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Online

Advertising is Getting Its Pulse Back

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After two years of what has felt like empty promises that the economy is on the upswing, the IAB's recently released *Internet Advertising Revenue Report* proves it hasn't been just hype. Results show that online ad revenues jumped 10.5 percent in the first six months of 2003 over the same period last year. And 95 percent of those sales were paid in cash, compared with 90 percent in the previous time period.

So what have clients been doing with all that money? Paid or keyword search revenue jumped to 31 percent of all 2003 second-quarter revenues and will continue on the upswing, experts say. Karen Anderson, media director for Modem Media, refers to search as "hotter than most [other online media]," while David Hills, president of media solutions at 24/7 Real Media, Inc., notes, "Search is growing very quickly."

Internet Ad Revenues By Pricing Model

(first six months of 2003)

Rich media and keyword search were the biggest gainers in revenue in the first six months of 2003.

	2003	2002
Keyword search	29%	8%
Display ads (banners)	23%	33%
Classifieds	17%	15%
Sponsorship	12%	24%
Rich Media	6%	3%
Slotting fees	5%	8%
Email	4%	4%
Interstitials	3%	3%
Referrals	1%	2%
First six months' revenues (in billions)	\$3.3	\$3.0

Source: PricewaterhouseCoopers for the IAB, 2003

Ad banners (or display advertising) are down from 32 percent to 22 percent and slotting fees for premium ad placement declined by half, down from 8 percent to 4 percent.

Performance-based pricing, such as cost-per-click, -sale, or -lead or a straight revenue share, is up from 15 percent to 35 percent although media executives don't foresee this continuing. "I don't think it's a trend of any kind or a next-wave way of doing business," Anderson observes. "I think it's simply that these kinds of deals will continue to be struck for the clients for whom it makes sense." Hills agrees, noting that his ad network division doesn't even sell on a cost-per-click basis because it's too hard to make money at it.

Cost-per-impression, on the other hand, while remaining flat at 45 percent still commands the largest share. "With many clients, there is still a desire to accomplish what are categorically branding objectives, in addition to driving leads or sales," Anderson explains. "If that's the case, then we can't deny the potential value of the impression, and therefore, a CPM component would really have to be considered."

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