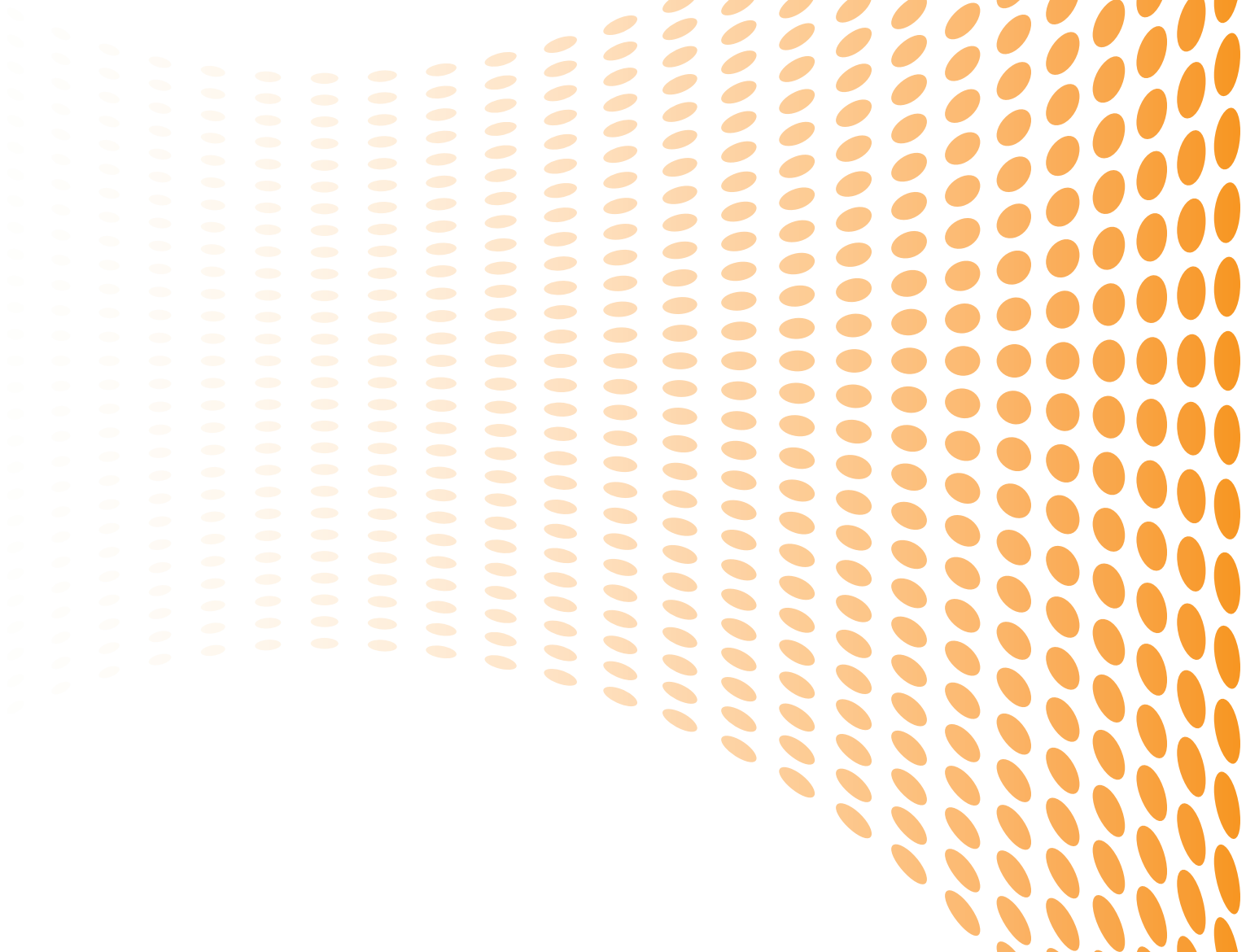




Online Media and Search: The New Opportunity

Media and entertainment companies are at a crossroads. With audiences fragmenting, new distribution models emerging and traditional revenues flat or declining, media and entertainment companies must now embrace multiple distribution platforms and evolve their business models to better compete and win in their marketplace.

A FAST white paper



A Changing Marketplace

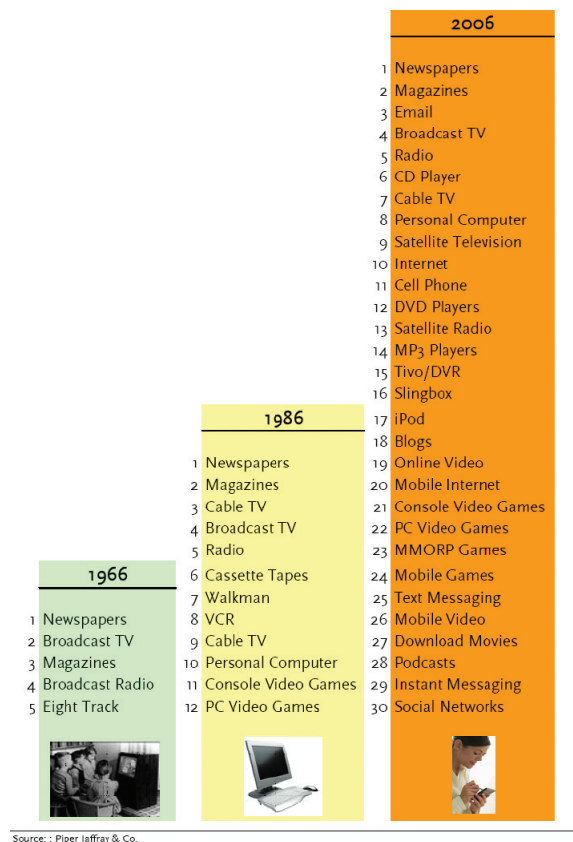
Dramatic changes in consumer behavior, driven by technology advances and supported by new business models, have set the wheels in motion for revolutionary changes in the media industry. The shift of audiences online has led to flat or declining revenues for traditional media companies. Advertisers following audiences online are searching for innovative ways to reach them and are requiring media partners to deliver more measurable returns on their marketing investments. Traditional and new media companies are seeking ways to build profitable and competitive online business models, despite significant increases in online traffic. For

In spite of the double-digit growth of online ad revenue, online revenues still represent only 2-8% of total revenues for traditional media companies.

example, a large regional newspaper, reportedly losing \$1M a week, was forced into a plan to lay off nearly 25% of its staff even though their online product is among the top 10 most popular news sites in the US. For media companies who share a significant portion of their online revenues with third parties, this is a stark reminder of the need to re-evaluate their business models. To maximize the value of their online audiences, media companies need to embrace and control multiple revenue streams - advertising, subscriptions and transactions. Media companies that exercise more control over the relationships with their audiences and advertisers are in a better position to drive the revenue streams coming from both.

Consumers as content creators & aggregators

The ubiquity of Internet access, the increasing adoption of broadband, and the critical masses of Gen-X/Y users are key drivers in the dramatic shift of the media consumer to online channels. Tech-savvy audiences expect online experiences to be intuitive and tailored to their interests. They expect to find what they are looking for and discover things they didn't know they wanted. They want to have a voice and participate in a community discussion on anything from global warming to the best family restaurant in town. These dramatic shifts in expectations and a swelling number of



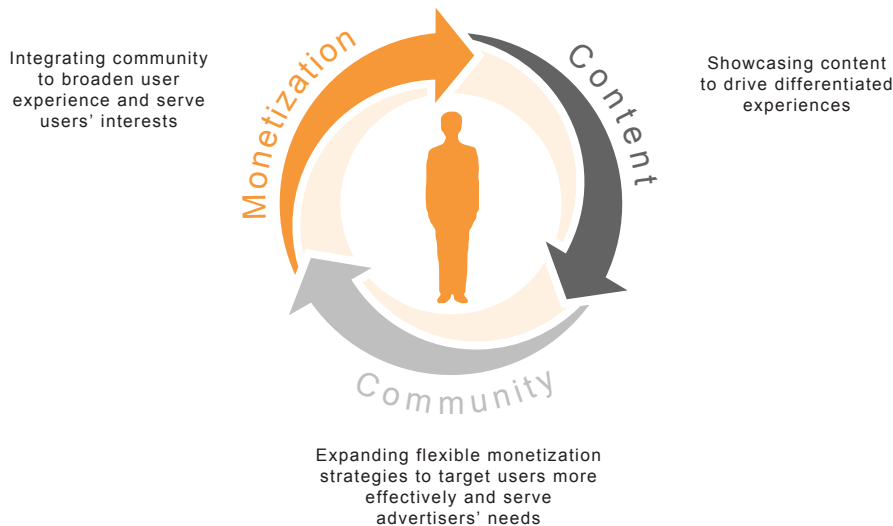
Source: Piper Jaffray & Co.

The Media Challenge: Monetizing an increasingly fragmented audience.

options for media consumption have led to a fragmentation of the audience.

Consumers are exercising greater control over how they create and consume content, exemplified by the surge in social networking and user-generated content. More than half of the media and entertainment executives surveyed in Accenture's "Global Content Survey 2007" cite user-generated content as a leading threat to their bottom line. Yet two-thirds of respondents felt that within three years their businesses will be making money on user-generated content. Analysts believe that social networking sites like MySpace, Facebook, Bebo and others will continue to grow in popularity and influence user expectations. Media companies

Monetizing audiences with a targeted, community-rich environment



are capitalizing on the growth of social networking and facilitating a sense of participation with easy, cross-channel availability and integration of interactive elements like video, music, blogs and widgets that are directed at specific target audience groups.

Traditional media and new media companies are competing for the attention of increasingly fragmented and diverse audiences. Their efforts to create a better user experience with more targeted content and a sense of community are not only driving site traffic but are increasing stickiness and page views, presenting a better opportunity for media companies to monetize their audience, reinforce their brand, cross-sell, and generate transactions.

Search dominance

Thanks to the popularity and effectiveness of Web search engines, search has become the dominant way audiences choose to find and interact with meaningful content and products online. During the first wave of online investments, media companies had immature online infrastructures and thus seized the opportunity to leverage Internet search engine popularity and advanced technology to drive traffic to their sites and sell their ad inventory. In

the process media companies sacrificed a significant share of industry advertising revenue as well as their direct relationship with their advertisers and audiences. Google capitalized on the opportunity and rose to the top of the Internet search stack. The company now owns over 50% of all Web searches¹ and currently captures 75% of all performance ad revenue worldwide, well-ahead of their share of web searches. This market share and growth is at the expense of the same media companies that are looking for ways to drive more significant online revenues. To put

this realignment into perspective, in 2006 Google and Yahoo alone gained \$5.3B in revenue growth while the top 10 publishing companies combined showed only \$4B in online revenue growth. A 2007 Piper Jaffray report projects that the global search-driven revenues will grow from \$15.8B in 2006 to \$44.5B in 2011, a 23% compound annual growth rate.² Are media companies ready to capitalize on this growth and reclaim some of that search and advertising revenue along with the lost relationships with their customers and advertisers?

The opportunity for media companies

A recent IDC study indicated that more than 70% of search queries do not originate on the major global web search sites. The good news for media companies is that people are choosing to bypass the global search sites and are going directly to their preferred information sources and searching there. The aggregate volume of search traffic for media company sites rivals the traffic at even the largest global web search properties. The opportunity for media companies is to make better and more profitable use of this search traffic and take back their online revenue.

Just as traditional media companies have evolved, so has the market landscape. With the low cost of

entry for online content creators and aggregators, traditional media companies are faced with a new breed of competitors that are commoditizing their branded content and competing for their audiences. Innovation is critical. Media companies are challenged to engage their audiences long enough to monetize their page views and activities.

Effectively targeting the audience extends beyond content to advertising. Display advertising as well as keyword-driven, performance-based advertising both present a largely untapped monetization opportunity for media companies. While the major web search engines captured the early lead in performance advertising, media companies today have the search traffic, advertiser networks, and infrastructure to begin to sell their own paid search and contextual advertising. Media companies can create a more compelling return for advertisers and demand higher ad rates with more sophisticated ad matching platforms that can analyze user behavior, match queries to ads, handle ad auctions, and track advertising transactions. *“Advertising rates are going up, but effectiveness is going up too,”* explains Greg Stuart, chief executive of the IAB. *“It reaches consumers with an unprecedented level of efficiency and measurability that provides marketers with actionable data. And the ever-changing landscape of new platforms and technologies that enrich interactive advertising guarantees that this growth trend will continue.”*

This is a critical juncture for media companies who are feeling the effects of the decline in their traditional media markets while watching the growth of the Internet search giants. This paper explores concepts for leveraging an integrated search business platform to help media companies reclaim their relationships with their audiences and advertisers and succeed in building new online revenue models.

Moving beyond the search box

Search is a key enabling technology for creating new business models that take advantage of the online opportunity. Search is already being used by most media companies for basic site search, but how do these firms leverage search -- beyond the site search box -- to more effectively attract and retain loyal audiences while laying the foundation for more productive online business models?

Connecting with the audience: content and community

Consumer-facing applications of search enable media companies to connect members of their audience with the people, information, and products that interest them. Effectively tuning the relevance of the content and advertising to the context of the user -- locale, profile and linguistics -- increases the value of the experience for both individual users and advertisers. With audiences spread across a variety of media consumption channels, managing the same level of relevance for these channels, regardless of the channel or type of content, is important as audiences determine where they are going to spend their time.

Managing relevancy

Ongoing success of online properties depends on fine-tuning relevancy models. Maintaining high levels of relevancy over time depends on how easy it is for editors, content managers, or business users to tune relevancy across their critical distribution channels. Business interfaces that allow non-technical users to configure and alter the search experience for their users on a per-site or per-user basis should be as simple as a click of a button. Otherwise, the effort will be too much to manage. When coupled with knowledge about the content and users, features and capabilities of advanced search technology can greatly improve relevancy and the perceived performance of the site.

As more sophisticated personal mobile devices are entering the market, users expect the same high quality experience that they get on web sites whether they are using their television, computer, or mobile device. Leveraging a common search-driven foundation across channels enables more efficient delivery of content with the same level of relevance and high quality regardless of the channel. The level of search precision will ultimately determine the satisfaction level of the user.

Delivering a rich blend of content

Where relevancy helps connect audiences with the right content at the right time, it is compelling content that keeps them there. Blending branded or premium content with content from other sources, whether they are assets internal to an organization, licensed from their affiliates, or obtained from 3rd party services such as Google or Yahoo!, is more efficient and scalable when leveraging a single search

platform for dynamic delivery. An integrated search platform that connects disparate silos of content eases both content delivery across channels and the maintenance of relevancy, making it possible to seamlessly deliver a rich blend of content. This is especially applicable to local portals, which use a variety of sources for content back-fill or content aggregators that require quick integration. The major advantage of leveraging search as the integration platform to deliver blended content is time and cost savings. This type of federation capability avoids manual integration of the content. Results can be seamlessly blended while maintaining brand and a single entry point into the content.

Creating a sense of community

When a user becomes engaged with the community facilitated by a Web site, affinity for the topic or a sense of responsibility to the community will bring them back. An integrated search platform that enables media companies to aggregate content from any available source, dynamically tailor that content to each user, match content to users and make recommendations by examining how the community consumes content and automatically refresh the relevant content is essential for a good community experience.

Monetizing the audience

Monetization of the audience, that engages with the online community, begins with suggestive delivery of premium content or promotional items and continues with the ability to interest them in related advertisements. The deeper the insight into the profile of the user, the more targeted the search for content and the placement of advertisements can be, thus increasing the likelihood that the user will want to consume what is being offered.

Driving Demand for Premium Content

Consider the fact that premium content not only supports a unique brand, but also delivers an online revenue stream. Do media companies want to leave the sale of their content up to their technical staff? Editors or “content merchandisers” are in the best position to establish the rules determining which content is pushed to the top of specific pages, or promoted based on where a user is on a site or what they’ve done. When they are empowered with the right tools that leverage the

Mini case study

Major Portal Wins in Local Market with Branded Performance Ad Center

A major portal was facing a significant threat from Google. It needed to quickly migrate online its offline yellow pages business model and supplement paid-inclusion listings with performance advertisements.

Instead of partnering with a third party, this portal created a branded paid search network using their own white label performance ad platform. With the control and flexibility they now have, the company was able to:

- Generate a 7x increase in advertising revenue with no increase in traffic
- Blend national and local auction models
- Meet the needs of small local and large national advertisers

power, precision, and personalization delivered by their search platform, these content merchandisers are able to actively promote their own top quality editorial content and promote pages that produce the largest amount of revenue through ad clicks, download transactions, or subscriptions.

Search-driven recommendations are another means of creating demand for revenue-generating content. Consumers need help finding valued content that they might not otherwise know exists. Exposing “The Long Tail” of content through recommendations is becoming an essential aspect of user personalization for media companies as mature online consumers expect online sites to provide a path to discovering and exploring valued content.

Recommendations can be based on:

- Real-time historic consumer content interests
- Contextual information such as current location and time
- Demographics
- Individual ratings activity or community “collaborative filtering”
- Social contacts or content authorities such as movie reviewers
- Related categories (cross-selling)

Retailers like Amazon.com, Netflix, and eBay have made recommendations an integral part of their business. The insight provided by search enables media companies to make the same types of recommendations that winning retailers have been offering to better monetize their content and services.

Effective Ad Monetization

When media companies were first ramping up online properties, they did not have the traffic or page views to support selling their own paid search and contextual advertising. Instead, they relied on 3rd party Internet search partners to fill their ad inventory. Today, media companies can take advantage of white-label performance advertising platforms that help them quickly implement their own branded advertising portals.

These white-labeled performance ad platforms vary in sophistication, but typically support the following core capabilities:

- query-based and content based ads
- configurable ad ranking
- flexible ad targeting
- self-service or account management for advertiser control
- multi-channel ad delivery.

Print publishers have been hit the hardest by the fragmentation of media and shrinking print revenues as content consumers move online. A performance advertising solution allows, for example, a sailing magazine to target the major sailing and yachting retailers and the thousands of “long tail” retailers that want to tap this qualified audience. What is refreshing for the audience is the fact that they are only seeing advertisements that are relevant to their interests.

Summary

Media companies are at a crossroads—faced with evaluating their business models to more effectively monetize their online audiences. The proliferation of media options for consumers has fragmented where they spend their time and is driving the need for media companies to create a user experience that both attracts and engages the audience to keep them on the site long enough to up-sell, cross-sell, and provide attractive returns for advertisers.

From the beginning, media companies have leveraged the Internet search giants to attract audiences

and support their online advertising because they lacked the site traffic and technology infrastructure to take it on themselves. This has come at the cost of their relationships with their audiences and advertisers along with a significant portion of the online ad revenue. With the evolution of both technology and audiences, media companies now have an opportunity to consider new models to take back those relationships and reclaim some of that advertising revenue.

Search is a strategic enabler for media companies to deliver a more compelling user experience that keeps their audiences engaged and delivers higher returns for their advertisers. When leveraged beyond the site search box, search can help media companies deliver a rich blend of highly personalized and targeted content that matches the interests of each visitor.

With advanced search platforms and search-driven performance advertising, media companies can embrace the online opportunity and evolve their business models around search to better compete and win in the digital marketplace.

¹ Outsell, Inc. HotTopics: Information Industry Market Size and Share Rankings; Preliminary 2006 Results Volume 3, January 30, 2007

² Piper Jaffray & Co.

About FAST

FAST is the leading developer of enterprise search technologies and solutions that are behind the scenes at the world's best known companies with the most demanding search problems. FAST's solutions are installed in more than 3500 locations.

FAST is headquartered in Oslo, Norway and Needham, Massachusetts and is publicly traded under the ticker symbol 'FAST' on the Oslo Stock Exchange. The FAST Group operates globally with presence in Europe, North America, the Asia/Pacific region, South America, the Middle East and Africa. For further information about FAST, please visit www.fastsearch.com.

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