Why Digital is Important
Digital’s Reach
Viewer Habits

TV viewers in the United States watch:

5 billion hours / week

YouTube viewers watch:

4 billion hours / month

Sources: AC Nielsen, Google
Viewer Habits

Videos uploaded to YouTube:
72 Hours / minute

YouTube videos watched on Facebook:
500 Years worth / day

Sources: YouTube
Largest Populations

- China: 1,349,585,000
- India: 1,220,800,000
- Facebook: 1,150,000,000
- Twitter: 500,000,000
- United States: 316,487,000
- LinkedIn: 238,000,000
- Brazil: 201,009,000
- Pakistan: 193,238,000

Sources: Facebook, Twitter, LinkedIn, US Census World Population
<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use a search engine</td>
<td>91%</td>
</tr>
<tr>
<td>Send or read email</td>
<td>88%</td>
</tr>
<tr>
<td>Map / driving directions</td>
<td>84%</td>
</tr>
<tr>
<td>Search hobby/interest info</td>
<td>84%</td>
</tr>
<tr>
<td>Look for medical info</td>
<td>83%</td>
</tr>
<tr>
<td>Check the weather</td>
<td>81%</td>
</tr>
<tr>
<td>Product research</td>
<td>78%</td>
</tr>
<tr>
<td>News</td>
<td>78%</td>
</tr>
</tbody>
</table>

What are we doing online?

- Pass the time: 74%
- Buy a product: 71%
- Watch a video: 71%
- Use social media: 67%
- Travel reservations: 65%
- Online banking: 61%
- Sports scores and info: 52%
- Download music: 43%

Video Viewers Growing Fast

In June 2013, 183 million Americans watched more than 44 billion online content videos, while the number of video ad views surpassed 20 billion. That’s 85.2% of the total US internet audience.

Source: comScore, June 2013
Netflix subscribers watched more than one billion hours of video in June 2012, averaging 80 minutes per day. That means that on any given day, Netflix is more popular than any single cable network in the U.S.

Source: Netflix, BTIG
More than 60% of mobile phones in the U.S. are Smartphones. Apple and Google dominate at the expense of RIM.

Top Smartphone Platforms
3 Month Avg. Ending June. 2013 vs. 3 Month Avg. Ending March 2013

<table>
<thead>
<tr>
<th>Platform</th>
<th>March 2013</th>
<th>June 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Google</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Apple</td>
<td>+0.9</td>
<td>+0.9</td>
<td>+0.9</td>
</tr>
<tr>
<td>RIM</td>
<td>-0.8</td>
<td>-0.8</td>
<td>-0.8</td>
</tr>
<tr>
<td>Microsoft</td>
<td>+0.1</td>
<td>+0.1</td>
<td>+0.1</td>
</tr>
<tr>
<td>Symbian</td>
<td>-0.2</td>
<td>-0.2</td>
<td>-0.2</td>
</tr>
</tbody>
</table>

Source: Nielsen Mobile Insights, August 2013; comScoreMobiLens
Mobile Getting Bigger

Tablets and readers are now in ~34% of homes

More cellphone subscribers in the US than people

Population 316 million

# of cell phones 326.4 million

Almost 40% of the world’s population are online

2.7 billion people

Source: International Telecommunications Union, United Nations; CTIA
Bright Spot for News

Content Accessed Through Mobile Devices

Apps vs. Mobile Web
Both remain important.

Percent Share of Browser & App Users Among Total Mobile Audience, Dec 2011

- Used Application
  - EU: 36% (Y.O.Y. +9.2)
  - US: 48% (Y.O.Y. +11.1)

- Used Browser
  - EU: 12% (Y.O.Y. +10.1)
  - US: 24% (Y.O.Y. +13.3)

Apps vs. Mobile Web
Duration of App usage outpaces Mobile web.

Total Mobile App and Web Duration on Android and iOS
(Billions of Minutes per Month)

Bright Spot for News

Mobile Web Visited on Tablet or Smartphone Q1 2012

Most Downloaded Apps By Category (Smartphone & Tablet) Q1 2012

Mobile Video

Tablet users are three times more likely to watch video than phone users, and they’re watching more than just short-form...

Videos regularly watched on Tablets (% of Tablet Users)

- Short-form News & Entertainment
- UGC like YouTube
- Music Videos
- Movie Trailers or clips
- Full-length TV shows
- Full-length Movies
- Professional Web original shorts
- Full-length sports
- Other
Mobile + Social

About **128 million** of Facebook’s worldwide active users access the service using their mobile devices.

Source: Facebook, August 2013
Mobile + Social

7.3 million smartphone users accessed Instagram each day in August 2012 and 6.9 million used Twitter from their phone.

Source: comScore, Twitter, October 2012
Social Networking Usage

The percentage of all adult internet users who use social networking sites since 2005

- **97%** of online news consumers who use social network sites
- **71%** of online consumers who get news forwarded to them through email or via social networking
- People are 3.7x more engaged with news content when it's recommended

Facebook Stats

- 1+ Billion Active Users
- 55% Active any day
- 234 friends
- 2x Mobile users active as non-mobile
- 2.5m Integrated websites
- Average user has 234 friends
Twitter Stats

- 55% Access via Mobile
- 100m Monthly active users
- More female than male
- 74% 25 or younger
Digital’s Future
Mobile Rapidly Growing

The number of mobile-connected devices exceeds the number of people on earth. By 2016 there will be 1.4 mobile devices per capita.

Global Mobile Traffic as % of Total Internet Traffic

Source: KPCB “Internet Trends” Report, 5/30/2012
Mobile Sales Outpacing PC

Mobile and smart phone sales have overtaken PC sales and are projected to continue at a steep incline.

Source: Gartner, IDC, Strategy Analytics, Company filings, BI Intelligence estimates
Mobile Video to Grow

The U.S. mobile video audience grew 77% over the past two years from 21 million to 36 million. That audience is expected to rise to more than 50 million in 2013.

Source: BI Intelligence
Tablet Impact

Tablet penetration is expected to reach **47%** by year end, an increase from just **2%** three years ago.

**Worldwide Sales of Tablets to End Users: 2011 to 2016 (000s)**

Source: Gartner, April 2012
In-App Purchases to Soar

IHS predicts that in-app purchases will become the dominant way that app developers make money in the years ahead.

In-app purchases accounted for 39% ($970 million) of app revenues in 2011. By 2015, IHS predicts that number will grow to 64% ($5.6 billion).

Source: IHS Screen Digest January 2012
Points & Recommendations
Three Key Points

1. Digital remains a huge growth opportunity for news. 76% of users are consuming news online.

2. Video has exploded in usage over the past few years and continues to be one of the fastest growing digital formats.

3. Mobile consumption, while still in early stages, is rapidly expanding as more and more consumers acquire smart phones and tablets.
Three Recommendations

1. Define your digital identity.

How will you extend your on-air brand in a way that takes advantage of the inherent value of each digital platform? How does your brand translate to social media and mobile devices and do they integrate into programming?

Consider how your digital initiatives may impact your news brand as a whole. Is it an opportunity to redefine yourself?
Three Recommendations

2. Research the local landscape.

Uncover who is spending money on digital. Identify who should be spending but isn’t yet. Look at your competition to understand what they are offering.
Three Recommendations

3. Analyze and document your audience.

Look at your site metrics, identify trends that may be appealing to advertisers, consider ways you can package your audience segments. Do you currently skew more towards certain audience types? Determine how you can nurture what you already have and grow an existing base into a stronger segment.
2 Digital Ad Sales by Numbers
Digital vs. Other Media
Online Ad Spending

Internet advertising revenues reached a record total of $37 billion in 2012. That's a **15% increase** from the $31.74 billion reported in 2011, and continues a trend of strong growth over the past 10 years.

Source: IAB, April 2013
Growth in Mobile & Video

The same 2012 full-year report showed that mobile ad revenue grew 111% year over year and totaled $3.4 billion. Digital video advertising accounted for $2.3 billion.
Compared to Other Media

In 2012, Internet advertising revenues inched closer to broadcast TV advertising, and have long since surpassed those of Cable Television (including both National and Local).

Advertising Revenue Market Share by Media - 2012, in billions

- Broadcast TV: $39.6
- Internet: $36.6
- Cable TV: $32.5
- Magazines: $22.8
- Newspaper: $19.4
- Radio: $16.1
- Out of Home: $7.5
- Video Games: $0.8
- Cinema: $0.7

Source: IAB, April 2013
Internet ad revenue growth outpaces all other media

In the U.S. between 2005-2010, “Old Media” lost $42b, while Internet gained +$13b (and TV gained +$3b)

Source: Bernstein, March 2012
Digital Forecasts
Digital accounts for 20% of all ad spend, but nearly 70% of growth - the biggest contributor of new ad dollars.

Source: ZenithOptimedia, June 2013
Ad Spend Forecast

Internet ad spending is expected to continue on a steep incline through 2015.

Projected share of global ad spend by medium in 2015 (%)

Source: ZenithOptimedia, June 2013
Online Spending Forecast

Paid search, banners and videos account for over 89% of all digital ad spend by 2016.

Source: eMarketer, September 2012
Video continues to be the fastest-growing ad format and will remain strong through 2016.

Source: eMarketer, January 2012
Real-time Bidding (RTB)

Audience targeting:

- 73% buy RTB in 2013
- $2 Billion RTB Market
- $8.49 billion in digital ad spend by 2017
Spending by Industry
Who’s Spending

Internet Ad Revenues by Major Industry Category, 2011 vs. 2012

Retail - 24%
Financial Services - 18%
Telecom - 12%
Auto - 12%
Computing Products - 6%
Leisure Travel - 6%
Consumer Packaged Goods - 6%
Pharma & Healthcare - 6%
Media - 3%
Entertainment - 3%

Source: IAB, April 2013
How They’re Spending

Internet Ad Revenues by Pricing Model, 2006-2012

Source: IAB, April 2013
Key Platforms
Revenue by Platform
Ad Formats 2011 vs. 2012

Ad Formats 2011
Total: $31.7 Billion

Ad Formats 2012
Total: $36.6 Billion

Source: IAB, April 2013
What About...

In addition, YouTube and social networks are two other areas in digital that are in the early stages of ad development.

Because ad models are still being established at this time, we do not recommend that you focus a lot of effort here.
The Basics
Terms to Know

- **Run of Site (ROS)**
  When an advertiser purchases a banner size that can appear on any page of the site, rather than purchasing a particular section or page.

- **Click Through Rate (CTR)**
  The percentage of banner impressions that resulted in a visitor to the advertiser’s site.

- **Cost Per Thousand (CPM)**
  The amount an advertiser pays for every 1000 impressions of their ad.

- **Cost Per Click (CPC)**
  The amount an advertiser pays for each click on their ad - typically used for SEM or Facebook ads.

- **House Ads**
  The ads a site runs that have not been purchased by an advertiser. Often used to advertise their own content/products.

- **Inventory**
  The amount of ad impressions a site makes available to advertisers for purchase.
Parties Involved

**Ad Server**
Serves the ads and uses “clicktags” to track user engagement and report analytics.

**Rich Media Server**
Often required to serve the rich media ads that load additional content after the initial ad load. Example: PointRoll.

**Streaming Video Server**
If an ad is video-only, sometimes a streaming video server/vendor can be used instead of a rich media server.

**Media Planner/Buyer**
They decide which sites to run the ads on and make the purchase.
Points & Recommendations
Four Key Points

Spending online continues its upward trend, while many other media are in decline.

Video is emerging as a leading ad platform, particularly for brands that occupy the video space.

Ad models are ever-evolving, but brand strength & awareness is key.

Mobile advertising remains the focus of many brands due to increasing consumer penetration.
Three Recommendations

1. Identify what can be sold now.

Look for existing editorial opportunities. Which areas of the site get the highest traffic and how can they be converted to a sales opportunity? Determine if there are any features that can be sold both on-air and online.
Three Recommendations

2. Dialog with editorial

Meet regularly with editorial to discuss what’s on the horizon. Know what’s resonating in the marketplace. Communicate back to editorial what you are hearing from advertisers. What types of content have the highest potential for revenue? Are there new sections that you might sell?
Three Recommendations

3. Plan your sales strategy.

Existing clients are the biggest opportunity for growth. Are there existing on-air deals that could be extended online for a larger package? Are there existing digital deals that can be extended to additional platforms like video or mobile?

Then develop your target list. Given the competitive landscape, which advertisers are likely to be most receptive to your calls? Are there new categories/industries you may want to pursue with a stronger digital offering?
3 Ad Platforms
Banner Ads to Grow

$7.7 billion in advertising revenues for display banner ads in 2012. Those numbers are expected to rise by more than 33% year over year.

Source: IAB, April 2013
Display Share

Google and Facebook are expected to dominate the display ad marketplace through 2014.

Net US Digital Ad Revenues at Major Digital Ad-Selling Companies (billions)

Source: eMarketer, September 2012
### Types of Display Ads

**Most popular standard units for display ads:**

<table>
<thead>
<tr>
<th>Type</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaderboard</td>
<td>728 x 90</td>
</tr>
<tr>
<td>Message</td>
<td>300 x 250</td>
</tr>
</tbody>
</table>
Types of Display Ads

Most popular standard units for display ads:

- Skyscraper: 160 x 600
- Half Page: 300 x 600
Types of Display Ads

- **Synced** banners are linked ads that work together.
- **Roadblock** ads are all from the same advertiser.
- **Side Panel** is branding on either side of site content.
187 million Americans watched more than 48 billion online content videos in July 2013, while the number of video ad views totaled 19.6 billion.

Top U.S. Online Video Content Properties Ranked by Unique Video Viewers, in millions.
Types of Video Ads

Pre-Rolls ads play before videos lasting either :15, :30, or 1:00.

Pre-Roll and Banners work together showing the same advertisement.
Types of Video Ads

In-banner ads play a short video clip within the banner ad.

Streaming video ads play longer videos that stream from a different server.

Mobile ads can be pre-roll ads or in-banner ads.
Rich Media
Rich Media Revenue

A rich media ad is an ad banner that loads additional video or data once the user begins to interact with it - either through a rollover or action click.

Advertising revenues for rich media ads in 2012 totaled $1.1 billion, but this category may see a slight decline in favor of video and mobile advertising.

Source: IAB, April 2013
Types of Rich Media Ads

- **Video** appears in ad and can interact on rollover.
- **Expandable/Pushdown** ad expands on page load or on rollover.
Types of Rich Media Ads

Inline Interactivity ads have interaction in ad rather than going to an advertiser’s site.

IAB Branding Interactive Units that load additional content beyond first page load.
Sponsorships
Types of Sponsorships

Segment Based
CNN Heroes

Section Based
Tech Section

Event Based
2012 Election

Tool Based
User polls

Sweepstakes
Market is Quickly Growing

In 2012, mobile ad revenues in the US totaled $3.4 billion, up 111% from $1.6 billion in 2011. It has seen triple digit percent growth since 2010.

Source: IAB, April 2013
Why We’re Bullish on Mobile

% of Time Spent in Media vs % of Advertising Spending, USA 2012

- TV: 43% Ad-Spend, 42% Time Spent
- Print: 23% Ad-Spend, 6% Time Spent
- Web: 22% Ad-Spend, 26% Time Spent
- Radio: 10% Ad-Spend, 14% Time Spent
- Mobile: 3% Ad-Spend, 12% Time Spent

Source: KPCB, December 2012

headroom!
Monetization Challenges

The material upside for Ad$ catching up to time spent could represent a $14 billion opportunity in the U.S. alone.

Source: KPCB, December 2012
Market is Quickly Growing

While mobile advertising is a fraction of total digital ad spend, it is growing quickly, driven primarily by search, mobile web display, and in-app display.

Source: Gartner, March 2011
Monetization Challenges

Mobile CPMs are currently only about 1/5 of those for desktop.

Effective CPM, Desktop Internet vs. Mobile Internet

<table>
<thead>
<tr>
<th>Category</th>
<th>Desktop Internet</th>
<th>Mobile Internet</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$0.75</td>
<td></td>
</tr>
<tr>
<td>$1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$2.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$3.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$4.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mobile eCPM by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Effective CPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weather</td>
<td>$1.24</td>
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<tr>
<td>Education</td>
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<td>Lifestyle</td>
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<td>Utilities</td>
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<tr>
<td>Health &amp; Fitness</td>
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<tr>
<td>Entertainment</td>
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<tr>
<td>Games</td>
<td>$0.51</td>
</tr>
<tr>
<td>Navigation</td>
<td>$0.49</td>
</tr>
</tbody>
</table>

Source: KPCB “Internet Trends” Report, May 2012
Over the Top (OTT) Delivery

OTT refers to content that is delivered to a user’s device without internet service provider (Comcast, AT&T) distribution. Examples of OTT are Netflix and Hulu.

This is a nascent area we are watching closely and expect ad models to develop in the coming years.
Points & Recommendations
Three Key Points

1. Established platforms and more aggressive integrations offered by Rich Media continue to be the strongest revenue drivers.

2. Video offers the opportunity for contextually-relevant placements and typically has a higher CPM.

3. While the ad spend on mobile remains small, the amount of time consumers spend on mobile devices means there is tremendous head room for ad growth.
Three Recommendations

1. Know your technical capabilities.

Understand what your site is capable of supporting in terms of ad units. Are you able to sell and traffic video ads or mobile ads? Understand what kinds of rich media units can be integrated.

Identify any limitations or restrictions you need to be aware of. And know where there is more latitude to push the limits.
Three Recommendations

2. Develop your sales packages.

Think cross platform. How can you package a sponsorship across as many platforms as possible - TV, website, video, mobile, etc?

Put together your offerings and price them. Create mockups. Visuals are very powerful. Show advertisers what it might look like on your site.

Develop relationships with rich media vendors to understand what that cost might be to implement on your site. Rich media servers can be expensive, but some vendors have lower-cost alternatives.
Three Recommendations

3. Test, adjust, expand.

Test the waters. Start with one or two friendly clients and gauge response. Dialog with current and potential advertisers. Are there ways you can up the ante? Offer them options that your competition is not? Look for ways to create a strong long-term partnership rather than a one-time sale.

Stay on top of site analytics. Identify which types of ads are getting the highest response from users.

Communicate regularly with your advertisers. Be the partner that is always looking out for their best interests.
4
Success Metrics
Metric Expectations

Standard metrics and rates for measuring success vary greatly by the site’s reach, type of ad, type of marketer, and local marketplace.

There really is no magic number or rate. It’s more about brand lift - how many eyeballs your services can deliver in order to raise brand awareness and intent to purchase.

Like the real estate market, it’s best to understand what the going rates are in your market and set your rates competitively as they change frequently.
What Video Advertisers Prefer

Pre-roll has competition, but still takes the crown.

- **31%** pre-roll
- **10%** in-banner
- **9%** expandable banner (partial screen)
- **8%** mobile
- **8%** ad selector
- **7%** rich media overlay
How Advertisers Measure the Success of Video Campaigns

- Clickthrough rate: 39%
- Actual product sales: 38%
- Visits to the brand website: 35%
- Brand awareness or recall: 30%
- Video completion rate: 29%
- Reached target audience: 22%
- Social engagement: 20%
- Time spent watching video: 19%
- Number of times video was viewed: 19%
- Intent to purchase: 17%
5 Key Takeaways
In General

Stick with IAB ad sizes and units.

Try to position ad units as close to editorial content as possible.

Develop content that will be seen as valuable to the advertisers in your market.

Consider having the same staff sell both TV and digital. That way you have consistent message and can create a packaged offering across TV, Web, and Mobile.
Best Practice Checklist

- Define your digital identity.
- Research the local landscape.
- Analyze and document your audience.
- Identify what can be sold.
- Dialog with editorial.
- Plan your sales strategy.
- Know your technical capabilities.
- Develop your sales packages.
- Test, adjust, and expand.
Thank You
CNN Newsroom