

Growth and Innovation in the Media Industry

Munich, April 24, 2008

Dr. Ralf Schremper, EVP Business Development
Bertelsmann AG

Convergence...and what it means for our innovation efforts

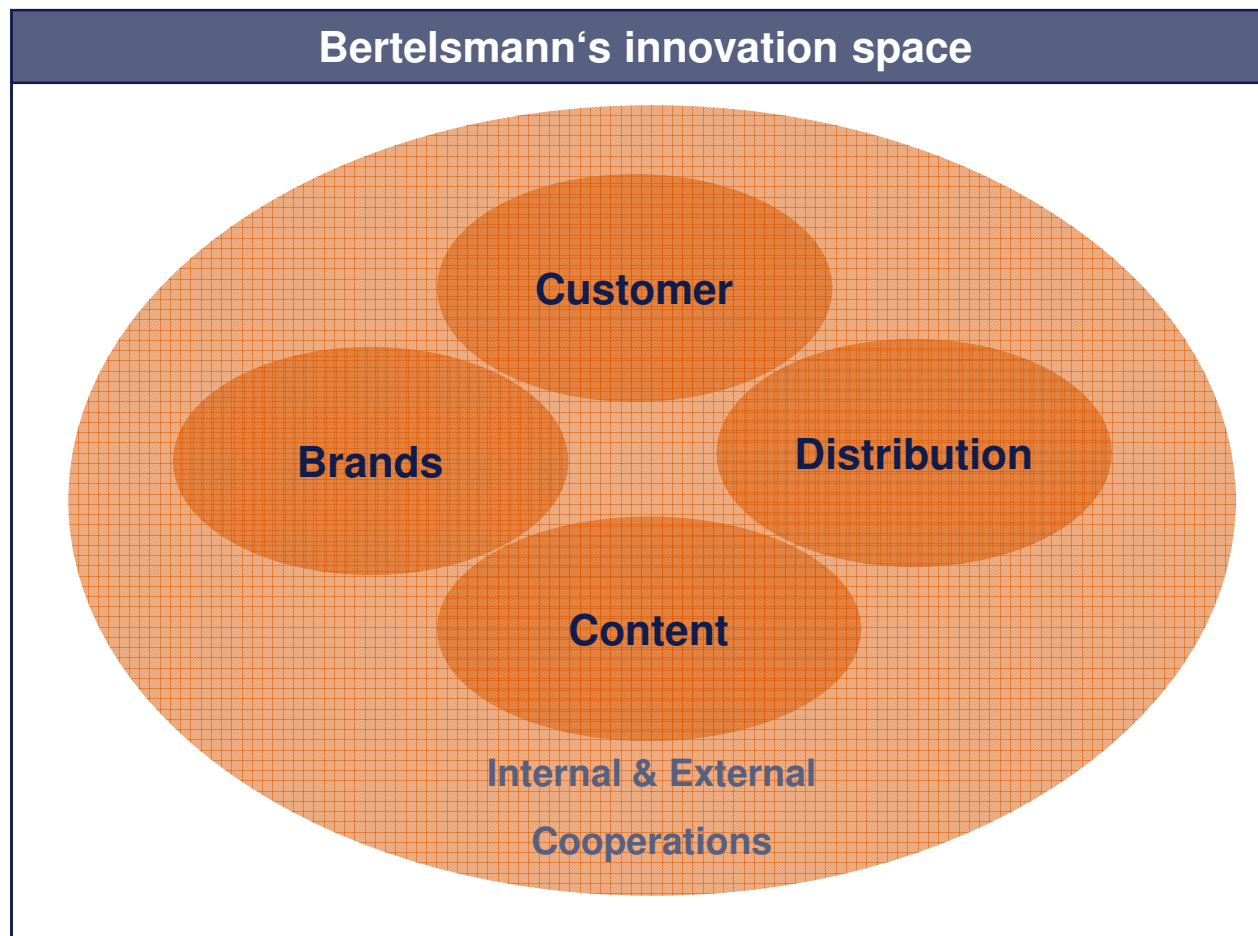
Media companies need to **recognize the shift** in today's media landscape which triggers a series **of new trends**:

- Changes in the media consumption behaviour, esp. towards active participation
- Fragmentation and convergence bring in new industry players
- Customers themselves add value to the company when facilitated properly

Despite these changes **value creation** in a converged media world **still depends on three segments** that are important to media companies:

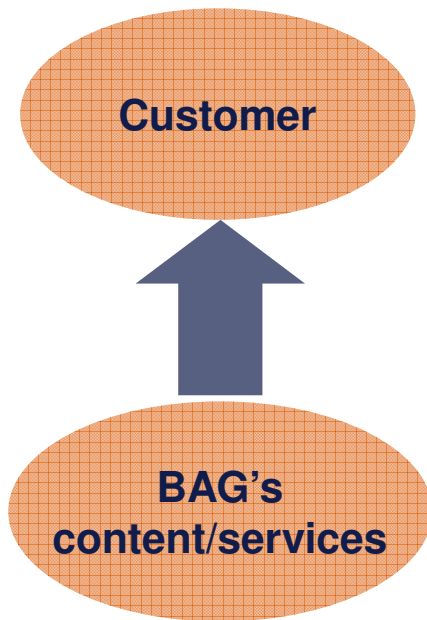
- 1) Value of high-quality **content**
- 2) Value of beacon **brands**
- 3) Increasing opportunities for content and product **distribution**

What is Bertelsmann's innovation space? – The innovation playground covers all business aspects



What effect has changing customer behavior? – Customer involvement for innovation

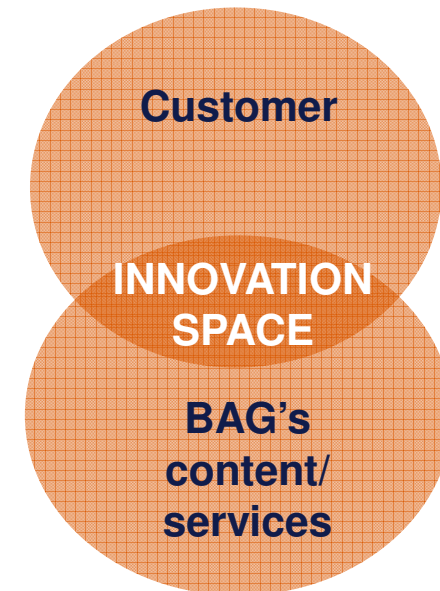
Traditional delivery of content to the customer



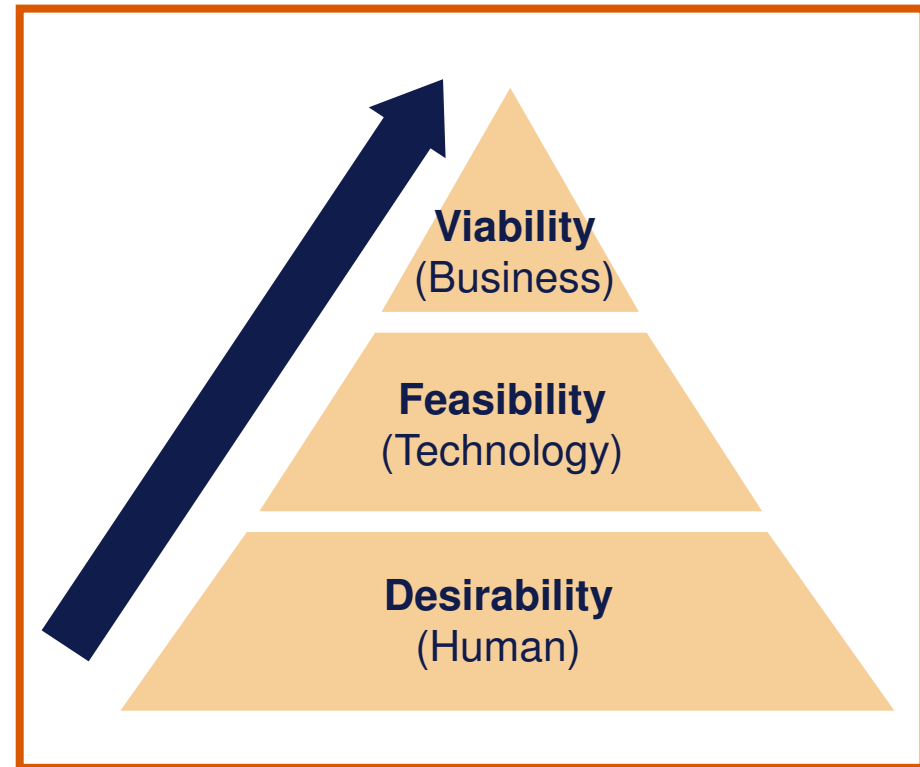
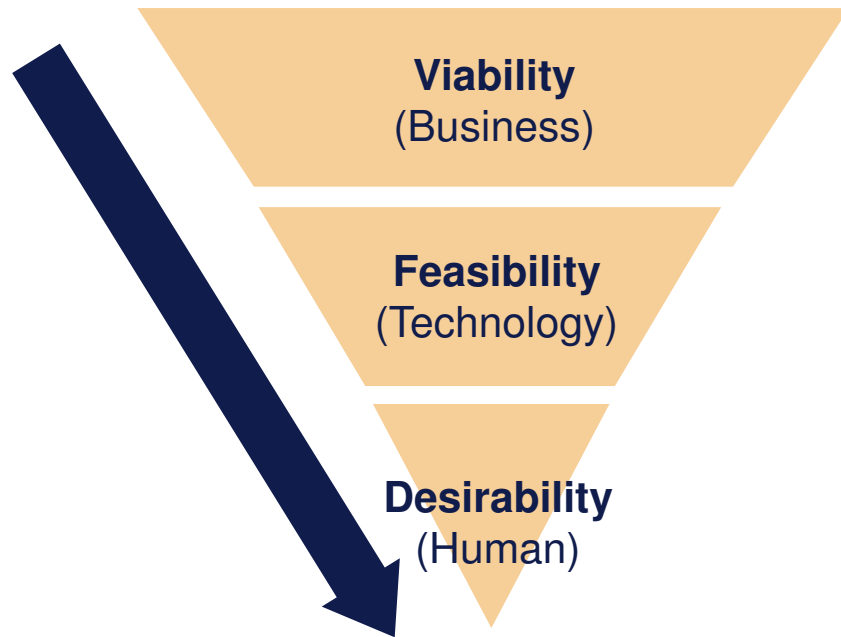
Technology enabled participation of customers:

- Recommending
- Rating
- Tagging
- Linking
- Subscribing
- Commenting

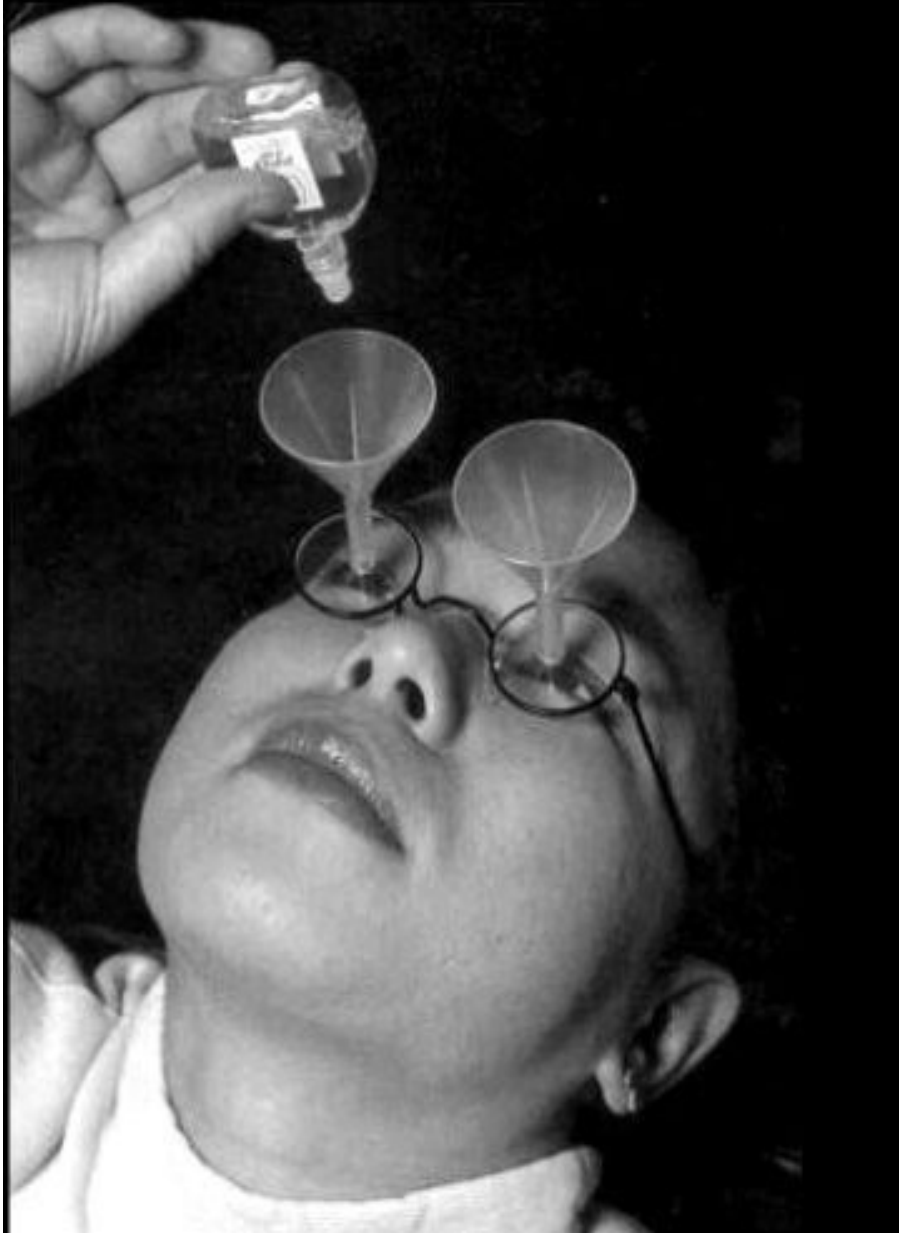
Open innovation: Involvement of customers



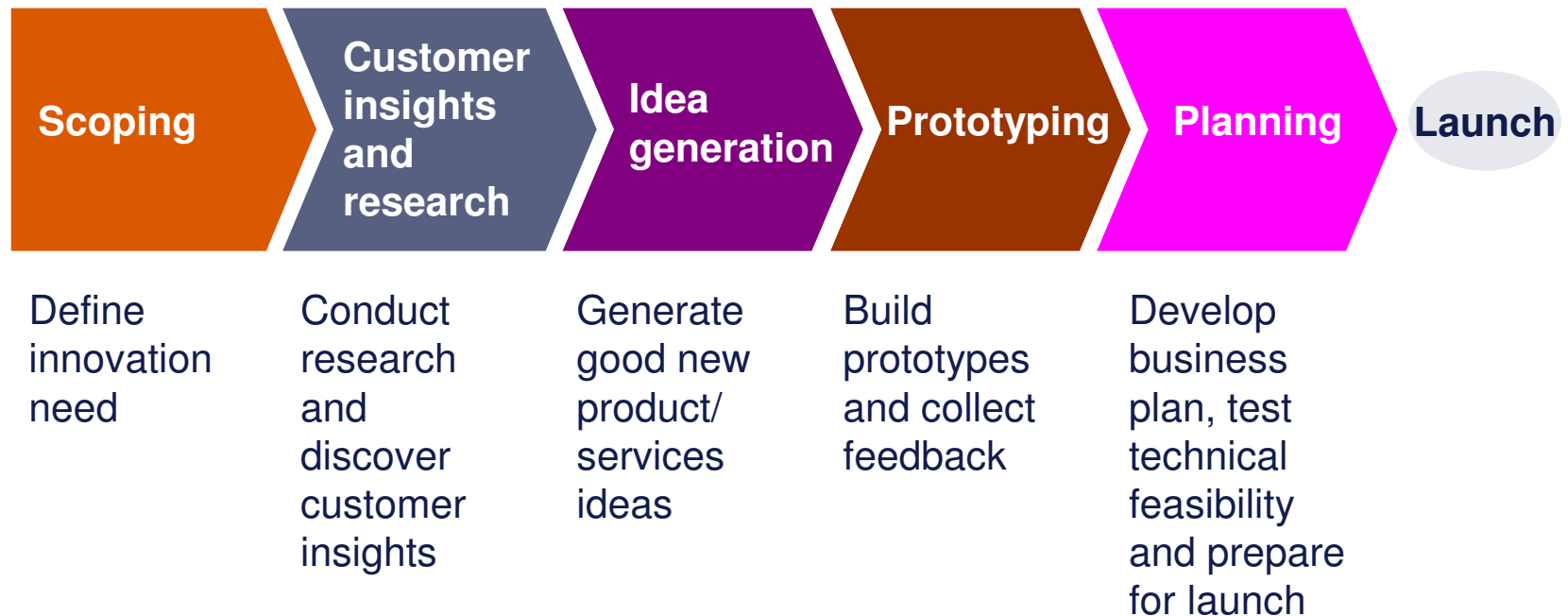
Where do we start with innovation? –
Begin with the desirability and not the viability of a new idea



Innovation is not creativity alone – Innovation is a management process built upon creative assets



How can we develop innovations systematically? – Our innovation process consists of five stages



Innovation Tool Box

FUNDING

- **'Local budgets'** for new projects, new talent, and new formats
- Funding dedicated for **groundbreaking projects**

PROCESS & TRAINING

- **Innovation Jump Start Program**
- Annual **State of the Art Innovation Forum** (Stockholm 2008)

COLLABORATION

- **Grassroots initiatives that support collaboration**
- **Incentive scheme** to reward entrepreneurs
- Annual Bertelsmann **Innovation Award**

Innovation Tool Box

FUNDING

- **'Local budgets'** for new projects, new talent, and new formats
- Funding dedicated for **groundbreaking projects**

PROCESS & TRAINING

- **Innovation Jump Start Program**
- Annual **State of the Art Innovation Forum** (Stockholm 2008)

COLLABORATION

- **Grassroots initiatives that support collaboration**
- **Incentive scheme** to reward entrepreneurs
- Annual Bertelsmann **Innovation Award**

Innovation Tool Box

FUNDING

- **'Local budgets'** for new projects, new talent, and new formats
- Funding dedicated for **groundbreaking projects**

PROCESS & TRAINING

- **Innovation Jump Start Program**
- Annual **State of the Art Innovation Forum** (Stockholm 2008)

COLLABORATION

- **Grassroots initiatives that support collaboration**
- **Incentive scheme** to reward entrepreneurs
- Annual Bertelsmann **Innovation Award**



**“ the more you engage with
customers the clearer things
become and the easier it is to
determine what you should be doing”**

John Russell, President, Harley-Davidson Europe