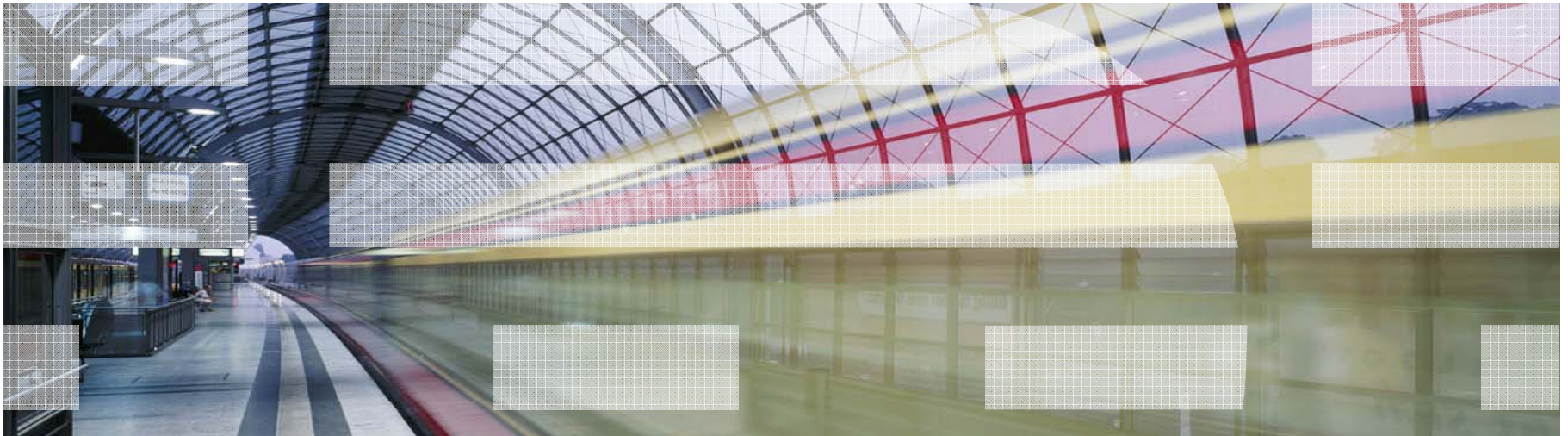


The End of Television as we know it *And the Implications for Brands*

Saul Berman, Global Lead Partner, Strategy and Change
IBM Global Business Services



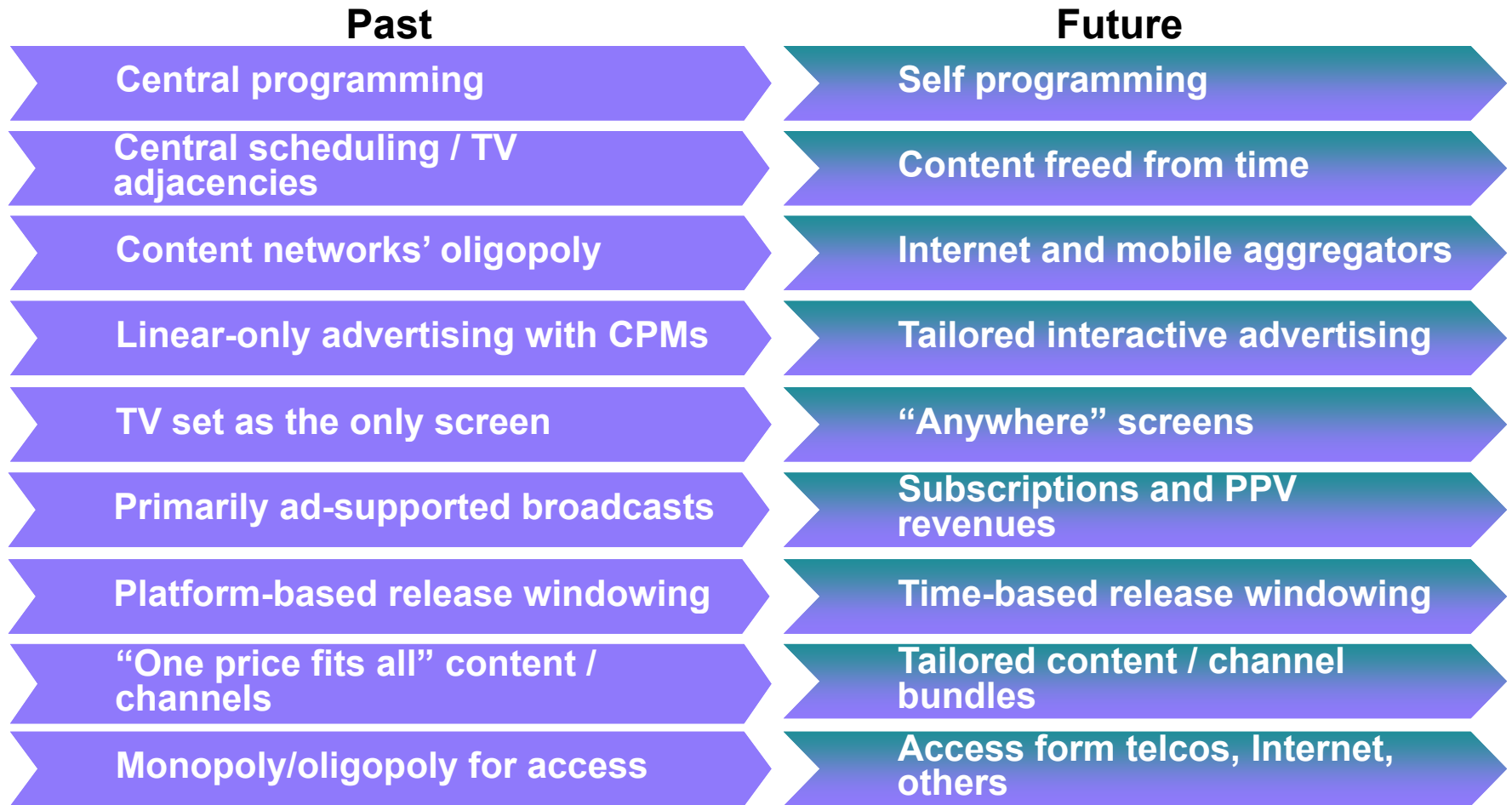
As dollars continue to migrate to digital, Brands need to focus “Beyond Advertising”

Consumer demand for digital video continues to rise, marking the end of traditional business and advertising models as we know them

Brands will increasingly need both granularity in reach and integrated marketing strategies to reach consumers

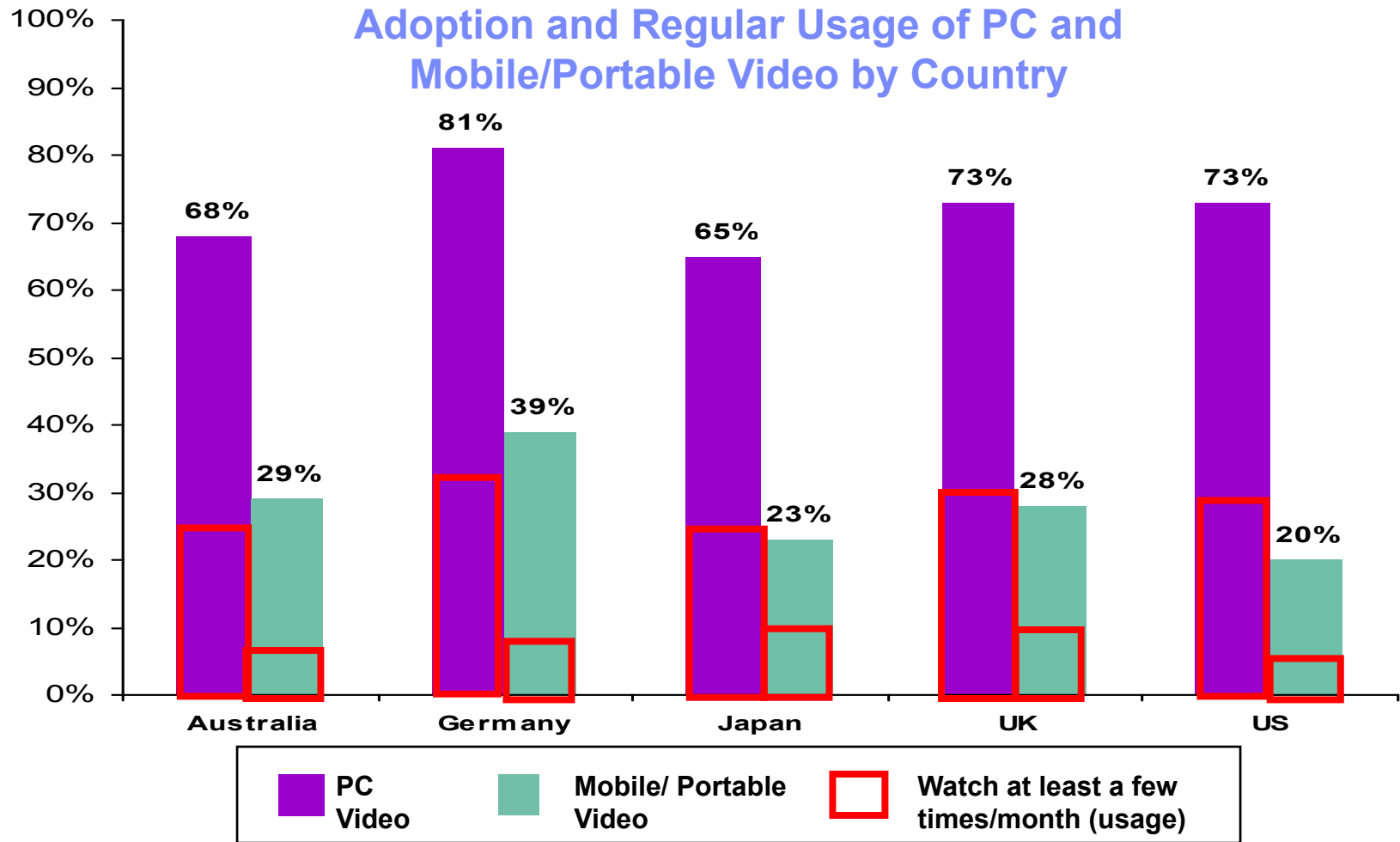
But business models and capabilities need to be put in place

In *The End of Television as We Know It*, we posit that disruption to the value chain is inevitable long-term



"Your grandchildren won't know what a TV is" – Saul Berman

Demand for digital video is growing across the globe

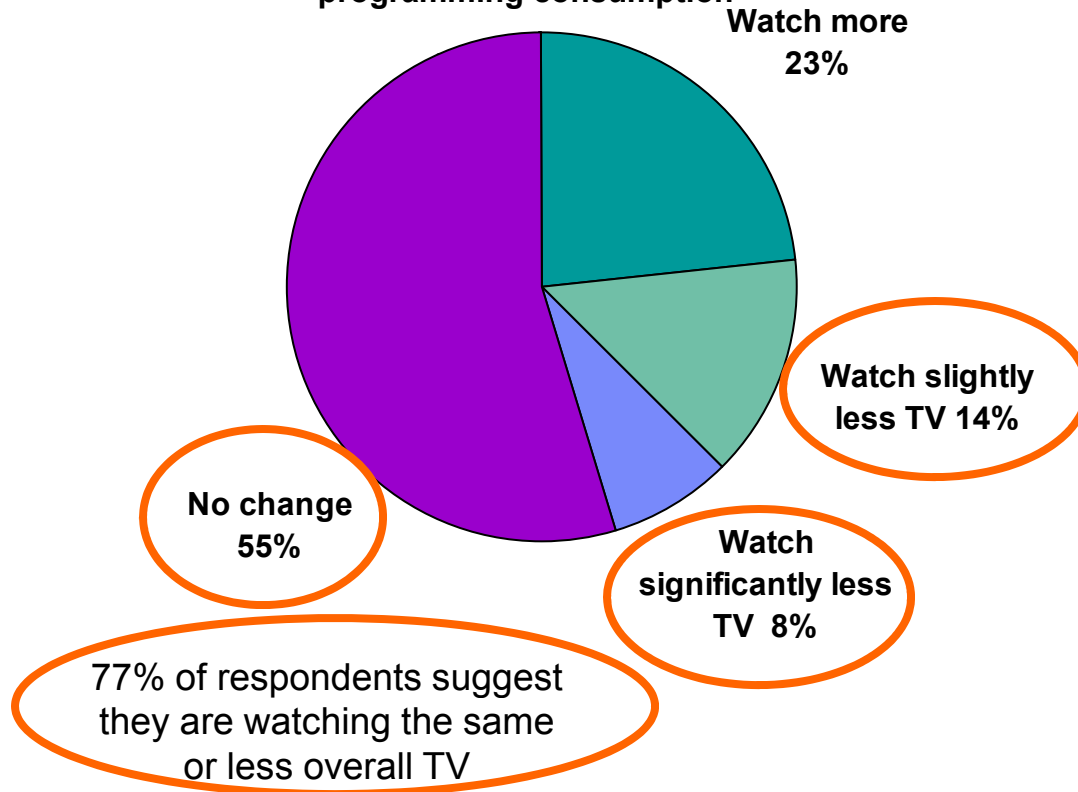


Source: 2009 IBM Digital Consumer Survey. Total responses = 3300 across five countries: Australia, Germany, Japan, UK, US

But despite the new outlets for video distribution, new channel consumption is not additive to overall television consumption

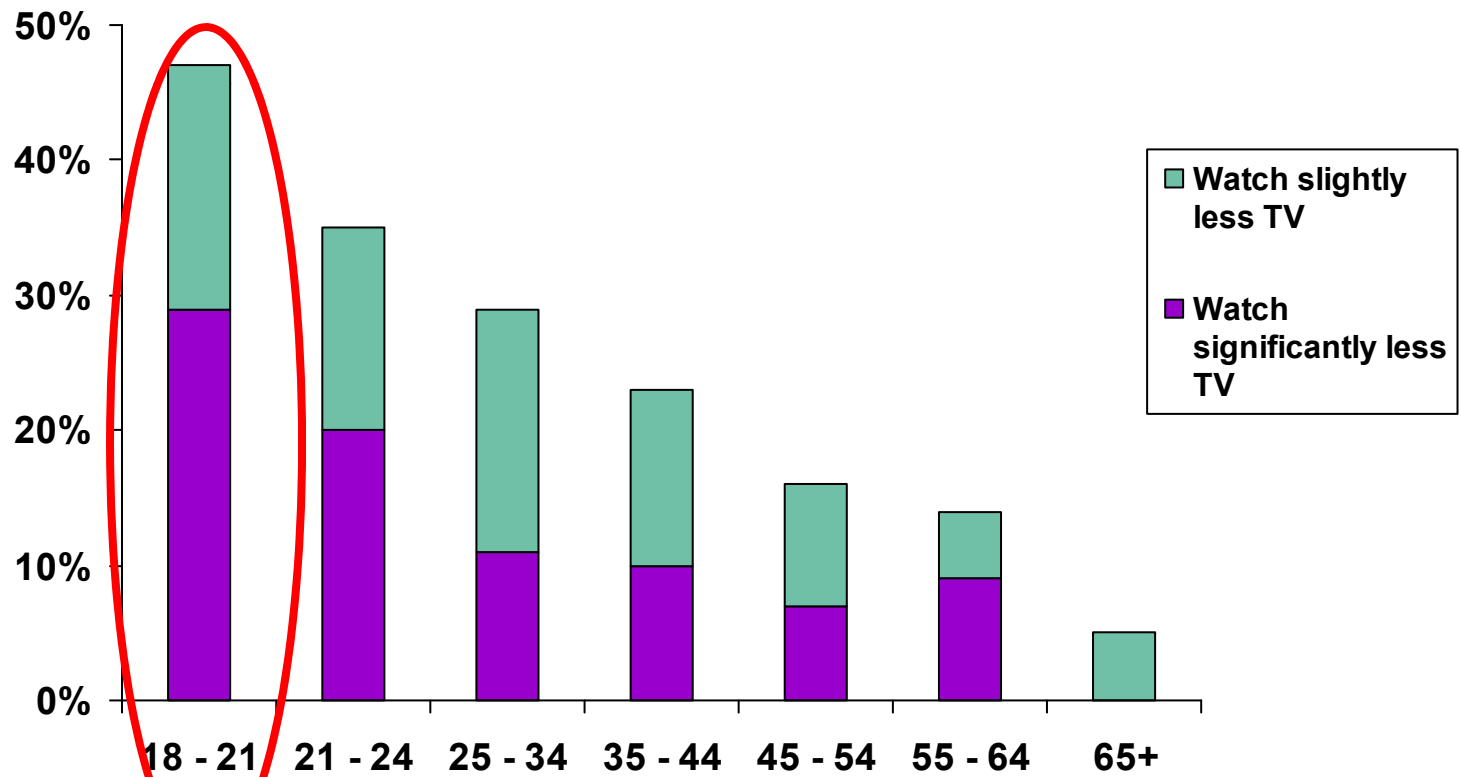
Impact of Online Video Viewing on Overall Television Consumption – For those who have viewed videos online (Global)

“Please indicate how watching video content on your PC has impacted your overall television programming consumption”



However, younger audiences in particular suggest it is cannibalizing traditional television viewing

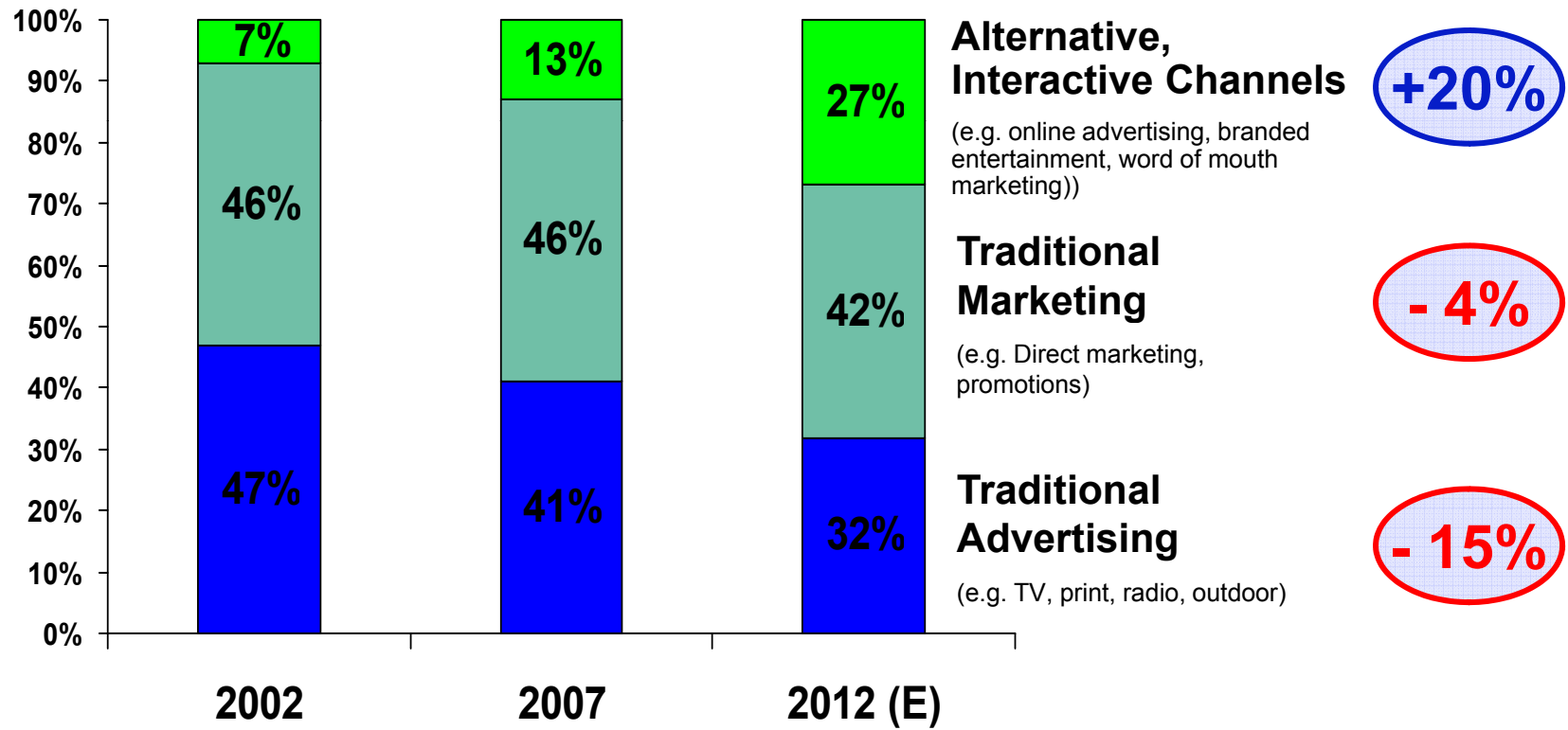
Impact of Online Video Viewing on “Traditional” TV Viewing US Respondents Segmented by Age



Brands follow consumer-driven media fragmentation and shift spend to measurable, interactive channels

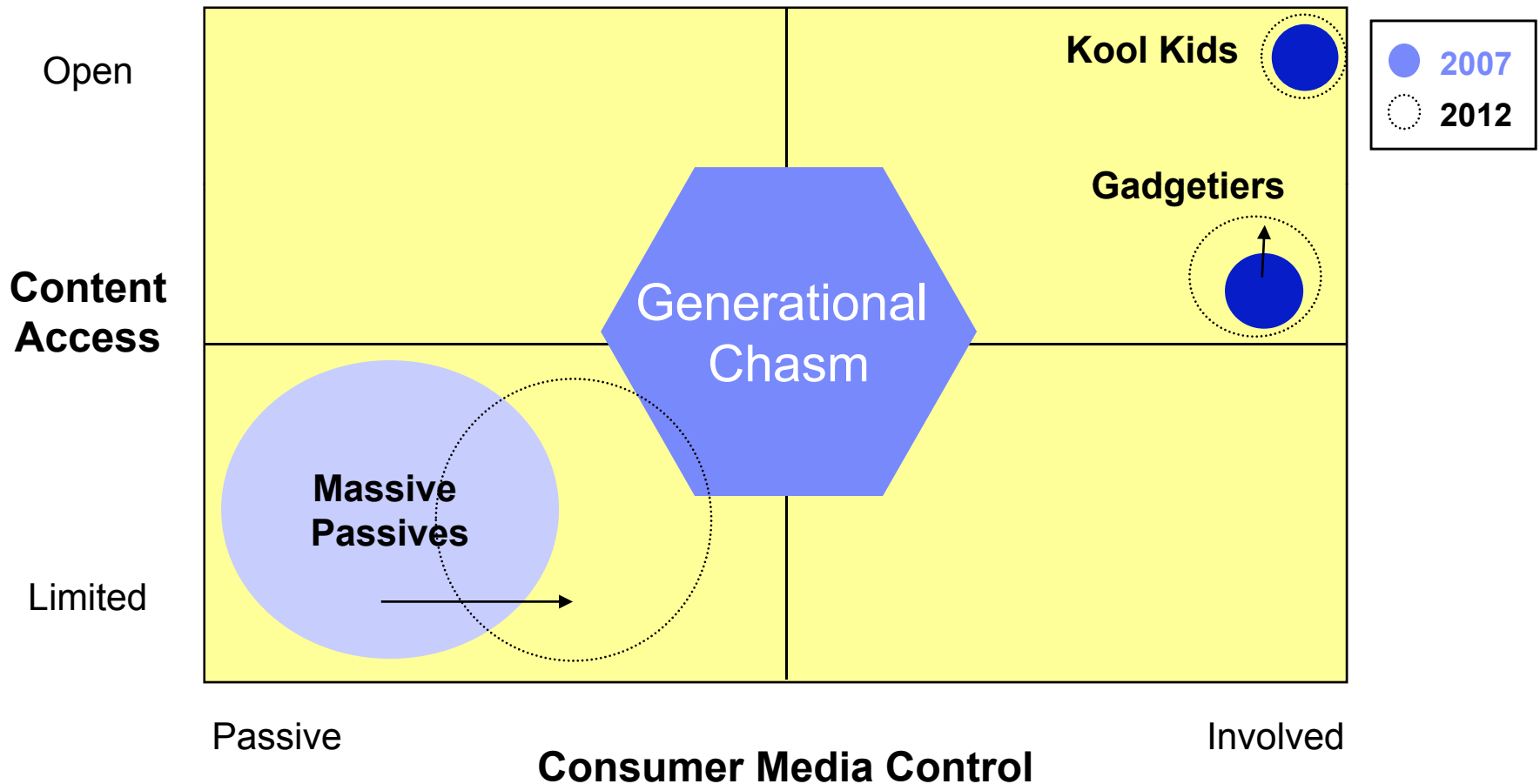
Advertising & Marketing Share 2002 – 2012E

Share Change



Companies therefore must focus on dual strategies to address distinct consumer segments – mass market no longer suffices

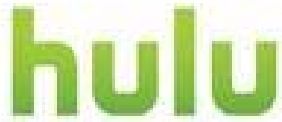
Consensus Endstate for 2012



The implication is as growth of new services continues, new business models are required to address losses in traditional TV

Lessons Learned from the US

Traffic is exploding....



Hulu has more monthly unique viewers than the top two largest US cable operators combined (42.5 million in October, 2009 vs. 37 million combined for Comcast and TWC)

Revenue is minimal....



Online revenues/thousand viewers estimated at 1/10th of Broadcast

The impact is real....

“An entire generation is growing up, if we don’t figure out how to change their behavior so it respects copyright and subscription revenue on the part of distributors, we’re going to wake up and see cord cutting.”

Steve Burke, COO Comcast

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Digital migration blurs the historical distinctions between “advertising” and “marketing” platforms

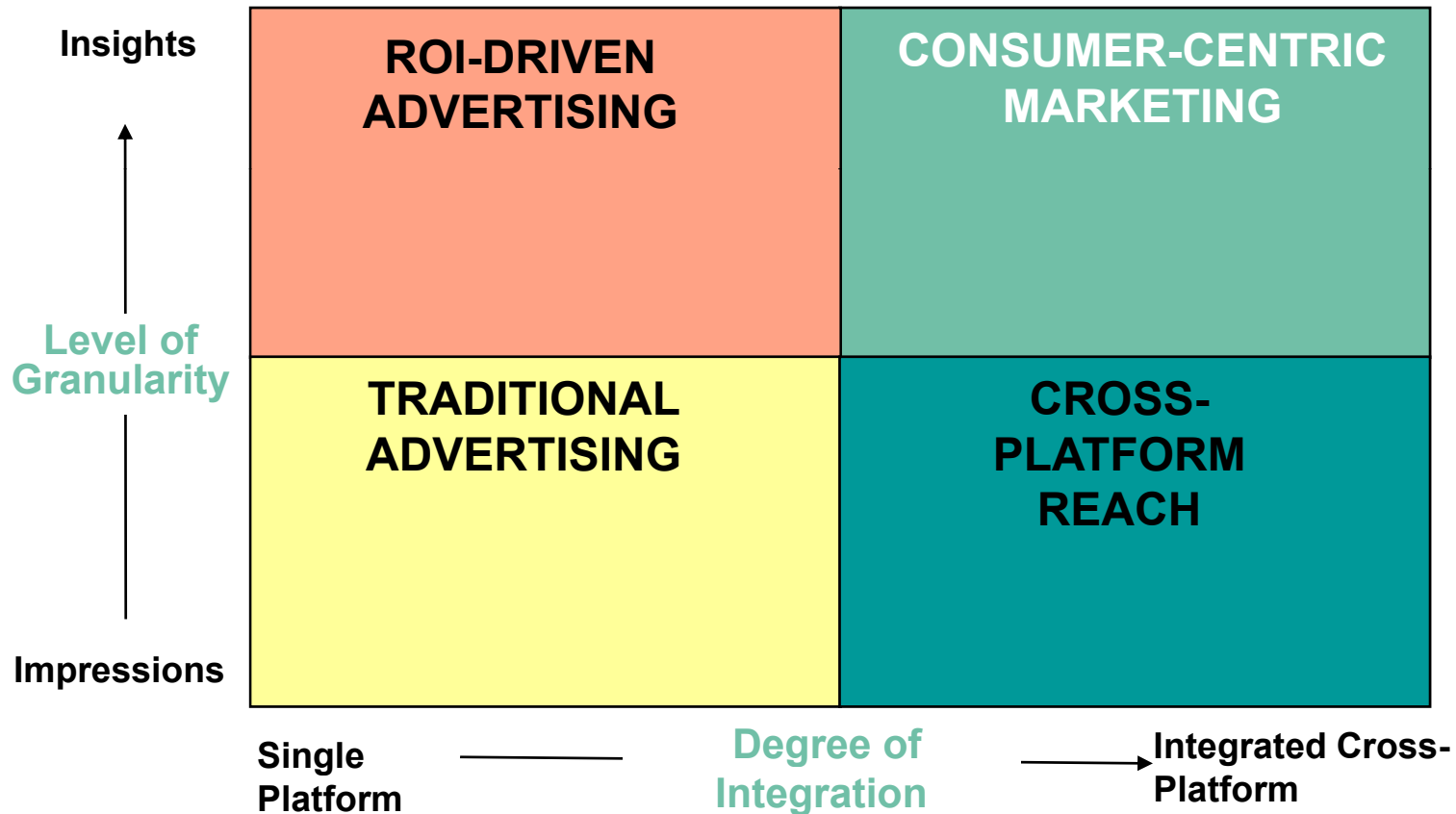
“There is no longer a clear distinction between marketing and advertising disciplines.

Every contact with a consumer is now an opportunity to impact your brand/reputation as well as an opportunity to drive action.”

(CEO North America, Global Advertising Agency)

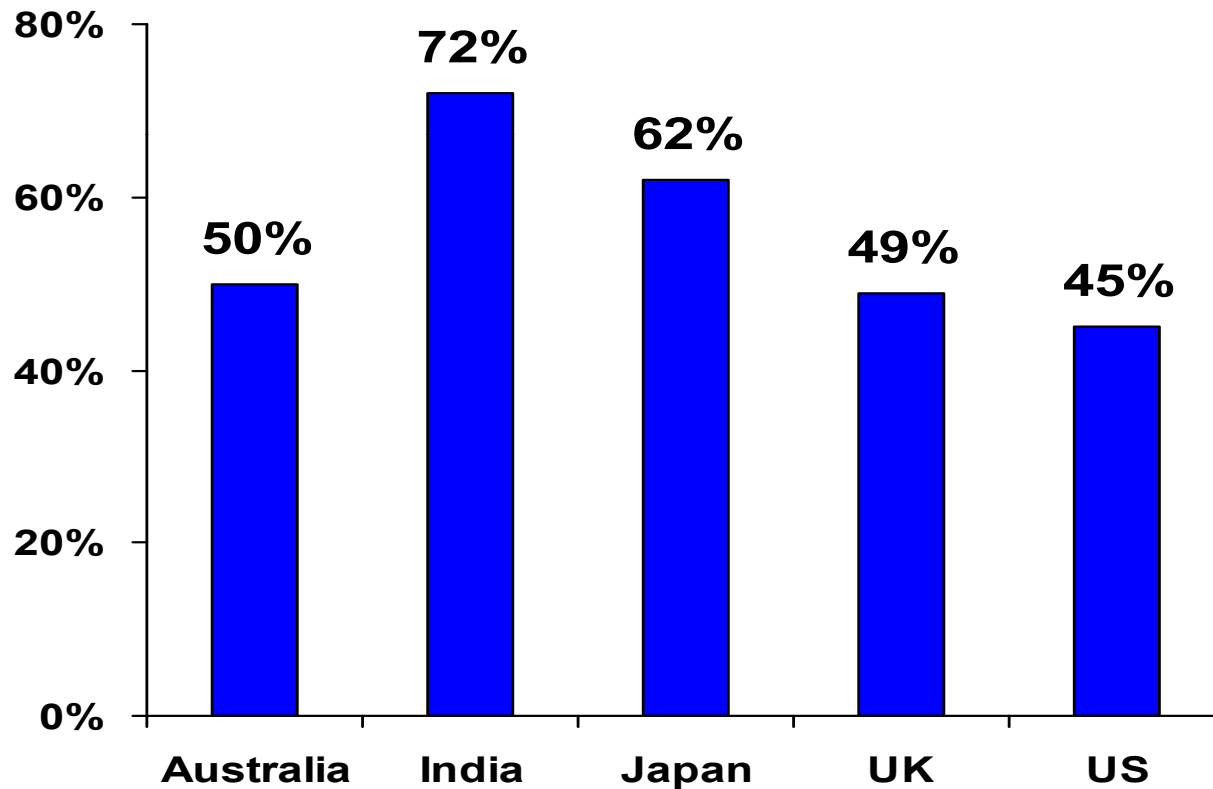
Going “Beyond Advertising” means offering relevancy plus Integration for the consumer

Evolutionary Business Models



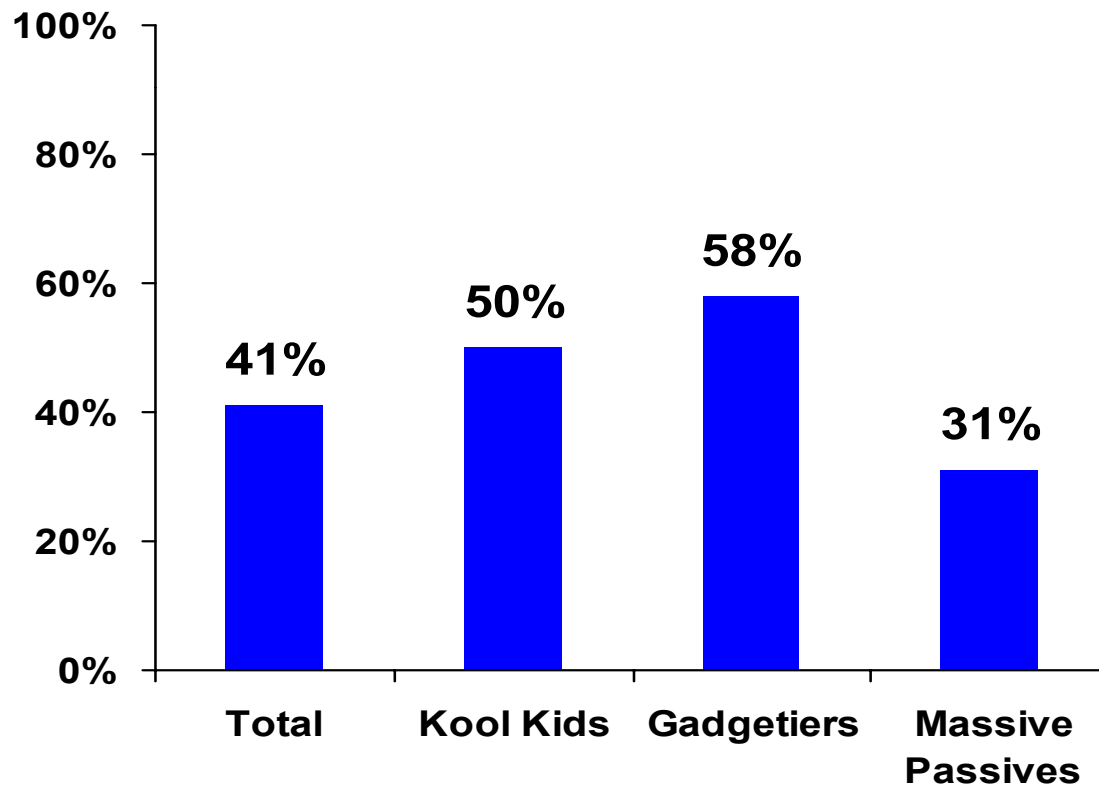
Relevancy: Consumers will trade information for value

Willingness to Provide Information About Yourself



Integration: Consumers desire integrated content and messaging

Desire for Content Portability Across Devices (Global)



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Industry realities continue to hinder progress in moving towards consumer centricity

Current Industry Realities

**NEW FORMAT
UNCERTAINTY**

FRAGMENTATION

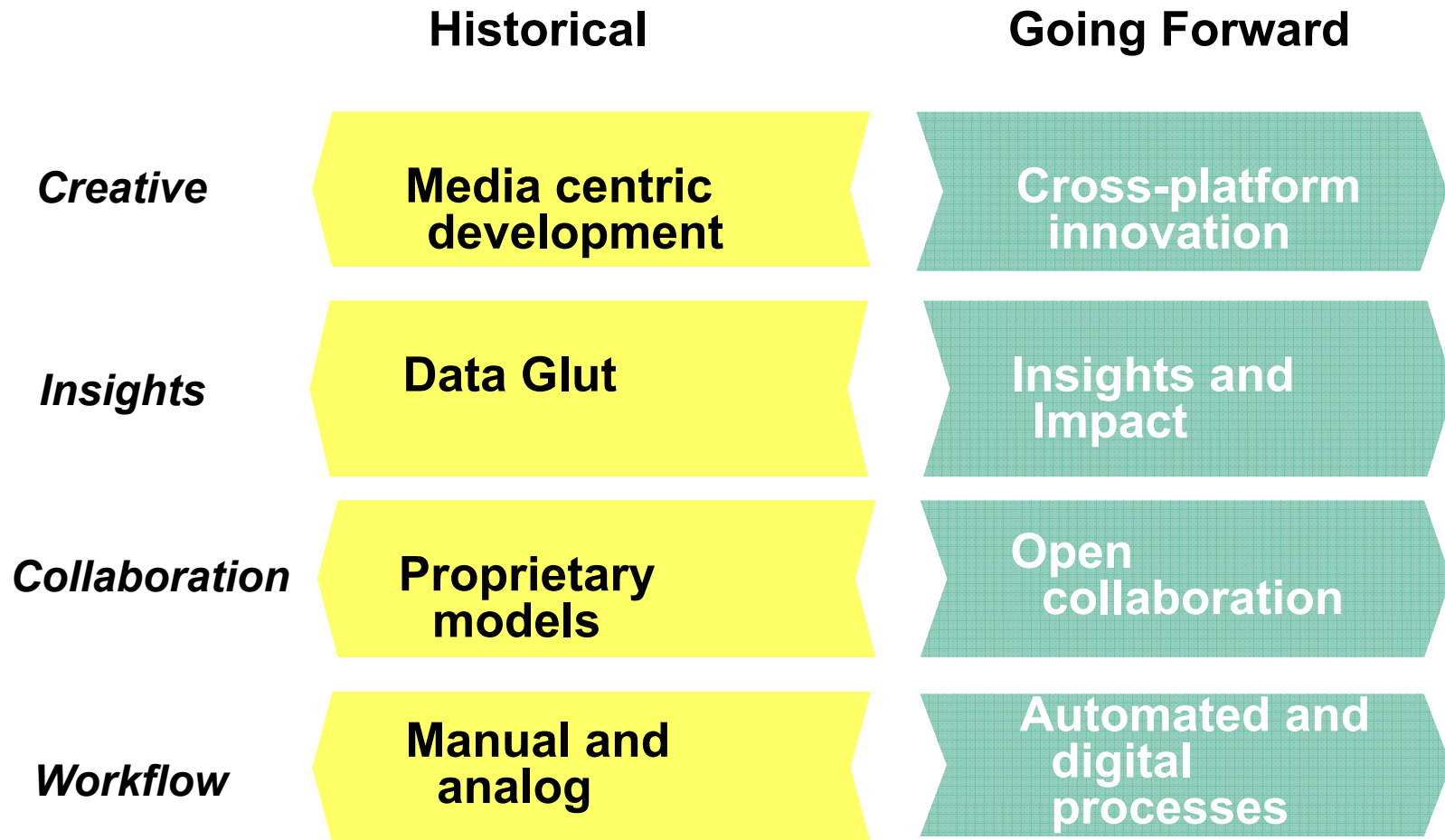
**SILO'D
OPERATING
MODELS**

DATA GLUT

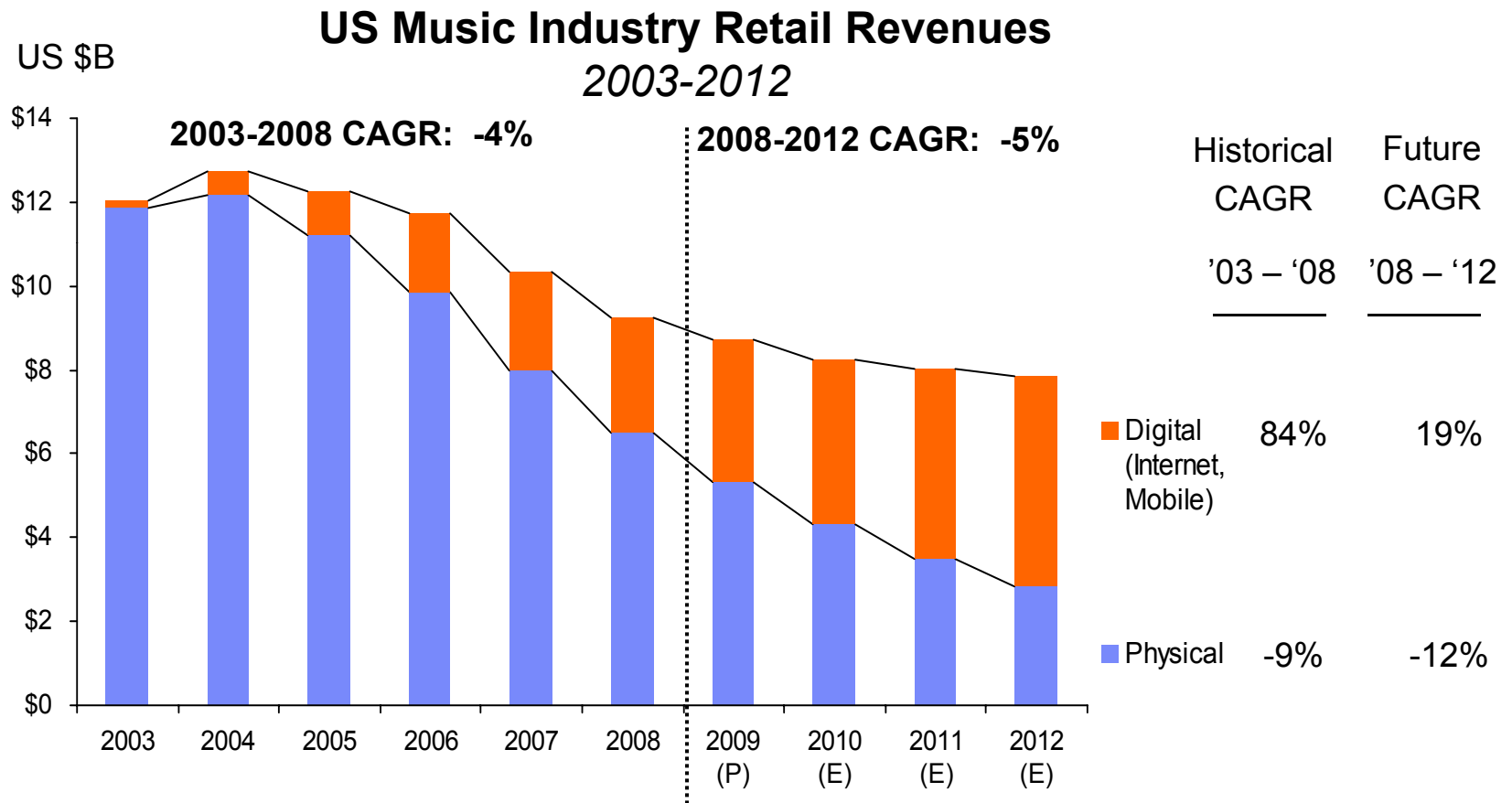
Industry Choices

- How to spend and allocate **investments** in light of current economic situation (e.g. targeting, video, social media)?
- How to drive **standards** in metrics, processes, and formats?
- How to **integrate across platforms** to offer consistency and relevancy to the consumer?
- How to turn the explosion in information into real-time, actionable **insights**?

Competing in the new era requires new capabilities

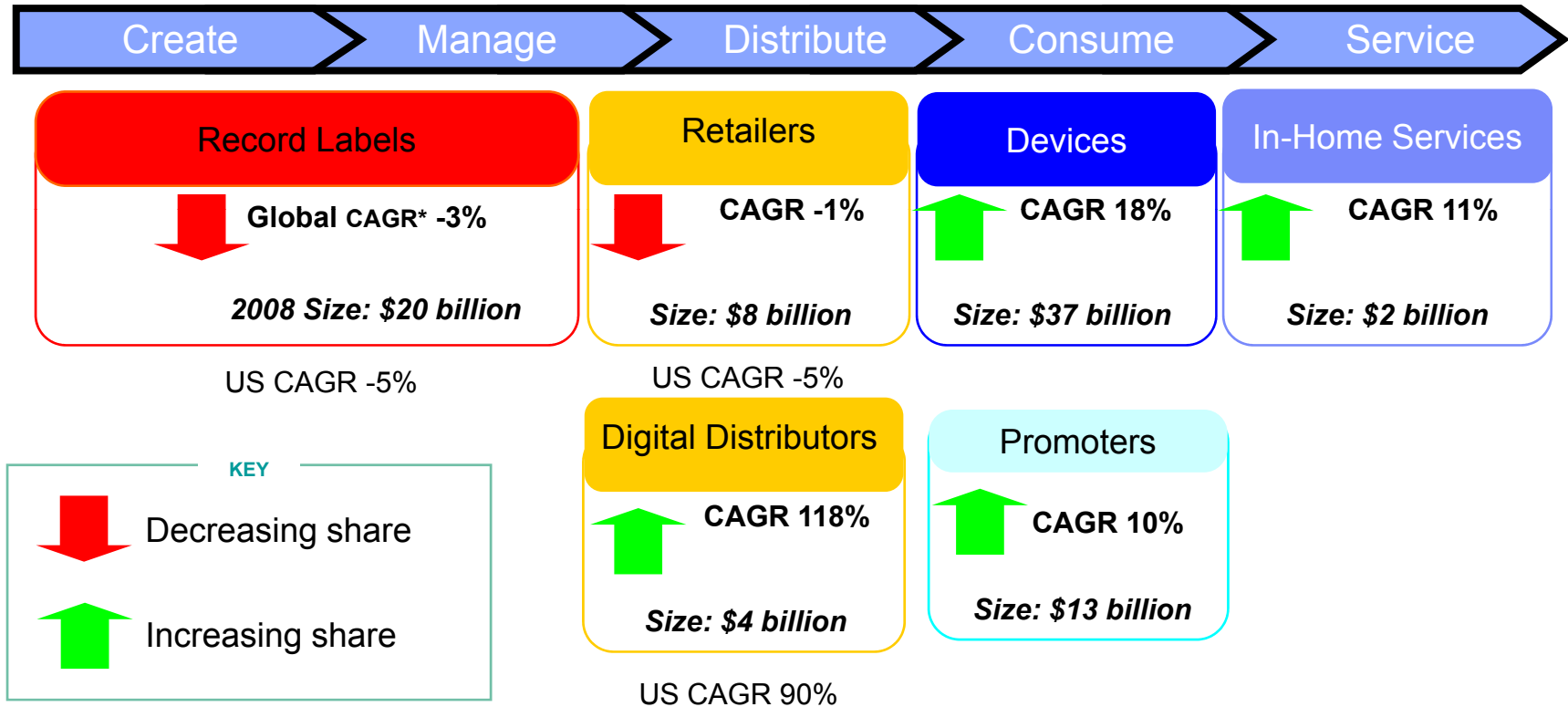


The music industry is a clear example of the impact of risk



Lessons from music -- value was not lost, but shifted closer to the consumer – the total industry grew by 7%

Music Value Chain



Focus on multiple business models is required

Revenue Innovation Models

Payer Innovation

Beyond traditional advertising

- Product placement
- Sponsorships
- Ad-supported
- Social media
- White label

Pricing Innovation

Differentiated pricing strategies

- Subscriptions
- Freemium
- Variable or dynamic
- Passport (shared access)
- Rent versus buy
- Cross-subsidy

Product Innovation

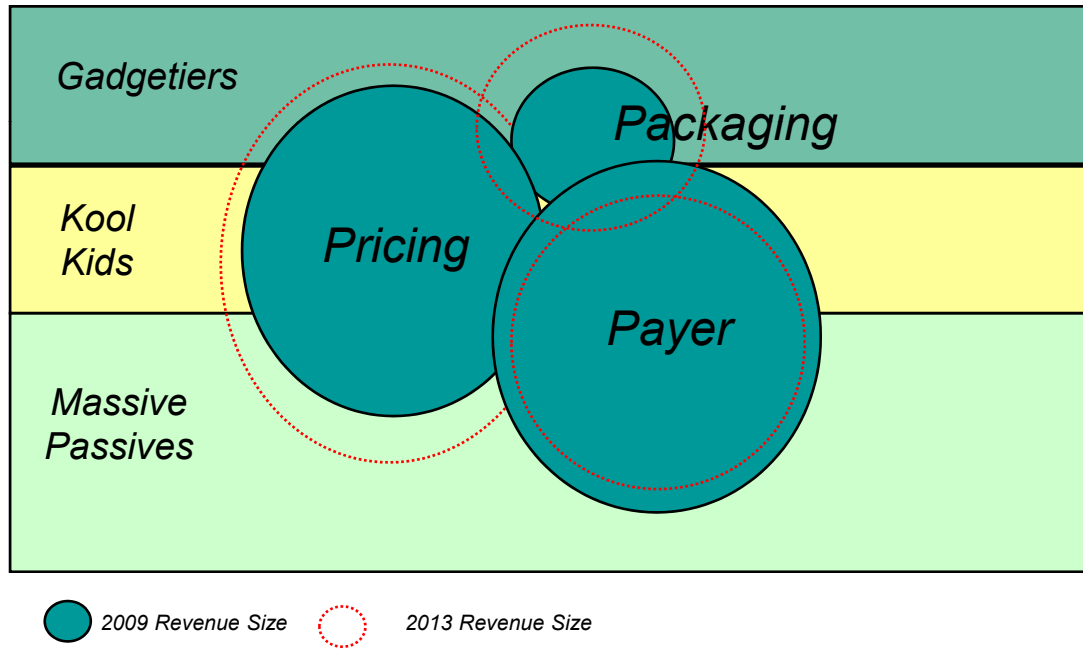
Seamless value chain experiences

- Bundled value chain integration
- Componentization (unbundling)
- Diversification
- Mash up

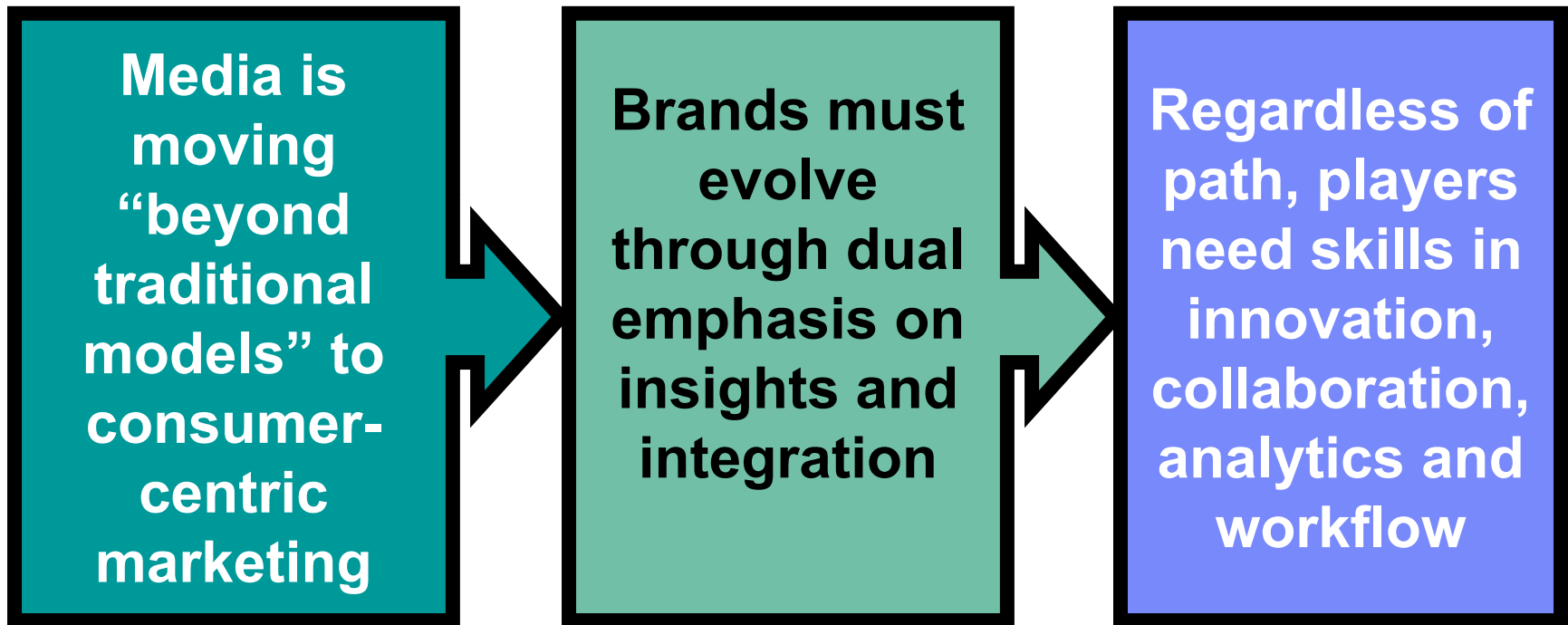
Revenue innovation models co-exist, with varying applicability by consumer segment

Revenue Innovation Applicability in the Digital Era

Preliminary



In summary, the ongoing evolution of television and advertising will continually disrupt, *and provide opportunity* for players



Thank You

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