



OVERVIEW OF ADVERTISING SPEND, USA, TECHNOLOGY SECTOR, 2010

Introduction

As a media specialist agency, we live and die by our strategic recommendations to clients on what media mix they should use to reach the target audience. Many factors play a part in this decision making process. Campaign goals, message type and complexity, creative formats available or desired by client/creative team, reach of each media type, metric requirements and media mix matrix all play a part. An understanding of the competitive landscape is also important.

In compiling this competitive data we are able to get under the hood of other companies media strategy and see gaps that we can potentially exploit for our campaigns. For example Cisco, the key competitor for our client Juniper Networks, somewhat abandoned print media in favor of TV and web based campaigns. This allowed us to exploit a free space in the media mix where our client's message could be delivered with less competitive clutter and thus more clarity.

In the following analysis we look at some of the spend patterns of the big guns. How much they spend in comparison to one another and some of the diverse media spend patterns. It's fascinating stuff.

Please always bear in mind that spend analysis is fundamentally flawed in accurately estimating real investment levels (so the numbers are not exact) BUT that the data is very representative comparatively between companies and that media mix usage is pretty robust...at least enough so to give insight into tactics.

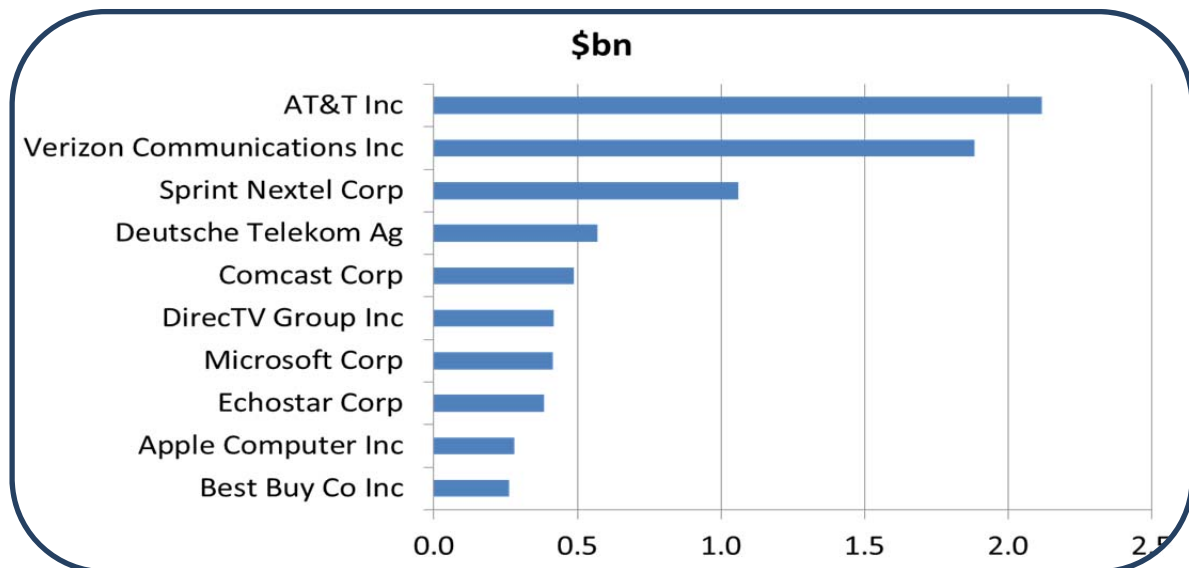
We hope you enjoy this as much as we do here. It will appeal most to fellow marketing data junkies and if you want to dig deeper into the data with us then please let us know. We are also happy to do some media market analysis for you and see what insight we can uncover for you and your nearest competitors.



"Celebrating 15 Years of Excellence - 1996-2011"

Biggest Spenders

The combined advertising spends from technology companies was \$13.8 billion in 2010,¹ a sum that equates to 9.7% of total advertising spend in the USA during the year.



The three largest advertisers in the sector were all telecommunications companies: AT&T, Verizon and Sprint Nextel each spent in excess of \$1 billion during the year.

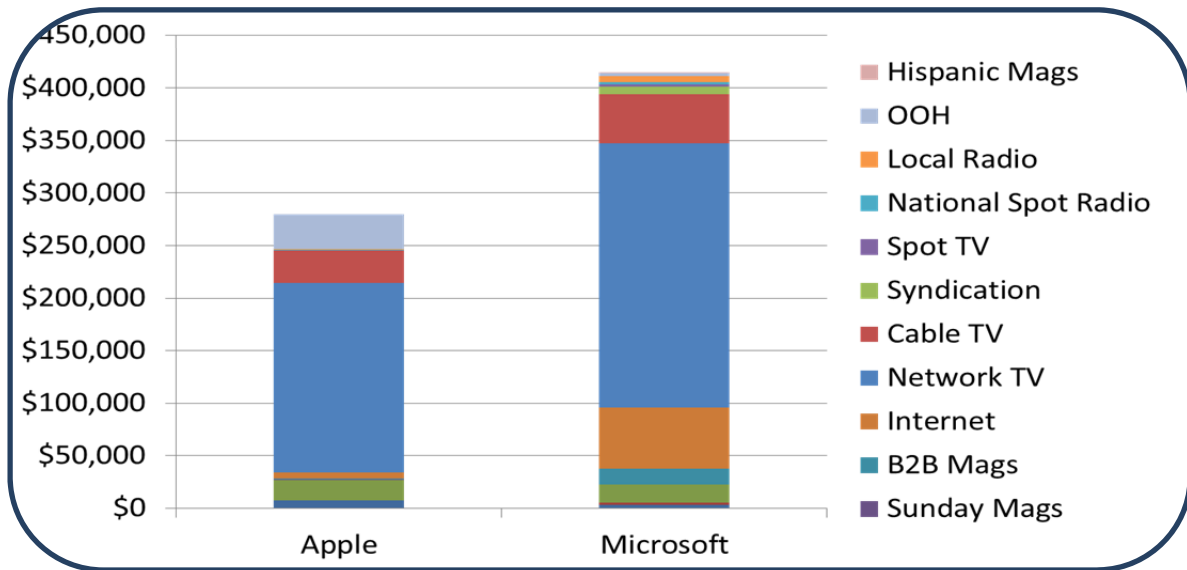
Microsoft and Apple both made it into the top ten and it is interesting to note that Microsoft spent around 50% more than Apple. Apart from these two companies and technology store Best Buy, the other top spenders were telecommunications and entertainment companies. Their high advertising spend can be partly explained by the fact that it is a cost of doing business, of sourcing and retaining subscribers.

The next chart compares activity from Apple and Microsoft in a bit more detail. Both companies made heavy use of network TV to get their message across and the use of print was rather minimal. Apple, as one might expect, put more resources into out of home advertising than Microsoft. On the other hand Microsoft invested more heavily in online advertising.

¹ Spend data throughout are from Kantar Media

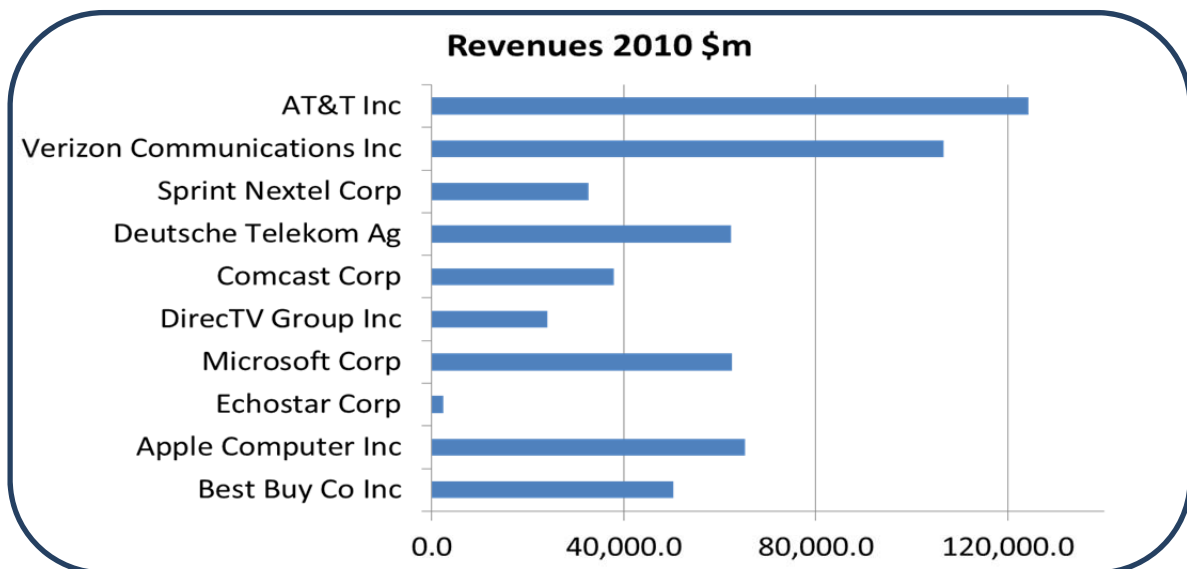
Breakdown by Media Type for Apple and Microsoft

Advertising spend 2010, \$'000, USA



Setting advertising and marketing budgets often provokes a difficult debate within a company; one way to put marketing spend into context is to compare it to revenues².

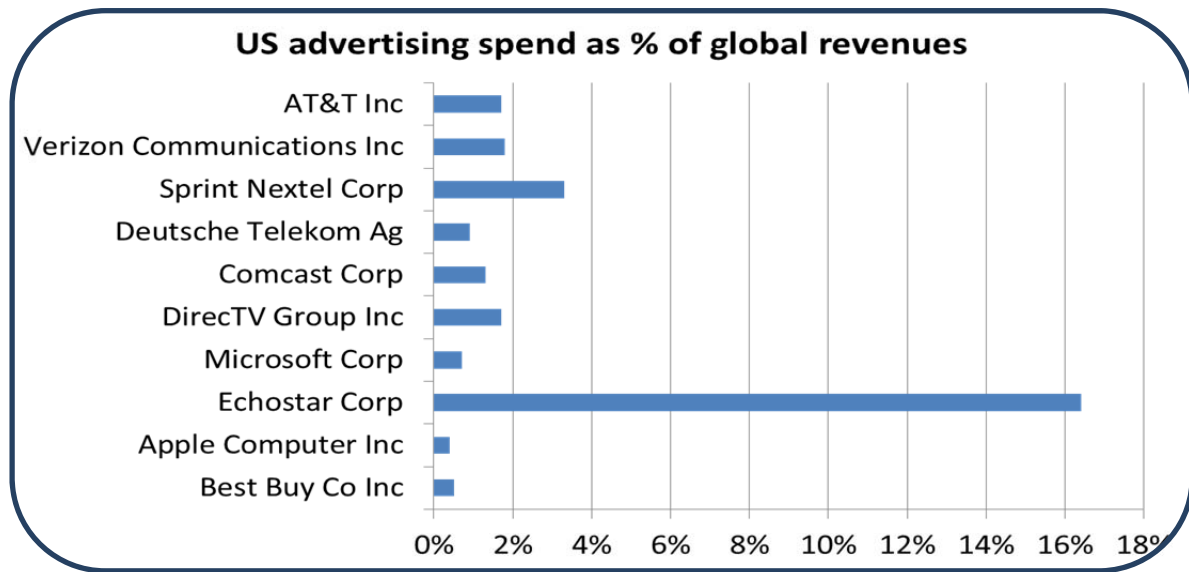
Global Revenues 2010



It is immediately obvious that there is some correlation here. Of the top ten technology companies by advertising spend, the top two are also the top two in revenues.

² moneycentral.msn.com Figures are global revenues for Jan-Dec 2010

US Advertising Spend as %age of Global Revenues



The picture is distorted in that US advertising spend is compared to *global* revenues. Nonetheless it is interesting to note that most of these companies spend less than 2% of global revenues on US advertising – and for Apple and Microsoft less than 1%. The anomaly here is Echostar, whose advertising spend, in excess of 16% of global revenues for the year, probably indicates a company in a growth phase³ aiming to buy market share.

³ In February this year EchoStar announced the intended \$2bn acquisition of Hughes Communications which would seem to back this up

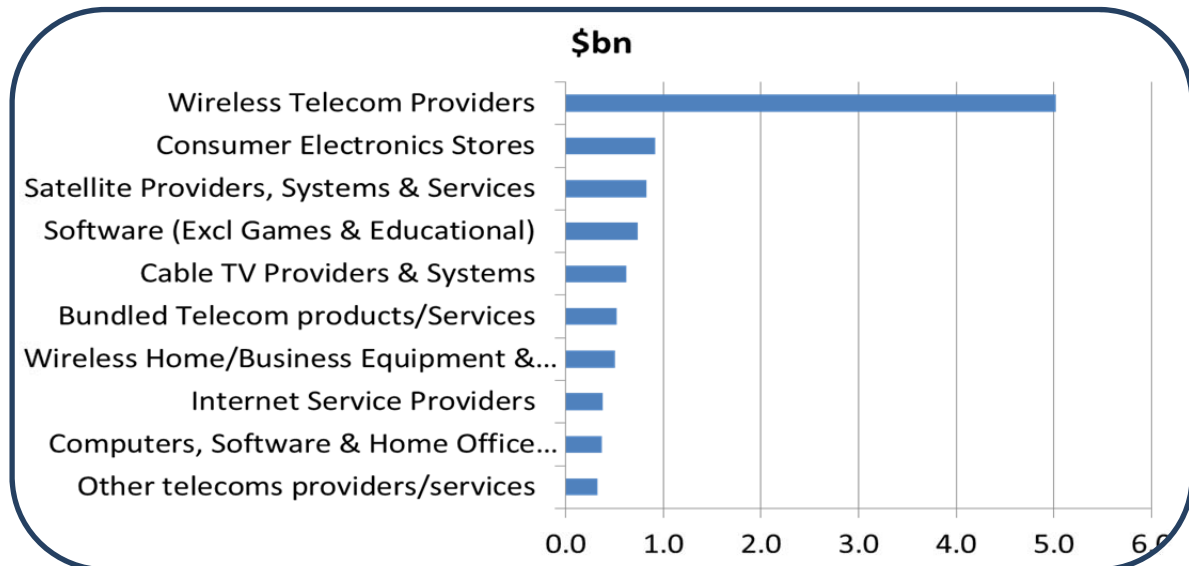
Top Global Brands 2010

It is interesting to note that of the top ten technology companies by advertising spend in the US, only one (Microsoft) made the top ten ranking of best global brands 2010⁴. This is despite the fact that six of the ten best global brands are technology companies. Brand value (quite rightly) is down to more than purely media spend then.

Rank	Previous Rank	Brand	Country of Origin	Sector	Brand Value (\$m)	Change Brand Value
1	1		United States	Beverages	70,452	2%
2	2		United States	Business Services	64,727	7%
3	3		United States	Computer Software	60,895	7%
4	7		United States	Internet Services	43,557	36%
5	4		United States	Diversified	42,808	-10%
6	6		United States	Restaurants	33,578	4%
7	9		United States	Electronics	32,015	4%
8	5		Finland	Electronics	29,495	-15%
9	10		United States	Media	28,731	1%
10	11		United States	Electronics	26,867	12%

Technology Advertising Spend by Sector

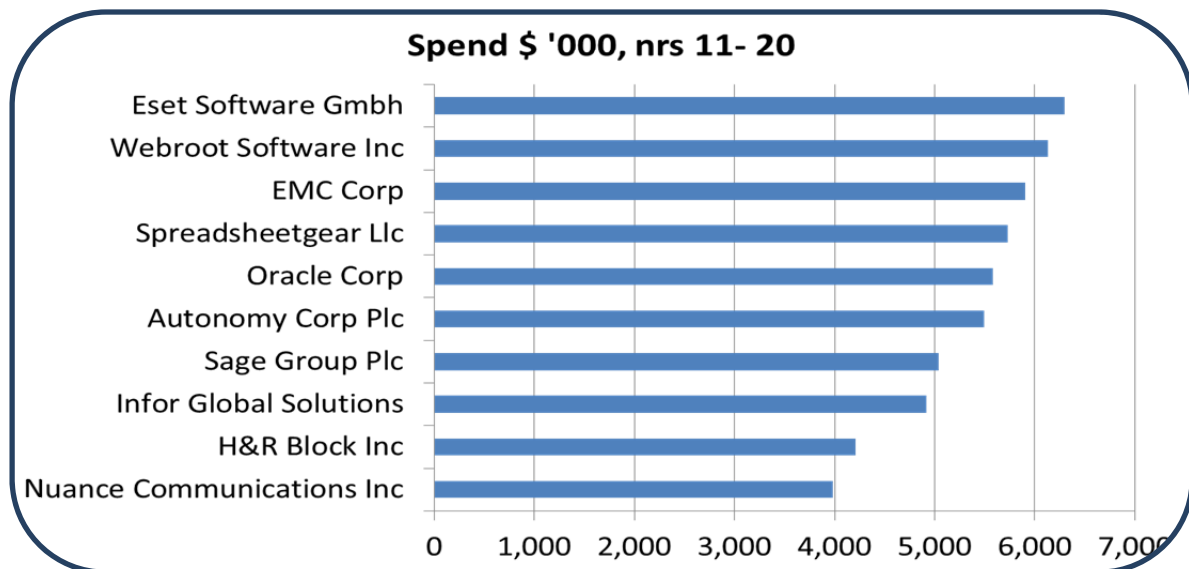
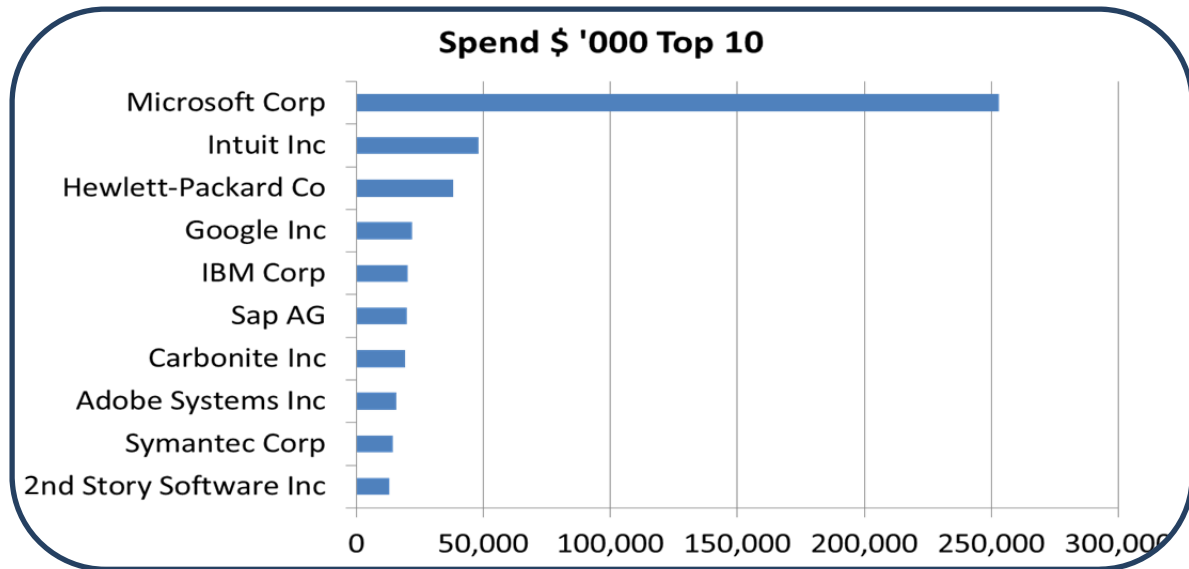
The top ten sectors within the technology field by US advertising spend are, unsurprisingly, the most competitive B2C technologies and services. Communications and entertainment technologies feature prominently in the chart below.



⁴ <http://www.interbrand.com/en/best-global-brands/best-global-brands-2008/best-global-brands-2010.aspx>

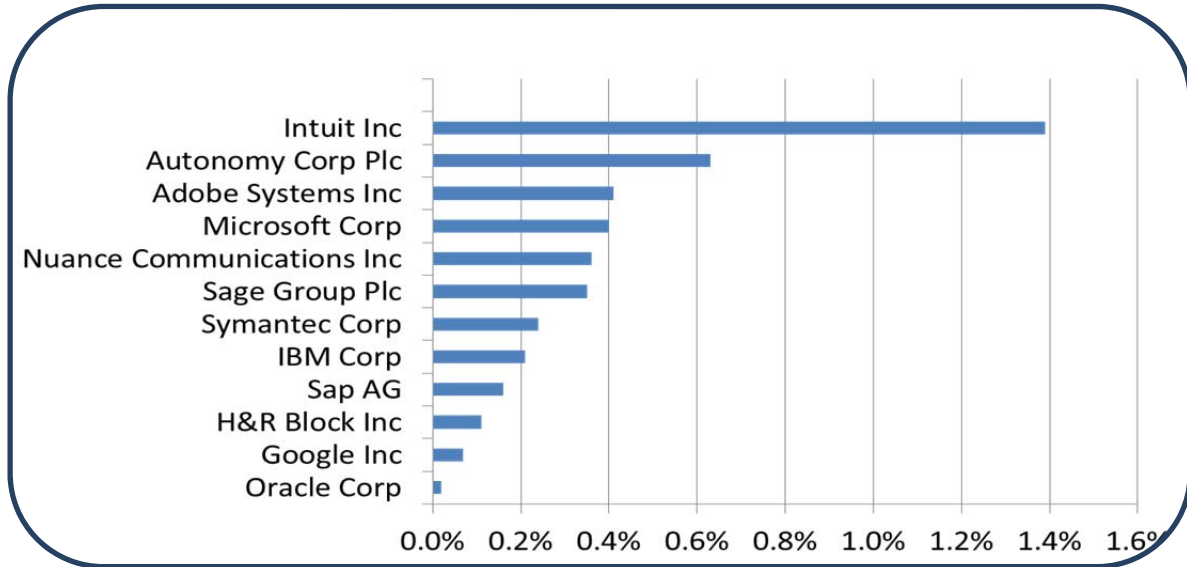
B2B Software

The advertising spend from B2B software companies is much more modest. It's interesting to note the significant investment from several international companies: SAP (Germany), Eset (Slovakia), Autonomy (joint UK/US headquarters) and Sage Group (UK).



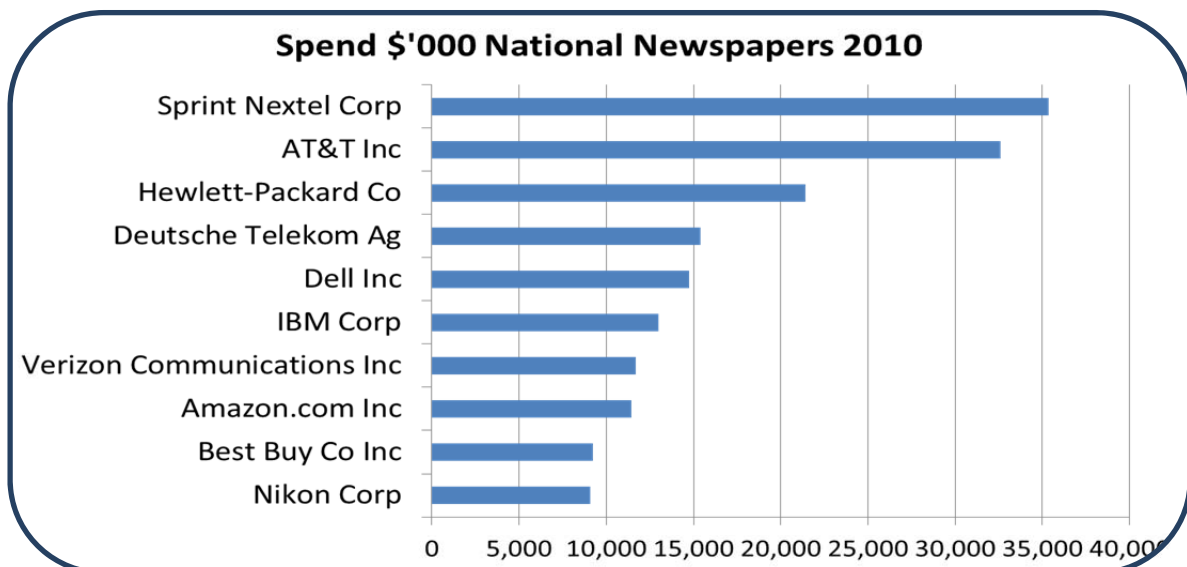
Software Companies – Advertising Spend as % of Global Revenues

The US advertising spend as a proportion of global revenues falls within a narrow range for these companies (after removing those not quoted in the US as well as EMC and HP who also derive significant revenue from hardware).



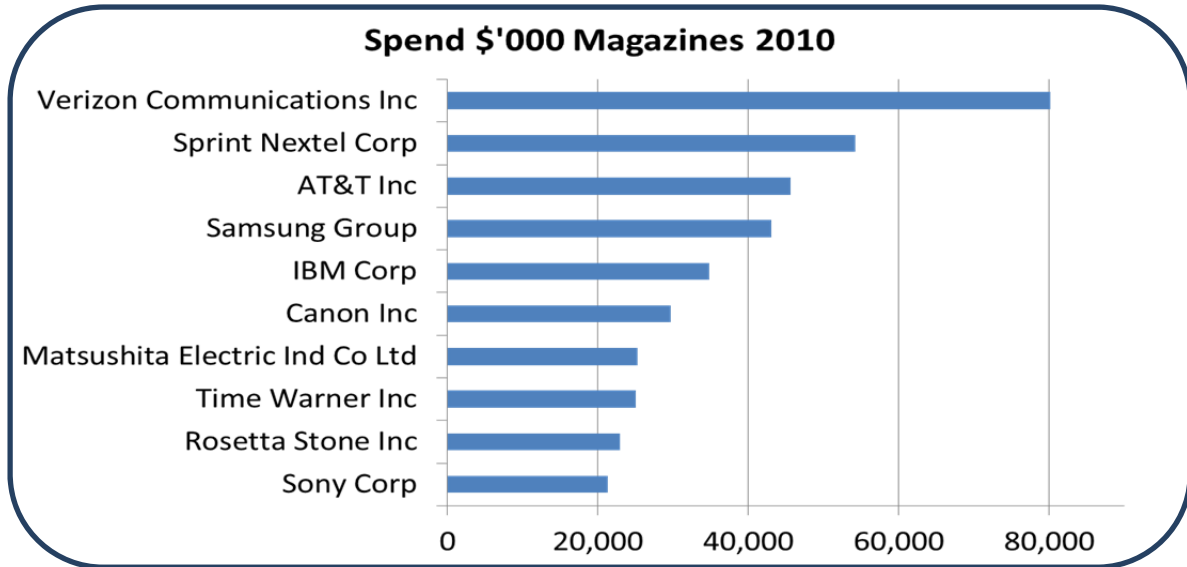
National Newspapers

Examining advertising spend by media types can be revealing. HP and Dell both feature in the top ten technology advertisers in national newspapers in 2010. Perhaps unexpectedly Nikon also sneaks into the top ten.



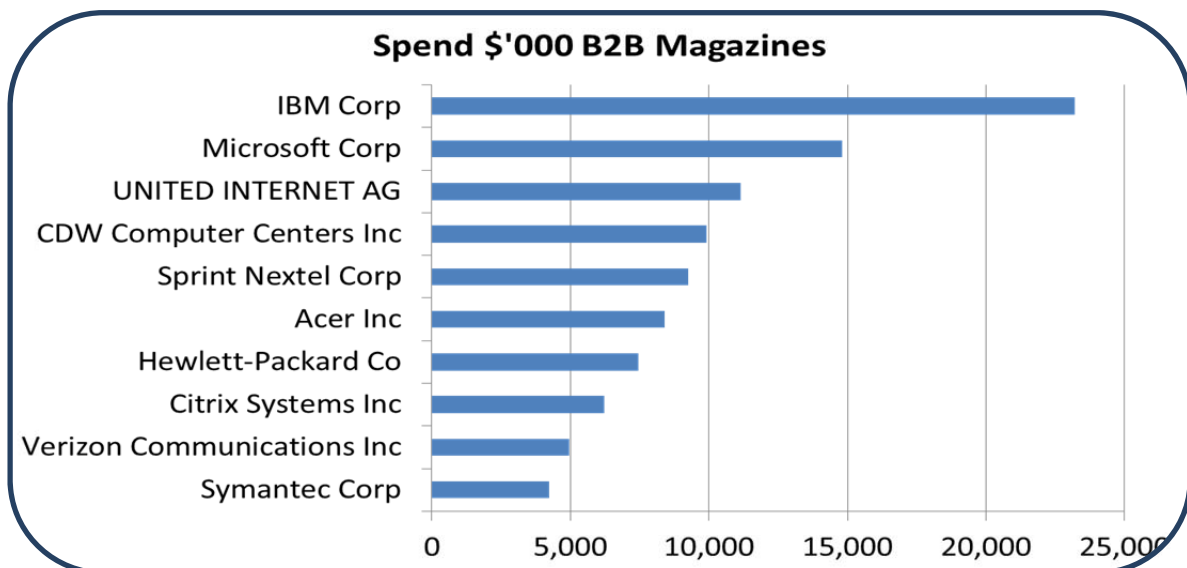
Magazines

AT&T, Sprint Nextel and Verizon all invest significantly in magazine advertising, as do Samsung, Canon, Matsushita (Panasonic) and Sony. It's probable that camera advertising is included in the activity from these four companies – glossy magazines can provide a great platform for this.



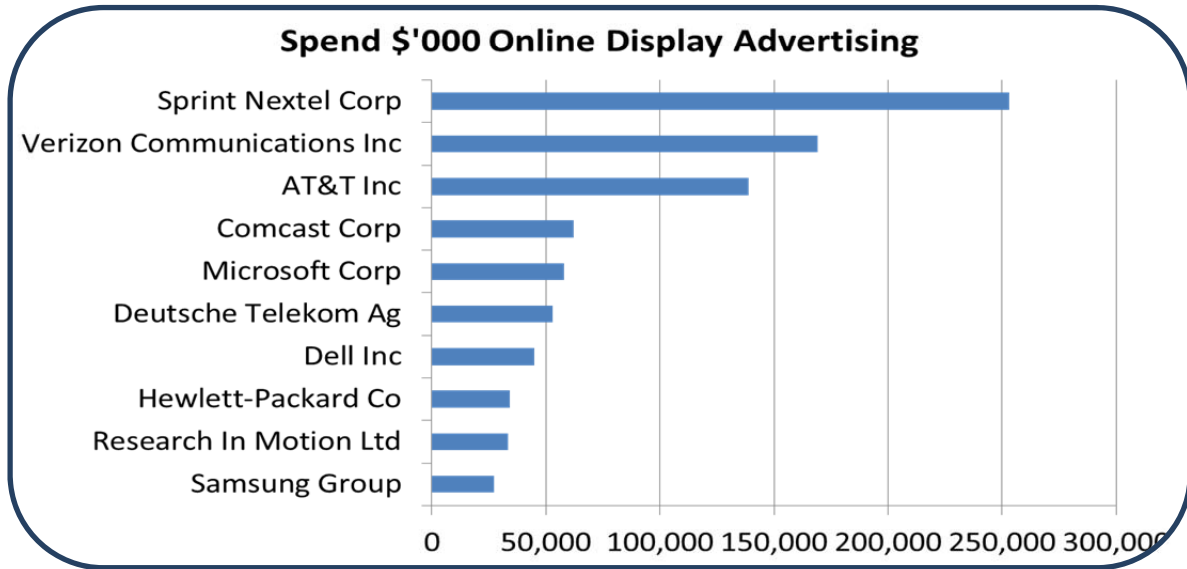
B2B Magazines

Sprint Nextel and Verizon – but not AT&T – are among the top ten advertisers in B2B magazines, demonstrating that they choose this medium to target their business customers. IBM, Microsoft and HP have been strong supporters of B2B press for the last couple of decades, and this has not changed. Acer, Citrix Systems and Symantec all maintain a high profile in this medium too.



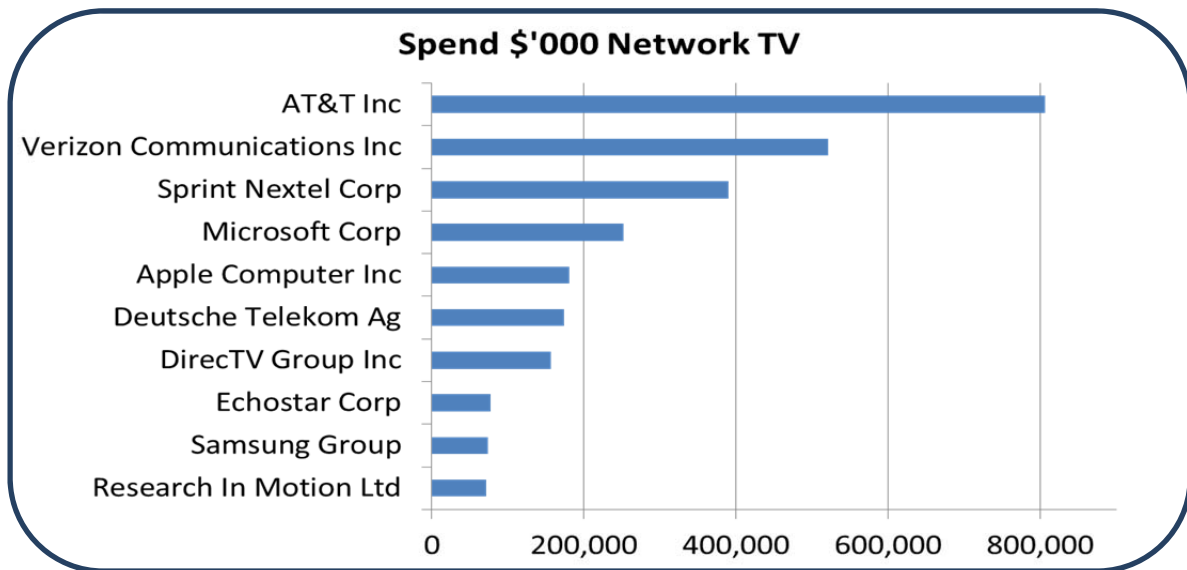
Online Display

The big three telecommunications companies make heavy use of online display advertising. Dell – a company that stresses its monitoring of return on investment – features at number seven. The makers of Blackberry also appear in the top ten, as does Samsung. At Just Media, Inc., we’ve noticed a shift in the way certain clients perceive online display and increasingly it is being used for serious branding exercises rather than primarily for lead generation.



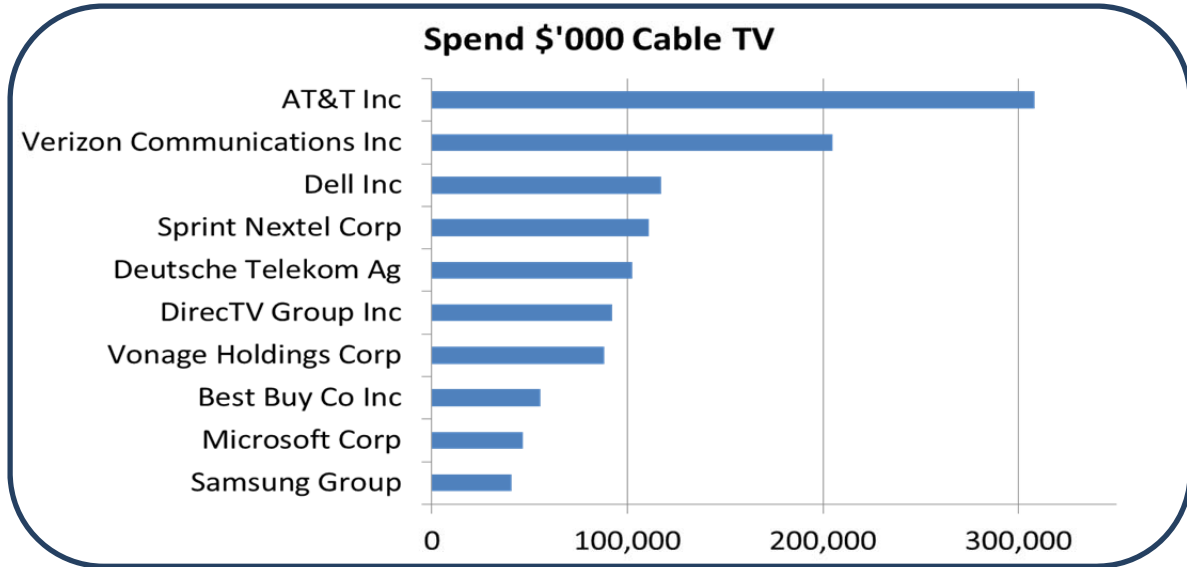
Network TV

The big B2C technology (and telecommunications) companies make heavy use of network TV. Microsoft and Apple are ranked four and five respectively. As with online display, Blackberry and Samsung make it into the top ten.



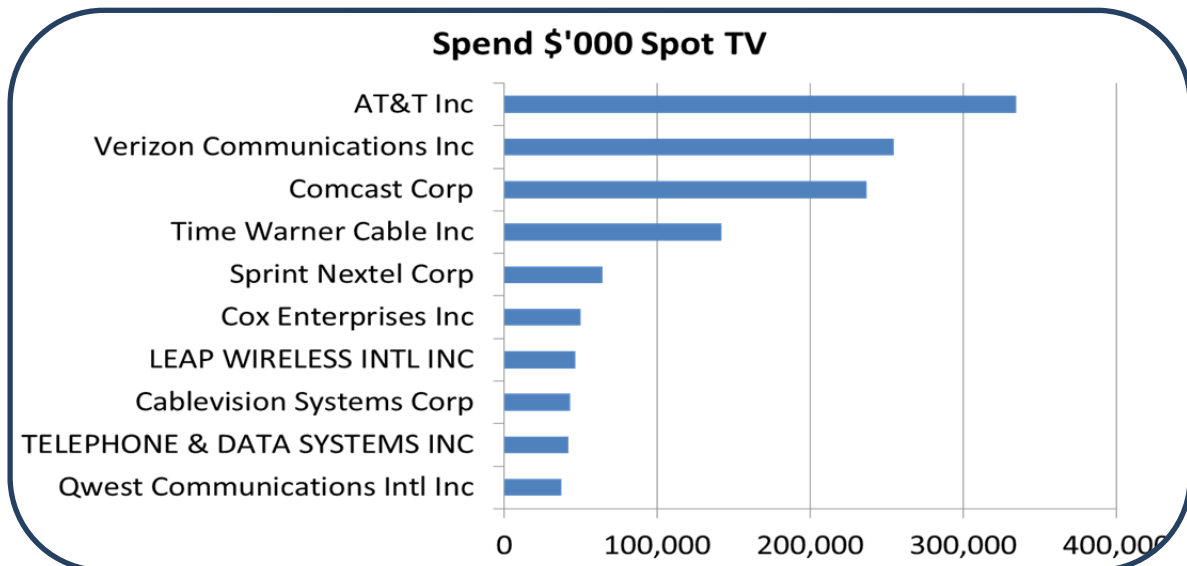
Cable TV

The top ten cable TV advertisers are similar to the network TV list; however Dell is at number three probably reflecting the good price/performance delivered by this medium. VOIP provider Vonage is at number seven.



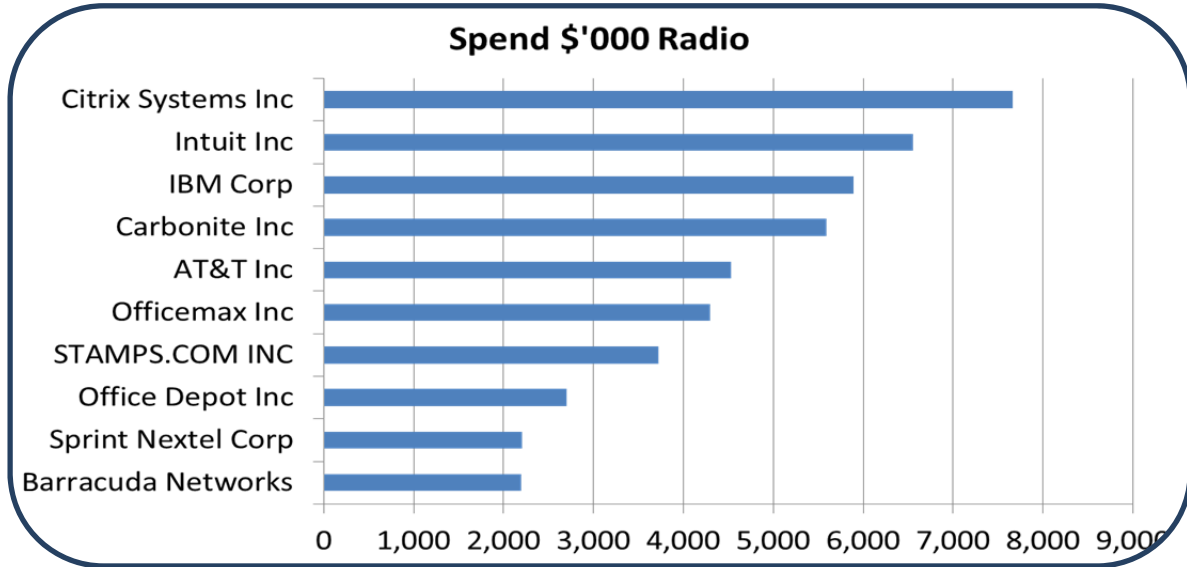
Spot TV

The list of top advertisers on Spot TV is dominated by telecommunications, internet and entertainment services providers.



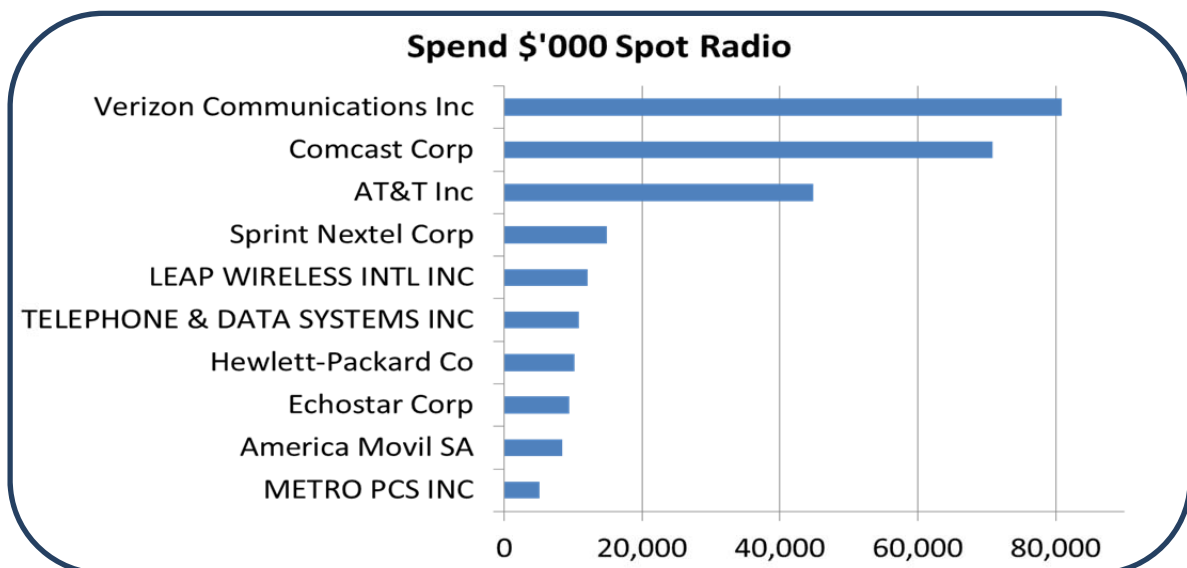
Radio

Radio carries slightly different advertisers to the other media examined thus far. There is more of a B2B flavour, this probably from advertisers targeting premium drive time audiences. Citrix tops the list and Barracuda Networks at number ten devotes almost 20% of its media budget to radio.



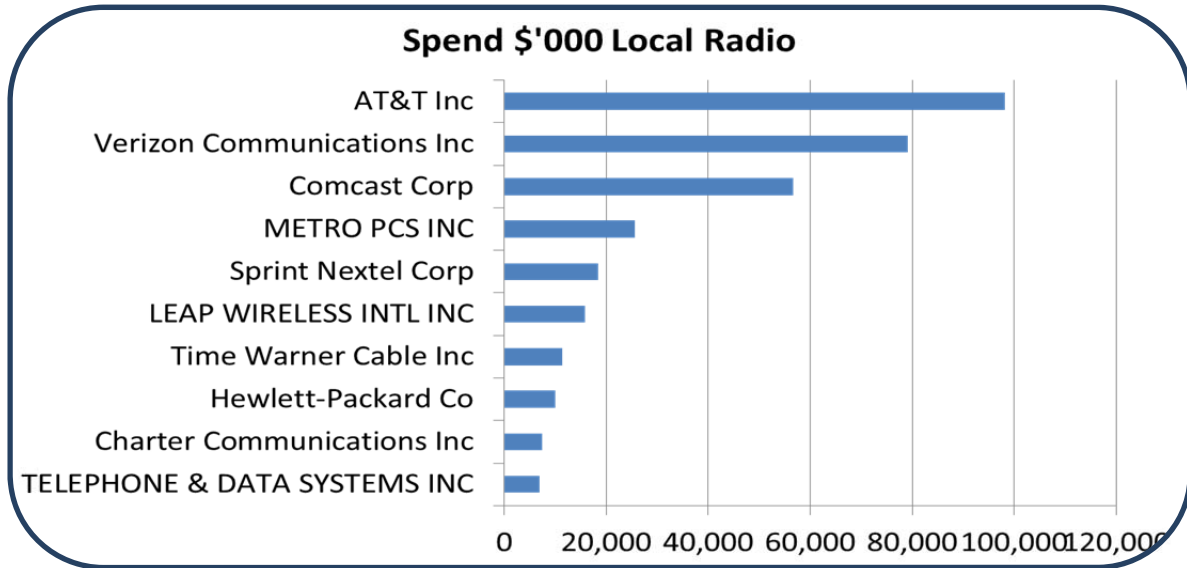
Spot Radio

Spot radio advertising largely mirrors the spot TV profile, with the most important advertisers coming from telecommunications and entertainment sectors. With a budget of just over \$10 million, HP is at number seven.



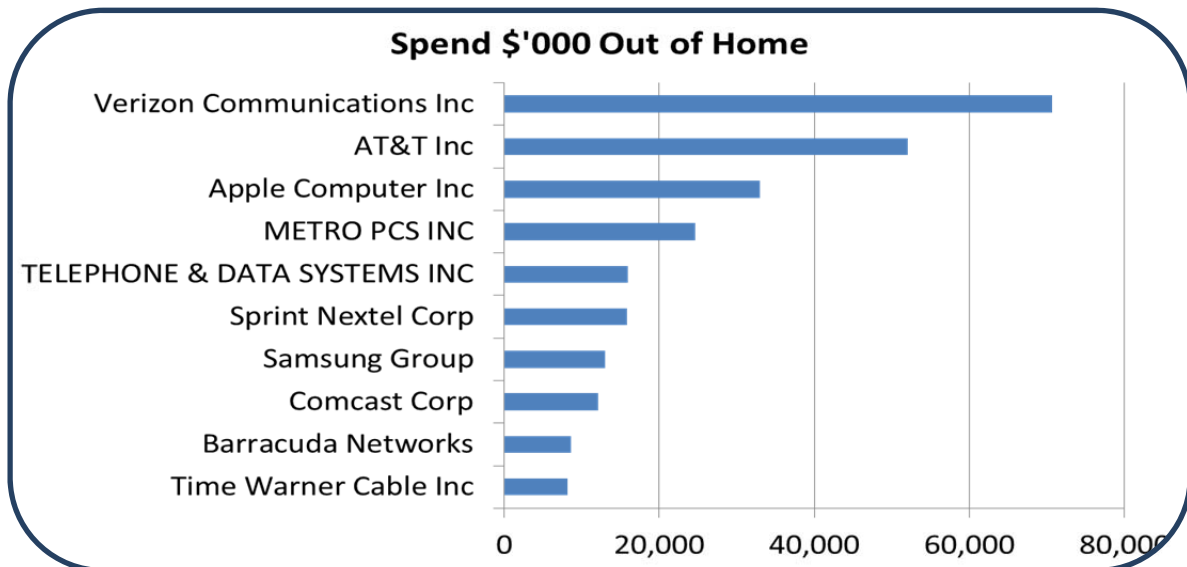
Local Radio

The picture for local radio is quite similar.



OOH

Telecommunications companies again feature heavily in OOH advertising. Apple is at number three, with an investment of more than \$30 million. (This medium is notoriously difficult to track and true spends are likely to be significantly in excess of this). It's interesting to see Barracuda Networks (ranked ninth), apparently deploying almost 80% of its total budget on outdoor. The pairing of outdoor and radio advertising can be an effective way of targeting decision makers in media where share of voice is affordable.





Questions?

This document examines some advertising spend trends in the US from 2010. For more detailed analysis of this period please contact johnoconnor@justmedia.com

We can also provide a more recent perspective as well as data for certain overseas markets.

Just Media, Inc., is a Bay Area media planning and buying company. Since 1996 we've been involved with thousands of successful campaigns with a primary focus in technology. We've also worked with clients in categories ranging from healthcare to education, financial to travel and more recent sectors such as solar and green-tech. Current clients include Applied Materials, Autonomy, EMC, Fujitsu, Hitachi Data Systems, Juniper, Motorola, Quest and Seagate.

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