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ADVERTISING-BASED REVENUE MODEL IN DIGITAL MEDIA MARKET

ABSTRACT

In the case of advertising-based revenue model, a company creates a digital media product, attracts interaction and engagement of users and then sells access to this audience to advertisers. This revenue model allows users to receive useful content for free or at a low price, while publishers accelerate the growth and adoption of their digital product. Although overreliance on advertising may result in failure to develop the core product, the advertising-based revenue model has become one of the most popular sources of revenue for many web products. Existing empirical studies on digital media revenue models are conducted from singular viewpoints, focusing on new types of revenue models and lacking the comprehensive research of possibilities of advertising-based revenue model in the modern digital media market. In this study, the focus is on the real case of creating the content website and making it profitable in six months using the pure advertising-based revenue model. It is empirically proven that, in order to stay competitive, a new digital media product should aim at decreasing website costs, increasing revenue and scaling up the product to reach a wider audience. Minimum marketing costs can be achieved through working on the relevance and quality of advertising, reasonable targeting and landing page experience. As for increasing advertising revenue, the main point is constantly experimenting with advertising format optimization, adding new advertising networks and enhancing landing page quality. It is empirically proven that the pure advertising-based revenue model can be profitable for a new digital media product entering a highly competitive market. However, high gross margins can be achieved only by attracting quality target audience, achieving economies of scale and diversifying the revenue model.

Keywords: Digital media, revenue model, online advertising, advertising campaign, advertising network

1. Introduction

The advertising-based revenue model in media has been popular since the time of such media magnates as William Randolph Hearst and Joseph Pulitzer. In the early 20th century, there were already many literate people in the USA. The value of the press – as a source of news, type of entertainment

and method of influence – was realized practically by all sectors of society. It created a significant demand for publications, however, this demand was inelastic: broad masses were ready to pay for their copy of a newspaper or magazine less than their actual cost. Publishers realized that if you got a large audience, the real revenue lied in selling access to

this large audience to advertisers, rather than just in circulation sales (Ladd, 2011: 32).

100 years later the media changed significantly. Personal computers and the internet made a great shift from traditional to digital media. What's more, the expansion of mobile internet access and ever-faster connection speeds opened up more options for media companies than ever before. Despite differences between business models used in the modern digital media market, one can establish a common feature for them: regardless of the availability of other financial sources, advertising is one of the most important components of their business activity (Albarran, 2017: 32). For commercial digital media, advertising remains one of the main ways to make a profit. For example, in 2017, digital newspaper advertising revenue worldwide amounted to 11.4 billion USD. It is 2.4 times as much as digital newspaper circulation revenue worldwide in 2017, which amounted to 4.75 billion USD¹.

What's more, the 2017 Nielsen research shows that millennials understand that advertising is necessary for brands to inform their audience about their products and services (79%). Most respondents state that they are generally not bothered by advertising (46%), especially if the content is free (75%)².

In this regard, it could be concluded that digital media is beneficial to both sides: users have access to useful content from their device at any time, while digital publishers make a profit from advertising targeted at users of their product (Fan et al., 2007: 145).

However, competition in the digital media market is fierce since there are so many players striving for market dominance. To name a few e-publishing giants, which monetize online content on their websites through advertising: BuzzFeed, Vox Media, HuffPost, Mashable, Insider Inc., Vice Media, The Washington Post, The Wall Street Journal, Fox Corporation, etc.

The objective of this article is to find out whether it is possible to enter a highly competitive digital media market with minimum investments and make a new digital media product profitable in the short term using the pure advertising-based revenue model. The first part of the article is devoted to the research framework for studying digital media market and its main revenue models, in particular,

the advertising-based revenue model. The second part presents the case of entertainment website Rumour Juice, which was founded in May 2018 and passed its break-even point in October 2018 using the advertising-based revenue model. The last part contains conclusions and directions for future research.

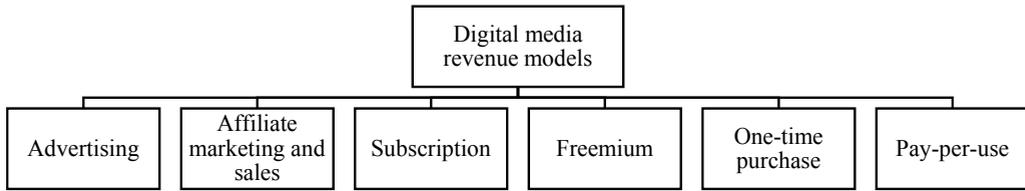
2. Theoretical Framework

The term "revenue model" is often confused with "business model". A business model describes the rationale of how an organization creates, delivers and captures value for its customers (Osterwalder, Pigneur, 2010: 14).

A revenue model describes the structure of how a company generates revenue or income. A revenue model is just a component of the business model. For example, the business model of BuzzFeed website consists in producing free entertainment content, attracting huge traffic for its publications through social media and getting revenue from the attracted audience using the advertising-based revenue model.

Among the most popular revenue models of digital media are the following (Figure 1):

1. Advertising: a company creates a digital media product, attracts interaction and engagement of users and then sells access to this audience to advertisers.
2. Affiliate marketing and sales: a company refers to a certain product or service by sharing it in its digital media product and gets a commission on each sale made through their product on behalf of the merchant.
3. Subscription: users pay a fixed rate for access to a product at regular intervals.
4. Freemium (free + premium): users get basic features of a digital media product for free and can access the richer functionality for a subscription fee.
5. One-time purchase: a one-time payment model where users own a product after purchase.
6. Pay-per-use: the use of a product or service is metered and customers are charged each time they use it.

Figure 1 Types of Digital Media Revenue Models

Source: Author

The advertising-based revenue model has some benefits as well as challenges. This model lets users receive useful content for free or at a low price, while publishers accelerate the growth and adoption of their digital product. Data-driven targeting lets advertisers efficiently find their target audience, so when a publisher is connected to the relevant ad networks and their selling process is automated, advertising turns out to be one of the most profitable revenue models for digital media. It is also worth noting that targeting and real time bidding are closely tied to programmatic advertising, which finds the widespread application in many media companies. Programmatic advertising is a software-based method of buying, displaying and optimizing advertising space subject to the available audience data in order to better target certain potential users³. For example, the USA digital display advertisers invested nearly 68.47 billion USD in programmatic advertising in 2019, which amounted to 83.5% of digital display ad dollars in the USA that year⁴.

At the same time, advertising is a revenue model with inherent conflict: advertisers and users do not want the same thing. Advertisers are interested in more ad impressions and conversions, while users want valuable content without the annoying number of ads. The overreliance on advertising may result in failure to develop the core product and pump up results with the costly acquisition of users (Zhang, Hingle, 2017: 347).

One of the biggest problems of publishers worldwide is ad blockers. Ad block is a software designed to remove or alter online advertising in a web browser or an application, preventing page elements containing ads from being displayed. Ad blockers hurt publishers' advertising revenues by producing a significant loss of ad impressions (Redondo, Aznar, 2018: 1608).

The average global adblocking rate in 2018 is estimated at 27%. Greece and Poland are masters of adblocking: their rates are 42% and 36% respectively. Among other leaders are the following countries: France

(34%), Turkey (33%), Germany (33%), Hungary (32%), Croatia (32%), Sweden (32%), Portugal (31%), Spain (31%) and Austria (31%). Ireland and the USA have the exact same penetration rate of 27%⁵.

Desktops and laptops are devices where most ad blocking occurs. Blocking ads on smartphones is less feasible, because the most activity on mobile devices takes place within individual apps (Miklosik et al., 2018: 176).

Many internet users try to block ads, however, for their part, advertisers and publishers try to block ad blockers. The Washington Post and several other publishers block access to their publications for users, who use ad blockers. Such users receive a message calling to disable their ad block, because many publishers live off advertising. For example, by blocking access to content, Incisive Media, which owns more than 20 websites, managed to reduce the number of page views using ad blocking by 40%. On finance-related websites, such as Investment Week and Professional Advisor, Incisive Media reduced the number of page views using ad blockers by 45-55%⁶.

Since 2016, best-selling German newspaper Bild has been offering its readers with ad blockers two options:

- 1) deactivate the ad blocker or whitelist the publisher, or
- 2) sign up for the BILDsmart: a 2.99 EUR monthly subscription, which eliminates 90% of advertising and makes page loading 50% faster.

During the first three months, the use of ad blockers on Bild website decreased by almost 80%⁷.

In 2016, the Financial Times used a creative way to combat ad blocking. The digital newspaper began blanking out for users with ad blockers some percentage of words in articles, symbolizing the percentage of the company's revenue that comes from advertising. Words were blanked out in a random sequence with the ultimate message to readers that ad blocking harms the production of high-quality content⁸.

Digital media are always searching for new ways to improve user experience on their websites. Native advertising has become one of such ways. A native ad is the material in an online publication that resembles the publication's editorial content but is paid for by an advertiser and intended to promote a product or service⁹.

In contrast to the flashy banner format, the native format returns the status of useful information to advertising. Brands create services and goods, while native advertising conveys this information in an accessible form to users (Wojdyski, Evans, 2016: 158).

There are two main native ad formats. The first format is sponsored content. The brand places useful material on the publisher's website. Materials are marked as sponsored, but in fact, their usefulness overlaps with the advertising effect. Due to this, users share the link with friends and increase the virality of the text.

In September 2015, the Financial Times began to publish native ads on their website under the heading of Paid Post. 74% of newspaper readers found the information they receive in sponsored content useful. After the launch of the Paid Post column, the active engagement time has increased by 123% and the click-through rate by 30%¹⁰.

The second format is native advertising in the website's feed. A sponsored link is located in the block where a user is used to reading content. The brand message is embedded in the website's content, but when users click on it, they get to the advertiser's site. It lets brands and media get away from the problem of banner blindness. Native ad statistics shows that the CTR for native ads is as much as eight times higher than for traditional display ads¹¹.

Media most often use both native formats. In the case of sponsored content, a publisher shares with an advertiser the authority of its publication. For example, Vice and BuzzFeed efficiently integrate sponsored content in their business strategy.

The second format provides great opportunities for targeting and does not limit the advertiser in formats. Today, as a way to monetize their websites, native advertising embedded in the feed is used by most major media companies, such as The Guardian, The Independent, Forbes, 9GAG, The Sun etc.

Despite the challenges of the advertising-based revenue model, it has become one of the most popular sources of revenue for many web products. Modern theoretical research dedicated to advertising focuses on the development of interconnection between media and advertising (Gustafsson, 2006), discov-

ering the role of advertising in digital media product monetization (Perez-Latre, 2007) and systemizing the existing techniques of increasing revenue by using different pricing models (Asdemir et al., 2012) and advertising levels (Fan et al., 2007).

Empirical research relies on evidence obtained through observation or scientific data collection methods. For example, Harms et al. (2019) investigated consumer perceptions of article-style native advertisements and banner advertisements by analyzing data (retrieved from 303 respondents in an online experiment) with partial least squares path modelling. Bachmann et al. (2019) conducted a factorial between-subjects experiment to investigate the potential impact of native advertising on perceived media quality. However, many modern studies treat the advertising-based revenue model as old-fashioned and focus on alternative revenue models, including paywalls (Fletcher, Nielsen, 2017), micropayments (Geidner, D'Arcy, 2015), crowdfunding (Ladson, Lee, 2017) or sharewalls (Bechmann et al., 2016).

Existing empirical studies are conducted from singular viewpoints, lacking the comprehensive research of possibilities of advertising-based revenue model in the modern digital media market. Rumour Juice website is an example of whether online advertising can be a reliable source of revenue for a new digital product entering a highly competitive market. The scientific value of this research consists in its methodology of creating a real digital media product and analyzing empirical data in order to get useful insights in the field of advertising-based revenue model implementation.

3. Methodology

The objective of the research study is to empirically find out whether the pure advertising-based revenue model can be profitable for a new digital media product entering a highly competitive market. The focus is on the real case of creating a content website, named Rumour Juice, and making it profitable in six months using the advertising-based revenue model and implementing common practices of efficient product management and online marketing.

Rumour Juice¹² is an entertainment website dedicated to Hollywood celebrities. Its target markets are English-speaking Tier 1 countries, such as the USA, the United Kingdom, Australia and Canada. Rumour Juice revenue model is based on online advertising.

The market of English-language websites about world-famous celebrities is highly competitive. For comparison, its biggest players and their website metrics are given in Table 1.

Table 1 Metrics of English-Language Websites about Celebrities as of October 2019

Nº	Website Name	URL	Visits in millions	Unique users in millions	Pages per Visit	Average Visit Duration, minutes	Bounce Rate, %
1	Celebuzz	https://www.celebuzz.com/	252.2	222.1	1.63	2.63	71.24
2	Maily Online	https://www.dailymail.co.uk/	161.2	46.7	2.98	15.10	59.98
3	Showbiz CheatSheet	https://www.cheatsheet.com/	154.3	52.3	1.4	4.70	70.85
4	BuzzFeed	https://www.buzzfeed.com/	92.1	37.6	3.18	10.95	67.27
5	Business Insider	https://www.businessinsider.com/	85.5	47.3	1.97	6.28	69.42
6	People	https://people.com/	63.2	23.3	2.08	6.28	77.29
7	Cosmopolitan	https://www.cosmopolitan.com/	47.8	35	1.51	5.70	77.65
8	TMZ	https://www.tMZ.com/	40.4	14.6	2.23	5.67	72.63
9	Elle	https://www.elle.com/	37.5	20.6	1.52	4.63	75.23
10	E! Online	https://www.eonline.com/	27.3	16.5	2.51	3.45	53.77
11	Insider	https://www.insider.com/	22.1	16.8	1.97	4.77	76.09
12	Hello!	https://www.hellomagazine.com/	21.8	9	2.11	5.20	68.88
13	Bored Panda	https://www.boredpanda.com/	21.6	10.6	2.39	7.42	58.53
14	Hollywood Reporter	https://www.hollywoodreporter.com/	19.1	14.1	1.6	4.40	81.08
15	Hollywood Life	https://hollywoodlife.com/	16.8	11	3.36	3.88	68.04
16	Billboard	https://www.billboard.com/	15.5	10.8	2.06	5.32	65.74
17	Entertainment Weekly	https://ew.com/	15.5	9.1	1.78	4.03	75.79
18	Popsugar	https://www.popsugar.com/	13.8	9.9	3.35	4.25	68.25
19	US Weekly	https://www.usmagazine.com/	13.6	6.5	2.17	4.05	75.16
20	Harper's Bazaar	https://www.harpersbazaar.com/	11	8.7	1.81	4.45	75.5
21	Pop Culture	https://popculture.com/	10.3	7.4	1.52	4.05	76.24
22	Marie Claire	https://www.marieclaire.com/	8.9	7.4	1.78	5.25	77.82
23	InStyle	https://www.instyle.com/	6	4.2	1.75	3.37	71.49
24	Seventeen	https://www.seventeen.com/	5.2	4.7	1.76	3.40	75.95
25	Vogue	https://www.vogue.com/	4.7	3	4.98	6.38	64.86
26	Factinate	https://www.factinate.com/	3.6	2	4.52	7.35	74.04
27	Zimbio	http://www.zimbio.com/	3.6	3	2.8	3.02	64.03
28	The Things	https://www.thethings.com/	2.9	2	3.58	3.68	55.03
29	Perez Hilton	https://perezhilton.com/	2.8	1.1	2.81	3.95	73.11
30	PopBuzz	https://www.popbuzz.com/	2.1	1.9	2.41	2.62	63.68

Source: Semrush, October 2019

After conducting user research and A/B testing, the final business model for running Rumour Juice website during the first six months consisted in the following:

1. Producing daily feature articles about popular celebrities, for example, "12 Famous BFFs Celebrities You Didn't Know Were Best Friends".
2. Attracting users to different articles through online marketing via advertising networks such as Facebook Ads, Google Display & Video 360, Google Search Ads 360, Snapchat Ads and Twitter Ads.
3. Selling advertising space at the website to advertising networks such as Google AdSense, Facebook Audience Network, Teads, Taboola and District M.

4. Results

Rumour Juice was founded in May 2018 and passed its break-even point in October 2018. As of October 2018, Rumour Juice had 1.01 million monthly unique users (Table 2). 55.63% of them were new ones brought to the website through efficient online marketing. Monthly page views amounted to 8.22 million. Accordingly, average page views per user equalled 8.10 pages. In October 2018, the average session length was 3.91 minutes, median session length was 2.47 minutes and median time spent per user was 2.60 minutes. The total amount of October sessions equals 1.04 million, while the bounce rate of web sessions amounted to 22.29%.

Table 2 Rumour Juice Website Metrics as of October 2018

Date	New Users	Unique Users	Page Views	Average Page Views per User	Average Session Length, min	Median Session Length, min	Median Time Spent per User, min	Number of Sessions	Bounce Rate of Web Sessions, %
01.10.2018	19184	31948	250724	7.83	3.77	2.26	2.37	36740	23.20
02.10.2018	10624	21921	183287	8.35	4.02	2.56	2.68	22594	23.30
03.10.2018	52220	81405	602338	7.39	3.89	2.26	2.39	81696	25.50
04.10.2018	12102	21185	156964	7.39	4.02	2.23	2.33	22208	25.20
05.10.2018	8137	16827	128941	7.63	3.55	2.04	2.14	16518	26.30
06.10.2018	5430	11970	99282	8.28	4.31	2.47	2.56	12025	23.40
07.10.2018	10346	20427	165826	8.11	3.77	2.43	2.55	20454	23.50
08.10.2018	5976	9908	68525	6.89	3.28	1.76	1.87	10279	29.00
09.10.2018	10547	17233	122400	7.07	3.40	1.85	1.97	16247	27.40
10.10.2018	18331	26372	217926	8.24	3.34	2.14	2.25	27427	22.20
11.10.2018	28860	43680	360758	8.24	3.63	2.18	2.31	44862	24.10
12.10.2018	12603	20611	160737	7.75	3.63	2.04	2.16	21097	25.20
13.10.2018	16081	25105	210741	8.37	3.71	2.55	2.65	25623	23.00
14.10.2018	18874	31131	271535	8.71	4.00	2.71	2.83	31120	21.70
15.10.2018	20550	32035	251114	7.82	4.26	2.77	2.90	32529	22.50
16.10.2018	36763	65196	517825	7.93	3.65	2.34	2.55	67343	20.10
17.10.2018	40675	68574	537234	7.82	4.20	2.72	2.88	68775	17.50
18.10.2018	22697	41222	317208	7.68	4.31	2.59	2.75	41121	19.00
19.10.2018	23719	42213	346189	8.18	4.47	2.97	3.13	43196	20.00
20.10.2018	5865	12203	99559	8.13	4.56	2.64	2.76	12956	27.00

Date	New Users	Unique Users	Page Views	Average Page Views per User	Average Session Length, min	Median Session Length, min	Median Time Spent per User, min	Number of Sessions	Bounce Rate of Web Sessions, %
21.10.2018	18635	33529	305037	9.08	3.53	2.32	2.42	34415	20.50
22.10.2018	23440	40935	340023	8.3	3.64	2.22	2.34	43648	23.20
23.10.2018	16733	31206	288286	9.23	3.88	2.43	2.56	34496	22.10
24.10.2018	28949	59847	494203	8.25	4.02	2.73	2.87	61768	21.00
25.10.2018	13686	32479	258439	7.95	4.20	2.51	2.64	34255	24.00
26.10.2018	11620	27871	241921	8.67	4.39	2.74	2.88	29625	22.30
27.10.2018	9097	23253	209241	9	4.43	3.01	3.14	24750	19.60
28.10.2018	9609	25679	233128	9.07	4.38	3.00	3.15	26855	19.80
29.10.2018	16702	39479	334370	8.47	3.98	2.57	2.68	39132	21.40
30.10.2018	5952	17698	140131	7.92	3.47	2.05	2.16	19117	25.40
31.10.2018	29575	39891	303386	7.6	3.12	2.35	2.47	39460	23.00
TOTAL	563582	1013033	8217278	8.10	3.91	2.47	2.60	1042331	22.29

Source: Facebook Pixel, Rumour Juice Website, October 2018

Total costs for running Rumour Juice in the period May-October 2018 amounted to 80132.81 USD. They included costs for the team (salaries and workplace), web hosting, domain and marketing. The

total advertising revenue for this period amounted to 88906.15 USD. Its key variables were ad impressions and eCPM (Table 3). All in all, after six months of running Rumour Juice, its ROI amounted to 10.95%.

Table 3 Advertising Revenue of Rumour Juice website, May-October 2018

Months	Page Views	Ad Impressions	eCPM, USD	Ad Revenue, USD
May 2018	531970	968185	0.94	910.09
June 2018	3098027	5731350	1.08	6189.86
July 2018	4136112	7899974	1.32	10427.97
August 2018	6621100	12911145	1.44	18592.05
September 2018	7919189	16075954	1.51	24274.69
October 2018	8217278	18160184	1.57	28511.49
TOTAL	30523676	61746792	1.43	88906.15

Source: Facebook Monetization Manager, Rumour Juice Website, May-October 2018

5. Discussion

The Rumour Juice team took a highly competitive market with hundreds of competitors and made a thorough research about target audience and big players' strategy.

It should be noted that most ad exchanges provide higher CPMs and payoffs, when a publish-

er works with audiences from more developed countries. For example, as of March 2018, Facebook advertising average CPM in the United Kingdom was 3.15 USD and in the USA it was 2.29 USD. For comparison, in Colombia, it equalled 0.42 USD and in Ecuador, it equalled 0.55 USD (Table 4).

Table 4 Facebook Advertising Average CPM in USD in Selected Countries Worldwide as of March 2018

№	Country	Average CPM, USD
1	UK	3.15
2	Spain	2.42
3	USA	2.29
4	Greece	2.11
5	Puerto Rico	1.32
6	Costa Rica	1.2
7	Argentina	1.08
8	Panama	1.05
9	Uruguay	1.02
10	Chile	0.9
11	Peru	0.85
12	France	0.84
13	Mexico	0.76
14	Bolivia	0.71
15	Paraguay	0.68
16	Dominican Republic	0.59
17	Guatemala	0.58
18	Ecuador	0.55
19	Colombia	0.42

Source: Statista, March 2018

Thus, to stay competitive, Rumour Juice strategy was to decrease website costs and increase advertising revenue while operating in English-speaking Tier 1 countries. As for decreasing costs, the main point was to minimize marketing costs paying special attention to the relevance and quality of advertising, reasonable targeting and landing page experience.

May 2018 was dedicated to experiments with website content, article formats and advertising campaigns settings. The results of paid online marketing during that month showed that Rumour Juice could achieve the minimum CPC at the level of 0.03 USD, maximum CTR at the level of 25% and maximum page views per user at the level of 12. Hence, for the rest of months, main KPIs in paid online marketing were set at the following levels: CTR = 20%, CPC = 0.04 USD and average page views per user = 8.

To measure the effectiveness of different templates, Rumour Juice tested the “clickability” of articles’ headlines, publishing the same articles twice under different headlines, adapting the word order and wording. In such a way, the following features of most clickable headlines were discovered:

- 1) reductions in wording, e.g. using “here’s”, “there’s” etc.;
- 2) repetitions, e.g. using double “why” or double “you” in the sentence;
- 3) numbers, e.g. “10 Most Handsome Athletes in the World”;
- 4) words-emotions: adjectives, adverbs, you-phrase promises, e.g. “insanely cool”, “super cute”, “it will make your heart melt” etc.;
- 5) slang words targeted at particular audience, e.g. adding adverb “bloody” to adjectives to make them more appealing or exaggerative, if the article is targeted at Australian audience.

Rumour Juice experimented with low search volume keywords to bring organic traffic to the website. For example, after research of the USA search keywords, there was discovered such low search volume keyword as “Kylie Jenner Car”, which was used nearly 30 times a day. After creating and publishing the relevant article under headline “Kylie Jenner Car Collection”, this article became one of the most successful website’s articles by organic traffic. Besides SEO tricks, Rumour Juice used viral and social techniques to attract new audiences. It used such tools as “Google Trends”, “CrowdTangle” and “BuzzFeed” to define most popular and viral topics in search engines and social networks and create new articles dedicated to these viral topics.

Although Rumour Juice tried to diversify its paid online marketing strategy, using different traffic channels, such as Facebook Ads, Google Display & Video 360, Snapchat Ads etc., Facebook Ads performed better than other networks in the case of promoting articles about celebrities. It is therefore worth considering in detail how Rumour Juice set up its advertising campaigns on Facebook.

Split testing or A/B testing was mandatory for the success of Rumour Juice advertising campaigns. Testing different advertising assets and audiences was aimed at finding the most relevant user groups, who were the website’s target audience. When creating ads on Facebook, Rumour Juice defined the

variables to test (for example, audience, delivery optimization, placements or design) and then created options for each of the variables. Facebook prevents the intersection of audiences, so during tests a user from one group is not able to click on both versions of the ad. Hence, Rumour Juice efficiently tested almost everything: objectives, specific characteristics of the audience, advertising format, the length of the ad text etc.

All in all, the objective of all Facebook advertising campaigns was "Traffic", which is designed to drive users to the website. The advertising delivery was optimized for link clicks, so that Facebook searched for those users, who were most likely to click on Rumour Juice ads. To avoid overpayments, Rumour Juice adjusted its budget manually. The initial bid for every ad was 0.05 USD. If an ad with such a bid got normal coverage (more than 200 users in the first three hours), the bid was left unmodified. If it didn't, the bid was raised until reaching the needed coverage. Since Rumour Juice produced new articles every day, the accelerated delivery was used to get advertising results for each article as quickly as possible.

Advertising campaigns were based on numbers, rather than assumptions. During advertising campaigns, Rumour Juice analyzed the audience and their reactions and corrected mistakes as quickly as possible. Additional settings and quick response were needed even when it seemed that everything in advertising campaigns was thought out down to the last detail.

As for increasing advertising revenue, the main point was constantly experimenting with advertising format optimization, adding new advertising networks and enhancing user experience. The main KPI in advertising revenue was eCPM = 1.5 USD.

Rumour Juice kept track of frequency and number of ads per user per hour, because frequent ad impressions could badly affect the user experience. Rumour Juice reached the optimal number of ads per page through performing different A/B tests and usability tests, measuring the metrics and analyzing the advertising results. One of the techniques to minimize the ad annoyance was embedding native banners that fitted the website's style. Properly placing ads, combining formats and examining the impact of its intensity on user experience were crucial to increase eCPM and advertising revenue. What's more, to increase the chance of selling impressions to the highest performing advertising

network, Rumour Juice experimented with ad waterfalling and open bidding, which involved the following reputable ad exchanges:

- 1) Google AdSense (1,0880,000+ websites use this Google ad exchange¹³, which paid out nearly \$10 billion to its publishers in 2015¹⁴);
- 2) Facebook Audience Network (270+ websites use this Facebook mobile ad exchange¹⁵, which paid out approximately \$1.5+ billion to its publishers and developers in 2018¹⁶);
- 3) Teads (333,000+ websites use this global ad exchange¹⁷, which provides monetization solutions to over 65% of the global comScore 300 editorial publishers¹⁸);
- 4) Taboola (103,000+ websites use this ad exchange¹⁹, which serves over 450 billion recommendations to over 1.4 billion unique visitors every month²⁰);
- 5) District M (89,000+ websites use this global programmatic ad exchange²¹, which operates in over 200 countries all over the world²²).

6. Conclusion

The advertising-based revenue model is a framework that emphasizes the sale of advertising as a major source of revenue. For commercial digital media, advertising remains one of major ways to make a profit.

Advertising can make a new digital media product profitable in the highly competitive market. However, one should make a thorough research about the target audience and big players' strategy. What's more, it is crucial to be efficient in decreasing website costs and increasing advertising revenue by using best practices of content management, digital marketing and programmatic advertising. Working on the relevance and quality of advertising, reasonable targeting and landing page experience is necessary to efficiently cut marketing costs. As for increasing advertising revenue, it is necessary to constantly experiment with advertising format optimization, adding new advertising networks and enhancing landing page quality.

The case of Rumour Juice showed that, although the pure advertising-based revenue model makes it

possible to pass break-even point in the relatively short term, high gross margins can be achieved only by attracting quality target audience and achieving economies of scale. Modern media companies tend to diversify their sources of revenue, since selling ads is not really enough for building scalable and profitable operations. The concentration of online advertising revenue in the hands of big tech companies, such as Google and Facebook, makes the overreliance on advertising-based revenue model unjustifiably risky²³ (Alpert, 2019). Especially middle-sized and small publishers can suffer significantly, since the pure advertising-based revenue model becomes too dependent on the policies and rules of third parties' ad exchange platforms. Therefore, the most reasonable solution for any publisher's revenue model is mixing advertising with affiliate marketing, subscription, freemium etc. in different combinations and proportions.

The limitations of this study consist in the focus on a single content website from the e-publishing

segment. Digital media market includes seven segments, including digital video, video games, e-publishing, digital audio, social media, search engines and digital advertising. Each segment has its own features, competitive environment, product life cycle and audience preferences. The successive implementation of advertising-based revenue model in developing Rumour Juice does not prove that advertising is the best solution to monetize every digital media product. However, the described case of Rumour Juice serves as an example that modern digital technologies make it possible for a new digital media product to succeed in terms of long-tail economy. This study can serve as the basis for further research in the field of revenue models of modern digital media products. Consideration of a range of digital media products from different segments, analysis of their key figures at different stages of their lifecycle and systematization of achieved results may lead to the creation of a generalized guide to creating a profitable digital media product involving scientific approach.

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Alona Bekh

MODEL PRIHODA NA TEMELJU OGLAŠAVANJA NA TRŽIŠTU DIGITALNIH MEDIJA

SAŽETAK

U slučaju modela prihoda koji se temelji na oglašavanju poduzeće stvaranjem digitalnog medijskog proizvoda, privlači se korisnike na interakciju sa sadržajem te zatim oglašivačima prodaje pristup toj publici. Taj model prihoda omogućuje korisnicima primanje korisnog sadržaja besplatno ili po niskoj cijeni, a izdavačima omogućuje ubrzavanje rasta i prihvaćanja njihovih digitalnih proizvoda. Iako pretjerano oslanjanje na oglašavanje može zakočiti razvoj glavnog proizvoda, model prihoda koji se temelji na oglašavanju postao je jedan od najkorištenijih izvora prihoda za mnoge proizvode na mreži. Postojeće empirijske studije o modelima prihoda digitalnih medija provedene su s relativno uskog gledišta jer se koncentriraju samo na nove modele prihoda, a nisu obuhvatile istraživanje svih mogućnosti koje na modernom tržištu digitalnih medija pruža model prihoda koji se temelji na oglašavanju. U ovom je radu pozornost usmjerena na stvarni slučaj stvaranja *web-mjesta* sa sadržajem, koje je za šest mjeseci trebalo postati profitabilno s pomoću modela prihoda koji se temelji isključivo na oglašavanju. Ako se novi digitalni medijski proizvod želi održati konkurentnim, iskustvo govori da treba raditi na smanjenju troškova održavanja *web-mjesta*, povećanju prihoda i dosega proizvoda kako bi se doprlo do šire publike. Troškovi za marketing mogu se držati pod kontrolom povećavanjem relevantnosti i kvalitete oglašavanja, usmjeravanjem na određenu publiku i osiguravanjem dobrog iskustva na stranici koju korisnik prvu posjeti (eng. *landing page*). Ako se želi povećati prihod od oglašavanja, najvažnije je stalno eksperimentirati i nastojati optimizirati oglašivački format dodavanjem novih oglašivačkih mreža i povećavanjem kvalitete *landing* stranica. Empirijski je dokazano da čisti model prihoda na temelju oglašavanja može biti profitabilan za novi digitalni medijski proizvod koji ulazi na visoko konkurentno tržište. Međutim, visoke bruto marže mogu se ostvariti samo ako se privuče kvalitetna ciljna publika, ostvari ekonomija razmjera i diverzifikacija modela prihoda.

Ključne riječi: digitalni mediji, model prihoda, online oglašavanje, oglašivačka kampanja, oglašivačka mreža