

AdvertisingAge.

April 30, 2007

Going, Going, Gone? Auction Model's Fate Unclear
Google, RevShare Try to Further Sales System After CAB
Wouldn't Back eBay

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NEW YORK (AdAge.com) -- Now that Google has sealed deals with Clear Channel and EchoStar to use its auction-based system to sell ad time, the industry is watching closely to see how it all works out. Will a behemoth like Google lend credence to a model some say turns advertising into a last-minute space filler for cable and radio networks?



It's causing a ruckus now, but RevShare has been in the auction-based ad biz since 1989. CEO Joseph Gray says his company's focus on more detailed, 'cost-per-action' metrics is essential to advertisers looking to experiment with different consumer-response levels.

The Cable Advertising Bureau has already made clear its position on auction-based online ad sales, backing out of its trial of eBay's model earlier this month. NBC, Turner and ESPN also decided not to participate.

"If you're going to fundamentally change the business practice, you need to have that be a

dominant market desire," Sean Cunningham, the CAB's CEO told Ad Age earlier this month, calling eBay "outsiders trying to make an inside product."

Auction expertise doesn't pay

Had the eBay system come to fruition, it would have allowed national networks such as TNT, MTV and USA to sell remnant inventory to major marketers such as Microsoft, Intel Lexus and Home Depot, which were all on board before the CAB pulled the plug.

If the folks who revolutionized the online auction space can't get it right, can Google?

Jodie McAfee, senior VP-corporate development and marketing at the Media Group, seems to think so. Mr. McAfee, a key negotiator in Google's deal with EchoStar, said the system is more foolproof than others in that it guarantees how often spots will run by daypart. It may eventually include a "buy it now" option similar to eBay's, he added.

Google's model, to launch in 13 million homes, will have a more local focus across EchoStar's smaller stations and provide second-by-second audience measurement. Preliminary advertisers include Intel, E-Trade and 1-800-Flowers.

But even Mr. McAfee had a few reservations. "You don't have to be in the media business to know it's all about 'win some, lose some,' but I'm not sure it's a very good media strategy," he said.

New advertisers, old auction pros

Yet some companies have been able to sustain the auction model for years. RevShare has been in the business since 1989, and is looking to expand its reach of 1,200 English and Spanish stations in the wake of eBay's withdrawal from the market. CEO Joseph Gray said RevShare's focus on more detailed, "cost-per-action" metrics is essential to advertisers looking to experiment with different consumer-response levels. "It's not really adding anything to the equation. It's helping advertisers understand what their audience looks like," he said.



Clear Channel CEO John Hogan

What participating companies hope to get out of the auction process is new advertisers. Radio conglomerate Clear Channel is willing to bank 5% of its inventory for 675 stations on the prospect. "We'll be able to identify which stations haven't sold inventory and manage them from a much more proactive, informed, intelligent basis," CEO John Hogan said.

But since auctions for the participating stations are locally based, some buyers wonder how they will affect in-house operations. "If Google is suddenly going to be able to attract new business, it would obviously be a terrible black mark against that particular radio station," said Aaron Cohen, director-broadcast at Horizon Media. "[Google] needs to be able to bring much more to the table for us to use this as an entry point rather than the standard processes we've been using."