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Building Brands Online: An Interactive Advertising Action Plan

November 12, 2009

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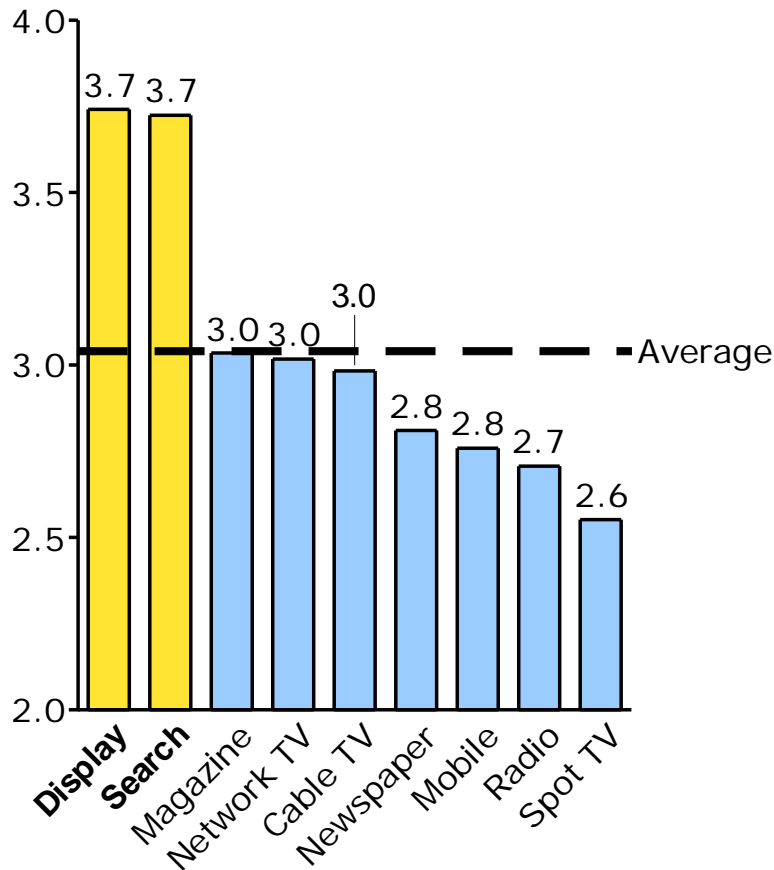
Why care about Building Brands Online?

- **Direct response** and driving “transactions” is the “**killer app**” for online advertising ...
- ...but online **advertising is not delivering on *brand marketer* requirements** and expectations
- **Growth in supply** of online inventory creating price pressure and **commoditization**
- Trend toward **ROI-based and “response”** advertising, (versus longer-term brand equity investments) exacerbated by **cyclical downturn**

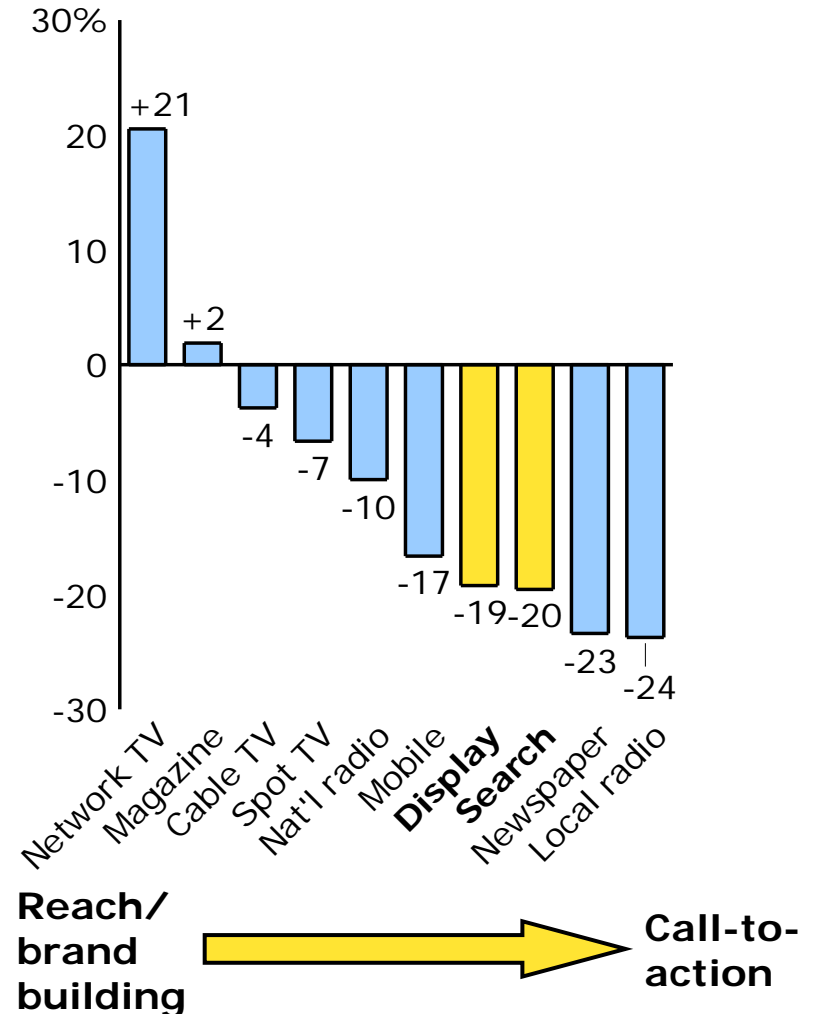
Marketers see high "value" in online, but consider it a call-to-action medium

NATIONAL ADVERTISERS

Media "Value"
(5 = Excellent, 1 = Poor)



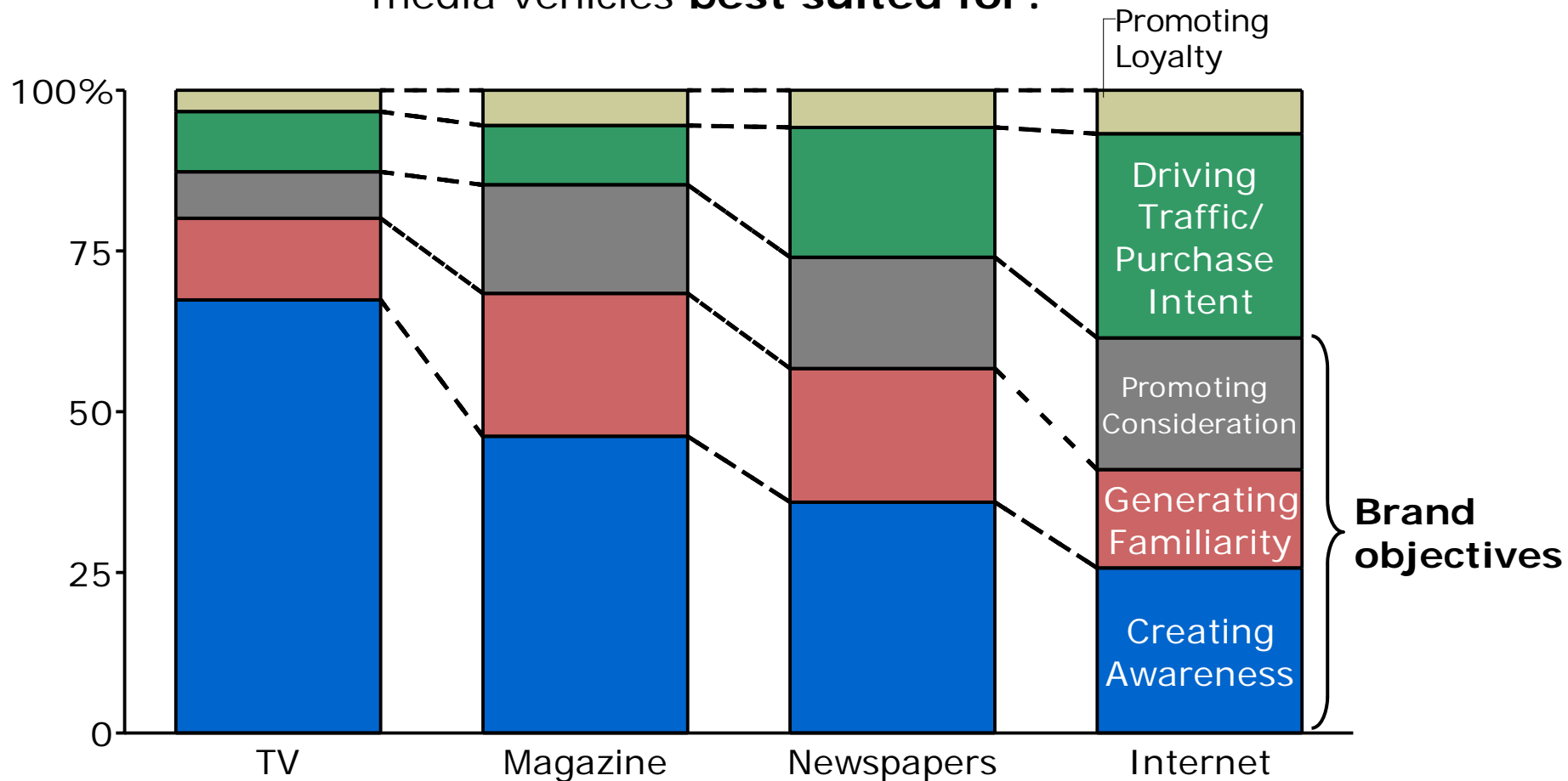
"Reach" vs.
"Call-to-Action" Ratio



Source: Bain ad buyer survey (02/2009); Bain analysis

Marketers believe online **can be more** effective at **all** stages of the purchase funnel

Which **marketing objectives** are the following media vehicles **best suited for?**



Total Ad Spend (2008)

\$64.4B

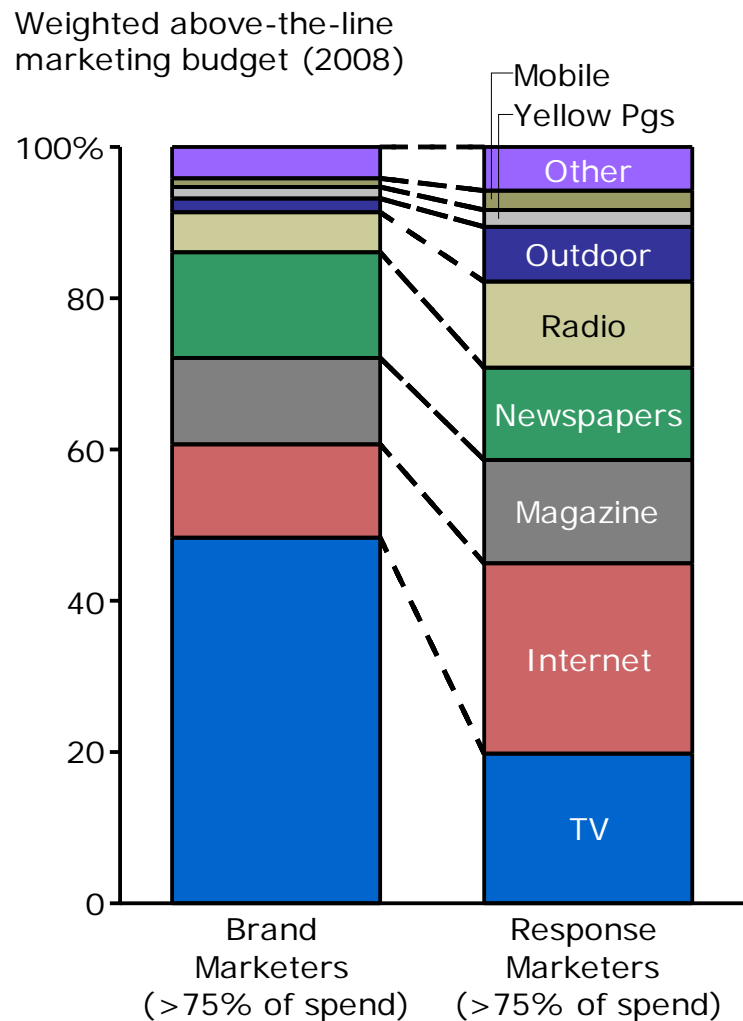
\$13.3B

\$34.4B

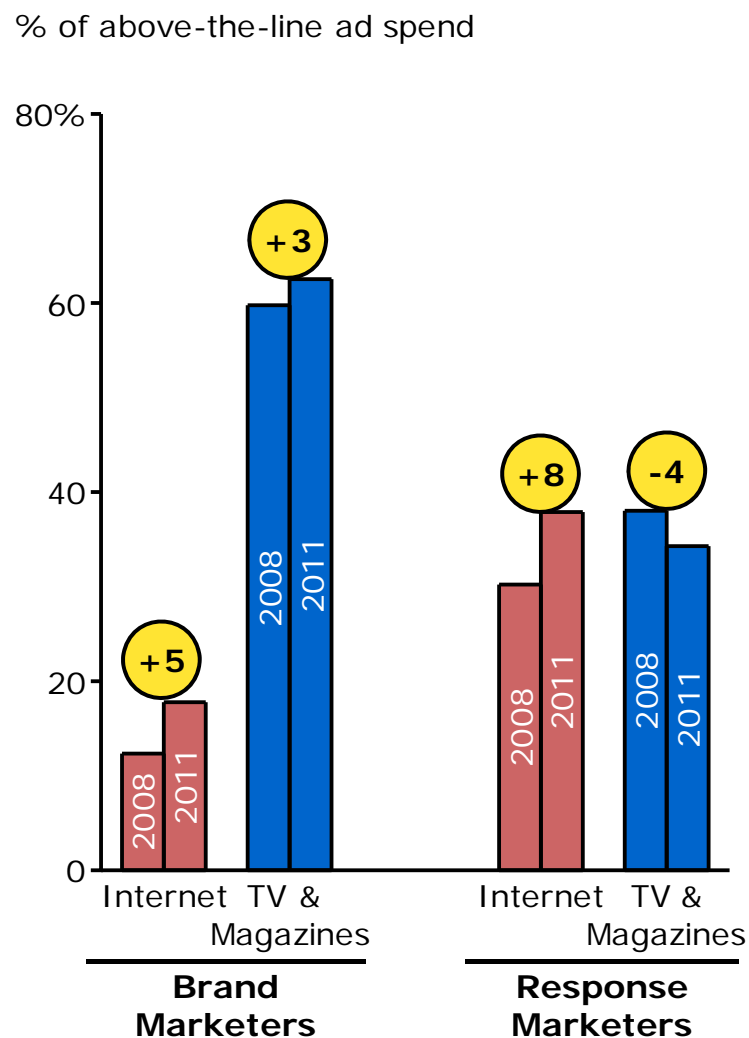
\$23.1B

Brand marketers expect only modest growth in online spend

Brand marketers rely heavily on TV, while response marketers advertise more online



Future mix shift to Online much more pronounced among Response Marketers



We need to address **five key obstacles** to bring more brand advertising online

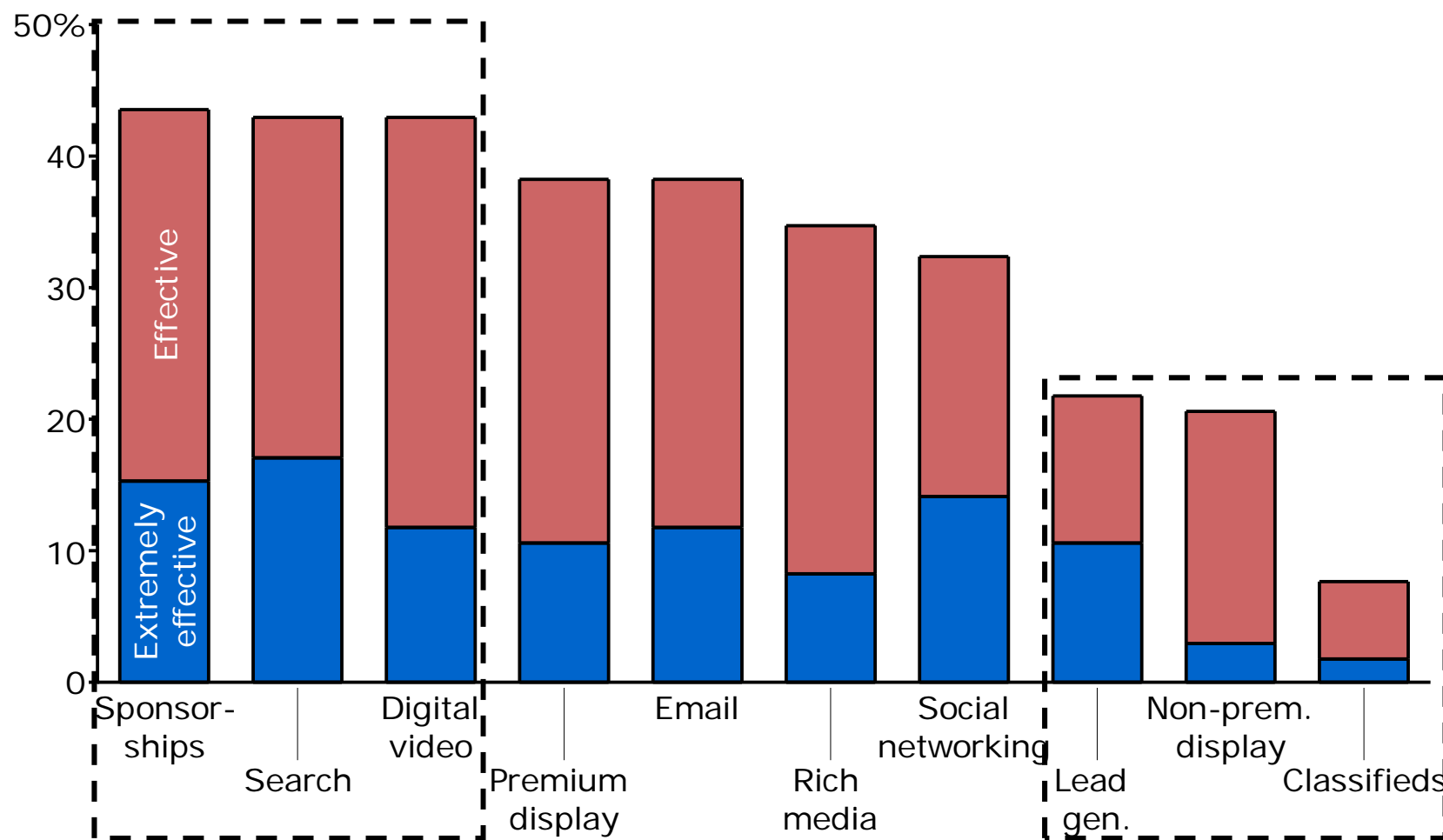
- ① Ad **formats and creative** are not **innovating** with the medium
- ② We are awash in **undifferentiated, low-cost inventory**
- ③ **Metrics**, metrics everywhere ... but not the ones that brand marketers really need
- ④ Media companies lack **ideas, strategic expertise** and engage **too late in the planning process**
- ⑤ Marketers want **cross-platform** campaigns; instead they get a model rooted in **platform-specific silos**

① **Problem:** Ad formats and creative are not innovating with the medium

1

Bulk of online advertising volume is ineffective for brand building

Effectiveness for online brand-building



1

Solution: more custom execution showcasing emotional potential of online




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| 30 Year Fixed Jumbo | 8.43% | 6.44% |
| 5/1 ARM | 7.78% | 4.78% |

MONN CREDIT UNION
"WHERE YOUR MONEY MATTERS"

SUMMER IN EUROPE?
GET YOUR TICKETS NOW
PRICES HAVE NEVER BEEN THIS LOW!

Fake response ad clutter



What's different?

- Non-standard formats
- Interactive and engaging
- Creative/technical support from media
- Cross-platform integration SFR

1

Solution: more custom execution showcasing emotional potential of online

The screenshot shows the MTV website interface. At the top, there are navigation links for Home, MTV Sites, New Homepage Feedback, and Video Music Awards 2009. Below this is a search bar and a menu with categories like MUSIC VIDEOS, FULL EPISODES, TV SCHEDULE, BROWSE ARTISTS A-Z, MOVIE TRAILERS, RADIO, ONLINE GAMES, and MOBILE. A prominent yellow banner for Nordstrom's Half-Yearly Sale is displayed, featuring a pair of boots and the text 'SALE for women & kids'. Below the banner is a video player showing a woman in a white tank top with 'AXE HAIR CRISIS RELIEF' printed on it. The video player has a red overlay with the text 'FREE RINGTONE - TEXT "SONG" TO 56376' and a note that standard messaging charges apply. To the right of the video player is a Verizon advertisement for Valemont University, featuring the text 'THINGS ARE NOT ALWAYS WHAT THEY SEEM AT VALEMONT.' and 'EXCLUSIUELY FROM verizon wireless'. Below the Verizon ad is a search bar for music videos with the text 'FIND MUSIC VIDEOS Search 16,000 Music Videos' and a search input field.



What's different?

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SFR

1

Solution: more custom execution showcasing emotional potential of online



What's different?

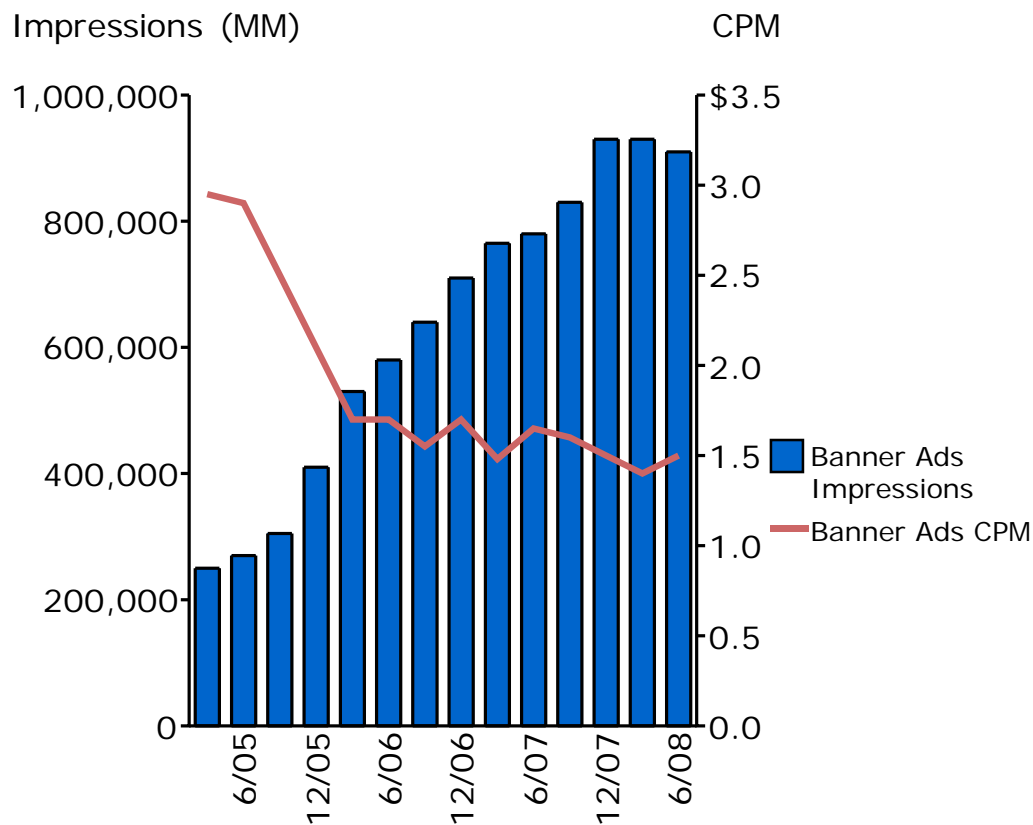
- Non-standard formats
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② **Problem:** We are awash in undifferentiated, low-cost inventory

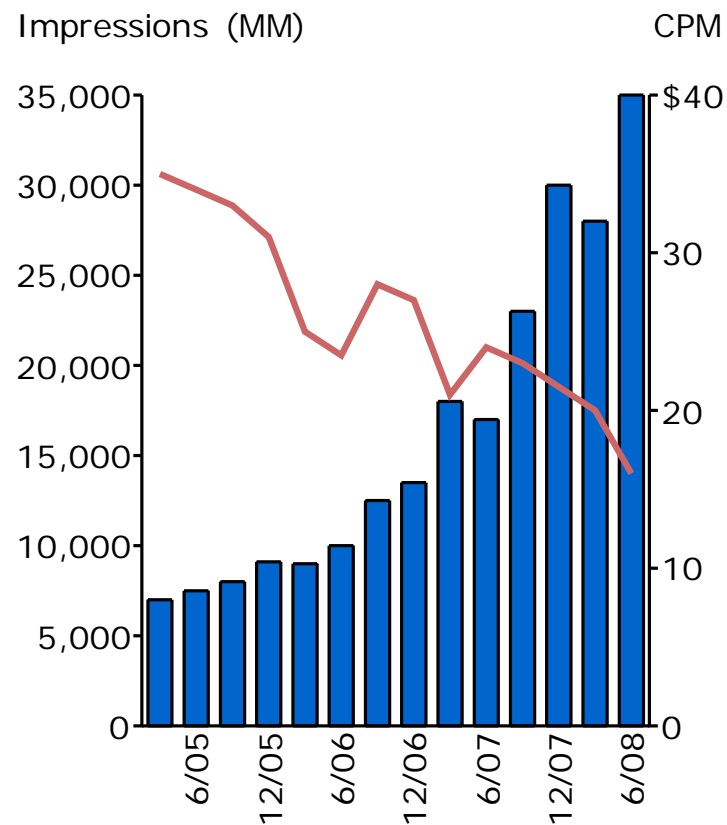
2

As inventory continues to expand, marketers have more options at lower cost

Banner Ad Impressions & CPM, 2005-2008






Rich Media Impressions & CPM, 2005-2008



**Endless supply + "Response dependency" =
Relentless path to commoditization**

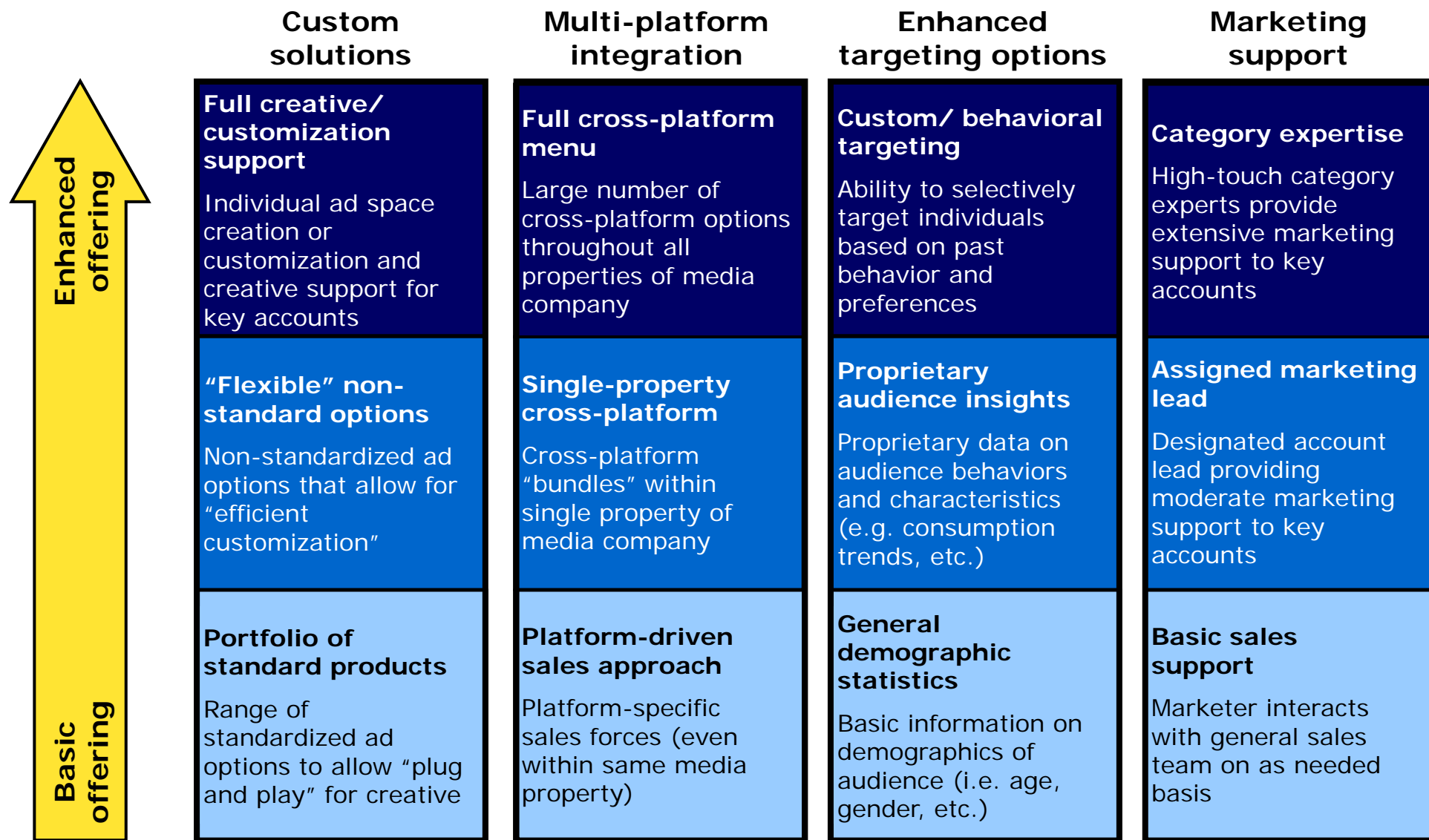
2 Solution: develop and deliver three distinct "triple play" service models

| | Response | Brand reach | Brand engagement |
|----------------------------|--|--|--|
| Marketer objectives | <ul style="list-style-type: none"> • Drive customers to site • Generate transactions and immediate ROI | <ul style="list-style-type: none"> • Supplement buys in other media • Generate wide exposure at low cost | <ul style="list-style-type: none"> • Build brand awareness and purchase intent • Deliver custom, high-impact campaigns |
| Product offerings | <ul style="list-style-type: none"> • Banners, rich media • Mix of premium and non-premium positions | <ul style="list-style-type: none"> • Banners, rich media • Mix of premium and non-premium positions • Content/placement control | <ul style="list-style-type: none"> • Digital video, rich media • Premium position banners • Social/UGC applications • Cross-platform integration |
| Key decision maker | <ul style="list-style-type: none"> • Buying agency (downstream) • Creative agency (large clients only) | <ul style="list-style-type: none"> • Brand marketing team • Creative agency (upstream) • Buying agency | <ul style="list-style-type: none"> • Brand marketing team • Creative agency (upstream) • Buying agency |
| |  <p>Larger-scale, more automated, efficiency model</p> |  <p>Larger-scale, reduced service, efficiency model</p> |  <p>High touch, high cost, premium model</p> |

2

Super-charge offerings: **segment** service levels and **match** to customer needs and value

ILLUSTRATIVE



2

Embrace non-premium for reach/response; build scale through networks or partnerships

Partner with smaller sites to offer greater reach and scale

Network own properties



Description:

- **Demo-focused vertical ad networks**
- Partners with audiences similar to MTVN
- Ad network by **content area**
- Premium ad units, campaign reporting and optimization
- **Suite of advertising on proprietary sites**, (People, Sports Illustrated, Time)
- Ads only shown on branded sites



Impact:

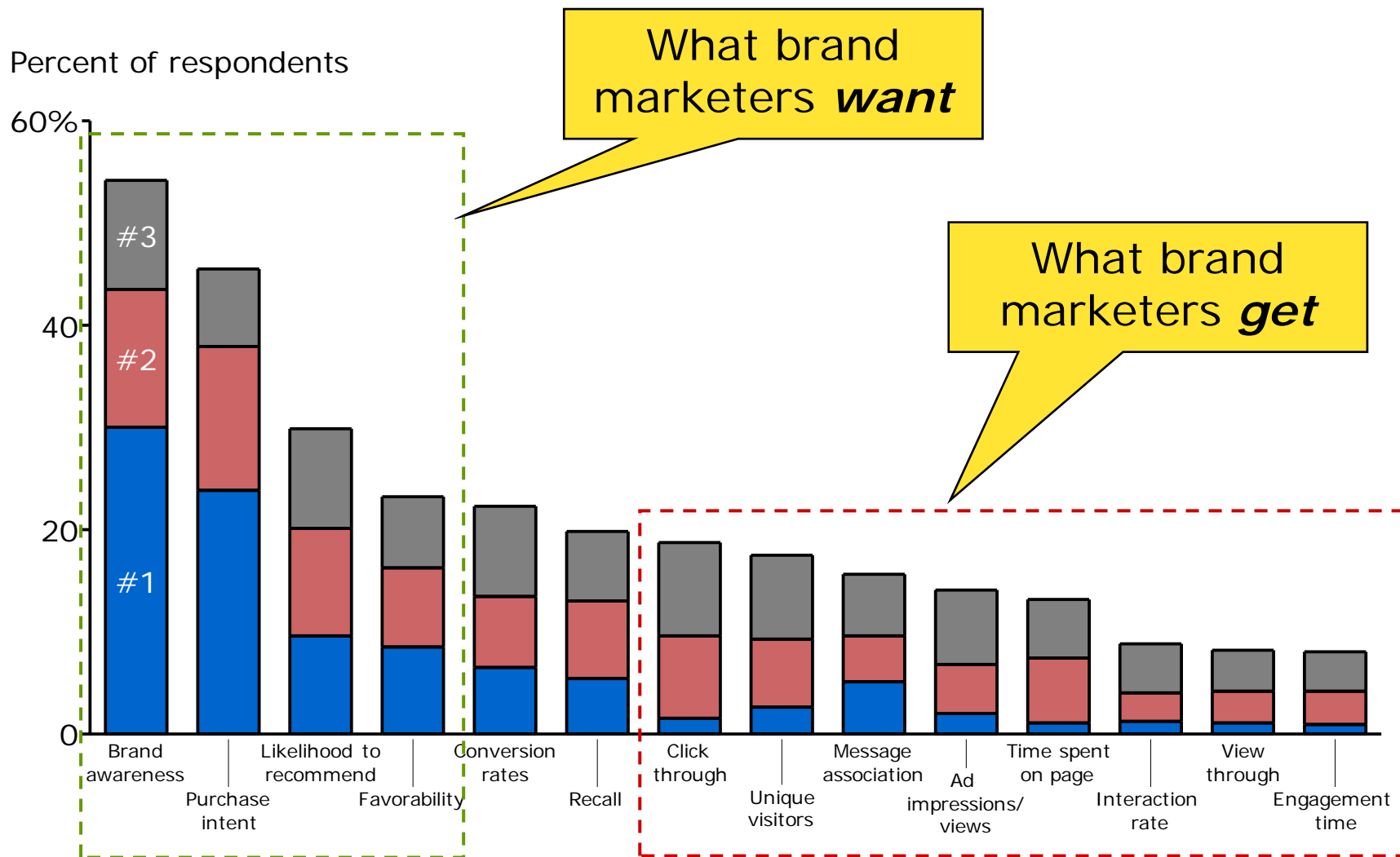
- Large publishers get **higher ad rates** and revenue from small publisher sales
- Small publishers **access scale - reach marketers** upstream in buying process
- Publisher can **deepen advertiser relationships across properties**

③ **Problem:** metrics, metrics everywhere... but not the ones that brand marketers really need

3

Brand marketers maintain preference for traditional **brand impact** metrics

Which metrics are most valuable for **brand-building** campaigns?



3

Solution: New metrics can help marketers better compare and fully value brand campaigns

Key measurement needs

Reach/ frequency

- Combined **target audience reach and frequency**
- **Unified metrics** across multiple sites (de-duplicated)
- Share of voice

Brand Impact

- **Brand recall and awareness** within target audience
- Link to **sales impact**

Reliability/ consistency

- True number of **“unique” impressions**
- **Consistent standards** enabling **comparison across media** platforms

“Currency” standards

- **Engagement/interactivity** measures
- **Brand equity** measures

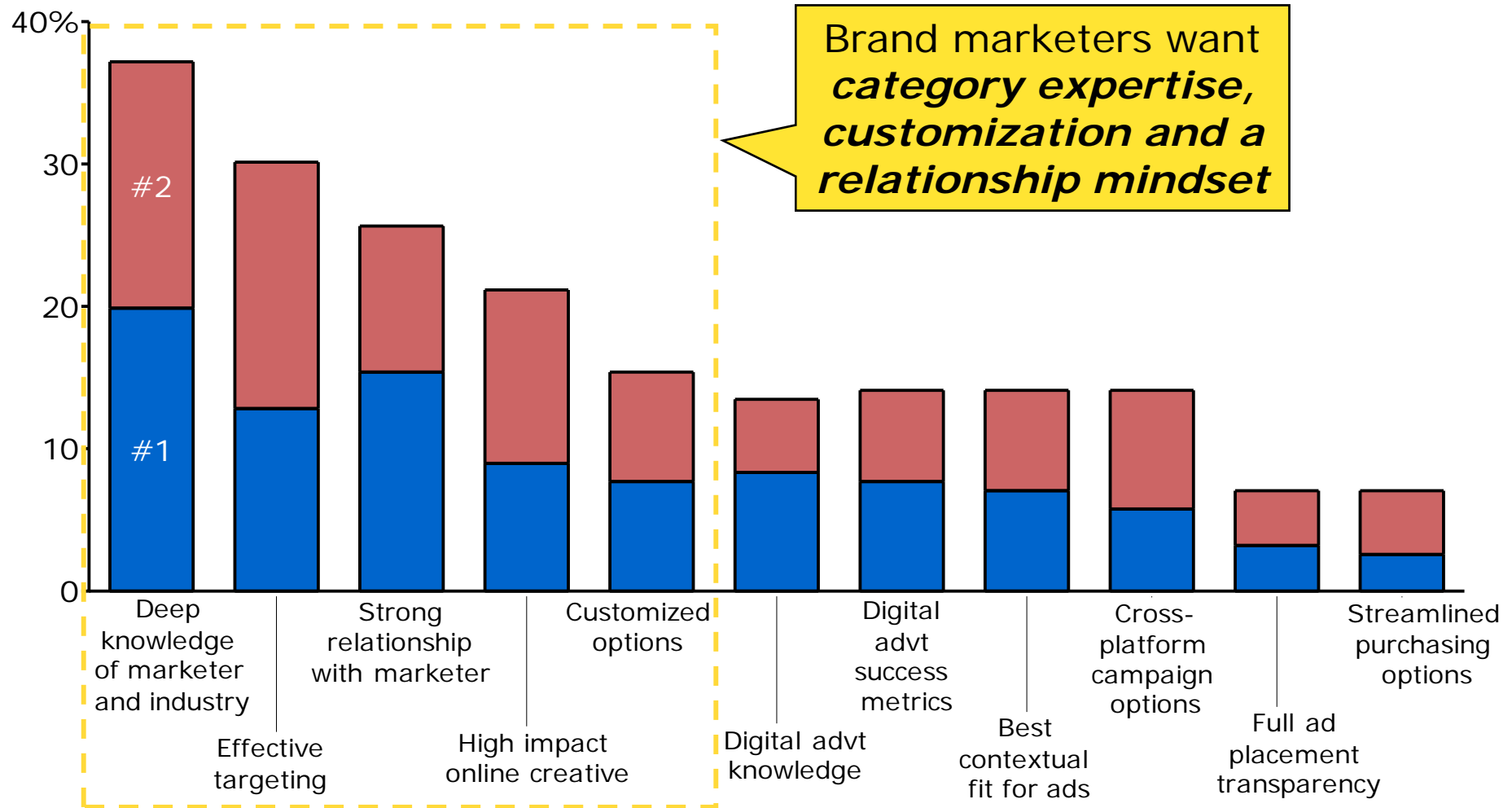
④ **Problem:** Media companies lack ideas, strategic expertise and engage too late in the process

4

Brand marketers desire high-impact partnerships with their media companies

Which capabilities are most important in supporting your online advertising?

% of respondents



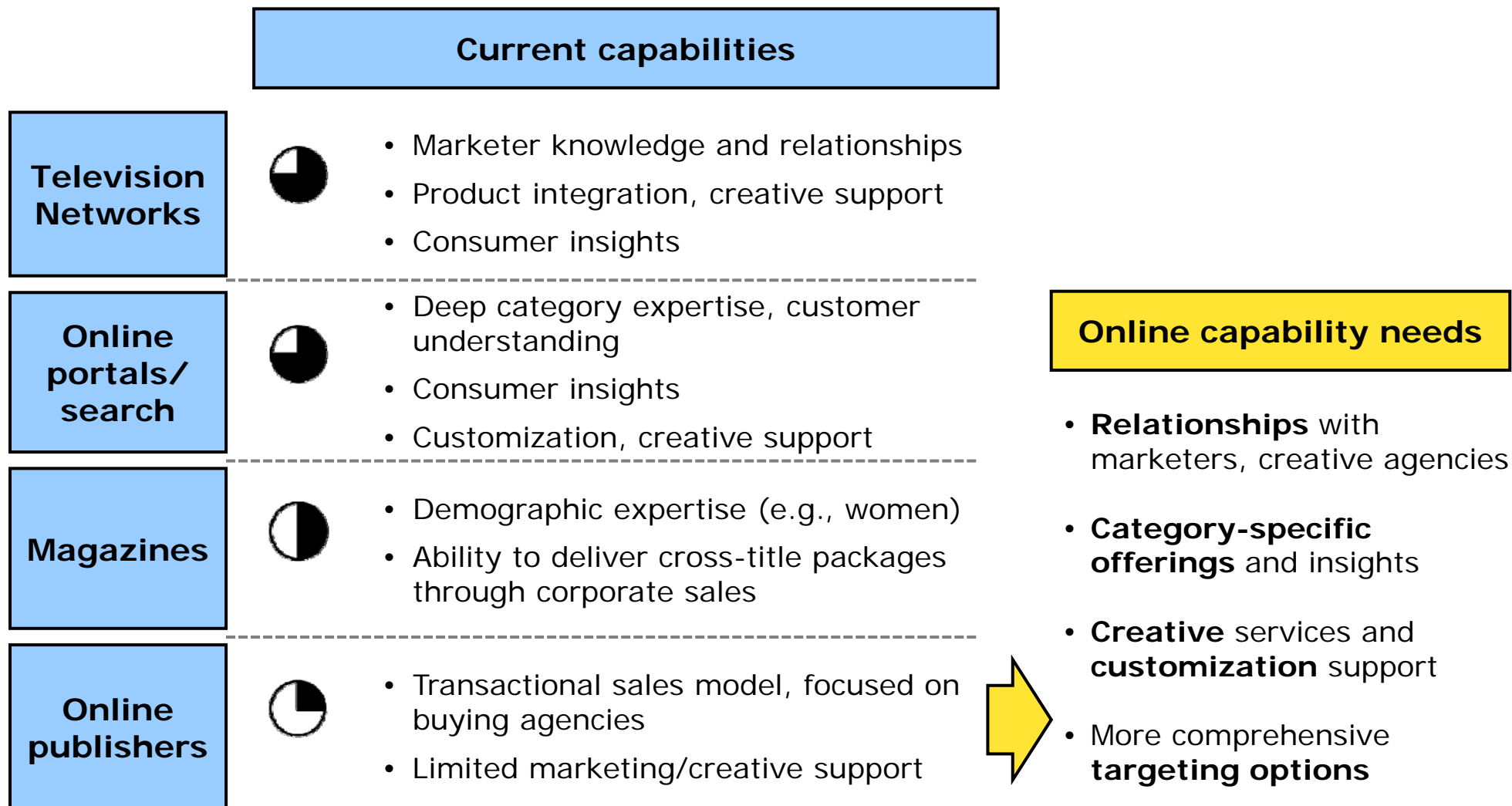
Source: Bain/IAB 2009 Marketer survey

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4

Solution: Adapt capabilities and learnings from offline and portal sales teams



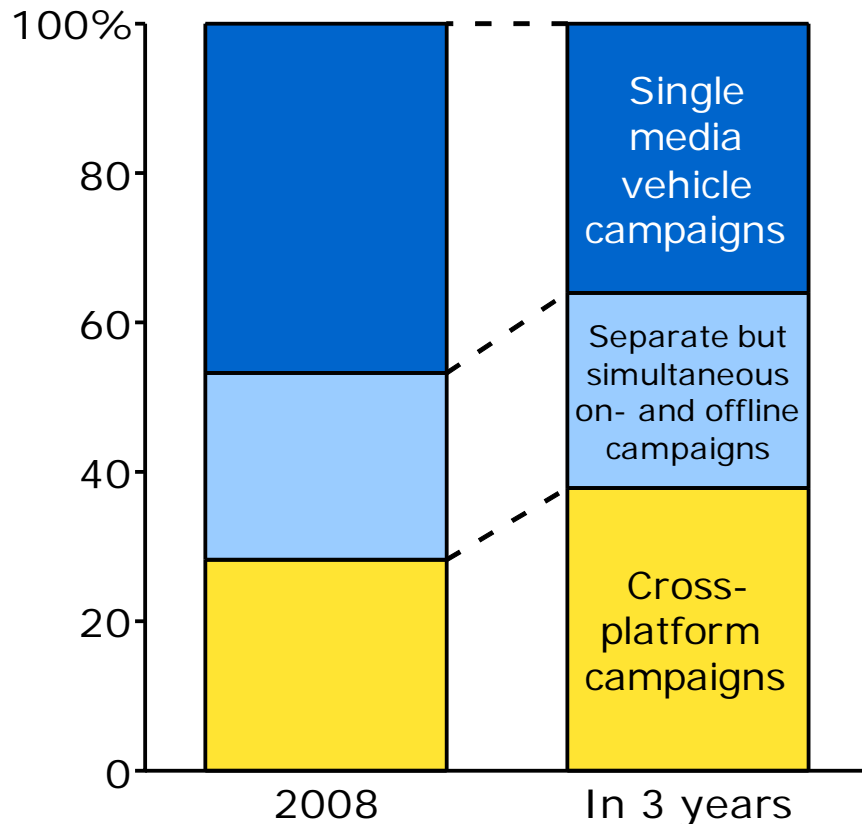
⑤ **Problem:** marketers want cross-platform campaigns; instead get platform-specific silos

5

After many fits and starts, **integrated marketing** is becoming a necessity

Q: What percent of your total above-the-line budget is spent on each **type of marketing campaign**?

Percent of brand marketer above-the-line spend



- Leading brand **marketers** are **reorganizing teams** around campaigns, not platforms
- **Agencies** are being forced to follow suit, often through **new team structures**
- Most **media companies** retain **separate** organizations across platforms

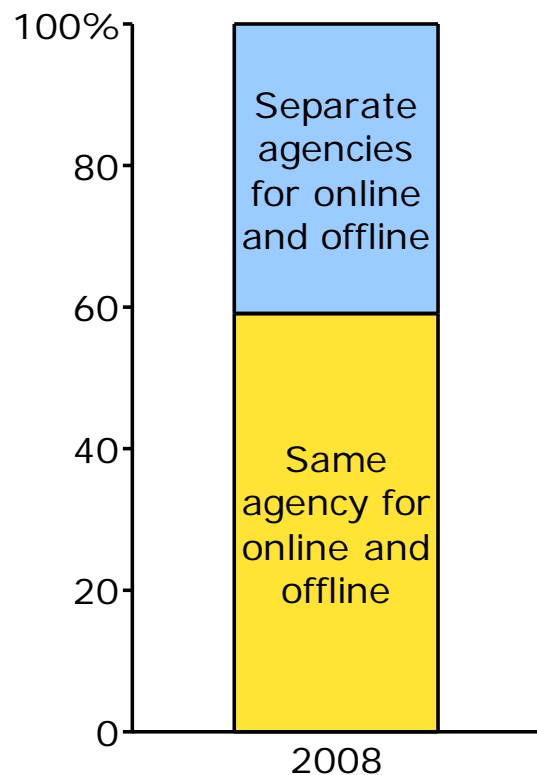
5

Marketers who use the **same creative agency** for “the whole egg” are more satisfied

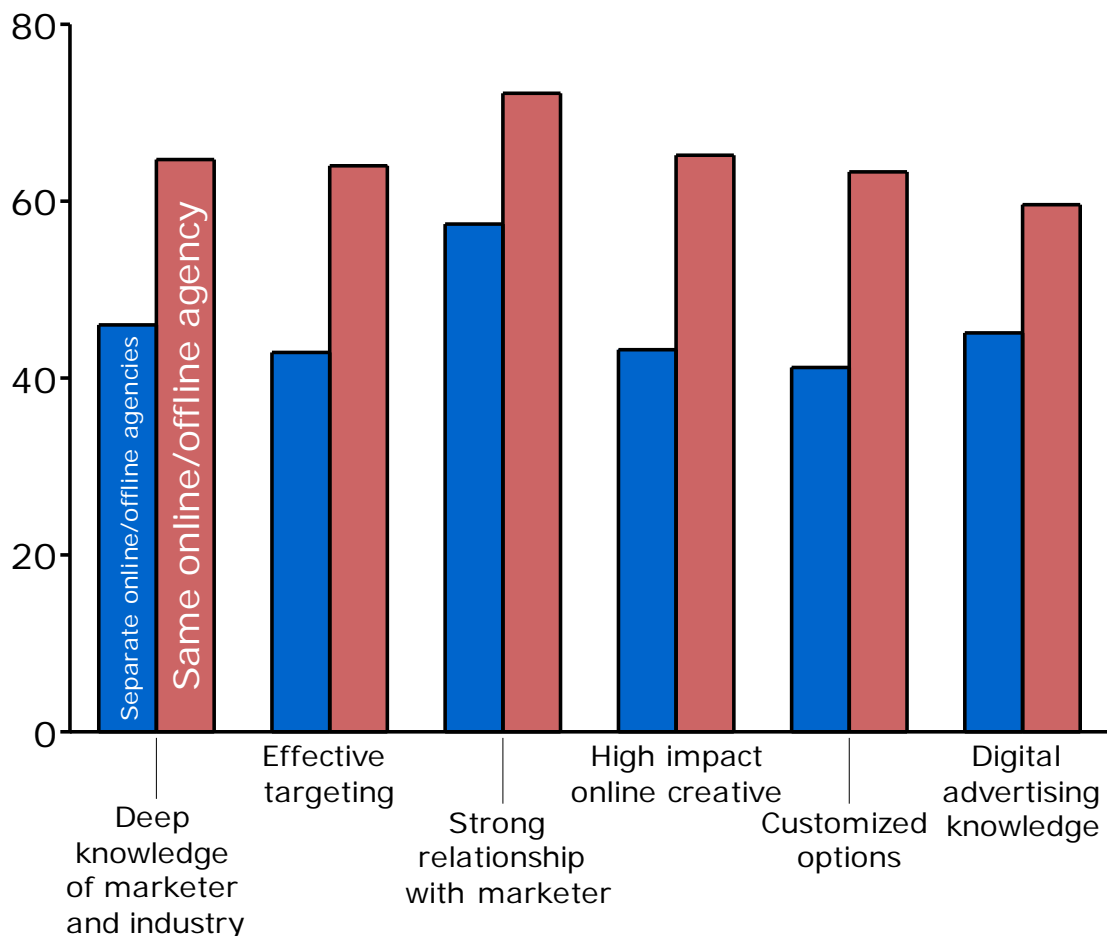
Most marketers use the same agency for online and offline creative...

...and tend to be much more satisfied with online capabilities than when using separate agencies

Agency usage



Online agency ratings
(% respondents choosing 4 or 5)

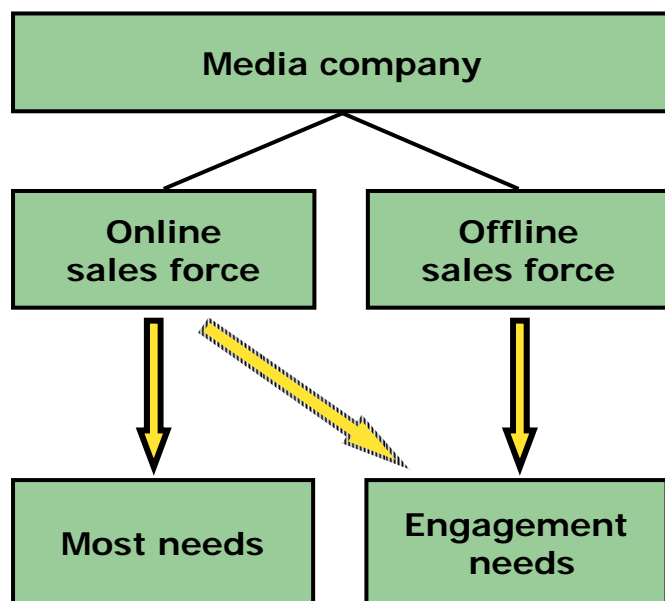


Source: Bain/IAB 2009 Marketer survey

Solution: Revamp the sales force structure

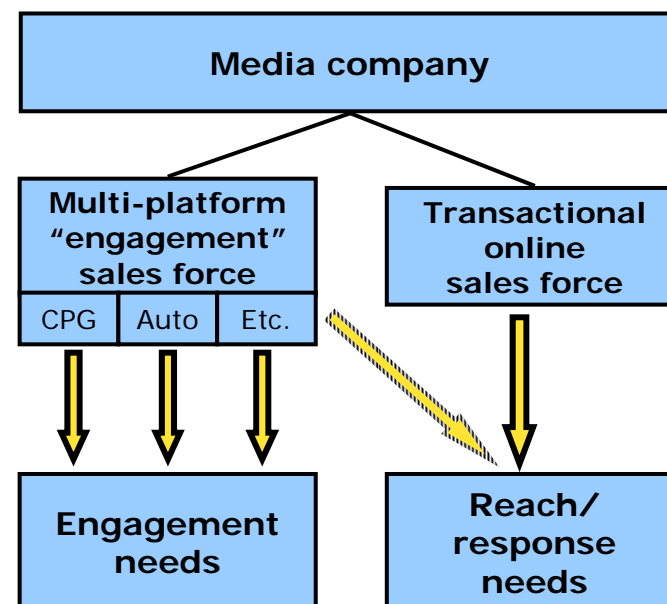
ILLUSTRATIVE

Typical legacy sales force approach



- **Separate online and offline sales forces**, impractical for cross-platform campaigns
- **"One-size-fits-all"** approach
- Limited **category expertise**

Example future sales force approach



- **Vertical-specific sales forces** with **high-touch** and **innovation** focus
- **Separate reach/response** sales force
- **Ability to meet reach requirements** as necessary for brand customers

Summary: online media companies need to change both their offerings and sales approach

- Create **distinct value propositions** for each leg of the **“Triple Play”**
- Sell **cross-platform “solutions,”** not “units” – with deeper relationships and more differentiated ad offerings
- Deepen **audience insights** and **strategic marketing skills** to help increase branding impact
- **Build category sales forces for brand advertisers, with separate sales** force for reach/response selling
- Establish **scale** to enhance selling/delivery of brand solutions
- Collaborate on **common standards and metrics**

For the IAB: focus on five key areas to improve online branding value

1 Measurement

- Work with other associations to establish **clear standards** for measurement of **brand impact** and **reach/frequency**

2 Targeting

- Address current **scale and data limitations** for targeting
- Identify ways to adjust for overlapping audience in reach buys

3 Automated processes

- Help develop **low-cost and/or automated processes** for brand reach and response buys
- Establish common **technical standards** for the industry

4 Online creative

- Identify and **communicate success factors** for marketers, agencies, and publishers in executing cross-platform creative

5 Engaging marketers

- Create **ongoing forums** with **marketers** for discussion of branding approach, limitations, and key developments



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