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E-COMMERCE REPORT

As Online Ads Grow, Eyeballs Are Valuable Again on the Web

By BOB TEDESCHI

THE great eyeball chase is back in full swing. And it does not matter that the eyeballs may not be buying anything. With online advertising revenues growing quickly, new information-rich sites of all kinds are mushrooming across the Web.

Sites devoted to big-ticket purchases – particularly cars, real estate and travel – are feverishly refining features and marketing strategies in an effort to attract the growing number of consumers searching the Web for buying advice. Unlike sites like Amazon.com, they do not actually sell any products, but they make a good living selling ads to deep-pocketed companies that do.

And a growing lineup of deep-pocketed advertisers are looking for those consumers.

"It's a good time to be a publisher online," said Carrie A. Johnson, an analyst with [Forrester Research](http://ForresterResearch.com). "There's a ridiculous thirst for advertising" on the Internet, she said. Online merchants paid 33 percent more for advertising last year than the year before, Ms. Johnson said, with costs expected to rise further.

For high-margin, big-ticket items, the competition for eyeballs is even more intense. Take Internet Brands, perhaps best known as the parent company of CarsDirect.com, which connects prospective car buyers with dealers. The privately held company, which publishes 14 Web sites focused on real estate (realestateabc.com), travel (vacationhomes.com), and cars (auto.com), has expanded rapidly over the last two years by creating or buying sites in each category.

According to Robert N. Brisco, the company's chief executive, the new sites have become more specific and niche-oriented as the competition for advertising has increased. For instance, some recent additions to its stable include GreenHybrid.com, a buyer's guide to hybrid cars, and WikiTravel.org, a travel site with advice generated by consumers.

"[Google](http://Google.com) and [Yahoo](http://Yahoo.com) are getting better at these markets, so they're a competitor too, but there's a level of depth to these categories that lends itself to even more of a vertical approach," Mr. Brisco said, using industry vernacular for content devoted to a particular category.

"These big-ticket categories represent a large share of advertising on the Internet, including a big portion of the revenue base of Google and Yahoo, so it represents a large opportunity for

us," Mr. Brisco added.

Meanwhile, Mr. Brisco said the sites with the longest tenure in his roster, like CarsDirect, which made its debut in 1999, had gotten much smarter about their businesses. For example, he said the company knew from years of selling data that black cars sold well near the Southern California coast, but were "extremely difficult" to sell inland. CarsDirect will share its specific data with dealers who advertise on the site so they may swap inventory and realize better advertising results.

While that alone is interesting to marketers, traffic is the real magnet. Travel sites have experienced a slightly higher rate of growth than the Internet in general over the past year, according to comScore Networks, a Web research firm. But over the same period, real estate sites have had triple the growth – and auto sites quadruple the growth – of the Internet over all.

Part of the reason, analysts said, is that shoppers who are considering expensive purchases are more likely to have high-speed Internet connections at home, allowing them to do more research. (Last week, Nielsen/NetRatings said that 72 percent of home-based Internet users had high-speed connections, compared with 57 percent a year ago.) High-speed users are heavier consumers of photos, video and other interactive research features, driving up costs. But because of the influx of advertising money, sites devoted to big-ticket items have been able to keep pace.

"In years past we might have had to spend \$1 million a year on photos," said Jeremy Anwyl, president of Edmunds.com, a privately held auto research site. "Now, it might be \$3 million, but traffic has quadrupled over the same period."

Advertising revenue, Mr. Anwyl added, is growing even more quickly than traffic. He would not disclose specific sales, but he said that after growing about 50 percent annually over the past six years, sales this year would probably be double that of last year.

Still, Mr. Anwyl said, because Google can quickly point consumers to newer informational sites with innovative features, the company must continuously invest in new technologies as a defensive measure.

[Zillow.com](http://www.zillow.com) is perhaps the best example of how an upstart can attract attention quickly. Started late last year, the site features a single service: estimating the market value of a property for homeowners and prospective homebuyers. After the site drew attention from blogs and other sites through its ability to produce home valuations quickly, Zillow's search engine rankings soared, along with its traffic. It is now the ninth-most popular site in the real estate category, according to comScore.

Lloyd Frink, Zillow's president, was previously a senior executive at [Expedia.com](http://www.expedia.com), the online travel agency. Mr. Frink said he approached real estate "by thinking how to make this a more efficient transaction," just as he had with travel.

"But it became quickly apparent to us that there's a bigger opportunity in providing information than in having a 'Buy Now' button for real estate" he said.

It was a lesson, Mr. Frink said, that underscored a point he learned while at [Expedia](#). In 2004, IAC/InterActiveCorp, which then owned Expedia.com, bought [TripAdvisor.com](#), which provides consumer-generated reviews and advice to travelers. Mr. Frink was skeptical about the purchase of a site that could point prospective customers to the competition.

"But TripAdvisor showed you can succeed in a category that had been dominated by companies making money off of transactions," Mr. Frink said. "They showed both of those things could coexist."

TripAdvisor, which is now part of the Expedia family of sites that IAC spun off last year, does not disclose revenues, but according to Stephen Kaufer, TripAdvisor's chief executive, the business will contribute slightly less than 5 percent of Expedia's projected revenue this year.

One key to the site's success has been the overwhelming acceptance of user-generated reviews by consumers, particularly in the past two years. That, in turn, led to more contributions and a more authoritative quality to the site.

But playing a big part in TripAdvisor's success, and that of other editorially focused sites, is Google. The search giant greatly accelerated the adoption of so-called pay-per-click text ads, which generate revenue both for Google and for the site where the ad appears. TripAdvisor began displaying the ads in late 2001, to sudden and great effect.

According to Ms. Johnson of Forrester, that is the most important element in the resurgence of media sites. Good timing, she said, has been critical.

"The thing the older sites did well was stay alive long enough for the rise of Google," she said. "They got hit by a pitch."

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