Haas & Deloitte partnership

Advertising in a changing media landscape: Consumers have become key players in the game of advertising

Patricio Simpson
Deloitte Consulting LLP
March 20, 2008
Introduction
Today’s topics

• **Changing customer needs are driving interactivity**
  – Trends toward increased customer empowerment
  – Demands for ease of use, personalization and choice

• **Traditional media is finally catching on**
  – Repositioning and growing new media propositions
  – Growth of alternative approaches and mediums

• **New world of media and advertising**
  – New business models
  – Case study – Video game advertising
Customers are taking control

**Power shift:** Consumers are seeing more and remembering less – and they have taken control of when, where, and how they interact, via Web channels, interactive media and on-demand devices

<table>
<thead>
<tr>
<th>What They Want</th>
<th>When They Want It</th>
</tr>
</thead>
<tbody>
<tr>
<td>• One-third of consumers prefer to receive product info from friends and specialists rather than from ads.¹</td>
<td>• Almost all consumers want to block unwanted ads, online and offline.³</td>
</tr>
<tr>
<td>• Ninety-two percent of shoppers conduct research online before purchasing a product.²</td>
<td>• Ninety-seven percent of U.S. digital cable subscribers will have video on demand by the end of 2006.⁴</td>
</tr>
<tr>
<td>• A Web search for “Product Review” generates roughly 500 million pages of results.</td>
<td>• One in ten consumers own multiple on-demand devices (DVR, TiVo, iPod, etc.).⁵</td>
</tr>
</tbody>
</table>

3  Forrester study with Intelliseek (May 2004).
5  Ibid, fn. 1.
Talk about vying for attention!

**Aqua Teen Hunger Force** (Adult Swim) – strikes again and shuts down Boston due to bomb scare!

**Starbucks** – coffee cup hitched a cab ride and fools Boston motorists

**Nike** – ball squashes BMW!! Thailand?
Consumers value personalization and convenience and are driving new commercial opportunities and more content choices.

**Ease of Access**
Ubiquitous IP networks will allow for hub centric content delivery, and content access cross-platform.

**Personalisation**
The personalisation dimension adds complexity to the traditional content versus distribution competitive struggle.

**Proliferation of Supply**
Supply of content proliferates, consumer choice and commercial opportunities expand, and the powerful customer sits at the centre of all this.

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**Fragmentation of the value chain**
- Platform specific delivery: TV, Radio, Internet, Wireless
- Cross platform delivery: Hub centric delivery
- Evolution over time:
  - 1996
  - 2006
  - 2012
- Platform owners as "gatekeepers"

**Three dimensions of competition in the digital age**
- Content
- Personalisation
- Distribution
- Traditional Struggle
- Aggregation

**More choice, more opportunities to exploit content on more platforms, and ultimately more consumer power**
- Transaction Settlement Processors
- Application Providers
- Subscription Services
- Middleware & Networking Solution Providers
- Aggregators
- Retail Providers
- Content Providers
- Service Providers (Infrastructure)
…and shifts towards enriched and interactive consumer experiences
These shifts are driving towards a media environment where the consumer is a powerful decision-maker.
Consumers also increasingly create and ‘broadcast’ content...

- People (especially Millennials and Xers) are increasingly creating their own entertainment
- Not only are they creating entertainment for themselves, but nearly one-in-three consider themselves to be “broadcasters” of their own media
  - Nearly half of Millennials feel this way too

<table>
<thead>
<tr>
<th>Summary of Agree Strongly/Somewhat</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
<tr>
<td>I am increasingly making my own</td>
</tr>
<tr>
<td>entertainment through editing my</td>
</tr>
<tr>
<td>own photos, videos and/or music.</td>
</tr>
<tr>
<td>1st Edition %</td>
</tr>
<tr>
<td>40</td>
</tr>
<tr>
<td>With all the technology available to me today, I actually consider myself to be a &quot;broadcaster&quot; of my own media.</td>
</tr>
<tr>
<td>1st Edition %</td>
</tr>
<tr>
<td>--</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Generational Comparison by Survey Edition (Summary of Agree Strongly/Somewhat)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>I am increasingly making my own entertainment through editing my own photos, videos and/or music.</td>
</tr>
<tr>
<td>56</td>
</tr>
</tbody>
</table>

Q. Please indicate how much you agree or disagree with the following statements
And ‘consume’ content created by other users…

- There continues to be significant DEMAND for non-traditional media content – *and it is growing*
- Content creation also continues to grow

### Internet Activities (Summary of Frequently/Occasionally)

<table>
<thead>
<tr>
<th>Activity</th>
<th>1st Edition %</th>
<th>2nd Edition %</th>
<th>Millennials %</th>
<th>Xers %</th>
<th>Boomers %</th>
<th>Matures %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Watching/listening to content created by others (Web sites, photos, videos, music and blogs)</td>
<td>52</td>
<td>69</td>
<td>86</td>
<td>73</td>
<td>64</td>
<td>40</td>
</tr>
<tr>
<td>Creating personal content for others to see (web sites, photos, videos, music and blogs)</td>
<td>34</td>
<td>45</td>
<td>70</td>
<td>48</td>
<td>33</td>
<td>17</td>
</tr>
</tbody>
</table>

Q. How often would you say you are doing the following online activities in a typical 7-day week?
What are some examples of business models built on customer input and interactivity?

Wikimedia Foundation

del.icio.us

Digg this

Technorati

CarGurus
Today’s topics

• Changing customer needs are driving interactivity
  – Trends toward increased customer empowerment
  – Demands for ease of use, personalization and choice

• Traditional media is finally catching on
  – Repositioning and growing new media propositions
  – Growth of alternative approaches and mediums

• New world of media and advertising
  – New business models
  – Case study – Video game advertising
Traditional media companies, internet and technology players are positioning/repositioning

Source: Deloitte analysis
‘Old’ media is catching on… example of traditional content being aggressively exploited across channels

The original IP owner does not necessarily receive all the revenue his/her idea generates.
Major media entities are responding to establish new business units and grow/acquire new media propositions

Motivations:
- Exploit existing IP
- Extend brand/attract eyeballs/customers
- Generate additional revenue
- Multiple platform ad bundling
- Be seen to be doing something!

Challenges:
- Org structure
- Incentives
- IT systems (CRM, IPRM, Billing etc.)
- Processes
- Content and repurposing
- Cultural – B2B to B2C
Yet most studios receive less than 2% of their revenue from digital sources*

- These revenues represent money from both advertising and paid for content via the internet, phone and digital home entertainment services such as PPV/ VOD.
- Deloitte expects these numbers to at least quadruple by 2012.

Source: Company Reports – reported in the Economist
* Exception AOL TimeWarner
But this will change… Digital technologies and platforms are severely disrupting traditional ways of making money…

Consensus forecasts predict evolution not revolution

A 'disruptive' consumer service or product is defined as "A recent digital or IP-based service that challenges existing ways of making money by giving consumers greater freedom and control over the media content they consume and the communications they use."
Already, the Internet is the second most important advertising medium

- All consumers rate TV advertising as the most impactful
- Overall, online advertising is now in a virtual tie for #2 with magazines
  - Xers most open to online
  - Matures place print in the #2 and #3 spots – with newspapers in a virtual tie with TV for #1
- Millennials and Xers more impacted by other types of advertising

### Advertising Types with Impact

<table>
<thead>
<tr>
<th></th>
<th>Total %</th>
<th>Millennials %</th>
<th>Xers %</th>
<th>Boomers %</th>
<th>Matures %</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td>85</td>
<td>85</td>
<td>85</td>
<td>86</td>
<td>86</td>
</tr>
<tr>
<td>Online</td>
<td>65</td>
<td>66</td>
<td>71</td>
<td>64</td>
<td>53</td>
</tr>
<tr>
<td>Magazines</td>
<td>63</td>
<td>58</td>
<td>60</td>
<td>68</td>
<td>69</td>
</tr>
<tr>
<td>Newspapers</td>
<td>56</td>
<td>39</td>
<td>48</td>
<td>66</td>
<td>85</td>
</tr>
<tr>
<td>DVDs</td>
<td>12</td>
<td>17</td>
<td>15</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>In-theater advertising (pre-movie)</td>
<td>12</td>
<td>20</td>
<td>14</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Video Games</td>
<td>7</td>
<td>15</td>
<td>8</td>
<td>3</td>
<td>-</td>
</tr>
</tbody>
</table>

Q. When you encounter ads in the following media, which have the most impact on your buying decision?
Advertising in “traditional” media… e-mail!
Alternatives to traditional advertising are multiplying and gaining traction…

“Nearly 90 percent of all U.S. companies polled in a new study will use part of their marketing budgets to advertise in new media like video games or virtual communities”

– The survey by the American Advertising Federation Feb 2007

“Internet advertising revenue has grown upward of 30 percent for the last three years, causing many in the print and television businesses to shudder. Traditional media companies have watched advertisers and consumers increasingly move online, and the change has crimped their revenue and bruised their stock prices.”

– Advertising; Marketers Demanding Better Count Of the Clicks
  New York Times, October 2006

• There’s a lot at stake. Parks Associates predicts in-game advertising will be worth $400 million by 2009, up from the $80 million in 2005. Yankee Group estimates in-game ads will be worth $732 million by 2010.

• Current film ad placements in United States, he explained, are approximately $1.5 billion a year. James Bond films, he said, make upwards of $70 million in ad revenue before the movies even hit theaters.
In turn, relationships between media players are becoming more and more complex

- The characteristics of the future landscape are translating the value chain of today into a complex value web with the need for flexible business models to cater to the relationship complexities
- A new role of aggregator will emerge, to collate content from multiple sources, act as a content trader and manage rights
- The content packager will generate value through quality management and filtering
- The content distributor must be responsible for providing searchable and personalized content, priced appropriately and must differentiate their brand
- The platform providers, now commoditized as content can be distributed cross platform, will benefit through the ownership of consumer data
And the race for online advertising dominance is becoming more intense

The industry is rapidly consolidating. Consolidation in the online advertising industry is primarily driven by 3 things

<table>
<thead>
<tr>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Traffic or unique number of visitors a site attracts - primarily determined by site content</td>
</tr>
<tr>
<td>• Google leads with 125 M and MSFT had 123 M unique visitors in December</td>
</tr>
<tr>
<td>• The Big 4 (Google, Yahoo, MSN, AOL) have 85% and top 10 players have 99% of online ad revenue</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Applications and services a Web site can deliver</td>
</tr>
<tr>
<td>• Google is a clear leader with tools and applications released continuously in beta versions on its site</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Analytics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Google has superior analytics which started with search-based advertising and is now expanding into extensive data mining of millions of search patterns and user profiles</td>
</tr>
<tr>
<td>• Traditional advertising is focused on content, search analytics influences the buyer at the point of purchase intent</td>
</tr>
</tbody>
</table>

Source: Business Week
Wooing Yahoo!

• **Background:**
  - Google is the leader in online advertising. It has 42% share of the entire online ad revenues and 66% share in search related advertising
  - Display advertising is expected to grow faster than search advertising
  - Google bought Doubleclick to become a leader in display advertising
  - Yahoo is the leader in online display advertising (banner ads etc)
  - Microsoft made an unsolicited $31/share bid for Yahoo on Jan 31
  - Yahoo rejected the offer as an undervalued offer.
  - Microsoft's options are to wage a proxy fight or raise the offer
  - Google and News corp have proposed alternatives to Yahoo which allow it to continue as an independent entity

• **Question:**
  - What should Yahoo do?
Bargaining in coalition formation

Rules
- 3 Players – A, B, C
- Goal is to join a coalition that maximizes payoff
- Only 2 parties are allowed to negotiate at a time with no interruption from the other player

Possible Outcomes
- Negotiation power of a player in a coalition depends on the value they bring to that coalition and the value they can bring elsewhere
- At first glance, the value add of each of these players may appear to be: A – 71, B – 37, C – 3 i.e. (71,37,3)
- C is the weakest player – or is it?
- A offers B 40 - Should B accept the offer? (78, 40, 0)
- B can enter into agreement with C (0, 46, 4)
- A can try to break the agreement by forming a coalition with C (79, 0, 5)

Offers that cannot be refused
- (76, 42, 0), (76, 0, 8) or (0, 42, 8)

Source: The Art and Science of Negotiation: Howard Raiffa
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Yahoo’s bargaining options

- Yahoo will outsource search advertising to Google
- Yahoo will get part of search revenues
- Yahoo will remain independent

- News Corp will buy 20% stake in Yahoo
- Yahoo will remain independent
- Yahoo will get MySpace
- News Corp will get access to Flickr and Yahoo News
- Yahoo gets $31/share
- MSFT and Yahoo combined will be the largest visited portals, largest IM network and largest web email accounts
- MSFT will get Yahoo’s online display advertising

- Time Warner would sell AOL to Yahoo
- Yahoo will remain independent
- Time Warner gets a stake in the combined company
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We are seeing more creative and flexible advertising models...

- Advertising is integral to virtually every business model. The traditional business models are being challenged by the development of new platforms, cheaper digital content technologies and the growing demand for user generated content and interactivity.

- In an attempt to shift from the fixed fee arrangement that currently exists with today’s agency (instead of the 15% of marketing spend of the past), the cost pressure is forcing agencies to pursue the following emerging business models:

<table>
<thead>
<tr>
<th>Emerging Ad Models</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription to advertising services</td>
<td>Continuously updated advertising, requiring meta-tagging and demand quasi intelligence of the storage devices</td>
</tr>
<tr>
<td>Advertising and consumer marketing consultancy</td>
<td>Share information, market research on consumer preference, cultural preferences and how to appropriately target</td>
</tr>
<tr>
<td>Content development, part ownership of IP</td>
<td>Agencies to develop content to target a niche demographic. Content can take the form of music, video clips (short or long and engaging), photos</td>
</tr>
<tr>
<td>Product sponsorship and placement</td>
<td>Advertisers pay a fee in order for branded products to be prominently displayed in a media production, or for sponsorship to be advertised – TV, films, music, games and editorial</td>
</tr>
<tr>
<td>Interactive advertising</td>
<td>Mini-website behind broadcast screen for consumers to interact with</td>
</tr>
<tr>
<td>Mobile advertising</td>
<td>Broadcasted ads over mobiTV, advertising on mobile click-through, positioning-based ads</td>
</tr>
</tbody>
</table>
Pricing in Advertising

As business models evolve, so has pricing:

- From the traditional CPM (cost per thousand impressions) amount, we now have
- CPC (cost-per-click) – or prices for each click-through… or even
- CPA (cost-per-action) – price paid when a user completes a certain action

- Now… where should you go if your blog or MySpace is generating a lot of traffic?
- You should sign-up at Google AdSense, or Yahoo! Search Marketing or Microsoft adCenter, and determine if you should get paid by:
  - Content (typically on CPM basis)
  - Search (adding a search tool within your site!)

- Now… where should you go if your startup company needs a little targeted advertising?
The mobile phone should not be overlooked as a valuable platform for media revenue generation

<table>
<thead>
<tr>
<th>Model</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free (with Ads)</td>
<td>• Yahoo! Daily weather update</td>
</tr>
<tr>
<td></td>
<td>• Google SMS search with ads inserted</td>
</tr>
<tr>
<td></td>
<td>• AOL’s role as platform connecting agencies and publishers*</td>
</tr>
<tr>
<td></td>
<td>• Location based coupons</td>
</tr>
<tr>
<td>Subscription</td>
<td>• VeriSign’s Jamster content plans</td>
</tr>
<tr>
<td></td>
<td>• EA’s Jamdat</td>
</tr>
<tr>
<td></td>
<td>• mobiTV</td>
</tr>
<tr>
<td></td>
<td>• Brew-developed games like The Incredibles and Duke Nukem</td>
</tr>
<tr>
<td>Purchased a la carte</td>
<td>• Wireless carrier-originated ringtones</td>
</tr>
<tr>
<td></td>
<td>• iTunes mobile</td>
</tr>
</tbody>
</table>

Message: People ARE willing to pay for the kind of convenience and accessibility that content via mobiles provides

*AOL is in talks to acquire Third Screen Media, a marketing technology company that enables advertising for mobile phones and wireless devices*
The key is the right message, at the right time, in the right place. Mixing paid for content with advertising can be unpopular...

Movie goers complained about being subjected to intrusive adverts in cinemas – 54% of respondents said they “disliked them a lot” but only 27% said adverts had kept them from going to the cinema

Why have you been going to the cinema less often? (%)

- Too many trailers before a film
- People talk in the cinema
- Not enough variety at the closest cinema
- I’d rather play video games
- Seats are uncomfortable
- Too many Ads before a film
- Rather wait for DVD
- Concessions - too expensive
- Lifestyle changes - less time to go
- Recent movies haven’t been very good
- Ticket prices - too high

Source: Nielsen Analytics

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Traditionally, the internet is considered ‘free’ and few are willing to pay for Ad-free online experiences

- A significant minority indicate a willingness to pay for an ad-free online experience – and for ad-free TV shows
  - A majority of those that are willing to pay, are willing to pay $25 or more (that nets to 22% of the total)

### Summary of Agree Strongly/Somewhat

<table>
<thead>
<tr>
<th></th>
<th>Total %</th>
<th>Millennials %</th>
<th>Xers %</th>
<th>Boomers %</th>
<th>Matures %</th>
</tr>
</thead>
<tbody>
<tr>
<td>I would rather pay for online content (news, information, sports, games, social interaction sites, movies, music, and TV) in exchange for not being exposed to advertisements.</td>
<td>37</td>
<td>42</td>
<td>43</td>
<td>32</td>
<td>25</td>
</tr>
<tr>
<td>I would pay an annual subscription fee for my favorite TV shows to watch them without advertisements.</td>
<td>39</td>
<td>47</td>
<td>45</td>
<td>31</td>
<td>29</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Total %</th>
<th>Male %</th>
<th>Female %</th>
</tr>
</thead>
<tbody>
<tr>
<td>I would rather pay for online content (news, information, sports, games, social interaction sites, movies, music, and TV) in exchange for not being exposed to advertisements.</td>
<td>39</td>
<td>43</td>
<td>35</td>
</tr>
<tr>
<td>$25 or more is a reasonable fee to pay per year for online content in exchange for not being exposed to advertisements</td>
<td>41</td>
<td>43</td>
<td>46</td>
</tr>
<tr>
<td>Among total population</td>
<td>60</td>
<td>62</td>
<td>65</td>
</tr>
<tr>
<td>Among those who agree they would rather pay for ad-free online content</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q. Please indicate how much you agree or disagree with the following statements
Q. If you were to purchase online content in exchange for not being exposed to advertisements, what would you consider to be a reasonable amount to pay over the course of the year?
The Internet has introduced several new online Ad Platforms: Social Networks, Virtual Communities, Online Gaming…

- Social networking is on the rise
- Over 1/3 of Millennials and a 1/4 of Xers are participating in online Virtual Worlds

### Content-Generating Activities (Summary of Currently Do)

<table>
<thead>
<tr>
<th>Activity</th>
<th>1st Edition %</th>
<th>2nd Edition %</th>
<th>Millennials %</th>
<th>Xers %</th>
<th>Boomers %</th>
<th>Matures %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socializing (via social networking sites, chat rooms or message boards)</td>
<td>37</td>
<td>54</td>
<td>78</td>
<td>60</td>
<td>38</td>
<td>23</td>
</tr>
<tr>
<td>Maintaining a profile on a social networking site (MySpace.com, Facebook.com, Classmates.com, Friendster.com, Linked-in.com)</td>
<td>NA</td>
<td>45</td>
<td>71</td>
<td>51</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>Participating in online virtual worlds (i.e. Second Life, There.com, MTV's Virtual World, etc.)</td>
<td>NA</td>
<td>21</td>
<td>36</td>
<td>25</td>
<td>10</td>
<td>2</td>
</tr>
</tbody>
</table>

Q. Please indicate your experience with each of the following
However, all online ads are not created equal…

- The type of Internet ads that provide the greatest amount of targeting and relevance, do the best
  - Boomers and Matures most influenced by the “top 3”
- Millennials and Xers more responsive to product placement

<table>
<thead>
<tr>
<th>Internet Advertising Influences</th>
<th>Total %</th>
<th>Millennials %</th>
<th>Xers %</th>
<th>Boomers %</th>
<th>Matures %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search engine result ads</td>
<td>78</td>
<td>67</td>
<td>77</td>
<td>87</td>
<td>87</td>
</tr>
<tr>
<td>Ads I interact with that provide information/entertainment</td>
<td>62</td>
<td>55</td>
<td>58</td>
<td>68</td>
<td>73</td>
</tr>
<tr>
<td>Banner ads</td>
<td>60</td>
<td>53</td>
<td>59</td>
<td>63</td>
<td>71</td>
</tr>
<tr>
<td>Pre-roll ads (ones you must view first before viewing a video)</td>
<td>31</td>
<td>36</td>
<td>30</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Post-roll ads (additional information that is provided after a video)</td>
<td>19</td>
<td>21</td>
<td>19</td>
<td>19</td>
<td>17</td>
</tr>
<tr>
<td>Ads embedded in videos (on the screen while a video is playing)</td>
<td>17</td>
<td>22</td>
<td>22</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>Ads or products placed within online virtual worlds (i.e. Second Life, There.com, MTV’s Virtual World, etc.)</td>
<td>17</td>
<td>23</td>
<td>19</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Ads or products placed within video games</td>
<td>15</td>
<td>23</td>
<td>16</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

Q. Thinking now about advertisements you encounter online, which type of online advertising influences you the most?
In-game advertising is predicted to generate significant revenue for games developers

The emergence of in-game advertising is beginning to provide an important new revenue stream for game publishers and will be a significant contributor to total revenues and margins by 2012

Product placement: In-game advertising

- Gaming audiences target the young – and audience is growing; the audience is attractive to advertisers
- The next generation of consoles will have built-in Internet functionality
- Gaming is becoming increasingly multiplayer/multi-channel
- By 2012 advertising will be fully integrated into the story itself – more appealing and relevant
- Choices and preferences can be tracked and monitored real time – e.g. which pair of jeans or which brand of cola….
- Levi Strauss and Proctor & Gamble appear in “NASCAR 2005: Chase for the Cup”
Customization of characters – Real-time information

Tiger Woods, Need for Speed, Second life are all examples of character customization with choices of clothing, eyewear, jewellery, cars, land, etc.
### Emerging revenue models for video game advertising

<table>
<thead>
<tr>
<th>Model</th>
<th>Examples</th>
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<tbody>
<tr>
<td>In game advertising/product placement</td>
<td>• Shanda (Chinese game provider)</td>
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<td></td>
<td>• Eyeblaster</td>
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<td></td>
<td>• Greystripe</td>
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<td></td>
<td>• Microsoft xBox – Burger King Game</td>
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<tr>
<td>Click through monetization</td>
<td>• Sony's own Station Exchange, making transactions of virtual goods for real money a direct part of EverQuest II</td>
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<td></td>
<td>• Google’s acquisition of Adscape</td>
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<td></td>
<td>• Micro-payments to reach $833M by 2011</td>
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<tr>
<td>Luring traffic to targeted websites</td>
<td>• Walt Disney’s “Lost”</td>
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<td>• NBC’s “Las Vegas”</td>
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<td></td>
<td>• Comcast’s “Paradise City”</td>
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<td>• Onstream Media/Auction Video – social networking</td>
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</tbody>
</table>

Message: There is tremendous activity and positioning in the video game advertising space, by large and small players alike
Class discussion

“We’re the only ones holding this back…Advertisers want in, we know they want in, we just need to think about it. And if we do, I know with the level of brilliance and talent in all the teams out there, it can be easily accomplished.”

– Ubisoft, a game developer

Yet

“When ads become ubiquitous, do they undermine themselves?”

– New York Times Magazine, Feb 07
Some parting thoughts/ questions

Key challenges faced by media companies and advertisers preparing to embrace a more interactive media environment

<table>
<thead>
<tr>
<th>For Media Companies</th>
<th>For Advertisers</th>
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</thead>
<tbody>
<tr>
<td>• How much to invest and when</td>
<td>• Optimal marketing mix</td>
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<tr>
<td>• How to structure to best take advantage of and enable digital/ where to play in the value chain</td>
<td>• Appropriateness of advertising across platforms</td>
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<tr>
<td>• How to exploit and protect IP</td>
<td>• Effective and accurate audience measurement</td>
</tr>
<tr>
<td>• Which content over which channel/ device and cost of repurposing</td>
<td>• Onus of effort for bundling across platforms, and for assessing ad effectiveness</td>
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<tr>
<td>• Who to partner with</td>
<td></td>
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<tr>
<td>• Cultural, organizational and people challenges</td>
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</tbody>
</table>

• If they have not yet developed a digital strategy they might not have missed the boat yet. But they need to develop one and begin experimenting soon.
• There will be less tolerance for experimentation and failure in the future than there is now

Source: Deloitte
Questions/Comments?
Thank You!

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