



Contextual Advertising Surfaces

The term “contextual advertising” initially surfaced a number of years ago and was perceived much differently than today. Contextual advertising at that time was simply defined as targeting advertisements through broad, pre-determined categories. This could either be accomplished through an ad network or through a specific site. For example, let’s take a hypothetical personal finance site, XYZ.com. If XYZ.com utilized an ad network to sell its inventory, the ad network would take that inventory and re-sell it in the finance category. The XYZ.com site would therefore display ads that targeted the general finance market. During that time, this was a giant step in the world of online marketing in that it provided a way to match advertisers with the appropriate publishers in the hopes of attracting consumers.

Although this was certainly a fair attempt at attracting consumers, quite a few problems arose from this model. First, categories in general are broad and don’t allow for granular targeting. In the case of XYZ.com, it is likely that irrelevant ads would be displayed on the site. For example, a book targeting hedge fund managers could easily be advertised on this site. Although personal finance and hedge funds are related under the finance umbrella, products targeted to the experienced hedge fund manager aren’t necessarily relevant to the individual searching for the best mortgage rates.

Second, this model didn’t allow for advertisements to perform on dynamic content, therefore greatly decreasing relevancy and performance for both the publisher and advertiser. Forty percent to fifty percent of content on the Web is dynamic, so an inability to target dynamic content inhibits the relevancy of the ads and, therefore, decreases the likelihood of sales. Third, under this model, optimization occurs at a manual level, which is not only time-consuming but leaves room for error. Although this model was making great strides years ago, true contextual advertising has greatly evolved since then.

The evolution of contextual advertising continued in 2002-2003 with the transformation of search marketing.

The Evolution of Contextual Advertising

THE TECHNOLOGY AVAILABLE TODAY CONTINUES TO ALLOW EVEN MORE SOPHISTICATED ADVERTISING MODELS TO EMERGE THAN IN THE PAST – IMPROVING USERS’ EXPERIENCES AND PUBLISHERS’ AND ADVERTISERS’ BOTTOM LINES.

By Jay Sears, ContextWeb

Contextual advertising has gone through a radical transformation in recent years. Gone are the days when marketers randomly placed banner advertisements on related Web sites in the hopes of finding and attracting consumers. With the emergence of today’s sophisticated tools and technologies, marketers can now optimally locate consumers at the point of interest in less than a second. As a result, contextual advertising has become an indispensable online marketing tool used to successfully locate and attract consumers online.

Although the term “contextual advertising” has existed for some time, its true definition continually evolves. With this continual evolution comes a new breed of contextual advertising solutions. Today’s real-time technologies have complex optimization systems that also work in real-time. This creates a truly efficient marketplace, creating the greatest dollar for the publisher and greatest return for the advertiser. In assessing the benefits of contextual advertising, it is important to understand this history so you know how to achieve a greater return on investment in your current operations.

Everyone has seen and is familiar with these kinds of ads, and for that reason, the search industry, particularly through Yahoo and Google, soared in popularity. However, search-engine marketing provides limited available space for advertising. In fact, according to the Online Publishers Association, users search the Web only 5 percent of the time and browse content the other 95 percent of the time. As a result, the demand continues to outstrip supply, and in this seller's marketplace, click prices have continued to soar, and advertisers have been unable to realize the click volume they would like. As executives witnessed this trend, they realized this click demand could be fulfilled by targeting content.

This growth into the content space was a natural progression for search engines. For many firms, it simply meant applying the same search spider technology to content and extending the keyword-buying opportunity to content. Since search utilizes spidering technology to pull keywords from publishers' pages, it only made sense to use these keywords not just to index the content for natural search results but also to target advertisements onto these publisher pages. Publishers' customers benefit because the ads are more relevant, creating a better user experience. Advertisers benefit because they can granularly target their advertisements to achieve the most cost-effective results. Publishers benefit because they can access a new pool of performance-based advertisers previously unavailable to them.

After this model was introduced in the marketplace, the term "AdWare" emerged with firms such as Claria and 180solutions and was, and still is, often confused with contextual advertising. AdWare is different than true contextual advertising. An AdWare firm typically enters into an agreement with individuals whereby in exchange for free software the individuals agree to allow the AdWare firm to monitor their online behavior and display, on their computer, relevant pop-up and pop-under advertisements. Although AdWare is more closely aligned with behavioral targeting where individuals' behavior is monitored as they move from site to site, many

online marketers associate AdWare with contextual advertising.

In addition to dropping cookies and tracking user behavior, AdWare firms target contextually by looking at root URLs. Most concerning to publishers is that they see absolutely no economic benefit from AdWare. All the advertising is controlled by a third party and served off the publisher's page as a pop-up or pop-under. For instance, if a user visits <http://finance.yahoo.com>, the AdWare on his or her computer might serve a finance ad. However, the AdWare company, rather than Yahoo, receives the payment from the advertiser even though the user's visit to Yahoo prompted the creation of the advertising inventory at that given moment.

The Next Evolution

Today's contextual technology is the next evolution from contextual approaches originally adapted from search spiders three years ago. The newest solutions operate in ways that continue to maximize page yield – overall revenue – for publishers and performance for advertisers. This has been achieved by a combination of technologies such as real-time indexing, greater relevancy with the use of categories and keywords and additional enhancements to optimization engines. In addition, these solutions allow publishers to exploit the benefits of site-specific sales, the efficiencies of network models and the ability to create advertising inventory in new places.

Since 40 percent to 50 percent of the Web is dynamic content, real-time contextualization has allowed for the efficient monetization of these pages for the first time. Slower spidering technologies used on static content pages simply don't work on these new pages. Publishers regularly posting large amounts of new content are in a position to benefit from this ability.

Contextual advertising today is smarter and more relevant. It targets by both categories and keywords so it can decipher the difference between heiress Paris Hilton; Paris, France; and Paris, Texas – and will never deliver an ad about the "The Simple Life" when an individual is interested in learning about the *savoir-vivre* of the French. The high degree of an ad's content relevancy

delivers a higher click-through rate, and this is a win for both publishers and advertisers. The old adage that "I waste half my ad budget, I just don't know which half," is gone under this approach in a way that makes both the publisher and advertiser more successful.

Further, various strides in optimization have retained the positives of a network model while pushing the optimization down to the publisher level. It's not the highest bidder that wins the ad spot but a combination of the bid price and the performance (the click-through rate) by various creative types. In addition, all of these decisions occur not on the network but on the publisher level throughout the network. More simply, the market efficiencies are now being created on "street level."

Various providers to publishers offer solutions on a site-specific or network basis. In addition, the new enablers permit the monetization of content in new areas such as e-mail newsletters and RSS feeds.

In the online world, contextual advertising will continue to greatly affect the marketing landscape and is therefore an important tool for publishers. The technology available today continues to prove itself, and we can expect even more sophisticated forms to emerge in the future. Publishers and advertisers are already reaping the rewards and understand the inherent value in the new contextual solution. It defies something many people have thought impossible – finding and successfully targeting the elusive online consumer in a way that both the advertiser and publisher benefit.

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