KDMC ENTREPRENEURIAL BOOT CAMP

Elaboration and details

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WHAT DOES "ADVERTISING REVENUE" MEAN?

- Very few media companies have a *single* source of revenue

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ONE COMPANY, MANY LINES OF BUSINESS

* Newspapers:
  + Local display ads
    × Sold by "on the street reps"
    × Variety of small, medium and large businesses
    × Often have to write & design the ad for them
  + National / major-account display ads
    × Think Macy's, cell phones, the local hospital
    × Bought through ad agencies – little *selling*, but a lot of dickering over price
    × Large business, but in decline

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- Newspapers:
  - Inserts
    - Grocery stores, the Target ad
    - All about distribution and negotiation
    - Huge, but declining, business
- Circulation revenue
  - Traditionally small – barely enough to cover the cost of paper & trucks
  - Now increasing as publishers are pressed to restore profits

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ONE COMPANY, MANY LINES OF BUSINESS

- Newspapers:
  - Classifieds
    - Often NO selling - the phone rings, money falls out
    - Four distinct sub-businesses
      - Car dealers
      - Help wanted
      - Real estate
      - Other stuff – garage sales, lost pets, painters & landscapes
    - Until a few years ago, *few alternatives* existed for those advertisers – so rates were astronomical

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THINK THIS DOESN'T APPLY TO BROADCAST?

- Local TV or radio station
  - Spot sales – classic 30- and 60-second ads
    - Mostly local
    - Some national
  - Events / live appearances
    - The DJ live at the car dealer on Saturday
  - Direct response
    - Popeil Vet-o-Matic, Rosetta Stone software
    - Infomercials

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THINK THIS DOESN'T APPLY TO BROADCAST?

- Local TV or radio station
  - E-commerce:
    - 50% off restaurant gift certificates
  - "Pay to play"
    - "Interview" shows where the guests *pay* to appear, or "magazine" shows where the features are paid for
  - Retransmission fees
    - Cable/satellite systems paying for the "right" to carry the stations' programming
  - Network affiliate payments
    - Fees from TV or radio networks to carry certain programs

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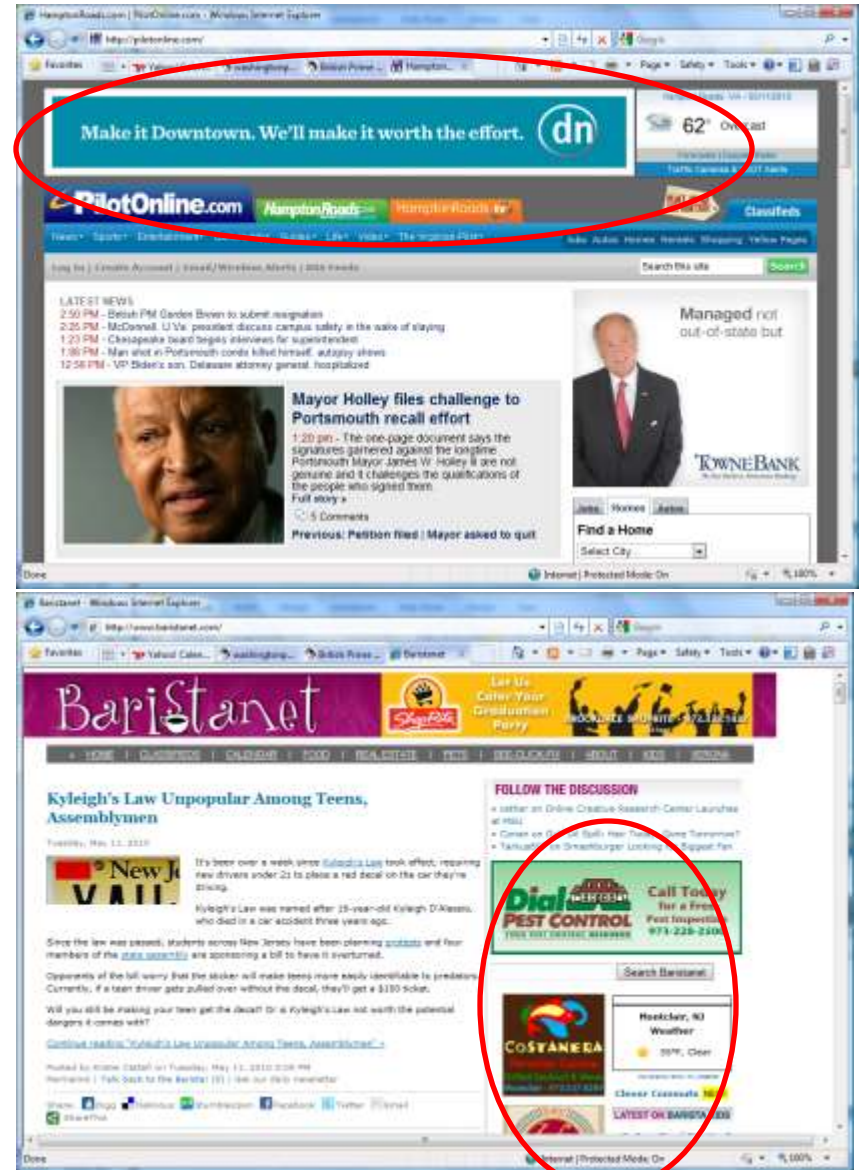
SO WHAT DOES THIS MEAN FOR YOU?

✖ Look for *multiple* revenue streams

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LOCAL DISPLAY ADS

× Usually sold by "feet-on the-street" reps

× Often sold on a "cost per thousand impressions" basis

+ Great for ad agencies

+ But most small/medium businesses can't even *spell* CPM

+ "I never see my ad."

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NATIONAL DISPLAY ADS

- Always sold on a "cost per thousand impressions" basis
  - + Great for ad agencies
- Some publishers sell "premium" inventory with their own staff
- But mostly sold by national ad networks, at ever-lower rates

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TEXT ADS / GOOGLE ADSENSE

* Pay-per-click model, usually sold by auction
* Handled by Google or any number of private-label vendors
* "Free money"
  + But not much
  + And sophisticated advertisers figure out they can get on your site without buying a display ad

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CLASSIFIEDS

- Same lines of business as print
- A *terrific* business for the first 10 years
  - Typically 70-90% of a newspaper's online revenue
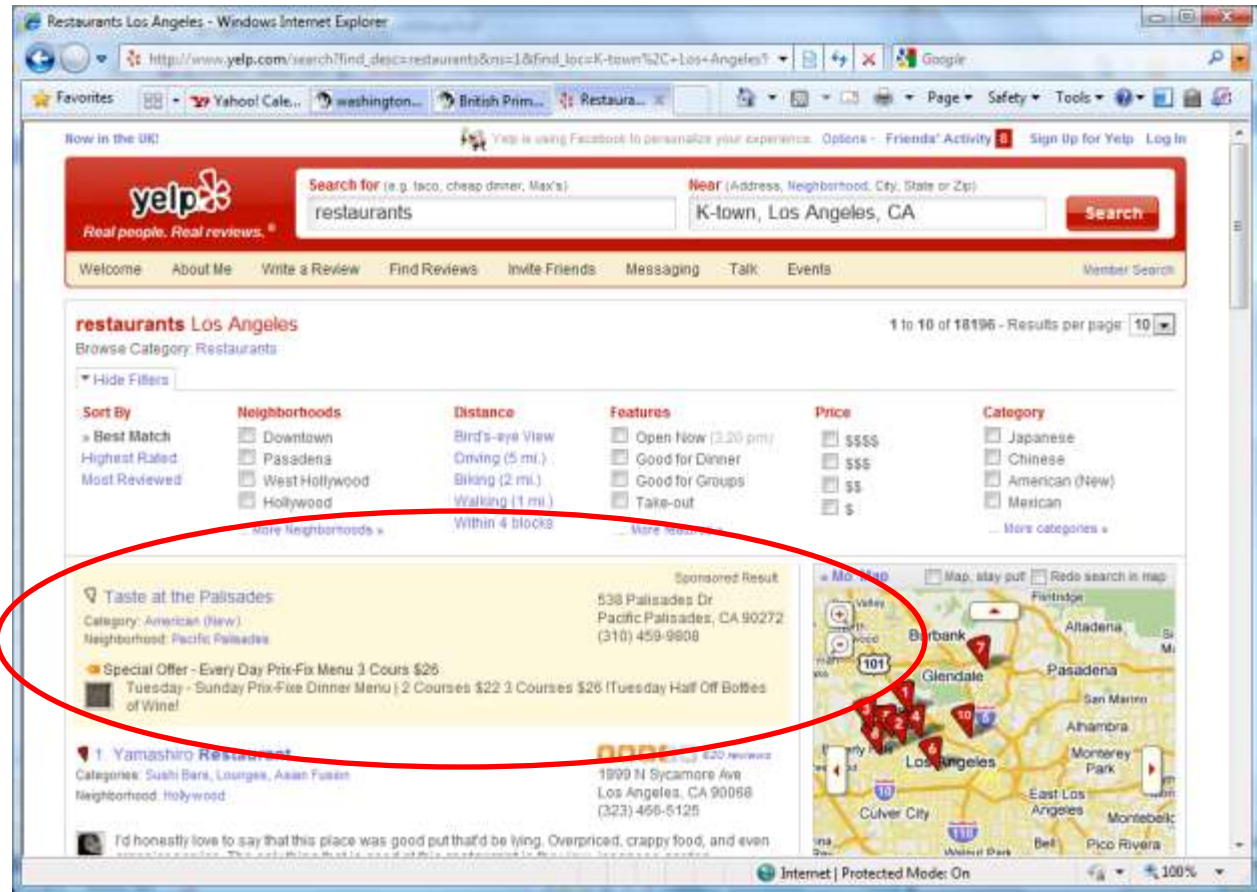- Four straight years of sharp declines

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NEWSLETTERS & OTHER PRODUCTS

- Display and/or text sponsorship of outbound emails
- Direct-email messages on behalf of advertisers

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DIRECTORIES

- ✖ Primary content is raw data
- ✖ User comments can be great content, too
- ✖ Ad model: Preferred placement; more data; more visuals

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VIDEO ADS

- "Pre-roll" – short commercials in front of video content
- "Video tours" – sponsored videos of restaurants, other businesses
    - Many vendors provide the needed services

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COUPONS

- Printable – and, increasingly, mobile
- Flat-fee or "pay per redemption" basis
  - Many technology vendors

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GROUP-BUYING / "DEAL OF THE DAY"

- No cash up front for advertisers
- Media company gets a percentage of each purchase
- Groupon has raised $135 million in new funding since October; Living Social another $25 million

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