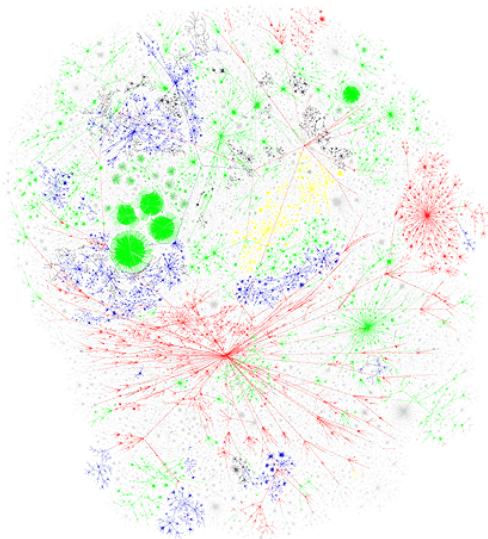


## Content Insider #68

### Web 2.0 – Thunder...Lightning...Rain

Just look at it!!!



The Internet cloud is probably the most amazing image we never see.

Think about it:

- millions of emails flying around the globe every day
- spam, phishing expeditions, spyware and adware attacks by the ton
- tens of thousands of pictures, taken, sent, stored
- hundreds of good, bad, funny, sad videos posted, downloaded
- radio news, commentary, information listened to anytime, anywhere
- music enriching our days, filling in time
- TV shows unencumbered by networks and borders

From its innocent beginning in the early '80s the Internet has grown into an indispensable part of our personal and professional lives.

As bandwidth spread around the globe it fostered a new industry...the Web. This gave rise to heroes, billionaires, industry leaders...wholesale disasters.

The second generation Web cloud is being seeded by VC and M&A funds as lavishly as before.

Vcs have war chests stuffed with over \$15 billion investing in anything with social media in its name. Media conglomerates are throwing big money at young kids to have a stake in the new media environment.

Folks use it to do product researches; enter contests; play games; listen to radio; share photos; comment on chat rooms, message boards, bulletin boards; stream music/video and yes...even work.

Photo-sharing sites, music sites, video-sharing sites, social networking sites, wikis, podcasts, RSS feeds and blogs are all the rage.

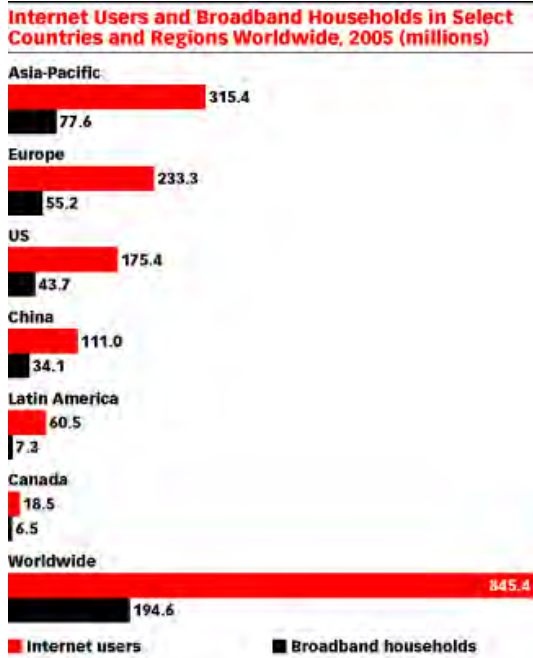
But...financially seeding the cloud doesn't ensure rain and a bountiful crop. Most of the time, all we get is a lot of thunder, lightning and parched land.

"Old" Web 1.0 produce-and-deliver locations are healthy, unexciting.

Web 2.0 self-production, self-controlled content wouldn't have been considered without broadband.

High speed broadband was built to meet the needs of consumers and Internet storefronts. Iceland, Korea, the Nether-

lands and Denmark lead the countries of the world with broadband penetration.



100MB+ broadband service is on every nation's to-do list.

The more that is available, the more it will be used.

We are on the leading edge of a new era of communications. Communications that is being shaped by the wants, needs, desires and demands of consumers.

Somewhere in this equation money is to be made!

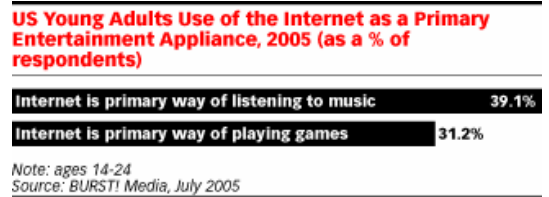
### Music Is In the Air

There's no particular starting point for the new Web but the most popular segment – music.

The RIAA **knows** music sites produced widespread music theft. People downloaded copyrighted and indie music, staged it on their hard drive, burned it to CDs.

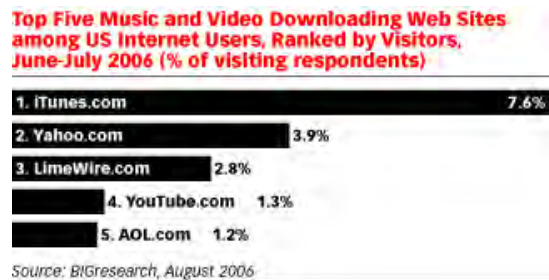
So the lawyers...took 'em down!

People are increasingly turning to the Internet and their PC for entertainment. Music remains #1.



With Jobs' iPod, iTunes music downloads became legitimate and profitable.

White earbud envy has produced copycat products but Apple continues to retain over 60 percent of the hardware market. iTunes is proprietary but who gives a crap?



It is the player to beat...or tie!

Because of the noise level:

- 11% of U.S. households have MP3 players
- 34% of wireless subscribers want mobile digital music
- 51% of online teens download music
- 12% of P2P traffic is audio
- 945.5 million digital music players are expected to be shipped by '09
- Music subscription services were up 150% in '04, 109% in '05, 45% in '06
- 16% of European, North American music sold by 2010 is expected to be sold online

What else do heavy interneters do on the Web? According to InsightExpress, they:

- IM folks – 68%
- Shop (our wife) -- \$40%
- Share everything on the open Web – MySpace, Friendster, iVillage, Facebook and new options opening daily – 28%
- P2P file sharing (music??, TV shows??, movies??, class work??) – 21%
- Podcast – 13%
- RSS feeds – 14%
- IPTV – 7%

### Social Scene

“Everyone” is gathering on the social sites.

MySpace leads the pack with 54,522 unique visitors a month at mid year. This clear leader was followed by FaceBook, Classmates, MSN space, Xanga, Yahoo! 360, Flickr and others down the list.

The sites walk a thin line – a bevy of social discourse and money.

They make their money by attracting members with similar areas of personal, professional and school interests as well as marketer-sponsored locations.

Advertisers love the groups because they share a common profile.

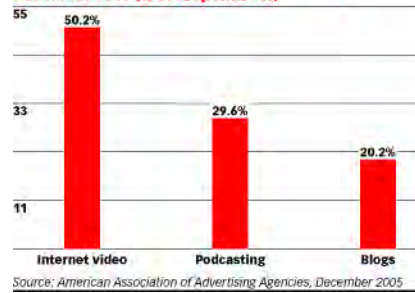
Next came Internet video/photo hang-outs.

It is projected to be a billions-of-dollars business. It will lead the other “hot ideas” – podcasts and blogs.

Every VC has invested in 4-5 of them. It's a lot like Las Vegas craps...spread the money around the table and one has to win!

Even communications conglomerates are scooping them up for stupid multiples.

Form of New Media that Will Show the Greatest Growth in 2006 according to US Advertisers, December 2005 (% of respondents)



Now all the sites have to do is attract tens of thousands of good, bad, insane videographers to drop in their content. Next millions of unique visitors. Finally hundreds of millions of ad dollars!

Households Using Online Content Services Worldwide, 2005 & 2010 (millions)



Easy!

Ad part is still a work in progress:

- 30 sec commercials won't fly on the Web
- 5 sec ads is about all multi-multitasking young people will tolerate
- Demographics will be lower gross numbers but can be very precisely profiled so the cost structure will have to be different...somehow

### Personalized Radio

Take a world of MP3 players add personal content production BAM!!! Podcasts. Didn't bother radio stations early on. But now...

It's a big opportunity to reach both broad and narrow subject markets.

Radio has the numbers.

Podcasts have the buzz.

Podcasts are so popular that they are cropping up from community interest groups as well as news agencies, business consultants, companies and conventional AM/FM stations.

No special receivers. No monthly charges. No wonder there are more podcasts than radio stations.

Radio and print PC/CE reporters who lost their time slots because of “low audience appeal” have begun building solid listenership numbers around the globe.

People like them because they can be recorded and downloaded and listened to anytime, anywhere.

Podcasts prove the long tail of the Internet is working.

In fact, Forrester researchers noted that in the U.S. alone households regularly listening to podcasts will rise from 400,000 homes to 12.3 million by 2010.

WW? Multiply by 10!

Forrester estimates that a third of the folks owning MP3 players regularly listen to podcasts. Smartphones deliver even more listeners.

The general and application-specific producers can deliver great target audiences. All marketers have to come to grips with is that quality is better than quantity.

### “Everyone” Blogs

Want to be technically hip?

Join the blogosphere...60+ million people around the globe put their online diaries onto MySpace, Yearbook, Classmates, MSN Space or other “what I had for breakfast” portals.

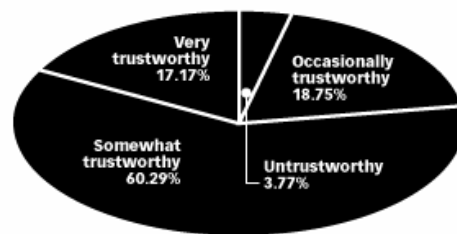
It is a generation that has grown up sharing information. Even though you hear the horror stories of vicious blog comments and threats, social networks and personal blogs are second nature to this generation.

Want to do business on a true 1:1 basis?

Do what hundreds+ members of companies large and small do. Start a business blog and reach out to your customers.

Don't expect folks to trust what you say simply because you're a nice guy/gal. Technorati found that 61% of blog readers believe employee bloggers are somewhat trustworthy. About 19% think you are occasionally. 4% don't trust you at all.

**Trustworthiness of a Blog Created by an Individual Employee according to Bloggers Worldwide, 2005 (as a % of respondents)**



Note: n=821; 54.8% of the respondents were from the US; numbers may not add up to 100% due to rounding  
Source: Technorati, October 2005

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So hope to gawd you don't get your hand slapped.

Business blogging is not for the faint of heart or people who come up short in professional/personal and communications skills.

Responding to problems, issues or simply erroneous blog inputs with “Oh yeah?” or “Same to you fella/lady!” doesn't go over too well in these 1:1 or 1:many discussions.

But ignoring what's being said in the blogosphere is like an ostrich sticking its head in the sand. Your behind is still exposed.

Monitoring the blogosphere and responding when appropriate – on or offline – is an essential for your communications/brand management.

### But Where's The Rain?

Ok, there's a lot of Web 2.0 noise – thunder and lightning. But which locations – photo/video sites, music sites, social sites, podcasts, or blogs – will be blessed with an abundance of rain (user and advertiser payments)?

Winners will be:

- Search engines like Google, Yahoo! – they have their plays in each of the categories **plus** they get paid for each click thru. How cool is that? They win even though they pass you along
- Photo/video/social sites can win **IF** they keep users loyal and marketers understand the value of the site visitor profiles vs. huge numbers. Of course a whole new breed of creativity will have to be employed -- static billboards and 30 sec spots won't fly
- Business and professional podcasts will grow steadily as people find new locations to get the information, news that will help them personally and professionally. Once the demographics are sound ad dollars can't be far behind.
- Blogs? They're fun. They're interesting. They can put you in touch with mean-

ingful customers (so do product/application chat rooms). They attract the person with an axe to grind...or really sneaky competitors. Blogging for dollars? Don't run out and buy that Jag or jet. These are personal and social activities.

Just like Web 1.0 there will be big investments... huge hopes and dreams... spectacular failures.



But this is the superhighway. Expect casualties...

Andy Marken

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**Andy Marken** is president of Marken Communications and has been involved in the marketing of storage technology for more than 15 years. His experience includes work with Panasonic, Verbatim, Matsushita, Plasmon, Nikon, Mitsubishi Chemical and a number of hard drive manufacturers. Andy can be reached at [andy@markencom.com](mailto:andy@markencom.com).