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I believe we find ourselves either at the beginning, or the beginning of the end. We live in a moment of transition. Not just in the broader media landscape at large, but in the business of original digital entertainment. As with everything in digital, change comes quickly and persistently. We occupy a nascent period of time. Witnesses and participants in an emerging media rooted both in the past and the future. The here and now represents a window of opportunity unrivaled in its potential, yet limited, in my opinion, for one simple reason. Time does not stand still, and, because of that, this window will close. Whether a year from now, or two, I do not know, but with its closing so too will the tremendous opportunity we visualize to establish a dynamic and robust community of independent voices producing premium content for the Web be compromised, and potentially lost.

Let me be very clear. I am not suggesting that online video growth is going to recede. Not at all, in fact I am confident that younger consumers will continue to lead the charge and adopt the Internet as their primary distribution platform of choice. The proliferation of digital will continue apace and with it will come more ambitious, more sophisticated and more immersive entertainment. The question that concerns me is who is going to make this content, who is going to control this content, and, who will benefit from the unfulfilled potential of this new medium.

I believe that question will be answered sooner than most think. The result inevitably will have profound consequences for everyone in this room. This outcome will shape the flow of dollars and the relationship between, not just creators and their audience, but brands and consumers. I don't

know the answer to this question, but I know what I'd like to see.

My hope has always been that the proliferation of newer technologies would break the chokehold a few powerful players had over channels of distribution, and empower both creators and consumers to communicate with one another directly. Social media would catalyze communities, whose collective power would counteract imperialistic marketing campaigns, leading to more efficient and customized messaging. This democratic ecosystem would nurture a diversity of expression and array of new voices. But as with any utopian vision, wishful thinking often meets head on with the pragmatic realities of costs and benefits. Who pays for this has been the riddle challenging such lofty promises since the first Internet bubble began expanding, over a decade ago.

Since then the question of whether premium, original content would be paid for directly by consumers, or subsidized by advertising, seems to have been answered. Consumers clearly expect that the primary window for original content will be, and should be, free. Once hooked, they've shown a willingness to pay for additional access to a deeper, more customized experience. But the television model is one that seems to make sense to them. How could it not? Our industry has worked for nearly a century to condition the consumer to embrace this system. They understand somebody has to pay for professional content and have reaffirmed their desire for that somebody to be you, the advertisers, rather than them. This generation, which has grown up in a multi-channel, multi-platform universe, does not have a problem with a sponsor providing them with a perceived benefit, as long as that sponsor's message is integrated in a seamless and organic manner.

Case in point, over two-thirds of Millennials recognize that advertisers pay for free, entertainment-content online according to Generate Insight, our own proprietary internal-

research division. We established Generate Insight to heighten awareness, and yield actionable results, for our clients engaging the Millennial demographic. The centerpiece of our efforts is a relationship-based community of 7,500 Millennial Insighters, recruited and closely observed by our very own, Janis Gaudelli. Some of you may remember Janis. She was formerly the Senior Director of Teen People's Trendspotter division. Following Teen People's folding, Janis maintained the Trendspotter panel and recently evolved it into the Generate Insight community. In regards to brand involvement with online programming, an eighteen-year old Insider said that brands "care enough about their customers to think of new ways to promote themselves...not the same old boring commercials we see every day; this way, we get something out of it too."

So if consumers see a benefit from a brand's sponsorship of original online content, and presuming your brands see the benefit from reaching their target consumer in a more engaged, efficient and authentic manner, then we return to the question of cost. Will you pay? And if so, how much?

Let's be honest, if not you, then who? Over the past fifty years, we have largely deluded ourselves into believing that the networks and studios pay for content, but for the most part that really isn't the case. It is still your brand dollars that are predominantly capitalizing the development and production of television programming, with the possible exception being the contribution from cable subscription revenue. Your desire to associate your brand around a specific program is transacted through a myriad of players, who extract value at each step of the process. On the one end of this value chain sits the program's creators, responsible for the environment that attracts the audience you wish to reach, and on the other end sits your brand, whose ad dollars underwrite the entire enterprise. In between lays, not just the studios and the networks, but commercial and television production companies, creative

agencies and media buyers, talent agencies and managers. Over the past two decades, as many of these intermediaries have consolidated into larger holding companies and strengthened their chokehold on production and distribution, your power and influence has been further compromised. By no means am I suggesting that each of these entities doesn't create value. But it is a recognition that as long as audiences demand free content you, the brands, are supplying the fuel to drive this engine and you, in turn, deserve greater choice and control.

This present system has displaced the era when brands were at the center of the media value chain. As you may remember, in the early days of television brands sponsored live television to create the desired program environments in which to comfortably advertise their products; shows like the Texaco Star Theater and the Colgate Comedy Hour come to mind. That model simply replicated earlier success in radio where brands from Sylvania to Planters played a significant role. In the process some of the most durable and popular programming genres were established filling the air with creative, innovative, engaging, informative and entertaining content that replaced inexpensive program-filler like wrestling. Soap operas, called soap operas because they were developed as vehicles to sell soap and detergent, situation comedies, serialized dramas, variety shows, essentially television as we know it bloomed thanks to brand sponsorship. Over time, the networks stopped leasing their airwaves and took control of the programming offering commercial time and sponsorship opportunities to brands wishing to reach a mass audience. With limited choices both audiences and advertisers aggregated around the broadcast network bonfire. But as choices proliferated with the emergence of cable television, broadcast viewership eroded. A new, multi-channel, digital universe, along with time-shifting technology, accelerated viewer fragmentation. Advertisers began to pay more for less and you weren't happy about it. How do I know? You told us.

As you might be aware, I used to run a broadcast network. Media buyers and CMOs were definitely not shy about letting us know that they felt like we weren't working hard enough for them. They wanted more from us, not less. They wanted more control over their destinies. They wanted to create more fair and equitable partnerships. And yet at the end of the day, they continued to pay more for less. Why? That's a good question. I always figured it was for lack of options. Traditional media offered limited inventory and limited inventory controlled pricing. What would happen if inventory were no longer an issue? What would happen if a distribution channel were created to deliver efficiency over reach? What would happen if a medium afforded brands the opportunity to work directly with creators to customize an experience that engaged a target audience? What if brands were given the opportunity to once again control their destiny? Well, I sort of thought, that medium would take off!

The Internet, like television and radio before it, was not created to be an entertainment medium. Originally developed by the government for military and communications purposes, the Web has evolved from a pure tech play into a rich and robust media platform. Heavy investments on behalf of the venture financing and technology communities set the stage for Web video. Equally heavy investments on the part of the creative community expanded Web video beyond the curious appeal of user-generated content. Social media and gaming fortified professional content creating a more immersive form of storytelling. The confluence of professional creators and creative entrepreneurs gave rise to a new class of independent producers and production companies, many of whom sit before you today. Their passion and risk have proven the promise of this new medium to unite creator, brand, and consumer more directly together than ever before.

So, why I am worried? It sounds like a window of opportunity is indeed opening, doesn't it? Yes. As I mentioned earlier, I have no doubt that premium content produced for the Internet will grow along with the adoption of online video consumption. What I do doubt is whether or not many of the independent producers and production companies either here today, or who want to be here, will be here next year, or the year after that, or the year after that.

Just as the consolidation of the television industry, following the demise of certain government regulations, absorbed or eliminated independent producers and production companies from the TV landscape -- powerhouses like Carsey-Werner, Spelling, Lorimar, Witt-Thomas-Harris, MTM, Tandem and Desilu -- to name some of the more prominent casualties, my fear is that many indies in the digital space will not be able to maintain the cost of staying in business without you, the brands, making a greater investment in original content. These passionate and perilous pioneers have boldly stepped into the abyss to try to control their destinies so that you, in turn, can control your destinies. There is a symbiotic relationship between the two and, it is my feeling, that this relationship is imbalanced.

Current production and distribution margins simply cannot support the overhead required to produce premium online content at a scale suitable to advertising, without brands subsidizing that effort to a greater extent than currently exists. There are many excuses, many of them legitimate, as to why brand dollars are not flowing into original online content at a healthy enough rate. I'm certainly not going to attempt to go down the road of highlighting or trying to argue all that have been espoused. The economic recession certainly has constrained growth in nearly every sector. With ad spending down \$3.8B in the 1st quarter of this year, these are anxious times. And yet radio entertainment, backed by brand dollars, exploded during the Great Depression. As always, change creates opportunity. But will that

opportunity be seized or will fear and insecurity get the better of us? It's hard for me to understand how network TV ad dollars were off only 4.8% for this period and cable TV declined only 2.7%. Even more surprising, by comparison, Internet spending fell 3.4%. With television viewership falling and Internet usage rising, especially amongst younger consumers who are generally the target for categories like QSRs and wireless, both of which increased their spending during the quarter, such disparity is difficult to rationally justify.

Then there's the ongoing question of online measurement and its reliability. Let me ask you, are Nielsen television ratings accurate? Is C3 the definitive answer? Who does it benefit more, the advertiser or the network? What sort of discount would you place on a currency like Nielsen, which seems to constantly fluctuate with the introduction of more sophisticated forms of measurement that results in outcries of disapproval from the media community year-after-year. It is not my intent to deride Nielsen. They have a tough job and they do it better than anyone else, but to hide behind insufficient metrics as a reason to avoid investing in online video is to not recognize the inherent subjectivity of any form of research analysis. Could online video metrics be better? Absolutely. But how can there be little to no perceived value placed on the intimate tracking of where an individual consumer goes, how much time is spent there, what they do, where that leads them next, all while knowing who this consumer is? Clearly there is considerable and meaningful data to be mined from online quantitative and qualitative research methodology that shouldn't be easily dismissed.

How about the declaration that reach is more valuable than efficiency? Is this really an either/or question? Nobody I know is suggesting replacing one with the other. Reach is obviously of critical importance, but moving a consumer

from mass communication to a one-to-one relationship is also of obvious value.

Then there's the fear that television has limited inventory whereas digital is infinite. Yet sponsorship and integration within a singular digital content experience is limited. In fact, more limited than the number of spots available in any given television show, since there is usually only one opportunity available.

Lastly, there's the concern about committing budget to a program without knowing how many target consumers the content will reach? Is anyone really still pitching the concept of creating a viral video campaign and hoping for the best? Media plans and marketing objectives can now be met with a defined distribution strategy wherein a content experience is placed in digital environments guaranteeing viewership and facilitating deeper engagement, all backed by measurable research.

I could go on and on, but simply put, the opportunity to establish a relationship with a consumer online is not only an unparalleled opportunity, but with younger consumers increasingly shifting to a digital experience, it is a necessity. Fear of change is real and most are more comfortable maintaining the status quo than embracing change. But, change is inevitable. I think survival is dependent upon leaning into change, rather than away from it.

The question really boils down to how do you want to conduct business in this space and with whom? Thankfully it is summer and on Madison Avenue. Summer usually means one thing, well two things, a long, drawn out upfront and vacation, sometimes in the reverse order. After all of those years hoping for an alternative to the upfront process, do you really want to simply play the same roles and dance with the same partners in a new medium or do you wish to begin making a meaningful investment in an alternative? You can choose to only transact business, as you have done

in the past, with the traditional media companies. They will push their agendas and offer Web video as primarily either an extension of their existing, on-air product or low-cost pilot development disguised as original content. Or you could also choose to seed a new generation of independent producers who are open to being true partners in the creation of a mutually-beneficial ecosystem. If you choose not to do the latter, than you will have no choice but to do the former. The opportunity I believe you have coveted to regain a more prominent position in the value chain will be lost. Not to put too fine a point on it, but if there was ever a time for marketers to put their money where their mouth is, now is that time.

Such a choice requires commitment, and a little bit of faith. As our parents always reminded us, nothing of value comes easily. Heavy lifting is required. I know the solution you seek is not fully realized just yet. But there is a clear path. It is not the road less traveled, it is the road that is, and will be, traveled. Come travel it with us. Help us chart where it goes. There is an open seat at the table, with a new set of partners: independent producers, technology companies, venture capitalists, all of whom have made an investment to fulfill this vision. You've been circling the table for a while. We can see you. Take a seat. Join us. Make this vision a reality. Nobody is asking for you to make an investment worth risking your jobs. Not one of us is suggesting you replace your traditional media spending outright with digital. All we are asking is for you to step-up and make a proportionate seed investment, commensurate with the rest of us, to continue catalyzing this vibrant community who sits with you here today or risk the consequences of seeing it dissipate before your eyes.

Without brands we would not share the collective experience of popular entertainment that defined generations. Who will define entertainment for a new generation? Who will create a new entertainment experience to engage and dialogue

with present and future consumers? My hope is us. All of us. Together. In equal and fair partnership. Ultimately however, that decision now rests with you. Today, you control not just your destinies, but ours as well. What choice will you make?