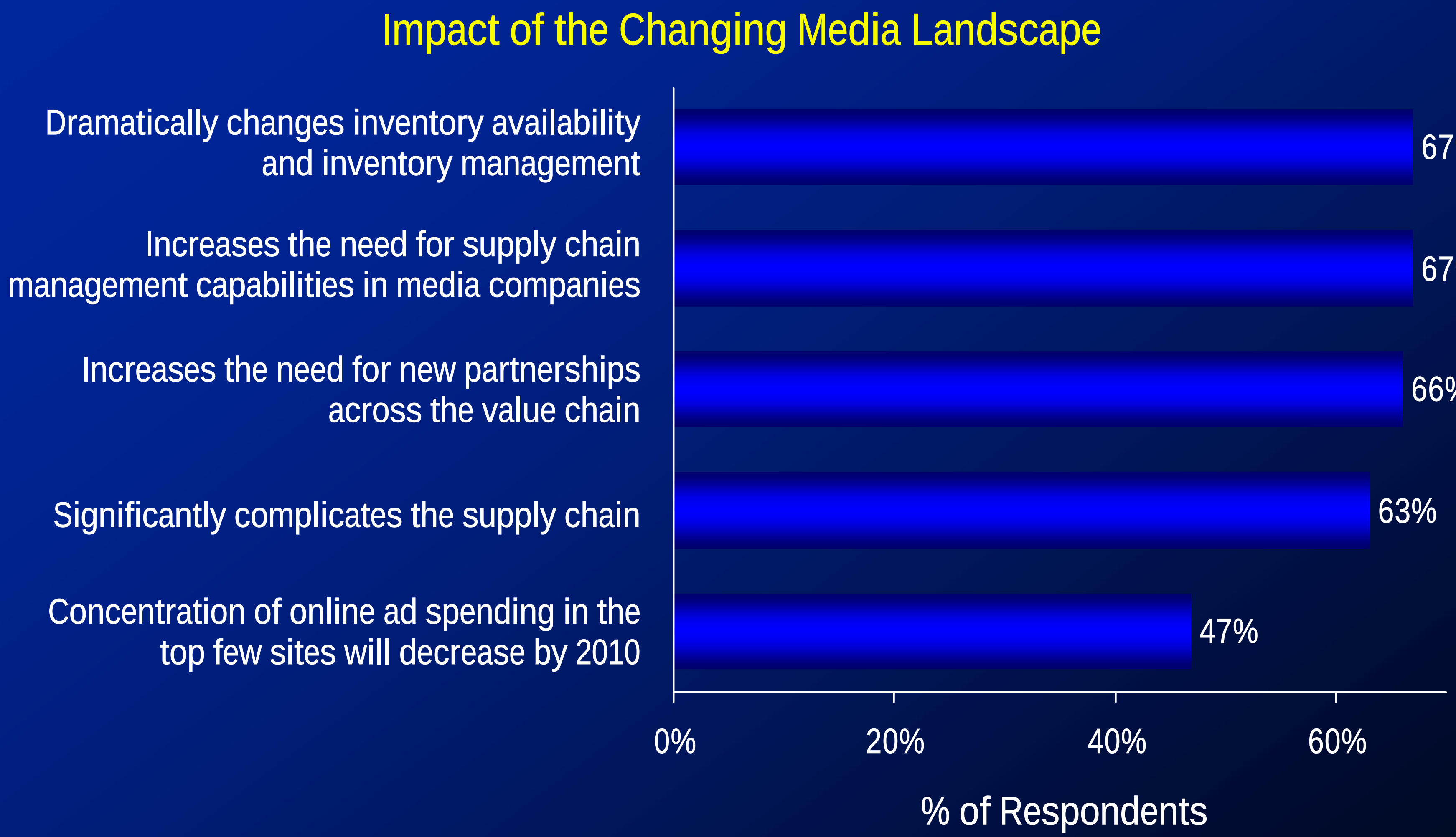
- Most Major Marketers Have Not Shifted
  "Significant" Dollars

Marketers Get It: They Need to Catch Up To Where The Consumer Is



Source: Marketing & Media Ecosystem 2010 - an ongoing study jointly sponsored by the ANA, IAB, AAAA & Booz Allen

More Ecosystem Complexity Expected



Source: Marketing & Media Ecosystem 2010 - an ongoing study jointly sponsored by the ANA, IAB, AAAA & Booz Allen

The Challenges of "Always On" Go Well Beyond The Media Mix

Marketers Need Multiple New Skills

Greater Potential for Insight, Measurement

Key Challenges For Marketers With "Always On"

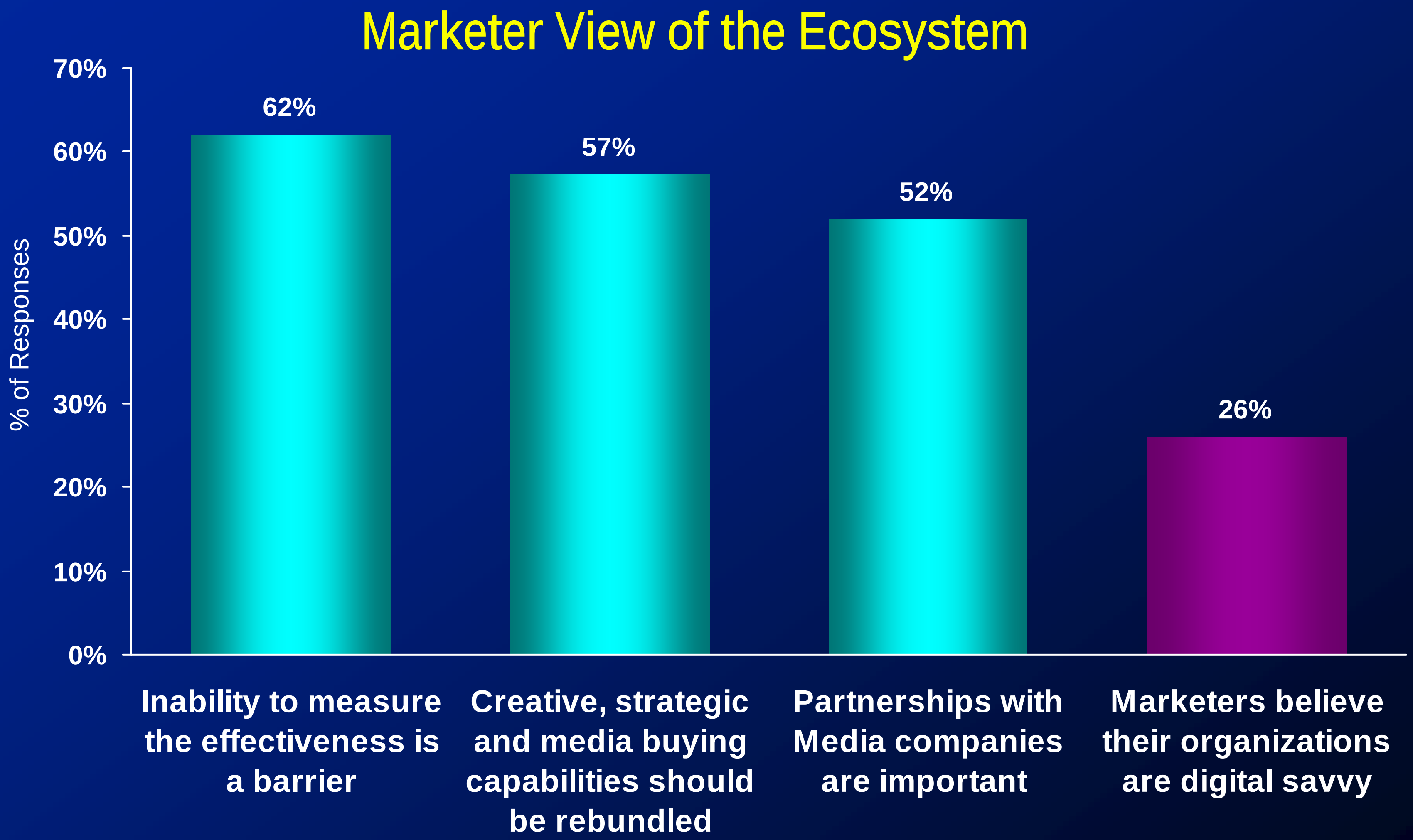
Other Constituents Require Education (e.g., Sales, Retail)

Planning, Buying Cycles More Dynamic – Need More Flexibility

Important New Requirements

- Organization (structure, roles, talent)
- Consumer insight and metrics
- Internal and external education
- 3rd party relationships (agencies, media partners)

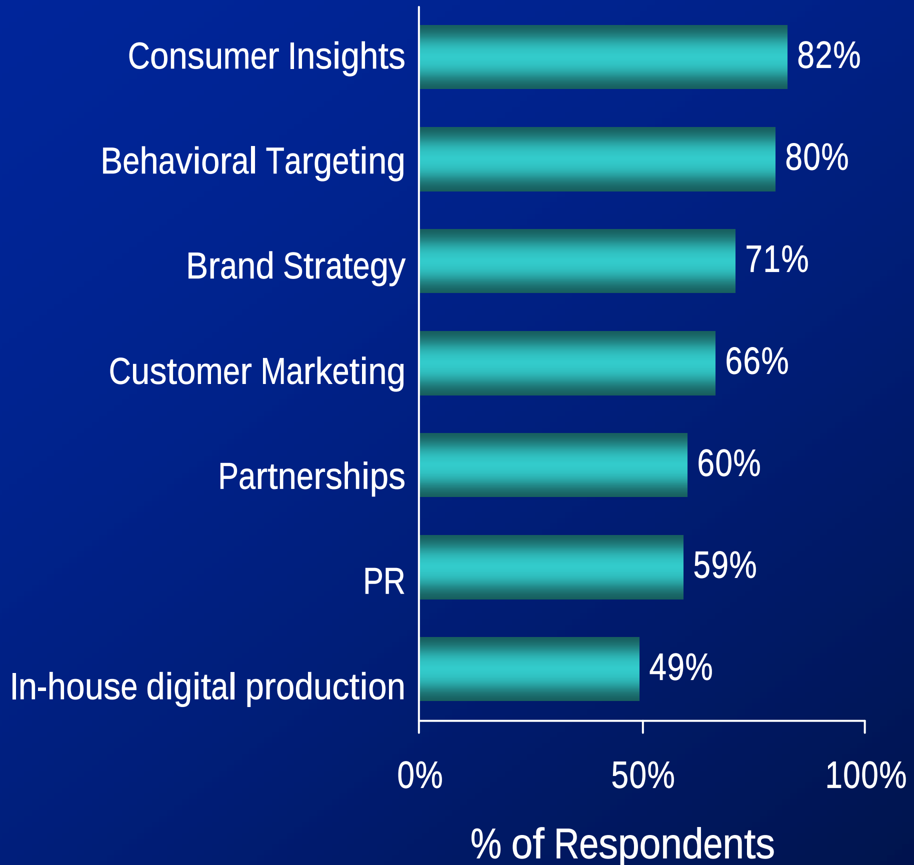
They Need Help to Move Even Faster



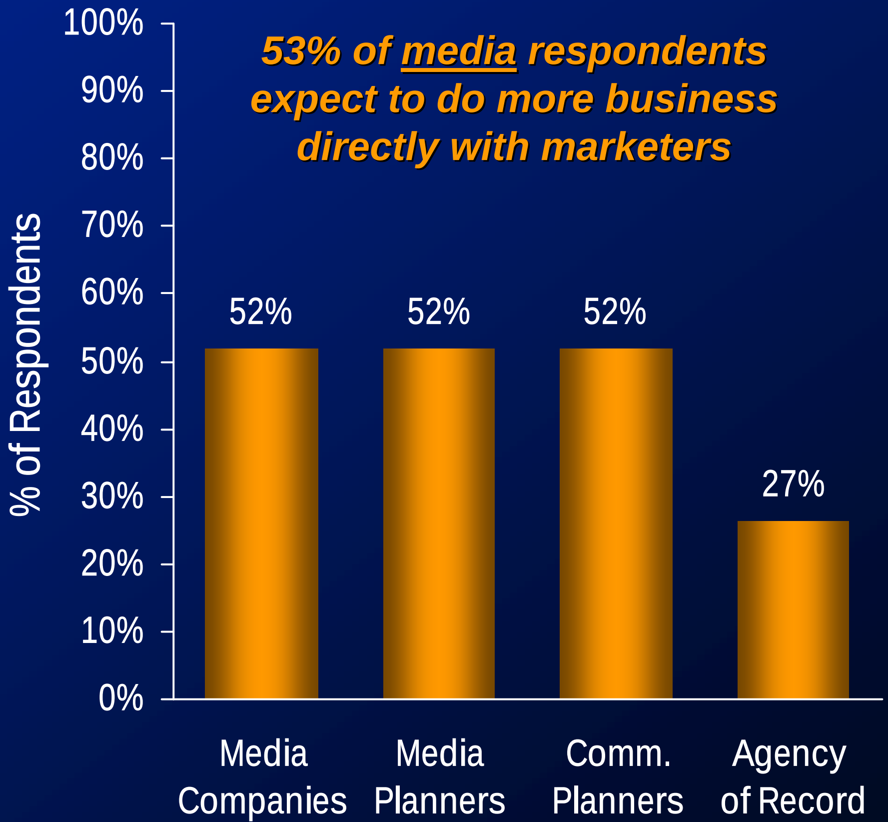
Source: Marketing & Media Ecosystem 2010 - an ongoing study jointly sponsored by the ANA, IAB, AAAA & Booz Allen

Marketer Expectations Are Changing

Marketers Believe the Following Capabilities Will Become More Important by 2010



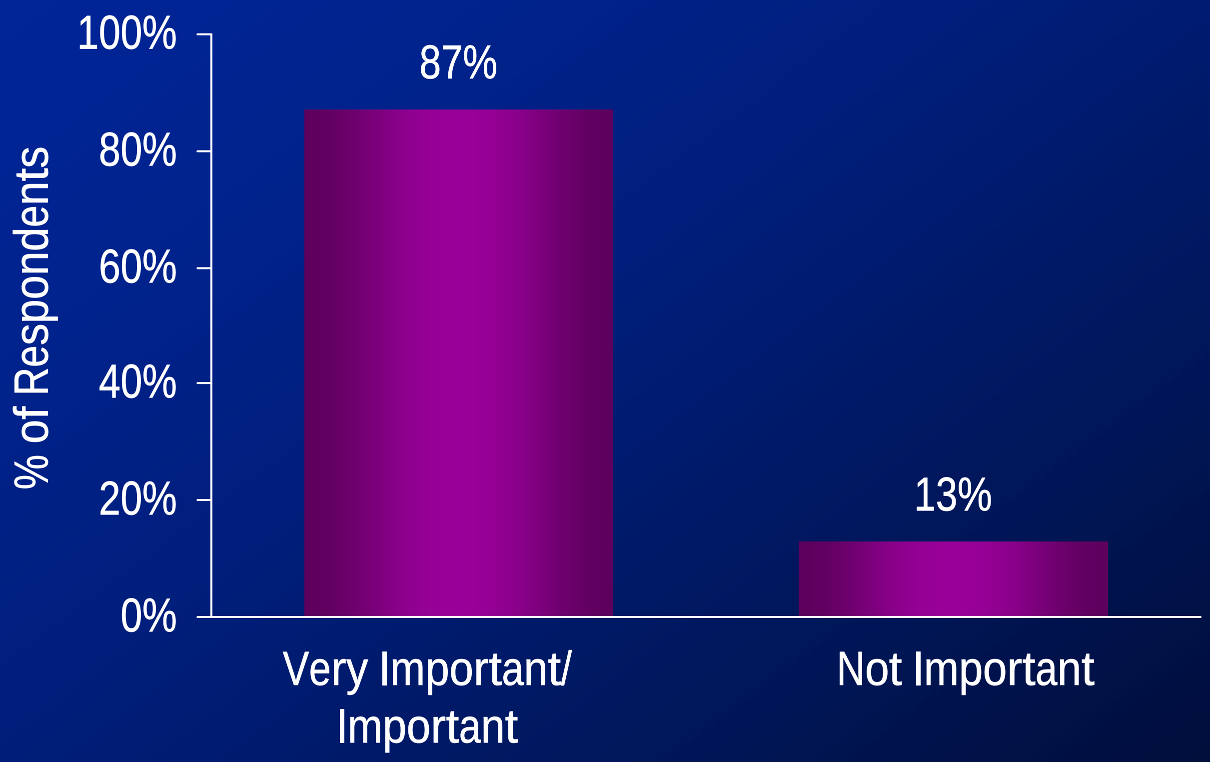
Which Direct Partnerships Will Be More Important in the Future?



Source: Marketing & Media Ecosystem 2010 - an ongoing study jointly sponsored by the ANA, IAB, AAAA & Booz Allen

More Marketer Education Is Critical

Need for the Ad Sales Team to Educate Marketers and Agencies

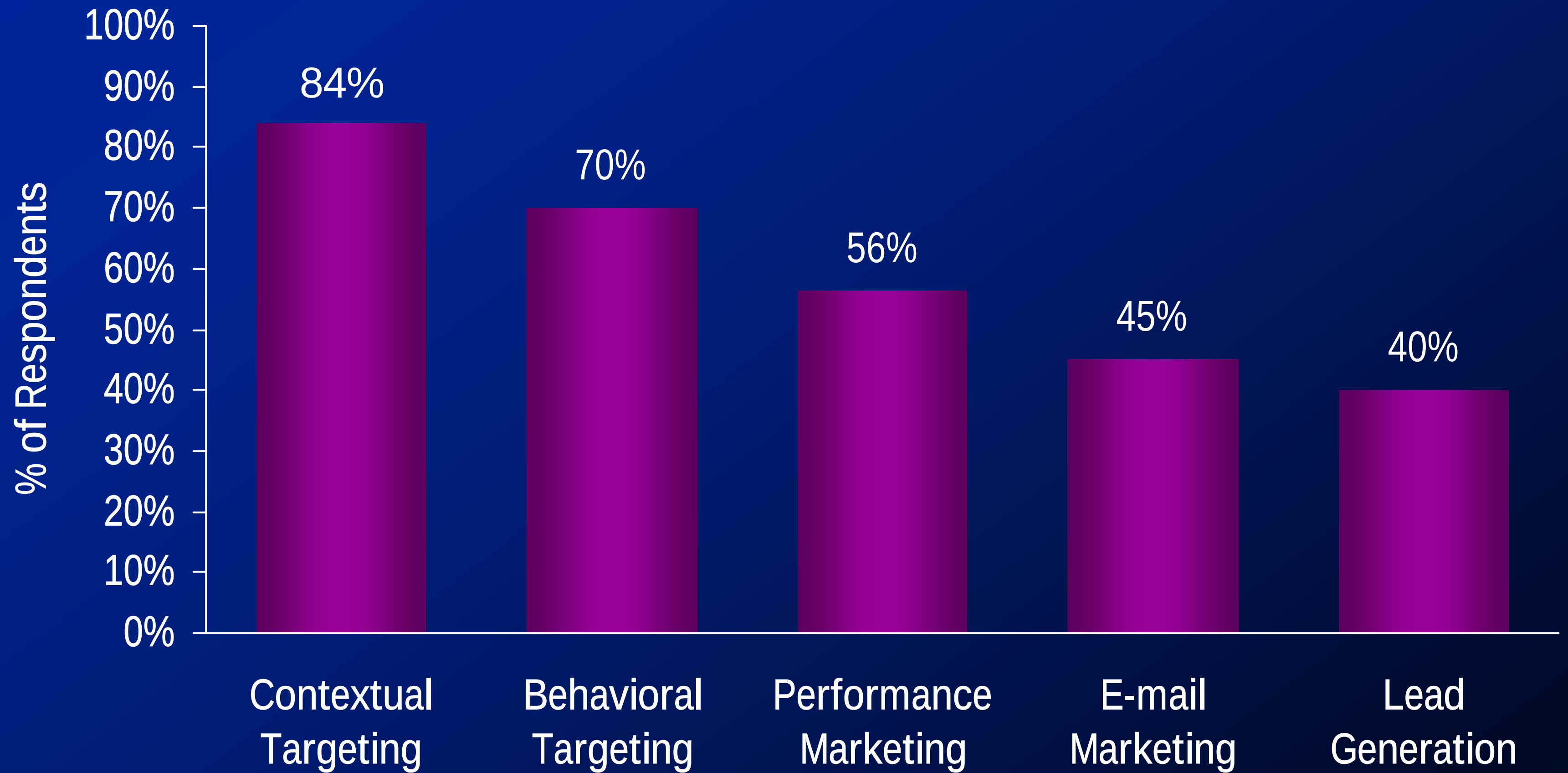


70 % of Media Co's Will Expand Their Education Capabilities By 2010

Source: Marketing & Media Ecosystem 2010 - an ongoing study jointly sponsored by the ANA, IAB, AAAA & Booz Allen

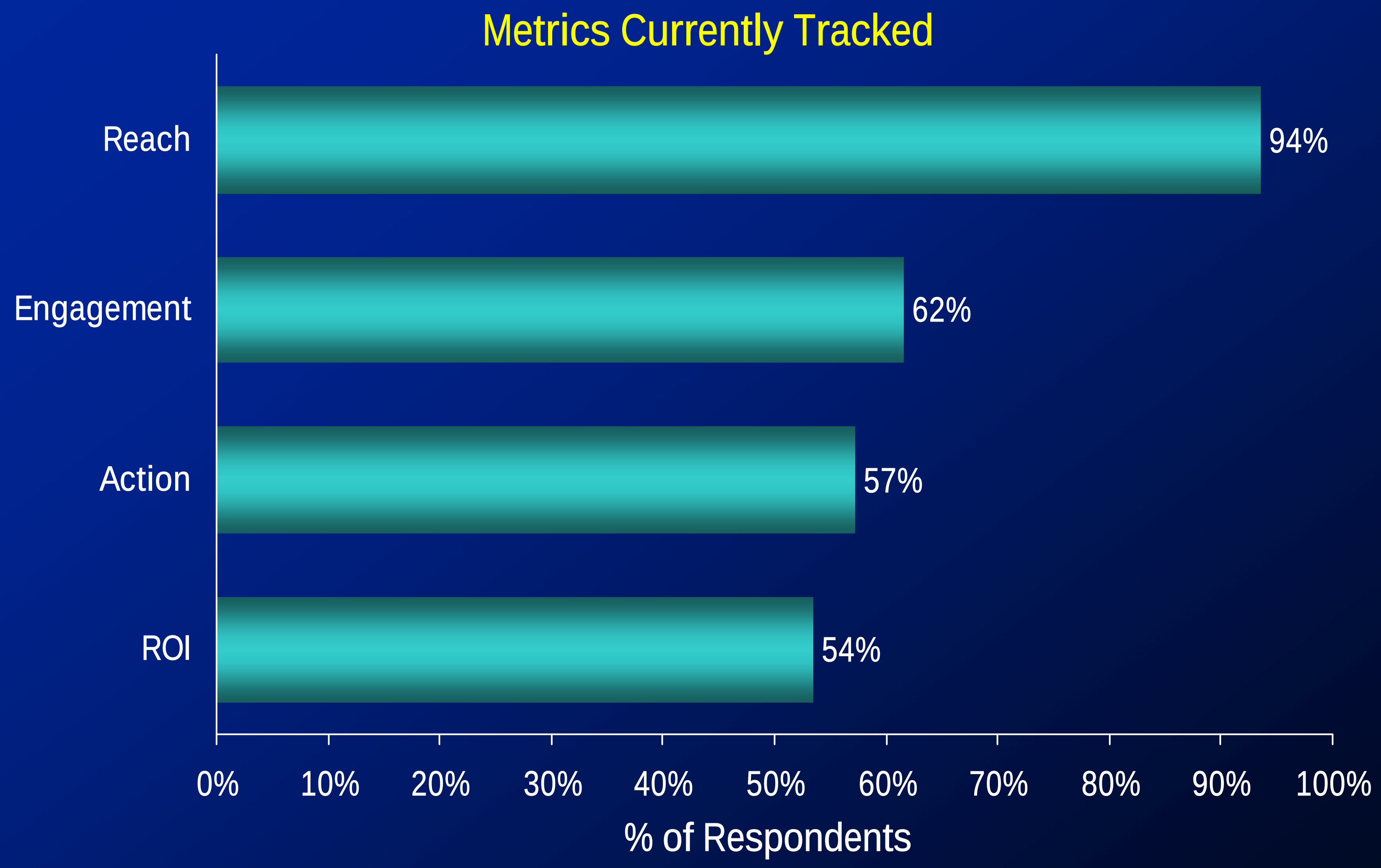
Digital Redefining Media Company “DNA”

Media Services Offered Today



Source: Marketing & Media Ecosystem 2010 - an ongoing study jointly sponsored by the ANA, IAB, AAAA & Booz Allen

Media Metrics Moving Beyond Reach



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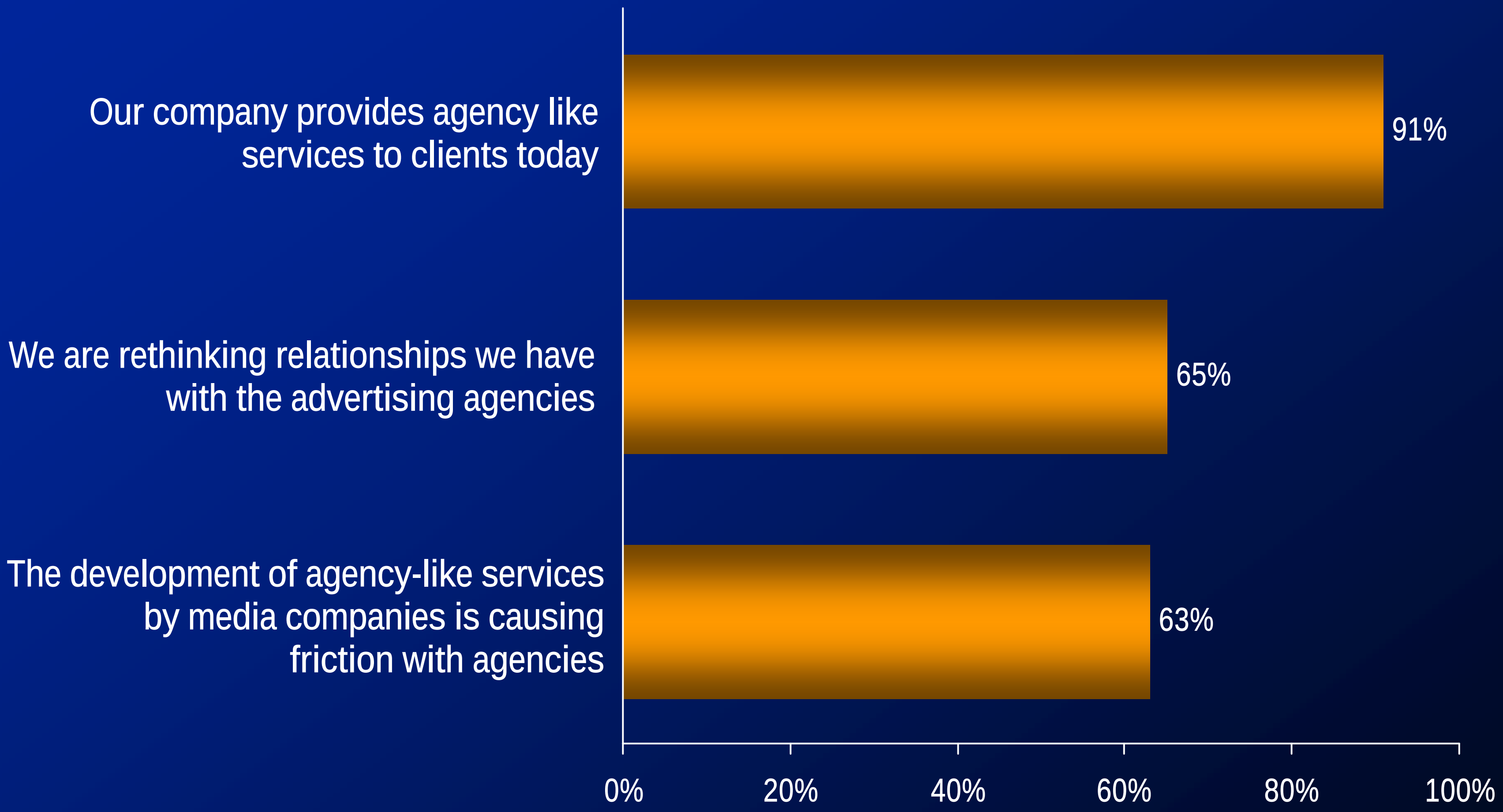
Media Offering Broader Range of Services

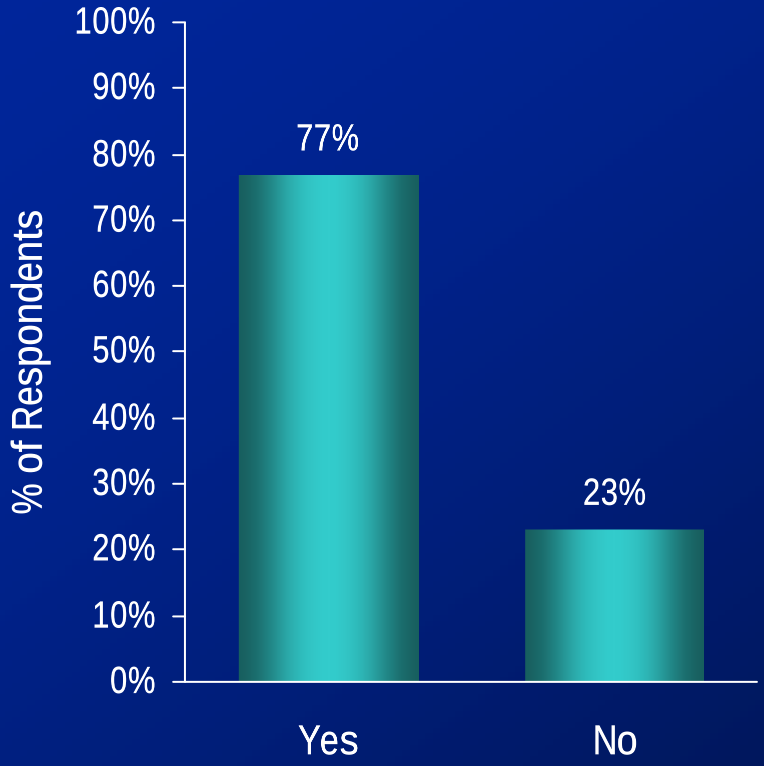
Media Perspective Vis-à-vis Agencies



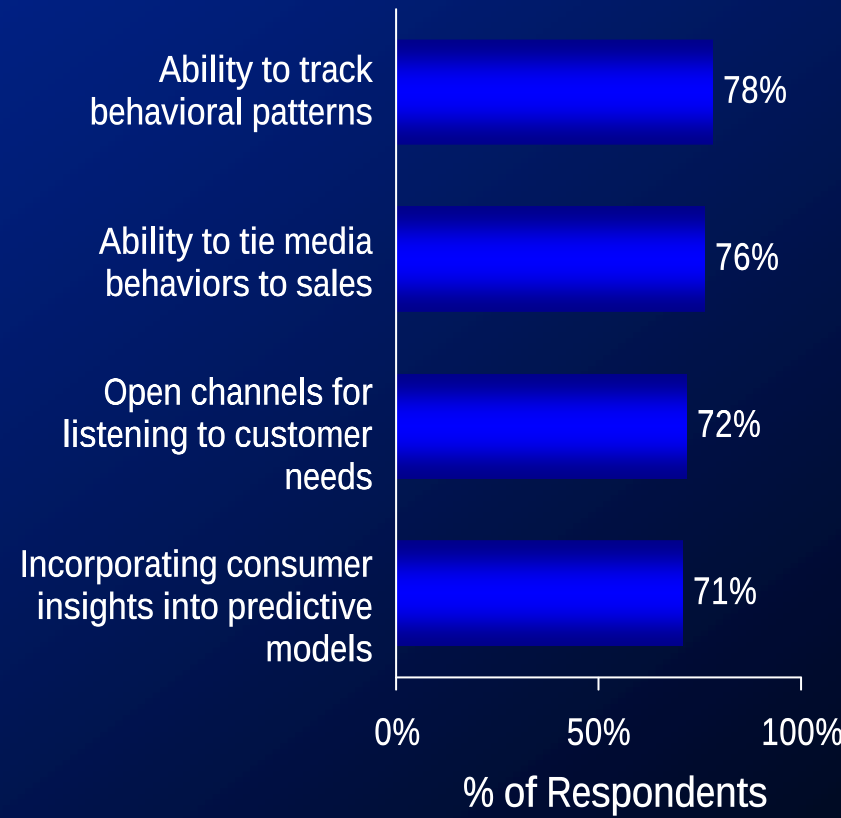
Source: Marketing & Media Ecosystem 2010 - an ongoing study jointly sponsored by the ANA, IAB, AAAA & Booz Allen

Media Strengthening Consumer Insights

Media Companies Will Deliver Consumer Insights by 2010



Cutting Edge Consumer Insights Require...



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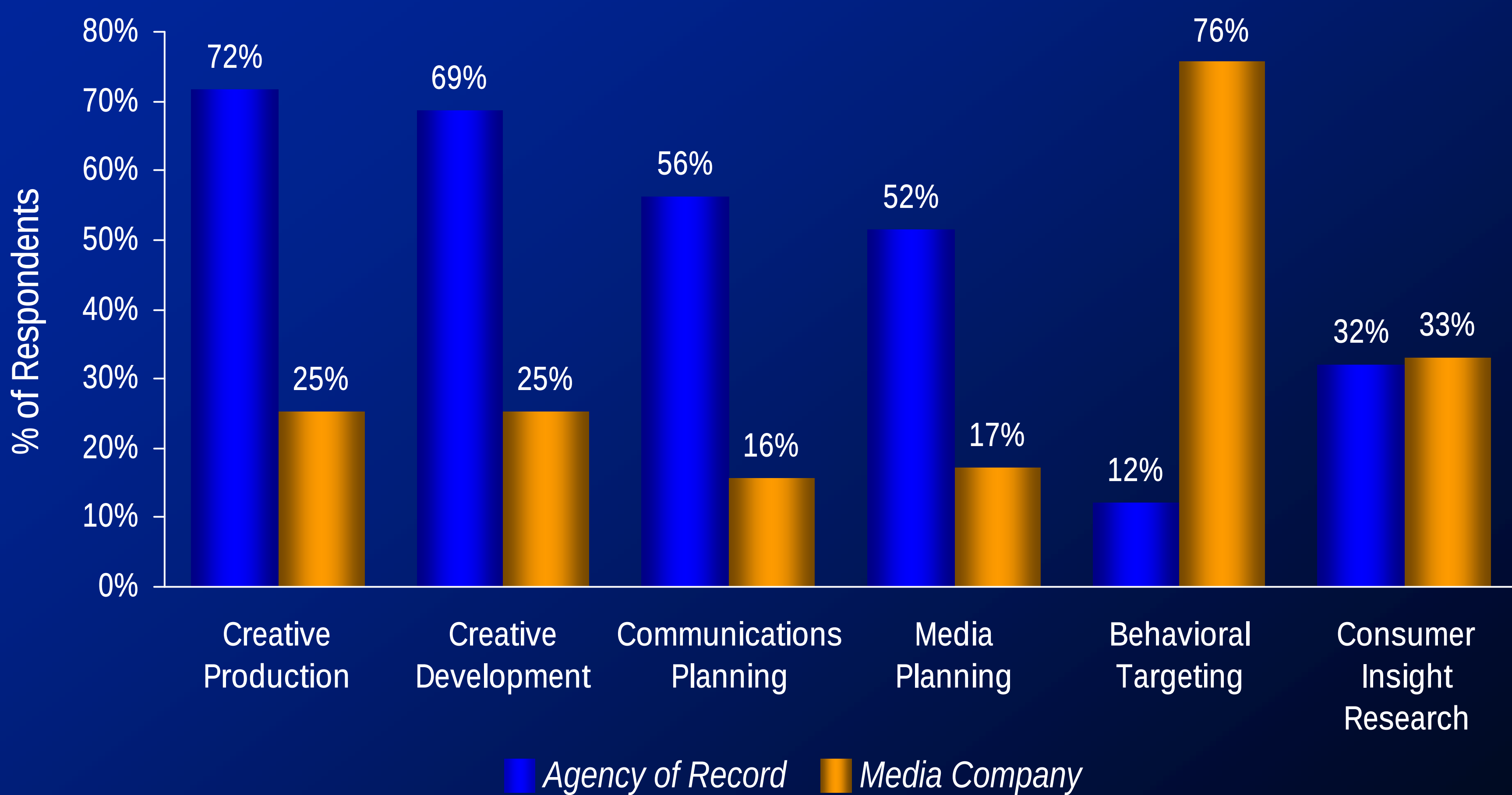
Media Do See a Key Role for Agencies

Responsibility For Each Of These Functions Lies With…



Source: Marketing & Media Ecosystem 2010 - an ongoing study jointly sponsored by the ANA, IAB, AAAA & Booz Allen

Established Agencies Pursuing Different Strategies to Reinvent Their Businesses

WPP

Size '07 = €6.2B

- Big bet on marketing services
- 24/7 Real Media adding expertise in targeting, search and campaign management
- Sizable portfolio of equity positions in new digital businesses

PUBLICIS

Size '07 = €4.6B

- "Industrializing" creative for multiple platforms
- Building, lower-cost off-shore creative capabilities
- Strengthening media planning and analytic expertise
- Focus on partnering, not competing with digital platform players

Leadership agenda for Marketers becoming more clear

Marketing As Conversation	Higher proportion of spend in two-way media: online, mobile, events, PR, relationship marketing
Insight into Foresight	Greater focus on behavioral profiles of target consumers and processes to move in "real-time"
Media: The New Creative	Stronger media planning capabilities – a key input not just an output for brand strategy
Marketing + Math	Presence of well-defined metrics for digital; KPIs, dashboards, predictive modeling implemented
The Network Effect	Better organized to work directly with media players; actively educating other partners (retail)

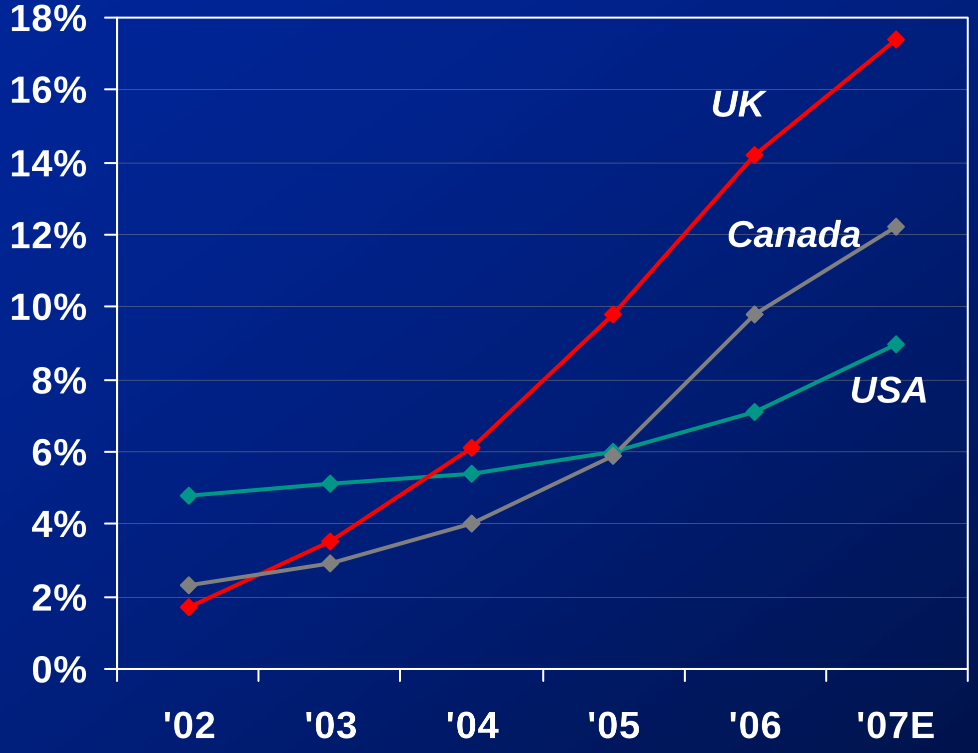
Source: Marketing & Media Ecosystem 2010 - an ongoing study jointly sponsored by the ANA, IAB, AAAA & Booz Allen

Some Media Players Moving Beyond Advertising To Marketing – Example: Meredith

Media Supplier		Solution Provider
Advertising	►	Brand Building
Impressions; Awareness	►	Lead Generation; Calls to Action
Transactional	►	Strategic
Platform-centric (TV, print)	►	Discipline-neutral (email, digital, print, TV)
Vendors	►	Partners

UK Highlights What Can Happen When The Agenda Shifts To "Always On"

Online Share of Total Advertising
(2002-2007E)



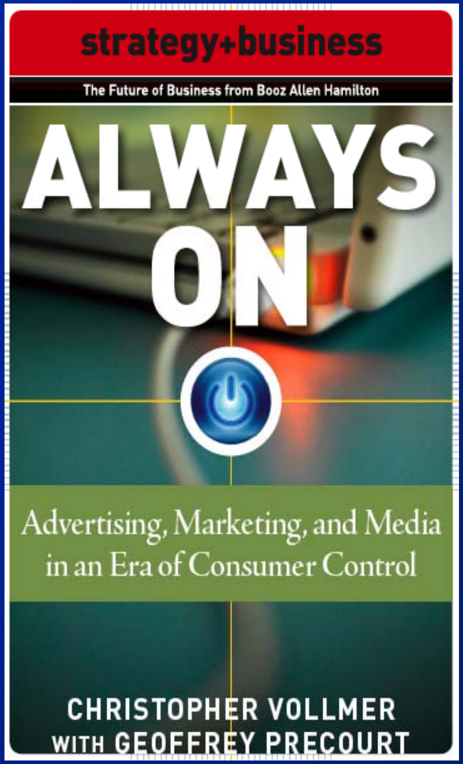
Learnings from the UK

- Marketers shifting spending from traditional media (TV, print)
- Marketers working directly with online media partners on campaigns & placement
- More headroom; 2008E =~20-25% -- zeroing in on TV in 2009

Source: ZenithOptimedia

Where To Learn More About "Always On" And Booz Allen's Related Work

- Go to www.BusinessFuture.com
- Buy the book at Amazon.com, Barnesandnoble.com and retail bookstores everywhere
- Download the *Marketing and Media Ecosystem 2010* study jointly sponsored with the ANA, IAB and 4As: Phase 1: www.ana.net Phase 2: www.iab.net Phase 3: To Come
- Download the article *New Metrics for Media*: http://www.strategy-business.com/press/article/08114
- Slides and a recording of the event will be posted at: http://www.strategy-business.com/webinars/archive



Thank You for Attending the "Always On" Webinar

Christopher Vollmer
Leader, US Media and Entertainment
Booz Allen Hamilton

May 8, 2008
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