

# Netimperative Sector Report

## Online Publishing

### Creating Value – Opportunities for Online Publishers



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## Agenda

### 1:00pm – 1:30pm Registration

#### 1:30pm – 1:35pm Chair's Introduction & Overview

Introduction to the event & a brief overview of today's marketplace

*Matt O'Neill, President, AdMonsters*

#### 1:35pm – 2:00pm Harnessing Search Part One: The opportunities for publishers

Monetising content through classified search and contextual ad sales

*Alasdair Cross, Commercial Director, Adprecision and Justin Morshead, CEO, Adprecision*

#### 2:00pm – 2.25pm Measurability: Brand Impact

Raising your brand profile through research and measurement

*Christina Goodman, Head of Global Marketing and Bus Dev, Dynamic Logic*

#### 2:25pm – 2:50pm Powwow: Online Advertising

*Moderator: Matt O'Neill, President, AdMonsters*

*Liane Dietrich, Managing Director, LinkShare*

*Christina Goodman, Head of Global Marketing and Bus Dev, Dynamic Logic*

*Alasdair Cross, Commercial Director, Adprecision*

*Neil Dulake, Commercial Development Manager, Guardian*

#### 2:50pm – 3:10pm Coffee & Networking

#### 3:10pm – 3:35pm Harnessing Search Part Two: The opportunities for publishers

How publishers can extend their brands, reclaim their online community and generate additional revenues using search

Case Study: Zibb.com / Reed Business Search

*Iain Fletcher, VP of Marketing, Convera and Graeme McCracken, COO, Reed Business Search*

#### 3:35pm – 4:05pm Building Communities around Content

How content is created, shared, used and experienced. The expansion of social networks into business environments and how publishers can benefit

Case Study: WebCameron / Promise Corp

*Caroline Teunnisen, Head of Business Development, Head London and Doron Meyassed, Managing Director, Communities, Promise Corp*

#### 4:05pm – 4:25pm Incorporating Video

Controlling your video content to benefit your brand. Creating appropriate content and cross-platform synergy

*James Booth, Co-Founder, Rockabox Media*

#### 4:25pm – 4:50pm Going Mobile

How publishers can use mobile to engage more fully with consumers

*Jonathan MacDonald, Senior Consultant, OgilvyOne Worldwide*

#### 4:50pm – 5:15pm Panel Debate: The Golden Age of Digital Publishing or Recession?

*Moderator: Matt O'Neill, President, AdMonsters*

*James Bromley, Head of Mail Online*

*James Booth, Co-Founder, Rockabox Media*

*Jonathan MacDonald, Senior Consultant, OgilvyOne Worldwide*

*Graeme McCracken, COO, Reed Business Search*

#### 5:15pm - 5:45pm Wine Reception & Networking

## Biographies

### **Justin Morshead, Adprecision, CEO**

Justin used to be Head of Systems for a FTSE Mid-cap in the early 90's before co-founding Teamwork Solutions to provide airfare solutions to the travel market. After acquiring a blue-chip customer list including Expedia, American Express, Tui, Travelcare, Thomas Cook and Trailfinders, Teamwork was sold to Datalex plc. Justin then helped Datalex move onto NASDAQ and the Irish Stock Exchange in 2000. During this time Justin was also the founding director of Wire2, acquiring business assets from Cable and Wireless plc, rebuilding the business and selling it on. In the last five years Justin has co-founded a number of young companies including Adprecision.



### **Alasdair Cross, Adprecision, Commercial Director**

With many years online travel experience in blue chips including United Business Media, Associated New Media and Channel 5, Alasdair brings in-depth knowledge of online advertising and business development to Adprecision. Having launched a number of travel websites his key skills are in understanding client advertiser needs and translating these into value driven propositions



### **Matt O'Neil, AdMonsters, President**

Matt O'Neil is president of AdMonsters, the industry's only professional association dedicated exclusively to online advertising operations. AdMonsters, founded in 1999, now offers over 50 events a year including publisher forums, leadership forums, technical forums, dinners, a professional development series, and on-site training to its 400+ active members. Matt loves seeing people with common challenges collaborate to come up with innovative, tactical solutions and AdMonsters is the perfect setting for that. Before joining AdMonsters as its first employee, Matt was at Yahoo! from 1999 - 2005. He first served as the product manager for Yahoo!'s cutting edge in-house inventory management system. He then moved to the UK in 2003 to look after the yield management and inventory strategy for Yahoo! Europe. During that time, he was an active AdMonsters member, attending events in the US and helping to get AdMonsters started.



### **Iain Fletcher, Convera, Vice President Marketing**

Iain is currently working in the information management field for more than 20 years, and for the last 12 years he has been involved with the development, sales and marketing of advanced search technologies, working primarily in the secure government, pharmaceutical and publishing sectors. Iain is currently the Vice President of Marketing at Convera Technologies.



### **Graeme McCracken, Chief Operating Officer, Reed Business Search**

Graeme McCracken is Chief Operating Officer of Reed Business Search, a division within Reed Business. Graeme is responsible for leading RB Search, the search development division within Reed Business, to develop a range of products and services from this platform, including Zibb.com and Zibb on Demand which powers more than 130 Reed Business websites. Graeme is a firm believer in the confluence of Search and Semantics as well as the movement of search from pull to push. In his previous role as the Development Director on the board of RBI UK's directory division, Graeme took Kellysearch.com from being a UK only hard copy directory, to a global online industrial supplier directory. He is responsible for the development and management of new online partnerships and a host of other projects relating to search, optimisation, directories and traffic generation. Graeme attended the University of Glasgow, where he earned a Master of Arts & Social Science degree in Politics and Economics. He began his working career as a researcher for a Member of Parliament in the UK. Graeme joined Reed Business as a graduate trainee in 1993 and from 1997 managed the global Kompass.com B2B Directory. He has driven a variety of strategic planning and business development initiatives across Reed Elsevier.



### **Caroline Teunissen, Head of Business Development, Head London**

Caroline leads the business development team at Head London with her focus on research and development of creative concepts for digital brand experiences at Head Labs. She has nine years experience in the digital sector from selling sponsorships into online communities for Reuters in 2000 through to launching one of the first content inspired broadband online community and in more recent years in video streaming solutions for the b2b and b2c sector. Her passion lies in seeing how brands can engage consumers with branded content online and how emerging social networks are shifting the traditional distribution models. In her spare time Caroline helps a charity called Peace Direct supporting people around the globe at grass roots level who stand against violence.



### **Christina Goodman, Director of Global Marketing & Business Development, Dynamic Logic, A Millward Brown Company**

Christina Goodman is responsible for overseeing strategic marketing and public relations in the U.S., Europe, and Asia for Dynamic Logic – a Millward Brown company. She is also shares responsibility for sales growth and business development of digital and mobile advertising research solutions for clients in the UK and Europe. She joined Dynamic Logic in July 2003. Christina began her career in public relations and politics in Washington, D.C. In 1999, she joined the marketing communications department of The Wall Street Journal as a Research Analyst in New York City. Before joining Dynamic Logic, Christina worked in the marketing research department at Gruner & Jahr USA Publishing. Her responsibilities included using both qualitative and quantitative research techniques for sales, marketing and editorial purposes for magazines such as Family Circle, Parents and Child. She worked with advertisers and ad agencies to understand their marketing and advertising objectives and provided research and insights into better reaching their target audience. Christina received a Bachelor of Science in Marketing from The University of Mississippi, USA, and is currently based in London. She is a member of the IAB Research Council and is often a contributor for trade publications including MediaPost, New Media Age, Marketing Week, MediaTel and iMedia.



**Liane Dietrich, Managing Director, Linkshare**

As Managing Director of LinkShare UK, Liane is responsible for the growth and development of the LinkShare UK Network and for overall day-to-day operations. Her organisation provides both Advertiser Client Services and UK Publisher Support. With a strong background in product management, Six Sigma quality, e-commerce and corporate finance, Liane is able to lead her team in providing innovative and cost-effective solutions for LinkShare's clients. She joined LinkShare in 2003 as a director in the Shared Services Division. Promoted to Vice President of Advertiser Services in 2005, Liane managed LinkShare's best-in-class services until taking on the Managing Director position for LinkShare UK, relocating to London from New York City. Prior to joining LinkShare, Liane spent over nine years at General Electric Company in a variety of management positions with increasing responsibilities, most recently as GE Financial Marketing Product Manager. Liane is a Six Sigma Quality Master Black Belt, is a speaker at industry events, has a business process patent and received a B.S. in Mathematics from the University of Notre Dame.



**Jonathan MacDonald, Senior Consultant, OgilvyOne Worldwide**

Jonathan recently joined Ogilvy as a Senior Consultant. Prior to this, Jonathan was a Director of the world's first purely ad-funded Mobile Network: Blyk. As one of the original team, Jonathan shaped the overall business strategy in the sales, operations, analytics and creative departments. Before this, Jonathan was the Commercial Director of Ministry of Sound, CEO of a Sky TV Channel, Chairman of the Music Industries Association and consultant to over 100 companies over 18 years. In his spare time he is a keen blogger, a published author and martial arts expert (achieving black-belt in 2005 in full contact kick-boxing).



**James Bromley, Head of Mail Online, Mail Online**

James joined Associated in April this year as General Manager for Mail Online. Previously, he was Group Business Development Director for Trader Media Group (Auto Trader) where he had been instrumental in forming and driving the implementation of their online strategy to migrate revenue from print to online. James first started working in the online space before it became fashionable in 1996, as the second employee of the UK's first online sales house. Following which, he worked for an early online design agency before leaving this area for a short while to set up and run a radio station on the South Coast of England, later sold to Guardian Media Group. Living in South West London James is a keen snowboarder, holder of a European motor racing licence and has just completed an MBA at Henley.



**Doron Meyassed, Managing Director, Communications, Promise Corp**

Doron is a dedicated and visionary entrepreneur with a passion for cutting edge technology. He developed and launched Promise's own digital division, which he now heads. Doron is constantly monitoring new technological trends, using them to keep businesses always a step ahead. An experienced and successful consultant and researcher, Doron has worked with high profile brands in strategy and product development. Clients include Visa, AOL, Boots, AstraZeneca, Vauxhall, Camelot, and ebookers. A highlight was positioning Visa in Europe, which was a complex exercise in international branding. Constantly striving to drive innovation, Doron converted the Promise Index into a revenue growth predicting tool. This has since dramatically influenced how business perceives marketing, growth and success. Doron has spoken about the power of the Promise Index at conferences around Europe.



**James Booth, Co-Founder, Rockabox Media**

James is a long-standing, well-known industry figure who co-founded Tangozebra in 1996, and grew it to be Europe's leading provider of rich media digital marketing solutions, with a market share of 70%. Following the sale of Tangozebra to Doubleclick last year, James co-founded Rockabox Media and now serves as its CEO. Creating content for television, digital media, and emerging platforms, Rockabox works with online publishers, advertisers, agencies and broadcasters to develop powerful engaging consumer marketing. A regular contributor in the popular trade press and speaker at new media industry conferences, James sits on a number of industry boards and judging panels for industry awards. He has played active roles in the Internet Advertising Bureau (IAB) and the Association of Online Publishers (AOP). In 2003 James was nominated as the most influential person in new media, by New Media Age magazine; and in 2005 Campaign Magazine placed him fourth in a survey of the greatest Internet pioneers. In 2006 he was nominated at the NMA awards for the greatest individual contribution to new media.



**Neil DuLake, Commercial Development Manager, Guardian**

Neil DuLake is the Guardian News & Media's Commercial Development Manager. He has worked in digital media since 2001, launching and developing Crimson Business' portfolio of B2B websites. After joining Guardian News & Media in 2005, Neil first led the (multi-award winning) agency sales team before developing the Guardian's digital client sales strategy. These days Neil is involved with identifying new revenue streams across all of Guardian News & Media properties.



## Introduction

### Welcome to the Netimperative Sector Report on Online Publishing 2008

This year's report looks at how online publishers and media need to cater for changing consumer expectations and demands. As user generated content and online video become established, how do publisher's capitalise on this growing thirst for user generated content?

Despite a gloomy economic outlook in the UK, online has bucked the credit crunch trend suffered by traditional media, and is shaping up to show another year of growth. However, there remains massive scope for growth and major obstacles to overcome.

In this report, you'll find an overview of the online media and publishing landscape as it stands, supported by trends from last year and some future predictions.

You'll also read opinion from key industry members offering advice to help boost readership and ad revenues, before concluding with a selection of recent market data from leading research companies to help you plan ahead.

Kind regards,

The Netimperative Team

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## **Online Publishing: A Sector Overview**

Since emerging from the dotcom bubble burst of 2000, the Internet industry has enjoyed unbridled growth for much of this decade. In turn, online publishing has thrived, and traditional media outlets that have neglected the digital revolution have suffered as a result.

Digital technology is fast replacing traditional media, and as more and more people substitute their daily newspapers for RSS feeds, their TV for YouTube and their social life for Facebook, there has never been a better time to be involved in the industry.

Indeed, last year the average Briton spent over four times as much time on computers, or 24 minutes a day, and twice as much time on mobile phones as they did in 2002.

These changing media consumption habits have been reflected in allocation of advertising spend. 2007 saw a watershed moment, with more money spent on Internet ads than on the mainstream commercial TV channel ads.

The figures, from Ofcom, indicated that online ad spend grew 40% to £2.8bn last year, representing 19% of all advertising. In contrast, TV advertising was flat at £3.5bn, with the mainstream commercial channels (ITV1, Channel 4, S4C and five), accounting for £2.4bn.

### **Weathering the economic storm**

However, 2008 has seen online publishing enter uncharted waters- just how will the industry cope with economic recession? If the most recent census from the Association of Online Publishers (AOP) is anything to go by, the sector is cautiously optimistic.

The poll showed UK digital publishers experienced an average 52% increase in turnover in 2008. However, the outlook is far more conservative. Just over half of AOP members cited the economy as a threat to their businesses.

They forecast total business growth for 2008 will be 8%, with digital expected to grow 31%, representing around half what they were forecasting last year.

In terms of recruitment, just over 80% of AOP members said they will increase the number of digital staff hired this year, as 62% of members state

that cross-media skills will be important in the future.

### **Revenues: Subscribers vs. Advertising**

With the introduction of new formats and media platforms, coupled with the growing prevalence of social networking and user generated content, media owners are tasked with a risky revenue balancing act to please advertisers and visitors at the same time.

In their primary role as content providers, many media owners are still finding themselves hobbled by the Internet's association with free content. Why should a consumer expect to pay for content they can get elsewhere for free?

Indeed, even some of the champions of premium content are feeling the pinch. Last year's decision by the New York Times to scrap its subscription model has been heralded as a significant milestone in the digital publishing space. Other bastions of the paid-for content model, such as the Wall Street Journal have followed suit. In the UK, the Financial Times has taken a different tack with FT.com, offering readers up to 30 online stories a month for free.

However, paid subscriptions are still employed to great success by many consumer and B2B publications, while other areas of media, such as iTunes for video and music downloads, are managing to put a nominal value onto content which can be found for free elsewhere.

In fact, content revenue is increasing at a faster rate than ad revenue, albeit for a smaller percentage of overall turnover. AOP members reported an average revenue from online advertising increase of 33%, eclipsed by content revenue, which was up 68% from last year.

### **New ad formats and revenue streams**

Advertising remains the biggest revenue generator for most mainstream consumer publishers. Nearly 80% of respondents in the AOP survey said the current online advertising model was a sustainable revenue stream, with sources of advertising revenue being derived from display and sponsorship as the highest categories.

As technology develops apace, the Internet is increasingly fulfilling its role as a participation medium. In turn, we are seeing publishers turn

power over to the consumer in terms of content personalisation and targeting.

UK publishers are looking to develop opportunities in other areas of online media. This was reinforced when AOP members were asked about the opportunities for their businesses; streaming content (70%); mobile (74%), user generated content (78%); behavioural targeting (84%) and high speed broadband (92%).

In terms of threats, publishers are seeing threats to their businesses included Government/legal restrictions (38%); Google/DoubleClick deal (38%); the economy (54%) as key factors to be mindful of. Top of the list however, was competitors (64%) including businesses that were moving into non-traditional areas, or not normally perceived as competitors.

Overall AOP members felt that it was their role to provide quality content across multiple platforms with 64% agreeing that publishers need to make content available on third party sites as well as their own.

### **Content is still king**

Even with the growing popularity of user generated content, 64% of AOP members felt that user generated content would not overtake professional content.

Respondents viewed content delivery as important, as all key methods saw an increase in investment in 2007: IPTV (+30%), mobile (+22%), vodcast (+22%), podcast (+17%) and RSS feeds (+9%).

Key issues being championed this year by the AOP include accountability and calls for an online measurement tool standard; just over half of

members said that a common online currency would be beneficial.

### **Mobile**

Considering more than one in five people in the UK now own a mobile phone, mobile is becoming a significant and untapped market for digital content providers. As handsets become more sophisticated (such as the iPhone), and mobile broadband becomes more prevalent, it is easy to imagine the mobile eventually surpassing the PC as the device of choice for accessing digital content.

However, mobile publishing and marketing is still very much in its infancy, and faces significant technological and regulatory hurdles before it can reach a critical mass of users.

The industry is witnessing a major sea-change as people power coupled with converging technology mean that both content and distribution platforms are evolving at an astonishing rate. New products and services have solidified relationships between publishers, audiences and advertisers, while broadband TV presents opportunities for text-based publishers to provide more audio and video content for their online audiences.

Those publishers that can successfully predict and adapt to these technological and cultural changes to the digital media landscape will emerge as the winners as the sector becomes the dominant platform in the years to come.



[www.netimperative.com](http://www.netimperative.com)

## Confidence in Content: From Vicious to Virtuous Circles

**John Ridding**  
CEO of the Financial Times newspaper and FT.com



Conventional wisdom has it that traditional media is struggling for survival, trapped between the rock of cyclical downturn and the hard place of structural change, new technology and broken business models.

Reporting teams are being reduced. Their journalism is being discounted and increasingly given away – in print and online – in an attempt to sustain audiences enticed by free news on the internet. But print advertising pounds become internet pennies. More cuts follow. And so spins the vicious circle.

It's a troubling picture, and painfully true in too many cases. As Craig Moffett wrote recently, in an excellent piece for Bernstein Research: "The notion of a free press was meant to stand for something grander than this".

And it can. Conventional wisdom isn't wise, and it doesn't need to be convention. A virtuous circle can avoid a downward spiral. And it is particularly relevant to b2b media.

The two principle factors in this more positive perspective are confidence and investment in quality journalism, and technology viewed as an opportunity, as well as a threat.

It is extraordinary how confidence in the business of journalism has crumbled among its own constituency. We live in the information age, and with financial and economic uncertainty at a post-war peak, the value of reliable, quality news and analysis should be clear. The flood of information –

from portals to blogs – means readers are searching for trusted navigation.

Technology is clearly disruptive, and has thrown a wrench into traditional business models. But it also provides new, cheaper and more dynamic channels of distribution for news organisations. It also provides access to new revenues. Video, for instance, has brought TV budgets into range for print media businesses with digital platforms.

This all sounds fine in theory. But it works in practice, too. At the FT, we have systematically raised our prices over the past 18 months – by 50 per cent in the UK. In the US, we have doubled our cover price to \$2.00 over the past two years. This has enabled sustained investment in our newsroom and new formats.

The paucity of complaints from readers has underlined their loyalty and their willingness to pay for quality journalism. And rightly so, when you consider the value proposition. Investing in high calibre journalists to provide cutting edge global news stories drives loyalty, allowing you to reap the rewards. To do this successfully is a big and complex operation – and it doesn't come cheap.

We have taken a similar approach to our corporate customers. We had been disaggregated by aggregators, bundling FT journalism with thousands of other sources and selling it too cheaply to corporate clients. So, from April this year, we required corporate customers to buy a direct licence to receive FT content, aligning our pricing across consumer and digital channels.

Yes, that's right, pricing in consumer digital channels. Last year we launched a new "access" model which requires a subscription to FT.com once a reader has read 30 articles a month. This approach enables us to broaden our reach while funnelling dedicated readers to a deeper, subscriber, relationship. Consumers are not against paying for content online if it is easy enough to do so.

The belief that online content must be free is incorrect. Just look at Apple iTunes for example, which has monetised multimedia content – paid content online works when it delivers value and is easy to use. We should be seeing more innovation of

this kind across media and content pricing so new types of content can be monetised to more consumers. An advantage of technology is the ability to segment audiences and price accordingly. There are many others. Doing business on the web delivers high profit margins, enabling low cost distribution of high quality journalism to global networks. Digital technology also facilitates the development of targeted, niche, editorial formats and blogs such as Alphaville build loyal audiences and communities.

There is no cookie-cutter solution. Nor should there be. Success depends increasingly on differentiation, not duplication. And that is why b2b media is well positioned as compared with the “commodity” output of general news media. Business readers rely on reliable information, and they have specialist needs. There are, though, some general themes to this vision of a virtuous circle. The most important: if media itself doesn’t have confidence in the value of its content, who will?



[www.ft.com](http://www.ft.com)

## Does Commercial Programming have a Future in Web TV?

By Richard Spalding  
CEO of Kontraband and The 7<sup>th</sup> Chamber



As the big stars in TV production start to focus their attention to producing content fit for web entertainment, the big question remains - "how do we make money on the web?" The past has been favourable to them – the likes of ITV gave them a brief and a significant budget to produce a show or series.

They shot it and sold it around the world to multiple countries and TV stations, making huge profits from licensing deals. Those good old days are diminishing and as big public facing media stations struggle to survive in this new world, their customers tastes for engaging in online video increases, and where eyeballs go, advertisers follow.

Apart from a handful of successful plays into Web TV; e.g. Bebo's "Kate Modern", the market has yet to see any real maturity or traction. There are many more carcasses than living ones. The BBC's iPlayer has had an impact on online viewing, but it's just regurgitating TV content. The problem is that there is just too much free content online already being produced by amateurs without a commercial strategy to shackle their creativity. And the born digital user favours short form, "Snackable" content.

So two guys armed with a video camera, a bottle of coke and a pack of Mentos can create a bigger buzz online than many a high production web sketch. Paris Hilton seducing the camera over her ambitions to be the next US President and paint the White House pink is funnier than most TV sketches and provides millions of eyeballs to a publisher in a matter of days. Designed for online consumption; its DNA is within the web.

So as there appears to be an abundance and continuous stream of UGC content, the publishers of

the video sites are also questioning the validity of original content and how they can justify paying for it without a strategy to monetise it. Video sharing site Revver rewarded producers of original content and burnt through \$12m doing so, it liquidated last year in a mountain of debt. Sites like Metacafe and Break seem to be happy continue to give away cash though.

So are advertisers/sponsors likely to come to the rescue and endorse web shows, allowing TV producers to create high value web content? This is a tough call to make; brands are also weary of navigating this new frontier and we have yet to see any real commitment from them.

In order to make that decision easier for the advertisers, Publishers need to exercise control over content to ensure that brands are protected against unfavourable content in the UGC space. Advertisers already recognise their audience is engaging heavily in this space, they *want* to be part of it, but the risks are still there. The advertising industry body, IASH is tasked with monitoring the ad sales houses, forcing this through. But we have seen some embarrassing and damaging instances this year with major advertisers irresponsibly placed against unsavoury content. As publishers it is our responsibility to create a safe environment that brands *can* engage with web content. At Kontraband, we've gone to great lengths to safe guard advertisers from risky content, by putting editorial controls on what is allowed to be published and grading content fit for advertisers. This has been our key to successfully engaging global brands.

The world's biggest video publisher, YouTube has still not realised a profit and has up until recently been seen as a threat to many major media companies, but now they are finally recognising the site as an advertising opportunity. The advertisers have also seen YouTube's exponential reach as an opportunity too.

Recently CBS, Universal Music, Electronic Arts and other media companies have stopped harassing YouTube to take down unauthorised clips of their content and started selling targeted advertising around it.

CBS is the most surprising new business partner, its sister company is Viacom, who is still pursuing a

billion-dollar copyright lawsuit against YouTube's owner, Google.

So far, the money is peanuts — banner ads appear on only a fraction of YouTube's millions of videos — but the move suggests a possible thaw in the chilly standoff between the online video giant and media companies. Getting in bed with the media companies and publishing original licensed content which advertisers want to be around is critical to the future of YouTube. With rumoured running costs somewhere in the millions per day and 13 hours of content uploaded every minute, there's a lot of pressure to make a return.

So the quagmire the TV & Media production companies now find themselves in threatens their future success. How can they justify producing original Web content and sell it to online publishers? How can publishers continue to publish original content and justify paying for it? And how can advertisers feel comfortable around web content, committing media budgets to sponsor it?

2009 will be a challenging year for the embryonic Web TV business and how its evolution into a legitimate and profitable business benefits all stakeholders. All three parties need original and made to measure content to prevail, but they need to engage the market differently and not expect the same lucrative rewards as the TV glory days.



[www.Kontraband.com](http://www.Kontraband.com)

[www.the7thchamber.com](http://www.the7thchamber.com)

## In Defence of Third Party Revenues: Why it's Time to Look Hard at Tenancies



**By John Paleomyllites**  
**Managing Director, BeatThatQuote.com**

Just as many publishing and big brand web owners were breathing a sigh of relief that their online businesses were starting to turn a profit, the market is holding the corners of the rug and tugging hard.

The third party content providers (price comparison sites among them), who had helped unlock the commercial value of their web traffic by paying substantial commissions (sometimes in the form of tenancies), are struggling to generate the revenues they once did as the economy slows and consumers tighten their belts.

With third party content contracts up for re-negotiation and market conditions less than favourable, it's all too easy for the web owner to accept that revenue shrink is inevitable and to go after a tenancy offered by an incumbent supplier. However, site owners must think beyond previous strategies to develop new customer facing strategies and services which in turn will develop incremental revenues.

Where tenancies once appeared the most effective way of securing income for web real estate for example, they are now an inhibitor to maximising income as they stifle competition and prevent service innovation.

### **The Tenancy Paradox**

In principal tenancies sound great: the supplier pays a fixed fee irrespective of how effectively their content monetises traffic. Web site owners get all the benefit and suppliers take all the risk. But consider for a second the tender process when the contract comes up for renewal.

For most competitive tenders the potential suppliers operate on a level playing field, each having access to the same information – the best bid wins. However, in the context of a tenancy, only the incumbent has access to how traffic monetises and therefore will be the only supplier putting a bid on the table. A tender process including just one supplier is hardly a well managed process and cannot possibly result in the best value. Jim Hodgkins, Managing Director of Experian Interactive, has a solution: "Making a decision based on tender responses and presentations is difficult so put them to the test." When Jim selected his suppliers for Experian's Credit Expert website he did exactly this. "Each potential supplier was asked to develop a website against which we could test who delivers the best monetisation and user experience across a range of products and revenue streams. For each supplier, we sent several thousand emails and search visits with tracked links to their site version. We then reviewed the gross monetisation for each operator and then negotiated the revenue share agreement."

The second problem with basing a decision solely on the size of a tenancy is that it completely ignores the pros and cons of each potential solution. A solution that provides a better customer experience will have those customers coming back to take more services. Conversely a poor solution will mean you've lost that customer for good. Similarly, a solution that provides comprehensive management information on which to make sensible marketing decisions will allow you to drive more traffic and in turn make more money. All of these benefits are ignored when the only factor is the size of the tenancy.

### **Sweat the brand asset online**

Anyone with a trusted offline brand that can attract visitors online has an interesting choice to make when it comes to revenue generation. Leverage the brand offline to drive customers online or keep the two separate.

With more and more business conducted online it would appear a simple decision: sweat the brand to get customers to your site. Ultimately, you haven't invested years of time and millions of pounds not to get any financial benefit from your brand. However

there are still concerns, particularly in the “old publishing world,” that this will somehow tarnish the brand and destroy your traditional business.

But there’s a simple rule of thumb – deliver genuinely useful services, directly or with third party content providers, and rather than tarnish the brand you will enhance it.

The obvious value added content categories to consider include: Personal finance, dating, shopping and travel. It goes without saying that if you think there’s a category that would fit your visitor profile that you haven’t already added to the site, now’s a good time to do it. Just keep in mind the principles of better monetisation when negotiating the contract.

### **Partner Selection**

When selecting a third party content partner, a publisher recently offered four key pieces of advice: challenge the commercial model; prod it and poke it hard and get the partner to think beyond cost per click revenue models.

Secondly, a visitor who is there because of a brand has a lifetime value that needs to be carefully thought through in a revenue share situation. Capturing that value is at the heart of redefining revenue models from partnerships. Thirdly it is worth pointing out that in a technical sense, white labelling has moved beyond slapping a logo onto someone else’s page layout. Web site owners are urged to push for deeper integration that goes beyond colours and fonts to really start to work with the way your site typically behaves.

And as a final plea, people need to be much more stringent in demanding 100% transparency in terms of reporting. Fast access to good management information is a sign of a well run business and partners who can’t or won’t provide a detailed daily level of transaction reporting should be challenged on this.

### **The great data swindle**

We are at a tricky bend in the road given the economic climate. When tenancies come up for renewal, usually both sides will have a pretty good view of how well the partnership is working in terms of revenue generation based on volume of traffic. The caution over the next couple of years means

that third party content owners are going to be trying to reduce the tenancy bounties they pay. Why would you guarantee a sum of money in a market that could decline? The danger for web site owners is that if they are forced into a renegotiation now, it’s unlikely to remain at its current level and they could be “fixing” at the bottom of the cycle.

### **Monetising the data more effectively**

The trick that so many brand owners are missing goes back to the lifetime value of the customer. Typically third party content deals are calculated based on sharing the revenue on a cost per click basis. We call that ‘day one revenue’. Under a normal revenue share agreement, there is no revenue beyond day one. It’s also quite normal that the web site owner doesn’t get any information on what products the customer is browsing and buying. The data that is captured through the enquiry (that may or may not lead to a transaction in the case of an insurance quote for example), stays with the content provider.

### **Relationships and revenues**

There is a clear link between knowing who your customers are, being able to recognise them when they come back again and being able to learn their preferences over time. This is clearly understood in targeted ad serving so why not in cross-selling?

The benefit of course in owning data is you can use it to create business opportunities for yourself, or sell it on to others within the terms of your agreement. There is a significant incremental revenue opportunity left on the table by 90% of web site owners precisely because they don’t have a strategy in place to monetise data from opted-in visitors. And it doesn’t follow that the visitor will necessarily have a bad experience from this strategy.

We have built a scenario where a BeatThatQuote.com customer who takes out car insurance is reminded two weeks before their insurance expires that they need to renew and is offered the best deals through email marketing to pull them back to the web site. Imagine a world where a brand you know and trust can help you manage your personal finances by reminding you when your mortgage tracker is about to expire, or alerting you to better rates on your health insurance.

## Conclusion

Although the market is tough, there are revenues currently being left on the table that web site owners need to wise up to quickly. Our recommendation is that you call a meeting with your third party content suppliers and get them to walk you through their overall business model and data monetisation strategies that you can both benefit from. And don't accept that lower receipts are inevitable – this is only the case if you stick with the same hackneyed business model allied to a lower

tenancy. The partnership is probably worth a lot more to both parties if they both work harder and smarter, particularly if they aren't sharing that data at the moment!



[www.beatthatquote.com](http://www.beatthatquote.com)

## Why the Ad Networks don't care about Publishers



By Austen Kay, Director of W00t!media

Just like any business sector, there are winners and losers in the digital marketplace. Will an ill wind blow for the mass of emerging tech players? Will, for example, social network apps really become the pot of gold many people have predicted?

Who knows? I, for one, am not in the mood for speculation. That's probably better left to companies like TechCrunch and self-styled industry gurus.

What I do know is there is a continued, fundamental imbalance in the advertising model that favours the big ad networks over the smaller publishers. Surprised? I didn't think so. But I think it's worth fleshing out why this is and making the case for a change in the way that advertisers value the many varieties of publisher out there, depending on the goals they have.

Over the past few years, the predominant choices for "smaller" publishers to have advertising displayed on their sites have been affiliate marketing/CPA; AdSense/PPC or similar; or ad networks.

Affiliate marketing and AdSense are for a specific type of publisher; one that only exists to climb the SEO ranks and generate as much traffic as possible, regardless of the quality of their audience or the content being viewed. If you are an independent publisher but aren't in that group, then you have a couple of choices:

1. You try and sell your site to advertisers by yourself;
2. You turn your inventory over to an Ad Network or Sales House.

However, here are a few stark truths about Ad Networks and the current marketplace:

- Ad Networks are the bane of the independent publisher
- They don't value smaller publishers at all
- They simply exist to make money for themselves and advertisers by competing with search and affiliate marketing for direct response budgets

Ad Networks aggregate impressions across multiple publishers to offer advertisers low cost traffic which, in turn, allows them to hit their CPA targets. This model makes no distinction between the value of one publisher's audience or content vs. another. Everyone is lumped together at the lowest common denominator price.\*

\*Yes, behavioural and other targeting models recently developed by Ad Networks do allow for distinctions in traffic quality, but I've yet to see any meaningful value trickle down to the publishers. Net CPMs to publishers in 2005 tended to average £0.50-0.75 at best. Now they struggle to climb above £0.30, regardless of the targeting technology applied.

Ad Networks do not offer premium representation. Unless you are a \*really\* big player, Ad Networks won't sell inventory on your site at its full value. Why should they? It's much easier (and profitable) to take a single £50k booking for 50m impressions at £1 CPM than broker five deals at 2m impressions worth £5 CPM each.

Most Sales Houses will offer premium representation as part of their service to recruit publishers. Unfortunately, as the majority of these so-called "sales houses" operate a network model, this is usually nothing more than lip service and is rarely borne out. Admittedly the publisher will see a healthy volume of banners...just very little at decent rates.

It's getting worse. Anyone with half an eye on the market can see the bigger players are looking to consolidate their position, either by acquiring or decimating the competition. Similarly, media agencies are doing their jobs by continually pressuring rates downward, in search of better

efficiency for their clients. Most agencies now have a “Head of Trading” whose job is to negotiate CPMs down by agreeing volume commitments over the long term. We’ve heard first hand from media buyers who have been pressured away from buying “interesting, independent” sites in favour of pushing more (low cost) traffic through established players to make up the agency commitments.

The economy isn’t helping either. With many of the staple clients of networks facing financial difficulty it’s inevitable that networks will offer even more competitive deals to advertisers, meaning even less money for publishers. But there is another more curious twist to the economy’s effect on the web. Many of the ‘tier 2’ ad networks are VC funded or have undergone some form of M&A. The founders will have their eyes on a lucrative payoff that requires huge, continuous growth over the next 2-3 years. This means the sales marketplace has become much more aggressive – another development that only serves to push CPMs lower. In summary, while ad networks absolutely have a place and are great for direct response campaigns, they are not so great for publishers. They are designed to offer scale and value to advertisers while simultaneously trying to hide the fact they offer publishers a raw deal in a maze of tech jargon and empty promises.

They also aren’t great for brand advertisers. The ads they serve will rarely be seen by the right type of user in truly relevant context and will be restricted to display formats vs. more interesting solutions such as sponsorship and ad-funded content.

So what’s the solution?

Current buzz words around the industry are “engagement” and “interaction.” The push marketing model is dead (apparently). Moving forward, brand advertisers will be looking to influence key opinion formers via meaningful interaction online, at an increasingly granular level. To do this they need to establish better relationships with publishers in order to fully understand their audiences.

In our opinion, there needs to be a new generation of vertical-specific, non-network driven sales houses that are genuinely committed to the marrying the needs of the publisher with those of brand-driven

advertisers seeking targeted placement and innovative solutions.

If we continue to treat every impression and publisher equally and lump them all into the ad network model, the majority of content rich, independent websites (that often have a fiercely loyal but relatively small user base compared to the portals etc.) are going to end up with CPM’s of pennies at best and will inevitably shut down. It will leave the ‘advertiser friendly’ web quickly on course to be a combination of dreary, sanitised product from the portals and zero-content, SEO-driven affiliate sites. And that sounds awful.

The trade off is that publishers, at some point, will need the courage to switch off the ad networks and replace them with a dedicated sales team, either in-house or external, that really values both them and their content. Major sites like ESPN are already doing this and I genuinely hope that independent publishers follow suit.



[www.w00tmedia.net](http://www.w00tmedia.net)

## Q&A: Writing for the web



How does writing for the web differ from other media? Netimperative spoke with **Chris Nodder, User Experience Specialist at Nielsen Norman Group**, about common pitfalls to avoid when producing content online.

### What are the main differences between writing for print and writing online?

People are looking to find information online, it's not like a novel where they read the content from beginning to end. It's all about getting useful information fast. Our site data analysis indicates that on average, [a person reads only 20%- 28% of a webpage](#).

Our eye tracking studies show that users will scan the page until they get to content which they feel meets their needs. Then (and only then) will they start reading in detail. Because of this, I always tell my clients to 'suppress their ego' when writing online, many people use big words just to prove they can, but this can turn away readers. It's not a case of dumbing down content it's about writing for people in a hurry.

We have found that users spend very little time on individual pages. For instance, in a newsletter study we found that even for newsletters that users chose to read rather than junk, they still spent on average only 51 seconds reading the newsletter.

When writing for the Web, you are writing for people who are essentially scanning for information first and foremost, so you need to think about how you are presenting your information. This can mean tried and trusted journalism practices, such as front-loading your text with the most important information. I would also recommend using bullets points where applicable. Although this is frowned

upon in some circles, people love to read them online. It makes the information far easier to digest.

### Are there any areas that are commonly overlooked when creating Web content?

Links always show up as bold blue words on the screen they instantly draw the eye. This factor is often neglected and useless phrases, such as 'click here' become the focal point of the page. Instead, writers should pick the most interesting word in the text to insert the relevant link.

Another overlooked factor is images. Many corporate websites feature bland images of smiling people that convey nothing about the company's products or services. This is a big misuse of space the images should add to the information on the page. For example, a medical company we worked with included an image of people using the equipment it sold helping to demonstrate the large size of the product. This is a vital piece of information that the reader will be grateful to have.

### What are the best ways of measuring usability?

In terms of qualitative metrics, we tend to use surveys measuring users' satisfaction. This can be unreliable as the users tend to be over-generous in their ratings, so you can't always trust survey results to be honest representations of how people feel, what they say and what they do are often two different things.

In terms of qualitative metrics, the best measurement is time spent performing a task. You can also measure the number of errors made during a series of tasks. However, I would recommend putting the final measurements in terms of 'cost' by translating time lost into potential sales lost, it gives you a way to set more actionable goals.

What typical barriers do you encounter when encouraging clients to implement changes to their website?

Too often we find companies are making guesses concerning what their readers actually want. The hardest part is convincing a company to research

their own readership, as this can be time consuming and labour intensive.

As technologies converge across TV, online and mobile, what does the future hold for usability. Do emerging platforms present new challenges?

There are many new platforms and user interfaces out there, and this number is growing. But essentially it will be the same thing all over again.

Whether it's via mobile or digital TV, the same basic usability principles will apply.



[www.nngroup.com](http://www.nngroup.com)

## Q&A: How online video is changing

Online video has blurred the lines between TV and the web. Netimperative recently spoke with **Nancy Cruickshank, Global CEO of VideoJug**, to discuss how online video consumption is changing.



**You were managing director of a successful online publisher at Handbag.com. What prompted you to take the risk of entering a relatively new market with VideoJug?**

I sold Handbag.com to Hearst (Natmags) in September 2006. I stayed on for 15 months to help integrate the Handbag Group into Hearst Digital....of which I was MD.

What attracted me to VideoJug? Hugely inspiring entrepreneur founders, David Tabizel & Dan Thompson; online video being a seriously 'hot' growth area online; a global role and the ability to take up another entrepreneurial role myself. The combination was irresistible!

**VideoJug is pitched as YouTube for 'how to's'. Do you see a growing demand for community-based recommendation services in helping retrieve information from the web, as opposed to traditional Google searches?**

Yes, absolutely - people are increasingly looking to communities to provide additional confirmation or verification around issues, a decision to be taken or a task that needs to be carried out, and consumers use these recommendations as a tool to enhance, or 'fine tune' their information retrieval.

A prime example of this is how much influence customer reviews have on well known retail websites such as Amazon. On VideoJug, if you're looking for a video about how to make homemade fish fingers, and the first comment beside that film is about how delicious the dish was and how easy the recipe was to follow, you're much more likely to feel confident about trying out the recipe yourself.

Community participation is a big priority for us at VideoJug, as we grow into a social knowledge network. Encouraging the community to respond and interact with each other means that the knowledge platform becomes richer, deeper and more engaging for users and in turn our commercial partners.

**Do you feel that publishers are generally getting wise to incorporating video content? Have you seen some good examples recently?**

In the UK, people are watching in the region of 10 billion minutes of online video every month, and are consequently creating an enormous demand for video online. Publishers are responding to this demand, and we are receiving an increasing number of syndication enquiries from them.

The trick will be for publishers to select content that compliments their existing content and adds value for their audience and advertisers. Telegraph TV do this well – users can watch clips featuring the latest news as well as exclusive daily or weekly shows on business, travel and fashion amongst others. Another good example is The Guardian who use a selection of [VideoJug careers videos](#) within their Guardian Jobs site.

**When is it good to syndicate content, as opposed to creating exclusive video content?**

It very much depends on the brand or site. If we're working with a brand, we'll look closely at their objectives for video use online. Syndicating content is a good way to rapidly scale up the video presence on a site to meet user demand or add depth to existing content, providing the audience with more choices.

Exclusive video content is invaluable when it comes to, for example, communicating a message, giving instruction or showcasing the benefits of using a product. The two are not mutually exclusive either!

**What are the key barriers to entry for publishers when incorporating video. Are the costs coming down?**

VideoJug recently conducted a survey which found that less than 10 per cent of the UK's FTSE250 companies were using video on their consumer

facing websites. This shows that, despite their clear demand for video, consumers are ahead of the game.

Our experience when talking to partners is that technology, cost and distribution are the main perceived barriers. At VideoJug, our partners have access to our world class video player, that is adaptable and flexible, plus access to a global distribution network which includes partners such as MSN, MySpace TV and Virgin Media.

Costs of course vary depending on the volume of exclusive content required, as well as the brief of course, but generally, online video is an incredibly cost-effective way of communicating with your users – especially if you take into account how broadly the video can be distributed, as well as the additional revenue streams generated around video content.

**What does the future hold for video content? What should publishers be planning for?**

My top five predictions for the future of video content are:

1. Always film in the highest available quality – all VJ films are HD ready – your videos could be out there for a long time!
2. Expect a lot more integrated product and brand placement in videos.
3. Ensure video content is platform agnostic – allow users to transfer between devices and access your content from anywhere.
4. Users will continue to generate their own content in increasing numbers and to increasingly high standards – be open to incorporating this – and encourage it!
5. Video will be searchable very soon – so pay attention to SEO when you produce your online videos!



[www.videojug.com](http://www.videojug.com)

## Q&A: Behavioural targeting in the B2B sector

**John Snyder, director, Grapeshot**, spoke with Netimperative to discuss how behavioural targeting is being used in the B2B sector.



### Do you feel B2B publishers are generally making the most of behavioral targeting compared with the B2C sector?

As soon as you mention behavioral targeting people think it is just about advertising. B2B publishers are actually a niche supplier of content to already well defined audience segments who demand a relevance to their industry agenda. Behavioral targeting should offer related articles, related white-papers to download, relevant product recommendations (lead generation) as well as relevant ads. The secret is profiling each user in a non-personally identifiable way that can still add to the user experience. That means segmenting the already self-defined niche audience segment into a set of sub-segments, the whole publication may be about computing, so the targeted segments really must be more specific or granular.

We are working with publishers who are just as keen to get the editorial impact of related article suggestions and product recommendations on the screen right for the user - where behavioral profiling impacts both the editorial value as well as the advertising.

### Q. Have you seen any good examples of behavioural targeting by B2B publishers recently?

One frequent mistake is thinking behavioural means new ad categories which are more granular, so whilst the price goes up for eCPM earnings, the volume of ads to be sold against is reduced (an inherent assumption of targeting). That may be a problem for higher volume consumer ad serving, but B2B publishing, almost by definition, is already about niche audiences. The Page View volumes may be

low, but the price premium for reaching that audience is already priced higher. We see publishers without BT already earning CPMs of £50, not £10, for niche editorial sections of their website.

So behavioral targeting amongst our B2B publishers is NOT wanting to change or focus more granularly the categories of display ads they sell, but just to FIND MORE ad slots in which to place them.

Some B2B publishers are sold out in some categories, often restricted to certain articles within a certain section of their website, for example a "Mobile PDA" section on a Computing website. Yet that content segment sits on other pages too - namely blogs and website content that talks about Mobile PDA things, but are placed in a News section or perhaps discussed in another area such as the "Open Source" section (as defined by editorial). Innovative publishers are using behavioural targeting to find content and audience segments outside of their usual hard-wired website sections.

If a typical site has only 25% of Page Views at article level, then there is another 75% of Page Views to reach.

A Mobile PDA ad campaign at £50CPM is served to a user who is not viewing an article in the "Mobile PDA" editorial section. Instead "Mobile PDA" users are found on the Home Page or section heads, or in blogs or industry News sections of a portal. More Mobile PDA volume of ads can be sold. So behavioral helps swap out a £15 CPM campaign for a £50 CPM campaign - by helping to serve high value campaigns (perhaps already sold-out for the editorial section) on other pages of the website, but targeted to the right users.

A parallel benefit with the targeted ads is the better click through rate. It means a publisher can sell the same ad categories to the same advertiser or agency - but use targeting to achieve a better click through performance: it helps to keep next month's budget from going to a competitor.

So rather than consider behavioral targeting as a narrowing down of page volumes to sell by defining narrow segments, the best deployments are using existing high-value ad categories, and being more efficient at placing them into the correct ad slots for higher performance and higher yields.

**What are the main barriers to entry for publishers when adopting behavioral targeting? Are the costs coming down?**

Behavioral targeting seems to be a category of targeting that people have talked about, but many don't yet do. Often there is a perception that it is time consuming to configure, drags in IT and other departments into a long elongated project cycle and has upfront costs. Publishers are usually asked to manually tag pages into categories, and this additional burden alone can be a huge barrier. B2B has a deeper complexity than generic B2C categories like Sport, Music, Travel, etc.

But there is no need to manually tag pages! There is no real effort to set-up anymore! Suppliers like Grapeshot now supply automatic categorisation methods. The publisher only needs to put in one generic line of HTML in their page source, globally, using a simple CMS edit. Should be a two minute edit. Set-up is now measured in minutes, not days. Technology available today can now replace the manual categorisation or mapping processes, so take-up should be both easier and more accelerated. Instead behavioural targeting uses the words on the pages that each user is reading, or condenses these down to virtual categories at the time a page is viewed. It means virtual audience segments can be created in real-time, with no overheads to train or teach a system. Less hassle to either set-up and manage BT systems is the key to the ongoing success of using behavioral: not just the price points of advertising.

A second barrier has perhaps been the reporting on audience segments. If the behavioral system only updates user profiles once a day (or once a month in some cases) then the technology really is not keeping in step with the user. If a product was launched yesterday, then it is in the B2B newsflow today. Ideally publishers need "realtime behavioral profiling" so that a user reading around this product launch can be offered recommended articles to read more, related blog comments, as well as related product recommendations and suitable ads for that user's interest.

The usual dilemma in B2C is to answer why a football ad should turn up on a page about gardening! In B2B the publisher is already in a narrow vertical segment, and the need is to recommend useful items WITHIN

that domain space. This requires using what people read, not just the ads they click on - a broader evidence base on which to profile - and also requires constant real-time profiling so that the suggestions (of ads or content) are both timely and in context with the user's interests.

**Q. What advice would you give publishers on improving editorial content?**

The economics of publishing combined with Web 2.0 technologies means some pages are best written automatically. It is too expensive to write the whole thing! So the anchor or cornerstone of the page can be the journalist's hand crafted article, but implicit search mechanisms can drive the recommendation of everything else. A page full of automated widgets....Related articles to read, related podcasts, blogs or rich media assets. In terms of advertising, thus may not just be relevant ads, but also related commercial offers (white-papers to download or products to review). "Deep behavioural profiling" that profiles all the content that is read, and "real-time behavioral profiling" that can learn adaptively about each user - are both the bedrock of providing personalised editorial content. As our industry moves to using ever more rich media, the task of recommending useful video clips, audio segments, and related content, automatically, becomes both a cheaper way to deliver a relevant user experience and content product, and a richer way to monetise each user's page view.



[www.grapeshot.co.uk](http://www.grapeshot.co.uk)

## **Q&A: The ethics of behavioural targeting**

**Nick Barnett, commercial director at Phorm**, speaks with Netimperative to discuss the ethics of behavioural targeting.



### **Q. What are the main barriers to entry for publishers when adopting behavioral targeting? Are the costs coming down?**

There are no significant barriers to entry today – as a publisher (or as an advertiser) it's really easy to start using behavioural advertising and start increasing your ad-yields. The key issues for publishers (and advertisers) to date have been that the scale of users and therefore impact of results is too small to justify the effort involved. Typically advertising reach hasn't been a major issue, but behavioural reach (ie the ability to identify user interests across a scale audience) has been lacking. We are now seeing solutions coming to market that address these issues and as we take steps to increase the volume of users benefiting from behavioural advertising, and improve the quality of underlying data that drives the results we fully expect the results to improve dramatically, creating benefits for publishers, advertisers and consumers alike.

### **Q. What steps are being taken to enhance the user experience of behavioral targeting?**

By definition, behavioural advertising improves the customer experience of using the internet. Customers don't see any more ads, but a proportion of ads they do see are more relevant to their interests, ie they get access to campaigns/offers/products they may have otherwise never seen.

We believe that customers should always be in control of the experience. In Phorm's Open Internet Exchange (OIX) we will provide clear and transparent notice about the service and customers will be able to switch it off or on at any time they choose. Our ad targeting technology has been built to set superior

standards of privacy. We don't know who you are, we don't know where you have been and participation is always a clear choice

### **Q. To what extent is the vendor responsible for ensuring a users' privacy isn't being breached when using behavioral targeting?**

Clearly, any vendor must ensure that any targeting solution they offer, whether behavioural or otherwise, doesn't breach any consumer privacy standards. It is up to the vendor to ensure its partners (publishers/networks, agencies/advertisers, ISPs) and consumers are fully aware of this, and that the vendor takes steps to ensure that, at no point, consumer privacy is breached.

### **Q. Is there a best practice standard for behavioral targeting firms?**

There are no clearly defined industry standards today for behavioural targeting firms. However, many of us are working closely with the IAB (Internet Advertising Bureau) who have established a Behavioural Targeting Task Force which is in the process of defining a set of best practices for us all.

### **Q. What steps has Phorm taken to address privacy concerns?**

Phorm's whole approach and entire system has been developed, from the ground up, with privacy in mind:

- We don't know who you are, you are anonymous to the system and we don't store any personally identifiable information
- We don't know where you've been – we don't store browsing histories
- Participation is always a choice

We firmly believe that we're setting superior standards in online privacy and choice

### **Q. What do you think the future holds for behavioral targeting? What would you like to see?**

We clearly believe that behavioural targeting has a very exciting future and offers significant improvements in efficiency and ROI for agencies, significant improvements in yields for publishers and

a significant improvement in the customer experience of using the internet for consumers. With the advent of Phorm's OIX technology, advertisers and publishers can, for the first time, take real advantage of the true benefits behavioural targeting can offer - true granularity of targeting, mass reach, real-time behaviour. Behavioural targeting offers display advertising a significant opportunity to increase revenues and market share by taking search-style granularity and targeting ability and applying it to display.



[www.phorm.com](http://www.phorm.com)

## Q&A: The Agency Perspective

Netimperative recently spoke with **Matthew Simpson, chairman of the IPA Digital Media Group and head of OMD Group Digital**, to discuss if this current behavioural targeting technology is meeting agency demand.



**Q. What do agencies want from behavioural targeting? Is the current technology able to match their client's expectations?**

Agencies are looking for a technology that can apply identified user characteristics to their campaign.

Traditionally buys are based around basic audience information such as age and gender and may be accompanied by context such as a car brand appearing in automotive content. In general agencies have identified huge amounts of information that define their audience including characteristics such as propensity to buy versus seeking information, whether they are heavy online communicators or if they are parents for example.

In theory behavioural targeting gives agencies and clients a way of defining behaviour which implies belonging to a certain consumer group. Traditionally the problem faced is that if too many characteristics are identified no media owner is able to offer volume in the target audience. The technology is definitely available, however it is totally dependent on the application of available information, and this is what media owners are struggling with.

**Q. What are the main issues and concerns when it comes to agencies using behavioural targeting? What defines a behaviour?**

It is imperative that the definition of a specified behaviour is totally transparent and agreed by both

agency and supplier. All too often an assumption is made by the supplier that very rudimentary actions define a behaviour, this could be that a consumer has visited a finance site on one occasion and therefore is sold as someone who is interested in finance. This kind of selling leads advertisers to under perform and then lose confidence in the technology.

As identified before volume is a key concern and therefore agencies are looking for reassurances that the effort they put into behavioural targeting is worth it.

**Q. What are the main barriers to growth of behavioral targeting?**

Potentially consumer privacy concerns. It is possible that the government could become involved if it was felt that the technology was not in the consumer's best interest.

Currently most BT relies on cookie information, if consumers refuse cookies than the model could struggle.

The ability for suppliers to act responsibly and supply inventory that is likely to convert rather than just trying to put up yields on otherwise low cost inventory.

**Q. What do you think the future holds for behavioral targeting? What would you like to see?**

In theory all display buys could be defined by behaviour in the future. The idea of mass data retention is obviously appealing to advertisers as it will make advertising a less wasteful experience.



[www.omddigital.com](http://www.omddigital.com)

## Q&A: The rise of Video Advertising

**Robert Black, business development director at Utarget,** discusses the rise of video advertising.



**Do you feel publishers are generally making the most of video advertising? Have you seen any good examples recently?**

I think that for a lot of people it is a case of work in progress. Not everybody has had a team in place that can generate revenue against the content that their users are viewing.

Viacom and the Telegraph are doing good work. Their offering is well integrated and relevant to the sites environment and other content. They also have a good understanding on how to generate revenue.

**What are the key barriers to entry for publishers when incorporating video? Are the costs coming down?**

The key barriers to entry are the costs of the players, content and streaming. These costs can be managed. At Utarget.FOX, we are now offering our publishing partners an ad-funded turnkey solution with no cost. What ad formats do you think work best on video?

Against video content we still find that pre-roll works the best. Video advertising is brand led. We also find that if advertisers are looking for performance, that pre-rolls get more clicks than the companion ads.

From a branding point of view sponsoring players is an option. We also have a range of other stand alone video products. Our TV Subsites offer advertisers a full page of video that is not restricted to 15 seconds.

After the video the user is then directed straight to a page on the advertiser's site giving a response element if required. These are proving very popular with advertisers and are giving publishers a good additional revenue stream.

**Beyond ad revenue, what other opportunities can publishers capitalise on when incorporating online video?**

If you are looking at other revenue opportunities then syndication is a good option if they own their own content. Beyond that, publishers can really boost the traffic on their site if they choose the content carefully, integrate it well and promote it.

There are a host of video players and formats available. What criteria should a publisher use when selecting their video platform?

This is going to be different in every case. It really depends on what they are looking to achieve from placing video on their site. They need to look at the costs involved and how they are going to generate revenue from it.

The questions they need to ask themselves are: Will the player they choose restrict the content they can show? Will the content available be of interest to their users and do they have access to a sales team who can monetise the inventory?

**Is mobile TV a viable platform for publishers at the moment?**

Mobile TV is a very exciting platform. We are running pre-roll campaigns for our publishing partners on mobile and there is growing interest from the agencies. At the moment I think that costs still need to come down.

Agencies can 'buy' the same user on TV or the web a lot cheaper than they can on mobile and this is holding back the market. Having said that it is new and evolving, there will be a lot of change over the next 6 months.

**How can publishers ensure they secure the best financial returns when incorporating online video?**

Publishers need to think about how the content they are showing relates to the rest of their site. There is no point in having content for the sake of it, it needs to be targeted. They also need to be aware that some 'channels' are more attractive to advertisers than others. Finally they need a sales team that understands the market and has the relationships

both within the online and TV departments in agencies.

**What does the future hold for video content? What should publishers be planning for?**

I think that there is going to be an ever growing marketplace for video content both long and short form. At the end of the day if publishers want their

video content to be a revenue stream it needs to be professionally made, good quality and targeted to their site and users thus giving relevance to the experience.



[www.utarget.com](http://www.utarget.com)

## Research

### Top 10 UK Search Properties

In June, Google Sites slightly increased its lead as the most popular search property in the U.K. to 75.3 percent of all search queries, followed by eBay (5.5 percent), Yahoo! Sites (4.3 percent) and Microsoft Sites (3.4 percent).

AOL LLC's acquisition of U.K. social networking property, Bebo.com, expanded its share of search queries to 2.3 percent, edging Facebook.com (2.2 percent) into sixth place.

<b>comScore qSearch 2.0 U.K. Share of Search Report*</b>			
<b>June 2008 vs. May 2008</b>			
<b>Total U.K., Age 15+ - Home &amp; Work Locations</b>			
<b>Property</b>	<b>May 2008</b>	<b>June 2008</b>	<b>Pt Change</b>
Total Internet	100.0	100.0	0.0
Google Sites	74.7	75.3	0.5
eBay	5.7	5.5	-0.2
Yahoo! Sites	4.7	4.3	-0.4
Microsoft Sites	3.3	3.4	0.1
Ask Network	2.6	2.4	-0.2
AOL LLC	1.6	2.3	0.7
FACEBOOK.COM	2.0	2.2	0.2
Amazon Sites	0.7	0.7	0.0
BBC Sites	0.7	0.7	0.0
Rightmove Sites	0.7	0.6	0.0

*\*Excludes searches from public computers such as Internet cafes or access from mobile phones or PDAs.  
Source: comScore qSearch 2.0*

#### **Other notable findings from June 2008 include:**

- There were 3.9 billion total searches conducted in the U.K. during the month.
- 31 million U.K. Internet users conducted at least one search.
- U.K. searchers conducted an average of 124 searches per searcher during the month, or 4.1 searches per day.
- U.K. searchers made a combined total of 937 billion visits to a search engine in May, with an average of 4.1 searches per visit.

*Source: www.comscore.com*

## Most popular sites among young brits

### TV Broadcasters driving strong online affinity with children under 12

Fashion community site Stardoll has the highest percentage (32%) of children under 12 years old amongst its audience – making it the site with the greatest affinity with that age group Entertainment sites - including Nick, Cartoon Network, the BBC’s CBBC and CBeebies and Disney International - dominate the sites with the greatest affinity with children under 12

### Websites with the greatest percentage of under 12 audience

Rank	Website	% of UK Unique Audience Under 12	UK Unique Audience Under 12 (000s)	Category
1	Stardoll	32%	108	Targeted Portals & Communities
2	Club Penguin	29%	196	Kids, Games, Toys
3	Nick	25%	76	Kids, Games, Toys
4	LEGO	25%	98	Kids, Games, Toys
5	Cartoon Network	24%	107	Kids, Games, Toys
6	BBC CBBC	24%	318	Kids, Games, Toys
7	BBC CBeebies	20%	293	Kids, Games, Toys
8	Disney International	19%	146	Multi-category Entertainment
9	RuneScape	16%	87	Online Games
10	MiniClip	15%	239	Online Games

Source: Nielsen Online, UK NetView. E.g. 32% of Stardoll’s UK audience (108,000 people) are under 12 years old

Alex Burmaster, Internet Analyst, Nielsen Online, comments: “The Internet is very much an entertainment resource for young children, mainly due to how well TV broadcasters such as Nickelodeon, Cartoon Network, the BBC and Disney have adapted and extended their traditional offering to the web.”

### Online games sites have the strongest affinity with 12-17 year-olds

Mobile phone social networking site Frengo has the highest percentage (26%) of 12-17 year-olds amongst its audience – making it the site with the greatest affinity with that age group. Online games sites - including RuneScape, FreeOnlineGames, AddictingGames and MiniClip - dominate the sites with the greatest affinity with 12-17 year-olds

### Websites with the greatest percentage of 12–17 year-old audience

Rank	Website	% of UK Unique Audience 12-17	UK Unique Audience 12-17 (000s)	Category
1	Frengo	26	117	Cellular/Paging
2	RuneScape	25	138	Online Games
3	Bebo	19	919	Member Communities
4	BBC Learning 5-19	19	184	Educational resources
5	FreeOnlineGames	18	112	Online Games

6	AddictingGames	17	100	Online Games
7	Metro Lyrics	17	108	Music
8	MiniClip	15	240	Online Games
9	LimeWire	12	350	Internet Tools/Web Services
10	Meebo	12	87	Instant Messaging

Source: Nielsen Online, UK NetView. E.g. 26% of Frengo's UK audience (117,000 people) are 12-17 years old

"As children hit their teenage years, general entertainment sites tend to make way for games-focused sites, which offer a massive range of easily accessible games and ensure that teenage gaming activity extends far beyond the PS3, Wii and Xbox consoles."

#### Sites with greatest concentration of young adults dominated by student and video sites

The three sites with the highest concentration of 18-22 year-olds (40%) are all student-related – the Student Loans Company, UCAS and Student Finance Direct

Sites offering video-related content – such as Sidereel, TV Links, Alluc and Youku – also feature heavily amongst sites with the greatest affinity with young adults

#### Websites with the greatest percentage of 18-22 year-old audience

Rank	Website	% of UK Unique Audience 18-22	UK Unique Audience 18-22 (000s)	Category
1	Student Loans Company	40	45	Loans
2	UCAS	40	77	Educational Resources
3	Student Finance Direct	40	46	Loans
4	Sidereel	39	68	Videos/Movies
5	TV-Links.cc	38	67	Multi-category Entertainment
6	Alluc.org	37	92	Videos/Movies
7	Spielen.de	36	42	Online Games
8	The Student Room	35	79	Targeted Portals & Communities
9	zSHARE	35	77	Web Hosting
10	Youku	34	90	Videos/Movies

Source: Nielsen Online, UK NetView. E.g. 40% of Student Loans Company's UK audience (45,000 people) are 18-22 years old

"It's interesting to see that the sites with the heaviest concentration of young adults split into two conflicting groups – functional and entertainment. This mirrors the uneasy transition of growing up from teenage years into adulthood and the associated increase in responsibility. Whilst entertainment, mainly through video sites, still has a place, this has been usurped by the need to investigate higher education and financing oneself through it."

Source: Nielsen Online

## The changing nature of online behaviour

People are spending less time on communication and content sites and more on consumer generated media, search and entertainment sites, according to Nielsen Online. Britons, on average, are spending just 4% more time online a month than they did a year ago. Overall, consumer generated media (+47%), search (+13%) and entertainment (+8%) sites have experienced the biggest increases in online time. Communication (-10%), and content sites (-3%) have experienced the biggest decreases

### How UK online time is spent by category\*: April 2008

Rank	Category*	Total UK minutes (billions) Apr 08	Total UK minutes (billions) Apr 07	Change in <u>total</u> minutes	Change in <u>share of</u> minutes
All categories		33.3	32.2	+4%	n/a
1	Content	8.4	8.7	-3%	-7%
2	Entertainment	6.8	6.3	+8%	+4%
3	Communication	6.0	6.7	-10%	-14%
4	Consumer-Generated Media	4.0	2.7	+47%	+41%
5	eCommerce	2.2	2.1	+4%	0%
6	Search	1.3	1.1	+13%	+9%

Member communities (social networks and blogging sites) have had the biggest increase in total UK minutes over the last year (+1.3 billion) followed by online games (+0.5 billion). Instant Messaging has had the biggest decrease (-1.0 billion) followed by sports sites (-0.2 billion).

Alex Burmaster, Internet Analyst, Nielsen Online, comments, "Consumers aren't spending significantly more time online than they were a year ago, which means that, if one sector grows, another tends to shrink. As a whole, the communication (including Instant Messaging which has lost a billion minutes) and content sectors (including portals, ISPs and government), have been the ones to suffer most from the exploding consumer generated media phenomenon."

### Subcategories with biggest INCREASE in total minutes: April 2007-2008

Rank	Subcategory	Total UK minutes (billions) Apr 08	Total UK minutes (billions) Apr 07	Change in total minutes (billions)	Category*
1	Member Communities	3.7	2.4	+1.3	CGM
2	Online Games	2.2	1.6	+0.5	Entertainment
3	Videos/Movies	1.0	0.7	+0.2	Entertainment
4	Adult	1.0	0.8	+0.2	Entertainment
5	Search	1.3	1.1	+0.1	Search

### Subcategories with biggest DECREASE in total minutes: April 2007-2008

Rank	Subcategory	Total UK minutes (billions) Apr 08	Total UK minutes (billions) Apr 07	Change in total minutes (billions)	Category*
1	Instant Messaging	2.9	3.9	-1.0	Communication
2	Sports	0.4	0.7	-0.2	Entertainment
3	Targeted Portals/Communities	0.1	0.2	-0.1	Content
4	Kids, Games, Toys	0.4	0.5	-0.1	Content
5	Government	0.2	0.3	-0.1	Content

Source: Nielsen Online, UK NetView, home & work data, including applications, Apr 2007 – Apr 2008. E.g. Britons spent 2.9 billion minutes Instant Messaging in Apr 08, 1 billion minutes less than in Apr 07

\*Custom categories compiled by the UK PR team and don't necessarily mirror official Nielsen Online categories.

### The leading UK sites by total minutes

Despite losing almost a billion minutes over the last year, MSN/Windows Live Messenger narrowly remains the leading UK site by total minutes ahead of Facebook (both 2.4 billion minutes) – the latter increasing by almost 2 billion minutes over the last year

### Leading sites by total UK minutes: April 2008

Rank	Site	Total UK minutes (billions) Apr 08	Total UK minutes (billions) Apr 07	Change in total minutes (billions)	Subcategory
1	MSN/WL Messenger	2.4	3.2	-0.8	Instant Messaging
2	Facebook	2.4	0.5	+1.9	Member Communities
3	eBay	1.7	1.7	0	Classifieds/Auctions
4	Google Search	0.9	0.7	+0.2	Search
5	YouTube	0.6	0.4	+0.3	Videos/Movies
6	MSN/WL Hotmail	0.6	0.6	0	Email
7	Windows Media Player	0.6	0.9	-0.4	Software Manufacturers
8	iTunes	0.5	0.5	0	M/C Entertainment
9	Yahoo! Mail	0.5	0.4	+0.1	Email
10	AOL Email	0.4	0.4	+0.1	Email

Source: Nielsen Online, UK NetView, home & work data, including applications, Apr 2007 – Apr 2008.

E.g. Britons spent 2.9 billion minutes Instant Messaging in Apr 08, 1 billion minutes less than in Apr 07

“Instant Messaging has already seen its mantle as the UK's most engaging online sector pass to Member Communities and it seems that the dominance of MSN Messenger as the most engaging brand is shortly to be ended by Facebook. This has been a seismic shift in a relatively short space of time and illustrates how social networks have fundamentally altered the way people communicate online. It will be interesting to see what further effects Facebook's IM application will have on the current players in the space.”

Source: [www.nielsen-online.com](http://www.nielsen-online.com).

**The ‘500 million’ club**

**Only 10 websites and applications - led by MSN Messenger, eBay and Facebook – have averaged at least 500 million UK minutes per month over the last year. Facebook, YouTube and Second Life are the fastest growing sites in terms of total UK minutes**

Over the last year, Britons spent a total of almost 34 billion minutes on websites and Internet-related applications on average each month

MSN Messenger, eBay and Facebook are the only three websites/applications to average over one billion total minutes each month – a further seven averaged over 500 million minutes

The top ten include two social networks (Facebook and Bebo) two email sites (Hotmail and Yahoo! Mail) and two media players (Windows Media Player and iTunes)

**Leading websites/applications by average total monthly UK minutes: June 2007 – May 2008**

Rank	Website/Application	Average monthly UK minutes (millions)	Average monthly share of UK minutes	Core service
All websites / applications		33,641	100%	-
1	MSN Messenger	2,626	7.8%	Instant Messaging
2	eBay	1,630	4.8%	Auctions
3	Facebook	1,406	4.2%	Social Network
4	Google Search	872	2.6%	Search
5	Hotmail	705	2.1%	Email
6	Windows Media Player	694	2.1%	Media Player
7	YouTube	539	1.6%	Video
8	Bebo	530	1.6%	Social Network
9	iTunes	529	1.6%	Media Player
10	Yahoo! Mail	514	1.5%	Email

Source: Nielsen Online, UK NetView, home & work data, including applications, June 2007 – May 2008.

E.g. From Jun 07-May 08, MSN Messenger averaged 2.6 billion UK minutes each month = 8% share of online-related\* time

Alex Burmaster, Internet Analyst, Nielsen Online, comments, “It’s incredible to think that despite the diversity of the Internet, the ten sites and applications that make up the “500 million” club account for 30% of all online-related time.

This means that the thousands of other sites are competing for a much smaller share of the pie than they might think. If you also take into account that Britons aren’t spending significantly more time online, yet there are more sites springing up all the time, it shows how increasingly competitive and cut-throat the online sector is becoming.”

### Fastest-growing websites/applications by UK Total Minutes

Facebook is the only website/application to have increased its total minutes by over 200,000 – in fact it grew by almost 1.8 billion minutes

Fellow social media site, YouTube, was second with an increase of 196 million minutes

The inclusion of Wikipedia, Club Penguin and Veoh mean that social media accounts for half of the fastest growing websites by total UK minutes

### Websites/applications with greatest increase in total UK minutes: May 2007 – May 2008

Rank	Website/ Application	Total UK minutes (millions) May 07	Total UK minutes (millions) May 08	Increase in total minutes (millions)	% increase in total minutes
1	Facebook	462	2,249	1,787	387%
2	YouTube	392	588	196	50%
3	Second Life	125	296	171	137%
4	Google Search	769	885	115	15%
5	Google Maps	63	121	58	91%
6	Wikipedia	116	146	30	26%
7	ASDA	12	37	25	208%
8	iTunes	514	536	22	4%
9	Club Penguin	23	42	19	82%
10	Veoh	9	27	18	195%

Source: Nielsen Online, UK NetView, home & work data, including applications, May 2007 – May 2008  
E.g. Britons totalled 2.2 billion minutes on Facebook in May 08 – 1.8 billion more than in May 07 (0.5 billion) = a 387% increase

“Whilst the social media wave continues to have the biggest impact on Internet behaviour levels, it’s important not to forget that some of online’s more traditional sectors continue to perform well. The representation of sectors such as games, search and retail - through sites such as Second Life, Google and Asda respectively – show the health and vitality of the entire online arena.”

Source: [www.nielsen-online.com](http://www.nielsen-online.com)

### Top social networks in the UK and US

Facebook.com accounted for 45.29% of UK Internet visits to social networking sites during June 2007, according to research.

This represents a 188% increase compared with a year ago. Bebo.com, which was the market leader last year, was the second ranked social networking site in the UK during June, with a market share of 25.04%. MySpace.com ranked third with a market share of 14.75%.

Combined, the 'big 3' social networks accounted for over 85% of UK Internet visits to the category in June.

### Top 10 social networks in the UK, June 2008

Rank	Website	Domain	June 08 market share	May 08 market share	June 07 market share
1	Facebook	www.facebook.com	45.29%	42.88%	15.75%
2	Bebo	www.bebo.com	25.04%	26.82%	33.50%
3	MySpace	www.myspace.com	14.75%	15.28%	29.37%
4	Windows Live Spaces	spaces.live.com	1.59%	1.49%	0.82%
5	Friends Reunited UK	www.friendsreunited.co.uk	1.55%	1.44%	2.64%
6	Club Penguin	www.clubpenguin.com	0.83%	0.95%	0.80%
7	Yahoo! Groups	groups.yahoo.com	0.81%	0.83%	1.69%
8	Nasza Klasa	www.nasza-klasa.pl	0.75%	0.72%	0.00%
9	Faceparty	www.faceparty.com	0.74%	1.17%	3.22%
10	Tagged	www.tagged.com	0.72%	0.48%	0.45%

Note: Data is based on UK Internet visits to a custom category of social networking sites  
Source: Hitwise

In America MySpace remains the market leader, capturing 71.92% of US Internet visits to social networking sites during June. Facebook was in second place with a market share of 16.91%, representing a 40% growth over the previous year.

Top 5 Social Networking Websites Ranked by Market Share of U.S. Internet Visits						
Rank	Name	Domain	Jun-08	May-08	Jun-07	YoY %
						Change
1	MySpace	www.myspace.com	71.92%	72.73%	77.42%	-6%
2	Facebook	www.facebook.com	16.91%	16.24%	11.60%	40%
3	myYearbook	www.myearbook.com	1.54%	1.40%	0.33%	318%
4	Tagged	www.tagged.com	1.08%	1.00%	0.69%	45%
5	Bebo	www.bebo.com	1.05%	0.90%	1.52%	-41%

Note - data is based on a custom category of 57 of the leading social networking websites ranked by market share of U.S. visits, which is the percentage of online traffic to the domain or category, from the Hitwise sample of 10 million U.S. Internet users. Hitwise measures more than 1 million unique websites on a daily basis, including sub-domains of larger websites. Hitwise categorizes websites into industries on the basis of subject matter and content, as well as market orientation and competitive context.

Source: [www.hitwise.com](http://www.hitwise.com)