

# THE HARMELIN MEDIA REPORT

A Monthly Newsletter Published By Harmelin Media

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## Web TV Ad Revenue: From Point A to Point B by Aaron Reinitz

As the internet continues its rapid development as a delivery medium for video, the race is on for marketers to find effective strategy for monetizing content. While currently the majority of streams are delivering short, to-the-point clips focused on news, comedy, sports, special interest, or user-generated content, major television and movie studios are cautiously entering the marketplace. Acutely aware of the scars the music industry still wears from the Napster era, many are open minded to viewers using their web browsers as TV sets, as long as the websites can control distribution, and not miss opportunities to make money.

The current big idea in Web TV uses flash-based video players streaming directly from broadcast television network websites. Additionally, aggregators like NBC/Universal's Hulu combine multiple studio content into a single, easy-to-use interface. The video is of high quality, has the capacity to access large catalogs, and is fully ad-supported. In general, one or two advertisers run three to five :15 or :30 second spots, depending on the length of the show. The delivery method is also dynamic and can be changed on the fly depending on the advertiser and content.

While this approach is clearly gaining momentum, it is limited by the fact that few people want to sit in front of a computer to watch TV. While content will always be king, sitting on the couch in front of a plasma screen has undeniable appeal.

Microsoft, a company aggressively entering the online advertising business, has an opportunity to apply its unique resources to solve this problem. The parties with the best strategy to combine the volume and accessibility of internet video with the experience of traditional television will have the most clout in defining the viewing, and in turn advertising, landscape.

Here's why.

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## Essence Magazine Goes Multiplatform by Lamarr Cole

Call me "old-school" but it's just one of those things I've always looked forward to each month - checking the mailbox and finding the latest issue of my favorite magazines. At the top of my list, and the list of many other women of color, is *Essence*. The publication now has me running to my computer daily in addition to running to my mailbox monthly.

Time Inc.'s Essence Communications, creators of *Essence* magazine, and Warner Brothers Television Group, have recently teamed up in an effort to elevate *Es-*  
*sence* to a multiplatform media brand.

**ESSENCE.com**  
*where black women click first*

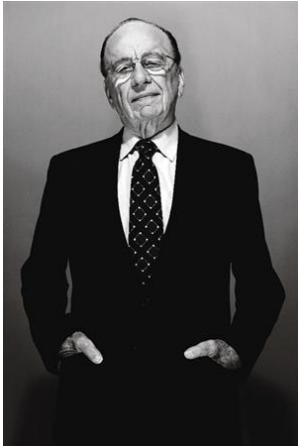
*Essence* is a fashion, lifestyle and entertainment magazine targeting African American women. The magazine was founded in 1969 and was the first monthly magazine for African American women aged 18-49. Circulation began at a humble 50,000 copies per month and has grown to around 1.1 million today. "Survey after survey has shown that there isn't enough content reaching African American women. African American women say they are looking for more relevant content reflecting their voice and lifestyle," said President of Essence Communications, Michelle Eubanks. To address that voice, one of the goals of this partnership is to provide more of that content for African American women.

The group's first project will be a complete overhaul and re-launch of *Essence.com*. The redesigned site will feature daily news, fashion and lifestyle content and well as relevant video, interactive community and social networking features. The site will be topical with continuous updates throughout the day. The magazine is trying to refashion itself for a daily audience, rather than a monthly one. *Essence*

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## Murdoch's WSJ by Pam Gulotta

When media mogul Rupert Murdoch announced his intention to purchase the 119-year-old *Wall Street Journal* from the Bancroft family, many in the industry, especially journalists, feared the worst. Would Murdoch convert America's premiere business publication into a mouthpiece for his other properties? Would he change the editorial style to resemble his *New York Post* tabloid? Would its content be available on his MySpace website? Nothing that dramatic has taken place at the *Journal* since the Australian took over on December 13, 2007. But there have been some subtle and not-so-subtle changes at his \$5 billion investment.



Murdoch has announced that he wants the *WSJ* to be more like *The New York Times*. He wants his *Journal* to cover more general news, especially politics, and less business news. Some question the wisdom of this change. Does it make good business sense? Journalists have reported a more sinister motive for the editorial change — they say Murdoch has a personal grudge against the *NYT* and the Sulzberger family who owns its controlling stock. This vendetta was eloquently phrased in a letter from Murdoch to Arthur Sulzberger soon after Rupert closed the *WSJ* deal. Murdoch wrote, "Dear Arthur, . . . Let the battle begin!"

The *WSJ* still looks like the *WSJ*. There's no mistaking it for anything else. But there have been changes in its content. Journalism.org tracked its front page topics and compared the three months after Murdoch purchased it to the three months prior to his purchase. Business topics dropped 54% while articles about the election skyrocketed 275% (it helped that the primary season kicked in after the purchase) and foreign general news increased 38%. In perhaps the biggest indication of an editorial shakeup, the *Journal's* Managing Editor, Marcus Brauchli, resigned on April 22. In his resignation letter, Brauchli went out quietly — he felt that the new owners should have a managing editor of their own (that's what the *Journal* printed at least).

For many business executives, this looming fight between the *NYT* and *WSJ* is unsettling. Many read both papers almost religiously. The *Journal* has its fiscally conservative slant as compared to the more

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## Essence

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is hoping the new *Essence.com* will be the most thorough web destination ever created for African American women and become the daily site they click on first.

The new site, scheduled for a late summer 2008 unveiling, will also serve as a launch pad for new television and internet programming for the target demographic. Another element to the rebrand is the creation of *Extra on Essence*, an original digital series produced in conjunction with Warner Brothers Television Group's Telepictures. The series will be hosted by *Extra* TV series correspondent and weekend co-anchor Tanika Ray. The *Essence* - *Extra* partnership will also expand to the print publication, with the TV series also contributing news that will be featured in *Essence's* entertainment section. Telepictures has been around for more than 20 years and is also the production group behind *The Ellen DeGeneres Show*, *Extra* and *The Tyra Banks Show*. The production company has been known for producing high-quality and award-winning television and internet programming for women and *Essence* is hoping the collaboration will create relevant and unique content for its core audience.



Advertising inventory on the site will be handled primarily by *Essence*. Some inventory on the site will also be sold by the Warner Brothers Digital Media Sales team as part of Warner Brothers Digital Media Group's growing "Women's Network."

Surprisingly, this is the first collaboration between a Time Inc. magazine and Time Warner's other divisions. Leveraging multimedia touchpoints to enhance a brand known traditionally for print seems like a no-brainer, especially in this increasingly digital world. Ironically, a strong web presence may be key for the publication to continue to be relevant and remain fresh as internet usage among African Americans is growing. Recent reports project 25 million African American internet users by 2011 – up from 19.6 million in 2006. Only time will tell if this venture will prove successful and lead to similar collaborations by Time Warner and other companies.

(Continued from page 1) **Web TV**

The internet has a unique quality of making it easy to get a finished product directly in the hands of viewers. That means that if they wanted to, studios could deliver finished content to ordinary people in the same way they get it to the cable or satellite company — through the internet. This creates a glaring redundancy in the distribution model. As broadband becomes more ubiquitous and powerful, the need for cable, satellite and fiber optic providers to organize programming will diminish. Their responsibility, for all intents and purposes, could be just to provide the pipeline into homes. This would leave more room for the studios and networks, in partnership with advertisers, to shape their own organization and delivery system.

Crystal balls and anti-trust suits aside, here's my take on a possible distribution model for TV on the Web: Microsoft strikes an aggressive deal with a major TV manufacturer and a TV studio. For the sake of example, we'll create a hypothetical strategy involving Sony and NBC.

Part one, Microsoft and Sony. Microsoft offers Sony a no-risk deal to develop an easy-to-use and intuitive web browser to integrate into their televisions. Additionally, they will assist in integrating wireless internet hardware into the sets, and design an operating system to bring the new technology together. This TV operating system will also have the ability to communicate with their PC operating system, Windows, but we'll come back to that later.

Sony only will assume liability for manufacturing and co-marketing. All R&D will fall upon Microsoft, as they have the most to gain. Keep in mind, there are existing products in the marketplace that offer things like this through the combination of different hardware and software. **SONY** However, the mainstream response has been underwhelming, mostly due to the fact that integration has been less than seamless, and somewhat expensive. Additionally, none of these media have managed to develop a strong relationship with the ad industry. This is Microsoft's main area of opportunity.

Part two, Microsoft and NBC. Microsoft and Sony can shop their new product to a number of networks, as they will need a launch partner to provide content. However, they know that NBC is putting a lot of dollars behind its new streaming video product Hulu, so the pitch would be especially attractive to NBC — a hybrid broadcast/web-based TV system that consumers could use to watch ordinary television *and* interface directly with web-based on-demand video. The user experience would be seamless, and it would give them an edge over direct competitors like CBS. Additionally, it would edge out indirect competitors like TiVo and other DVR devices.

So what's in it for the network? Internet TV will offer the dual golden geese of hypertargeting and granular reporting. LPMs? Gone. Diaries? Please. Individual impressions will be measured, set by set. The technology would also be in place for direct response and interactivity. And it opens the door for behavioral targeting, which allows for users to be tracked while on certain web sites, and to be identified by consuming certain types of content. Integration with a PC OS would allow this information to flow seamlessly from a traditional computer to the Sony television (and vice versa).

Microsoft's recently proposed acquisition of Yahoo may come in handy here. As one of the largest portals on the internet, it has relationships with hundreds of **YAHOO!** sites covering a vast array of interests and information. As people travel within it, they can be easily tracked. Because Microsoft will design the entire system, behavioral information could be compiled with relative ease (given the user provides permission). Research shows that consumers are far more receptive to ads for products and messages relevant to their lives and will tune out things they would never buy or don't care about. This could eliminate a great deal of the waste associated with broadcast and would likely lead to exceptional demand from advertisers. As supply would be limited to one network, CPMs would go up.

Picture the applications: a young family is growing and thinking about buying a minivan. The parents sit down on the family PC and search Yahoo Autos to compare features and prices. Their computer is cookied (identified) twice — once for the auto site, again for the minivan section. After some searching, they give up for a while and decide to watch some TV. In

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the background, the computer is sending the behavioral information to the TV over their wireless network. Their computer runs Windows, and so does their TV — everything is in the same language. The family heads to the living room, as they want to watch last week's episode of *The Office*. They turn on the Sony TV, navigate seamlessly to Hulu, and pick an episode. As the episode loads, the advertiser is selected on the fly from a group of rotated buys. Their behavioral target is matched, and the ads are put in place within milliseconds. Tonight's episode is sponsored by Ford Windstar. Because impressions levels can be monitored and controlled, frequency caps can limit over-exposure. Exclusivity deals or product segment takeovers, could also be put into place.



The parties who are going to win in the new media landscape are those who can make it profitable for content providers to utilize developing technology. I'd bet that Ford would be more than happy to reach the family in our example. Organizations who can deliver those eyeballs, maybe Microsoft, maybe someone else, are the ones who will be dominating ad budgets for the next quarter century. Who does it, and how, still is uncertain. But one thing is for sure, those do it and do it well, will lead the pack all the way to the bank.

(Editor's Note: On May 4, Microsoft withdrew its \$33 per share tender offer to buy Yahoo. The author feels that Microsoft is still likely to partner with some company in portal space (and possibly acquire Yahoo with a future offer).

## Harmelin Media Welcomes Hollywood Tans

Harmelin Media is pleased to announce that we've been named the media buying and planning agency for Hollywood Tans. With over 300 locations across the nation, Hollywood Tans is the largest chain of professional tanning salons. Each salon has an average of 15 tanning booths so you're in and out on schedule. Patrons never need an appointment. Hollywood's vertical tanning system offers the most comfortable, sanitary way to achieve the perfect tan.

Hollywood Tans uses a process called Tanetics—where the science of tanning meets the art of beauty. Tanetics is part science, part technology and part art. It starts with an understanding of skin tone, sensitivity to sun and tanning goals. It utilizes an advanced array of tanning options — including a variety of booth and bulb intensities and the simplest, most advanced spray tan system available. Tanetics also incorporates exclusive lotions that help build and maintain a perfect, healthy looking tone. Harmelin Media looks forward to a long-lasting relationship with Hollywood Tans.



### Around the Harmelin Water Cooler

A Completely Unscientific Survey of Harmelin Media Employees... **This Month's Question:**

**Why are this season's *American Idol* ratings the lowest in its seven year history?**

<b>Poor Contestants This Year</b>	<b>40%</b>
<b>The Show 'Got Old'</b>	<b>25%</b>
<b>Judges are Lousy</b>	<b>18%</b>
<b>It's Boring</b>	<b>15%</b>
<b>Voting System is Flawed</b>	<b>11%</b>
<b>I Still Love It</b>	<b>5%</b>

**Has it 'Jumped the Shark?'**

<b>Yes</b>	<b>65%</b>
<b>No</b>	<b>35%</b>



*(Continued from page 2)* **Murdoch's Journal**

liberal *Times*. Many read both, not only because the two papers make for a perfect balance, but because many readers maintain that they're the two best-written newspapers in the country.

Is it a good idea for the *WSJ* to be more like the *NYT*? The *WSJ* has almost twice the circulation as the weekday *NYT* — 2.1 million vs. 1.1 million. According to September 30th ABC audited figures, the *WSJ* circulation has grown 13.4% in the past five years while the daily *NYT* has declined 4.0%. And the just-released March 31, 2008 ABC Report shows that only two dailies in the top 20 had circulation increases for the most recent 12 months. The *WSJ* had the highest increase (up 0.4%) while the *NYT* was down 3.9%. Furthermore, TNSMI reports that while the *NYT's* 2007 advertising revenues increased 1.2% compared to 2003, the *WSJ* has increased its ad revenues 18.2% from five years ago.

So Mr. Murdoch, what are you doing? If it ain't broke, don't try to fix it!