USER-GENERATED CONTENT

Issues for “Traditional” Media Companies

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Condé Nast Publications and Adjunct Professor, Columbia Business School
# Everybody’s Generating Content

## US User-Generated Content Creators, 2008-2013

(millions and % of Internet Users)

<table>
<thead>
<tr>
<th>Year</th>
<th>User-generated content creators</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>82.5 (42.8%)</td>
</tr>
<tr>
<td>2009</td>
<td>88.8 (44.6%)</td>
</tr>
<tr>
<td>2010</td>
<td>95.3 (46.4%)</td>
</tr>
<tr>
<td>2011</td>
<td>101.7 (48.2%)</td>
</tr>
<tr>
<td>2012</td>
<td>108.0 (50.0%)</td>
</tr>
<tr>
<td>2013</td>
<td>114.5 (51.8%)</td>
</tr>
</tbody>
</table>

Source: eMarketer, December 2008

## US User-Generated Content Creators, by Content Type 2008-2013 (millions)

<table>
<thead>
<tr>
<th>Type</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>User-generated video</td>
<td>15.4</td>
<td>18.1</td>
<td>20.6</td>
<td>22.7</td>
<td>24.9</td>
<td>27.2</td>
</tr>
<tr>
<td>Social networking</td>
<td>71.3</td>
<td>79.7</td>
<td>87.7</td>
<td>94.7</td>
<td>100.1</td>
<td>105.3</td>
</tr>
<tr>
<td>Blogs</td>
<td>21.2</td>
<td>23.9</td>
<td>26.7</td>
<td>28.5</td>
<td>30.2</td>
<td>32.1</td>
</tr>
<tr>
<td>Virtual worlds</td>
<td>11.6</td>
<td>13.9</td>
<td>15.4</td>
<td>16.9</td>
<td>18.4</td>
<td>19.9</td>
</tr>
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<td>User-generated content creators</td>
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<td>114.5</td>
</tr>
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</table>

Source: eMarketer, January 2009
### Even More Are CONSUMING UGC

#### US USER-GENERATED CONTENT CONSUMERS
**2008-2013** (millions and % of Internet Users)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number (Millions)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>115.7 (60%)</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>123.5 (62%)</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>131.4 (64%)</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>139.2 (66%)</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>146.9 (68%)</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>154.8 (70%)</td>
<td></td>
</tr>
</tbody>
</table>

Source: eMarketer, December 2008

#### US USER-GENERATED CONTENT CONSUMERS, BY CONTENT TYPE
**2008-2013** (millions)

<table>
<thead>
<tr>
<th>Content Type</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>User-generated video</td>
<td>69.4</td>
<td>79.2</td>
<td>87.3</td>
<td>94.4</td>
<td>102.0</td>
<td>108.8</td>
</tr>
<tr>
<td>Social networking</td>
<td>79.5</td>
<td>88.1</td>
<td>96.2</td>
<td>103.6</td>
<td>109.1</td>
<td>114.6</td>
</tr>
<tr>
<td>Blogs</td>
<td>104.1</td>
<td>115.5</td>
<td>125.2</td>
<td>135.0</td>
<td>144.7</td>
<td>152.6</td>
</tr>
<tr>
<td>WIKIS</td>
<td>65.4</td>
<td>73.0</td>
<td>80.1</td>
<td>86.4</td>
<td>92.1</td>
<td>97.1</td>
</tr>
</tbody>
</table>

#### User-generated Content consumers

<table>
<thead>
<tr>
<th>Year</th>
<th>Number (Millions)</th>
</tr>
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<tbody>
<tr>
<td>2008</td>
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<td>146.9</td>
</tr>
<tr>
<td>2013</td>
<td>154.8</td>
</tr>
</tbody>
</table>

Source: eMarketer, January 2009
The Long Tail of Media
UGC Influences Brands & Companies

• **74%** of US internet users agree that their choice of companies & brands is due to customer care experience information shared online

• **22%** of US adult internet users say online customer reviews or ratings influence purchase decisions

• **40%** of online travel researchers use UGC when researching travel online

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UGC Issues for “Traditional” Media

• Brand compatibility
  – Quality control a *non sequitur*
  – Snark/coarsening

• Commoditization of content
  – Amateur vs. professional
  – Permission to shift genres

• Value as “listening post”

• DRM when everyone is an aggregator

• Monetization
**US ONLINE STREAMING VIDEO ADVERTISING REVENUES, BY VIDEO TYPE, 2008 & 2013 (% of total)**

- **2008**
  - User-generated video: 3.7%
  - Short-clip video: 28.7%
  - Long-form video: 41.6%
  - Short-form video: 54.8%
  - User-generated video: 1.8%
  - Long-form video: 69.4%

- **2013**
  - User-generated video: 1.8%
  - Short-clip video: 28.7%
  - Long-form video: 41.6%
  - Short-form video: 54.8%


**AVERAGE CPMs FOR US ONLINE VIDEO ADVERTISING, BY VIDEO TYPE, 2008-2013**

<table>
<thead>
<tr>
<th>Year</th>
<th>User-generated video</th>
<th>Short-clip video</th>
<th>Long-form video</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$15.00</td>
<td>$30.00</td>
<td>$40.00</td>
</tr>
<tr>
<td>2009</td>
<td>$15.00</td>
<td>$30.00</td>
<td>$40.00</td>
</tr>
<tr>
<td>2010</td>
<td>$15.53</td>
<td>$31.05</td>
<td>$41.40</td>
</tr>
<tr>
<td>2011</td>
<td>$16.07</td>
<td>$32.14</td>
<td>$42.85</td>
</tr>
<tr>
<td>2012</td>
<td>$16.63</td>
<td>$33.26</td>
<td>$44.35</td>
</tr>
<tr>
<td>2013</td>
<td>$17.21</td>
<td>$34.43</td>
<td>$45.90</td>
</tr>
</tbody>
</table>

UGC Video Is Cheap & Plentiful, But It’s Not Selling

### US ONLINE VIDEO ADVERTISING CPMs AND SELL-THROUGH RATES, BY CONTENT CATEGORY

**AUGUST 2008**

<table>
<thead>
<tr>
<th>EXAMPLE</th>
<th>CPMs</th>
<th>SELL-THROUGH RATE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium content creators</td>
<td>FOX, NBC, CBS</td>
<td>$35-$50</td>
</tr>
<tr>
<td>Content aggregators</td>
<td>MSN, Yahoo!, AOL</td>
<td>$20-$35</td>
</tr>
<tr>
<td>User-generated content</td>
<td>Bebo, Metacafe, YouTube</td>
<td>$10-$15</td>
</tr>
</tbody>
</table>

Note: *Figures are approximate
Source: YuMe and Collins Stewart LLC, *Global Internet: Search Engine Strategies San Jose, Key Takeaways from Day 1.” August 19, 2008
Ad Budgets Not Flowing to UGC, and Execs Pessimistic About Growth

Allocation of Digital Content Advertising Budget in the Next Year by Media and Entertainment Executives* in North America and Europe, 2008 (% of total)

- Mainstream media portals: 59%
- Social networking portals: 15%
- User-generated content: 5%
- Video-on-demand advertising: 5%
- Mobile advertising: 4%
- In-game advertising: 3%
- Other: 8%

Note: numbers may not add up to 100% due to rounding; *and decision-makers
Source: Accenture, “The Accenture Global Content Study 2008” conducted by the BPRI Group, May 5, 2008

Media and Entertainment Executives* in North America and Europe Who Believe Social Media and User-Generated Content Are High Growth Opportunities, 2007 & 2008 (% of respondents)

<table>
<thead>
<tr>
<th>Year</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>66%</td>
<td>22%</td>
</tr>
<tr>
<td>2008</td>
<td>68%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Note: *and decision-makers
Source: Accenture, “The Accenture Global Content Study 2008” conducted by the BPRI Group, May 5, 2008
Many Advertisers Purposely Avoid UGC

<table>
<thead>
<tr>
<th>Types of Online Content</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>User-generated video</td>
<td>72.6%</td>
</tr>
<tr>
<td>Blogs</td>
<td>38.9%</td>
</tr>
<tr>
<td>Social media</td>
<td>26.8%</td>
</tr>
<tr>
<td>News</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

Note: n=200
Source: Collective Media, “Ad Network Study 2008,” provided to eMarketer, April 2008
If Not Display Advertising, What Are Other Potentially Viable UGC Business Models?

- CRM/Retention Models
- Authentication fees on microblogging sites
- Sponsorships on crowdsourcing sites
  - Sponsor buys a 5X multiplier (flagged)
  - In the flow/not super-imposed
  - Respectful of online community mores
- Cross-platform marketing
  - Magazine subscription sales
ACTIVE SUBSCRIBERS WHOSE FILES MATCHED
TOTAL = 6,271

5,686 SUBSCRIBE BUT DON’T VISIT

585 VISIT & SUBSCRIBE

SITE VISITORS WHO ARE IN BOTH OUR FILES AND COMSCORE PANEL

4,530 VISITED, BUT DON’T APPEAR IN OUR DATABASE

ALL CNP SITE VISITORS 2/05-4/05
TOTAL = 5,115

9% OF SUBSCRIBERS WERE SITE VISITORS

11% OF VISITORS WERE SUBSCRIBERS
Muli-Channel Subs Have HIGHER RENEWAL RATES Overall

- HIGHER FOR BRIDAL, VANITY FAIR, THE NEW YORKER, MEN’S, SELF, VOGUE, GLAMOUR, TRAVELER, ARCH DIGEST
- NEUTRAL FOR WIRED, BA, GMT, W, H&G
- LOWER FOR SOME YOUNG WOMEN’S TITLES (LUCKY, TEEN VOGUE, ALLURE)
However Online Display Advertising Poses Challenges to Publishers

• CPM spreads

• Commoditization of online ad impressions
  – Race to the bottom: ad networks, airline models
  – In-context vs. no-context pricing
  – Difficult to justify quality premium

• Ad spending extremely concentrated¹
  – Top 10 sites: 69%
  – Top 25 sites: 80%
  – Top 50 sites: 89%

¹. Veronis & Suhler 2008
Online Subscription Sales Are Sweet

- Profitable on 1\textsuperscript{st} contract
- More apt to get credit card/auto-renew
- Good demos – younger, higher income
- Tend to be new to database
- More apt to get email, permissions
- Significant reduction of DM costs
- Improves circ margins
- Leverage into rate base increases
UGC Helps Subscription Conversion

• Involvement devices for online brand extensions
  – Contests
  – Communities
  – Crowdsourcing, polls, ratings

• Higher conversion rates from UGC sites & fan pages

• Encourages looser editorial culture
  – Editor-bloggers
  – Range of quality levels for online video
  – Helps to keep website costs lower
Dream Trip Contest 2008

Wanwisa Posner, New York City
Read the story behind the photo, plus her ultimate dream trip
Teen Vogue Snapshot Contest

CONTESTS
snapshot: be in teen vogue!

want to participate in the contest?
SIGN UP NOW

already signed up?
username
password
log in

The contest is over, but you can still go to our gallery, find your favorite girls, and comment on their style.

the gallery
Flip through all the entries and post comments on your favorites.
start browsing >>

THIS COULD BE YOU!
Smart Cookie Readers’ Choice Awards

Word of Mom
Tell us now about the products you can’t live without.

What products do you think should receive Cookie’s Word of Mom™ Readers’ Choice seal? Just for giving us your picks, you will be automatically entered into a sweepstakes to win a three-night stay for four at the Inn of the Spanish Garden in Santa Barbara, courtesy of TabletHotels.com.

Submit Picks
Assignment Zero

NEWSROOM

Welcome. We’re covering a story! More the media makes it possible for the crowd to be the source of good ideas. But instead of one journalist reporting, we’ve created a site where many people can work on the story, with editors as guides. You are now in the Newsroom, where you can find an overview and learn what others are doing. The Assignment Desk is where you can see what we’re covering in detail, and get an assignment. The Exchange is a place to offer new ideas. Check the day’s developments with The Scoop. Read up.

THE SCOOP with Lauren Sandler

Launch date!

We’ve had the team gathered at my place in Brooklyn for a just-food-fueled start toward this moment. It’s been a technically demanding challenge. If you see any bugs on the site, or receive an error message for any reason, please let us know now — there still might be some technical hiccups we need to work out.

Now we can get started with the real work: building a community of volunteers to test the premise that we can make journalism together. We’re pretty excited about the tool we’ve created to make this happen. But like throwing a party, you can program the music playlist, mix up the punch, and dim the lights, but the just-one-joke if people show up and give the right their all. Now it’s up to you.

- Are you a seasoned and dashing practitioner with expertise to share? Check out what we’ve already covered and give the rundown on what you know. Visit The Exchange to tell us what else should be on our list — or other ways you think we should approach what we’re trying to accomplish here. You can also spend 30 minutes filling out our survey before we can gather some hard data about the field.
- Are you an experienced journalist who wants to lend a hand in guiding the big story or its smaller points? Click here.

Some of the first stories to appear:

- What else should Assignment Zero investigate?
Self.com “Buddy” Groups

The Self Challenge No Excuses, Just Do It: Accountability Group
595 members

Our motto is No Excuses, Just Do It! If you thought about doing the Self Challenge, but need someone to keep you in line, this is the group for you. Even though we have different goals, let's support one another to come together to start and finish the Challenge.

There is no giving up. Just do it!

Tell a friend about this group

Recent Activity

mbenavides3 started a new discussion: New to Self Challenge

lilian826 added a blog post: NEED MOTIVATION!
beccalab started a new discussion: Re: Member Introductions

rileyjin added a discussion post: RE: RE: Challenge Check In: Day 47 (Tuesday, April 7)
CristinaMT327 added a discussion post: RE: Challenge Check In: Day 47 (Tuesday, April 7)

rileyjin started a new discussion: Challenge Check In: Day 47 (Tuesday, April 7)

Most Recent Blog Posts

NEED MOTIVATION!
Posted 4/8/2009 8:40 P.M.
I am a college student who needs motivation! With the unhealthy eating habits of a college student paired with my lack of motivation to do anything about my body image, I need help! I am a dancer, so I definitely feel the pressure to look good in front of the mirrors, since I look at myself in them everyday at rehearsal. I am also feeling the crunch to tone up before the summer rolls around and I have to squeeze into a bikini. I would love it if someone would help me kick my butt into shape! Read more »
Summary

• UGC is increasingly popular, but hard to monetize

• Advertisers are reluctant to hazard the risks of UGC adjacencies
  – Other monetization schemes still being conceived & tested

• Media companies share those concerns, plus have other qualms
  – QC for media brands, DRM
  – Blurring of professional/non-professional genres

• But media companies have some other monetization options through cross-platform sales
  – Taking advantage of UGC’s ability to engage consumers
  – Facilitating the migration of media assets across platforms