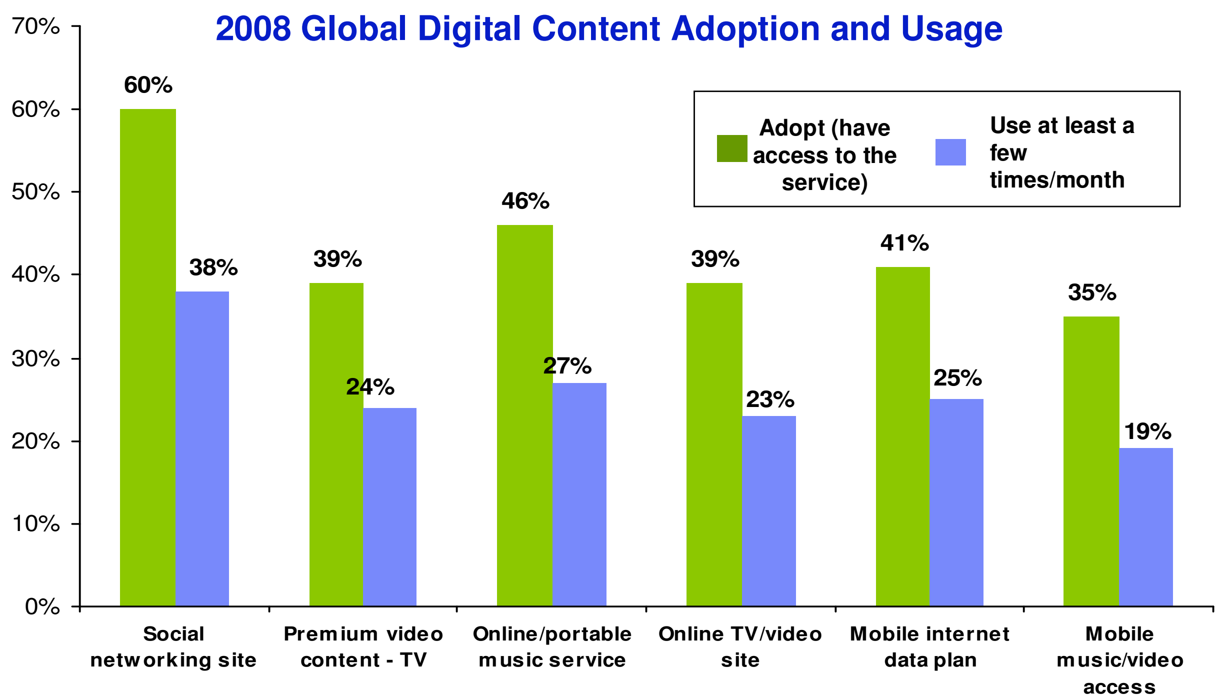
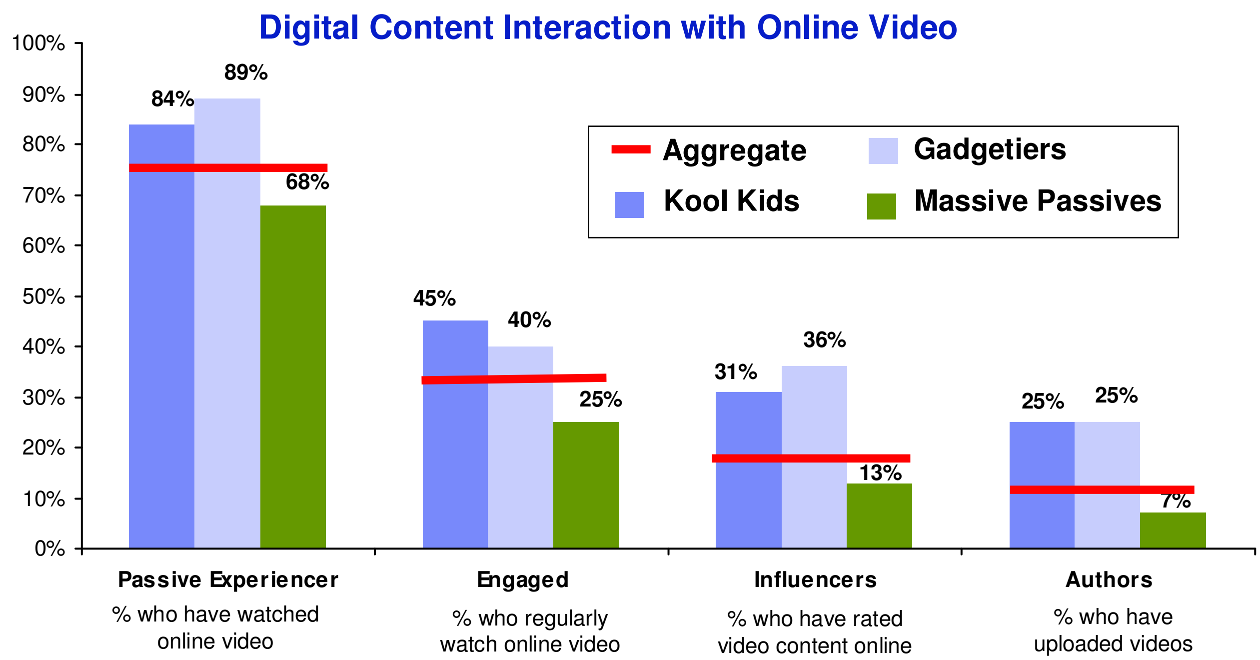
**IBM Institute for Business Value**
**Digital Consumer Survey Results**
**November 2008**

IBM's second global online survey of consumer digital media and entertainment habits revealed that people are adopting digital content services, such as social networking and videos, on mobile phones and personal computers at an accelerated pace which is impacting traditional consumption habits. The survey, which was conducted with 2800 people in six countries - Australia, Germany, Japan, India, UK, and the U.S., also shows that people are willing to get personal with advertisers by sharing information about themselves if it results in targeted incentives that match their lifestyle, presenting companies with significant advertising revenue opportunities among today's informed and empowered consumers.

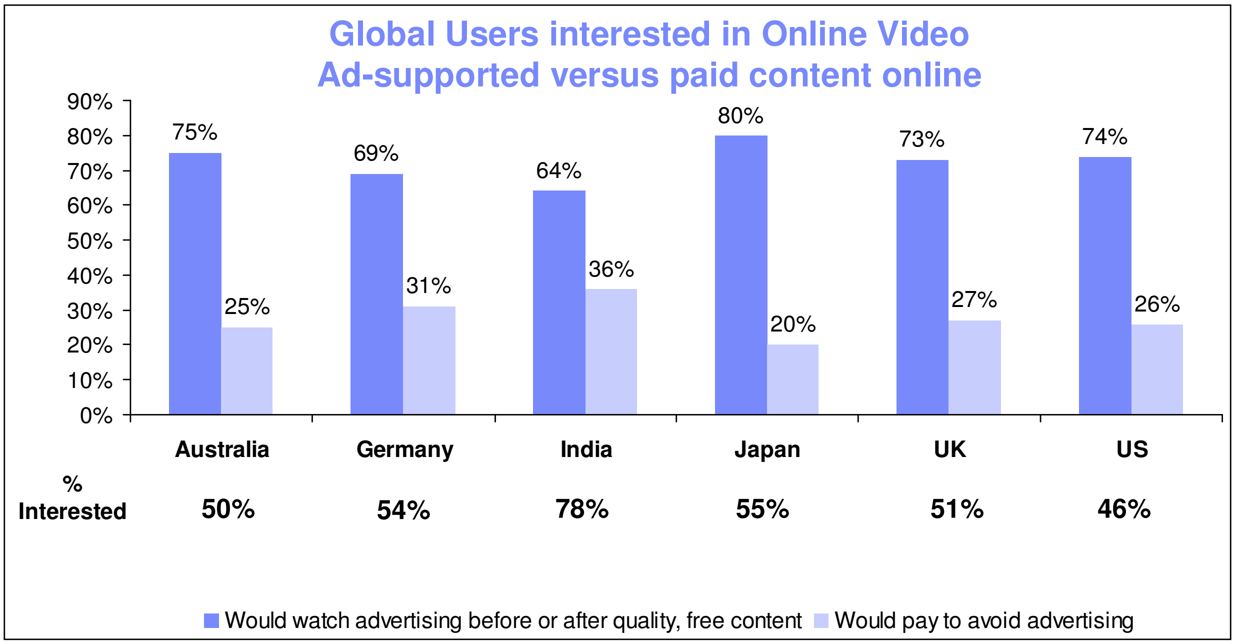
## Adoption Widespread, Usage Limited to Digital Savvy Consumers




Last year's study showed the decline of TV as the primary media device. This year's global study found large scale adoption and usage of digital content services accessed via the PC and mobile phone, with ad-supported models (versus consumer-paid) preferred almost three to one by respondents globally. Adoption for most categories of digital content services doubled from last year, with services such as social networking now at 60 percent penetration and Internet data plans for mobile devices at over 40 percent for respondents globally. While digital content services adoption is widespread, interactivity through features such as user ratings tools and video uploads is primarily concentrated among the more digital savvy consumers.




## Ad-Supported Digital Content Accepted




Consumers desire, and are comfortable with, wired and wireless access to content. 76 percent of consumers surveyed have already watched video on their PC, up 27 percent from last year. 32 percent indicated they have viewed video on a portable device or mobile phone, up 45 percent from last year. Interest in mobile video content has more than doubled since last year to 55 percent. Consumers are also moving beyond the trial stage. Of those who have watched videos on their PC, 45 percent are doing so regularly - at least a few times per month.

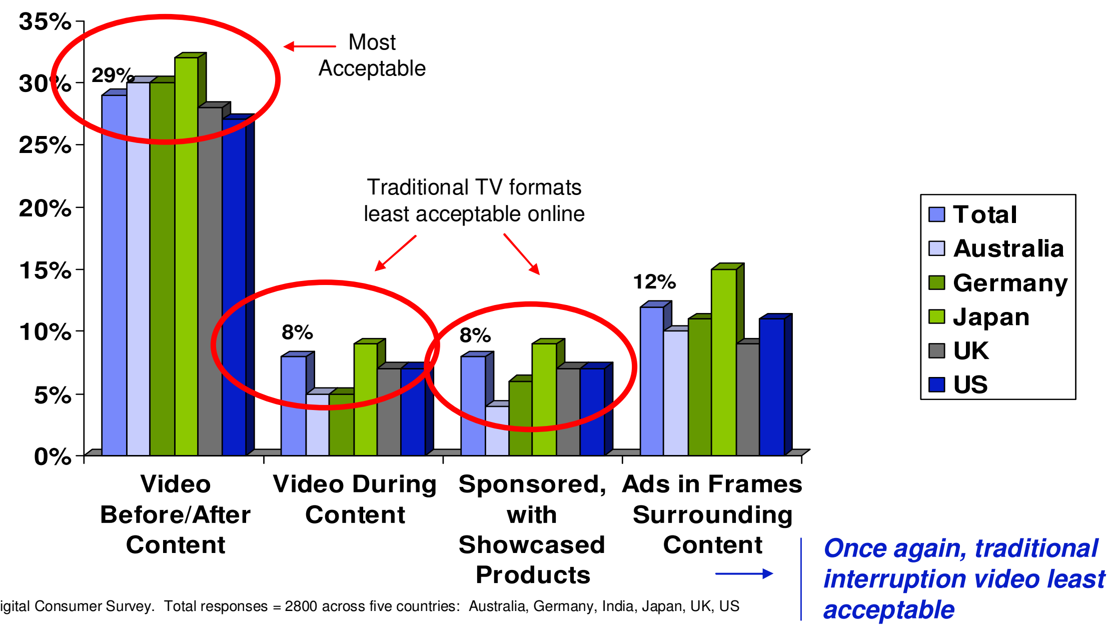
As adoption of online video continues, cannibalization of overall television consumption is becoming more apparent. Over 50 percent of respondents who have watched online video claim they watch slightly less (15 percent) to significantly less (36 percent) television as a result, implying place-shifting alternatives may be changing consumer “couch potato” behavior.

For both PC and mobile video, the vast majority of respondents prefer advertising-supported models (over 70 percent) as opposed to consumer-paid models (less than 30 percent), representing huge growth opportunity for the industry. Preference for ad-supported models ranged from 62 percent to over 80 percent by country, with Japan having the highest preference for ad-supported on both devices.

## **"Hey Corporate America, Get out of my TV Show!"**

When asked how they prefer to view advertising associated with videos online, the majority of respondents said they prefer to see it before or after a video. Respondents from all six countries polled protested traditional television models like interruption advertisements during the video or the use of product placements within programs.

**Most Acceptable Form of Online Advertising For Those Interested**

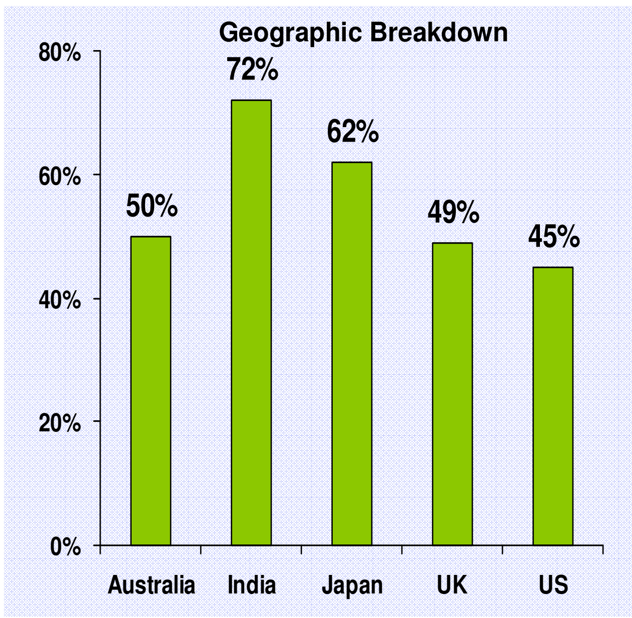


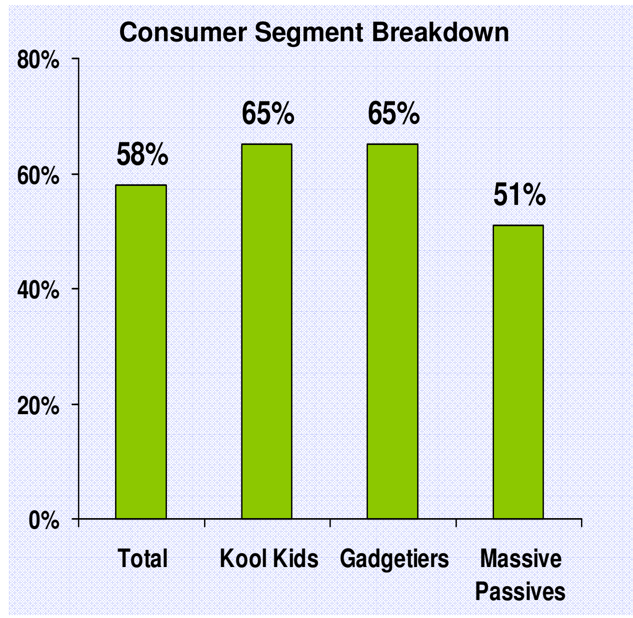

Source: 2008 IBM Digital Consumer Survey. Total responses = 2800 across five countries: Australia, Germany, India, Japan, UK, US

## **Personal Information In Exchange for Incentives**

Close to 60 percent of total respondents were willing to provide information about themselves – such as age, gender, lifestyle or communications preferences – in exchange for something of value. Younger respondents had fewer concerns about revealing personal preferences, and a sizeable portion of participants over the age of 45 were also willing to share information about themselves. However, all respondents indicated the need for perceived value and incentives as a trade-off to provide personal information.

**Willingness to Provide Information About Yourself**

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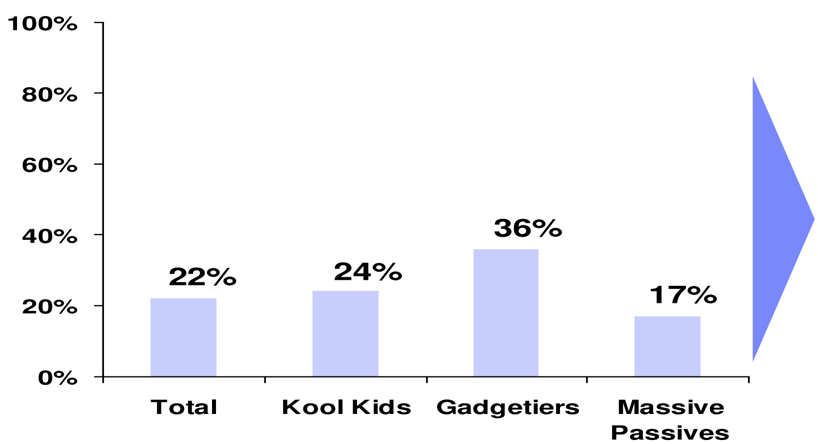
Consumers listed free high-quality music/videos, discounts to favorite stores and air travel/hotel points as the most desired and attractive incentives. These findings were consistent across all countries polled, with Japan and India having the least reservations about providing personal preferences, with over 62 and 72 percent of respondents respectively willing to share information, versus 45 percent of respondents in the US.

## Desire for Integrated Advertising Across Devices

The digital savvy consumers are embracing new multimedia devices. The 13-24 year old segment owns an average of between four to five multimedia devices, with the most popular being portable music players, such as iPods, game consoles such as Sony PlayStation, Microsoft Xbox or Ninetendo Wii, high definition television sets (HDTV) and portable game players. The "Gadgetiers" - early adopters, estimated at 15 percent of the market - have on average between seven and eight multimedia devices, with the most popular being portable music players, HDTVs, DVRs, and Internet-enabled phones such as the iPhone or BlackBerry.

**Desire for Integrated, Tailored Messaging Across Devices**



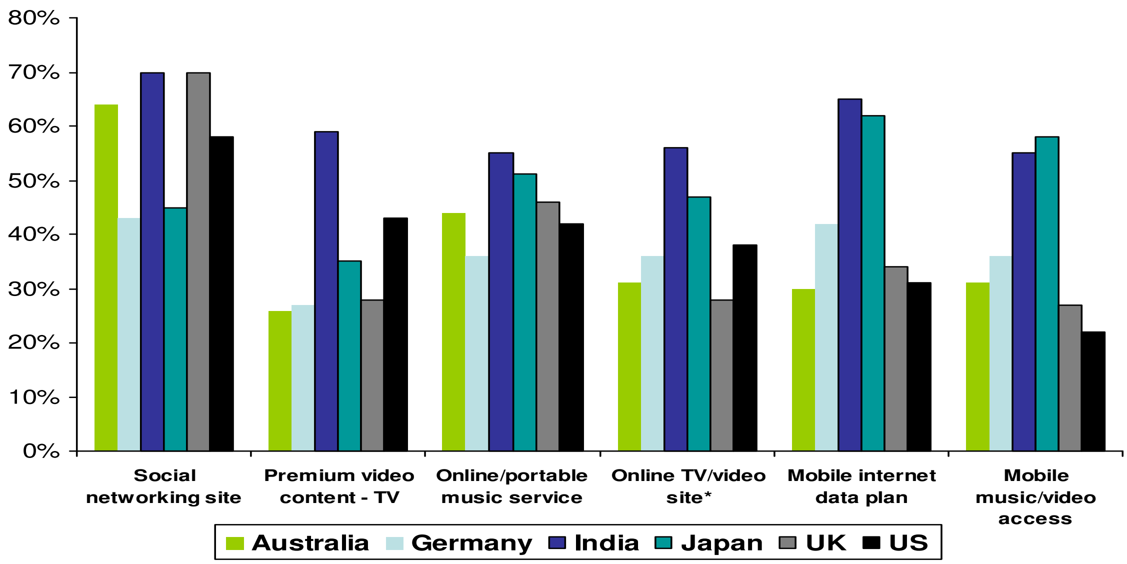

74% of marketers currently employ integrated marketing campaigns and consider integrated marketing the number one priority, according to a recent publication by the Association of National Advertisers (ANA)

As devices become more embedded in a person's lifestyle, consumers desire more integration between them. Over 40 percent of respondents are interested in content portability – the ability to view and transport the same piece of content across multiple devices. Nearly one in five respondents was interested in consistent, tailored messaging across devices. Advertisers must focus on consumer-choice and centricity in order to effectively capture and retain consumers who are relying less on a sole device for digital content.

## Geographical Preferences

Within the six countries polled, Australia and the U.K. had the highest adoption of social networking sites, with over 65 percent and 70 percent respectively, compared to an average of 60 percent for all countries. The U.S. had the highest adoption of premium video services for the traditional TV at over 45 percent, versus Australia which had the lowest penetration at less than 25 percent. The US also had high adoption of online TV/video sites such as HULU, or YouTube, at close to 40 percent, versus the UK which had the lowest at 28 percent. Japan, Germany and India had the highest adoption of mobile services, including Internet data plans and mobile content plans for video and music.

**2008 Global Digital Content Adoption by Country**

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*This category was not included in the 2007 survey.

While there were differences between countries, the majority of all respondents stated that recommendations from friends had the most impact on the type of content they viewed over celebrity, amateur and professional endorsements.

## IBM Survey Methodology

The online survey was conducted during the third quarter of 2008 by the IBM Institute for Business Value. The questionnaire generated 2800 responses in six countries: Australia, Germany, Japan, India, UK, and the US. The survey was split 50/50 male/female. It proportionately reached demographic groups 13 years and over. Respondents reported a range of household salary levels, though the vast was under U.S. $100,000. The results can be considered statistically significant at the 95 percent confidence level and have a margin of error of +/- 0.0138 points.

This consumer study is a component of the upcoming report "Beyond Advertising: Fact or Fiction" jointly authored by Saul Berman, Bill Battino and Karen Feldman, planned for release in late 2008. It is the latest in a series of thought leadership papers including: "The end of advertising as we know it," "The end of television as we know it," "Navigating the media divide: Innovating and enabling new business models" and "Beyond access: Raising the value of information in a cluttered market," providing recommendations for broadcasters, advertising agencies and media distributors including telecommunication and cable companies.

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