Why we’re here

• What Web opportunities can a group of like-minded sites coordinate, build and invigorate from the center?

• How can the Consortium support members in an increasingly complex Web advertising ecosystem?

• Can centralized and coordinated initiatives expand the revenue pie?
What we heard and learned

• Wide range of ad sales experience across MC members

• Those that are not yet monetizing their Web business are interested in exploring how the Consortium can enhance speed to market and expand the revenue opportunity for members

• Those that are selling or marshalling new sales resources, are currently planning on extracting additional revenue from their Web businesses
What we will cover today

• Some background on the broad consumer ad market
• Our project focus and four key components

1. Vertical ad networks
2. Your market opportunity & potential size
3. Ad network economic model
4. Operational requirements & next steps
Ad dollars are still moving online

Total online ad spending will increase from $19.9 billion in 2007 to $35.4 billion in 2012

Source: JupiterResearch Internet Advertising Model, 6/07 (US only)
Media fragmentation: Today

Source: McCann Erickson, IAB, and ThinkEquity Partners LLC research
Media hyper-fragmentation: Tomorrow

Source: McCann Erickson, IAB, and ThinkEquity Partners LLC research
One market response to fragmentation

Ad Network Growth 2000-2007

Source: ThinkEquity Partners LLC research
What is an ad network?
Aggregate and sell audiences on behalf of publishers to advertisers and agencies

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<th>Formats</th>
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<th>Pricing</th>
<th>Business Model</th>
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What does the ad network market look like?
Vertical networks are proliferating

Source: McCann Erickson, IAB, and ThinkEquity Partners LLC research
Why a vertical ad network?

Yield higher CPMs

Vertical Ad Nets Growing*

* Source: Estimates from personal blog of Adify’s GM corporate development, based on filings, public data and other sources.
Benefits of a vertical ad network
Scale enables Consortium publishers to compete for seat at table

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<th>U.S. Online Advertising Revenues* at Top Four Portals As a Percent of Total Online Advertising Spending, 2004-2007</th>
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<td>Total for top four portals</td>
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Note: Numbers may not add up to total due to rounding; *net of traffic acquisition costs [TAC]
To capitalize on this opportunity:

- Better define your endemic category to build comparative strength of your audience against an advertisers need.
- Provide better scale for the advertisers that publishers can not land without aggregation.

Source: Adify Website
The network: hub and spoke

50 MM Ad Impressions

20% Network
10MM Imp.

IN THESE TIMES

THE AMERICAN PROSPECT

AIR AMERICA RADIO

THE NATION

Mother Jones

FSTV

public news service

BRAVE NEW FILMS

The Progressive

MARKETECHNIQUE
media & marketing
Network impression model

- Publishers
  - 50MM Ad Impressions
- Network
  - Network-sold inventory
    - 7MM ad imps
  - Unsold: 3MM ad imps
- 20% Network
  - 10MM Imp.

10MM ad imps
7MM ad imps
3MM ad imps

Network impression model
Revenue comparison

Publishers
50MM Ad Impressions
10MM @ < $2 CPM

Network
Network-sold
7MM @ $7+ CPM
= $50,000/month
Unsold: 3MM @ < $2 CPM
= $5,000/month

MC-NETWORK REVENUE
$55K/month
Less 10% ops fee
Less 20% rev share
$38K/month gross ad $

REVENUE (no MC)
10MM @ $0-$1 CPM
$0 to $10K/month

20% Network
10MM Imp.
Revenue share to network publishers
We’re exploring several options

• Vertical Ad Network
  – Create your own and partner with Vertical Network Platform service Vendor (e.g., Adify) – “Owned and Operated”
  – Partner with existing vertical network or rep firm network such as Federated Media or Tribal Fusion
  – Partner with inventory aggregator (e.g., Google, Yahoo!)

• Centralized aggregation of some inventory
  – Improved deal terms and rev-sharing splits

• Coordinated Major Account Initiative
  – A co-op corporate-sales-like effort allowing members to band together for multi-site ad packages/centralized negotiations
What do you need to be a network?

**Audience** (+ advertiser market)
- Define an endemic audience
- Comparative strength of that audience against an advertisers need

**Scale**
- Unduplicated size (UV’s)
- Page views / ad impressions

**Sales**
- Sales development ‘hook’
- Sales staff and resources

**Operations**
- Central guidelines
- 1-3 IAB-approved ad units above-the-fold
- Technology resources
- Coordination and management
Why a vertical ad net infrastructure partner?

- Help you understand your ad market opportunity
- Manage what publishers are in your network
- Support your publisher enlistment process
- Advise on pricing and outlining inventory
- Create an automated marketplace
- Full-service ad-serving back-end
- Campaign management
- Billing and payments
- Low set up costs
Final Thoughts & Next Steps

• Apparent opportunity for ad revenue but questions remain
  – Cost of sales
  – Strength of audience against advertiser segments

• Phased approach is strategic best practice for Consortium
  – Additional planning suggested
  – Additional research likely requirement

Next Steps
• Marketechnique to deliver final report in 3 – 4 weeks
• Identify potential for further member research
  - Top 20 advertiser list
  - Data gathering on audience statistics
  - Deeper marketplace interviews (agencies, clients)
• Gain consensus on phased approach to digital strategy
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