

Digital Revenue Models

Revenue to support digital news comes in many forms and from many sources.

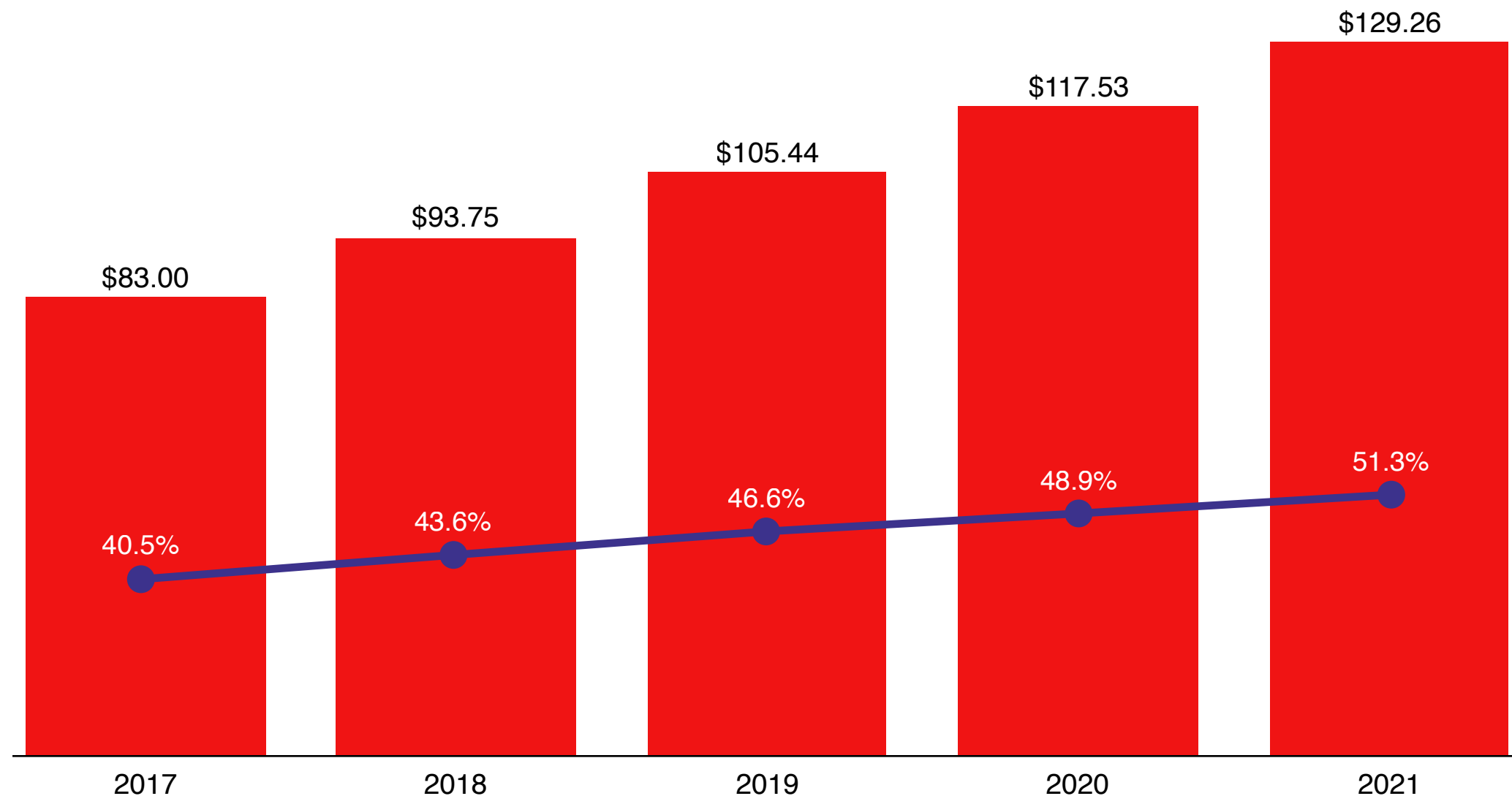
This point of view will help bring you up to speed on what tools you have at your disposal, and outline some areas to watch in the months ahead.

Advertising Snapshot

The good news is that digital spending is the bright spot among all advertising on media sites.

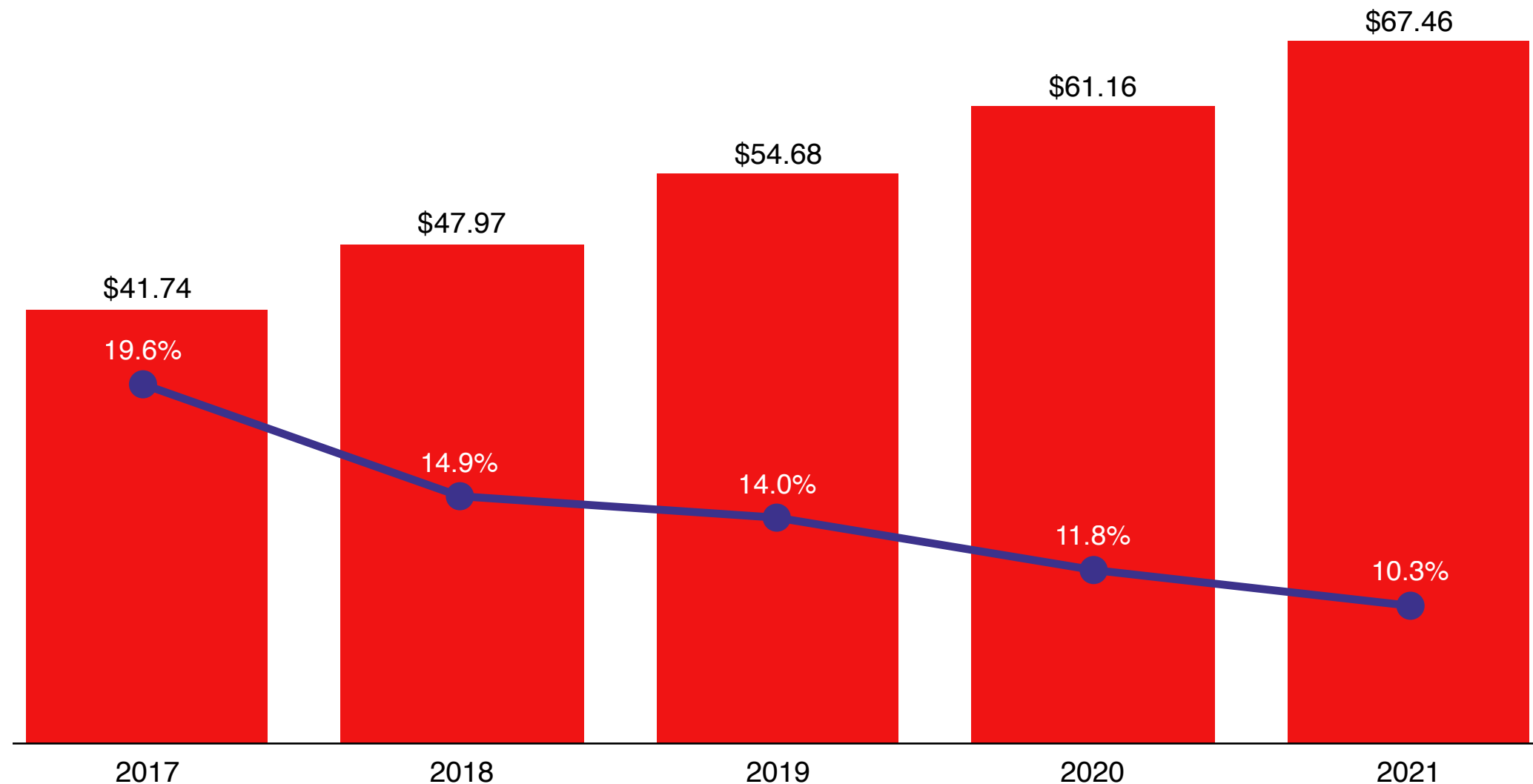
Digital ads take a bigger share

Digital revenue is projected to increase strongly as a percentage of all media advertising over the next few years



Display ads continue to grow

Display advertising, a favorite of news sites, will remain half or more of all digital dollars spent over the next few years, with double-digit growth continuing



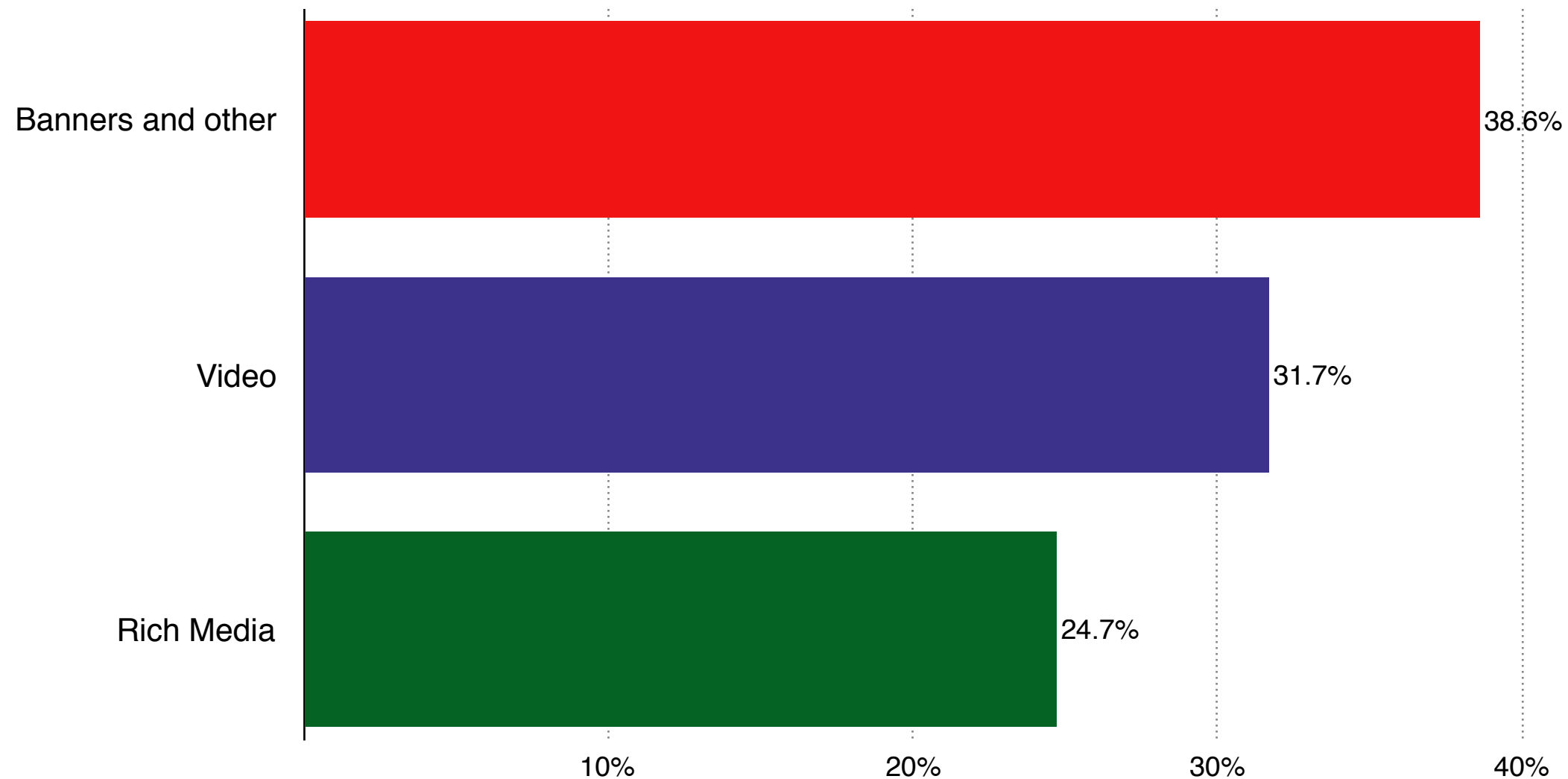
US Display Ad Spending (includes banners ads, rich media, and video)

Source: eMarketer, August 2017

■ Billions
% change

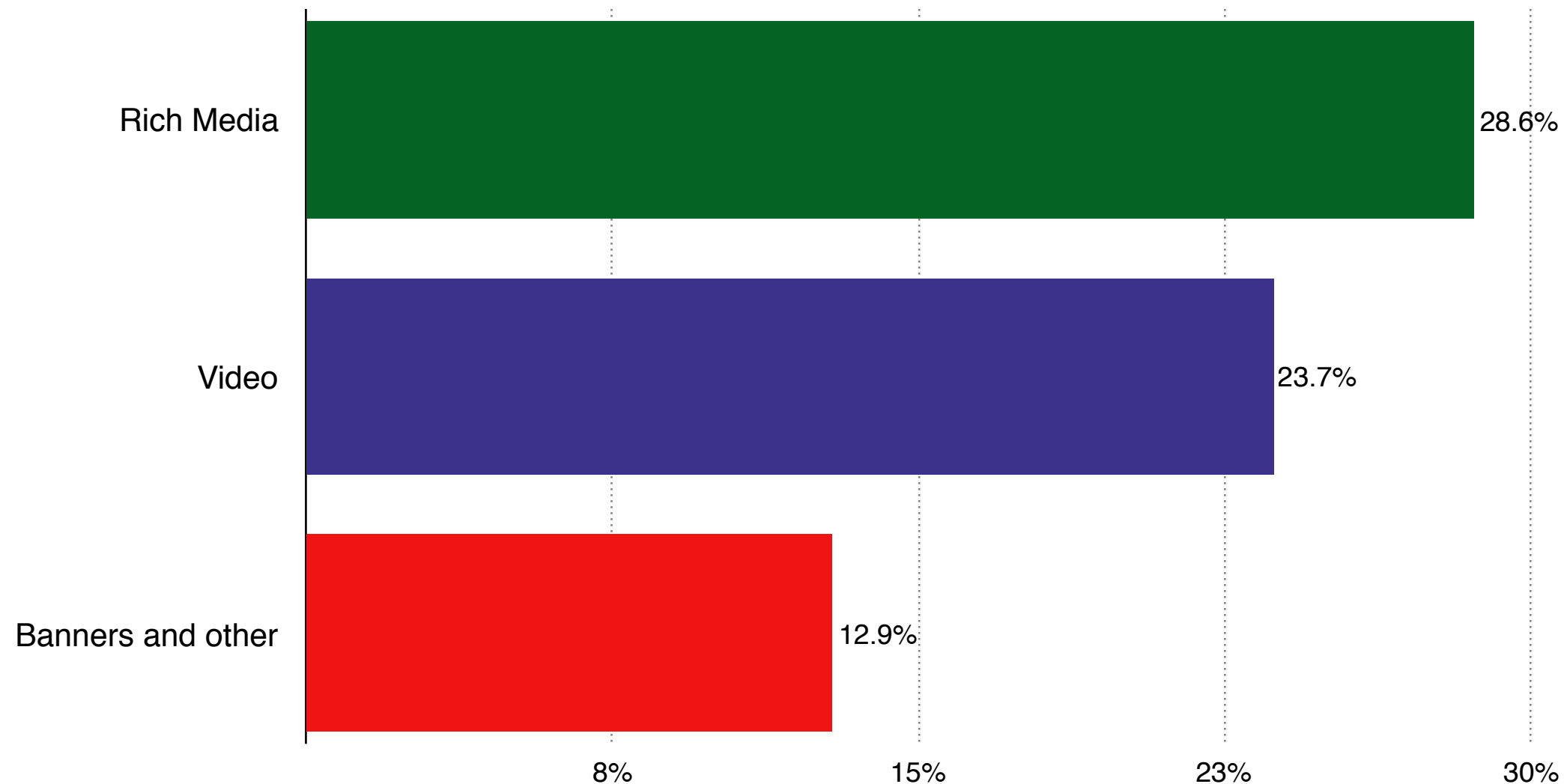
Banners still lead the way

Traditional banner ads continue to be the largest revenue drivers among display advertising



But rich media & video will grow faster

These premium formats are growing at twice the rate of banner ads, a pace that is projected to accelerate



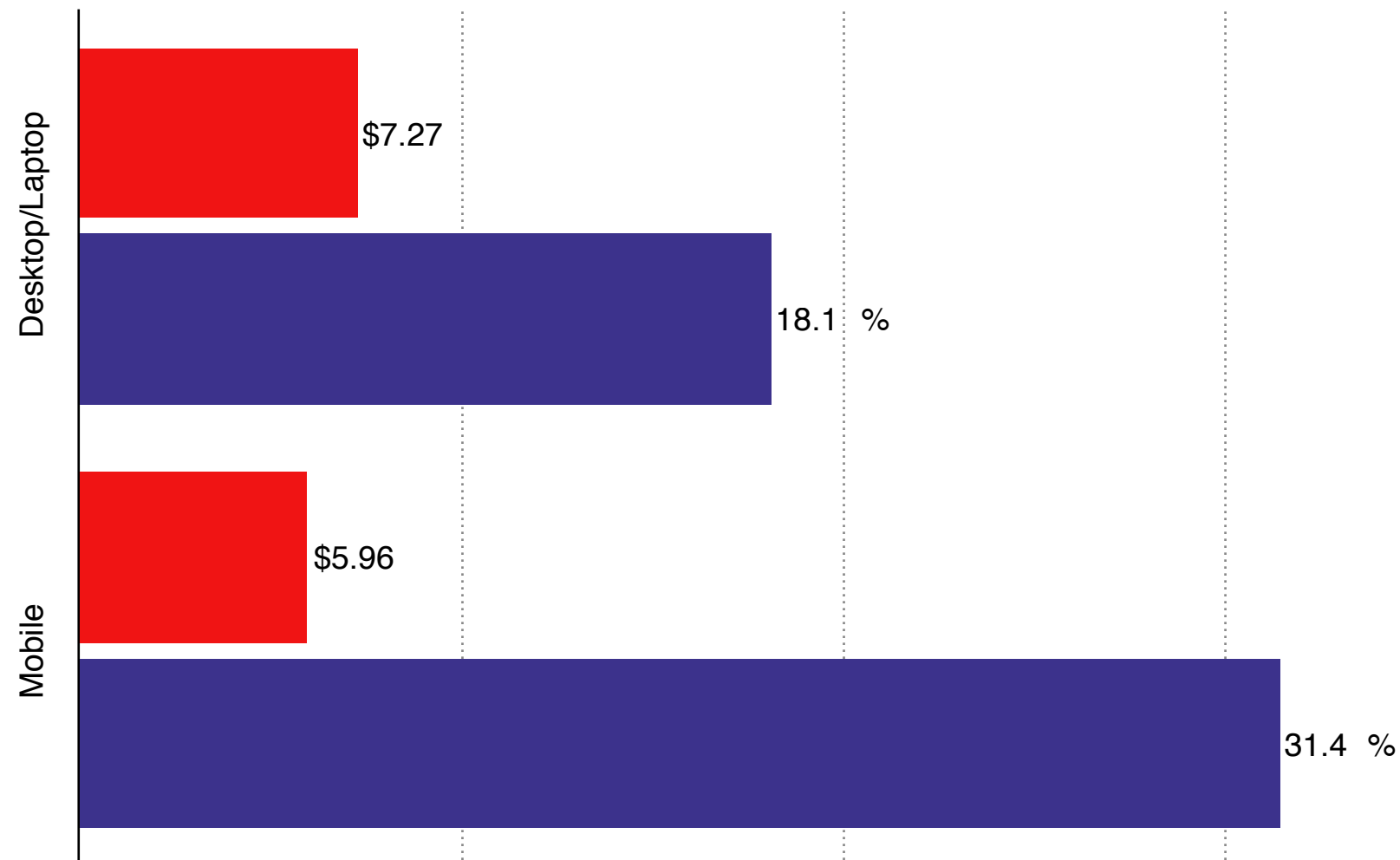
Most display ads targeted at mobile

Advertisers spent almost three times as much advertising on mobile last year compared to desktops/laptops



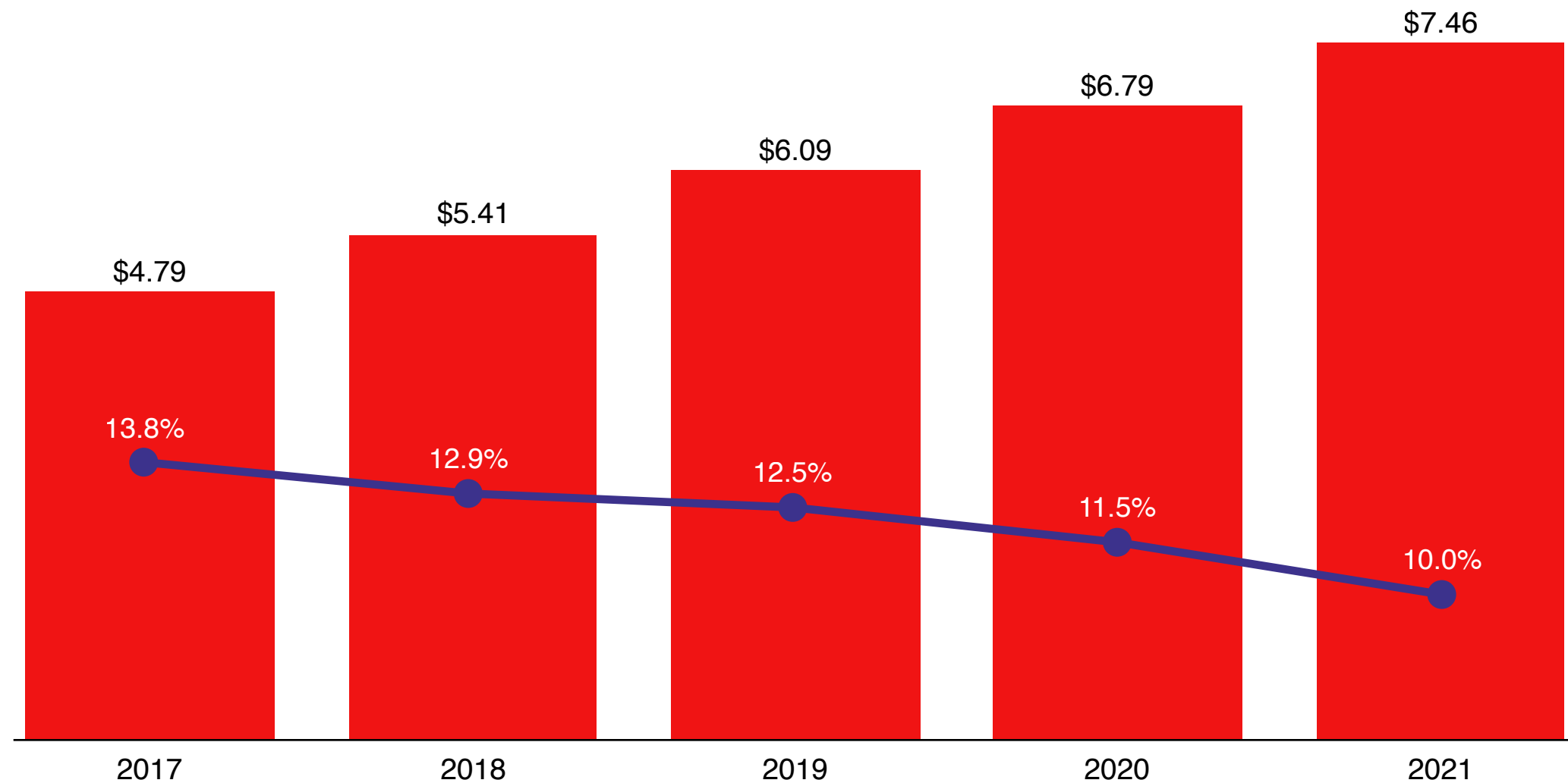
Video ads on mobile a major focus

It's not surprising that with the shift toward video ads and a primary emphasis on mobile customers video ad spending on mobile is growing much faster than desktops/laptops



Prognosis for media industry good

Double-digit growth is expected for media industry sites over the next few years



Points of Focus

While you consider the advertising mix on your sites, keep these points in mind:



1

When was the last time you analyzed the ad structure on your site(s)? It's important to keep current on new trends in size, placement and ad types. Consider scheduling a regular periodic review of your digital properties.



2

Are your sites taking advantage of the move towards video ads? Consider the video ad inventory available and think about how you might expand it through the addition of new content or partnerships.



3

Is your mobile web site offering enough ad inventory? With the shift towards greater mobile use and more video advertising you could be leaving money on the table if your mobile web is not fully optimized for the right kinds of ads.

Advertising Issues

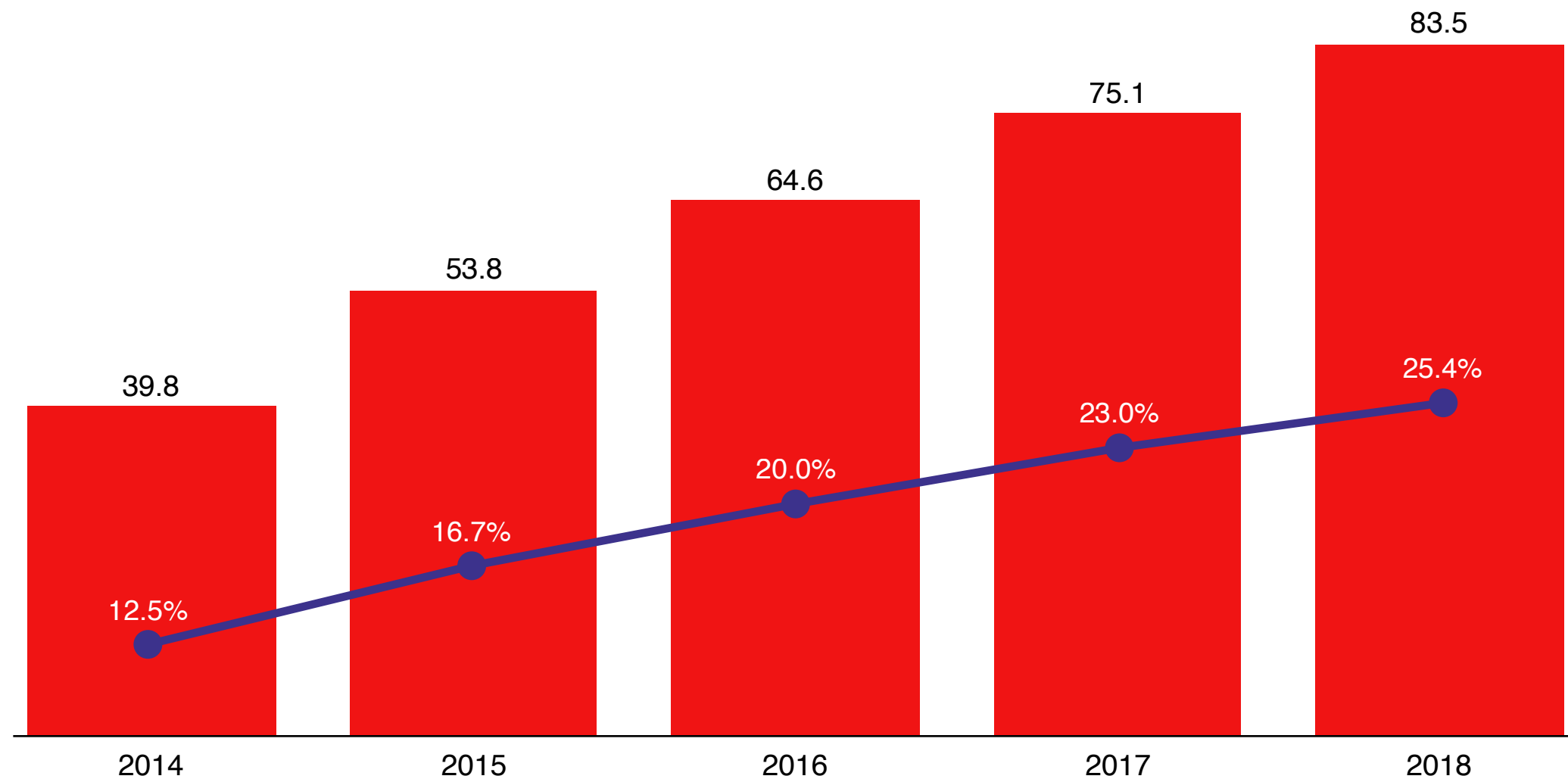
While the outlook is very good overall for digital advertising, there are pitfalls that we should keep an eye on.

Ad Blockers

It's not enough to sell and place the ads, you also have to make sure the audience sees them if you are to earn any revenue. The use of ad blockers is making that more difficult.

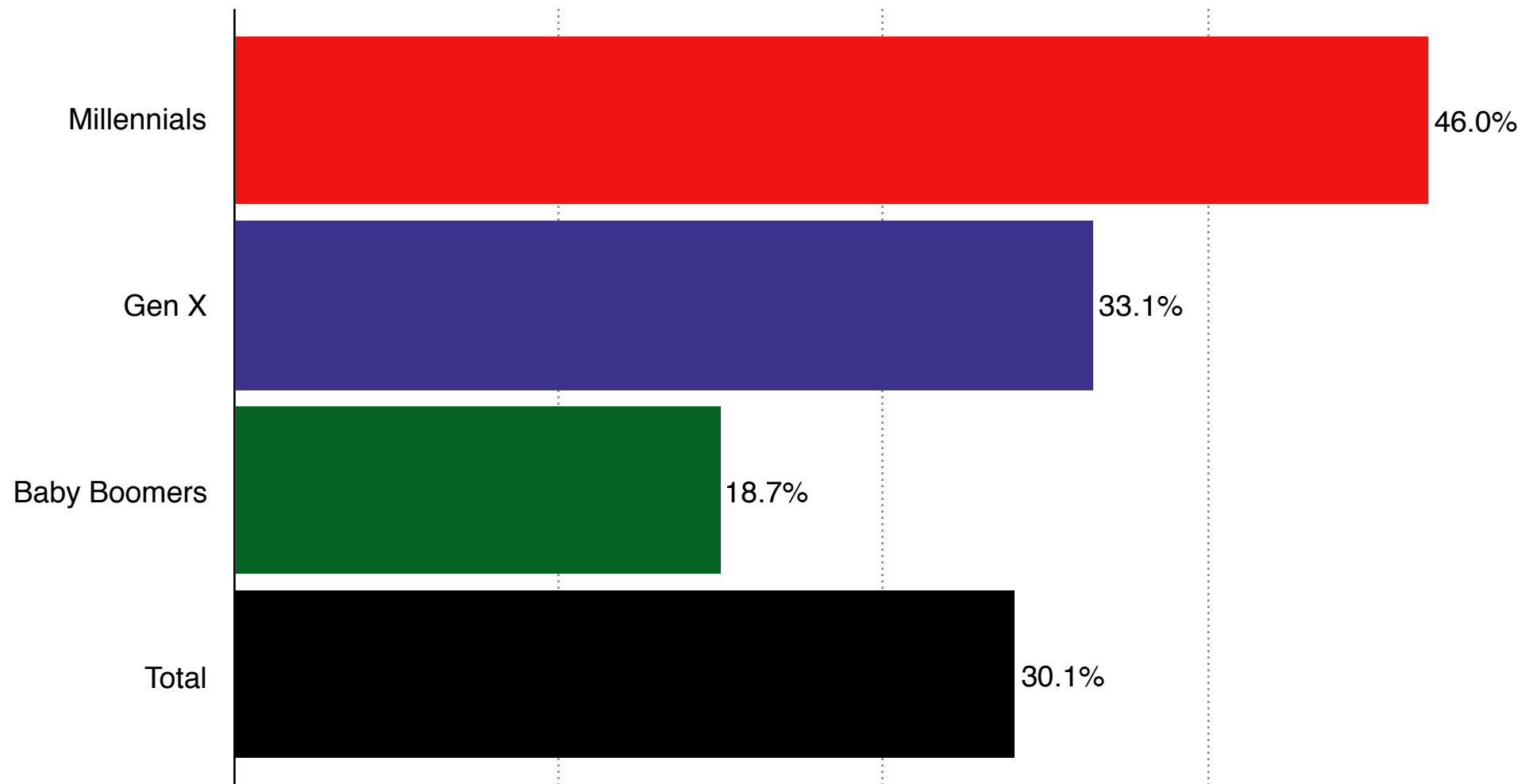
Blockers on the increase

The number of people using ad blockers continues to grow at a strong rate



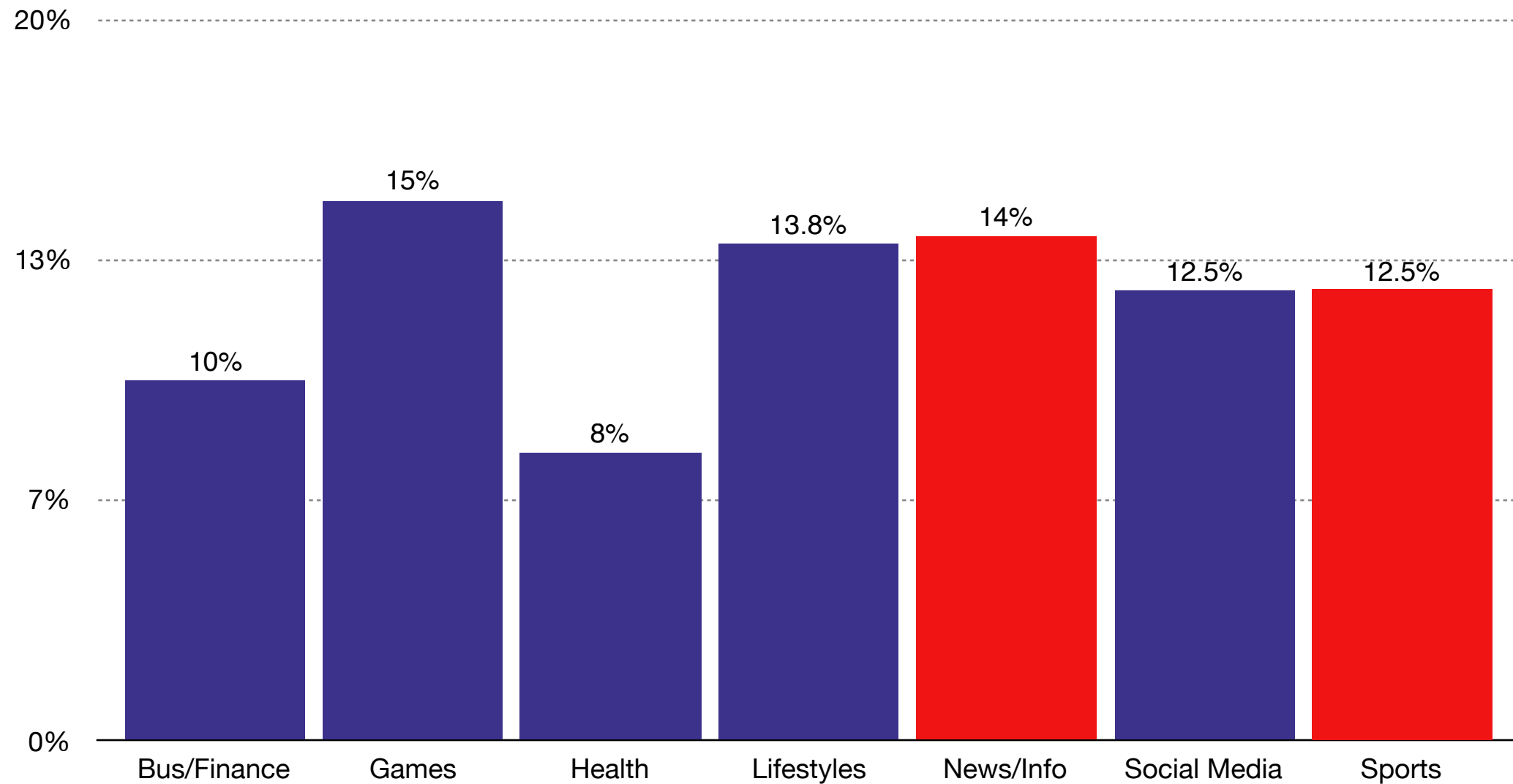
More common among younger users

Not surprisingly, the younger the user the more likely he/she is to use an ad blocker



Bad news for media sites

News and sports users are among the highest blocked categories



Points of Focus

So what to do? There is no single answer to combatting revenue loss due to ad blockers, but there are things to consider:



1

Alternative ad formats such as video ads, native in-stream ads and other forms of revenue integrated into programming such as sponsorship can get around most ad blockers.



2

Better display advertising that is respectful of a user's time and bandwidth can help drive down the demand for blockers.



3

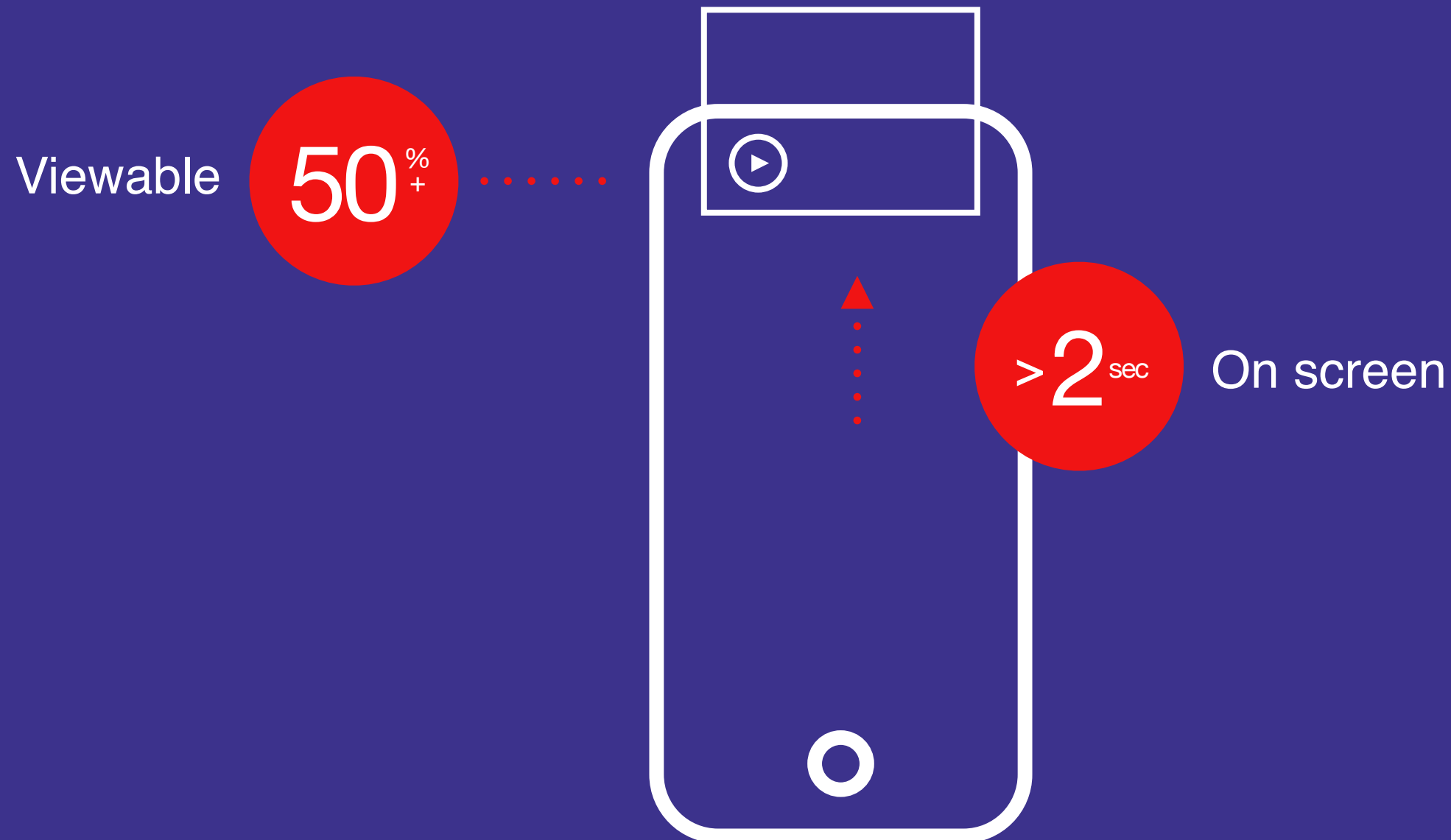
Moving content to apps where appropriate will avoid blockers focused on web activity.

Trends to Watch

Viewability

Defining Viewability

As video advertising metrics shift from ads served to viewable impressions, issues have arisen to define and quantify viewability.



To be considered viewable a video ad must have at least 50% of its pixels visible on screen for at least two consecutive seconds.

Defining Viewability

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The diagram illustrates the formula for Viewability rate. On the left, a white rectangular box with a black border contains the fraction:
$$\frac{\text{Viewable Impressions}}{\text{Viewable} + \text{Non-viewable Impressions}}$$
 The box has three small black circles in the top-left corner, resembling a window title bar. To the right of the box is a red equals sign. Further right is a large white circle with a red border. Inside the circle, the text **% Viewability rate** is written in red.

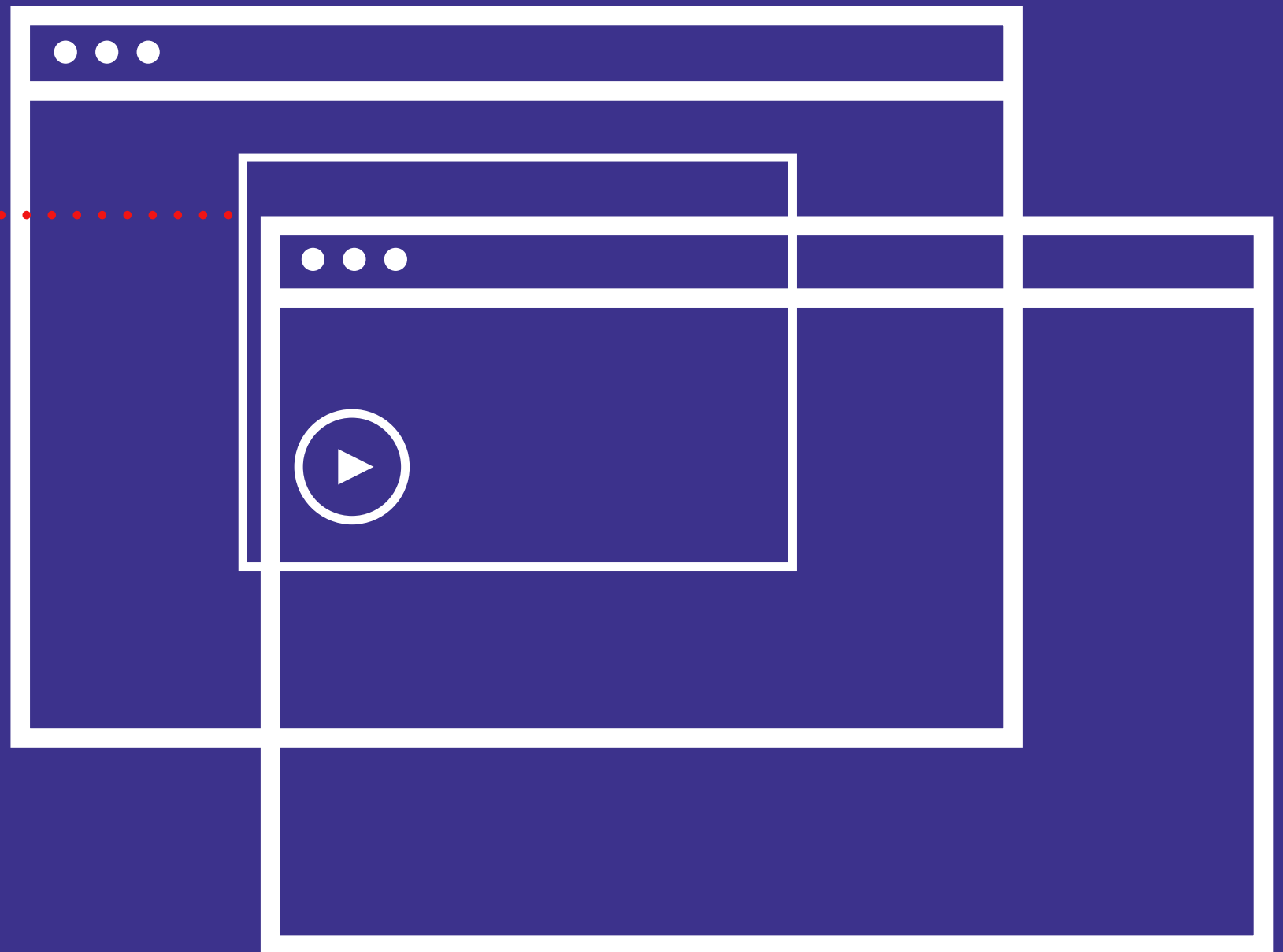
The video viewability rate then becomes the percentage of viewable impressions out of the total number of viewable plus non-viewable impressions.

What's the Problem?

Both bad page design and user behavior can drive video ads to be non-viewable.

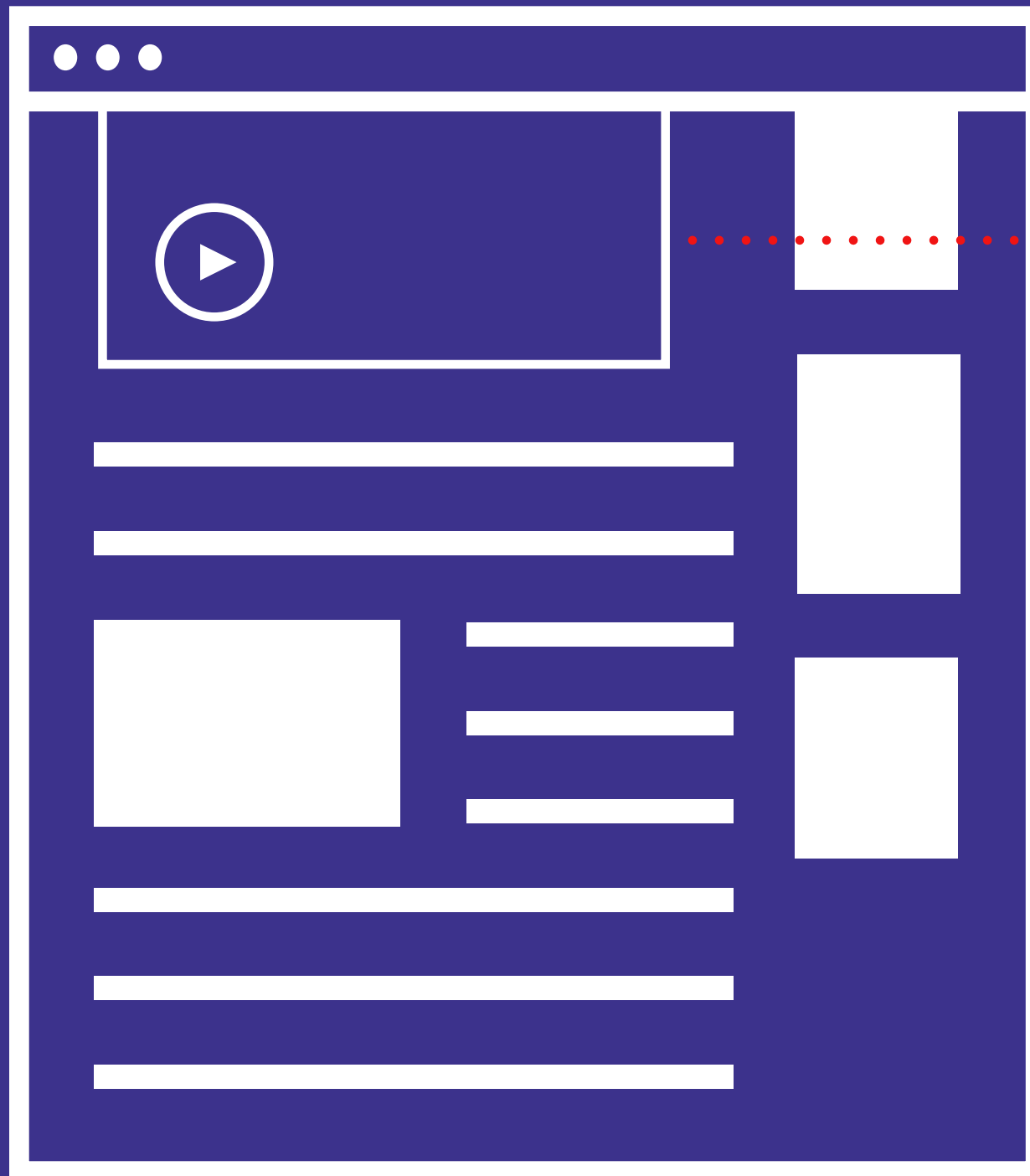
76%

of non-viewable ads were never on screen. They were in a background tab or not on the screen at all.



What's the Problem?

Both bad page design and user behavior can drive video ads to be non-viewable.

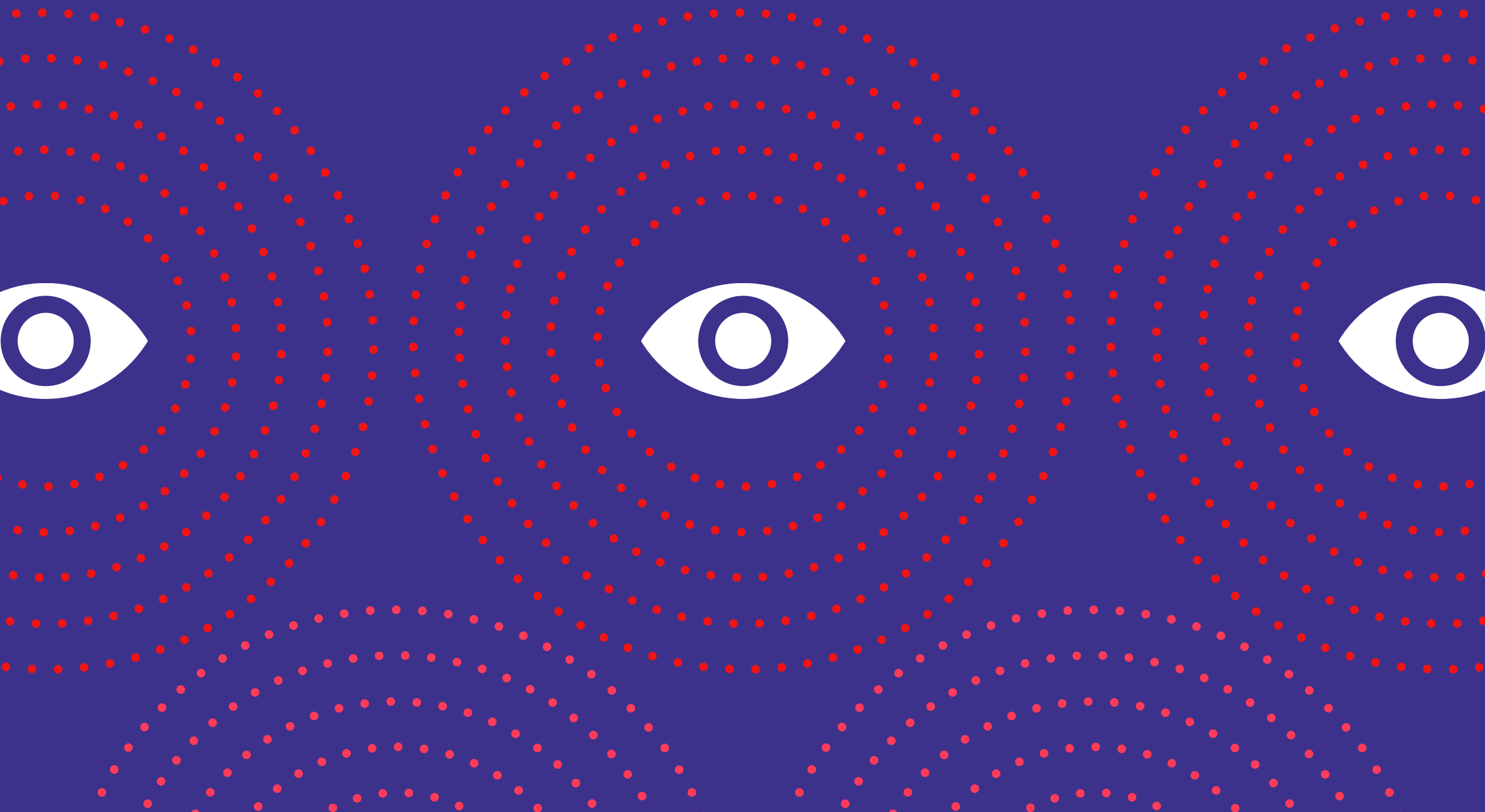


24%

of non-viewable ads were
scrolled off-screen or
abandoned in fewer than
two seconds.

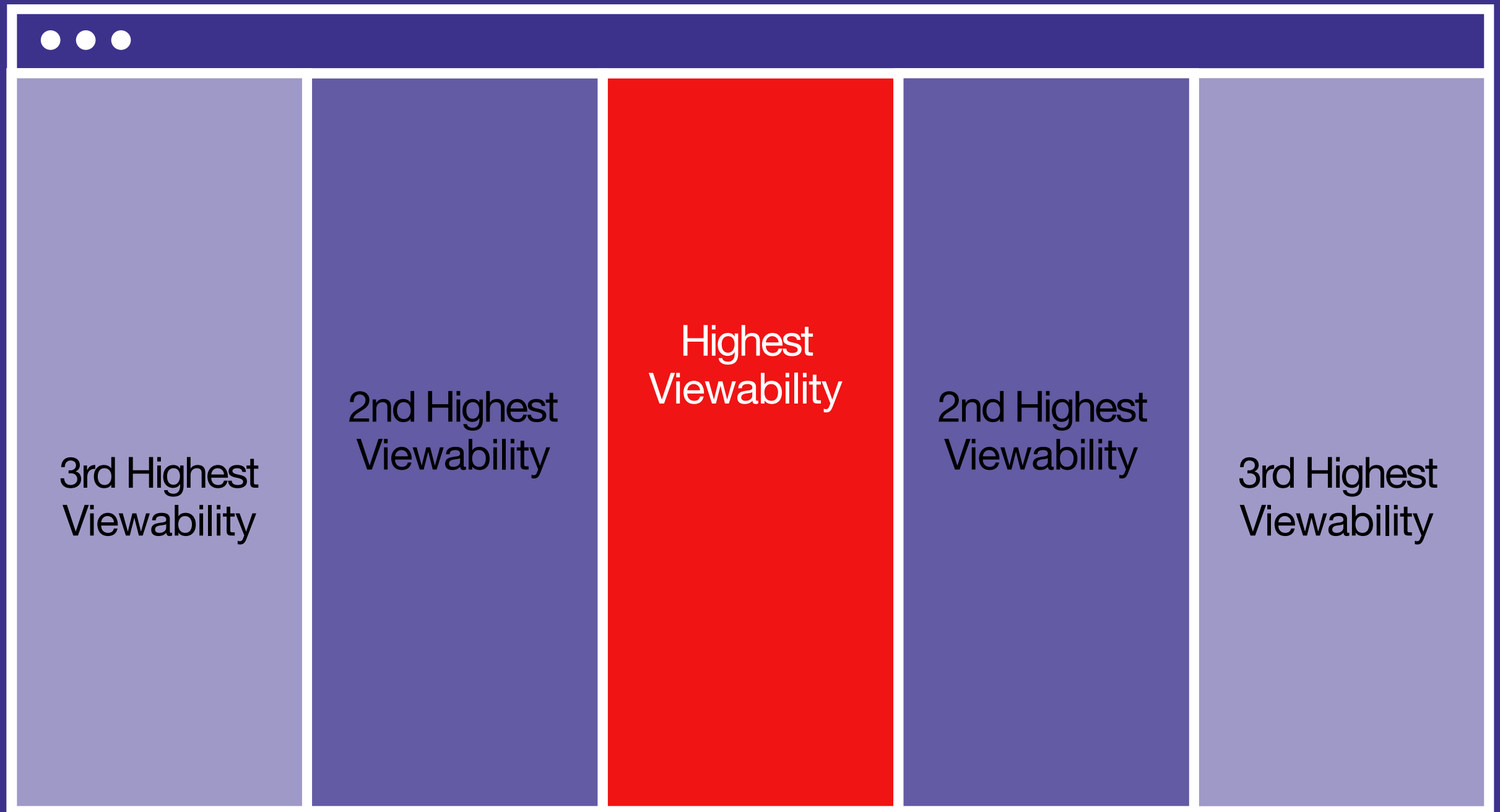
What's the Fix?

Industry leaders say publishers can take simple steps to make their ads more viewable.



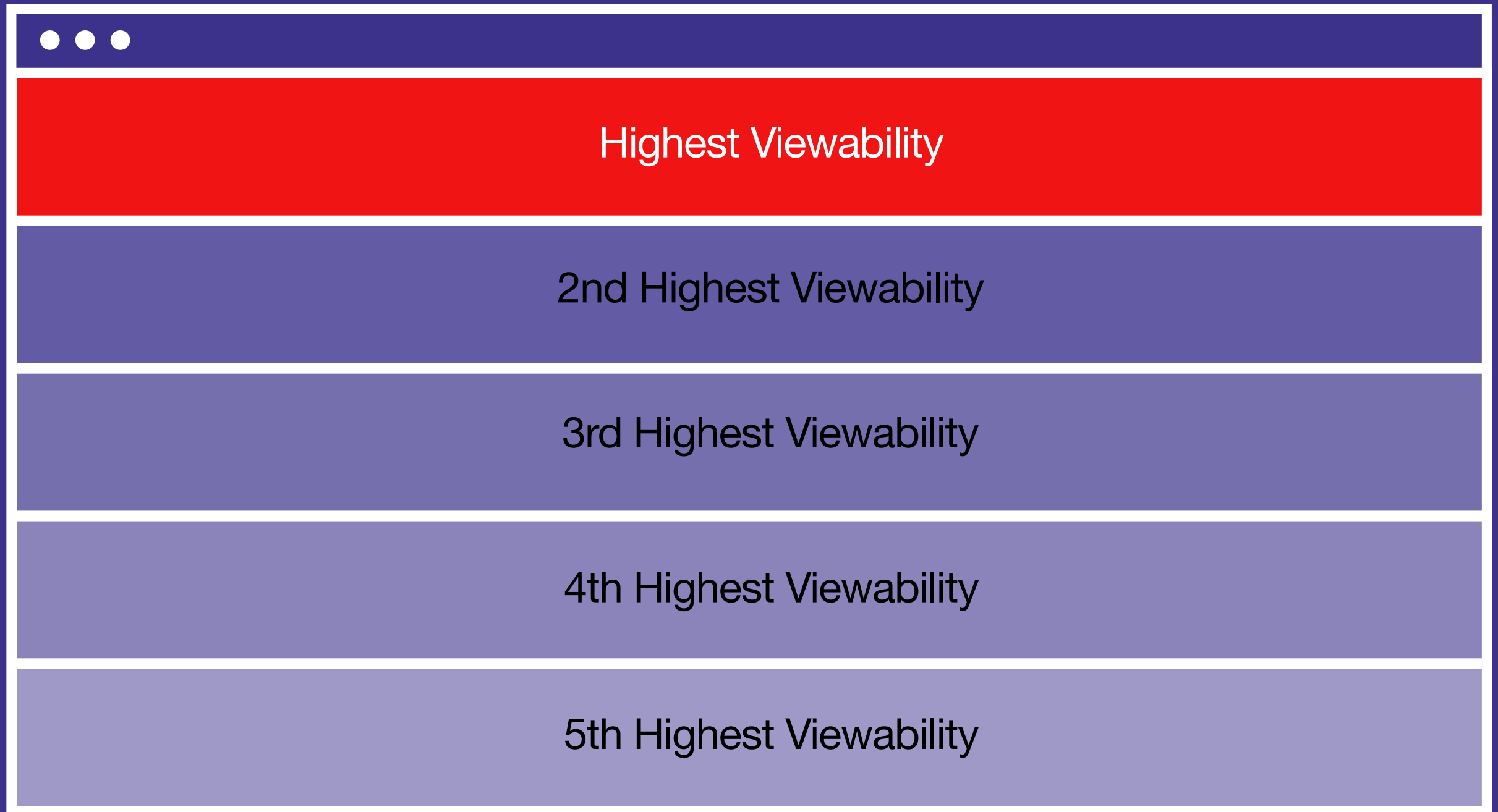
Location, Location, Location

In addition to size, placement on the page is a key determinant of viewability.



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What's next for viewability?

Many in the industry feel that 2018 is a critical year when it comes to validating viewability, and moving it forward as a metric and key performance indicator. Among the predictions for the years ahead:



Other campaign goals, such as engagement, may supplant viewability, lessening its importance.



Greater transparency and collaboration may take hold as it has in Australia where publishers worked together with advertisers to set new and higher viewability standards.



Mobile metrics may drive standards for viewability, as they have so many other aspects to digital design.



And it's possible that the pricing for ads may change to a standard based on viewability, a vCPM or viewable cost-per-thousand that delivers greater results to the advertiser.

Points of Focus

Without acceptable viewability rates your ads are worthless. Keep in mind these points to increase your viewability and secure that revenue:



1

Your site's structure, if it is older, may have been designed before video ads were prominent and viewability a concern. Consider a site redesign to keep up with the times, and make sure it is mobile first to ensure viewability on smartphones too.



2

Make sure video ads are surrounded by other content someone might want to glance at while the ad plays. Even if they don't want to view the ad they may stay long enough for the impression to register if you keep their attention with other content.



3

Not surprisingly, viewability rates are higher on shorter ads. Consider moving to :15 ads instead of :30 to increase viewability.

Trends to Watch

Ad Fraud

Fraud related to advertising has been around as long as there have been ads online. The advertising industry is fighting back.

Ads.txt helps to verify ad inventory

Created last year by industry standards group, the Interactive Advertising Bureau, ads.txt is a text file included on publishers' sites verifying legitimate ad inventory for programmatic buyers and helping prevent unauthorized reselling.



It's estimated that more than half of all websites worldwide have implemented ads.txt, and that number is expected to continue growing.

Ads.txt best practices

If you're setting up ads.txt for the first time, or just looking to improve its performance, here are some tips on how to approach your file:



Video is Hard

The more video you publish the harder it is to maintain a clean ads.txt file. When dealing with multiple rights holders and advertisers you should plan for considerable effort to keep your file up to date.



Review Often

Schedule regular audits of your file and make sure it is current. This is particularly true if you change content sources or add new advertising vehicles, such as hybrid display/video ads.



Establish Responsibility

As is so often the case, putting someone in charge makes sure that problems are dealt with in a timely fashion. Designate someone on your team as the keeper of the ads.txt file and task that person with staying on top of this fast-changing tool.

Native Advertising/ Sponsorship

Native Advertising

Another fast growing method of revenue generation is native advertising, also called branded content.

Native presents ads as stories similar in form to the medium where they are shown, but created specifically by an advertiser to convey its chosen message.

Native advertising examples

Here's an example from Vox Media that was seen on its Eater food site. In this piece the advertiser, MailChimp, mimicked Eater's style of presenting up-and-coming chefs by creating a recipe using a mock product, "FailChips", part of the company's humorous campaign playing off its strange name.



Get This Perfectly Crispy Chicken Kara-age in Your Belly

By Vox Creative



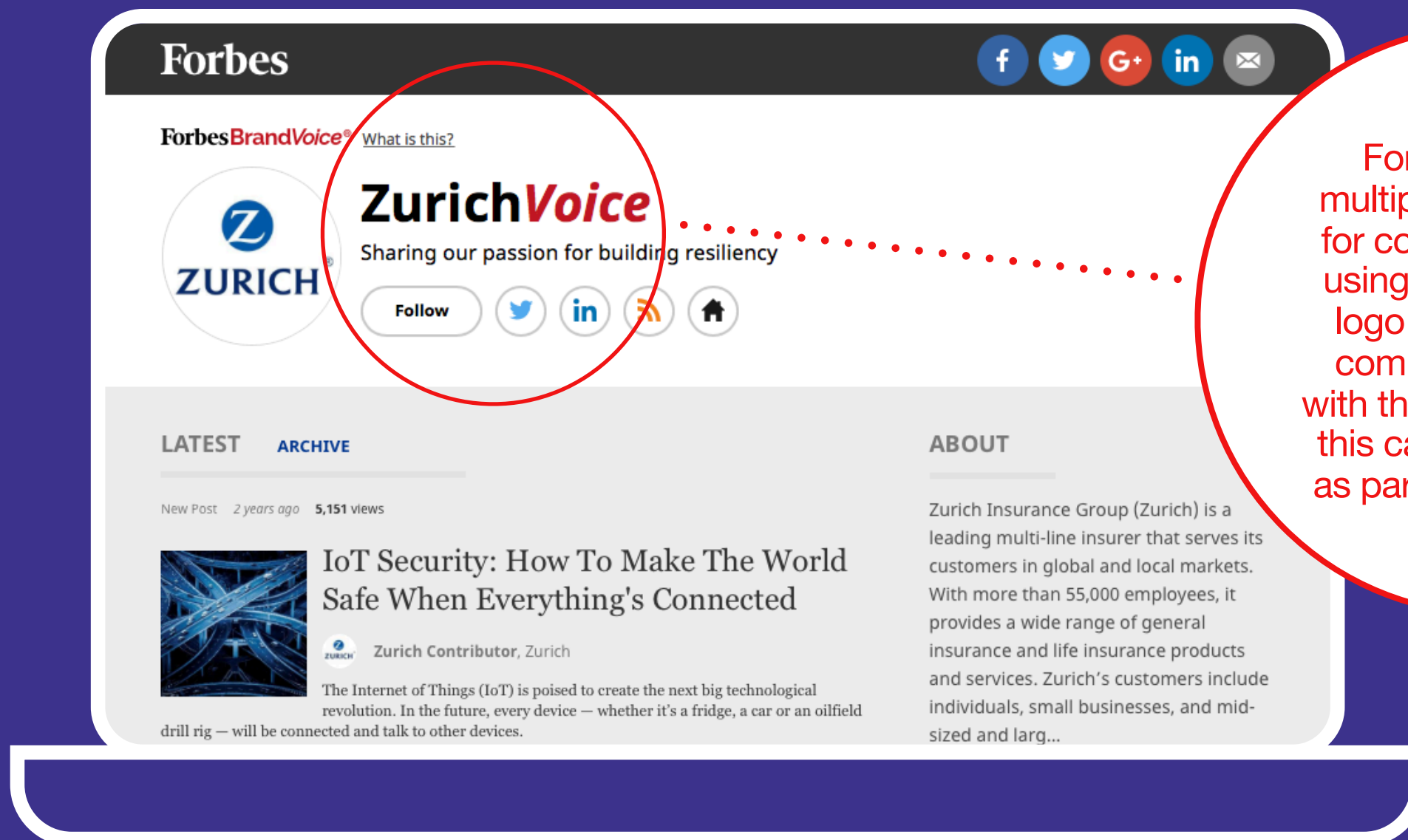
This advertising content was produced in collaboration between Vox Creative and our sponsor, without involvement from Vox Media editorial staff.

Nguyen Tran of *Starry Kitchen* and *Button Mash* fame has never been afraid to take chances, and it seems to work out pretty well for him. He started an underground (and illegal) Asian fusion dining club out of his North Hollywood apartment in 2009, which ultimately catapulted him into the restaurant scene.

The story is clearly labeled as advertising and paid content, and specifically states that the Vox Media editorial staff was not involved.

Native advertising examples

Forbes is another example of a publisher that actively courts native advertisers. Its BrandVoice platform provides tools for advertisers to create branded content and place it on the site or in print, such as seen here Zurich.



Forbes presents multiple opportunities for co-branding, from using the advertiser's logo on the page to combining its name with the native brand, in this case, ZurichVoice as part of BrandVoice.

Points of Focus

Native advertising can be a shot in the arm for any budget looking for revenue. Keep these points in mind as you explore a strategy to incorporate native on your site:



1

Native can take several forms, but primarily looks like a text article with images, a video story, or some combination of both. Consider using multiple kinds of native advertising on your site to find the best audience solution and revenue mix.



2

Establish clear guidelines for where native will exist on your site, and more importantly, how it will be labeled to the consumer. You can look at existing examples, such as those in this deck, or consult journalism organizations like [Poynter](#) for their viewpoints.



3

Consider establishing a unit to produce your own native content, keeping it separate from your editorial staff for journalistic reasons. After all, you are the expert storyteller and local media have a long history of advertising production.

Sponsorship

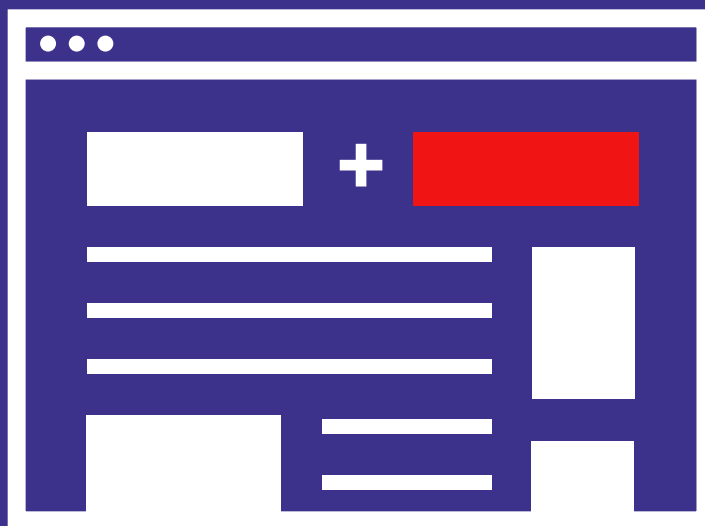
Sponsorship, like native advertising, is another ad offshoot that generally is not bound to page views or time metrics but derives value from a close association with your brand.

Kinds of sponsorship

Just as in display advertising, there are varied tiers of sponsorship.

Tier 1

Co-branding



This highest tier is one that most brands are unlikely to utilize. It requires equal billing with the publisher brand, and usually is a perpetual arrangement.

Co-branded sponsorship examples

College football bowl games are good examples of co-branding, where the sponsor itself becomes part of the name of the event.

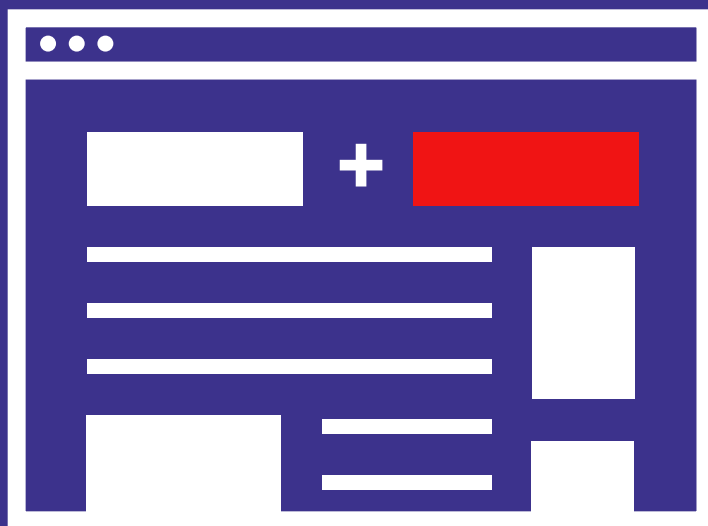


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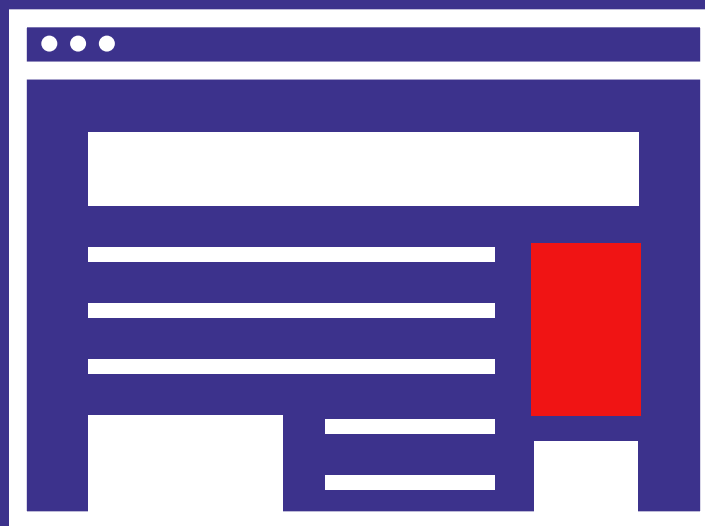
Co-branding



This highest tier is one that most brands are unlikely to utilize. It requires equal billing with the publisher brand, and usually is a perpetual arrangement.

Tier 2

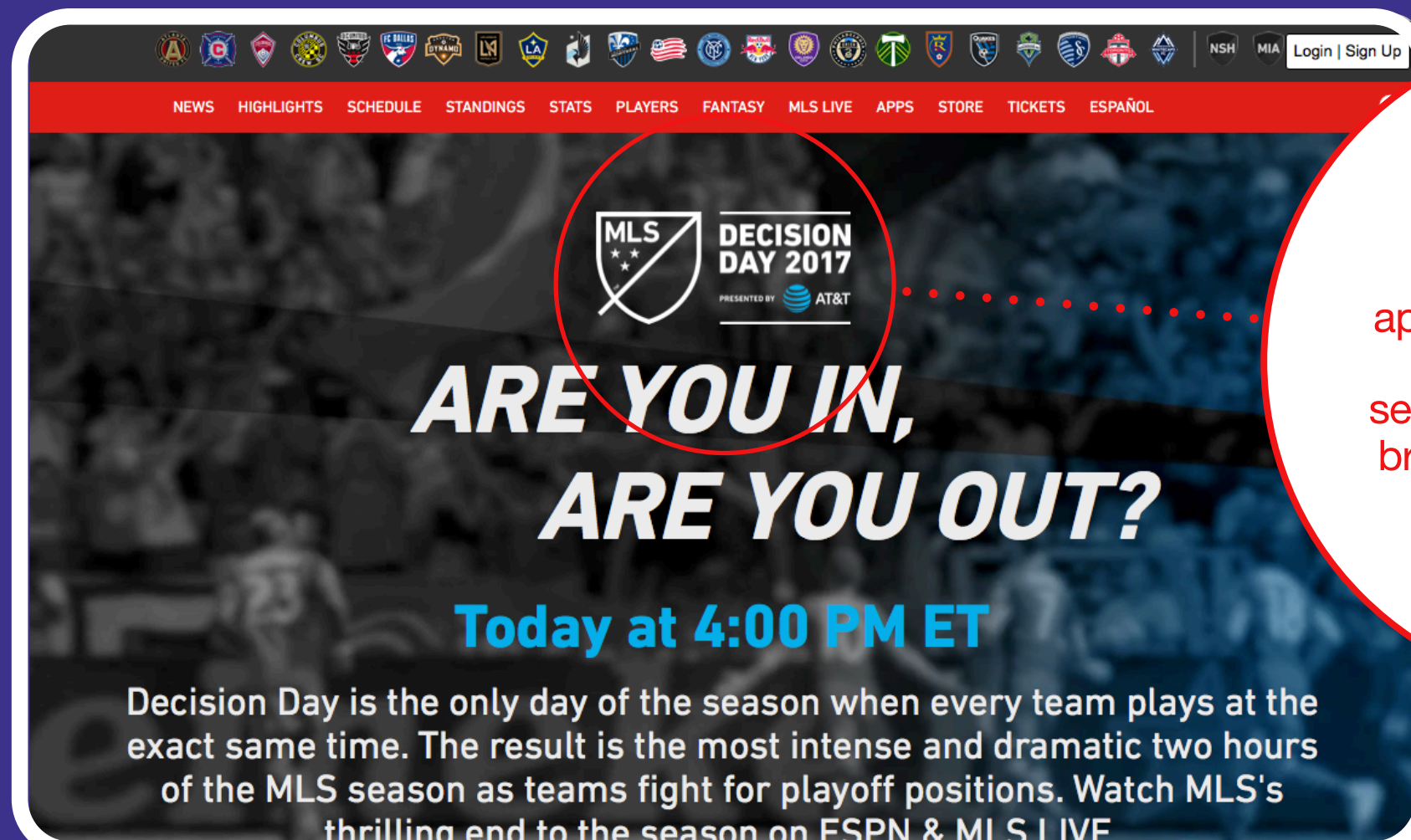
Primary Sponsorship



One step down from primary sponsorship, this style can easily be incorporated on most sites and service. It requires prominent placement or some other sort of integration, with language indicating a close association with the publisher's brand.

Primary Sponsorship Examples

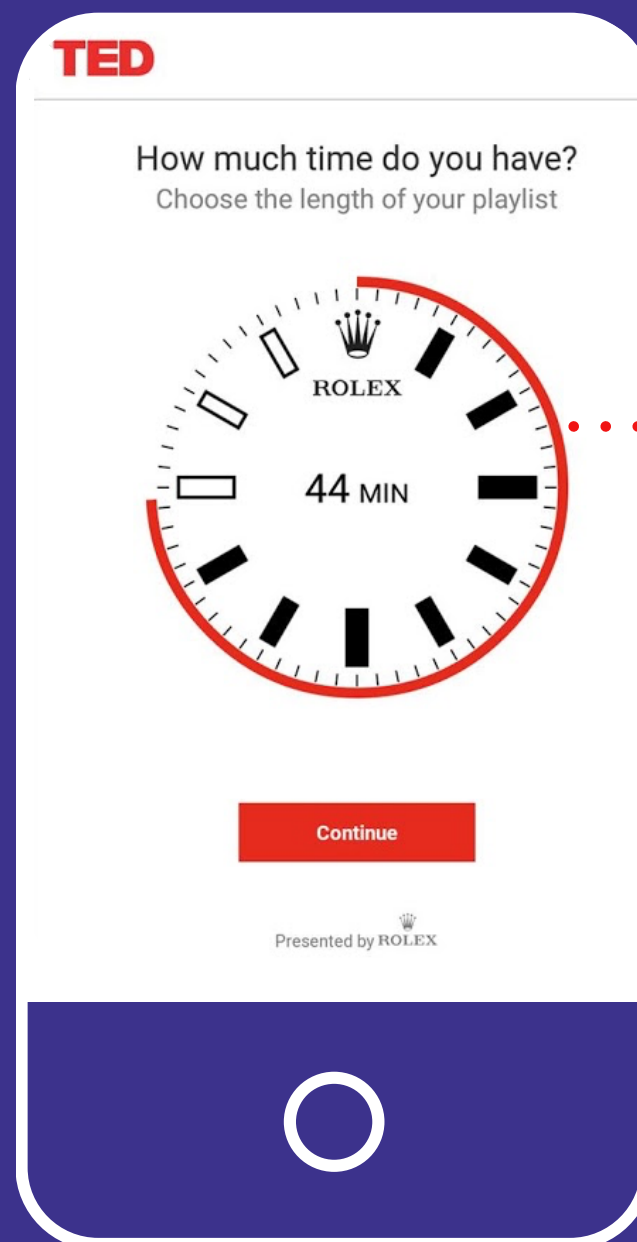
At this level, the sponsor gets prominent recognition with the name of the site, but is not part of that name, as you can see in AT&T's MLS sponsorship.



Advertiser branding appears at the top of the page, but is clearly secondary to the content brand, in this case MLS.

Primary Sponsorship Examples

TED offers sponsorships where it integrates the advertiser into its content in a way that fits the brand, such as this Rolex sponsorship.



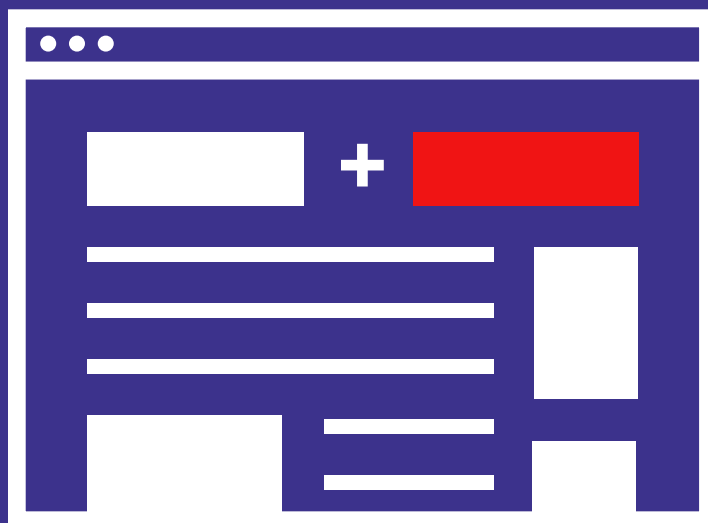
TED goes further in making the ad interactive as well, keyed on time to complement the advertiser's brand.

Kinds of sponsorship

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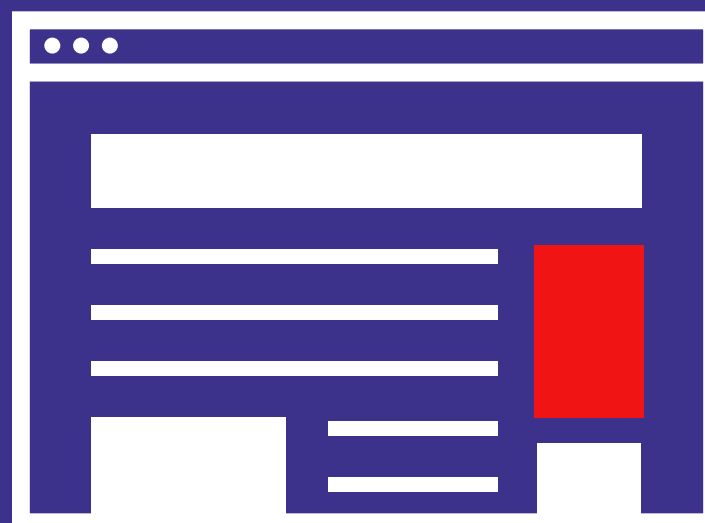
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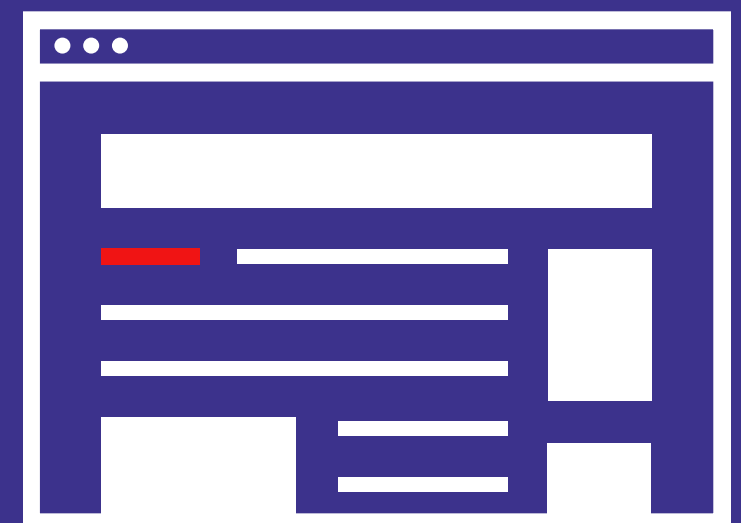
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Tier 3

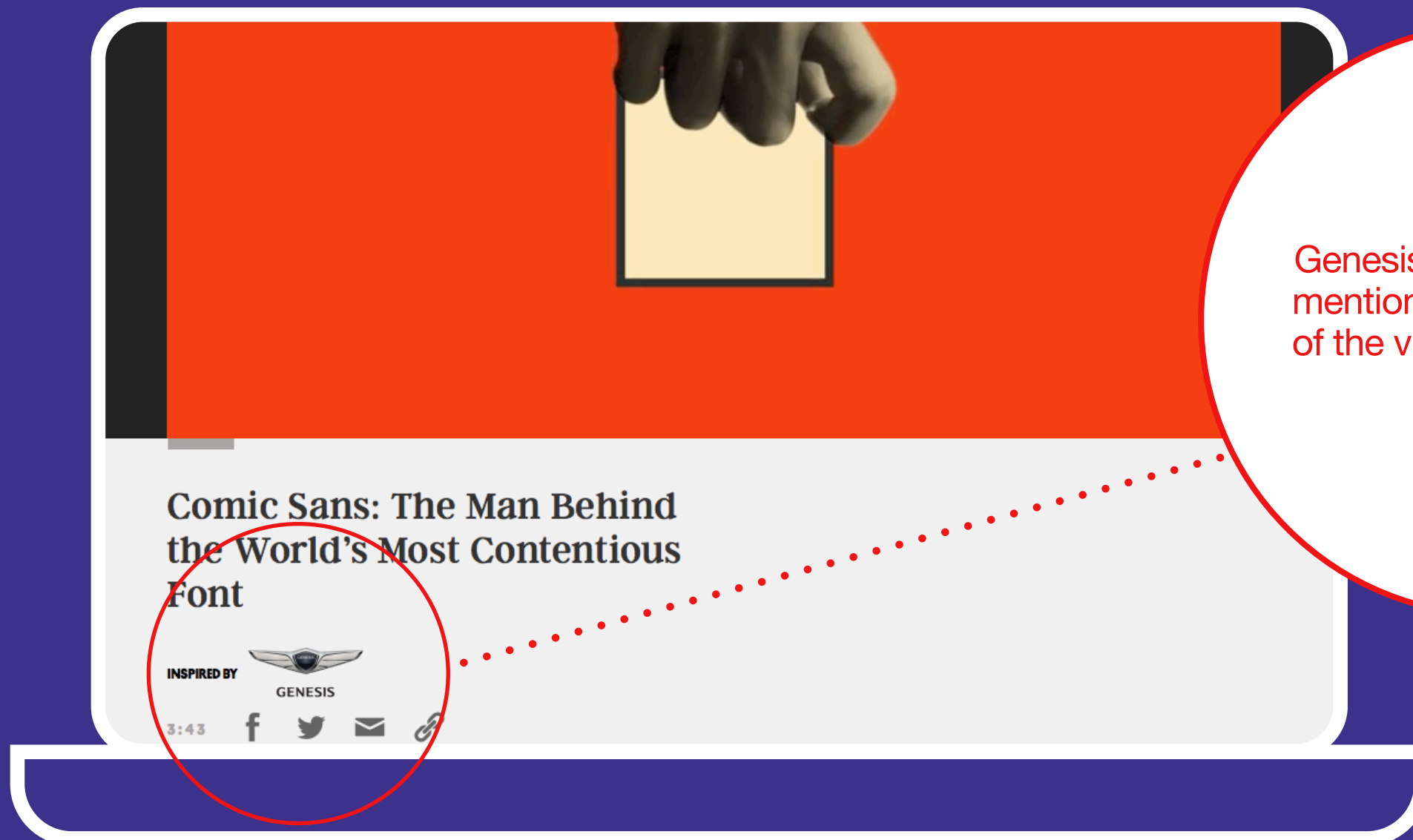
Secondary Sponsorship



This lowest tier of sponsorship often is indicated by the use of a small badge or text acknowledgement near the link to an article or near the article's headline.

Secondary Sponsorship Examples

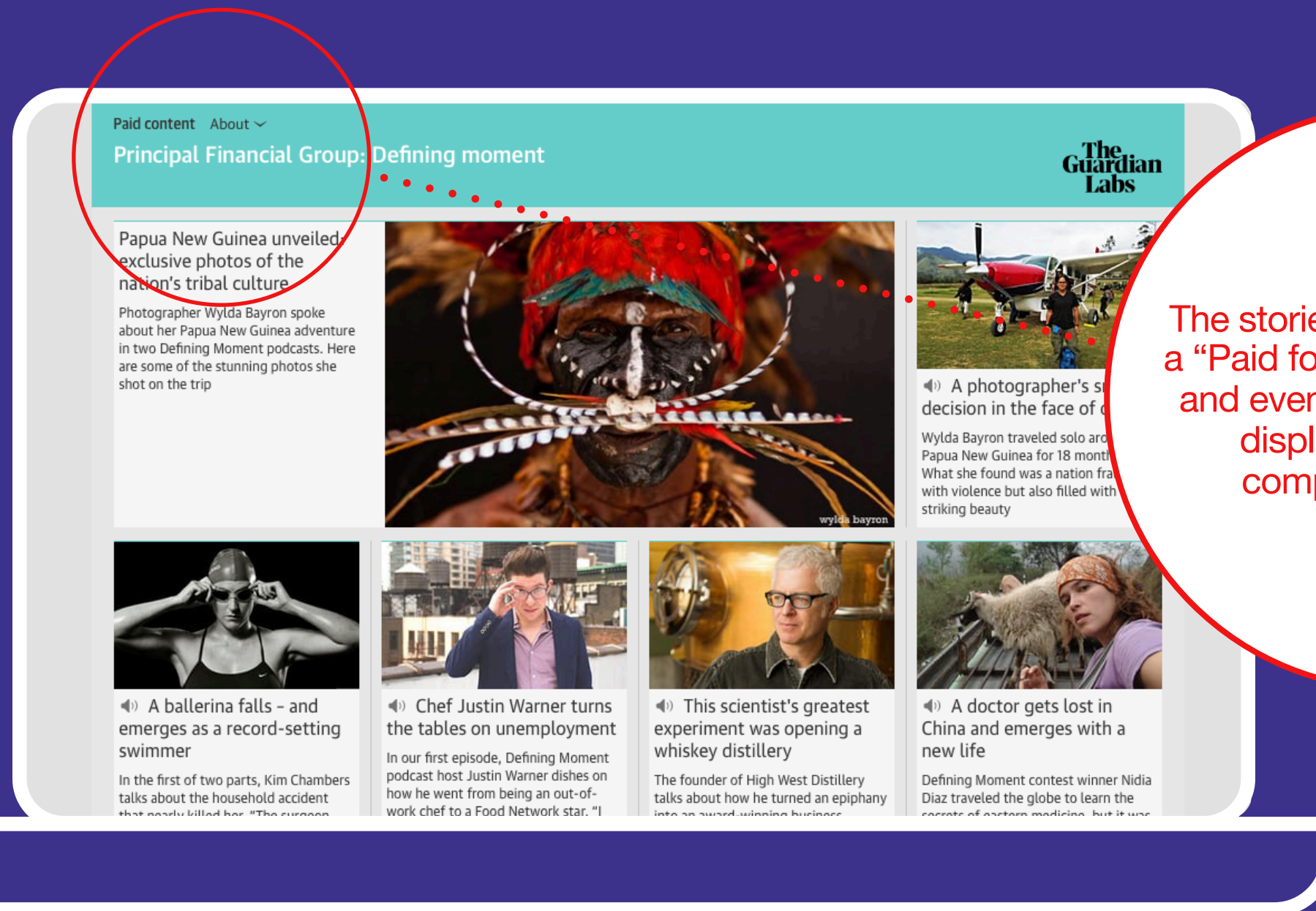
CNN's Great Big Story brand uses tier 3 sponsorship on individual stories, such as the Genesis badge and small text mention on this video piece.



Genesis receives another mention in text at the end of the video, but no video ad plays.

Secondary Sponsorship Examples

Sponsorship also can be tied to other forms of advertising such as native. In this example from the Guardian in its Guardian Labs section, the audio stories are native advertising and include a sponsorship badge from Principal.



The stories themselves sport a “Paid for by Principal” label, and even contain additional display ads for non-competitive brands.

Points of Focus

Sponsorships offer an alternative to display advertising that is not tied directly to audience measurement. With that in mind, think about how you might use sponsorship around your digital products:



1

A long-time television advertiser associated with one kind of programming might be a good target for a sponsorship pitch. For example, maybe high school football games have a car dealership as a TV advertiser. Pitch that dealer on perennial placement next to your online football coverage.



2

Get creative with how sponsorships are denoted. It's not a display ad; it's more a part of your site and brand. Think about how a sponsorship can fit both the advertiser and the content it is supporting.



3

Just because an advertiser already is using display ads doesn't mean it can't be a target for a sponsorship, too. Sponsorships offer different benefits, and chances are that an advertiser that believes in your product as a marketing vehicle already would be interested in understanding what more could be had with a sponsorship.