A Marketer’s Guide to
Understanding the Economics of Digital Compared to Traditional Advertising and Media Services

By Joe Burton
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Since 1917, the American Association of Advertising Agencies (4A’s) has provided guidance to marketers on various aspects of the industry. For the past several years, our industry has been facing its most significant change since the invention of TV—the migration to Digital.

Web 2.0 has accelerated marketers migrating more of their budgets into the Digital space. It has also increased friction between clients and their agencies as traditional practitioners on both sides get up to speed. This is particularly true with respect to understanding the increasing complexity and the blurring of lines between media, production and agency services/fee budgets and the significant economic differences between traditional and Digital spaces.

Most of the publications in the Digital space have focused on the changing landscape and “what’s possible” aspects of the industry. However, none have addressed how it works and what it costs relative to the traditional world. Accordingly, the 4A’s asked McCann Worldgroup agency executive Joe Burton to author a new publication to address this important topic in greater depth than in prior industry publications on the subject.

Joe Burton has spent a 20-year career in operational/financial roles working with Fortune 500 clients. Mr. Burton has a unique advertising perspective with a career spanning many sides of the industry, including consulting, media owner and in managing global creative, relationship marketing and media agencies at the highest level in our industry.

This new booklet includes an overview of the differences between traditional and Digital spaces, the impact on media, production and agency resources/fees and recommendations for dealing with this complexity. The booklet includes actual advertiser examples throughout, perspectives from industry consultants and investment analysts and a comprehensive glossary of Digital terms to assist all practitioners with the rapidly expanding nomenclature.

The 4A’s thanks Joe Burton for sharing his expertise and insights in this book. The Association also thanks the clients, agency executives, analysts and consultants who contributed or participated in conversations with Mr. Burton.
This document provides a reference tool for marketing practitioners to better understand the Digital marketing space with a focus on advertising and media agency services.

As the world continues to move rapidly into the Digital age, advertisers and their agencies are facing an increasing challenge—understanding the operational and economic ramifications of migrating traditional creative and media thinking and approaches into the Digital era. This challenge often creates friction, inefficiency and waste in client/agency relationships as traditional players on either side, or both, apply traditional practices (or expect traditional outcomes) without an understanding of very different Digital norms and economics. Without some basic knowledge of how the industry is changing, it’s easy for client and agency to become locked in the same recurring and painful conversations.

Although the issues noted herein certainly apply, project-based businesses such as PR and direct marketing have enjoyed a slightly easier transition into the Digital world. As the labor required to service Digital increased, so too did their project fees and output rate cards. This organic transition did not occur for advertising and media agency services, which tend to be based on annual retainer fees. Those retainers often are benchmarked by comparing them against media spending, an outdated practice carried over from the days of commission-based agency remuneration.
The primary focus of this booklet is to examine the shifting landscape in Web 2.0, explain the cost and servicing differences between traditional and Digital spaces, and provide insights to help ease the migration for traditional practitioners at both advertisers and agencies. A number of common myths are debunked and the following recommendations are also explored in some detail:

1. Educate your marketing partners about the differing economics between traditional and Digital, especially budget holders
2. Manage media, production and agency staffing/fee budgets (“investments”) together versus in silos
3. Recognize the need for a continuous strategic planning and research process and build in flexibility
4. Resist the temptation to involve all disciplines, just because they are interested
5. Going Digital all at once may not be realistic; tier campaigns and markets and set realistic goals
6. Educate your procurement partners to avoid recommendations that may not be in the best interest of advertisers
7. Keep agency resources focused on the work, not on attending meetings
8. Visit your agency to better understand the Digital process first hand
9. Avoid the “shiny new toy” syndrome.

Digital is unlike any other medium and should not be viewed using traditional benchmarks. The effective commission rates or reach and frequency targets used to measure traditional mediums have virtually no correlation to Digital. The inputs and outputs are not comparable. The high-volume, low-dollar, high-complexity nature of Digital programs makes it the most labor-intensive medium in the advertising industry.

There are four primary drivers that contribute to the (seemingly) higher costs of Digital advertising and media agency services when compared to traditional marketing services:

1. Growth in labor intensity, driven by an increasing volume of assets, technologies required and complexity of the process from creation through measurement and continuous engagement
2. Shift from external third-party production resources to in-house agency resources
3. Blurring of lines between media, production and agency services
4. Establishment of new job functions and organizational structures within agencies and client organizations, with related supply & demand cost ramifications.

The high-volume, low-dollar, high-complexity nature of Digital programs makes it the most labor-intensive medium in the advertising industry.

These issues require resources and drive a cost of providing basic Digital services that is directionally double that of traditional “full-service” agency fees, when expressed per dollar of media spend. If traditional services are assumed to require staffing and fees that imply an effective commission rate in the range of 12%-15% (with media planning and buying services assumed to be 1/3 of the total), Digital can typically require resources equating to an effective commission rate ranging from 25%-30% (with media planning and buying services assumed to be 1/2 of the total).
These issues require resources and drive a cost of providing basic Digital services that is directionally double that of traditional “full service” agency fees, when expressed per dollar of media spend.

Because of the nature of Digital, it is becoming increasingly important to avoid thinking in silos and to plan and manage media, production and agency staffing/fee budgets (“investments”) together. In general, one should expect the relative increase in agency resources to be offset by relatively lower media spending as a result of better targeting, measurement and proven effectiveness increases. One should also understand the impact on lower external production costs (as former third-party labor requirements are absorbed within the agency). In combination, these further result in an increase in the so-called agency effective commission rate. These changes in cost structure cannot be regarded as “good” or “bad” in and of themselves. A change or shift in marketing expenditures is best evaluated by examining its effect on consumer marketing perceptions or buying behavior in short, by comparing how marketing results will be altered by the overall marketing program.

Although this booklet provides a number of real client examples and benchmarks for comparison purposes, actual agency resources and fees need to be based on the specific requirements of an advertiser and an agreed-upon scope of work.

This document is not intended to specifically recommend Digital at the expense of traditional advertising. As always, a well-balanced strategic plan should be driven by the right investments to maximize an advertiser’s specific objectives.
It is safe to say that true Digital media convergence has arrived, beginning to fulfill the promises made in the late 1990s.

Fifteen years ago, media options consisted of TV, print, radio, cinema and outdoor. Starting in the mid-1990s, the Digital category began to emerge. At the time, “Digital” was a term that primarily referred to banner advertising placements on a fairly small universe of large Web properties.

Buying this new category was difficult, but was generally leveraged through large volumes across a relatively small set of major networks (AOL, Disney Go!, Viacom/MTV, etc.) through companies like DoubleClick. This added a level of complexity, but offered an efficient market in terms of CPM pricing. This was coupled with fairly unsophisticated industry tools and technology and a predictably low requirement to optimize media and creative.

As the world continues to migrate rapidly into the Digital age, Appendix I indicates that the current Web 2.0 Digital ecosystem spans well beyond these early networks through devices, applications and content across a growing array of possibilities.

Digital categories now span well beyond commerce sites to include gaming, user-generated sites, blogs, peer-to-peer and diverse technologies ranging from streaming audio/video to mobile. Appendix II provides a subset of the current Digital opportunities, which will likely already be out of date as you read this document.
This rapid expansion of Digital services results from advances in the following key technologies:

**Microprocessors**

Continued progress along the path of “Moore’s Law” have enabled the development of affordable personal computers, mobile telephones, PDAs, personal music players, game players, and other consumer electronic devices that are capable of delivering increasingly “rich content” such as video or high-resolution color graphics and/or high-quality audio, as well as basic text.

**Storage technologies**

Compression methods such as JPEG, MP3, and MPEG-4 have allowed for vast reductions in the amount of information needed to encode rich content. Improved price and performance of hard disks and flash RAM have enabled caching of information as it moves through communications channels, improving network efficiencies, and are the basis for new consumer electronics such as Digital video recorders (TiVo), and personal music players (iPods, Zune, etc.) that can store rich content for later enjoyment by end users.

**Telecommunications**

The deployment of extensive local and long-haul fiber optic networks, operating with data-efficient packet and cell-switched architectures and delivering TCP/IP services to premises and individuals via copper, fiber, coaxial cable, and wireless broadband, has moved us toward a virtually unlimited number of “channels” of entertainment and information at affordable prices.

**Development tools**

The hardware and software available for creating and editing Digital content have evolved significantly. New Digital video and audio editing tools and new commercial and open-source Web development frameworks have made it easier to create rich content for the Web and other new media.

The advances combine to drive true interactivity; the ability for content providers to interact real time with users and consumers, and to track and analyze that data to improve future interactions.

By 2006, broadband audiences reached 56 million in the United States alone and over 200 million worldwide, with growth rates forecasted at nearly 20% per year. With the explosion of pervasive Digital mass marketing vehicles, understanding and deploying effectively in the Digital space requires significantly more specialized agency resources, from creative development through media execution.

Today, consumers spend 43% of their media time with interactive channels, a higher percentage than ever before. As the following table from Forrester Research, Inc. indicates, Digital life styles have become a reality.

The upside is that Digital advertising can be both more targeted and more trackable, resulting in a higher return on marketing investment. New York Times advertising columnist Stuart Elliot writes, “If the 20th century was known in marketing circles as the advertising century, the 21st may be the advertising measurement century. Marketers are increasingly focused on the effectiveness of their pitches, trying to figure out the return on investment for ad spending... The ability of newer Digital media to provide more precise data has also led traditional media like television, radio, magazines and newspapers to try upgrading the ways they count consumers.”

Digital has clearly changed the game.

Many of these new distribution vehicles provide viral and other opportunities for significant Digital programs with limited or no media cost. The challenge that agencies and marketers now face is to manage the economics and

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profitability of their businesses while providing a full array of Digital categories, with their different economics. Simultaneously, they must adjust to the effects of the shift to Digital on the competitive arena and on their leverage with clients, media outlets and vendors alike. In a Digital world that is about cost-per-click, the media playing field has been leveled; volume of media spend is not a major advantage.

A small representative list of current Digital opportunities includes

<table>
<thead>
<tr>
<th>An advertiser’s own Digital properties</th>
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<tr>
<td>• Home page</td>
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<td>• Sales channel</td>
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<td>• Campaign landing pages</td>
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<td>• Content / Web films / rich brand experiences</td>
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<th>Video sharing and Search Web sites</th>
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<td>• YouTube</td>
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<td>• Revver</td>
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<td>• Guba</td>
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<td>• Blinkx.com</td>
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<td>• Viddler</td>
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<td>• Vimeo</td>
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<td>• Scanscout.com</td>
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<tr>
<th>Media hardware gateways</th>
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<tr>
<td>• Xbox/PS3/Wii</td>
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<td>• Slingbox/Squeezebox</td>
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<td>• Sonos</td>
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<td>• TiVo 2.0/DVRs</td>
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<tr>
<th>Social networking environments</th>
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<td>• MySpace</td>
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<td>• Xanga</td>
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<td>• Hi5</td>
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<tr>
<td>• Facebook</td>
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<td>• LinkedIn</td>
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<td>• Twitter</td>
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<td>• Famiva</td>
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<td>• Orkut</td>
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<th>Picture and slideshow sharing environments</th>
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<td>• Slide</td>
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<td>• Piczo</td>
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<td>• Photobucket</td>
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<td>• Flickr</td>
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<th>Immersive game environments</th>
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<tr>
<td>• Second Life</td>
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<td>• World of Warcraft</td>
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<tr>
<td>• Massive/IGA</td>
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<tr>
<td>• Doppelganger</td>
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<td>• In-game advertising</td>
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<tr>
<th>Mobile service providers and services</th>
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<tr>
<td>• 3rdScreen</td>
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<td>• Vcast</td>
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<td>• DoCoMo I-Mode (Japan)</td>
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<tr>
<td>• Vodafone and other global phone/service providers</td>
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<th>Out-of-home environments</th>
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<tr>
<td>• Digital billboards, posters, jumbotronos, etc.</td>
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<tr>
<td>• Wi-Fi networks</td>
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<td>• POS Digital displays</td>
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<td>• Short code redemption offers</td>
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<tr>
<th>Search Engine Optimization (SEO) and other advertising buying/serving optimization technologies</th>
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<tr>
<td>• Blind networks</td>
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<td>• Viral/P2P</td>
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<td>• IPTV</td>
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<td>• SpotRunner</td>
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<td>• Blue Lithium</td>
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<tr>
<th>Branding opportunities</th>
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<tr>
<td>• Site and Web design and development</td>
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<tr>
<td>• Games</td>
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<tr>
<td>• Content</td>
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<td>• Applications</td>
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<th>Shopping Search Sites</th>
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<tr>
<td>• Pricegrabber.com</td>
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<td>• Shopping.com</td>
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<td>• Shopzilla.com</td>
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<th>Local Search Sites</th>
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<td>• Yelp.com</td>
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<td>• Citysearch.com</td>
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<td>• Mojopages.com</td>
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<tr>
<th>A variety of search-oriented ad models</th>
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<tr>
<td>• Google Adsense</td>
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<td>• MSNAnd</td>
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<td>• Windows Live Search</td>
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<th>And e-mail marketing</th>
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As the following chart indicates, Jupiter Research expects Digital spending to double between 2007 and 2012 in the U.S. and Western Europe.\(^5\)

In a rapidly expanding Digital world, the need to produce a comparably expanding set of assets is significant; as is the need to do it efficiently. Accordingly, agency offerings continue to evolve in order to address these marketplace needs and complement them with other specialized Digital services, including channel strategy and planning, user experience planning, customer journey modeling, analytics, optimization and ROI modeling.

Content purchased, consumed and distributed in a Digital form is only going to become more important with Web 3.0 in the not-so-distant future (when, presumably smart agents will anticipate user needs and meet them). And Digital advertising spend is just starting to explode. “When did that happen? Probably in 2006, when more than 50% of U.S. homes got broadband, and, with it, video. That led to more video ads, and the ability to rerun TV ads on the Web as well as the capability to mash them with other ads,” notes Steve Miller, Internet marketing journalist.\(^6\)

Many of these opportunities allow marketers to more effectively engage consumers by blurring the lines between commercial and non-commercial content. With the expanded marketplace opportunities and distribution alternatives comes an increasing need for Digital creative, planning and buying domain expertise.

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Most practitioners understand the value of the higher conversion rates and the deeper, more immersive brand experiences that Digital marketing can provide. However, there is general lack of understanding regarding the significantly different economic drivers when compared to traditional advertising and media services. Unless you’ve been actively working in a Digital environment for the past three years, it’s easy to get stale.

There are four primary drivers that contribute to the (seemingly) higher costs of Digital advertising and media agency services when compared to traditional marketing services:

1. Growth in labor intensity, driven by an increasing volume of assets, technologies required and complexity of the process from creation through measurement and continuous engagement

There is significantly more human capital required to service the proliferation of Digital channels and related volume of tactics, relative to the dollars of media spending associated with the output. This is true across all disciplines, but has the greatest implications for creative, media and data & analytics services.

In traditional terms, the Association of National Advertisers, Inc. (ANA) has emphasized that it “appears that the more labor intensive the medium (e.g., OOH, local broadcast media, Digital), the higher the (agency cost or effective) commission rate.” In Digital terms, it takes more people to make and track more assets, more relationships and more outcomes.

2. Shift from external third-party production resources to in-house agency resources

As marketers migrate more activities to the Digital world, the scale and volume of these projects has led the industry to hire and develop internal capabilities to efficiently produce Digital programs (developers, programmers, etc.), start to finish, and deliver a consistent level of quality. Accordingly, the migration toward Digital has reduced the need to engage external third-party resources such as photographers, production companies, directors, editors and talent used for traditional advertising. This shift from out-sourcing to in-sourcing holds true for small independent shops, as well as large global agency networks. It has also reduced many of the barriers to entering the agency space.
3. Blurring of lines between media, production and agency services

In traditional marketing, it is fairly easy to segregate the creative and media services of an agency versus third-party production costs versus media programming and content development. Over time, this caused many advertisers to develop separate departments that handle media, production and agency staffing/fee budgets as individual silos. Digital tends to blur these lines by combining innovative approaches that involve the creative development and delivery of programs and content, and often with limited or no media. Rich media Web sites and viral Internet campaigns (e.g., MsDewey.com, I’M Talkathon Campaign) are two popular examples.

4. Establishment of new job functions and new organizational structures within agencies and client organizations, with related supply & demand cost ramifications

Digital projects often resemble software development projects in their duration, the size of their teams, interdependencies of their various elements, and the complexity of technology used for content creation. A traditional “traffic” function is usually insufficient for managing complex Digital projects. Many agencies have created positions for Integrated/Digital Producers or Project Managers and are competing for the same pool of technically trained managers that dot-coms and commercial software developers wish to hire, and at pay scales that can be significantly higher than is found for traditional advertising “traffic” posts. Likewise, technologists and developers are in increasingly high demand across many industries.

Because of the nature of Digital, it is becoming more critical for advertisers to avoid thinking in silos and to plan and manage media, production and agency staffing/fee budgets together. The following sections explore these drivers in greater detail.
The ANA estimates that 74% of agency compensation arrangements are labor-based fees. However, advertisers still tend to think in terms of effective commission rates (especially when considering the overall price and reasonability of a particular program).

Dave Beals is President and CEO of Jones Lundin Beals, a consulting firm that specializes in helping companies find, compensate and manage marketing communications agencies. Mr. Beals indicated, “I must get ten questions a year from marketers looking to ‘benchmark’ digital agency fees as a percent of spend. There are clear differences between digital and traditional execution that drive digital services costs. Marketer perceptions are that digital agencies are more expensive, when in fact, the expense is simply related to outdated perceptions about agency fees as a percent of media and/or production spend.” Effective commission rates are irrelevant in the Digital space.

Accordingly, the commission rate benchmarks noted below are solely for directional comparison purposes. We do NOT specifically recommend one compensation structure over another. A staffing plan and compensation tied to a detailed scope of work is generally a better management tool for all concerned.
Although the labor intensity drivers noted in the previous section impact all agency services, media and creative services are generally affected the most.

Media-Only Relationships

Depending on the related budget, Digital agencies tend to require staff resources and charge fees equating to effective commission rates of 10%–15% (of the related media budgets) for basic Digital media planning and buying. This is consistent with the ANA estimates that 50% of advertisers pay 7%–8%+ for Digital media buying services alone and an additional 1%–7% for media planning, depending upon the size of media budgets. The cost can go up from there for advertisers with high-volume/low-spend models and/or demanding measurement, data/analytic and optimization needs.

This is exponentially higher than the following ANA's effective commission rate benchmarks for traditional media buying:

<table>
<thead>
<tr>
<th>Traditional Medium</th>
<th>Media Buying Commission Rate</th>
<th>Percentage of Respondents in this Range</th>
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<tbody>
<tr>
<td>National Broadcast</td>
<td>0-3%</td>
<td>74%</td>
</tr>
<tr>
<td>Print</td>
<td>0-3%</td>
<td>71%</td>
</tr>
<tr>
<td>Local Broadcast</td>
<td>2-4%</td>
<td>50%</td>
</tr>
<tr>
<td>Cinema</td>
<td>2-5%</td>
<td>61%</td>
</tr>
<tr>
<td>Out-of-Home</td>
<td>2-5%</td>
<td>61%</td>
</tr>
</tbody>
</table>

These benchmarks should be taken as directional for comparison purposes only. Media reference points include planning and buying services, but exclude the cost of strategy, creative development, analytics and execution, which can vary widely in direct relation to the volume of campaign assets and deliverables. Once again, actual agency staffing/fees should be based on a specific advertiser requirements and an agreed-upon scope of work. Effective rates are meaningless in the Digital space.

Full-Service Relationships

Marketers that have a full-service agency relationship (strategy and creative development through media execution and stewardship) will directionally find that the costs for full-service Digital relationships, per dollar of media spending, are directionally double that of traditional agency services. Once again, this will vary based upon the volume and complexity of creative assets, data, analytics and optimization needs.

(10) Ibid
In basic industry terms

If traditional services are assumed to require staffing/fees that imply an effective commission rate in the range of 12%–15% (with media planning and buying services assumed to be 1/3 of the total), Digital can typically require resources that equate to an effective commission rate ranging from 25%–30% (with media planning and buying services assumed to be 1/2 of the total).

These comparisons assume a base level of measurement, data and analytics. More complex analytical services can quickly drive the cost even higher.

These estimates are consistent with a 4A’s survey conducted in October 2008. Tom Finneran, Executive Vice President, shared that “The top-line results from the 4A’s survey indicate that agency compensation (commissions and fees) as a percent of client spend for online activity was twice the level as it was for offline ... with a high of 32% as an effective commission rate.” This was across six large “full service” agencies across fourteen global client arrangements.¹

Obviously, there is a wide continuum of economics related to digital, depending upon the services provided. “Display Advertising” is lower cost and incredibly basic relative to true Web 2.0 Digital (collaborative creation, viral, etc.) where the economics of viral and consumer-generated input are much more dependent upon the volume of tactics and the quality and complexity of ideas. The good news is that the (seemingly) higher cost of a Digital approach can generally be easily justified due to the measurable nature of the activity, proven effectiveness increases and resulting decreases in media and production spend to accomplish comparable goals.

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Many of the marketplace opportunities noted in the Appendix also provide the opportunity for significant marketing impact with little or no media spend (another indicator that traditional effective commission rate measures simply aren’t relevant).

With this proliferation of distribution channels and tactics comes a need for more creative, logistics (account and project management), media, and analytic tracking resources to oversee the increase in programming. Ultimately, whether in Digital or traditional marketing, “The cost of getting someone’s attention is going to go up much, much more … some of those costs will be driven by targeting and measurement technologies necessary to reach increasingly fragmented audiences, while others will stem from the need to make creative more attention-getting,” argues media expert Rishad Tobaccowala. The promise of digital is that the additional cost of targeted marketing efforts can deliver greater value and more meaningful engagement with consumers.

Relative to the corresponding media budgets, the high-volume, low-dollar, high-complexity nature of Digital programs makes it the most labor intensive medium in the advertising industry. It also enables audience specific tracking and customer nurturing value that traditional media cannot.

Eric-Jan Schmidt, Vice President, Corporate Marketing at Hitachi Data Systems shared, “As a media buyer and a consumer, I strongly believe in the concept of mutual value exchange. Digital media allows us to exchange value as a (B2B or B2C) provider directly to consumers that is commensurate with the value they are willing to share. In other words, consumers are generally willing to provide more relationship value to a vendor—who they are, contact information, their influencing position, number of servers in their data center, etc.—as that vendor provides more value to the consumer (e.g., expert Webinars, access to peers in an online community, etc). Yes, the cost of building these Digital exchanges is higher, but our focus is on the measurable return of the campaign, and thus the value.”

In each of the following disciplines, the reality of increased agency resources costs should be balanced against not only the value delivered (more effective marketing programs,
trackable consumer engagement, the ability to create mutual value exchanges, etc.) but also against the relative decreases in media and production costs that are possible with more effective marketing efforts. Managing in silos is a recipe for failure.

I. Media

Most would agree that Digital has had the greatest impact on the media process. Although the directional guidance above suggests a full service cost that can be two times that of traditional, the comparable costs noted above for media alone indicate a cost of service per dollar of media spend, which is generally three to five times greater than traditional media planning and buying services. The primary drivers also affect other disciplines (though to a lesser extent) and include:

Volume, Project Duration, and Complexity

The vast number of Digital options makes the entire process more time-consuming from strategic planning to creative development, and from media planning to buying and stewardship through tracking and reconciliation.

Example

Traditional media has provided relatively static options in both print (page, spread, gatefold, etc.) and TV (15-, 30-, 60-second spots, etc.). The Digital landscape provides for an unlimited scaling of projects. Creation and maintenance of a marketing-oriented Web site could consist of anything from building a handful of static Web pages to constructing a complex, database-driven Web site involving dynamic page creation, rich media, data collection for customer tracking and direct response follow-up, and numerous cross-links to marketing or channel partners. Even looking at the simpler case of banner ads, we have an almost unlimited number of ad sizes and technologies. There are 18 different “standard” display unit sizes in the IAB guidelines alone. This exists before the inclusion of the multitude of options for other video and rich media technologies noted in Chapter 2.

Add to this that Digital is usually handled as a scatter buy; rarely planned, bought and maintained on a long term schedule.

The impact on the media staff labor required is significant and can be further impacted by the issues that follow.

Most would agree that Digital has had the greatest impact on the media process.

Dollar Value of Placements

Individual Digital placements tend to be in the thousands of dollars versus the hundreds of thousands in radio, print, OOH and TV. This goes beyond sacrificing the traditional buying leverage to achieve network or volume discounts. The resource impact comes from handling the small dollar value of individual online placements against exponentially higher volume.

National deals for many traditional media can generally be negotiated on an annual agency deal basis (e.g., the Network “Upfront”). This significantly reduces the time spent on negotiations and placement (though not necessarily on stewardship and reporting). However, negotiations for Digital media tend to be done on an advertiser-by-advertiser basis, and often a campaign-by-campaign basis, because of the need for flexibility, the range of innovations required and techniques likely to be deployed.

Example

Traditional media placements are relatively straightforward when compared to Digital placements. A small network TV buy could involve negotiating and place three prime-time spots at $330,000 each, totaling approximately $1,000,000.

If this same $1,000,000 TV budget were moved to online executions, it could easily involve placements on 30 sites x 4 types of channel environments x 4 creative messages x 6 format shapes, related keyword buys and some array of innovative programs within each ... and likely followed with the services noted below.
Optimization

Offline media is lighter on stewardship and optimization. An agency will generally monitor traditional unit positioning and make sure placements are delivered as ordered. In online media, one would expect the same monitoring of frequency, positioning and delivery, but would also expect to look at performance on a number of different levels (campaign, message, click-through rate, conversion, etc.), then re-plan based on that performance. The immediacy of the Digital experience and the ability to analyze individual unit performance generally result in more units being created, “refreshed” or tracked.

Example

The cycle of plan, place, optimize, refresh can be done as frequently as daily (routine), hourly, or more. Creative executions are often optimized on a weekly basis, while the placement environment is often optimized on a monthly basis. Despite the optimization and refresh frequency, many advertisers want to see daily or weekly reports showing the latest results. The right cadence is important to drive results, and ultimately higher value to advertisers, but is also a driver of cost.

Innovation

The Digital space is ripe for “never done before” approaches. Rules and restrictions tend not to apply. This can fuel higher expectations for innovation. Obviously, cutting-edge programs are more difficult to manage, negotiate and execute. They also tend to be more likely to have technical problems, which are time consuming to resolve.

Creative and Media “firsts” (e.g., podcasts, blogs, Facebook widgets, etc.) tend to start as small-scale initiatives as advertisers play in the “test-measure-then-invest” space. However, they also require much more work from all parties concerned (agencies, media owners, and advertisers) than a larger traditional buy. Many clients now set aside funds for “emerging media trials,” Digital innovation, etc. While this recognizes the costs of unique one-off programs, it misses the mark in creating a truly Digital-savvy relationship (i.e., always on, always able to be opportunistic) across all marcom budgets.

Example

A $500,000 program requires significantly more effort (and fees) in executing five different “innovative” $100,000 Digital placements than for one basic $500,000 print program. Each individual Digital placement could require a higher level of planning, negotiation (as compared to the single print placement) … and incremental time above and beyond to measure, report and optimize and provide related bill/pay and reconciliation services. But it can also deliver targeted, trackable value that print cannot. The two are simply not comparable.

This same example would apply for any basic Digital execution versus one requiring a high level of innovation.

Fragmentation of Media Ownership

Alexia Quadrani, Senior Managing Director, and Advertising and Marketing Services Analyst with 10-plus years of experience shared the following increasing fragmentation of the ad spending marketplace during the 4A's 2008 Media Conference & Tradeshows⁹."
Within each of these fragments is a growing number of marketing possibilities. A typical large agency can deal with a few hundred vendors across Print (consumer and trades), TV (network, cable and local broadcast), Out-of-home and Cinema in a given year. Despite the smaller piece of the Digital pie, the traditional vendor options and activity isn’t comparable to the literally thousands of Digital platform and media vendor options.

Multiple Digital properties owned by a larger parent company still tend to operate as autonomous entities. Although the mix will vary with individual campaigns, Digital placements and variety tend to far outnumber traditional vendors in a balanced media plan. Appendix II shares a Digital landscape that continues to evolve. The ability to deal with so many niche market players may deliver the promise of Web 2.0 (personalized communication), but it comes at a cost.

Talking to the Right Customers at the Right Time (or Reaching Your Best Customers)

The promise of the Internet allows advertisers to focus their marketing investments on their best customers. In their book, “Opt-In Marketing,” Ernan Roman and Scott Hornstein discuss what they call “Consenual Marketing.” They specifically indicate the required changes in market segmentation versus related marketing investments, noting “The allocation of the marketing budget is based on the potential return on the investment. Thus, the top tier, with the potential to generate the highest ROI, receives the lion’s share of investment. Lower tiers, given their lower potential receive a lower percentage of the budget. And prospecting, which is always necessary, is always funded, but to a lesser extent.”

Obviously, the focus of spend can vary by industry and advertiser. The model is not linear. The point is that the right model can help to drive sales, it should also help to generate media savings through focused investment. However, that focused investment requires significantly more strategic thinking both before and after the fact. It also requires managing all marketing budgets as one investment tool.

Reconciliation Process

The stewardship and reconciliation of advertisers’ media spending is a critical part of an agency’s media service. For an individual advertiser, this process has expanded exponentially. In the example above, the difference in bill/pay activities between stewarding, tracking and reconciling one prime-time TV spot for $330,000 versus Digital placements on 30 sites is significant; consider multiplying that across an entire global marketing footprint.

Immaturity of Industry Standard Systems

The lack of standardized systems among advertisers, agencies, and the growing number of Digital media vendors has created a number of manual processes to populate disparate agency systems, client dashboards and other tools with consistent data. The Digital industry also faces an ever-growing array of (currently disconnected) new technology platforms and distribution options. Nick Pahade, President of GSI Interactive, noted that “Mediabank, aQuantive, Doubleclick/Google and Donovan are working on industry solutions to ease the transition and data overload, but workable solutions are still in the early stages.” The issue also extends beyond the strategic media execution and access of meaningful data to impact the efficiency of the entire bill/pay and reconciliation process, and is further complicated by the volume of individual placements, noted Pahade.
Expanding Complexity of “Search”

Search has evolved from a niche capability a few years ago to an important media discipline. It continues to expand beyond Search Engine Advertising (SEA) using Paid Search Platforms (search engines and directories, shopping engines and ratings, etc.) and Search Engine Optimization (SEO) (Web site and page optimization for Search) into other platforms including enterprise search, desktop navigation, mobile, local, audio search and more. The combined activity, Search Engine Marketing (SEM), can be confusing to even a technically savvy marketer.

Simon Silvester, Executive Planning Director EMEA, notes in Wunderman’s “How to Think Digital” thought piece, “there’s no point using really smart search marketing if you don’t spend as much time thinking about what happens after the click ... Indeed 96% of clicks lead to absolutely nothing. Simply because the quality of thinking and computing that happens after the click is minimal compared with the amount of computing intelligence that happens before the click. If search-led Digital commerce is ever going to reach its potential, we need to put a lot more thinking into what happens after the user clicks.”
The leading advertisers and agencies have figured this out.

For the sake of clarity, Search is its own animal. The cost of search services is not included in the directional cost ranges noted above. Depending upon the size of the budget, the desired analysis pre and post click, search can be highly efficient or very costly relative to the amount of program spend. It is emerging as a major driver of campaign results and an integral part of an overall Digital program. Accordingly, it’s important to set reasonable expectations to define the search elements, and expected outcomes, of any total marketing investment.

II. Strategic Planning/Analytics

In their 2008 book, DigiMarketing, Kent Wertime and Ian Fenwick discuss the new Digital imperative. “To be successful, marketers can’t simply add a few digital activities to their traditional marketing plans. Instead, they must fundamentally re-craft their approach to marketing around the features of the new media and digital marketing. This will bring about a renovation of marketing. While basic marketing principals—such as positing and segmentation—will remain, digital channels will extend and accelerate how marketers engage consumers. The pressures of Digital Darwinism will force this marketing evolution as consumers will favor brands that engage them continuously through Digital channels.”

Continuous engagement is a tricky game.

The World Is More (Competitive and) Complex

Strategic and financial “Annual Plans” should represent the foundation for a “continuous planning” process. The continuous planning process requires the flexibility for advertisers and their agencies to embrace competitive threats and accommodate the possibility of rapid response marketing. In this way, a campaign is analogous to putting out a weekly or monthly newspaper; what’s working, what’s not, what’s the competition doing, what are consumers interested in regarding our brand and how do we fuel that changing interest over time.

This requires an increased level of strategic expertise to navigate the array of rapidly expanding channels and deliver an integrated marketing plan. Although tools and technology help in providing insights, there are no shortcuts in the evaluation of marketing options, channel plans, and related investments ... or the interpretation of increasing levels of data against the Holy Grail of real-time measurement.

Dealing With Avoidance Technologies

Gone are the days where the only way to enjoy TV was to sit through the ads. As Wunderman’s Simon Sylvester notes, “Today, many people pay to watch movies ads-free on cable or satellite. Or they buy and watch DVD box sets. Or download shows to iTunes. Or movies to their Xbox 360. Since 2003, consumers have been spending more on devices and services like these that avoid ads than the entire advertising industry has been spending on media to reach them.”

The strategy and media thinking to get to the avoiders is an important element of achieving an advertiser’s ROI.

Integration Takes Time

The time required to plan and integrate across a wider range of channels is another driver of cost. Digital and non-Digital channels are generally expected to be integrated both ATL and BTL and across many markets. This includes connections to PR and POS and across a wider range of techniques, including mobile, branded content and P2P (and currencies for that matter). Many advertisers’ Web sites/landing experiences are also “owned” by a department outside of marketing. Or worse, they’ve created separate traditional and Digital departments within marketing.

The situation can be complicated further on three levels. First, when working with a diverse advertiser who may itself not be integrated; and even further when a client separates their agency roster by both discipline and traditional/Digital providers. Practitioners should not underestimate the time required to coordinate disparate ATL and BTL approaches, departments and budgets or between multiple agencies often handling the same creative assets.

Second, for more advanced advertisers. Wertime and Fenwick note, "Integration is still essentially one-way marketing thinking. In DigiMarketing, companies must shift gears beyond integration and seek unification of their marketing. The difference is that while integration focuses on the consistency of the advertiser’s message, unification shifts the focus to the continuity of the consumers’ experience” and recognition as a unique individual consumer, with a specific history with an advertiser’s brand.

And third, the integrated performance measurement of online and offline efforts within a campaign. Today’s world requires coordination, some flexibility and willingness to accept several different performance metrics even within Digital channels.

Analytics

The Digital space allows for more frequent and deeper analysis of campaign results at a granular level. It also provides the driver for an increasingly popular “test-measure-then-invest” model. The expectations for measurement of online media far exceed those for offline. This effort is not limited to analytic specialists, but also requires significant media resources to develop and implement tracking solutions. This often includes the coordination to track basic response metrics through third-party ad servers (e.g., Atlas, DoubleClick, Eyeblaster, Dynamic Logic, Millward Brown, etc.), as well as the advertiser coordination on more robust back-end tracking and measurement of awareness and perception-based metrics. By definition, “test-measure-then-invest” also has certain labor redundancies built in. The focus must be on the value delivered, not the cost of learning.

III. Creative

Digital impacts creative resources in a number of ways. The most obvious relates to the volume of required executions and how often they will be refreshed. The Digital world allows for individual campaigns to be optimized from a creative perspective in various ways (creative changes, messaging, offers, real-time refreshes, etc.), which can drive significant resource and costs. The combined frequency of media optimization and creative refreshes is generally credited with driving user engagement (and therefore value), but is also a major driver of work volume and labor costs.

Digital creative executions have also matured well beyond the basic banner ad. Streaming video should be viewed on the same difficulty level as television broadcast productions. If broadcast quality is expected, the look and feel is virtually identical. On a base level, streaming-video productions can require the same level of resources and time to produce. As you progress to long-form video, these levels (and the related

cost) increase. The Global Creative Director for AKQA, Rei Inamoto, spoke to the general lack of understanding in the space. “Here are some concerns, rather, challenges that I see: Cost—the budgets, especially for traditional advertising, keep shrinking and clients want more for the buck they pay. In addition, the cost of talent is rising ... Lack of Understanding—a friend of mine (who was a traditional creative director) said that he thought interactive was cheap and quick. In reality, it’s expensive and time consuming ... Level of Complexity—interactive production is often more complex, especially if it involves film/video. Not only do you have to shoot and do postproduction, but also you have to make it interactive.”

All important points for clients planning to switch from $500K individual TV productions to $50,000 Web films.

Campaign landing experiences represent another growing area with significant creative resource ramifications. “Landing pages” or “destination pages” generally require the development of a complex mixture of content, with multiple environments and interactive user experiences. If the ultimate goal is user engagement (an emerging measure of ROI), the creative brief goes well beyond the big idea. And the cost can grow rapidly with the desire to truly localize those assets in markets around the world. Translation is only the beginning.

The combined frequency of media optimization and creative refreshes is generally credited with driving user engagement, but is also a major driver of work volume and labor costs.

IV. User Experience

Another major labor factor in creating successful digital experiences is User Experience (UX) planning. Historically associated with software development, UX is becoming increasingly important as Digital advertising evolves to include more robust campaign landing sites, RIAs (rich internet applications), and social networks.

The UX planner synthesizes the inputs from account planning, strategy, analytics and media into documentation that places the user at the center of the design process. This not only allows for a holistic approach to experience design but also creates a set of artifacts that facilitate the design and development process. Depending on the complexity of a design, iterative prototyping and usability testing may also be employed to insure that the end product is as intuitive as it is engaging. The rigor associated with these steps is more time/cost intensive during the up front planning phase, but the alternative of moving into development without UX deliverables is laden with the pitfalls of ambiguous requirements, multiple-rounds of changes, and less scalability in the end product. There is also a natural desire to maintain user engagement, which, over time, requires new and/or increasingly rich user experiences. As that occurs, the cost and budget ramifications should be well understood against the value delivered.

V. Technology

Technology touches virtually every aspect of the advertising process. From an operational perspective, it is the connectivity between creativity, production and ultimately, measurement. From a strategic perspective, it allows programs to be tracked, optimized and refreshed. And from a creative perspective, knowledge of the latest technology (“what’s possible this week”) adds fuel to generate ideas.

A constantly changing space requires a growing number of software licenses, expert users, and ongoing training for both advertisers and agencies.

VI. Production

The Digital space does not provide the same level of predictability as found in traditional productions. To a large extent, Digital lacks the repetitive development that can exist in a print or TV production where known inputs can generally provide an expected output at a consistent and predictable price.

On the contrary, Digital development generally takes a set of unique advertiser-specific requirements and attempts to deliver those requirements using code and technology. The input is subject to wide, often unique interpretation, and the output is often used in a test-measure-then-invest environment. Interactive producers are handling significantly higher volumes of assets that require cross-disciplinary collaboration ranging from the highly standardized to the highly complex. Accordingly, advertiser requirements can drive significant developer costs and be relatively difficult to predict against unrelated historical programs.

This can have knock-on affects with art buyers and business affairs negotiating more print, film and video assets with related traffic, studio and legal clearance costs. A tight scope of work and ongoing discussions between agency and advertiser are critical.
A further complication relates to the Digital production process. Traditional media is generally understood to require a creative development process and a separate disciplined production process. For example, the great creative print idea is turned over to production for photo shoots, graphic design rough cuts, finishing touches, etc. Similarly, the broadcast production may involve the management of film shoots, directors, talent, talent rights, etc. Although the traditional process is managed by the agency, much of the actual production occurs through external third-party vendors. This is generally not the case for Digital production. Unlike traditional efforts, much of the Digital production process occurs in-house in real time with technical requirements often informing the creative idea. In order to keep pace with the marketplace (and to avoid putting themselves out of business), most agencies have had to develop the tools, technology and skills to handle Digital creative development and production internally. Unlike traditional mediums, there is a very fine line between the Digital development and production processes. The creative staff coming up with the great idea is increasingly the same individual bringing it to life using Flash, Silverlight, Java, AJAX, C++, .NET, dynamic content and databases, streaming video, etc. Organic Creative Director, Conor Brady, noted “Now, our creative is much more conceptual and strategic in its approach. As a result, our production needs are mostly around prototyping. That is how we want to sell our ideas. For us, that means having a creative department that can produce, versus a production department.”

Creativity Magazine spoke to similar issues in its September 2008 issue. “It bears stating that interactive production does not lend itself to generalizations. ‘The same way you can’t compare the costs of a Sony “Bravia” or a “Happiness Factory” with a “Mac vs. PC,” you can’t compare the investment needed in a “Get the Glass” with an “Elf Yourself,”’ said PJ Pereira, founder and creative director at Pereira & O’Dell. ‘And that has nothing to do with the quality of the idea or even the return it will bring, just the complexity it takes to produce it.’”

Once again, in 2008 Alexia Quadrani, Marketing and Media Analyst, brought this organic shift to life by comparing where advertisers will likely spend a total marketing budget in the traditional model compared to those required in the Digital space:\footnote{22} This shift reflects the investments and resources necessary to deliver a rich digital experience; more of the process occurs in-house, with higher investments in agency created experiential assets versus traditional media and production.

Unlike traditional efforts, much of the Digital production process occurs in-house in real time with technical requirements often informing the creative idea.

Advertisers (and the consumer as end user) generally expect the production quality for a rich media Digital unit to be comparable to a broadcast spot. The online experience also lends itself to long-form messaging, a production effort that is comparable to making short films. Nick Parish from Creativity Magazine reported that, once again, there is no connection between this very reasonable expectation and the related media budgets. “But there are no ready standards for these newly significant (production) budgets. Unfortunately, a lack of media buy is often equated with a lack of production money. The loose (traditional) 10% to 15% standard, where that percentage of the media spend is put into production, is disregarded. ‘Clients still have trouble understanding interactive can be just as expensive as executing a TV spot, just without having the media spend,’ said Paul Collins, interactive creative director at Swedish agency Åkestam Holst.”\footnote{23}

Accordingly, as the migration from traditional to Digital occurs, it is important to track all related program budgets and actual costs (including media and production), not just an agency’s staffing/fee.

**Example**

In the following example, shifting a small $1,000,000 print budget to Digital involves much more than an increase in the agency staffing/fee as it moves from one discipline to another. Reductions in the related print media and production budget should help balance the increased Digital staffing, including in-house agency production resources.
An advertiser can mistakenly conclude that overall costs have gone up by focusing on only a few aspects (media and agency fees) of a particular Digital program:

<table>
<thead>
<tr>
<th></th>
<th>Media</th>
<th>Agency Fee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Print</td>
<td>1,000,000</td>
<td>150,000</td>
<td>1,150,000</td>
</tr>
<tr>
<td>Online</td>
<td>1,000,000</td>
<td>300,000</td>
<td>1,300,000</td>
</tr>
</tbody>
</table>

This suggests an overall increase of $150,000 driven directly by agency resources/fees. However, reviewing the full program costs (including external production) provides a better understanding of the true economics:

<table>
<thead>
<tr>
<th></th>
<th>Media</th>
<th>Agency Fee</th>
<th>Production</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Print</td>
<td>1,000,000</td>
<td>150,000</td>
<td>200,000</td>
<td>1,350,000</td>
</tr>
<tr>
<td>Online</td>
<td>1,000,000</td>
<td>300,000</td>
<td>50,000</td>
<td>1,350,000</td>
</tr>
</tbody>
</table>

In this example, we’ve intentionally assumed no change to the overall budget (and without regard to the assets being produced). In reality, a well-managed Digital process, including analytics and effectiveness measurements, can result in lower media and external production costs … and lower overall program costs to accomplish comparable goals. The mix of media, agency and production costs is irrelevant if the measure of success is impact in the marketplace. ROI doesn’t care about the investment mix.

The mix of media, agency and production costs is irrelevant if the measure of success is impact in the marketplace. ROI doesn’t care about the investment mix.

When migrating traditional budgets into Digital, it is important to also understand how all budget aspects (media, agency staffing/fees and production costs) will change. In general, one should expect the increase in agency resources and fees to be offset through lower media budgets (the result of better measurement and effectiveness) and lower production costs (as former third-party labor requirements are absorbed within the agency).

**Caution to Budget Holders**

Many global advertisers will have an added complication wherever agency fees are funded centrally at the global headquarters level, but media and/or production budgets are funded by individual divisions, business groups or local markets. These budgets will shift. Accordingly, it is important for an advertiser to educate each of their marketing partners in this process. This should help to avoid the ugly debates regarding scope and cost changes between an advertiser’s headquarters team and the ultimate budget holders. Another approach is to simply fund Digital agency staffing/fees as part of the related production budget. The important thing is to understand the basic dynamics that are noted above.
We’ve already discussed the significant differences when moving budgets and tactics across traditional and Digital categories. Shifting tactics, media and production budgets between mediums (from TV to Digital, from Digital to print, etc.) is complex. These changes need to be tracked and managed as part of a continuous planning process involving an annual plan and mechanisms to accommodate adjustments to that plan throughout the year, with corresponding adjustments to media, production and agency staffing/fees as appropriate.

There remains a common misperception that all Digital tactics are created equal. Within the Digital category alone, it takes significantly different amounts of resources to perform one tactical execution versus another. As a typical year unfolds, one should realistically expect shifts between budgets (Digital versus traditional as well as media versus production versus agency staffing/fees) and among tactics within a particular medium. As this occurs, the ramifications of those seemingly innocent budget shifts should be understood, and staffing/fee changes should be made, almost automatically, as the client and agency agree on tactical changes affecting the scope of work.

In order to illustrate this point, I developed the following Digital Labor Indexes by benchmarking information from two global advertisers, each of which uses individual rate cards to compensate their agencies in pay-per-piece compensation models. A pay-per-piece model is certainly NOT recommended; pay per piece rate cards do not recognize the variability in agency-client creative development processes. Once again, all tactics are not created equal. However, this benchmarking does provide a directional framework for marketing practitioners to understand the significant differences across categories as well as within the Digital category.

The model was developed from multi-year, time-motion studies of the labor intensity for individual agency outputs. One advertiser developed the rate cards (externally) using a renowned global consulting firm. This was then compared to another advertiser that commissioned a top-three global agency to perform a similar (internal) study.

The tables use a standard flash banner ad as the index (1.00 unit of labor/cost) to measure the labor requirements (or costs) relative of other Digital outputs. While this list is certainly not meant to be comprehensive, it does illustrate the significant time difference to produce different deliverables.
The index provides a comparison of labor to execute a variety of tactics against a fairly known deliverable—a banner. As budget shifts occur, the model follows a basic formula:

\[
\frac{\text{Labor index for the tactic(s) you are shifting TO}}{\text{Labor index for the tactic(s) you are shifting FROM}} = \text{Comparable Labor Required}
\]

### Illustrative Digital Labor Index

<table>
<thead>
<tr>
<th>Illustrative Digital Labor Index</th>
<th>Tactic Index - Within “Digital” Category</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Simple</td>
</tr>
<tr>
<td>Campaign Development</td>
<td>1.50</td>
</tr>
<tr>
<td>Flash Banner Ad</td>
<td>0.50</td>
</tr>
<tr>
<td>Rich Media Digital Ad</td>
<td>1.00</td>
</tr>
<tr>
<td>(takeovers, data integration, video)</td>
<td></td>
</tr>
<tr>
<td>GIF Banner Ad</td>
<td>0.35</td>
</tr>
<tr>
<td>HTML Pages</td>
<td>0.30</td>
</tr>
<tr>
<td>(landing pages, Web Site pages)</td>
<td></td>
</tr>
<tr>
<td>Rich Media Web site</td>
<td>20.00</td>
</tr>
<tr>
<td>Rich Media Content Development</td>
<td>5.00</td>
</tr>
<tr>
<td>HTML E-mail</td>
<td>0.30</td>
</tr>
</tbody>
</table>
Example

An advertiser wishes to cancel one “Moderate Banner” in favor of a “Moderate Rich Media Web Site.” The table and formula show that, directionally, it will take 45 times more labor (and fee) to develop and execute the “Moderate Rich Media Web Site.”

\[
\frac{\text{Moderate Rich Media Web Site}}{\text{Banner Ad}} = \frac{45.00}{1.00} = 45.00
\]

Example

An advertiser wishes to cancel 10 “Moderate Banners” in favor of a “Complex Rich Media Web Site.” The table and formula show that, directionally, it will take 7 times more labor (and fee) to develop and execute the “Complex Rich Media Web Site.”

\[
\frac{\text{Complex Rich Media Web Site}}{\text{Banner Ad } \times 10} = \frac{70.00}{(1.00 \times 10)} = 7.00
\]
All Tactics Are Not Created Equal

The comparison becomes even more complex when viewing tactics across media. The following table compares the amount of labor/cost that can reasonably be expected if an advertiser shifts a production budget from one category to another. It also indicates that shifting significant tactics and budgets between categories (from TV to Digital, from Digital to Print, etc.) generally requires a new agreed-upon, scope-of-work discussion.

<table>
<thead>
<tr>
<th>Illustrative Cross Category Index</th>
<th>Tactic Comparison Index / Across All Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Simple</td>
</tr>
<tr>
<td><strong>Television:</strong></td>
<td></td>
</tr>
<tr>
<td>Subtotal (Complete Tactic)</td>
<td>11.92</td>
</tr>
<tr>
<td><strong>Print:</strong></td>
<td></td>
</tr>
<tr>
<td>Subtotal (Complete Tactic)</td>
<td>2.50</td>
</tr>
<tr>
<td>One-Offs</td>
<td>0.35</td>
</tr>
<tr>
<td>Resizing</td>
<td>0.02</td>
</tr>
<tr>
<td><strong>Digital:</strong></td>
<td></td>
</tr>
<tr>
<td>Creative Development</td>
<td>1.50</td>
</tr>
<tr>
<td>Flash Banner Ad</td>
<td>0.50</td>
</tr>
<tr>
<td>Rich Media Interactive Ad (takeovers, data integration, video)</td>
<td>1.00</td>
</tr>
<tr>
<td>GIF Banner Ad</td>
<td>0.35</td>
</tr>
<tr>
<td>HTML Pages (Landing pages, Web site pages)</td>
<td>0.30</td>
</tr>
<tr>
<td>Rich Media Web site</td>
<td>20.00</td>
</tr>
<tr>
<td>Rich Media Content Development</td>
<td>5.00</td>
</tr>
<tr>
<td>HTML E-Mail</td>
<td>0.30</td>
</tr>
</tbody>
</table>
Example

An advertiser cancels one “Moderate TV spot” in favor of three “Moderate Rich Media Web Sites.”

This creates a problem. Directionally, the table indicates that it takes the same amount of labor to develop and execute one “Moderate Rich Media Web Site.” The table and formula show that, directionally, it will take 3 times more labor (and fee) to develop and execute three “Rich Media Web Sites.” Accordingly, the TV funding should only be expected to cover 1/3 of this effort.

\[
\text{Moderate Rich Media Web Site} \times 3 = \frac{(45.00 \times 3)}{4.68} = 3.09
\]

The primary danger in managing budget shifts between mediums is when a traditional tactic is cancelled and one party unilaterally assumes what level of Digital tactics can be accomplished in its place. Clients and agencies are at risk where traditional practitioners do not understand this dynamic. All tactics are not created equal. Although the significant differences may seem like common sense, it’s a common problem between advertisers and agencies and (sometimes) even within the traditional and Digital disciplines within one agency.

Once again, no benchmarking can be perfect. Staffing/fee agreements need to be based on specific Client requirements and an agreed-upon scope of work. However, the above tables and formulas are directionally useful to understand and compare the labor intensity/cost of Digital work relative to other media types.

As technology continues to improve (for both Digital and traditional mediums), one might expect to see these ratios change over time. Whether or not the indices will continue to move together remains to be seen.
Debunking Common Myths

Traditional practitioners who are not aware of the dynamics, including work volume, complexity and labor intensive nature of the Digital space often share the following common myths and misconceptions:

1. **Myth: The effective commission rate for Digital services should be comparable to traditional agency services**

   The amount of labor required to deliver a breakthrough Digital program has no relation to the media spend. In fact, many high-end Digital productions are 100% viral, and therefore have no paid media.

   **Example**

   There was little or no paid media involved in executing the groundbreaking work in BMWfilms.com, Microsoft’s MsDewey.com, American Express’s Seinfeld/Superman Webisodes, and Burger King’s Subservient Chicken. Even when paid media is involved, there is no direct correlation to the resource required. How do you measure the labor cost to develop a set of two-minute, long-form videos that will air on 10 specific trade-related sites with limited media spend? Effective commission rate measures simply don’t apply.

2. **Myth: Digital media is cheaper than traditional media**

   This is certainly true for individual units of Digital media when compared to individual units in broadcast or print. However, many advertisers also assume that the CPM for Digital media is less expensive than traditional. This is no longer the case. In fact, the combination of better targeting and the ability to measure and optimize allows Digital media to command a premium when compared on a CPM basis with its most closely related analog counterpart.

   **Example**

   The following comparison shows that for an easy-to-reach consumer-based target, the related CPM for Digital is indeed higher. Of course remnant, lower-quality Digital media is priced well below these illustrations, but so too is the unsold, lower-tier traditional media. Both forms are frequently capitalized on by those direct response advertisers who rely on tonnage and distressed inventory pricing to drive their business.
### Debunking Common Myths

**A25-54 HHI $60+**

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Traditional</th>
<th>CPM</th>
<th>Digital</th>
<th>CPM</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Video</td>
<td>TV :30*</td>
<td>$ 36.0</td>
<td>Streaming :30</td>
<td>$ 50.0</td>
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<td>Static</td>
<td>30 Sheet OOH</td>
<td>$ 4.50</td>
<td>300x250 Banner</td>
<td>$ 10.0</td>
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<tr>
<td>Print</td>
<td>P4C</td>
<td>$ 13.0</td>
<td>Over the Pg. Unit</td>
<td>$ 20.0</td>
<td>154</td>
</tr>
</tbody>
</table>

* 60/40 mix of national network and cable TV.

### 3. Myth: Media “innovation” is a basic (included) service

True innovation is expensive. Expectations should be clearly agreed upon in the scope of work. A traditional media plan seeks to optimize an advertiser’s investment against its consumer and a number of available mediums. Yes, innovation should occur within that plan … along with a conversation about the resources required and the full cost of that innovation.

Jason Harris, President of Mekanism, addressed the lack of understanding in the space. “Budgets are obviously shifting to emerging media … But there is still a perception that virals costs $50k to make. Or that because it is online, the value should be less. In most cases that is the wrong thinking. Because in the digital space, you have to make something great, spend the money to do it right and invite people in.”

**Example**

There is a significant domino effect of a single innovative media idea (let alone an entire plan). Bringing the media idea to life goes well beyond the concept development and media plan. This is the easy part. Next steps involve media negotiations that go beyond the buying and stewardship of the media. There is a significant increase in the interaction with media owners (negotiation, planning and coordination). Unique creative executions are then necessary to bring the idea to life. Programmers and technology will likely be engaged to execute the idea. Tracking may have to be coordinated with advertisers, media vendors or other third parties. And then you have optimization requirements based on the marketer’s specific needs.

There is a very real danger of doing as much as possible simply because it can be done. There is no faster way to blow a budget.

### 4. Myth: One Digital execution is like any other

Unlike with other mediums, change is constant with Digital; new programs and opportunities appear daily. Contrary to the star director or photographer who grows in their trade using basically the same skills and structure, programmers often have to start over or learn something completely different as previous Digital approaches become obsolete.

A significant 2008 example was Microsoft’s introduction of Silverlight as a competitor to Flash.

Alan Schanzer, Chief Strategy Officer for Undertone Networks, shared “It’s also important to recognize that Digital channels are inherently transactional, representing every stage in the marketing funnel from awareness through preference and ultimately sale. Each execution can manage portions of the funnel, or the entire engagement to sale process. It’s a different ball game with a different set of expectations attached to it.”
5. Myth: Users have static expectations

Users change as fast as technology. We still read print ads and watch television, but users can do both or neither with Digital. They may play with it, watch it, enter information, take information, alter the message, create the message, share the content, etc. And with each of those possibilities comes the responsibility of marketers to plan, execute and track against this interrelated world. As each experience becomes more rich, so too do the users’ expectations for the next engagement.

6. Myth: History should be our guide

Fresh learning and insights are paramount to success in the Digital arena. Advertisers must continue to look for new data and think beyond what last year’s data showed. Often, the medium and users have shifted significantly in short periods of time. Studies and specific research can quickly be outdated and therefore become a hurdle to the next advancement.

7. Myth: Uniformity is the answer

Many advertisers follow a cost-savings and time-to-market approach to Digital (i.e., “fast and cheap”). Procurement professionals who don’t understand the space are also continuously pushing for standardized pricing for unique asset development. However, when dealing with users who have neither cost or significant time committed, it is near impossible to break through and create a change in mindset with bland or standardized content or interactions.

Eric Berkowitz, Executive Producer at Humble, spoke to these uniform approaches and budgets in August 2008. “I do not believe there will be a standard budget in this new climate any time soon. It is so new to many clients and they have a hard time quantifying a ROI. Clients tend to offer up similar questions: How many people will see this ad? How many Web sites will it play on? Is this content too risqué for our company? The flip side of that is once a client has a ‘viral hit’ their whole perspective changes. Agencies are combining budgets across different media so a commercial and viral piece are created simultaneously, which makes the ‘risky’ viral expense more palatable.” [24]

8. Myth: Talent is readily available

There is a Digital talent supply shortage in the world (let alone the advertising industry), particularly for individuals with deep programming skills in Flash, .NET, Java, C++, Silverlight, video, database, etc. Agencies are now competing with companies like Google, LinkedIn, Facebook and other technology giants to attract talent. This drives a higher cost to attract Digital marketing talent compared to traditional practitioners ... and, ultimately a higher cost to advertisers.

Lars Bastholm, Executive Creative Director at AKQA, highlighted the array of talent necessary in today’s Digital world. “The portfolio of skill sets that anybody working in digital these days needs to have is daunting ... Many projects today involve video shoots, green screen shoots, animation, 3D, and more, of course, delivered as interactive non-linear assets that must work together in various user paths. So, not only do you need to know your way around all of these, you also need to have experts or access to expertise in each of these areas.” [25] It is also a common misnomer that traditional players, planners, buyers, etc., are easily or willingly converted to digital. It takes a lot of work.

9. Myth: Measurement is simply an extension of what’s already being done

Measurement and optimization are the primary drivers of effective consumer interaction in the Digital space. No other medium comes close in terms of the opportunity to use timely and meaningful data to tweak messages and the consumer experience. And no other medium requires more time to do so. The specific amount of time is generally driven by advertiser requirements. When it comes to Digital requirements, there is no “standard.” There is only what is required to achieve the advertiser’s goals.

[25] IBID
10. Myth: There are only a couple of major Digital channels

Although the news headlines tend to focus on AOL, Ask, Google, LiveSearch, MSN and Yahoo, there are literally hundreds of major players and thousands of second-tier channels offering unprecedented opportunities for tightly focused niche campaigns. Even where multiple properties are owned by a larger parent company, they tend to operate as autonomous entities. This is consistent with the Digital acquisition focus of the past 10 years. The integration of these individual properties has clearly lagged the acquisition sprees.

The emergence of ad networks has helped to close the gap, but generally for carpet-bombing placements versus strategic, innovative partnerships.

11. Myth: Advertiser training is part of the basic agency service

While this may be true, it is also time-consuming. Advertisers and agencies should agree on the level of training that an advertiser expects and should track the actual delivery of this service. The effort can range from a few hours for the occasional one-off speech to hundreds of hours for recurring training courses across an advertiser’s entire global organization.

12. Myth: Digital reach and frequency targets should be the same as with traditional media

Trying to maintain existing reach and frequency measures is not generally realistic. Digital plans should focus on engagement, interaction and trackable conversion. As an advertiser’s experience and data grows, the natural Digital reach and frequency should also develop. It’s not about the traditional inputs. It’s about the results.

For almost 50 years, reach and frequency have been used as surrogates for advertising’s effectiveness. Awareness was the metric and gross ratings points (GRPs) were the currency for decision making. Today, marketers are looking for more directly measurable results. Digital marketing is best suited to provide those measurements against a range of success criteria (engagement, perception change, action taken, etc.). The space continues to evolve to better, more uniform results.

Example

Early results for Digital media suggest a range of effective frequency to be 1+ for streaming video to 5+ for static banner units for perception changing campaigns. We do not suggest that these be blindly adopted. There are too few examples to consider them as valid norms. Rather, the intent is to show the range of impact that Digital media can deliver.

Additional consideration must be given based upon the campaign’s main objective. Response, perception change, simple awareness or some specific level of engagement all may result in different reach and frequency goals. In some cases no reach and frequency goals may be required. This is the case with Relationship Marketing (“RM”) programs where response rates are derived from total impressions planned. The industry is working with the Interactive Advertising Bureau (IAB) to standardize the approach to compare these complex functions across media types. The challenge here is that formats and forms are evolving so rapidly that the industry is in a constant state of catching up. Visit iab.net for current industry standards.

Reach and frequency decisions should be based on the best possible knowledge of specific program performance, balanced with client-specific studies, equivalent media comparisons and associated tradeoffs.

13. Myth: It is possible to both shift into Digital and maintain existing media and production spending with flat year over year budgets

Much has been written on the effectiveness of Digital marketing compared to traditional. This has driven an expectation for lower overall marketing costs over time. While this can be the case for media and production budgets, it must be balanced with the reality of increasing agency costs due to the labor intensity of the space and the shift of external traditional production responsibilities to in-house agency resources (programmers, developers, etc.) in the Digital space.
Example

An advertiser has a flat year over year budget of $50M, broken down as $40M media, $4M production and $6M agency services. If the goal is to drive a certain number of sales or engagements, what is the rationale for protecting those silos? What if the sales or engagements can be doubled by spending only $20M on media, and building several (non-media) Web experiences totaling another $20M?

Most would agree that an advertiser’s total marketing budget is intended to drive one goal: market impact. The marketing department’s job is to drive measurable market impact, not to buy media and to separately buy agency services and to separately manage production budgets. If the marketing goals are accomplished, the idea that media, production and agency fees must be managed individually (and to separate predetermined numbers) can be detrimental to that end goal.

The marketing department’s job is to drive measurable market impact, not to buy media and to separately buy agency services and to separately manage production budgets.

The pie charts on page 28 (Chapter 6) shared one analyst’s view of a total marketing budget traditional mediums versus Digital. Assuming flat total budgets, funds will have to shift both from media and third-party production to cover incremental agency resources across technology, UX planning, programmers, measurement and analytics and optimization.

Advertising Age highlighted this issue in covering the 2006 Digital Agency of the Year, Goodby Silverstein & Partners, noting “Goodby is also wrestling with Marketers’ unfamiliarity with Digital costs. ‘To grow this kind of capability costs a lot of money,’ said Mr. Goodby. ‘When they see the rates for Digital, they say “Wow.”’”

The cost for an agency to provide Digital creative and media services is higher than for traditional advertising, and this is not likely to change in the near term. However, there are a number of ways that advertisers and their agencies can help to create an efficient relationship and control related costs:

1. **Educate your marketing partners about the differing economics between Traditional and Digital, especially budget holders**

   Within an advertiser, the individual divisions, business groups and local markets will need to understand the funding dynamics of the Digital space. This is especially true where agency fees are funded centrally, but media and production budgets are funded at the division, business group or local market level.

   Within an agency, it is important for traditional staff to understand the nuances of the Digital space. This is particularly true for finance directors and account managers involved in staffing/fee discussions.

2. **Manage media, production and agency staffing/fee budgets together versus in silos**

   The Digital space no longer allows the neat separation of these services. Although Digital marketing effectiveness may allow overall costs to trend down, the mix will shift. Similarly, it is important to track the impact on traditional budgets. As funds are shifted into Digital, there should be some corresponding decrease in media budgets. Production and agency budgets may not show the same one-to-one reduction where economies of scale are lost.

3. **Recognize the need for a continuous strategic planning and research process and build in flexibility**

   Many advertisers lock their budgets and funding sources (HQ, business groups, local markets, etc.) during an annual planning process. Changing funding sources and budgets can be very difficult after the fact. Accordingly, the issues noted in this booklet are much easier to address during that annual planning process. Advertisers may also want to sensitize these partners regarding the flexibility necessary to fund incremental shifts to Digital that occur after annual
Recommendations

budgets have been agreed upon. Establishing a scope of work management system, linking staffing/fees to scope of work (at a tactical level), and sitting down regularly with the agency to review and agree on changes to scope of work can all help bring flexibility to the process. In the best case, we recommend a continuous planning process to address these shifts.

4. Resist the temptation to involve all disciplines, just because they are interested

There is understandably a strong desire for an advertiser’s full staff to be involved in the Digital space. However, the more this occurs, the less efficient the process (and the agency) will be. True efficiency requires the controlled involvement of experts. Staff should also understand how their actions and agency requests can impact the cost of an individual program.

5. Going Digital all at once may not be realistic; tier campaigns and markets and set realistic goals

Given the range of opportunities and the related costs, most global advertisers cannot afford the full spectrum of Digital opportunities across all of their campaigns, products and markets. It may not be realistic (or appropriate) for every campaign or for second-and-third tier markets to afford the deep innovation and integration that is theoretically available.

Jupiter Research Market Analyst, Zia Daniell Wigder, notes “Regarding popular formats, banner ads and search campaigns remain the dominant choice for global initiatives, with relatively newer platforms such as video rarely being included as part of a global media buy ... Companies must carefully weigh the cost of developing new creative for each market and assess how uniquely the product may be perceived or used in each market—such factors can help dictate the degree to which the campaign will translate from one market to the next.”

Ms. Widger recognizes the cost ramifications and benefits of a truly global Digital presence and adds “Indeed commitment to global markets should evolve into more than just a handful of localized landing pages. As international markets rise in importance in companies’ long-term revenue goals, the level of localized content available to these markets should follow suit ... Cost-conscious international online advertisers may not opt to immediately localize their sites as they gauge interest in their products and services abroad, but this strategy should only be used during the early stages of a campaign or by companies that do not expect to heavily rely on international sales.”

From a financial perspective, it is important to set realistic expectations regarding investments, expected market impact and agency costs. To this end, sophisticated advertisers tend to tier their campaigns and international markets to focus activity on critical sales drivers and initiatives and to tightly control the costs of a global program.

6. Educate your procurement partners to avoid recommendations that may not be in the best interest of advertisers

Procurement is generally two steps removed from the process and, understandably, lacks the marketing background to understand the creative development process. Accordingly, they can be apt to make recommendations that may not be in the best interest of advertisers. For example, outsourcing all digital production to one vendor destroys any chance at a collaborative and integrated creative development process within your lead agency. Likewise, standardizing Digital ratecards is fine if the expectations are only for standardized production deliverables (banners, buttons, basic landing pages, etc). If an advertiser expects some level of strategy, UX planning, technology, etc. they can find themselves locked into cheap-and-cheerful deliverables versus breakthrough Digital experiences.

7. Keep agency resources focused on the work, not on attending meetings

The number of meetings required to review plans, discuss measurement, optimization, etc., has a direct impact on an agency’s ability to deliver truly valuable services. Limit them to the greatest extent possible. Make use of Digital technology and workflow systems to decrease lag time and improve audit trails for approvals needed from the client.

8. Visit your agency to better understand the Digital process first hand

   This will assist in building knowledge around the players, the process and the interplay between creativity and technology. It also helps in answering the questions “who are these people and why am I paying for them?”

9. Avoid the “shiny new toy” syndrome

   Due to the nature of the Digital space, there can be a tendency to maximize the use of tracking, measurement, reporting, optimization and creative refreshes. While creative refreshes and measurement/optimization are credited with improving effectiveness, there can be a tendency to overdo it simply because it can be done.

   While creative refreshes and measurement/optimization are credited with improving effectiveness, there can be a tendency to overdo it simply because it can be done.

   This appears to be especially true when dealing with free or low-cost media (e.g., an advertiser’s own Web site or media properties, inventory acquired through a barter deal, etc.). Arguably, the frequency of measurement, reporting, and optimization tends to be most critical to advertisers who are selling products on the Internet. Real-time changes can often impact immediate sales results. For other marketers, these service requirements should only be pursued to the extent they are affordable and make sense relative to the investment. There is generally not a need to report on activities with a frequency that far outweighs the real opportunity to optimize … or more frequently than will have an impact on the activity being measured.

   In short, resist the temptation to do more simply because it can be done.
Joe Burton has been the EVP, Chief Operating Officer for McCann Worldgroup’s San Francisco operation and global Microsoft account since May 2006. Mr. Burton has a unique advertising perspective with a career spanning many sides of the industry, including consulting, media owner and in managing global creative, RM and media agencies.

He started his career at Price Waterhouse LLP, spending seven years in the Media, Entertainment & Communications practice. Mr. Burton worked across TV, radio, cable and studio production as the Director of Financial Planning for the $5Bn CBS television network. Prior to joining McCann Worldgroup, he was the COO of OgilvyOne Worldwide and spent 10 years with WPP Group in expanding regional and global management roles working across creative, direct and Digital agencies including Ogilvy & Mather, Ogilvy One, Ogilvy Interactive, Mediaedge:cia, Digital Edge, Outrider, Young & Rubicam and Wunderman. His most recent role included transforming McCann Worldgroup’s San Francisco office into a global Digital center of excellence (building capabilities to move a 400 person operation with only 10% digital activity in 2006 to over 700 staff and 60% digital activity in 2008).

He’s spent a 20-year career in operational/financial roles working with Fortune 500 clients in over 50 countries, including American Express, AT&T Wireless, Campbell Soup Company, Cadbury Schweppes, CBS Corporation, Ford Motor Company, Glaxo SmithKline, IBM, Lenovo Group, Microsoft, Viacom and YUM! Brands.

Mr. Burton is a rotating member of the 4A’s Large Agency Committees and an alumnus of the Harvard Business School. He is a thought leader and frequent lecturer in the areas of building Digital capabilities, integrated production operations and client/agency benchmarking, compensation and negotiations. He is a CPA and CMA and the proud new father of a one-year old son, Jackson.

Mr. Burton currently lives in New York and can be reached at Joe.Burton@mccann.com, (415) 627-7672. He is also available on Linkedin, Plaxo or via Facebook.
When I wrote the first draft of this booklet, a colleague recommended a way to make it even better—call on some of the best clients and consultants that I’ve ever had the privilege to work with and negotiate against. These are experts who have worked on all sides of the industry. I knew that if I enlisted their help (and their challenges), this document would come out with a balanced perspective: agency, client and consultant. The Digital landscape is difficult enough terrain without arguing over the recognized and accepted givens.

I thank them for their time and expertise, and over the years, their partnership, class and uncanny ability to bring both fun and equity to client-agency relationships. This wonderful industry of ours could use more of that.

Farmer & Company

Farmer & Company is a professional services firm dedicated to helping advertisers and their agencies develop and sustain best-in-class relationships. The founder, Mike Farmer, and his team have helped marketers focus on the task of marketing by applying over 16 years of specialized knowledge, a unique set of analytical methods, and proprietary Web-based tools. Their customers are leaders who recognize that their time is best spent building successful promotion and branding strategies, rather than falling into “traps” that can poison an advertiser/agency relationship.

Farmer & Company works both on the client side and on the agency side to help establish joint marketing goals, dynamically set and monitor scope of work, and manage remuneration issues toward a “win-win” outcome.

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Bob Quinn

Bob Quinn is a senior financial professional with 24 years of client side experience in worldwide marketing operations and supply chain management. He has been a frequent contributor to the ANA as a committee member and speaker for over 17 years. Bob is currently an independent contractor focused on agency relationship management for global advertisers.

Bob’s experience in agency management started with 10 years at Sears & Roebuck, followed by another 11 years of global experience at IBM and 3 years consulting with Lenovo.

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Appendix I: The Digital Ecosystem

Overarching Digital Ecosystem: Structure
Appendix II: Expanding Digital Opportunities
The following glossary of Digital advertising terms was compiled from a number of sites, including the Interactive Advertising Bureau (www.iab.net), the 4A’s (www.aaaa.org), my own experience, and a variety of other industry sources to assist practitioners in understanding the expanding language of Digital marketing. Additional information can be found by visiting their Web sites.

**302 Redirect**

The process of a server sending a browser the location of a requested ad, rather than sending the ad itself. Ad servers use 302 redirects to allow them to track activities such as ad requests or ad clicks.

**3G**

The “Third Generation” mobile network infrastructure deployed by mobile operators in 2007 in most of Europe, East Asia, and North America. Supports much higher data speeds than previous mobile networks, in some cases approaching wired broadband connections.

**Abandonment**

When a user leaves a shopping cart with something in it prior to completing the transaction.

**Abort**

When a Web server does not successfully transfer a unit of content or ad to a browser. This is usually caused by a user hitting the stop button or clicking on another link prior to the completion of a download.
**Above the Fold**

In reference to ad placement of banners; defined as being placed at the top portion of the page and viewable without scrolling.

**Activity Audit**

Independent verification of measured activity for a specified time period. Some of the key metrics validated are ad or page impressions, clicks, total visits and unique users. Activity audits validate measurement counts. Process audits validate internal controls associated with measurement.

**Ad Audience**

The number of unique users exposed to an ad within a specified time period.

**Ad Banner**

A graphic image or other media object used as an advertisement.

**Ad Blocker**

Software on a user’s browser that prevents advertisements from being displayed.

**Ad Campaign Audit**

An activity audit for a specific ad campaign.

**Ad Centric Measurement**

Audience measurement derived from a third-party ad server’s own server logs.

**Ad Display/Ad Delivered**

When an ad is successfully displayed on the user’s computer screen.

**Ad Download**

When an ad is downloaded by a server to a user’s browser. Ads can be requested, but aborted or abandoned before actually being downloaded to the browser, and hence there would be no opportunity to see the ad by the user.

**Ad Impression**

1) An ad that is served to a user’s browser. Ads can be requested by the user’s browser (referred to as pulled ads) or they can be pushed, such as e-mailed ads; 2) a measurement of responses from an ad delivery system to an ad request from the user’s browser, which is filtered from robotic activity and is recorded at a point as late as possible in the process of delivery of the creative material to the user’s browser—therefore closest to the actual opportunity to see by the user. Two methods are used to deliver ad content to the user: a) server-initiated and b) client-initiated. Server-initiated ad counting uses the publisher’s Web content server for making requests, formatting and re-directing content. Client-initiated ad counting relies on the user’s browser to perform these activities. For organizations that use a server-initiated ad counting method, counting should occur subsequent to the ad response at either the publisher’s ad server or the Web content server. For organizations using a client-initiated ad counting method, counting should occur at the publisher’s ad server or third-party ad server, subsequent to the ad request, or later, in the process.

**Ad Impression Ratio**

Click-throughs divided by ad impressions. See click rate.

**Ad Insertion**

When an ad is inserted in a document and recorded by the ad server.

**Ad Materials**

The creative artwork, copy, active urls and active target sites that are due to the seller prior to the initiation of the ad campaign.

**Ad Network**

An aggregator or broker of advertising inventory for many sites. Ad networks are the sales representatives for a group of Web sites within the network, formed for the for the purpose of maximizing revenue and minimizing administrative costs.
Ad Recall
A measure of advertising effectiveness in which a sample of respondents is exposed to an ad and then at a later point in time is asked if they remember the ad. Ad recall can be on an aided or unaided basis. Aided ad recall is when the respondent is told the name of the brand or category being advertised.

Ad Request
The request for an advertisement as a direct result of a user’s action as recorded by the ad server. Ad requests can come directly from the user’s browser or from an intermediate Internet resource, such as a Web content server.

Ad Rotation
Different ads and different ad sources are often rotated in the same space on a Web page. Ad rotation is static (one ad per page view). This is usually done automatically by software on our Web site and delivers advertisements randomly and in close proximity to your desired frequency or weighting.

Ad Serving
The delivery of ads by a server to an end user’s computer on which the ads are then displayed by a browser and/or cached. Ad serving is normally performed either by a Web publisher or by a third-party ad server. Ads can be embedded in the page or served separately.

Ad Space
The location on a page of a site in which an advertisement can be placed. Each space on a site is uniquely identified. Multiple ad spaces can exist on a single page.

Ad Stream
The series of ads displayed by the user during a single visit to a site (also impression stream).

Ad Transfers
The successful display of an advertiser’s Web site after the user clicked on an ad. When a user clicks on an advertisement, a click-through is recorded and re-directs or “transfers” the user’s browser to an advertiser’s Web site. If the user successfully displays the advertiser’s Web site, an ad transfer is recorded.

Ad Units
A way of classifying online ad types. Ad units on the Internet include banners, buttons, micro buttons, pop ups, skyscrapers, text links, interstitials, superstitials, etc.

Ad View
When the ad is actually seen by the user. Note this is not measurable today. The best approximation today is provided by ad displays.

Address
A unique identifier for a computer or site online, usually a URL for a Web site or marked with an @ for an e-mail address. Literally, it is how one computer finds the location of another computer using the Internet.

Advergaming
Can range from an advertiser buying all the ad units around a game or a “sponsored by” link to creating a custom branded game experience.

Advertiser
The company paying for the advertisement.

Affiliate Marketing
An agreement between two sites in which one site (the affiliate) agrees to feature content or an ad designed to drive traffic to another site. In return, the affiliate receives a percentage of sales or some other form of compensation generated by that traffic.
### Appendix III: Glossary of Digital Advertising Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affinity Marketing</strong></td>
<td>Selling products or services to customers on the basis of their established buying patterns. The offer can be communicated by e-mail promotions, online or offline advertising.</td>
</tr>
<tr>
<td><strong>AGA</strong></td>
<td>American Gaming Association. Represents the commercial casino entertainment industry by addressing federal legislative and regulatory issues affecting its members' interests, such as federal taxation, regulatory issues, and travel and tourism matters.</td>
</tr>
<tr>
<td><strong>AIM</strong></td>
<td>AOL Instant Messenger. Instant messaging service provided by AOL that enables users to chat online in real-time.</td>
</tr>
<tr>
<td><strong>Alternate Text (aka Alt Text)</strong></td>
<td>A word or phrase that is displayed when a user has image loading disabled in their browser or when a user abandons a page by hitting “stop” in their browser prior to the transfer of all images. Also appears as “balloon text” when a user lets their mouse rest over an image.</td>
</tr>
<tr>
<td><strong>ANA</strong></td>
<td>The Association of National Advertisers leads the marketing community by providing its members insights, collaboration and advocacy. The ANA strives to promote and protect all advertisers and marketers. See ana.net for more information.</td>
</tr>
<tr>
<td><strong>Animated GIF</strong></td>
<td>An animation created by combining multiple GIF images in one file. The result is multiple images, displayed sequentially, giving the appearance of movement.</td>
</tr>
<tr>
<td><strong>Applet</strong></td>
<td>A small, self-contained software application that is most often used by browsers to automatically display animation and/or to perform database queries requested by the user.</td>
</tr>
<tr>
<td><strong>Applicable Browser</strong></td>
<td>Any browser an ad will impact, regardless of whether it will play the ad.</td>
</tr>
<tr>
<td><strong>ARF</strong></td>
<td>The Advertising Research Foundation (ARF) is the premiere advertising industry association for creating, aggregating, synthesizing and sharing the knowledge required by decision makers in the field.</td>
</tr>
<tr>
<td><strong>Artifacting</strong></td>
<td>Distortion that is introduced into audio or video by the compression algorithm (codec). Compressed images may have stray pixels that were not present in the original image. (See codec.)</td>
</tr>
<tr>
<td><strong>ASCAP</strong></td>
<td>The American Society of Composers, Authors and Publishers is a membership association of over 240,000 U.S. composers, songwriters, lyricists, and music publishers. ASCAP protects the rights of its members by licensing and distributing royalties for the non-dramatic public performances of their copyrighted works.</td>
</tr>
<tr>
<td><strong>Aspect Ratio</strong></td>
<td>The width-to-height ratio of a picture or video frame. TV broadcasts at a 4:3 (1.33:1) aspect ratio; Digital TV will be broadcast with a 16:9 (1.78:1) ratio; and most feature films are shot in at least a 1.85:1 ratio. Imus have an aspect ratio of 6:5 (330x250; 336x280; and 180x150).</td>
</tr>
<tr>
<td><strong>Avatar</strong></td>
<td>A graphical representation of an individual in a game or other virtual world or environment.</td>
</tr>
<tr>
<td><strong>Anonymizer</strong></td>
<td>An intermediary that prevents Web sites from seeing a user’s Internet Protocol (IP) address.</td>
</tr>
</tbody>
</table>
**Backbone**

High-volume, central, generally “long-haul” portion of a data network.

**Bandwidth**

The transmission rate of a communications line or system, expressed as kilobits per second (kbps) or megabits per second (Mbps) for Digital systems; the amount of data that can be transmitted over communications lines in a given time.

**Bandwidth Contention**

A bottleneck that occurs when two or more files are simultaneously transmitted over a single data line. Unless the system is able to prioritize among the files, the effect is to slow delivery of each.

**Banner**

A graphic that appears on a Web page that is usually hyperlinked to an advertisers Web site. May be in a variety of formats including GIF, JPEG, Flash, HTML, Java, JavaScript & more. Many ads are animated.gifs since animation has been shown to be more effective. The standard banner is 468 pixels wide by 60 pixels high.

**Barter**

The exchange of goods and services without the use of cash. The value of the barter is the dollar value of the goods and services being exchanged for advertising. This is a recognized form of revenue under GAAP (Generally Accepted Accounting Principles).

**Behavioral Targeting**

A technique used by online publishers and advertisers to increase the effectiveness of their campaigns. Behavioral targeting uses information collected on an individual’s Web browsing behavior such as the pages they have visited or the searches they have made to select which advertisements to be displayed to that individual. Practitioners believe this helps them deliver their online advertisements to the users who are most likely to be influenced by them.

**Beta**

A test version of a product, such as a Web site or software, prior to final release.

**Bit Bucket**

Where delivered Digital items end up that are never received. Also, a mythical place for lost Digital items.

**Bit Rate**

A measure of bandwidth that indicates how fast data is traveling from one place to another on a computer network. Bit rate is usually expressed in kilobits per second (kbps) or megabits per second (Mbps).

**Blogs/Blogging**

Blog is short for the term Web Log. A blog is essentially a publicly accessible online journal that is frequently updated by a particular individual regarding a specific topic. The action of updating a blog is called blogging. Blog postings are generally short and informal, and blog software is generally free and very easy for individual users, making it a popular tool for online diaries as well as more professional publications.

**Bonus Impressions**

Additional ad impressions above the commitments outlined in the approved insertion order.

**Booked Space**

Web site advertising space that is already sold or otherwise unavailable to receive new campaign commitments.

**Bot**

Software that runs automatically without human intervention. Typically, a bot is endowed with the capability to react to different situations it may encounter. Two common types of bots are agents and spiders. Bots are used by companies like search engines to discover Web sites for indexing. Short for “robot.”
**Brand Awareness**

Research studies can associate ad effectiveness to measure the impact of online advertising on key branding metrics.

**Branding**

A traditional advertising method used to create an acquired response from a target audience based on cumulative impressions and positive reinforcement. These ads are not purchase for the sole purpose generating a click or visitor. They are geared towards increased product or company name awareness and lifelong customers.

**BREW**

Binary Runtime Environment for Wireless. Technology solution for wireless delivery and applications developed by Qualcomm.

**Broadband**

An Internet connection that delivers a relatively high bit rate—any bit rate at or above 256 Kbps. Cable modems and DSL all offer broadband connections.

**Broadband Video Commercials**

TV-like advertisements that may appear as in-page video commercials or before, during, and/or after a variety of content in a player environment including but not limited to, streaming video, animation, gaming, and music video content. Broadband video commercials may appear in live, archived, and downloadable streaming content.

**Browser**

A computer software program that enables one to access and view text or graphical Web pages on the World Wide Web.

**BtoB/B2B**

Business to Business. For companies whose primary customers are other businesses.

**BtoC/B2C**

Business to Consumer. For companies whose primary customers are consumers.

**Buffering**

When a streaming media player temporarily stores portions of a streaming media (e.g., audio or video) file on a client PC until there is enough information for the stream to begin playing.

**Button**

An online advertisement in the form of a small graphic image that typically resides in the margin of a Web page. Buttons are typically 88x31 pixels. These are often very cost effective and popular to generate traffic to your business.

**Cable Modem**

A device that permits high speed connectivity to the Internet over a cable television system.

**Cache**

Memory used to temporarily store the most frequently requested content/files/pages in order to speed its delivery to the user. Caches can be local (i.e., On a browser) or on a network. In the case of local cache, most computers have both memory (RAM), and disk (hard drive) cache.

**Cache Busting**

The process by which sites or servers serve content or HTML in such a manner as to minimize or prevent browsers or proxies from serving content from their cache. This forces the user or proxy to fetch a fresh copy for each request. Among other reasons, cache busting is used to provide a more accurate count of the number of requests from users.

**Cached Ad Impressions**

The delivery of an advertisement to a browser from local cache or a proxy server’s cache. When a user requests a page that contains a cached ad, the ad is obtained from the cache and displayed.
Caching

The process of copying a Web element (page or ad) for later reuse. On the Web, this copying is normally done in two places: in the user’s browser and on proxy servers. When a user makes a request for a Web element, the browser looks into its own cache for the element; then a proxy, if any; followed by the intended server. Caching is done to reduce redundant network traffic, resulting in increased overall efficiency of the Internet.

CAPTCHAs

Visually distorted letters and numbers that some Web sites require users to enter prior to creating a user account or accessing a site. Term is an acronym derived from: Completely Automated Public Turing Test to Tell Computers and Humans Apart, which was coined by computer scientists at Carnegie Mellon.

CARU

(The Children’s Advertising Review Unit) Division of the Council of Better Business Bureaus that reviews advertising and promotional material directed at children in all media. (See caru.org for more information.)

CGI Script

(Common Gateway Interface) CGI’s are used to allow a user to pass data to a Web server, most commonly in a Web-based form. Specifically, CGI scripts are used with forms such as pull-down menus or text-entry areas with an accompanying submit button. The input from the form is processed by a program (the CGI script itself) on a remote Web server.

Channel

1) A band of similar content; 2) a type of sales outlet (also known as channel of distribution), for example retail, catalogue, or e-commerce.

Chat

Online interactive communication between two or more people on the Web. One can “talk” in real time with other people in a chat room, typically by typing, though voice chat is available.

Chat Room

An area online where people can communicate with others in real-time.

Chrome


Click Fraud

The illegal practice of clicking on advertisements (typically banner ads and text links) to increase the payable number of click throughs to the advertiser. Clicks of this kind occur by individuals manually clicking the advertising links or by software programmed to automatically click on advertisements. There are two primary motives for this behavior: 1) Increase ad revenues of online publishers; or 2) deplete a competitor’s advertising budget.

Click Rate

Ratio of ad clicks to ad impressions.

Clicks

1) Metric that measures the reaction of a user to an Internet ad. There are three types of clicks: click-throughs; in-unit clicks; and mouseovers; 2) the opportunity for a user to download another file by clicking on an advertisement, as recorded by the server; 3) the result of a measurable interaction with an advertisement or key word that links to the advertiser’s intended Web site or another page or frame within the Web site; 4) metric that measures the reaction of a user to linked editorial content. (See also, click-through, in-unit clicks and mouseover.)

Clickstream

1) The electronic path a user takes while navigating from site to site, and from page to page within a site; 2) a comprehensive body of data describing the sequence of activity between a user’s browser and any other Internet resource, such as a Web site or third party ad server.
Clickthrough

The action of following a link within an advertisement or editorial content to another Web site or another page or frame within the Web site. Ad click-throughs should be tracked and reported as a 302 redirect at the ad server and should filter out robotic activity.

Clickthrough Rate

The response rate of an online advertisement, expressed as a percentage and calculated by taking the number of clickthroughs the ad received, dividing that number by the number of impressions and multiplying by 100 to obtain a percentage.

Example: 20 clicks / 1,000 impressions = .02 x 100 = 2% CTR

Clickthrough Ratio

(CTR) The rate of ads clicked on to total ads displayed. A typical CTR is 0.5% (1 in 200). The click-thru ratio of an advertising creative is one measure of its effectiveness.

Clickwithin

Similar to click down or click. But more commonly, click-withins are ads that allow the user to “drill down” and click, while remaining in the advertisement, not leaving the site on which they are residing.

Client

A computer or software program that contacts a server to obtain data via the Internet or another network. Internet explorer, Outlook, and other browsers and e-mail programs are examples of software clients.

Client Initiated Ad Impression

One of the two methods used for ad counting. Ad content is delivered to the user via two methods - server-initiated and client-initiated. Client-initiated ad counting relies on the user’s browser for making requests, formatting and re-directing content. For organizations using a client-initiated ad counting method, counting should occur at the publisher’s ad server or third-party ad server, subsequent to the ad request, or later, in the process. See server-initiated ad impression.

CODEC

Acronym for compressor/decompressor. Codecs are computer algorithms that are used to compress the size of audio, video, and image files for streaming over a data network or storage on a computer. Apple’s QuickTime, Microsoft’s Windows Media Video, and MP3 are examples of common codecs.

Communication Error

The failure of a Web browser/Web server to successfully request/transfer a document.

Content & Section Sponsorship

When an advertiser exclusively sponsors a particular section of the site or e-mail (usually existing content) re-skinned with the advertiser’s branding.

Content Integration

Advertising woven into editorial content or placed in a contextual envelope. Also known as “Web advertorial.”

Contextual Ads

Existing contextual ad engines deliver text and image ads to non-search content pages. Ads are matched to keywords extracted from content. Advertisers can leverage existing keyboard-based paid search campaigns and gain access to a larger audience.

Contextual Placement

Advertising in sections with editorial content related to your business.

Contextual Search

Text links appear in an article based on the context of the content, instead of a user-submitted keyword. Payment only occurs when the link is clicked.

Cookie Buster

Software that blocks the placement of cookies on a user’s browser.
Appendix III: Glossary of Digital Advertising Terms

Cookies
A cookie is a piece of information or file that is stored on your computer by a Web browser when you visit certain Web sites. Cookies are stored as text files on your hard drive so the Web site can identify who you are.

COPPA
(Children’s Online Privacy Protection Act) Congress enacted the COPPA in 1998 to prohibit unfair or deceptive acts or practices in connection with the collection, use, or disclosure of personally identifiable information from and about children on the Internet.

COPPR
(Children’s Online Privacy Protection Rule) Issued by the FTC in October 1999, the Children’s Online Privacy Protection Rule went into effect on April 21, 2000, and implements the requirements of the COPPA by requiring operators of Web sites or online services directed to children and operators of Web sites or online services who have actual knowledge that the person from whom they seek information is a child (1) to post prominent links on their Web sites to a notice of how they collect, use, and/or disclose personal information from children; (2) with certain exceptions, to notify parents that they wish to collect information from their children and obtain parental consent prior to collecting, using, and/or disclosing such information; (3) not to condition a child’s participation in online activities.

Cost per Click
(CPC) Advertising fee associated with performance-based campaigns, especially with keyword campaigns on search engines like Google and Yahoo!. Advertisers pay the search company or ad network for clicks only. Prices are typically auction-based.

CPC
(Cost per customer) The cost an advertiser pays to acquire a customer.

CPL
(Cost per lead) Cost of advertising based on the number of database files (leads) received.

CPM
Acronym for Cost Per Mil, which stands for cost per thousand. It is the price paid by an advertiser for a content site displaying their banner 1,000 times. For example, 1,000,000 banner impressions at a $25 CPM rate, would cost $25,000 (1,000 * $25).

CPO
CPO (Cost per order) Cost of advertising based on the number of orders received. Also called Cost-per-Transaction.

CPS
(Cost per sale) The advertiser’s cost to generate one sales transaction. If this is being used in conjunction with a media buy, a cookie can be offered on the content site and read on the advertiser’s site after the successful completion of an online sale.

CPT
(Cost per transaction) See CPO (Cost-per-Order).

CPTM
(Cost Per Targeted Thousand Impressions) Implying that the audience one is trying to reach is defined by particular demographics or other specific characteristics, such as male golfers age 18-25. The difference between CPM and CPTM is that CPM is for gross impressions, while CPTM is for targeted impressions.

Crawler
A software program that visits Web pages to build indexes for search engines. See also spider, bot, and intelligent agent.
Creative

The materials used in advertising to convey a message. Digital creative can be text, static or animated banner and buttons.

CRM

Customer Relationship Management. This is essentially a software management system that allows a company to effectively handle customer relations. An example of a CRM would be a customer database that contains detailed information that is available at anytime in order to better meet customers’ needs.

CSS

(Cascading Style Sheet) A stylesheet language used to describe the presentation of a document written in a markup language. CSS provides a more elegant alternative to straight HTML to quickly specify the look and feel of a single Web page or a group of multiple Web pages.

CTIA

Cellular Telecommunications & Internet Association. An international organization representing all sectors of wireless communications—cellular, personal communication services and enhanced specialized mobile radio.

Cyber Cafe

A public venue, like a bar or café, that contains computers with access to the Internet.

Daughter Window

An ad that runs in a separate ad window associated with a concurrently displayed banner. In normal practice, the content and banner are rendered first and the daughter window appears thereafter.

Ddex

The Digital Data Exchange.

Demographics

Statistical data that describes the makeup of a given visitor base, and includes information such as age range, gender, education levels, and average household income. Demographic data is one of the tools used to match ad space with an advertising campaign.

DHTML

(Dynamic Hypertext Markup Language) An extended set of HTML commands that are used by Web designers to create much greater animation and interactivity than HTML.

Digital Signatures

Signatures for electronic documents. They establish identity and therefore can be used to establish legal responsibility and the complete authenticity of whatever they are affixed to—in effect, creating a tamper-proof seal.

Digital Video Server

A robust, dedicated computer at a central location that receives command requests from the television viewer through a video-on-demand application. Once it receives this request, it then instantly broadcasts specific Digital video streams to that viewer.

Display Advertising

A form of online advertising where an advertiser’s message is shown on a destination Web page, generally set off in a box at the top or bottom or to one side of the content of the page.

Domain Name

The unique name that identifies an Internet site. Every domain name consists of one top or high-level and one or more lower-level designators. Top-level domains (tlds) are either generic or geographic. Generic top-level domains include: .com (commercial); .net (network); .edu (educational); .org (organizational; public or non-commercial); .gov (governmental); .mil (military); .biz (business); .info (informational); .name (personal); .pro (professional); .aero (air transport and civil aviation); .coop (business cooperatives such as credit unions); and .museum. Geographic domains designate countries of origin, such as: .us (United States); .fr (France); .uk (United Kingdom), etc.
DPO

(Distinct Point Of Origin) A unique address from which a browser connects to a Web site on the Internet.

Drill Down

When an online user accesses more and more pages of the Web site, i.e., he or she goes deeper into the content of the site.

DRM

Digital Rights Management. Technology that manages commercial licenses and usage rights of Digital assets, and that helps protect against piracy.

DSL

(Digital Subscriber Line) A high-speed dedicated Digital circuit from a given location to the telephone company’s central office, using normal copper telephone lines. DSL is the main form of consumer broadband worldwide. DSL is a general term that includes several variations: ADSL (Asymmetric Digital Subscriber Line), ranging up to 1.5 Mbps; HDSL (High-bit-rate Digital Subscriber Line), 1.5 Mbps; SDSL (Single-line Digital Subscriber Line), 1.5 Mbps; VDSL (Very high-data-rate Digital Subscriber Line), ranging up to 2.3 Mbps; and RDSL (Rate Adaptive Digital Subscriber Line), various speeds.

DVR

(Digital Video Recorder) A high-capacity hard drive that is embedded in a set-top box, which records video programming from a television set. DVRs enable the viewer to pause, fast forward, and store TV programming. TiVo is a well-known DVR brand.

Dynamic Ad Insertion

The process by which an ad is inserted into a page in response to a user’s request. Dynamic ad placement allows alteration of specific ads placed on a page based on any data available to the placement program.

Dynamic IP Address

An IP address (assigned by an ISP to a client PC) that changes periodically.

Dynamic Rotation

Delivery of ads on a rotating, random basis so that users are exposed to different ads and ads are served in different pages of the site.

E3

Electronic Entertainment Expo. The largest event for the video games industry, held once a year each May in the United States. The event is produced by ESA.

Ecommerce

The process of selling products or services via the Web.

E-Mail Advertising

Banner ads, links or advertiser sponsorships that appear in e-mail newsletters, e-mail marketing campaigns and other commercial e-mail communications. Includes all types of electronic mail (e.g., basic text or HTML-enabled).

E-Mail Bounce

An e-mail that cannot be delivered to the mailbox provider and is sent back to the e-mail Service Provider that sent it. A bounce is classified as either “hard” or “soft.” Hard bounces are the failed delivery of e-mail due to a permanent reason, such as a non-existent address. Soft bounces are the failed delivery of e-mail due to a temporary issue, such as a full inbox or an unavailable ISP server.

E-Mail Campaign

Advertising campaign distributed via e-mail.

E-Mail Mailbox Provider

The e-mail program, and by extension the server, that hosts the targeted e-mail address.

E-Mail Preview Pane

A small window within a mailbox provider that allows the user to view some e-mail content without opening the e-mail.
E-Mail Service Provider

(ESP) A business or organization that provides the e-mail campaign delivery technology. ESPs may also provide services for marketing, advertising and general communication purposes.

Encoder

A hardware or software application used to compress audio and video signals for the purpose of streaming. (See codec.)

Encoding

Encoding - the process of compressing and separating a file into packets so that it can be delivered over a network.

Encryption

Securing Digital information so that it is unreadable without the use of Digital keys.

EPG

(Electronic Programming Guide) An application that allows the viewer to interactively select his/her television programming.

ESA

Entertainment Software Association. U.S. association that serves and represents the companies that publish video and computer games for video game consoles, personal computers, and the Internet. ESA members collectively account for more than 90 percent of the $7 billion in entertainment software sold in the United State in 2005.

ESRB

Entertainment Software Rating Board. A non-profit, self-regulatory body established in 1994 by ESA. ESRB independently assigns computer and video game content ratings, enforces industry-adopted advertising guidelines and helps ensure responsible online privacy practices for the interactive entertainment software industry.

Ethernet

A networking technology that links computers together in local area networks.

ETV

(Enhanced Television) A type of interactive television technology that allows content producers to send data and graphical “enhancements” through a small part of the regular analog broadcast signal called the Vertical Blanking Interval. These enhancements appear as overlays on the video and allow viewers to click on them if they are watching TV via special set-top box/software services.

Eula

End User License Agreement. Contractual agreement between a software publisher and a user. (Also see TOS Terms of Service.)

Expandable Banners

A banner ad that can expand to as large as 468 x 240 after a user clicks on it or after a user moves his/her cursor over the banner.

Extranet

An intranet that is partially accessible to authorized outsiders via a valid username and password.

Eyeballs

Slang term for audience; the number of people who view a certain Web site or advertisement.

Facebooking

Derivative verb from the popular college and high school Web site, Facebook.com. Represents various actions associated with using Facebook.com, such as: managing one’s profile; searching and viewing the profiles of others; sending messages; adding friends; etc.

Failure to Transfer

Content requested by a browser can fail to transfer if the page is abandoned by the browser that requested it (see abandon) or if the server is unable to send the complete page, including the ads (known as an error or a communications error).
**Family/Ad Family**

A collection of one or more ad creatives. Also called ad campaign.

**Favicon**

Favorites Icon. Small icon associated with bookmarks used in Web browsers.

**Fiber Optic Cable**

Strands of glass used to transmit data—encoded as light—at extremely high data rates. Fiber optics is widely deployed in backbone data networks today and is beginning to be used for “last-mile” broadband connections as well.

**Filtering**

The process of removing robotic activity and error codes from measurement records to make the remaining records representative of valid human Internet actions.

**Filtration Guidelines**

IAB voluntary guidelines for removing non-human activity in the reported measurement of ad impressions, page impressions, unique visitors and clicks.

**FIOS**

Acronym for Fiber Optic Service and is pronounced “Fye-Ose.” FIOS uses fiber optic cables to provide high speed Internet access to users at amazingly high speeds.

**Firefox**

A popular open-source Web browser.

**Firewall**

A security barrier controlling communication between a personal or corporate computer network and the Internet. A firewall is based on rules that allow and disallow traffic to pass, based on the level of security and filtering a network administrator wishes to employ.

**Flame**

An inflammatory opinion or criticism distributed by e-mail or posted on a newsgroup or message board.

**Flash**

Flash is a graphic animation program from Macromedia. Use of Flash in programming enables movies and animation to move seamlessly across a Web browser.

**Floating Ads**

An ad or ads that appear within the main browser window on top of the Web page’s normal content, thereby appearing to “float” over the top of the page.

**Fold**

The line below which a user has to scroll to see content not immediately visible when a Web page loads in a browser. Ads or content displayed “above the fold” are visible without any end-user interaction. Monitor size and resolution determine where on a Web page the fold lies.

**Frame Rate**

The number of frames of video displayed during a given time. The higher the frame rate, the higher the quality of the image.

**Frames**

Multiple, independent sections used to create a single Web page. Each frame is built as a separate HTML file but with one “master” file to control the placement of each section. When a user requests a page with frames, several files will be displayed as panes. Sites using frames report one page request with several panes as multiple page requests. IAB ad campaign measurement guidelines call for the counting of one file per frame set as a page impression.

**Frequency**

A term used to describe the number of times the same advertisement is shown to the same visitor during a particular session or time frame. This can be accomplished through the use of cookies.
FTP
Acronym for File Transfer Protocol. It is standard operation for downloading and uploading files over the Internet.

FTTH
(Fiber To The Home) Advanced, next generation data networking infrastructure being deployed by some Telco’s and other companies to provide faster broadband Internet connectivity and other services.

Geofiltering
The business practice of restricting access to content by geographic areas. Plays a critical role in the syndication of television content in order to prevent channel conflict and market saturation among local and international TV stations.

Geotargeting
Displaying (or preventing the display of) content based on automated or assumed knowledge of an end user’s position in the real world. Relevant to both PC and mobile data services.

Gigabyte
One gigabyte equals 1000 megabytes.

GPRS
(General Packet Radio Service) Digital mobile radio technology permitting moderate data rates along with voice communication. Evolution from the GSM standard; referred to as “2.5 G.” See 3G.

Graphic Interchange Format
(GIF) A common graphics format that can be displayed on almost all Web browsers. Gifs typically display in 256 colors and have built-in compression. Static or animated GIF images are the most common form of banner creative.

Gross Exposures
The total number of times an ad is served, including duplicate downloads to the same person.

GSM
Global System for Mobile

Guerilla Marketing
Campaign tactic involving the placement of often humorous brand-related messages in unexpected places either online or in the real world; intended to provoke word-of-mouth and build buzz.

GUI
(Graphical User Interface) A way of enabling users to interact with the computer using visual icons and a mouse rather than a command-line prompt/interpreter.

HDTV
(High Definition Television) A higher quality signal resolution using a Digital format for the transmission and reception of TV signals. HDTV provides about five times more picture information (picture elements or pixels) than conventional television, creating clarity, wider aspect ratio, and Digital quality sound.

Head End
The site in a cable system or broadband coaxial network where the programming originates and the distribution network starts. Signals are usually received off the air from satellites, microwave relays, or fiber-optic cables at the head end for distribution.

Heuristic
A way to measure a user’s unique identity. This measure uses deduction or inference based on a rule or algorithm that is valid for that server. For example, the combination of IP address and user agent can be used to identify a user in some cases. If a server receives a new request from the same client within 30 minutes, it is inferred that a new request comes from the same user and the time since the last page request was spent viewing the last page. Also referred to as an inference.
History List

A menu in a Web browser that displays recently visited sites. The same mechanism makes it possible for servers to track where a browser was before visiting a particular site.

Hit

When users access a Web site, their computer sends a request to the site’s server to begin downloading a page. Each element of a requested page (including graphics, text, and interactive items) is recorded by the site’s Web server log file as a “hit.” If a page containing two graphics is accessed by a user, those hits will be recorded once for the page itself and once for each of the graphics. Webmasters use hits to measure their servers’ workload. Because page designs and visit patterns vary from site to site, the number of hits bears no relationship to the number of pages downloaded, and is therefore a poor guide for traffic measurement.

HMS

Home Media Server.

Home Page

The page designated as the main point of entry of a Web site (or main page) or the starting point when a browser first connects to the Internet. Typically, it welcomes visitors and introduces the purpose of the site, or the organization sponsoring it, and then provides links to other pages within the site.

Host

Any computer on a network that offers services or connectivity to other computers on the network. A host has an IP address associated with it.

Hosting

Hosting refers to the housing of a Web site, e-mail or domain on another server.

Hotlists

Pull-down or pop-up menus often displayed on browsers or search engines that contain new or popular sites.

House Ads

Ads for a product or service from the same company. “Revenues” from house ads should not be included in reported revenues.

HTML

(Hypertext Markup Language) A set of codes called markup tags in a plain text file that determine what information is retrieved and how it is rendered by a browser. There are two kinds of markup tags: anchor and format. Anchor tags determine what is retrieved, and format tags determine how it is rendered. Browsers receive HTML pages from the Internet and use the information to display text, graphics, links and other elements as they were intended by a Web site’s creator.

HTTP

(Hypertext Transfer Protocol) The format most commonly used to transfer documents on the World Wide Web.

Hybrid Campaign

An advertising campaign model base on combining different individual pricing models into one. A CPM/CPC hybrid campaign combines the benefits of branding and direct response during the same campaign to maximize ROI.

Hybrid Pricing

Pricing model that is based on a combination of a CPM pricing model and a performance-based pricing model. See CPM pricing model and performance-based pricing model.

Hyperlink

A clickable link, e.g., on a Web page or within an e-mail, that sends the user to a new URL when activated.

Hypertext

Any text that contains links connecting it with other text or files on the Internet.
IAB
Interactive Advertising Bureau (IAB) is the leading online global advertising industry trade association. IAB activities include evaluating and recommending standards and practices, fielding research to document the effectiveness of the online medium and educating the advertising industry about the use of online and Digital advertising. See iab.net for more information.

IEMA
The Interactive Entertainment Merchants Association. Non-profit U.S. trade organization that serves the business interests of leading retailers that sell interactive entertainment software (including video and computer games, multimedia entertainment, peripherals and other software).

Image Map
A GIF or JPEG image with more than one linking hyperlink. Each hyperlink or hot spot can lead to a different destination page.

Impression
Also called an ad or page impression. The display of a single creative to a visitor on a Web site. A single page view can have more than one impression if both banners and buttons are used.

Infosite
A dynamic, searchable Web site about your business that is available 24 hours a day, 7 days a week.

Insertion
Actual placement of an ad in a document, as recorded by the ad server.

Insertion Order
Purchase order between a seller of Digital advertising and a buyer (usually an advertiser or its agency).

Instant Messaging
(IM) A method of communicating in real-time, one-to-one or in groups over the Internet. Users assemble “buddy lists” that reflect the availability (or “presence”) of people with whom they communicate.

Intelligent Agents
Software tools that help the user find information of specific interest to him/her. The user’s profile is continually refined and improved based on the user’s acceptance or rejection of recommendations over time.

Interactive Advertising
All forms of online, wireless and interactive television advertising, including banners, sponsorships, e-mail, keyword searches, referrals, slotting fees, classified ads and interactive television commercials.

Internal Page Impressions
Web site activity that is generated by individuals with IP addresses known to be affiliated with the Web site owner. Internal activity that is associated with administration and maintenance of the site should be excluded from the traffic or measurement report.

Internet
The worldwide system of computer networks providing reliable and redundant connectivity between disparate computers and systems by using common transport and data protocols known as TCP/IP.

Interstitial Ads
Ads that appear between two content pages. Also known as transition ads, intermecial ads and splash pages.

Intranet
An Intranet is a network that is only available within a company. It is usually private and should only be available internally to employees and approved partners.
Appendix III: Glossary of Digital Advertising Terms

**In unit Click**
A measurement of a user-initiated action of responding to an ad element that generally causes an intra-site redirect or content change. In-unit clicks are usually tracked via a 302 redirect. Also known as click-downs, click-ups and click-withins. (See ad click; 302 redirect.)

**Inventory**
The number of ads available for sale on a Web site.

**IP**
(Internet Protocol) A protocol telling the network how packets are addressed and routed.

**IP Address**
Internet protocol numerical address assigned to each computer on the Internet so that its location and activities can be distinguished from those of other computers. The format is ##.##.##.## with each number ranging from 0 through 255 (e.g. 125.45.87.204)

**IRC**
(Internet Relay Chat) 1) a facility that allows people to chat in real time. The chats, or forums, are typed remarks, and they can be either public or private; 2) a protocol that allows users to converse with others in real time. IRC is structured as a network of servers, each of which accepts connections from client programs.

**IRL**
In Real Life. Acronym used by members of virtual communities, like Second Life, to distinguish between people and activities in online virtual worlds from those in the real world.

**ISDN**
(Integrated Services Digital Network) Faster-than-dial-up connections to the Internet over copper phone wires. DSL has in large part replaced ISDN. (See DSL.)

**ISP**
Internet Service Provider. A company that provides consumers and companies access to the Internet. Earthlink and AOL are two widely used services. ISP’s offer services through the following types of connections: dial-up phone lines; DSL phone lines; cable connections; and cellular connections.

**ITV**
(Interactive Television) Any technology that allows for two-way communication between the audience and the television service provider (such as the broadcaster, cable operator, set-top box manufacturer).

**Java®**
A programming language designed for building applications on the Internet. It allows for advanced features, increased animation detail and real-time updates. Small applications called Java applets can be downloaded from a server and executed by Java-compatible browsers like Microsoft Internet Explorer and Netscape Navigator.

**JPEG**
(Joint Photographic Experts Group) Standard Web graphic file format that uses a compression technique to reduce graphic file sizes. JPEG (or most commonly used JPG) is a newer format than GIF.

**Jump Page Ad**
Micro site that is reached via click-through from button or banner ad. The jump page itself can list several topics, which are linked to either the advertiser’s site or the publisher’s site.

**Junk E-mail Folder**
A folder within an e-mail client or on an E-mail Service Provider server that stores e-mail messages that are identified, either by the user or by an automated spam filter, as undesired or undesirable.
## Appendix III: Glossary of Digital Advertising Terms

### Keyword
Specific word(s) entered into a search engine by the user that result(s) in a list of Web sites related to the key word. Keywords can be purchased by advertisers in order to embed ads linking to the advertiser’s site within search results (see “Search engine marketing.”)

### Lag
The delay between making an online request or command and receiving a response. (See latency.)

### LAN
(Local Area Network) A group of computers connected together (a network) at one physical location.

### Large Rectangle
An IMU size. The IAB’s voluntary guidelines include seven Interactive Marketing Unit (IMU) ad formats; two vertical units and five large rectangular units.

### Latency
1) Time it takes for a data packet to move across a network connection; 2) visible delay between request and display of content and ad. Latency sometimes leads to the user leaving the site prior to the opportunity to see. In streaming media, latency can create stream degradation if it causes the packets, which must be received and played in order, to arrive out of order.

### LBS
(Location Based Service) Mobile data service related to an end user’s immediate location. Examples include store or service locators and friend finders.

### Lead Generation
Fees advertisers pay to Internet advertising companies that refer qualified purchase inquiries (e.g., auto dealers that pay a fee in exchange for receiving a qualified purchase inquiry online) or provide consumer information (demographic, contact, and behavioral) where the consumer opts into being contacted by a marketer (e-mail, postal, telephone, fax). These processes are priced on a performance basis (e.g., cost-per-action, -lead or -inquiry), and can include user applications (e.g., for a credit card), surveys, contests (e.g., sweepstakes) or registrations.

### Link
A clickable connection between two Web sites. Formally referred to as a hyperlink.

### Link Popularity
Checking your link popularity measures the quantity of sites that link back to your Web site.

### Listserv
A mailing list comprised of e-mail addresses.

### List Server
A program that automatically sends e-mail to a list of subscribers or listserv.

### Log File
A file that records transactions that have occurred on the Web server. Some of the types of data that are collected are: date/time stamp, URL served, IP address of requestor, status code of request, user agent string, previous URL of requestor, etc. Use of the extended log file format is preferable.

### Login
The identification or name used to access a computer, network or site.
Lurker

An online user that regularly reads the online posts of others, while never posting his or her own, thus remaining unknown to the online community.

Mailing List

An automatically distributed e-mail message on a particular topic going to certain individuals.

Makegoods

Additional ad impressions that are negotiated in order to make up for the shortfall of ads delivered versus the commitments outlined in the approved insertion order.

Mash Up

A mash up is the end result of combining content from more than one source to create a new form of content or application. Music and video smashups are two prevalent examples of this genre.

Mcommerce

Mobile commerce, the ability to conduct monetary transactions via a mobile device, such as a WAP-enabled cell phone.

Meta Tags

A meta tag is a special element of HTML that describes the contents of a Web page. It is placed at the beginning of a Web page’s source code. Meta tags are very important for search engine optimization, and meta tags allow search engines to index pages by subject.

Microsites

Multi-page ads accessed via click-through from initial ad. The user stays on the publisher’s Web site, but has access to more information from the advertiser than a display ad allows.

Midroll

Form of online video ad placement where the ad is played during a break in the middle of the content video. (See Preroll and Postroll.)

MIME

(Multipurpose Internet Mail Extensions) A method of encoding a file for delivery over the Internet.

MMA

Mobile Marketing Association Industry trade organization dedicated to facilitating the growth of advertising on mobile phones.

MMORPG

(Massively Multiplayer Role-Playing Game) Any of a variety of three dimensional, highly immersive, PC or console based video games where many players interact, competing or co-operating to achieve goals in real time.

Modem

Device that transfers Digital signals to analog signals and vice versa suitable for sending across phone or cable lines.

Moore’s Law

A key observation regarding the growth in computer power experienced over the past several decades. Gordon Moore of Intel stated that the speed of semiconductor processors doubles every 18 months. So far this has remained true.

Mouseover

The process by which a user places his/her mouse over a media object, without clicking. The mouse may need to remain still for a specified amount of time to initiate some actions.

MP3

Codec most commonly used for Digital music online. Generic term for any Digital music file, regardless of codec used to create or play it.

MPEG

1) The file format that is used to compress and transmit movies or video clips online; 2) standards set by the Motion Picture Exports Group for video media.
Media Rating Council

[MRC] A non-profit trade association dedicated to assuring valid, reliable and effective syndicated audience research. The MRC performs audits of Internet measurements as well as traditional media measurements.

MSO

[Multiple System Operator] A generic industry acronym for a cable TV system operator; more correctly, any cable network operator with more than one cable TV system.

MVNO

Mobile Virtual Network Operator. An MVNO is a mobile service operator that does not own its own wireless spectrum and typically does not have its own network infrastructure. Instead, MVNO's partner with traditional mobile operators, like Sprint and Verizon, to buy minutes of use (MOU) for sale to their own customers, while providing value-added services and custom content. Example MVNOs include: Mobile ESPN, Virgin Mobile, Amp'd Mobile, and Helio.

NAB

National Association of Broadcasters. A full-service trade association that represents the interests of free, over-the-air radio and television broadcasters.

NAI

(Network Advertising Initiative) A cooperative group of network advertisers that has developed a set of privacy principles in conjunction with the Federal Trade Commission. The NAI provides consumers with explanations of Internet advertising practices and how they affect both consumers and the Internet. See networkadvertising.org for more information.

NATPE

The National Association of Television Program Executives. A global, non-profit organization dedicated to the creation, development and distribution of televised programming in all forms across all mature and emerging media platforms.

Navigation

Navigation is the process of moving from one Web site to another or on a particular Web site. This action is created by clicking on links that take you to different sections of the Web site. When developing a Web site it is important to have excellent Navigation so visitors can easily move around your site.

Netiquette

A term that is used to describe the informal rules of conduct (“do's and don’ts”) of online behavior.

New Visitors

A new visitor is someone with a unique IP address who is visiting a Web site for the first time.

Newsgroup

An electronic bulletin board devoted to talking about a specific topic and open to everybody. Only a handful of newsgroups permit the posting of advertising.

Nonqualifying Page Impressions

Page impressions that should be excluded from traffic or measurement reports, such as unsuccessful transfers of requested documents, successful transfers of requested documents to a robot or spider, and/or pages in a frame set. See frames.

Nonregistered User

Someone who visits a Web site and elects not to, or is not required to, provide certain information, and hence may be denied access to part(s) of the site.

NSFW

Not safe for work. Acronym used to label links to sites that may contain inappropriate content for corporate environments, such as pornography.

Offsite Measurement

When a site forwards its log files to an off-site Web research service for analysis.
On Demand

The ability to request video, audio, or information to be sent to the screen immediately by clicking something on the screen referring to that choice.

Onsite Measurement

When a server has an appropriate software program to measure and analyze traffic received on its own site.

Online Privacy Alliance

A group of corporations and associations who have come together to introduce and promote business-wide actions that create an environment of trust and foster the protection of individuals’ privacy online. See privacyalliance.org for more information.

Online Publishers’ Association

Trade association representing a segment of online publishers. See online-publishers.org for more information.

Optimization

Optimization involves making changes to individual Web pages in order to improve the positioning of that page with one or more search engines.

Opt in

Refers to an individual giving a company permission to use data collected from or about the individual for a particular reason, such as to market the company’s products and services. (See permission marketing.)

Opt in E-mail

E-mail received based on a user’s choice to opt-in by their choice to be on a mailing list that will be of interest to them. More often than not, opt-in is the default and user action, such as a check box is required to opt-out.

Opt out

When a company states that it plans to market its products and services to an individual unless the individual asks to be removed from the company’s mailing list.

OTS

(Opportunity to See) Same as page display—when a page is successfully displayed on the user’s computer screen.

P3P

(Platform For Privacy Preferences Project) Browser feature that will analyze privacy policies and allow a user to control their privacy needs.

Packet Sniffer

A program used to monitor and record activity and to detect problems with Web transactions on a network.

Page

A document having a specific URL and comprised of a set of associated files. A page may contain text, images, and other online elements. It may be static or dynamically generated. It may be made up of multiple frames or screens, but should contain a designated primary object that, when loaded, is counted as the entire page.

Page Display

When a page is successfully displayed on the user’s computer screen.

Page Impression

A measurement of responses from a Web server to a page request from the user’s browser, which is filtered from robotic activity and error codes, and is recorded at a point as close as possible to the opportunity to see the page by the user.

Page Request

The opportunity for an HTML document to appear on a browser window as a direct result of a user’s interaction with a Web site.

Page Views

A page view counts the number of times a specific Web page has been accessed or viewed. Page views are often used to determine a Web site’s traffic.
<table>
<thead>
<tr>
<th><strong>Paid Inclusion</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees that a marketer’s URL is indexed by a search engine. The listing is determined by the engine’s search algorithms.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Paid Listing</strong></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Text links appear at the top or side of search results for specific keywords. The more a marketer pays, the higher the position it gets. Marketers only pay when a user clicks on the text link.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Password</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A group of letters and/or numbers that allow a user access to a secured Web site.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Pay per click</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>An advertising pricing model in which advertisers pay agencies and/or media companies based on how many users clicked on an online ad or e-mail message. (See CPC.)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Pay per impression</strong></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>An advertising pricing model in which advertisers pay based on how many users were served their ads. (See CPM.)</td>
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</table>

<table>
<thead>
<tr>
<th><strong>Pay per lead</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>An advertising pricing model in which advertisers pay for each “sales lead” generated. For example, an advertiser might pay for every visitor that clicked on an ad or site and successfully completed a form. (See CPL.)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Pay per sale</strong></th>
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<tbody>
<tr>
<td>An advertising pricing model in which advertisers pay agencies and/or media companies based on how many sales transactions were generated as a direct result of the ad. (See CPS.)</td>
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</table>

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<thead>
<tr>
<th><strong>PDF</strong></th>
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</thead>
<tbody>
<tr>
<td>(Portable Document Format) A Digital format developed by Adobe used primarily for distributing Digital text files. Files with a .pdf extension can be viewed and printed consistently by anyone, regardless of platform.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Peer to peer</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(P2P) The transmission of a file from one individual to another, typically through an intermediary. Individuals sharing files via P2P do not necessarily know one another; rather applications like BitTorrent manage file transmissions from those who have part or the entire file to those who want it.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th><strong>Performance Pricing Model</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>An advertising model in which advertisers pay based on a set of agreed upon performance criteria, such as a percentage of online revenues or delivery of new sales leads. (See CPA, CPC, CPL, CPO, CPS, CPT.)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Permission Marketing</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>When an individual has given a company permission to market its products and services to the individual. (See opt-in.)</td>
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</table>

<table>
<thead>
<tr>
<th><strong>Persistent Cookie</strong></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Cookies that remain on a client hard drive until they expire (as determined by the Web site that set them) or are deleted by the end user.</td>
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</table>

<table>
<thead>
<tr>
<th><strong>PII</strong></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>(Personally Identifiable Information) Refers to information such as an individual’s name, mailing address, phone number or e-mail address.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th><strong>Pin</strong></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>(Personal Identification Number) A group of numbers that allow a unique user access to a secured Web site and/or a secure area of a Web site. (See password.)</td>
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</table>

<table>
<thead>
<tr>
<th><strong>Pixel</strong></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Picture element (single illuminated dot) on a computer monitor.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th><strong>PlaceShifting</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Viewing content remotely, or from a non-standard location. An example of this is SlingMedia’s TV set-top box that enables users to view their home TV programming (both live and content on a DVR) remotely through an Internet connection.</td>
<td></td>
</tr>
</tbody>
</table>
Appendix III: Glossary of Digital Advertising Terms

**Platform**

The type of computer or operating system on which a software application runs, e.g., Windows, Macintosh or Unix.

**PLI**

(Privacy Leadership Initiative) A partnership of CEOs from 15 corporations and 9 business associations using research to create a climate of trust that will accelerate acceptance of the Internet and the emerging Information Economy, both online and offline, as a safe and secure marketplace. See understandingprivacy.org for more information.

**Plug-In**

A program application that can easily be installed and used as part of a Web browser. Once installed, plug-in applications are recognized by the browser and their function integrated into the main HTML file being presented.

**PMP**

Personal Media Player. Examples include: iPod, PSP, MP3 players, etc.

**Pop under Ad**

A pop-under is a form of online advertising and is displayed in a new browser window behind your current browser window.

**Pop up Ad**

A pop-up ad is a form of online advertising that is new browser window in front of your current browser window.

**Pop up Transitional**

Initiates play in a separate ad window during the transition between content pages. Continues while content is simultaneously being rendered. Depending primarily on line-speed, play of a transitional ad may finish before or after content rendering is completed.

**Portal**

A Web site that often serves as a starting point for a Web user’s session. It typically provides services such as search, directory of Web sites, news, weather, e-mail, homepage space, stock quotes, sports news, entertainment, telephone directory information, area maps, and chat or message boards.

**Posting**

Entry on a message board, blog, or other chronological online forum.

**Postroll**

Form of online video ad placement where the advertisement is played after the content video plays. (See Preroll and Midroll.)

**Precaching**

Storing advertising or content in a computer’s RAM or hard disk memory before it is displayed on the user’s screen, rather than at the time that it plays, to reduce delays in rendering. (See cache, caching.)

**Preroll**

Form of online video ad placement where the advertisement is played before the content video plays. (See Postroll and Midroll)

**Privacy Policy**

A statement about what information is being collected; how the information being collected is being used; how an individual can access his/her own data collected; how the individual can opt-out; and what security measures are being taken by the parties collecting the data.

**Privacy Seal Program**

A program that certifies the Web site owner complies with the site’s proposed policy. Examples include truste and bbbonline.

**Process Audit**

Third party validation of internal control processes associated with measurement. (See audit.)
Profiling

The practice of tracking information about consumers’ interests by monitoring their movements online. This can be done without using any personal information, but simply by analyzing the content, URLs, and other information about a user’s browsing path/click-stream.

Protocol

A uniform set of rules that enable two devices to connect and transmit data to one another. Protocols determine how data are transmitted between computing devices and over networks. They define issues such as error control and data compression methods. The protocol determines the following: type of error checking to be used, data compression method (if any), how the sending device will indicate that it has finished a message and how the receiving device will indicate that it has received the message. Internet protocols include TCP/IP (Transfer Control Protocol/Internet Protocol), HTTP (Hypertext Transfer Protocol), FTP (File Transfer Protocol), and SMTP (Simple Mail Transfer Protocol).

Proxy Servers

Intermediaries between end users and Web sites such as isps, commercial online services, and corporate networks. Proxy servers hold the most commonly and recently used content from the Web for users in order to provide quicker access and to increase server security.

Push Advertising

Pro-active, partial screen, dynamic advertisement that comes in various formats.

PVR

Acronym for “Personal Video Recorder.” (See DVR.)

Query

A request for information, usually to a search engine.

Rate Card

The list of advertising prices and products and packages offered by a media company.

Reach

1) unique users that visited the site over the course of the reporting period, expressed as a percent of the universe for the demographic category; also called unduplicated audience; 2) the total number of unique users who will be served a given ad.

Real Time

Events that happen “live” at a particular moment. When one chats in a chat room, or sends an instant message, one is interacting in real time.

Redirect

When used in reference to online advertising, one server assigning an ad-serving or ad-targeting function to another server, often operated by a third company. For instance, a Web publisher’s ad management server might re-direct to a third-party hired by an advertiser to distribute its ads to target customers; and then another re-direct to a “rich media” provider might also occur if streaming video were involved before the ad is finally delivered to the consumer. In some cases, the process of re-directs can produce latency. (See ad serving, latency.)

Referral Fees

Fees paid by advertisers for delivering a qualified sales lead or purchase inquiry.

Referral Link

The referring page, or referral link is a place from which the user clicked to get to the current page. In other words, since a hyperlink connects one URL to another, in clicking on a link the browser moves from the referring URL to the destination URL. Also known as source of a visit.

Registration

A process for site visitors to enter information about themselves. Sites use registration data to enable or enhance targeting of content and ads. Registration can be required or voluntary.
Appendix III: Glossary of Digital Advertising Terms

Repeat Visitor

Unique visitor who has accessed a Web site more than once over a specific time period.

Return on Investment

(ROI) The actual or perceived future value of an expense or investment. Ad campaign ROI is a metric that attempts to determine what the advertiser receives in return for the cost of the advertising, usually in terms of new sales.

Return Visits

The average number of times a user returns to a site over a specific time period.

RIAA

Recording Industry Association of America. The trade group that represents the U.S. recording industry. RIAA members create, manufacture and/or distribute approximately 90% of all legitimate sound recordings produced and sold in the United States.

Rich Media

Advertisements with which users can interact (as opposed to solely animation) in a Web page format. These advertisements can be used either singularly or in combination with various technologies, including but not limited to sound, video, or Flash, and with programming languages such as Java, JavaScript, and DHTML. These Guidelines cover standard Web applications including e-mail, static (e.g. Html) and dynamic (e.g. Asp) Web pages, and may appear in ad formats such as banners and buttons as well as transitionals and various over-the-page units such as floating ads, page take-overs, and tear-backs.

Road Block

A method by which an advertiser can “own” a Web page or section by purchasing the impressions inventory for a set time period so that only their advertisement will appear to visitors each time, or the first time that they visit a specific site or section of a Web site.

RON

(Run of Network) The scheduling of Internet advertising whereby an ad network positions ads across the sites it represents at its own discretion, according to available inventory. The advertiser usually forgoes premium positioning in exchange for more advertising weight at a lower CPM.

ROS

(Run of Site) The scheduling of Internet advertising whereby ads run across an entire site, often at a lower cost to the advertiser than the purchase of specific site sub-sections.

RSS Feed

Really Simple Syndication or Rich Site Summary as it is also known is an XML format for syndicating Web content. A Web site that wants to allow other sites to publish some of its content creates an RSS document. A user that can read RSS-distributed content can use the content on a different site. Syndicated content includes news feeds, headlines, excerpts from discussion forums and more.

Sample

A subset of a universe whose properties are studied to gain information about that universe.

Sampling Frame

The source from which the sample is drawn.

Scripts

Files that initiate routines like generating Web pages dynamically in response to user input.

SDSL

(Symmetrical Digital Subscriber Line) See DSL.

Search Engine

A search engine is an online tool that allows users to search for information on the World Wide Web or within a specific Web site. Normally the user will type a word or phrase, also called a search query, into a search box, and the search engine displays links to relevant Web pages or site content.
## SEM

(Search Engine Marketing) A form of Internet Marketing that seeks to promote Web sites by increasing their visibility in the Search Engine result pages.

## SEO

(Search Engine Optimization). The process of improving the volume and quality of traffic to a Web site from search engines via “natural” ("organic" or "algorithmic") search results.

## Search Query

A search query is a term that is typed into a search text box. This query may be a single word, part of a word, numbers, phrase etc.

## Sell Through Rate

The percentage of ad inventory sold as opposed to traded or bartered.

## Server

A computer that distributes files shared across a LAN, WAN or the Internet. Also known as a “host.”

## Server Centric Measurement

Audience measurement derived from server logs.

## Server Pull

A process whereby a user’s browser maintains an automated or customized connection or profile with a Web server. The browser usually sets up a unique request that is recorded and stored electronically for future reference. Examples are: requests for the automated delivery of e-mail newsletters, the request for Web content based on a specific search criteria determined by the user, or setting up a personalized Web page that customizes the information delivered to the user based on pre-determined self selections.

## Server Push

A process whereby a server maintains an open connection with a browser after the initial request for a page. Through this open connection the server continues to provide updated pages and content even though the visitor has made no further direct requests for such information.

## Server Initiated Ad Impression

One of the two methods used for ad counting. Ad content is delivered to the user via two methods — server-initiated and client-initiated. Server-initiated ad counting uses the publisher’s Web content server for making requests, formatting and re-directing content. For organizations using a server-initiated ad counting method, counting should occur subsequent to the ad response at either the publisher’s ad server or the Web content server, or later in the process. (See client-initiated ad impression.)

## Session

1) A sequence of Internet activity made by one user at one site. If a user makes no request from a site during a 30 minute period of time, the next content or ad request would then constitute the beginning of a new visit; 2) a series of transactions performed by a user that can be tracked across successive Web sites. For example, in a single session, a user may start on a publisher’s Web site, click on an advertisement and then go to an advertiser’s Web site and make a purchase. (See visit.)

## Session Cookies

These are temporary and are erased when the browser exits at the end of a Web surfing session. (See cookie.)

## Set Top Box

An electronic device that connects to a TV providing connectivity to the Internet, game systems, or cable systems.

## SGML

(Standard Generalized Markup Language) The parent language for HTML.
<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shockwave</strong></td>
<td>A browser plug-in developed by Macromedia (now part of Adobe) that allows multimedia objects to appear on the Web (animation, audio and video).</td>
</tr>
<tr>
<td><strong>Shopping Bot</strong></td>
<td>Intelligent agent that searches for the best price.</td>
</tr>
<tr>
<td><strong>Silverlight</strong></td>
<td>A graphic animation program from Microsoft. Use of Silverlight in programming enables movies and animation to move seamlessly across a Web browser.</td>
</tr>
<tr>
<td><strong>Site Optimization</strong></td>
<td>Modifies a site to make it easier for search engines to automatically index the site and hopefully result in better placement in results.</td>
</tr>
<tr>
<td><strong>Site Centric Measurement</strong></td>
<td>Audience measurement derived from a Web site’s own server logs.</td>
</tr>
<tr>
<td><strong>Skins</strong></td>
<td>Customized and interchangeable sets of graphics that allow Internet users to continually change the look of their desktops or browsers, without changing their settings or functionality. Skins are a type of marketing tool.</td>
</tr>
<tr>
<td><strong>Skyscraper</strong></td>
<td>A tall, thin online ad unit. The IAB guidelines recommend two sizes of skyscrapers: 120 X 600 and 160 x 600.</td>
</tr>
<tr>
<td><strong>Slotting Fee</strong></td>
<td>A fee charged to advertisers by media companies to get premium positioning on their site, category exclusivity or some other special treatment. It is similar to slotting allowances charged by retailers.</td>
</tr>
<tr>
<td><strong>Smart Card</strong></td>
<td>Identical in size and feel to credit cards, smart cards store information on an integrated microprocessor chip located within the body of the card. These chips hold a variety of information, from stored (monetary)-value used for retail and vending machines, to secure information and applications for higher-end operations such as medical/health care records. The different types of cards being used today are contact, contactless and combination cards (depending upon whether they need to be inserted to a reader, simply near a reader, or keypunched into a reader).</td>
</tr>
<tr>
<td><strong>SMS</strong></td>
<td>(Short Message Service) Standard for sending and receiving short (160 character) text messages via mobile handsets</td>
</tr>
<tr>
<td><strong>SMTP</strong></td>
<td>(Simple Mail Transfer Protocol) The protocol used to transfer e-mail.</td>
</tr>
<tr>
<td><strong>Sniffer</strong></td>
<td>Software that detects capabilities of the user’s browser (looking for such things as Java capabilities, plug-ins, screen resolution, and bandwidth).</td>
</tr>
<tr>
<td><strong>Social Marketing</strong></td>
<td>Marketing tactic that taps into the growth of social networks, encouraging users to adopt and pass along widgets or other content modules created by a brand, or to add a brand to the user’s social circle of friends.</td>
</tr>
<tr>
<td><strong>Social Network</strong></td>
<td>An online destination that gives users a chance to connect with one or more groups of friends, facilitating sharing of content, news, and information among them. Examples of social networks include Facebook and LinkedIn.</td>
</tr>
<tr>
<td><strong>Social Networking</strong></td>
<td>Online sites and communities that have user-centric content and interactive features, such as personal blogs, discussion boards, chat rooms, etc. MySpace is the prototypical example of a social networking site.</td>
</tr>
<tr>
<td><strong>Space</strong></td>
<td><strong>Location on a page of a site in which an ad can be placed. Each space on a site is uniquely identified. There can be multiple spaces on a single page.</strong></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>Spam</strong></td>
<td><strong>Unsolicited Commercial e-mail.</strong></td>
</tr>
<tr>
<td><strong>Spam Filter</strong></td>
<td><strong>Software built into e-mail gateways as well as e-mail client applications designed to identify and remove unsolicited commercial messages from incoming e-mail before the end user sees them.</strong></td>
</tr>
<tr>
<td><strong>Spider</strong></td>
<td><strong>A program that automatically fetches Web pages. Search engines use spiders to read Web pages and seek other information in order to create entries for a search engine index. It is called a spider because it crawls over the Web. Because most Web pages contain links to other pages, a spider can start almost anywhere. As soon as it sees a link to another page, it goes off and fetches it. Large search engines have many spiders working in parallel. (See robot.)</strong></td>
</tr>
<tr>
<td><strong>Splash Page</strong></td>
<td><strong>A preliminary page that precedes the user-requested page of a Web site that usually promotes a particular site feature or provides advertising. A splash page is timed to move on to the requested page after a short period of time or a click. Also known as an interstitial. Splash pages are not considered qualified page impressions under current industry guidelines, but they are considered qualified ad impressions.</strong></td>
</tr>
<tr>
<td><strong>Sponsor</strong></td>
<td><strong>1) A sponsor is an advertiser who has sponsored an ad and, by doing so, has also helped sponsor or sustain the Web site itself; 2) an advertiser that has a special relationship with the Web site and supports a specific feature of a Web site, such as a writer's column or a collection of articles on a particular subject.</strong></td>
</tr>
<tr>
<td><strong>Sponsorships</strong></td>
<td><strong>A form of advertising in which an advertiser pays to sponsor a section or newsletter of a Web site. It may take the form of the typical banner and/or text that mentions “sponsored by.” Works best when the content of the sponsored Web page is directly related to but not competitive with the advertisers products or services. Sponsorship represents custom content and/or experiences created for an advertiser which may or may not include ad units (e.g., display advertising, brand logos, advertorial and pre-roll video).</strong></td>
</tr>
<tr>
<td><strong>Spotlights</strong></td>
<td><strong>Custom built pages incorporating an advertiser’s brand and housing a collection of content usually around a theme.</strong></td>
</tr>
<tr>
<td><strong>Static</strong></td>
<td><strong>Static refers to an item that does not change or rotate.</strong></td>
</tr>
<tr>
<td><strong>Static Ad Placement/Static Rotation</strong></td>
<td><strong>1) Ads that remain on a Web page for a specified period of time; 2) embedded ads.</strong></td>
</tr>
<tr>
<td><strong>Stickiness</strong></td>
<td><strong>A measure used to gauge the effectiveness of a site in retaining individual users. Stickiness is usually measured by the duration of the visit.</strong></td>
</tr>
<tr>
<td><strong>Streaming</strong></td>
<td><strong>1) Technology that permits continuous audio and video delivered to a computer from a remote Web site; 2) an Internet data transfer technique that allows the user to see and hear audio and video files. The host or source compresses, then “streams” small packets of information over the Internet to the user, who can access the content as it is received.</strong></td>
</tr>
<tr>
<td><strong>Streaming Media Player</strong></td>
<td><strong>A software program that decompresses audio and/or video files so the user can hear and/or see the video or audio file. Some examples are Real Player™, Windows Media Player and Quick Time Player.</strong></td>
</tr>
</tbody>
</table>
**Super Distribution**

A fancy word for spreading messages or products through networks, either networks of friends or businesses. The idea is that an advertising message is more credible if it comes from someone you trust within your network.

**Superstitials**

Rich media advertisements that download in the background while a visitor is reading a Web page and launch a browser window only when it has completely downloaded. They are attractive to advertisers as they permit larger and more interactive ads than a traditional banner.

**Surfing**


**T1**

A dedicated, typically corporate, high-speed (1.54 megabits/second) Internet connection.

**T3**

A very high-speed (45 megabits/second or higher) dedicated, corporate Internet connection.

**Target Audience**

The intended audience for an ad, usually defined in terms of specific demographics (age, sex, income, etc.) Product purchase behavior, product usage or media usage.

**Tcommerce**

Electronic commerce via interactive television.

**TCP/IP**

(Transfer Control Protocol/Internet Protocol) The software protocols that run the Internet, determining how packets of data travel from origin to destination.

**Text Links**

Text that is hyperlinked to another Web page. Can be found on Web sites or in newsletters and e-mail. Often identified by appearing in blue with a line under it. When clicked on, the visitor will be taken to the page to which the text was hyperlinked.

**Text Messaging**

Text messaging, or texting is the common term for the sending of “short” (160 characters or fewer) text messages, using the Short Message Service, from mobile phones. See SMS.

**Third-Party Ad Server**

Independent outsourced companies that specialize in managing, maintaining, serving, tracking, and analyzing the results of online ad campaigns. They deliver targeted advertising that can be tailored to consumers’ declared or predicted characteristics or preferences.

**Throughput**

The amount of data transmitted through Internet connectors in response to a given request.

**Time Shifting**

The practice of experiencing recorded content, such as viewing television programs on a DVR.

**Token**

Tracer or tag that is attached by the receiving server to the address (URL) of a page requested by a user. A token lasts only through a continuous series of requests by a user, regardless of the length of the interval between requests. Tokens can be used to count unique users.

**TOS**

Terms of Service. Contractual agreement between a publisher of a Digital product or service and a user — in essence what users can and cannot legally do from the perspective of the publisher.
Appendix III: Glossary of Digital Advertising Terms

**Tracking**
The collection and automated analysis of data associated with the serving of Digital creative. Tracking provides the frequency control, accounting, stats data and anti-fraud components of a campaign.

**Traffic**
The volume of visitors to a Web site. Traffic is the currency of online success, but is not the only factor.

**Transfer**
The successful response to a page request; also when a browser receives a complete page of content from a Web server.

**Transitional Ad**
An ad that is displayed between Web pages. In other words, the user sees an advertisement as he/she navigates between page “a” and page “b.” Also known as an interstitial.

**Triggers**
A command from the host server that notifies the viewer’s set-top box that interactive content is available at this point. The viewer is notified about the available interactive content via an icon or clickable text. Once clicked by using the remote control, the trigger disappears and more content or a new interface appears on the TV screen.

**UGC**
User Generated Content. Content produced and submitted by members of an online community. Typical types of user-created content include: blog posts; articles; reviews; comments; videos; podcasts; images; etc. Mashups and Machinima are other popular forms of user generated content.

**UMTS**
(Universal Mobile Telecommunications System) Broadband, packet-based wireless transmission of text, digitized voice, video, and multimedia at data rates up to and possibly higher than 2 megabits per second, offering a set of services to mobile computer and phone users. (See 3G.)

**Unduplicated Audience**
The number of unique individuals exposed to a specified domain, page or ad in a specified time period.

**Unique Page Views**
The total number of unique pages on a Web site by a unique visitor.

**Unique Users / Visitors**
A term used to describe the total number of visitors or unique Web browsers that access a site over a certain time period, typically one calendar month.

**Unique Visitor And User Session**
A unique IP address visiting a Web site for the first time in a specified period. Unique visitor is more often associated with long periods of time, such as a month. User session is more often associated with shorter periods of time, such as 30 minutes. Both are valuable traffic metrics for many Web sites. Frequency control in ad campaigns is a function of unique visitor and user sessions.

**Universe**
Total population of audience being measured.

**Upload**
To send data from a computer to a network. An example of uploading data is sending e-mail.

**URL**
(Uniform Resource Locator) The unique identifying address of any particular page on the Web. It contains all the information required to locate a resource, including its protocol (usually HTTP), server domain name (or IP address), file path (directory and name) and format (usually HTML or CGI).
URL Tagging

The process of embedding unique identifiers into URLs contained in HTML content. These identifiers are recognized by Web servers on subsequent browser requests. Identifying visitors through information in the URLs should also allow for an acceptable calculation of visits, if caching is avoided.

Usenet

Internet bulletin-board application.

User

An individual with access to the World Wide Web.

User Agent String

A field in a server log file that identifies the specific browser software and computer operating system making the request.

User Centric Measurement

Web audience measurement based on the behavior of a sample of Web users.

User Registration

Information contributed by an individual that usually includes characteristics such as the person’s age, gender, zip code and often much more. A site’s registration system is usually based on an ID code or password to allow the site to determine the number of unique visitors and to track a visitor’s behavior within that site.

Video Game Console

An interactive entertainment computer or electric device that manipulates the video display signal of a display device (a television, monitor, etc.) To display a game. The term video game console is typically used solely for playing video games, but the new generation of consoles may play various types of media such as music, TV shows, and movies.

Viewer

Person viewing content or ads on the Web. There is currently no way to measure viewers.

Viral Marketing

1) Any advertising that propagates itself; 2) advertising and/or marketing techniques that “spread” like a virus by getting passed on from consumer to consumer and market to market.

Viral Video

Online video clips (typically short and humorous) passed via links from one person to another.

Virtual World

An immersive online social environment where users, in the form of avatars, can interact in real time. Typically three dimensional. Distinguished from multiplayer games by being highly open-ended and non-competitive.

Visit

Measurement that has been filtered for robotic activity of one or more text and/or graphics downloads from a site without 30 consecutive minutes of inactivity and which can be reasonably attributed to a single browser for a single session.

Visit Duration

The length of time the visitor is exposed to a specific ad, Web page or Web site during a single session.

Visitor

Individual or browser that accesses a Web site within a specific time period.

VOIP

Voice Over Internet Protocol. A communications technology that enables voice conversations over IP networks, such as the Internet, using packets. Examples of commercial VoIP services include: Vonage, Lingo, and Skype.

VRML

(Virtual Reality Modeling Language) Programming language designed to be a 3D analog to HTML.
Appendix III: Glossary of Digital Advertising Terms

WAN
(Wide Area Network) Connectivity between a number of computers not located at the same physical location.

WAP
(Wireless Application Protocol) A specification for a set of communication protocols to standardize the way that wireless devices, such as cellular mobile telephones, PDAs and others access and browse Internet-based content.

WASP
(Wireless Applications Service Provider) An organization that provides content and applications for wireless devices.

Web Beacon
A line of code that is used by a Web site or third party ad server to track a user's activity, such as a registration or conversion. A Web beacon is often invisible because it is only 1 x 1 pixel in size with no color. Also known as Web bug, 1 by 1 GIF, invisible GIF and tracker GIF.

Web Bug
(See Web beacon.)

Web Site
The virtual location (domain) for an organization's or individual's presence on the World Wide Web.

Webcasting
Real-time or pre-recorded delivery of a live event's audio, video, or animation over the Internet.

Widget
A small application designed to reside on a PC desktop (Mac OS X or Windows Vista) or within a Web-based portal or social network site (e.g., MySpace or Facebook) offering useful or entertaining functionality to the end user.

Wi-Fi
Any of a family of wireless LAN data standards (IEEE 802.11) used fairly ubiquitously for corporate and home connectivity. Also available as “hotspots” in public areas such as cafes and airport terminals, either for free or for a one-time use charge or subscription fee.

Wi-Max
Wi-Max is a wireless communications technology with a signal strength over several miles that can provide wireless access to the Internet. It is a long-range version of the popular short-range wireless Internet technology, Wi-Fi. Intel is a prominent supporter of the technology.

XML
(Extensible Markup Language) A richer more dynamic successor to HTML utilizing SGML or HTML type tags to structure information. XML is used for transferring data and creating applications on the Web. See SGML and HTML.

Y Yield
The percentage of clicks vs. Impressions on an ad within a specific page. Also called ad click rate.
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