

June 2009

Musings on Media

Market Platform Dynamics

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Introduction

The Internet has roiled the massive related worldwide industries of media and advertising. Advertising is what pays the rent in the newspaper, radio and television industries by and large. The content that these industries feed readers, listeners and viewers is merely the bait that attracts ears and eyeballs. These media businesses sell advertisers access to the audiences that are lured in. The Internet, and the World Wide Web that advertising has made possible, has delivered advertising messages that are tailored to each view that a person makes of a web page. It takes much of the guesswork out of traditional media—advertisers know precisely how many people they are reaching and can tailor their messages at a minimum to narrow demographic and geographic groups and increasingly to even more narrow targets. At the same time the flood of content on the Web has taken a chunk of attention time away from traditional media. That potentially hits traditional media with a double whammy. Their audience and advertisers can both leave them for cyberspace. More sadly, as audience leaves, advertisers have an extra reason to leave, and as advertising revenue declines traditional media has to cut content which in turn drives more audience away.

The blog posts and articles in this collection are taken from our blog – CatalystCode.com - and examine how the stiff winds of change are altering the media and advertising businesses. The pace of creative destruction is fastest for the newspaper industry. As you will see from reading the posts over the last couple of years we've watched the newspaper industry go into a death spiral. People questioned this when we first started writing. Now there is debate over whether the venerable *New York Times* will even survive while the *Wall Street Journal* seems to be getting slimmer every day. The rest of the media and advertising industry is changing more slowly and doesn't have the sense of imminent doom that the newspaper industry has.

But changing it surely is. Online advertising has held up better than traditional advertising in part because companies think they are getting better value for their dollars. It is growing slowly but inexorably as more advertising inventory moves online and as innovation widens the gap between online and traditional methods. Radio and television have as well but it is only a matter of time—and it may be quite a long time—but most radio and television are now consumed over Internet connections.

We hope you find our musings over the years useful in understanding where we think the media and advertising businesses are likely to go in the next few years.

Catalyst Code Blog

The Catalyst Code Blog takes our two-sided platform concepts to heart by bringing together contributors and readers to deliver thought-provoking fodder in the payments, web 2.0, loyalty, advertising, mobile and social networking spaces.



Blogs on the Newspaper Industry

(June 2009 – January 2008)

[Why the Clueless Can't Survive](#)

By: [David Evans](#) on July 1st, 2009

I suppose dinosaurs were pretty disoriented in their final years roaming the earth so maybe we shouldn't be too critical of the newspaper industry today.

Still the fact that the [WSJ publisher is lashing out](#) at Google as the cause of the newspaper death spiral is unsettling. Sure, Google has been a prominent player in the online world and has helped attract both eyeballs and advertisers away from the newspaper industry. But even if Google had never come into being, the newspaper industry was still going the way of the typewriter.

Lots of websites and online advertising suppliers have played a role in pulling viewers from physical newspapers - increasing the supply of online advertising inventory, driving down advertising rates, and luring advertisers to cheaper and more effective online channels. All this was set in motion by the development of the Internet and Web technologies and would have happened without Google. The newspaper industry got caught in a technological disruption. Rather than lashing out at Google they should be either figuring out new business models (tough, but not impossible, and we've made [some suggestions](#)) or just recognizing that it is time to rationally wind down a lot of newspaper properties.

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[Is it Better Late than Never?](#)

By: [Karen Webster](#) on June 30th, 2009

[Current thinking](#) in the newspaper biz is that the cure to what ails them is to figure out how to get some of the people to pay for some of the content. In other words, keep some stuff for free, but charge for the stuff that people really want. Not a bad strategy, and not a new one either. On demand programming on cable offers some free (but not so good stuff) stuff but keeps the new releases and top picks behind a pay wall. And, notably, the Wall Street Journal and Barrons, have succeeded in erecting a pretty big (and expensive) pay wall, such that almost nothing is free. Hearst Publishing has taken a different track, driving people to the print edition of their magazines by not offering all of their "good" content online.

But, as with all good strategies, the devil is in the details of the implementation. The biggest problem that newspapers have isn't with people like me who grew up having newsprint on my fingers every morning and who have remained loyal in spite of the blackberry and iPhone apps

and free digital versions of the paper. It's the fact that the younger generation doesn't feel compelled to read the paper – on or offline. Their news comes from a variety of niche sources that are all available to them for free (at least for now). The solution may not be as simple as trying to figure out how to erect a pay wall, but stepping back and evaluating the core product and what will make it attractive to a new audience. Barrons and the WSJ have survived (and thrive) in spite of their paywalls because they offer information and analysis that is “need to know” for anyone in business or finance – regardless of your age or demographic. The same doesn't hold true for the New York Times, or my hometown paper which is on the verge of extinction, The Boston Globe.

What most people miss, I think, in this whole discussion is how interwoven print and online content production has become. The same teams that produce articles for print, also have those pieces posted online. Is it reasonable to expect the same quality of online content if the journalists who produce the print content that is also viewed online are “retired” because there is no longer the revenue on or offline to support them? Not so clear. Here's a scenario to consider. My 26 year old colleague probably doesn't buy the New York Times, but chances are that she pops on line to read it a few times a week. Would she miss it if it disappeared entirely and more importantly, does she value its content enough to pay a modest subscription fee to get its content online, knowing that if she didn't, it would disappear entirely? Also not so clear.

So, I totally agree that it is about time that the industry is now talking seriously about new business models. Whether or not it's too late, remains to be seen. A lot will depend upon how much independent soul searching these guys are willing to do. And, how much change they are willing to embrace.

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[Being Flexible During Times of Disruption](#)

By: [David Evans](#) on June 3rd, 2009

Hearst Magazines is following a '[contrarian strategy](#)' when it comes to its online strategy and pricing its print magazines according to an article in Monday's New York Times. Hearst has raised newsstand prices for most of its magazines, sometimes significantly. And rather than sticking all of its content online it has been pretty coy. Online readers are told to go buy the print version for some of the juicier stuff Hearst has to offer. The NYTimes tells us that the result seems to be paying off since the price increases didn't cut circulation significantly and given that Hearst's ad pages only declined 6.7 last year compared to an industry average of 11.7 percent. I don't know enough to say whether Hearst has followed the right strategy or whether it has found a secret to avoiding the free fall of the newspaper industry or the slow slide into oblivion of some of the news magazines. Their experimentation with new pricing models and ways of doing things is surely right though.

The magazine industry has been largely following the same old pricing and business models for the last century. In fact, it was a bit more than a century ago that the magazine industry was revolutionized. As I describe in [Catalyst Code](#), the magazine industry in this country used to have high newsstand and subscription prices and little advertising. Magazines were almost like soft cover books. Then one of the key players slashed prices to beef up circulation and started selling advertising.

The online revolution is a cause for the magazine industry to reconsider its pricing model and just about everything else. As a physical medium, magazines still have a lot of advantages for consumers and advertisers over the web at least for now. Advertisers in particular benefit from the serendipity of consumers running across their ads as they navigate their way through the magazine and consumers have been less interested in abandoning slick glossy magazines than humdrum newspapers. In “catalyst” industries that depend on connecting multiple groups of customers—advertisers and readers in the case of magazines—it is possible that dramatic changes in the prices can lead to a new profitable equilibrium. Remember, that is exactly what happened at the end of the 19th century when subscription prices were slashed. It is possible that an innovator—and maybe it will be Hearst—will find the magic formula again. If Hearst succeeds, many in the magazine industry may owe them a huge debt of gratitude.

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[The Last Day of the Seattle Post-Intelligencer](#)

By: [David Evans](#) on March 16th, 2009

There’s some irony in one of the first major daily papers going down the drain being [a major daily in Seattle](#) with San Francisco close behind. The Hearst Corporation couldn’t find a buyer for the Seattle Post-Intelligencer and plans to build an online property from its ashes. Tomorrow, St. Patrick’s Day, 2009, is its last day. The San Francisco Chronicle is next on the list. These two west-coast metropolises that pioneered the information-technology boom are leading the way toward saving the forests by killing their print newspapers. Perhaps with their heavy concentration of techies, not too many folks from Seattle will miss their second newspaper.

My guess is many there and everywhere will miss these grimy rags, and that one doesn’t have to be a Luddite to bemoan this massive transformation of journalism. The demise of the newspaper industry is quite different than the death of the typewriter. Newspapers have been central to free societies that encourage debate and transparency even when they are irresponsible and journalists get their facts wrong. They’ve been part of the American heritage going back to Ben Franklin. Web-based sites including blogs may well take over this mantel but it remains to be seen whether the web business model will sustain the quantity and quality of coverage that has proved important to our democratic society for centuries.

Of course the fat lady hasn't sung yet. New technology—the thin flexible displays we've written about [here](#)—the possible emergence of a handful of national newspapers, and new business models that charge for content may still lead to a situation where we have fewer newspapers but still have serious journalism. But let there be no doubt—by the time we come out of the other end of this financial crisis (in a few years in my view) the journalism business will be far different than it is today.

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[The Creative Destruction of the Newspaper Industry](#)

By: [David Evans](#) on March 10th, 2009

It's amusing when one kind of dinosaur predicts the demise of another kind of dinosaur. But there you have it with Time Magazine's list of the [10 most endangered newspapers](#) in America. My hometown rag is number 4 on the list and is losing \$1 million a week.

The next few years will likely see the wholesale slaughter of offline newspapers. This would have happened eventually but the financial crisis with the plummeting in ad revenues has accelerated the process. My guess is we'll end up with a handful of national newspapers.

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[Micropayments as a Model for Making It?](#)

By: [Karen Webster](#) on February 8th, 2009

Walter Isaacson, the former editor of Time and now head of the Aspen Institute, has come up with a way to save the newspaper industry: devising a [micropayment method](#) that will enable publishers to charge nominal fees for each article read. His theory is that people will zoom thru cyberspace and happily buy articles that they want to read if doing so is something like 2 or 3 cents a click. His theory, I guess, is that people will lose track of their clicks and end up succumbing to their impulses to pay for the pieces they want to read. Isaacson gives a slight nod to the littered landscape of micropayment failures but brushes that off as 'that was then this is now' sort of justification for his "bold, old idea for saving journalism."

Huh? No wonder the industry is tanking. Now, don't get me wrong, his idea of getting consumers to pay for online content is not a bad one, in fact, it is the holy grail that publishers now seek. But simply charging nominal fees for what people get now for free ain't exactly the industry's silver bullet. In this article, David Carr, NY Times columnist, correctly pointed out that what people will pay for is good content and that the real threat now to the industry's collapsing business model isn't just to charge for content, but to be sure that what is being charged is what people value and want to buy. The death by a thousand cuts now taking place

in the industry's newsrooms is getting rid of the journalists that create the kind of great content that people will pay to read. Isaacson has come up with a solution for the wrong problem.

There are still clever and creative things that the industry can do to capitalize on the forces that are being driven by the transition generation –the great majority of the population who over the next decade will only get their news from internet enabled devices. For some hints of what some of those things are, take a peek at [an article](#) that I wrote with David Evans nearly two years ago (suggestions which have obviously fallen on deaf ears) which, proudly, has not a hint of micropayments in it. But it is hard to see how any of these ideas can be executed upon when those at the top would rather spend their days and dollars devising plans to reprise the industry of 20 or 30 years ago using technology that was proven a failure.

Clay Shirkey, who has written about the Internet extensively and micropayments in particular, was asked for his comment on Isaacson's idea. His reaction: "MicroPay talk appears wherever a biz is dying."

May the industry rest in peace.

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[Extra, Extra, Read All About It!!](#)

By: [Karen Webster](#) on January 12th, 2009

Nope, you read it right. The new year started with some old news: the newspaper industry is dying because fewer people are buying its product, those people are moving online to get their news and online ad revenues don't fill the revenue gap. And, the industry's death spiral is gathering momentum now that the online ad market is cratering too. When a property like the New York Times starts talking about its own dire financial straights, you know the industry is operating on fumes.

[eMarketer](#) suggests that the industry look for another business model beyond advertising. And, they are right, have a look at [David Carr's take](#) on the situation. But that advice holds true for every other media property that is dependent upon advertising revenue – which is probably darn near close to 100% of them.

So much of the discussion is focused on the ad side of the business, which is understandable since that is the "money side." But little is written about the reason for that. The money side is caving because readers are disappearing. But, does it really have to be that way? As much as I complain about the New York Times, I still have it delivered to the house every day and buy it when I am on the road. I like reading the physical paper in the morning (it is sort of a ritual) and the \$1 that I spend to keep that ritual alive is a small price to pay. I've thought about dumping it recently since my perception is that the quality of the news reporting has declined, but for now,

the buck I spend isn't too heavy a price to pay for the overall benefit I receive from the paper (and the continuation of my ritual). Will I continue to spend \$1 if the reporting continues to deteriorate? Probably not. Would I spend \$2.50 if the paper's quality were to improve? Probably, since I also subscribe to the Wall St. Journal which costs more to buy. The real question is, how many other people would too? But I surely wouldn't spend any more money for a crappy quality paper, (and I probably wouldn't spend any less money either) which is sort of where this whole thing seems to be heading.

There have been many projects started that were to have "saved" the news industry but they have failed to deliver readers, advertisers or results since they forgot to look at the side of the media platform that is essential to ringing the cash register – the readers. It's really time for publishers to stop talking about their problems and get back to the business of producing a quality product that people want to buy before it is too late. That probably means thinking a whole lot differently about the product, its purpose and its value and finding other ways to monetize their assets. The big decision for publishers is whether they want to be like American Express or Western Union or IBM which have successfully reinvented themselves each time their business was put at risk or like the typewriter industry which just disappeared.

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[More News About the News](#)

By: [Karen Webster](#) on July 21st, 2008

In the latest sign of an industry that is headed for oblivion, a new study released by the Pew Research Center concludes that 64% of American newspapers publish less foreign news than they did three years ago citing editor's opinions that foreign news is not "essential" to their business any more. And, right behind the pull back in reporting foreign news were cuts in national and business news reporting. Reporters' blogs aren't edited and long-time journalists are being sacked in favor of young, less experienced reporters who are able to work fast. The traditional industry seems to be raising the white flag to national news web sites and cable TV with national and regional papers morphing into local outlets for news. The big unknown is whether the obvious embrace of the strategy to downsize the paper's content will translate into an embrace of the downsizing of their ad revenue. Local papers with local advertisers just won't carry the same bounty as national news outlets do – or shall I say did.

The industry, however, could learn something from the French. This morning's New York Times described France Telecom's experiment to deliver the news digitally via a black box (think of the Kindle) with advertising embedded into the paper. Now this is big news for many reasons even though the technology is not all that new (The New York Times can be downloaded onto the Kindle, for example). First, the paper is ad-supported. That's not so new but France Telecom's plan to split the ad revenue with the publication is. Second, the paper is interactive. Thanks to the internet-enablement of the paper, advertisements can be linked directly to the advertisers

web site, capturing the impulse instinct much more effectively than their low tech paper brethren.

The goal is to revive the newspaper industry in France; a market where readership is even lower than it is here in the U.S. This is all a trial right now and the devices are given to subscribers for free to get them to give it a try. If successful, one can imagine them rolling out the same model that they use now with mobile phones, subsidize the cost of the device in exchange for a modest charge for the service (which of course runs over their wireless network).

When we wrote the piece last year on how to “save” the industry, we actually started the piece with a scenario that sounds much like the French Telecom experiment, thinking that it was a longshot given the malaise within the industry. The idea, it seems, is doable, but the innovation didn’t come from Le Monde or La Pais, but rather an outsider. That is perhaps the ultimate catalyst cautionary tale. Catalysts must understand and map the entire industry ecosystem – not just those who are direct competitors today. It’s why payment companies want to better understand the implications of mobile to their business and why mobile carriers worry about Google becoming a phone company. Thinking (and looking) outside of the box in these businesses is more than a cliché, it has to be priority number one.

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[Newspaper middlemen, the first to go?](#)

By: [Karen Webster](#) on May 5th, 2008

Last week, The Capital Times, Madison Wisconsin’s 90-year old daily newspaper, stopped publishing the print version of its newspaper and announced that it will instead publish all of its news to the web. This move was made after it watched its circulation dwindle by more than half over recent years and its advertising revenue shrink as well. Its publisher lamented, “We felt that our audience was shrinking so that we were not relevant.”

The Economist also profiled a piece this week on this beleaguered industry. The article posited that the future of the industry depends on the “scope” of the paper’s coverage – national, metropolitan or local, suggesting that it is the metropolitan papers that have the most to lose by their inability to bridge both national and local coverage. And as we know, being “stuck in the middle” is a particularly bad place to be, especially if you are a newspaper. The article also went on to describe a few efforts that papers have made to reinvent themselves in the face of more news outlets and changing reader preferences.

The wildcard with any of these strategies is determining whether the revenue will follow. Being a “niche” or an “information connector” may save a paper from oblivion, but it might not be enough to pump up its bank account either. It’s a fact that ad revenue on the web is about 15x less than it is in print – meaning that relying on an ad strategy alone may not be enough to save

the day. And, the jury is out on whether people will pay for content, even if they say they value it.

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[The Gray Lady Staggers](#)

By: [David Evans](#) on April 18th, 2008

The *New York Times* surprised analysts [Thursday with a small loss](#) instead of the anticipated roughly \$24 million in quarterly profits. Today's *Wall St. Journal* paints a miserable picture for the graying lady as well Media General and the *Tribune* on Page B1 (subscription only, see <http://online.wsj.com> for related news).

For anyone, including the billionaires who were thinking of buying these properties, this should make it pretty clear that the traditional newspaper industry really is going into a death spiral. These results expand the problems we discussed last month when a survey showed that [people don't read newspapers anymore](#).

Something will survive of this old industry, but it is becoming increasingly less clear just what. See "[Tomorrow's News Today: Strategies for Survival](#)" for more thoughts on what can be done.

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[The Design of the Times](#)

By: [David Evans](#) on April 10th, 2008

It used to be when you opened the [New York Times](#) to pages 2 and 3 there were a couple of things you could be certain of. There'd be the lead news articles on international events, and there'd be a [Tiffany's](#) ad on the right hand side of page 3. This was a great premium spot for Tiffany's, at least if you believe lots of people opened up the paper.

Recently, the *Times* changed this—so now pages 2, 3, 4, and 5 are almost like a table of contents with short clips summarizing what's in the paper and lots of ads. This seems like a really stupid design decision and it provides a good lesson on the do's and don't of catalyst company design. Like all advertising supported media, the *New York Times* has a basic business model—get readers and advertisers on board its "platform" and promote "interactions" among the two groups. In practical terms that means delivering lots of eyeballs to advertisers. Design is a key aspect of that, as Dick Schmalensee and I explain in *Catalyst Code*. The classic example is the shopping mall with the up and down escalators on opposite sides of the two-level mall to promote foot traffic.

So when I look at the *New York Times* I wonder whether they really thought this through. Personally, I just skip over these pages which look like filler. And that's too bad for my wife because my eye no longer lingers over the Tiffany's ad. And too bad for Tiffany's, too, which seems like its getting less valuable advertising space. What do you think? Bad catalyst design—or do you think the Times really did some market research that showed that these new pages would attract eyeballs?

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[News Flash? People Don't Read Newspapers Anymore](#)

By: [Karen Webster](#) on March 10th, 2008

The latest [WeMedia/Zogby poll](#) citing that most people use the internet for their primary source of news and information is hardly a newsflash. We've been reading about the newspaper industry's demise now for a couple of years as a result of fewer people reading the paper and therefore fewer advertisers using it to reach the audience that it once attracted.

What is interesting about this survey though is how more than two-thirds of Americans believe that traditional journalism is out of touch with what people want from their news. And they're right. Before 24/7 news sources on cable and via the internet, the daily paper was THE place to get news and analysis of what was going on in the world. Now, print papers, with a few exceptions, simply rehash the same stories we all heard about yesterday. Anything that is in the daily paper that day these outlets also cover, but in nice short soundbytes or email headlines so that readers don't even have to touch the paper in order to get access to information that is relevant. In many ways, having a morning newspaper subscription is as much a signal to someone of your age as whether or not you remember seeing the Beatles perform live on the Ed Sullivan Show.

I found myself thinking about this very same thing the other day as I was reading my *New York Times*. What I used to savor and really enjoy each morning I can now get through in less than 10 or 15 minutes. The front section is stuff that I have already seen and heard about without a lot of new analysis, I don't read the sports section, and the business section is increasingly anemic. Even the Style section isn't as interesting as it used to be. I still get the paper, mostly out of habit, but can't say that I feel deprived if I miss it in the morning.

My other morning paper, *The Wall Street Journal*, seems to have at least gotten the fact that quality content needs to be delivered if they want to keep subscribers. Even though their content covers many of the same topics as the *NYT*, it offers new insights and analysis. And, now that the *Journal* has its Personal Journal section I can still get news related to dining, real estate, style and soon sports. *The Wall Street Journal* has now become my BFF.

So, as the *New York Times*, *The Boston Globe*, the *LA Times* and the *Chicago Tribune* whack jobs in the newsroom to reduce costs (and therefore the quality of their content), papers like the *Wall Street Journal*, *Financial Times*, *Barrons*, *Investors Business Daily* and others that seem to get what is needed in order to survive as a catalyst in the print news publishing industry – great content which attracts the right readers which in turn attracts advertisers – stand to profit. As I have said before, the newspaper industry needs to stop spending money on [consultants who tell them what they want to hear](#) and take a hard look at what they need to do to save themselves. The answer is likely to be one that causes them to dramatically shift their focus away from what they do today to a new model of aggregating and distributing content. It might not be what they want to hear, but it is something worth listening to. I wish they would before it is too late. For more thoughts on this, read our IDEAS article, “Tomorrow’s News Today: 5 Strategies for Survival.”

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[Newspaper Next is Newspaper Not!](#)

By: [Karen Webster](#) on February 24th, 2008

Industries like people sometimes do not live forever. The whaling industry was the major source of fuel for Americans in the 19th century. Great fortunes were made and Nantucket was once the whaling capital of the world. It died as people switched to gas and electricity. The typewriter industry had an almost century run from the late 19th to the late 20th century. My guess is that typewriters are about as familiar as whale oil for people under 50.

When an industry gets very sick it faces some of the same decisions as people face. Maybe I can take some strong medicine and keep on living, recognizing that I might even feel sicker in the meantime. Or maybe I should just make the best of my remaining years. I think the newspaper industry may be facing this choice now.

You all know the story—they’ve been walloped on the content side as people go to the web for content, and they’ve been shellacked on the advertiser side as companies move to better targeted and cheaper web ads. They’ve gone to “the doctor”—commissioning a series of reports led by a famed [Harvard Business School Professor](#). As Mark Fitzgerald recounts, the first dose of medicine—loading up of multiple products for niche audiences—didn’t work and might have even made them sicker. So the new medicine now being prescribed is to turn themselves into “local information and connection utilities” whatever that means. Boy, sounds a lot like a clinical trial to me.

It might be time for investors to recognize that just as great whaling companies weren’t needed as mass electrification came into being, newspaper companies might not be so needed in the internet world. If that were true then newspapers should milk their franchises for what they are worth, recognizing that they aren’t going to be around all that much longer. In practice, that

means making as much money as they can from subscribers and advertisers who still like these products and figuring out ways to take what newspapers know how to do best—collect and assemble content—and transit that expertise to internet firms that can use it.

My view is that this is a far better strategy for newspaper investors than squandering money on trying to do something they aren't good at: in essence, make the best of the years they have left without monkeying around with a bunch of experiments that will diminish their quality of like (aka returns) in the meantime. That doesn't mean that no newspaper company could make the transition to the new world. Western Union managed to segue from being the dominant telegraph company to, slowly and painfully, being the dominant money transfer company today. American Express managed to go from being a pony express company to making a fortune off of credit cards.

But wishful thinking and a lot of MBA jargon won't substitute for a real plan to the beat the internet disease that afflicts the newspaper industry. For more, see our *IDEAS* article, ["Tomorrow's News Today: 5 Strategies for Survival."](#)

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[Sign of the Times: Newspaper Cutbacks the Beginning of the End?](#)

By: [Karen Webster](#) on February 19th, 2008

I picked up the *New York Times* two days ago and I could have told you that there were major cutbacks in its news department before ever reading [the story that confirmed my suspicions](#). The paper isn't as thick, the stories aren't as rich and frankly, even the Style section seems a bit anemic of late. Yesterday's paper had [a similar story about the cutbacks at the LA Times](#) and even suggested that the new management is going to let the marketing folks be more involved in determining what content goes in the paper itself. The Chandler family must be rolling over in their graves.

Sure, I could "just say no" to the *New York Times* in the morning – and maybe soon, I will be forced to cancel my subscription. Forced is the right word really since reading the *New York Times* is as much a part of my morning ritual as having my morning cuppa jo. I've always enjoyed the serendipity associated with the stories I would find on each page and yes, even the ads. For me, it is the quiet part of my day that I can take on my own terms before the demands of clients and staff kick in.

So, I am more than a little distressed to see how newspapers seem to be falling into the classic catalyst trap, that will serve as their death knell if they're not careful. Cutting costs is one thing, cutting corners on your core product – which in this case is content – is quite another. Bad content equals grouchy subscribers and it does not take much for a grouchy subscriber (especially when economic times are a little uncertain) to become an ex-subscriber. And the

more ex-subscribers there are, the more that advertisers will run for the hills. It will be hard to convince either of them to come back, once they are gone.

It seems to me that now is not the time to alienate the loyal base of subscribers that still pay money to read the paper and continue to stoke the advertising engine that keeps newspaper engines firing. There is a whole new generation of people coming up who simply don't read the paper – and never have – and maybe soon won't even have their parents persuading them of the wisdom of reading it either. I was talking to a 12 year old just the other day and I asked her if she read the paper. She gave me a funny look and answered “no” as if I should have known that already. She and her friends live in an online world and trusted brands like the *New York Times* and the *LA Times* mean little to them. What a shame - since it used to be that those brands stood for something - a measure of quality, a known commodity for aggregating news and information that was useful and interesting. As that reputation erodes given cuts in newsroom staff, even those who could be persuaded to seek out their content online simply won't. Say bye-bye to the business model.

It's not too late for newspapers to pull themselves out of their current downward spiral, but doing so will require real soul searching about who they are and what their role is in a world increasingly dominated by internet-enabled devices that also serve up a bunch of content choices to their readers. For some ideas, see our *IDEAS* article, [“Tomorrow's News Today: Five Strategies For Survival”](#).

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[Yesterday's News](#)

By: [David Evans](#) on January 1st, 2008

Today is the day the television listings in the daily paper died—at least at the *New York Times* which made this announcement in a small box in the back of the arts section. I'm stunned that the tv listings went before the stock listings. But never mind either way this is another example of the quandary that newspapers are in. Newspapers have attracted readers by bundling lots of stuff that at least some people want. The problem now is that a lot of that stuff is more readily available and useable from the Internet—who consults their daily newspaper anymore for the weather when instead of getting a many-hour old forecast you can go to any number of weather sites, or yesterday's stock listings when you can find out what your favorite stock is trading at a few minutes ago.

Costs shrink as content does but so do readers. And with fewer readers it is harder to get advertisers to open their wallets. None of this is news to anyone but that little announcement in the *Times* today shows the slippery slope these old rags are on. So when will they finally save the forests that go into the stock listings?

Online Advertising Posts

(June 2009 – December 2007)

[Advertising Meets Community and Connectivity](#)

By: [Karen Webster](#) on June 3rd, 2009

Interesting interview in yesterday's [WSJ with John Malone](#). The topic: how to get web visitors to pay for content on the web. The conclusion: advertising as a business model won't cut it but there is a way to get consumers to ante up for content if bundled with what Malone describes as community and connectivity.

Interesting thesis. Agree 1000% that advertising won't (w)ring out the red ink that digital publishers are bleeding these days. There are just too many ads chasing the same eyeballs on the web, driving ad prices on the web way down, at the same time that the medium is stealing share from once more lucrative print and broadcast channels.

But, as many a digital publisher will tell you, getting consumers to plunk down bucks for the stuff that they can get for free elsewhere on the web is a daunting proposition. And, on the surface, the combo of community and connectivity sounds like a bit like AOL redux - and we all know how that story ended.

That said, Malone has a point. There is precedent outside of publishing in the world of social networks where community and connectivity drives the revenue and profit engine. Dating sites reduce the friction involved in connecting people with potential mates and exchanges connect communities of buyers and sellers. And, while advertising adds a little revenue to the mix, other business models that are highly aligned with social strategy have emerged that create richer monetization opportunities for the platform, at the same time that those who use it, make those connections receive lots of added value. We actually think that the integration of social into business strategy will actually give rise to whole new ways of creating value and revenue that could make the ad model a primary revenue driver as anachronistic as cassette tapes.

They say that you can spot the pioneers since they are the ones with the arrows in their backs – as they blaze the trail in search of new opportunity. Who do you think will have the arrows in their backs on the road to this new monetization opportunity?

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[Is Canoe a Lifeboat for the Cable Industry?](#)

By: [David Evans](#) on June 1st, 2009

The cable industry appears to be struggling to come up with a targeted advertising platform to compete with the internet according to an article in the *Wall St. Journal* on the 27th of May, [Cable Industry Weighs Its Approach to Targeted Ads](#).

Here's why this is important. The online advertising industry has demonstrated the power of using internet technology, sophisticated software and data analytics to deliver ads more efficiently. (See my [The Online Advertising Industry: Economics, Evolution, and Privacy](#) for more details.) Moreover, online advertising is innovating rapidly. It is developing, more slowly than some had thought, behavioral advertising methods that increase the likelihood that an ad will go in front of someone who likely cares about it and will take some action as a result. More and more content is moving to internet-based connections—whether that's PCs where you can watch YouTube or Hulu not to mention lots of other stuff—or mobile phones. That means eyeballs and advertising dollars are moving from traditional media—with the fastest to fall being newspapers of course—to the online world. Television broadcasting and cable haven't been affected much by these trends—so far. The fact that the cable industry has been investing in Canoe and other methods to deliver targeted advertising shows that they wisely have seen the handwriting on the wall and know that a decade from now they too could be facing the death spiral that the newspaper industry is in.

But here's the problem and the *Wall St. Journal* article emphasizes. The beauty of the internet is that it is a standardized technology and upstarts—that's what Google still is!—can focus on developing cool technology without having to worry about making the plumbing work. The ugliness of cable is that the plumbing is a mess—it isn't standardized and Canoe is trying to figure out how to get the different cable companies on the same platform so that the cable industry can offer advertisers a similar eyeball reach as internet-methods.

Meanwhile, the internet ad guys are moving on to the next great things. The economic meltdown has led some to take their eyes off of these inexorable trends. Online ad revenue is way down as advertisers pull back—why advertise to people who aren't going to buy—and shift some of their attention to long-term branding efforts where television still has some advantages. The bloom seems to be off Google. Fortunately for society, and unfortunately for traditional media and advertising, internet-based technologies for delivering content and ads are just so much better than the alternatives—like electricity to whale oil—that the long term trend is in its favor. The cable industry needs to accelerate its efforts to find a stop-gap method—that's all Canoe is—to compete with internet-based advertising and find a long-term solution that is fully compatible with internet-based technologies.

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[Can Content be Freed from Being Free?](#)

By: [David Evans](#) on April 14th, 2009

Back in 1893, magazines earned most of their profits from subscriptions or newsstand sales and they didn't carry much advertising. Then a clever magazine mogul by the name of Charles McClure slashed his subscription fees, exploded his readership, and made a fortune from selling advertising. Others soon followed suit and the modern era of advertising-supported magazines started. His competitors didn't have much choice. He had undercut their prices and since consumers didn't mind the advertising other magazines couldn't survive unless they adopted the same model. Magazines are now trying to play this movie in reverse in Sunday's [New York Times](#). Other media may try to do the same which is the subject of [Papers Try to Get Out of a Box](#) on the same page of the New York Times on Sunday. Associated Press says it is going to start tracking down users of its content and charge them for it.

Can we unwind the free business model?

To answer that, it helps to start by understanding the source of the problem. A lot of commentators say the current predicament is because the web gives away so much free content. But the web hardly invented this model. Consumers have been getting content for free or at prices that didn't cover the cost of providing it to them for the better part of this century. Physical print media generally charges enough to cover their print and distribution costs but don't make any profits on top of that. That isn't really any different that the web where the print and distribution cost happens to be zero. Radio and most television content has been free as well.

Two things make the web different and the source of the problem. The first is that it is a vehicle for ripping off a lot of content that other people create. Websites take the stuff and recycle it among themselves but don't give anything back to the original publishers of that content. The second and probably the more important is that it is really cheap and easy to start a web-based publishing entity and that means that web-based businesses can charge very low prices for their advertising inventory. The first problem results in the web diverting eyeballs and the second problem results in the web depressing advertising prices.

If content on the web continues to be available for free and continues to attract eyeballs away from the physical world there's no going back. Newspapers and magazines will lose a lot of readers when they raise prices and my guess is, the one they'll keep is the older generation that remains devoted to print media. That can't be a viable model for the long run.

I think there are two principle reasons though to believe that the web will move to paid content and/or the migration of eyeballs will slow down. First, online media is facing the same problem as offline in finding a sustainable business model. Advertising prices are so low that web properties have to attract a massive number of eyeballs to make much money. More web properties are going to start thinking about charging for content and, more importantly,

entrepreneurs are going to be developing businesses that create enough value-added for the content that people will pay for it. Second, if I'm wrong about that, the content that web properties can afford to present to users will decline both because these properties can't pay for it and because the content providers they've been ripping off won't be around anymore. As free content deteriorates on the web more eyeballs will move to paid content on the web and off the web.

We're currently moving through a period of disequilibrium. The prevailing price structures and ways of doing things are unlikely to be viable in the long term. As more eyeballs move to internet connected devices, the supply of advertising inventory is going to grow explosively and it is going to become cheaper and cheaper for advertisers to reach massive audiences or just the right audiences. But as advertising fees decline, web publishers are going to have to find other revenue streams to survive. When we come out of this period of disequilibrium, my guess is we'll end up in a mixed world where there is still free content supported by advertising, there's much paid content, but the content creates enough value that people are willing to pay for it. Content will evolve and improve. Face it, a lot of free content is crap because it doesn't have to be very good to get people to consume it just for enduring some advertising.

Pricing and business models can and do change with the times. The commercial web is only about 14 years old and advertising-supported web content really only took off, along with what we now call Web 2.0, five years ago. We'll see lots of adjustments in the coming years as all this gets sorted out.

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[Adding Up \(or lack thereof\) Advertising Dollars](#)

By: [David Evans](#) on March 30th, 2009

Is the ad-supported business model for web sites dead again? The Economist thinks so in a [short piece](#) in its latest issue . According to the article the naïve hope that eyeballs would attract advertising revenue led us to the dot.com crash. Now the fact that there aren't enough advertising dollars to support websites is helping to crash Web 2.0 as well.

Here's my take. For one, there's a big difference between the dot.com crash and what's happening now. The dot.com bubble resulted from massive collective delusion over the value of web-based businesses. A lot of these businesses didn't know how they were going to make money but operated on the wishful thinking that if they got a lot of traffic quickly it would all work out. And many investors thought so too.

The current hard times follow from the typical results of a recession-albeit a really serious one. Business has been slammed and advertising revenues are way off. But it isn't just web-based businesses that are being hurt, it's anyone that counts on advertising revenue. The decline in ad

revenue will result in the closure of lots of advertising supported media businesses both online and offline; it has already accelerated the extinction of the newspaper industry. But there's no internet bubble being burst here like we had in 2001; just ordinary hard times.

Nevertheless, the decline in advertising revenues should be a wake-up call for web-based businesses that have counted entirely on making money from selling eyeballs to advertisers. Some may just have to adjust their expectations; selling advertising inventory may result in a nice living but not necessarily gargantuan fortunes. Selling advertising inventory is highly competitive and it is hard to differentiate sites from each other from the perspective of the advertisers who just want particular demographic groups. Others may have to start considering moving to the traditional print media model in which subscribers pay part of the freight. Only those with special content that can't be gotten elsewhere are likely to be able to pull that off though. The fee to the viewer/paid by the advertiser model isn't likely to die on the web in part because it doesn't really require much advertising revenue to make free web sites profitable (just not obscenely so). But we may very well, as the Economist suggests, see more businesses charging subscriptions or otherwise supplementing their advertising revenue.

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[Optimizing with Opt-in Advertising?](#)

By: [Karen Webster](#) on February 16th, 2009

An article published in [MarketingVox](#) summarized the results of a recent study by Insight Express that social networkers "are more receptive" to opt-in advertising over randomly generated ads on social networking sites. This seems patently obvious given the lackluster click-thru rates on social networking sites, which has given rise to the "dead zone" nomenclature used now to describe those places on social networking sites where ads are displayed.

It's also not clear that "being receptive to" opt in ads means that social networkers will actually buy when presented those ads. (nor is it clear who was surveyed – the article provided scant details). But, in any case, I believe that advertisers have lost track of the idea that people are on social networking sites for "social" reasons (thus the name) and not to be sold products. It's not that people are bothered by the ads as much as they just ignore them. They'd much rather read updates and look at photos than take notice of the ad for Oprah's miracle diet, which seems to be a staple (geez, I hope not just on my profile page!).

In any case, pull not push is the name of the game on social networking sites. It's more difficult, and a totally different mindset for marketers who seem to say the right things but now need to walk the talk. I worry though, whenever I see "evidence" that helps to rationalize the same old behavior.

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[Searching for Dollars](#)

By: [Karen Webster](#) on May 22nd, 2008

Microsoft just announced that it's giving cash rebates to consumers who use its search engine to find and buy products. That's good news for consumers and advertisers and is just the direction the search-based advertising business should be going. Here's why.

Today there's no price competition among search providers for keywords—advertisers bid for keywords on each search platforms and pay what it takes to get the sales that platform can send it. All the profit just piles up for the search engines—one reason why Google seems to be such a cash machine—unless there is some other way they can spend it in competition with each other. Google spends some of the money from ad sales on improving its technology but it has a lot left over. To inject real competition in this business, the search platforms have to compete with each other for searchers. That will give some of the money back to the people who are generating the profits from the advertisers; and it will help the advertisers by making searchers even more motivated than they are now.

In fact, this is how many other two-sided businesses work. Take credit cards. Card issuers get interchange fees (about 2% or so of the sale) when cardholders use their cards to pay at merchants. They compete that money away in large part by offering rewards—lots of them. So long as there is competition among search engines, that's probably how search will evolve too.

This strategy is not entirely new. Yahoo, working with a new company by the name of FreeCause, has taken this concept to an interesting new level: subsidizing search in exchange for contributions to charitable organizations. FreeCause has created an interesting new platform for monetizing search using a combination of distribution strategies that bank (literally) on the fact that searchers will be more inclined to search (using Yahoo) if they know that each search deposits some money into a cause that they care about. FreeCause's first foray into this arena is with the Susan G. Komen Foundation and has some 4 million "members" via established social networking platforms like Facebook and MySpace and several hundred thousand "CauseBars" installed that make it easy for searchers to search and messages from Komen to be offered up. The end result is a bunch of new searchers that Yahoo would not have ordinarily had and searchers who are motivated to make Yahoo their one stop (or first stop) search engine since each time they do, they are making a charitable contribution to a cause they care about. FreeCause is getting the attention of lots of national philanthropic organizations eager to tap into this powerful fund raising engine and some enterprising organizations who are beginning to see the strong relationship between social responsibility and capturing the desktop via an innovative browser bar.

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Ad Agency Dinosaurs

By: [Karen Webster](#) on March 10th, 2008

Dinosaurs ruled the earth for 160 million years before a huge impact rendered them all but extinct. They never saw it coming – one day they were the dominant species; the next, they were all but gone. Ad agencies might just end up being the dinosaurs of modern business. The impact that has created the seismic shock is Web 2.0 and online advertising.

[A recent report](#) says that only 27% of marketers expect to do more business with their ad agencies in 2010. At the same time, more than half see themselves doing more business directly with publishers. Entrepreneurs have developed software that make it easier than ever for publishers to create sophisticated websites and to build communities. Google has made it nearly foolproof to advertise online. Many media publishers these days will even help with the creative concepts.

The bastion of ad agency revenue – bringing buyers and sellers together via media placements - is now increasingly the domain of advertising exchanges that make it now much easier and cheaper for advertisers and publishers to come together. And these new outlets are coming at a time when marketers everywhere are tightening their pocketbooks. The ability to shave a cool 17.5% off the once sacred media placement budget is very appealing. The result: the piece of the business that generated most of the agency revenue has suddenly been co-opted by the ad networks, media companies that go direct and Google. It is not likely to return.

Can ad agencies stave off extinction? Yes, but it will mean taking reinventing their role (and their revenue sources) across the advertising ecosystem. Creative development and even idea generation is an area where media publishers just don't have an edge and ad networks (even Google) just can't compete on the same level. This now must become the money making engine for agencies. But that will come bundled with a big reality check: agencies will have to get used to being paid for the value of the idea and the impact of the creative – pricing models that simply don't exist today for agencies – ones that in many ways will force agencies to become more accountable for the quality of their work. It will likely mean leaner days for many and sheer extinction for some.

For more on my views on how Madison Avenue can reinvent itself, read [Survival Tips for Advertising Agencies in the Online World](#).

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[Media Talent Migrating to New Channels, Bypassing Content Middlemen](#)

By: [Karen Webster](#) on February 20th, 2008

U.S. media employment in December fell to a 15-year low (886,900), slammed by the slumping newspaper industry. But employment in advertising/marketing-services — agencies and other firms that provide marketing and communications services to marketers — broke a record in November (769,000). Marketing consulting powered that growth. ([Data from Advertising Age](#))

Now here's an interesting trend. As [Steve Rubel speculates](#), the content folks that were once cranking out content for your favorite newspaper or magazine may now be increasingly reinventing themselves as content mavens for brand-specific portals interested in cutting out the middleman — aka the content platform — and going direct to the consumer. Brands have figured out that content brings in eyeballs and eyeballs bring in dollars and are slowly but surely building portals that provide relevant and targeted content that keep visitors sticky — to them — without having an intervener do it on their behalf (and pocket a lot of their money along the way).

Wal-Mart is just the latest example of a brand that has “gotten it.” Their checkout blog is “a blog, simply, about a team of experts at Wal-Mart and Sam's Club who have really cool jobs working with gadgets, games, sustainability and more...centered around helping people save money and live better.” It provides relevant information related to shopping and buying a host of items that, you guessed it, can also be purchased at Wal-Mart.

As more of these targeted portals emerge, it is possible that instead of relying on a single publisher to aggregate relevant news across a variety of topics — like the role newspapers or magazines were initially organized to serve — we will go to trusted sites to get information on topics of interest, build those relationships and monetize them through advertising as well as the direct sale of their products.

I am seeing this play out in real time. As a breast cancer survivor, I saw a need for [a site](#) that allowed survivors to tell their stories via video, offering hope and inspiration to the millions of women who are newly diagnosed, in treatment or with family members who are affected. The site also evaluates resources — research, books, videos of doctors and providers — that is up to date, accurate and from trusted sources. There were lots of sites out there that aggregated information about cancer and even about breast cancer but none that offered the level of content that my site was designed to address. Mine is not a commercial endeavor, it is entirely self-funded and I don't accept advertising or sponsorship monies, but the traffic I see supports the fact that my community is hungry for a source that aggregates information that is relevant, reliable — and trusted.

For many of us, that used to be the newspaper or a magazine. As the talent that once made them such a trusted resource lands at places that want to reinvent the rules of the catalyst

game that once propped up their profits, it will be harder and harder for these content sources to maintain their once vaunted status in the minds of consumers.

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[Gapper on the Future of Advertising](#)

By: [David Evans](#) on February 12th, 2008

[John Gapper responded today](#) to [Esther Dyson's WSJ op-ed](#) on the coming revolution in advertising.

I'm with John in being doubtful that friending is the future of online advertising. Someone will no doubt come up with a creative way to do some form of advertising for the millions of eyeballs on the social networking sites, but as I mention in [my recent blog post](#), what that will be is still unclear as is how much revenue this will generate for those sites.

The skepticism on behavioral targeting, though, seems puzzling. There are two major obstacles for sure. One is that behavioral targeting depends on collecting personal data and people are getting skittish over that. Some of the more outlandish practices of secretly taking and hoarding data from people will get reined in, but the ad platforms will entice people to opt in to providing data. The other is that behavioral targeting is a technologically difficult feat—think of all those computers churning to select just the right ad for you in the blink of an eye when you sign on the site. Solving that is just a matter of time. But assuming those hurdles are past, behavioral targeting is too great a thing for both consumers and advertisers not to succeed and displace traditional ads. Let's see, instead of listening to television ads for products I have no interest in, I will only get ads for things I do care about it. Sounds like a benefit to me. And instead of advertisers wasting money on presenting ads to people who will never ever buy their product, they actually get to advertise to people who might. Sounds like they do pretty well too. Traditional advertising is bloated with inefficiencies. Behavioral targeting, while challenging, will be a boon to consumers and advertisers.

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[The Next Wave of Online Advertising](#)

By: [David Evans](#) on February 6th, 2008

There's lots of opportunity for online ad volume to grow. A few years from now mobile phones and television sets will mostly have Internet connections and be prime targets for companies that have the know-how to sell and target ads to those media. (For an in-depth look at how online advertising makes money, read an excerpt of my paper ["The Role of Economics in Online Advertising"](#)).

Social networking is a question mark for sure. It's unlikely that traditional search and display ads will have much traction on these sites in my view; more likely, someone will need to develop an utterly new way of using those media for advertising. Agencies aren't toast in this world unless they refuse to adjust. They make a lot of their money now by being intermediaries. That source of revenue will dry up as advertising moves to efficient exchanges. But there's lots to be done with respect to using technology and targeting to develop effective advertising campaigns. As I've said before, ad agencies will need fewer people buying and managing ad space and more econometricians, statisticians, and computer scientists who can make ads really effective. For more on this, see the prior post, ["Survival Tips for Advertising Agencies in the Online World"](#).

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[How Online Advertising Really Makes Money](#)

By: [Karen Webster](#) on February 6th, 2008

In the 90s the big thing was banners, in the early 00s it was search ads, but [as Stacey Higginbotham asks](#), what will be the next big wave of online advertising? The massive popularity of social networking sites like MySpace and FaceBook has prompted some equally massive projections for ad revenue from these properties. The reality, though, hasn't been so stellar. To take a case in point, despite MySpace's continued ad-revenue growth, [the clickthrough rates for the site's ads have decreased since 2006](#) — suggesting increasing desensitization to ads on the part of users. Of the total revenue generated by Fox Interactive Media (the News Corp division that includes MySpace), 26% or \$62 million is derived from a multi-year deal with Google that gave the search giant exclusive rights to placing search ads on MySpace pages. Google pays News Corp for this right, but for ads that don't generate much revenue. Said Google CFO George Reyes of their social media advertising efforts, "We need to find ways to target people of particular demographics that are comparable to the people you might find in *The New York Times* or a particular publication that you may be familiar with."

Social media disappointments notwithstanding, online ad revenue is still projected to increase sharply as more and more electronic devices such as mobile phones and TVs become web-connected. In the last decade, Internet technologies have revolutionized the stodgy \$625 billion global advertising industry through advanced methods of targeting consumers and charging for results. For an in-depth look at how online advertising really makes money, check out this excerpt of a paper written by David Evans called ["The Economics of Online Advertising"](#). It sheds some real light on what the "next big thing" might be —and more important, what it's likely not to be.

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[Google World: Ad-Supported Everything?](#)

By: [David Evans](#) on December 31st, 2007

The NYTimes asked whether we are [“living in a Google World, where everything is free thanks to the advertising that can be generated by people using the Google tools.”](#) Is there a free ad-supported Porsche in your future? Or maybe even free tummy tucks in return for tattooing ads on your forehead. There probably are limits although I wonder now that I see ads everywhere from television screens in the back of taxis to office building lobbies. The bathroom is about the only place that’s safe and even there I wonder how long it will be before there are screens on the stall doors.

Google—and the rivals nipping at its fast-fleeing heels—will end up subsidizing lots of things with its advertising revenue. But my guess is there’ll be some limits. First, its only going to be on Internet-connected devices and practically speaking, that basically means everything you see on PCs, mobile phones, and televisions—and maybe even on the screen in the cockpit of the Porsche. So while I wouldn’t exclude the ad-supported tummy tuck I doubt it will be Google behind it. Second, it is probably content—broadly defined—that will end up being free. Whether there’s enough money left over to give away free mobile phone service remains to be seen. I wouldn’t wait for the free Porsche though. Third, an interesting question is where the limits are to placing and targeting ads. It isn’t clear how effective advertising will be on social networking sites—as the Facebook debacle suggests, there’s lots more trial and error to be done there. The same is true for software and other things that Google is giving away for free.

What Google and its competitors will do is displace a lot of the advertising we’re seeing now. As more advertising moves to Internet-connected devices, the scattergun approach that advertisers take—blast messages out to millions of people in the hopes that a few may actually be interested—will be used less and less. One final thought—as we’ve been all taught there is no such thing as a free lunch. One of the things people have started realizing is that all that free content on the web comes at a price—giving Google and others a humongous amount of information about yourself. And of course advertising is just a cost of doing business which gets passed on in the price of goods and services.

Would love to hear if others think there’s a natural limit to where Google ads appear and what sorts of goods and services will become free.

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Related MPD Publications

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Tomorrow's News Today: 5 Strategies for Survival

IDEA: The Magazine of Newspaper Marketing, September, 2007

By David S. Evans and Karen L. Webster

"Newspapers must embrace alternative form factors if they are to avoid the same fate as the typewriter. As the internet continues to chip away at the newspaper value proposition, industry leaders must honestly confront different scenarios for survival... As the internet chips away at the newspaper value proposition, industry leaders must honestly confront survival scenarios." [Full Article Here.](#)



Designing the Right Product Offerings

MIT Sloan Management Review, October, 2007

By David S. Evans and Karen L. Webster



"Companies create product versions from multiple components. The big challenge is how to take the available components and combine them into the product versions and product lines that will maximize profits." [Full Article Here](#)

- **White Papers**

The Online Advertising Industry: Economics, Evolution, and Privacy

Forthcoming in The Journal of Economic Perspectives

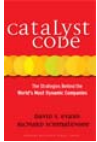
By David S. Evans



Online advertising accounts for almost 9 percent of all advertising in the United States. This share is expected to increase as more media is consumed over the internet and as more advertisers shift spending to online technologies. The expansion of internet-based advertising is transforming the advertising business by providing more efficient methods of matching advertisers and consumers and is transforming the media business by providing a source of revenue for online media firms that compete with traditional media firms. The precipitous decline of the newspaper industry is one manifestation of the symbiotic relationship between online content and online advertising. Online-advertising is provided by a series of interlocking multi-sided platforms (also known as two-sided markets) that facilitate the matching of advertisers and consumers. These intermediaries increasingly make use of detailed individual data, predictive methods, and matching algorithms to create more efficient matches between consumers and advertisers. Some of their methods raise public policy issues that require balancing providing consumers more valuable advertising against the possible loss of valuable privacy. [Full Paper Here.](#)

- **Books**

Catalyst Code: The Strategies Behind the World's Most Dynamic Companies



Harvard Business School Press, May 2007

By [David S. Evans](#) and [Richard Schmalensee](#)

Catalyst Code is the handbook for 21st century business. It unlocks the secrets behind the business models that today's innovators use to create new industries and disrupt old ones.

The book is based on the discovery that many of the world's most important businesses — from Lloyds of London to Hearst Newspapers to Microsoft to Google — have made profits by simultaneously bringing together distinct customer groups who need each onto the same platform. It demonstrates that, to succeed, catalysts must defy traditional business and economic wisdom when designing business models, pricing schemes and organizational incentives.

Catalyst Code shows executives and entrepreneurs how to innovate and profit by following an original 6-step Framework™ based on new economic theory, business history, and extensive interviews with established and emerging catalysts.

References

- [Catalyst Code Blog](#)
- [Market Platform Dynamics](#)