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2009: Year Of The Calculated Risk

Chris Copeland, Jan 16, 2009 01:30 PM

It's become the vogue pastime to prognosticate trends and events to come in the new year. This year these crystal balls are met with inauguration balls, as the calendar not only flips to a new year, but to a new message of hope and change from 1600 Pennsylvania Avenue. However, for all the testimonials and affirmations that we can change, the economic future for the U.S. appears firmly entrenched in a deep recession. So, unless the events of next Tuesday create a spiritual revival of consumer confidence that coincides with an awakening of the consumer checkbook, it's safe to say that from a business and marketing perspective this year will be one of great challenge.

In difficult times comes great opportunity -- an opportunity for companies to take calculated risks in order to establish and grow market position and leadership. Risk is an inherent factor in life. The risk-averse have given up looking at their monthly 401k, or 201k depending on your depth of losses, statements. Then again, those with low risk tolerance are likely best staying home with the lights off avoiding the news, peanut butter and low-flying birds.

So where in the search space are the opportunities for greatest calculated risk to be taken? I see a few areas for advertisers, their agencies and the media vendors alike.

New Media

Is 2009 the year of mobile? For the sake of our clients, I hope not. I say that because the value and insights our clients are gaining from mobile are in part possible because the inventory availability is so strong, with little cost pressure. Due to size constraints on devices, we will never see 10 blue links or top and side navigation advertising on mobile platforms. As such, whenever the year of mobile finally does arrive, one can reasonably expect that costs will increase as demand outpaces supply of real estate. Until that time, those into the pool are enjoying greater freedom to play and learn without cost pressures.

New Models

More and more advertisers are seeking assurances that their strategy and direction are correct. Agencies are offering performance guarantees and insurance policies to quell marketers' insecurity. Unfortunately, in these situations, there is still a lack of incentive for real growth and success.

What I expect to see more and more in '09 is a willingness by both marketer and agency to align risk and reward. Agencies willing to bear the burden of risk with models that incent for residual actions stand to gain the most. In businesses where inventory becomes unusable (travel especially), the ability to align compensation models with company objectives presents a unique potential. What is key for this to truly work is a proper alignment of goals neither driven by procurement or gimmick.

Change You Can Believe In

Among the most frustrating things I've ever heard are Microsoft's and Yahoo's explaining how studies show the perception of quality between the three main engines is negligible. Tactics and features are not differentiators; value and benefits are differentiators.

The value proposition between consumer and Google is well-established and is unlikely to be broken by more of the same. What someone must do -- and my money is on Microsoft in commercial search to explore this, while Yahoo explores brand connections - is, take a radical departure from the common expectation for search engines today. From an advertiser standpoint, the tightening of the market and departure of competition presents a great opportunity to gain more value for the investment and test alternative vehicles. For the engines, it is imperative to establish a unique value proposition with consumers that is unique from the market leader.

So where can calculated risk pay off in 2009? The advertisers who are willing to stay engaged, test new media -- be it mobile or social -- and look for partners willing to explore models that align compensation with success, can advance faster than during times of prosperity.

Likewise, during these conditions I firmly believe Yahoo and Microsoft have perhaps their last great chance to distinguish and close the gap in consumer perception and thus in market share and advertising revenue. As both companies experience a greater depression in their display businesses, it will be interesting to see if they will explore a change in model from straight auctioned cost-per-click to alternative forms.

Over 100 years ago, there was a successful industry built around the horse-drawn carriage. In all major industrial cities the primary mode of transportation was not the automobile, but rather horse power of a different kind. And while we can debate whether the auto industry in its current state will be the answer for tomorrow, we can certainly agree that the inability to adopt and change led to a great demise in the carriage sector. While newspapers and other traditional media channels are under greater pressures than search, it is a time for calculated risk to rule the day.