



The Print Piece

Media & Entertainment - Industry News

The Print Piece: Making every ad make more money

EXCLUSIVE

November 4, 2008

By Sarah Barry

As a greater number of media companies transfer more of their content to the Web and come to rely more heavily on interactive advertising, Halyard Capital Managing Partner Robert Nolan Jr. believes a change needs to occur in how the industry measures the effectiveness of online ads.

Specifically, Nolan believes that companies should cease to measure ads on a cost-per-impression basis or sites by their number of "unique visitors."

"The irony inherent in today's economic model for the digital media is that it continues to rely upon a critical mass audience measurement," Nolan wrote recently. "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."

As an alternative, Nolan suggests a more appropriate system of measurement would center on a visitor's "action or reaction." Already, cost-per-click measurements offer advertisers an alternative to CPM measurements, but that mode of assessment still has several disadvantages, including its limited focus on that single clicking action.

For newspapers, which have long relied on a mass-market approach to advertising, the transition away from CPM measurements to a system based on how online readers interact with a site or ad could simultaneously present both a new challenge and a new opportunity.

The challenge, of course, would be the strategic shift that would have to occur to move newspapers away from relying heavily on their overall reach to attract advertisers.

So far, that shift does not appear at all under way. The Newspaper Association of America noted in late October that more than 40% of all Internet users visited a newspaper Web site during the third quarter, as the sites drew a monthly average of more than 68.3 million unique visitors.

That is certainly a lot of eyeballs, but the NAA's findings do not address how many of those unique visitors had a passive experience — simply reading information from the newspaper site — or an interactive experience — reacting to the content and contributing their own information.

The figures also do not address how much the newspaper sites got paid for those eyeballs.

"You know that if you can draw an audience, you'll get paid for it," Nolan noted during an interview with SNL Kagan. "But the better you can determine who that audience is on a specific basis, the more you'll be paid for it."

Some papers have begun to understand the importance of interacting with and learning about their readers. Gannett Co. Inc.'s *USA Today*, for instance, revamped its site in March 2007 to put a greater emphasis on user-generated content, encouraging readers to submit feedback, join online communities or create personal profiles.

More recently, New York Times Co. launched TimesPeople, a social network for readers of *The New York Times*. The site allows a reader to build a network of fellow *Times* readers and share information from NYTimes.com.

Similarly, News Corp.'s *The Wall Street Journal* unveiled in mid-September its own social networking feature that allows subscribers to ask each other questions, e-mail each other and set up profiles.

Nolan believes these types of offerings are a step in the right direction. "That's a huge step forward from a passive newspaper relationship, when, other than through a subscription, you wouldn't know who your readers are," Nolan said. "Plus they can use it as an easy way to find out which areas of interest are important to their different readers."

The question for Nolan remains, however, whether the social offerings allow newspapers to charge a higher premium for their advertising, either by offering more targeted advertising opportunities or by offering embedded ads that encourage user interaction.

"Do I think it's the saving grace for newspapers?" Nolan mused. "Tell me what their advertising base is on those pages because that's the key. We're still in a time frame where the monetization of readers on the Web is at a much different level of recompense as compared to what they were enjoying at the newspaper level."

For its part, Gannett planned to use the changes to USATODAY.com to offer more targeted advertising by utilizing the information from its user profiles and community blogs to identify which online readers are more likely to be interested in a certain product or at least willing to engage with a marketer.

For the *Journal's* new site, however, Gordon McLeod, president of The Wall Street Journal Digital Network, said the site was still largely focusing on attracting more users to its social networking feature and would later focus on drawing advertisers.

"We're really just focusing on users for now, getting them spending more time, looking at more pages, connecting with other users, exchanging information," McLeod said during an interview with SNL Kagan. "It's not really an advertising play, per se."

However that does not mean the site is not eager to see more advertising and sponsors on the site. "Our first community platform is actually on MarketWatch and we have Lincoln Financial sponsoring groups, we have other advertisers in there," McLeod said. "And so that's worked very well."

As more subscribers begin using the feature, more advertisers are likely to take interest. "We are seeing groups being started, we are seeing a lot more comments across some of our news sections, and we are getting some interest from advertisers," McLeod said. "So my sense is that we'll develop further advertising groups."

For Nolan's part, he notes that it is not just newspapers that are struggling with the question of how to make their sites and ads more interactive or targeted. "There are going to be a lot of efforts made," he said. "There will be a lot more efforts to get that customer to self-select or self-identify and social networks are one obvious way at the moment."

What separates newspapers from other online publishers, though, is that newspapers are looking for Internet advertising revenues to replace much of the print advertising revenue that they are bleeding. Given that papers have so far largely been trading print dollars for digital pennies, Nolan noted how important it is for newspapers to quickly find a way to charge higher premiums online.

"I love newspapers; and I love the fact that they can deliver very high-value premium content," Nolan said. "I just would like to see them get paid for it."