The Future of Advertising

The online market is growing

Jakob Nielsen
Sales Director Western Europe
Microsoft Corp.
The World is changing (fast!)

Growth rate: years to reach a quarter of the US population (same trend for Europe)

- Television: 26 years
- Radio: 22 years
- Mobile: 13 years
- Internet: 7 years
- Telephone: 35 years

Growth rate: years to reach a quarter of the US population (same trend for Europe)
Media consumption: average hours per week

Source: ISOBAR
Ad spending follows eyeballs. This has historically happened after a substantial lag, as industry players adjust to new formats.

Television and Radio Share of (1) % Media Minutes (2) % Advertising Spend (US Only)

* Total spend US CPI-adjusted to 2003 prices
** % Media Minutes includes only consumption of media able to be used for advertising purposes

Sources: eMarketer, Television Bureau of Advertising, UCLA, Veronis Suhler Stevenson, Newspaper Association of America, Online Publishers Association
UK - Online on target to be bigger than outdoor advertising

2000 2004 2006
But consumers are still way ahead....

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Percent of Time Households Spend</th>
<th>Percent of Advertising Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newspapers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Magazines</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Forrester Research 2003 US data
Total online Ad opportunity

<table>
<thead>
<tr>
<th>Year</th>
<th>Online Ad $bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03</td>
<td>15</td>
</tr>
<tr>
<td>FY04</td>
<td>20</td>
</tr>
<tr>
<td>FY05</td>
<td>25</td>
</tr>
<tr>
<td>FY06</td>
<td>30</td>
</tr>
<tr>
<td>FY07</td>
<td>35</td>
</tr>
<tr>
<td>FY08</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Internal Microsoft Strategy Unit
In 2000, I thought the digital revolution would just limp away. Well it hasn’t and it won’t. It’s a reality we had better get used to and fast. Rupert Murdoch, NewsCorp Chairman and Chief Executive, $24 billion annual revenue

The key players are suddenly paying attention

Robert Lerwill, Aegis CEO
Responsible for $1,842 million in media billings

As traditional media come under pressure, direct, interactive and the internet are becoming more important.”
Martin Sorrel
CEO, WPP
£19,558 million billings (2004)
50%+ Europeans Go Online Regularly

“Do you go online at least once per month?”

<table>
<thead>
<tr>
<th></th>
<th>EU-5</th>
<th>UK</th>
<th>Germany</th>
<th>Italy</th>
<th>France</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online</td>
<td>52%</td>
<td>64%</td>
<td>62%</td>
<td>46%</td>
<td>46%</td>
<td>34%</td>
</tr>
<tr>
<td>Online from home</td>
<td>45%</td>
<td>57%</td>
<td>57%</td>
<td>41%</td>
<td>39%</td>
<td>25%</td>
</tr>
<tr>
<td>Online from work</td>
<td>23%</td>
<td>28%</td>
<td>27%</td>
<td>19%</td>
<td>20%</td>
<td>16%</td>
</tr>
<tr>
<td>Online from elsewhere</td>
<td>6%</td>
<td>9%</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Base: European consumers

EU-5 total: 120 million
Rise of BB - ubiquity

China, Japan, S Korea, Taiwan, Hong Kong, Singapore

Source: Pyramid Research, Zenith Optimedia
In Europe...

66% of connections will be broadband by 2007 / 74% by 2010

* * Internet World Stats Dec05 † Jupiter Broadband Model for Western Europe May05.
Engaging with Online Advertising

Fantastic Four
Fantastic Four – a Global campaign

Asia-Pacific:
China, Hong Kong, Singapore, Thailand, Malaysia, Philippines, Taiwan, Japan, Korea, India, Australia, New Zealand

Europe:
UK, France, Spain, Italy, Netherlands, Belgium, Sweden, Denmark, Norway

Client
Fantastic Four – Theme Pack
Fantastic Four – Theme Pack winks
Integration in MSN Spaces
• Downloads: More than 5.2 million
• Winks: More than 17 million
• Backgrounds: More than 37.4 million
• Promo Banner imps: 94 million
• Most successful country: FRANCE
• 50% of ad effectiveness survey respondents stated their intention to see the film – and 35% of respondents actually saw the film
Jakob Nielsen, Sales Director Western Europe
Jakobn@microsoft.com