

Advertising 2.0

[Web Smart Newsletter](#) by Eric Holter, February 2007

Advertising 2.0

Technology disrupts. But it also creates opportunities. Web 2.0 is disrupting traditional marketing and advertising, in its place a new form of advertising is evolving - I call it Advertising 2.0.

A couple decades ago the typesetting industry was humming along. Advertising agencies and design firms relied upon type houses to return their type specs as formatted galleys ready to be pasted up on mechanicals which would be sent over to a pre-press house where film strippers would photograph and prep them for burning onto offset plates for printing. Can you count all the jobs and industries in this process which have been seriously changed, and some even eliminated, by technology?

That all happened years ago, but technology disruption is occurring faster than ever. For example, over the past few years land line telephone communications have experienced serious upheaval. Cell phones, internet telephony (Skype), and VoIP services like Vonage are moving land lines toward obsolescence.

So guess who's on deck for upheaval today? Traditional media and advertising. Already the internet is eating away at the margins of traditional advertising and marketing, but soon it will significantly impact their normal revenue models.

This newsletter is not intended to be an overly dramatic, gloom and doom forecast for the advertising industry. Rather it's intended to motivate advertising agencies and traditional marketers to be alert to technology changes so that they will not lose out on the corresponding opportunities that arise from disruption. The urgency of the changes taking place has motivated me to make the subject of Advertising 2.0 a regular feature this year of our Web Smart newsletters. This month's newsletter casts a broad net to give a bird's eye view of the changes taking place. In the coming months I hope to follow up specific areas to keep a watch on. It is my goal not only to inform about the trends in Advertising 2.0 but to also provide practical steps for those not quite tracking with these trends, so that they will be better prepared to make adjustments as marketing shifts.

Web 2.0 - Review of the Long Tail

Review of Web 2.0 Trends

Last year I wrote a two part newsletter called Wikis, Swikis and Blogs, Oh My! ([part one](#), [part two](#)) In it I discussed the cultural impact of instant access to an incomprehensively massive amount of information. I talked about the long tail concept (made popular by Chris Anderson's book by that name), and also about how web applications are being developed to help us find and process all this stuff. The upshot, as it relates to advertising and marketing, can be observed in the Blockbuster/Netflix example I described in those articles. The concept goes like this... among Blockbuster's customers, based on their sales records, there is literally zero interest in the many thousands of low distribution independent international films out there. That's because Blockbuster doesn't inventory these films. How could they? They wouldn't have any room on their shelves for all the hits. Netflix, however, since it has no shelves, can stock them all. And interestingly, while such obscure films don't sell anywhere near as many copies as the hits do, they all do sell some. Netflix reports that virtually all of their 70,000 titles are in circulation at any given time, even the most obscure titles. While the hits will always radically outsell the obscure titles, because the obscure as a group so radically outnumber the hits, the cumulative effect of all their sales actually competes with the sales of hits. The head and the tail of sales start to even out.

So what does this mean to Blockbuster? It means that on any given day, those renters of DVDs that might have picked a film from their

inventory are now watching a movie that more closely matches their peculiar interests that they ordered from Netflix. Any one independent foreign film is not a threat to Blockbuster, but discoverability and availability of all of them is.

Advertising 2.0 trends

Let's translate this effect to the advertising industry.

Long Tail of Advertising Venues

Mass Media Publication versus Blogging

Basic print advertising involves creating a compelling ad campaign for a client and devising a media plan that targets publications with compatible demographics. Easier said than done, but this kind of transaction is the bread and butter of the advertising industry. Most media publications give advertising agencies about a 15% discount on media buys, which the agency keeps as their fee. Take the example of a client who sells high end leather office chairs to executives. After an agency creates an ad campaign, it might place it in media relating to golfing and yachting magazines since wealthy executives tend to read them. But suppose a percentage of these executive subscribers began reading golfing and yachting blogs. Over the months they begin to experience a shift. The information they used to get in the magazine comes to them from RSS feeds and blogs about golfing and yachting. They begin to find that when they get their magazine, they've already read many of the articles and are already informed about the topics. They start pushing the magazine aside and eventually it goes from the incoming mail to the trash. This is happening right now, today. What percentage of news consumers are spending more time with RSS feeds and less time reading magazines? I don't know, but whatever percentage that is, it's growing, and whatever percentage it represents is the exact percentage of the lost value of the media dollars spent for that campaign.

Does any one golfing blog represent a threat to Golf magazine? Nope. But all of the blogs about golf, which as a group contain far more detailed and current information than the latest issue of Golf, do.

As this percentage grows, manufacturers of high end leather chairs will stop spending all of their print media dollars on magazine ads. They will shift some their spending to reach customers where they are. But how many small and mid-size advertising agencies are deploying marketing campaigns that include advertising within golf blogs as well as the traditional publications?

What is true of Print vs. Blog is also true of Television vs. YouTube. In addition to a shifting of content consumption there is also the shifting of delivery mechanisms of traditional content. This can be seen in local advertising in the way the value of yellow page advertising is dropping as consumers move to local search tools like maps.google.com and other local search engines. Dollar for dollar the investment in a yellow page ad is dropping because fewer people are using the Yellow Pages to find local services. TiVo and other DVR options are similarly devaluing the effectiveness of television delivery channel. For every television viewer that skips through the commercials the value of television advertising drops. Disruption is here.

But there is opportunity in disruption.

As a result of the blooming of content and the rapidly expanding number of content delivery platforms, companies are not likely to spend less on marketing--they'll probably start spending more. But will this money be spent through the traditional advertising agency? Not if the agency isn't Advertising 2.0 compatible. Instead these dollars will leave the agency and go to new firms that are specializing themselves in these new media areas.

So how does the small to mid-size traditional advertising agency become Advertising 2.0 compatible? It takes some adjustment and transition, and neither will be easy. The hardest part is just getting your head around all the new tools and how they are used. Part of the difficulty in Advertising 2.0 is inherent in what it represents. Advertising 2.0 is the advertising response to Web 2.0 which, as already described, arises from the proliferation of so much information. As mass media outlets get disrupted they're being replaced with thousands of much smaller entities. The simplicity of placing media buys with a few of the most dominant publications is being replaced by the need to be present in thousands of individual blogs, social networking sites, and vertical search engines. If you thought keeping up with email was hard enough, wait until you try staying abreast of all blogs and RSS feeds in a given area. But we have to start somewhere so let's get to it.

Advertising 2.0 Compatible

Becoming Advertising 2.0 Compatible

These steps represent a starting point. Getting used to the tools of the Advertising 2.0 trade are a prerequisite to formulating strategies that employ them.

Step One: If you haven't already, start using an RSS reader. If you're not sure what RSS is just review our newsletter [RSS: When the Web Comes to You](#). Google Reader is my favorite and is becoming very popular, but there are other options reviewed in that newsletter.

Step Two: Subscribe to some feeds. Start with ours! Just click the RSS logo link () and add the feed URL to your reader. Other blogs I would recommend subscribing to to keep up on Web 2.0 trends include [Advertising Age - Digital](#) (RSS feed: http://adage.com/rss-feed?section_id=32), [Business 2.0](#) (RSS feed: <http://feeds.feedburner.com/blogs/business2>), [John Battelle's Searchblog](#) (RSS feed: <http://feeds.feedburner.com/JohnBattellessSearchblog>), [marktd](#) (RSS feed: <http://feeds.feedburner.com/marktd>), and [The Long Tail](#) (RSS feed: <http://feeds.feedburner.com/TheLongTail>). Of course there are many more and you'll want to explore a bit and add feeds in areas of your (and your client's) interests.

Step Three: Open up a bookmarking aggregation account. As you read feeds you'll want to bookmark relevant articles for future reference. With so much content out there, your browser's bookmarking tools won't hold up. Besides, online bookmarking tools add the ability to add your own tags (descriptions) to each bookmark to help categorize the information you find into helpful groups for future reference. I use [Diigo](#) and [del.icio.us](#). Del.icio.us is the most popular but Diigo not only allows tagging but also annotation where I can add my own sticky notes right on the parts of a web page I'm bookmarking. I've embedded my tags to the right or you can see my bookmarks at [del.icio.us/ericholter](#). These tools will help you manage all the streaming information that will be coming through the feeds. You can simply bookmark and tag information for review when you need it.

Step Four: Consider starting a blog. It's easy to start a blog. Just go to [TypePad](#) or [WordPress](#) and open a free account. Having a blog can become very important to being engaged in the Web 2.0/Advertising 2.0 world. More importantly, start thinking about contributing to blogs. One of the most fascinating aspects of Web 2.0 content is that its richness grows as people participate. An article about online branding only grows in its helpfulness as others contribute their thoughts and insights. One reason for starting a blog is so that as you may engage in the blogs of others you can join blogging communities and expand upon the thoughts of others on your own blog. In fact, go ahead and get started right here. Use the comments section below to add your thoughts about this article. If you start a blog, include its address in your comment and your ideas will be connected with mine.

That's enough for now. In the coming months I'll add newsletters that provide more practical steps to take on your way to becoming Advertising 2.0 compatible.