The ‘Next Generation’ of Advertising
Why are we here today?

Is it getting easier to do Advertising these days?
The decline of prime time…

- It is no longer possible to communicate with 90% of the population by placing a TV commercial on a few channels

**US Prime-Time Ratings**

Millions of Viewers

<table>
<thead>
<tr>
<th>Year</th>
<th>Viewers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>60</td>
</tr>
<tr>
<td>1982</td>
<td>50</td>
</tr>
<tr>
<td>1987</td>
<td>40</td>
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<tr>
<td>1992</td>
<td>30</td>
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<td>1997</td>
<td>20</td>
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<td>2002</td>
<td>15</td>
</tr>
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<td>2007</td>
<td>10</td>
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</tbody>
</table>

Source: Veronis Suhler Stevenson, PQ Media LLC, AC Nielsen Corp.; Universal McCann
How do consumers really feel about advertising?

- 61% of people feel the amount of marketing and advertising is “out of control”
- 65% of people feel “constantly bombarded” by ad messages (Yankelovich Monitor 2004).

**Consumer Opinion of Advertising / Marketing**

**Then and Now**

Source: American Association of Advertising Agencies 1964 and Yankelovich Monitor 2004
Consumer activities are all moving ON DEMAND

- There’s no schedule concerns with Pay-Per-View, DVD players, Play Stations, etc. and of course, the Web.

Source: Veronis Suhler Stevenson, US Media consumption calculated in number of hours per activity
Consumer-controlled media is bigger than Advertiser-controlled media

- Consumers now spend more to avoid ads (movies, music, Cable TV, Web sites, video games, etc.) than Marketers spend to Reach them

Source: Veronis Suhler Stevenson
TV becomes the niche vehicle while the Internet goes mass

- Over 40 million Broadband connections in Europe
- 70% total growth in 2005
  - 45k lines added daily
- European homes with broadband, 40% are watching less TV.

**BROADBAND GROWTH IN 2004**

- Italy: 120%
- UK: 93%
- France: 70%
- Switzerland: 42%
- Spain: 33%
- Germany: 33%

*Source: Nielsen/Netratings/Forrester Research*
The home is filling with devices

*Source: Veronis Suhler Stevenson Communications Industry Forecast 2004*
…Driving clutter way up
30 seconds of consumer’s attention costs the same now as **BEFORE THE INVENTION OF TV**

**THE DAYS OF CHEAP TV ARE OVER**

THE PRICE OF THIRTY SECONDS OF CONSUMER ATTENTION INDEX

![Graph showing the price of thirty seconds of consumer attention index from 1923 to 2003.](chart.png)

**Figures for 1954 - 2003 based on all adult cost per mille figures for 30 second TV for US and Western European markets. 1923 figure based on contemporaneous Y&R reading and noting research for full-page mono ads in US Eastern seaboard.**
And this is just the beginning...
Look what Microsoft and Intel are up to...

- 2004 the “Digital Home” is launched
- Basically an Entertainment Server for the house
- Organizing all content across all TVs from a central computer
- Do you see “watch TV commercials” on the list?
So what’s an Advertiser to do?

Primetime Decline
Negative Consumer Attitudes
On-Demand Activities
Consumer-Controlled Media
Broadband Explosion
Endless Devices in the Home
Sky-Rocketing Cost of Media
First, know the ‘new’ consumer
The ‘New’ Customer distills down to two simple words: Control and Relevance.
Second, know the new rules of Advertising
Advertising 2.0

Ten Rules to Live By
1) The ‘Lean Forward’ Medium
2) Watch the money (media money that is)
Watch the Money

THE CHAOS SCENARIO

No-carb: Sales fail, trend ends

Food giants PepsiCo, Unilever, Kraft pull products off store shelves

By STEPHANIE THOMPSON

PepsiCo, Unilever and Kraft are retreating from the shrinking low-carb food category as fast as it raced to get in.

Citing dismal sales, mainstream marketers halted production on a variety of low-carb products mere months after their debuts, while smaller players such as Kets Foods have closed their doors. Those still serving the segment will likely spend little to advertise in what has quickly returned to a niche market.

The low-carb food market was once predicted to hit sales as high as $15 billion, it seems to have topped out at around $1 billion. Trend companies hoped to ride for at least five ye

Pontiac, Buick flunk GM ad test
Product Placement Outpaces Ad Spending

by David Kaplan, Wednesday, Mar 30, 2005 8:00 AM EST

WHILE THE VALUE OF PRODUCT placement has been a tough nut for the media industry to crack, PQ Media, a marketing researcher that has put together a brief history of the practice, is putting the net worth of the overall product placement market last year at $3.46 billion--an increase of 30.5 percent over 2003. And according to its projections, that's only the beginning. PQ Media is also saying that product placement grew at a compound annual rate of 16.3 percent from 1999 to 2004. And since 1974--when the company began tracking product placement spending--the value of product placement rose at a compound annual rate of 10.3 percent.

Both in 2004 and in the 1999-2004 period, product placement was

Today's Most Read
1. Net's Eye Deals Outside Upfront, Explore New Media Options
2. AOL Braces Video Ads With Lightningcast
4. CW Takes Best Of WB, UFN
3) Time shifting is a reality
Time shifting is a reality

- TIVO and SkyPlus made the VCR promise come true (25 years later)
Personal Video Recorders (PVRs) allow customers to cut you off

“The consumer-empowering digital device that mass advertising and TV executives fear the most is the Personal Video Recorder”

- Business Week

PVR users watch 30% more television than before and **SKIP 70% OF THE COMMERCIALS**
4) Forget channel planning, think portable content
Content will become device agnostic
Watch full episodes online for free!

Welcome to the only place online where you can watch full episodes of your favorite ABC television shows!

NEW EVERY MONDAY

"No One Is Alone"
Last Aired: May 14, 2006
3 EPISODES AVAILABLE

NEW EVERY THURSDAY

"Three Minutes"
Last Aired: May 17, 2006
4 EPISODES AVAILABLE

"Lost"

"No Hard Feelings"
Last Aired: May 17, 2006
ENTIRE SEASON AVAILABLE

NEW EVERY THURSDAY

"Ties That Bind"
Last Aired: April 27, 2006
ENTIRE SEASON AVAILABLE

Only viewers within the United States can watch these full-length episodes.
5) Consumers are creating most of the content
Consumers create most of the content.

BlogGRAPHADD

In addition to Podcasts, Video Blogs, Websites, Wikis, and P2P networks.

Weblogs Cumulative
March 2003 - January 2006

26.6 Million Weblogs Tracked
Doubling in size approx. every 5 months
Consistent doubling over the last 36 months
Viral Marketing: How does it work?

- Initial group are ‘seeded’ by having first access to the ‘viral’ clip
The contents of this video are for entertainment purposes only. Microsoft Corp. disclaims all warranties and conditions with regard to use of the material for other purposes. Microsoft Corp. shall not at any time be liable for any special, direct, indirect or consequential damages, whether in an action of contract, negligence or other action arising out of or in connection with the use or performance of the material. Nothing herein should be construed as constituting any kind of warranty.
Results: MS ‘IT’s Showtime!’ Viral Clip

- Over 1 million unique views (and still counting...)
- Referenced in over 74,000 blogs
6) Know the difference between an influencer and a squeaky wheel
HOW DO I LISTEN to consumers in a Digital Ecosystem?
7) The power of technology will change everything (again)
Endlessly cheaper and more powerful technology

Every two years, the number of transistors on a chip, and the speed of those chips **DOUBLES.** And the price of computing power **HALVES.**
Nicer than the check in staff
Data will be navigated visually using Google Earth.
8) Know thy Segment and spend correctly
Youth segments turn the old advertising model on its head

Internet and Video Games have the same priority as TV

Favorite leisure activity of men 18-34

- Go online: 22%
- Watch TV: 22%
- Play videogames: 22%
- Go see a movie: 9%
- Watch movie on DVD or VHS: 6%
- Read a book or magazine: 6%
- Listen to music: 4%

Source: Jupiter Research / Ipsos-Insight
OLD PEOPLE’S HOMES WILL BE FILLED WITH GAMERS

If you sought solace from your life in virtual environments at the age of fifteen, you are likely to do so again in your seventies.
9) The ROI dream has become reality
Web Speed

- Internet Ad spending driven by massive growth of search marketing
10) As complicated as it gets, never forget simplicity
“The ideal consumer electronics device has only one button.”

Akio Morita
11) Get a partner that knows the space
No AD agencies here…

Figure 4 Forrester Wave™: Web Design Agencies For User Experience-Led Projects, Q2 '06

Source: Forrester Research, Inc.
Thank You!