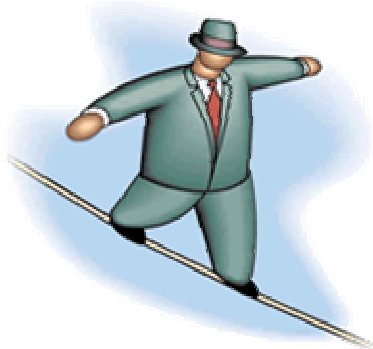


BRINGING ONLINE, ON LINE

**The mainstreaming of the Internet is inevitable,
but it will not happen easily.**



Have you noticed how anxious everyone seems? The Old Media are worried about the New Media (check-out those Olympics ratings). The New Media are worried about advertiser dollars (check-out those credit ratings). And advertisers are worried about where to put those dollars that don't buy enough TV anymore.

Diving into this puddle of fear and uncertainty is Statistical Research, Inc. – that crazy, courageous company that took on Nielsen and brought you SMART. Their new project is called MultiMedia Mentor. It's an attempt to provide a "level playing field" measurement of five media – TV, Radio, Newspapers, Magazines and the Internet – for media-mix planning.

The pilot study findings should shake things up.

Mentor shows people over 12 spend an average of an hour a day on the Internet, scarcely incendiary information. What's new is the direct comparison to other media. The Internet gets 12% of media minutes, double that of Newspapers at 5% and triple that of Magazines at 4%.

And we ain't seen nothing yet, because Internet use, spurred by Internet technology, grows every day. (To complete that pie chart in your head,

think of TV dominating with 50% of minutes and Radio with the remaining 30%.)

**Online hasn't approached
the marketplace
the way cable did.**

Clearly time spent with media is moving online. And if you think this is ho hum, remember Cable. From the start cable attempted to tie its share of dollars to its share of TV viewing, arguing that advertisers had no choice but to follow the consumer. What began in 1981 as a proposal that advertisers put 5% of their TV dollars in cable, (Walter Reichel's "five-percent solution"), has now grown to an actual 30%.

Does today's Internet warrant a 12% solution? Judging from how the Internet is being sold that idea has never occurred to them. They don't think that way.

There are really two Internets for sale and neither seems at all concerned with other media. One is the disintermediated (e-speak for sold direct to advertisers) mega-deal world of AOL and Yahoo. The other is the poor-man's Internet, confined, like Yellow Pages, to the backroom specialists. As the Internet becomes a major media option, neither approach will cut it.

**Mega deals may be large,
but they're limiting**

One of the "iron laws" of marketing is the 80/20 rule. It observes that half a brand's business comes from the 20% of buyers who buy the most - and half from the other 80%. Mega-deals ignore the other 80% and by logical extension, 50% of the market.

To join the party the Internet will have to sell banners in direct competition with other media on the metrics mainstream planners use – targeting, scheduling, GRP's, reach, frequency and CPM.

The prize is substantial. In 1999, \$65 billion was spent in measured national media. The big two were TV, with 54% and magazines with 17%. The Internet was at a rough (and I think inflated) \$4 billion or 6% (compared to its usage share of 12%). These dollar shares reflect advertiser-perceived market value and inertia.

In the case of rising new media (and declining old ones), perception always lags reality. These data suggest the Internet may be under-utilized by national advertisers.

Today's planner is as big an obstacle as the online seller

The mainstreaming of the Internet is inevitable, but it will not happen easily. A big obstacle – second only to the seller – is today's planner.

Mainstream planners have little experience with the Internet and are uncomfortable dealing with it. They prefer it somewhere else, just as early Cable was passed on to its own "New Media" group. This is balanced by the client's (and agency management's) desire to integrate planning. Larger agencies are working to solve the problem by web-training new hires.

Specialist Internet agencies will also resist change, but since many of these are owned by larger agencies, the final structure will be set by the parent. It is likely that planning will be absorbed and buying will morph into an Internet buying group with network television as the model.

It's difficult for agencies to make a profit on online media

Another reason Internet planning and buying has been kept separate is media agencies know they cannot make a profit on it. Traditional media fee structures pay up to 1% for planning and up to 3.5% for buying. Internet shops need to charge over 10% to stay healthy.

Profitability will be improved by economies of scale as Internet budgets grow, by better planning and buying data, by better software systems and by more user-friendly Internet packaging. But that still leave the biggest obstacle to mainstreaming the Internet, pricing.

Online pricing is confused and unrealistic.

The big Internet sellers currently use a mixed pricing model, roughly 20% DR at \$60 a thousand and 80% mass media at \$10 a thousand, to produce the average \$20 CPM. Much of TV can be bought for less than \$20 a thousand.¹

A \$20 CPM for banner exposures is out of line with traditional media CPM's, especially for advertisers who are not interested in click-throughs. An integrated planning model will impose a more traditional TV-type pricing system based on demographic and time-period delivery, including GRP's, reach, frequency and CPM.

The innocence of the Internet is captured by the branding issue. The Internet preempted branding — an old agency buzzword — in its attempt

¹ By 2002 the CPM had fallen to \$4.00 to \$7.00 a thousand.

to escape trial by click-through. Web-sellers used branding to focus advertisers on the value of banners that is not captured by measuring click-throughs. This includes creating awareness, improving brand imagery and increasing purchase intent.

But "Branding" was an unfortunate choice, because agencies think that banners with their limited message can't be used for branding.

Long-message media are better than banners for branding

They have a point. A priori, long-message media such as Television, Print and Radio are better able to brand than are short-message media, like Out-of-home, Point-of-purchase and the Internet. This relates to emotional as well as information content. The Internet is not for branding. Reminding makes more sense.

Today we believe advertising works in different ways, for example short term, which is brand selling and longer term, which is brand building. Advertising usually creates brand sales by reminding consumers of a brand they know at the time they are ready to purchase the product. This idea is called "Recency" and short messages do fine.

So that's where we are. Confronted by an infant medium, probably the eventual equal of television, which sucks up time like a Hoover. And we don't know how to plan it, buy it, sell it or use it.

No wonder everyone seems anxious.

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