

ANA/Forrester Research Study: Marketers Adding Alternatives To Television Advertising

Seventy-eight percent of marketers feel that TV advertising has become less effective in the past two years

New York, NY (March 22, 2006)— A new survey, released today by the Association of National Advertisers (ANA) and Forrester Research, Inc. (Nasdaq: FORR), found that 78% of advertisers feel that traditional television advertising has become less effective in the past two years. The survey also found that marketers are exploring emerging technologies to help bolster their television advertising spend.

The joint survey asked 133 national advertisers about their attitudes towards TV advertising and what impact new technologies, such as digital video recorders (DVRs) and video-on-demand, will have on their TV advertising budgets. Those surveyed represent more than \$20 billion worth of advertising, including marketers from Charles Schwab, Colgate, Dunkin' Donuts, Johnson & Johnson, Mattel, Pfizer, and Verizon.

“As DVRs look to climb above 30 million households in the next three years, advertisers are finding themselves forced to reconsider their media mix,” said Josh Bernoff, Vice President, Forrester Research, who presented the findings today at the ANA Television Advertising Forum in New York. “Television networks continue to publish research that traditional TV advertising is potent as ever, but national advertisers aren’t buying it and are seeking alternatives to enhance their budgets and move them beyond the customary 30-second spot.”

Key highlights of the ANA/Forrester survey include:

- Almost 70% of advertisers think that DVRs and video-on-demand will reduce or destroy the effectiveness of traditional 30-second commercials.
- When DVRs spread to 30 million homes, close to 60% of advertisers say that they will spend less on conventional TV advertising; of those, 24% will cut their TV budgets by at least 25%.
- While 55% say that their top executives are closely watching changes in TV advertising, most advertisers have not experimented with advertising on DVRs (49%) or video-on-demand (44%).
- Eighty percent of advertisers will spend more of their advertising budget on Web advertising and 68% of advertisers will look to search engine marketing.
- Advertisers are also looking at alternatives to traditional TV advertising and will spend more of their advertising budgets on: branded entertainment within TV programs (61%); TV program sponsorships (55%); interactive advertising during TV programs (48%); online video ads (45%); and product placement (44%).

- Ninety-seven percent of advertisers agree that the TV industry will need new audience metrics — other than reach and frequency — to report commercial ratings, not just program ratings to effectively measure TV advertising.

“The television industry as we have known it may be challenged on a number of fronts, but continues to attract a significant media investment by ANA marketers,” said Bob Liodice, President and CEO of the ANA. “As new and traditional media alternatives compete more aggressively for a share of the media pie, and marketers look to improve consumer targeting, reduce costs and enhance accountability, television is aggressively responding. With technology-based advances in addressability, enhanced television options, Internet convergence (IPTV) and branded entertainment opportunities, television is likely to continue as the dominant part of the marketing mix.”

A full report on the survey findings will be available in the near future through Forrester Research (www.forrester.com). This is the third ANA/Forrester Research survey of advertisers on this topic. Previous surveys were fielded in 2002 and 2004.

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About the ANA

The Association of National Advertisers leads the marketing community by providing its members insights, collaboration and advocacy. ANA’s membership includes 370 companies with 8,000 brands that collectively spend over \$100 billion in marketing communications and advertising. The ANA strives to communicate marketing best practices, lead industry initiatives, influence industry practices, manage industry affairs and advance, promote and protect all advertisers and marketers.

About Forrester Research

Forrester Research (Nasdaq: FORR) is an independent technology and market research company that provides pragmatic and forward-thinking advice about technology’s impact on business and consumers. For 22 years, Forrester has been a thought leader and trusted advisor, helping global clients lead in their markets through its research, consulting, events, and peer-to-peer executive programs. For more information, visit www.forrester.com.