

**Commentary**

## **Wanted: New Economic Models For Media**

**by Robert B. Nolan, Jr., Monday, Nov 24, 2008 7:00 AM ET**

While the popular press continues to exult in the death of old media (newspapers come to mind in particular), the answer is never quite that simple. The truth is that old media and new media are in an evolving symbiotic relationship, and their interplay is increasingly crucial to long-term success.

A primary issue presents itself during this evolution: How do we structure the new economic paradigm to properly compensate for the transfer of the audience to the digital/interactive platform?

In order to resolve the future, we need to first reconcile the past. The traditional media ecosystem possessed a predictable nature due to its regulation-protected environments. Many of the businesses were protected by actual or implicit franchise structures. Scarcity value and limited competition were the result of carefully awarded Federal Communication Commission spectrum for TV and radio broadcast as well as the initial Wireless Cellular Spectrum.

Additionally, cable franchises, cellular duopolies and telephony wireline monopolies all contributed to a predictable economic model. Traditional media channels (distribution networks) controlled the content by monitoring access to their channel and thereby assigning value to that content.

Finally, economic models were dependent on simplistic, passive audience measurement techniques (size did matter).

Today's digital age changes the level of audience involvement that now dictates to the individual media channel "when, where and what" content is of value to them.

Consumers are clearly in charge in the digital age (the monopoly to the monopsony phenomenon) and thus render moot the old economic model in lieu of a more targeted and specific model.

The irony inherent in today's economic model for the digital media is that it continues to rely upon a critical mass audience measurement. The notion of "unique visitors" as an audience measurement tool continues to be a largely passive approach to measuring media channel relevance in an interactive environment.

The issue is residual from an inability of the Web to deliver marketing measurement on a one-to-one basis. More than 10 years have passed since the heralding of this interactive channel as a platform upon which to deliver targeted marketing messages and measured results. Yet today advertisers rely on an eyeball count to determine appropriate CPMs for their ads - it is the transfer of the old broadcast ad model directly to the web. Are we merely traveling "Back to the Future?"

Comfort zones among chief marketing officers and product managers may be partly to blame for this revolution in reverse. The concern for trading "dollars for pennies" by migrating advertising from the traditional to the interactive environment has marketers and media executives holding onto legacy arrangements.

A new economic paradigm that rewards the advertiser for direct interaction by a consumer is desperately required to properly compensate brands and media companies for accelerating this migration. Attempts to accomplish this objective through various Web 2.0 features have yet to spawn a broadly accepted standard for advertisers. The pending onslaught of Wireless Broadband opens up a compelling platform for targeted advertising. Again, direct interaction with the audience will be more easily measured and thus should lead to better CPM pricing.

The new economic model will be more evolutionary than revolutionary with "trial and error" fits and starts but ultimately, measurement of action or reaction will replace a passive measurement such as an eyeball or "unique visitor" count. It may require a newer platform such as Wireless Broadband with video capabilities to reset the paradigm to an activity-based format, but it is an inexorable and impending trend.

There are two economic models that have performed well in the interactive marketplace to date. Both models are contextual in nature. The first and most successful is the search engine marketing model made famous by Google, and the second is the lead generation model which takes full advantage of the more cost effective customer acquisition methods available on the Internet.

The social networking phenomenon taking shape on individual Web sites continues this pattern of contextual advertising opportunities. The social networks create another targeted approach for advertisers to avail themselves of customers near their points of passion or interest.

This method of prospective customers willing to self-identify as aficionados allows for targeted advertising by relevant brands. Moreover, the ability to derive granular detail on consumer behavior at those sites (either through information left by the individuals or their establishment of a behavioral pattern) enables a powerful connection between a

brand and a potential consumer. Again, the advertising opportunity is contextual as a result of the self-identification by the consumer and offers advertisers a higher likelihood of converting a prospect to an actual customer.

Ultimately, we are creeping towards that long sought after "One on One" interactive marketing model, so long ago promised.



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