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Digital Marketing Now:

Seven Strategies for Surviving the Downturn

By CEO Geoffrey Ramsey

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Dear Reader:

This is the first major report or whitepaper I have written for eMarketer in about eight years. What compelled me to get back in the saddle? Lots of things. But first a little personal perspective on the current economic crisis.

In June of 1981, I graduated from NYU with a bachelor's degree and went immediately scouting for my first job—only to be stymied by a miserable economy, which set my fledgling career back by about two years. That was recession No. 1. Ten years later in spring 1991, as I was about to be married, I got laid off from my job working as an account manager at Ogilvy & Mather; I thus entered recession No. 2 of my life. One full decade later, in January of 2001, I became CEO of eMarketer, only to watch our business—along with so many other Internet plays—slide into the virtual abyss as the dot-com bust and subsequent September 11 tragedy unfolded. That was recession No. 3.

And here we all are, only seven years later, in the midst of yet another cyclical downturn. And none of us really knows where this is heading or how fast it will get better. That's the bad news.

The good news is that there are things marketers can do, steps they can take—even in this inhospitable market—that can help them survive, and possibly even thrive, as they weather the storm. This whitepaper highlights some of the most compelling of those strategies and tactics, many of which involve the Internet.

I am thankful for the many people who assisted me in completing this whitepaper, both those on staff here at eMarketer as well as those on the outside. I give special thanks to Jim Spanfeller, CEO of Forbes.com, Gian Fulgoni, chairman of comScore, and Randall Rothenberg, CEO of the IAB, who not only encouraged me to proceed, but also offered valuable insights as well.

If just one strategy outlined here inspires you to take action, I have done my job.

Geoffrey Ramsey
CEO and Co-Founder

The Economy: It's Ugly Out There

"We're in the middle of a very dark tunnel."
—Brian Fabbri, BNP Paribas, as quoted in the Wall Street Journal, October 10, 2008

There's no sugar-coating, dismissing or denying it. The Dow has dropped about 40% over the past several months. The US is now in debt to the tune of trillions, and many Americans have seen their retirement savings shrink drastically. Even formidable Google has seen its share price ratchet down several notches, from its $700 high to less than $400 today.

The headlines and surveys tell the whole morbid story.

Advertising Age (October 6, 2008):

"An internet poll of 507 consumers by WPP Group-owned Lightspeed Research for Advertising Age found that nearly 80% of respondents have changed their buying behavior in the past few weeks, hitting product categories at all price points…Only 45% of those surveyed expressed confidence about an economic rebound."

Forbes.com (October 8, 2008):

"On October 8, Discover Financial Services released the results of its US Spending Monitor, which dipped for September. Of the 15,000 Americans surveyed, 56% rated the economy as poor, and nearly 70% think it's getting worse. And 51% are expecting to spend less on discretionary purchases in the next month."

The Wall Street Journal (October 10, 2008):

"On average, the 52 economists surveyed by the Wall Street Journal in early October expect gross domestic product to contract in the third and fourth quarters of 2008, as well as the first quarter of 2009. Consumer spending will most likely turn negative this year as the housing crisis and job cuts continue."

The New York Times (October 15, 2008):

"In the latest New York Times/CBS News poll, 89% of respondents said that the country had 'pretty seriously gotten off on the wrong track,' a record high."

"'The biggest hit will be in 2009, and it probably won't be until 2011 that we see any kind of pay gains,' said Nariman Behravesh, the chief economist of Global Insight."

The Trust Factor

"We have nothing to fear… but fear itself."
—Franklin D. Roosevelt, at his first inaugural address

Whatever got us into this mess, what we have now is a failure to trust. For lack of trust, banks will not lend to each other. For lack of trust in the future, consumers are holding back spending. And businesses have, in turn, lost faith in the willingness of consumers to buy things. Put it all together and you have a lot of fearful people out there.

The problem with fear, of course, is that it is self-perpetuating. As psychologist and author Judith M. Bardwick explained in the September 29, 2008, issue of Fortune, "[What's so insidious about the cycle of fear is that] as people try to gain some sense of having control through knowledge, they increase their fears and sense of vulnerability by seeking out and therefore exaggerating the bad news. In this way, the psychological recession is self-fulfilling."

Moreover, trust will not be restored overnight. As Paul Price, global president of ad agency Rapp, said in the October 6, 2008, issue of Advertising Age, "I suspect it will be a long time before consumer confidence returns to the levels we've seen in the years leading up to the current slowdown."

"As in all past crises, at the root of the problem is a lack of confidence by investors and the public in the strength of key financial institutions and markets."
—Ben S. Bernanke, chairman of the Federal Reserve, in an op-ed article he wrote in The Wall Street Journal, October 14, 2008

It is true that consumer spending is predicted to stagnate or even decrease marginally, by about 1% in 2009, according to Nariman Behravesh of researcher Global Insight. But even if consumers slow their spending rate, they will continue to buy things.

They will even buy items that make them feel good. For example, a lot of people are still purchasing iPods, Macs and iPhones; Apple's Q3 2008 revenues rose 27% over the same period in 2007. Said Apple chief Steve Jobs, "If this isn't stunning, I don't know what is."

Bottom line: Consumers still need to consume. And marketers still need to market, so consumers will have the information they need to know what to buy, where to buy it and who is providing the best deal.

"There will still be people out there buying cars, and the trick will be to identify them and what triggers them to purchase."
—Ian Beavis, executive client services director, Carat, a part of Aegis Group, as quoted in AdWeek, October 13, 2008

What's more, there is research that says consumers explicitly *want* advertisers to advertise. In a study conducted by OMD, a media agency under the Omnicom umbrella, 81% of consumers surveyed said advertisers need to continue to communicate about their products during a recession. Of course, they also offered that they would be more receptive to messages that talk about cost savings, discounts or products that are positioned as investments.

Fundamentally, what consumers need in these tough times is trust. They need trust in the financial system, to make their future more secure. But they also need to trust in brands. With limited dollars, the risk in buying the wrong product or service is increased.

Marketers should respond to this need by getting out in front of customers and prospects with messages that reinforce their brand's equity and value.

"We want to help consumers be certain they're making smart choices when every dollar they earn counts." *—A.G. Lafley, chief executive, Procter & Gamble, as quoted in The Wall Street Journal, October 15, 2008*

While total retail sales in the US are expected to rise only 1.5% this holiday season—the slowest growth since 1991, according to TNS Retail Forward—online retail sales are predicted by eMarketer to grow by 10.1% during the holiday period. While that is a marked decrease from years prior, it represents—at least for retailers with viable e-commerce sites—one bright spot in an otherwise miserable sales period. Full-year e-commerce sales are expected to rise 9.8% in 2008 and 9.2% in 2009.

Focus on What You Can Control

For those of us in business, our focus should be directed toward those things we can influence.

- CEOs, no doubt, will be making tough decisions about possible staff cuts, reducing capital expenditures and putting off acquisitions.
- CFOs will impose the usual budget restrictions and hold everyone more accountable.
- Technology teams will delay upgrades, postpone big projects and search for more cost-effective solutions.
- Marketing staffs will need to take action, too.

Even with reduced budgets, there are things marketers can do to build brands, target media buys more efficiently, reinforce brand loyalty with customers, engage with prospects and, of course, drive sales.

What marketers do—or fail to do—right now will affect not only the next quarter's results, but also the long-term position of their brands when happy days are here again.

"In the recession of 2009, marketers will be making cuts almost across the board, and will seek safe harbors and cost-efficient alternatives." *—Jack Myers, JackMyers Media Business Report, October, 13, 2008*

Economic downturns can actually be good times for launching new products, stealing market share or sharpening a brand's image.

Media and Marketing Budgets Are Trending Downward

As the economy goes, so goes media spending.

The many investment banks, research firms, ad agencies and others forecasting the future of ad spending growth over the next couple of years have mixed views. But there is a general consensus that media spending growth in 2008 and 2009 will be down slightly, or anemic at best, compared with prior years.

"For the first time in more than 40 years, total marketing communications budgets will be flat or down for two consecutive years."

—Jack Myers, JackMyers Media Business Report, October 13, 2008

The following projections represent those that were cast since Q3 2008. Despite the usual buoyant effects of a presidential election and the Olympics, advertising will grow by less than 2% in 2008 and, by most accounts, 2009 looks even weaker.

Comparative Estimates: US Total Media Advertising Spending Growth, 2008 & 2009 (% change)

	2008	2009
Barclays Capital, October 2008	-3.6%	-5.5%
Bernstein Research, August 2008	3.7%	3.6%
BMO Capital Markets Corp., July 2008	1.8%	1.9%
Carat, August 2008	2.1%	3.1%
eMarketer, August 2008	**1.9%**	**1.1%**
Jefferies & Company, September 2008	2.0%	0.0%
MAGNA, July 2008	2.0%	3.1%
Myers Publishing LLC, October 2008	-1.3%	-4.0%
ThinkPanmure, October 2008	1.5%	-5.0%
Wachovia Securities, October 2008	-0.8%	-0.8%
ZenithOptimedia, October 2008	1.6%	0.7%

Source: eMarketer, August 2008; various, as noted, 2008

099031 www.eMarketer.com

For additional information on the above chart, see Endnote 099031 in the Endnotes section.

TNS Media Intelligence, which only looks at above-the-line measured media spending, estimated US media dollars actually decreased by 1.6% in the first half of this year, with Q2 2008 falling by 3.7%. What's more, the researcher reported that the top 50 advertisers reduced their spending by 4.7% in the first half of 2008.

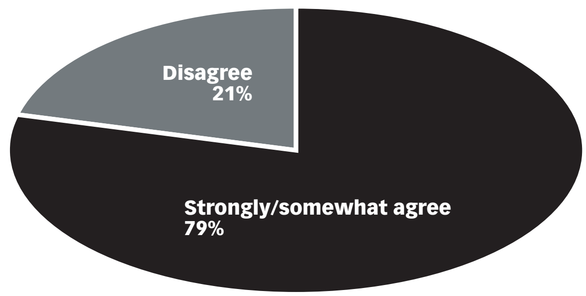
Marketers See Slashed Spending Ahead

"The first cut is the deepest."

—Songwriter Cat Stevens, Copyright ©1967 Cat Stevens

During downturns, marketers are often on the front line of budget cuts. An Epsilon survey of CMOs conducted in September 2008 found that 79% strongly or somewhat agreed with the statement that during an economic downturn, marketing budgets are first on the chopping block.

US Senior Marketing Executives Who Believe that During an Economic Downturn the Marketing Budget Is the First Thing to Get Cut, August 2008 (% of respondents)



Note: n=175
Source: Epsilon, "Epsilon CMO Survey," September 8, 2008

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But what about *this* recession? How widespread are the cuts so far? And what is expected for the next 18 to 24 months?

In the chart below, it is clear that marketers are expecting to see significant carnage, and they anticipate things trending worse as time goes on.

Comparative Estimates: US Marketers Who Expect Increases/Decreases in Their Advertising Budgets due to the Economic Downturn, 2008 (% of respondents)

	Survey date	Increase	Decrease
Advertising Perceptions*	Spring 2008	33.0%	23.0%
Association of National Advertisers (ANA)*	July/August 2008	9.1%	53.4%
Epsilon	Summer 2008	7.0%	65.0%
MarketingSherpa**	September 2008	7.0%	70.0%
eMetrics Marketing Optimization Summit	September/ October 2008	5.1%	34.5%
MarketingProfs	October 2008	-	43.0%

*Note: *in the next six months; **among large organizations*
Source: various, as noted, 2008

099097 www.eMarketer.com

For additional information on the above chart, see Endnote 099097 in the Endnotes section.

In an October 2008 survey by MarketingProfs, 52% of marketers responding were already making budget changes as a result of the downturn, and worse, a full 75% predicted the impact of the crisis will carry on through 2009 or even 2010.

Small businesses are feeling the marketing pinch, too. According to an ongoing American Express poll among small-business owners, just under one-half plan to cut back or delay marketing expenditures as a result of increased financial pressure.

"A recession is an economy correcting itself. It does not mean we are falling off the edge of a cliff." *—Dennis Turner, chief economist, HSBC, as quoted in MediaWeek, October 7, 2008*

Looking Deeper: Other Factors Affecting Media

The media landscape is undergoing two seismic shifts simultaneously. Even before the financial meltdown started, traditional media was being radically reshaped due to fragmentation, the fundamental shift in power from marketers to consumers and a slew of digital technologies brought about through the Internet.

"The problem is that [the economic recession] corresponds to a secular shift in media (from traditional to digital) and there will be a lot of bodies left in the ditches of this transition. A lot of newspaper, traditional magazines and even some broadcasters won't make this conversion."
—Joe Mandese, editor of MediaPost, in an interview with eMarketer

Further, the very notion of what advertising is, how it is measured and where it is deployed has change dramatically.

"Newspaper and TV journalists see their industry shrinking daily, reinforcing their tendency to see the economic glass as half empty—and draining." *—Paul Maidment, editor, Forbes.com, in an interview with eMarketer*

Marketers: Think Twice Before You Cut

If marketers have any choice in the matter, they should be investing in marketing—*especially now*. Time and again we have seen companies that market their way through a poor economy end up coming out the other side with share gains and stronger brands compared with their competitors.

"When times are tough, it is time to invest, not cut. This comes from years of research dating back to Ogilvy's Alex Biel and Millward Brown interaction surveys. All show that if we cut marketing during such times, the impact is damaging and it can take you longer to get back to where you were."
—Sir Martin Sorrell, chief executive, WPP Group, as quoted in MediaWeek, October 7, 2008

According to Epsilon's CMO survey, 94% of CMOs and marketing executives concurred with the statement: "A tough economic period is precisely the time when marketing plays a key role." Of course, this response could be seen as self-preservation, since senior-level marketers have a desire to protect their budgets, their influence and their very jobs.

"In recession times, it is quite good to continue to advertise because it is an opportunity to take market share."
—Patrick Stahle, chief executive, Aegis Group's Aegis Media Asia-Pacific, as quoted in the Wall Street Journal, October 20, 2008

Reallocation of Marketing and Media Dollars

While overall budgets are shrinking, allocation of those limited dollars will shift as well. With tighter purse strings comes a heightened emphasis on media that are more efficient, targeted, measurable and proven to demonstrate positive ROI. This focus will make certain traditional media vulnerable.

"Life is going to be quite difficult for traditional media as the temptation in downturns is to cut marketing budgets."

—Sir Martin Sorrell, chief executive, WPP Group, as quoted in MediaWeek, October 7, 2008

In fact, the media budget slashing is expected to fall heavily on traditional media such as newspapers, radio, broadcast television—and even consumer magazines.

Comparative Estimates: US Advertising Spending Growth for Select Media, 2008 & 2009 (% change)

	2008	2009
Newspapers		
Barclays Capital, October 2008	-16.5%	-12.0%
Goldman Sachs, January 2008	-7.9%	-
Myers Publishing LLC, October 2008	-16.0%	-15.0%
Nielsen Monitor-Plus, September 2008	-8.1%	-
TNS Media Intelligence, September 2008	-7.4%	-
Wachovia Securities, October 2008	-	-9.8%
Magazines (consumer)		
Barclays Capital, October 2008	-7.5%	-12.5%
Myers Publishing LLC, October 2008	-12.0%	-13.0%
Nielsen Monitor-Plus, September 2008	-3.1%	-
TNS Media Intelligence, September 2008	-1.8%	-
Wachovia Securities, October 2008	-	-2.0%
Network TV		
Barclays Capital, October 2008	1.6%	-7.8%
Myers Publishing LLC, October 2008	-3.0%	-4.0%
Nielsen Monitor-Plus, September 2008	-6.0%	-
TNS Media Intelligence, September 2008	-2.4%	-
Radio (terrestrial)		
Barclays Capital, October 2008	-7.2%	-7.4%
Myers Publishing LLC, October 2008	-5.0%	-10.0%
Nielsen Monitor-Plus, September 2008	2.1%	-
TNS Media Intelligence, September 2008	-6.5%	-
Wachovia Securities, October 2008	-	-4.8%

Note: Nielsen and TNS figures are for first half 2008 vs. first half 2007
Source: various, as noted, 2008

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For additional information on the above chart, see Endnote 099195 in the Endnotes section.

Recent surveys among marketers conducted in the wake of the financial meltdown paint a pretty bleak picture for traditional media:

- **48%** of the 400 large US companies polled by MarketingSherpa in September said their traditional media budgets would be cut; **21%** said the cuts would be "significant."
- **59%** of the 175 senior marketing executives polled by marketing services firm Epsilon expected a reduction in their traditional marketing budgets; only **13%** expected an increase.
- **85%** of the 600 marketers surveyed by MarketingProfs claimed they would be reducing their traditional marketing vehicles.
- **53%** of Association of National Advertisers (ANA) members said they were cutting budgets in response to the downturn; **40%** said they were also altering the mix of marketing channels to lower cost channels.

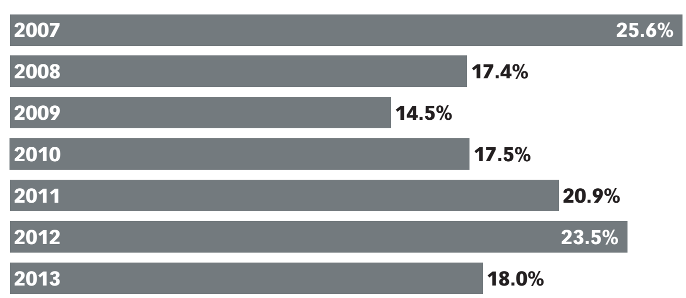
Internet Ad Spending: Double-Digit Growth Ahead

"There's a transformation taking place across media, with digital at its heart."

—Sly Bailey, chief executive, Trinity Mirror, as quoted in MediaWeek, October 7, 2008

In the wake of the unfolding financial crisis, eMarketer recast its projections for US online ad spending in August 2008. At that time, despite the economic malaise, Internet advertising was expected to continue growing in the double digits for the next few years.

US Online Advertising Spending Growth, 2007-2013 (% change)



Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2007
Source: eMarketer, August 2008

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For additional information on the above chart, see Endnote 097132 | 097141 in the Endnotes section.

Clearly, the numbers show a temporary decrease in the rate of growth for online advertising, particularly in 2009 when the effects of the downturn will be most profound. Still, with a 14.5% growth rate, eMarketer projects the Internet will beat out overall media spending, which will essentially be flat in 2009.

Take a good look at the above numbers, because they are about to change—*once again.* Based on new studies and surveys (which have not yet been released at the issuance of this whitepaper) as well as Q3 2008 earnings from the four major Internet portals, eMarketer will likely be trimming its online ad spending predictions in mid-November.

Importantly, eMarketer benchmarks its online ad spending projections against quarterly reports issued by the Interactive Advertising Bureau (IAB), which uses PricewaterhouseCoopers (PwC) to conduct its surveys.

For the first half of 2008, the IAB reported 15.2% growth for online ad spending, which is in line with eMarketer's August predictions (given that growth in the second half is usually slightly higher than in the first half).

The combined growth rate for first half online ad revenues among the top four US portals—Yahoo!, Google, AOL and Microsoft—was 19%. In Q3 2008, Google's US-based revenues grew 22%, while Microsoft's climbed 15%.

In absolute dollars, based on our August projections, eMarketer expected online advertising would grow from $24.5 billion in 2008 to $28.5 billion in 2009.

Although most of the following projections from a range of different analyst firms and researchers are likely to be somewhat overstated given the most-recent negative news on the economy, there remains a widespread consensus that spending growth for online advertising will continue to show double-digit gains in both 2008 and 2009, with most showing lesser gains in 2009 than 2008.

Comparative Estimates: US Online Advertising Spending Growth, 2008 & 2009 (% change)

	2008	2009
Barclays Capital, October 2008	16.9%	14.1%
Bernstein Research, August 2008	20.3%	16.9%
Collins Stewart LLC, October 2008	20.0%	18.0%
eMarketer, August 2008	**17.4%**	**14.5%**
European Information Technology Observatory (EITO), October 2008	13.0%	-
Jefferies & Company, September 2008	15.0%	12.0%
JPMorgan, September 2008	13.8%	15.7%
LiveRail, September 2008	23.4%	19.4%
MAGNA, July 2008	12.0%	-
Myers Publishing LLC, October 2008	13.8%	13.5%
Outsell, July 2008	12.3%	-
ThinkPanmure, October 2008	11.6%	3.0%
Wachovia Securities, October 2008	-	10.0%

Source: eMarketer, August 2008; various, as noted, 2008

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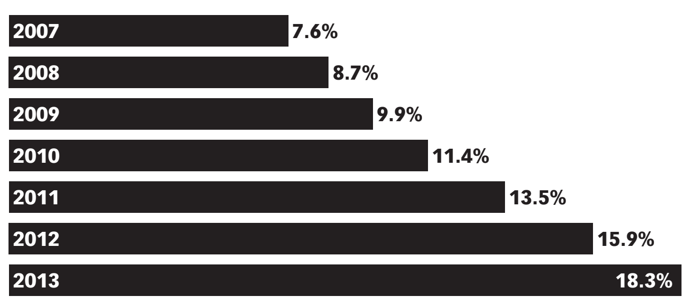
For additional information on the above chart, see Endnote 098852 in the Endnotes section.

Based on eMarketer's August projections, Internet advertising as a percent of total media spending in the US was expected to increase from 8.7% in 2008 to just shy of 10% in 2009. In November, eMarketer will review these figures, as both the numerator (Internet spending) and the denominator (total media spending) could potentially change.

US Online Advertising Spending as a Percent of Total Media Advertising Spending, 2007-2013



Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2007
Source: eMarketer, August 2008

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For additional information on the above chart, see Endnote 097147 in the Endnotes section.

To be candid, some analysts and pundits project a far graver view of the state of online advertising. They see the general bullishness behind online ad spending growth as overblown, misplaced or just plain foolish.

As Sandeep Aggarwal, an analyst with banking firm Collins Stewart, recently said in an interview with Advertising Age (October 13, 2008): "Failed banks… job losses and lower consumer confidence now characterize the macro economy… this will hurt the Internet sector more than currently believed."

Even more negative is banker Bill Morrison of ThinkPanmure, who sees online advertising spending sinking like a rock, to only 3% growth in 2009. Said Mr. Morrison, "We believe it is prudent for investors to expect significantly lower growth in Internet advertising next year."

There is a growing culture of negativity brewing here, and it comes mostly from the banking firms, who of course have their own financial pains to confront.

The Marketer View: Interactive Budgets Will Continue to See Gains

Having seen what the research and analyst firms are predicting, let's review survey data from actual marketers and their expected media spending patterns.

According to a June 2008 McKinsey survey of 340 senior marketing executives worldwide, 91% said they were using online advertising, and over one-half indicated their companies planned to maintain or exceed the current levels, where possible.

Even more telling, 55% of marketers said they were cutting expenditures on traditional media, precisely in order to increase funding for online efforts.

In spring 2008, Forrester surveyed 333 marketers with 200 or more employees and asked a very telling question: "How would you change your online spending patterns if there is an economic recession in the next six months?" Over one-quarter (26%) said they would increase spending on Internet advertising, while only 13% said they would decrease it. Another 15% were undecided.

Similarly, in a July 2008 survey conducted by Duke University and commissioned by the American Marketing Association, among 72 senior-level marketers at Fortune 1000 firms and Forbes Top 200 Small Firms, 23% of business-to-consumer (B2C) product marketers and 16% of B2C services marketers expected to increase spending on Internet marketing over the next 12 months.

Areas of Marketing Spending Growth in the Next 12 Months According to B2C Marketers, July 2008 (% change)

	B2C product marketers	B2C services marketers
Internet marketing spending	23.02%	16.50%
Traditional advertising spending	0.36%	3.80%
Marketing (nonsales) hires	4.67%	4.60%
Overall marketing spending	2.91%	6.40%

Source: Duke University's Fuqua School of Business, "The CMO Survey" commissioned by the American Marketing Association, September 12, 2008

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Business-to-business (B2B) services marketers were also bullish. Somewhat more muted expectations were offered by B2B product marketers.

Areas of Marketing Spending Growth in the Next 12 Months According to B2B Marketers, July 2008 (% change)

	B2B product marketers	B2B services marketers
Internet marketing spending	12.87%	17.75%
Traditional advertising spending	1.72%	5.55%
Marketing (nonsales) hires	6.17%	1.44%
Overall marketing spending	1.61%	0.30%

Source: Duke University's Fuqua School of Business, "The CMO Survey" commissioned by the American Marketing Association, September 12, 2008

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Even more optimistic expectations for digital spending were cited by respondents in the September 2008 Epsilon CMO Survey. Among 175 senior marketing executives, 63% expected increases for interactive/online marketing spending for 2008; only 14% expected a reduction.

Change in Marketing Spending According to US Senior Marketing Executives, by Segment, 2008 (% of respondents)

	Increase	Stay the same	Decrease
Interactive/online marketing	63%	23%	14%
Traditional marketing	13%	29%	59%
Advertising	7%	27%	65%

Note: n=175; numbers may not add up to 100% due to rounding
Source: Epsilon, "Epsilon CMO Survey"; eMarketer calculations, September 8, 2008

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In a September 2008 MarketingSherpa study, 31% of large US companies planned to increase their marketing spending on digital in 2008; moreover, 15% planned "significant" increases.

The increases for digital could, in fact, be even more dramatic. A mid-October 2008 MarketingProfs survey of over 600 US marketers found that 62% planned to increase their spending on online advertising in reaction to the downturn.

Why Internet Marketing and Advertising Will Continue to Grow

"In a downturn when your ad dollars get restricted, you move them into areas that are more direct and measurable." *—Ashutosh Srivastava, chief executive, WPP Group's Mindshare Asia, as quoted in the Wall Street Journal, October 20, 2008*

Marketers should rightly ask, "What is behind the relatively bullish projections for online ad spending, especially when most traditional media are taking the financial equivalent of body blows?" The answers are:

- The Internet is inherently more measurable, accountable and *usually less expensive* than traditional channels.
- The Internet allows for better, more-granular targeting than other forms of media, and that reduces media waste and can save valuable marketing dollars.
- The Internet is interactive, thereby allowing for a higher degree of engagement with prospects and customers.

The Internet is accounting for a larger and larger share of total media time—particularly among younger consumers; numerous studies demonstrate that teens, millennials and other younger cohorts are spending more time online per week than they are watching television.

The Internet plays into the consumer-in-control movement and, therefore, provides new opportunities to be a part of their conversations about interests, attitudes, shopping plans and even brands.

Web 2.0 activities such as blogs, social networks and Twitter provide marketers with the potential to gain rich insights into consumer behavior and attitudes.

Unlike any other medium or channel, the Internet allows marketers to reach consumers throughout the entire buying cycle—from initial awareness through information gathering to sales and post-sale feedback and support.

"I think we'll see an increase in Internet use… It's free." *—Hal Varian, chief economist, Google, as quoted in Advertising Age, October 13, 2008*

Seven Strategies for Surviving the Downturn

For marketers looking to not only survive, but possibly even thrive in these recessionary times, eMarketer has identified seven strategies made possible by the Internet.

Strategy 1. Get With the Accountability Program

Particularly in lean times, CEOs are going to be looking for accountability across all departments—including marketing programs.

Even before the financial crisis, senior marketers responding to a 2007 survey conducted by the ANA identified accountability as one of the top two issues affecting their marketing plans.

Top Issues that Directly Impact the Marketing Decisions and Plans of US Senior Marketing Executives, 2006 & 2007

	Rank in 2006	Rank in 2007
Integrated marketing communications	4	1
Accountability	1	2
Aligning marketing organization with innovation	2	3
Building strong brands	3	4
Media proliferation	5	5
Consumer control over what and how they view advertising	8	6
Globalization of marketing efforts	10	7
Growth of multicultural consumer segments	6	8
Advertising creative that achieves business results	9	9
Attracting and retaining top talent	7	10

Source: Association of National Advertisers (ANA), March 2007

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"This is the 'age of accountability' for the marketing profession. Pursuing increasing levels of accountability transcends whether the times are good or bad. The overarching objective is for marketers to more directly and confidently pursue brand and business growth." *—Bob Liodice, president and CEO, Association of National Advertisers, in an interview with eMarketer, October 22, 2008*

In a 2007 survey by the CMO Council, the No. 1 challenge facing marketing chiefs was "quantifying and measuring the value of marketing programs."

eMarketer has looked at dozens of surveys from research firms, trade associations and other organizations, and the evidence strongly supports the fact that marketers are being held to a far higher degree of accountability than ever before. The Internet, which is widely considered the most measurable medium, is largely responsible for this shift.

The question today is: Are marketers rising to the challenge? Talking about accountability is one thing, living it is quite another. Most recent studies indicate that, despite improvements, marketers are still falling short of expectations with their accountability programs.

The good news is that even if marketers can't figure out how to integrate all the measurements, at least they are looking at data.

The September 2008 Epsilon survey of CMOs and other senior marketing executives found that 50% used data-driven marketing techniques, and almost one-third (31%) used sophisticated modeling tools to analyze customer behavioral, preference and demographic data. Expect these figures to grow over the next 12 months as current "nonaccountable" marketers seek to emulate their competitors who are leading the way.

Similarly, in a survey conducted by William Blair & Company in July 2008, 48% of the 150 members of the Chicago Interactive Marketing Association agreed with the statement: "I can't live without Web analytics."

"Marketing executives are seeking accountability and measurable results. Data-driven marketing is an increasingly important component of corporate marketing campaigns." *—Mike Iaccarino, chief executive, Epsilon, in a press release*

Even online marketers show room for improvement in accountability. In a Marchex-commissioned survey conducted by Sterling Market Intelligence in October 2008, only 25% of national advertisers said they were measuring ROI for their online marketing campaigns.

Online Advertising Success Metrics Measured by US National Advertisers and Agencies, September 2008 (% of respondents)

Source: Marchex, Inc. "Local Online Advertising: Strategies and Tactics Every Company Should Know" conducted by Sterling Market Intelligence, October 1, 2008

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McKinsey conducted a study in June 2008 and discovered that only a minority of the 340 global marketing executives surveyed claimed to use quantitative analytical techniques to optimize their online marketing. Further, over one-half said they were not satisfied with the current process of allocation and measurement.

"When the going gets tough, [information] gives comfort you are on the right track." *—David Lowden, chief executive, Taylor Nelson Sofres, as quoted in the Wall Street Journal, October 7, 2008*

Accountability Action Areas

Now is the time to step up efforts to better measure marketing. The goal is to be accountable for every dollar spent. Here are some ways marketers can improve their game:

Measure online branding efforts. Integrate those results with search metrics to get a more complete picture of consumer exposure and response to online campaigns.

Break down the silos between online and offline media campaigns. This is not easy but marketers are finally figuring out how to crack the code for measuring integrated, cross-platform media efforts.

Build a sales impact model using sophisticated measurement tools. Design the model to better understand how online marketing messages convert shoppers into buyers, both online and in stores.

Strategy 2. Search: A Necessity for Marketers in a Depressed Economy

"There's a focus on efficiency during these leaner times. Advertisers are putting more concentration on maximizing direct response. The Internet is the most efficient direct response machine ever invented." *—Guy Phillipson, chief executive, Internet Advertising Bureau UK, as quoted in MediaWeek, October 7, 2008*

Search has become incredibly popular with advertisers. Most importantly, though, search has ushered in a new advertising model—one that serves up relevant ads that are actually welcomed by consumers. As search guru Danny Sullivan has said, "Ads placed in front of searchers aren't interruptions, they're exactly what the searchers are after."

In addition, search provides a number of benefits to advertisers, each of which is particularly attractive in a recession:

- Search provides a strong, highly measurable ROI for marketing dollars spent.
- Search garners click-through rates that exceed all other forms of online advertising.
- Search offers marketers the potential for immediate sales online, as well as for online and offline sales at a later time.
- Search can even enhance brands.

In addition, search—which over 80% of consumers and businesspeople engage in on a regular basis—often plays a strong role in influencing purchase decisions.

In a 2007 Enquiro study conducted among B2B professionals, search engines were second only to manufacturers' Websites as a key factor in purchase decisions.

Key Factors in Purchase Decisions Among B2B Professionals in North America, March 2007 (ranking on a scale of 0-7)

	All phases	Awareness	Research	Negotiations	Purchasing
Manufacturers' Websites	5.5	5.4	5.8	5.4	5.4
Search engines	5.1	5.0	5.4	4.9	4.7
Distributors' Websites	5.1	5.1	5.2	5.1	5.3
Trade publications	4.3	4.4	4.6	4.0	4.3
General business publications	4.3	4.3	4.6	4.1	4.5
Word-of-mouth	4.2	4.2	4.4	4.1	4.3
News sites	3.9	3.9	4.2	3.7	3.8
Video	3.8	3.7	4.2	3.6	3.7
Opt-in e-mail	3.7	3.8	3.9	3.5	3.5
RSS feeds	3.5	3.4	4.0	3.3	3.6
Webinars	3.5	3.2	3.4	3.9	3.7
Podcasts	3.4	3.3	3.7	3.3	3.2
Social network sites	3.4	3.3	3.6	3.3	3.2

Note: n=1,086
Source: Enquiro, "Business to Business Survey 2007," May 2007

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Bottom line: If marketers are not doing search, they are giving business away to competitors. And they are certainly not maximizing opportunities to convert their most interested prospects.

Continued Growth in Search Ad Spending

"As the ad industry braces for a deep recession, someone needs to notify the search advertising business." *—Mike Shields, reporter, MediaWeek, October 15, 2008*

According to the IAB/PwC, search advertising spending in the US grew 23.6% in the first half of 2008. That growth rate exceeded that of every other online ad format, with the exception of online video.

Google, the undisputed titan of search advertising, saw its US-based search revenues grow 30% in the first half of this year and 22% in Q3. While the trend is going downward, the growth is healthy nonetheless.

Similarly, Q3 2008 results from Microsoft showed the company's search revenues grew 22% year-over-year.

eMarketer has forecast that US search advertising will grow 18.1% in 2008, reaching $10.4 billion. At this point, our projection—in which we benchmark our future search projections against the historical reports from the IAB—could be right on the money, assuming the downturn does not get much more worse than it already is.

US Online Advertising Revenues, by Format, First half 2007 & First half 2008 (millions and % change)

	First half 2007	First half 2008	% change
Search	**$4,097**	**$5,064**	**23.6%**
Display-related	**$3,198**	**$3,799**	**18.8%**
-Banner ads	$2,099	$2,418	15.2%
-Rich media	$699	$806	15.3%
-Video	$100	$345	245.0%
-Sponsorships	$300	$230	-23.3%
Classifieds	**$1,699**	**$1,611**	**-5.2%**
Lead generation	**$799**	**$806**	**0.9%**
E-mail	**$200**	**$230**	**15.0%**
Total	**$9,993**	**$11,510**	**15.2%**

Source: Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (PwC), "IAB Internet Advertising Revenue Report: 2008 Second-Quarter and First Six-Month Results", October 2008; eMarketer calculations, October 2008

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For additional information on the above chart, see Endnote 098685 in the Endnotes section.

In Q2 2008, search accounted for 44% of total online ad spending in the US, according to the IAB/PwC.

Looking at 2008 and 2009, eMarketer expects only a gradual decline in the growth rate for search ad spending, specifically a drop from 18.1% in 2008 to 14.3% in 2009. Compared with other research sources, eMarketer is on the conservative side.

Comparative Estimates: US Search Advertising Spending Growth, 2008 & 2009 (% change)

	2008	2009
Barclays Capital, October 2008	22.0%	17.0%
Collins Stewart LLC, May 2008 (1)	24.0%	23.0%
eMarketer, August 2008 (2)	**18.1%**	**14.3%**
JPMorgan, September 2008 (2)	27.4%	25.5%
MAGNA, July 2008 (1)	26.5%	24.0%
Myers Publishing LLC, October 2008	21.0%	18.3%
Oppenheimer & Co., February 2008 (3)	25.0%	23.0%
ThinkPanmure, October 2008 (4)	20.5%	13.0%

Note: (1) paid search; (2) paid listings, contextual text links and paid inclusion; (3) paid search, search engine optimization (SEO) and contextual; (4) paid search and contextual
Source: eMarketer, August 2008; various, as noted, 2008

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For additional information on the above chart, see Endnote 099196 in the Endnotes section.

As another barometer, Searchignite, a search marketing services firm, reported that search spending by its advertisers increased by nearly 27% in Q3 2008, despite the troubled economic climate.

US Paid Search Marketing Spending Growth, Q3 2007-Q3 2008 (% change*)

*Note: data is for 500+ marketers who are clients of SearchIgnite or 360i; *vs. same quarter of prior year*
Source: SearchIgnite, "US Search Market Continues to Buck Broader Economic Trends in Q3," October 14, 2008

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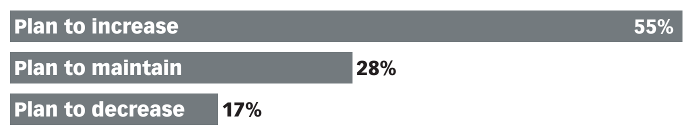
A recent survey conducted by JupiterResearch found that 55% of search marketers planned to increase their search spending over the next 12 months.

Change in Paid Search Spending in the Next 12 Months According to US Search Marketers, 2008 (% of respondents)



Note: n=103
Source: JupiterResearch, "Large-scale Paid Search: Challenges and Opportunities" commissioned by Marin Software, October 2008 as cited by Search Engine Land, October 15, 2008

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A big wildcard for search, especially in the critical Q4 2008 selling season, is what retailers will do.

Some analyst firms have predicted that retailers will be more aggressive than the average marketer in their use of search. Specifically, Forrester predicted in August 2008 that retailers would grow their search spending by 28.7% in 2008 to $3.63 billion. While this makes some sense—given that most large retailers sell online and search lets them target consumers when they are in shopping mode—more-recent data suggests another scenario.

According to Searchignite, spending growth among retailers in Q3 2008 slowed to only 1.5%; average order value was also on the decline.

"Our experience is that advertisers are willing to take all the clicks they can get. Even in tough times that continues to be true. No one wants to turn away a customer." *—Hal Varian, chief economist, Google, as quoted in the New York Times, October 16, 2008*

Search: ROI on Steroids

If ROI is a marketing goal, search delivers.

According to the Search Engine Marketing Professional Organization (SEMPO), in an obviously self-selecting survey of its members, paid placement and organic search engine optimization (SEO) garnered the top two ranks for delivering ROI for search engine advertisers worldwide.

Advertising or Marketing Tactics Search Engine Advertisers Worldwide Believe Yield the Best Return on Investment (ROI), December 2007-January 2008 (% of respondents)

Paid placement	54%
Organic search engine optimization (SEO)	50%
E-mail marketing	39%
Conferences	17%
PR	14%
Affiliate marketing	14%
Direct mail	13%
Contextual text ads	12%
Online graphical ads	8%
Print magazine ads	8%
TV ads	8%
Paid inclusion	6%
Search-keyword-targeted graphical ads	5%
Rich media	5%
Telemarketing	4%
Print newspaper ads	4%
Print yellow pages	2%
Radio	1%
Point-of-sale (POS) promo	1%
Paid listing on shopping directory	1%
Internet yellow pages (IYP)	1%
Coupons	1%
Other	3%

Note: n=338; respondents chose their top three answers
Source: Search Engine Marketing Professional Organization (SEMPO), "The State of Search Engine Marketing 2007" conducted by Radar Research, provided to eMarketer, June 19, 2008

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Other researchers confirm these results. Sapient sponsored a survey in November and December 2007 and found that 38% of online marketers ranked search as the No. 1 marketing channel for providing ROI, higher than e-mail at 24% and digital advertising at 15%.

MarketingSherpa's survey of marketers at ad:tech 2007 found that SEO was rated the best-performing online advertising tactic by 57% of respondents; paid search ads came in fourth place, with 34% rating it best-performing. Behavioral targeting, which serves as an excellent complement to search tactics, was ranked second at 44%.

Best-Performing* Online Advertising Tactics According to US Online Marketers**, 2006 & 2007 (% of respondents)

	2006	2007
Search engine optimization (SEO)	45%	57%
Behavioral targeting	34%	44%
E-mail (house list)	47%	42%
Paid search ads	49%	34%
Affiliate marketing	25%	25%
Contextual targeting	29%	21%
Text link ads	-	23%
Contextual text ads	-	13%
Banner ads	12%	10%
Rich media ads	28%	7%
E-mail (rented lists)	11%	7%
Pop-ups and pop-unders	15%	0%
Ads in e-mail newsletters	13%	-

*Note: *great ROI, outperforms other tactics; **ad:tech attendees*
Source: MarketingSherpa "ad:tech Fifth Annual Study" as cited in press release, February 5, 2008

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As another indication of search's efficacy and ROI, JPMorgan analysis revealed that paid search garnered a click-through rate of 28.3% in 2008, far surpassing the typical banner ad at less than 1%. This makes sense given the self-selective nature of engaging in a search. Although JPMorgan predicted a steady rise in the revenue per click for search over the next few years, the economic downturn will likely dampen these results.

US Paid Search Metrics, 2006-2011

	Revenue per 1,000 searches	Click-through rate	Revenue per click
2006	$74.86	26.2%	$0.46
2007	$81.65	27.3%	$0.47
2008	$87.21	28.3%	$0.48
2009	$88.73	28.6%	$0.48
2010	$94.62	30.0%	$0.49
2011	$94.91	30.0%	$0.49

Note: includes paid click, paid inclusion and contextual
Source: JPMorgan and company reports, "Nothing But Net," provided to eMarketer, January 2, 2008

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Latent Effects

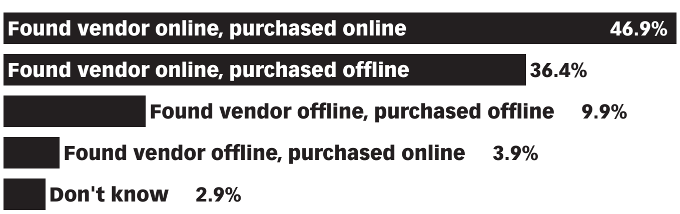
When measuring the ROI of search, it is critical to measure not just the immediate clicks leading to a conversion but also the latent effects—those occurring online as well as offline.

In a joint comScore and Google study looking at "The Role of Search in Consumer Buying," direct online effects of search (i.e., immediate click-throughs) accounted for only 16% of activity. Latent online effects (i.e., activity done online sometime after a search) accounted for an additional 21%, and latent offline effects (i.e., activity done offline sometime after an online search) accounted for a whopping 63%. The study was conducted in March 2006 and examined activity across 11 product categories over a 60-day period.

In a more recent 2007 study by comScore and Yahoo!, consumers who searched online for a variety of consumer packaged goods products spent 20% more money in-store, in-category, during the 30 days following their search activity than did those who did not search.

In the B2B category, too, marketers need to look at and measure the latent effects of search queries, as seen by the 36.4% of respondents to Enquiro's May 2007 survey who found vendors online but completed their purchases offline.

Online vs. Offline Conversion for Product/Service Purchases by B2B Professionals in North America Who Researched Online, March 2007 (% of respondents)



Source: Enquiro, "Business to Business Survey 2007," May 2007

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The Branding Impact of Search

Search is usually thought of as a purely direct-response tactic for marketers. However, data suggests that there are important branding effects of appearing in search results as well.

In a major study by Enquiro Search Solutions conducted among 2,722 adult consumers in July 2007, marketers who had a strong presence in both the top sponsored (paid) and top organic (SEO) search listings enjoyed a significant increase in branding metrics, such as aided brand recall, brand affinity and purchase intent.

For information about search strategies and tactics, see eMarketer's "Search Engine Marketing: User and Spending Trends" report at http://www.emarketer.com/Reports/All/Emarketer_2000473

Strategy 3. Beyond Search: Do Not Ignore the Power of Branding Online

Search accounts for over 40% of all online advertising dollars spent in the US. Beyond the debate over whether search is most effective as a direct response or branding tactic, one thing is clear: If marketers *only* do search, they are missing 70% to 80% of their market opportunity.

Search works best when it is complemented by online branding efforts that create awareness, interest and desire among prospects. Often the idea to search for a particular item comes from brand advertising.

Moreover, when display ads are combined with search, marketers can expect a significant increase in sales conversions, whether those take place online or offline.

"Brands are how you sort out the cesspool."

—Eric Schmidt, chief executive, Google, as quoted in Advertising Age, October 8, 2008

Ad Spending for Brand Advertising Online Will Continue to Grow

While not growing as fast as search, spending on online display-related advertising, including banners, rich media and video, rose at a rate of 18.8% in the first half of 2008, according to the IAB and PwC.

eMarketer, which benchmarks its online ad spending projections against the IAB's quarterly reports, had estimated in August 2008 that growth in online display-related spending would rise by 19.4% for the full year, recognizing that the Q4 holiday shopping season is usually strong. Full-year 2009 growth for display-related ad spending was also predicted to be 15.4%. However, in light of the severe blows to the economy over the past couple of months, eMarketer will be issuing downwardly revised projections in mid-November.

Looking at pure display banner ads only (i.e., not including video or rich media), eMarketer had forecast growth of 16.9% for 2008 and 13.6% for 2009. These projections, too, will be shaved in our mid-November release.

US Online Advertising Spending Growth, by Format, 2008-2013 (% change)

	2008	2009	2010	2011	2012	2013
Video	55.9%	48.5%	53.3%	65.2%	78.9%	70.6%
Sponsorships	21.4%	18.2%	21.2%	24.6%	30.7%	21.3%
Search	18.1%	14.3%	16.7%	19.7%	22.7%	16.7%
Lead generation	17.9%	12.9%	15.2%	20.9%	19.2%	16.3%
Classifieds	11.7%	13.7%	16.7%	20.1%	21.8%	15.5%
Rich media	18.7%	11.6%	17.5%	14.6%	20.1%	13.0%
E-mail	11.6%	8.4%	14.3%	14.0%	12.2%	10.1%
Display ads	16.9%	13.6%	15.8%	18.8%	15.7%	6.2%
Total	**17.4%**	**14.5%**	**17.5%**	**20.9%**	**23.5%**	**18.0%**

Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2007
Source: eMarketer, August 2008

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For additional information on the above chart, see Endnote 097132 | 097141 in the Endnotes section.

As confirmation of the muted but continued growth expectations for online display advertising, consider the comparative estimates chart below. With the exception of Myers Publishing, researchers are predicting double-digit growth for display ads in both 2008 and 2009.

Comparative Estimates: Online Display/Branding Advertising Spending Growth, 2008 & 2009 (% change)

	2008	2009
Barclays Capital*, October 2008	17.0%	14.0%
Collins Stewart LLC**, May 2008	23.0%	22.0%
eMarketer*, August 2008**	**16.9%**	**13.6%**
JPMorgan*, September 2008	13.8%	15.7%
Myers Publishing LLC***, October 2008	3.0%	3.8%

*Note: *includes static, rich media and video; **includes banner ads, rich media, video and sponsorships; ***excludes video*
Source: eMarketer, August 2008; various, as noted, 2008

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For additional information on the above chart, see Endnote 099197 in the Endnotes section.

Of course, with the continuing deterioration of the economy and resultant softness in online advertising in general, that growth will probably drop to the 8% to 10% range in 2008 and 2009. That represents a slowdown, but it is not as bad as the stone-cold sober predictions from Jack Myers of Myers Publishing and banking firm ThinkPanmure, which see flat to negative growth for display ads. While ThinkPanmure estimates that brand advertising will grow only 5.4% in 2008 and sink 5.0% in 2009, the firm lumps troubled classified ad spending into its definition of "brand advertising."

Other data suggests display ads could be even more vulnerable in this down economy. Forrester asked marketers in April 2008 what their spending plans would be for various online ad formats in the event of a recession in the next six months. Only 10% said they would increase display ad spending, while 41% said they would reduce it.

"It's time we woke up and faced reality. Online display-ad spending will fall in 2009, probably sharply." *—Henry Blodget, Silicon Valley Insider, October 20, 2008*

An even worse prognosis comes from Internet-bull-turned-bear Henry Blodget, former Merrill Lynch analyst and now pundit and founder of Silicon Valley Insider, who had this to say about online display ads: "At this point, we would estimate at least a 10% drop next year and probably slightly more in 2010."

Mr. Blodget's words were echoed by Yahoo!'s Q3 2008 earnings report. The Internet company, which derives about two-thirds of its US revenues from display advertising, saw its sales rise only 3.4% year-over-year for the September quarter. On the other hand, Q3 2008 results for Microsoft's online ad revenues provided a more upbeat view for display advertising, with a respectable 12% year-over-year growth rate.

Others, including eMarketer's own online advertising senior analyst David Hallerman, expect that worsening economic conditions will continue to put downward pressure on spending for online display advertising in 2009. However, that shift toward reduced display advertising spending could end up being a mistake by marketers, as will be explored later in this whitepaper.

The biggest factor holding down the growth of online display ad revenues is depressed pricing, which in turn is a function of both the economy and the proliferation of ad networks that tend to commoditize pricing.

Bad news on pricing recently came from ad network PubMatic, which releases quarterly AdPrice Indexes for online advertising. In its Q3 2008 report, the firm revealed that display advertising pricing across all Website sizes and verticals had been trending downward throughout 2008.

According to JPMorgan, display ad CPMs, or cost per thousand for page impressions, decreased from $4.25 in 2005 to $3.50 in 2006 and to $3.31 in 2007. And while the investment bank originally predicted flat growth for 2008, the recessionary pressure will likely make the numbers drop even further. Of course, this could have the opportunistic effect of making online display advertising even more attractive (i.e., cheap) for marketers in the recession.

For some perspective, however, even before the market dropped, CPMs on the Web, with the exception of those for video ads, have consistently been far lower than for television.

Measure Online Branding Efforts

Most search marketers measure results and calculate ROI—thanks to the relative ease of doing so. With branding efforts, though, measurement can be a challenge.

According to a May 2008 PROMO magazine survey of 148 US marketers (at least of those who subscribe to the magazine, which admittedly skews toward direct-response marketers), only 41.5% said they measured metrics for online brand awareness. A much higher percentage (58.5%) used the far less meaningful click-through metric.

Metrics Used by US Marketers to Measure Interactive Campaign Effectiveness, 2007 & 2008 (% of respondents)

	2007	2008
Click-throughs	51.0%	58.5%
Incremental sales	41.1%	43.5%
Offer response rates	44.5%	42.9%
Brand awareness	36.5%	41.5%
Lead generation	40.7%	36.1%
Return on promo investment	34.2%	34.7%
Increased understanding of customer	26.6%	23.8%
Coupon redemption rates	16.3%	19.0%
Engagement with Web content	12.2%	16.3%
Media impressions	24.7%	16.3%
Improved sales margins	4.6%	4.9%
Don't measure	*	2.0%
Does not apply	4.9%	2.7%

*Note: *not asked in 2007*
Source: PROMO Magazine, "2008 Promo Interactive Marketing Survey" conducted by Penton Research, May 2008

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A January 2008 survey by Sapient found similar results, with only 48% of marketers saying they measured online advertising campaigns; in contrast, 71% measured search and 82% measured Website analytics.

Clearly, if marketers are going to spend precious dollars executing online branding campaigns, they ought to be measuring the results—even if it costs a little extra in terms of time and effort.

Integrate Metrics

Step one is to measure online branding efforts, but keep the data in a silo. Step two involves integrating the measurement of branding with search efforts. And there are some very compelling reasons to do so.

Key Stat

According to the Atlas Institute, if marketers only look at search, which is often the "last ad clicked," they are missing 94% of their engagement touchpoints.

"Some marketers are starting to use the technology that manages online ad campaigns (the ad-serving platform) to assess the impact of all online touchpoints, instead of basing the optimization of media on the last click before a conversion."

—Jacques Buhgin, Amy Guggenheim Shenkan and Marc Singer, The McKinsey Quarterly, October 2008

Today, the tendency for online marketers is to measure only search and give it most or all of the credit for online conversions. They do this because search results, which often represent the "last ad clicked," are relatively easy to measure. But a wealth of data suggests that marketers should be applying much more rigorous measurement analytics and integrating search and display results to get the complete story on their campaigns.

Another concept here is frequency. We all know that multiple messages do a better a job of convincing consumers to buy our product than a single message. By exposing a given consumer to multiple display messages, in addition to the search text ad they get after a search inquiry, marketers are likely to improve conversion rates.

In a study by the Microsoft-owned Atlas Institute, 11 online advertisers were analyzed by measuring both their display ads and sponsored search clicks. In the study, Internet users exposed to both search and display ads converted at a 22% higher rate than those exposed to search alone.

Conversion Rate of US Internet Users Exposed to Search Plus Display Advertising vs. Either Search Only or Display Advertising Only, 2006 (lift vs. display click only)

*Note: *baseline*
Source: Atlas DMT, "Where Can You Find Your Customer? Try the Intersection of Search and Display," July 21, 2006

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For additional information on the above chart, see Endnote 099215 in the Endnotes section.

"In the increasingly advertising-filled online environment, you know that you're often exposed to more than one message from a marketer before you buy. You see a display ad one day, a video ad the next day, and maybe the day after that you search for the product and purchase. If the search ad is the only one getting the credit for the conversion, the marketer isn't getting the full story." *—Esco Strong, analyst, Atlas Institute, "Where Can You Find Your Customer?," Microsoft, 2007*

Case Study: Alltel

When mobile carrier Alltel measured the sales conversion impact of search clicks, display ads and the synergy of the two, the "search click + display ad" combination resulted in a 56% lift versus a search click alone.

Source: Atlas Institute, Microsoft

Online display ads help lift results in several ways. First, they can increase brand awareness, message association and purchase intent. They can also act as a stimulus for driving brand searches—which is a key step leading to purchase.

Use Display/Branding Ads to Leverage Online Shopping

Despite the economy, the 2008 holiday season is going to stimulate a great deal of online shopping and research among consumers, whether they end up purchasing online or in stores (or at all!).

This activity of searching and researching online produces special opportunities for marketers to reach consumers with ads—just as they are in-market. What's more, during really tight times, consumers tend to eliminate impulse purchases and instead restrict themselves to considered purchases. This plays strongly to the Internet, which lends itself toward well-thought-out, highly researched purchases.

"My expectation is we'll see a lot more shopping around, a lot more research [because of the recession], so there is an opportunity there to reach people where they are doing their research online…Brand advertising and display advertising create the intent, and search helps you resolve the purchase." *—Hal Varian, chief economist, Google, TravelThink Conference, October 8, 2008*

Consumers use the Internet heavily to research a wide variety of purchases, according to September 2008 data from Universal McCann.

Products and Services that Active* Adult Internet Users Worldwide Have Researched Online, 2008 (% of respondents)

Holidays/destinations	61.9%
Consumer electronics (e.g., TVs, PCs)	58.4%
Travel (e.g., flights, trains)	56.9%
Portable devices (e.g., MP3 players, mobile phones)	56.6%
Mobile phone services	56.0%
Computer software	52.3%
Films	49.8%
Music	48.8%
Books	46.2%
Cars/automobiles	43.7%
Home appliances (e.g., refrigerators, freezers)	39.1%
Game consoles/gaming	36.9%
Fashion (e.g., clothing, shoes)	35.0%
Financial services (e.g., credit cards, banking, insurance)	31.1%
Property/real estate	29.7%
Cosmetics	27.5%
Personal healthcare (e.g. medicines, contact lenses, etc.)	24.1%
Groceries (food)	18.7%
Utilities (e.g., gas, electricity, etc.)	16.1%
Groceries (nonfood e.g., cleaning products)	15.5%
Alcoholic beverages	12.3%
Nonalcoholic beverages	9.1%

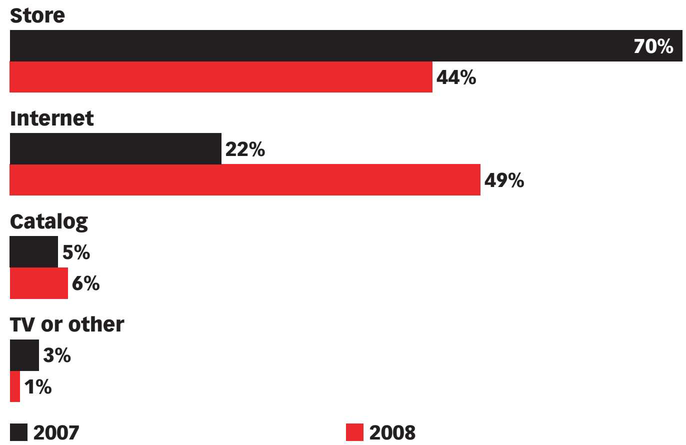
*Note: n=17,000 ages 16-54; *daily or every other day*
Source: Universal McCann, "When Did We Start Trusting Strangers?," September 2008

098382 www.eMarketer.com

"The Web is the best platform for getting consumers from awareness to transaction the world has ever seen, yet few advertisers leverage the Web as a transaction platform." *—David Koretz, MediaPost's Online Publishing Insider, October 16, 2008*

October 2008 data from the e-tailing group also depicts an impressive shift among consumers toward the Internet as a shopping channel.

Leading Channels Used for Holiday Shopping According to US Internet Users, 2007 & 2008 (% of spending)



Source: the e-tailing group, "Mindset of the Multi-Channel Shopper Holiday Survey" sponsored by ATG as cited by Marketing Charts, October 15, 2008

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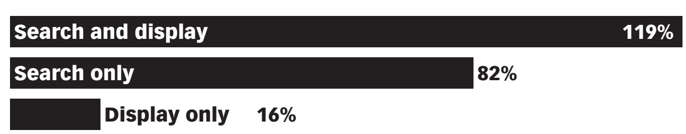
Unfortunately, while online advertising can have a substantial impact on offline sales, most marketers fail to measure this important connection. According to McKinsey, in its June 2008 digital advertising survey of 340 senior marketing executives worldwide, only 30% said they even considered the offline impact of online marketing. However, marketers who did look at those metrics were more satisfied with their online efforts and said they planned to increase spending on it by 38%. Of course, to be fair, integrated measurements systems are often difficult and pricey—but in the long term, they can pay off handsomely.

For those marketers who measure search and display advertising together, the results can be encouraging. A September 2008 comScore study found that by using search and display ads in combination, marketers can significantly boost offline retail sales, versus either search only or display only.

Incremental Impact on Offline Sales per Thousand US Consumers Exposed to Search and Display Ads vs. Search Only and Display Only, 2007-2008 (% lift)



Note: n=137 tests from comScore Ad Effectiveness Database conducted in 2007 and 2008
Source: comScore, "Maximizing the ROI from Internet Advertising: Lessons Learned," September 8, 2008, provided to eMarketer, October 2008

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On average, for retailers with an online and offline sales channel, approximately 68% of the impact of display ads was found in the offline sales channel, according to comScore.

As evidenced by a separate survey conducted by comScore Networks and Yahoo!, the search/display combination of ad messages increased in-store purchases significantly. In the study, those online shoppers who had seen both ad types were converted to in-store buyers 43% of the time. In comparison, consumers who had seen only search ads were converted just 26% of the time, while exposure to only display ads converted only 6% of online researchers into in-store buyers.

Effectiveness of Online Search and Display Advertising Campaigns in Converting US Online Researchers to In-Store Buyers, 2007 (% change in conversions)

Source: comScore Networks Inc. and Yahoo!, "From Clicks to Bricks: The Impact of Online Pre-Shopping on Consumer Shopping Behavior" as cited in press release, July 30, 2007

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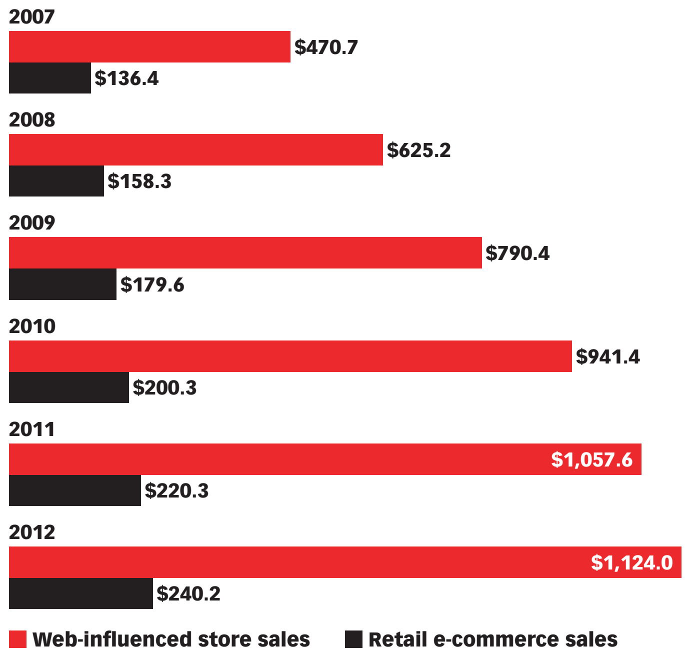
For additional information on the above chart, see Endnote 086196 in the Endnotes section.

In aggregate, the impact of online product research/shopping behavior is greater on in-store sales than direct Web sales. eMarketer estimates that in 2008, Web-influenced store sales will reach $625.2 billion. And by 2012, every $1 of online sales will equal about $4.68 in store sales that are influenced by the Internet, often involving online marketing campaigns.

US Web-Influenced Retail Store Sales vs. Retail E-Commerce Sales, 2007-2012 (billions)



Note: eMarketer benchmarks its retail e-commerce sales figures against US Department of Commerce data, for which the last full year measured was 2007; excludes travel sales
Source: eMarketer, February 2008

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Marketers who fail to assess the cross-channel impact of their advertising efforts—particularly in this economic climate—are significantly underestimating its effectiveness. Leading marketers today are developing tracking mechanisms that allow for comparisons between offline and digital marketing. And they do not have to be complicated or expensive. For example, retailers could use online advertising messages to promote coupons that are redeemable on Websites and in stores, in order to track sales across channels.

Other Ideas During the Downturn

There are numerous strategies marketers can use to cost-effectively reach, influence and sell to consumers using digital brand marketing.

Honda Roadblocks on Sony Properties

In response to the downturn, Honda recently placed an unprecedented $500,000 worth of ads across Sony's mobile and online entertainment sites to grab consumer attention and cut through the clutter of banner ads that consumers are exposed to on a daily basis.

This "roadblock" approach, to support its fuel-efficient Honda Fit, will feature ads on Sony's video site, Crackle, as well as music and video sites related to Sony BMG, and partner sites such as MySpace, Facebook, YouTube and Hulu.

"We are not just throwing up a banner that could be passed over." *—Edmund Purcell, VP, RPA (Honda's ad agency), as found on PaidContent.org, October 8, 2008*

Honda is likely taking advantage of its superior financial position (relative to its competitors), allowing it to spend more heavily on marketing and thereby steal even more share during the recession.

Comparison Shopping Sites

Given today's growing consumer price sensitivity, marketers would do well to ensure their products get listed on the numerous price and comparison shopping sites. Although comparison shopping sites represented only 5% of online retailers' customer acquisitions in a 2008 Shop.org/Forrester survey, this percentage is likely to climb over the months to come. According to Nielsen, online advertising on comparison shopping sites increased nearly 30% in the first half of 2008.

Focus on Value Messages

The Internet represents an efficient, cost-effective means for delivering advertising messages—and for many marketers those messages should be hammering home value propositions. Reinforcing this point was Chris Donnelly, a partner at Accenture's retail practice, who said, "Consumers right now are responding heavily to retailers that have a focus on a value message," as reported in Advertising Age, September 29, 2008.

Consider Good Old-Fashioned Sponsorships

Sponsorships—as old as advertising itself—can be extremely effective and efficient during an economic downturn *if* placed on the right content sites and precisely targeted to reach the marketers' intended prospects.

It makes sense to sponsor content for which marketers have solutions. For example, a newly launched "Intelligent Investing" section on Forbes.com, hosted by Steve Forbes, provides "analysis of the current economic climate." This specialized section provided Zurich, an insurance-based financial services provider, with a highly targeted sponsorship opportunity since the content is strongly related to its core service offering.

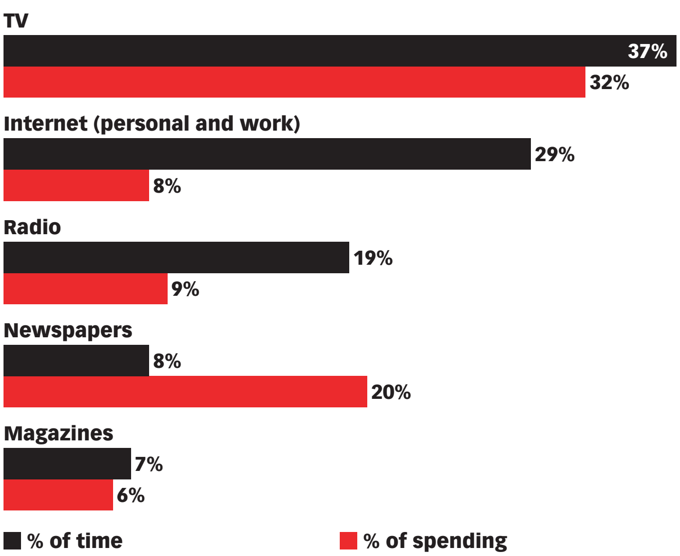
Strategy 4. Stay Close to Customers

Obviously, when times are tough, marketers should attempt to stay as close as they can to their core customers. Fortunately, the Web provides a number of opportunities that allow this to be done as efficiently as possible.

With nearly 70% of all adults online, and much higher penetration among teens and millennials, according to eMarketer estimates, the Internet has reached the threshold of becoming a mass medium. In addition to scale, it also accounts for an increasingly large share of consumer media time.

Data from Forrester Research indicates that, in 2007, American consumers devoted 29% of their total media time to the Internet, and that usage was second only to television, at 37% of total time.

Share of Time in a Typical Week that US Adults Spend with Select Media* vs. Share of US Advertising Spending by Media, 2007



*Note: *consumer media time excludes time spent using a mobile phone, watching DVDs or playing video games*
Source: Forrester Research, "Teleconference: The US Interactive Marketing Forecast 2007-2012," January 4, 2008

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For some consumer groups, however, the Internet has become their top medium in terms of time spent per week. Bridge Ratings, for instance, claimed that teens spend more time online than they do with television. And Forrester Research reported that 18-to-27-year-olds spend more time online (12.7 hours weekly) than watching TV (10.4 hours).

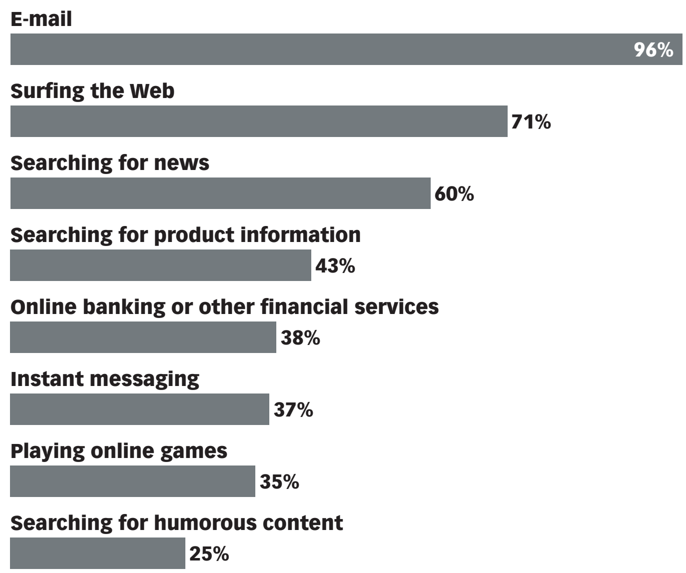
E-Mail: Still a Great Medium for Staying in Touch

As a marketing tool, e-mail is certainly not sexy. It is about as Web 1.0 as a channel can get. But it works and it is cheap.

Moreover, many consider e-mail to be one of the most efficient and inexpensive media for reaching existing customers. Consequently, marketers, particularly in this strained economy, would do well to maintain or increase their e-mail marketing budgets, particularly retention-based e-mail.

Today, e-mail is virtually ubiquitous, with 96% of Internet users using it weekly, according to a 2007 survey by the USC Annenberg School Center for the Digital Future.

Online Activities* of US Internet Users, 2007 (% of respondents)



*Note: *weekly*
Source: USC Annenberg School Center for the Digital Future, "The 2008 Digital Future Project-Year Seven" as cited in press release, January 17, 2008

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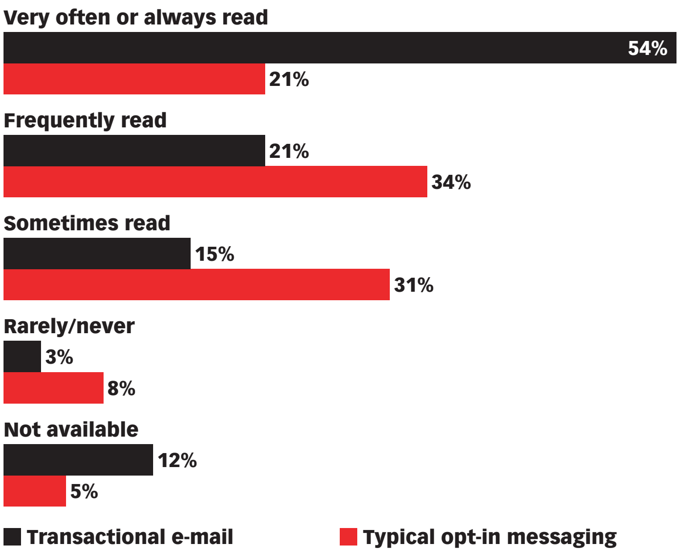
Further, data from research firm Ipsos indicated that nearly 75% of adult e-mail users accessed it on a daily basis.

According to a 2007 poll by MarketingSherpa, 86% of US adult Internet users said they opened opt-in e-mails from companies, and an impressive majority (55%) did so "always," "very often" or "frequently."

Types of E-Mail that Are Opened and Read by US Adult Internet Users, by Frequency, January 2007 (% of respondents)



Source: MarketingSherpa, "Consumer Attitudes Toward Transaction Email 2007" commissioned by StrongMail, September 2007

088614 www.eMarketer.com

For additional information on the above chart, see Endnote 088614 in the Endnotes section.

A February 2008 study by e-mail marketing services firm ExactTarget found that e-mail ranked No. 2 as a marketing channel acceptable to consumers; only direct mail scored higher. The survey also revealed that 65% of Internet users had made a purchase as a direct result of receiving e-mail marketing messages.

According to Target Marketing, in a January 2008 survey of 340 US direct marketers, 85% claimed they used e-mail marketing for retention purposes. The reason e-mail is so effective at retention is simple: It precisely targets those who have opted in to receive the company's messages.

Marketing Tactic with Strongest ROI for Customer Acquisition vs. Retention by US Direct Marketers, January 2008 (% of respondents)

	Customer acquisition	Customer retention
Direct mail	34%	33%
E-mail	24%	37%
Search engine marketing	8%	1%
Telemarketing (outbound)	7%	9%
Advertising on Websites	6%	3%
Catalogs	6%	7%
Search engine optimization (SEO)	6%	1%
DR space advertising	3%	2%
DR TV	2%	1%
DR radio	1%	1%
Insert media	1%	2%
Mobile marketing	1%	1%
Webcasts	1%	2%
Fax	0%	0%
Podcasts	0%	0%

Note: n=340
Source: Target Marketing, "Media Usage Forecast 2008," March 1, 2008

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Bottom line: Marketers should keep or strengthen e-mail marketing programs. The e-mail campaigns should be targeted and personalized as a means of staying close to customers without spending a lot of money.

Social Media: Where Consumer Conversations Are Taking Place

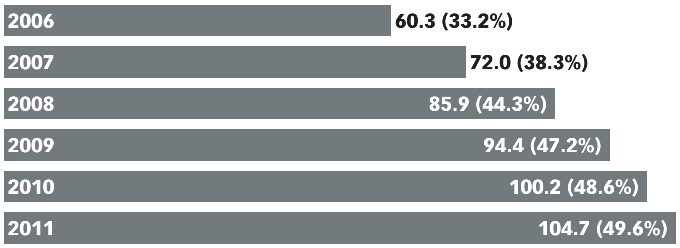
If marketers want to stay in touch with consumers today, they need to follow them onto the social Web, including blogs, consumer review sites, social portal sites (such as MySpace, Facebook and Bebo) and real-time conversational applications (such as Twitter).

Consumers spend a significant amount of time on these sites and applications, and they have real conversations about issues, concerns, passions, purchasing decisions, and their experiences with products and services.

Of course, people also use social media to be entertained and to express themselves. All of these activities open up unique opportunities for marketers to engage consumers with relevant messages.

By year-end 2008, 86 million people in the US, or 44% of all Internet users, will be regular visitors to social network sites, according to eMarketer estimates. That figure is up from 38% in 2007.

US Online Social Network Users, 2006-2011 (millions and % of total Internet users)



Note: ages 3+; use at least once per month
Source: eMarketer, December 2007

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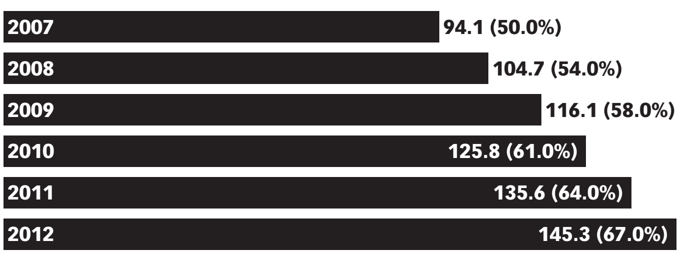
For additional information on the above chart, see Endnote 090145 in the Endnotes section.

The number of people reading blogs in the US has also reached mass scale, with nearly 105 million readers in 2008, accounting for 54% of the Internet population.

US Blog Readers*, 2007-2012 (millions and % of Internet users)



*Note: *Internet users who read at least one blog at least once per month*
Source: eMarketer, May 2008

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"Many businesses will turn to the Web to stay in touch with consumers during a difficult financial climate. This is going to be a lifeline." *—Adam Sarner, analyst, Gartner, as quoted in CNET, October 6, 2008*

Consumers are not only willing to engage with marketers in social media contexts, they also expect marketers to participate. In a poll by Opinion Research Corporation, 85% of social media users responding indicated that companies should have a presence in social media and interact with consumers on these sites, at least when needed or requested. In addition, 41% of respondents felt companies should use social media to solicit feedback on their products and services.

Extent that Companies Should Have a Presence in Social Media* According to US Adult Social Media Users, by Gender, September 2008 (% of respondents in each group)

	Male	Female	Total
Should have a presence in social media and interact with consumers regularly	34%	34%	34%
Should have a presence in social media but only interact with consumers as needed or by request	49%	52%	51%
Can have a presence in social media but should not interact with consumers	6%	9%	8%
Should not have a presence in social media	10%	5%	7%

*Note: ages 18+; *such as blogs/microblogs, forums, wikis, content sharing, social networking, social bookmarking and social gaming*
Source: Cone, "2008 Cone Business in Social Media Study" conducted by Opinion Research Corporation, October 2008

098700 www.eMarketer.com

"Americans are eager to deepen their brand relationships through social media. It isn't an intrusion into their lives, but rather a welcome channel for discussion."

—Mike Hollywood, director of new media, Cone, in a statement, October 2008

Advertising on Social Networks: Under Construction

The amount spent by marketers to advertise on social media has been constrained by a number of factors, not the least of which is discovering the right ways to "talk" to consumers on these sites.

So while advertising on social networks is expected to increase by over 50% in 2008, that spending is off a relatively small base of only $920 million in 2007. Social network advertising as a percent of total online advertising in the US was 4.4% in 2007, and will grow to 5.5% in 2008 and 6.0% in 2009.

US Online Social Network Advertising Spending, 2006-2012 (millions and % of total US online ad spending)

	2006	2007	2008	2009	2010	2011	2012
Social network ad spending	$350	$920	$1,430	$1,815	$2,085	$2,360	$2,610
Total online ad spending	**$16,900**	**$21,100**	**$25,900**	**$30,000**	**$35,000**	**$41,000**	**$51,000**
Social network % of total	2.1%	4.4%	5.5%	6.0%	6.0%	5.8%	5.1%

Source: eMarketer, May 2008

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For additional information on the above chart, see Endnote 094753 in the Endnotes section.

Despite the economy, research suggests that marketers will continue to experiment with newer Web 2.0 ad formats such as social media.

Forrester surveyed US online marketers in spring 2008 and found that in the event of an economic recession, 48% expected to increase their marketing expenditures on social networks over the next six months, 41% expected to increase their e-mail spending and 40% planned to up their spending on blogs.

Change in Online Marketing Spending if There Is an Economic Recession in the Next Six Months According to US Online Marketers*, by Channel, Q1 2008 (% of respondents)

	Increase	No change	Decrease	Don't know
Social networking (n=120)	48%	34%	8%	11%
E-mail marketing (n=291)	41%	47%	5%	7%
Blogging (n=142)	40%	43%	6%	11%
Podcasting (n=145)	23%	50%	12%	15%
Display advertising (n=262)	10%	38%	41%	11%
Total online marketing (n=333)	**26%**	**46%**	**13%**	**15%**

*Note: numbers may not add up to 100% due to rounding; *who know how long company (200+ employees) has been using channel*
Source: Forrester Research and MarketingProfs, "Global Interactive Marketing Maturity Online Survey" as cited by The New York Times, May 19, 2008

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A range of surveys indicate growing support behind social media among marketers.

Comparative Estimates: US Marketers Who Are Planning to Increase Their Spending on Social Media Marketing in Reaction to the Economic Downturn, 2008 (% of respondents)

	Survey date	% of respondents
eMetrics Marketing Optimization Summit (1)	October 2008	62%
MarketingSherpa (2) (3)	September 2008	59%
Forrester Research and MarketingProfs (3)	Q1 2008	48%
Epsilon (4)	September 2008	42%

Note: (1) increase or maintain in 2009; (2) includes responses of "some increase" and "significant increase"; (3) social network marketing only; (4) includes word-of-mouth, social networking sites, viral marketing, etc.
Source: various, as noted, 2008

099200 www.eMarketer.com

For additional information on the above chart, see Endnote 099200 in the Endnotes section.

"The [recessionary] market is not going to drive us to miss one of the largest opportunities [emerging media such as social networks] that we've had in a long time." *—Bonim Bough, director of digital and social media, PepsiCo, as quoted in the Wall Street Journal, October 15, 2008*

Estimates vary considerably between the research firms, but eMarketer estimates that between 30% to 40% of advertisers today are using some form of social network marketing.

Comparative Estimates: US Marketers Who Use Social Network Marketing, 2007 & 2008 (% of respondents)

	2007	2008
Direct Marketing Association (DMA), June 2008	-	23.2%
Forrester Research, March 2007	20.0%	-
Gilbane Group, Inc., June 2008	14.0%	-
Interactive Advertising Bureau (IAB), Association of National Advertisers (ANA), October 2007	25.0%	-
JupiterResearch, December 2007	21.0%	-
Manning Selvage & Lee, June 2007	16.1%	-
NetPlus Marketing, March 2008	-	38.9%
PROMO magazine, May 2008	17.9%	16.9%
Prospero Technologies, LLC, October 2007	45.0%	-
William Blair & Company, July 2008	41.0%	62.0%

Source: various, as noted, 2007 & 2008

099143 www.eMarketer.com

For additional information on the above chart, see Endnote 099143 in the Endnotes section.

According to William Blair & Company, while 62% of US marketers said they were advertising on social networks as of Q2 2008, 71% planned to do so within the next six months.

Cost-Effective Opportunities Through Social Media

Using social networks, blogs and other Web 2.0 applications as an advertising platform is only one strategy that marketers can use to stay in touch with consumers. In fact, there are a number of things marketers can do on these sites that require relatively little or, in some cases, no money.

Look, Listen, Lounge and Learn

At a bare minimum, marketers should be spending time personally exploring social sites and blogs, particularly those that relate to their brands' demographic or lifestyle segments. By doing so, they can learn about and stay in touch with consumers on a scale never before imagined.

By adopting the four *L's*—namely, *look, listen, lounge* and *learn*—marketers will gain valuable insights that can be leveraged in online and offline campaigns. Think of these Web 2.0 sites as a form of perpetual focus group on steroids. And there are a host of new tools and technologies that enable marketers to monitor, evaluate and learn from the millions of consumer conversations taking place all over the Web. What's more, if marketers are feeling a little bolder, they can join in on the conversation—as long as they add value.

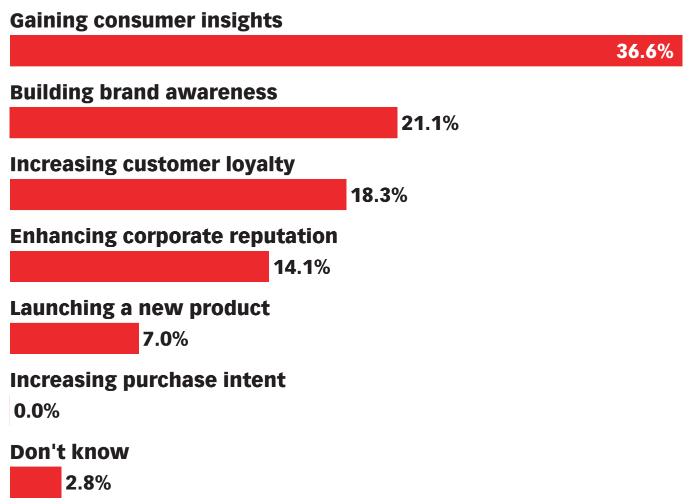
Callidus Software, a provider of sales performance management software, created a social network so its customers could interact and talk about how they used the company's products. The social network gives Callidus insights on product development and a direct pipeline to explore new features and ideas with customers. Four months after launching this year, one-half of Callidus' customers had joined.

On the consumer side, Victoria's Secret Pink has had tremendous success on Facebook. With over 580,000 fans, the loungewear brand is one of the most-popular branded destinations on the site. Content is updated regularly and the page features a mix of sell (ads for the new denim collection and prominent links to the VSPink.com Website), entertainment (polls and videos) and user-generated content (videos and photos submitted by fans).

"To really understand the digital space, marketers have to participate in these [social] venues—and they need to do so all the time. One needs to understand and add value to communities before launching campaigns there." *—Steve Rubel, VP, director of insights, Edelman Digital, as quoted in Advertising Age, October 6, 2008*

In a February 2008 survey by TNS Media Intelligence, the No. 1-ranked potential use for social media among marketers worldwide was "gaining consumer insights," at 37% of respondents.

Marketing Objectives for Which Social Media Offer the Greatest Potential According to Marketing Professionals in Select Countries Worldwide*, 2007 (% of respondents)



*Note: n=71; *Canada, France, UK, US*
Source: TNS Media Intelligence/Cymfony, "Harnessing Influence: How Savvy Brands are Unleashing the New Power of Blogs and other Social Media," February 2008

092737 www.eMarketer.com

On the other hand, directional survey data from NetPlus Marketing indicates that very few marketers are systematically monitoring and measuring activity on consumer-generated media, with less than 10% doing so in Q1 2008.

"In the age of social media, what people say about your company or its products can and will become very public, very quickly. My job is about engaging in a constructive dialogue with customers, in creating active conversation streams." *—Lionel Menchaca, chief blogger, Dell, as quoted in the Financial Times, October 22, 2008*

There is a treasure trove of actionable insights that can be learned from and applied to social media sites and blogs, many of which cost very little.

a. Learn how consumers talk about your product or service category.

Do they use different words or language than you would have expected? If so, perhaps you could add these words to your keyword search buys.

What are the negatives associated with products in your category, and how do consumers express them? Can you draw upon these insights in your advertising copy, either offline or online? Better yet, can you address their concerns by making alterations to your product or service?

b. Learn about real or perceived problems relating directly to your product or customer service.

Many companies inadvertently hide behind toll-free phone numbers, not realizing that most consumers who have a beef with you will not tolerate being put on hold for an eternity; however, they will tell others about the problem… on blogs, their MySpace profile page or Twitter. As a marketer, wouldn't you want to access this information, either to correct a real problem or to sensitively correct a misperception?

And make no mistake: Whether or not you listen in, those conversations are going to take place.

Computer maker Dell, for example, learned the hard way how to listen to its customers. Problems with customer service and other issues had become so bad that the blogosphere coined the term, "Dell Hell." In response, Dell now has a 40-person team of bloggers all tasked with monitoring the Internet to see what customers are posting about Dell, and they step in where needed to offer assistance.

c. Unleash the wisdom of the user.

Intuit, maker of TurboTax software, created a form of customer service wiki whereby users of the tax preparation product were encouraged to answer each other's questions. As Intuit CEO Brad Smith was recently quoted in an October 2008 Fortune Magazine article, "End users create the value themselves and seek the value of other end users like themselves." He added that 40% of TurboTax users' questions were answered by other customers, and at a higher accuracy rate than Intuit's in-house staff was providing.

The real challenge for marketers is to not only build the systems to monitor the conversations, but to process them and do something with the feedback. In the long run, this could end up being the best investment marketers make.

"The challenge is [that] CMOs have to be very attentive to getting customer feedback, listening to that feedback and making the necessary adjustments to the organization and structure of the company."

—Donovan Neale-May, executive director, CMO Council, as quoted in BtoB Magazine Online, October 13, 2008

Join in the Conversation

Beyond observing and learning, marketers can add their two cents' worth to conversations. The trick is to carefully select the communities in which they participate and to make sure they are adding some value. Marketers must earn their right to participate in such environments—or risk alienating the very consumers they are trying to woo.

Marketers need to make advertising messages in social environments as targeted as possible. The leading social network sites allow for very granular targeting, so ad messages can be refined to address very particular consumer groups, such as fly fishing enthusiasts in the Northeast or male baby boomers who love Led Zeppelin.

MySpace and Facebook also offer self-serve ad systems that make it easy for advertisers to create, budget (starting at $25 for MySpace, for example) and manage targeted ad campaigns. These ad systems use information people post about themselves in their profiles to deliver targeted banner ads.

To engage consumers in social contexts, marketers should convey brand messages that are perceived as relevant, value-added content. For example, some marketers have created widgets, or sponsored the widgets of others, with the dual purpose of providing some kind of utility or entertainment for consumers (e.g., a miniplatform for showcasing their favorite music or video pics) as well as linking the brand to the value-added benefit (i.e., a brand sponsorship).

For B2B marketers looking for information about how to use social media, read eMarketer's "B2B Marketing on Social Networks: Engaging the Business Audience" report at http://www.emarketer.com/Reports/All/Emarketer_2000516

Keep Brand Fans Happy

In a difficult economy it is usually easier to market to an existing customer than to acquire a new one (especially if acquiring a new customer requires heavy price discounting). With a relatively small investment, marketers can use social marketing to cultivate relationships with customers who have already raised their hand and expressed interest in their brand or product.

And there is no better time for marketers to reward their brand enthusiasts—customers who are passionate about their product or service. So why not give them the tools to spread the word to others, whether it be 10 friends or 10,000 friends?

Tap into Coveted Influentials

Marketers can go a step further and form relationships with influentials—those people who have the power and influence to spread messages far and wide. Imagine, for example, how helpful it would be for a manufacturer of high-end home entertainment equipment to have a well-known blogger who writes about such products give the brand a glowing endorsement that is read by his avid fans.

Frequency with Which Bloggers Worldwide Discuss Products or Brands on Blog, by Subject, July-August 2008 (% of respondents)

	Frequently	Occasionally	Never
Product or brand reviews	37%	45%	18%
Loved (or hated) brands	41%	48%	11%
Personal everyday experiences with companies or brands*	34%	45%	21%
Company information or gossip	31%	32%	37%

*Note: n=1,290 ages 18+; *e.g., in stores or with customer service*
Source: Technorati, "State of the Blogosphere 2008, Day 5: Brands Enter the Blogosphere," September 26, 2008

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Case Study: How HP Tapped into the Blogosphere and Increased Sales by 84%

As an example of what can be done very inexpensively but to great effect using existing blog networks, consider a unique marketing promotion run by HP for its HDX Dragon Notebook PC. With literally zero dollars spent on advertising media or related production costs, HP worked directly with 31 influentials (bloggers who had influence with communities that were likely targets for the high-priced laptop).

The bloggers developed contests in which each group of readers could win an HDX prize package (valued at over $5,000) over the course of a 31-day promotion. With no direction from HP, the bloggers carried their own marketing, cross-referenced each other and built a communal Website promoting the giveaway with links to every participating blog site.

The results were spectacular, according to MarketingProfs (October 14, 2008). For an investment of only $250,000 in prizes and payments, HDX sales shot up by 84% (versus before the promotion). HP enjoyed more than 50 million total impressions delivered over the course of the 31-day promotion and a 10% lift in overall consumer PC sales accompanied by a 14% increase in Web traffic.

Strategy 5. Engender Trust

Trust is the currency of brands, and it has never been harder to create or hold on to.

A Perfect Storm

The fundamental undercurrent perpetuating the current economic climate is an eroding sense of trust. This lack of trust permeates not only our financial institutions but also consumer confidence—in their investments, in their ability to purchase and in their very future.

Well before this current recession, though, consumers were becoming increasingly skeptical of advertising messages.

In 2005, Harris Interactive discovered in a consumer poll that only 25% of respondents said they trusted people who work in the advertising industry. Two years later, Myers Publishing found that only 17% of consumers had any confidence in advertisers or the advertising industry.

Then, in a 2008 survey by Nielsen Online, the most frequent word consumers used to describe advertising in an associative context was "false."

As a result, we have now entered into a perfect storm, one where marketers are challenged not only by a general mistrust of their marketing messages but also by real financial limitations imposed on consumers.

While marketers can do little about the latter (other than, perhaps, discounting or promoting value messages), they do have opportunities to counter the prevailing lack of trust consumers have with marketers and advertising. There is a lot at stake here. After all, trust is the key ingredient defining a brand's value in the marketplace.

Continue to Advertise

For marketers, the first guideline for creating trust, especially in this gloomy market, should be no secret at all: Keep advertising.

That may sound trite, but there are good reasons. Recognizing that American consumers are fearful and yet still need to make product choices, they will be following two different strategies. Many, out of necessity, will gravitate toward the most-discounted products they can find. Others, while still cautious about overpaying, will seek the comfort of brands they trust.

Marketers need to leverage the money, blood, sweat and tears they have invested over the years in their brand's trust equity—now is *not* the time for brand marketers to go dark.

Consumers Trust Each Other

The second guideline for engendering trust for brands lies in this obvious but often-ignored truism: Consumers trust each other more than they do marketers.

Need proof? There is plenty. In fact, nearly every major study eMarketer has evaluated on the subject makes clear that friends, family, co-workers and other peer-to-peer influencers are by far the most-trusted sources for consumers making decisions about products.

Trusted Sources of Information According to US Consumers, 1997 & 2007 (rated on a scale of 1-10)

	1997 University of Massachusetts survey	2007 Bridge Ratings survey
Friends, family and acquaintances	8.8	8.6
Strangers with experience	4.2	7.9
Teachers	9.2	7.3
Religious leaders	9.0	6.9
Newspapers and magazines	8.1	6.1
Favorite radio personality	6.8	5.5
TV news reporters	7.5	5.2
Bloggers	*	2.8
Advertising	3.3	2.2
Telemarketers	2.1	1.8

*Note: 2007 n=3,400 ages 13+; in both surveys, respondents were asked this question, "Please rate on a scale of 1 to 10 the following as sources of information you most trust"; *not asked in the 1997 survey*
Source: Bridge Ratings and the University of Massachusetts as cited in press release, August 1, 2007

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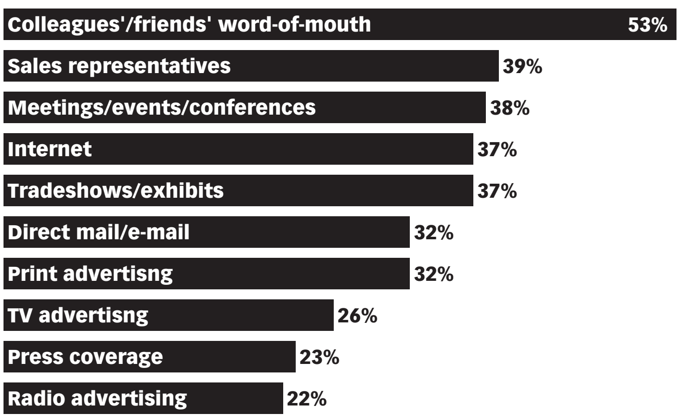
According to PR firm Edelman, "a person like themselves" was rated as the most credible source of information about a company, among opinion-elite consumers.

Two independent researchers, the Keller Fay Group and GfK Roper, both found that consumers consider word-of-mouth twice as trustworthy as traditional media when choosing products.

Among businesspeople, too, the No. 1 influence on work-related purchases was "colleagues'/friends' word-of-mouth," according to Jack Morton Worldwide, in a May 2007 survey conducted by Keller Fay Group.

Influences on Work-Related Purchases of US Business Decision-Makers, April 2007 (% of respondents)



Note: n=288
Source: Jack Morton Worldwide, "Driving Word-of-Mouth Advocacy among Business Executives" conducted by Keller Fay Group, May 2007

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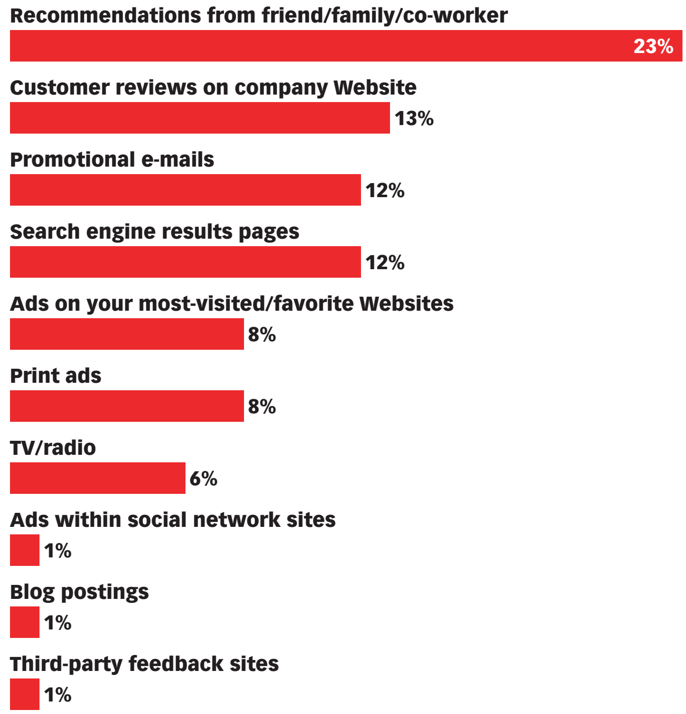
For online purchases as well, recommendations from friends/family/co-workers are considered the most important influence, according to an April 2008 survey of online buyers from DoubleClick Performics.

Type of Advertising that Most Influences US Adult Online Buyers When Making an Online Purchase, February 2008 (% of respondents)



Note: n=958 ages 18+
Source: DoubleClick Performics conducted by Opinion Research Corporation, "Green Marketing Study," provided to eMarketer, April 7, 2008

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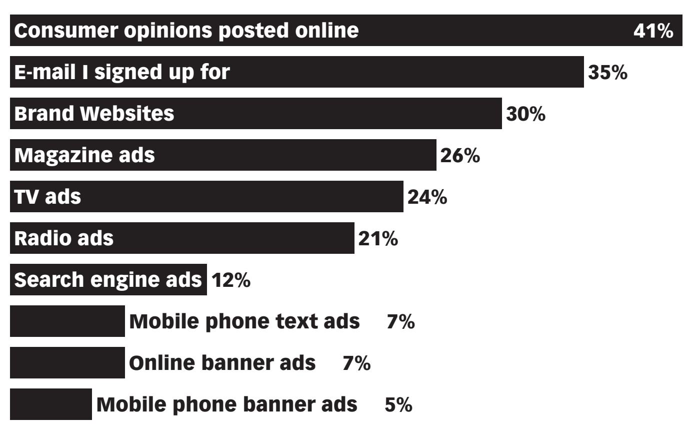
Shoring Up Brand Trust

Study after study reinforces the fact that consumers trust each other's opinions more than they do any messages that emanate directly from marketers themselves, as seen in April 2008 data from Forrester Research.

Sources Trusted by Consumers in North America, Q3 2007 (% of respondents)



Source: Forrester Research, "North American Technographics Technology, Media, and Marketing Benchmark Survey, Q3 2007" as cited by moconews.net, April 25, 2008

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The challenge is formidable but definitely achievable: How do marketers leverage the inherent trust consumers have in each other in a way that provides a positive rub-off on their brands?

Following are some recommendations:

- **Do everything you can to make your product and customer service as good as they can possibly be.** Nothing creates trust better—and leads others to share more positive stories about your brand—than exceptional products and service support.
- **Emphasize listening over loud-speaking.** Marketers must make an effort to actively listen to what consumers are saying about their products or brands, especially on social media such as blogs and social networks.
- **Adapt your marketing messages to be more real**. Messages must become more conversational, less "marketing-speak." This applies particularly to marketing messages online, in e-mails and on mobile devices.
- **Consider building a community, forum or wiki where consumers can weigh in**. Not only will you gain incredibly valuable insights, this form of user-generated feedback is far cheaper to manage than traditional means such as call centers. In addition, you will make it far easier for customers to be heard, and that builds trust. It is critical, though, that you not focus the forum square on your product but rather engage a group of people more broadly—based on their shared interests, passions or lifestyles.
- **Take the bold move of allowing customer ratings and reviews on your Website.** Yes, this could lead to feelings of discomfort by upper management in your organization, but by allowing for the possibility of negative comments, you will be communicating an openness and vulnerability that directly translates to trust. Remember this dictum and post it on your wall:

Transparency = Trust

For more information about customer reviews and ratings, see eMarketer's "Consumer Interactions: Social Shopping, Blogs and Reviews" report at http://www.emarketer.com/Reports/All/Emarketer_2000482

Strategy 6. Engage Prospects and Customers via Video

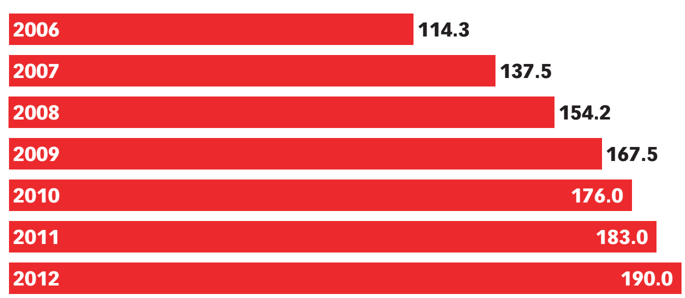
The online video revolution has begun. Marketers, content publishers and (especially) television networks are taking notice. The production costs and ease of distribution for online video make it attractive for brand marketers looking to save precious marketing dollars while allowing them to engage their customers with sight, sound, motion and emotion—all the elements that make for compelling brand messages.

At the very least, marketers can achieve cost-efficiencies by taking the video assets they already own—including television commercials, video sales demonstrations, videotaped customer testimonials, promotional films and so forth—and putting them online.

The Video User Market

The audience for watching online videos in the US is large and growing. eMarketer pegs the number for 2008 at 154 million, accounting for 80% of all Internet users.

US Online Video Viewers, 2006-2012 (millions)



Note: online video viewer defined as an individual who downloads or streams video (content or advertising) at least once a month
Source: eMarketer, February 2008

091991 www.eMarketer.com

While the proliferation of video started with YouTube, it is now found all over the Internet as people watch news highlights, send each other sports clips, catch up on missed episodes of "Lost" or "24," and preview trailers for movies they will watch on their laptops during an upcoming plane flight.

A study by D S Simon Productions, cited by MediaPost, October 6, 2008, claimed that 65% of online media sites today use video, and 77% expect its use to increase over the next year.

In addition, large-scale sites such as Hulu (a joint venture between FOX and NBC) let consumers view full-length television episodes from current seasons as well those dating back 30 to 40 years, such as "Bewitched" and "I Dream of Jeannie." The television networks, meanwhile, continue to make their content increasingly available online, with distribution extending beyond their own sites to others, including YouTube.

eMarketer estimates that 27% of Internet users regularly watch full-length television shows and movies online.

We have become a nation of online video viewers, and this creates some very appealing opportunities for marketers. Today, 40% of online video viewers watch more than 1 hour per week, according to October 2008 Forrester Research data. Online video viewing skews somewhat toward younger age groups who are the heaviest users, but virtually every demographic engages in it over the course of a month.

Video Demonstrations

If a picture is worth a thousand words, what is a video worth? Marketers should create or redeploy video demonstrations of products or services in action. These video demos can serve as a powerful influence for consumers as they consider whether to buy. Even if marketers do not directly sell products or services online, online videos prominently displayed on Websites allow them to convey the emotional aspects of their brand, similar to the engagement of a personal sales call.

"Video makes your site more sticky."

—Wayne Ussery, director of Internet marketing, auto dealership in Marietta, Ga., as quoted in Advertising Age, September 29, 2008

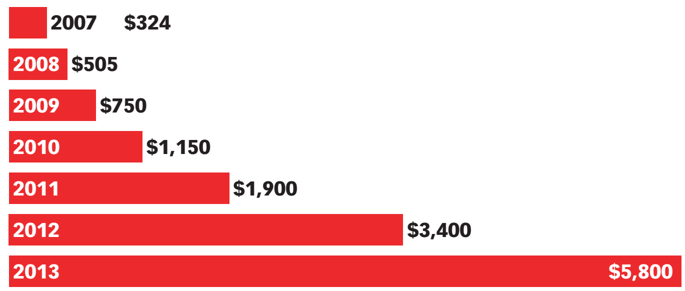
Twenty-five percent of US auto dealers are using online video, according to AutoTrader.com, as referenced in Advertising Age, September 29, 2008.

Online Video Advertising

Just as brand marketers create television commercials to boost brand awareness, launch a new product or reinforce a key brand attribute, online video can be used to achieve the same objectives—only with much cheaper production costs. Online video can be shot for literally hundreds of dollars, versus the tens or hundreds of thousands of dollars required for most television commercials. Note, though, the CPMs for online video, especially on premium content sites, can get expensive.

Online video advertising, as measured in media dollars, is relatively small. eMarketer projects it will grow rapidly, however, to $3.4 billion by 2012.

US Online Video Advertising Spending, 2007-2013 (millions)



Note: online video advertising includes in-stream (such as preroll and overlays), in-banner and in-text (ads delivered when users mouse over relevant words)
Source: eMarketer, August 2008

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For additional information on the above chart, see Endnote 097113 in the Endnotes section.

But the dollars understate the magnitude of the trend and marketing opportunity here.

According to a June 2008 survey by the Gilbane Group, 50% of US firms said they were "using" online video and 46% rated it "very effective." The American Advertising Federation surveyed marketers in 2007 and found that 43% expected to shift 20% or more of their TV budgets into online video by 2010. A 2008 BtoB Magazine survey revealed that 40% of B2B marketers planned to increase their spending on online video this year. And in a 2008 survey about online marketing tactics, the Direct Marketing Association (DMA) found that online video was nearly as likely as search engine marketing to be used more now than it was three years ago.

Online Marketing Tactics Used More Now vs. Three Years Ago According to US Online Marketers, 2008 (% of respondents)

Source: Direct Marketing Association (DMA), "The Integrated Marketing Media Mix: Benchmarks and Trends for Successful Campaigns" as cited in press release, June 16, 2008

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Consider, too, the viral possibilities with online video. While consumers cannot share television commercials they find entertaining or informative, they can easily share such ads online. In fact, 11% of online video viewers shared video ads with others, per the Kelsey Group. TNS Media Intelligence puts this figure at 18%.

The production and out-of-pocket media costs of running online video ads are small compared with television, especially when considering the interactivity and higher level of engagement that online video provides. Media costs are another story. But while CPMs for online video can approach $35 to $50, and exceed those even of TV, the opportunities for deeper connections with the consumer, coupled with improved targeting, can be well worth the premium.

US Online Video Advertising CPMs and Sell-Through Rates, by Content Category, August 2008

	Example	CPMs	Sell-through rate*
Premium content creators	FOX, NBC, CBS	$35-$50	90%
Content aggregators/creators	MSN, Yahoo!, AOL	$20-$35	50%
User-generated content	Bebo, Metacafe, YouTube	$10-$15	10%

*Note: *figures are approximate*
Source: YuMe and Collins Stewart LLC, "Global Internet: Search Engine Strategies San Jose, Key Takeaways from Day 1," August 19. 2008

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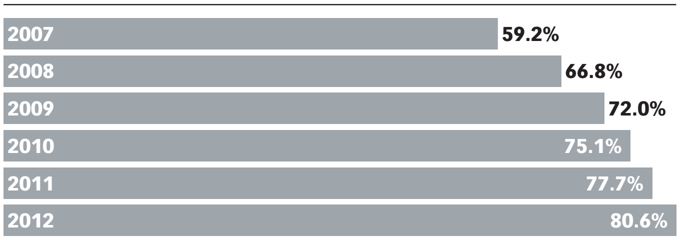
The branding effectiveness of online video ads is proven by a growing body of evidence. For example, according to a 2008 Simmons study, when compared with watching video on television, online video viewers were 25% more engaged in video content, and 47% more engaged in the ads. This largely results from the lean-forward nature of online viewing, as opposed to the lean-back mode of television.

Finally, marketers are realizing that the potential audience for online video ads has reached critical mass, with fully two-thirds of online Americans having viewed online video ads, according to eMarketer estimates.

US Online Video Advertising Viewer Penetration, 2007-2012 (% of total Internet users)



Note: online video advertising viewer defined as an individual who sees any form of video advertising (in-stream, in-banner, in-text) at least once a month
Source: eMarketer, August 2008

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Marketers with brands to protect will of course want to avoid having video ads appear next to inappropriate forms of user-generated content. Fortunately, safe havens can be found. In fact, there is a growing list of premium sites such as Hulu and Veoh that feature full-length television episodes and major motion picture films—the same kind of content that would be found on a broadcast or premium cable television network.

Other Websites—mainstream portals such as Yahoo! and MSN, news outlets, television network sites and niche-oriented sites—are attracting consumers of like interests and are offering up a growing inventory of "trusted" video content that lends itself to advertising opportunities.

The trick for creating effective ads for online video sites lies in rethinking the traditional television approach of using 30-second spots designed to interrupt the content the viewer came to see in the first place. In addition to less clutter, shorter ad units and a greater degree of relevancy to the target audience, ads on online video sites must be so compelling, entertaining and/or informative that consumers will start to welcome them.

For more information about online video advertising, see eMarketer's "Video Advertising Online: Spending and Pricing" report at http://www.emarketer.com/Reports/All/Emarketer_2000536

Strategy 7. Test, Test, Test

This last strategy is more of a marketing mindset.

With marketing budgets slashed everywhere and most consumers in a similar *slo-mo* spending mode, now is really a terrific time to experiment. Not on wacky, unproven tactics that only get the attention of media headlines, but on practical, data-supported success strategies that marketers are already deploying today, many of which are discussed in this whitepaper.

A good friend of mine, search expert and former IBM engineer Mike Moran, recently wrote a book entitled, "Do It Wrong Quickly: How the Web Changes Old Marketing Rules," for which I wrote the foreword. In his book, Mr. Moran lays out in great detail how marketers can use the Internet to inexpensively iterate their way to marketing success. For example, a test-the-waters marketing promotion conducted on a virtual world Website will cost a fraction of what it would cost in the real world—with much less risk to the brand.

"If something works, build it. If it doesn't, kill it." *—Paul Maidment, editor, Forbes.com*

There is simply no excuse today not to be experimenting constantly, relentlessly with digital media and applications. Marketers can read all the research in the world, but if they don't try a tactic themselves—with their prospect or customer—they will never know if it can work for their brand. If something turns out to be even a marginal success, marketers should then immediately test a variation to see if they can beat the control. Yes, this is old-fashioned direct marketing technique, using A/B testing to constantly improve the game. But the Web allows marketers to iterate faster, and at less expense. The opportunities are limited only by creativity and imagination.

"Iterate, don't pontificate."
—Rishad Tobaccowala, Denuo

Endnotes

Endnote numbers correspond to the unique six-digit identifier in the lower left-hand corner of each chart.

099031

Comparative Estimates: US Total Media Advertising Spending Growth, 2008 & 2009 (% change)

	2008	2009
Barclays Capital, October 2008	-3.6%	-5.5%
Bernstein Research, August 2008	3.7%	3.6%
BMO Capital Markets Corp., July 2008	1.8%	1.9%
Carat, August 2008	2.1%	3.1%
eMarketer, August 2008	**1.9%**	**1.1%**
Jefferies & Company, September 2008	2.0%	0.0%
MAGNA, July 2008	2.0%	3.1%
Myers Publishing LLC, October 2008	-1.3%	-4.0%
ThinkPanmure, October 2008	1.5%	-5.0%
Wachovia Securities, October 2008	-0.8%	-0.8%
ZenithOptimedia, October 2008	1.6%	0.7%

Source: eMarketer, August 2008; various, as noted, 2008

099031 www.eMarketer.com

Extended Note: eMarketer benchmarks its US total media advertising spending projections against Universal McCann/MAGNA data, for which the last full year measured was 2007. Data includes TV (broadcast and cable), radio, newspapers, magazines, Internet (excluding mobile), outdoor, direct mail, yellow pages and other

Citation: Barclays Capital estimates as cited by Seeking Alpha, October 7, 2008; Bernstein Research, "Online Advertising: Still Holding Up Well," provided to eMarketer, August 8, 2008; BMO Capital Markets Corp. (Harris Nesbitt) as cited by The New York Times, July 7, 2008; Carat as cited in press release, August 27, 2008; Jefferies & Company, Inc., Interactive Advertising Bureau (IAB), PricewaterhouseCoopers (PwC) and TNS Media Intelligence as cited by Silicon Alley Insider, September 12, 2008; MAGNA, "Insider's Report: Robert Coen Presentation on Advertising Expenditures July 2008," July 8, 2008; Myers Publishing LLC, "Advertising & Marketing Investment Forecast 2008-2010," provided to eMarketer, October 14, 2008; ThinkPanmure LLC, "Internet Advertising," October 8, 2008; provided to eMarketer, October 22, 2008; Wachovia Securities as cited by Reuters, October 9, 2008; ZenithOptimedia as cited in press release, October 7, 2008

099097

Comparative Estimates: US Marketers Who Expect Increases/Decreases in Their Advertising Budgets due to the Economic Downturn, 2008 (% of respondents)

	Survey date	Increase	Decrease
Advertising Perceptions*	Spring 2008	33.0%	23.0%
Association of National Advertisers (ANA)*	July/August 2008	9.1%	53.4%
Epsilon	Summer 2008	7.0%	65.0%
MarketingSherpa**	September 2008	7.0%	70.0%
eMetrics Marketing Optimization Summit	September/ October 2008	5.1%	34.5%
MarketingProfs	October 2008	-	43.0%

*Note: *in the next six months; **among large organizations*
Source: various, as noted, 2008

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Extended Note: ANA surveyed 100 of their members who are US client-side marketers. Advertiser Perceptions surveyed 1,811 online, print, TV and mobile media decision-makers. Forty percent of respondents were from the marketer side while 60% were from the agency side. eMetrics Marketing Optimization Summit surveyed 60 people who read the newsletter "Sterne Measures," follow the Web Analytics Forum on Yahoo! Groups and/or read a handful of influential bloggers. Respondents were asked how the current economic situation has affected their company's overall marketing budget; includes responses of "positively" and "very positively" for the "increase" column and includes "negatively" and "very negatively" for the "decrease" column. Epsilon surveyed 175 senior marketing executives.

Citation: Advertiser Perceptions as cited by MediaPost, September 30, 2008; Association of National Advertisers (ANA), "Survey Results: Is the Economy Impacting Marketing and Advertising Budgets?" provided to eMarketer, August 21, 2008; eMetrics Marketing Optimization Summit, "Tough Times Call for Tough Measures," October 20, 2008; Epsilon, "Epsilon CMO Survey"; eMarketer calculations, September 8, 2008; MarketingProfs provided to eMarketer, November 2008; MarketingSherpa, "Marketing Budget Landscape," September 26, 2008, provided to eMarketer, October 2008

099195

Comparative Estimates: US Advertising Spending Growth for Select Media, 2008 & 2009 (% change)

	2008	2009
Newspapers		
Barclays Capital, October 2008	-16.5%	-12.0%
Goldman Sachs, January 2008	-7.9%	-
Myers Publishing LLC, October 2008	-16.0%	-15.0%
Nielsen Monitor-Plus, September 2008	-8.1%	-
TNS Media Intelligence, September 2008	-7.4%	-
Wachovia Securities, October 2008	-	-9.8%
Magazines (consumer)		
Barclays Capital, October 2008	-7.5%	-12.5%
Myers Publishing LLC, October 2008	-12.0%	-13.0%
Nielsen Monitor-Plus, September 2008	-3.1%	-
TNS Media Intelligence, September 2008	-1.8%	-
Wachovia Securities, October 2008	-	-2.0%
Network TV		
Barclays Capital, October 2008	1.6%	-7.8%
Myers Publishing LLC, October 2008	-3.0%	-4.0%
Nielsen Monitor-Plus, September 2008	-6.0%	-
TNS Media Intelligence, September 2008	-2.4%	-
Radio (terrestrial)		
Barclays Capital, October 2008	-7.2%	-7.4%
Myers Publishing LLC, October 2008	-5.0%	-10.0%
Nielsen Monitor-Plus, September 2008	2.1%	-
TNS Media Intelligence, September 2008	-6.5%	-
Wachovia Securities, October 2008	-	-4.8%

Note: Nielsen and TNS figures are for first half 2008 vs. first half 2007
Source: various, as noted, 2008

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Extended Note: Barclays Capital includes network, syndicated and spot TV; retail and national newspapers and classifieds; and network, spot and nonspot radio. Nielsen includes national newspapers and national magazines and excludes spot radio. TNS includes national, local and Spanish-language newspapers and local, national spot and network radio.

Citation: Barclays Capital, "Advertising Services," provided to eMarketer, October 7, 2008; Goldman Sachs as cited by MediaPost, January 10, 2008; Myers Publishing LLC, "Advertising & Marketing Investment Forecast 2008-2010," provided to eMarketer, October 14, 2008; Nielsen Monitor-Plus as cited in press release, September 18, 2008; TNS Media Intelligence as cited in press release, September 24, 2008; Wachovia Securities as cited by Reuters, October 9, 2008

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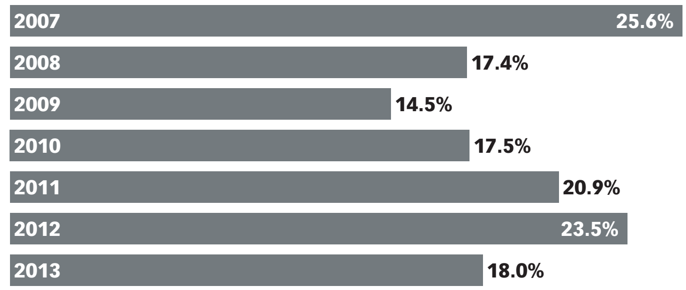
US Online Advertising Spending Growth, 2007-2013 (% change)



Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2007
Source: eMarketer, August 2008

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US Online Advertising Spending Growth, by Format, 2008-2013 (% change)

	2008	2009	2010	2011	2012	2013
Video	55.9%	48.5%	53.3%	65.2%	78.9%	70.6%
Sponsorships	21.4%	18.2%	21.2%	24.6%	30.7%	21.3%
Search	18.1%	14.3%	16.7%	19.7%	22.7%	16.7%
Lead generation	17.9%	12.9%	15.2%	20.9%	19.2%	16.3%
Classifieds	11.7%	13.7%	16.7%	20.1%	21.8%	15.5%
Rich media	18.7%	11.6%	17.5%	14.6%	20.1%	13.0%
E-mail	11.6%	8.4%	14.3%	14.0%	12.2%	10.1%
Display ads	16.9%	13.6%	15.8%	18.8%	15.7%	6.2%
Total	**17.4%**	**14.5%**	**17.5%**	**20.9%**	**23.5%**	**18.0%**

Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2007
Source: eMarketer, August 2008

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Extended Note: Online ad data includes categories as defined by IAB/PwC benchmark—display ads (such as banners), search ads (including paid listings, contextual text links and paid inclusion), rich media, video (including in-stream, in-banner, in-text), classified ads, sponsorships, lead generation (referrals) and e-mail (embedded ads only); excludes mobile ad spending.

098852

Comparative Estimates: US Online Advertising Spending Growth, 2008 & 2009 (% change)

	2008	2009
Barclays Capital, October 2008	16.9%	14.1%
Bernstein Research, August 2008	20.3%	16.9%
Collins Stewart LLC, October 2008	20.0%	18.0%
eMarketer, August 2008	**17.4%**	**14.5%**
European Information Technology Observatory (EITO), October 2008	13.0%	-
Jefferies & Company, September 2008	15.0%	12.0%
JPMorgan, September 2008	13.8%	15.7%
LiveRail, September 2008	23.4%	19.4%
MAGNA, July 2008	12.0%	-
Myers Publishing LLC, October 2008	13.8%	13.5%
Outsell, July 2008	12.3%	-
ThinkPanmure, October 2008	11.6%	3.0%
Wachovia Securities, October 2008	-	10.0%

Source: eMarketer, August 2008; various, as noted, 2008

098852 www.eMarketer.com

Extended Note: Barclays Capital includes display, search, classifieds, lead generation and e-mail. Bernstein includes paid search. EITO includes banners, sponsored links and other formats. eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2007. Online ad data includes categories as defined by the IAB/PwC benchmark—display ads (such as banners), search ads (including paid listings, contextual text links and paid inclusion), rich media, video (including in-stream, in-banner, in-text), classified ads, sponsorships, lead generation (referrals) and e-mail (embedded ads only); excludes mobile ad spending. JPMorgan includes static, rich media and video advertising; excludes search. Myers includes display, search, video and other.

Citation: Barclays Capital estimates as cited by Seeking Alpha, October 7, 2008; Bernstein Research, "Online Advertising: Still Holding Up Well," provided to eMarketer, August 8, 2008; Collins Stewart, "Global Internet," October 3, 2008; European Information Technology Observatory (EITO) and IDATE, "The Internet and TV Market" as cited by BITKOM, October 1, 2008; Jefferies & Company, Inc., Interactive Advertising Bureau (IAB), PricewaterhouseCoopers (PwC) and TNS Media Intelligence as cited by Silicon Alley Insider, September 12, 2008; JPMorgan and company reports, "Online Advertising Forecast," provided to eMarketer, September 4, 2008; LiveRail, "State of the Industry: LiveRail's Q3 2008 review of online video advertising," September 3, 2008; MAGNA, "Insider's Report: Robert Coen Presentation on Advertising Expenditures July 2008," July 8, 2008; Myers Media Business Report, "Advertising & Marketing Investment Forecast 2008-2010," provided to eMarketer, October 14, 2008; Outsell as cited by LATimes.com, July 14, 2008; ThinkPanmure LLC, "Internet Advertising," October 8, 2008; provided to eMarketer, October 22, 2008. Wachovia Securities as cited by Reuters, October 9, 2008

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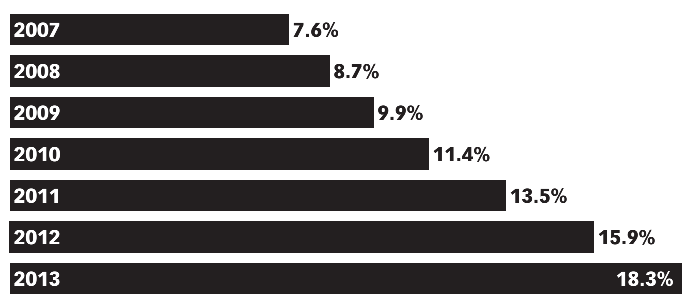
US Online Advertising Spending as a Percent of Total Media Advertising Spending, 2007-2013



Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2007
Source: eMarketer, August 2008

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Extended Note: Online ad data includes categories as defined by IAB/PwC benchmark—display ads (such as banners), search ads (including paid listings, contextual text links and paid inclusion), rich media, video (including in-stream, in-banner, in-text), classified ads, sponsorships, lead generation (referrals) and e-mail (embedded ads only); excludes mobile ad spending. eMarketer benchmarks its US total media advertising spending projections against the Universal McCann/MAGNA data, for which the last full year measured was 2007. Total media data includes TV (broadcast and cable), radio, newspapers, magazines, Internet (excluding mobile), outdoor, direct mail, yellow pages and other.

098685

US Online Advertising Revenues, by Format, First half 2007 & First half 2008 (millions and % change)

	First half 2007	First half 2008	% change
Search	**$4,097**	**$5,064**	**23.6%**
Display-related	**$3,198**	**$3,799**	**18.8%**
-Banner ads	$2,099	$2,418	15.2%
-Rich media	$699	$806	15.3%
-Video	$100	$345	245.0%
-Sponsorships	$300	$230	-23.3%
Classifieds	**$1,699**	**$1,611**	**-5.2%**
Lead generation	**$799**	**$806**	**0.9%**
E-mail	**$200**	**$230**	**15.0%**
Total	**$9,993**	**$11,510**	**15.2%**

Source: Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (PwC), "IAB Internet Advertising Revenue Report: 2008 Second-Quarter and First Six-Month Results", October 2008; eMarketer calculations, October 2008

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Extended Note: Online ad data includes categories as defined by IAB/PwC—banner ads, search (including paid search and contextual text links), rich media, video, classified ads, sponsorships, lead generation and e-mail (embedded ads only); the larger display-related category includes banners ads, rich media, video and sponsorships.

099196

Comparative Estimates: US Search Advertising Spending Growth, 2008 & 2009 (% change)

	2008	2009
Barclays Capital, October 2008	22.0%	17.0%
Collins Stewart LLC, May 2008 (1)	24.0%	23.0%
eMarketer, August 2008 (2)	**18.1%**	**14.3%**
JPMorgan, September 2008 (2)	27.4%	25.5%
MAGNA, July 2008 (1)	26.5%	24.0%
Myers Publishing LLC, October 2008	21.0%	18.3%
Oppenheimer & Co., February 2008 (3)	25.0%	23.0%
ThinkPanmure, October 2008 (4)	20.5%	13.0%

Note: (1) paid search; (2) paid listings, contextual text links and paid inclusion; (3) paid search, search engine optimization (SEO) and contextual; (4) paid search and contextual
Source: eMarketer, August 2008; various, as noted, 2008

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Extended Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2007.

Citation: Barclays Capital estimates as cited by Seeking Alpha, October 7, 2008; Collins Stewart LLC, "Global Internet: Secular Growth Trends in Internet Advertising" with Universal McCann, Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (PwC), May 15, 2008; JPMorgan and company reports, "Online Advertising Forecast," provided to eMarketer, September 4, 2008; MAGNA, "Emerging Media Forecast," July 8, 2008; Myers Publishing LLC, "Advertising & Marketing Investment Forecast 2008-2010," provided to eMarketer, October 14, 2008; Oppenheimer & Co. Inc. with Universal McCann, Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (PwC), provided to eMarketer, February 4, 2008; ThinkPanmure LLC, "Internet Advertising," October 8, 2008; provided to eMarketer, October 22, 2008

099197

Comparative Estimates: Online Display/Branding Advertising Spending Growth, 2008 & 2009 (% change)

	2008	2009
Barclays Capital*, October 2008	17.0%	14.0%
Collins Stewart LLC**, May 2008	23.0%	22.0%
eMarketer*, August 2008**	**16.9%**	**13.6%**
JPMorgan*, September 2008	13.8%	15.7%
Myers Publishing LLC***, October 2008	3.0%	3.8%

*Note: *includes static, rich media and video; **includes banner ads, rich media, video and sponsorships; ***excludes video*
Source: eMarketer, August 2008; various, as noted, 2008

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Extended Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2007.

Citation: Barclays Capital estimates as cited by Seeking Alpha, October 7, 2008; Collins Stewart LLC, "Global Internet: Secular Growth Trends in Internet Advertising" with Universal McCann, Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (PwC), May 15, 2008; JPMorgan and company reports, "Online Advertising Forecast," provided to eMarketer, September 4, 2008; Myers Publishing LLC, "Advertising & Marketing Investment Forecast 2008-2010," provided to eMarketer, October 14, 2008

099215

Conversion Rate of US Internet Users Exposed to Search Plus Display Advertising vs. Either Search Only or Display Advertising Only, 2006 (lift vs. display click only)

*Note: *baseline*
Source: Atlas DMT, "Where Can You Find Your Customer? Try the Intersection of Search and Display," July 21, 2006

099215 www.eMarketer.com

Extended Note: Display click only includes users who clicked on display advertising, but had no search clicks from the same advertiser. Search click includes users who clicked on one or more sponsored search listings, but had no display views or clicks from the same advertiser. Search plus display impressions includes users who clicked on one or more sponsored search listings and had one or more display views and/or clicks from the same advertiser.

086196

Effectiveness of Online Search and Display Advertising Campaigns in Converting US Online Researchers to In-Store Buyers, 2007 (% change in conversions)

Source: comScore Networks Inc. and Yahoo!, "From Clicks to Bricks: The Impact of Online Pre-Shopping on Consumer Shopping Behavior" as cited in press release, July 30, 2007

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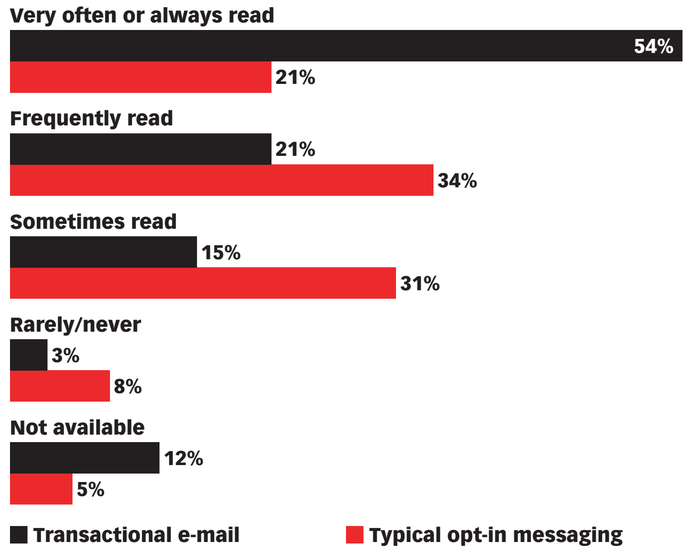
Extended Note: The purchasing behavior of more than 175,000 comScore panelists was compared over a period of eight months--an unexposed control group and a group who had been exposed to ads from five major retailers.

088614

Types of E-Mail that Are Opened and Read by US Adult Internet Users, by Frequency, January 2007 (% of respondents)



Source: MarketingSherpa, "Consumer Attitudes Toward Transaction Email 2007" commissioned by StrongMail, September 2007

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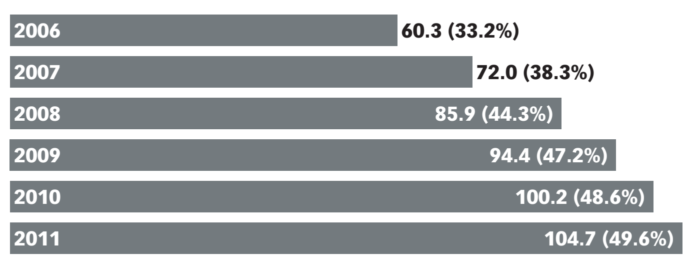
Extended Note: Transactional e-mails include any message that has to do with an existing relationship and is not primarily commercial in nature; includes receipts, shipping notices, account status notifications, changes in terms/features, warranty information and subscription-related messages.

090145

US Online Social Network Users, 2006-2011 (millions and % of total Internet users)



Note: ages 3+; use at least once per month
Source: eMarketer, December 2007

090145 www.eMarketer.com

Extended Note: Data includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest; and marketer-sponsored social networks.

094753

US Online Social Network Advertising Spending, 2006-2012 (millions and % of total US online ad spending)

	2006	2007	2008	2009	2010	2011	2012
Social network ad spending	$350	$920	$1,430	$1,815	$2,085	$2,360	$2,610
Total online ad spending	**$16,900**	**$21,100**	**$25,900**	**$30,000**	**$35,000**	**$41,000**	**$51,000**
Social network % of total	2.1%	4.4%	5.5%	6.0%	6.0%	5.8%	5.1%

Source: eMarketer, May 2008

094753 www.eMarketer.com

Extended Note: Data includes general social network sites where social networking is the primary activity; social networks linked to portals such as Google or Yahoo!; niche social networks devoted to a specific hobby or interest; and marketer-sponsored social networks. In all cases, the figures include spending on display, video, search and other forms of advertising appearing within social network environments, as well as fees that marketers pay to social network sites for profile-page creation, promotions etc. As of May 2008, spending estimates also include development, distribution and media spending for widgets and applications that appear within social network sites.

099200

Comparative Estimates: US Marketers Who Are Planning to Increase Their Spending on Social Media Marketing in Reaction to the Economic Downturn, 2008 (% of respondents)

	Survey date	% of respondents
eMetrics Marketing Optimization Summit (1)	October 2008	62%
MarketingSherpa (2) (3)	September 2008	59%
Forrester Research and MarketingProfs (3)	Q1 2008	48%
Epsilon (4)	September 2008	42%

Note: (1) increase or maintain in 2009; (2) includes responses of "some increase" and "significant increase"; (3) social network marketing only; (4) includes word-of-mouth, social networking sites, viral marketing, etc.
Source: various, as noted, 2008

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Extended Note: eMetrics Marketing Optimization Summit surveyed 60 people who read the newsletter "Sterne Measures," follow the Web Analytics Forum on Yahoo! Groups and/or read a handful of influential bloggers. Epsilon surveyed 175 senior marketing executives; percent shown is those who are interested in adding social media marketing to their marketing mix. Forrester and MarketingProfs surveyed 120 online marketers.

Citation: eMetrics Marketing Optimization Summit, "Tough Times Call for Tough Measures," October 20, 2008; Epsilon, "Epsilon CMO Survey," September 8, 2008; Forrester Research and MarketingProfs, "Global Interactive Marketing Maturity Online Survey" as cited by The New York Times, May 19, 2008; MarketingSherpa, "Marketing Budget Landscape," September 26, 2008, provided to eMarketer, October 2008

099143

Comparative Estimates: US Marketers Who Use Social Network Marketing, 2007 & 2008 (% of respondents)

	2007	2008
Direct Marketing Association (DMA), June 2008	-	23.2%
Forrester Research, March 2007	20.0%	-
Gilbane Group, Inc., June 2008	14.0%	-
Interactive Advertising Bureau (IAB), Association of National Advertisers (ANA), October 2007	25.0%	-
JupiterResearch, December 2007	21.0%	-
Manning Selvage & Lee, June 2007	16.1%	-
NetPlus Marketing, March 2008	-	38.9%
PROMO magazine, May 2008	17.9%	16.9%
Prospero Technologies, LLC, October 2007	45.0%	-
William Blair & Company, July 2008	41.0%	62.0%

Source: various, as noted, 2007 & 2008

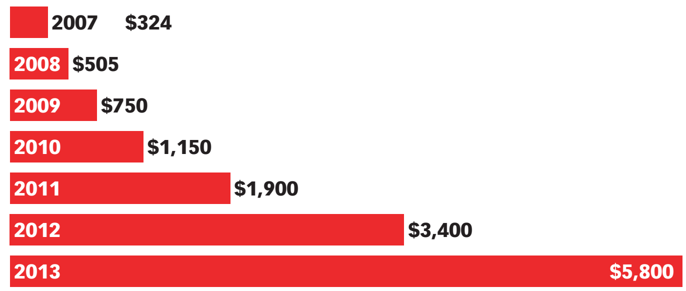
099143 www.eMarketer.com

Extended Note: DMA surveyed companies with 101+ employees. Gilbane Group surveyed 286 US senior marketing executives and their direct reports working for medium-sized to very large private and public companies ($25+ million in revenues and 250+ employees) in 17 different industries. IAB surveyed over 250 marketers; data shown is for respondents not considered leaders in using next-generation marketing tactics and analytical tools. JupiterResearch surveyed 251 advertisers; data shown is for respondents who created a profile on a social networking site within the past year. Manning surveyed 279 chief marketing officers, VPs of marketing, marketing directors and managers. NetPlus surveyed 18 informed veterans and industry leaders in online marketing. PROMO surveyed 148 US marketers who subscribe to PROMO magazine; data shown is for respondents who have conducted promotions on social networking sites. Prospero surveyed 51 businesses that use any type of social media marketing application. William Blair surveyed almost 150 members of the Chicago Interactive Marketing Association (CIMA).

Citation: Direct Marketing Association (DMA), "The Integrated Marketing Media Mix: Benchmarks and Trends for Successful Campaigns" as cited in press release, June 16, 2008; Forrester Research as cited by Adweek, March 28, 2007; Gilbane Group, Inc., "Collaboration and Social Media—2008," June 9, 2008; Interactive Advertising Bureau (IAB), Association of National Advertisers (ANA), American Association of Advertising Agencies and Booz Allen Hamilton, "Marketing & Media Ecosystem 2010" conducted by Guideline Inc., October 12, 2007; JupiterResearch "Social Marketing Executive Survey," February 2007 as cited in "Key Trends in 2008," December 2007; Manning Selvage & Lee, "Fifth Annual PRWeek/Manning Selvage & Lee (MS&L) Marketing Management Survey" conducted by PRWeek and Millward Brown, provided to eMarketer, June 21, 2007; NetPlus Marketing, "Online Data Measurement Survey Results: Q1 2008," provided to eMarketer, March 17, 2008; PROMO magazine, "2008 Promo Interactive Marketing Survey" conducted by Penton Research, May 2008; Prospero Technologies LLC, "2007 Social Media Survey," provided to eMarketer, October 16, 2007; William Blair & Company, "Interactive Marketing Survey," July 8, 2008

097113

US Online Video Advertising Spending, 2007-2013 (millions)



Note: online video advertising includes in-stream (such as preroll and overlays), in-banner and in-text (ads delivered when users mouse over relevant words)
Source: eMarketer, August 2008

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Extended Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2007.