

The Old Media Contract is dying.

Just yesterday a growing business, it is suddenly a shrinking business. No one knows whether it will plateau at some point (soon or distant), or whether it will simply continue to fall until it reaches insignificance.

Notice I said Old Media Contract. I didn't say "old media." Of course, the old media are ailing these days, but people still enjoy reading the news, still like to have music or information to accompany them through the day, and still watch their favorite shows on the screen of their choice. The old media may discover ways to remain strong and viable—indeed, some old-media players most surely will—but the Old Media Contract will become less and less viable with each passing year.

What is the Old Media Contract? It has at least three criteria; below I present each one, and alongside the challenge it now faces.

The Old Contract	The New Challenge
Desired content is aggregated so as to attract a large and loyal audience.	<i>Aggregation—placing a large amount of desired content in a single convenient location—is diminished in importance due to search engines. Audiences no longer expect that single convenient location (unless it is the home page they built for themselves) and aggregation no longer creates audiences so large or so loyal.</i>
Audience enjoys free content in return for tolerating adjacent advertising.	<i>Audiences are no longer so tolerant and technology has enabled their non-consumption of advertising. At the same time, ads are no longer the only choice, or even the best choice, for most marketers. Other approaches work better in most cases. Mere messaging is devalued already, and its devaluation will continue. There's not nearly enough demand for ordinary advertising to fill even today's available supply, and it will be far worse tomorrow.</i>
(Our working definition of advertising here is whenever the client is paying for the mass distribution of his message.)	
There is a limited number of content distribution channels—whether due to technological limitations, licensing limitations, or cost of entry—and each channel therefore functions as a portal to a broad variety of content.	<i>The barriers to entry are tumbling down like the walls of Jericho. Everybody is in the pool now. The negative implications for portals are broad and not well understood.</i>

The old-media players least likely to thrive, perhaps even survive, are those who attempt to deploy the Old Media Contract in the new media. With precious few exceptions, that's not working today, and it won't work tomorrow. The Web is fundamentally different and must be dealt with on its own terms. If your new-media plan hinges on being a portal, on aggregating a large audience with a broad variety of content and supporting it with adjacent display advertising, you have the wrong new-media plan.



Broadband changes everything.

I'm not talking about the "broadband" we enjoy because of advancing technology and higher levels of throughput... I'm talking about the "broadband" we enjoy because the barriers to entry are little more today than a speed-bump.

Where *one* daily newspaper is available for doorstep delivery at your home, and *four* network-affiliate TV stations beam into your home, the Web brings you *millions* of sites. This turns the business model upside down: While newspapers and TV stations had to be *all-encompassing* in their content offerings in order to succeed, Websites need to be *narrow* in order to succeed.

It's the difference between a department store and a boutique: When the mall is loaded with specialty retailers, who needs that generalist retailer down there at the end? Sure, there are exceptions. Yes, I've heard of Wal-Mart, and indeed I have visited Yahoo!, but you are advised not to set out today to create one of those. Rather, your surest path to success on the Web is to do something very vertical, to be famous for one thing, to be best-of-breed at your chosen specialty and ride it to success. Small is the new Big.

Portals on the Web are old-media thinking in a new-media world. They're no longer functional, no longer serve a need the public has. People no more expect to find all their needs met at one Website than they expect to do all their shopping at just one store in the mall. If you operate the principal local-news site in your market, you are an exception—at least for now. But you too should be supplementing your portal play with specialty sites. Putting everything under one brand doesn't build strength today. It just leaves all the specialty positions available to others, each of whom will take a bite out of you.

No, the Web is not two-way.

Too many old-media Websites are still in "broadcasting" mode—all their traffic is still one-way, from the media baron to the user. Some have learned that traffic can be *two-way*, so they've turned on the interactivity, the feedback loop. But "two-way" misses the mark, too.

The Web is *a web*. It's a vast network of networks. A billion players, a trillion relationships, a trillion synapses connected. The best Websites enable exchange and develop dialogue in all directions. If you are the only content provider on your Website, that needs to change. This is the phenomenon known as [Web 2.0](#), which is the idea of building Web-based businesses that don't merely use the Internet as a means of distribution, but which are built around the unique functionalities inherent in the Web, such as large-scale collaboration, content syndication, [network effects](#), user-generated content, lightweight business models, individualization of the user experience, and enablement of [the long tail](#).

No, the Web is not an ad medium.

Every Website operator—whether a legacy media company or a dreamer working in his basement—has proudly announced plans to support his business with advertising revenues. This, in spite of the fact that there is insufficient demand even for today's available banners, buttons, and skyscrapers! Looking at the Internet as *inventory* is a fundamental mistake, as Ad Age writer Matthew Creamer makes so dramatically



clear in [this outstanding piece](#). It is in so many ways a marketer's dream-come-true, but that's not because it is the greatest ad medium in the history of the world, but rather because it opens so many *non-advertising* options to the marketer.

For more than 20 years, CSS has been explaining to media salespeople that “marketing” is more than just advertising. Because advertising was the one thing “under the marketing umbrella” that broadcasters and publishers could offer to clients, it was necessary to convert every client need into an ad campaign of some sort—or the media seller would go hungry. And we all came to believe that marketing was mostly advertising. But it never was. And on the Web, it never will be.

Look at how many of the items on the old CSS [marketing umbrella page](#) can be executed on the Web. Market research, service delivery (and sometimes product delivery), distribution, public relations, sales promotion, display, retail selling, staff training, customer relations, technical support, repair, warranty administration, and more. To this dusty old list, we can add some new marketing possibilities made possible by the Internet: search results (organic and paid), customer-relationship management, product-ownership enrichment, user-community services, interactive product catalogs, advertising on demand, recommendation engines, electronic coupon distribution and redemption, and on and on.

Next to all these very real online marketing tools, plain old advertising—mass messaging— starts to look a little puny. A little vague. A little undirected. A little hit-or-miss. The marketer's picnic that is the Internet prompted Creamer to suggest “the possibility of a post-advertising age, a not-too-distant future where consumers will no longer be treated as subjects to be brainwashed with endless repetitions of whatever messaging some focus group liked.”

Advertising—message delivery adjacent to unrelated content—is going to diminish in importance... at just the moment that a tidal wave of online advertising inventory becomes available. Advertising will be a side dish at the marketer's picnic, its place on the plate guaranteed not because advertising is so powerful, but because it will be so cheap. The delivery of ad messages is not a business that can or will continue to deliver your bottom line indefinitely. Yes, keep selling those ad campaigns for now—make hay while you can—but move fast to build your new, non-message sources of business before the ad market weakens further and makes 2008 look like the good old days.

You can stay in the *marketing* business, just not in the *message* business.

The Five A-words of Online Advertising

The five A-words are Aggregation, Automation, Algorithm, Auction, and Accountability. I offer them up for those readers who just aren't buying it yet—that *online advertising is never going to be a very good business*. I explain all five briefly in [this further analysis](#). (And if you're already bought-in, this will give you some more grist for your mill.)

If the Web is not an ad medium, what is it?

You know the old expression, “When all you have is a hammer, everything looks like a nail.” We naturally bring our old paradigms to a new realm, either hoping they'll fit, or worse, just presuming they



will. So advertising distributors—the legacy media—look at the Internet and see banners, buttons, and skyscrapers. Brand-name manufacturers look at the Web and see direct retail transactions. Airlines look and see a way to move you out of the telephone queue and into a self-service system that saves them a ton of money. Pornographers look and see a path to a world of prospects who would never walk into a creepy porn shop.

Of course, they're all correct. The Web is not a “medium” of any sort, except to those of us in the media! For everyone else, the Web is *the world*. There's a virtual equivalent for almost everything that exists in the physical world. And the Web doesn't have “audiences,” except as an incidental byproduct (incidental byproduct? yes, think the way city buses have “audiences”). The Web is more accurately understood if it is seen as a shopping mall, a theme park, an office park, a classroom, a clubhouse, a post office, a directory, a newsstand, a library, a movie theatre, a storage facility, and even a party.

The Web is better understood as millions of places where people go to *do* stuff, to *participate* in some way, or to *accomplish* something on their to-do list. This suggests an unlimited number of new-business possibilities—for anyone, not just old-media operators—but *least* among those possibilities is bringing over the message-delivery paradigm that worked so well for so long in the familiar offline world. Message delivery may also be inhibited by [banner blindness](#), a subconscious resistance to display advertising that is unique to the online platform: While audiences attending traditional media give themselves over to the experience, by contrast Web visitors are there to *accomplish something* and research shows they often focus exclusively on their task.

Your client is now your competitor.

One reason the Web is a marketer's picnic is that packaged-goods manufacturers, service providers, and retail chains all can turn themselves into media companies. They can target, reach, engage, and serve their desired audience without buying time or space from you.

[BabyCenter](#) is a Website for moms and moms-to-be, but it's not a property of the publisher of either *Parents* or *American Baby* magazines. Rather, it's Johnson & Johnson presenting as rich a resource for the pregnancy/newborn/toddler market as any publisher ever could or would. J&J has *disintermediated* the publishers: Who needs a middle man when you can go direct? And to rub salt in the wound, BabyCenter also sells display ads, to the likes of Kodak, Kimberly-Clark, Ask.com, and Cord Blood Registry.

[Century 21](#) offers a more robust, fully searchable database of available properties than does any daily newspaper. And they too have entered the media space: [C21 Talk Radio](#) has ten entertaining programs archived and available, including Real Estate 101, Buying Your First Home, and Mortgages.

How many of your clients are already marketing without media? Or marketing without messages? How many others have focused their advertising investments on Websites that permit the kind of hyper-targeting that virtually no traditional media channel has ever offered?

But all is not lost. Let's turn to what can be done in the face of these challenges.



How to compete and win in this crazy new world.

Legacy media companies can compete and win. Here are some ways:

- Understand your legacy brand and enable it on all platforms.
- Build high-value, high-engagement, integrated marketing solutions for your clients.
- Develop *independent* Web 2.0-based businesses.
- Build advertising-on-demand businesses.
- Own the thinking, not the channel.

Let's briefly review each opportunity.

Understand your legacy brand and enable it on all platforms.

Understanding your brand means knowing what it should *not* attempt to be or to do. Theoretically, you can do anything in the digital world, but you would be wise to pursue only brand-related activities *under your brand's flag*.

- Most radio stations have a relatively narrow brand—a well-defined target audience and content offerings consistent with the interests of the target. Radio stations are smart to stay very narrow in their range of content, but go very broad in terms of distribution platforms (Website, mobile, email, RSS, video, etc.). A possible exception are major all-news and news-talk outlets that can afford to maintain a broader, more portal-like, Web presence. Indeed, this points to the Web rule for radio brands: Go just as broad on your brand site as you do on the air, but no broader. After all, your brand cannot mean two different things to the same audience.
- Television stations have staked their business on local news coverage, and should deploy all such local news content on the Web as story packages (the Web is not friendly to half-hour programs). They should anticipate that the daily newspaper will become as video-intensive on the Web as is any TV station site, and should be prepared *not* to be the #1 local news site in the market. They may be wise to carve out a news-video niche of some sort in which they can be seen as the clear leader. That leadership position should be pursued across all distribution platforms.
- Newspapers have historically been the ultimate local portal, with breadth and depth of content unrivaled. Newspaper Websites should be similarly broad, but publishers are warned not to think solely in terms of a single online brand. Failure to develop local specialty sites will, over time, invite specialty competitors who will eat away at the value of the portal. To maintain size and influence, newspapers should pursue multiple online brands; each brand should be extended across all distribution platforms. GM doesn't maximize its share of the automobile market by selling only Chevys; P&G doesn't attempt to win the detergent wars with a single brand because doing so invites competition and leaves too many of the consumer's detergent dollars on the table. The Columbus *Dispatch* is headed in the right direction; the newspaper operates a brand-based Website at dispatch.com, but they also have up and running a lifestyle site columbusalive.com, columbuscars.com, columbusjobs.com, and columbusrealestate.com. The Web is where specialist sites are *expected*. Offer them or someone else will. (Among those other potential competitors are local television and radio companies!)



Legacy-branded Websites should, in all cases, function as a *service bureau* or *customer service department* for listeners, viewers, and readers. Here is where they can go to find more information about what they read, saw, or heard; to provide input/feedback; to seek greater content depth, content on demand, or archived content; to access content-related services; and to enjoy the special benefits inherent in membership programs. In other words, the Website should provide specific functionalities that the traditional property, by its very nature, is unable to do. The service bureau should also offer a similar set of services with respect to the advertising content running in/on the legacy property: deeper information, functional links, and related services that simultaneously serve the audience and the advertiser.

Build high-value, high-engagement, integrated marketing solutions.

The market for messages is going away. It's a perfect storm: Demand for them is dropping just as the supply is suddenly mushrooming. But marketers still need ways to access their target consumers and engage them, and *you* have the three ingredients necessary to create and execute high-value, high-engagement, integrated marketing solutions:

- A legacy media property(ies) with significant audience reach.
- A brand-extension Website with growing capabilities.
- Talented marketers on staff, armed with [powerful tools](#).

Your clients want *value*, which they no longer define in terms of thousands reached. Value today is measured in effectiveness, not efficiency. Value is increasingly determined in the context of *marketing and sales objectives* met, not advertising and awareness objectives met.

Your clients want *engagement*, which can be achieved in a broad variety of ways. In some cases, it is a “deep brand experience,” something that creates strongly positive inclinations. In other cases, it is literally a dialogue between the consumer and a brand representative, whether online, onsite, or on the phone. In still other cases, engagement means the consumer has entered the company's sales funnel or sales process, or has identified him/herself and provided contact information.

Your clients want *measurement and accountability*. Fewer than ever before will take it on faith, rely on mere audience estimates, or assume that exposure somehow comes out the other end as revenue and profit. Media sellers who want to stay viable today must provide proof, present data, and show ROI.

To compete now, you must offer *integrated marketing solutions*. They integrate the reach, attention, and spark of your legacy property with the depth, interactivity, and functionality of your Website... to produce campaign results that neither your main property nor your site could ever produce on their own. Perhaps an even better way to visualize the power is the way your clients will: Integrated marketing solutions *integrate the client's advertising with the client's selling process*.

CSS suggests six strategies to develop integrated marketing solutions:

- Use your Website as a *service bureau* for consumers who want more information about the ad they heard, read, or viewed.
- Send your audience directly to the appropriate *side door* on your Website.



- Add a marketing-results wizard to your staff, someone whose responsibility is *not* to make sure you get the order, but instead to *make sure you get the renewal*.
- Climb aboard the *metrics bandwagon*—establish a position in the local business community that you measure and monitor, produce and deliver, and hold yourself accountable.
- Place responsibility for selling integrated solutions with the sales department that represents your legacy property (or a portion of that group). *They have the relationships*.
- Don't make separate profit centers out of the two platforms that share one brand name. With integrated marketing solutions, the whole is worth more than the sum of the parts. Don't build a structure that causes intra-company squabbles over revenue allocation. *One brand, one pot*.

Contact [your CSS Consultant](#) for more information about integrated marketing solutions and these six strategies.

Develop independent Web 2.0-based businesses.

While brand-extension sites are essential, for nearly every legacy-media property, in order to keep the original brand relevant and healthy, it is not clear that even a very strong Web and mobile component will be enough to ensure a viable and profitable brand well into the future.

For as long as these legacy media properties continue to have significant audiences and influence, they are advised to initiate new *independent* (not related to the legacy media brand) *Web-based businesses*, especially those that rely on some of the company's core competencies in content, marketing, or advertising. Media companies are in an advantageous position to develop such businesses, because they bring a precious asset not available to non-media players. That asset is remnant time or space. Investment dollars are required in any case, but only the traditional media properties bring to the party the ability to promote new businesses at a cost approaching zero. The opportunity should not be squandered. Neither should the opportunity be delayed to a future year; the precious asset is likely never to be of greater size or influence than it is today.

Old-line media operators have been focused for the last decade on building their Websites into a vehicle that will promote their original property—but the big opportunity is to switch that around 180 degrees, and now to use their original property to promote their new Web 2.0 businesses.

Independent Web-based businesses have as strong a need to be operated *separately* as the brand-extension sites do to be fully integrated. New businesses opened on the Web must have their own management and staff, relying on other business units only for mundane back-office support, if that. A 'ring-fence' must be placed around the original brand properties (offline and online), so as to protect both them and the new independent businesses from suffering in any way at the hand of the other. Each independent business must have its own identity, its own mission, its own income statement, its own management, operations, marketing, and sales staffs.

The range of potential independent Web-based business ideas is truly boundless. I offer a few here just to get your wheels turning. They are not necessarily in order of importance or potential; indeed, none comes with a guarantee of success!



- *Local Foodie Community.* Some verticals don't lend themselves very well to a local expression (for electronic gadgets, we have [engadget](#) and the like, which is quite sufficient for our needs), but others do. Foodies are my A-1 example of such a vertical. Foodies are food fans. They love to eat, and in most cases they love to cook, to serve, and to talk about food, wine, restaurants, and more. [Epicurious](#) exists at the national (international!) level, but foodies are a good *local* business because recipes are regional, restaurants are local, and ingredients and sources are often hyper-local. Imagine a user-generated-content site brimming with recipes, menus, ingredients, and sources... with blogs, reviews, archives, and a big social network of food and dining fans. With or without a focus on restaurants (probably better with). The best name for a local foodie community is probably something with local cachet. A media property could initiate this business by themselves or with a partner who knows the "space." I know you know: The marketing dollars in food are immense.
- *Other specialized local communities.* Copy/paste the foodie idea for other special-interest groups that make sense on a local basis. Two such possibilities are Health & Fitness and High School Sports; indeed, Hearst-Argyle announced their [High School Playbook](#) venture just weeks after we first surfaced the idea at the 2007 CSS Marketing Technology Summit. But the opportunity still exists for you if you're not in an H-A market or another city where someone has already grabbed it. What more ideas do you have? The key to every such specialized-community site is user-generated content. Sites built around user-generated content develop *much faster* than those built around any other sort of content because (a) the content is cost-free to the site operator, (b) it is unlimited in scope and quantity, and (c) it enlists hundreds, then thousands, then tens of thousands of people in a viral phenomenon of word-of-mouth and hyperlinks.
- *Local Search.* Google is likely to remain the dominant player in *general* search, but all the pundits are forecasting the development of specialized search engines (most folks already go elsewhere for movie reviews, often to [IMDb.com](#)... and weather forecasts and data, perhaps to [weather.com](#)... right?). An obvious specialized search opportunity in every community in the world is Local Search. This is not a local shopping channel where everything you see is a paid ad (who wants that?!), but rather a comprehensive local search engine with complete organic search results—*plus* the opportunity for paid search results. Exactly like Google, *but local*. This is a Yellow Pages sort of business, but every YP publisher who has gone online has used the Yellow Pages brand, causing confusion. Your local online search site needs a fresh, standout name. The local search "position" remains available almost everywhere (but for how much longer?). There's no reason why this can't be a \$5 million local business with fat margins and a high automatic renewal rate.
- *Local Ad Network.* Ad networks (Google AdSense, Advertising.com, DoubleClick, ValueClick, etc.) are going to grow immensely in the future as the placement and serving of Web ads (both display and text) is going to become more and more scientific, driven by elaborate and complex algorithms. These purveyors will increasingly deliver better results at lower cost, as *advertising value migrates from the creative to the algorithm*. This represents a very big threat to anyone who wants to sell local Web display ads (be they a big guy like you or a basement startup)—but a fine opportunity exists to be the *disruptor*, not just the disrupted. This business opportunity is already being offered to you by [Pulse360](#), which is seeking local partners for its LocalTarget service, partners who will build *local ad networks* and sell them locally (with Pulse360 doing all the technical work behind the scenes). CSS has not vetted this particular vendor, but we get the business model: If a media company hooks up with a supplier such as this, it will have two-, three-,



maybe four-hundred local sites, instead of just its own one or two. Selling conventional display ads (in any medium) is probably not what you want to stake your entire future on, but as a component of developing a powerful local marketing firm, this has a place. Pulse360 offers self-service tools for small advertisers, so this could become a sustaining, low-cost business.

As disparate as are the ideas listed above, they all have one thing—one word—in common. That word is *local*. Perhaps a really good idea can be rolled out in 85 markets some day, or perhaps even be a national or global business, but it's most likely that the best opportunities are right under every media operator's nose. In any case, the idea should begin as simple as possible, so that all the necessary mistakes can be made, the problems solved, the strategies scrapped, and the tactics retooled. Lock on to this truth: the biggest opportunities in the digital realm will be those that *do not* use your old-media brands.

Build advertising-on-demand businesses.

Pure advertising is a business under assault these days. Consumers are cynical about it and often go to great lengths to avoid ad messages. Marketers have shifted their attention to non-messaging means of accomplishing their objectives, modalities both old and new that are more directed and more accountable; the attitude of many is caught well by this chilling statement by [Carl Johnson](#), CEO of Anomaly and former CEO of TBWA\Chiat\Day: “Our last resort is an ad, if we can't think of anything else.”

Ironically, one segment of the ad industry remains a growth business: advertising-on-demand (AOD). Even reasonably well-targeted ads are of immediate interest to only a tiny minority of the exposed consumers and of eventual interest to only a slightly larger minority. The way we describe that phenomenon at CSS is that 99% of the audience finds a 30-second broadcast commercial to be about 29 seconds too long—but the other 1% finds it *way too short*. They want to learn much more about what's on offer from that advertiser. None of us have much use for advertising, until we have a need for it. *And then we seek it out.*

AOD is the advertising consumers *choose* to immerse themselves in. It's been around for centuries, being at least as old as classifieds and craft fairs, two fine examples of the genre. Today, AOD has many expressions, high-tech and low:

- Booth shows (career fairs, health expos, big boys' toys shows, etc.).
- Paid search listings (see [local search](#) above).
- Opt-in email programs.
- Commercial RSS feeds (someday there will be an opportunity to build a local subscription shopping business, where items matching what you're looking for come to you by RSS—e.g., one-carat diamond solitaire rings or 24x36 oil paintings—to save you the hassle of chasing all over town... but “we're not there yet”).
- Video on demand—cable companies want to corner this market, but anyone with a Website can offer VOD “commercials.” And is the bigger business opportunity in distributing them or producing them?
- [Integrated marketing solutions](#) are an AOD business, too, especially if you migrate more and more of the value away from the ad space or time (smaller-space ads and shorter on-air spots) and toward



more robust interactive components. Many advertisers with their own Website will not have the capability to build highly functional online destinations; if you have the capability, you can be their answer... regardless of whether the mass-media component of the campaign runs on your property or someone else's.

- Enabling a mobile-device return path is AOD. [Cox Radio Tulsa](#) is developing this capability with a business model that seeks to make *its* short code the *market-wide* short code (easier for every Tulsan to remember just one short code, right?). You never can tell what new business ideas you can come up with so long as everything doesn't have to carry your (limiting) brand.

There must be many more ways your organization can become an AOD supplier.

Own the thinking, not the channel.

Woven throughout many of the thoughts above is the migration of value from *distribution* to providing a *business service*. If you take that concept to its logical conclusion, you end up in the realm of ideas, of relying on your wits and on the collective smarts of your organization. For media people who have been in the advertising distribution business their entire lives, it can be tough to get your arms around this, but building a new business based purely on human talent is your most elegant option.

The strategy is encapsulated quite succinctly in the subhead above: *Own the thinking, not the channel*. It's not a new idea, except to media companies, because they've always given away the thinking if the client would just place a campaign in the channel. The business model suggested here is exactly 180 degrees the opposite. It's the business model of the public relations firm, which dates back to [Edward Bernays](#) in 1913. Or the sales promotion firm, which is probably half as old.

The need for—and the potential of—Very Big Ideas will only increase in the hyper-broadband world of the 21st Century, where anything is possible and nothing is simple. Marketing solutions will be hatched in the heads of some creative thinkers, and then they'll actually happen in the minds of target consumers, helped along by use of multiple offline channels and myriad online functionalities. These opportunities will be open to anyone who can sell them and make them happen... old-media operators, new-media players, ad agencies, PR firms, and kids still wet behind the ears. The value will be in the *idea* and the *implementation*, and hence the invoice will be for *expertise*.

Scott Bernstein of BlitzLive showed us how to do this at the 2007 CSS Marketing Technology Summit, but a great many in the audience were still too absorbed with their current brand to grasp Scott's message. BlitzLive's parent company, Blitz Media, surveyed the landscape and saw what you too have seen: many of their clients were ratcheting *down* their broadcast and print budgets and cranking *up* their promotion and online budgets. Not wanting to see their business wither (sound familiar?), Blitz opened a new division so as to become the disruptor rather than the disrupted. This business earns *management fees* for conceiving, developing, and implementing really effective promotions, largely using New Media, but without any preconceived notions other than to use more smarts and less paid time and space. [Scott shared stories](#) about Qdoba Mexican Grill and boston.com, among others. *Anyone can do this*. Even a media property... so long as they build a ring-fence around their respective media and Very Big Ideas businesses and don't expect them to cross-sell.



Appendix: The Five A-words of Online Advertising

For those readers who just aren't buying it yet—that online advertising is never going to be a very good business—I offer this further analysis. If you're already bought-in, this will give you some more grist for your mill.

Aggregation

With precious few exceptions, no Websites generate enough impressions on enough different people to offer themselves as a Reach medium (or a Frequency medium, for that matter, since that too requires some Reach). Except for those situations where the advertiser is seeking a highly-specialized-interest audience (e.g., N-scale model railroad enthusiasts or bead-stringing jewelry makers), all online display advertising will be placed on *networks* that *aggregate* hundreds, if not thousands or tens of thousands, of Websites. That kind of scale is necessary or the network will amount to nothing more than an “asterisk.” Even when such network placements are designed to reach defined audiences or make use of behavioral targeting, these placements will still be very broad (to generate Reach), the sites and pages varied, and the pricing based on commodity-based CPM or CPC.

Automation

Managing such placements across so many sites requires sophisticated software and powerful digital systems. These ad networks will soon—if they are not already—be dealing with a level of complexity far exceeding that used by airlines to manage, price, sell, and invoice their inventory. The airlines decades ago eliminated human beings from every aspect of that process except for the user interface (which was by telephone), and in the last decade even the interface has been automated online. Today, most tickets are bought on the Web; tomorrow, nearly all will be. This degree of automation, already common with online ad networks, removes salesmanship from the ad placement process, defaulting to commodity pricing in all cases.

Algorithm

Tomorrow's ad campaigns will be managed by mathematicians. If Google is not already the world's largest advertising company, it soon will be. Google hires almost exclusively mathematicians. Never before in the history of advertising has the craft been practiced by mathematicians not marketers, by computers not creatives. Big ad networks need more than raw processing power; intense algorithms are necessary to drive placement, with or without behavioral targeting, if those placements are to produce results and generate value for the advertiser, the network operator, and the multitude of Website publishers. There is no role for premium pricing—only for commodity pricing—in an environment managed by mathematicians... and most especially one led by Google, whose mission is to continually drive down the pricing of everything.

Auction

With no barriers to entry, the Web will forever be characterized by Abundance (yes, it's my sixth A-word), by an excess of available inventory over the supply needed to satisfy advertiser demand. This permanent imbalance of supply and demand, when combined with the auction-pricing model increasingly common in online advertising (and the only pricing model the automation can manage), will keep pricing for online display ads very low. The auction environment may be exacerbated by



the role of “virtual inventory.” On top of the natural excess of supply over demand is an apparent further excess of supply, brought about by the fact that sites commonly are represented by multiple aggregators, all of whom are providing access to the same site, but doing so in competition with each other, driving pricing down further yet. Online display will be a cheap commodity, and getting cheaper every year.

Accountability

All online advertising will be compelled to demonstrate accountability and cost-efficiency in a fashion already common... and which takes these concepts far beyond what was ever possible in the so-called offline media. The network systems will generate vast metrics which will themselves be studied by algorithm-driven automation. Just as airline computers manipulate pricing by the hour and the minute on hundreds of seats across dozens of fare classes aboard thousands of flights extending forward hundreds of days, so too will display advertising be managed with that kind of granularity—monitored by the minute and held accountable in real time. Websites not delivering click-thrus will not continue to be served ads for that campaign. Ad copy too will be manipulated in real time, as the software constantly tests, measures, and modifies. Algorithms will keep changing the copy (or the color or the graphic, in the case of those display ads which are more than mere text) to maximize performance and value. Only the best will survive this brutal competition for performance in an online world in which supply vastly outstrips demand.

Have A nice day.

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