



Where Next For Australia's Digital Community?

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Good morning everyone, thanks for coming,

And thanks to the organisers of this conference for inviting me to speak.

Looking over the program for this event, it looks like you will be hearing a lot about advertising and marketing during tough economic conditions.

Before I get onto the main topic of my presentation, I thought I would throw in my two cents on the state of the market.

It's been one of the toughest years in living memory for the media industry. Most segments of the media have reported negative year-on-year revenues.

Budgets have been cut, many of our colleagues have lost their jobs and as a result we've all been asked to do more with less.

There aren't many happy stories to tell.

But the one stand out performer was online.

Over the past 12 months the online display market grew at somewhere around 18%, which is remarkable given the performance of other sectors of the media during the global financial crisis.

Audiences have clearly shifted to online and advertisers are shifting spend to reach these audiences.

Whilst I don't expect rapid recovery in the overall advertising revenues for all media, I do expect strong online growth again this financial year.

Not as strong as last year, but certainly double digit growth.

And I think that level of growth will continue over the next five years.

Two key drivers for this will be the shift of brand TV dollars to online, where online can increase the reach and efficiency of television buys.

And I believe we'll see some strong growth from the retail and FMCG sectors in Australia, which have been slower to move online.

The other good news for online is that we're finding increasing positivity about the medium from marketers.

News Digital Media recently surveyed a few hundred marketers to find out how they feel about the state of the market.

We've published the results in the latest of our Digital Insight Reports.

You'll find a copy of it in your conference folders.

I recommend you have a read of it – for those of you in marketing, I'm sure you'll be interested to find out exactly how your peers and rivals are feeling.

And for those of you who work in agencies, you can get some more insight into what your clients are thinking.

A common theme is that marketers are facing more scrutiny than ever before, which, along with reduced budgets mean they are looking for better accountability.

This is leading to a significant change in the marketing mix, with 75% of marketers now spending more online.

This is a trend which I believe will continue for the foreseeable future – as marketers demand better engagement with audiences and ROI, and as audiences migrate, the advertising dollars will continue to follow.

Anyway, that's enough from me on the market

Later this morning Rohan, Jack and Joe will be going into more detail about digital trends, accountability and the benefits of online.

Before they do that, I'd like to get you thinking about the bigger picture – the future of Australia's digital community.

Because, as a community, we have some pretty big issues we have to resolve.

For you, our advertisers and clients, it's vital that we get it right.

Because in the face of an ever fragmenting market, you need to deliver your message to your target audience as efficiently and effectively as possible.

You need the power to reach not only mass, quality audiences, but also to be able to precisely target certain demographics and behavioural types.

And you need to maximise return on investment. If there's one medium that can definitely do all of this for you, it's online.

But digital is also changing the economics of traditional media, which has huge implications for everything from television production to print journalism.

So the future of online is a subject which matters to all of us.

So what are the big issues currently facing online and the ones that will determine its future in both the medium and long term?

Well, here are the five major ones that I see, and which I want to talk about this morning.

They are –

- Firstly the introduction of the national broadband network and what it means for our industry.

Then there are two issues which relate directly to you, our agencies and clients –

- Making sure we, as an industry, deliver reliable and meaningful audience measurement, and
- Helping you target the audiences you want to reach, whilst ensuring they do not feel their privacy is being compromised

And finally, the two issues which are taking up a lot of my time at the moment –

- The future of journalism, specifically how it will survive in the online environment, and
- Paying for digital content

So, the National Broadband Network.

There are still a lot of unanswered questions about the NBN but, should it be built, it is no exaggeration to say that it has the potential to transform society.

What most people in media immediately think of is super fast internet and all that it brings – faster browsing, hundreds of TV channels, video on demand and so on.

But, in my opinion, this is less important than the way the NBN could revolutionise other industries and how this can improve people's lives.

For example in healthcare, it will enable

- Remote diagnosis by the best specialists, regardless of location,
- Instantaneous recording of, and secure access to, patient data,
- The sick and elderly to stay at home whilst being monitored remotely, and
- Life saving operations to be performed with the supervision of a specialist who may be thousands of miles away.

For education it means

- Schools will easily be able to communicate and collaborate,
- Virtual classrooms with video and audio streaming,
- High definition video conferencing, and
- Access to a global library of books, videos and periodicals.

And, of course our business community will feel the benefits, being able to communicate and do business much more efficiently, regardless of geography.

All of this has implications for the fight against global warming.

Videoconferencing, working from home, remote power management and so on – all these elements will reduce Australia’s carbon emissions by millions of tonnes every year.

In comparison, I believe that the change the NBN will have for the media industry is an evolution, rather than a revolution.

It will obviously open the door to websites with even broader and richer content.

And it means that streaming high definition long form video over the internet – IPTV – is, at last, a reality for most of the population.

The next generation of sites like Hulu will enable viewers to watch TV shows and films on demand in high definition.

Not just the established favourites, but scores of niche channels serving specialist audiences, including foreign language content.

And, potentially, a vast library of almost every show, movie and sporting event recorded.

So what does this mean for media players?

Ownership or control of content becomes even more important whilst control of the means of distribution is somewhat diluted.

Which means that the winners in this new world will be the content owners/creators – film and television producers, rights holders and in the context of news, companies that invest in real journalism.

So, in Australia this means players like Foxtel, News and Fairfax.

The losers will be those that don’t produce much original content and traditionally relied on controlling distribution to limit choice.

With all these new ways of reaching the audience, there will be terrific opportunities for advertising.

But to take advantage of this opportunity, you will need strong, reliable and meaningful data more than ever.

Which brings me to the second key issue – online measurement.

Online is already the most accurate media in terms of measuring response to your advertising.

However, there has clearly been some frustration at times, trying to equate online metrics such as unique browsers, unique audiences and page impressions, with the simple scales of reach you get from other media.

Just over a year ago, after consultations with the Media Federation of Australia, the online industry significantly strengthened the resources of the Australian Interactive Advertising Bureau.

One of the first tasks we charged the new CEO, Paul Fisher, with was to address the issue of a standardised online audience measurement system and to come up with a solution that would be accepted by you – our clients.

At the time Paul said, and I quote - “If I don’t achieve that within two years, I don’t think I’ll have a job.”

I’m delighted to say that Fish is well on the way to keeping his job.

A year from now, Australia will have the best online measurement system in the world. It comes in two stages.

The first is a complete upgrade of Nielsen’s panel data.

Having worked closely over the past year with the IAB’s Measurement Council, Nielsen is close to addressing the 16 recommendations from the IAB-commissioned audit of their panel.

The result is a recomposition of the now called ‘Classic’ panel.

The new, expanded, panel comprises members recruited both by Random Digit Dial and online, which maintains high-quality demographic and behavioural representation, while providing greater depth and breadth in reporting.

In addition, Nielsen has introduced new meters which will record online behaviour much more accurately.

The resulting data, which we expect to debut later this year, will be the most statistically robust and technically advanced online audience measurement since the birth of our industry 15 years ago.

For the first time we will have ‘de-duplicated’ data – that is we will know how many individuals have visited a site – either at home, or at work, or both.

Or, in simple terms, we will know the reach.

Which means that media planners and buyers will be able to make direct comparisons between online and other media.

The second stage is the introduction of tagged data, which will accurately measure traffic to not only every section of major networks, but also to smaller, niche, sites – the ‘long tail’.

Nielsen call this combination of panel and server data their Online Hybrid system.

We expect that, in the first half of next year, Australia will be the first country in the world to launch this hybrid system, giving you precisely the information you need to plan and buy campaigns that will work.

One way to make those campaigns work even better is behavioural targeting – a misunderstood and hence underused capability of the online world.

When we talk about behavioural targeting, the challenge facing our industry is one of communication.

Understandably, the public is concerned about people tracking their movements online. The right to privacy is a fundamental human right.

But the fact of the matter is – and I never thought I'd be saying this in front of an audience of marketers and agencies.....

If you asked us to write down on a piece of paper what we know about any individual user, we wouldn't be able to write a single word.

When a reader enters our network, if they allow us to do so, our servers are able to track their movements through our network.

But we have no idea where they have been before they entered our network and we cannot follow them once they've left.

Depending on which parts of our network they spend time on, our servers can make a good guess of their interests and serve them an advert based on that guess.

So if a reader spends all of their time in the motoring section and none in the business section, our servers can serve a car advertisement rather than an ad for financial services.

It's a better experience for the reader, a better experience for the advertiser, and hence a better experience for the publisher.

The reality is, the reader remains completely anonymous but his/her behaviour while on our sites enables us to serve more relevant ads to them.

Unfortunately, this message is a very difficult one to get out.

However, in our last Digital Insight Report, released in May this year, we discovered there is a huge opportunity for ad targeting.

45 per cent of respondents said they would prefer to receive advertisements that are targeted to their interests. That is nearly double the amount that said they would prefer not to receive targeted online ads.

Furthermore, those involved in making buying decisions both for their business and for personal items, are significantly more likely to prefer targeted advertisements.

Preference for targeted advertising is also higher amongst those respondents who find advertising more credible on websites they trust.

Which is good news for NDM, given that people are four times more likely to trust the content on our sites than general online information.

So clearly there is a huge opportunity here.

And, I believe, with further reassurance that their privacy is not compromised in any way, we'll see an even larger percentage of the digital audience preferring to receive targeted ads.

So, we as a digital community, have to get this message out there -

That ad targeting leads to a better experience for readers just as much as it does for the publisher and advertiser.

Finally, I'd like to talk a little bit about the future of journalism online, and then charging for content.

As the world turns digital, almost every industry has been affected.

The internet has opened up incredible opportunities for businesses, but it has also brought significant challenges.

Content creators – including newspapers, magazines, online, TV and radio – have had to watch as others replicate their content, often negating the need to visit the original site.

More often than not, these bloggers and third party sites then sell advertising on their sites, thus making money from content without investing in its creation or reimbursing those who did create it.

I've heard the argument that these sites pay their dues by linking to the original source, but the reality is that the very aim of these sites is to aggregate enough content from different sources so that people don't need to visit the original site.

There's no doubt that the best way for traditional publishers to compete is to be even better at producing unique and compelling newspapers, magazines, websites, mobile sites or any other platform.

But contrary to what you might think, we think it is great that anyone can start a website and get involved.

In principle, we think blogs are a great idea – in fact many of our journalists have them. And we are delighted by the success of The Punch.

The problem is that even the best intentioned amateur blogger doesn't hold the same standards of accuracy or accountability as a professional journalist.

Many bloggers write up rumours and half-truths as fact, confident that there will be no repercussions if they get it wrong.

Inevitably these inaccuracies quickly spread and you get a situation like we had the last month, when huge numbers of people believed a rumour started on Twitter.

Let me play you a short video... (play Colbert Report / Jeff Goldblum clip)

My point here is that, whilst there most definitely is a place for alternative media and commentary, we have to protect and support quality journalism.

Because, when a big news story breaks we inevitably turn to the traditional news brands.

If a massive story broke, right now – another 9/11 or Victorian Bushfire... what would you do?

My guess is you'd do one of three things – go to a world-class news website, turn on the TV or turn on the radio.

And when you wake up tomorrow, when you want a thorough run down of the day's events, with insight, context and educated opinion?

My guess is you'd return to a world class newspaper – be it in print or online.

Of course you'd also check Twitter, discuss events with your friends on Facebook or MySpace, and check your favourite blogs to see what was being said.

But when it comes down to it people want the news, and they want news they can trust.

The problem is that such news is very expensive to create.

Here in Australia, most of the expense of investigative journalism, insight and educated commentary has been borne by the newspaper industry.

Almost inevitably, the biggest domestic stories are broken in newspapers, with TV and radio reduced to reporting on what the newspapers are reporting.

But online advertising revenues simply aren't making up for what may be lost from newspapers. Something has to change.

Which brings me onto my final topic – charging for content.

Right now, this is probably the issue I get asked about most.

It has become a topic of conversation at BBQ's and dinner parties, even for people not in the industry.

Friends, family, and even people who I've just met, they all want to know the answer to three questions –

- One - when is News going to start charging for content?
- Two – how much are we going to charge? and
- Three – do we really think anyone is going to pay for it?

Well, these are the biggest questions facing most large publishers around the world right now.

The problem is that the traditional advertiser-supported model is not enough, by itself, to pay for the level of investment in journalism that society needs.

So to make up the difference we have to look at charging for content.

The question is having been given it for free, will people now pay for online news content?

The first thing to remember is that people happily pay for news every day.

Indeed nearly 19 million newspapers are bought in Australia every week.

So clearly there is a healthy market for news.

Encouragingly, a recent report by PriceWaterhouseCoopers found that two-thirds of readers across the six countries surveyed are willing to pay for general online news content.

But of course, they are only going to pay if the content is of value to them – that is, it's relevant, compelling and unique.

This is what News is looking at right now. And if anyone can get it right, we will.

After all the Wall Street Journal is the only newspaper in the world to successfully find the balance between free and paid content with over one million paid subscribers online.

So, we're spending a lot of time looking at our newspaper content and the paid digital model.

We're looking at every part of our portfolio and doing a good deal of consumer research in different countries,

Assessing how many people are likely to pay and how much they would be willing to pay.

And then we've got to work out the best method of delivering that content to them across multiple platforms.

As you can imagine this is a complex challenge.

I'm part of a global steering committee which is leading groups in New York, London and Sydney.

The guidelines are to be bold and come up with industry changing ideas and products.

We're encouraged by developments in other mediums.

Subscription TV is a great example of customers willing to pay for a service when it has more compelling content and delivers it using better technology than the free alternative.

Pay TV is in more than 90% of homes in the US, over half of homes in the UK and around a third of homes in Australia.

In each of those markets at some stage all television was free and in each of those markets the common wisdom at the launch of pay TV was that it would fail.

Online video is another example.

As you probably know, Hulu is going gangbusters in the States – inventory is sold out and in many cases is selling for a higher rate than traditional TV.

But even its success and that of other free sites like YouTube is set to be eclipsed by the rise of paid video content – that is downloads, digital rentals and subscription services.

A recent report in the United States found that this year paid online video revenue – which includes services such as Netflix WatchNow and Xbox Live Video Store - is set to overtake free and advertiser supported video for the first time.

So the opportunity is there – people will pay if they are given good reason to do so.

You have to make the content compelling and then package it and market it in a way that is relevant to the individual.

We've done a lot of work in assessing the value of our newspaper content and the best way to deliver it online, but there's a lot more to do.

Certainly nothing is imminent here in Australia, but when it happens it will be big.

We will be platform agnostic – content is king and we want to be providing content for whatever platform is out there, provided the terms are fair for us.

That includes your computer, your TV set, your mobile, and any of the myriad of portable devices that are coming in the not too distant future.

We don't have any intention of building e-readers ourselves, but we are in close contact with the key manufacturers

The really interesting e-readers are probably a couple of years away but the potential is enormous.

Imagine a high-definition full colour e-reader, containing all your favourite newspapers and magazines from around the world, not only managing your subscriptions, but also making recommendations for other content you might be interested in.

It will deliver high definition ads,

Which, when touched, will run a video, give detailed product information, download a brochure, or run a price comparison across local retailers.

An exciting proposition, I'm sure you'll agree.

Indeed, uppermost in our minds is that whatever the platform is, it must work effectively for not only our readers, but also for you - our agencies and advertisers.

We're confident that the combination of print, online, mobile and e-reader presents a terrific opportunity for advertisers.

We'll have a large, highly engaged opt-in audience,

Who are open to advertising messages,

And with their permission, we'll have their full registration details - location and demographic details,

We'll know their consumption habits,

And we'll be able to target them across multiple platforms.

Talking about a product that is as exciting to publishers as it is to advertisers is, I think, probably a good place to finish.

I hope you'll think a bit about the topics I've covered today.

Because they all will play a vital part in the future of Australia's digital industry.

I returned to Australia and joined NDM three years ago.

In that time, I've been privileged to at the centre of the unprecedented growth of online.

The digital economy has exploded – reaching a mass audience far quicker than TV, radio or newspapers ever did.

I'm confident that this growth will continue and with it will come opportunities for marketers that would have been unimaginable just a few years ago.

Next up are my three colleagues from Yahoo!7, Fairfax, and ninemsn who I know have some fascinating insights into the latest digital trends.

Thank you for listening.

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