WebTrends®

ENGAGEMENT MARKETING

THE ESSENTIAL GUIDE TO BUILDING LOYALTY USING WEB 2.0 BEST PRACTICES »

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Engagement Marketing:

THE ESSENTIAL GUIDE TO BUILDING LOYALTY USING WEB 2.0 BEST PRACTICES

Foreword

The Future of Marketing Is Here

There's never been a more exciting time to be in marketing. The shift from push to pull is creating both challenges for marketers and opportunities to engage consumers in new ways—and to start lasting, profitable relationships with them.

Today, consumers are participating in creating brand messages and expressing themselves using the brands that resonate with them. They're also personalizing the way they shop, interact, watch, listen and communicate.

They're creating videos and watching what others have made. They're listening to podcasts, and recording their own. They're sharing photo sets, creating social networks, subscribing to (and delivering) RSS feeds and taking their media with them in their mobile devices. Information is delivered and developed outside of the company—organizations no longer have the tight control they once did.

Organizations around the world are discovering that Web 2.0 technologies and user-generated content are amazing ways to make lasting consumer connections. What do we mean by Web 2.0? Streaming media, mobile media, podcasts, rich Internet applications (RIA) and syndication technologies like really simple syndication (RSS). And consumer-generated content can take a variety of forms: video, photos, comment boards and more.

All of these have the potential to provide engaging user experiences—and to keep visitors coming back. But in order to ensure these engagement strategies are really turning occasional visitors into longtime customers—and, hopefully, brand evangelists—you need to use consistent key performance indicators (KPIs) to measure and optimize every campaign, and continually use them to drive customer engagement and build brand loyalty.

WebTrends customers like Microsoft, Kimberly-Clark, Orbitz, Kettle Foods and many others are using marketing analytics to understand the effectiveness of Web 2.0 campaigns and continually improve the user experience in order to gain a competitive edge in the shifting media landscape. They understand that organizations have never had a better opportunity to form lasting connections with consumers—to gain actionable insight, create relevant experiences and develop long-term loyalty.

Enjoy the Guide

WebTrends is proud to partner with eMarketer to develop this guide. We share in eMarketer's mission to provide innovations and solutions for marketers, and help them stay ahead of the curve on new trends such as blogs, social networking, podcasting, mobile marketing and more. We've pulled together these outstanding articles on Web 2.0 technologies in order to give you the insights you need to succeed in the changing marketing landscape.

Introduction

by **GEOFF RAMSEY,** CEO, eMarketer

Dear Marketing Executive,

It's easy to be inspired (if not a little overwhelmed!) by the seemingly unlimited creative possibilities of Internet marketing and Web 2.0. However, it can be difficult to figure out which trends will work best for your business and how best to deploy them. Mobile marketing, online video and social networking, to name three, are among the latest online marketing trends that are captivating, confusing and challenging marketers. They are hyped by the media, touted at conferences and discussed ad nauseam in blogs and industry trade publications.

How does a responsible marketer see beyond the hype and put these "new media" trends in perspective? eMarketer's goal is to do just that—to provide you with comprehensive and objective data, along with smart analysis, which paints a clear picture of the key trends in today's digital marketing landscape.

The eMarketer articles that follow are excerpted from eMarketer's recent reports on Digital Downloading: Music, Movies and TV; Mobile Marketing and Advertising; Mobile Message Marketing: Cash

Not Flash; Internet Video: Advertising Experiments and Exploding Content; Podcast Advertising; and Social Network Marketing: Where to Next? These excerpts put the hype into perspective by providing hard, quantifiable numbers and by addressing concrete issues that marketers can use in planning their media, such as :

- How much budget should advertisers spend on these new and emerging media?
- What are the consumer-adoption rates, attitudes and behaviors?
- Are these Web 2.0 activities just for the young and the geeky, or are they becoming part of the mainstream?

These excerpts are just a small slice of the actionable data and analysis that eMarketer clients enjoy on a daily basis. Total Access subscribers receive over 80 reports a year and have access to more than 50,000 charts and articles.

Sincerely,

Geoff Ramsey
CEO
eMarketer

Digital Downloading: Music, Movies and TV

by **BEN MACKLIN**, Senior Analyst, eMarketer

January 2007

Is all media migrating to the online channel? The short answer is yes—although a full migration may be some time off.

In the years to come, the majority of digital content will be distributed over the Internet. While that process is well underway in the music sector, in 2007, the TV and movie industries are beginning to sail in digital waters. Well-known online brands such as Amazon and AOL have joined market leader Apple iTunes in offering Internet users digital downloads of music, movies and TV, but will consumers buy what they are offering?

eMarketer forecasts that US consumer spending on digital music, TV and movies will approach $7.8 billion in 2010, up from $1.3 billion in 2005.

Digital Music, TV and Movie Content Spending in the US, 2005-2010 (millions)

	2005	2006	2007	2008	2009	2010
Digital music*	$1,104	$1,924	$2,738	$3,635	$4,317	$4,950
Online TV**	$199	$432	$774	$1,170	$1.691	$2,1991
Digital movies***	$11	$35	$114	$245	$447	$651
Total	**$1,314**	**$2,391**	**$3,626**	**$5,050**	**$6,455**	**$7,792**

*Note: *includes digital downloads, subscriptions and mobile music; **eMarketer calculations based on September 2006 data from Veronis Suhler; includes both online and mobile TV content from broadcast, cable and satellite TV companies; ***includes non-adult online and mobile content, in digital download or streaming format*
Source: eMarketer, January 2007

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Digital Music

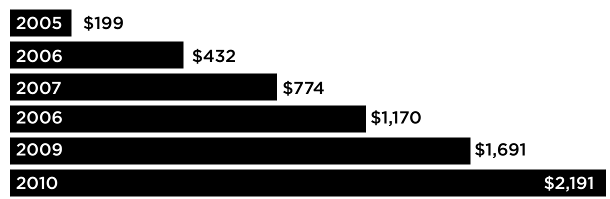
By most measures, iTunes is a success story. It has single-handedly created a legal and user-friendly digital music service that has translated well across different markets around the globe. The combination of the iPod and iTunes has been a winner for Apple, but that is only half the story. The irony is that the iTunes model and restrictive digital rights management (DRM) technologies imposed by record labels are keeping illegal peer-to-peer (P2P) file sharing alive and well. Why? Because music lovers are waking up to the fact that they are paying too much and getting too little. The restrictions imposed upon digital music downloads are not providing the flexibility that users want. It is for this reason that new licensing arrangements are likely to emerge in the near future, which will allow users greater flexibility in what they can do with the music they purchase.

Online & Mobile TV

With the traditional TV model under increasing threat from the adoption of digital video recorders, video-on-demand and online entertainment, the emergence of a new revenue stream in the form of digital downloads of TV programs and mobile TV is a welcome relief for the TV sector.

Sales of TV programs on DVD have been very strong over the last few years, so there is no doubt that there is a market for TV digital downloads. With TV programs typically between 20 and 50 minutes long, the download time is not so onerous as to put too many people off, and short-form content is well suited to PC or mobile viewing. Utilizing Veronis Suhler data, eMarketer calculates that online and mobile TV content spending in the US will reach nearly $2.2 billion in 2010, up from $199 million in 2005.

Online and Mobile TV Content Spending in the US, 2005-2010 (millions)



Note: includes both online and mobile TV content from broadcast, cable and satellite TV companies.
Source: Veronis Suhler, September 2006 eMarketer calculations, January 2007

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With the growth of media center PCs and higher-bandwidth networks (both mobile and fixed line), TV is now a digital product available on a variety of devices. To give just two examples, Apple iTunes offered hundreds of television shows for download, and news reports suggest that tens of thousands of individual episodes have been downloaded and paid for. Amazon also recently launched a paid online video store with both TV shows and movies available for download and rental.

Online Movies

The iTunes model has worked for music, but can it work for movies? Amazon, GUBA, Movielink, Movieflix, CinemaNow, AOL and others are all hoping that it can. Downloading a digital single or album or even a single TV episode is one thing, but downloading a full-length feature film is another. The important element in the success of the iTunes model is the ease of use and immediacy of receiving the product. It is actually more convenient than going to a physical store and buying a CD.

But the value proposition for movies is not quite the same. Apart from the fact that it may take hours to download a movie and the quality is unlikely to match a DVD, if users were able to burn downloaded movies onto DVDs or somehow easily link the PC to the TV, the online movie sector would open up.

One of the important innovations that may drive the online movie sector is that CinemaNow offers movie downloads that can be burned onto DVDs, which will enable viewers to take their digital downloads and watch them on their TVs. According to data from the Motion Picture Association of America (MPAA) and PricewaterhouseCoopers (PwC), filmed entertainment spending in the US totaled $34.4 billion in 2005 and is forecast to rise to $44.2 billion by 2010. Of that total, the home video market—both sales and rentals (online and in-store)—is worth nearly 75% of the market. One area of growth, according to PwC, will be in online rentals/digital streaming, although this figure includes the revenues generated from online rental services such as NetFlix, which rent physical products rather than digital downloads.

With online movie downloads still in their infancy, eMarketer projects that online movie download spending in the US will reach $651 million in 2010, up from $11 million in 2005. This does not include adult content, but does include streaming, downloads and digital movie rentals of full-length feature films.

Mobile Video & TV

Mobile video and TV services are already popular in countries such as Japan and South Korea, but while the US may lag behind these countries in terms of mobile sophistication, there is little doubt that combining mobile devices with TV and video services is a sure thing.

eMarketer forecasts that by 2009 there will be 35.9 million 3G mobile phone subscribers in the US who watch video on their devices. Of that number, 8.4 million will pay for premium video content and seven million will subscribe to a mobile TV service.

Frost & Sullivan projects that by 2009, US mobile video services revenues will total $1.5 billion, up from $28.8 million in 2004.

Mobile Marketing and Advertising

by **JOHN DU PRE GAUNTT**, Senior Analyst, eMarketer

January 2007

Mobile is a story waiting to happen.

Currently mired in a subscription model, mobile marketing and advertising will be crucial in the wireless industry's bid to move beyond that. Massive pure-play mobile marketing campaigns will be rare during 2007. More prevalent will be cross-media plays in which the message delivered through the handset will put the finishing touches on a campaign occurring in other channels. TV voting and polling have already proven this approach to a degree.

Mobile Advertising Spending Worldwide, 2006-2011 (millions)

	2006	2007	2008	2009	2010	2011
General mobile ad spending*	$1,432	$2,496	$4,316	$6,141	$9,006	$11,746
Mobile multimedia ad spending**	$109	$215	$421	$749	$1,295	$2,116
Total	**$1,541**	**$2,710**	**$4,736**	**$6,890**	**$10,300**	**$13,862**

*Note: numbers may not add up to total due to rounding; *includes spending on text message promotions and ad-supported voice minutes; **includes spending on ad placements around mobile video content, mobile music, mobile TV and mobile social networks*
Source: eMarketer, January 2007

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Equally interesting will be how media such as print and radio will start using mobile as a direct response channel. Combine direct response efforts with the ongoing development of advanced networks and handsets in Western Europe, North America and the Asia-Pacific region, and the stage could be set for a veritable explosion of mobile marketing and advertising.

Some major obstacles stand in the way, though, not the least of which is general consumer reluctance to accept marketing or advertising. Another constraint is the fact that it is virtually impossible for a brand or its agency to make a cross-carrier media buy for mobile. Brands, agencies and carriers will need to cooperate or risk losing out.

Many mobile-business players need to drop the notion that mobile is a "premium" channel. Mobile is now an integrated lifestyle technology for millions of consumers. This is good news for marketers, but nothing they should take for granted.

The mobile industry will have to shift from viewing mobile communications and data delivery as an overwhelmingly subscriber- and transaction-based business to viewing it as a subscriber-plus audience-based business.

If mobile carriers aim to grab a small slice of the $5,000 pie that US marketers spend on each household each year for all media, they will have to make some fundamental changes. They will need to become savvy about marketing-relevant data mining and do so quickly, just as online publishers, retailers and others have learned. If the analytics they need are not available, marketers are unlikely to risk anything more than a few experimental dollars.

When a marketer does connect with consumers through the mobile channel, the response rates are compelling.

For example, Dunkin' Donuts sponsored a mobile campaign in its downtown Boston stores that used mobile coupons delivered via short messaging service (SMS) to create buzz for a new latte drink and drive foot traffic. The company funneled its coupons to consumers through a geographically targeted WAP campaign on various Boston mobile Web sites. It purchased a WAP-based run of network on these Web sites for four weekends. The campaign generated a 4% click-through rate that converted into a 21% increase in store traffic from customers redeeming their coupons.

The high rate of click-throughs and conversions might be a function of the relative newness of mobile as a marketing channel. It certainly impacts mobile cost-per-thousand (CPM) rates, which are orders of magnitude higher than what is found on the regular Web. JupiterResearch and ClickZ reported in October 2006 that the typical CPM for mobile display advertising during 2006 reached a jaw-dropping $41. Even assuming price erosion as mobile marketing gains volume, CPM rates are still expected to remain above $20 by 2011, according to the researchers.

All of this activity has not been lost on marketers from outside of the usual industries (e.g., entertainment, technology). Advertising agencies are getting into mobile with a vengeance, for good or ill. Most are starting out with riffs off of SMS or multimedia messaging service (MMS), with Jupiter reporting in October 2006 that nearly one-third of agencies and over 20% of online advertisers are fielding SMS/MMS campaigns in the US.

US Agencies and Online Advertisers that Use SMS/ MMS Marketing Campaigns, 2006 (% of respondents)

Source: JupiterResearch, October 2006; ClickZ, October 2006

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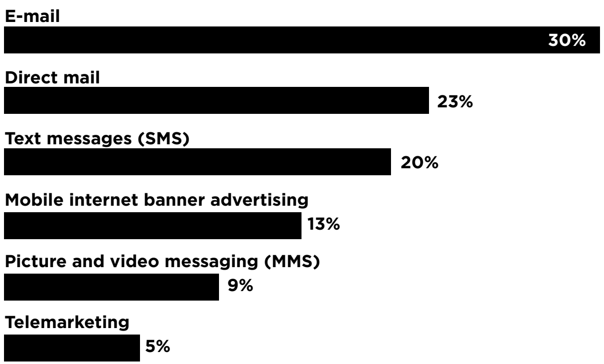
A Harris Interactive study conducted in October 2006 revealed that 20% of mobile Internet users prefer to receive product and service recommendations through text as opposed to 13% who prefer mobile banner ads and 5% who prefer telemarketing.

US Agencies and Online Advertisers that Use SMS/ MMS Marketing Campaigns, 2006 (% of respondents)



Note: n=320 ages 16+
Source: JupiterResearch, October 2006; ClickZ, October 2006

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Mobile Message Marketing: Cash Not Flash

by **JOHN DU PRE GAUNTT**, Senior Analyst, eMarketer

October 2006

Messaging is the least sexy but the most profitable part of the mobile data universe.

While mobile carriers, record labels, television networks and equipment providers throw a never-ending barrage of multimedia goodies at the wall to see what sticks, users around the world keep growing the messaging market well into the tens of billions of dollars. Marketers would do well to listen to what that messaging market is saying. The explosive success of accidental consumer applications such as SMS in contrast to industry-led MMS holds the important lesson that most consumers value mobile data for what it helps them do as opposed to the content they can pull into a handset.

Short Text Message Revenues Worldwide, by Region, 2006-2010 (millions)

	2006	2007	2008	2009	2010
Western Europe	$20,408	$19,815	$18,316	$16,325	$14,629
Asia Pacific	$9,163	$9,950	$10,342	$10,559	$10,469
China/India	$8,167	$10,754	$12,524	$14,150	$14,436
North America	$7,060	$6,915	$8,231	$8,266	$8,316
Latin America	$4,102	$6,066	$7,604	$9,095	$9,499
Middle East/Africa	$3,541	$4,625	$5,364	$6,222	$6,537
Eastern Europe	$2,422	$2,480	$2,303	$1,945	$1,503

Source: Ovum, March 2006; Tekelec, June 2006

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The combination of e-mail and word-of-mouth affords marketers a potentially vast, and very powerful, new marketing tool.

Some of the biggest success stories revolve around how smart television producers and savvy marketers combine the simplicity and immediacy of messaging inside the rich media experience of a television show or a marketing campaign. Text-based voting, dating games and various forms of opting-in to other experiences via SMS are proving that consumers are ready to use their mobile devices for a lot more than just talking. However, the very nature of messaging's value to the customer—ease, low cost, guaranteed delivery—means that most attempts to shoehorn a lot of extraneous bells and whistles or excessive hoops to jump through are likely to fail. Indeed, marketers can learn that less can be more when it comes to mobile messaging.

Consumers like mobile messaging. They use it. They pay for it. They share with other users. They are even willing to experiment with it.

Mobile data services related to messaging—SMS, MMS, mobile e-mail and mobile instant messaging (MIM)—are the primary success stories of mobile data. Mobile TV, mobile music, mobile games and other multimedia applications may be compelling, even sexy, compared to text. But, outside of Japan and South Korea and some European markets, these multimedia services barely rate in terms of generating revenues.

In the US, a close look at most voice rates in comparison to rates charged in other countries suggests that talk is cheap in the United States vis-à-vis the rest of the world. Data published by the Telecommunications Management Group (TMG) in January 2006 showed that average American mobile voice usage is four times higher than it is in Europe.

Nevertheless, US operators are noting a significant uptick in messaging-related traffic over the last year. According to CTIA—The Wireless Association, US operators recorded a 71% increase in SMS traffic in June 2006 (12.5 billion messages) compared with June 2005 (7.3 billion messages). On a six-month basis, the US figures are even more impressive, with 98.8% growth in the first half of 2006 (64.8 billion messages) compared with the same period in 2005 (32.6 billion).

CTIA also reported that by June 30, 2006, US operators had recorded $6.5 billion in mobile data revenues. Using a 70% rule of thumb for the proportion of messaging revenues to total mobile data revenues according to previous estimates by Morgan Stanley, US messaging probably reached about $9.1 billion by the end of 2006.

US Wireless Revenues, by Segment, 2005 & 2006 (millions and % increase vs. prior year)

	2005	2006	% Change
SMS	$3,017.00	$3,143.00	4%
IM	$562.00	$920.00	64%
MMS	$288.00	$863.00	200%
Gaming	$527.60	$854.10	62%
Ringtone	$571.00	$791.00	39%
Total	**$4,965.60**	**$6,571.10**	**32%**

Source: International Data Corporation (IDC), Piper Jaffray & Co., April 2006

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A closer look into the US market reveals that certain age-related and ethnic demographics are becoming heavy mobile message users. A Harris Interactive study showed significant differences between the attitudes of younger and older US mobile customers. Nearly 70% of mobile customers ages 18 to 39 stated that they used SMS. Of those, nearly one-third reported that they did photo messaging. The next two age-based demographics (40 to 54 and 55-plus) showed orders of magnitude less engagement with messaging services compared with their sons and daughters.

Messaging Service Usage among US Mobile Phone Users, by Age, May 2006 (% of respondents in each group)

	18-39	40-54	55+	Total
SMS (text messaging)	69%	35%	14%	39%
Picture messaging (sending a photo with or without a text)	32%	13%	8%	18%
Video clip messaging	4%	2%	2%	3%
Have used none of these	29%	61%	84%	58%

Note: n=960
Source: Harris Interactive, June 2006

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Niche ethnic markets also contribute to a more complicated US messaging picture than the broad-brush numbers would suggest. A study of Hispanic mobile users in the US by M:Metrics and the Mobile Marketing Association shows a 20-point bump in the number of US Hispanics who send a text message at least once a month compared with the rest of the population.

In the final analysis, the US messaging market sends conflicting signals to marketers. Part of this has to do with the economic incentives (some might say disincentives) that make the trade-off between voice and messaging much more muddled than is the case in Europe or Asia. Another factor definitely involves the diversity of the US mobile customer base, a place where savvy ethnic marketers can thrive. All of this is wrapped into a definite trend toward more messaging traffic in the US as a whole. The watchword for marketers trying to crack this opportunity seems to be "selection" as opposed to just "penetration."

Internet Video: Advertising Experiments and Exploding Content

by **DAVID HALLERMAN**, Senior Analyst, eMarketer

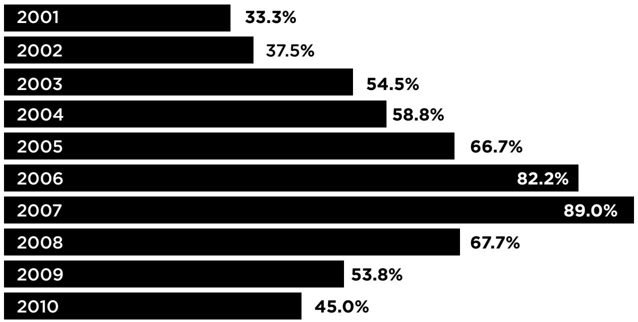
November 2006

Few marketing stories have received as much ink as online video.

Yet, the US online video advertising market can be characterized in two contradictory ways. It can be described as either "exhibiting stunning levels of growth" or "still very small." Both are true. While US spending on online video advertising will mushroom by 89% in 2007 to reach $775 million, it is still tiny relative to all online ad spending. In 2006, when the hullabaloo over video on the Web kicked in, the format contributed only 2.5% of the year's $16.4 billion online ad spending total. Internet video is tinier still when weighed against its television counterpart. Even when US spending on online video advertising reaches nearly $3 billion at the end of the decade, it will only be the equivalent of 3.3% of projected spending on TV advertising.

Another sure sign of Internet video's financial health comes from ad spending, which eMarketer projects will soar by 89.0% in 2007. Perspective is good, however. Even though the growth rate in 2007 will hit the peak for this decade, video ad spending will still represent only 4.2% of the entire online ad total in the US. Further perspective: At some time early in 2010, one in 10 dollars devoted to Internet advertising will go for video placements.

US Online Video Advertising Spending Growth, 2001-2010 (% increase vs. prior year)



Source: eMarketer, October 2006

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Convergence may be real, but it runs in slow motion. Even as elements of television and the Internet come together for both advertising and content, testing new methods of video delivery and marketing are more the rule than are full-play campaigns. Internet video ad spending represented only 0.6% of TV ad budgets in 2006. And yet the Internet audience is about two-thirds the size of its TV counterpart. Large spending gains for Internet video advertising, then, will be as natural as rain, even though the actual dollars remain relatively small.

Four linked factors support Internet video ad spending growth. One, there is great desire for targeted ad messages using creative that companies and their agencies are most accustomed to (video); two, extending television advertising's preferential treatment to the Internet is a logical leap; three, with video ad spending coming from such a small base, high percentage gains are readily reached; and four, Google's YouTube purchase last year places the leading video site in the hands of the main engine of Internet advertising, with its 25% share of the US total in 2006—and that means new models (such as AdSense for Video, or whatever it will be called) for monetizing the scads of video content migrating to the Web.

Key eMarketer Numbers – Online Video Advertising

$2 billion	US online video ad spending in 2009, up from $410 million in 2006
89.0%	Annual growth rate for US online video ad spending in 2007
11.5%	US online video ad spending's share of total online ad spending in 2010
3.3%	US online video ad spending as a percent of total TV ad spending in 2010, up from 0.6% in 2006
65.2%	US Internet users as a percent of people in US TV households in 2007
$6.90	Average annual US online video ad spending per user in 2008
$278.44	Average annual US television ad spending per viewer in 2008

Source: eMarketer, October 2006

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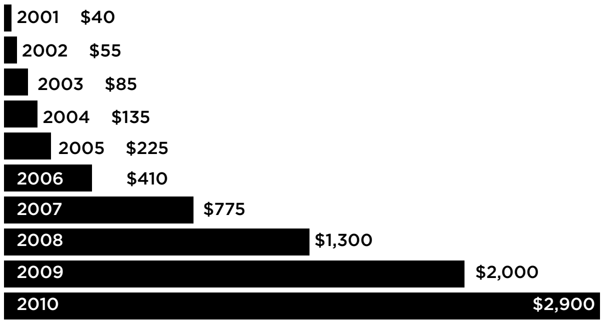
Google and YouTube together will also generate major ad inventory growth—at least by 2008. The 67.7% spending gain eMarketer estimates for that year will be due to the confluence of substantially more online video ad inventory and rapid adoption of the format by more and more major marketers. When you think inventory increases, think a mix of portals (AOL, Yahoo!, MSN), distributed video and search (the Google AdWords concept applied to YouTube) and traditional media on the Web (national networks, local stations and print creating their share of video content that will support video ads).

US Online Video Advertising Spending, 2001-2010 (millions)



Source: eMarketer, October 2006

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In reporting on the rise of YouTube and other video sharing sites, the media continues to paint a picture of places most frequented by teenagers. Three sources (comScore, Nielsen and Quantcast) all depict a far different image. It will be shortsighted to peg all, or even most, video creative at those ages 24 or younger—the sites that might best sustain online video advertising are not just for kids. Even on the long-tail Internet, video will thrive best in mass-market niches, a phenomenon for all ages.

Just as radio survived the advent of television, there is little question that TV will survive. But just as television transformed radio's function and usage, so is the Internet beginning to transform television. What is clear in comparing the Internet to television is how today's ad money fails to follow eyeballs. At about two-thirds the size of the television contingent, the Internet audience is sizeable and will grow from a 61.7% share of TV in 2004 to 67.4% by 2010. And yet, online video ad spending will remain a mere pittance when measured against the big bucks that go to TV commercials, at least through the end of the decade.

The promise that online video advertising holds over traditional tube commercials is the same promise that Internet advertising has made from day one: measurability. Research released in June 2006 looked to tie a video ad's potential effectiveness to how much of the commercial the viewer watched, a logical link.

The counterintuitive bottom line from this study found that "many viewers watched longer videos in their entirety. They also found that the longest video advertising actually showed the greatest viewing duration, indicating that many viewers watched this video multiple times through rewinding."

Traditional brand metrics, as computed by panels using the classic control-exposed methodology, points to video's potentially greater effectiveness than static display ads (GIF or JPG) or older-style rich media. One measure found the lift for purchase intent substantially greater for TV-like advertisements. When you consider that TV commercials are most used for branding objectives, the parallel is clear.

Advertising's bottom line can be judged by the actions of the audience exposed to the message. Among all the Internet users surveyed by the OPA who watched online video, 40% clicked on a related link surrounding the video or visited a Web site mentioned in the video. Among 45% of the heavy users (those who watch video on the Web at least weekly), however, search engine usage to get more information is another key response. That points to the importance of mixing advertising methods online, and combining video with text search links, as the Google-YouTube merger will undoubtedly encourage.

Podcast Advertising

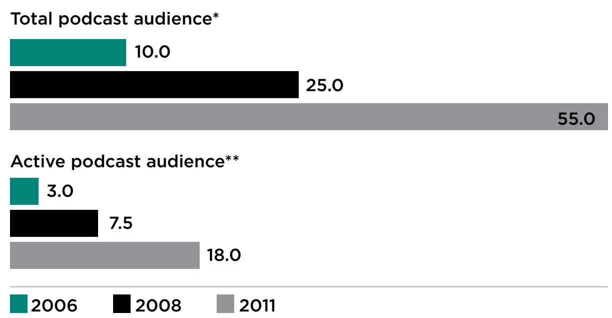
by **JAMES BELCHER**, Senior Analyst, eMarketer

February 2007

Podcasting is here to stay.

Podcasting will never be a mass medium, but it is a superb way for marketers to reach highly targeted niche audiences. eMarketer's fundamental view on the future of podcasting has not altered since last year: As the medium breaks away from its progenitor, Apple Inc., the podcast audience will continue to grow at an impressive rate into the next decade. Podcasts will reach 18 million regular subscribers in 2011, with a total potential audience that year of 55 million people.

US Podcast Audience, 2006, 2008 & 2011 (millions)



*Note: *individuals who have ever downloaded a podcast; **individuals who download an average of one or more podcast(s) per week*
Source: eMarketer, February 2007

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The sheer number of podcasts (nearly 90,000, according to podcast search engine Podnova) makes the medium both appealing and difficult for interested marketers. Because of this, the establishment of robust measurement devices and efficient advertising support services will be essential for growth in spending.

Although the idea of developing a deep brand relationship with well-targeted consumers makes podcast advertising appealing, the bottom line is that podcast ads are still a niche proposition. Podcast distribution and audience-measurement mechanisms are evolving fast, but even the most widely consumed podcasts typically have fewer than 50,000 downloaders—and most have far less.

The “convergence” effect of a consumer population now widely equipped with advanced cellphone handsets will be a key driver of audience size. Until recently, joining the podcast audience meant owning an iPod; many do and many more will, but the opening up of the medium to the 83% of Americans who already own cellphones will inevitably bolster audience growth for several years. Balancing these factors, eMarketer expects the US audience of active podcast subscribers (those who download an average of one or more podcasts a week) to rise from only three million in 2006 to 18 million in 2011.

In pursuit of loyal and regular listeners and viewers, US marketers will spend $400 million on podcast advertising in 2011, a fivefold increase over 2006 spending. Vital to this trend will be the evolution of measurement technology that delivers to advertisers the key benefit associated with most digital media: accurate, comprehensive and immediate data on who is listening and watching, how often and exactly when.

US Podcast Advertising Spending*, 2006, 2008 & 2011 (millions)

*Note: *includes advertising and sponsorship spending*
Source: eMarketer, February 2007

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In addition to ad-measurement and support services, for podcasting to grow as an ad medium, it is also important for those trying to reach podcast users to focus on the active, rather than the total, audience. Although this audience is far smaller than the overall number of consumers who listen to podcasts, it is these loyal daily and weekly listeners who make up the truly valuable market, whether the aim is brand building or direct response.

Podcast advertising is still brand new. Podcasters, networks and advertisers have yet to even agree on pricing standards for the medium. Some believe that CPM pricing is not appropriate for a medium with far fewer wasted impressions than traditional media, and insist that flat rates are better suited to podcasting. CPM is a known quantity, however, and podcasters that offer such pricing will make it easier on advertisers. Whether flat rates survive as a pricing model for serialized RSS content is open to debate, but podcasters who speak advertisers’ language are likely to find it easier to get ad dollars.

Podcast users tend to embrace a variety of communication methods, according to the November 2006 “Emerging Digital Channels: Consumer Adoption, Attitudes & Behavior” report from Bluestreak, which surveyed consumer behavior and attitudes toward emerging technologies.

It is not surprising that 100% of the survey's respondents used e-mail and 88% used text messaging. But the other channels were active, too, with 71% using message boards, 63% using blogs, 36% using podcasts and 28% using RSS—indicating a fairly savvy group. Again, one downloaded podcast was sufficient to be counted, so the figure of 36% is not an indicator of regular usage. Still, for marketers who want to reach a tech-savvy audience, podcasting is a good supplemental channel.

But the best news in the survey, from a marketer's point of view, is that new channel users do not hate ads.

Impression that US Internet Users Have of the Companies that Sponsor Advertising on Select Emerging Communication Tools, September 2006 (% of respondents)

	Positive	Negative	None
RSS (n=56)	23%	21%	55%
Text messaging (n=269)	4%	80%	16%
Blogs (n=250)	16%	12%	72%
Message boards (n=233)	20%	16%	65%
Podcasting (n=84)	25%	14%	61%

Source: ROI Research commissioned by Bluestreak, Inc., November 2006

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There was a clear acceptance among consumers of advertising of a trade-off for good content with a further willingness to accept advertising and "sponsored" content as long as the information is relevant, high quality and not overdone. Only text message advertising seems to draw a strong negative reaction among consumers.

Social Network Marketing: Where to Next?

by **DEBRA AHO WILLIAMSON**, Senior Analyst, eMarketer

May 2007

Social networking continues to command attention across the Web.

Entities as diverse as Reuters, Procter & Gamble and presidential candidate Barack Obama have rolled out their own variations on the theme. eMarketer estimates that companies will spend $900 million in the US and $335 million outside the US advertising on social networks in 2007. The lead players, MySpace and Facebook, continue to perform strongly. They are set to account for 72% of all US online ad revenues in the category. The intense activity in the space will continue into 2008 and beyond, with hundreds of new social networking ventures competing for ad dollars. With this increased activity will also come marketers demanding return on their advertising investment.

Within the social networking environment, video has become a major staple and a key driver of traffic. Mobile social network applications are ramping up both in the US and elsewhere. Outside the US, the stage is being set for a battle between MySpace and smaller sites such as Japan's Mixi and France's Skyblog. Virtual worlds such as Second Life and Kaneva offer a 3D twist on social networking, opening up new avenues for marketers to interact with customers.

US Online Social Network Ad Spending, by Type of Network, 2007 (millions)

MySpace	$525
Other general social network sites (Facebook, Bebo, Piczo, Friendster, etc, but not including MySpace)	$200
Social network offerings from portals and other sites (MSN Spaces, Yahoo! 360, AIM Pages, Orkut, etc)	$95
Vertical social networks and marketer-sponsored social networks	$45
Total	**$865**

Note: General social network sites are sites where social networking is the primary activity. Social network offerings from portals and other sites include Orkut (Google), Yahoo! 360 (Yahoo!) and MSN Spaces (MSN). Vertical social networks are social networking sites devoted to a specific hobby or interest. Marketer-sponsored social networks are created by a marketer and are either stand-alone sites or part of a larger marketer site. In all cases, figures include online advertising spending as well as site or profile page development costs
Source: eMarketer, October 2006

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eMarketer remains bullish on the prospects for online social networking—the ability for people to express and share their interests online and connect with one another.

However, issues are surfacing. Is there enough interest among consumers in social networking to support so many ventures? Does every company need a social network?

The other key issue of the next 12 months will be proving that social network marketing works. In our past reports on social network marketing, we noted that social networking is still an ad vehicle work in progress. In August 2006, we wrote, "If social networking sites are to capture more than experimental ad dollars, adequate measures of return on investment need to be in place."

eMarketer's projection that worldwide social network ad spending will triple from $1.2 billion in 2007 to $3.6 billion in 2011 is predicated on the idea that that proof will come and that marketers will see solid ROI from delivering a brand message to one person and having that person pass along the message to friends.

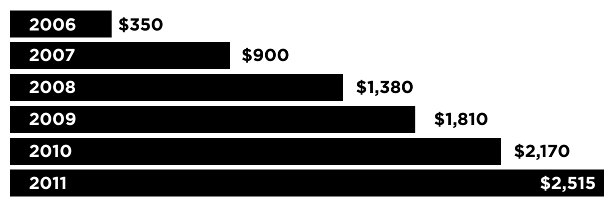
US Social Networking

eMarketer has slightly increased its projection for US ad spending on social networks to $900 million in 2007, up from our previous projection of $865 million.

The increase comes from two factors: an increased revenue projection for Facebook and additional spending on niche and marketer-sponsored social networks. This does not necessarily mean a vote of confidence for all of the hundreds of niche sites that are popping up, but an overall increase in the number of sites will inevitably translate into increased total online ad revenues.

Between 2007 and 2011, US online ad spending on social networks is projected to increase 180%, to $2.5 billion.

US Online Social Network Advertising Spending, 2006-2011 (millions)



Note: Definition includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN Spaces; niche social networks devoted to a specific hobby or interest; and marketer-sponsored social networks that are either stand-alone sites or part of a larger marketer site; In all cases, figures include online advertising spending as well as site or profile page development costs. Source: eMarketer, February 2007

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MySpace, still the largest player by far, is projected to generate $525 million in online ad revenues in the US in 2007. Facebook should generate $125 million. Spending on other general social networking sites, including Bebo, Friendster, Piczo and others, as well as offerings from AOL, MSN and Yahoo!, is expected to reach $180 million. Niche and marketer-sponsored sites should generate $70 million.

The spending projections include both the cost of advertising (banners, video ads, etc.) as well as fees paid to develop a profile page or large-scale promotion with a social networking venture. For marketer-sponsored sites, the spending projection includes both site development as well as online advertising to drive traffic to the sites.

YouTube is not included in these projections. Although the site has social network features, its primary activity is online video viewing and sharing and it is included in eMarketer's separate online video ad spending projections.

MySpace and Facebook should continue to see healthy revenue increases. Combined, the two are expected to account for 72% of US social network ad spending in 2007 and 75% in 2008.

If social networking sites are to capture more than experimental ad dollars, adequate measures of return on investment need to be in place. So far, these are still a work in progress.

The longer existing social networks take to develop adequate ROI metrics, the bigger the opening for a next generation of networks that are built from the ground up to accommodate advertising.

The elusive "consumer engagement" measure will take shape in 2007 as research firms develop ways to track the relative value of social

networking activities such as listing a brand name as an interest, adding a brand as a friend, placing a marketer-sponsored video on a profile page, and leaving a written comment on a page owned by a marketer.

The most important thing to remember is that social network marketing success should never be measured solely in impressions or even clicks. Mike Murphy, chief revenue officer at Facebook, says, "One click can be worth hundreds of clicks to a marketer because of the viral component... We believe that the sharing that a friend can do within their friend network is far more powerful than what a brand can do by putting an impression in front of a user."

Case Study: Kettle Foods

by **NANCY LEVENSON,** Strategic Consultant, WebTrends

April 2007

WebTrends Discovers Route to Double Success Metrics for Kettle Foods' "Passport to Flavor" Campaign

OVERVIEW:

Kettle Foods began blazing their all-natural snack-making trail back in 1978, and they've been delighting customers with their distinctive potato chips (and other treats) ever since. In addition to making award-winning snacks, Kettle Foods is known for their dedication to sustainability and commitment to "chipping in" to the community with generous donations of time and products.

Challenges :

Kettle Foods was gearing up to embark on their third annual People's Choice campaign. For two years, customers had been sinking their teeth into the promotion by actively choosing the company's next potato chip flavor. The objectives were to engage people in the Kettle Foods brand, increase sales and build awareness.

The 2007 "Passport to Flavor" web site was constructed in Flash to provide a richer, more immersive experience. But when the campaign launched, many users were ending their journeys without casting votes and email registrations were lower than the Kettle team had expected.

Results Recap:

- Increased email registrations by 107% from previous year
- Doubled vote conversion rates from the beginning of the campaign
- Prompted 34% of voters to leave comments on the site
- Blogs, advertisements and the viral send-to-a-friend feature garnered the same amount of traffic and party pack sales as last year's campaign, in one-third of the time
- Generated significant media attention and praise for the campaign

METHODOLOGY:

WebTrends quickly implemented a strategy to measure and improve the Passport to Flavor experience. Because this year's campaign site was Flash-based, Kettle Foods needed a different approach to data collection and analysis because key visitor activities were no longer tied to a page view.

With this in mind, WebTrends helped Kettle determine the web site's Key Performance Indicators (KPIs), the valuable metrics that gauge the performance of a site's main processes and objectives. Together, the teams from Kettle Foods and WebTrends identified the KPIs to be:

- Number of unique visitors to the site
- Completed "events" such as voting, email registrations, send-to-friend and leave a comment actions
- Sales of party pack samplers from the web site
- Referring URLs

Using WebTrends On Demand, Kettle Foods was able to quickly and easily implement tracking for the new Passport to Flavor site. From there, the company used WebTrends 5-Point Scenario Analysis and Navigation Analysis reports to zero in on a core issue: they were missing out on a significant percentage of votes as compared to the beginning of last year's campaign.

With insight into where visitors were dropping out or failing to enter the voting process, the Kettle design team deduced small but critical alterations they could make to the Flash site. These changes included adding a strong "Vote Now!" call to action and increasing the prominence and visual appeal of the party pack sales message. The optimized Flash design doubled conversion rates with more prominent calls to action. With the new design in place, WebTrends found voting conversion rates doubling virtually overnight and email registrations getting a boost, too.

MARKETING CAMPAIGN TRACKING & ANALYSIS

WebTrends tracked campaigns and referring URLs, which revealed how much traffic was coming from advertising and blogs. Kettle was able to tell which banner ads drove traffic to which parts of the site, making it possible to gauge the success of their advertising/PR campaigns. Some individual blogs linking to the campaign site drove as much traffic as advertisements, clearly demonstrating the value of this type of viral traffic promotion.

The Passport to Flavor campaign was promoted in a viral way through special interest and hobby blogs, where snack aficionados encouraged their readers to vote.

In some cases, blogs accounted for more traffic than paid advertising, a fact that Kettle Foods will undoubtedly take into account in future campaigns. WebTrends reports make it easy to see the percentage of unique visitors who come to the site from referring URLs.

Referring Site	Unique Visits
Direct traffic	29.41%
www.boingboing.net	15.67%
www.google.com	11.43%
www.taquitos.net	11.03%
www.thechippie.com	10.11%
www.kettlefoods.com	3.60%
www.passporttoflavor.com	2.55%
market.kettlebrand.com	2.14%
www.onlinesweepstakes.com	2.11%
search.yahoo.com	1.71%
Other	10.24%

WebTrends reports gave the Kettle team immediate insight, particularly into the visits driven by referring sites, which demonstrated the value of blogs and viral marketing.

During the campaign, 44% of site visitors provided an email address, and the total votes increased by 7% over the previous year's much-longer campaign. Party pack sales also matched the previous year, with 18% of voters making the purchase. In addition, 34% of visitors to the site left a comment, demonstrating a high degree of consumer engagement.

Comment boards helped create a sense of community on the site. *"For the first time, we were able to tell what efforts were successful in driving visitors to the campaign and what their experiences were like when they got there, which proved to be extremely valuable,"* said Garrett Gonzales, senior graphic designer, Kettle Foods.

FUTURE FLAVORS

Thanks to the insights gained using WebTrends, Kettle Foods was able to ensure that Web 2.0 strategies like the interactive Flash site were delivering the results they needed. They were able to determine the impact of social networks on their overall traffic, and make smart adjustments to their ad spending. Plus, they were able to make continual improvements to their campaign site to enhance the user experience, and they'll be able to confidently apply these learnings to future People's Choice campaigns.

Michelle Peterman, vice president of marketing for Kettle Foods said, *"Going forward, we'll continue to focus more on mechanisms to both push and pull visitors to the campaign, and WebTrends will allow us to make smarter investments, as well as better tailor our sales messages and promotion plans for our overall marketing efforts."*

ADDITIONAL RESOURCES

As the worldwide leader in web analytics, WebTrends offers a full range of educational resources to help ensure your long-term success. Be sure to check them out at webtrends.com.

WEBTRENDS RESOURCE CENTER: An extensive library of educational guides, white papers, case studies and other resources for marketing professionals, many of which are authored by industry experts, are waiting for you to explore in the WebTrends Resource Center.

WORLDWIDE CONFERENCES AND SEMINARS: WebTrends regularly conducts short seminars and in-depth industry conferences worldwide and has educated more than 16,000 people in 70 countries across 6 continents. Watch our web site to see where we will be next.

WEBTRENDS USER GROUPS: With user groups in more than 25 cities, this is your opportunity to meet with colleagues and share best practices. Check for a city near you.

TRAINING AND CONSULTING SERVICES: WebTrends also offers a full range of educational classes, training courses and strategic business consulting services to help ensure broader adoption of web analytics across your organization and accelerate your return on investment.

The articles in this guide are excerpted from these full-size reports:

- Digital Downloading: Music, Movies and TV
- Mobile Marketing and Advertising
- Mobile Message Marketing: Cash Not Flash
- Internet Video: Advertising Experiments and Exploding Content
- Podcast Advertising
- Social Network Marketing: Where to Next?

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ABOUT EMARKETER

eMarketer is "The First Place to Look" for market research and trend analysis on Internet, e-business, online marketing, media and emerging technologies. eMarketer aggregates and analyzes information from over 2,800 sources, and brings it together in analyst reports, daily research articles and the most comprehensive database of e-business and online marketing statistics in the world. eMarketer provides the information to help marketers understand the growth and impact of the Internet to stay ahead of the curve on new trends such as blogs, social networking, podcasting, mobile marketing and many others that are profoundly affecting the business landscape. Visit www.emarketer.com for more information.

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WebTrends is the leading provider of web analytics software and on-demand solutions for web-smart customers including General Mills, IKEA, Microsoft, Reuters and Ticketmaster. With WebTrends Marketing Lab, the company has expanded its comprehensive analytics platform to offer on-the-fly data exploration and customer targeting solutions fueling relationship marketing. Thousands of enterprises have chosen WebTrends solutions and consulting services to accurately prove and improve their business and marketing results.

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