The Monetization Mandate

Jeff Lunsford

Chairman & CEO, Limelight Networks, Inc (LLNW)
Board of Directors, Visual Sciences (VSCN)
1988-1994: Tactical Combat Aviation
1994-2002: Internet Banking and Brokerage
2003-2006: Web Analytics – Optimizing Commerce & Traditional Media
2006-Pres.: Rich Media Content Delivery
Background – Four Industries Experiencing Tectonic Shifts

1988-1994: Tactical Combat Aviation

Technology making the world a better place:

• Fewer lives at risk
• Better shipboard landing
• Better power projection accuracy
• Better dog-fighting abilities

4 Aviators → 1 = Better Performance
1994-2002: Internet Banking and Brokerage

Technology making the world a better place:

- WORLD’S 1ST INTERNET BANK
- Online account access and bill payment
- Never go into a branch again!
Background – Four Industries Experiencing Tectonic Shifts

2003-2006: Web Analytics – Optimizing Commerce & Traditional Media

Technology making the world a better place:

• Online commerce

• Right information to right audience at right time.
Background – Four Industries Experiencing Tectonic Shifts

2006-Present: Rich Media Content Delivery

Technology making the world a Better place through:

• Unfettered audience access for independent content producers.

• Access to any content anytime, anywhere.

• Uniting mankind through shared information and shared experience.
Vision

Work together with you
to transform the digital experience
to advance the way we **live, work and play.**
Monetization Mandate

Requirement for this industry to collaborate on technology and standards that will catalyze the shift of ad dollars online and into the rich media channel at a sufficient rate to fund publishers’ and vendors’ efforts at a modest profit.
Two Monetization Models

- Subscription
- Ad-supported
Subscription

$60 million of $20 billion…

“Won’t hack the turn…”

Monetization Mandate

Internet Ad Revenues by Advertising Format

$5.1 Billion in 2Q07

Source: IAB Internet Advertising Report (by PWC) – Oct 2007
Monetization Mandate

Internet Ad Revenues by Major Industry Category*

2007 Q2 ($5.1B) vs. 2006 Q2 ($4.1B)

Source: IAB Internet Advertising Report (by PWC) – Oct 2007
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Internet Ad Revenues by Major Industry Category*
2007 Q2 ($5.1B) vs. 2006 Q2 ($4.1B)

Source: IAB Internet Advertising Report (by PWC) – Oct 2007
Monetization Mandate – Funding Source

- $20 Billion in annualized marketing spend
- Growing at 26% per year
- Still only 9% of overall marketing budget so many years of growth
Monetization Mandate – Funding Source

Two questions:

1. How do we funnel that other 91% of offline spend our way?

2. How do we grow rich media and broadband video advertising beyond 9% of the online budget?

If successful, compounding trends should drive annualized growth in excess of 40% for many years.
Monetization Mandate – Supply/Demand Imbalance

- More demand exists for high quality/safe inventory than supply.

- Yet much unused supply exists...?

- Key to unleashing value of unused inventory is better characterization/classification of content through:
  - Content identification schemes/technologies
  - Metadata about content – existing and creation of
  - User behavior data
  - User demographics
Monetization Mandate – Challenges to Solve

- Video advertising very manual/expensive as compared to keyword and traditional banner

- Web medium-specific creative still lacking

- Unacceptable levels of ‘Brand Association Risk’ within UGC inventory.

- Most creative is not web specific. Most is repurposed television stock.
<table>
<thead>
<tr>
<th></th>
<th>Broadcast</th>
<th>Broadband</th>
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</thead>
<tbody>
<tr>
<td># of Spots</td>
<td>22</td>
<td>5</td>
</tr>
<tr>
<td>Avg. CPM</td>
<td>$20</td>
<td>$35</td>
</tr>
<tr>
<td>Revenue per Viewer</td>
<td>$0.44</td>
<td>$0.18</td>
</tr>
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</table>

$0.26 Gap
Metadata Metadata Metadata Nowhere... and Everywhere

UGC

Vacuo
Metadata Nowhere … and Everywhere

UGC

Filled with tech-generated & user-provided metadata

Traditional Media

Common ID
Monetization Mandate – Challenges to Solve

- No single company solves this problem
  - Not CDNs
  - Not web analytics providers
  - Not advertising networks
  - Not publishers
  - Not interactive agencies
  - Not media player providers
  - Not content management providers

- So we must all work together. And we will all benefit from that cooperation as we push through these barriers and reach the tipping point...
Influencing Trends

- Fragmentation of content – “Fragment or be fragmented,” Jeremy Allaire

- ‘Open distribution’
  - Drives need to bind advertising to content wherever it goes...
  - Drives new requirements for tracking both content and creative across blended, organic distribution.

- The e-commerce world has learned to track, target and tune with great specificity and will serve as a good source of transferable best practices.
The Tracking and Analytics Challenge

Tag-Based Data

Web Analytics Provider[s]
Ad-Serving Networks
Other

Log File Data

Web Servers
Origin Servers
CDN1
CDN2

Offline Data

POS
CRM
Mktg
The Tracking and Analytics Challenge

Tag-Based Data
- Web
- Ad-Serving
- Other

Log File Data
- Web
- Origin
- CDN
- CDN2
- Offline
- POS
- CRM
- Mktg

Help Wanted: Universal Identifier
Limelight’s Contribution

Consulting
Ad Insertion
Ad Network
Digital Rights Mgmt.
Encoding\Transcoding
Content Delivery
Co-location
IP Transit

Open APIs
- Origin/Storage
- Computing/Application Hosting
- Content Tracking
- Metadata
- Analytics
- Content Identification
- P2P Systems
“When [the industry gets this all right], there is going to be one big party…!”

- Steve Mitgang, CEO, Veoh Networks
Thank You!