

Pheed Read - Spring 2006

Key Pheed Read Findings Include:

- » **Consumers Remaining Within Aggregator / News Reader Environment To View RSS Content**
- » **Full-Text Feeds and Summary Feeds Garner Similar Click-Through Rates**
- » **Summary Feed CTR Varies Widely**
- » **Most Publishers Opt for Summary Feeds**
- » **Bloglines and MyYahoo! Lead RSS Content Aggregators**
- » **Standalone Ads Continue to Outperform Inline Ads**
- » **Content Category Influences RSS Ad Performance; Niche Categories Yielding High Response Rates**

About Pheedo

Pheedo is the premier feed advertising network. With Pheedo, manage, track, optimize and monetize your content feeds. Since 2003, advertising agencies, Global corporations and premium online publishers of all sizes have chosen Pheedo for our advanced feed analytics, innovative thinking, superior customer service and most of all our experience.

Executive Summary

As the RSS publishing and advertising marketplace evolves, it is important to monitor the indicators such as click-through rates, which are normalizing; RSS ad performance, which remains strong; and most importantly, how RSS consumers are interacting with feed content.

Advertisers and publishers need to engage the RSS consumer at the aggregator or feed reader level. That's where the relationship is – not at the website. Hoping for a click-through by publishing summary feed content is not a viable content monetization strategy in an RSS-enabled publishing model. This is good news for publishers who are evaluating opportunities for RSS feed advertising, and good news for advertisers seeking to reach information consumers in this growing channel.

Pheed Read Report #3 – Spring 2006

It's been a few months since Pheedo's last Pheed Read report on the state of the RSS advertising market. In our prior report, we looked closely at the issue of standalone RSS ads versus in-line RSS. This time around, we're taking a look at a wide range of stats & info from within Pheedo's RSS ad network and from the latest research on how RSS is evolving, and also diving more deeply into the issue of full and partial feed publishing.

RSS Readership Trends – Full Feeds vs. Summary Feeds

For at least the last 18 months, there has been an on and off debate in the blogosphere on whether publishers and bloggers should produce partial (summary RSS feeds) or full text feeds of their articles. In a summary feed, the publishing software arbitrarily truncates the content and inserts a link to the full content item on the website. In contrast, in full text RSS feeds, the entire text (and usually the accompanying graphics) of the article is published within the RSS feed. In the full text reading experience, the RSS consumer accesses all of the site's published content through an RSS reader.

The argument for partial summary content states simply that if consumers are reading all of the content in an RSS aggregator or reader, then they won't visit the website. From the advertising perspective, this could translate into lower on-site ad impressions and a corresponding drop in advertising revenue generated from blog or website advertising. This impact of RSS on website traffic has been coined "The RSS Effect." The theory goes that if a publisher releases only partial

or summary content then it will compel readers to click through to the website, access the rest of the information and, of course, view the ads.

On the flip side of the coin, is the view that RSS feeds should contain the full text of the published articles. The argument in favor of this approach is that if a reader is choosing to consume content via RSS, then the publisher should deliver the content in the way that the consumer desires – through RSS. The prevailing theory on full text RSS feeds is that the click through to the publishing website is greatly diminished because there is no need to click through to the full content.

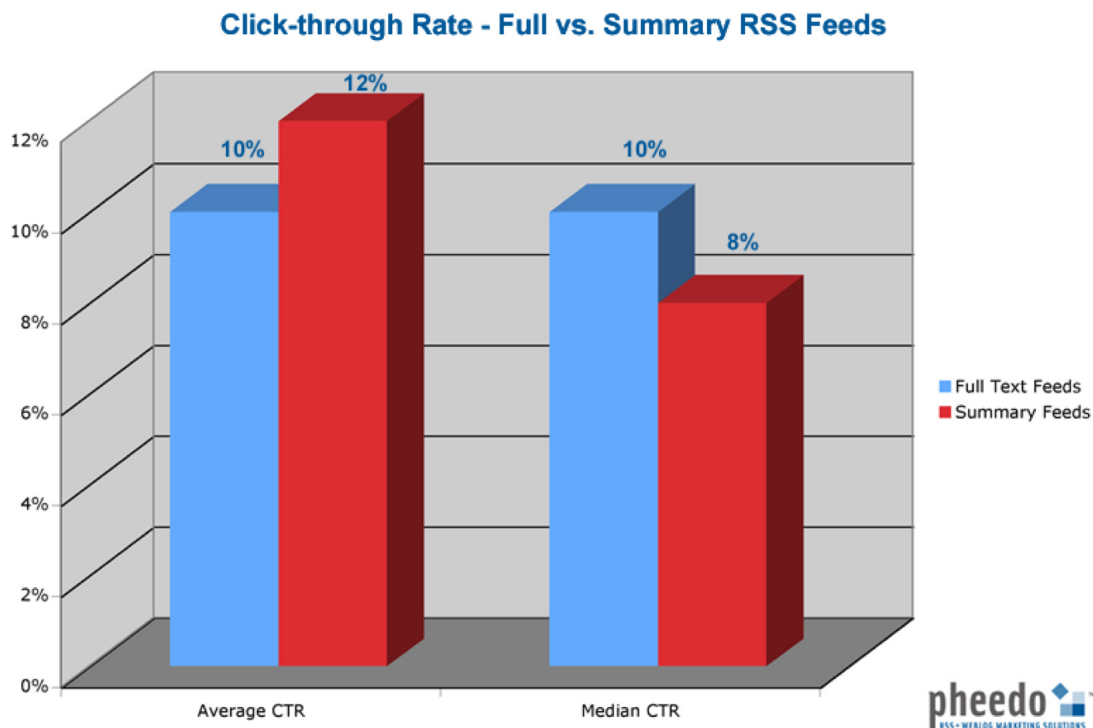
Pheedo takes up the issue of full vs. summary feeds in this Pheed Read Report by reviewing the readership and click-through rates of the top 50 RSS feeds in our publisher network. The findings may surprise you.

Average Click-Through Rates (CTR) Nearly Identical for Full and Summary Feeds

While the 12% average CTR of summary feeds vs. the 10% of full text feeds seems to initially support delivering content via summary feeds, thus achieving the goal of greater click-through back to the website, this figure is largely influenced by significant outliers in CTR in summary feeds.

A better measure is the median CTR (which provides a better measure of the CTR tendency when there are large outliers) of the summary and full text feeds. The median CTR of summary feeds is 8% CTR and the full text feed median CTR is at 10%

Based on the Pheedo data, a full 90% of readers choose to read the feed content in the aggregator environment, regardless whether they are viewing full or partial feeds. Make no mistake, the implication that a full 90% or more of RSS consumers choose to consume their feeds via an RSS aggregator is not a point that we take lightly, and it certainly invites further inquiry into the actual behavior of RSS consumers. Nonetheless, this presents a tremendous opportunity to monetize the feed content at the feed reader or aggregator point of consumption.



Click-Through Ranges for Summary Feeds Vary Widely

CTR's for summary feeds varied from 2% CTR on content to up to 55% CTR on content for different feeds. A rough comparison of the summary feeds that produced low CTR's vs. those with high CTR's indicate a preponderance of simple lists, links and scant, undescriptive headlines on the low CTR feeds versus seemingly intriguing content with strong, descriptive headlines in the high CTR feeds.

CTR for full text feed publishers did not vary nearly as much with CTR's spanning from 5% to 15%.

Most Publishers Opt for Summary Feeds

84% of the feeds sampled for this report were summary feeds. While this may appear to be a relatively small sample size at 50 feeds, it is representative of an average feed consumer. According to data from Bloglines, the average Bloglines user tracks more than 20 news feeds. It appears that a majority of publishers are publishing in summary format.

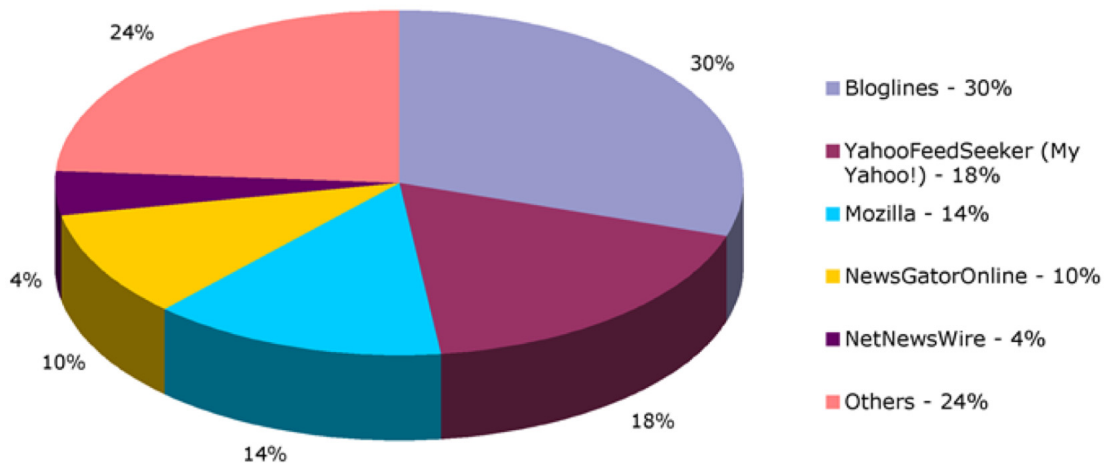
Bloglines and MyYahoo! Drive Feed Reading Consumption Experience

The Feed Reader Trend that we've been following for several quarters continues to show Bloglines, at 30% reader share (down from 37% last quarter), as the most widely used feed reader across the Pheedo network. This benefits both feed publishers and feed advertisers as the Bloglines reader experience enables the reader to consume full content, including ads, right from within the aggregator.

Alternatively, the MyYahoo! and Mozilla feed reading tools deliver only headlines to users as a default. These two readers combined make up an even larger share than Bloglines at 32%



The NewsGator family of products (including NewsGator and NetNewsWire) have a combined 14% share of the top 5 reader types in the Pheedo network.

Feed Reader - Market Share



RSS Ad Click-Through Normalizes; Standalone Ads Still Best Performing

In previous Pheed Read reports, we reported high click-through rates on RSS advertising of 7.99% on standalone ads and .85% on inline RSS ads (Pheed Read #2, Dec 14, 2005). In an effort to rationalize these high click-through rates, the Pheed Report as well as other industry observers pointed to a number of factors ranging from the newness of the medium to readers mistaking the ads for actual content. In the final analysis, we expected click-through rates to normalize over time and the first quarter of 2006 illustrates that very trend.

-  The average CTR of a standalone RSS is 2.76%
-  The average CTR of an inline RSS ad is .45%

The changes in both standalone and inline RSS ads CTR are quite significant at 65% and 47% respectively.

Pheedo's prediction for upcoming Pheed Read reports is that CTR may level off a bit more, but the bulk of the normalization that needed to take place in the RSS ad performance space has already done so as consumers have become more accustomed to viewing RSS advertising.

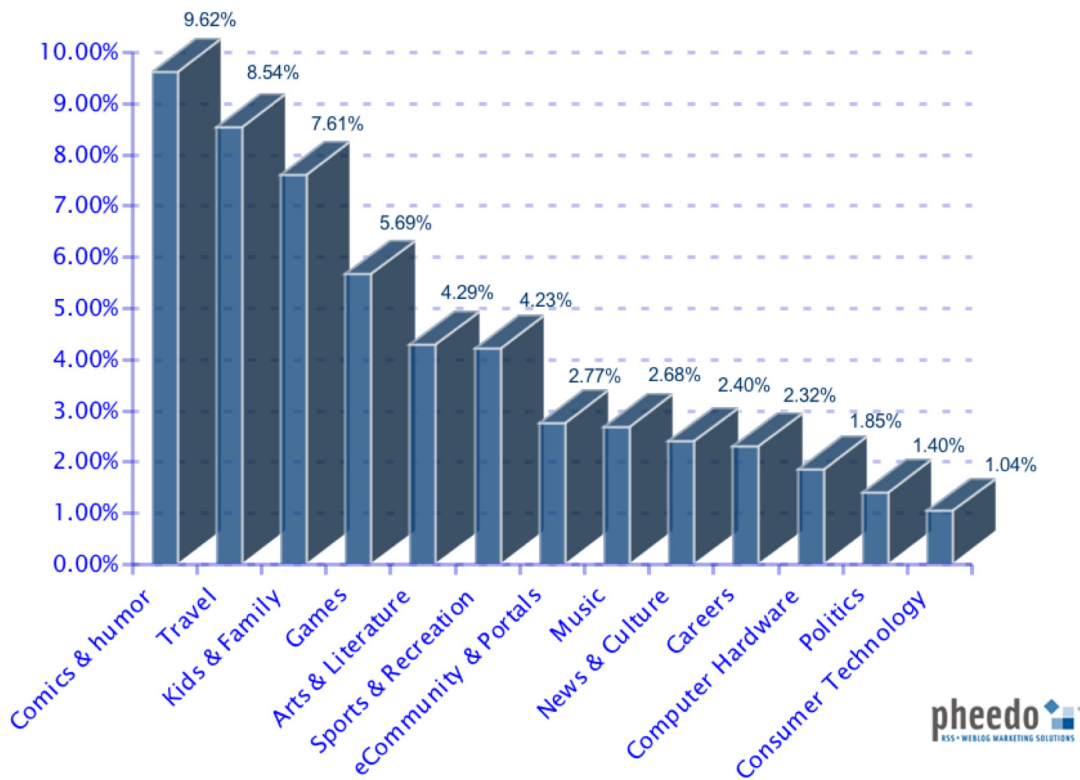
Content Category and Vertical Market Influence RSS Ad Performance

As most RSS publishers and RSS advertisers have already figured out, the category of your content can play a significant role in the performance of RSS publishing efforts and RSS advertising campaigns.

✚ The top three performing content categories for RSS advertising are:

- Comics & Humor – 9.62%
- Travel – 8.54%
- Kids & Family – 7.61%

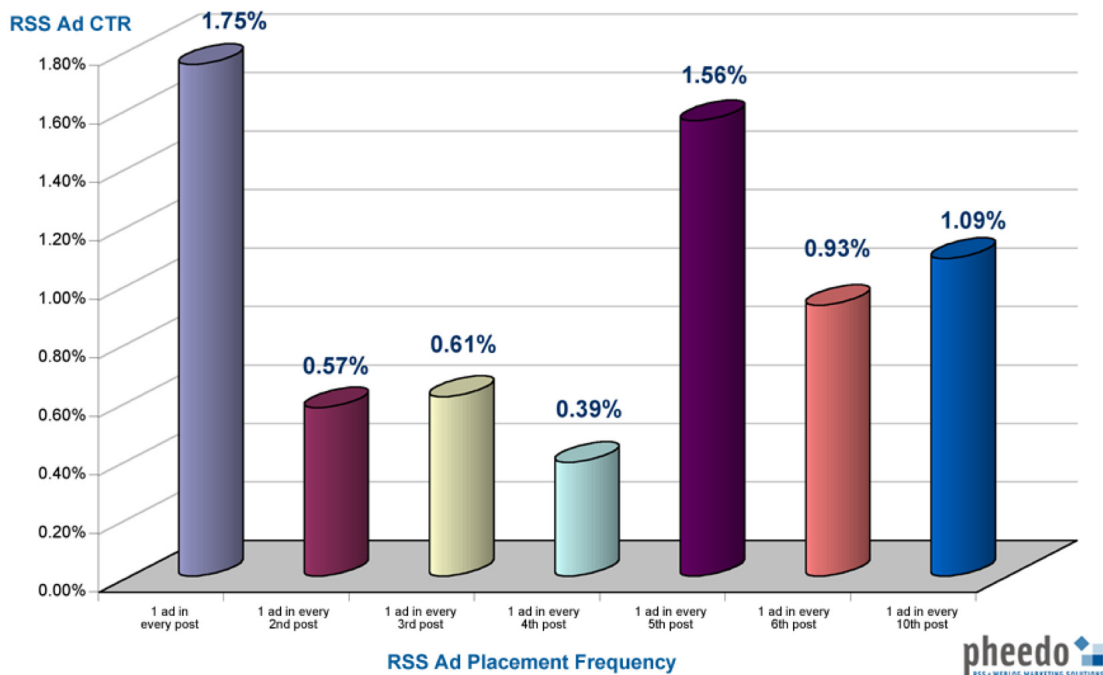
Content Category Click-Through Rate



Ads in Every Post Performing Well for Publishers

As publishers experiment with ad placement frequency in RSS, we've noticed a trend toward placing ads in every post. Not only does this ensure maximum advertising exposure but it also yields the highest click-through rate of any ad placement frequency. For publishers with ads in every post, those ads yielded an average CTR of 1.75%. Compared with previous data of 1.04% CTR for ads in every post, this is an incremental change. However, these data points represent a significant shift from the last Pheed Read where placing ads in every other post yielded the greatest results, with a 3.24% CTR.

Click-Through Rate by Ad Placement Frequency



Tuesday Still the Best Day for Feed Reading

A consistent theme throughout all of the Pheed Read reports to date is the high readership and click-through rates on feed ads and content early to midweek. The one significant change, however, is that the feed consumption gap from week days to week end has closed substantially at 39%, compared to a 67% change in feed viewing from the best week day to the least active weekend day.