

DMA:2010

CONFERENCE & EXHIBITION

Transformative Media:
Digital, Mobile & Augmented Reality

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Moscone Convention Center
San Francisco, CA

www.dma2010.org

The Global ROI Marketing Event



Transformative Media

What is it?

- Dynamic networks, platforms, utilities and media used and transformed by audiences in their quest to learn, work, play, purchase and participate

What are some examples in the direct marketing industry?

- Social networking, location based services (LBS), mobile video and apps, augmented reality and quick response (QR) codes

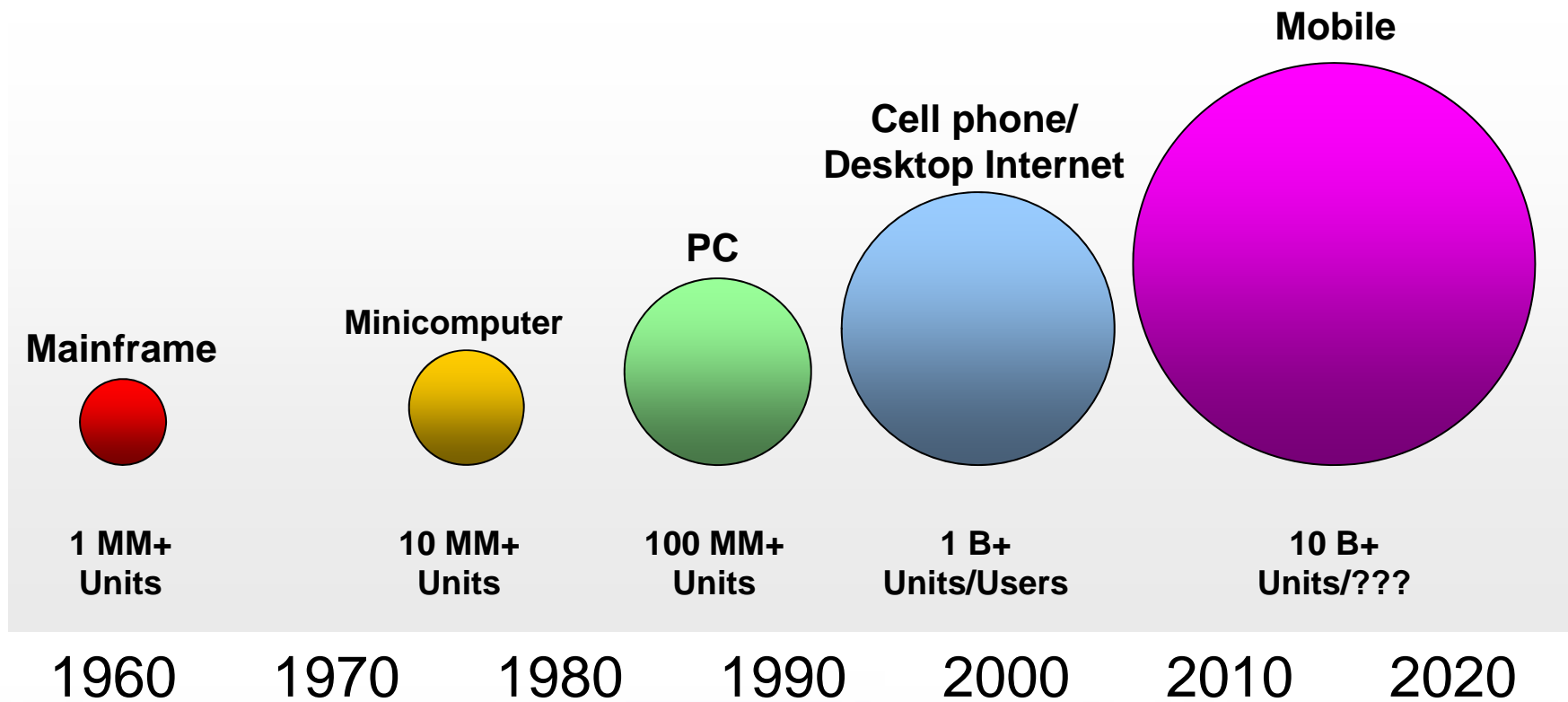
What can I do?

- **Commit resources toward:**
 - **Innovation** (create new and innovative solutions for your customers)
 - **Product development and testing** (build new, enhance existing and test, test, test!)
 - **Strategic partnerships** (you can't build everything yourself)
 - **Sales training and support** (you have to sell this stuff)
 - **Marketplace listening and customer feedback** (yep, the feedback loop is critical)



Tech Trends

Computer Growth Over Time



Source: Morgan Stanley, Dec. 2009

The World Changes & You Need to Adapt



American Telephone & Telegraph

1885



AT&T

2010



Social Networks



Social Network Landscape



Source: JESS3

Facebook

- 500+ million active users
- 50% of active users log on daily
- 104MM iPhone users, 12MM Android users
- Surpasses Google in daily visits

Source: Facebook



1.5+ million local businesses have active pages



Twitter: Your Business in 140 Characters

- 28,000,000 people visited in July 2010
- 230,000,000 visits in July 2010
- Ranked 11th globally & 7th in the U.S.
- Growth slowing, but increased stickiness

Source: Twitter



Entering the local advertising space



By 2014, 56%+ of Internet Users Ages 18 - 64 will use Social Networks

US Social Network Users, by Age, 2008-2014 (% of Internet users in each group)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------|-------|-------|-------|-------|-------|-------|-------|
| 0-11 | 9.0% | 11.8% | 14.0% | 15.3% | 16.1% | 16.3% | 17.3% |
| 12-17 | 73.0% | 74.9% | 78.2% | 81.2% | 83.8% | 84.8% | 85.7% |
| 18-24 | 80.1% | 83.2% | 86.7% | 88.0% | 89.2% | 90.7% | 91.4% |
| 25-34 | 57.9% | 70.4% | 76.7% | 81.6% | 83.0% | 83.8% | 84.6% |
| 35-44 | 35.0% | 49.7% | 60.3% | 65.9% | 69.7% | 72.1% | 73.8% |
| 45-54 | 28.1% | 42.5% | 51.3% | 56.2% | 59.6% | 62.1% | 64.6% |
| 55-64 | 14.9% | 34.3% | 42.3% | 49.1% | 53.1% | 54.9% | 56.8% |
| 65+ | 4.7% | 14.1% | 20.4% | 25.9% | 31.9% | 35.0% | 37.9% |

Note: use at least monthly via any device

Source: eMarketer, April 2010

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www.eMarketer.com

Social Media Success Stories



- Received 86MM impressions in one day from a Promoted Tweet campaign during the World Cup in Summer 2010



- Leveraged social media as key source of leads & traffic - the company's Twitter and Facebook reach grew 70% in Q1 2010



- In December 2009, Dell reported that offers from its Dell Outlet Twitter account has booked more than \$3 million in revenue attributable to its Twitter posts



- Old Spice Social Campaign as of August 2010, increased sales by 27% over 6 months since launching (YOY) over Super Bowl weekend (TV support) with website traffic up 300%



- Since launch, their online videos have been viewed 130MM+ and campaign sales have increased 700%. Their famous iPad blend video has been viewed ~9MM alone

Brands and Social Media































Social network users are joining branded pages, interacting with social ads and sharing opinions

- Starbucks - Top Facebook marketer page - 15+ MM fans
- Coca-Cola - No. 2 marketer page - 11+ MM fans
- Consumers generate 256 billion “influence impressions” annually on social networks by sharing what they like, read or do (Forrester Research, 2010)

The screenshot shows the Starbucks Facebook page interface. At the top, the Starbucks logo is visible. Below it, there are navigation tabs for 'Wall', 'Info', 'Starbucks Card', 'Pumpkin Spice', 'Events', and 'Around The...'. The main content area features a large promotional image for the 'JOIN THE STARBUCKS PUMPKIN SPICE LATTE CELEBRATION'. The image shows a Starbucks cup with a pumpkin spice latte and several photos of people enjoying the drink. Below the image, there are three columns of text: 'SEE', 'JOIN', and 'SEND'. The 'SEE' column mentions 'Next chances, has one of the biggest super-fans of Pumpkin Spice Latte ever.' The 'JOIN' column says 'Thousands have already posted stories and photos of their Pumpkin Spice love. Join in!' The 'SEND' column says 'Post some Pumpkin love to let your friends know why you love Pumpkin Spice so much.' At the bottom of the page, there is a text box that reads '15,417,906 People Like This'.

15,417,906 People Like This

Top Tier Location Based Social Networks

| |  |  |  |  |  |  |  |  |
|---|---|--|--|---|--|---|---|--|
| Users | 2.6 MILLION | 390 THOUSAND | 2.2 MILLION | 4 MILLION | 2 MILLION | 3 MILLION | 2.5 MILLION | Just Launched |
| Game Mechanics |  Points & Badges |  Pins & Items |  Badge Levels |  Rewards & Achievements |  Badges and Royalty Levels | None Currently |  Monopoly-Like with Points, Locations, Buildings & Products | None Currently |
| API? | YES Limited to check in data | YES Limited | YES Limited | NO | YES Limited to Review and Ratings | YES In beta—limited | NO | YES Read & Write |
| Business or Retailer Dashboards? | YES | NO | NO | NO | YES | NO | NO | YES |
| Platforms |  |  |  |  |  |  |  |  |
| Primary User Benefits and Perks | Coupons & Freebies to Mayors | Free Gifts, coupons & specials | Reward based programs | Instant Friend meet-up, retail discounts | Coupons, comprehensive restaurant reviews and rating guide. | Comprehensive business reviews, mobile coupons | Great real world game, some product discounts | Photo tag your friends to check in. See what businesses are hot or not |
| CEO |  Dennis Crowley |  Josh Williams |  Jonathon Linner |  Sam Altman |  Jeremy Stoppelman |  Walt Doyle |  Keith Lee |  Mark Zuckerberg |
| In Ten words or less | Get rewarded for exploring your city | Discover new places and earn rewards | Location based social recommendation service | Find friends, go places, rate them, get rewarded | Share local business reviews and tips with friends | Mobile Citysearch and recommendation service | Where Monopoly & SimCity & real life meet via mobile | Check in to local businesses and share moments |

Source: Mark Fidelman @ markfidelman.com SeekOmega.com Technorati CloudAve.com

Why are Social Networks Important for Direct Marketers?

- Characterized by consumers engaging with brands and businesses
- Increasing ability to serve content to consumers in relation to location (check-ins and self reported geo)
- Leverages GPS-LBS functionality on mobile devices
- Huge growth in the social space (especially Boomers)
- Loyalty opportunities
- Social networks are key channels for promoting products/services
- Mobile users are social and diverse
- Businesses still struggling to leverage social media
- Social networks are being leveraged to generate transactions and ad revenue (sponsorships, mobile platforms, display ads, search, etc)

Mobile Web and Apps



Mobile Advertising

According to Forrester Research, “US Interactive Marketing Forecast, 2009 to 2014,” 2010:

- U.S. mobile Internet users should double by 2015
- Mobile marketing should grow to \$1.3 billion by 2014
- Mobile marketing spend should grow 27% a year to \$1.3 billion in 2014
- In 2009, smart phone penetration in the U.S. was 17% of mobile subscribers, up 61% from 2008

26%

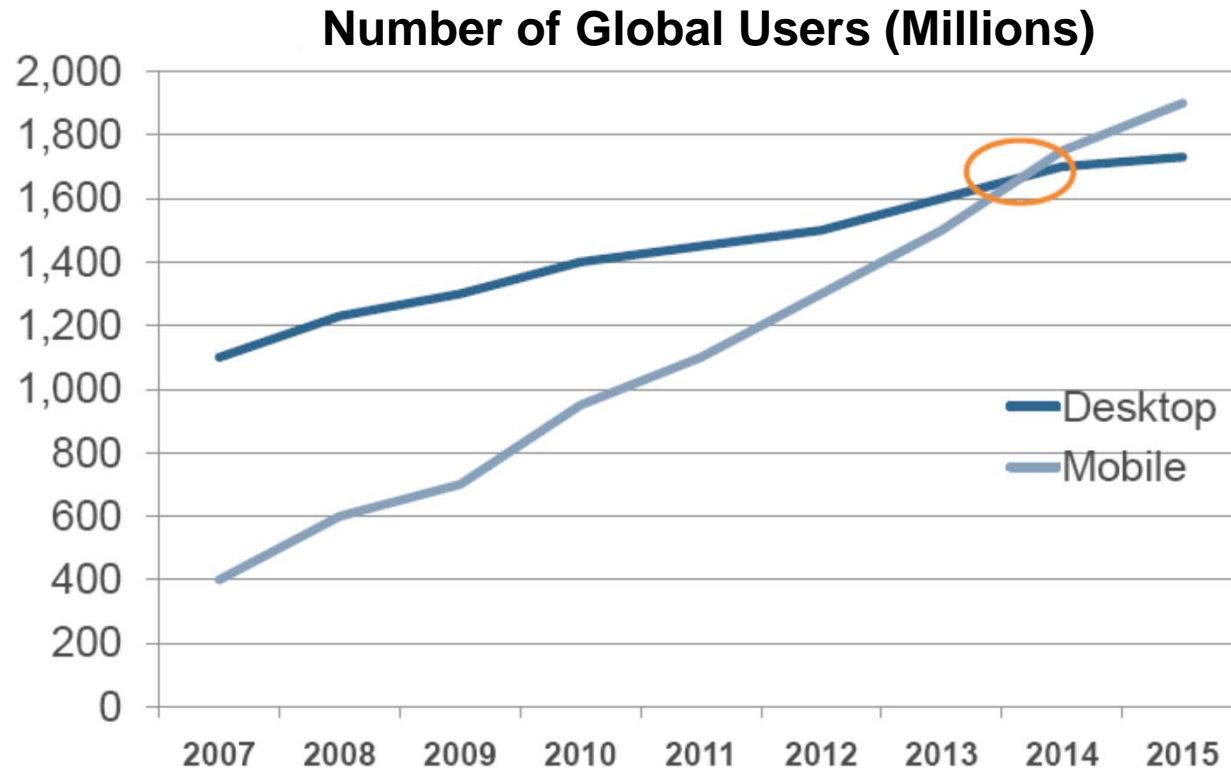
of adults who saw
a text ad responded
at least once.

94%

of text messages
are read.



Mobile On Pace to Pass the Desktop



Source: ComScore, 2010

Smartphone Penetration

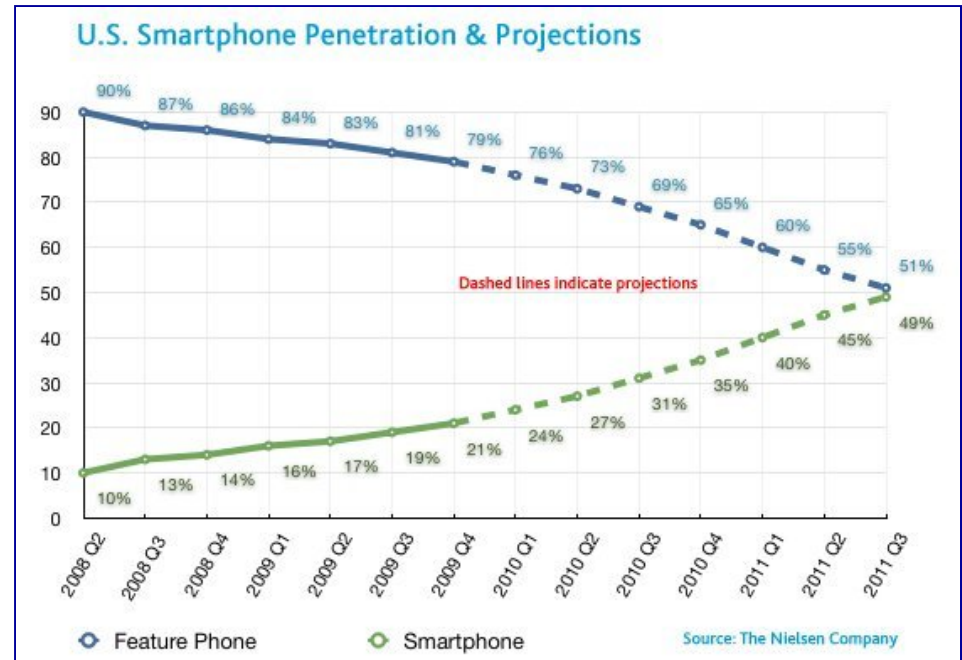
Increased smartphone penetration

- **Greater mobile app usage:**

- Aug 2010 - All the current app stores = ~500K+ total apps (AppShopper.com)
- Aug 2010 - Apple app store reaches 253K+ total apps, ~25K for the iPad (AppShopper.com)
- 2013 - 16.2B (Futuresource); 21.6B (Gartner)
- 2015 - 21.3B (Ovum); 25B (Juniper)

According to Direct Mag, “E-mail ROI Still Stunning, Still Slipping: DMA,” 2010:

- Mobile marketing ROI is expected to reach \$10.08 in 2010, a 29% rise over 2008 (Direct Mag; DMA 2010)



Source: Gartner, 2009

US Online Ad Spending & Growth

Mobile ad spend:

- Projected \$800MM+ in 2011, \$1.1B in 2012
- Marketers investing in mobile ads

(\$ millions)

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Paid search | \$7,910 | \$9,492 | \$11,044 | \$13,364 | \$15,368 |
| Display | \$4,089 | \$4,212 | \$4,507 | \$4,957 | \$5,453 |
| Classifieds | \$3,127 | \$3,221 | \$3,285 | \$3,581 | \$3,903 |
| Internet video/rich media | \$1,854 | \$2,206 | \$2,691 | \$3,229 | \$3,940 |
| Social media | \$386 | \$558 | \$728 | \$948 | \$1,232 |
| Mobile | \$232 | \$391 | \$561 | \$802 | \$1,147 |
| Internet radio | \$200 | \$230 | \$258 | \$286 | \$315 |
| Podcast | \$25 | \$28 | \$31 | \$36 | \$40 |
| Total | \$17,823 | \$20,338 | \$23,106 | \$27,204 | \$31,399 |

Note: at current prices; numbers may not add up to total due to rounding
Source: ZenithOptimedia, provided to eMarketer, Jul 19, 2010

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www.eMarketer.com

Mobile ad spend:

- Projected 43% growth in 2011 and 2012
- Largest digital media ad spend growth rate

(% change)

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Mobile | 93.3% | 68.5% | 43.5% | 43.0% | 43.0% |
| Social media | 31.6% | 44.6% | 30.6% | 30.2% | 30.0% |
| Internet video/rich media | 40.5% | 19.0% | 22.0% | 20.0% | 22.0% |
| Paid search | 22.0% | 20.0% | 16.4% | 21.0% | 15.0% |
| Internet radio | - | 15.0% | 12.0% | 11.0% | 10.0% |
| Podcast | 15.0% | 11.9% | 10.6% | 15.0% | 11.0% |
| Display | 15.0% | 3.0% | 7.0% | 10.0% | 10.0% |
| Classifieds | 15.0% | 3.0% | 2.0% | 9.0% | 9.0% |
| Total | 22.8% | 14.1% | 13.6% | 17.7% | 15.4% |

Note: based on figures at current prices
Source: ZenithOptimedia, provided to eMarketer, Jul 19, 2010

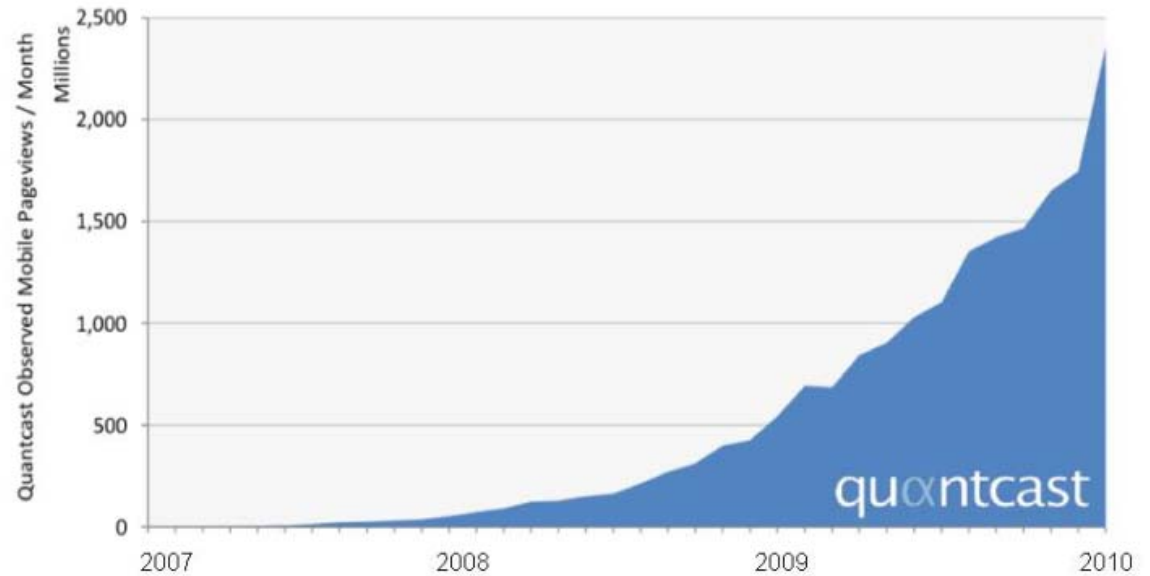
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www.eMarketer.com

Mobile Use & Video

Smartphones driving video explosion

- 51% mobile video growth since 2009 (Nielsen, 2010)
- # of mobile video users will rise by 34% annually to 95MM in 2015 (Coda Research Consultancy, 2010)
- By 2015, US mobile consumers are expected to use 327,000 terabytes of mobile data monthly, rising at a CAGR of more than 117% (Coda Research Consultancy, 2010)
- Mobile video revenue set to exceed \$2B in 2013, thanks to 4G mobile broadband (ABI Research, 2010)



Important Wireless Devices

Large Format Benefit

- Enhanced mobile apps
- Increased content display opportunities
- Video optimization
- Interactive graphics

Growth

- Apple expected to sell ~20MM iPads in 2011 (Barclays Capital, July 2010)
- Total media tablets/slate device market equaling ~15MM units in 2010 growing to over 28MM in 2011 (ABI, 2010; Barclays Capital, 2010)
- Global media tablet shipments will total 46MM units in 2014 (IDC, May 10, 2010)



Why is Mobile Important for Direct Marketers?

- The mobile space is growing quickly
- Mobile is transactional
- Apps are key media channels for promoting products/services
- Apps drive consumer engagement with brands
- Mobile users are social and diverse
- Location, location, location
- QR codes have arrived
- Businesses are behind the curve
- Mobile ads, apps and SMS drive revenue

Quick Response (QR) Codes



Quick Response (QR) Codes



What is a QR code?

- A QR Code is a matrix barcode (or two-dimensional code), readable by QR scanners, mobile phones with camera, and smartphones

How do people use QR codes?

- Mobile users scan or take a picture of a QR code to trigger an action:
 - Display web or mobile pages
 - Save a contact
 - Make a voice call
 - Send an SMS/MMS
 - Send an e-mail
 - Promotion entry/data collection
 - Multi-action menu
 - Calendar entry
 - Send tweets
 - Display coupons/offers
 - Generate video
 - Register for/enter loyalty programs



QR Code Examples

WIN

an **iPad**
Wi-Fi + 3G
64GB
DOES NOT INCLUDE DATA PLAN



with a Full Suite of Accessories

CASE KEYBOARD DOCK CAMERA CONNECTION DOCK VGA ADAPTER

WINNER WILL BE ANNOUNCED FRIDAY VIA EMAIL/TEXT



NO PAYMENT OR PURCHASE NECESSARY. A PURCHASE WILL NOT IMPROVE YOUR CHANCES OF WINNING. YOU HAVE NOT YET WON. Not valid for cash prizes. Sweepstakes is open only to 25-35 year olds. Opened. One (1) winner will be randomly selected from among all eligible entries to receive one (1) iPad with Wi-Fi + 3G, one (1) iPad Case, one (1) iPad Keyboard Dock, one (1) iPad Camera Connection Kit, one (1) iPad Dock and one (1) iPad Dock Connector to Lock Adapter. \$999.99. \$1,049.99. Sweepstakes begins and ends on August 25, 2010 from New York. Maximum one (1) entry per person during the Sweepstakes Period. Odds of winning depend on number of eligible entries received. Winner is solely responsible for payment of all taxes on the prize and for any costs incurred in claiming or using the prize. Estimate on tax value is 20% of AOV. Data plan is not included.

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Step 2: Scan QR code



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RL-QR



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STANDARD RATES APPLY

HOW TO SHOP FROM YOUR PHONE

VISIT M.RALPHLAUREN.COM ON YOUR PHONE'S BROWSER OR SCAN THE CODE ABOVE:

1. TEXT RLQA TO 33880 OR VISIT M.RALPHLAUREN.COM
2. DOWNLOAD THE READER TO YOUR PHONE
3. SCAN ANY RL-QR CODE TO SHOP INSTANTLY

Why are QR Codes Important for Direct Marketers?

- Smartphone penetration increasing rapidly
- QR code use in the US is quickly emerging
- Print media is a primary channel for displaying QR codes (outdoor & digital increasing)
- QR codes drive consumer engagement with brands
- Generates mobile messaging (SMS/MMS), video, coupons/offers, polling, webpage visits
- Competitive against other direct response media
- Marketers just beginning to use the technology
- QR codes can be used to drive transactions and loyalty programs

Augmented Reality



Augmented Reality (AR)

What is AR?

- **Augmented reality (AR) is a layering technology; used to overlay tagged images, video files, applications and data to display information over video, image, and camera displays on PC's, mobile phones and TV/monitors**
 - E.g., NFL game broadcasts use the yellow electronic line to indicate where the first down is located
- **AR can use GPS and location-based targeting, as well as image and facial recognition**

What are the different formats commonly used?

Print-Based

- Leverages print to drive consumer and brand engagement
- 3-D Image & Video Use



Smartphone Layering

- Utilizes smartphone camera to layer information over displays
- Geo-location content



Selected Major Brands Using AR



Practical Uses for Direct Marketers

Customers / Clients

- Key = Provide unique “3D” content in an interactive and compelling format (e.g., unique offers, video messaging, interactive games)

Product / Service Demo

- Product demos with AR features (3-D video announcements, 3-D animated graphics, interactive demos)

Trade Show Demonstrations

- Flat screen TV to demo national ad campaign with AR markers on brochures, apparel, freebies/giveaways/chotchkies

Marketing Benefits

- Credibility - strong player in the direct marketing and digital advertising space
- Unique industry value proposition
- Viral PR
- Excitement from customers / clients - potential door-opener
- Consumer engagement and interaction w/ your brands and advertisers' products

Future: Social Media Meets AR



Future Advertising Opportunities for Direct Marketers



Trying New Approaches & Innovation Challenges

"There is no reason anyone would want a computer in their home."

Ken Olson, President, COB & founder of Digital Equipment Corp., 1977

"640K ought to be enough for anybody"

Bill Gates, 1981



Live Examples – Lets Interact!

QR Code



Augmented Reality



<http://www.coxtarget.com/marthaAR/>



http://www.toyota.co.uk/cgi-bin/toyota/bv/frame_start.jsp?id=iQ_reality



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