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Vertical Ad Networks Gaining Credibility and Exponential Revenue Growth

Video and Targeted Brand Advertising are Focus for Growth

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Advertisers may be more interested in broadband video advertising for certain categories than consumers are in watching it, suggests Cree Lawson, founder and CEO of the **Travel Ad Network**, the leading vertical network in travel with 50 websites and eight million monthly unique users. "There are 500 plus channels on TV but only one travel channel," Lawson points out. "I'm not sure it's indicative of demand for travel video, but I've yet to see online demand for travel videos substantiated."

Mitch Lowe, CEO of vertical network **Jumpstart Automotive** acknowledges "car manufacturers are trying to do more broadband advertising. They all very upset with television and are looking for more online video." Jumpstart Automotive, Travel Ad Network, NetShelter and other vertical network groups are expanding their focus on video to meet advertisers' needs, and Lawson expresses "cautious optimism, but from my experience," he says, "media is most effective when the consumer is driving demand rather than the advertiser."

Peyman Nilfroush, co-CEO of **NetShelter**, which represents more than 150 technology sites, shifted its emphasis in 2005 from direct response to brand advertising and is experiencing increased demand for pre-roll video. But he points out brand-centric clients have very unique requirements for transparency on exactly where their ads are running, they want assurances their ads are running in a safe environment, they want improved engagement measures, and they want to be selective about which sites they include in their buys.

There are more than 100 online ad networks in the marketplace today, with some debate regarding their value, credibility, reliability and service. By identifying the issues of transparency, environment, selectivity and engagement, Nilfroush offsets the charges some industry executives have leveled at less reliable networks that have fostered click fraud and negative advertiser and agency feedback. Lowe argues for media agencies to "tear up preconceptions about vertical networks. Sales relationships with publishers are exclusive. By aggregating common audiences we get enough scale that relevant marketers have to be there. We have pricing power and deliver rates publishers individually would not be able to generate. Advertisers have ease of administration, we offer insights into our industry, and we will provide creative guidance."

Lowe adds "vertical networks are advertiser centric rather than publisher centric. We can help with multiple products and services including contextual, behavioral, search, video and banner advertising." Vertical networks, combinations of smaller highly targeted sites in specific business categories, are gaining momentum as marketers seek to narrow their focus and spread their message out to "the long tail" of online audiences. While search engines and the major sites and portals generate the lion's share of online ad revenues, consumers are searching for and visiting a much broader spectrum of sites when researching specific products. According to Netpop research from **Media-Screen**, "Interest in the products and brands advertised on smaller sites is actually higher than on larger sites. Specifically, 42 percent of respondents say sites with less than one million unique visitors per month advertise products and brands of interest, compared to 39 percent of respondents who say sites with more than one million visitors advertise products of interest. The difference is small, but statistically valid." Media-Screen's Cate Riegner points out "response is even higher on niche sites that focus on a niche topic related to products and shopping."

Lawson believes the Netpop findings are "a profound revelation that will turn media buying on its head. Traditionally big branded publishers get big dollars when it may be smaller media outlets that deserve the same or greater value. It plays to a vertical network's advantage." Categories such as automotive, technology and travel are huge categories with thousands of individual sites, and networks support time-strapped media buyers who can only work with a handful in any category. Jumpstart revenues for 2007 are targeted at \$60 million compared to 2006 revenues of \$24 million, with similar growth patterns at other leading vertical networks.

Lawson confirms Nilforoush's observation that marketers are shifting from cost-per performance metrics toward more brand advertising. "Travel marketers are selling an experience, not just transportation. This has been a boom for us," he says. "With meta-search, smaller sites are generating more traffic and the best way for them to generate revenues is through participation in a network."

Lowe points out there are only 1.5 million cars sold per month and the average time period of consideration is three months, translating to only 4.5 million people in the market at any time. "Manufacturers are moving toward intent targeting and recognizing targeted websites are the best way to accomplish this." He adds, "there are 22,000 local dealers spending \$8 billion on advertising and who are looking to move money out of newspapers but don't know how to spend digitally. They are choosing to work with companies who offer more than inventory and that blur the distinction between agency and media company. We are developing ads for local dealers and they are asking us to extend our expertise to TV, print and radio."

Nilforoush believes online ad networks offer incremental advertiser value by enabling them to utilize "smaller sites that have more of a community base and that have more loyal users who are really engaged with the brand of the site. When you're hitting them where they are passionate, it has a big value." He warns, however, "the big challenge is how you engage the audience on these sites. On typical non-community sites advertisers might get away with normal ad formats. But with community sites, banners and buttons don't necessarily work. You need more creative to engage and once you figure that out, you can take response rates from .2 to 3-5 percent on click-to rates. It can be extremely rewarding."

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