Trends in digital age …

One down; One to go

Visions that held for the first digital decade;
Themes for the next

May 2005

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Address for inaugural meeting of ...

Tank online group

Key points

Ask us for background and further information

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More information, research and advice?
Danny Meadows-Klue Danny@DigitalStrategyConsulting.com
Co-Founder and Chief Executive, Interactive Advertising Bureau (Europe)
Founder and Chief Executive, Digital Strategy Consulting

Digital Strategy Consulting

insight - expertise - support
1994
-the future and all that
Imagine...

Could we have imagined how much our lives would change ten years ago?
1994-2004
- 1st decade
- the future we knew in 1994
Access everywhere
Access for all
TV would go interactive
Non-linear broadcasting
New life for an old box
Multimedia the norm
Blending audio and video in new formats
Clear from the early CD-Roms
The single device

Our markets would adopt PCs within mobile phones, TVs, pagers
Access speed
Connections speed up
Costs fall
The 9 month rule
Mobile telephony
Mass adoption on the cards
New lease of life in the handsets
Wireless spaces

New places would become hotspots
Ad effectiveness

The crisis in advertising
Crisis in advertising?

Customers: become media savvy
TV reach: challenged by media fragmentation
Ad effectiveness: falling
Advertising clutter: rising

..and seismic shift in media consumption habits
Evidence: Impact of TV falling
Societal and technological factors diminished impact TV commercials

Percent of adult evening viewers who can name a brand advertised in show just watched

Source: Newspaper Advertising Bureau (1965-1986); Nielsen (2000)
Media fragmentation

The mass market vehicles lose power
UK: media saturation?

More than 230 UK commercial TV channels - vs 50 a decade ago

Direct mail pieces top 5 million - up from 2 million a decade earlier

250 commercial radio stations - doubled in a decade

3,100 consumer magazines out last year- vs 2,100 in 1990

Cinema screens increased 80% between 1990 and 2000

Even outdoor poster volumes are rising: 140,000 panels, with the huge 96-sheet super sites up 40% from ten years ago

1,300 regional and local papers, growing pagination in national press
2002, UK: Third most consumed medium

3 times more attention per day than newspapers
Life in a Fishbowl
Media Diaries
Internet rises to third place

% of audience 'media time' budget

Source: Wanadoo and SPA research – Fishbowl Media Diaries 2002
2003:
Second most consumed medium
Eclipses radio for the first time

Source: Forrester Research – Forrester Technographics 2003
Internet rises to second

Average hours spent per week doing:

- Reading newspapers and magazines
- Listening to the radio
- Using the Internet
- Watching TV

Source: Forrester Research: Forrester Consumer Technographics (UKIUM), Q4 2003
Base: British online adults
Hype and recovery

Boom, bust, resurgence
Online: The interactive ingredient

Online 'just got started' Danny Meadows-Klue May 2004

3.4 4.5 4.8 6.7 8.4 8.9 12.7

21

26.7

35.1

41.9

49.4 47.4

42.8

36.6 38.9 36.6

51.1

63.8

70.3

81.3

'98 '99 '00 '01 '02 '03

98 98 98 99 98 99 99 00 00 00 01 01 01 02 02 02 03 03

£ millions

50 60 70 80

358 98 £ millions

'00' '99

'98

98

98

99

99

99

00

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01

02

02

02

03

03

Boom, contraction, resurgence

Online media revenues by quarter from 1998

Source: PricewaterhouseCoopers / Interactive Advertising Bureau iabuk.net 2004
£650m

market

UK online media spend announced last month
Online advertising goes mainstream
Levels of spend reach new heights

Source: PricewaterhouseCoopers / Interactive Advertising Bureau / WARC iabuk.net 2005
four
...times larger than at the height of the boom
Online media spend: market share leaps

Increase every year

+60%
People would shop
Migration to blended retail behaviour
New customer journeys
Online retail
Channel shift begins
Record spend online: Christmas 2003

<table>
<thead>
<tr>
<th>Country</th>
<th>Millions of euros</th>
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<tr>
<td>Luxembourg</td>
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<tr>
<td>UK</td>
<td>3,215</td>
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</table>

Note: The chart shows the record spend online for each country during Christmas 2003, measured in millions of euros.
UK online retail; rapidly growing

Forrester Report “Choosing The Right Retail Strategy”
Classifieds:
UK online consumers now rely heavily on the internet for many topics

Consumers who said the internet was one of their top three sources for:

- Stock-market quotes: 12.9%
- Sports news: 8.8%
- Property ads: 21.1%
- News: 12.8%
- Job listings: 21.4%
- Holiday/Travel information: 39.3%
- Personal finance: 20.8%
- Business news: 13.5%
- Automobile ads: 17.9%

Forrester's Consumer Technographics Q2 2003 Europe Study
Base: UK Online Consumers
Jobs

% Europeans who say the web is one of their top 3 information sources

Source: Forrester Research Technographics
Business models
Challenged by new paradigms
Disintermediation visible

Changing the role of media

It is...
- Real
- Immediate
- Growing
- Long term
- Inescapable

It is not...
- Trivial
- A cycle
- “Over when the dot com bubble burst”
- Something that won’t affect me
Marketing trends
Macro trends in marketing
Key marketing trends

• Customer ownership
  • Retailers get closer to their customers, eg owning access through customer magazines, fmcg brands touching through websites

• One-to-one relationships / permission marketing
  • The potential for true (cost effective) relationship marketing: a dialogue with customers
eg: database marketers build sophisticated customer profiles: lifestyles, purchase data

• Integrated marketing
  • Web, press, email, TV, direct mail, POS, outdoor, radio. Cross-media campaigns using the strengths of each medium: branding, lead generation, sale, data enhancement

• International marketing
  • Cross-border, cross-continent and towards global scale marketing. Key issues: language differences, taxation, cultural, consumer demand variations, regulatory framework, consumer protection legislation
Trends in targeting

Improving customer profiling
Reducing media wastage
Talking to the right people
Targeting

Moving towards one-to-one relationship marketing on a scale never before seen

- One to all
  - Media’s initial success grew from its large reach
  - (The problem for traditional media now is how to rebuild this!)
- One to many
  - Targeting by the editorial reading environment
- One to few
  - Narrower editorial environments
  - Smart advertising systems
  - Dynamic advertising targeting groups of viewers
- One to very few
  - Dynamic advertising targeting groups of viewers
  - Database profiles integrated into advertising systems
- One-to-one? Maybe…
Trends in media planning
...implications from those wider trends in targeting
Trends in targeting

1994

• Home page
• Targeting users by the sections of a site they visit
• Sub-sections, targeting niche content
• Targeting browser types
• Targeting geographic groups (using IP addresses)
• Frequency capping (using cookies)
• Targeting demographic and lifestyle groups (using cookies and registration techniques)
• Data integration between sites

2005: Towards real relationship management?
Trends in models

Again, rapid evolution over time
Models for web advertising

- Top of mind awareness
- Brand awareness
- Brand preference
- Support for cross-media
- Purchase intention
- Brand image
- Brand position
- Brand attitude
- Direct response
- Sales

... before even considering immediate actions like click though, data exchange, information requests...
Trends in formats

What are we not expecting?
...and it would be fast
And things would get even faster
Increasing speed of adoption

Length of time to reach 50m users

- Radio: 35 Years
- TV: 14 Years
- Web: 4 Years
- GSM: 3 Years
- WAP: 2 Years
- SMS: Months

... The new flavours of access will arrive faster and faster
Everything continues
All those trends carry on delivering
Many will only be felt in the mass markets now
Martini culture

The real impact of ‘anytime, anyplace, anywhere’?
Google Search on PalmOne handhelds

- To try Google Search on your PDA, visit www.google.com/palm.
More channels, more devices

Moore’s Law continues
More choice as marketers
Convergence

Convergence changes the way we work; Convergence changes the way we think
“Data / MIS is a critical tool for business decision-makers”

*Digital nervous systems drive the business, people shape it*
Marketing & media mix
In for radical shake-up
IAB pioneers media-neutral planning research
Getting the media mix right: Dove
Pioneering research into media neutral planning

Original Allocation: 2% Online

But Instead…

15% Online

Results in an 8% boost in overall branding metrics
And 14% increase in purchase intent

Same Budget, Better Results
Customer behaviour and targeting as never before possible
Cross platform, cross data-sets
Customer expectations

Shift to even higher levels
Customer knowledge becomes near perfect
New battleground of brands
Customer control

“The customer is right”, becomes;

The customer has control

Bloggers, vloggers and podcasters
Barriers melt

Impenetrable barriers breakdown

Google, language
2005-2015
-and what else?
Marketers
We are the firm’s radar
We own these issues
It’s our responsibility
Appendix

Notes for review
Background

- Danny Meadows-Klue is the co-founder of the IAB in the UK and Europe
- He has helped with the launch of five other UK trade bodies, countless trade initiatives and six further IABs
- Online publishing pioneer since 1995
- Senior Executive with NBC’s European internet operations, the Daily Telegraph’s online newspaper and other trade bodies and educational institutes
- Commentator, columnist, consultant and non-executive director
- Digital Strategy Consulting was launched in 2000 as a training and service business for the digital marketing industry and has been working for IABs and other trade bodies for five years.

Detailed biography available on request
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