

New PQ Media Forecast: Word-of-Mouth Marketing Spending To Break \$1 Billion in 2007

First Report to Size, Structure and Forecast Word-of-Mouth Marketing Industry Predicts Spending Will Reach \$3.7 Billion in 2011

PQ Media CEO Presents Exclusive Research Findings at WoMMA Annual Summit

STAMFORD, Conn.--(BUSINESS WIRE)--Spending on word-of-mouth (WoM) marketing jumped 35.9% in 2006 to \$981.0 million and is expected to top \$1 billion in 2007, making it one of the fastest growing alternative media segments. Driving the growth is the continued consumer shift to alternative media and the marketers' need for increased brand engagement and ROI. These are some of the findings of the first in-depth analysis of the emerging word-of-mouth (WoM) marketing industry released today by PQ Media, the leading provider of alternative media econometrics (www.pqmedia.com).

Exclusive findings from *PQ Media's Word-of-Mouth Marketing Forecast 2006-2011* are being presented today at the Word-of-Mouth Marketing Summit 2007 in Las Vegas by PQ Media CEO Patrick Quinn.

Word-of-Mouth (WoM) Marketing is the fastest-growing segment of the \$254 billion marketing services sector of the media industry, which includes among others, branded entertainment, direct marketing and public relations. WoM marketing grew almost five times faster than the overall marketing services sector in 2006 and more than six times faster than the overall media industry and nominal GDP.

PQ Media defines Word-of-Mouth (WoM) marketing as an alternative marketing strategy supported by research and technology that encourages consumers to dialogue about products and services. And for the first time in the long history of WoM marketing, an industry has arisen by integrating strategy, technology and measurement from its earliest stages of development. Brand marketers are responding, and have begun to increase their WoM media budgets, moving from test phase to implementations that support their integrated marketing campaigns.

Total WoM marketing expenditures are projected to climb at a compound annual rate of 30.4% in the 2006-2011 period to \$3.70 billion as brand marketers take advantage of dedicated WoM marketing strategies for improved return on investment (ROI), according to *PQ Media's Word-of-Mouth Marketing Forecast 2006-2011* (<http://www.pqmedia.com/word-of-mouth-marketing-forecast-2007.html>). **Helping to fuel this growth are a projected 3.5 billion brand-related conversations per day in the U.S., according to Keller Fay Group,** with nearly 80% of consumers trusting recommendations from family, friends and "influential" persons over all other forms of advertising and marketing.

Among the key trends driving growth, the Internet has enhanced the ability of consumers to exchange ideas about brands through social networks like Facebook and MySpace and consumer-generated media like blogs. While Keller Fay Group research indicates 90% of WoM marketing still takes place offline, brand marketers have become actively involved in online WoM marketing via new media, metrics and WoM specialists. "The new media industry axiom, 'only what gets measured gets bought,' has led to a discernible shift in media spending from traditional to alternative advertising and marketing strategies," said Quinn. "The word-of-mouth marketing industry is capitalizing on this trend though its ability to provide ROI to brand marketers in a highly cost-effective platform."

Spending on WoM marketing is forecast to grow 37.7% in 2007 to \$1.35 billion, as brand marketers continue to shift more dollars to WoM marketing tactics as part of their cross-platform marketing campaigns, according to *PQ Media's Word-of-Mouth Marketing Forecast 2007-11*. The growth of WoM marketing is expected to continue to outpace that of the overall advertising and marketing sectors, as well as the growth of the U.S. economy, in 2007.

"Major brand marketers are moving from just testing word-of-mouth marketing to including it as a growing component of fully-integrated marketing campaigns," Quinn added. "The continued advancement of new word-of-mouth technologies is creating crosscurrents among alternative media strategies, as evidenced by Facebook's recent attempt to bridge the gap between social networking and WoM marketing."

While no breakout is currently available on spending by product categories, data from various sources on the number of conversations held by category suggest that food and beverage, media and entertainment, and sports and recreation are among the heaviest users of WoM strategies. For example, CPG giant, Proctor & Gamble, owns one of the leading WoM Media companies, Tremors/VocalPoint, which targets the youth (Tremors) and female (VocalPoint) audiences.

Methodology

While WoM marketing has exhibited strong growth and upside potential, the industry has not been clearly defined until now, and there has been a dearth of reliable data, analytics and forecasts tracking its direction. To address this challenge, PQ Media used its proprietary econometric methodology, known as Medianomics™, which employs data collection and algorithmic methods synthesized with research-based analytic approaches to determine geometric prediction-oriented models for media spending and usage.

Analysis was limited to U.S. spending and outsourced WoM marketing expenditures, not including brand spending on salaries or internal WoM marketing initiatives. To avoid double-counting with spending on other advertising and marketing services, PQ Media didn't include the following categories: in-store product sampling; event marketing & sponsorships; public relations not associated with WoM marketing; and social network and consumer-generated media advertising.

About PQ Media

PQ Media (www.pqmedia.com) is the leading provider of custom media econometrics and the pioneer of alternative media research. PQ Media partners with private-equity firm Veronis Suhler Stevenson on the renowned *VSS Communications Industry Forecast*, the media industry's annual benchmark for spending, usage and trends data. The *Word-of-Mouth Marketing Forecast 2007-2011* is part of PQ Media's *Alternative Media Research Series*, the first source to define, size and forecast emerging markets such as word-of-mouth marketing, product placement, consumer generated media and digital out-of-home advertising, among others.