

IBM Study Quantifies Ad-Spend Shift

November 08, 2007

By Andrew McMains NEW YORK

About 30 percent of the advertising revenue now resting in the coffers of traditional media companies will shift to online ad exchanges like Yahoo! and Google in the next five years, according to a new report from IBM Global Business Services.

More than half of the 80 industry executives IBM polled for its survey anticipate a shift of this magnitude, which would involve billions of dollars, said Saul Berman, a co-author of the report, "The End of Advertising as We Know It."

What's more, two-thirds of the execs expect 20 percent of today's ad revenue to shift from media channels with rates based on numbers of impressions to those that are tied to actions, such as click-throughs on Web ads.

Released today, the report predicts there more change in the ad industry in the next five years than in the past 50. The findings stemmed from online, telephone and face-to-face interviews with the execs (representing marketers, agencies and distributors) and responses to a digital questionnaire that reached some 2,400 consumers worldwide.

The picture that IBM draws is not new-several recent surveys have illustrated the growth of online marketing, for example. But the magnitude and speed of the shift away from traditional media the report outlines appears substantial enough to give any agency, marketer or media company pause.

Indeed, IBM concludes that "as the advertising value chain reconfigures, broadcasters, advertising agencies and media distributors in particular will need to make a number of 'no regret' moves" in key areas such as how to better connect with consumers in a multi-channel world and how to create new business models.

"There is no question that the future of advertising will look radically different from the past. The push for control of attention, creativity, measurements and inventory will reshape the advertising value chain and shift the balance of power," per the report summary.

"For both incumbent and new players, it is imperative to plan for multiple consumer futures, craft agile strategies and build new capabilities before advertising as we know it disappears."

IBM cited a handful of main drivers behind the shift toward new-media channels, including the rising popularity of Web sites that feature user-generated content and the increasing ability of consumers to control how and when they view ads.

In addition, marketers are "demanding more individual-specific and involvement-based measurements" and "new entrants are making ad space that once was proprietary available through open, efficient exchanges," IBM concludes.

New ad tactics can weather economic woes: BBDO Wed Aug 15, 2007 3:29PM EDT By Paul Thomasch NEW YORK (Reuters) - Companies worried about a U.S. economic slowdown should

think twice before cutting their marketing budgets, particularly when it comes to money earmarked for more unconventional types of advertising.

So advises John Osborn, the chief executive of advertising agency BBDO New York, whose clients include such heavyweight corporations as Bank of America, General Electric Co., Target Corp. and FedEx.

"Sometimes those experimental budgets do go," Osborn told Reuters in an interview, when asked about possible reaction to tighter economic times. "However, I would urge our clients to do almost the opposite."

While some clients may view advertising on cell phones or hosting film contests as a riskier bet than traditional television commercials, the potential impact and returns of such outlets may increase when budgets are limited, Osborn said.

"In tight economic conditions, some of these new mediums are exactly what we should be looking into," he said. "I think they are incredibly targeted."

Some industry-watchers have cautioned that tough economic times could spell trouble for spending on experimental media since it doesn't have the track record of TV commercials, for instance. That in turn could pinch ad agencies that have spent time and money developing new media offerings.

Omnicom Group's BBDO, long known as one of the top creative agencies for 30-second TV commercials, is among the agencies that have expanded into hot new areas, and in the process has won more than \$1 billion in new ad accounts each of the past two years.

These days, the agency often crafts integrated campaigns that combine TV with digital, billboards, print and, in some cases, very unorthodox advertising.

Last fall, for instance, BBDO was behind a stunt that suspended magician David Blaine above New York City's Times Square in a promotion for retailer Target.

It is also the agency behind GE's One Second Theater, a campaign designed to capture the attention of audiences zipping through TV commercials with their digital video recorders.

CUT THROUGH CLUTTER

"In a world where everyone is attention-deprived, those are the types of things that can really cut through the clutter," Osborn said.

Those lessons may become even more important amid signs that U.S.

consumers are retreating from their free-spending ways. There has been some speculation that the economy may be in the early stages of a consumer-led recession.

Advertising spending trends tend to lag an economy's downturn as well as its recovery. Facing greater competition for consumer spending, some advertisers may increase their marketing in the beginning of a recession, then pare back later if a slowdown worsens and hits their bottom line. But even before worries over the U.S. economy gained momentum, Osborn said marketers have been demanding that their spending on campaigns be justified with a clear way of tracking their impact on sales.

"Marketers increasingly want evidence of success of their efforts," he said.

BBDO Worldwide CEO Andrew Robertson, who oversees the agency's 287 offices in nearly 80 countries, said that agencies face greater pressure to create more compelling messages because consumers now have so many media choices.

"All new technologies make it easier and faster for consumers to do what they wanted to do all along. The bad news about that is you can't expect to hold anyone's attention longer than you can earn it,"

Robertson said in the interview.

"You've got to create stuff that is sufficiently compelling for them to choose to spend time with it. There is increasing pressure to create that kind of work," he said.