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Web advertisers get site-specific

Niche pages with a targeted audience may be attractive in weak economy

By Eric Benderoff | TRIBUNE REPORTER

What happens to the \$21 billion online advertising industry during a recession?

No one knows, because the business is too young to have a track record.

Already, there are indications that some of the Web's biggest sites are feeling the same spending pinch that has started to impact traditional media properties like print. Mighty [Google](#) has seen its shares drop sharply as investors fear the economic downturn could affect its market-leading search-based ad business.



[Recession could affect web advertising Graphic](#)

But the Internet is vast, and outside of the big names, a struggling economy could turn out to be a boon for some players.

"I don't want to say everything is going to be rosy," said Ray Costa, president of [Flatiron](#) Media, a firm that sells ads for Web properties, "but sites that have engaged users and are targeted to a particular niche should do well" in a slow economy.

"In a weak economy, people will look for efficiencies," agreed Brad Agens, a senior vice president of advertising sales for Gorilla Nation, an agency that represents roughly 500 Web sites.

The Internet -- which still gets less than 10 percent of ad spending across all media -- is far more measurable than traditional media.

"It is a more accountable media for brand advertisers and I'm confident people will look to spend money wisely online during a slowdown," said David Friedman, president of the central region for online marketer Avenue A/Razorfish.

There is reason to believe online advertising will not be immune to a spending slowdown. A late February report from ComScore showed that Google's paid clicks for ads slipped for the first time in January compared to the year-ago period.

But Google specializes in search-based ads "and companies are getting smarter on how to allocate money between search and other vehicles," said Friedman. "They often overspend on search. As companies get more sophisticated about online advertising, you will see more move away from Google."

That's why he and others believe online advertising should keep growing during a slowdown.

In 2007, the online ad industry continued its torrid growth rate. Preliminary results from the Internet Advertising Bureau show online ad spending should reach a record of \$21.1 billion, a 25 percent improvement over 2006, when final figures are released in May. During the fourth quarter of 2007, when recession talk grew amid a worsening housing market, spending hit a high of \$6 billion, the figures show.

Hope Pryor, owner of CooksRecipes.com, a fast-growing site that caters to the everyday chef, said she isn't worried.

"My numbers go up every year," she said of the site she founded as a hobby in 1999 that attracts more than 1 million unique visitors a month. "They are still going up."

Her site belongs to one of the fastest growing categories on the Web for generating ad revenue, what's called "vertical" sites, or those with a niche focus.

"We are increasingly supporting these sites," Friedman said. "As they have gotten bigger and better at improved targeting, they really are starting to meet the needs of our clients."

Pryor said that's because the products advertised on her site have a direct relationship to the editorial content -- recipes, in her case.

Spending has reflected this trend.

Media billings hit \$735 million for Avenue A/Razorfish in 2007, with the buying spread across 1,800 Web sites. That is double the sites the agency targeted money at in 2006. Some of the sites receiving those dollars included Habbo.com (an online virtual world for teens), BallerStatus.com (a site for hip-hop culture) and StyleHive.com (a fashionista social network).

Web portals, on the other hand, could be vulnerable to a slowdown. Friedman compared portals like [Yahoo](#) to traditional media properties, which already have seen ad revenues fall as the economy slows. Yahoo said in January it would eliminate 1,000 jobs after fourth-quarter profits dropped sharply. Many analysts believe the company's deteriorating financial picture was a catalyst behind the timing of [Microsoft's](#) unsolicited bid to buy Yahoo.

Yet there is one big unknown in a recession that could have a big impact on online advertising: consumer behavior. People curtailing their spending because of economic concerns might be less likely to shop -- online or off.

"How will consumers change?" asked Friedman. "Already a lot of people use the Internet to comparison shop before making a purchase. During slow times they may rely more on the Web.

"So there's a good possibility a recession may be great for the Internet."
