Second Taboo

“We do not know the consumer”

John Marcom
Senior VP International - Yahoo! Inc.
Workshop on Online Advertising
IAB-IESE
5 Taboos of Online Advertising
29th March, 2006
The internet changes your relationship to the consumer – and that’s a very good thing

“the shift from old to new media is not going to happen in the next generation. It is happening now and is strong, rapid and large…. there is a tremendous violence in traditional media as it continues to get displaced by digital.”

Sir Martin Sorrell
Chief Executive WPP
1. Internet Power: New depth of usage

2. Internet Power: New breeds of consumer

3. Internet Power: New kinds of content

4. Internet Power: New ways for advertising to engage
1. Internet Power: Reaching a billion people, and continuing to grow

Global Internet Users (millions)

- North America: estimated 3-year CAGR 4%
- Europe: estimated 3-year CAGR 8%
- Asia Pacific: estimated 3-year CAGR 15%

Sources: World Bank, Morgan Stanley (August 2005) and U.S. Census Bureau, International Data Base, Forrester Research
More users are flying at broadband speeds

WESTERN EUROPEAN INTERNET HOUSEHOLDS
By Connection Type, Projected in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Broadband</th>
<th>Dialup</th>
<th>Total</th>
<th>44% of online households</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>11.2 (18%)</td>
<td>52.4 (82%)</td>
<td>63.6</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>20.4 (33%)</td>
<td>52.9 (67%)</td>
<td>73.3</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>32.5 (50%)</td>
<td>51.7 (50%)</td>
<td>84.2</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>40.0 (55%)</td>
<td>50.2 (45%)</td>
<td>90.2</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>47.6 (55%)</td>
<td>47.5 (45%)</td>
<td>95.1</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>54.6 (55%)</td>
<td>44.3 (45%)</td>
<td>98.9</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>61.0 (60%)</td>
<td>41.2 (40%)</td>
<td>102.2</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>66.7 (64%)</td>
<td>38.2 (36%)</td>
<td>104.9</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>71.8 (67%)</td>
<td>35.5 (33%)</td>
<td>107.3</td>
<td></td>
</tr>
</tbody>
</table>

Broadband speed and “always-on” convenience gets everyone more involved

**Hours Online Per Month**
*(increase vs. prior year)*

- **UK**: 12.7 hours, up 16%
- **France**: 16.7 hours, up 23%
- **Germany**: 15.8 hours, up 12%
- **Italy**: 9.5 hours, up 22%
- **Spain**: 13.5 hours, up 24%

“Why don’t you get off the computer and watch some TV?”

Any way you measure it

Home Usage per month
Broadband vs. Dial-up

- **Pages Per Person**
  - Broadband: 2330 pages
  - Dial-up: 1217 pages

- **Time Per Person**
  - Broadband: 23.8 hours
  - Dial-up: 15.2 hours

- **Usage Days Per Person**
  - Broadband: 16.3 days
  - Dial-up: 13.3 days

Source: Comscore Media Metrix, January 2005.
2. Internet power: Reaching a new breed of consumer

• Confident
  Grew up with the internet
  Defined by technology
  Redefining the media landscape

• Self Reliant
  Success-oriented
  Independent, individualistic and seeking control
  “Cult de Moi”
The Internet brings a sense of community, and gives them time to pursue busy lives

- Similar across Europe, across genders
- Looking for ways to create more “me” time
- Social “sparks,” instigators and innovators
- Brands matter but attitudes are complicated
“What is a CD?”

Music is where you see deepest impact so far…
2. Internet power: New breeds of consumer

**But will they soon be forgetting newspapers and TV?**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Watching less TV</td>
<td>43%</td>
</tr>
<tr>
<td>Reading fewer books</td>
<td>29%</td>
</tr>
<tr>
<td>Less time on the phone</td>
<td>28%</td>
</tr>
<tr>
<td>Reading fewer magazines</td>
<td>26%</td>
</tr>
<tr>
<td>Reading fewer newspapers</td>
<td>24%</td>
</tr>
<tr>
<td>Listening to less radio</td>
<td>19%</td>
</tr>
<tr>
<td>Working less</td>
<td>14%</td>
</tr>
</tbody>
</table>

EIAA Media Consumption Study October 2004
3. Content: Broadband is accelerating these changes

PRE BROADBAND BEHAVIORS

COMMUNICATE
TASKS
SOUND BITES
JUST FOR FUN

POST BROADBAND

SPEED

“ALWAYS ON”

SOCIALIZE
LIFE MANAGEMENT
FULL STORY
PERSONAL ENTERTAINMENT

3. Internet power: New kinds of content
The user increasingly takes control
Bloggers let anyone publish to the whole world, unedited, uncensored.
Digital cameras let millions of new photojournalists publish through Flickr
Podcasts liberate production and consumption of audio

3. Internet power: New kinds of content
And in the most advanced markets, video is already adding to the richness of it all
As mobile services develop, the user takes the content anywhere
4. Internet power: New ways for advertising to engage

4. Internet power: driving real media value

Mass Offline → Passive Viewing e.g. TV/Outdoor

Mass Online → Active Involvement - branding that generates engagement within ad unit and leads to insight

Targeted Online → Based on demographics and behavior

Advanced Targeting
- Responders
- Info Seekers
- Purchase Intenders

Behavioral Targeting

e.g. 25-44, visited car site and search for car model

Add Value & Increase Yield

e.g. Looked at specific Car prices
The impact is building in Europe’s advertising market

**FORECAST TOTAL ADVERTISING AND ONLINE ADVERTISING**

Y/Y Growth 06 VS 05, Estimates

<table>
<thead>
<tr>
<th>Country</th>
<th>Combined Online</th>
<th>Combined Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>24,9%</td>
<td>24,6%</td>
</tr>
<tr>
<td>Germany</td>
<td>16,0%</td>
<td>0,20%</td>
</tr>
<tr>
<td>Italy</td>
<td>10,7%</td>
<td>2,5%</td>
</tr>
<tr>
<td>Spain</td>
<td>18,0%</td>
<td>2,4%</td>
</tr>
<tr>
<td>UK</td>
<td>29,0%</td>
<td>2,9%</td>
</tr>
<tr>
<td>Combined</td>
<td>24,6%</td>
<td>2,7%</td>
</tr>
</tbody>
</table>

Source: ZenithOptimedia, Advertising Expenditure Forecasts Dec 2005
Advertising focusing not just on reach and awareness – but engagement

“advertisers must depart from making one way statements and start using channels that allow them dialogues with their customers. As empowered consumers begin rejecting interruptive formats, the future of advertising is in engagement”

Jon Ghazi
Media Strategy Manager, BT
And the web will play a big role as marketing challenges mount

“One of the key challenges of the increasingly personalized media environment is how to market to people without angering them for interrupting their private time.”

--Adweek.com, March 23, 2006
4. Internet power: New ways for advertising to engage

Engaging moviegoers in Spain...
Means entering the consumer’s mind…

**Movie Awareness**

- 21 million impressions, reaching 3 million of the target audience
- 62% recall

THE CAMPAIGN WAS HIGHLY SUCCESSFUL IN INCREASING AWARENESS OF THE MOVIE WITHIN THE TARGET
The campaign was successful in generating positive opinion towards the movie while also increasing the intention of seeing it.

THE ADVERTISING CREATIVES SUCCEEDED IN GENERATING THE RIGHT ASSOCIATION TO THE BRAND
Thank you

John Marcom
Sr. VP International
Yahoo! Inc.