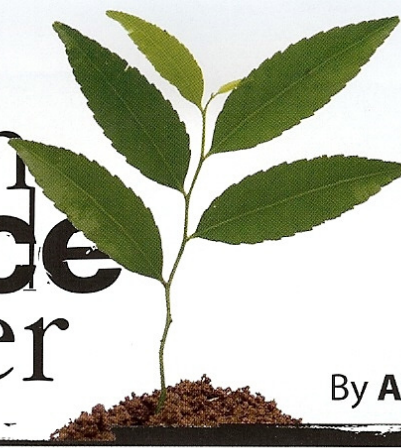


Homegrown performance gets smarter



By Alastair Thompson

For three years online performance advertising networks have been destroying value, performance and reputation of online advertising across the globe.

These networks are dominated by giant, offshore and uncaring sales networks, and have performed spectacularly poorly for publishers. While they claim to have the interests of publishers at heart, in practice they have driven pricing to ever lower levels.

After infesting American markets, the networks have been banging at the gates of the NZ advertising market. Their mantra - expounded by mostly Australian managers - is that NZ needs to accept that networks are the future.

Fortunately what has happened in NZ has been quite different. Most of the major publishers - TVNZ, Fairfax, APN and ourselves at Scoop Media Network - have so far shunned these pitches. NZ publishers have realised there is value in the scarcity of New Zealanders reading genuine domestically produced content.

Another second key factor in slowing performance network progress in the NZ publishers market has been the presence of a homegrown performance advertising network - First Rate's TPN (The Performance Network) - as a bulwark against the barbarians.

To date most of TPN's long-standing relationships with NZ independent publishers have survived intact - including a relationship with APN - and consequently most of Adconion's inventory remains on offshore websites (albeit targeting NZ eyeballs).

And in the past few months TPN has grown a lot smarter. New leadership in the form of Jon Ostler - one of NZ's most experienced online marketing heads - has been followed by extensive changes to the way the network sells and delivers.

Ostler is founder and former CEO of First Rate, the Auckland-based SEO, SEM and conversion metric specialists shop sold to Australia's Q Media Group in 2007. On the ratecard, the changes at TPN are:

Targeting - by city, ISP, date, time and broad channel - charged a premium rate currently selling at around \$4cpm (ie, not on a cost-



DOUBLE AGENT: TPN'S JON OSTLER.

per-click basis), and secondly, the addition of priority placements at CPC rates of between \$2.50 and \$4.

Inventory across the network (50-100 million ads a month) is now prioritised to deliver these two categories of placements first. The old style of TPN bookings, at CPCs of around \$1, then follow using an eCPM auction system to rank placement.

TPN has recently begun selling out with priority placements and the lower CPCs are now only available very sporadically.

This appears to be having something of a flow-on effect in terms of price-setting for online performance ads purchased direct from publishers who typically ask for CPCs in the \$3-\$10 range depending on the client category.

For TPN's publishers these changes have so far doubled effective returns. Ostler's goal is to double these again in the next six months by introducing new TPN products and technology. (Note: TPN also takes less commission than its competitors at 30% compared to 50% for Adconion, and an undisclosed amount by Google.)

Performance gains for publishers via TPN

have not been achieved simply by creating competition and charging more to advertisers - rather the click rates have also improved as inventory management has become more sophisticated and fresher creative has been demanded from clients.

That said, even with these improvements, the returns to publishers remain too low to lure real premium inventory into play - including all that managed by Scoop and its partners.

Nevertheless from the point of view of a publisher deeply skeptical of performance networks, it is a very positive development that someone with Ostler's skills is now applying himself to the task of improving this vital sector of the online marketplace here in NZ. <<

Disclaimer: Scoop has a business relationship with First Rate and 3DInteractive - one of the other companies in the Q Media Group; we do not utilise TPN.

InterActive Bytes is compiled for AdMedia by Scoop.co.nz. Send feedback to co-editor Alastair Thompson (alastair@scoop.co.nz).