AIR AMERICA RADIO

MEDIA VENTURE COLLECTIVE

THE AMERICAN PROSPECT

IN THESE TIMES

Mother Jones
SMART, FEARLESS JOURNALISM

Ms. MAGAZINE

the media consortium

BRAVENEW FILMS

truthdig
drilling beneath the headlines

CHELSEA GREEN PUBLISHING the politics and practice of sustainable living

The Progressive

THE NEW PRESS

NEW AMERICA MEDIA Expanding the News Lens Through Ethnic Media

THE Nation.

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

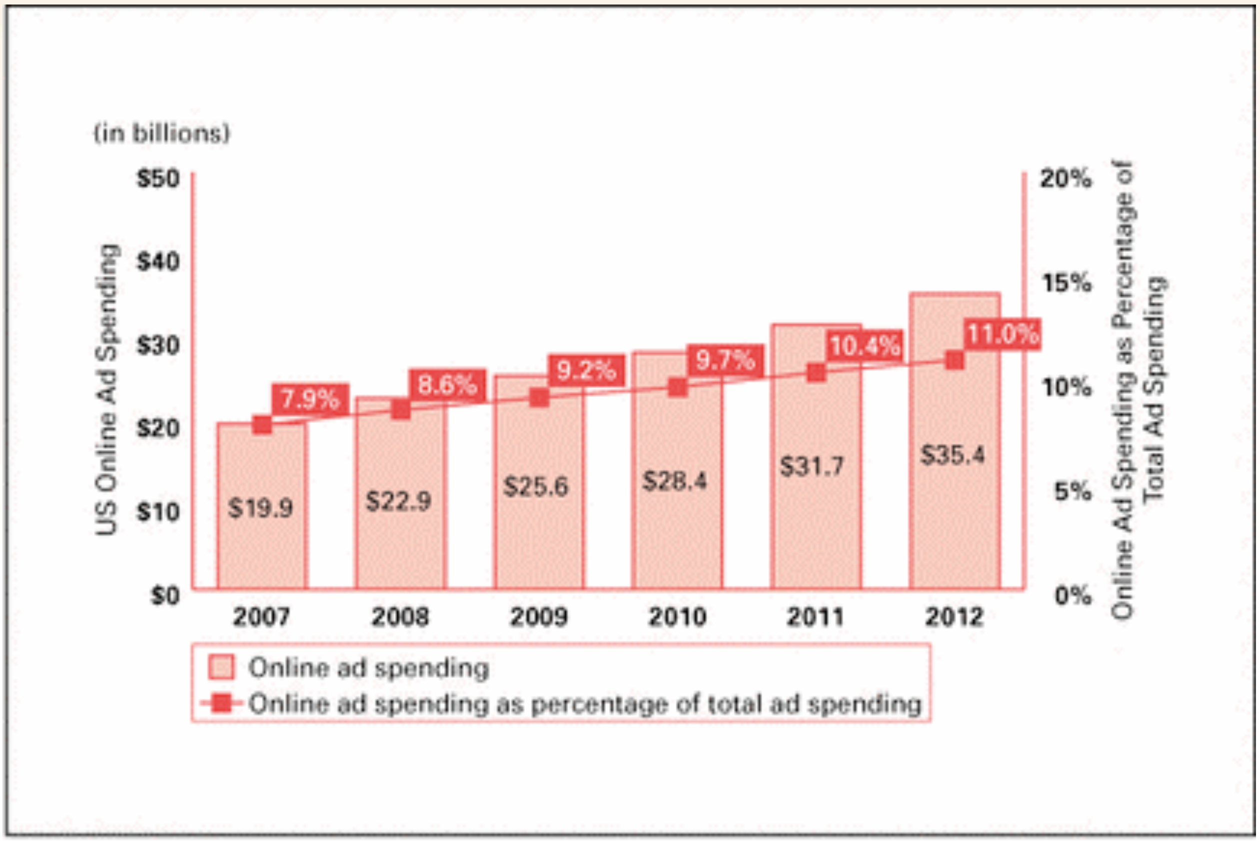
What we will cover today

- 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

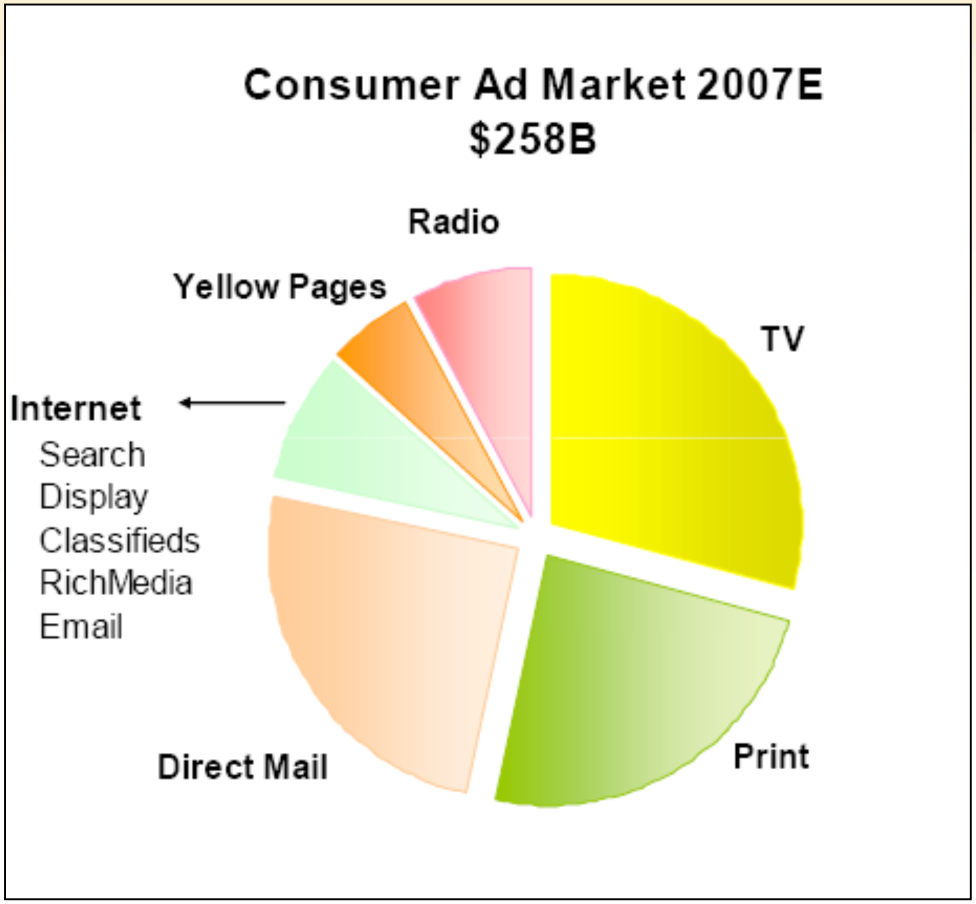
Ad dollars are still moving online

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



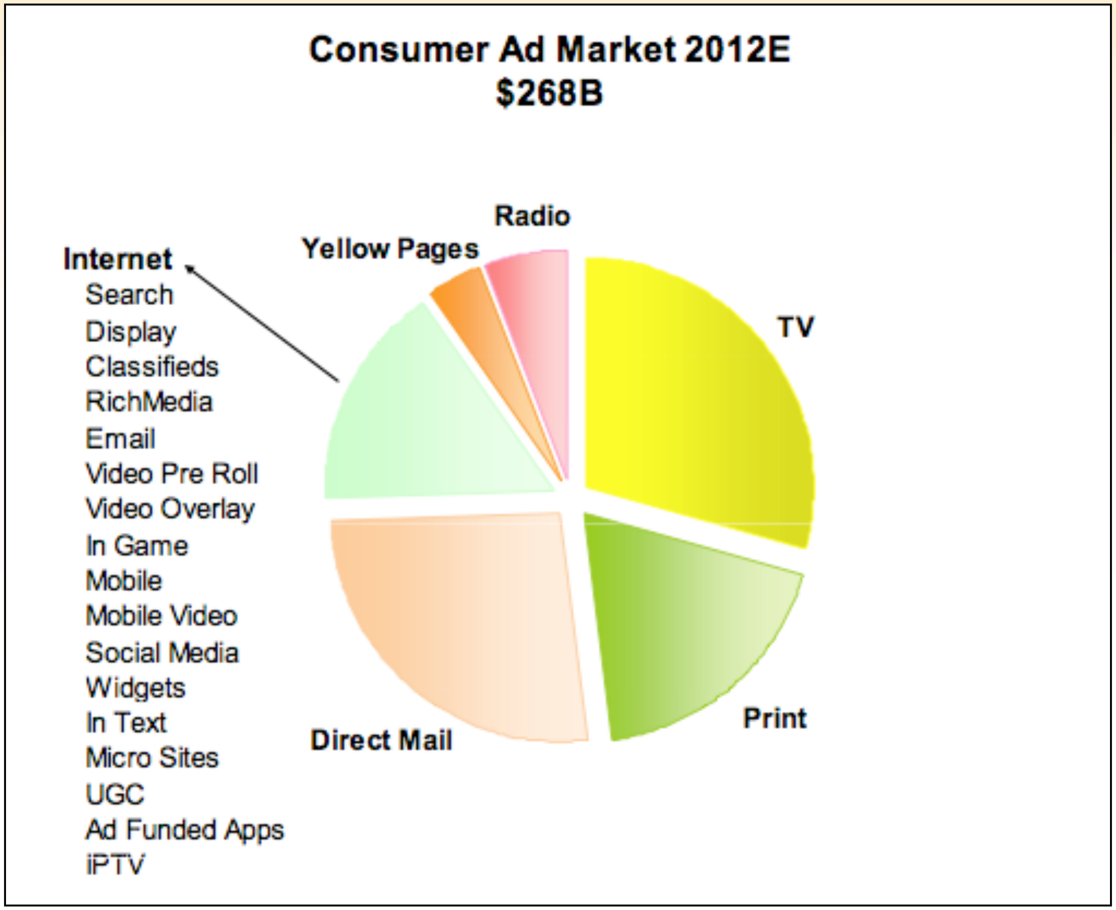
Source: JupiterResearch Internet Advertising Model, 6/07 (US only)

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

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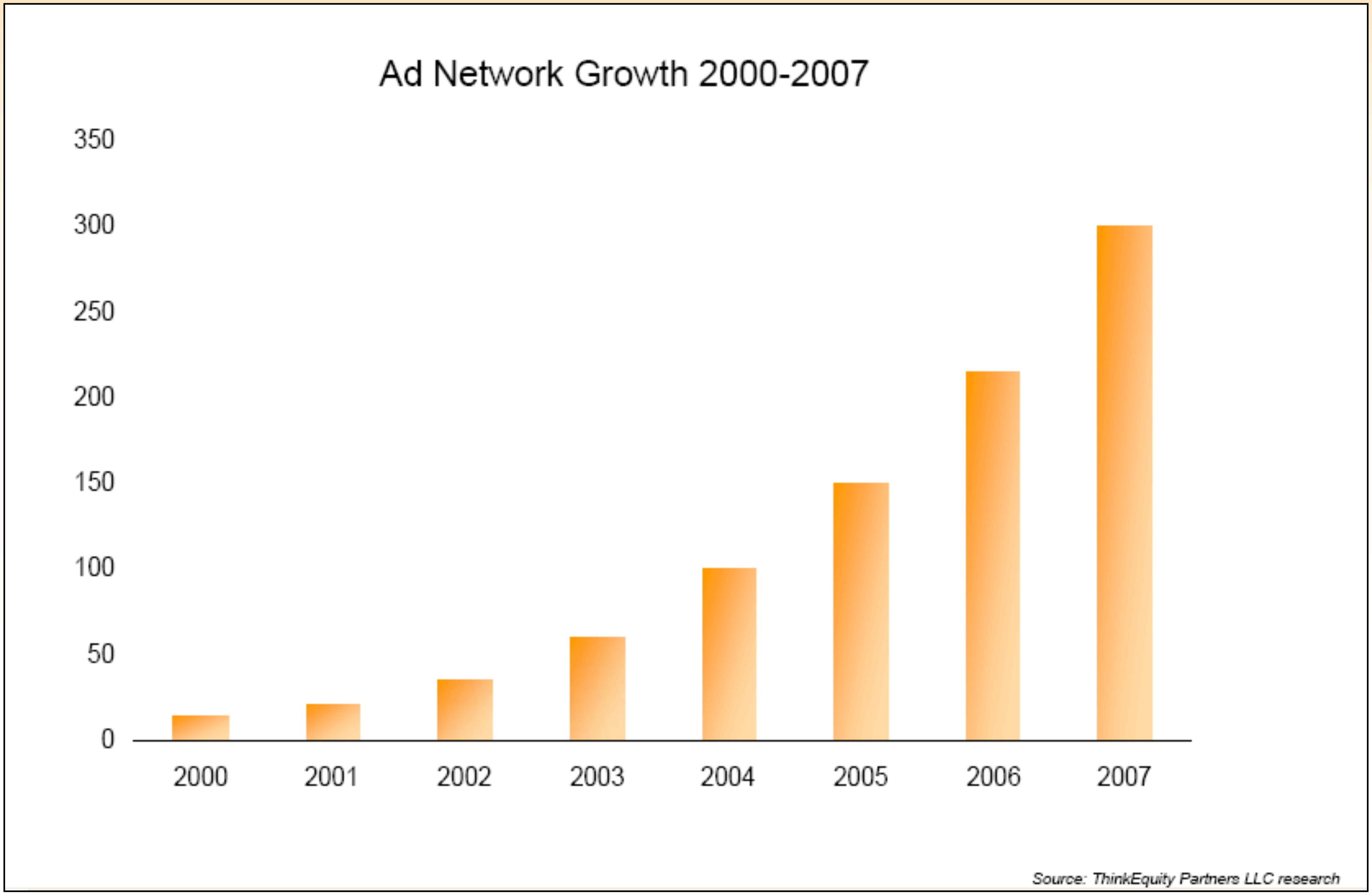
One market response to fragmentation



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What is an ad network?

Aggregate and sell audiences on behalf of publishers to advertisers and agencies

Formats	Targeting	Pricing	Business Model
Display	Contextual	CPM	Rev Share
Text	Behavioral	CPC	Arbitrage
In-Text	Demographic	CPL	Rep Firm
Video	Geographic	CPA	**Ad Exchanges**
Mobile	Site Specific		
In-Game	**Vertical**		
Blog			
RSS			
Email			
Audio/Podcast			
Widgets			

What does the ad network market look like?

Vertical networks are proliferating

jumpSTART AUTOMOTIVE MEDIA

FEDERATED MEDIA PUBLISHING

TRAVEL AD NETWORK

NetShelter Technology Media

Good Health Advertising

CONFIDENTIAL

houseblogs.net

MatteR

GAY AD NETWORK

HOTCHALK

Peerflix media network

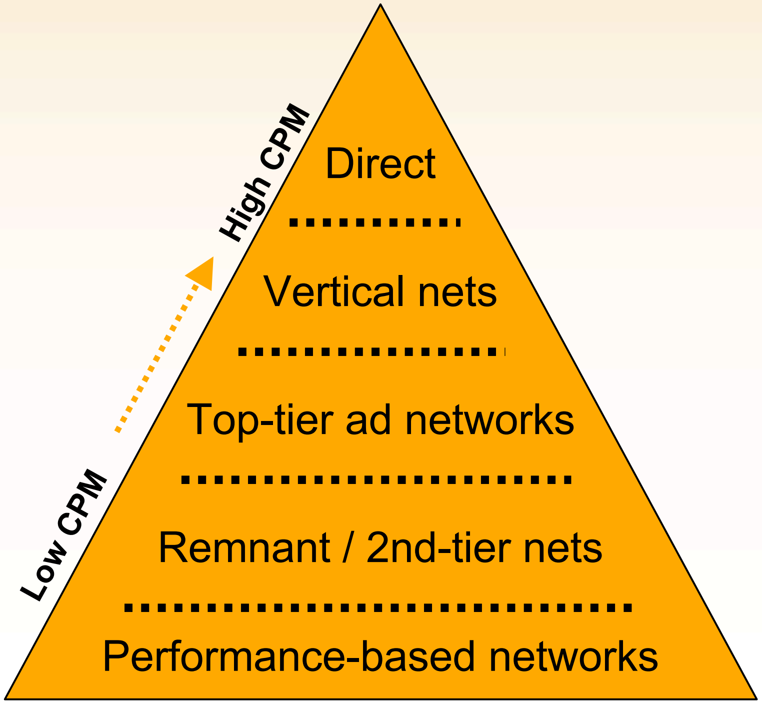
dogtime media

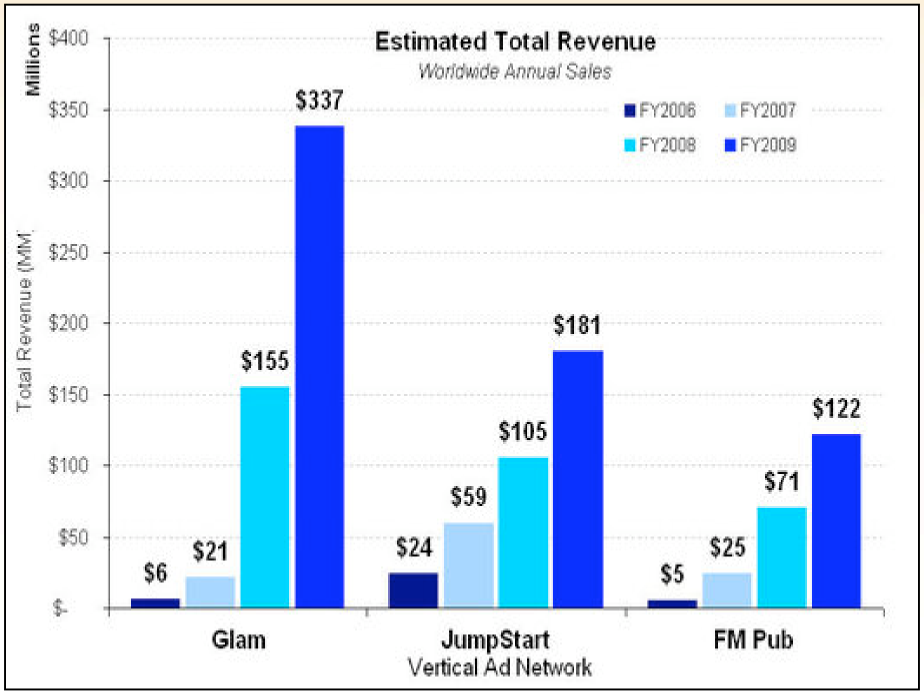
mom•logic network

sustainlane green ad network

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

U.S. Online Advertising Revenues* at Top Four Portals As a Percent of Total Online Advertising Spending, 2004-2007

	2004	2005	2006	2007
Google	13.1%	19.2%	25.0%	32.1%
Yahoo!	18.4%	19.4%	18.3%	18.7%
AOL	6.8%	7.2%	7.5%	9.1%
MSN	9.4%	7.8%	6.7%	6.8%
Total for top four portals	**47.8%**	**53.7%**	**57.4%**	**66.6%**

*Note: Numbers may not add up to total due to rounding; *net of traffic acquisition costs [TAC]*

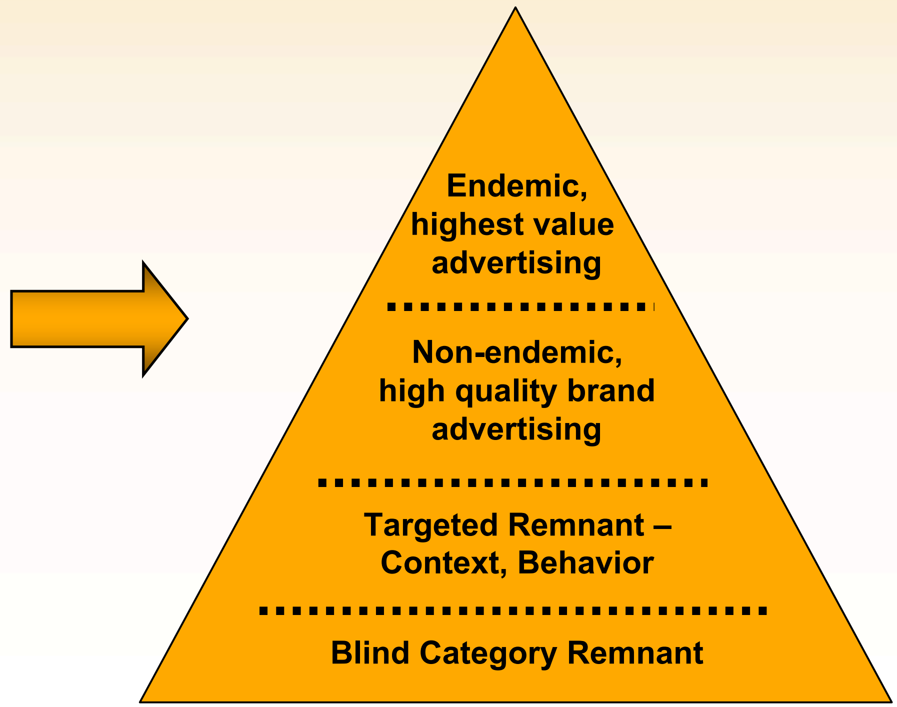
Source: company reports, 2004-2007; eMarketer calculations, February 2007

www.eMarketer.com

To capitalize on this opportunity:

- Better define your endemic category to build comparative strength of your audience against an advertisers need

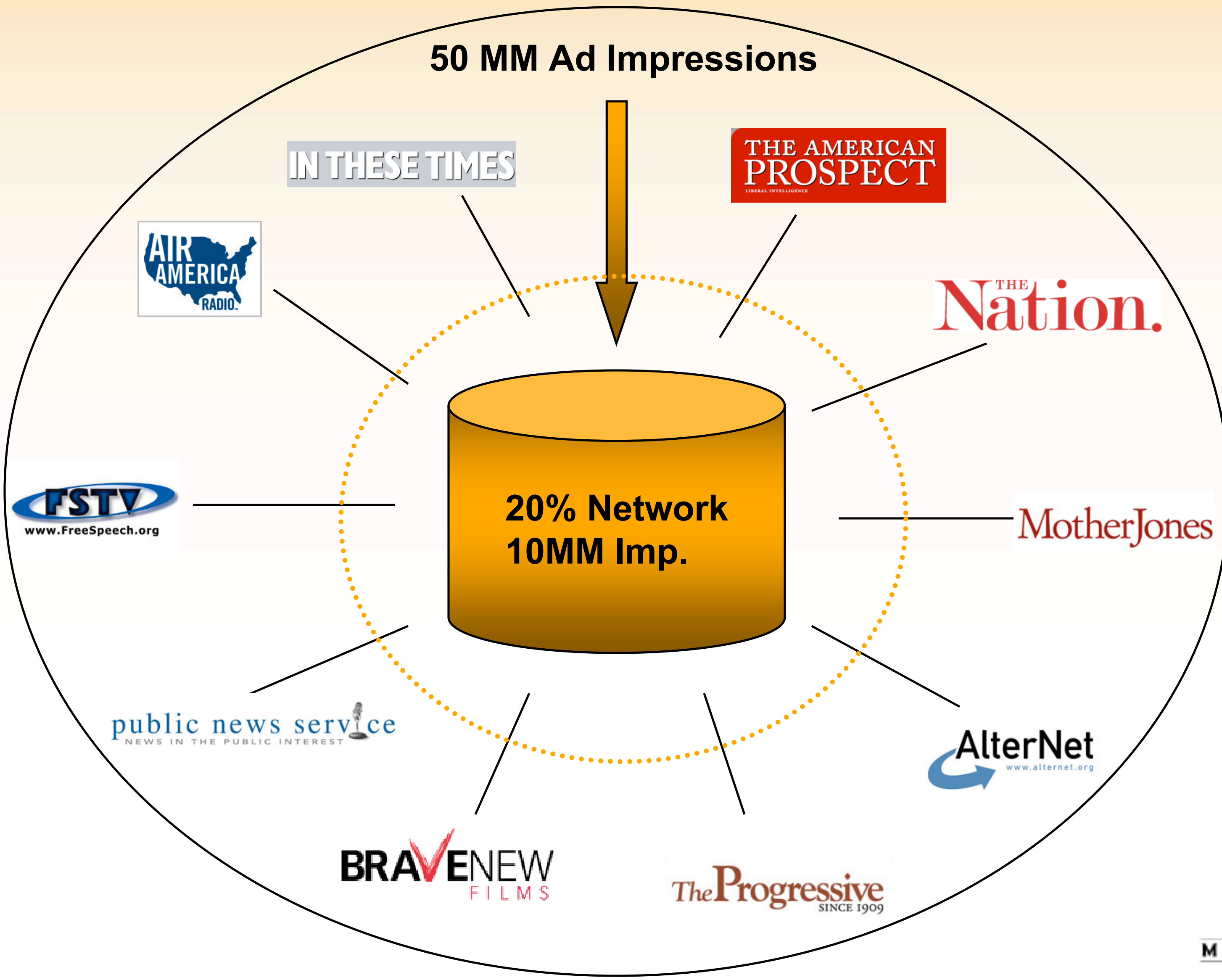
- Provide better scale for the advertisers that publishers can not land without aggregation



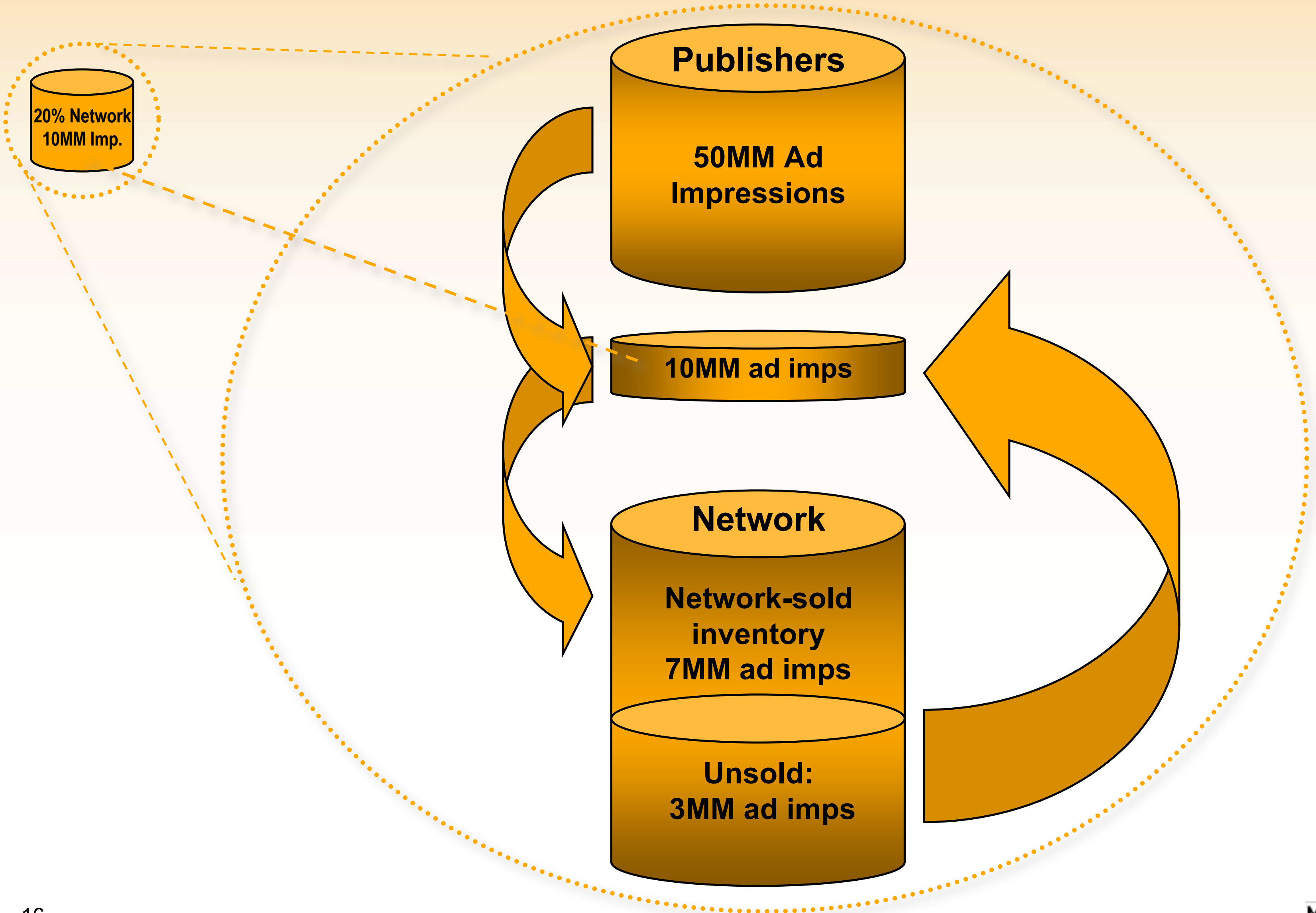
Publisher optimization pyramid

Source: Adify Website

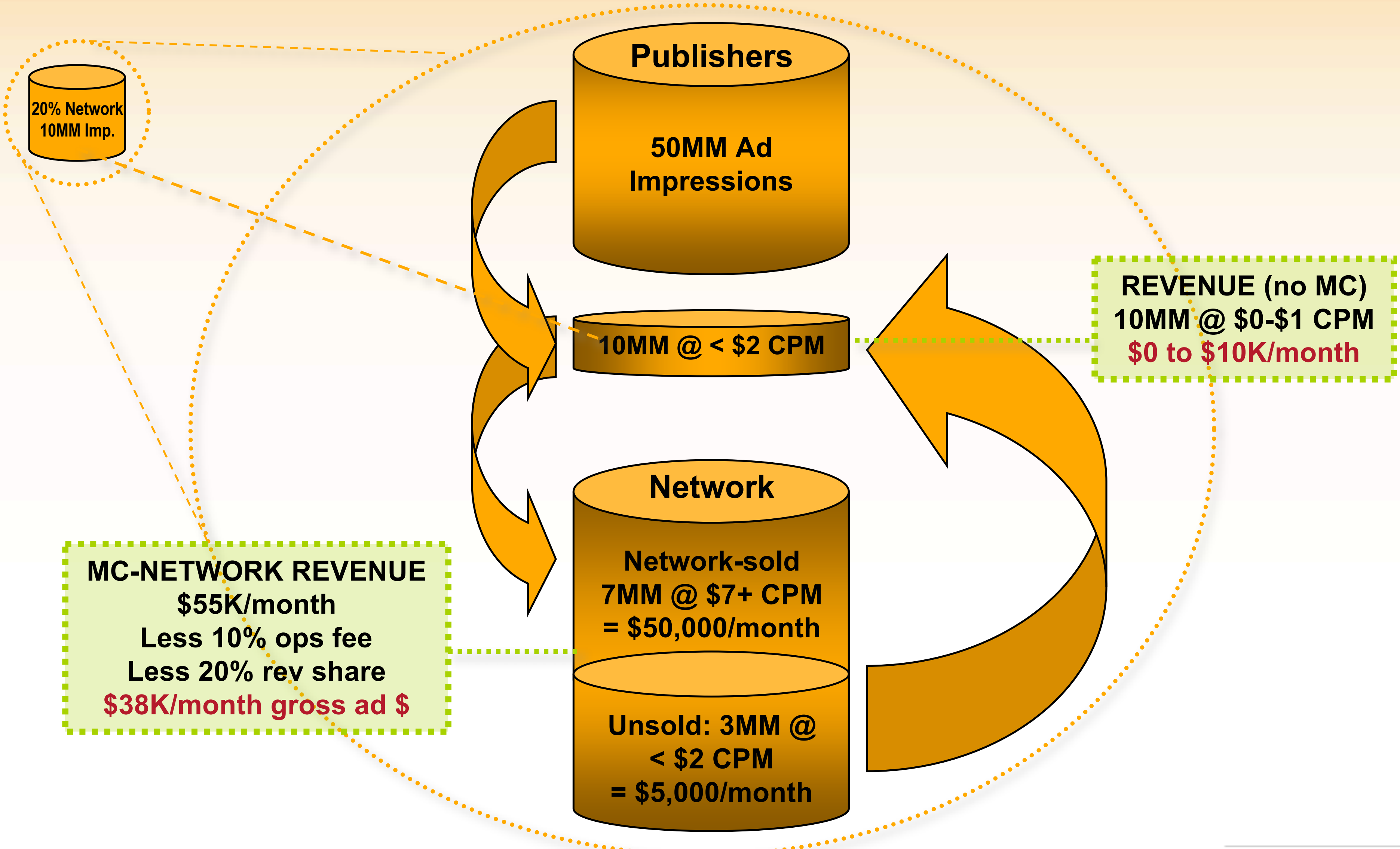
The network: hub and spoke



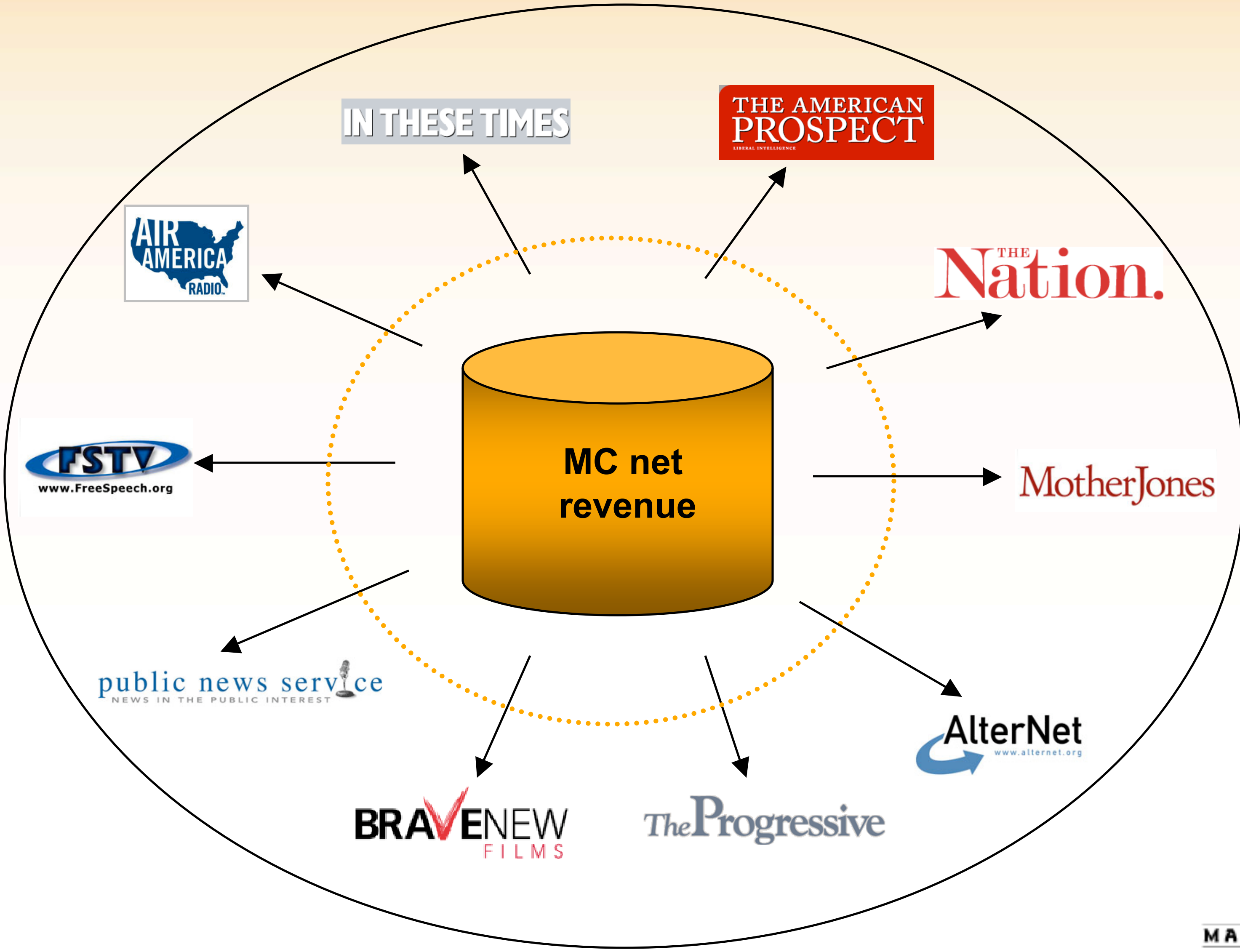
Network impression model



Revenue comparison



Revenue share to network publishers



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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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