

Internet Advertising

Revenue Opportunities for Registrars, Registries,
ISPs and Hosting Companies

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Cogit Group LLC

- Paul Krieg has more than four years consulting and operational experience and more than eight years experience with Wall Street investment banks.
- Former Corporate Development Officer of Dotster. Developed corporate strategy, secured significant expansion capital, and oversaw an aggressive M&A program acquiring 11 companies.
- Currently, provides consulting services in areas including Internet Advertising – both the design and the hands-on management of Internet Advertising revenue programs.



Internet Advertising

- Large (\$13 - \$16 Billion) market that is important because...
 - Audience is growing
 - Since online activity is a greater percentage of time for a growing population, online ads are responsible for more than 100% of the net growth of all advertising
 - Specific targeting of users
 - Offer a message to users who meet very specific and complicated sets of criteria
 - Track results
 - Pay for users who take an action (follow up on the offer, or even make a purchase) instead of all users who see the offer



Internet Advertising

- Banner Advertisements
 - Revenue = \$ Fee per page view × page views
- Pay-per-click advertising
 - Revenue = \$ Fee per click × % click-through rate × number of page views
 - Search Engine Results Page
 - Contextual Advertisements
 - Direct type-in traffic



Revenue from Internet Advertising

- Virtually all providers of an Internet service can generate some revenue from Internet advertising.
- Place advertisements on Web pages controlled by the provider
 - Generate advertising on pages that are being generated anyway
 - Sell data about traffic patterns (while respecting personal privacy).
 - Advertising networks compete on increasing the click-through rate, this has been the competitive advantage that has enabled Google to significantly increase marketshare vis-à-vis Yahoo!

Overall, revenue levels are relatively low (PPC < \$1.00 per click), but revenue is virtually all profit and volumes can be very high.



Internet Advertising – Our Assumptions

- Respect letter and spirit of all local laws
- Respect customer privacy and never compromise customers' personal data for corporate profit
- Respect trademarks and avoid "typo-squatting"
- Respect customers and avoid abusive advertising such as spam, malware, cascading pop-ups, out-of-context "adult" category ads (advertising porn on children's web sites, for instance)



Registries

- *Data collected at the root level is very valuable and can find willing buyers.*
- *Advertising vendors use demographic data to increase the efficiency of targeting ads*
- *Content providers use traffic data to maximize the number of Web site visitors (and ad click-through rates)*
 - VeriSign specifically negotiated for itself the right to sell registry-level data, in the approved .net contract renewal and the proposed .com renewal. VeriSign has also solicited feedback from potential buyers of data to better understand the potential market and better define the likely product.



Registrars

- *Generate revenue from pages the registrar generates*
- *Generate revenue from domain names that customers don't renew*
- *Generate revenue from registry access*
- *Generate revenue from traffic data*
 - Go Daddy Group recently reported advertising revenue of \$1.6 million in the first three months of 2006, or around \$0.50 per year per domain under management. Other registrars have exceeded several dollars per year per domain under management – Go Daddy could likely double their results if they followed our "best practice" recommendations.
 - Registrars including Go Daddy, eNom, Dotster, Bulk Register, and others have established Internet Advertising revenue lines.



ISPs and Hosting Providers

- *Generate revenue from pages the ISP or hosting company generates*
- *Generate revenue from domain names that customers don't renew*
- *Generate revenue from traffic data*

