

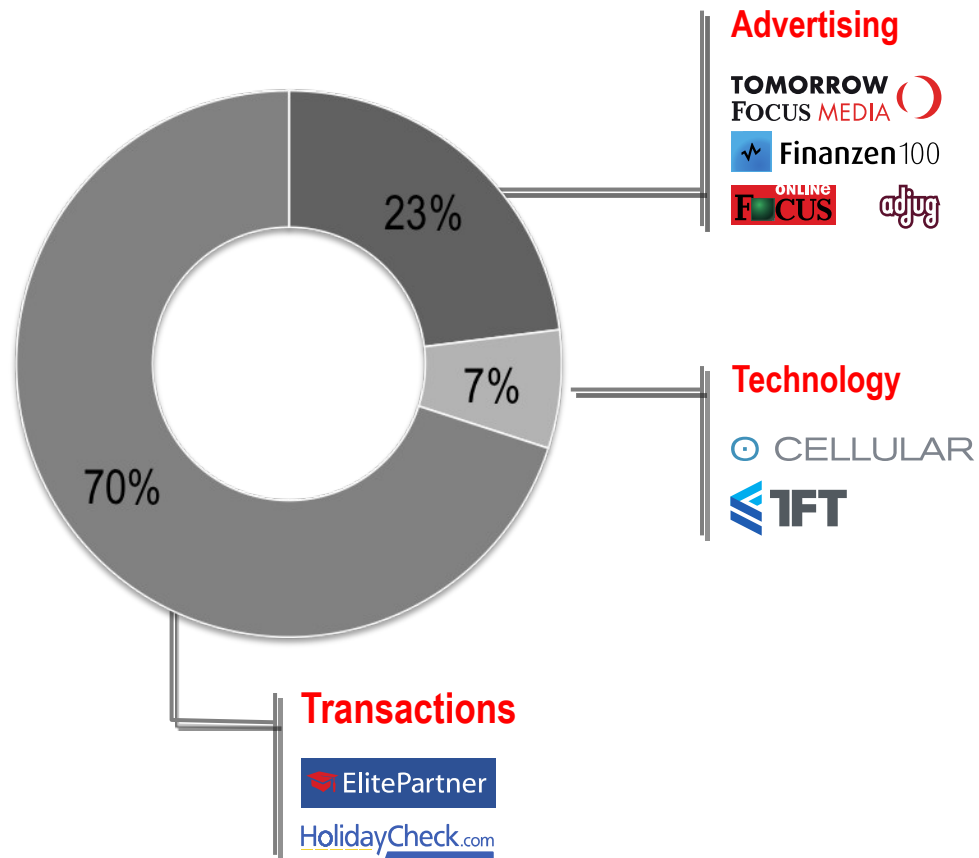


The Future of Digital Advertising for Premium Publishers

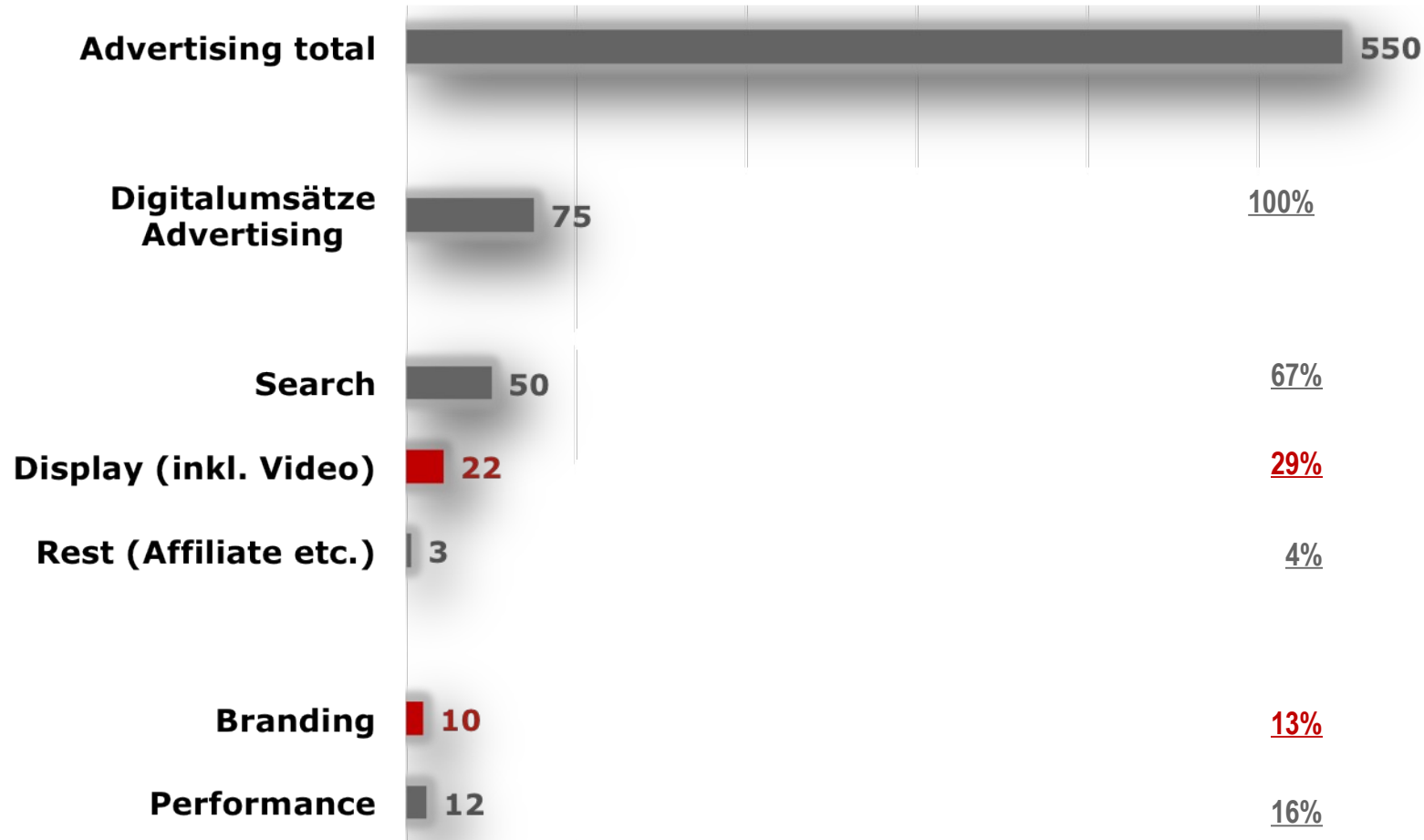
Christoph Schuh

TOMORROW FOCUS AG
Berlin, March 15, 2011

2010: Revenue: 128 EUR mn, EBIT: 12 EUR mn



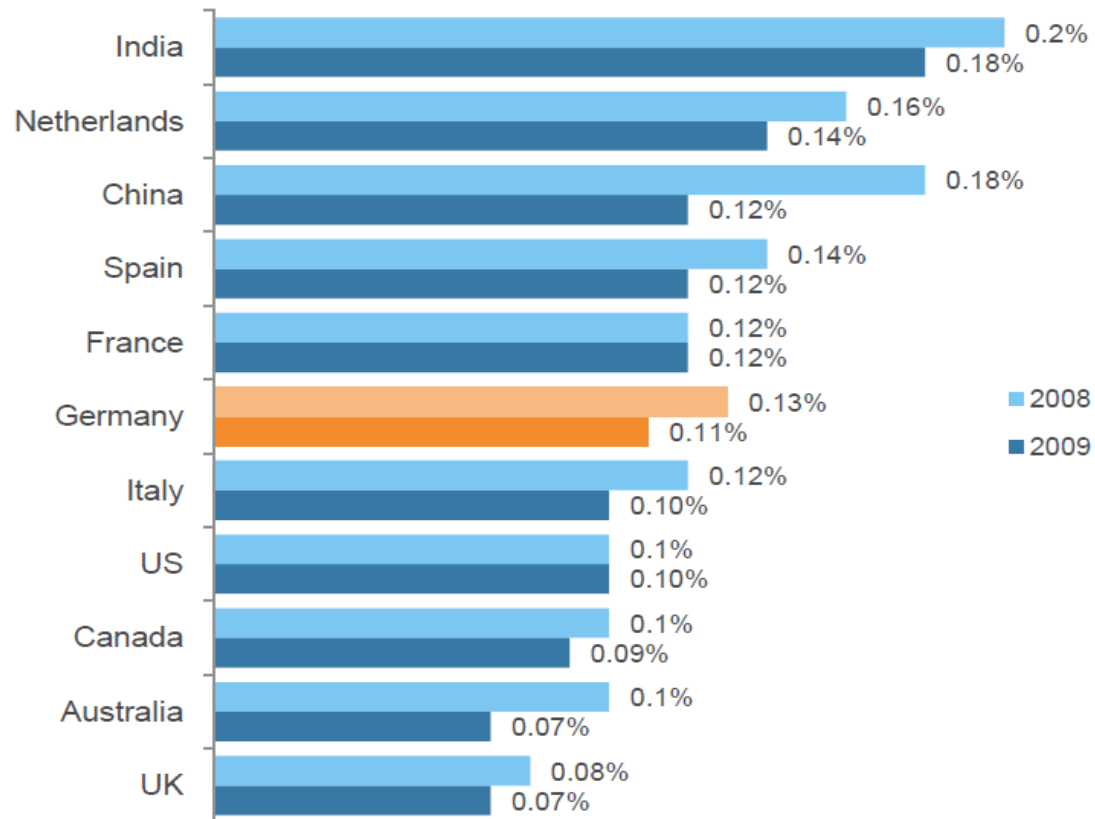
Forecast Digital Advertising 2011 (Mrd. \$)



Source: Estimate TFAG, based on eMarketer figures

Display Advertising: Banner Ad Click Rate is shrinking

Click-through Rates Across Static Image, Flash and Rich Media Formats



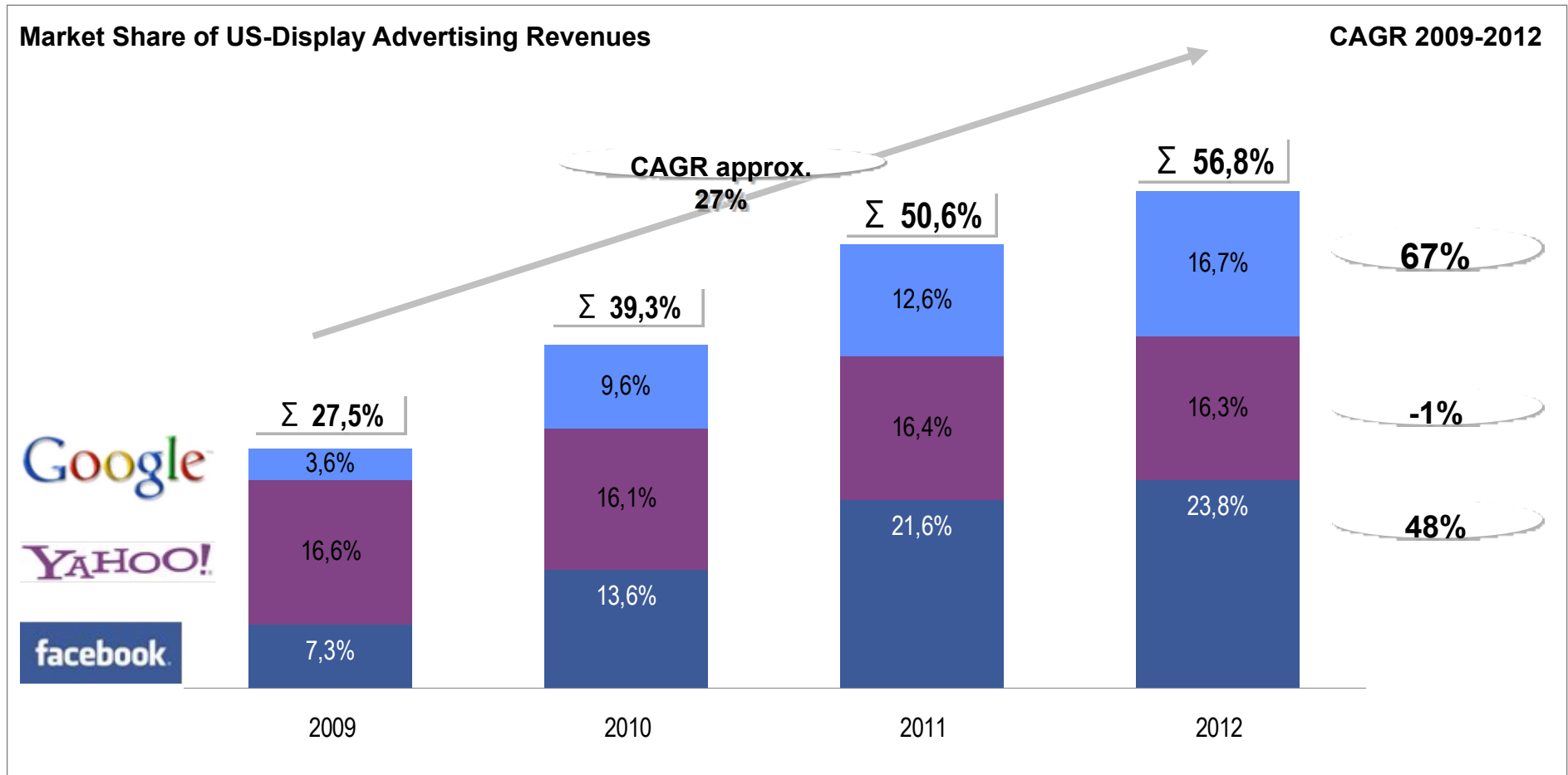
Source: Doubleclick DART for Advertisers, Jan-Dec 2008/09

Germany: A small group is doing most of the clicks

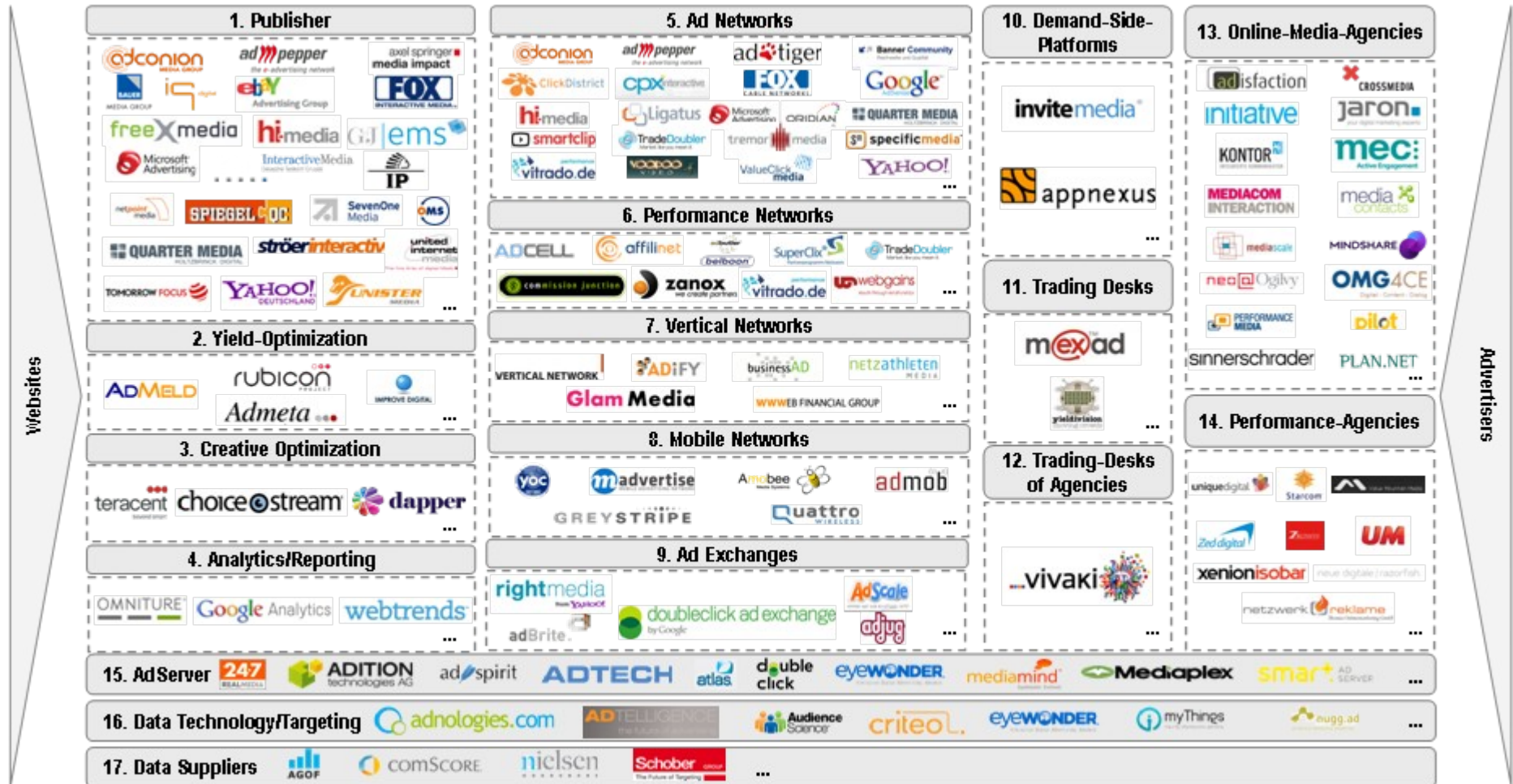


Source: TFAG / comScore Study, Germany, August 2010

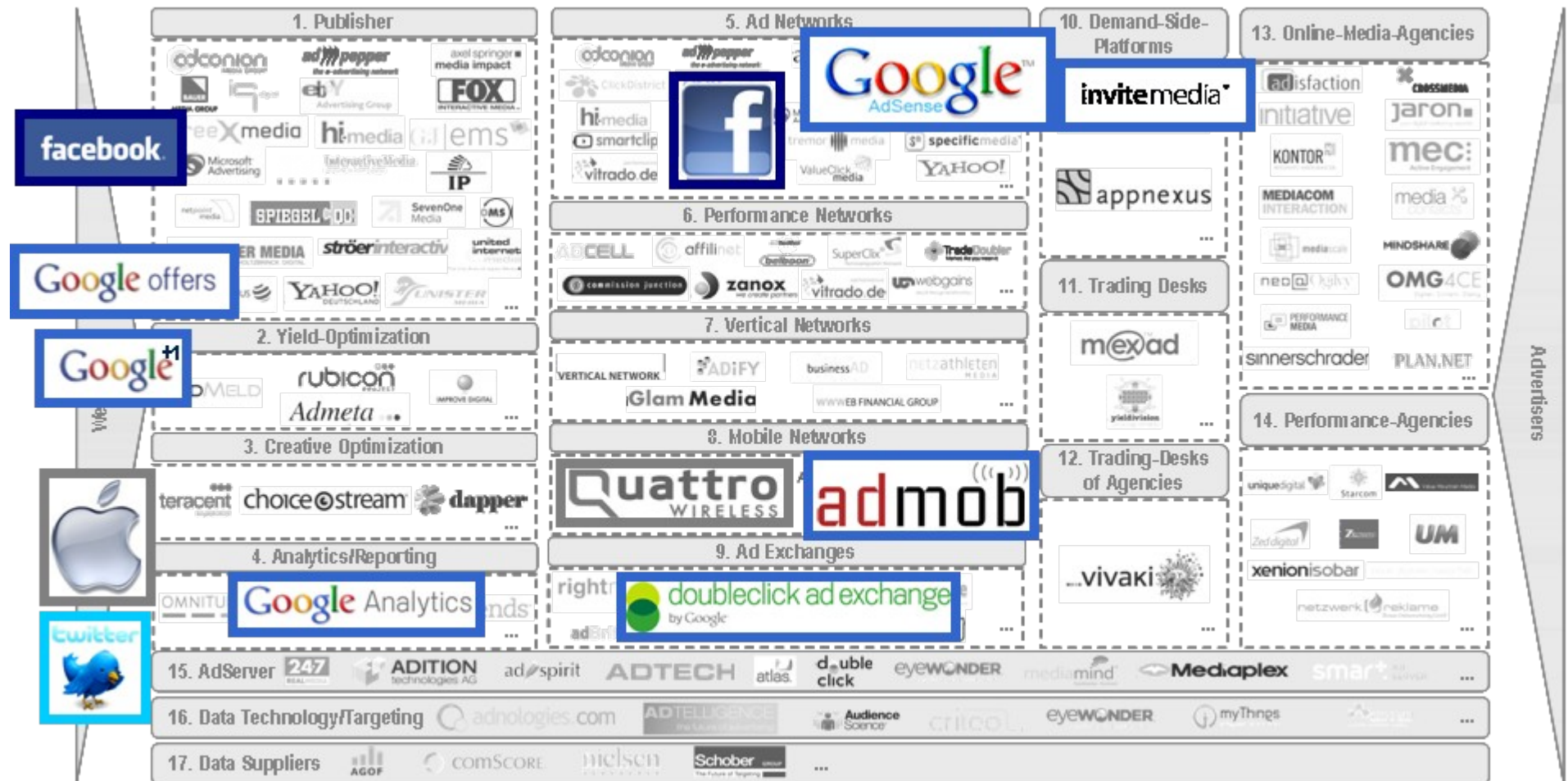
Three Player control >50% of the US display market



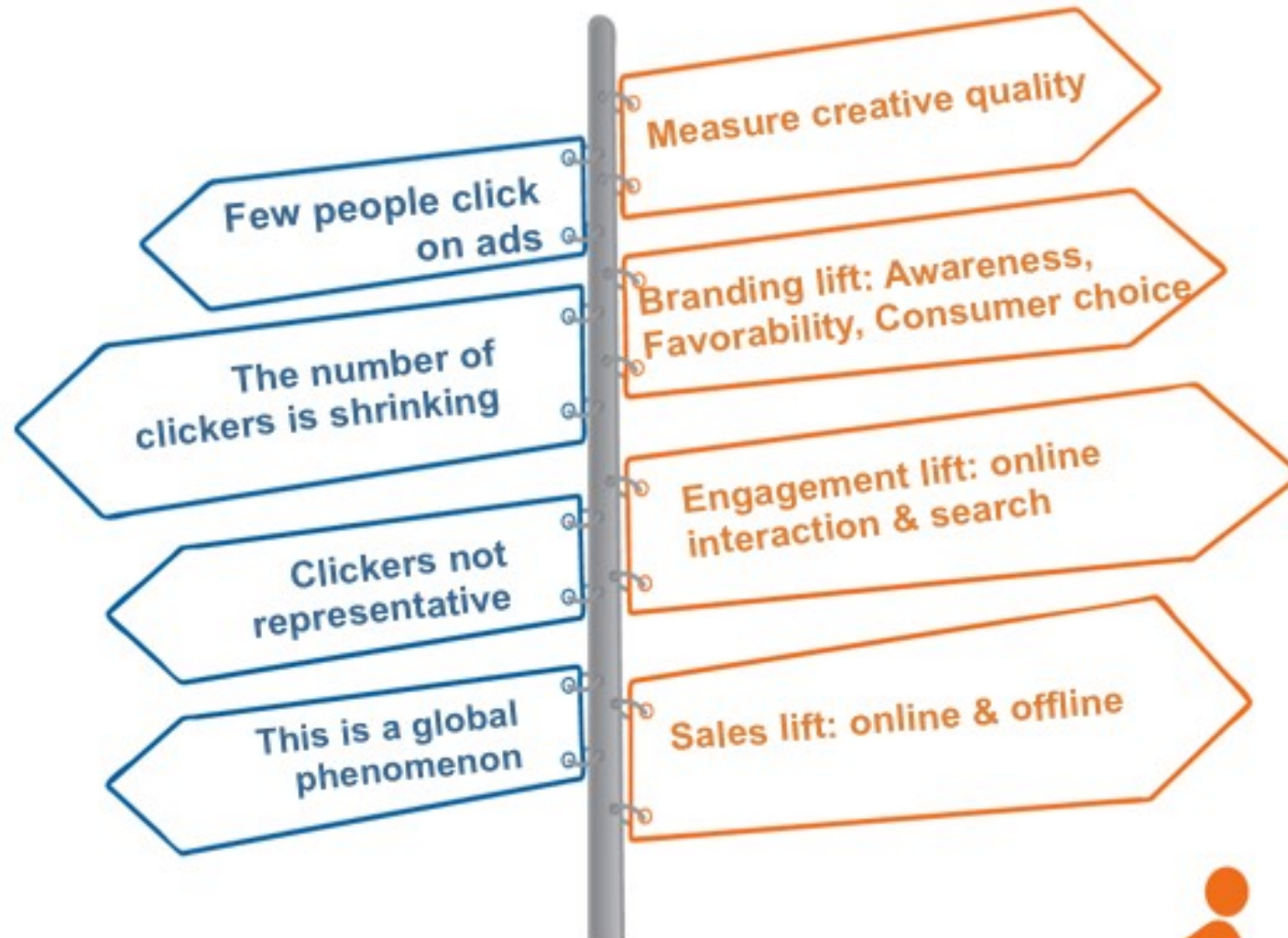
The digital advertising market is fragmented



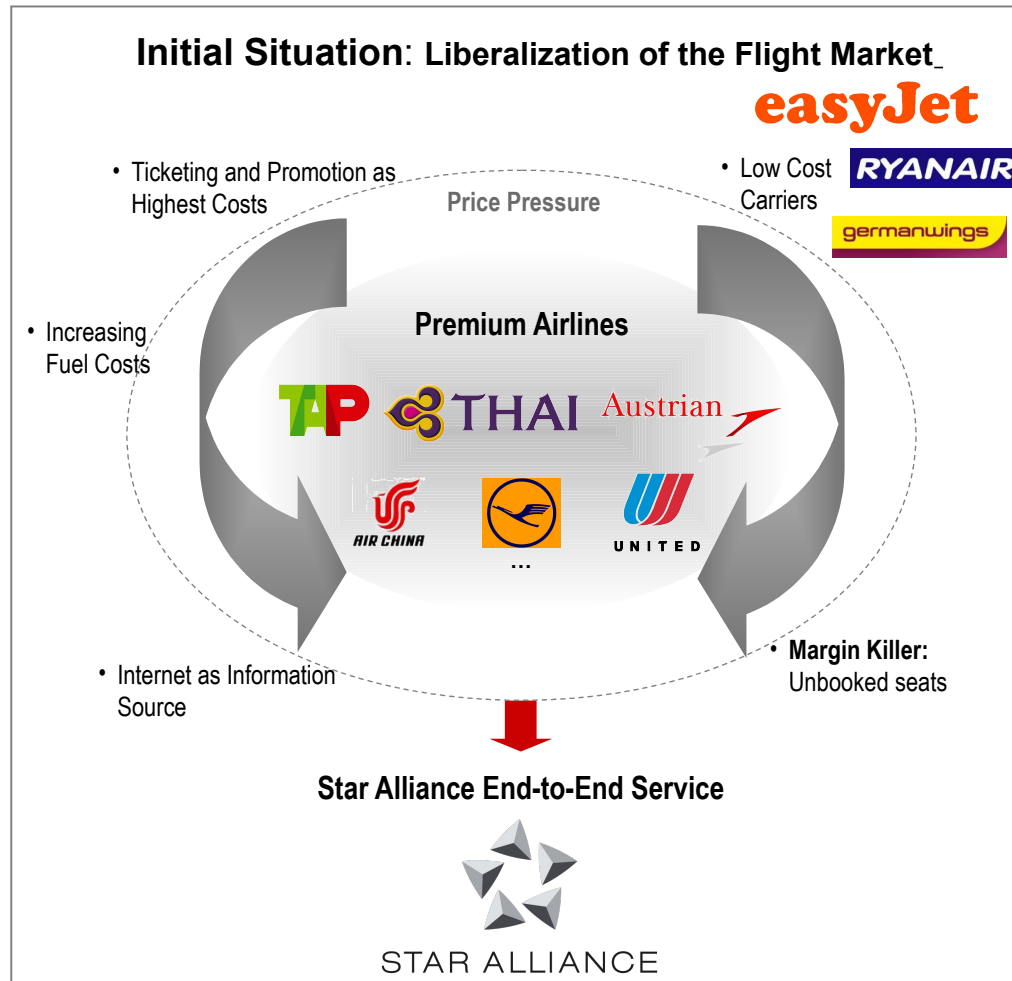
Internet Giants extend their market power



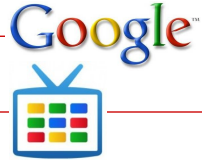
What is the answer of Premium Publishers?



Star Alliance was a successful strategic move in fighting against the massive cost and price pressure caused by the liberalization of the flight market and the market entry of low cost carriers.



Achieved Goals
• Growth from 4 up to 31 members • Coverage of all global destinations • Synergy effects (marketing, sales, operations etc) • Use of new technologies • Economies of Scale • Competitive pricing structures • Differentiated, high-quality offering • Customer loyalty and trust



US-TV stations have blocked the market entrance of Google TV into the national TV market

US TV Broadcasters block Google TV



Google TV was **massively thwarted** in its market entry phase by platform blockade of **TV broadcasters** ABC, CBS and NBC as well as Fox, Viacom, Hulu, News Corp, and Disney.

- **Reasoning: Missing of satisfying business model**, fear that other broadcasts could be overshadowed by other content, **no adequate protection against piracy**, **dwindling advertising revenues**, and a **decreasing subscription base**
- **Consequence:** Compared to a home computer wired up with the TV, Google TV offers users less, but costs a few hundred dollars more
- **Result: Retailers reduced prices** for Google TV devices shortly **after launch**



Google TV as **major threat** for **business models** of **German TV broadcasters**

- **RTL and ProSiebenSat1** want to **form a TV platform** based on the **US-model** Hulu against Google TV, but they are facing **anti-trust issues**

4 leading US-media players have formed an exclusive backfill ad exchange

DIGITAL
New York Times Co., Hearst, Tribune and Gannett Form
Private Online Ad Exchange
Local News and TV Properties Are Latest to Cut Networks, Other Middlemen, Out of the
Market

Partner

1. Exclusive US-Market Place for Premium-Inventory

HEARST corporation

GANNETT

The New York Times
Company

TRIBUNE



"We have assembled some of the most trusted brands in the media industry to meet the challenges of today's dynamic marketplace, and we look forward to Q becoming an indispensable tool for agencies, their trading desk practices and many other buyers as digital marketing continues to grow and evolve."

- The New York Times Co., Hearst, Tribune, and Gannett will start **selling the bulk of their ad inventory** in a **closed system** to be administered **through a joint venture called QuadrantOne**
- While the news publishers had already formed that venture in 2008, **the new selling system restricts almost 100% of the consortium's inventory to a single entry point**
- **Exception:** Biggest online properties NYTimes.com, USAToday.com, and About.com
- Media firms will **still sell ads through their direct-sales force**, **but the rest of the inventory will now only be available through QuadrantOne** and not be funneled to any ad networks or other exchanges
- **Offering:** Buying of **targeted audience** as well as a **particular content placement** which is much more valuable to a brand marketer
- **Goals:**
 - Better leverage of local ad properties
 - No third party between buyer and seller, and therefore more money from every campaign actually going to inventory and not to intermediaries and other third parties
- The exchange is open to any ad buyer, but is already being used by buying agencies, such as MEC, who sees this exchange as a way to cut through the clutter of ad networks