

## TARGETING WITH BLOGVERTISING: DRIVING IN FUTURE OPPORTUNITY

By  
**Shao Wei Hou**  
May 2007

Note: The Media Management Center (MMC) at Northwestern University thanks the author for this paper, which is being published in conjunction with the Social Media Marketing Symposium May 9, 2007. The Symposium is organized by graduate students at the Kellogg School of Management and jointly hosted by MMC and Kellogg.

The paper was written as part of a Kellogg graduate media management class (Media Management 912: Understanding The Media and Their Content) taught by Prof. Michael P. Smith, executive director of MMC and director of Kellogg's Media Management Major. Please direct any comments or correspondence regarding this paper to [s-hou@northwestern.edu](mailto:s-hou@northwestern.edu) or to <mailto:m-smith3@northwestern.edu>.

All opinions and observations expressed in this paper are the author's and do not necessarily represent MMC's position.

## **TARGETING WITH BLOGVERTISING: DRIVING IN FUTURE OPPORTUNITY**

**By Shao Wei Hou  
May 2007**

As usual, *Time* magazine announced its Person of the Year by the end of 2006. However, something was different this year. Instead of an individual, Time's Person of the Year 2006 was "You." When we take a look back at the 2006, we find that The Great Man Theory is no longer applicable; instead, it is every single person that is changing the world and using his own words to write the world's history through the World Wide Web. The maturation of the World Wide Web has led to the development of social media, which is described as "the online tools and platforms that people use to share opinions, insights, experiences, and perspectives with each other."<sup>(1)</sup>

Among all kinds of social media, blogs have become the mainstream form and dominate the Internet. Gartner Group, a professional IT research and consulting company, forecasts that "blogs will peak in 2007 with more than 100 million bloggers running their personal Website."<sup>(2)</sup> Today, more and more people are becoming bloggers, sharing their thoughts, experiences and information, whether in text, audio or video. Among these millions of blogs, some blogs have great content and amazing traffic. In marketing terms, blogs simply represent segmented consumer groups. Advertisers who recognize the business opportunity of this growing social media have started to carry advertisement on certain blogs. For example, *Daily Kos*, an American political blog which just won the best blog of 2006 Weblog Awards, had an average weekday traffic of about 500,000 visits, and most of its visitors were highly political engaged people. Therefore, *Daily Kos* was just like a huge community of voters so media and political candidates invested a lot to carry their advertisements in this blog.

However, one question that arises is how to provide motivation for bloggers to share their blogs' space for advertisement. Another is what's the best way for advertiser to put in the "blogvertising."<sup>(3)</sup> Google gave us its answer. In May, 2005, Google launched its first blogvertising model called "Google AdSense," a way for every blogger to gain ad revenue by displaying targeted AdSense ads within the feed. Bloggers who register for the AdSense program will be delivered relevant text and image ads that are precisely targeted to their site content and that generate revenue on a per-click basis. In addition, Google put its search engine into all of these partner blogs in order to increase its distribution. "In Google's announcement of Fourth Quarter and Fiscal Year 2006, its partner sites generated revenues, through AdSense programs, of \$1.20 billion, or 37% of total revenues, in the fourth quarter of 2006. This is a 50% increase over network revenues of \$799 million generated in the fourth quarter of 2005 and a 16% increase over third quarter 2006 revenues of \$1.04 billion."<sup>(4)</sup>

Google's AdSense Program was such a highly successful accomplishment because it created a win-win situation for both bloggers and itself. For bloggers, they not only gained revenue from the program but they also enriched their blogs with advertisements

related to what their visitors were looking for. For Google, it simply increased abundant channels to display its sponsors' advertisements and its search engine. On the other side, this is also a long-term strategy for Google. Only if more people are willing to share and work on their blogs could Google's search engine offer more precise and significant search results in the future. If the bloggers are unlikely to share their blogs, Google's search engine will lose its access to this rising mainstream.

Not long after the introduction of Google's AdSense, Yahoo also launched "Yahoo Publisher Network" in August, 2005, providing pay-per-click contextual ads to partner blogs, trying to develop its own relationship to blogs in the same model. As for Microsoft, the last one of the "Big Three" search engines is believed to be in the process of constructing its pay-per-click advertising program to compete with Google's highly-successful AdSense program.

Again, Google created another successful story and helped itself permeate into countless blogs. Advertisers who want to start their blogvertising business then turned to Google for help to get access to their targeted consumers. However, Google took the lead in the blogvertising business but did not dominate the market. With 40,000 new blogs popping up each day,<sup>(5)</sup> it is almost impossible to build up relationships with all of the blogs. Yahoo, Microsoft and other groups are entering the blogvertising business one by one, trying to gain their shares of the market. And there are still lots of chances there. Blogs are increasingly becoming a mass market, and those who adopt it will gain great insights from this emerging channel and drive in great opportunities for business.

###

(1) Wikipedia: [http://en.wikipedia.org/wiki/Social\\_media](http://en.wikipedia.org/wiki/Social_media)

(2) Wikipedia: <http://en.wikipedia.org/wiki/Blog>

(3) Cheeze. "Blogvertising: The art of Blog Advertising."

[http://www.cheeze.com/content.aspx?page=Advertising\\_On\\_Blogs&navid=53](http://www.cheeze.com/content.aspx?page=Advertising_On_Blogs&navid=53)

(4) Google Investor Relations: <http://investor.google.com/releases/2006Q4.html>

(5) "Blogs Will Change Your Business." *Businessweek*. May 2, 2005.

[http://www.businessweek.com/magazine/content/05\\_18/b3931001\\_mz001.htm](http://www.businessweek.com/magazine/content/05_18/b3931001_mz001.htm)

## BIBLIOGRAPHY

Lev Grossman. "Time's Person of the Year: You." *Time*. December 13, 2006.  
<http://www.time.com/time/magazine/article/0,9171,1569514,00.html>

Google AdSense. [http://www.google.com/services/adsense\\_tour/](http://www.google.com/services/adsense_tour/)

The Weblog Awards. "The 2006 Weblog Award Winners." December 18, 2006.  
[http://2006.weblogawards.org/2006/12/the\\_2006\\_weblog\\_award\\_winners.php](http://2006.weblogawards.org/2006/12/the_2006_weblog_award_winners.php)

Wikipedia. [http://en.wikipedia.org/wiki/Daily\\_Kos](http://en.wikipedia.org/wiki/Daily_Kos)

Lewis, Kent. "The Four E's of a Successful Pay-per-Click Advertising Program." Pandia Search Central. Jul 7, 2006. <http://www.pandia.com/sew/243-the-four-e%e2%80%99s-of-a-successful-pay-per-click-advertising-program.html>

"Microsoft to launch paid listings program." Pandia Search Central. August 9, 2005. <http://software.silicon.com/applications/0,39024653,39151002,00.htm>

Best, Jo. "MSN mimics Google with paid search." Silicon.com. August 3, 2005. <http://software.silicon.com/applications/0,39024653,39151002,00.htm>

Blank, Christine. "Yahoo Plans Contextual Ads." Dmnews.com . August 3, 2005. <http://www.dmnews.com/cms/dm-news/search-marketing/33663.html>

Oga. "New Media etc: Online advertisers change tactics." January 7, 2007. <http://newmediaetc.wordpress.com/2007/01/07/online-advertisers-change-tactics/>

"Blogvertising: The Decision to Add Ads to Your Blog." *Future of Real Estate Marketing*. September 8, 2006. <http://www.futureofrealestatemarketing.com/blogvertising-the-decision-to-add-ads-to-your-blog/>

"Whatever Happened to MSN's "AdSense" Anyway?" *The NewSmart Files*. Corporate Talk. December 14, 2006. <http://neosmart.net/blog/2006/whatever-happened-to-msns-adsense-anyway/>

"Google AdSense Program Review." *The Internet Digest*. November 21, 2003. <http://www.theinternetdigest.net/archive/google-adsense-review.html>

"Use Google AdSense to Make Money With Your Website." *The Internet Digest*. March 2005. <http://www.theinternetdigest.net/articles/making-money-with-google-adsense.html>

Noguchi, Yuki. "A New Model For Getting Rich Online." *The Washington Post*. July 28, 2006. [http://www.washingtonpost.com/wp-dyn/content/article/2006/07/27/AR2006072701622\\_pf.html](http://www.washingtonpost.com/wp-dyn/content/article/2006/07/27/AR2006072701622_pf.html)