

>> Female speaker: Okay, we are going to start with our next presentation. We have three presentations and then a panel. And I want to make sure that we get you out of here by 6:00. If not before. Our first presenter is Mike Bloxham, he's the Director of the Insight and Research Center for Media Design at Ball State University. He's worked in media research and consulting for 20 years, advising multi-national corporations, media owners and government agencies on strategic marketing and communications issues. Mike?

>> Mike Bloxham: Thank you very much. Good afternoon. It is indeed getting on in the day. What could be worse than somebody who comes at you and mentions words like research and data. I'm sure a thrill of anticipation runs up your spine as we speak. Which is why, incidentally, researchers these days prefer to talk about delivering insights, valuable insights. So, without further ado, to valuable insights. My presentation is entitled mapping the modern media ecosystem. You can't have too many "M's" in a presentation title, especially as the day wears on. The reason I'm going to take you through snippets of data from a very large study or a couple of studies actually in my 15 minutes of glory is that no real discussion of business models, consumer-facing business models, particularly with regard to media, can really meaningfully take place without a deep understanding of those consumers. Something Arianna Huffington was eluding to this morning. Not least because those consumers, as irrational and emotional and sometimes fearful as they are -- potentially resistant to change, even irritating as they may be, have the ultimate power when it comes to these business models. If they choose to disengage, they can undermine even the best and most apparently robust of business models. There's obviously been reference to consumers here today, but we've been very, very focused on the nuts and bolts of the business. And I think that it's only right that I remind everybody here, should it even be necessary, that the very fact we are in this room means that we are all -- and I include myself in this, and by the way I mean this in the nicest possible way. We are all freaks of nature. We don't matter. Our opinions in many, many ways don't really matter. We do not represent the views, the behaviors, the fears and aspirations of our public, of the consumers, of news consumers, out of consumers of anything for that matter. The data I'm going to share with you is based on surveys -- research, rather, observational research among sample which is more representative of the general population. The intention is to give you a sneak view of how different media play in relation to each other in people's daily lives. This is extremely important because of course, news is now, as

many people have already alluded to this today, such an incredibly cross platform, business indeed there's no such thing as a TV company anymore or a newspaper business anymore. Everybody is into at least two or three different platforms where they have significant capital investments and aspire to significant capital returns. One point by the way. The data that I'm going to show you, rather than trying to make too many notes, I'm going to give a web address at the end of this web presentation where there is probably more data than you could ever wish to see based on some of this research. One other point I'll make. There was an earlier reference to the "gutenberg bible." And Chairman Leibowitz mentioned that he wasn't sure what happened to the monks who had previously written and illustrated those tomes. There is one theory that says that most of the them were wiped out in the various plagues that afflicted Europe, which depending on the estimates you go by either took care of 30% or two-thirds of European population. Many of which obviously turn out to be literate monks. As literacy was in short supply at that point, there was a somewhat crisis driven need for innovation, which the theory goes, led to among many other things, perhaps the Guttenberg press. Now of course, this can't be proven, but if we go with it, then perhaps we can say that the crisis that the news industry is arguably in at the moment or heading towards in some dimension, may actually yield some as yet barely perceptible innovations that are going to show us what the future of journalism really is. I don't actually believe we are in such a huge crisis. I actually just think this is a really good time to be thinking around this space and working in this space, because of that very spurt of innovation. Okay, I said "without further adieu" earlier on, didn't I? That was an awfully long introduction for no "Adieu." A lot of stuff we talk about is based on siloed research, it's what we understand or what people tell us about what they do, how they consume media. We know that people can't tell us wholly accurately what they do. Were simply not cognitively capable of it as beings. Particularly when you start to talk about a range of different media or what we call concurrent media exposure using pore than one medium at once and so forth. We're simply not capable of it nor are we even capable of being consistently wrong. We've analyzed this sort of thing through various research projects and analysis of different data taken from different sources from the same people, in the same time and the same place. And we find that really you can't rely on people being 22% out in their reporting, either too much or too little time spent with different media. They are just wildly wrong and it is not basis for decision making which is key when you're talking about the issue of advertising in media, whether news media or any other. Because advertisers, obviously, need to go through this issue, it's a rather

annoying issue of budget allocation, where do I put my money on the basis of at least semi-well informed estimation to get good value in terms of return on investment. The other factor we have to deal with is, of course, conventional wisdom. No sector of our community is free entirely of conventional wisdom. And a lot of that comes out in things that we're all very familiar with. People saying that nobody reads newspapers anymore. It is very easy to say, it's also rubbish. It is all about online. Well, sure. There's a whole load of stuff going on online and we're going to be talking about that very shortly, but it is not all about online. And actually, what is more prevalent online than other things? And amongst which, parts of the population. Mobile is where it's heading. Certainly a lot of activity in mobile. It is going there but where are we right now? And at what rate are we heading there? And again what type of behaviors are being manifested with mobile? And of course, young people don't care about news. We hear this all the time. I for one refute that spending most of my working life in a university these days, I'm surrounded by people who irritatingly are considerably younger than me. I would say, yes, there are definitely some who don't care about news. That's the apathy of youth. There are many other reasons why some of them may not care about news which perhaps more to do with the presentation of news than the nature of its content. But an awful lot of them care passionately about news, as much as you here. They are committed news junkies. There's no such thing as silos in consumers, yet our industry very often things in terms of silos because the way we've been trained, to work in particular silos. Research that informs our thinking is very siloed. The media research industry which is supposed to be informed, heavily siloed and is now grappling with consequences of that. Working very hard on cross-platform research agendas. But it brings up the question of the relevance of content over channels, something which I think has been talked about today. We'll talk about brands, no doubt, in the panel later. Also the relevance of news to advertisers and for that matter, relevance to advertisers to news. So here's one of the sorts of outputs that you can get from the type of research I'm going to talk about in a moment. We need to understand things like this. This was a study we publish in 2005. It is not current data. But it is the latest analyst of the type of data we have. The percentage of a sample who accessed one news carrying platform or another in a given hour of the day, from 6:00 a.m. in the morning to 11:00 p.m. at night. What's the percentage of this particular population that were actually using news. Television still remains the 800-pound gorilla in the room. The lower chart is the duration, how long in any given hour were they using it. This is aggregated across an entire week. You could break it out weekends, day of the week, weekdays.

This sort of data is extremely hard to come by if you think of it from a single source. I.E., one group of people, considers data collected in the same place at the same time. A lot of data we have to rely onto form or business strategies is all gathered independently, among different groups, with different units of measurement. I'm going to talk about one study now, video consumer mapping study. If ever there a study named by a committee, this would be it. The intention is that it was meant to help give us a better understanding of media consumption in context. Briefly bit of background who was behind it. Funding came from Nielsen who you all know. That's about all that came from Nielsen. They put money into a group called the council for research excellence. What they've done over the last their R & D money into this group. The council is made up of 35 to 40 heads of media research from their clients. Outside input from people from academia as well. Really it is a group made up of people who for 99% of the time are fiercely competitive, competing for money and ratings and all the rest of it. They don't tend to collaborate very much. In this group the agenda, which is to understand better how media is being used in order to better inform how it could be measured going forward is a shared agenda. My experience working for two years on this project, it is like working with an extreme and sometimes awkward United Nations of research. They're very obsessed with methodological purity. There was a subcommittee put together to work on this project and partners who we work with very closely who have a long background in media research. This study was about the current consumption with a huge amount of other data included and how it is changing over time, to guide video, media, and audience measurement. There's the who, what, where, when, how and how many. Basically we observed 350 people twice in six different cities around the U.S. Once in the spring, once in the fall 2008, and we captured data in 10-second increments. Basically it's observational research. This is pretty much the only way you can get a reliable take on whole the entire range of media fit into people's day. Because you simply can't ask them. We train observers to shadow participants throughout their waking day. We could get with you as early as we could arrange to after you've woke up in the morning and with two shifts of observers we'd be with you as close to your bedroom as we possibly can. During that time they're using that device, largely touch-screen driven, to regard your exposure and use of different data and how you use it, 17 different life activities, and we're recording every location that you're in. We capture all this data in ten-second increments. It is incredible amount of data with very, very fine granularity. What it does give you is incredible detail about how the procession of media through an individual's day pans out, the sequence of

media as well as concurrency code we pick up. Even on the phone there is nine different ways of using your phone. We have to try to capture those. Now when you look at the media ecosystem, this is some of the things you start to pull out here. Normally at this point I go wandering around away from the microphone, wave my arms about a great deal but that won't obviously work for the web stream. I'll probably wave my arms anyway. When you watch television anymore, you do see that live TV is still the 800-pound gorilla in the room. Also look at where computing, Internet, web e-mail and all of rest of it are in this group in the middle here. Some of these things are trending from previous studies, going up. Some are staying still. Some declining slightly. This is general population and it includes non-users. You do get an idea of a kind of map of the average day in a general population sample for use of different media. This is about time spent with the media so the vertical axis is about the percentage of people in the sample who used any of these media during the day they were observed. The horizontal axis is the average minutes per user of those same people who use it during the day. You get an idea that landline phone is quite high. Someone spends about 40 minutes an average would be on the phone, not for one call but several. Now that line around there really gives you what could be thought of as a used footprint, that's really the area of opportunity when you look cross platform in an average person's average day. All of those media carry one way or the other some form of news content. Now we're not saying that the people in this study access news on the day of observation in each of these, but what it does do is draw out the footprint, if you will, with that other little area like there, like out of home media, which is a reference on this morning's panel for time that can be spent with news content in any of those media. That's really the territory that journalism has to play for in different forms. Of course they're very, different media. What one is actually looking at is refocusing content to different areas. I'll just show you news programming within television relative to sports and other forms of programming similar sort of concept. That website is a website, Council for Research Excellence. There is an awful amount of data there which can inform your deliberations as you think about just where your consumers might be throughout the day. Thank you very much indeed.

>> Female Speaker: Thank you, Mike. Next we'll hear from Susan Athey, who is a professor of economics at Harvard University. She advises businesses and governments on the design of auction based market places, and she currently serves as a consultant to Microsoft in the role of chief economist focusing on online advertising markets. Susan.

>> Sue Athey: Thanks very much. I am very grateful to the FTC for including me in the program today. Today I'm reporting on economic theory models that I have studied in my academic work, as such my comments don't reflect the views of any institution. What I'd like to do today is to spend my time laying out some economic concepts that sometimes get confused in contemporary discussions of the media in the hopes of making the policy discussions more precise and I'll be trying to react to a number of the themes that came up during the day today. The first set of economic forces that I think are important to clarify and understand are sort of really basic econ101 courses in the news media businesses, basic supply and demand. They're actually quite confusing in this marketplace because there are many constituents and the effects can be quite subtle. On the supply side in particular, there's often confusion about the number of websites or the available space versus user attention. User attention in the end is fundamentally limited and we can have the number of websites grown without bounds but consumers aren't going to spend 30 hours in a day viewing advertising. That's a really fundamental constraint that I think gets less attention than it should. Commentators also mention that new sites don't need more internet traffic but they may not be exactly precise. Advertising dollars and principles should follow the users if the users can be identified, understood and duplicated. Of course in practice -- I'm sorry, and duplicated advertising can be avoided. Advertising dollars in practice are moving more slowly but there is a lot of reasons to think that as the industry matures and as we get better and understanding and measuring the effectiveness of online advertising that the dollars can follow the users. The second set of economic forces are sort of more modern economics, the economics of platform markets. Where platform markets bring together other groups like users and advertisers. In such markets the economics suggest that you reduce the prices for the most sensitive side of the market and the side that has the most important impact on drawing in the other side, in this case that would be the consumers and the basic economics leads to phenomenon result as lady's night in the bar, free yellow pages, free Google, free bing, all sorts of free content. There's really fundamental economic forces pushing towards the price of free for the user. The economics will say that in the media free is often going to be more profitable than paid. But, that's because consumers are price sensitive. Especially if you have non-differentiated content charging a small price is going to be a massive decrease in your traffic. And also because losing consumers loses advertisers. So then of course the concern that has come up over and over again we have a problem, because free isn't enough to

cover our fixed cost. But if free is more profitable than paid and free is not enough to cover your fixed costs and have you a problem and have you two options -- cut your fixed costs or grow. Cutting costs, trying to replace free content I think Arianna talked about that quite eloquently. But growing requires better quality, is quite expensive. That's going to create strong pressure for consolidation and for concentration. That implies that regulations from entities like the FTC will play a central role in how the industry develops. But the pressure is going to be there. In response to Rupert Murdoch's comments this morning I thought it was kind of interesting how he framed why people should pay for content. Google and Bing are valuable, they're expensive to the tune of a couple of billion dollars but the business model is they should be free even in Europe where Google has 95 or 98% market share depending on the country, they don't charge for search services. It is just like the classic yellow pages. When the bell had a monopoly they didn't charge for the yellow pages. It was better to get the yellow pages in front of consumers and monetize with advertising. You don't charge for the yellow pages because it is so much more valuable to get that book in front of the consumers, the advertisers are willing to pay for it. For some content if you're differentiated enough and if charging doesn't decrease your consumer base enough, and if reducing your consumer base won't cause your advertiser base to go away, then perhaps it makes sense to charge. The "Wall Street Journal," of all publications, fits those conditions the best. But unfortunately, not a lot of other content has all of those characteristics, so it doesn't strike me as the solution that's going to help the great mass of the news media. So here's a slide that sort of represents a picture of the old world. Publishers are going to deliver a well-understood, stable, tailored audience to advertisers. The advertisers know what they're getting, they understand it, they learn it, they can measure its effectiveness. You can think of the old newspapers having a monopoly over their consumers, they had high margins and we had regulatory oversight to try to prevent them from getting even more concentrated. Now here's the first picture of a new world. I'm going to bring in different features of the new world one at a time to try to isolate their impact. So the first page I want to focus on is the change from online browsing. We call it multi-homing in economic theory. You are visiting multiple places. What does that do. First thing to remember again is the consumers still have limited time. There's still a constraint on the amount of ad space that's available, the effective ad space, the consumer is only going to be reading news a certain amount of time a day. It is just they are dividing that time among a larger set of outlets. What does that do. It is going to, in principle, reduce the effective supply because if consumer move around

the websites they can see the same ad twice and ad impressions are less effective. In addition the publishers no longer know their users. When you think about why the web surfing traffic is not monetizing as well, a lot of it has to do with the fact that you don't understand your audience and advertisers don't understand the audience and it is much harder to do the matching. On the advertiser side, they learn their audience and in a consumer multi-home, any all advertisers compete for all consumers. That's going to reduce the demand in a sense for advertising. On the publisher competition side we've got increases in competition on both sides. On the consumer side you have to compete for your consumers. That's going to potentially require greater investments. What we're going to see is people trying to spend more to grab market share away from each other. At the same time that's going to hold economies to scale and create pressure for competition. Now we have multiple outlets on the advertiser side. Instead of "The Washington Post" having a monopoly on Washington consumers, there are lots of places to reach those Washington consumers now. That puts down war pressure on price. What does this all add up to? Lower ad prices, less efficient advertising and lower distribution of eyeballs to those who create traffic content which creates greater concentration at the high end. That's just multi homing among existing media. One of the biggest perceived problems is the advent of all this other new content which is going to compete for eyeballs. I agree that this is a big problem. If you lose eyeballs you're going to lose customer attention and that's going to be very bad for revenue. On the other hand, we have to think about what's the nature of that competition coming from. If things like blogs and Youtube and Facebook take people's time but doesn't provide effective advertising space, in a sense it is reducing the effect of supply of advertising. People are substituting away from places where they used to see effective ads and now they spend time and content where advertising is not as effective. In fact that's going to be good for prices for the remaining media. Of course, several other things are highlighted. The other ways users are multi-homing -- Craigslist, monster, sports, city hall coverage, if all of those things go to blogs and that was driving your advertising revenue then are you in trouble. In some sense it is that unbundling that may be more of the problem than just the direct competition from the blogs. So now the thing gets even more complicated. My site is intentionally cluttered to illustrate how complicated it is to think about all this and keep it in your head. In this slide the ad platforms have come in to save the day. They solve a lot of the problems created by the consumer multi-homing. They help publishers sell audience in an environment where they now know their users less well. Their users are coming in from many sources but the

ad platforms know the users. They can provide information and allow you to sell targeted and effective advertising. They can offer tools for tracking consumers, avoiding the duplication of impressions problems. They can also increase demand by lowering fixed costs for advertisers to reach small publishers but they also create a lot of challenges for traditional publishers because they increase the supply's effective ad space. Now bloggers and Youtube and Facebook are potentially more effective vehicles for advertising so the supply space. In addition, they make it potentially easier for the advertisers to shop for different publishers. They in some sense facilitate competition among publishers for the same advertising dollars to make it easier to buy the same user in different places. That can be problematic for publishers. Finally while targeting is going to increase the efficiency of advertising there are some limits on the ability of targeting to indefinitely increase revenue from advertising. The more finely we chop up the targeting bucket, the thinner is the advertiser competition. You see that empirically and it is a very important constraining factor on how much targeting is going to help monetization in the industry. It is going to be an interesting thing to see how it plays out empirically as to what the limits are in terms of how finely we can divide up our users into different buckets markets for the advertising dollars. The ad platforms also shift the balance of power and the locus of the value added but they own a lot of the consumer information, not the publishers. They also are going to determine how much profit to keep and how much to share with the publishers. That's competition among the ad platforms that's really crucial from the perspective from the publishers. If the platform is making the match and creating the value, they know you're a consumer and not you, the publisher. What's going to guarantee that you receive the value? Finally, our best friend in this room, Google news, hits the scene and comes between the consumer and the publisher. What's the role of the aggregator? The aggregator model attempts to serve a large number of sources and redirect traffic to publisher sites. In terms of ranking, one thing that I know very well from working with search engines is how data intensive and how it is to provide good rankings to use user feedback and find exactly the right content to put at the top of the screen. It's natural for a company like Google to be in that business. Search engines are pros at that. Another thing that an aggregator does is it has a limited number of links to show. That's going to make publishers vie to get those coveted links and to get that traffic which of course is not so great for publisher bargaining power if they have any designs on sharing and revenue streams and so on. So competing aggregators can potentially give publishers more bargaining power, at least very large publishers, since the aggregators would risk losing traffic to

competitors. If you had two aggregators have provided really similar quality content, then if one of them had content that the other didn't, that would be something worth paying attention to from the aggregator's perspective and you could potentially, as a publisher, extract some value from that. But that really requires balanced competition among the aggregators, and it is a much harder proposition when there's one dominant aggregator. Now since -- if that's the case, we can also imagine publishers being tempted to fill this vacuum themselves. Of course that's going to raise regulatory concerns and, as well, the business is a very difficult one to enter. There is a lot of economies to scale in terms of just learning to use the data to predict clicks on different types of links and that's a very sensitive thing to do well in a large scale. A big problem for traditional publishers with this model is it greatly increases multi-homing. As a result they no longer understand their users very well at all, nor can they bundle content. That's why we see things like the 1.7 million readers of the Milwaukee article that they're unable to monetize. That's where the ad platforms come in again. The ad platforms will try to help save you from the problem created by the aggregators. But we have to hope that the ad platform that saves you in fact is going to share the rents with you in a competitive way. Just to sum up, some of the economic forces -- again I've tried to make it in a very stylized way to sort through all of these different arguments. Econ 101 and the Internet, the consumer time in the end limited. There's not just an infinite amount of supply out there. Technology is going to change efficiency, it is going to change competition, it is going to make publishers face competition on all angles. They've got competition for consumers, competition for advertising dollars, they've got aggregators competing with them to own the consumer and they have ad platforms competing to own information about the consumer. They have multi-faceted competition everywhere they look. The ad platforms will create amazing efficiency, but they will change the effective supply and the effective demand. Competition will be cheap. The aggregators potentially will own the eyeball and the information. There's going to be strong economies of scale which is going to make it difficult to enter and compete with them. They're going to encourage the use of ad platforms. So again, competition is going to be very important and publisher scale is going to help publishers bargain for rent which will again create regulatory issues. I think it's very salient that the FTC is trying to bring all these issues together in this conference because it looks to me like they're going to have a lot of work to do in the coming years. Thanks.

>> Female Speaker: Thank you very much, Susan. I'm not sure whether we should be happy or alarmed by your predictions. Next we're going to hear from David Evans, who is an economist who holds academic positions at the university of Chicago law school where he's a lecturer and at university college London where he is executive director of the institute for competition law and economics and a visiting professor. He's also a managing director for an economic consulting firm and he's authored or edited seven books. David.

>> Dave Evans: Thank you very much, Susan. Thanks a lot to the FTC, chairman Liebowitz and you for having me here today. I'm in a tough spot here. After eight hours I think almost anything you could possibly say Susan took away all my two-sided market stuff. Jarvis took away my punch line. Virtually everything that you're going to hear I guarantee you probably heard somewhere during the course of the day today. Think of me more or less like a summary speaker. Let me give you my bottom line. I'm going to pick the topic of newspapers and journalism. My view of the newspaper business, as we think of it as a supplier of journalism, traditional journalism and as an advertiser, intermediary, that business I really think is going to continue to shrivel. That's a theme we've heard echoed throughout the day. The big unknown is whether the newspaper industry turns out to be the typewriter or whether it turns out to be like the bicycle that I will's get back to in a little bit. Let me give you a quick overview of how I come to this. Again you've heard all this but the growth of the web has increased the supply of ad space. It's diverted viewers and advertisers from newspapers. As we've heard it's reduced advertising prices. It gets worse. I have to disagree with Susan just a little bit. We're going to get more web apps. There are already more web apps out there. Mobile phones. There is a limited amount of time in the day. We only have 24 hours but my guess is some of the people in the room, younger people in the room probably check their Facebook pages or did something like that on their mobile devices. I think there is at least some increased supply of advertising space. Traditional journalism that is going to decline because advertisers have other options available to attract viewers. If we try to increase prices demand is elastic, you start from zero, you raise prices, there will be less demand for journalism so journalism is going to go down. Newspapers as an advertising intermediary as a business that kind of matches viewers and advertisers, businesses out there to become more efficient. New models are going to emerge. One point I do want to emphasize that Susan already touched on is the supply aspect of this. The supply of advertising is really coming from two things. The supply of advertising

inventory is coming from two things. Coming from the availability of space on the web and the margin of cost is essentially zero. Really, really cheap to supply the space that you put advertising into. Then the other thing you want if you want to be in the advertising business, you want viewers filling that space. That's a very important concept. The ad-supported media which is very simple. Viewers are attracted by the content. The content is simply the bait. The bait is the thing that is basically reeling in the viewers. Those viewers are then sold to the advertisers and that's basically what the business is. The newspaper or ad-supported business is essentially a match-making service, it is in the business of trying to figuring out ways to match content and advertisers. It is in the matchmaking business, whether it is very efficient at that is a question. There is the journalism side and there is the ad side. We've already heard some of the speakers point out that they're not all that well integrated, and maybe that's one reason why they're not a terribly efficient intermediary. The traditional journalism business -- and by that, I mean kind of what we do today in print newspapers -- it is mainly input into producing the viewers for the advertisers. And it's not something that generates a lot of revenue directly. The quantity demanded of the reflects prices that are essentially between free and low. So, that's kind of where we are. So, with that, kind of as the background, that's happened to the newspaper industry. Well now, I'm going to show you, maybe in a different form, some of the data that you've already heard today. So, first of all, there's been a massive increase in advertising space on the web. So, we have an increase in the space. Again, marginal cost of that is essentially zero. And we have a massive increase in the people that are looking at that space. One point that I want to make is you'll notice that very weird line on page views. Well, if you imagine advertising inventory on the web, page views, the number on eyeballs looking at space, that sounds like the good measure, echoing one of the points that was made earlier today, it turns out there are no good metrics of this on the web. So, it turns out that in around 2006 or so, lots of people switched to Ajax, and as a result of that, all the measures of page views turned out to be, well, unreliable, at least if you did diagrams like this. So, if you take the early line and think about extrapolating that up, page views aren't going up quite as rapidly as are unique visitors. A lot of that inventory that we're seeing on the web is very substitutable for what newspapers are doing. And we'll come to this in just a second. But, if you think about classifieds and so forth, what you see online, very substitutable for what you see in the newspapers. So, advertising inventory, the supply side, that's vastly expanded. There's also lower demand for offline content. So, here's one statistic I came across. As with all statistics, I'm not sure it is right.

But, it is consistent with what we've heard today and consistent with the media ecosystems diagrams, very interesting, what we just saw. The time spent by readers of newspapers, down 17% between 2004-2009. Meanwhile time spent on internet more than double over that time period. Almost equal to the time that people are spending on television which is really, really quite amazing. There's been a massive reduction in viewers offline. As someone pointed out earlier today, there's been a secular decline in newspaper circulation, that's absolutely true. But starting in around 2004, you're going to see this with all the data. Starting in around 2004, you have an inflection point and the decline in the circulation of newspaper at that point in time really starts accelerating. Getting back to the intermediary point, increased competition for web-based intermediaries for matching people with advertisers let me stick to the classified portion of this. We heard earlier today, and this is right, that classified is a very, very, had been a very, very significant portion of newspaper revenue, 40% as of 2000, down to 28% today. Massive decline in classifieds, one reason for that, is think about the intermediaries that have arisen on the web to do that. You have Career Builder, you have the Ladders, you've all seen the advertisements for that. You have eBay, Craigslist and so forth. Very, very efficient intermediaries that have sucked vast amounts of classified advertising away from the newspapers. Then on the display side, you have Google web with AdSense, you have the Ad Network, Ad Exchanges and so on and so forth. What are the economic consequences of this? This is not news for all of you that have sat through here today but maybe a little bit different take on the data. So, the advertising revenue has declined. Why? Well, lower realized prices, advertising prices are down. Fewer viewers, so there's less inventory. Advertisers are substituting going online. Subscription revenue has declined, because there is a hell of a lot of free stuff online and that's leading to a downward spiral. One thing you've heard repeatedly during the day today, is newspapers are cutting back on staff. So, think about what that means. So, revenue has gone down and one of the consequences of that is newspapers have cut back on journalists, they've cut back on content. My "New York Times" is smaller, my "Wall Street Journal" is smaller, I'm not happy about it. The result of that is you get fewer viewers, less advertising, that leads to less journalism, less content, that leads to fewer viewers, and you get this spiral downward, which on pessimistic days we call a death spiral and on optimistic days, maybe we don't, but it's a spiral downward that a lot of these newspapers are facing. Online, online, obviously, can't make up for that. You've heard everyone say that today. Prices revenue online is too small to make up for that. Take a look at the chart just quickly. I've indexed

everything to 100 for 1989. What you see again is 2004. Precipitous drop in newspaper advertising revenue, which is again the main thing supporting them. And what's remarkable is the decline in the classified advertising revenue, which is the red line on the graph there. So, the big question for newspapers, at least in my mind, is again are newspapers like typewriters? That industry doesn't really exist anymore. Or are they like bicycles which is a smaller industry than it might have been if the automobile hadn't invented but nonetheless, it is a really nice, vibrant industry. So, that's a question. What are the consequences for traditional journalism? Well, if the downward spiral continues then traditional journalism I suspect kind of wanes. If the demand for traditional journalism is reasonably elastic starting from a price of zero, you raise the price, then maybe Rupert Murdoch will get people to pay money for what is the "New York Post" and things like that. Maybe he'll get people to pay money for that. But my guess is the demand is going to be smaller once you start raising the price. Either way, it is very difficult to see how traditional journalism isn't going to shrink considerably. If we had more time we could actually talk about what I mean by traditional journalism versus a lot of the interesting stuff that you heard from the previous panel. When I say traditional journalism, I mean the very labor intensive practices of newspapers today. So, it's going to get worse. It is really going to get worse. And the reason I believe that is the vast expansion of, there is a coming vast expansion of advertising inventory. Mobile. How many people have a blackberry, smart phone and Apple iPhone? How many people? How many people, keep your. How many people of those who just raised your hands, checked those during the course of today? Yeah, how about that? Okay. So the number of those, if I ask that question five years from now, everybody's going to have it, everyone's going to be looking at it throughout the course of the day, everyone's going to be looking at their Facebook pages and so forth. So, massive increase in that, in addition, the web has really only just started. Just think about what's happened since 2004. On the top there you see the graph of social networking sites? Massive expansion of social networking sites, massive expansion of video sharing sites. One thing that I've been working on recently is advertising networks for online financial services sites, like online banking and so forth. That's another source of supply. Microsoft, I'm not sure if they're actually going to do this in a big way but Microsoft has talked about putting ads on Windows, ads on the operating system, another place where people are going to watch. So, it is true there is ultimately a limit on the amount of time that people are going to be able to spend during the day. But nonetheless, my guess is there is going to be a lot more opportunity to put ads in front of

people over time and that's going to lead to a further depression of advertising prices. So, new space will suck even more advertisers and viewers from traditional media. That's going to further depress advertising revenues in newspapers and other media, I suspect, and that's going to further reduce the demand, I suspect, for traditional journalism. So, what is the future of traditional journalism and media? Just very quickly, I think traditional journalism shrinks a lot. So, if we're talking about investigative reporters and this model where I have an editor and I have a bunch of reporters and photographers and so forth, that kind of labor intensive model, it is really hard to see how that isn't going to shrink. And it is also very hard to see when you look at what's happening to the online world and the innovations that are occurring there, that that model is going to get transported over. Print newspapers, they shrink, too. My guess is we'll end up with some scale-driven property. Some really big newspapers. We'll end up with some niche properties and then a lot of the stuff probably just moves online. So, I just want to quickly finish with public policy observations. And I don't actually completely agree, when I wrote this slide, I guess I agreed with it, but over the course of the day I've learned some things. So, I don't agree with it quite as much as I did. On the left-hand side I really do think policy makers, there's been a massive change. If the FTC is looking at market definitions, looking at lots of things you just have to take into account that the world today is just different than it was before. That's going to have implications not just for antitrust. There are probably reasons for thinking about copyright and there are certainly reasons for thinking about how we approach media regulation. That's probably the big thing we ought to be rethinking. Now, I said here, hard to see a market failure in the production of traditional journalism. And Chairman Liebowitz, you have not convinced me as a result of your eloquent use of economics this morning that there is a market failure. Nonetheless, I think it's something that's worth thinking about. The role of investigative journalism and so forth no society is very important. And there may actually be market failures that are coming from things that the government has produced as a result of maybe laws about optimally designed, regulations that ought to be changed and so forth. So, we really ought to at least think about the market failure question. The one thing I do worry about is mixing up market failure with nostalgia. So, you know, personally, I would just love it, John, if you could give me my six-pound "New York Times" for \$2 on Sunday morning. If you could give that back to me, I would be very happy. Whether that's a market failure, I'm not so sure about. And then this is the punch line that professor Jarvis took away from me. I think the one thing that a lot of us do agree on, is that, by and large, by and

large, we ought to rely on the market to sort all this out. There are lots of entrepreneurs out there doing lots of exciting things. There are going to be lots of interesting ways to meet consumer demand. And by and large the default position ought to be, that we ought to try to let the market, kind of, sort this out over the coming years. But the FTC, I'm sure still has a little bit of work to do. Thank you very much.

>> Female Speaker: Thank you very much, David. I'll ask the next panelist to come up. That was a terrific summary to set us up for the last panel of the day. Online advertising and consumer demand trends. Sorry. We're going to go back to our three-minute, four minute, and start with Barbara Bacci Mirque, who is Executive Vice President of Communications and Best Practices for the Association of National Advertisers.

>> Barbara Bacci Mirque: Thank you, Susan. I just want to tell you all who the A&A is, because I seem to be one of the outliers in this room, I guess, as someone who does advertising and marketing for a living, being in this room with a bunch of regulators and lawyers and economists is kind of interesting, to say the least. But the A&A, we're the leading marketing industry trade association. We provide our members best practices, proprietary insight, opportunities to collaborate with each other and we advocate on important industry issues, many of them here in Washington, D.C., such as providing marketers a self-regulated business environment and working on behalf of free commercial speech. We could have some discussions on that later. I think I have a different perspective on what I think about the news business. I'm going to give you, I think, the advertisers' perspective and the consumers' perspective. There are a couple of things I think haven't been talked about. I think we've been kind of unidimensional in the room, but I haven't heard anybody talk about the power of the brand. As marketer I live and die by brand equity. I think until Mike, nobody talked about the consumer. I just want to give you a little bit of information about that. The digital age is throwing all of the commercial speech models and that support content, be it news or entertainment -- and by commercial speech I mean advertising -- into disarray. As journalism evolves to the web or as we're in a multi-platform world, it's not different than the aches and pains that content -- if it is news content or entertainment is facing in television with DVRs, and I'll even go back further, to the remote, if we all remember that. And I want to talk about what Lauren said, because I think she made a great observation and that is that probably news

journalists have to be better marketers. And I do believe that journalism is going to live but it is going to be a survival of the fittest. By "fit," I mean the most robust brands. What is a brand? It is the essence or promise that a product or service delivers. It's an entity that a consumer trusts and has a relationship with. And so, I'll tell you a little about myself, from a branding perspective. I read "The New York Times," and I read it the old fashioned way. And I pay for it. I read it on the train when I go to work. And my husband reads it online. So, I guess as somebody said earlier, he's reading the more evolved version and I'm reading the one that you pay for. We may not agree on everything that I read in the "New York Times" but I define myself -- people define themselves often by brands. So, if you're wearing a Rolex, or Gucci, or drive a Mercedes, it says something about the person. I think it says something about me that I read "The New York Times" and I also read the "Wall Street Journal" every day. What's important to me is that I believe in the power of those brands. If I go to a dinner party and I talk about something with some great analysis I read in one of those papers, and people go, "wow, you sound so smart, how come?" Oh, I read it in the "New York Times," or I read it in the "Wall Street Journal," or I learned that tidbit in XYZ. That says something about me and that's important to me. And I have to be honest, a lot of my friends don't know what Gawker is, and I don't think they know what the "The Huffington Post" is, although it is a great brand. I live in a little bit of a different world than some of my friends. But I think, if you go back to what Lauren said, that, I think the newspapers -- and I don't think we should say newspapers -- I think the news sites or news as a product or brand needs to differentiate itself. And they need to be better marketers. Now, let's talk about the consumer. The consumer, I think, does expect free content -- sorry, what -- stop. Oh. Okay. I guess I have to stop, sorry. I was just going to say I think some of the research I've seen is that consumers do expect free content. But if the brand -- if you build the brand and build these wonderful brands and you add value to it, the consumer will respond to that and we advertisers are looking for that. So, we'll advertise if it's print or if it's online. We are living in a world of integrated marketing. So, I think somebody talked about Politico, it started as a website and also has a print piece now, and it's actually making more money, that's a great integrated marketing example. That's important to advertisers. So, as those evolve, as these models evolve, I think there is a lot of models out there, advertising will support it.

>> female speaker: Thank you, Barbara, and I'm sure we'll get back to your other points. Next is Joe Laszlo, who is the Director of Research for the Interactive Advertising Bureau.

>> Joe Laszlo: Great. Thank you very much. Thank you for all being here. Thanks to the FTC for inviting me and Interactive Advertising Bureau to participate today. I'll say a quick word about the IaB. We're a trade association representing sellers of online advertising. That includes everyone from publishers to ad networks to technology companies. Our main mission in life is to set standards that help reduce the cost of ad supported businesses for both the buyers of advertising and sellers of advertising. We try to help educate and growth market by showing online advertising works and how companies can leverage it effectively. I guess I had, you know, three main, three main concepts that I want to get across in my opening remarks today, you know. First is we've heard a lot today about the importance of the Internet to news as a business. And I wanted to flip that around and talk for a second about the importance of news to the Internet. You know the internet started out as a communications medium. E-mail was the first application of the Internet. It was a way for people to keep in touch. But I think, these days if you look at the most frequently done online activity, the most frequently performed online activities, the media piece, content piece is at least as important as the communication piece. The news is a key kind of content that consumers turn to the Internet for. If there wasn't news online I think there'd be a lot less demand and a lot less usage of the Internet. You can look at University of Southern California. The Annenberg School does a study every year. And in their, in their '09 study they found consumers spend 53 minutes per week reading newspapers online. So we saw all the stats about how offline readership of news papers is declining but that's the highest level Annenberg study has ever found. It's up from 41 minutes per week in 2008. A company called Alchemy exists to help facilitate the delivery of internet content. It makes the internet perform better and they track traffic to online news sites. And they've found some of the very biggest traffic peaks they've ever tracked have been related to specific news events. Since 2005 when they started tracking traffic to news sites the biggest traffic spike they've ever seen came in November of 2008, the night of the election, about 8.6 million visitors per minute were hitting online news sites. And so the infrastructure of the Internet these days has to be design with the news in mind because it's really the thing that's kind of stretching the capabilities of the medium. Second thing I want to talk about was the importance of advertising to the Internet economy. The IaB puts out a study twice a year looks at online

advertising revenues. And for 2008, about \$24 billion in revenue was generated by online advertising. If you look a little more broadly at primary and secondary impacts of the ad-supported Internet as a whole, not just the news piece, you get to an impact of \$300 billion per year. About 3.1 million jobs, either directly or indirectly related to the Internet. And then finally I want to pick up on a think one of the key things the Internet is doing around news and content is really greatly increasing the supply, greatly increasing the diversity of voices that can, not only deliver a message that they want to online, but actually make a living doing it as well. You look at razor fish which does a study of digitally salve, let's say, online consumers, and asks them where do you get your news online. Not surprising 80% of the consumers say they go to a traditional news site. But 30% say they go to Facebook and 20% say they go to twitter. And so, you know, just as it's always been the case, you found about breaking news when someone calls you and says, "hey, something's happening." And then you maybe go to a traditional media source to follow up. The Internet is having the same impact as well, where, you know, people are finding out, communicating in new ways, reaching out to new sources of information as well as turning to traditional sources, too. So, I think the diversity is a key benefit that the Internet is delivering in terms of the way consumers access news.

>> female speaker: Next we'll hear from Pam Horan, who is president of the online publishers association, a position she's held since June 2006, previously she was vice president of marketing and membership for that organization for two years prior.

>> Pam Horan: Thank you, Susan. The online publishers association is also a trade association and our members are companies that are investing in the creation of original content. Newspaper companies like the Wall Street journal, "New York Times," magazine companies like "Time," "Forbes," cable outlets like ESPN, CNN, broadcasters like ABC, CBS and also Edmonds.com and "The Huffington Post." The thing I wanted to share is that this group of members combined reaches about almost 110 million U.S. online visitors every month which is about two-thirds of the U.S. online population. Last year these companies invested over a half-billion dollars in the production and creation of original content. The dominant fuel that funded this was advertising as we talk about today. Today we talk a lot about how the Internet has transformed the way consumers get news, information, entertainment. There are two things I want to just touch on as we think about

the future. And that is really the role of content, as well as the role of environment. It's clear that consumers are spending a lot of time online. We've seen it today. The OPA has conducted a study since 2003 that tracks where consumers are spending time online. We today look at five key categories: content, commerce, communications, community, and search. And the majority of consumers' time is spent with content at 42%. Followed by communication 24. Communities at 20. Commerce is at 10. It had been on average over the last six years at about 16% but the macroeconomic challenges have forced that down. And then, search has hovered at around 3% or 4%. So, we know the majority of time is being spent with content. That brings us to the question that we often hear from Barbara's community, which is the advertisers, is really "Is all content created equal and are all environments created equal?" The answer to that question is actually, no. To better understand this, we've done quite a bit of research understanding the impact of environment. And we have looked at and leveraged syndicated research to do this. We've actually found that a brand halo actually exists. To Barbara's point there is a value that an advertiser gets by having their message in certain environments. And what we have is that OPA sites which we use as a proxy for the content environment actually has a greater impact of driving the key brand metrics that Barbara's community is interested in, whether it be at the top of the funnel in terms of brand awareness or down to the bottom of the funnel where purchase intent exists. So I think that it is important that we take a look at what's going on in the future we are cognizant of the fact that environment does matter and we need to think about what that means for the advertiser.

>> Susan Athey: Thank you, Pam. Next, we'll hear from Jeff Chester. Jeff is Executive Director of the Center for Digital Democracy, a Washington D.C. nonprofit group that aims to foster democratic expressions, civic engagement, and consumer protection in the digital media era. His book, "Digital Destiny, New Media, and the Future of Democracy," examines the threats to the public interest from both old and new media consolidation, and he is currently writing a book about global interactive marketing and its impact on society.

>> Jeff Chester: Thanks very much, Susan. I want to thank the FTC. I want to apologize if my back is facing some of you. And I want to say that we fully support the FTC and the FCC and the Congress and the administration engaging in policy development to ensure that journalism, regardless of platform, survives and thrives in the digital age. There is market failure. There was a

market failure when Edward R. Murrow gave that famous RTDNA speech. There was a market failure when wrote network, that was diagnostic, that was not predictable. And anyone who has witnessed the cutbacks as a result of media consolidation and deregulation and all the lobbying that went on at the FCC during the '80s and the '90s and looked at the cutbacks in newsrooms, the closing of the overseas bureaus, the cutbacks in investigative reporting. Investigative reporting in this country is on the endangered species list. It's been that way for two decades. Otherwise, we wouldn't have had to send it out to non-profits, like the Center for Public Integrity and the Center for Investigative Reporting. I have two concerns today. One is that the news media industry online has embraced a business model that threatens the privacy of users everywhere. I think, ultimately, threatens the news media's future as a trusted brand. And two, the potential concern that I think is possible, that interactive advertising will play a very major role in shaping news content. We already know the distinctions are gone, they're obliterated. But as advertisers demand more editorial control, it's going to affect. The news will need to look at this now. Now, in terms of online targeting, I think the news business-- I know it's difficult, because there is this global, digital data collection arms race. We've only heard a part of the story about the online marketing system. That's going to be discussed next Monday here. It's a system, somebody mentioned, of engagement of deeply involving the consumer, of having a relationship with that consumer, regardless of where they are, online, cross-platform, multi-application, and to have a very deep connection to that consumer. That's the basic business model, and data collection's at the core of it. But when the news media industry embraces this behavioral targeting business model, in an essence, is stealthily monitoring, as newspapers do with their behavioral targeting product that Yahoo! And others do, what people read, where they go on the newspaper, you know, what they like and what they don't like, and that information is then amplified and shared, and now sold in real time. When a business model develops that, in fact, undermines consumer protection, consumer integrity and privacy, something is wrong. The news industry should be in the forefront of calling for rules that protect the privacy of individual consumers. Otherwise, I suggest to you, that you will be the target -- the United States and the EU -- from the privacy and consumer community, who will go after you for the kind of ads that you're running, that in fact collect financial data from consumers. Will go after you for the kind of health advertising, we're already seeing online that the FDA is now investigating. And that's really just a part of it. The news media industry should, in fact, embrace fair information principles. Now, it's great that the association of

-- wait a second, the American newspaper Association has reversed its position from last year, privacy is no longer a violation of their First Amendment rights. Now they support in their latest filing to the FTC, notice and choice, but they oppose regulation, they oppose opt-in, they oppose consumer control. The news media is going to be on the losing end of the branding proposition, this incredibly competitive online world that is the -- that has been created that -- will only get more intense unless they can really convince and convey to the individual that we have your interest at heart. Make a distinction. We're protecting your privacy. And I suggest to you, consumers will then be willing to share more information about themselves with you. And look, as the FTC, as it's now doing, we've asked the FTC, look at ad mill, look at real time targeting, look at optimization, look at everything you're doing, and they are looking at it now. As the FTC begins to fully comprehend the digital data collection apparatus that you are now a part of, there are going to be consequences. So, it is time now to get on the right side of that equation. I see stop. Finally, I just want to conclude by saying that interactive advertising is a very, very powerful force. Advertisers have greater control online than ever before. There is going -- there is a potential for advertisers to further dictate editorial content that we need to be concerned about. Thank you.

>> Female Speaker: Thank you, Jeff. Next, we'll hear from John Meyer, he's the director of digital media for WTOP and Federal News Radio, where he is responsible for all of the station's digital initiatives.

>> John Meyer: Thank you. For those of you that don't know, WTOP is the local, all-news radio station here in town. And I wanted to thank the FTC for including radio in this conversation. We've been doomed since television began. So, it's nice to have newspaper join our pending Armageddon. I have two quick points that I want to make. And both are kind of focused on the selling of local advertising, both online and traditional media. The first is, everyone is now your competitor. And this has kind of been an ongoing theme here, throughout the day. But, if I had to ask, who are WTOP's top five competitors, just whether it be online or on-air advertising, maybe one radio station would be in that group. The silos of media differentiation, I think, are completely gone. Clients aren't interested, necessarily, on just buying a radio commercial, or buying-- they want to buy Internet advertising. They want to sell stuff. They don't necessarily care what platform it is. I think our advantage as traditional media, is the fact that we have traditional media

on top of new media. We can put together campaigns and different vehicles, whether it be mobile, online, radio commercials, TV commercials, Newspaper ads, combined, to sell more of our clients' stuff at the end of the day. I think a big component of that is having the right sales structure, the right sales staff, that can sell multi-platform. I think there's too many, "oh, we have to sell internet," or "you have to sell radio," or you have to sell something else. You want people to sell advertising at the end of the day. Whatever's going to best-- you're a company and whatever you sell, if you're a media company, it's still, the dollar's a dollar and it's going to go to your bottom line. So, I think it's very important to have the right training and sales structure. The other point that I would like to make is that no one really knows what they're doing in this space. I mean, particularly on the local level. The Internet is very new, still. Last year, if we had this thing, Twitter wasn't as prominent as it was today. And all of a sudden, everybody has Twitter plans. None of them are monetizing it, but they still have plans. I think, what's important, is to realize that things-- what we're trying to figure out, there needs to be experimentation. Podcasting was going to change the world a couple years ago. Then it still-- has never really gone anywhere. Somebody-- a bunch of people in a room thought pop-up ads would be an unbelievably effective way to advertise a product. But the market rejected that. And I think that is what needs to be to happen. There is a lot of success we need to have as an industry, and there's a lot of failures. Companies need to succeed, some companies need to fail. I think what just needs to happen is, the market needs to grow up. The market needs to experiment and try and grow and work out all of its kinks. Because, as soon as we do that and we know what we have going, something is going to change and come. And then, we don't know what we're doing all over again. That's all I have.

>> Female Speaker: Thank you very much, John. I'd like to go back to you, Barbara, and have you talk a little bit more about-- I'm sorry, I'm ignoring you, Mike, because you've already had a lot of time to speak and we'll get to more of a discussion. But I think it is very important that we get your perspective. You know, how are advertisers thinking about this issue of online versus not online, or combinations, as John was just talking about?

>> Barbara Bacci Mirque: Well, as I alluded to, I think advertisers want to surround the consumer. So, consumers are online, they're reading newspapers, they're listening to the radio, as you saw from Mike's research. We want to follow them around in a day. And we also want to serve to

them, and I have to address what Jeff said, we want to serve to them relevant advertising. That is, I think, incredibly important. And I do not think it invades privacy. I'm always amazed in these conversations that you go to the grocery store, and you use your little card to save 5 cents on a can of peas. And they know amazing things about you, and they can say, "hello, Jeff." And you've got adult diapers in your cart. Online, there's some anonymity. I don't know the technicalities. Pam and Joe can talk about it, but they are addressing a cookie, or a web address, and they don't know my address unless I've given them that information. So, what's important to advertisers is being able to serve relevant advertising, because that's not going to be ignored. And it's the beauty of the web, as opposed to some other types of media. Then, I think, as I said before, to kind of follow the consumer throughout the day and give them a totally -- they're using multi-media, and we want to give them the appropriate advertising where it matters. So, online's important. Content is important. The brands are important. And, as Pam said, where we present our advertising is important. So, in those top-notch sites, is important to advertisers, as well.

>> Female Speaker: Thank you. Well, I just have to mention, I went to a presentation by Bob Garfield a couple of weeks ago, who is the author of "The Chaos Scenario," in which he basically says that the advertising business model has been exploded, just as well as the news organization model. And one of the examples he mentioned was about behavioral targeting was the one you just mentioned, Barbara, in terms of supermarkets. And we all give this information to supermarkets, so that we can get discounts. Basically, as he pointed out, the supermarket knows all the ointments you've ever used. So now, Jeff, I know you want to speak again--

>> Jeff: Well, I mean, it's a shame, in a way, that this panel is not also taking advantage of the tremendous amount of information collection that the Federal Trade Commission has already done. The Bureau of Consumer Protection, Chairman Liebowitz and other commissioners appointed a terrific new director of consumer protection, David Vladeck. Under the new chairmanship, for the first time in many years, the FTC is getting to the bottom of interactive advertising and data collection. Congress is also getting to the bottom. The European Union, as you know, has issued new rules. I'm afraid that if you look at the system, they know you, they know your interests. They don't need to know your name to know who you are and what you like anymore. Online, they're able to import outside databases, they're able to, in fact, take some of those records outside and

bring them in. So, a very -- anybody who knows online advertising understands it's an elaborate system of profiling for targeting and retargeting online has emerged. And that it is a considerable privacy threat. And the -- my first comment was this -- and this is something that the FTC is now looking into through Vladeck's office. Look, the advertising industry, globally, is working, as you all know, because you're a part of it, is working very hard to recreate itself. And all you have to do is go to the advertising research foundation and look at any of the seminars or to go to the -- Microsoft's ad lab or what Google's doing, to understand they have put it together. There is a very sophisticated advertising system that has emerged. Yes, it's innovating, yes it's growing, but it's not an unknown. And it frankly affects consumers, which is why the FTC is now looking into how online advertising promotes obesity in children, among other issues, as well as the subprime crisis, and it affects privacy.

>> Female Speaker: Thank you. And we will have an in-depth discussion of that on Monday. Elizabeth, what would you like to add or ask questions about? Elizabeth is on my staff and has been key to the preparation of all of this today.

>> Female Speaker: Hi. Barbara, you mentioned that consumers expect free content. How can news entities maximize their ad revenue in light of that?

>> Barbara Bacci Mirque: Well, I think there's been a lot of discussion about that today. And I did see a survey from IBSA, where, and I like to look at the cup half full, where 50% of the respondents said they expect free content, but that means 50% said they're willing to pay for paid content, if it is relevant to them, if it's something in which they have an interest. So, I think there's, you know, Arianna talked about it. Lots of people talked about it. I think, from an advertising perspective, what the model is, is probably a little bit less relevant to us -- if it's paid or not. You know, we're interested in reaching the right consumer, at the right place, at the right time. If you're a mass market advertiser, you really do want the aggregation, you want many eyeballs. If you're a specialized advertiser, because all of us -- our brands have all different objectives, you know, I want specialized content. So, I think, if it's paid or not, it's probably a little bit less relevant to the advertiser itself. Is it relevant to me, is it good content, does it give me positive influence on my brand and not deter from my brand equity?

>> Female Speaker: Could you speak to one of the other points that Bob Garfield discusses in his book. And I've also heard some other people speak to, is the extent to which brands are now creating their own websites to market directly to consumers. And could you give us some understanding of what's happening in that area?

>> Barbara Bacci Mirque: Absolutely. I mean, content is king, and the consumer's in control. We've heard all these mantras. The consumer's looking for information. So, again, it depends on the brand. It's not going to work for every brand. But there's some wonderful examples of babycenter.com, which is J&J, and provides great information. You might not even know if you went on that site, it's owned by J&J. Procter & Gamble has some great sites, as well, that are also kind of information-based sites. That's important to the advertisers. But I have to say, the advertisers are also getting into -- P&G just announced -- just launched a print vehicle. So, you know, print's not dead in any way, shape or form. Again, we're looking at the integrated spectrum, and we're looking across all types of media. So, it's all important to us. But, yeah, from a website perspective, we can get in. And if it is right, I think consumers are smart. Mike and I were talking about this at lunch. They see through it. It has to make sense, it has to be relevant to the brand. It has to have the right -- kind of the right application and the right approach, and be the right content for the brand. If it's not related or relative to the brand and the consumer, they're not going to pay any attention to it.

>> Female Speaker: Thank you. Mike, let me invite you into the conversation.

>> Mike Bloxham: Yeah, I was going to say, I think the issue of targeted advertising and relevance and so forth, is obviously a key one. And it's one of the things that the Internet has brought into our lives, probably more forcefully than anything else. There are always attempts at targeting advertising, but things digital make it a lot easier to do. For good or ill, depending on your point of view. And it's also created a demand in other media, such as television, for the kind of accountability and an aspiration for similar kinds of targeting, which, ultimately, will probably be much more common place when people work out what to do, how to approach certain data. At the moment, as I'm sure Jeff is well aware, the privacy concerns around that are considerable. And not

least, the cable companies, themselves, are terrified of moving into that space, because they haven't got their heads around those sorts of implications, and they, quite rightly, are very concerned about the court of public opinion, about concern of any real legislation. But I think, the point about consumer perception here is very interesting. I've done a lot of research over the years with consumers, around different aspects of media, including targeted advertising, or however one wants to phrase it in these research sessions. One of the interesting things is, people -- they know it's possible, because it's digital. So, it must be possible. They can envision it, therefore, it must be doable. Once they get their heads around it, they say, "well, okay, that means I would get more relevant advertising." There is usually a couple of questions that come up in this scenario. Who defines relevance? Is it relevant because I'm relevant to the advertiser? Or is it relevant because it's relevant to my lifestyle as I live it, and therefore, perhaps of more interest to me. And, of course, the advertiser wants to serve up advertising which is both. So, I think people are fairly familiar, and feel fairly confident in their own ability to understand it. They're less confident in their ability to announce exactly how it happens, understandably. They're not propeller heads, they're not geeks who understand the technology. And perhaps, they're less confident in their understanding of what recourse there might be if such a capability were to be abused. Now, I come from a country, obviously, which has more regulation. And I think there's probably less of an issue there, because people have faith in some of the institutions and the notions of regulation, to perhaps a greater extent than here. It's just more a part of the way of life. But, at the end of the day, my experience is that consumers, rightly or wrongly, come down with the view that, at the end of the day, if their relationship with that medium, which is a relationship of choice on their part, not yours, is in some way abused, or they perceive that it's abused, they'll walk. And this comes back to the issue of the brand. Brands have to protect their own integrity. And I believe that that's even more so the case when it talks about news and information brands. You have this dichotomy of a business model, alongside the notion of being a force of the public good, et cetera, et cetera. Which, in the abstract news, clearly is. The reality is, of course, that in many news outputs, that's somewhat questionable. That's another issue to get into, in terms of public perception. But I think the issue of protecting the brand integrity is incredibly important. And I would just raise the prospect of something which I was hearing about the other day. The concept of out-greening, a competitive angle, companies, these days, are actually competing against each other, on the basis of their green credentials. Relatively new. And a while ago, we probably would have scoffed at the

idea. But it's actually happening. Maybe there's a prospect in the future, as this notion of data mining, privacy, etc., becomes more familiar, and in the marketplace is talked about more, perhaps people will market their brands on the basis of that respect for the relationship with the consumer. Not seeking to avoid the subject all together or leverage it. Perhaps they'll say, "no, we do actually respect the relationship that we have with you." That may be idealistic, and there will be people that don't want to go down that path, but it's something to bear in mind.

>> Male Speaker: Susan, can I add one point?

>> Female Speaker: One point.

>> Male Speaker: I think the most serious study, being the only consumer advocate on the day, I have to fill in in a number of areas. The most serious study that looked at U.S. attitudes towards online advertising came out at the end of September, it was U.C. Berkeley, University of Pennsylvania, you may know Joe Terrell. And in that study, when -- it found, the overwhelming majority of Americans don't understand how advertising works. And once it was described, they're opposed to it. The majority. Even young users. And they full support regulation, to protect privacy in congress, which is one reason why the FTC is now looking at redoing its own guidelines.

>> Female Speaker: Thank you. And I also want to mention, in terms of the greening, that the FTC is working on revising its green guidelines for precisely the reason you mention, which is people are competing on how green their products are. Pam, you had some points you wanted to add.

>> Pam Horan: I think to Mike's point, it's a really good one. And the thing that I took away from what Mike was talking about is that it's really important, also, that we're careful to not simply put everyone in the same bucket. Because the reality is, if I look at the members of the OPA, they have a first-party direct relationship with their community. And they understand the responsibility that goes with that, and the foundation of trust, which is so critical. And as Mike mentioned, there's a lot of places people can go for content. So, they value that, their success of maintaining that is paramount. So, I think that it's really important, as we think about the way that we're connecting

with consumers, we're cognizant of the fact that there are different relationships, just like in the physical world, there are different types of relationships.

>> Male Speaker: Yeah, I mean, I think I would add that another thing that the Internet has really done, is it's greatly accelerated the time it takes for a brand to become an established, trusted brand. You look at "The Huffington Post," maybe you look at a website, like engadget, that provides advice on consumer electronics. And it didn't exist three or four years ago, and now it's one of the go-to places, when somebody wants to know about new TVs, it's one of the go-to places that they go. I'd say, the flip side of that is also true, it's also much faster for a brand to lose that consumer trust online, as well, because there are so many watchdogs out there keeping an eye on what's going on. And so, I do think that it greatly behooves media companies of all sorts to be very careful how they perceive. They obviously have to make a profit at the end of the day, or we turn to, you know, news is a public good, provided by nonprofits. But again, I think the nature of the Internet means -- it's fast to gain consumers' trust, but it's also very fast to lose that trust, if you mess up.

>> Female Speaker: Thank you. Okay, John, we're going to let you have the concluding observation today. And then we're going to wrap this panel up.

>> John: I'll keep it short. I think there are consistent themes, kind of, across the day, for the most part. I don't think any media is doomed. I don't think any journalism is doomed. I think it's just an evolution. If you figure it out, you'll survive. If you don't, you probably shouldn't. On the commercial side, it's a business. Part of the business is putting out a good, solid product. As long as you do that, you kind of run your business smartly, you'll succeed. If you don't, you shouldn't.

>> Female Speaker: Thank you, for the voice of the entrepreneur. Thank you all for coming. Please join me in thanking this panel for an excellent presentation. [Applause] Please keep your badges, if you have badges.