

MEDIA & MARKETING

ADVERTISING

Web Sites Debate Best Values for Advertising Dollars

Study Produced for Online Publishers Says Proprietary Content Is Better Channel Than Portals or 'Ad Networks'

BY EMILY STEEL

FOR A TIME, Internet advertising was a rising tide lifting all boats. But as advertising ebbs, there are more arguments about where on the Web advertising is the most fruitful.

The fight over shrinking Internet ad dollars pits online publishers that offer premium content against major Web portals such as AOL, MSN and Yahoo. Portals and publishers, meanwhile, also have to compete with the ad brokers that sell often cut-rate leftover ad space on Web pages with less visibility.

Web publishers this week are pointing to a study—ordered up by their trade group—that they say presents evidence that ads on their prime pages offer more bang for the buck.

The Online Publishers Association—which represents creators of Web content such as New York Times Co., ESPN.com, MSNBC.com and The Wall Street Journal—on Thursday is releasing a study that finds that ads appearing on the portals and bought through ad brokers are significantly less effective than the premium ads they sell on their own sites.

“A brand marketer might be

tempted in a recessionary economy to look for the lower-cost option. What this study shows is that the lower-cost option is not a productive solution,” says Martin Nisenholtz, senior vice president of digital operations for New York Times Co.

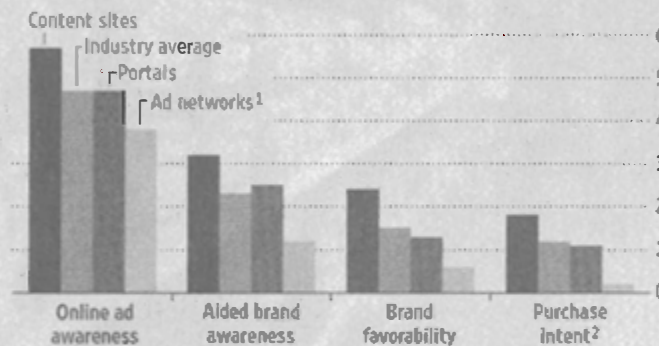
The study, based on research from the WPP PLC research firm Dynamic Logic, taps three years of data that include more than 4,800 marketing campaigns. Dynamic Logic offers a syndicated tool that big advertisers use to measure the impact of their digital campaigns.

The study shows, for instance, that online ad awareness metrics—where consumers remember seeing a brand or product advertised on the Web in the past 30 days—was 21% greater for ads on content sites than portals and 50% greater than ads placed in bulk by ad brokers.

Rates have begun falling for display ads, the graphical ads that border a Web page and make up the bread and butter of most Web publishers' revenues. U.S. spending on display ads will drop 17% this year, to \$4 billion, according to projections from PricewaterhouseCoopers. These declines come after years of rapid growth. It's bad news for media companies trying to make

Ad Impact

A study from a trade group shows ads on publishers' sites are more effective than ads elsewhere on the Web. The scale represents the percentage point difference between consumers exposed to an ad vs. those who weren't.



¹Ad networks broker the sale of leftover ad space across an array of sites

²Purchase intent measures how likely consumers will consider a certain brand the next time they are shopping

Note: Data for ad networks under purchase intent is statistically insignificant, according to data provider. All data are for last three years through first quarter 2009.

Source: Online Publishers Association

up for even steeper declines in their traditional businesses.

Overall, U.S. spending on online advertising is expected to drop 3.2% to \$24.1 billion this year, according to PwC.

Big digital publishers long have charged high rates for the ads that appear on high-traffic areas of their sites, such as the homepage. The argument is that their professional, proprietary journalistic content should reflect well on an advertiser, says Ed Erhardt, who oversees ad sales at ESPN, which is a unit of Walt Disney Co.

The Web portals and ad brokers, for their part, say that while big banner ads on a premium Web site often garner more attention than small ads, advertisers are paying high prices for relatively small audiences. The portals say they provide an easy way for marketers to make a big splash with consumers with a single ad on their homepages, which attract big audiences.

As the economy has deteriorated, many marketers have sought out cheaper options, like “ad networks” that sometimes

sell ad space for less than \$1 per thousand times the ads appear. In comparison, Web publishers try to sell ads for upwards of \$10 per thousand appearances.

Some media buyers say the study oversimplifies the planning work that advertisers do, as ad space purchases on premium content sites, portals and through ad networks each serve a different purpose.

“You go to media conferences, and there is a portal contingent, there is an [ad network] contingent. Sometimes I feel like

saying to all of them, can't we just get along? You all have a place at the table, says Steve Kerho, senior vice president of analytics, media and marketing optimization at Organic, a digital ad agency owned by Omnicom Group that works with marketers such as Chrysler, Bank of America and Kimberly Clark.

Portals like AOL and Yahoo are trying to position themselves as a one-stop shop for digital advertising. “We see value for advertising in all three,” says Jeff Levick, AOL's president of global advertising and strategy for Time Warner's AOL division.

Some ad and Internet industry executives worry that comparative research about any part of the online ad business could hurt the whole industry, by confusing advertisers who are still new to the ins and outs of the Web—a small but promising part of the slumping ad business.

“The reality is that consumers are spending more and more of their time online. We as an industry have not made the bridge to large marketers as to why the dollars should shift as well,” says Bill Wise, vice president of business development at Yahoo. “It is all part of us getting more market share for digital.”