

February 8, 2010

Via electronic filing: <https://public.commentworks.com/ftc/newsmediaworkshop>

Hon. Donald S. Clark
Federal Trade Commission
Office of the Secretary
Room H-135 (Annex S)
600 Pennsylvania Avenue, NW
Washington, DC 20580

Re: **News Media Workshop – Comment, Project No. P091200**

Dear Secretary Clark,

The Interactive Advertising Bureau (“IAB”) is grateful for this opportunity to provide comments related to the Federal Trade Commission’s December workshop on the Future of Journalism. As new media business models evolve, the Internet will continue to play an increasing role in how consumers access information.

Founded in 1996 and headquartered in New York City, the IAB (www.iab.net) represents over 375 leading companies that actively engage in and support the sale of interactive advertising. IAB members include AOL, CNET Networks, ESPN.com, Forbes.com, Google, MSN, New York Times Digital, Yahoo!, and others. Collectively, our members are responsible for selling over 86% of online advertising in the United States. IAB is actively engaged in regulatory matters, legislative affairs, and public policy initiatives that affect the interactive advertising industry. The IAB counts among our member base many news organizations, including ones with their origins in print media, on television, and on the Internet.

With these comments we offer four key observations. First, the Internet is important to news, but it is also true that news is of great importance to the Internet. Second, advertising is a critical revenue stream supporting not just online news but many other genres of content and information as well. Third, that the ability to offer innovative online advertising solutions, including targeted advertising, is needed to ensure viable business models for online journalism. And finally, the most important impact of the Internet on journalism to date may

lie in the fantastic diversity of sources of information available to consumers online, and the ability of even single individuals to create content--and build audiences--that can compare with the largest media firms in the world.

I. Importance of news to the Internet

Consumers increasingly depend on the Internet for news and information important in their lives. By the same token, it's also important to point out that news is important to the growth of the Internet. The ability to stay informed about local, national, and global events, instantly, is a key benefit consumers derive from the Internet, and is a significant driver of online usage.

Many data sources corroborate this tie between news and the Internet. For example, USC's Annenberg School's 2009 Digital Future study found that consumers spend 53 minutes per week reading newspapers online.¹ This is the highest duration they've ever seen, and represents an increase of 12 minutes relative to the 41 minutes/week in the 2008 study. Moreover, many of the most significant internet traffic spikes have been generated by news events. When something happens, increasingly people reach for their computer mice rather than their TV remote controls.

Akamai, an Internet infrastructure vendor, tracks traffic to online news sites in terms of Visitors Per Minute (VPM). The biggest traffic peak it has recorded since tracking began in August 2005 was on November 4th, 2008 at 11PM, during the election results (8.57 million visitors per minute).² Other peaks include coverage of World Cup soccer and college basketball post-season tournaments, the inauguration (5.4 million visitors per minute), and the landing of US Air flight 1549 in the Hudson (5 million visitors per minute).³

As broadband connectivity spreads and the Internet's video delivery capabilities continue to improve, consumers are even more likely to turn to the Internet for news coverage, particularly for events that happen during the business day, when many workers are likely to have easier access to a PC than to a TV. Keeping up with this increasing demand will force both individual

¹ "Annual Internet Survey by the Center for the Digital Future Finds Large Increases in Use of Online Newspapers," USC Annenberg School for Communication Press Release, 28 April 2009.

² Akamai Net Usage Index: News, visited 1 February 2010. Available at <http://www.akamai.com/html/technology/nui/news/index.html>.

³ *ibid.*

publishers and network service providers to invest in ever more robust data connections.

II. Importance of advertising to the Internet economy

For virtually all online news sources, advertising revenues are critical to covering those networking investment costs. While a relatively small number of specialty news websites charge for content, most consumers expect news to be “free”—that is, supported by advertising. Fortunately, the online advertising industry is doing relatively well, given the broader economic climate.

The IAB has tracked online advertising revenues in the US since 1996. According to the IAB’s 2008 Internet Ad Revenue Report, US online advertising generated nearly \$24 billion.⁴ Although online advertising revenues have suffered during 2009, they have declined far less than ad revenues in almost every other medium,⁵ a sure sign that advertisers are finding value in their online advertising dollars. For a suggestion of where online advertising may wind up, it is instructive to look overseas. In the UK, 2009 marked the first year that the Internet was the single largest advertising medium, surpassing even television.⁶ While peculiarities of the UK market helped speed the Internet’s rise to dominance there, the value that UK advertisers already see in online ads is universal.

However, ad revenues by themselves are only a part of the total economic gain the US derives from the advertising-supported Internet. In 2008, the IAB sponsored a study of the economic impact of the ad-supported Internet by Harvard Business School professors John Deighton and John Quelch. This study, the first of its kind since the late 1990’s, examined the broader impact of the Internet economy on the US economy as a whole, looking at both direct and indirect employment. Professors Deighton and Quelch concluded that the annual contribution to US GDP of the Internet sector was some 3.1 million total jobs and \$300 billion.⁷

⁴ *IAB Internet Advertising Revenue Report: 2008 Full-Year Results*. Released March 2009. Available at <http://www.iab.net>.

⁵ “US Ad Spending Fell 15.4% in The First Half, Nielsen Reports,” The Nielsen Company Press Release, 1 Sept. 2009.

⁶ “Internet ad spend grows 4.6 per cent,” IAB UK Press Release, 30 Sept. 2009. Available at <http://www.iabuk.net/en/1/adspendgrows300909.mxs>.

⁷ Hamilton Consultants, Inc., John Deighton, Ph.D., and John Quelch, Ph.D., *Economic Value of the Advertising-Supported Internet Ecosystem*, July 10, 2009. Available at <http://www.iab.net>.

Finally, although the IAB does not create forecasts of the growth of online advertising, we track forecasts by others. To cite a few examples from mid-2009, the advertising agency Group M predicted that in 2010 online advertising would account for 17% of all advertising revenue in the US—third behind TV and magazines.⁸ And market research firm Forrester published an April 2009 forecast that found digital advertising revenue would reach \$55B by 2014—21 percent of all US ad spending.⁹

This revenue supports and enables a world of content, including news and informational content that consumers would otherwise have to pay for directly or forego access to.

III. Need for targeted advertising

The uncertain sustainability of online business models poses the most significant risk to the continued viability of delivering news (and other content) online. While several online news publishers are exploring the option of subscription fees or other charges for content, as in all other media, IAB believes that advertising will inevitably play a critical role in successful business models enabling Internet journalism.

Advertising, and specifically online's targeting capabilities, are currently a contentious topic in Internet business and regulatory circles. Although ostensibly only a single form of online ad targeting--behavioral targeting—is under scrutiny today, in reality the “behavioral” rubric covers a wide array of different practices, and privacy zealots have it in for all forms of targeting. At this point, the industry lacks definitive research on the difference in value between untargeted and targeted ads.

However, an informal survey of agencies by the IAB suggests behavioral advertising is extremely widespread: up to 80% or more of campaigns conducted in 2009 involved some form of cookies or other tracking that could be

⁸ “GroupM: Interactive Overtakes Newspaper Ad Spending,” MediaPost News Online Media Daily, June 25, 2009. Available at

http://www.mediapost.com/publications/?fa=Articles.showArticle&art_aid=108676

⁹ Shar VanBoskirk, “Interactive Marketing Nears \$55 Billion; Advertising Overall Declines,” The Forrester Blog for Interactive Marketing Professionals, July 7, 2009. Available at

<http://blogs.forrester.com/marketing/2009/07/interactive-marketing-nears-55-billion-advertising-overall-declines.html>.

so characterized.¹⁰ A working paper by the Progress and Freedom Foundation suggested that targeted advertising could generate revenues up to ten times higher than equivalent, untargeted ads.¹¹ Permitting online news organizations and particularly those with origins in the now-struggling world of print media, the ability to build successful Internet business models — including targeted advertising--will be an important piece of any policy program designed to shore up journalism in the Internet age.

That is not to say that media companies or other sellers of advertising should be permitted to abuse the trust of their audiences. The industry itself has already taken a strong step for consumer protection, in the form of the *Self Regulatory Principles for Online Behavioral Advertising* published in July 2009 by a group of leading industry associations including the IAB, the American Association of Advertising Agencies (4A's), the Association of National Advertisers (ANA), the Direct Marketing Association (DMA), and the Better Business Bureau (BBB).¹² These principles enable firms to create viable business models for online journalism (and other kinds of content delivery), while establishing baseline requirements for data collection and security, user control and disclosure, and transparency and accountability.

IV. Diversity of sources of news and information

A final key aspect of the Internet and news is the explosion of the diversity of news sources it has created on a single platform, giving consumers a vast amount of choice and in some senses making everyone a potential journalist.

In the days before the Internet, people generally relied on two main sources of news and information. They learned of breaking events by word-of-mouth (by phone or face-to-face), or they turned to generally quite large, “broadcast,” media providers like newspapers, radio stations, and TV. These two information sources fed each other—friends and family would call one another to

¹⁰ IAB interviews of advertising agency personnel regarding use of digital advertising targeting technologies.

¹¹ Berin Szoka & Mark Adams, *The Benefits of Online Advertising & Costs of Privacy Regulation*, Progress & Freedom Foundation Working Paper, Nov. 8, 2009, www.scribd.com/doc/22445754/Benefits-of-Online-Advertising-Paper.

¹² For more information on the *Self Regulatory Principles for Online Behavioral Advertising*, please see: [http:// www.iab.net/behavioral-advertisingprinciples](http://www.iab.net/behavioral-advertisingprinciples).

see if they were aware of a major breaking event, which would prompt people to find the nearest TV or radio.

Today, there is a very similar interplay between “personal media” (the network of friends, co-workers, and family) and “professional media.” However, the Internet has facilitated an important change: it has enabled a much more diverse set of voices/publishers than the broadcast model could ever support. For example, in April 2009, the *Wall Street Journal* estimated 1.7m “bloggers” (self-publishers) make at least some money from online publishing, while some 452,000 use blogging as their “primary source of income.”¹³ So the line between the personal and the professional media, and between consumers and journalists, has blurred. On personal Web sites, blogs, and social networking pages, individuals can reach an audience that can range from a few to millions. And thanks to online advertising, they can make money doing so.

Although the historic synergy between word-of-mouth and professional media still exists, today the line that formerly separated the two is blurry to the point of near nonexistence. The Internet enables a class of content that resides in between, generated in real-time, from individuals who are empowered to compete on a more-or-less equal footing with the largest media companies in the world.

And these personal/professional publishers are amassing an audience. The digital agency Razorfish conducted a survey of Internet savvy “connected consumers.” These are consumers with broadband, who spend a significant sum of money online, visit community websites, and consume and/or create digital media. When asked where they get their news online, 80% of these consumers said traditional news websites, and 27% said alternative news websites. However, 33% said Facebook, 20% said twitter, and 31% said “other.”¹⁴ Only 3% said they don’t read news online. So Internet savvy consumers overwhelmingly do use the Internet to get news and information, but they turn to one-to-one, personal sources as well as professional ones.

If the Internet has blurred the extremes of the personal media/professional media spectrum, it has also facilitated movement from one pole to the other. The time required to establish a “trusted brand” for news is

¹³ Mark Penn, “America’s Newest Profession: Bloggers For Hire,” *Wall Street Journal*, April 21, 2009.

¹⁴ Garrick Schmitt, *Feed: The Razorfish Digital Brand Experience Report/2009*, released Nov., 2009, p. 18. Available at <http://feed.razorfish.com/>.

much shorter in the Internet world. Websites such as the Huffington Post for general news, Gothamist for news related to New York City, Engadget for technology news, and Salon and Slate for news and commentary, were founded online, and all quickly established themselves as trusted sources for their respective audiences.

Of course, the Internet has also compressed the time required to tarnish or lose consumer trust. Every major professional news publisher now has a horde of dedicated bloggers and others dedicated to exposing their inaccuracies, spin, foibles and fumbings. While sometimes wrong or unfair, the best of these journalistic watchdogs help keep publishers honest. Publishers that abuse the trust of their audiences will be punished for their missteps.

Internet ad revenue models make it feasible for individuals to support themselves as journalists/publishers, covering niche content and increasing diversity of information, and creating sources of news and information that could not have existed otherwise. News publishers can now be “hyperlocal,” covering not a city but a neighborhood or block. Readers can find daily news sources on highly specialized topics, from exotic hobbies to rare diseases. And the Internet supports publishers offering every conceivable point of view as well.¹⁵

This richness and diversity of voices, topics, and perspectives is a direct benefit from the Internet, and these new journalist/publishers’ ability to support themselves while speaking out on topics they feel passionately about is a direct benefit from Internet advertising. Today’s media world is more fragmented and complex than it was before the Internet—and many professional news organizations remain challenged by that. However, that complexity has created a world of benefit for consumers, enabling them to speak, and be heard, more broadly than ever before.

Thank you for the opportunity to comment. If you have any questions or would like more information, please do not hesitate to contact me.

Sincerely,
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¹⁵ The IAB’s Long Tail Alliance is one of several groups giving a voice to small publishers supporting themselves partly or wholly via online advertising. For more on small Internet publishers, please see: http://www.iab.net/member_center/longtailalliance.