

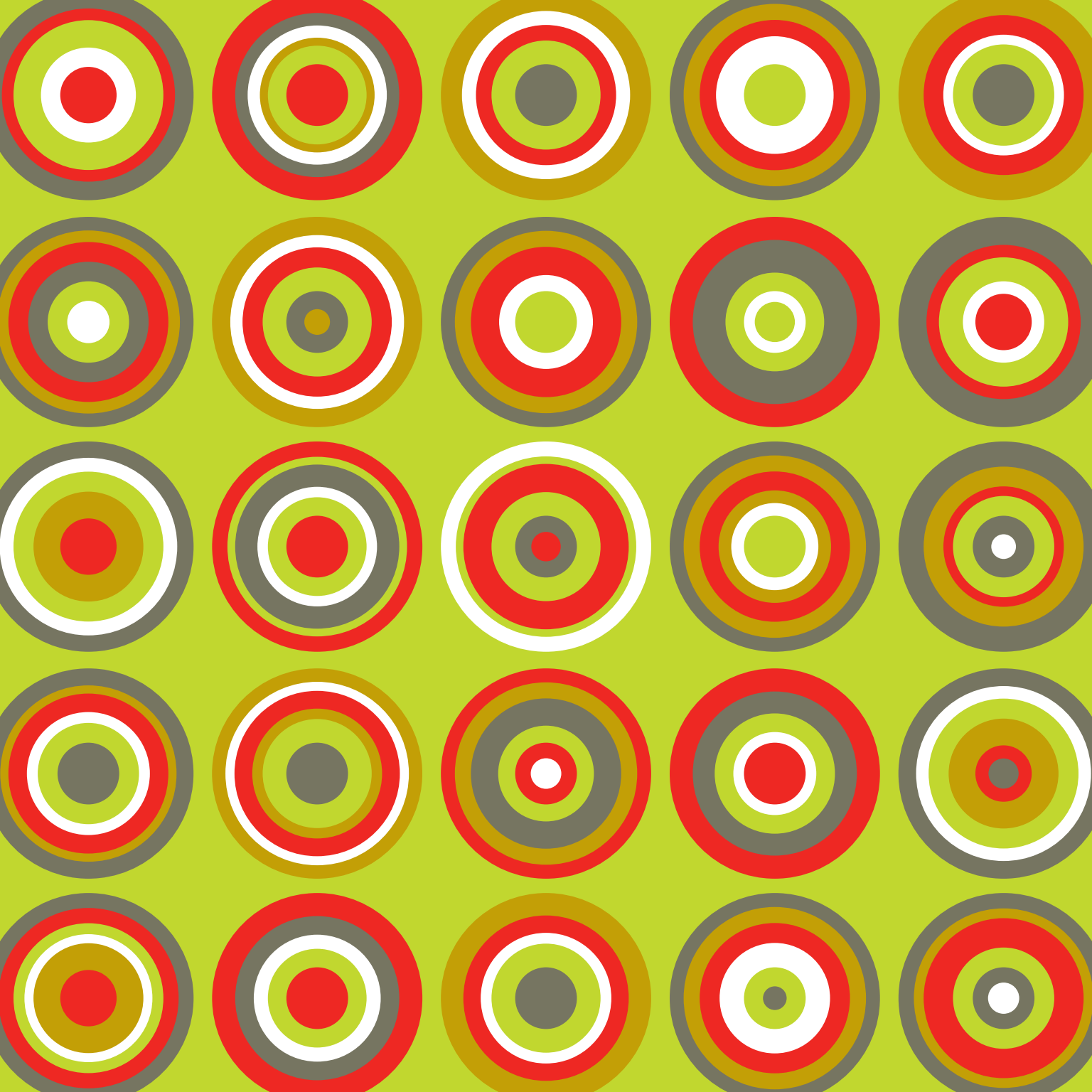
avenue a 
razorfish

2008

digital outlook report









∴ making meaningful connections with customers in a digital world is increasingly complex



It's not easy building a meaningful relationship with your customer in the digital world.

And it's going to get harder.

Many consider 2007 to be the year digital settled into the marketing mainstream. If that's the case, it's a confused and misguided mainstream. Too many web sites make the user experience a secondary priority. Too few advertising campaigns deliver personal and relevant messages. The brands that have made meaningful digital connections with their customers are few and far between.

For many consumers, an engaging advertisement still powerfully influences their decision-making. But even more powerful, are the opinions they share with each other through trusted blogs and social networks. A mother in Topeka, Kansas, or a teen in a London flat can become trusted authorities, influencing more decisions than the best formulated professional branding campaign that an advertising agency can offer. Consumers are turning to a seemingly endless source of specialized media – so much so that commonly accepted best digital best practices have very short shelf lives. Yesterday's solutions simply aren't adequate to solve today's problems. Is it any wonder that most businesses are coming to the hard realization that they aren't organized effectively to respond to change?

For all of the angst that marks this environment, we know that it doesn't matter how unpredictable and unsettling the digital world is – marketers still need to figure out how to invest their digital spend wisely.

Avenue A | Razorfish's 2008 Digital Outlook Report examines where that digital spend is going. We provide direction on how marketers can align their organization to respond to the new digital environment, as well as a framework for effectively managing emerging channels and social media. And we give you some interesting new insights into consumer behavior.

It's your digital future. Embrace it now.

Jeff Lanctot, Senior Vice President
jefflanctot.com



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The following report contains statements that are forward-looking, including expectations and predictions regarding future industry trends and developments. Actual results may differ materially from our expectations or projections. This report also contains opinions, estimates, and forward-looking statements by industry leaders. Such statements are the personal opinions of the individuals quoted and should not be attributed to any other entity or individual. Readers are cautioned not to place undue reliance upon forward-looking statements, which speak only as to the date of this document. Except as required by law, neither Avenue A | Razorfish LLC nor any of its affiliated entities undertake any obligation to update any forward-looking or other statements in this document, whether as a result of new information, future events or otherwise.

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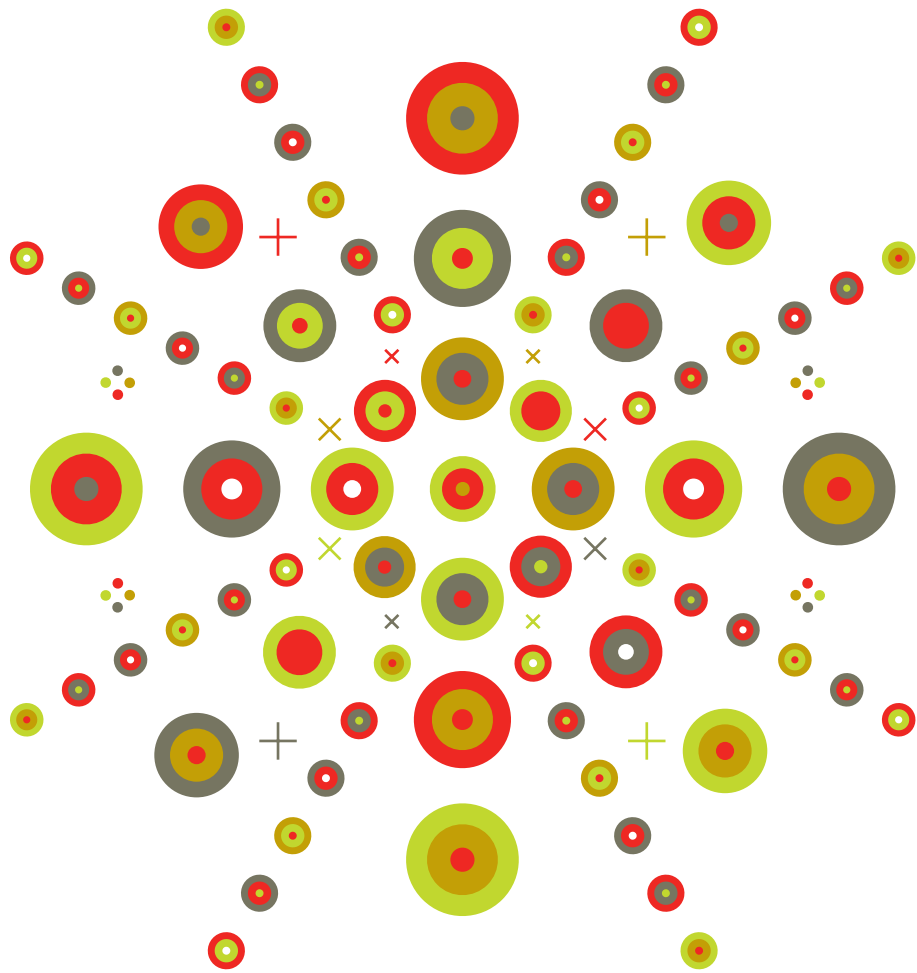
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the year in media

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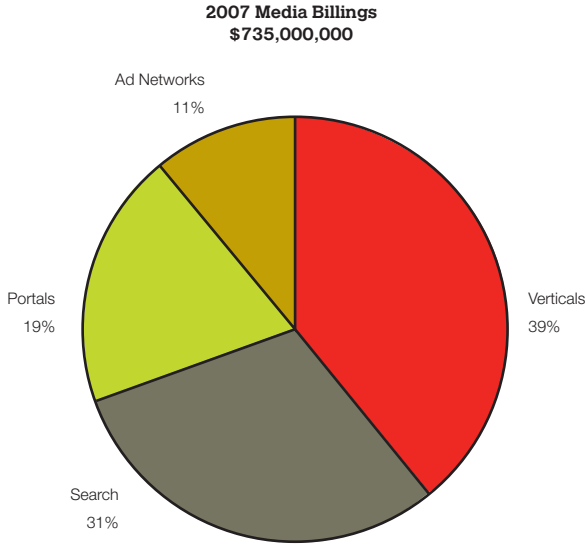


2007 media billings in review



AVENUE A | RAZORFISH'S 2007 MEDIA BILLINGS totaled \$735 million, up 36% from 2006. This spend was distributed across 1,832 Web sites—more than double the 863 properties on which the agency purchased media in 2006. A closer look at the distribution of billings reveals several emerging trends, including:

- A shift in spending away from portals to vertical properties and search engines
- Growth in spending on entertainment Web sites, including those focused on video sharing, gaming, and music and entertainment news, as well as community-focused properties such as social networks
- Consolidation of spending in the ad network category

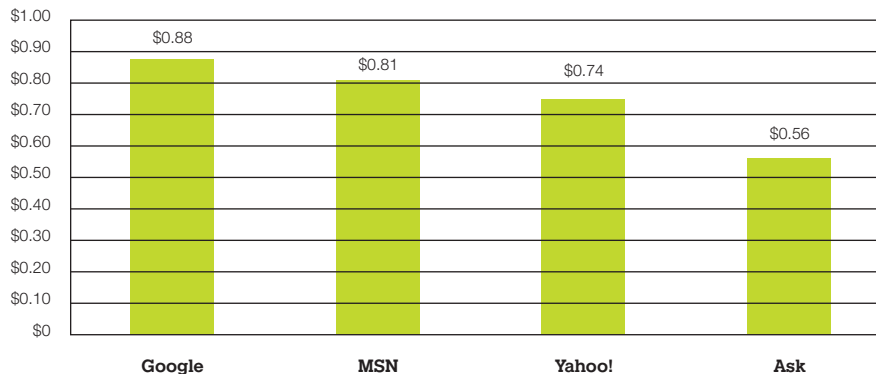


Vertical content properties and paid search were the biggest beneficiaries of the increase in spending. Verticals grew from a 37% share in 2006 to 39% in 2007. Increasingly, advertisers are showing a desire to work with a broader range of partners, as evidenced by the expansion of the number of sites the agency used in 2007. The majority of that expansion has occurred in the vertical category.

Spend in search rose from 28% to 31% of total billings year over year. The growth in search marketing can be partially attributed to the strides made by Yahoo!'s Panama and Microsoft's AdCenter. Each system's capabilities provide improved flexibility for testing, ad targeting, and campaign management. Search managers are better able to optimize their campaigns and extract more efficiency out of the channel, which led to a larger share of budget in 2007.

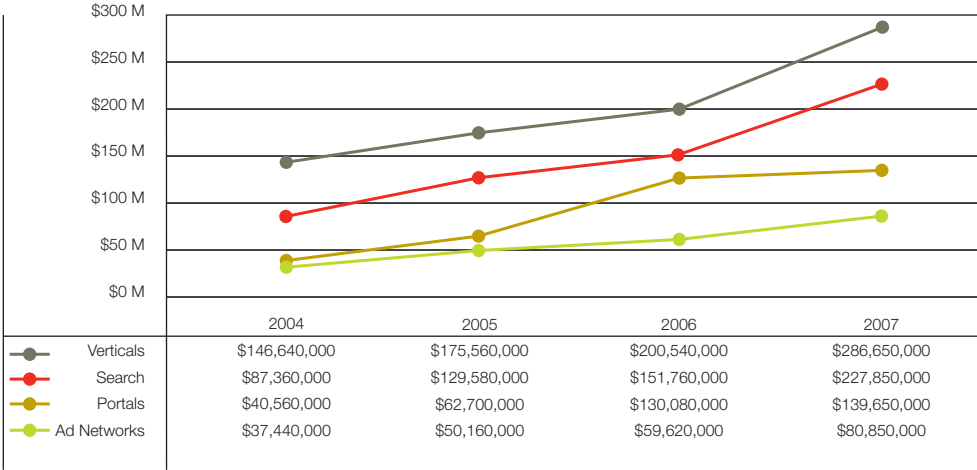
While Microsoft Live continues to lag behind in query share, AdCenter is a strong platform that performs very well for advertisers. Cost-per-click (CPC) data drawn from Avenue A | Razorfish's client base shows that Microsoft is doing an excellent job of monetizing queries, trailing only Google in average CPC.

U.S. Cost-per-Click by Search Engine, 2007



With Panama, Yahoo! took an approach similar to Google, factoring click rate (or ad relevance) into an ad's overall rank. For search engines, this model has been shown to drive more revenue. For advertisers, it allows more effective ads to rise to the top of paid search results at relatively discounted costs, for more efficient search spend. Additionally, with the launch of Panama, Yahoo! moved to improve its click traffic quality, reducing payouts to poorly performing syndication partners and giving advertisers more visibility and control over ad distribution. From an advertiser perspective, Panama has been a significant leap forward.

Billings by Category, 2004-2007

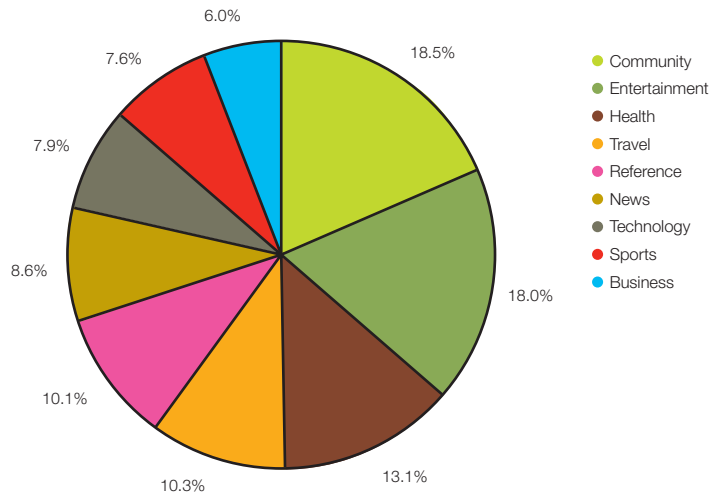


The success of vertical and search categories came at the expense of portals, which slid to 19% of billings in 2007, down from 24% in 2006.

After being in high demand for several years, portals showed signs of weakness in 2007. With an ever-increasing number of quality advertising options, marketers have been moving aggressively to broaden their online buying. With more choices and more inventory available to advertisers, it has become increasingly difficult for large, established publishers to increase their share of budget.

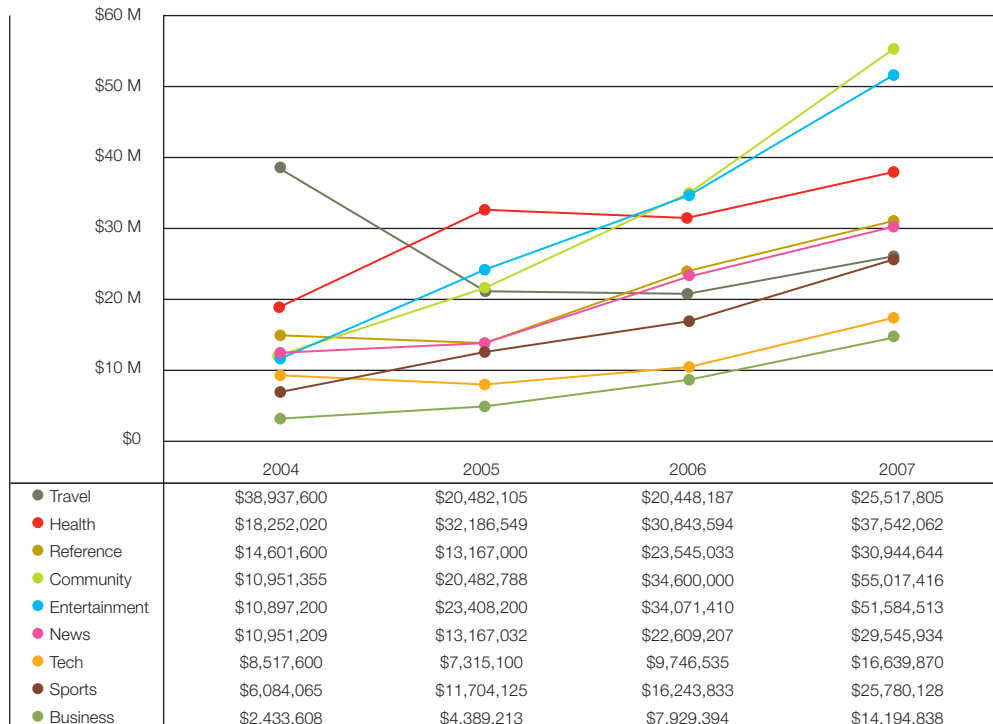
Another result of increased choice was slower growth in cost-per-thousand impressions (CPMs). In a year when average CPMs rose nearly 20%, prices on portals increased only 7%. In contrast, CPMs on vertical properties were more than 30% higher.

Vertical Spending, 2007



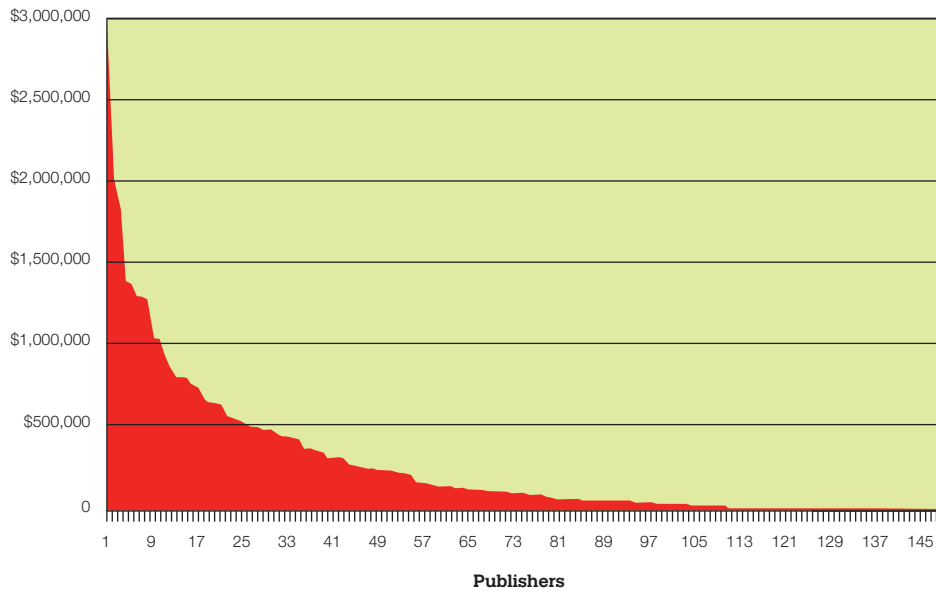
Community and Entertainment verticals continued to show very strong growth, each increasing more than 50% year over year. Over the past four years, the rise in billings in these two verticals has easily outpaced total billings growth. Social networks (in Community) and video sharing sites (in Entertainment) both have relatively immature advertising models. If ad models and industry standards solidify in these types of businesses, healthy increases in these two verticals are likely to continue over the next several years.

Billings by Vertical, 2004-2007



It's notable that spend in Entertainment is spread across a breadth of publishers, unlike most verticals, where the majority of media billings are captured by a small group of leaders. In Entertainment, spend is distributed more broadly, with 34 properties earning more than \$400,000 in media spend from Avenue A | Razorfish over the course of the year.

Entertainment Vertical Spend Distribution, 2007



In the ad network category, we continued to consolidate spending with the biggest players, a trend that has been growing over the past two years. In 2007, Avenue A | Razorfish billings with ad networks grew 34% year over year, with nearly all of this increase in spending directed toward the top five networks. The top five saw an increase of more than 50% over 2006, while total billings for all other networks were flat. The top five ad networks, by spend, represented 49% of all Avenue A | Razorfish ad network billings in 2005. That jumped to 63% in 2006 and now to 71% in 2007.

Additionally, improved targeting solutions are allowing top networks to command higher CPMs; prices increased by 18% from 2006 on the top five ad networks.

The strong growth of ad networks caused the top online media players to take notice in 2007, with most making significant acquisitions—Yahoo! bought Right Media and Blue Lithium, Microsoft acquired DrivePM as part of its buyout of Avenue A | Razorfish parent aQuantive, and AOL purchased Tacoda and Quigo. These acquisitions should position Yahoo!, Microsoft, and AOL to take advantage of the dollars flowing to top-tier ad networks.

Ad Network Spend Consolidation, 2005-2007





publishers of the year 2007

Microsoft, ABC.com, and Weather.com are clearly very different properties, but they shared several traits over the course of 2007 that helped them stand out. Each brought our clients creative, on-brand marketing solutions that delivered results. They focused on partnership, listened to our requests and feedback, and really pushed themselves to over-deliver and to think of new ways to combine their brands with our clients'. They placed a premium on client service and were excellent partners for the agency.

Greg Pomaro, VP, Media, Seattle

The Avenue A | Razorfish U.S. media team anonymously voted on the publishers with the best combination of audience, service, performance, and creativity. These publishers stood out above all others:

Publisher of the Year
East



Publisher of the Year
West

Microsoft® [Digital Advertising Solutions](#)

Publisher of the Year
Central





ten digital media issues to watch in 2008

**By Sarah Baehr, VP, Media, New York
and Alyson Hyder, Director, Media, San Francisco**

WITH CONTINUED CHANGES IN CONSUMER BEHAVIOR, a shift of media budgets to digital channels, and an active merger and acquisition market going into 2008, this year is sure to be another one of rapid change. For digital marketers in the United States, here are ten important issues to watch as the year unfolds.

1.

The move beyond media buying

The digital media business is no longer simply about buying ad space. It's a discipline focused on distributing experiences—through social networks, videos, widgets and applications, branded content, and, yes, ad placements. Make no mistake, the traditional practice of media buying is still a critical component of online marketing. However, to view ads as the only way to promote a brand or product is to ensure that the brand is seen as stiff, commercial, and inward-looking.



2.

The impact of a recession on online advertising

In difficult economic conditions, the most accountable marketing channels will be best insulated from cuts in spending. This clearly bodes well for online advertising relative to other channels. However, there will be an impact, even in the most efficient digital channel—search marketing. Search has become a powerful tool for shoppers, and in a recessionary environment, consumers will search, shop, and buy less frequently.

Revenue derived from the cost-per-click ad model is driven by the volume of clicks and the cost a marketer is willing to pay for each of those clicks. While a marketer may keep the same cost-per-click during a recession, it's quite likely that a difficult economic environment will lead to fewer commerce-driven searches, which leads to fewer clicks. The end result is less money being spent in search.

3.

The redefinition of online media measurement

The long-accepted notion of the “last click” or “last view” of an ad receiving all of the credit for a subsequent sale or conversion is now dated. While this methodology was sufficient during the first decade of online advertising, it ignores ad exposures that occurred prior to the last view. Avenue A | Razorfish clients have found that custom attribution research (attributing value to several ad exposures, not just the last one) improves performance significantly. One of our clients implemented custom attribution methodologies and found that awareness-building display media had been undervalued using the old last-view measurement. Based on the new attribution data, the client doubled its spend on awareness-building media, and subsequently saw a 23% increase in conversions. Importantly, the cost-per-acquisition dropped 6%.

As marketers start to see these kinds of results, settling for the old, familiar last-view methodology simply won't do.

4.

A limited increase in average CPMs

With an ever-increasing number of advertising choices, it will be difficult for publishers to raise advertising rates substantially. In a January survey of 75 of our media planners, 37% forecasted a pricing increase of 1% to 5% in 2008, while 38% expected a rise of 5% to 10%. Nearly 20% of the media staff felt prices would fall year over year.

5.

The fallacy of the “digital upfront”

Despite regular calls for a digital version of the annual television upfront, there is little interest in such an event from the buying community. While advertisers regularly commit in advance (9 to 12 months out) for valuable advertising,

these commitments represent a small minority of overall online media spend. Marketers and agencies have come to realize that digital media can and should be constantly analyzed and optimized. They also know online audiences can be reached in a seemingly endless number of places, not just on a select few major properties.

6. **The slowing of ad network acquisitions**

With spending on ad networks increasingly concentrated with the largest players, it will become increasingly difficult for small ad networks to break through. Ad network efficiency is largely a matter of matching the right advertiser to the right placement, and the likelihood of being able to do so increases as a network increases its ad inventory and number of advertisers. This means the largest players should be able to best monetize ad space for publishers (and provide the most relevant inventory for advertisers). The bigger and more efficient the large networks get, the more ad dollars will be directed to them. It will become more difficult for second-tier players to earn ad budgets, and therefore less necessary for the larger players to acquire them.

One related area to watch closely is the growth of vertical ad networks. Martha Stewart Living's lifestyle network and Forbes' Audience Network are two recent examples of strong brands extending their reach by building out ad networks. It's a reasonable extension for brands and helps the smaller sites and blogs within a vertical network gain needed exposure with large advertisers. Look for more vertical ad networks in the year ahead.

7. **A breakout year for mobile—but not for mobile advertising**

The mobile industry is poised for tremendous growth. Mobile search and location-based services are growing in importance. Apple is opening the iPhone to third-party developers. Carriers are becoming more flexible—maybe. With all of these developments, mobile advertising is sure to gain momentum in 2008, but we are still a year away from seeing it break out and become a staple for marketers.



8.

Nokia's emergence as a key player in the digital marketing industry

Nokia made two important moves in 2007 that will impact digital marketing in the coming year. It acquired both Enpocket, a leading mobile advertising and marketing services firm, and Navteq, a leader in navigation data and systems software. While there have been no formal announcements from Nokia about how its assets will fit together, it is clearly going to be a company to watch in the coming year. Nokia appears to be vying to expand its own business outside of consumer mobile devices and into the software and services that consumers are able to use on those devices.

Nokia now has assets that may accelerate the use of smart devices that use location-based services that know where we are. The potential benefit for marketers is the ability to deliver relevant, geographically contextual advertising opportunities to customers. Accomplishing this feat in the U.S. today, while not impossible, often involves orchestrating a small army of carriers, devices, marketing services providers, and agencies whose interests are not always aligned.

9.

The continuing lack of video ad standards

2008 should be a year in which significant progress is made in video ad standards but the industry is still at least a year away from having a mature, established video advertising marketplace. For several years, discussion around video ad standards was almost completely focused on pre-roll ads; in retrospect, that singular focus was misguided.

With YouTube's 2007 introduction of interactive overlay advertising, the Web's largest video destination eschewed pre-roll ads. Overlay ads in video were not as interruptive and presented less of an obstacle for users accessing content. Advertisers were still offered value in terms of impressions and interactivity. And it's not an unfamiliar format for traditional television advertisers—many broadcast TV networks have been making great use of overlay advertising in programming for some time, though without the interactive features available online. On popular cable TV networks such as TNT, Spike TV, and MTV, overlay ads are a near-constant presence on the bottom of the screen, which has not resulted in an exodus of cable customers annoyed by the overlays. The challenge online becomes how to value the overlays in the one-to-one environment.

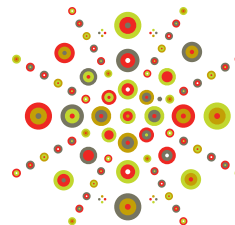
Beyond overlay ads and pre- and post-roll clips, there are other prominent video ad units. Companies like ScanScout take standard overlays one step further, offering contextually targeted ads based on the content of the accompanying video. Vibrant Media offers in-page, keyword-targeted video ads. And advertising “skins” that surround video clips (such as those offered by Heavy.com) have proven to be attractive placements for advertisers.

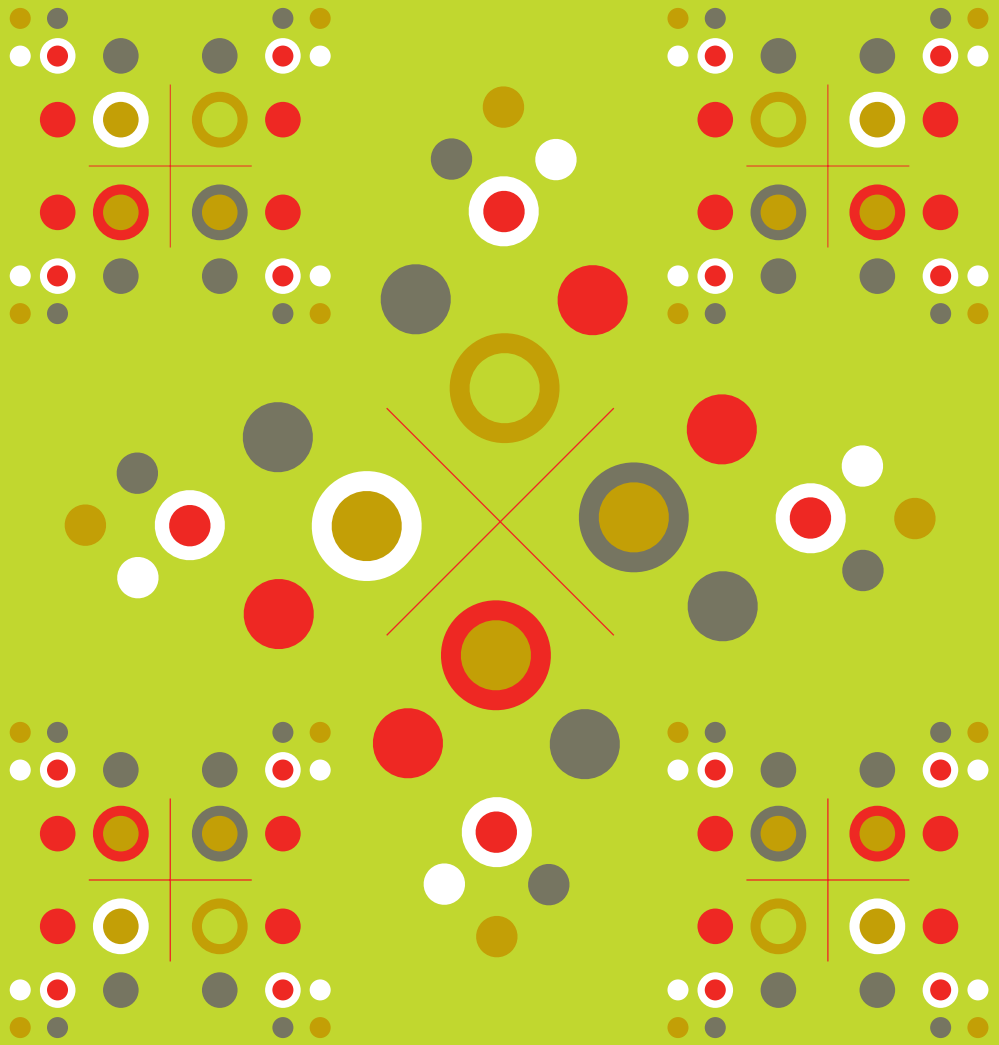
There will continue to be interest and investment in video advertising in 2008, and justifiably so. In the end, as with many new-media advertising channels, the consumer will vote with attention, engagement, and traffic—and will ultimately determine whether overlay advertising on broadband video will become the next great revenue stream for platform or producers, or if it is simply the next step in the transition away from 30-second commercials.

10. **The Internet’s impact on the 2008 presidential election**

The Web will be the most impactful and influential medium in the 2008 presidential race, not only for presidential hopefuls but for voter self-education and self-expression. Much like radio for Roosevelt and TV for JFK, the 2008 race for the White House will be determined by candidates’ abilities to connect with and galvanize supporters online. The Internet has changed the political environment.

Despite the importance of digital channels in the elections, online ad spending by campaigns will continue to lag well behind television spending. The importance of digital in the 2008 elections is rooted in connecting with and motivating communities, but online advertising is likely to play a secondary role in doing so.







building for digital excellence

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the client of the future

Agencies aren't the only
organizations that need to change

By Clark Kokich, CEO, Avenue A | Razorfish

AT THREE INDUSTRY EVENTS over the past two years, I've participated on panels focused on "The Agency of the Future." Typically, these panels include a client, a representative from a traditional agency, and a representative from a digital agency.

Not surprisingly, there is little agreement among the panelists, except on one thing: All three inevitably agree that agencies need to fundamentally change their operating model in order to respond to the dramatic shifts in consumer media and shopping habits driven by the rise of the digital channel. Of course, nobody can agree on *how* agencies need to change. That's probably one of the reasons these panels are so popular—they usually lead to some heated and memorable discussions.

Recently, however, I've begun to wonder why there aren't any panels on "The Client of the Future." There should be. I'm not sure if it's a topic that's just been overlooked, or if people are afraid to speak directly about one of the biggest challenges facing the digital revolution. Regardless of the reason, the time to engage in this discussion is right now.

Here's the argument for creating the Client of the Future that I would lay out if I were to appear on such a panel:

Client organizations—including the functions of marketing, sales, brand advertising, promotion, direct marketing, IT, and general management—have all settled into a comfortable and familiar structure. These functions were built to support a stable world of marketing that remained virtually unchanged for 50 years, starting with the explosion of television in the 1950s and proceeding unchanged until the advent of the Internet at the turn of the millennium.

These organizations were built to optimize results through a linear consumer purchase funnel, starting with awareness and ending with the eventual sale. At the top, clients built their brands, typically with television and possibly augmented by magazines, radio, or outdoor. Next, they created trial with promotions and offers, normally delivered through newspapers or direct mail. Then they created a shopping experience that delivered sales. Finally, they continued to market to their best customers using the only means available—direct mail or personal telephone calls.



Consumers no longer move neatly from one touchpoint to next, from branding to promotion to sales.

Because this model has been so stable, client organizations have become highly specialized within rigid silos. Sales people don't get involved in marketing (other than to complain about it). The direct marketing team doesn't know anything about brand marketing (and doesn't want to). The advertising department really doesn't know anything about how to run a store. And most importantly, the IT group tries to stay away from anything that has to do with marketing.

This highly specialized model worked fine until the Internet came along. All of a sudden, companies were faced with a single channel that is a strong brand advertising medium, a powerful promotional vehicle, a direct sales channel, and a proven customer retention tool. What makes it even more confounding is that technology is a critical element of all these components.

And with the proliferation of new digital touchpoints over the past few years, the entire concept of a linear purchase funnel has been called into question. Now, we're faced with a complex digital ecosystem that encompasses online advertising, search, mobile, gaming, IPTV, video on demand, desktop applications, blogs, viral, and podcasting—all amplified by the rise of user-generated content and social media.

Consumers no longer move neatly from one touchpoint to the next, from branding to promotion to sales. Instead, they snack on digital content delivered through a dizzying array of devices. They share ideas about products, companies, and brands, with their brand awareness and purchase consideration formed just as much by trolling a few niche-oriented blogs or peer-generated odes to the product on YouTube as by a national branding campaign. They research online and buy in stores. They shop in stores and buy online. The Internet has shattered the entire concept of a linear purchase funnel.

How can companies organized along traditional lines succeed in this environment? They can't. Even if they find an agency that has successfully managed the transition, to whom does that agency pitch ideas? The IT department? The direct marketing specialists? The marketing director?



None of these silos has the expertise to judge a truly transformational digital business concept, because such concepts bridge every traditional marketing discipline—and more. Transformational business concepts start with an *idea* and are expressed across every appropriate digital touchpoint. Transformational ideas integrate elements of brand building, shopping, promotion, and customer retention marketing. These concepts include a heavy underpinning of technology, probably requiring integration into legacy systems.

Let's look at an example. A financial services company might have a goal of attracting more Gen Y customers. An agency might respond to the challenge by developing a transformational idea that encompasses online rich media advertising, search, a social media Web site, a downloadable account management widget, mobile alerts for current customers, an incentive rewards program, and an in-branch kiosk—all tied to legacy account management systems. So, who within the client's company is empowered to buy this integrated idea?

Right now, in most companies, there isn't one.

Would such an idea find a natural champion in today's client organizations? Or would it die a slow death while each siloed discipline figured out where it fit into its plans? How high up would the decision need to go in order to bridge all of these silos? The unfortunate answer is that in virtually every modern company, the only person who can say "yes" to such an idea is the CEO.

So the questions remain: How should clients organize in order to respond to the gut-wrenching change being driven by the Internet? What has to change so that clients can quickly respond to, and act on, game-changing digital ideas? And most importantly, which client will gain a competitive advantage by being the first to step up?

If someone wants to schedule a panel on the Client of the Future at an upcoming event, I would be happy to moderate.





the new! improved! black box

Four questions that should keep
creative people up at night

By Joseph Crump, Executive Creative Director, New York

THERE'S A SEA CHANGE OCCURRING in creative circles these days—or maybe it could be called an identity crisis. What does it mean when the star-studded Golden Globes ceremony gets cancelled because the Writers Guild of America wants a share of Internet revenue? When one of the top TV spots of 2007 was filmed by an amateur for \$27.00? When an obscure Colorado blender company—Blendtec—can create a viral sensation without even hiring an ad agency?

It means the role of agency creatives is in transition and that their carefully guarded Black Box of creative tricks and tools has to be rethought. And that's a good thing.

On one hand, the power of design in creating memorable and successful product or brand experiences is stronger than ever before. Usability—once fetishized—is now merely the price of entry, like seat belts in a car. Desirability is the new Holy Grail of switched-on brands, from airlines to banks to T-shirt makers. The bar is getting raised every day for the way an object or an experience looks and feels, its tone of voice, its personality. This is the territory of copywriters and designers—the creative professionals—and we should feel more empowered than ever before.

On the other hand, creatives must become vastly more sophisticated in the ways they exercise that power, and more nimble and less precious in their communication and collaborations with their colleagues, their clients, and the end-user.

Four powerful creative trends are afoot here:

- 1. Old-school design methods are failing.** The pace of change among consumers and competitors has grown so fast that using a conventional process to hatch a marketing campaign, a Web site, or a new product virtually dooms it to being obsolete by the time it's complete.
- 2. Innovation is the new currency.** The days of a whopping marketing budget or a pretty design equaling success are over, as Blendtec has so well proved. If you're not creating something that's genuinely new—as well as useful and delightful—you are screwed.
- 3. Everyone is a creative.** Your next-door neighbor can make a YouTube video or design a MySpace page that sits on an equal media playing field with anything we produce here at Avenue A | Razorfish.
- 4. Narrative is the experience.** As the Web becomes the preferred destination for brand exploration, digital experiences must become richer, deeper, and more able to tell compelling stories. If your brand experience depends entirely on pages and clicks, it's time to wonder, "What is my story?"

So as creative folk, what are we to do about these seismic changes?

A modest proposal: Before a project starts, the creative team needs to go into a room—their literal Black Box—and close the door. They need to write these four questions up on a whiteboard and then do some soul-searching. If "no" is the answer to any, they should put the brakes on, and everyone—the account team, the client, and project management—should head back to the drawing board. Here are those scary questions:

- 1. Are we aiming high enough?** What is truly new-to-the-world about what we're doing? Is the thing we're about to advertise or design truly meeting a customer's unmet need, or are we just designing an "also-ran" or putting lipstick on a pig?
- 2. Are the right people in the game?** Is our conceiving team genuinely multidisciplinary? Does it include profound input from industry experts, brand strategists, consumer insight specialists, technology wizards, information architects, and copywriters?

3. Are we willing to fail—quickly? Are we prepared to be wrong a few times before we are right? To be really, really uncomfortable? Are we willing to throw out our tried-and-true process and all of our favorite creative tricks—even though they work—in order to create a real breakthrough?

4. Is there a story here? Are we designing a page or an experience? What is the beginning, the middle, and the end of the brand story we are creating? Does it move—and are people moved by it?

Creative people will always represent something of a Black Box within their agency or for their clients, because management is overwhelmingly left-brained, analytical, and linear in its approach to problems. And creatives are, well, the opposite. This is not a bad thing, but it goes a long way toward explaining some of the blank stares that both sides give one another when they are talking to each other.

The point—now more than ever before—is not that creatives have to be more assimilated, or learn how to use a spreadsheet, or care less about perfection. It's just that it might be time to put some new furniture in the Black Box and then invite people to come inside for a visit.

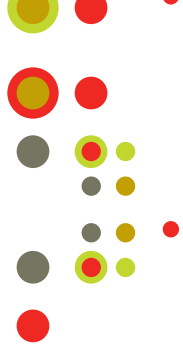




does the home page still matter?

Why distribution trumps
destination for publishers and advertisers

By Garrick Schmitt, VP, User Experience, San Francisco



ONLY A FEW YEARS AGO, a Web site's home page was the most prime piece of digital real estate a publisher could offer. Not so much today, however. The relevance of the home page as a media buy is on the wane. Search, social networks, blogs, and RSS (among a host of other online sources) are driving more and more users deep into today's Web properties. Now, the majority of consumers bypass a site's home page completely. In fact, according to Avenue A | Razorfish research, many top Web properties see 50% to 75% or more of their traffic originate somewhere other than the home page. And for some sites, that's on the conservative side.

The fall of the pay wall

The impact this is having on the online ad industry is profound. For example, *The New York Times* dismantled its relatively successful paid service, *Times Select*, in 2007 to focus on getting ad revenue from the massive amount of traffic driven by search and blogosphere linkage to *Times Select* content. That meant walking away from at least \$10 million in subscription revenue per year, according to paidContent.org. And that's hardly a paltry sum for a newspaper publisher today.

All video is viral

The effect of this change is being felt even more strongly by the broadcast and cable networks, such as ABC, NBC, CBS, and FOX, which are now wrestling with a host of different online distribution models for their programming—few of which involve driving traffic to their Web sites...or home pages, for that matter. CBS is the most ambitious of the lot. In 2007, the company created the CBS Audience Network, a broad-based digital distribution platform, to syndicate its entertainment, news, and sports to as much of the Web as possible. In doing so, the company inked full-episode distribution deals and community partnerships with nearly 50 companies, including MSN, AOL, Comcast, YouTube, Joost, and VideoEgg among others. So far, revenue has been more of a trickle than a stream according to *Adweek*, but CBS's strategy is still strong recognition of the fact that content is moving to a new, distributed environment, residing wherever users are on the Web.



Despite the confusion about how this will ultimately shake out, one thing is clear: There's no sign that the home page will regain its former prominence anytime soon, if ever. Today's consumers increasingly expect to imbibe content wherever and whenever they choose. According to the "Avenue A | Razorfish Digital Consumer Behavior Study,"* 56% of consumers use RSS feeds, 70% or more use a search engine or portal to start their Web experiences, and 60% actively customize their start pages. All of which means we can expect the venerable home page to continue to fall on hard times in the year ahead.

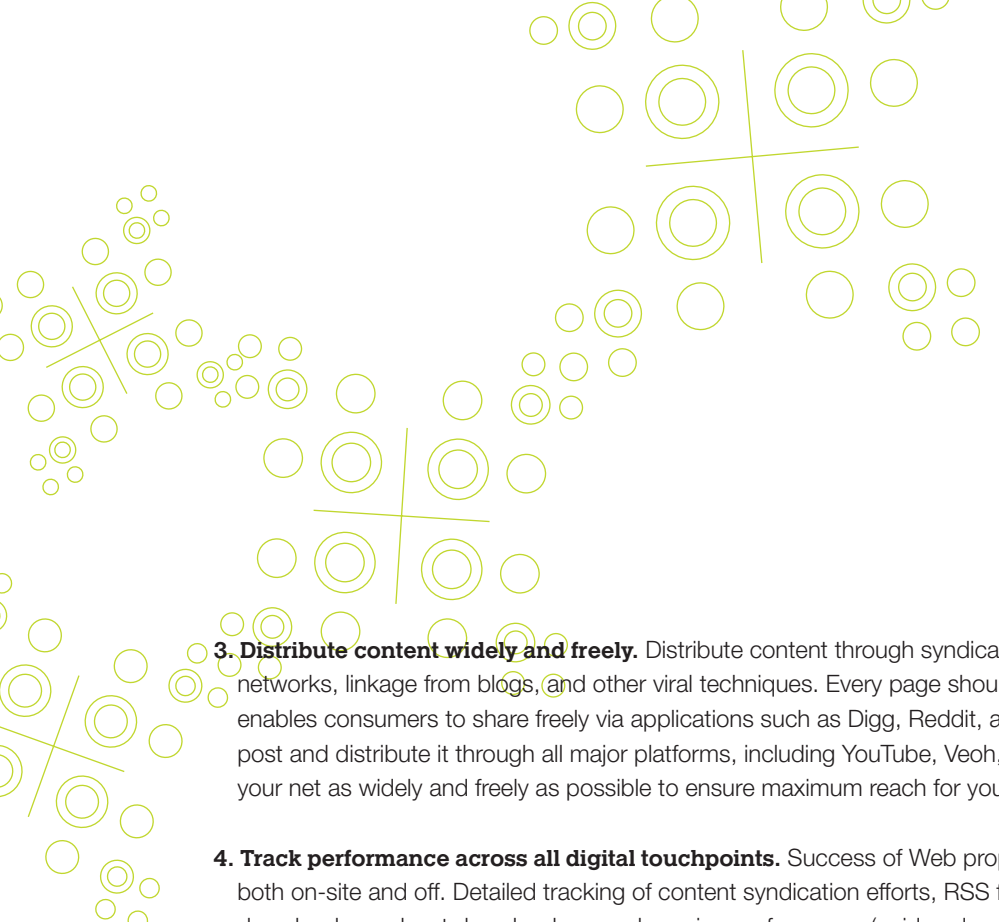
There's no place like beyond the home page

Despite all of these changes, the waning power of the home page is not a doom-and-gloom scenario for the industry. Here's how publishers and marketers need to adjust:

1. Adopt "traffic distribution" as a key site metric. To ensure that your digital content and Web properties are fully optimized for this new distributed ecosystem, make sure that you add traffic distribution as a key performance benchmark. Traffic distribution is comprised of all traffic driven to your Web property (either directly, referring, or through search engines) and the distribution of that traffic beyond the home page throughout the rest of the site. Our recommendation is that the total number of page views for the home page during any given time period should not exceed 35% of the total number of page views for the property. In other words, approximately 65% of a property's traffic should originate from somewhere other than the home page. In addition, make sure that traffic from referring sites and search engines combined exceeds direct traffic to the property.

2. Treat every page like a home page. Every page is now a home page, each of which will have a wider reach, a lasting shelf life, and the ability to attract a new audience like never before. To capitalize on this, ensure that every page has a strong, clear global navigation scheme and related content that is visibly promoted. And don't forget to make sure that display advertising gets prominent, above-the-fold, home-page-like treatment (300x250 rectangles and 728x90 leaderboards). Remember, every page can be accessed in any conceivable manner and in any conceivable order—you can't design properties to control user flow anymore.

* Visit digitaldesignblog.com for a copy of the "Avenue A | Razorfish Digital Consumer Behavior Study."



3. Distribute content widely and freely. Distribute content through syndication partners, promotion on social networks, linkage from blogs, and other viral techniques. Every page should sport a “Web 2.0 toolbar” that enables consumers to share freely via applications such as Digg, Reddit, and del.icio.us. If you have video, post and distribute it through all major platforms, including YouTube, Veoh, MySpace, and Facebook. Cast your net as widely and freely as possible to ensure maximum reach for your content.

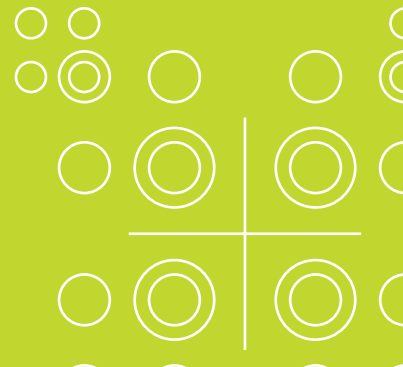
4. Track performance across all digital touchpoints. Success of Web properties now needs to be measured both on-site and off. Detailed tracking of content syndication efforts, RSS feeds, e-mail subscriptions, widget downloads, podcast downloads, search engine performance (paid and organic), blogsphere linkage, and video consumption gives the most holistic measurement of Web property performance. You need to start thinking about the entire channel to measure success and not just the Web site itself.

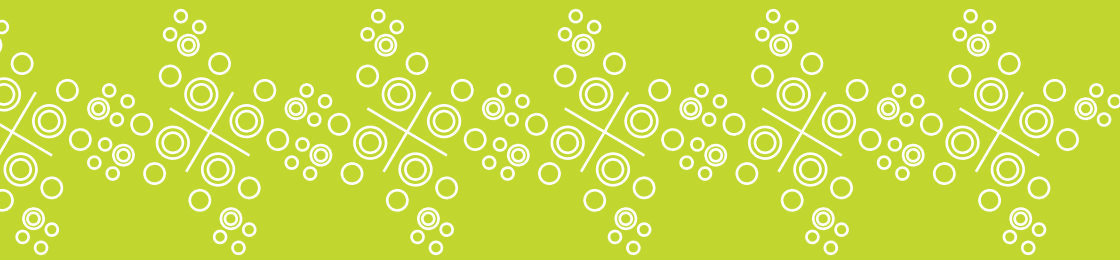
Ultimately, we believe that publishers, advertisers, and consumers will all prosper in this new distributed environment—the industry just needs to adapt, again, as consumers continue to travel the Web in ways that circumvent “home.”

For more thoughts on this topic, visit digitaldesignblog.com.

developing a digital blueprint

By Jonathan Rosoff, VP, Strategy and Insights, Seattle





IT'S NOT NEWS THAT DIGITAL HAS BECOME MAINSTREAM: Digital has become the darling of the media and advertising worlds, marketing budgets continue to shift toward interactive channels, and business innovation is increasingly founded on digital technologies. There is a proliferation of new marketing and media opportunities, from gaming to feeds, widgets to gadgets, mobile marketing campaigns to new ad models, as well as sponsorship options in user-generated content. However, what seemed fresh a year or two ago is now stale with advances in rich media and online interaction models, and the fate of brands is often determined in the ubiquitous, fragmented landscape of social media.

Why are so many companies failing to leverage digital effectively to drive business results and innovation?

The problem for many is that they haven't designed a digital blueprint that integrates their business priorities, the capabilities of their IT infrastructure, the online strategies of their competitors, and their ability to finance it in a way that will move them forward. Thus, too many companies go to market with fragmented or misguided efforts. They know they need to reach and engage consumers in digital channels and hear a lot about the power of Web 2.0, but aren't sure about what to do or how to do it.

Digital has evolved from being the domain of the kid down the hall who managed the Web site a decade ago into a means to drive change and reinvent business today. It's time for this organizational inertia to stop. It's time for digital blueprints to be part of every organization's business initiatives.

Three steps to sketching a digital blueprint

The digital blueprint is a focused, strategic plan that aligns the organization with a digital vision and clearly articulates how to create value for customers, channel partners, key internal constituencies, and the company's businesses and brands. This plan should guide the company's investment decisions and lay out how digital enables the company to implement innovative business ideas and immersive customer experiences. It should be driven by customer insights and a keen understanding of how the marketplace is evolving, and be grounded in business and operational realities to ensure it can be implemented.

The digital blueprint typically has three parts:

1. Current and future assessment. This assessment has external and internal components. The external, or marketplace analysis, gathers holistic insights on how customers behave, examining how those behaviors impact their attitudes and decisions. It also examines the client's entire business universe, including partners (such as vendors and resellers), competitors, the general business environment, and how emerging technologies are influencing the company's business.

The internal review defines priorities in terms of both business goals and the ability of the company to invest in digital initiatives. It looks at how the organization is set up—in terms of employee skills, operational capabilities, and infrastructure—to implement digital strategy. The assessment is guided by a set of questions, such as “What do customers really want from us online versus our competitors?” and “Why is our share of online transactions lower than the industry average?”

2. Strategic recommendations and phased road map. Based on insights from the assessment phase, recommendations are developed under key themes, such as “broadening the partner ecosystem” and “driving commerce activities.” For each theme, specific recommendations are developed for products and services, platform features and tools, brand experiences distributed across the Web, partnerships, and media. These initiatives can then be prioritized based on business economics, customer needs, the needs of internal constituencies and operational readiness. Finally, initiatives are phased over time and aligned with broader marketing and IT plans to ensure that priorities and timelines are shared.

3. Experimental agenda for digital alternatives. Even as the core initiatives are built out, companies should set aside budget specifically for looking at emerging technologies, in a continuing education initiative that will inform the digital blueprint going forward. This is where brands can experiment and learn from trends such as viral ideas in social media or prototypes for new interaction designs, all without creating distractions from the core digital business. Some marketers set up separate digital innovation labs to explore new products and approaches to market. Others focus on ways new technologies can lead to better campaign optimization. Whatever the focus, the key is having the discipline to set aside funds, develop a learning agenda that focuses on business or marketing questions, and set up a robust test plan with the right set of metrics and measurements on the back end.

What does a digital blueprint do for organizations?

A digital blueprint galvanizes the organization. It provides companies with the vision to develop better customer experiences and effectively implement fully built-out digital solutions. Because initiatives are defined holistically and aligned with target customer segments, there is less fragmentation and fewer one-off technology builds and isolated media buys. Resources are focused on realizing the blueprint.

Once the blueprint is in place, it becomes a guide and grounding point for discussion. As initiatives move forward and people become focused on day-to-day work, they often lose track of the bigger picture. With a documented digital strategy, there is always a reference and reminder for why the work is meaningful and how it explicitly contributes to the strategic goals of the organization. When there are debates over funding or the importance of delivering specific projects, the blueprint provides objective priorities that guide the organization to smart, dispassionate outcomes.

This does not mean that a digital blueprint is static. It needs to be reviewed and refreshed regularly to reflect changes in the external and internal environments. In general, the executive responsible for the digital strategy should lead this initiative through a review process with other key staff on the digital team.

How does the digital blueprint align with other planning efforts?

The digital blueprint lives at the intersection between the company's business strategy, marketing strategy, and technology road map. Overarching business strategies and goals are key to developing digital strategies in each layer of the organization. Unless a company lives entirely in the digital realm, this is usually a one-way flow of inputs. With marketing and technology planning efforts, there is a two-way dialogue. The digital strategy integrates elements such as major campaign themes and brand guidelines with planned upgrades to back-end systems that enable digital operations. It also provides important information to other stakeholders in the organization that could cause them to evolve their plans.

The key is to uncover, discuss, and resolve all issues that can affect the digital strategy to ensure alignment throughout the organization—even if the outcome is that certain digital initiatives are not feasible in the short-term. If the discovery process is not thorough, companies risk moving down a path only to realize that a critical component—such as enabling integration of customer data for personalization—won't work.



How is the digital blueprint implemented?

Going from strategy to implementation is a major challenge and requires a collaborative, fast-moving engagement model. First, the strategic development process needs broad representation from key internal constituencies and buy-in from senior executives. Having representatives in the room from business groups, marketing, IT, and digital functions will ensure not only that they sign off on the strategy but also give operational support when it comes to implementing the blueprint. Senior executives should provide the focus and decision making authority to propel the process forward and ensure that barriers to adoption and implementation are quickly addressed.

Second, teams working on the digital strategy need a mix of participants who can develop pragmatic strategies and tactics: both generalists who understand digital business models, marketing and media, and emerging trends in the category, and the specialists responsible for implementing the plan. As teams generate insights during the assessment phase, generalists will understand how to prioritize investments and develop business models, feature sets, and programs. Strong user experience professionals, technologists, and creative designers will understand how to translate those insights into experiences, interaction models, workable concepts, and campaign ideas.

Third, there needs to be a balance between rigor and speed. If too much time is spent in the planning phase, organizations lose momentum and it becomes harder to drive to implementation. Wherever possible, teams should look for the existing sources of data and research that usually exist in large organizations. There are also myriad ways to get customer or prospect insights quickly through online data and tools, such as blog searches, buzz tracking, and live Q&A. In the hands of a good account planner, these methods can provide robust insights and may make it unnecessary for more traditional and time-intensive primary research.

Though implementation will differ by the type of organization and the complexity of the work, teams are normally structured into “tiers,” with different roles and responsibilities to ensure the right inputs at the right points in time. Teams should be in place at the start of the engagement and will continue in their roles after the initial phase is complete to guide the work and engage in ongoing planning cycles. There are usually at least three teams:

- 1. Core digital strategy development group.** This group does the work, sets the agenda, and aligns the rest of the organization around the initiative. It includes generalists, digital experts, the head of digital strategy, and other key people who are part of defining and developing the strategy.

2. Cross-disciplinary group. This group, which incorporates people from across business units and disciplines, provides input into the strategy development process, including its business requirements and goals. Participants bring external and internal perspectives and help drive implementation in future phases of work. This group is often used as a review committee for interim presentations and acts as a sounding board for recommendations.

3. Executive steering committee. This group of senior executives makes the key decisions, helps drive outcomes across the organization, and removes barriers for the core team. Ideally, it includes the CEO, CMO, CTO, and heads of the business groups.

How does the blueprint come together in practice?

A good illustration of how this works is a recent Avenue A | Razorfish engagement for a financial services client. This client had limited brand awareness and was struggling to develop a direct-to-consumer channel without alienating its agents. In collaboration with a large, cross-functional team, Avenue A | Razorfish developed and continues to implement the company's digital strategy.

In the initial assessment phase, contextual research provided insights into consumer behaviors in the category and areas of frustration for agents. For example, while consumers often stated that they compare prices and brands and spend time getting deeper product information, they in fact go directly to brand sites and start shopping immediately. In separate interviews and focus groups, agents indicated frustration at losing business to direct channels because they did not have the time, resources, or sophistication to develop digital capabilities themselves.

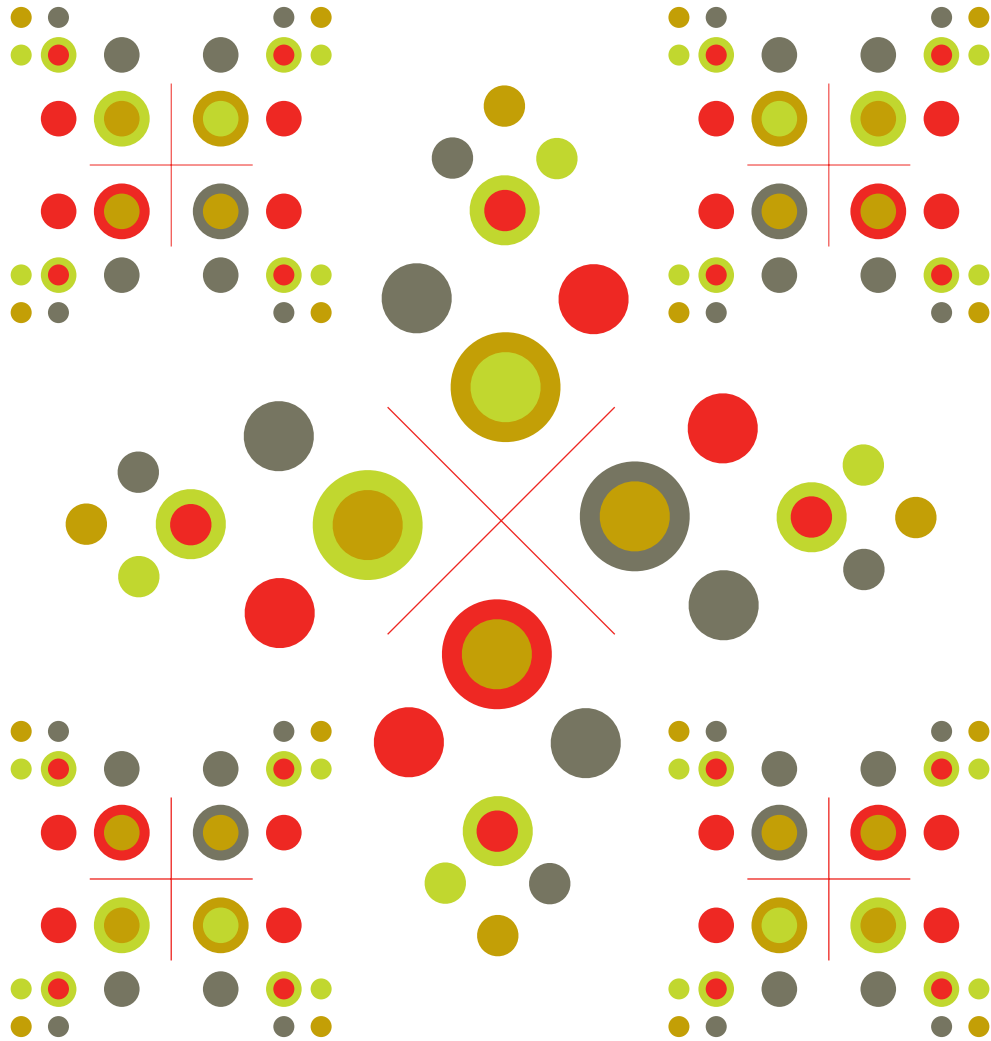
After quantifying the economic opportunity in capturing digital market share, Avenue A | Razorfish defined a broad list of prioritized investments under a series of themes, such as “taking agents with us,” “creating engaging, quick shopping experiences,” and “borrowing brand and traffic” to compete with larger, better-funded players. Under each of these themes, we developed specific site tools and features, distributed experiences, affiliate models, and marketing programs (aimed at evolving both sales and servicing channels), and tied them together in ways that were mutually reinforcing. We also created a series of initiatives such as customer segment and issue-specific microsites to generate buzz and organic search engine results, and courses and tools for agents to help them “go digital.” Finally, we developed a series of tests to evaluate the return on investment and consumer response to initiatives aimed at selling them other products and building their loyalty. The results of these tests were then used to identify the value in building out customer relationship management capabilities and site features.

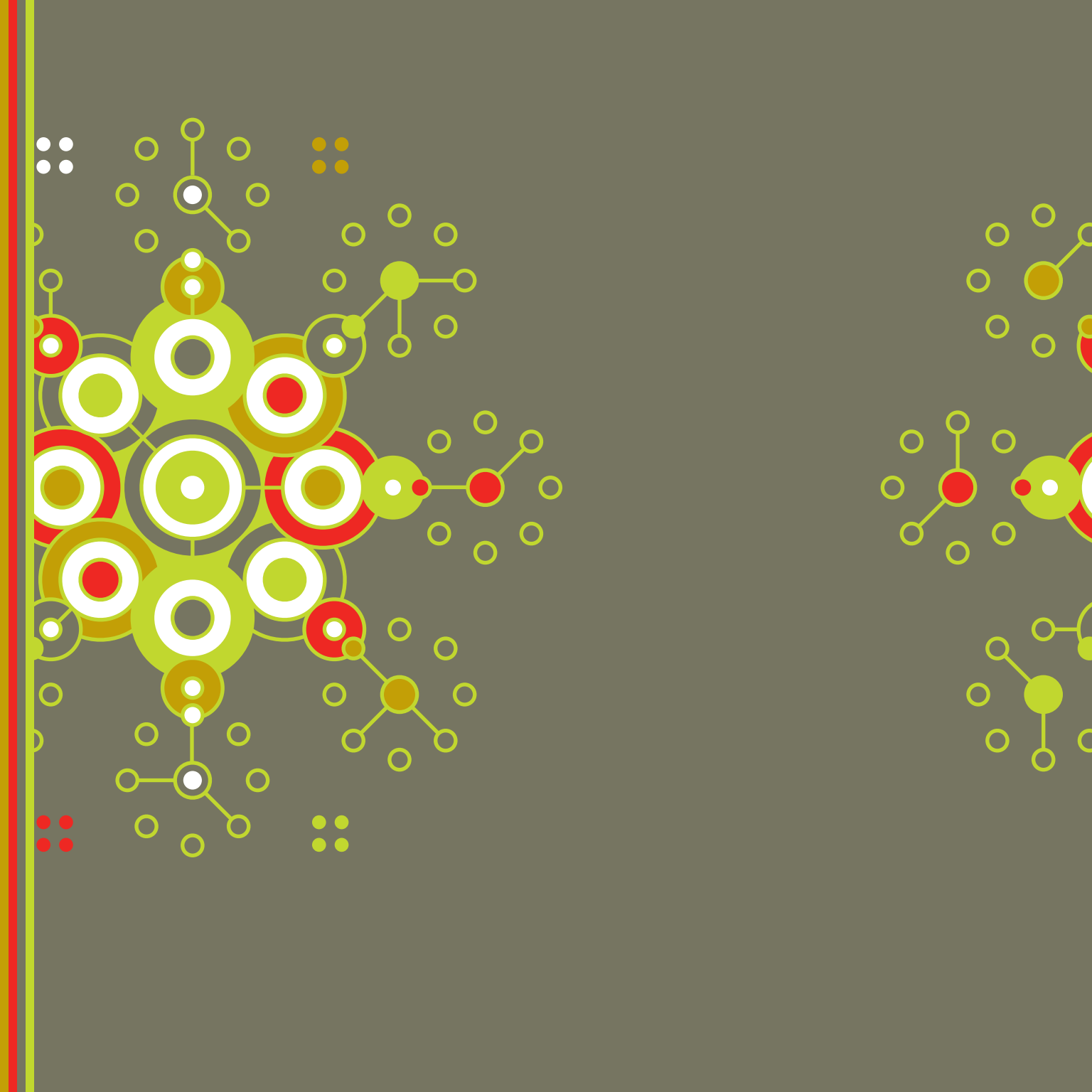


The resulting three-year road map provided a strong blueprint for the digital future of the client, and the strategy became a unifying force and a vehicle for change within the organization. Blessed by the CEO and board of directors, it brought disparate internal groups with responsibility for digital platforms, campaigns, and products together and gave them a sense of how their initiatives fit in the scheme of business priorities. It also led to a restructuring of roles, responsibilities and incentives to roll out the road map across the organization. In addition, it catalyzed changes in the company's IT road map to better support digital priorities.

While developing a digital blueprint requires energy and commitment, the payoff can be dramatic. By elevating digital within the organization, a robust blueprint can help the companies better engage consumers, drive business results, and differentiate themselves from the competition.







conversations with the connected class

a window into user
behavior

By Brandon Geary, VP Account Planning, Seattle



TO BETTER UNDERSTAND how user behavior is evolving, Avenue A | Razorfish conducted in-depth interviews with 25 people between the ages of 18 and 34 who exhibit a high propensity for using a variety of digital platforms. We call this segment of the population the Connected Class and believe they represent a bellwether for predicting digital behavior.

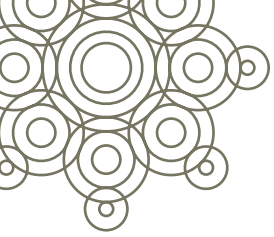
The proliferation of the digital you

What do we mean by the digital you? Much has been written about consumer empowerment, the power of self-expression, digital conversation, user-generated content (UGC), and the rise of social behavior. Indeed, *Time* magazine made “You” their Person of the Year over a year ago. The digital you is how you express your individuality using all of these channels

But in our research, we found connected users are beginning to do more to build their digital you than we could have imagined. They aren't just using the new technology, social, and communication platforms—they're using them to express different sides of themselves in both obvious and nuanced ways.

People have always shown different sides of themselves—the person you are at work is perhaps different from the one that rides a Harley-Davidson on weekends. The punk rock fan may never have dropped into a half pipe. But today, digital platforms are rapidly perpetuating the phenomenon of the multi-dimensional self.

Users are leveraging every digital tool at their disposal to show these different sides of themselves—who they are, where they fit, what they think, and what they think of others—and the digital context plays a critical part in determining which part of themselves they show. They display these different aspects of their personalities through the devices they use, games they play, and conversations they have. And while that may sound merely interesting, we believe it has significant implications for both marketers and communicators in 2008 and beyond.



The proliferation of the profile

Social networking is not a zero-sum game

Much of the discussion around social networking aims to pick a winner in the space. Will Facebook eventually eclipse MySpace? Will users tire of requests to join specialized and company-sponsored communities? Will users look to aggregate their various profiles onto a single site?

We found users surprisingly willing to maintain a presence on multiple social networking platforms—so long as a critical mass of people remains. More importantly, we found users actively expressing different sides of themselves on different communities and even managing multiple profiles on a single platform: “I have both a party profile and a business profile on MySpace.” (Tory, 26)

Alternatives to Facebook and MySpace, like Yelp, 43 Things, and Bebo, are recognized as having their own sort of relevant culture and place in the digital world: “People on Yelp are really into the Yelp scene.” (Sarah, 25)

Despite the emergence of two social networking titans, there may still be room for more—or different. And for marketers bent on leveraging social media, it’s critical to use the appropriate platform for the appropriate purpose. That is, identify a specific purpose for a gaming social platform like XBOX Live, another for Facebook, and perhaps another for MySpace.

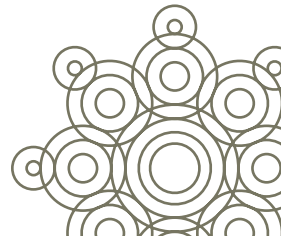
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The proliferation of the platform

Every device has a self-expressive purpose

Despite user requests for a single mobile, PC, or gaming device to do everything, we found users increasingly willing to embrace multiple devices—even when those devices possess overlapping capabilities. For instance, a Nintendo Wii for the whimsical side of their gaming lives and an XBOX 360 for competition. A laptop for managing the business of life and another littered with stickers for fun. A smart phone for e-mail and a flip phone for weekends. We found users unwilling to make the compromises that come with an all-in-one while willing to embrace devices for different highly specialized aspects of their lives: “We bought my brother-in-law an iPhone specifically so we could get him to check his e-mail. Nothing else seemed to work.” (Laura, 26)

For retailers and manufacturers keen on helping consumers make just the right choice in a particular consumer electronics category, the best choice may be to choose more than one.



The proliferation of communication

A social hierarchy takes shape

Much has been written about the emergence of various forms of digital communication and the increasing frequency with which people use things like SMS, IM, and microblogging tools such as Twitter.

We found users actively seeking to specify communication methods to other individuals either based on the nature of the relationship (family vs. friends) or, more specifically, the relative value placed on the relationship.

While text messaging was described as “to the point” and “direct,” it was often reserved for some of the most personal and important relationships: “I only text my boyfriend when we are fighting.” (Sarah, 25) “My sister texts me when she wants me to convey something to my Mom.” (Lauren, 26)

For members of the Connected Class, the phone conversation appears to be increasingly reserved for non-users of more nascent forms of communication. It’s often described as a bit of a chore, as digital channels evolve to one-way broadcasts to large groups of friends: “Calls can be too long—if you just have a quick question, you don’t want to hear what they’ve been doing forever.” (Jillian, 21)

From a marketing perspective, forms of communication like SMS and mobile e-mail remain incredibly personal and relevant for a select set of direct-response-oriented brands able to integrate into the upper rungs of the user’s social hierarchy.

The proliferation of self-promotion

Social activity has real social value

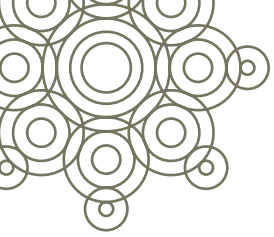
Sharing different sides of your personality is a lot of work—it might require uploading photos, maintaining multiple profiles, constantly adding new friends, and simply keeping up with the technology necessary to do so.

We found that users are keenly aware of the level of interaction and sophistication demonstrated by themselves and others. Suspicion arises when a friend shows no social activity at all. (“What do you have to hide?”) Someone who constantly updates their profile and posts photos of last night’s cocktail party may be revealing their social insecurities. A small friend list may have people wondering whether or not that person is worthy.

This notion of hierarchy was particularly evident when users described the difference between personal conversations conducted using Facebook’s private e-mail function and those using the public Wall function where they can broadcast to entire Facebook groups: “People converse on the Wall because it shows everyone how active their life is.” (Laura, 26)

It also illustrates the degree to which new technology plays a critical role in keeping up with the Joneses both physically and socially. If the photos on your Facebook page are taken with a 1-megapixel camera, they aren’t going to look too good. If your phone lacks wireless Web capability, you can’t update your status as regularly.

This poses an interesting question for marketers. Is it enough to simply put up a profile and see who comes, or are users ready for a brand or brand-based character to actively aim to elevate its social status—through constant status updates, direct communications, and events?



The proliferation of active participation

The proliferation of the digital you has additional implications for marketers

Media planners should consider some level of participation on social and mobile platforms, even if the majority of media activity is display- or response-based. Users' increasing reliance on the Web as a communication tool suggests they'll soon expect all relevant brands to be where they are and will question those who are not.

Direct marketers should define the communication channel appropriate for the level of relationship they expect to create with their consumers. Texting and mobile social networking, for instance, remain extremely personal forms of communication. Can you develop an offer or information resource worthy of this level of inclusion?

Brand managers should consider the elasticity of their brands. Can they stretch to show unique attributes or personality traits across various social platforms to effectively fit in with the environment? Even as new communication devices and platforms change how people present themselves, the concept of the fragmented digital you looks to be a permanent part of the fragmented media landscape.

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emerging opportunities

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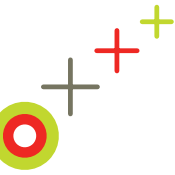


digital (r)Evolution 2007

Shifts and starts in emerging channels

By Terri Walter, VP, Emerging Media, New York





FROM THE FIRST BANNER AD ON THE WEB almost 14 years ago until now, digital marketers and agencies have experimented with how best to translate a brand online and bring it to life via interactivity. While this challenge will continue, 2007 saw a fundamental shift: Content, which once resided on one, or maybe a handful of sites, became available when and where consumers wanted it. That presents new challenges and opportunities for publishers and advertisers who must follow eyeballs on a winding, ever-more-fragmented path.

Digital television is but one of many examples. The major broadcast networks, which had previously streamed their content on their own sites, with maybe a side deal with Apple's iTunes, now found that wasn't necessarily enough to gain the distribution and ad revenue they wanted. CBS's announcement in April that it was creating the CBS Interactive Audience Network set the tone. The online network called for its content to be distributed to partners including AOL, Microsoft, CNET Networks, Comcast, and Joost. In October, NBC and News Corp. launched a beta version of their streaming site Hulu.com, billed as a premium content destination to rival iTunes. As for ABC, it was simultaneously building up its own site as a destination while also pursuing online distribution deals.

Of course, network TV distribution deals were but the tip of the content-where-and-when-you-want-it iceberg. In 2007, social networks like Facebook and MySpace gained greater scale, and with that came greater opportunity to distribute content for both professionals and amateurs, whether it was *The New York Times* creating a Facebook widget to distribute its daily "10 Most Read" list of popular stories, or the rise of social networking helping people share bookmarks or rate content using services such as del.icio.us or Digg. And, of course, older viral trends continued. YouTube continued its runaway popularity, and the blurry lines between content and advertising, if anything, got blurrier. How else to explain a clip such as Ray-Ban's "Guy Catches Glasses on Face," which has resulted in millions of YouTube views and dozens of video responses? Meanwhile, mobile media began to move beyond its own hype (the hype surrounding Apple's iPhone notwithstanding). All of these developments were about content itself—not necessarily about where it resides.

Of course advertisers, if they weren't awake to digital's ascendance already, became even more so. According to the Interactive Advertising Bureau, for the first nine months of last year, interactive ad spending rose by almost 26%

to \$15.2 billion. As such, in 2007, digital specialists were not the only ones thinking about the digital future anymore. Most marketers and agencies, regardless of their core discipline, were realizing the power that digital and emerging channels have in transforming business and consumer relationships. As a result, more marketers are putting digital at the center of their strategies. The question, as it has always been, is how to keep up with an interactive landscape that changes much faster than many can keep up—the rapid-fire dissemination of content being one of 2007's biggest challenges. But, try they must.

Here then are some of the events, from acquisitions to technology advancements, that shaped the market in 2007.

How merger activity reflected the marketplace

While the marketplace was full of deals, ranging from AOL's acquisition of behavioral marketing specialist Tacoda to Google's still pending acquisition of DoubleClick, the deals had one thing in common: They demonstrated that the tools and infrastructure needed to aggregate audience, buy and sell media, target, measure, and optimize—in all their complexity—are highly valued and ready to be built upon. In addition to the two above deals, other headline-makers included Microsoft's purchase of Avenue A | Razorfish parent company aQuantive, Yahoo!'s purchase of online ad exchange Right Media, and WPP Group's acquisition of 24/7 Real Media. These acquisitions signified a growing trust in advertising technology and targeting intelligence as a competitive differentiator, and hinted at a future that could place digital dashboards and infrastructure at the center of marketing management.

But looking at consolidation of the online media marketplace as solely a PC-based phenomenon would be a big mistake. Changes in the mobile arena were also evident as power struggles amongst the Internet pure-plays, telcos, and tech companies altered the establishment. AOL purchased mobile advertising company Third Screen Media; Apple chose AT&T as its exclusive iPhone carrier, and Finnish mobile powerhouse Nokia bought mobile advertising network/platform Enpocket as well as digital map data company Navteq. These moves, paired with Google's announcement of Android, an open-source mobile software development platform, put pressure on mobile carriers. In response, Verizon surprised the mobile industry with the announcement that they would be the first carrier to open their network to outside devices, software, and applications in 2008. Apple did the same for the iPhone, promising an open platform in early 2008.

Ever more mobile in 2007

While mobile advertising is still in its infancy, the clamor around it made a lot of sense. If people are truly consuming content where and when they want it, the mobile device will be where more and more of that activity will take place. With SMS at about 40% penetration and the mobile Web at about 10% penetration in the U.S. among mobile

phone users (according to Q2 2007 data from M:Metrics), advertisers aren't flocking to mobile quite yet. However, many brands took their first leap this year, hoping to gain learnings about how their audiences are engaging with mobile devices. JCPenney won accolades in *The Wall Street Journal* for innovative mobile work that used SMS for wake-up calls on Black Friday. Overall, brands that leverage communication mechanisms like SMS, click-to-call, custom content like mobisodes, wallpapers, ringtones, and offline-to-mobile integration to build interaction are beginning to see flickers of success.

But in many ways, the pivotal event in mobile for 2007 was the launch of the iPhone. For the beauty, simplicity, and functionality with which it brought the graphical Web to mobile users, the device revolutionized the mobile experience and gave users a peek at what is possible. Its launch was significant for the effect it had in triggering both consumer and marketer interest in mobile as a new content platform.

In addition to the iPhone and other new mobile devices, new products categories like in-auto, voice-activated mobile platforms and mobile-activated remote controls are emerging. Ford Motor Company and Microsoft's collaboration on the Sync platform is one example. Launched in fall 2007, it's an in-vehicle technology that supports popular media devices and mobile phones and allows for hands-free communication. In 2008, we should see software companies like Microsoft and Apple, wireless players like Verizon and Nokia, Internet pure-plays like Google, Facebook, and Yahoo!, and entertainment providers like NBC and ABC push the mobile industry forward even further. The vision of a seamless gateway to content, regardless of the platform, may not be as far away as we think.

While carriers still push minutes in advertising, users under 35 aren't talking as much. It's all about the mobile social network and text: "I definitely talk less than I used to and text more."

Avenue A | Razorfish Consumer Dialogues, 2007

Collaborative experiences come to life

One route toward relevancy for advertisers has been to empower micro-communities to engage with brand-supported content via multi-user experiences, such as alternate reality games (ARGs), mashups, collaborative play, and widgets. ARGs, like the Iris promotion that launched Halo 3, leveraged multimedia clues and underground digital experiences to blur the lines between the virtual and the real worlds. Branded entertainment, or custom content provided by a marketer, also flourished. From the custom XBOX 360 games released by Burger King to live Web-only entertainment like Sprint and Suave's "In the Motherhood" series featuring Leah Remini, brands sought to differentiate themselves by offering consumers experiences they couldn't get anywhere else. This trend of marketer as content creator, which has been going on for several years, will become even more critical in 2008 as advertisers look to meet the higher standard set by consumers who want to both personalize and engage with content in deeper ways. Expect ad models in emerging channels to continue to evolve to fulfill this need.

Beacon: the light at the beginning of the tunnel?

Facebook's opening of its platform in May to third-party developers wasn't initially viewed as an advertising development. However, as advertisers looked to reach consumers in new ways and in new places, mini-applications such as the widget emerged as marketing opportunities. Since May, Facebook has seen over 12,000 mini-applications added to its service. Marketers such as Best Buy, Honda, Sony Pictures, Target, and Sprite have experimented with widgets on Facebook and elsewhere as advertising and/or consumer connection opportunities. New publisher environments like Yahoo! Widgets and Google Gadgets, and widget advertising enablers like Gigya and ClearSpring, are supporting this trend.

The promise of such environments is that social media will allow marketers to communicate with consumers where they are, offering up content that is relevant to them. Even though established ad forms, such as ad banners and text-based search ads, exist in social networking, the hope is for a higher degree of relevant consumer connection. But the ability to play influencer in a much more intimate way comes with a price. As personal and public media becomes more intertwined, consumers are going to keep pushing back at attempts to merge the two.

This was never more apparent than with Facebook's attempt in late 2007 to launch Beacon, which would have publicly posted Web-based behaviors to user profiles. In retrospect, it may hardly be surprising that your best friend didn't want it known that she had just wrung up a hefty bill at an online retailer like Bluefly. Therefore, after receiving much criticism over Beacon's privacy implications, Facebook was forced to change the program to opt-

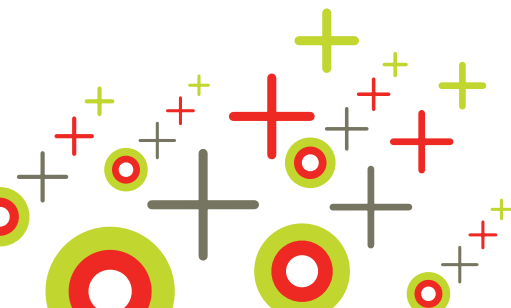
in a few weeks after launch. The fracas led to a healthy discussion over how emerging channels like social networking and mobile should incorporate marketing messages. Social and mobile media are highly personal in nature, and hence a very different environment for marketing than more public forms of media like online portals, print, and TV. How brands behave in social media “friending” environments, with permission-based widgets, or in mobile remains to be seen. However, it should be clear that while effectiveness will always be important, in this arena, privacy implications cannot be ignored.

A look ahead

As digital content becomes more widely disseminated, the relationship between content provider, marketer, and consumer is changing rapidly. In 2008, more sophisticated content experiences will be born, the proliferation of widgets and applications will accelerate, and a brand’s place in consumer-generated media will continue to be questioned. Some of the most striking advances will be in mobile and digital television, as competition and infrastructure shifts in those industries create new environments for innovation to flourish. Where and how marketers connect with their customers now and in the future, and what they say to them when they do, is explored in the next several sections.

The year ahead will be marked by a thriving mobile Internet for brands and users, with mobile advertising starting to gain traction on the mobile platform. With new formats like mobile video, interactive ads built with Flash-technology and ads using localized information, we’ll see campaigns that are see both highly creative and relevant to the user.

Stefan Mohr, Director, Mobile, Frankfurt





online video in 2008

Tapping into user behavior
to make it relevant

By Grant Owens, Director, Account Planning, New York

UNLIKE TRADITIONAL MEDIA, in which content is delivered in time-tailored streams and fixed locations, the Internet introduces inherently new behaviors, and users' actions are sending a resounding message that relevance is the key to great online video experiences.

Fortunately, technologies are lining up just in time to meet consumers' need for more personally and contextually relevant online video. In fact, the long-awaited era of convergence is finally upon us, but not through the "universal box" everyone had predicted; rather, convergence is developing behind the scenes as back-end technology platforms now seamlessly deliver video experiences regardless of source, device, or content location. As this continues, it is becoming increasingly important for marketers to understand how to make their online video messaging work in this diverse video environment in ways that also work for consumers.

What consumers are doing with online video

As with any rapidly evolving medium, it's important to identify the consumer behaviors that are developing into consumer expectations. Here are six key behaviors that will be the foundation for video innovation in the next year:

- 1. Personal taste-making.** The volume of Internet video is massive and largely unstructured, so users are looking for tools that manage their unique media interests. Although videos are currently organized based on a similar tag, category, or past choices, standard conventions for recommendations come from commerce sites like **Amazon.com** and music experiences like Pandora's Music Genome Project or Last.FM's "scrobbling" technique—which adds every song users play to their music profile—have made this type of machine memory a user expectation. Users will soon benefit from similar tools in video.
- 2. Seeking peer pressure.** Even though it's easy for users to access their historical viewing preferences and discover content by keyword, they still want to know what's hot. While a number of online video services rely on the wisdom of crowds to surface and display the most popular videos, new features will undoubtedly emerge to help users discover new content through more complex social influences and introduce peers with shared passions.

3. Exploring new routines. There are many instances, such as the popular videos documenting Diet Coke and Mentos-fueled explosions, that have proven the massive reach available when users snack on pop-culture clips. But online video is also becoming a direct replacement for the lack of quality programming on television. Avenue A | Razorfish data indicates that online video viewership peaks on Friday nights when network programming is typically weaker. As 2008 kicked off with a writers' strike, we believe this may have led many more viewers to explore online video options.

4. Finding Web gems. Search is currently inadequate at helping consumers swim through the complex video environment; as an alternative, the majority of online video viewers say they find new videos through friends' recommendations. Today's search tools are only useful when the user has previously heard about a video and would like to locate it. Therefore, search providers are actively experimenting with sound recognition—which would be used to create tags—and contextual tags to improve the results. We also expect to see topical segmentation enable searching within a video at particular points. This technology is on the market, but in its current form, the videos are sliced up to create additional ad impressions and allow time-stamped targeting.

5. Plucking and aggregating. As users increasingly enjoy both professional and user-generated content equally, the role of aggregators and syndication tools is growing. Now users can aggregate content themselves and combine different sources with different content filters into their daily media touchpoints. We believe successful video experience models will be those based on a mix of push and pull sources integrated into users' existing routines.

6. Using community to share, comment, and embed. With video files being distributed to multiple destinations, the community surrounding video content is often as important as the videos themselves. Most online video destinations provide many routes to social participation—tagging, saving favorite videos, commenting, rating, editing, and embedding. Other social interactions that are likely to take shape in 2008 will be in-video comments, real-time voting, and co-browsing for additional media with viewers that share your interests.

Leveraging user behavior to achieve video ad relevance

Advertising in online video is available in two forms: integrated advertising and branded entertainment. Although pre-roll represents an easy-to-understand model, it does not represent the full spectrum of opportunity within online video. In 2008, smart marketers will experiment with more relevant and creative online video tactics in taking advantage of both formats for brand engagement.

The first and most common option, integrated advertising, begins with the theme of “relevance” and ends with the filter of “does it annoy ‘em?” What separates great executions from merely good is adherence to these four principles:

- 1. Planning for the environment.** Online video ad integration depends on how the video with which it is associated is delivered—through a social networking page, in-banner, or elsewhere. Is the approach a passive full-screen experience with longer form content, or is it a short-form video where advertising may need to appear as post-video jumping off points via surrounding display advertising?
- 2. Creating meaningful context.** Video ad integration, like any other ad integration, is best approached as a point in time informed by a host of others behaviors, passions, pain points, and historical actions. Figure out how your content complements whatever the user came to watch. Advertising should also align with metadata such as video tags and video titles, a task that will soon become easier as sound and image recognition technology becomes able to decipher video content and attach appropriate marketing messages.
- 3. Syndicating ad messages.** Syndication services supply video to multiple destinations, allowing in-video advertisements to be viewed across a large swath of Web properties—anything from a personal blog to a national news site. Although the idea of your brand traveling around the Web unprotected can be a little distressing, many syndication providers offer levels of control that can allow you to select categories to blacklist or pick safe zones.
- 4. Analyzing and optimizing advertising.** Beyond using traditional TV metrics, track your online video advertising using various engagement metrics. These could include unique views, interactions within the unit, and many others. Some of our clients are also beginning to set benchmarks and perform custom advanced analysis such as viewer segment analysis, cross-channel effects, and optimal frequencies. Solid metrics enable optimization of creative messages, video formatting, site placement, and other key variables.

Where branded entertainment and online video meet

Integrated advertising is not the only way online video marketing can engage consumers with brand messages. To make the most of it, marketers should have the same entrepreneurial spirit Procter & Gamble had in the 1930s when it created the soap opera. The modern opportunity, branded entertainment, is one in which marketers can supply compelling content that is both entertaining and engages viewers with their brands’ core values.

Depending on campaign objectives, marketers may choose decidedly different content types and delivery formats. Whether it takes the form of a mockumentary or a simple product demonstration, compelling and creative content tied to a brand's core values can create a truly enduring experience.

Marketers commonly enter the branded entertainment space looking to crack the viral code. While there is clearly no single recipe that will turn an online video effort into a viral juggernaut, there are three guiding principles that we believe will improve overall success.

- 1. Create something of value.** Do not interrupt what people are interested in; be what people are interested in. Base your content on consumer insights that align with your brand. You are creating content for your audience, not talking about yourself. Say it with a twist; make it funny, surprising, and original—like Blendtec's series of viral videos that demonstrate its blender's versatility and durability by scrambling everything from Spam (still in the can) to an iPhone.
- 2. Be Web native.** Exploit the unique opportunities of the Web—don't just put 30-second spots online. You need to align content and format with the behaviors of the audience.
- 3. Grease the skids.** Remember that you need to create buzz in order to get buzz. A little promotion can help—even if that means using some more traditional marketing tactics. Make your content pluckable, shareable, and embeddable. Let it be seeded. Make it rewarding to spread it.

Experimentation will count in 2008

Regardless of whether you are creating your own content or attaching an advertising message to someone else's creativity, be sure to experiment. Innovative marketers have a chance to define new standards with every video project. Also, be flexible and prepared to tailor each experience using the growing number of "back-end convergence" technical capabilities to deliver an experience consistent with consumer expectation and behaviors.



shooting on a dime

The new rules of video production
By Jeremy Lockhorn, Director, Emerging Media, Seattle

A 30-SECOND TELEVISION COMMERCIAL can cost millions to produce. Or, it can cost \$12.79 if you're Five Point Productions, the winner of the 2007 Doritos "Crash the Super Bowl" contest. User-generated advertising is simultaneously fraught with risk and blessed with benefits, including potential cost savings. But budget is only the tip of the digital video iceberg—one that is already affecting radical shifts in the norms regarding the duration of video content, where it is distributed, and how it is assembled.

The rise of falling production costs

Digital technologies have lowered barriers to video production for consumers and professionals alike. A decent digital camcorder and a Mac are all you really need to be a media mogul—and worldwide distribution is now free via the Internet.

This, combined with the network effect of easy pass-along, has turned commercial production on its head and led to the ascendance of viral video marketing. Perhaps more importantly, it has demonstrated that spending lavish budgets on big, high-production-value video shoots is no longer necessary in order to achieve mass appeal or viral success. Further, digital production efficiencies and smart planning can help maximize the impact of production budgets and provide opportunities to take advantage of advancements in video targeting and delivery.

For decades, agencies have enjoyed big-dollar budgets to execute their big ideas. They have created high-concept scripts and then executed with matching high production values. But YouTube and user-generated content have suddenly unhinged those norms and created a new phenomenon—that lowering the bar on production values may actually be a valid strategy. We strive for relevancy in all other aspects of marketing; why should video content and production values be any different?

Tailoring production value to context

Witness a clip produced by Hitachi featuring Mr. T. (<http://youtube.com/watch?v=tW1S2tsxVHg>) It's a big idea, but the brand intentionally lowered production values. Pitting a bunch of data drones (played by people dressed as zombies) against a heartless consultant whose rubber mask is literally peeling off his face, the video is a little rough around the edges. The low production values (and the sudden appearance of Mr. T.) are essential to the humor, so there's a creative reason for the decision. The brand also thought about matching the quality of the content it would be appearing near. They sought to connect with a certain community, embraced the audience, and did their best to fit in.

The longer and shorter of the 30-second spot

Changes in how video is distributed have also impacted the acceptable duration for video advertising. In the old days, the 30-spot was the primary video advertising unit. Advertisers might also do a :15 and a :60 for certain campaigns, but it would likely end there, with those three pieces. Now, in addition to those ad durations, advertisers may need to start thinking much shorter—maybe a :05 spot, for example.

Meanwhile, both broadband video and video-on-demand over cable afford the advertiser an almost unlimited amount of time to tell a deeper story. If consumers are interested in an advertising message, they'll want to see more than just 30 seconds. That's the beauty of digital video advertising: The initial spot is merely the gateway to a longer piece that allows for deeper, richer, and more interactive experience.

TV spots, made to order

It's critical to begin thinking about these new methods of storytelling because another significant digital video innovation is looming on the horizon: dynamic assembly and personalization of video assets to produce hyper-relevant ads. Advertisers have used behavioral targeting in banner ads for years to deliver a more targeted ad to a user. A similar approach is coming in video: breaking the ad apart into individual components and then using smart business rules and targeting technologies to reassemble the ad (in real time) from a library of assets. With just minor tweaks to an ad's concept to allow for versioning, an advertiser could quickly get upwards of 250 different combinations, dramatically increasing the likelihood that a message will be relevant to the individual who's viewing it.

The technology to serve targeted, relevant video assets exists today. The only reason it's not getting used regularly is that marketers, for the most part, haven't figured out how to change production processes to capitalize on the opportunity without blowing budgets. That can and will change.

A budget of \$12.79 doesn't cover a week shooting in Australia, but it can produce an effective spot. To truly capitalize on the opportunity afforded by digital video, we need to think beyond the :30 linear story. We need ideas that are big and nimble enough to cost-effectively feed a machine that requires a flexible suite of video assets.





waking up to wireless

How to build a compelling
experience for the mobile consumer

By Patrick Moorhead, Director, Emerging Media, Chicago

THE MOBILE WEB HAS GROWN IN FITS AND STARTS since it first began to appear on the minds and handsets of American mobile consumers almost five years ago. Questions about how to build experiences on the handset's small screen, how similar or different mobile should be from HTML, and how consumers would actually use mobile services have been persistent in the course of growth for Wireless Application Protocol (WAP).

The consumer experience of WAP and the mobile Web has been disappointing for many reasons. Poor, non-intuitive user interfaces, slow network speeds, and a general lack of understanding about how to even go about accessing digital content from mobile devices has created a stigma in the mind of many consumers.

And yet, 2007 witnessed a striking growth in the availability and use of WAP content for mobile devices. Following are some guidelines for making things work in WAP, based on which behaviors consumers are involved in when they access the mobile Web.

The difference between WAP and HTML (and why it matters)

There is a lot of confusion on this subject, so before beginning a discussion about what to do with WAP, it's helpful to get clear about the difference between WAP and online HTML, and why, while at first blush WAP seems very limited, it in fact provides for a profoundly better mobile Web experience.

First off, WAP is a data transfer protocol along the lines of HTTP for the non-mobile Web. By definition, WAP is designed to function under two critical circumstances common in wireless devices: one, limited data transfer speeds because of low bandwidth and two, small, low-resolution display screens on the mobile device. It is because of these two factors that experiencing Web sites designed for the PC browser often disappoint the mobile user. Today's online sites are loaded up with heavy graphics, HTML, and XML scripting and intended for at least 1024-pixel-wide resolution on the screen (most mobile devices have less than one third of this).

The programming language used by designers for WAP is wireless markup language (WML). Think of this as HTML for the WAP environment. There are a number of differences between HTML and WML, most of which revolve around slimming down and cutting out many components of HTML that are not useful or required for WAP/WML applications.

The most apparent difference between WML and Web-based HTML is the concept of WML cards and the “card/deck” metaphor that is the foundation of WAP. In WAP browsing, a user is not loading a “page” in the sense of a Web page—instead the user is loading a “stack” or “deck” of small screens all at once. Cards effectively implement multiple WML screens within a single page. WAP browsers display only one card at a time, but they load a page file (called a deck) that contains multiple cards in one transaction.

Loading multiple cards at once caches potential screen views locally on the WAP browser to reduce the need for network requests. In addition, one network request to fetch a file the size of a typical HTML page will generally execute faster than a series of requests for much smaller pieces of the file. In these ways, WAP’s implementation of cards and decks is a clever optimization of the limited bandwidth on today’s wireless networks. The problem is that many designers and programmers do not approach WAP design in this way; they instead treat it the same way they treat HTML design, with a strategy of single pages loaded up with links, functions, and graphics (hence the many “wireless” sites that continue to deliver poor user experience and functionality).

With the understanding that WAP design is intentionally stripped down, mobile marketers can utilize the structure of WAP/WML to deliver efficiency, speed, and relevancy to end users.

Making WAP work for the user

Part of the challenge of building WAP experiences that will succeed has been understanding the role of the device and how the consumer uses it. Early executions in WAP tended to take the approach of replicating online experiences, a critical misstep. Additionally, early WAP design approaches failed to accurately assess and respond to how, when, where, and why people would engage with data and content via a mobile device. This results in an unwieldy, cluttered user experience that does not offer the end user value, given the context of their consumption behavior. If we start by identifying these problems, we can define better strategies for envisioning content and functionality that will serve consumers’—and the brands’—objectives.

In most cases, the mobile consumer is using data and communications services while doing other things: waiting, walking, running late, while lost, while on the town with friends. They may be searching for directions, trying to locate information critical to an immediate task, delving into info that can be had quickly, or even killing time. About half of these “other things” behaviors classify as “tool” functions—I’m trying to DO something. The other half of the time consists of “passive” moments when the consumer is waiting to do something else and seeking to pass that time via a quick piece of content like a sports score, or maybe to learn about the place or activity they are in the process of reaching. In all cases, it is important to note two critical factors; one, the mobile content and functionality the consumer is engaged with is NOT the primary focus of their attention at that moment, and two, no matter what the consumer is doing with mobile, their attention span will have a defined limit. You could have the most compelling content or function possible, but the consumer will still, eventually, get on with the “other thing” they were planning to be engaged in. This second point is especially critical in thinking about the types of experiences a brand may offer the consumer in the mobile environment. It is unrealistic to attempt to capture a consumer’s attention for any amount of time in mobile. Rather, designing content that is bite-sized and intentionally disposable is the road towards higher consumption and higher perceived value for that content.

Who’s getting WAP right, and why?

Getting the WAP experience right for consumers requires designers and publishers who understand and embrace the lean-and-mean efficiency that WAP/WML offers via the card/deck structure. Additionally, successful publishers and brands are jumping off from that knowledge into designing content, services, and user experiences that strip away components from their online sites and focus on critical items that allow users to derive value from them quickly and easily, and that meet needs of a consumer on the go, with limited time, and with attention focused someplace else. Here are a handful of such publishers and brands, and how their WAP designs show they are taking these ideas to heart.

Major League Baseball, wap.mlb.com

A product of MLB Advanced Media, the League’s mobile site takes advantage of WAP’s lean efficiency to the fullest. Graphics are limited to branding elements at the top of pages, and main page navigation is always the same format. Want news? Hit the “1” key. Scoreboard? Hit the “6” key. This standardization eliminates the need for repeat users needing to scroll through all of the main screen content. Even if they do, the links are simple, easy to read, and highly descriptive, so users only invest in clicks for things they know they want to get.

One of the best features of this site is the scoreboard and play-by-play. By taking full advantage of the card/deck architecture, it's very fast and easy to get real-time or near-real-time scores from several games at once, because all of the games from, say, the National League, come down together, allowing one refresh to update all the games in the conference. In a specific game page, the super-light interface allows for scoring to be instantly updated (in text form) giving the experience of "watching" a play-by-play version of a game the user is not attending. Easily keeping track of other MLB games is exactly the kind of activity a user who is at the ballpark would love to engage in on a Sunday afternoon.

Facebook, m.facebook.com

Facebook, the popular online social networking site, is also making great use of WAP and the mobile Web. Along the lines of the MLB, Facebook has taken great care to scale back or eliminate features from the online version that would clutter, complicate, or bog down the mobile experience. Knowing about friends' current status and recent activities, basic profile information about yourself and other users, and the ability to view others' photo collections are the primary features of the Facebook mobile platform—eliminating all of the power- and processor-intensive applications and communications features.

Adding to this sound approach, Facebook has gone one step further by optimizing certain versions and layouts for different types of consumer devices. Surf to Facebook.com from an iPhone, and the service "sniffs out" the iPhone browser and serves up an interface specifically designed for the larger screen and finger powered Apple device—buttons for this interface were specifically sized to nicely "surround" the average person's fingertip. By contrast, accessing Facebook's platform from a Blackberry gives a different but similarly tailored experience. Leveraging Blackberry's legendary background-sync technology, once a user has successfully logged into Facebook from the Blackberry, the platform stays current with friends' status, photo uploads, group news feeds, and so on, meaning that upon returning to the Facebook browser, no refresh is required.

YELP Mobile, mobile.yelp.com

As any frequent business traveler will tell you, one of the biggest challenges is finding places to eat in unfamiliar cities. Not just places to eat, good places to eat. And near the hotel.

Yelp.com, an online service that finds local businesses and organizes them by quality and quantity of consumer-generated reviews, has the answer to this problem. Its online site harnesses the power of both social media and

Web 2.0, allowing users to search for keywords (bar, Chinese food, car wash) and returning local results by zip code, neighborhood, and other criteria. Online, all listings are linked to a floating GoogleMaps mashup to additional context and relevance.

Yelp Mobile is another great example of a publisher retooling its services for fast, relevant performance in the hand of a mobile consumer. The WAP site strips away many of the online features (serving up static screen grabs of the map interface as opposed to a live GoogleMaps window as online) but retains the core functionality of the product. Just as with the online site, users can search locally by keyword and slice-and-dice results many different ways, yet the trimmed down interface and no nonsense page design makes it lightning fast.

Yelp Mobile asked, “What would people want to do with our site on the phone?” The answer is simple: “I want help finding good local businesses and services—not from advertising, but from other people’s recommendations. I want all of that really fast, intuitive, and delivered to my phone so I don’t have to pull out my laptop during a business dinner to find a local brew pub.” Yelp has taken advantage of mobile to meet just these kinds of user demands.

Making Web content work for WAP

There are a number of critical success factors for brands and publishers seeking to enter the mobile Web arena this year. First, understand that WAP/WML is different than the Web, and with good reason. By understanding how and why WAP is what it is, and using that to their full advantage, brands and publishers can avoid the common pitfall of trying to make the mobile experience replicate what’s happening online.

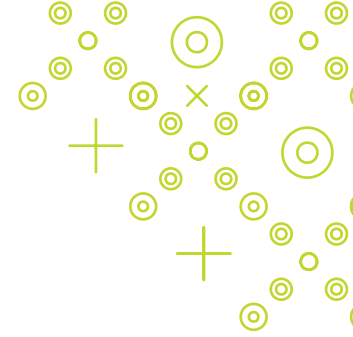
Second, understanding that the mindset and need state of the mobile consumer is fundamentally different than that of a PC-based Web surfer will allow brands and publishers to begin to focus on only that which is relevant to the mobile consumer—providing fast, easy-to-use tools to accomplish things on the run, or providing bite-sized, disposable content experiences. Realizing that mobile consumers are in a fundamentally different state than those accessing the Web via PCs will help advertisers and publishers design a better WAP experience, which will drive consumer adoption and positive experiences with mobile Web products.





the mobile web

The center of Japan's Internet experience
By **Nobuyoshi Noda, Analyst, Consumer Insight Group, Tokyo**
and **Takeshi Amano, Analyst, Consumer Insight Group, Tokyo**



Active mobile Web users

ONLY ONE RIDE ON THE TOKYO SUBWAY is necessary to understand how obsessed the Japanese are with mobile phones. The majority of passengers are either quietly looking at their screens or ferociously typing by thumb. 83% of phones in Japan are Web-capable and mobile activity is dominated by Web browsing and e-mail—more than 70% of users spend 10 minutes or less with voice functions daily. The market for mobile content (downloadable songs, games, etc.) combined with the mobile commerce market exceeded \$10 billion in 2007. This makes Japan the perfect market to look at when trying to discern the possibilities of the mobile Web.

Teenagers spend more time on mobile phones than on PCs

More and more Internet users in Japan regard the mobile phone as their primary device for Internet access, and the PC is quickly fading as the device of choice. This trend is most noticeable among teenagers. Average time spent with mobile in Japan is 4%, yet teenage boys spend more than 15% of their total media consumption time with mobile, and it is even higher, at 25%, for teenage girls. Teenagers often regard PCs as expensive and lacking in portability and flexibility, and as a result, they spend much more time with mobile devices than with PCs.

Typical teenage mobile activities include communicating with friends through mobile social networking services, purchasing and listening to music, downloading ring tones, playing games, purchasing icons for decorating mobile e-mails, and often sending over 100 e-mails per day. Mobile music downloads have become the primary method of purchasing music among teenagers. There are several million sellers of mobile music downloads and this trend is causing CD sales to falter.

Mobile wallet, digital cash

Use of mobile as an e-commerce wallet is becoming popular in Japan, and the number of radio frequency identification (RFID) enabled phones in circulation is expected to exceed 40% by spring 2008. Applications for this technology, which allows the device to be “read” during a transaction, include e-money (prepaid by cash and postpaid with credit card), e-tickets for various forms of transportation (bus, train, airplane, etc.), and even ID

systems to enter buildings. On average, 15% of mobile users are utilizing RFID but more than 30% of teenage boys are now using it. The most popular way to use an RFID-enabled phone is for digital cash at stores or at vending machines. As the use of RFID for e-commerce becomes more and more popular, there is a growing expectation that marketers will be able to utilize purchase-history data to behaviorally target mobile ads to users.

13 billion page views per month

Another popular service among teenagers is the mobile community site mobagetown. Since its launch in February 2006, it has gathered over 7.5 million members, mostly through word of mouth but with some limited TV advertising. The number of members is still growing, and it now generates over 13 billion page views per month, which exceeds the page views of MIXI, Japan's number one online social network. Mobagetown is quite possibly the most traffic-intensive and fastest-growing mobile-only service in the world. It combines social networking using avatars, free content, news, and search. This site is especially popular with teenagers because of the high quality of free downloadable games. Social networking on mobagetown is popular among girls. Through its social networking service, avatars and virtual items can be purchased with a virtual currency called moba gold.

Mobile advertising market

Mobile is said to be interactive media that people carry with them anytime, anywhere, but what really is the merit of mobile? First, mobile is ubiquitous, with mobile penetration in Japan at over 80% of the population. Mobile not only has scale, it also enables direct marketing that leverages the targeting benefits of time, place, and occasion. Finally, mobile can activate and connect other media. With these characteristics, mobile has established itself alongside other primary channels (TV, newspaper, magazine, radio, and Internet) as the sixth media to be used in the advertising mix.

In 2007, the mobile advertising market, which amounted to over \$500 million, grew by more than 40%, with growth mostly attributed to mobile affiliate and search marketing. For affiliate marketing, the growth was mainly driven by mobagetown. The mobagetown site user has a choice of over 10,000 virtual items like clothing, accessories, pets, and even furniture to be purchased for a user's virtual room, and a user can only acquire these items by spending moba gold. Users can earn moba gold by recruiting new members, by purchasing it with real yen, or by registering with sponsor sites. Sponsors pay results-based affiliate fees to the operating company DeNA when the user purchases sponsored avatar items with the mobile currency. This affiliate model has enabled DeNA to grow massively in 2007.

Growth in the mobile search market has been mainly driven by teenagers. The market showed most of its growth after Google cinched an alliance with AU, the second-largest mobile network carrier. Google then announced a business alliance with NTT DoCoMo, Japan's largest carrier, in late 2007. As for Overture, they have added mobagetown to their ad network and are continuing to show growth as Yahoo! retains its position as one of the largest portal sites.

Looking forward

Japan's mobile-savvy teenagers are growing up and beginning to enter into the mainstream adult demographic. They regard the PC as something expensive that they cannot use flexibly. Even if they can afford to purchase a PC, they have become averse to switching. Therefore, we expect to see more and more mobile-only services similar to mobagetown emerge in coming years that will strongly challenge the PC as the primary vehicle for Internet browsing and e-commerce. For this demographic, it is certain that the mobile phone will continue to be at the center of their Internet experience for years to come.





uncharted territory

Branding on the next-generation Web
By **Christopher Stetson, Director, Technology, San Francisco**



MODERN BRANDING WAS BORN IN THE 1950s with the advent of television. TV's visual component quickly trumped radio and newspaper advertising in capturing the public's attention. It was a quantum leap into a new form of media, much like the introduction of sound to movies—and it was uncharted territory. Branding in this new media required exploration, experimentation, failures—and, to judge from the commercial archives, a lot of hokiness. Soon, Madison Avenue established the iconography and narratives we recognize today as high-quality advertising.

The proliferation of digital technology—in particular the Web—has brought branding into uncharted territory once again. And like the early days of television, advertisers and agencies are stumbling around a bit, hanging onto old concepts and slow to reimagine themselves in this new landscape.

The force behind early branding methodologies was the need to differentiate one consumer product from another on the same shelf. When this got harder as the number of products proliferated and the difference between them narrowed, the focus of advertising gradually shifted from the product itself to the lifestyle engendered by the product—the brand. Television, we discovered, lent itself to certain branding techniques, in particular the use of personalities and lifestyles in the service of salesmanship. The Marlboro Man is the classic example of that era of branding.

Form, as they say, always follows function. Branding on the Web, by implication, requires that we find branding techniques that lend themselves to the Web. Only then will we understand its impact on the way we go to market and the way we deliver our brand experience.

Of course, this would be a lot easier to do if Web paradigms weren't constantly evolving.

Exploding Web paradigms

The Web today is qualitatively different than the Web of a few years ago. Whether you call it Web 2.0 or the next-generation Web, by any name, it is going through a major metamorphosis that will radically change how we approach the digital world.

Driving that metamorphosis is a second generation of Web-based communities and hosted services, in particular social networking from sites such as FaceBook and MySpace, user-generated content in locations as diverse as Wikipedia, YouTube, and the blogosphere, and tags, which are used to categorize and retrieve Web content. This new functionality has quickly translated into user communities and user contributions to all facets of the online world. The business impact has been nothing short of startling: Users are developing new voices, and these voices are empowering users. Let's review three aspects of Web 2.0 that are changing the way marketers will need to think and act in this digital world.

- Online voices in the form of ratings, reviews, blogs, social networks, and user-generated content are morphing into connected consumers who are collectively shaping your brand. The use of social networking technologies expands the reach of your brand and connects it into existing and developing social graphs.
- The Web *experience* has supplanted the Web page, and interactivity has become a critical expression of brand. Whether using AJAX/JSON, Flash/Flex, or Silverlight, the controls and facilities provided to your users affects their experience and shapes their impression of your brand.
- Channels are proliferating and cross-pollinating, and they will have a huge impact on how, when, and where users interact with your brand. While HTTP will continue to be the protocol of choice, device-independent data streams and progressively enhanced rich media will be critical design aspects of well-architected systems.

Following is greater detail on each of these phenomena.

Connected users shape your brand

The voices of online users are all around us, from book reviews on Amazon and tags on Flickr photos to the cacophony of political blogs. Increasingly, retail Web sites are empowering users to become active spokespeople for their products and, as a consequence, active contributors to their brand. As branding activities shift from television to the Web, what was once one-way messaging to the marketplace—something like a speech in front of a well-behaved audience—is now becoming a genuine two-way dialogue with customers and prospects.

On the Web, however, this dialogue can sometimes feel more like a debate, and the role of marketers shifts to defending the thesis in an oral argument. This is an important point. People will respond when they don't like something: Advertisers and agencies need to address those issues directly, in clear terms. A great example is Dell, which put out a firestorm by dealing promptly online with a negative issue.

Dell used the power of blogging to contain the damage set off when a Dell laptop literally burst into flames at a 2006 conference in Japan. Talking directly to its customers through the Direct2Dell blog, the company provided regular, timely information about the issue. Dell proved that prompt, honest response online gives us a more authentic channel for damage control than traditional methods, such as issuing a series of press releases.

Embracing the collective power of connected users—either to contain damage or to promote your brand—means “letting go” to a great degree. It feels risky because you are giving up a measure of control. But properly engaged, connected users can authenticate your message and brand in ways you never could.

Managing this two-way data model is considerably more difficult than the old one-way format of Web sites. While user-generated content does not require financial-transaction-level integrity, it does require that data be allowed through the firewall and the commensurate security and filtering requirements apply. Managing and reporting on this data also adds a layer of application functionality that did not exist in the Web sites of yore, which were oriented around their content management systems.

The wane of the Web page—the birth of the Web experience

Standard Web pages are steadily transforming into interactive applications. As we watch the static Web page fade, we can celebrate the birth of the Web experience, where site visitors engage with your brand online in an interactive fashion. Think about what happens when you visit Google Maps. You’re not just landing on a page, you’re having an interactive experience.

Experience has an emotional component, and that’s an important concept to understand. It wasn’t long ago that we simply used computers for information processing and display. Consumers’ emotional lives were in the analog world—on television, in person, and over the phone. That is changing, and it’s changing because the digital world has the ability to reach consumers emotionally, particularly since the advent of video on the Web.

Case in point: Patagonia is a company that sells outdoor clothing and gear. Its brand has a strong affinity with environmental causes, and its Web site displays videos about issues that are not directly connected to its products but are very emotionally appealing to its target customers. The takeaway: How users engage emotionally with your products and services through digital channels will define your brand.

All the technology and infrastructure to support a rich media and interactive data system comes with a price. Bandwidth, data storage, and performance requirements are all radically changed with the advent of video and Web 2.0 interfaces. Video files are larger than most early Web sites were in their entirety. AJAX applications require instantaneous feedback and response. These changes impact system architecture, information architecture, design, coding, and quality assurance. Marketers must rethink the process of development entirely.

The big idea is now multi-channeled—and always interactive

At one time, that emotional engagement, or “Big Idea,” happened offline, primarily on television and in action-oriented advertising. Today, the Big Idea can happen on any channel, and every channel has the ability to engage your customers emotionally. What’s more, every channel is becoming action-enabled, which can help you direct customers to a purchase decision.

New technologies are being developed as we speak, and they will continue to drive interactivity at multiple levels across digital channels. Even that stalwart of passive channels, television, has become interactive, thanks to TiVo and other digital video recorders. Digital cameras are coming into play as well. Today, with the integration of the camera into our digital world, consumers can scan bar codes in print ads and get information sent directly to them. Visa is using mobile devices to promote its brand by sponsoring all of National Public Radio’s podcasts. These podcasts have an introduction that sends listeners to **visasignature.com**, where they can interactively explore what the card has to offer.

The long and the short of it is that customers want access to your brand from all their channels. They want that access to be interactive and engaging. If they don’t get it, they will walk away. On the positive side, the capabilities of Web 2.0 mean that you can leverage today’s connected consumer to authenticate your content, products, and services in ways never before possible.

It’s definitely a new market landscape. And fortunately, technology exists today to help reimagine yourself in it. Web sites used to be targeted directly at the browser using simple, though often hacked, HTML to deliver a message to a single channel. This model is changing significantly as mobile devices such as the iPhone are being used to regularly access previously Web-only sites. Media systems such as TiVo are becoming Web-enabled as well with remote controls instead of mouse and keyboard. This means that plain-old HTML will not cut it any longer. The Web 2.0 designs of Model-View-Controller systems on both the back end and front (with a REST API intermediating the communication) provide the flexibility to finally, truly abstract the data from the view.



A new class of solutions

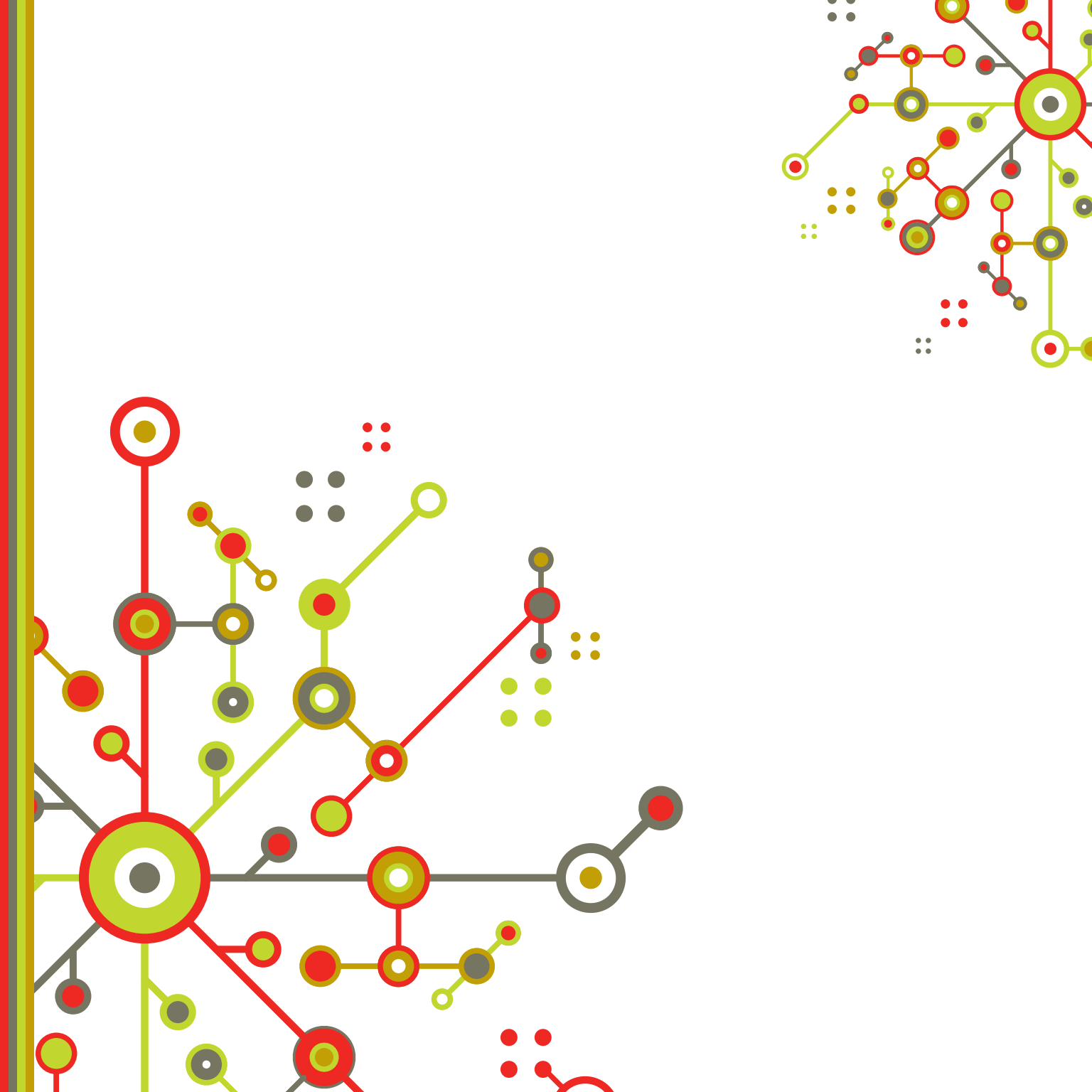
Today's next-generation Web content management systems address the challenges of our increasingly dynamic and digital world. With these systems, you can drive a closed-loop, automated process that lets your marketing team:

- Easily create and manage dynamic Web sites
- Quickly assemble customer segments and targeting rules
- Automatically deploy and deliver targeted content and segment-specific site navigation
- Track the behavior of site visitors
- Analyze the effectiveness of content and campaigns
- Quickly make adjustments and improve online experiences

These next-generation Web content management systems also incorporate open frameworks that allow tight integration with best-of-breed Web analytics technologies, as well as other customer-intelligence applications such as customer relationship management systems. This is important because Web analytics provide insight into the value and quality of your Web site's content by enabling you to view the behavior of your online visitors over time. When properly integrated with Web content management, this insight can be used to improve, and continuously refine, the online experience.

Important criteria for these next-generation systems are simplified processes, rich interfaces, and powerful rules engines that can be driven by marketing and business users without undue reliance on IT.

Marketers know that they need to actively engage customers and prospects across all channels. Whether through mobile applications, podcasts, or rich Web experiences, marketers can, and should, encourage customers to be participants in helping to shape their brand. We know that technology exists to help enable that.



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think social influence marketing in 2008

10 social media trends that
will influence advertising

Shiv Singh, Director, Global Strategic Initiatives, New York

IS THERE ANY DOUBT that social media exploded in 2007? The astounding growth of Facebook alone forced everyone—not just marketers but corporations, investors, academia, and media—to pay attention to social media as a serious business and cultural phenomenon.

But the bigger question is, how will social media change the way we do business in 2008?

In fact, we're discovering a major shift occurring. The rise of social media is creating a new form of marketing altogether, which we call social influence marketing (SIM). SIM is about employing social media as part of the entire lifecycle of a marketing campaign, even beyond the campaign.

Here are 10 major social media developments for 2008 that you need to know about:

- 1. SIM becomes the third dimension of marketing.** Marketers used to live in a world where brand marketing and direct response were all that mattered. Not anymore. SIM requires new strategies, rules, and tactics along with a lot of experimentation; it is about leveraging social media at every stage of a marketing campaign, and it goes beyond the lifetime of the campaign, too. In fact, we believe that over the long term, it is going to have a stronger effect on purchasing behavior than direct response and brand marketing.
- 2. Advertising on your consumers' terms.** SIM is also about the active advertiser attempting to engage with consumers on their own terms—where they want and in a language and format of their choosing. The most immediate impact? Slick, big-idea advertising will have less influence than marketing strategies that allow companies to participate in online conversations. eMarketer predicts that ad spending on social networks will rise to \$1.6 billion in 2008 from \$920 million in 2007. That's because of this trend.
- 3. Forget about the marketing funnel.** We're already starting to see that social media in all its forms is having a complex influence on the marketing funnel. The awareness, consideration, preference, action, and loyalty funnel stages don't look the same anymore. Peer reviews, social networks, blogs, microblogs, prediction markets,



virtual worlds, wikis, and social advertising are all making the marketing funnel look more like a Kandinsky painting than a linear process. We're going to see this transformation in 2008 as SIM impacts purchasing behavior and the traditional marketing funnel.

4. Social networks matter more than Web sites. It is anybody's guess how long Facebook's prominence will last. MySpace, Bebo, Orkut, LinkedIn, and Plaxo are just some of the competitors mounting a serious threat to its prominence. But we do know that social networks are here to stay. Any company developing a new Web site, product, or marketing campaign needs to think hard about how it integrates with the key social networks. This can't be an afterthought anymore. SIM is about reaching these audiences on these networks.

5. Engagement metrics come to the forefront. A lot of the Web's success as a marketing platform is driven by its ability to capture strong metrics. That's at the root of Google's phenomenal success. Now with SIM, new measurement models and corresponding tools will be needed to actually track whether it is having a stronger effect on the purchasing cycle than brand marketing or direct response. For example, what does it mean to have 7,000 fans of your company's Facebook page?

6. The Internet blends in with everything else. We've all talked about the corporate Web site becoming less important as users gravitate to social networks, but there's a larger related trend that we're ignoring. Consumers don't see the Internet as something distinctly different from their offline worlds anymore, and they expect seamless transitions. Every key consumer activity has online and offline components—each one contributing to the total experience. The reason? Finally, the online world is getting more social, and as a result, more like the offline world.

7. Media companies continue to be at the forefront. We saw this in 2007, and we're going to see more of this in 2008. Media companies are going to be at the forefront when it comes to taking advantage of SIM trends. Whether it is in how they approach social media and deliver video in new formats via the Web (or through a gaming system), or how they seed media within the social networks, they're the ones who are going to be in the lead again. Just play around with the recently launched Hulu beta Web site—a joint venture between NBC and News Corp.—to get a sense of what's coming our way. The reason is simple—they are the ones who have the most permission to play in this space.

8. Companies realize that communities matter again. In the late 1990s, online communities were all the rage. The success of the WELL, America Online, Tripod, and GeoCities were just some of the much-touted examples. Companies are going to discover that social networks are just another incarnation of online communities. They're going to spend money trying to understand adoption, user behavior, trust, and information flows in these communities. And as companies attempt to influence behavior on these networks, they are going to think hard about their own tone and how they should be participating.

9. SIM takes many different forms. We already know that social media for *The New York Times* is dramatically different from the social network strategies for Victoria's Secret, Carnival Cruise Lines, or Ford Motor Company. Companies and individuals will need to think hard about what SIM means for them and for their networks, organizations, and industries. For example, the travel sector is only beginning to harness the power of social influence marketing. The way it leverages it should be very different from the way the financial sector does so.

10. SIM broadens influence. Organizations are going to discover that SIM is not just about user-generated content or marketing on social networks—it is going to affect how organizations innovate, develop ideas, recruit, measure performance, and interact with all their constituents—customers, employees, partners, and shareholders. Why? Because only by changing their organizations from the inside out will companies be able to be authentic when talking to the outside world.

So that's it—10 SIM trends for 2008. Which of these will turn out to be true, and which will not, only 2008 can tell us. But one thing is certain: SIM going to prove its relevance in the years ahead.

For more thoughts on this topic, visit goingsocialnow.com.





fair trade

An argument for rewarding
users on social networks

By Frank Kochenash, Director, Strategy and Insight, Seattle

TRAFFIC ON SOCIAL NETWORKING SITES IS BOOMING and user-generated content is proliferating. A recent study by Nokia forecasts that 25% of all Web content will be user-generated by 2012. But so far, hype seems to be outpacing genuine value creation. Sure, Facebook has a sky-high valuation, but how are advertisers, the source of Facebook's revenue, faring? As advertisers go, so goes Facebook and social media in general. Their success is intertwined.

With all the traffic and activity, why aren't we seeing more value creation from social influence marketing? (Also known as SIM, it's a collective term used to encompass a variety of methods that leverage social activity to drive business results.) It's not because of technology problems or even regulatory hurdles. Rather, value creation in social media is hindered because today's business models aren't creating the right conditions for growth and because there are no proven ways to measure the success of a SIM campaign. In short, it's new, and everyone is still figuring it out.

In the Web 1.0 world, Web site owners made money in two ways. They posted content that attracted audiences, and then they sold advertising, or they sold stuff to users directly and made retail profit margins. eBay's model is a notable departure in that it makes money by facilitating transactions between peers.

In today's Web 2.0 world, the same business models are being tried (eBay's peer-to-peer model largely excepted). The table on the next page highlights several SIM techniques and some challenges each faces within existing business models. To some extent, these challenges reflect the newness of SIM. On the other hand, innovation may be somewhat thwarted because the parties that control the valuable social data (social networking sites or sites hosting user-generated content) are trying to harvest the majority of the value. The problem with this, of course, is that these sites don't really have anything to sell and, so far, advertising has been relatively ineffective.



Hurdles facing a selection of social influence marketing techniques relevant to social networks

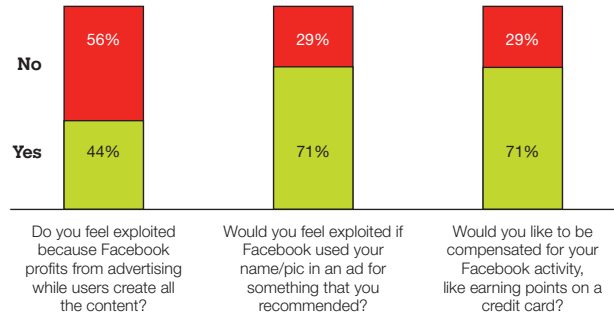
SIM technique	Challenges preventing wider success
Advertise on social media	▶ User attention focused but not on ads; user interface not optimized for advertising; content relatively “uncontrolled”
Use social data to target advertising	▶ Privacy and data sharing concerns
Create profile pages, group pages	▶ Lack of measurement capability that ties to ROI
Deploy widgets	▶ Immature business model, lack of measurement capability that ties to ROI
Facebook Beacon	▶ Privacy concerns, ROI measurement

SIM business models will evolve to become more centered on the user. As this evolution occurs—as incentives are created that compensate users for the content and audience they create—and as new, clear ways to measure SIM effectiveness are developed, there will be a new wave of innovation and marketing opportunity. By way of example, consider the following questions:

- Facebook users make Facebook valuable. Why aren't they compensated in some way for the traffic they generate?
- YouTube users upload videos that make YouTube valuable. Why aren't they compensated in some way for the content they provide?
- Google has a great algorithm, but it would be worthless if millions of people didn't enter keywords and click selections every day. Why aren't people compensated in some way for the valuable data they provide?

Of course, it could be argued that the users *are* compensated. Facebook users get the ability to interact on the fly with their friends, YouTube users get a wide selection of well-organized videos, and Google users get highly relevant search results. But in a world where the consumer is boss and consumer enablement continues to grow, this will change. It's happened in other industries such as consumer credit, air travel, and retail. In all cases, as the product market matures and commoditizes, providers will strive to differentiate themselves by adding other consumer-valued features. The data in the graph to the right (gathered from Facebook's Polls feature) indicates a sense of exploitation amongst social media users and an interest in being compensated for their activities.

Users looking for love, and some points, on Facebook?



Source: Individual Facebook polls conducted randomly on 1/13/08

The trend has already started and new business models are being tested. Rewer pays users for the videos they upload by giving them a cut of ad revenues. Sites like **favoritethingz.com** and **mypicklist.com** pay users for endorsements. SocialVibe enables users to get points based on social activity and donate them toward chosen causes. Google is launching a competitor to Wikipedia that pays for contributions. In many ways, it's back to the future for content—users get paid for creating content—but what about advertising? It's not a stretch to think that sometime soon a large-scale user-advertiser exchange will be created to pay users for the advertising inventory they create. This concept has been discussed before, but the timing may now be right for it to grow. Additionally, in as much as search is a form of user-generated content, it is not immune to these pressures. Every search term entered and every result clicked is valuable work that today is only compensated with relevant search results. This is by no means a small achievement, but as competition increases, users will expect additional differentiation from their search tools. This may be monetary rebates like credit card offers, reward points like frequent flier miles, or access to value-added services such as search results customized to the user. Already, Livesearch Club compensates users in points for search activity on Microsoft Live.

No one knows exactly what kind of business model, or models, will result, but as social networks and application makers struggle to monetize their audience and as new entrants compete aggressively for users' time and attention, the social media business model will evolve to more explicitly provide value and differentiated benefit to the consumer.

It's hard to anticipate specifically how this will evolve, but several developments can be expected. Social media sites will prosper more as parts of larger communities (because their valuable user data can be leveraged over more places where the audience is more receptive to marketing messages); interconnectedness and data portability between social utilities will improve; and consumer empowerment will be a key differentiator for social networks. Expect to see increased competitiveness and specialization among social media sites and utilities, each trying to differentiate the network through perks available to members. The fragmentation of social media sites implies four other effects:

1. Advertising networks that can effectively leverage social information will become marginally more important.
2. Widgets, as vehicles to carry a message effectively within and across various social media environments, will become more popular.
3. Exchanges or clearing houses will arise to provide compensation in some form (e.g., cash, rewards, points, status) for users.
4. Niche social media will become attractive places for brands to engage in SIM because relevance can be increased.

What does this mean? There are several potential ramifications for different constituencies:

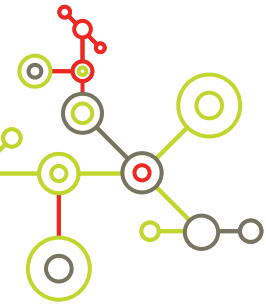
Bids to monetize social activity. Marketers across the SIM landscape will need to consider whether advertising alone is the best way to monetize social activity. Is there room for paid services or subscriptions? Do loyalty programs have a place?

Increased concentration on developing SIM metrics. Advertisers will need to figure out how to measure the impact of their SIM investment and how to effectively integrate it with their other marketing activities—key metrics and benchmarks must be developed. Marketers need to prepare to deal with a fragmented spectrum of social media offerings—it's not wise to bet on only one site. It also means preparing to identify and deal with stronger advertising networks.

Coping with empowered consumers. For publishers of social media sites, it means preparing for a world of empowered consumers who expect more perks to participate on a site and surrender valuable personal data. It means changing or adapting the business model so that they are not solely reliant on advertising for revenue.

Finding those who find can find value in SIM. For investors, it means focusing on ad networks that include social networking sites, effective widget developers, and the marketers that know how to use SIM effectively. It also means that companies and new entrants that innovate on the social media business model (not just the technology platform alone) will be new sources of value creation.

Even as social networking made arguably more headlines than any other form of online media in 2007, the advertising models that can work in that environment are still very much in their infancy. As they are built out, they will need be quid pro quo, so that consumers, not just advertisers and publishers, benefit.





the **six** “**Cs**” of **social** influence **marketing**

By Terri Walter, VP, Emerging Media, New York

IN LESS THAN TWO YEARS, social networking has had a transformational effect on the way we communicate. For teens, social networks are the hub of existence. For many professionals, they have become a primary source of networking. For the average Web user, social networks offer ways to stay better connected to a passion point, hobby, or issue and for connecting or reconnecting with family and friends.

For brands, social networking has also opened up new formats for engaging with consumers. Display advertising is certainly a viable ad model in social networking environments, but the real opportunity for marketers is to leverage the unprecedented community-building aspects of the medium to build their brands. Whether through unique content on brand profile pages, widgets with pass-along value, blogs, mashable video, advocacy programs, virtual avatars, or brand Web sites with social networking elements, marketers are experimenting widely in the space while getting better attuned to consumers' opinion of their efforts.

While the opportunity is significant, it is not easy to join the communities that your customers have formed. There are six “Cs” of social influence marketing—the main principles that make it work.

1. Content

In 2007, many brands experimented with social networking environments—for better or for worse and in various forms. Brands like Victoria's Secret loungewear line PINK and Nike seem to thrive in the space, giving consumers access to unique content they can't get anywhere else. Access to valuable tools and content is a key factor in a consumer's decision to interact with a brand.

Content can take many forms: brand badges, coupons, wallpapers, behind-the-scenes movie clips, mashable video, updated stock quotes, recipes, sweepstakes, mobile downloads, charity donations, or plain information. Content can also take many formats—on brand pages, in widgets, through avatars, or via mobile phones. Regardless of their goals, brands need to think about customizing bite-sized, portable content or experiences for their most prominent target segments—content that their “friends” would be proud to display, share, or support.



2. Customization

One of the foundations of social media is customization. In social networks like MySpace or Facebook, users are defining themselves through their profile pages and the elements that they choose to display, and each profile is personalized. Users crave the ability to customize content, post it, share it, and make it their own. On user-generated content (UGC) sites like YouTube or Flickr, users are either building custom video or seeking content they can collaborate with or personalize that represents their particular likes, interests, or humor. Jeep's custom video channel on YouTube is a good example of how a brand and a community can come together by way of a common passion—love of driving—to share personalized content. While not all UGC is positive, the genuine quality of UGC can add significant dimension to a brand among a community of influencers.

In social media, marketers need to understand where their brands intersect with the passion points of their consumers. But ultimately, they need to empower consumers to express themselves via their connection to the brand. In most cases, brands can craft the framework of a campaign, but the customization of content and the dialogue around the campaign will be up to the consumer.

3. Community

The foundation of every community is a relationship rooted in trust and mutual interest, and online communities operate the same way. A first step for brands that want to participate is to understand the community they are convening with and what holds them together. The second step is to realize that they do not speak naturally in this space, but people do, so there is a need for marketers to think carefully about how to personify and express their brands in an appropriate way before jumping in. For Dove, the cause the brand has supported as part of the Campaign for Real Beauty—the self esteem of girls—has been enough to stir conversation and community among the target audience it sought, and to carry its viral video efforts through to success. Taking a genuine approach to social influence marketing that is truly rooted in a cause, a topic, a utility, or a behavior that is both relevant to the community and the brand will ensure a healthy campaign.

Building community for brands in social networks is hard. The adage “build it and they will come” is not applicable here. In order to build community within social media campaigns, brands need to achieve several things:

- Give users a reason to interact with your brand frequently by providing unique content, value or engagement.

- Let your content travel by distributing it across widgets and other mechanisms beyond your Web site.
- Consider adding social networking experiences on your site that relate back to your brand pages on social networking sites.

Many campaigns in social media can be aided by display media, PR, or other promotional support, but it is important to avoid a heavy-handed attempt to promote yourself—either you are providing a unique value to the community or you aren't. If you are, consumers embrace it; if you aren't, no amount of advertising will help. Our client work has shown that social marketing programs with media and promotional support have had much stronger results in terms of user participation and exponential pass-along value than those that were word-of-mouth only—but only when that support was consistent with the needs of the community.

If you use media support to launch a contest on a social network, it is also important to have your media do more than link to your home page. Your media buys on MySpace, for example, should link to your brand and/or campaign profile pages and to any other branded social networks you have developed on your Web site in order to build community around your campaign. Widgets and widget distribution networks like Gigya and ClearSpring have also proven effective at distributing content widely and rapidly among communities with common interests.

4. Conversation

Brands are so intertwined with our culture that inevitably many consumers represent aspects of their personalities through the brands they associate with, advocate, or even criticize. The social media space is unique in that dialogue is happening openly among consumers about the things they admire and despise the most. This creates both an opportunity and a challenge for marketers. Brands can tap into positive buzz and build a network of advocates to support customer relationship building and new sales. But brands must also accept the negative conversation and hear the signals that may help them mitigate a problem before it escalates.

Social networking environments are public—but from the point of view of consumers, it is still considered private space that warrants permission or value to enter and collaborative behavior to stay. Brands need to respect this space and explore how they can create benefit with consumers that warrants their welcome and continued conversation. Importantly, these conversations need to be transparent—nameless, faceless brand representatives are unlikely to connect with the community in a meaningful way.

5. Commerce


Many marketers are concerned about measuring success in the social media space. Standards and metrics are not yet well defined, and success varies based on the advertiser and type of campaign, as well as the kind of social media environment a marketer is participating in. UGC sites, blogs, and social networks are all slightly different environments for brand participation, and the metrics you lay out in the beginning of a campaign need to factor in the environment and its nuances. The coming year should bring additional progress in establishing metrics for engagement, buzz monitoring, and reputation management across the social Web.

As methodologies for measurement emerge, there is one factor around social influence marketing that is able to give marketers more immediate satisfaction: commerce. Whether you offer coupons on your brand profile page like Victoria's Secret PINK, enable commerce in widgets, or build an entirely new product category like Nike+ that pays off in product sales, brands can gain a return on their investment in social media that goes beyond customer relationship building or branding. However, marketers should tread lightly when trying to establish social influence marketing as a direct driver of commerce. The community has not come together to help companies sell products.

6. Commitment

As mentioned earlier, consumers expect brands in social networking environments to bring some kind of benefit to the community they foster. Any brand can enter the social media space on a campaign level or experimental basis, but those who can actually make a commitment to building a presence, a community of friends, and a steady amount of new content to keep their communities engaged will benefit most.

As marketers focus on the six "Cs," they will find that social influence marketing enables them to establish ongoing customer communication, solicit feedback on products and services, provide more value to customers, enhance a brand's reputation, and enable brand advocacy. Ultimately, it will help them drive sales.



the social technographics profile

By Charlene Li and Josh Bernoff, Forrester Research



WHEN TRYING TO UNDERSTAND the ways people are participating online, consider the Social Technographics Profile, a way to group people based on the groundswell activities in which they participate. Think of these groups of people and their activities as rungs on a ladder. The ladder shows how we can classify consumers according to their involvement in the groundswell, placing them into one or more of six overlapping groups. Notice that these groups overlap—most Creators are also Spectators, for example. The Social Technographics Profile includes the following groups.

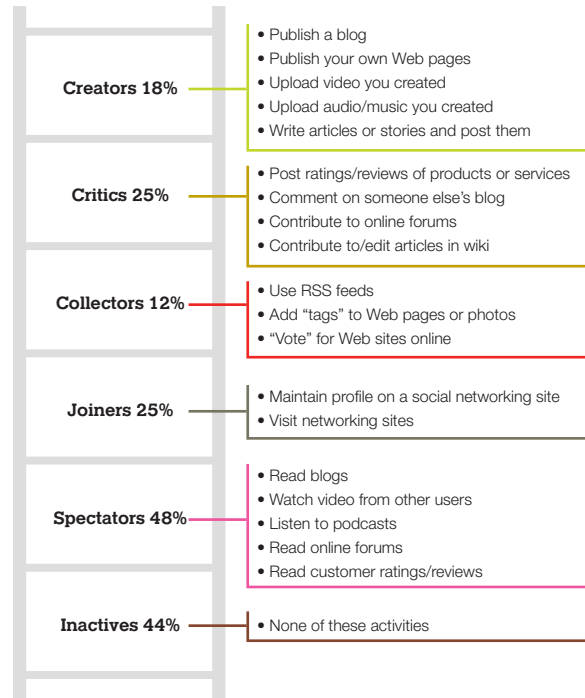
Creators, at the top of the ladder, are online consumers who at least once a month publish a blog or article online, maintain a Web page, or upload videos or audio to a site like YouTube. In the U.S., Creators represented 18% of the online adult population in 2007; in Europe, they were only 10%. South Korea, which has an extremely active blogging population, included an amazing 38% Creators.

Critics react to other content online, posting comments on blogs or online forums, posting ratings or reviews, or editing wikis. Since it's easier to react than to create, it's no surprise that there are more Critics than Creators. One in four online American adults is a Critic, as are one in five online Europeans and 36% of Japan's online population.

Collectors save URLs and tags on a social bookmarking service like del.icio.us, vote for sites on a service like Digg, or use RSS feeds on services like Bloglines. This act of collecting and aggregating information plays a vital role in organizing the tremendous amount of content being produced by Creators and Critics. For example, anyone who searches for "Maui Hotel" will come upon the collected sites with that tag on **del.icio.us**. Similarly, visitors to **digg.com** see the top stories recommended by the collectors on that site. Collectors are an elite group, including only around 10% of online Americans and Europeans, but should grow as more sites build in diverse types of collector-type activities. Collecting is more popular in Hong Kong and South Korea than in the U.S., but is actually less popular in Japan, where only 6% of online adults are Collectors.

Joiners participate in or maintain profiles on social networking sites like MySpace. In the U.S., where Facebook is growing rapidly among adults, Joiners have already reached 25% of the population; in South Korea, where CyWorld is popular, it's nearly 40%. Right now, Europe is behind on social network activity, with Joiners only half as common as in the U.S.

Spectators consume what the rest produce—blogs, online videos, podcasts, forums, and reviews. Since being a spectator requires so much less effort than the other activities in the groundswell, it's no surprise that this is the largest group, with 48% of online adult Americans, 37% of online adult Europeans, and two-thirds of the online adults of Japan and of the large Chinese cities where we conduct surveys.

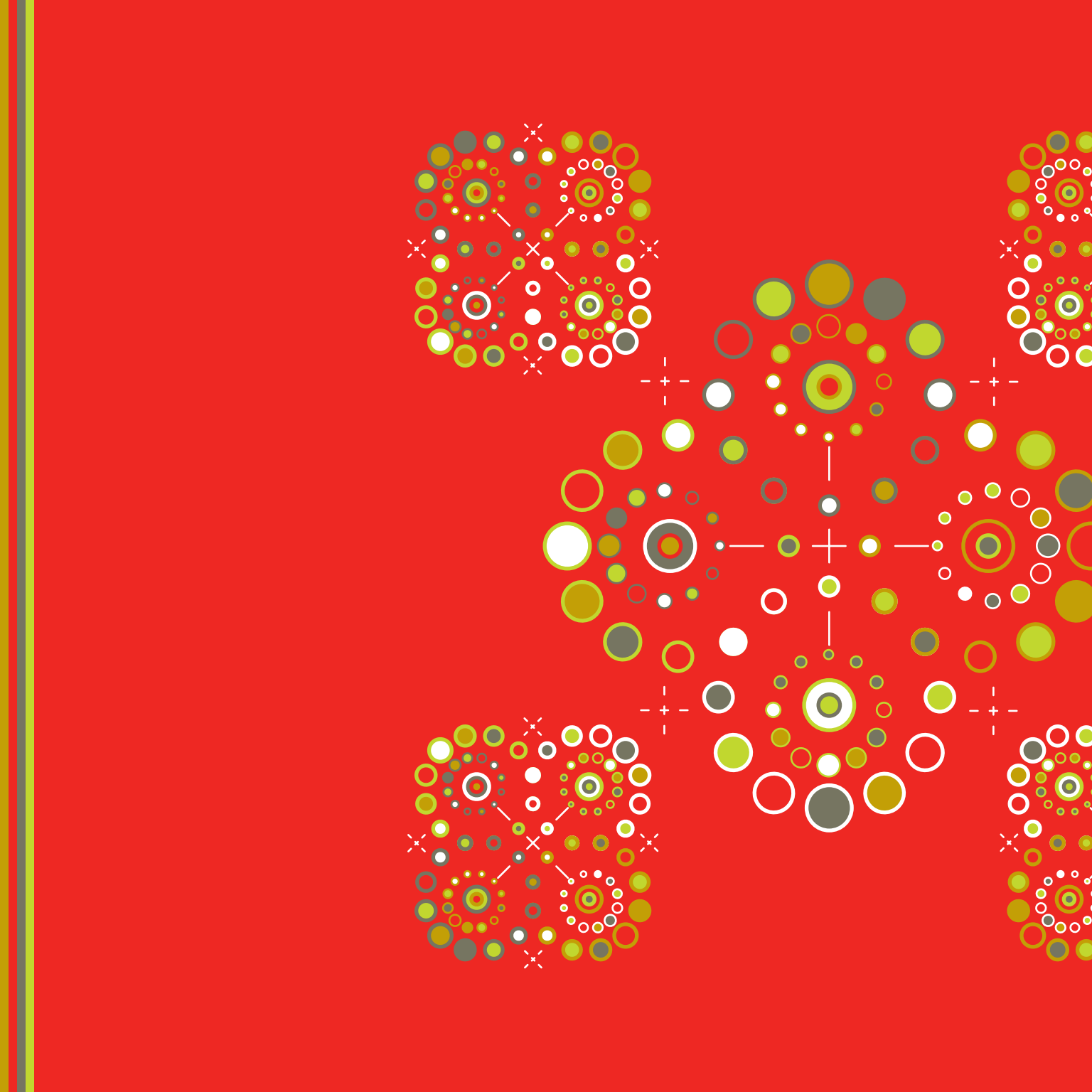


Base: U.S. adult online consumers. Source: North American Social Technographics® Online Survey, July 2007.

Inactives—non-participants—still remain. Among those online in 2007, 41% of Americans, 53% of Europeans, and only 37% of South Koreans are untouched by the groundswell. Of course, this is just the online population. Offline consumers can't participate at all.

The real power in the Social Technographics Profile is this: With it we can understand how social technologies are being adopted by any group of people. If that group happens to be your customers, you can use their Social Technographics Profile to build an appropriate social strategy.

From *Groundswell: Winning In A World Transformed By Social Technologies* by Charlene Li and Josh Bernoff. Copyright 2008, Forrester Research, Inc. Used by permission. For more information, visit groundswell.forrester.com.



the state of search

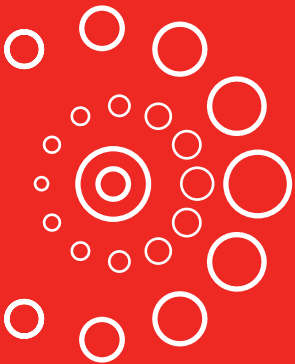
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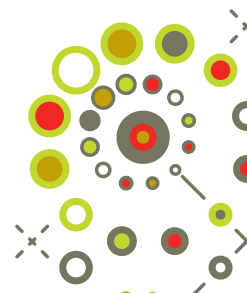


the state of search marketing

By Matt Greitzer, VP, Search Marketing, New York

2008 MARKS THE BEGINNING OF THE SECOND DECADE of marketers' concerted efforts to acquire, retain, and grow customers through the search engine channel.

And while some areas of the channel are maturing, innovations in the search marketing arena continue at breakneck speed. This section highlights some of the key trends that will shape search marketing in 2008, such as the rise of universal search and the growth of international search marketing campaigns. It also explores key trends and developments in the paid search and natural search landscapes that will influence search marketing efforts in 2008 and beyond. This section concludes with a snapshot of the local search market as seen from the eyes of five key players in the local search space.



Trends to Watch in 2008

Universal search

Online content is moving rapidly away from the text-based constructs of the mid-1990s, yet audio, video, and other rich Internet applications are still largely ignored by current text-based search user interfaces. That should change in 2008, as this will likely be the year search engines embrace sight, sound, and motion. Google received credit for driving this development with its launch of universal search in May of 2007. As Marissa Mayer, Google's vice president of search products and user experience writes, "With universal search, we're attempting to break down the walls that traditionally separated our various search properties and integrate the vast amounts of information available into one simple set of search results." Put another way, universal search is an attempt to index, categorize, and display the most relevant information for a query regardless of format: audio, video, images, press releases, and other rich Internet applications.

While Google received the credit for universal search, its efforts were preceded by innovative new user interfaces launched by Ask.com and AOL. Yahoo! and MSN, too, were experimenting with multimedia search user interfaces before Google's much-lauded announcement. Who came first aside, the landscape is shifting dramatically for search marketers, with the most immediate opportunity for search marketers being in natural search. Marketers will need to shift their search engine optimization strategies away from page-based optimization towards a multimedia content distribution strategy. Video, audio, and rich applications will need to be online and available for index by major search engines. Opportunities to distribute multimedia content directly to search engines via feeds are also becoming a reality and will increase in the future. Marketers without a feed management strategy should address this gap in 2008 and set the foundation for a sound feed distribution program.

Search as research

One of the more academic developments in the search marketing landscape over the past year is the nascent practice of using search as a research channel. At its root, an expression of customer demand, marketers are starting to develop tools and techniques to use search query data to discern consumer needs, understand market

trends, and identify product opportunities. On the most basic level, marketers are using paid search ad copy to test offers and promotions and apply their findings to position products more effectively on a broader scale. Capital One Auto Finance, for example, applies this technique to help determine the most effective way to promote their loan products, gauging consumer response to certain product variables. Because of the ease of implementing and executing this kind of consumer testing, Capital One can obtain feedback quickly and inexpensively and apply that insight to product positioning as well as other marketing messages.

A more entertaining example of the search-as-research phenomenon is the use of search query volume to predict future consumer interests. Google, for example, has demonstrated a consistent correlation between increased search query volume for a new movie title and the movie's ultimate success. No doubt this technique could be used to predict market activity in other categories.

The search-as-research trend received a windfall recently when Microsoft opened up its Keyword Services Platform to the development community. An unfiltered view into search query activity across the Microsoft search network, it allows marketers to uncover new value in search query data. With the potential for becoming an entirely new business segment in the search marketing community, the search-as-research channel deserves serious attention going forward.

Search-focused content strategies

Marketers are shifting focus as well to align their content better with the search marketing channel. In the past, advertisers—especially large ones—gave little thought to the unique needs of customers coming in through the search channel. They simply drove traffic to existing Web content and landing pages as effectively as they could. Sophisticated search marketers, however, are now starting to tailor Web content and user experience specifically for customers coming in through search. We have labeled these efforts “search-focused content strategies.” Advertisers who employ these strategies make the effort to understand the intent of the searcher through quantitative and qualitative data. They then assess their current Web site experience and make adjustments to content, taxonomy, and navigation based on their findings in an effort to provide a better experience for customers coming in through the search channel. While this may seem like the tail wagging the dog, for advertisers spending millions of dollars each year on search marketing, the shift towards a search-focused content strategy is a relatively small investment that can have dramatic impact on search marketing performance.

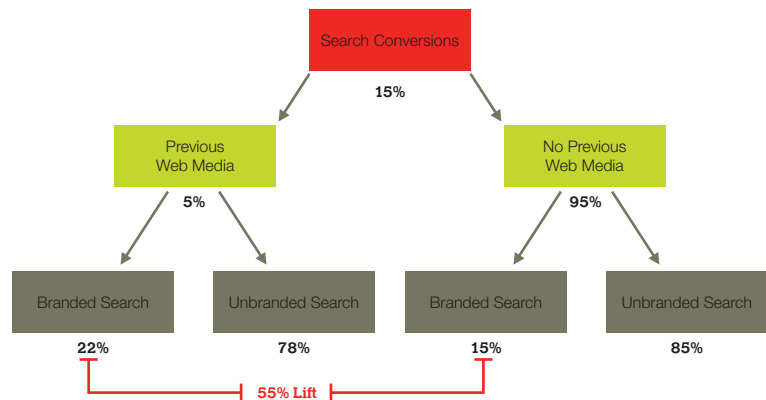
The iPhone appears to have delivered new hope for growth in mobile. The multiple interaction points of the device (touch, voice, type) offer unlimited possibilities for the next generation of on-the-go searchers. The general consensus is, and always has been, that the demand for information whilst out and about is enormous. It may be that the iPhone gives mobile search the kick it needs to become mainstream.

Nathan Levy, Head of Search, London

Online advertising attribution

As an industry practice, online advertising attribution (the practice of how touchpoints lead a customer to convert) is typically based on a prospect's last touchpoint prior to conversion. More often than not, the last touchpoint is through search. But a prospect is likely to experience several interactions with an advertiser prior to converting. Therefore, campaign investment decisions that are often made solely based on that final touchpoint may not be optimized to take into account the impact of prior exposures. Understanding these interactions and how they ultimately lead to a conversion has a significant impact on how we approach digital marketing investment strategy.

We conducted a conversion attribution analysis for a client to examine the impact of prior exposures on conversions and to help the client adjust the campaign metrics based on all touchpoints that contributed to the conversion. We found that previous exposures did have an impact on conversions. Specifically, display advertising acted as a lead generator because it influenced prospects who ultimately converted after clicking on paid search terms. In this case study, display advertising contributed to 39% more conversions than it was given credit for. Additionally, previous exposure to a display banner increased the likelihood that a user would enter a



branded search query instead of an unbranded query by 55%, thereby moving the prospect further along the sales funnel and generating a cheaper search click conversion.

The result of this analysis was that the client bought display media that would have otherwise been taken out of a media plan focused solely on the last touchpoint. This media was evaluated on how effectively it drove conversions and the marginal improvement it drove in search campaigns. Ultimately, using a more sophisticated media measurement approach drove higher return on investment for the client.

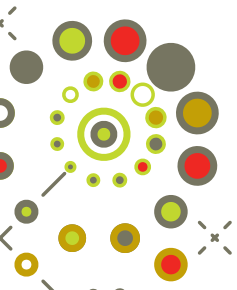
Vertical search

It seems each year there is discussion of the breakout potential in vertical search. While it's unlikely 2008 will bring about widespread consumer defection from the major search engines, vertical engines in several categories are gaining significant traction in the marketplace. Consumers have demonstrated their growing preference for hyper-targeted content in areas where they search most, as typified by the strong growth and recent merger of online travel metasearch engines Kayak and SideStep. Activity in the healthcare space is heated, too. Search engines like Healthline and Healia made a splash in 2007 and are carving out a niche as both primary and secondary healthcare research sources. WebMD, too, has been using TV commercials to aggressively promote its site as the go-to destination for healthcare searches.

The major search engines are not sitting on the sidelines in the vertical search game. Google has long been rumored to have designs on a health-specific offering, and its initial efforts working with physicians and professionals on Google Co-op—which allows third-parties to build custom search engines—may have been its first foray into this space. Meanwhile, Yahoo! recently pushed its FareChase metasearch engine to the forefront of Yahoo! Travel, no doubt a direct response to the success of Kayak and SideStep. Again, while consumers will not bypass major search engines altogether for vertical-specific alternatives in 2008, vertical search engines are making significant inroads into consumers' search behaviors. Marketers should take time to understand the vertical search landscape in their industry and explore marketing opportunities where suitable.

Google's greatest strength is their ability to reward advertisers who respond most relevantly to searcher demand. They've pushed the entire industry to accept this model, and in doing so created value for Google, advertisers, and customers alike. It will be interesting to see if Google can maintain their agenda of relevant, interactive communications as they move into other areas, like display and offline media, where this concept is less established.

Adam Heimlich, Director, Search, New York





key developments in paid search

**By Brian Krick, Director, Search, Philadelphia
and Lindsay Blankenship, Associate Director, Search, Atlanta**

AS CONSUMER MEDIA CONSUMPTION migrates from a traditional broadcast model to a time-and-place-shifted on-demand model, search continues its rise as a primary means of navigation as opposed to traditional content browsing. Not only “online” consumers are searching for directions via GPS units and for entertainment via digital cable platforms. This cross-channel adoption of search as a means of navigation has led to continued increases in search volume. Combine the reach with the targeting opportunity search presents for marketers, and it is easy to understand why paid search marketing continues to develop and evolve at breakneck speed. Jupiter Research reports domestic paid search spending will continue to grow at a compound annual growth rate of 15% over the next five years, hitting \$18.5 billion by 2012. As advertisers continue to invest heavily in paid search, they should be mindful of changes in the landscape that will influence marketing success over the next year and beyond.

The most significant development in paid search in 2007 was the disappearance of transparent bidding. Yahoo!, the last holdout in adopting the opaque Google bidding model, eliminated transparent bidding with the launch of Panama in the first quarter of 2007. While this type of bidding was only a minority of paid search volume, its demise at Yahoo! marks the end of an era of relative transparency in paid search economics. As the prices advertisers are willing to pay for search clicks are now obscured across all search engines, advertisers are operating in a blind market. And as any economist knows, a blind market always favors the seller—in this case the search engines.

Related to the opacity in the bid landscape is the increasing anxiety advertisers have about Google’s Quality Score. Launched by the search giant several years ago, Quality Score is an added variable in Google’s auction model based on the company’s perception of the quality of an ad and the quality of the advertiser. Because Google offers little insight into how Quality Score is determined or how it can be managed, advertisers are apprehensive about poor scores driving up costs with little advertiser recourse. To add to their apprehension, Jordan Rohan, an analyst with RBC Capital Markets, has speculated that a late 2007 adjustment to the Quality Score gave Google wide latitude to manipulate it to extract maximum revenue. According to Rohan, Quality Score now acts as a revenue dial, which Google can turn up or down at will. To date, our clients have seen little or no impact resulting from the recent Quality Score adjustment, but the implications it has for Google’s ability to control the marketplace for paid search gives even the most confident advertiser pause.



**On the subject of
competition, 2008
will likely bring about
exciting developments
in the paid search
trademark debate.**

While advertisers' insight into and control of paid search bidding is in decline, their ability to understand the broader competitive landscape in which they operate has never been greater. Once a blind spot in the paid search planning process, knowledge about competitive advertisers' strategies is now being provided by several software providers. Companies such as AdGooRoo, Compete, and comScore offer data such as automated information on competitors' ad copy, keyword selection, and budgeting strategies. Armed with current information on the environment in which they compete, advertisers can make better decisions about their paid search programs and identify opportunities. For example, utilizing AdGooRoo's software, advertisers can easily identify relevant keyword inventory their competitors are not addressing. This can allow them to find pockets of efficiently priced keyword inventory and address opportunities their competitors have not identified.

The emergence of competitive analysis tools in paid search is relatively new, and it is likely that innovation and development will continue to bring about useful information to give advertisers an edge. Savvy search marketers understand the opportunities in accurate competitive intelligence and will incorporate this data into the ongoing management of their paid search programs.

On the subject of competition, 2008 will likely bring about exciting developments in the paid search trademark debate. At stake are the fees advertisers pay for paid search clicks on their own branded keywords. Two pending lawsuits, one brought by American Airlines and another by 1-800-Contacts, challenge the practice of bidding on competitors' trademarked terms. While several previous cases have upheld the practice, none have settled the issue. Search marketers will watch these two cases with great interest—and they should remind advertisers bidding on trademarked keywords of the inherent danger of litigation that may result from this practice.

Google continues to be the leader of the search engine pack, holding down 63% of the search market share, and the company is pushing into new channels as well. Print, Newspaper, TV, and Radio all are now Google offerings with the capability to buy, manage, and report through the AdWords interface.

In April 2007, AOL launched AOL Search Marketplace for the top 2,000 advertisers. Backfilled by Google (paid and organic listings), Marketplace provides advertisers the opportunity to purchase and manage pay-per-click from AOL Search properties while using a white-label version of Google's premier management tool, AdWords Editor. AOL has yielded strong client results, including increases in click-through-rates (CTRs) and higher revenues per sale for select clients.

Unique to AOL Search, the Trademark Layer offers premium placements for advertisers and trademark protection of brand terms, which results in average CTRs of 15% to 20%. This opportunity gives multiple high-visibility text links above the sponsored and Web search results as well as a branded logo.

AOL Search surpassed Ask.com's query share in December 2007 with 4.6% market share. This jump brought the newly launched search engine to fourth place within nine months. AOL enters 2008 with designs on joining Yahoo! and Microsoft in a battle for the number two position in search.



key developments in natural search

✘ **By Joshua Palau, Group Director, Search Engine Marketing, Philadelphia**

ADVERTISERS CONTINUE TO FIND NATURAL SEARCH one of their most efficient and effective channels for acquiring and retaining customers. Yet many marketers—large brands in particular—are still under-investing in search engine optimization (SEO) and are missing the full potential of the natural search landscape. There are several reasons for their reluctance. SEO often involves site-side technical changes that clients are unable to implement due to resource constraints. Additionally, SEO is not as predictable or measurable as other forms of online marketing. Thus, the investment in SEO is taken on with some risk, and results are not always certain.

We find that marketers who embrace this risk are rewarded many times over. Not only do their SEO efforts produce returns that far exceed their costs, but they act as a multiplier of their paid search efforts. Those advertisers who are most successful at implementing SEO recommendations are those who build it directly into the Web development process. This allows SEO experts to address the upfront keyword research, site architecture, and search-friendly coding considerations necessary for search-friendly Web sites with no additional friction or deployment of technical resources beyond those already needed in the site design process. The trend of including detailed SEO considerations in the Web development process will accelerate in 2008 and eventually become a standard component in site creation.

Just as advertisers are changing the way they incorporate SEO into their businesses, search engines are changing the way they incorporate information into their search results. As discussed earlier, the advent of universal search will have a dramatic impact on marketers' SEO efforts. Universal search is a seismic shift in the way search engines find, categorize, and display content to users. Marketers without a multimedia content strategy will need to evaluate the impact audio, video, and other rich content has on the natural search results within their competitive set, and advertisers will need to reach beyond page-based optimization and link building to address this opportunity. Search marketers in the retail, travel, and entertainment industries, for example, will need a fully scaled multimedia SEO strategy to realize their full potential in a world beyond text-based search results.

Social media, too, will continue to have a strong impact on organic search rankings. News and information sites are already seeing an impact through the use of adding Digg, StumbleUpon, and Reddit tags. Articles "dugg" by others are appearing in the organic listings and leading to additional traffic. In the world of images and video, successful companies are digitizing all of their assets and loading them onto sites such as MetaCafe and Flickr to gain more exposure as these assets rise to the forefront of search results pages through universal search. And more marketers, too, are developing blog outreach programs. Beyond their reach and influence, effective use of the blog channel has two SEO benefits: inbound links from blogs aid link-building efforts, and blog entries are widely indexed by search engines and can give marketers additional exposure in search results outside of their own Web sites. Advertisers will need to take a closer look at their social media optimization strategy in 2008 or risk falling behind in this rapidly evolving field.



managing global search marketing

By Michael Buckley, Director, Media, Sydney

ONE OF THE MOST DISCUSSED TOPICS in search marketing today is the rapid growth of the international search market. International revenue made up a full 48% of Google's revenue in Q3 2007, and is expected to grow at a rate far exceeding U.S. revenue. Less discussed, but just as important for marketers, is the relative ease with which international campaigns can be executed. Automated, online interfaces and a market pricing model in which negotiation and relationships are deemphasized combine to put international advertising capabilities within reach of even the smallest advertisers.

While international search campaigns may be easy to implement, they still require in-market knowledge that is generally not available in a single location. Copywriting, keyword development, and insight into the competitive landscape are activities better suited to professionals with in-market expertise. In regions like Asia Pacific, covering at least six key countries with four different language sets is necessary. Couple that with the fact that different engines are favored in different countries—simply turning on Google country targeting may not capture the mass audience.

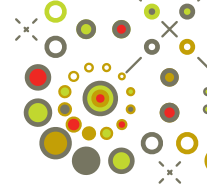
So what is the proper approach to manage a global campaign? Advertisers running successful international search marketing campaigns will rely on a combination of centralized execution and localized strategic support to make the most of the opportunity. Starwood Hotels, for example, relies on a centralized U.S. search team for strategic planning and execution, but also taps into local expertise in Europe, Asia, and Latin America for market-specific tasks. This model of centralized planning and execution with in-market support for localization and market-specific tactical needs allows for scalable international search marketing campaigns with limited resources. Look for large advertisers to increasingly move toward this “hub and spoke” engagement model for the effective and efficient management of global search campaigns.



an eye on local search

PERHAPS NO OTHER CHANNEL inspires and confounds marketers like the local search space. All signs point to growing consumer adoption of the local search channel—Yahoo! reports that a whopping 30% of all searchers have local intent. Yet the local search landscape is still unsettled—myriad local search providers, tactical challenges, and confusing pricing options cloud the opportunity. However, we remain bullish on the local search space because consumer demand for relevant, online local information is too great for advertisers to sit on the sidelines for long.

To help provide a window into the future of this dynamic channel, we've asked experts from leading search providers Google, Idearc, Marchex, Medio, Microsoft, and Yahoo! to offer their points of view.



Local Search in 2008

Eric Stein

Director, Local Markets, Google

Great local search depends on great content, and great content in the local arena comes from a wide array of companies—from the smallest to the largest. To encourage these businesses to use Internet marketing to their advantage, many technology companies have built platforms that enable merchants to advertise their products and services online. Yet TMP/comScore and Webvisible-Nielsen studies from 2007 show that even though consumers now turn to the Internet as their first resource for finding products and services, marketers aren't following their audience online as quickly as consumers are flocking there. The fact that the percentage of marketers using local advertising is currently only in the low single digits attests to the huge opportunity.

That being said, 2008 is poised to be a breakout year in which a number of factors will serve as catalysts for rapid development in the local space. Here are three of the most significant:

- 1. Economy.** A slowdown in the economy will likely speed local merchants' adoption of the online medium. Pay-for-performance models, increases in return on investment due to consumer preference for the Web, and the ability of online advertising to drive in-store traffic will make the medium a must-have solution.
- 2. Local service infrastructure.** Fortune 500 companies with large local footprints will stop waiting for local representatives to adopt the online medium, and instead will get directly involved by building programs and partnerships to ensure their local online presence is established. Traditional media companies from every vertical (directory, cable TV, local TV, newspaper, radio, etc.) will also forge partnerships with companies such as online ad platforms, search engine marketers, search engine optimization companies, and ad agencies to bring online advertising solutions to their local customers, making the Internet accessible to hundreds of thousands of additional businesses.
- 3. Maps and mobile.** Consumer usage of mobile devices, especially maps, will continue to skyrocket, and advertising opportunities will bring specialized information to consumers.

All in all, we're poised for an exciting year in local search.

Local Search in 2008

John Keister

President and COO, Marchex

Consumers are increasingly relying on local search to make important decisions on goods and services. In fact, more than 80%¹ of search engine users search for local products and services (from where to buy a plasma TV to selecting the best home insurance provider), and more than 90%² of the transactions resulting from these searches are completed offline. In response to this shift of consumer behavior, marketers are increasing their local online advertising budgets. Spending is projected to grow from \$8 billion in 2007 to nearly \$20 billion in 2011,³ equaling the \$20 billion spent on total online ad billings in 2007.⁴

Over the past few years, we have seen marketers tailor their online advertising to local consumers through geo-targeted search campaigns. In 2008, marketers of all sizes will continue to target their campaigns locally, but they will augment these campaigns by taking the logical next step: employing more sophisticated tracking and optimization technologies to measure and expand their presence in local markets.

For example, a company such as Geico can optimize the performance of their motorcycle insurance ads that are geo-targeted to Southern California by employing call-tracking, allowing them to measure the effectiveness of campaigns and length of phone calls, map phone calls to transactions, and capture information on missed calls. With call-tracking, Geico can measure the number of transactions they generated over the telephone from several advertising campaigns simultaneously, and they can measure the effectiveness of each publisher, search engine, and target market involved in their campaign.

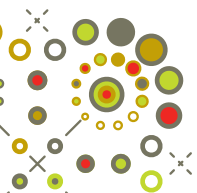
The local Internet offers outstanding growth opportunities for national marketers and agencies. The ability to track, measure, and optimize specific online campaigns by location will make local online advertising a foundational component of many marketers' advertising plans in 2008.

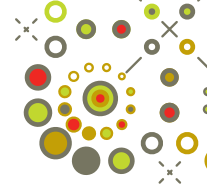
¹ The Kelsey Group 2007

² John Kim, Senior Director of Advertiser Product Marketing, Yahoo! Search, The Next Wave of Advertising 2007

³ Local Online Advertising Forecast by Veronis Suhler Stevenson 2007

⁴ Online Advertising Revenue by Internet Advertising Bureau 2007





Local Search in 2008

Brian Lent

CEO, Medio Systems

In some respects, mobile search today is like Internet search was in 2000 or 2001, when the market leaders, business models, ads, and user interfaces were still in a state of experimentation and flux. However, there is a critical difference with mobile—local search is already established as a large component of the total search mix and is expected to grow at a faster rate. Today, 26% of searches through carrier-provided search boxes or third-party search services via the mobile browser are for local listings, according to Nielsen Mobile's recently released Mobile Search Report.

In mobile, user context is often more precise for advertisers both in terms of location and immediacy. Using the nearest cell site or GPS coordinates is superior to locating a user through his or her landline IP address. Furthermore, a local search performed from a mobile device implies the user wants to act right away rather than invest energy researching alternatives—a scenario that is more common in Internet search. As such, the click-to-call capability of the mobile device is compelling both to the subscriber and the local business. While this gives local search in mobile some advantages over its landline equivalent, the two challenges of mobile data and content services today remain the same: the reduced keypad and the screen size of the handset.

The range of devices, interfaces, and specialized applications in mobile offer a wide array of local search services, from mobile 411 at \$1.50 per call to navigation-centric services on mobile phones to personal navigation devices (PNDs) that sell for a few hundred dollars each. In 2008, expect to see search engines gain market share in local search over specialized applications as more users become familiar with mobile search. The next year will also bring new mobile ad networks that enable cross-carrier distribution, and that, in turn, will cause an influx of new mobile advertisers. However, 2008 will still be seen as a building year in local for mobile, with 2009 being the year we see significant growth in advertising dollars—and possibly a shakeout and consolidation within the industry.



Local Search in 2008

Brad Goldberg

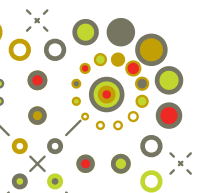
General Manager, Microsoft Live Search

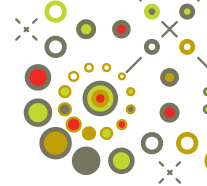
For marketing professionals of all varieties, here's the big news: Local search is big and, with more than 1.5 billion queries per month, it will get bigger. The reason? Local search empowers consumers to make intelligent decisions. When it comes to spending money, consumers stay close to home to make retail purchases, and they trust others who live, work, and buy in their own community for information and opinions about businesses they share in common.

That said, consumers don't want to waste time looking for the data they want; they expect fast and easy access to local information. Consumers want to know where they can buy and what's available, and they want to know from fellow consumers what's new and what's good. Before they become your customer, they want to know what others who live and work in their own community think of your business, including whether it has sufficient parking, is child-friendly, and provides excellent service. These are questions consumers using local search capabilities are asking. In a word, local search is personal.

Local search is all about giving consumers information to make decisions and to make shopping easier and more convenient, from one-click map directions that don't require entering a start point to a bird's-eye view of their destination that gives them an up-close look of the location and the surrounding area as well. It's also critical to provide universal access to local information for consumers when they're away from their PCs, including voice-activated mobile solutions. Consumers will seek out the local search services that are appropriate for wherever they are, whatever they're doing, and in whichever mode they prefer.

To date, national businesses have been first to adopt local search advertising. However, local businesses are also recognizing the importance of local search. As this shift evolves, there are huge opportunities for advertisers to reach potential customers with the information they really want when they are in a purchasing mindset and looking for a business that is local. And today that information goes beyond an address and phone number. As you market your product or service, always keep in mind the importance of doing business locally. It's what consumers want, and with the Internet at their fingertips, it's where they buy.





Local Search in 2008

Robyn Rose

Vice President, Idearc/Superpages.com

While much of the local search space is still evolving, some things are clear. Local search is not about branding; it's about reaching a consumer when she's ready to buy. Consumers are influenced by brand messages, but their buying decisions are decidedly local. Both small and large companies need to get their unique messages across and they need to do it on the local level.

That makes content key. Right now, we're seeing the launch of great tools and applications, but without rich content to support them, they have little value. Consumers crave information about products and services, so in 2008 we'll continue to see an increase in sites that support user-generated content such as user reviews; consumers are researching and using the available information before making purchases.

For this reason, it's crucial for advertisers to join the conversation about who they are and how they are different from their competitors. While often overlooked in local search, video should play an important role in establishing this differentiation. Videos give advertisers another medium for content so they can tell their stories to the people who are ready to buy, and the rise of universal search, which will incorporate many forms of content into search query results, will make this video more accessible to consumers.

But this is not just something that local advertisers need to focus on. It's also time for national advertisers to show their local side. The tendency may be to just place generic messaging or national brand videos next to their local listings, but remember, local search is not about branding. Instead, major national marketers should also tell their local stories and give consumers a reason to choose them over other local businesses, whether large or small.

When it comes to local search, there is much wisdom in the nearly forty-year-old recycling slogan: Think Globally, Act Locally.



Local Search in 2008

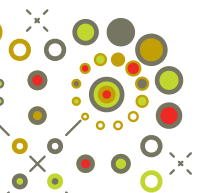
Frazier Miller

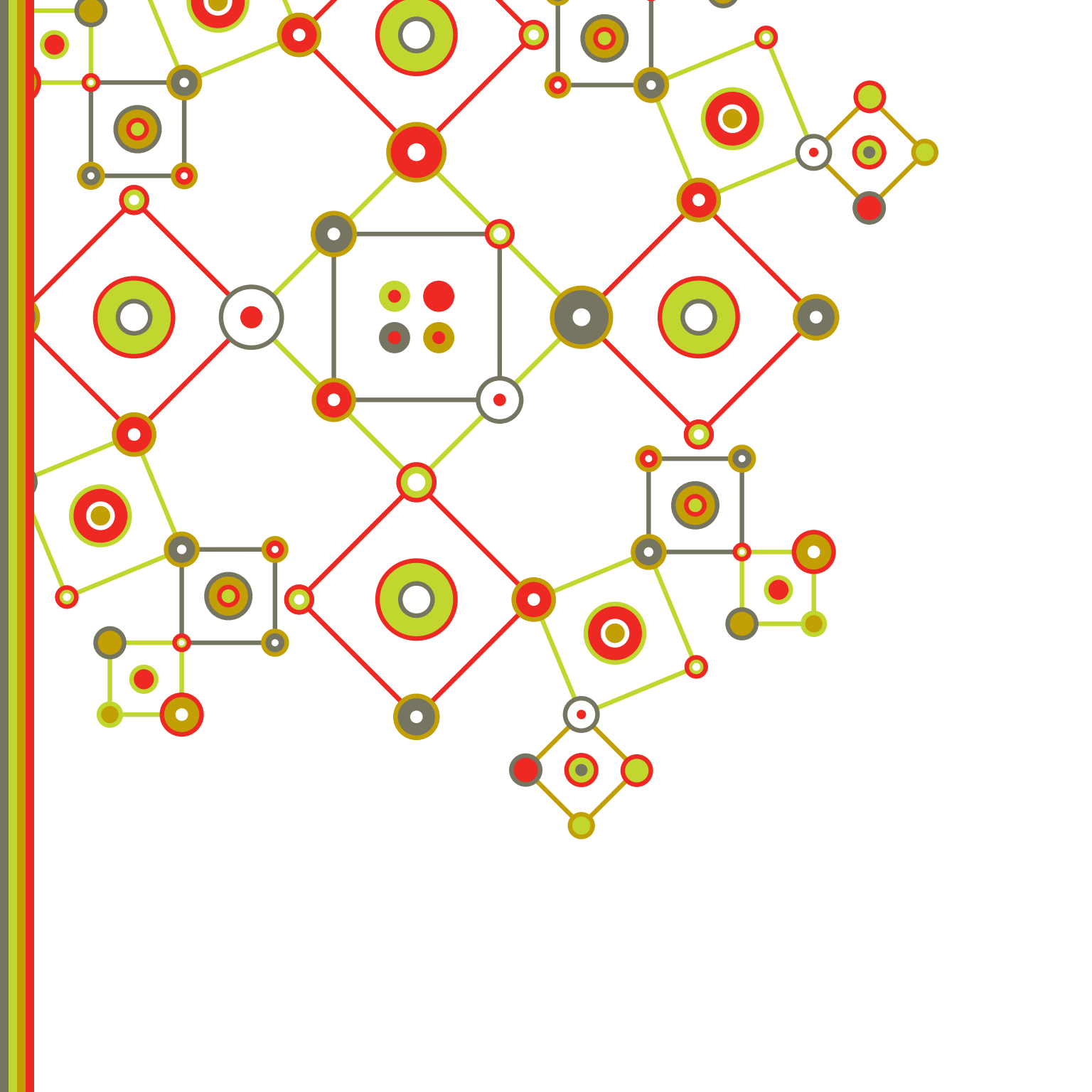
General Manager, Yahoo! Local

After several years of growing interest from users in the local search category, 2008 will start to usher in more diverse changes and growing interest from advertisers—both online and on mobile platforms. User behavior outpaces spending in local search advertising—approximately 26% of search queries have local intent, but only 8% of ad dollars come from local sources.

Of course, an increase in local search spending means there is a tremendous opportunity in mobile search. By 2010, mobile phones are expected to outpace PCs by three times. Local information is in high demand on mobile devices, so the importance of mobile in the evolution of local search cannot be overstated. Maps, directory listings, and nearby restaurants and stores are among the most sought-after types of information on mobile devices, and ad dollars should begin to gravitate toward these types of searches.

Given how U.S.-centric the local search market is today, another opportunity is often overlooked: expanding local search into markets throughout the world. We are increasingly focused on how to globalize our offerings in a way that works for local markets outside of North America. Being in a category where tremendous opportunity exists online, on mobile devices, and globally is a very exciting state of business for Yahoo! and the entire local search industry.



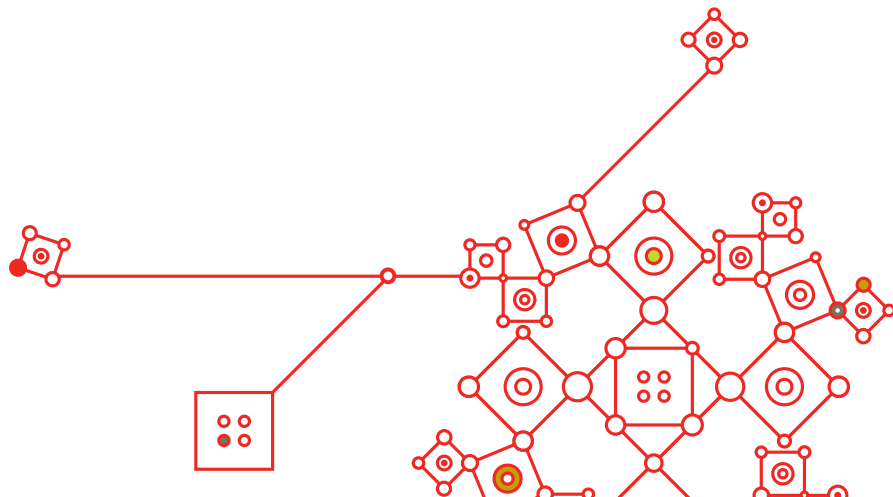


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expanding behavior targeting

By Tim Barnes, VP, Global Business Intelligence Group, Seattle

2007 WAS THE BREAKOUT YEAR for behavior targeting for both solution providers and marketers. According to Forrester Research, more than 75% of marketers were either using or evaluating the use of online behavior targeting—which targets ads based on consumers' online behavior—last year. The consolidation of tools aimed at delivering dynamic content on clients' sites as well as the continued expansion of networks purporting to provide sophisticated segmentation responded to meet the increasing demand.

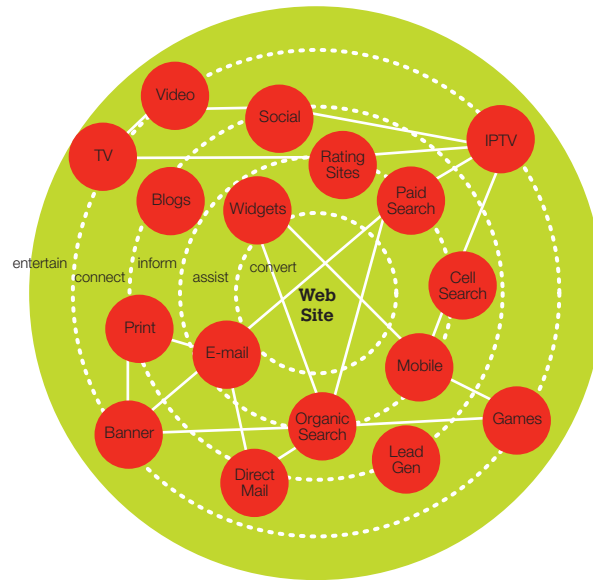
The road to relevancy

Unfortunately, these solutions tend to work in silos: They either measure network performance or site behaviors; they fail to measure the impact of search, social networks, e-mail, and ultimately offline interactions. They also do not provide a singular platform from which to launch consistent messaging regardless of channel. The benefit of combining these disparate approaches is huge in terms of relevancy, consistency, cost, and overall return on investment.

In order to make a campaign relevant to consumers, behavior targeting should not be limited to site activity. Many key interactions with your brand occur on third-party sites (publishers, forums, microsites, partnerships, etc.). Tracking and evaluating these interactions is critical in an effort to fully understand the impact they have on your primary business goal, whether that be awareness, signup, download, conversion, etc. Third-party ad serving and tracking platforms are ideal, as they typically have a presence on these channels. This data can be leveraged to more effectively target customers before they even interact with your site. For example, if a consumer is searching specifically for your brand, clearly this person is aware of your brand. It is a waste to continue to message this person with brand awareness ads. The next time you have the opportunity to market to this individual, you should either advertise a different brand or use a direct-response approach to move them closer to conversion. Similarly, customers who have visited certain sites or interacted with your brand in other ways—on MySpace for example—can be segmented to receive specific content relevant to their position in the purchase funnel.



A Complex Digital Landscape



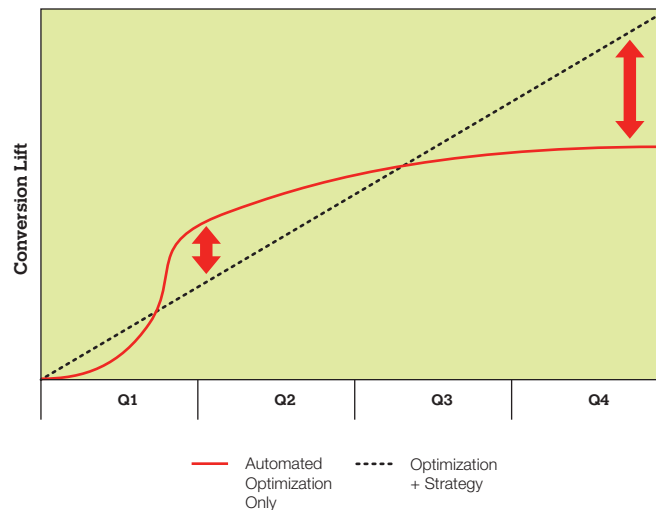
The importance of how consumers behave on your site

Even though measuring consumer activity on third-party sites is crucial, there is no doubt that your site also reveals an amazing amount of information about your customers. Factors such as how recently individuals have visited, frequency of visitation, the path they have followed on your site, visitation to key sections, purchases, downloads, session time, and registrations and logins can be leveraged to better segment and target relevant messages. But how can this be done? The answer is to use three key levers:

- 1. Customer state.** Where customers exist in their lifecycle with your brand or company can be measured in several ways, including the aforementioned off-network exposures, frequency of visitation, visits to key areas of the site, and of course, conversion. Customers should be profiled over time to understand what their state is. Micro-lifecycle-targeting, for instance, using creative specifically designed not necessarily to convert the customer but to move them to the next state, can be very effective in driving higher lift.

2. Test and control segmentation. The downfall of many targeting efforts is complexity. Time and again, marketers cannot resist designing extremely complex business rules and creative combinations with no ability to test effectiveness. A more productive approach is to begin simply. Start with one placement—on a landing page for example—with two or three creative executions. Using stringent test-and-control methodologies, this approach can instantly produce results, paving the way for more complex segmentation schemes. Next steps include simple but effective segments like new vs. repeat visitors, geographic location, and “booker/looker/prospect” that are effective at providing lift while easy to execute. Expanding the placements to additional pages and segments and changing the creative should be introduced only after each additional execution is carefully measured for its effectiveness. Real-time or in-session behavior targeting has not proven to be effective, in our experience, as a methodical segment-based approach.

3. Automated creative optimization. Many tools provide the ability to cycle through different creative executions, comparing the performance of each against a conversion metric to achieve optimal lift. This approach can deliver high initial lift (as shown in the figure below). The results tend to flatten over time as the champion/challenger method (continually testing new executions against the most successful one) ultimately produces a handful of winners.



Leveraged together, the three approaches can be extremely effective in delivering results. The continued emphasis on customer state can influence how segments and creative are designed. Automation can quickly ascertain which creative is most effective for each segment. Using a test-and-control method ensures that results are not random but proven.

The customer converted: now what?

Most content targeting plans are designed for customer acquisition. Few focus effectively on driving customers through a customer lifecycle, but the profiles you have developed over time can absolutely be used to retain and grow your customers. Using many of the techniques discussed above, retention-based segments can be created that are based on past purchase behavior, value (current and perceived), loyalty, and so forth. Furthermore, it is possible to tie offline data (customer relationship management and direct mail segments, attrition models, purchase behavior, propensity modeling) to your online segments and targeting. While dependent on anonymous customer IDs that are consistent across both channels, this connection can greatly increase the amount of data available to micro-target and move customers through a lifecycle.

The benefits of a holistic targeting approach

What's the key to leveraging segments and behaviors both on and off your site? A single data platform. While many tools can provide aspects of this targeting approach, none can provide both a complete view of customer behavior regardless of channel and the ability to message your customer consistently regardless of channel. We recommend using the most ubiquitous of tools: your third-party ad server. While limited in terms of real-time decisions, the ad server has the unique ability to collect information about your customer as they interact with your brand on other destinations as well as your site. Additionally, this approach is very scalable, tends to have low costs, and typically only requires a single line of code, which makes it easy to experiment.

Ultimately, the concepts of behavior- and value-based targeting will continue to get more complex. It is our belief that effective messaging strategy should be treated the same way you treat media buys. Strict test-and-control, consistency, and relevancy will drive results and more than pay for the effort.

It's essential to have an integrated approach to Web development, creative, search marketing, and display advertising. Following best practices in each discipline helps you compete. Having a single view of your customers across all digital touchpoints helps you win.

Patrick Hounsell, VP, Digital Marketing, Chicago





customer-centric engagement

The new metrics

By Andy Fisher, Director, Analytics, New York

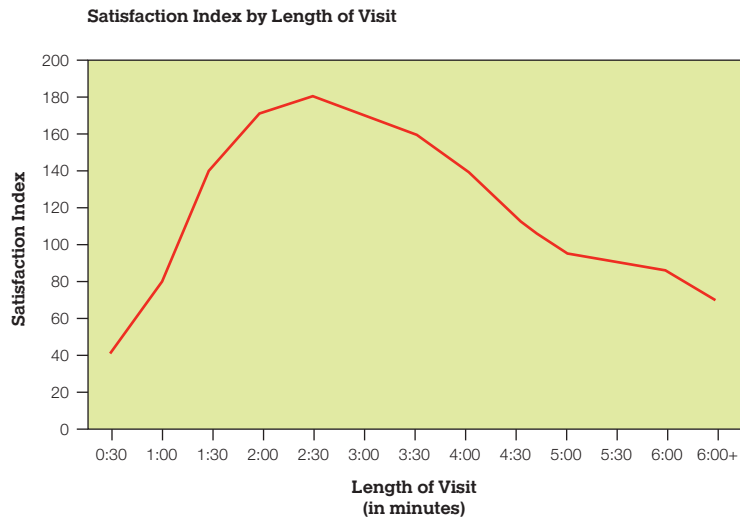
As digital marketing metrics have evolved, they have progressed from impressions to clicks to shopping carts to cost-per-acquisition. Now, with digital media becoming a primary vehicle for branding as well as direct response, a new class of metrics aimed at measuring engagement has emerged.

The goal is to improve upon the limited ways marketers have been able to look at engagement in the past. Typically, it has been viewed in the following way: User A sees a rich media ad and then moves on to different content. User B sees the same rich media ad, but mouses over it, expands it, and then watches a video within the ad before moving on to different content. It seems reasonable to conclude that User B is more engaged with the ad than User A and that the higher level of engagement shown by User B is more desirable to the advertiser.

However, even though it is reasonable to conclude that the behavior of User B has more value than the behavior of User A, it gives only a vague idea of how valuable one user is to the marketer vs. another. Newer engagement metrics can better answer the question of how marketers should assign value to different online behaviors.

Valuing engagement

A good example of why determining the value of engagement is so difficult can be illustrated with a simple microsite analysis. In the example below, a set of randomly chosen visitors was asked to rate their satisfaction with a branded community microsite. The length of time visitors spent on the microsite was also recorded.



As might be expected, as the length of time spent on the microsite increased, satisfaction increased—but only up to a point. At around three minutes, satisfaction actually started decreasing as length of time spent increased.

The reason it's hard to make sense of this data is that we have no underlying notion of who is being engaged, so it's impossible to develop a meaningful metric about visitor behavior. In fact, there were many types of visitors, including community builders and information seekers, interacting with this microsite, and their behavior should have been segmented. For community builders, success should have been determined by how long members of the group spent interacting with the site. For information seekers, success should have been determined by how little time members of the group spent interacting with the site. Give them what they want and they quickly leave satisfied—but if it takes them a long time to search for what they want and they don't find it, they become frustrated.

The shape of the graph above, then, is explained by the fact that it is an aggregate across disparate segments with opposing needs. Time on site does not have the same value for different segments.

A new approach to customer-centric engagement

As the analysis above demonstrated, it is critical to understand that different metrics are more relevant for some visitor segments and tasks than others. As a best practice for developing engagement metrics, we recommend the following six-step process:

- 1. Determine the key visitor segments on your site.** This is often done via surveys and/or panels and typically is refined and validated in multiple iterations.
- 2. Determine what tasks these segments are on the site to perform.** In other words, why are they there?
- 3. Determine what tasks you want these segments to complete.** For each segment, what tasks would have the highest business value?
- 4. Implement a per-segment metric that connects desirable behaviors with the relevant segments.** For instance, if the site is meant to serve the needs of information seekers, measure how long it takes this segment to find the information it wants.

5. Validate the meaningfulness of metrics. This is typically done by recontacting original survey participants or through customer relationship management systems.

6. Evaluate and adjust engagement metrics on an ongoing basis. This should be performed based on changes in segmentation, site design, or business objectives.

By first defining the customer segments and then determining appropriate engagement metrics for each segment, engagement can be far more appropriately valued. Additionally, this information can be applied to value all digital touchpoints. Personalization, multi-variate testing, landing page optimization, creative testing, media planning and measurement, and search engine optimization are all areas that can benefit from this integrated approach across touchpoints.

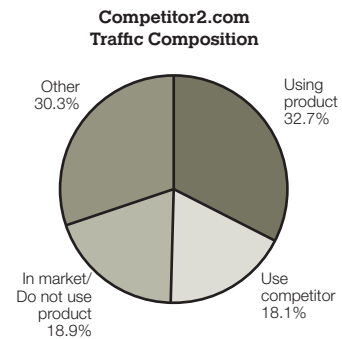
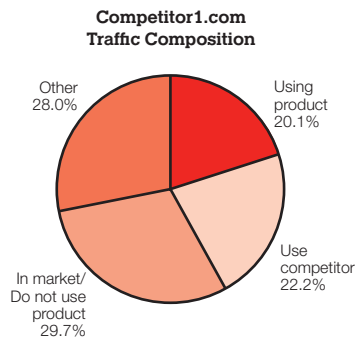
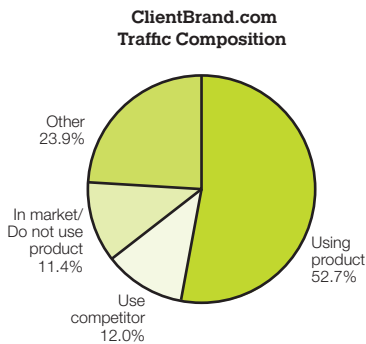
Only by starting with the customer can marketers deliver a meaningful engagement metric. Metrics such as time on site, scored values for content consumed, and length of time watching video only make sense when it is understood to whom these metrics are being applied.

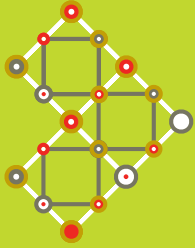


Using customer-centric metrics to improve a client's marketing effectiveness

An Avenue A | Razorfish client was losing market share on its flagship product. Industry research indicated that visitors to the client's site were the most engaged of all visitors in the client's category, but that the brand was being significantly outspent online by its leading competitors. Using a third-party panel, we surveyed visitors to the sites of competitive brands and married the results to the media the visitors to competitive sites had consumed. The findings revealed that although visitors to our client's site were more engaged than those of its competitors, this did not lead to more potential acquisitions than on competitors' sites. This was because competitors used media tactics that were effective in drawing visitors that were new to the category.

Working with the client, we executed marketing tactics that would reach higher numbers of qualified visitors who were new to the category. They included investing in distributed content and increasing investment in specific areas of unbranded paid search. The result was a 10% increase in conversions, while still maintaining a positive return on investment.





the man from Oskaloosa

Using environmental psychology
to improve site performance

By Randy Barney, Director, Site Optimization, Seattle

SHORTLY AFTER WORLD WAR II, a Stanford Ph.D. named Roger Barker set up a research station in the small Kansas town of Oskaloosa. For 25 years, the residents of Oskaloosa were his research subjects as he observed the interplay between people and their surroundings—from this initial work, the field of environmental psychology was born. Since then, environmental psychology has become a multidisciplinary field and is responsible for much of what we know about proxemics (how space between persons varies in different settings), aesthetics, ergonomics, and other elements of the spaces in which we live and work.

In the 1960s, retailers sought to gain a competitive edge and boost their sales by improving the customer experience and functionality of their stores. Over the next two decades, they turned to environmental psychology to help them do this. In addition to using the existing applicable research, they paid researchers to examine everything from store layout and music—otherwise known as atmospherics—to lighting and signage. Good articles about this work include “Environmental Color, Consumer Feelings, and Purchase Likelihood” from a 1992 edition of the publication *Psychology & Marketing* and “Retail Store Lighting for Elderly Consumers: An Experimental Approach” published by the *Family and Consumer Sciences Research Journal* in 2007. As you might guess, if retailing is your thing, both make excellent leisure reading.

As the digital channel grows in importance, businesses are beginning to apply a virtual version of environmental psychology to how they design their online destinations; they recognize it is critical to invest time and effort to examine every detail of their online presence to identify how it can better promote desirable outcomes. The changes made to sites based on this kind of analysis result in site optimization.

While today's experts in site optimization work closely with user experience, design, and other Web development disciplines, their efforts are unique due to their singular focus on improving site business performance by finding and eliminating friction points that cause potential customers to drop out of a site and identifying elements that can be modified to improve site performance. Depending on a site's primary business purpose, specialists focus on a variety of objectives, including:

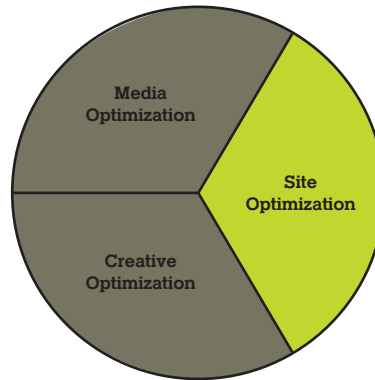
1. Improving sales
2. Increasing lead capture
3. Creating greater engagement
4. Improving brand favorability
5. Increasing customer satisfaction

Roger Barker and his colleagues relied on visual observation of people and their physical surroundings, while today's site optimization practitioners observe people in their digital surroundings by combing through site behavioral data, survey responses, and the results of A/B and multi-variate tests.

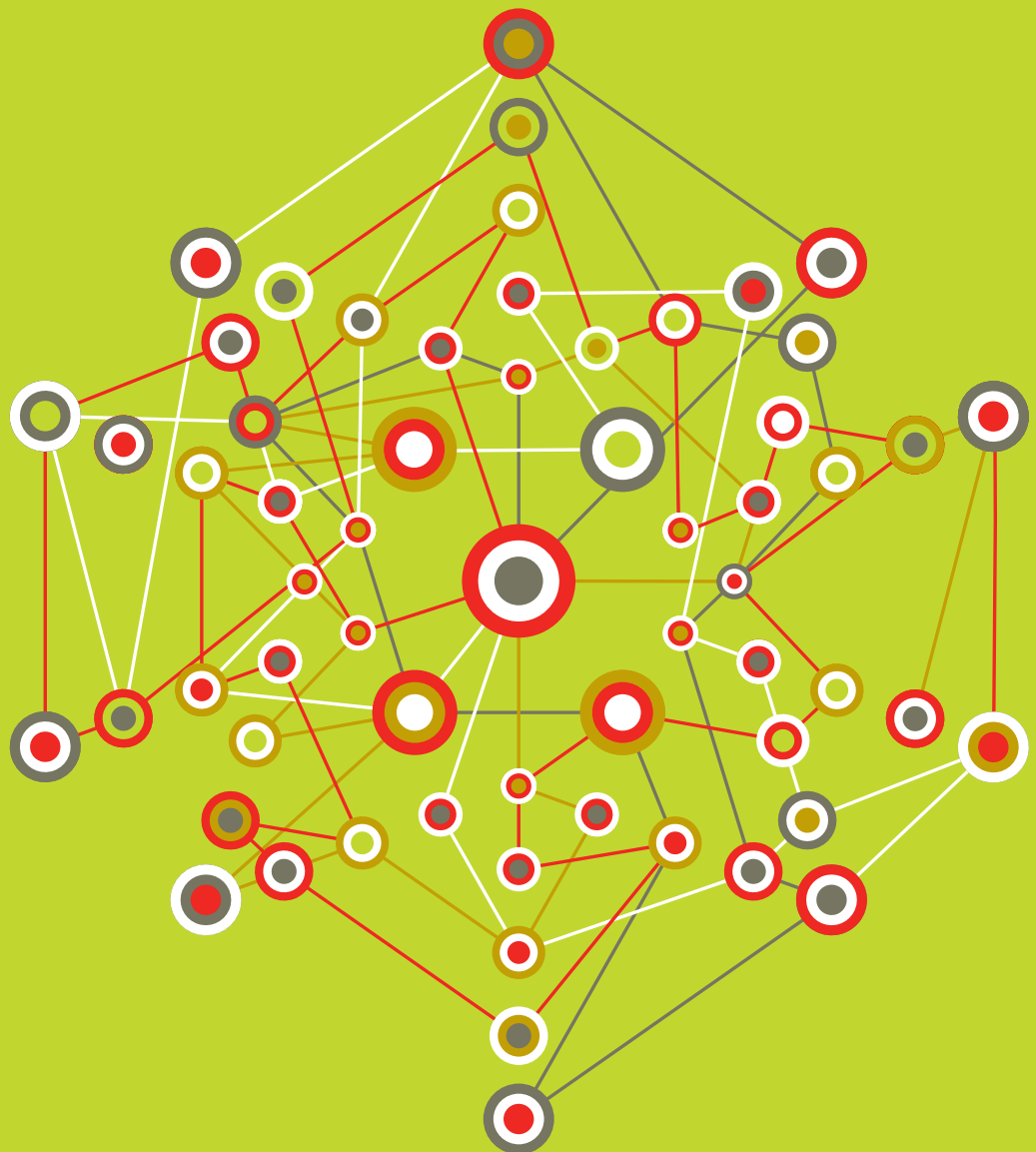
As with stores in the 1960s and 1970s, sites that are developed and/or optimized using this data-driven approach enjoy higher conversion rates and provide a competitive advantage. Avenue A | Razorfish's work has helped clients improve productivity by 15%, 25%, 50% or even 100%. For example, recently a telecommunications client asked for help with an underperforming home page. The team's recommendations included the following:

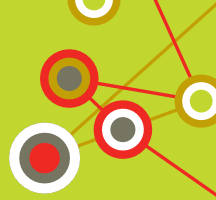
- Relocate specific merchandise content from the category page to the home page.
- Provide clear calls to action within the main body for both prospects and current customers, but dedicate more real estate to current customers.
- Group related content and differentiate these areas with visual cues such as colors and creative execution.

Applying the site optimization team's recommendations resulted in a redesigned home page that converted to sales at twice the rate of the earlier home page.



With all of the effort spent on search, search engine optimization, and display advertising, the most efficient part of the budget may be the money spent on optimizing the productivity of the site. If your site has hit a performance plateau, it may be the time to dust off a decades-old discipline and apply some Oskaloosa-style elbow grease to your Web site.





changing the world with technology

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In May of 2007, Avenue A | Razorfish hosted its annual Publisher Summit in New Orleans. Each year, the event marks an opportunity to share the agency's strategy with the broader media community, as well as thank the publisher partners who do so much great work for our shared clients. Last year, we also added a philanthropic component to the event.

THE 2005 SUMMIT HAD ALSO TAKEN PLACE IN NEW ORLEANS, shortly before Hurricane Katrina devastated the region. For the 2007 event, we invited the publisher community back to the Louisiana, and asked that they join us in raising awareness of the work the Children's Health Fund is doing to aid the children of the Gulf Coast. In an auction format, publishers bid on items from brands that included Nike, CNN, Polo, Disney, Levi's, WeightWatchers, HSBC, TiVo, Crestor, Coors, Verizon, AT&T, AstraZeneca, and Expedia. At the end of the evening, nearly \$3 million in advertising inventory was raised for the Children's Health Fund.



The outstanding publishers who helped support the Children's Health Fund and the Gulf Coast included:

About.com

Amazon.com

American Greetings

AOL

Atlas Solutions

CBS Digital Media

CNET.com

CNN Money

Community Connect

Enpocket

ESPN

Google

IAC

Marketing Technology Solutions

Marthastewart.com

MSN Network

MySpace

New York Times Digital

Pandora

Pricegrabber

Revolution Health Group

Tacoda

Terra Networks

The New England

Journal of Medicine

Facebook

Tribal Fusion, Inc.

Tribune Interactive

USA Today

Value Click Media

WeatherBug

Winstar Interactive Media

Yahoo!

Seeing the impact the Children's Health Fund has made in the Gulf Coast, and the important role the Internet has played in their efforts, prompted us to look more closely at the role technology is playing in changing our world. The following pages highlight a few inspiring examples.



Changing the World with Technology

Oxfam

By Hugh Wallace, Head of Interactive Media, Oxfam

Midway through 2004, Oxfam launched a fundraising drive for our programme in Darfur, Sudan. Focusing on tried-and-true fundraising methods like phone and postal mailings, we were surprised to see online donations continuing to grow. It was clear that the business of giving was changing, and we needed to respond quickly.

We were already starting to formulate our strategy when the Asian tsunami struck on Boxing Day (December 26th), 2004. As many charities will testify, the tsunami was the event that officially changed the rules in terms of online giving. The unimaginable scale of the tragedy, and its domination of the news agenda, spurred people on to give—and to give quickly. For the first time with a tragedy of this magnitude, they were able to do so online. Subsequent disaster responses drew lessons from the tsunami experience, and now online has become the *de facto* first step for fundraising in emergencies.

While technology has become a means to execute a gift, it's done much more for non-profits. It also enables donors to understand a problem more thoroughly, and helps them appreciate the difference they are making. An excellent example of this is the ability to buy a "virtual gift." **Oxfamunwrapped.com** allows donors to buy specific items to support causes around the world. Visitors can buy books, a bag of seeds, clean water...or even a goat. The site has become a core component of Oxfam's income generation and, like the tsunami, it has changed our strategy for connecting with supporters.

These examples are just part of a much bigger picture; digital media is now critically important to how charities operate. As the impact of social networks and user engagement grows and grows, the whole nature of fundraising is changing. Relationships that were traditionally "offline" have moved online—whether they're to do with marketing, fulfillment, or just straightforward communications. Charities have natural communities around them in the shape of their supporter bases, and will continue to leverage new technologies to help change the world.

Avenue A | Razorfish partnered with Oxfam to build **oxfamunwrapped.com**.



Changing the World with Technology

Appalachian Voices

By Vaughn Tan, Earth and Maps Team, Google

Non-profits need a better way to tell their stories. Action comes from awareness, and the much-needed work non-profits do is often too uncomfortable, not glamorous enough, or too far away to achieve widespread awareness. But today, technology can provide non-profits with unique and effective tools to make their stories come alive. They're able to reach a much larger audience—more quickly and for much less money—than previously possible. The non-profits that do this are using technology to motivate people to take action.

Take the case of Google Earth, a geographic browser that lets users fly to remote locations and participate in rich media experiences from the comfort of their homes. A non-profit called Appalachian Voices—which brings people together to solve environmental problems in the Appalachian region—saw the browser as a unique way to tell their story to the hundreds of millions of people who have downloaded Google Earth.

Beginning in 2006, Appalachian Voices began collecting content for a Google Earth keyhole markup language (KML), a file format for displaying geographic data in Google Earth, to document mountaintop removal mining in the Appalachians. When it was finally launched early in 2007, this KML gave anyone using Google Earth an easy way to understand the issues and make a decision to act. The evidence: Within 10 days of Appalachian Voices releasing its KML, over 13,000 people from every state in the U.S. and more than 30 countries signed the organization's online petition to stop mountaintop mining waste from being dumped into waterways. Last July, prompted in part by Appalachian Voices' success, Google launched the Google Earth Outreach program to help non-profits learn to use Google Earth and KML to tell their stories more effectively.

Google Earth is just one tool; there are many more. Non-profits should be thinking strategically about using non-traditional tools to help them do their work better—either learning how to use these tools themselves or finding resources like agencies and volunteers to help them do it. The buzz these days is about new media, and this is where it comes into its own: blogs, photos, videos, maps, gadgets, search, ads, social networks, payment systems—the list goes on and keeps growing. These tools and services open the channel to large audiences of interested users and represent a tremendous opportunity for non-profits seeking to build and engage passionate groups of supporters.

Technology, more than ever before, is allowing all of us to create serious change on a grand scale.



Changing the World with Technology

Make It Right

By Trevor Neilson, Founder, Global Philanthropy Fund and Advisor, Jolie-Pitt Foundation

More than two years after Hurricane Katrina hit, much of New Orleans looks exactly as it did the week after the storm. Thirty-five percent of the population has not been able to come home—because there are no homes. While billions in dollars of government aid has been pledged, little seems to have made its way to the streets of this city.

One of the first philanthropists to come to New Orleans after the storm was Brad Pitt. Brad owns a home in New Orleans and has spent a lot of time there over the years. He was shocked to hear that many people were saying that New Orleans would never be rebuilt, and wanted to do what he could to help.

Brad convened a group of experts in New Orleans to brainstorm about building green affordable housing on a large scale to help victims of Hurricane Katrina. Having spent time with community leaders and displaced residents determined to return home, Brad saw that this crisis created an opportunity—to build houses that were not only stronger and healthier, but that had less impact on the environment.

The group—which included experts like renowned architect William McDonough and charitable outreach foundation Cherokee Gives Back—determined that a large-scale redevelopment project focused on green affordable housing and incorporating innovative design was indeed possible. Make It Right identified the goal of constructing 150 homes—one of the larger rebuilding projects in the city—with an emphasis on developing an affordable system that could be replicated in New Orleans, the Gulf Coast, and around the world.

We also decided to focus on the Lower 9th Ward, one of the poorest and most devastated areas of New Orleans. This is where the levee broke and where thousands of people died during and after Hurricane Katrina. When we first came here after the storm, houses were on top of houses. Cars were in trees. There was no life and little hope.

But today something very different—and very exciting—is happening in the Lower 9th, and technology is at its core.

At the beginning of the project, Brad and philanthropist Steve Bing came up with the idea of pledging to match, dollar for dollar, all money raised from the public (up to \$10 million in matching funds). This pledge would be

accompanied by a public art project—life-sized, bright-pink objects shaped like houses spread across ten city blocks. GRAFT, an architecture firm with which Brad has worked closely, evolved and managed the concept with stunning results.

The bright pink “houses” were in pieces scattered across the neighborhood, and as donors went online and sent donations to pay for parts of the houses (sinks, toilets, floors, solar panels, etc.) the pink houses would be assembled. All of this was driven by Brad’s passionate and articulate media appearances and supported by a Web site that allowed people to act, connect, and make a difference in New Orleans.

Makeitrightnola.org allows visitors to walk through 3-D models of the houses, selecting parts of the home to sponsor. Along the way, people are educated on green building. Sponsorship opportunities range from \$10 to \$150,000. Teams can organize themselves online to raise money together. You can send a toilet or a sink to a friend as a gift. The site engages visitors and brings to life the difference that can be made.

The results have been remarkable. Thirty thousand dollars came in during the first thirty minutes the site was live. Over a one-month period, the American people came together and gave enough money to build over 60 houses. We have offers from companies wanting to donate everything from building materials to linens. The campaign is still underway, and we will break ground and begin building homes this spring.

Hurricane Katrina devastated New Orleans and the Gulf Coast—thousands of people died and hundreds of thousands of people have had their lives turned upside down. Through the innovative use of technology, art, and media, the American people are helping Make It Right.

MGX LAB partnered with the Jolie-Pitt Foundation to develop **makeitrightnola.org**.



Changing the World with Technology

Pangea Day and the Encyclopedia of Life

By Amy Novogratz, Director, The TED Prize

The TED Prize was initiated in 2005 by the TED Community. It honors three individuals per year who have shown that they can, in some way, positively impact life on this planet. Winners of the TED Prize have been granted one wish to change the world, along with a community of thousands of people who are committed to making that wish come true. Each wish is different; they range from raising awareness about poverty in Africa to inspiring architects to use design to improve living standards to the wish of Harvard entomologist E.O. Wilson to catalog all life on earth. But the cornerstone of each wish is to bring a global community of people together to work toward a common goal. Through the power of technology, we have created remarkable online communities that have become the force behind fulfilling a number of these wishes.

The creation of Pangea Day, a wish made by documentary filmmaker Jehane Noujaim, is about bringing the world together through the power of film. Pangea Day will come to fruition on May 10, 2008, as eight sites worldwide video-conference live to produce a four-hour program of powerful films—supplemented by visionary speakers and global musicians. A global audience of millions will simultaneously watch this event.

To stay true to the vision of Pangea Day and ensure its success, it must be a day of films truly made by the world, with the world watching. **Pangeaday.org** is the vehicle that will make this happen. The site allows filmmakers and storytellers worldwide to submit their films. It captures the vision of the day and inspires storytelling. While the .org site is the means for artists to submit their work, **Pangeaday.com** is a platform for the world to come together. Through this site, you can sign up to be a part of live events all over the world. There is an interactive map that features the geographic locations of screenings and there are already hundreds of locations lit up worldwide representing groups taking part in the day. There will be a live stream going out to people globally, and they'll have the ability to send in photos and comments that will become a part of the event. Obviously, without the Internet, the ability to connect and participate wouldn't be possible.

Another exciting TED Prize is E.O. Wilson's wish to use the Internet to create the Encyclopedia of Life. There are currently 1.8 million named species, and each will have its own, ever-evolving page on the Encyclopedia of Life. **EOL.org** is an engaging, dynamic site that is open to the contributions of thousands of scientists from all reaches of the world. Importantly, it also offers free access to everyone, with the content itself customized for each user. It's a site that will help the world understand our environment and its species a little better, and will serve to inspire preservation of earth's biodiversity.

The TED Prize works because of the intricate collaboration involved in each wish. Corporations, non-government organizations, and individuals across the globe have a chance to work together to own pieces of a project that will become a part of something much larger than one person's idea. Connected online communities are the only way this could happen.

Avenue A | Razorfish partnered with the TED team on their Pangea Day effort, as well as on the Encyclopedia of Life.





Changing the World with Technology

The i'm Initiative

By Tara Kriese, Senior Product Manager, Microsoft Windows Live

The world is going digital fast, with nearly 1.2 billion people expected online in 2008. Instant messaging has become a powerful channel for change by helping people partner with social causes they are passionate about while doing what they do everyday—sending instant messages.

In March 2007, 10 of the world's most effective non-profit organizations announced their involvement in the i'm Initiative—which contributes a share of IM-generated ad revenue to social causes—and to discuss the role technology is increasingly playing in their efforts to reach new audiences. Every time an individual has a conversation using IM on Windows Live Messenger, Microsoft shares a portion of the program's advertising revenue with the participating i'm Initiative organization. When users join, they are asked to select the cause organization they are most passionate about to benefit from donations.

According to a 2006 Cone Cause Millennial Study, 61% of young Americans between the ages of 13 and 25 are currently worried about the state of the world today and feel personally responsible to make a difference. The i'm Initiative empowers people to make a difference through their online conversations, without spending a dime, in support of some of the world's most urgent social issues. Not everyone can make financial contributions or volunteer their time for the causes they care about, so it is Microsoft's hope that the i'm Initiative will empower people to give simply by engaging in an online activity that they're already doing anyway.

The 10 organizations that Windows Live Messenger users can choose to support are the American Red Cross, Boys & Girls Clubs of America, The Humane Society, the National AIDS Fund, the National Multiple Sclerosis Society, ninemillion.org, the Sierra Club, stopglobalwarming.org, Susan G. Komen for the Cure, and UNICEF.

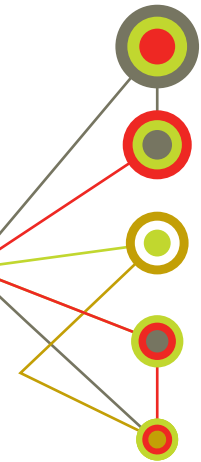
The American Red Cross sees its participation in the i'm Initiative as a way to extend its online fundraising. Explains Kristine Templin, director of corporate partnerships, "When the Red Cross was approached to participate in the i'm Initiative, we were excited to provide people, particularly youth, another channel to support the lifesaving mission of the Red Cross. While youth can help the Red Cross through volunteering, taking health and safety classes, and

giving blood, they don't always have the means to make a donation even though they may want to. The i'm Initiative allows anyone to be a philanthropist.

"The i'm Initiative is beneficial to the Red Cross through the financial revenue generated for its Disaster Relief Fund and the forum it provides to educate its users on Red Cross disaster relief services. While the Red Cross is most visible after hurricanes, wildfires, earthquakes, and tornadoes, it also responds to the needs of families affected by destructive home fires every day. The Red Cross is a way to help others, and this has a profound effect on the person who provides the help as well. By supporting the Red Cross through the i'm Initiative, people are changing lives, starting with their own."

While there is no set cap on the amount each cause can receive, Microsoft will make a minimum \$100,000 donation to each of the 10 organizations during the first year of the program.

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**three
things every
executive
should know
about digital
in 2008**

it's a tangled web we weave

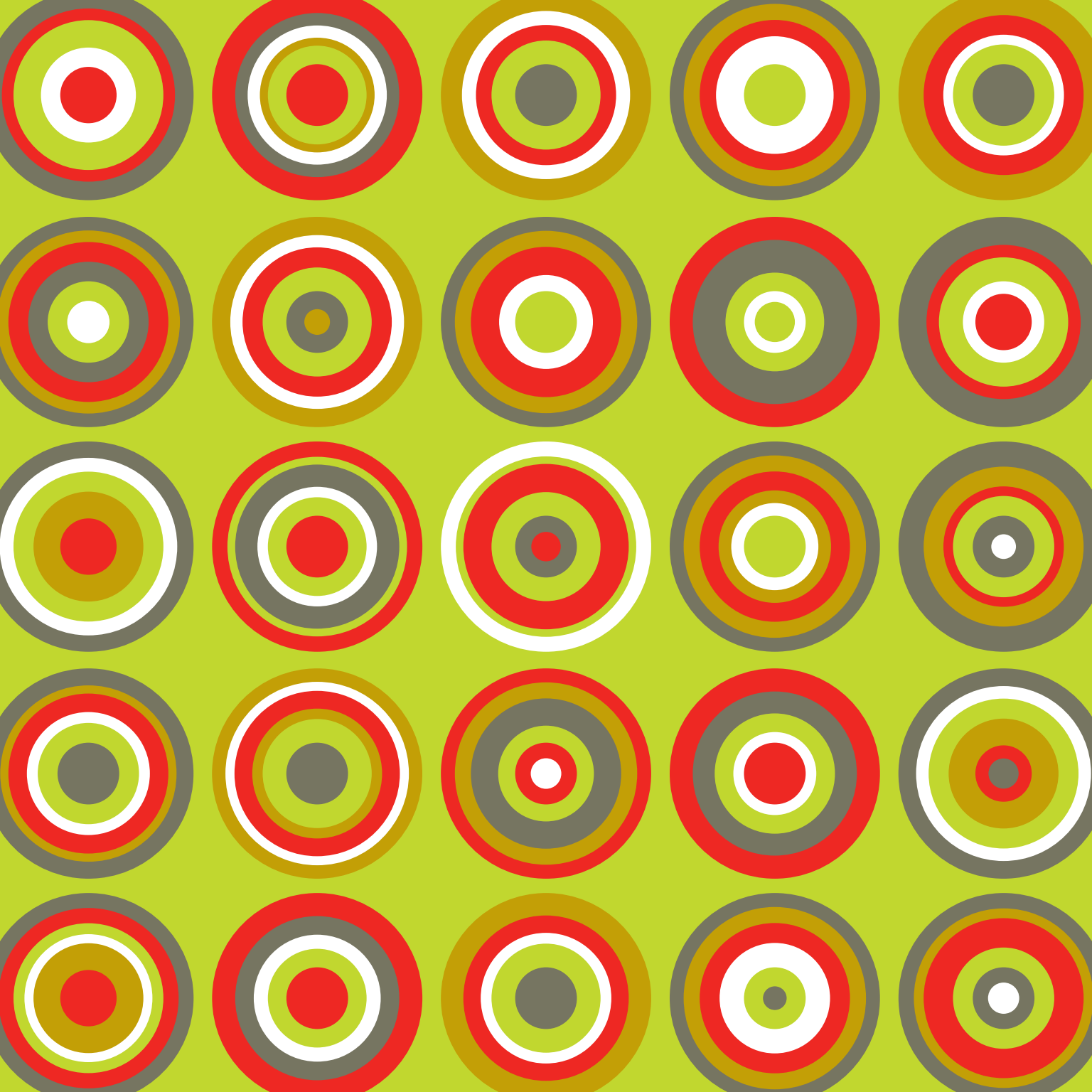
It's long been accepted that consumers want media on their terms. As it turns out, everyone has different terms. The audiences that were once neatly organized around a small number of media properties are now scattered across thousands of destinations. In this environment, media owners must not only produce compelling content but also have a cogent strategy for distributing chunks of that content to the many different places customers now spend their media time. For marketers, this tangled new personalized media environment requires a reinvention of customer connection. Different stories must be told in new places, and on a number of devices.

the geek shall inherit the earth

Or at least the advertising business. For all of the disparate efforts and skills that are required to succeed in digital marketing, there is one tie that binds—data. It's data that allows us to segment customer groups and deliver relevant messaging about our brands. It's data that feeds business intelligence platforms, enabling reporting on ad effectiveness, customer engagement, brand health, and site performance. While it's easy to become focused on videos and virtual worlds, widgets and WAP sites, it's data and analytics that will be at the heart of the most successful digital businesses.

this time, it's personal

From LiveStrong to ProjectRED, cause marketing has become increasingly prominent over the past several years. Digital is accelerating that trend. The depth of information on the Web makes it easy to understand the challenges non-profits face. Digital enables individuals to financially support a cause at the moment they are inspired—and then encourage their friends to do the same. And perhaps most importantly, it provides the single, passionate voice the bullhorn needed to reach the masses. Quite simply, technology is empowering consumers to make change, and those consumers will support and trust those brands that share their desire to make a difference. It's not just a buying decision, it's a personal choice.



About Avenue A | Razorfish

Avenue A | Razorfish is one of the largest interactive marketing and technology services agencies in the world. The company helps industry leaders such as Starwood Hotels, Kraft, Ford Motor Company, and Carnival Cruise Lines use digital channels to acquire and service customers. Avenue A | Razorfish's full suite of digital offerings includes online advertising, Web site design and development, e-mail and search engine marketing, emerging media strategies, and enterprise portal development. Its award-winning client teams have a great understanding of customer needs and provide solutions through distinct business disciplines, which include: analytics, strategy, technology, media, creative design, and user experience. Avenue A | Razorfish has offices in markets across the United States and global operations in Australia, China, France, Germany, Japan, and the United Kingdom. Please visit avenuea-razorfish.com for more information.

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