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BY ART KLEINER

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The Thought Leader Interview: Bob Carrigan

An online innovator — and CEO of IDG Communications — explains why new media is the most optimistic part of the economy.

BY ART KLEINER

Photograph by Peter Gregoire

What is the Internet's role in revitalizing economic growth? In some circles, it is considered a disruptive destroyer of value. In others, new media is seen as a specialized industry, with little relevance to other sectors. But to people like Bob Carrigan, CEO of IDG Communications (the publishing, media, and events division of the International Data Group), the Internet is now a major source of business innovation for every sector. Thanks to the continued growth of the marketing and media ecosystem — the confluence of broadband, social media, online advertising, mobile Internet, cloud computing, online lead generation, and e-commerce — we are all media companies now.

Carrigan is one of the leading proponents of change in this sector, both as a spokesperson on new media, and as a decision maker at IDG, putting into practice new ideas about online publication and marketing innovation. He began his career at IDG in publishing and sales in the 1980s, when the company was primarily known for its technology magazines (*CIO, Computerworld, PCWorld, InfoWorld, Macworld,* and *GamePro* were some of its main titles). During the early dot-com era, he moved to a popular music startup, Spinner.com; then moved to AOL, which purchased it; then moved back to IDG in 2005, taking a series of executive positions. By that time, IDG had begun to evolve into its current form, as a new media pioneer, producer of events and expositions (including the well-known Macworld expo, where Apple has announced new products over the years), innovator in mobile Internet publishing, and developer of new forms of advertising and lead generation. Carrigan has been chief executive of IDG Communications since 2008, with a particular focus on innovation.

Carrigan was also the 2011 elected chair of the Interactive Advertising Bureau (IAB). The IAB is a consortium of more than 500 media and technology companies that sets standards for online advertising formats, produces research on online and interactive media, and plays an active role in developing guidelines related to such issues as privacy and the measurement of online advertising effectiveness. (Disclosure: IAB president and CEO Randall Rothenberg is a former editor-in-chief of *strategy+business.*)

We became interested in Carrigan's perspective when he began speaking and writing about innovation, including in the pages of this magazine. (See Carrigan's short piece, "A New Model for Generating Leads," in "Reinventing Print Media," by Matthew Egol, Harry Hawkes, and Greg Springs, *s+b,* Autumn 2009.) Of particular interest to us have been Carrigan's thoughts on revenue and business models; too many companies, he argues, are still thinking of media as an enterprise supported by subscriptions and ad revenues. The electronic media of the next 20 years will instead be supported by a variety of forms of sponsorship, reader revenue, and lead generation, all grounded in the ongoing relationships that consumers build with the media they trust. This interview was conducted in two conversations, both in New York, in May and October 2011.

S+B: Amid anxiety about the economy, you've referred to media and online retail entrepreneurs as "unabashed optimists." Where do you see optimism?

CARRIGAN: The Interactive Advertising Bureau conferences are sold out. Companies that are part of the Internet and online ecosystem — not just Facebook and Twitter, but everything from data providers to analytics firms — are doing very well. There's an incredible amount of activity, including a lot of venture capital. For the first six months of 2011, the online advertising industry was up 23 percent in revenues, to US$15 billion.

This represents a big change from the somber years of 2009 and 2010. Companies in this industry are actively looking for talent: "I need a CMO, a CFO, a software developer." Media companies are putting people to work in meaningful, sustaining, fulfilling jobs in a growth business that is just beginning to hit its stride. And although I don't have exact figures, the number of marketing employees is clearly way up from the 1.2 million people that it was in 2009, when the IAB last surveyed the industry.

S+B: Do you think this growth will have a major impact on the rest of the economy?

CARRIGAN: Yes, I think it will. That 2009 study [conducted for the IAB by Hamilton Consultants and John Deighton and John Quelch of Harvard Business School] estimated that the advertising-supported Internet creates economic value of $444 billion per year. And then there's the echo effect. Facebook signed up its 800 millionth user in mid-2011; Coca-Cola has 35 million "likes" right now on its fan page, and Starbucks has 25 million. Statistics show that people who "like" a company or interact with it are more likely to purchase from it. How much economic activity does that generate? I think it's hard to quantify, but there's no question that it's huge and growing.

And this industry is not an island. The tools and solutions being developed — real-time bidding, automated exchanges, reputation systems, and so on — could be used more throughout the economy: to drive more commerce, connect more directly with consumers, reduce supply chain friction, and connect with international customers.

S+B: How much of a difference does it make that the cost of online investment is going down?

CARRIGAN: There are much lower barriers to entry for online media than there were even a year ago. The cost of technology is not a barrier; the hardest part is finding good developers for original ideas. With the cloud — not just storage in the cloud, but all the publishing apps, templates, formats, and software solutions available there — you can provision media in a much more efficient way, and I think that's going to change the industry further.

S+B: But when barriers to entry come down, doesn't that lead to a rush of competitors coming up?

CARRIGAN: Well, it's head-spinning how many competitors are emerging. In IDG's segment, for example — technology, media, events, and research — the field is more competitive than it ever was. But it's also bigger than it ever was, particularly as people come to our offerings globally. It's one thing to enter the business with a digital platform; it's another to execute, get the right audience, develop a good relationship with that audience, and build the content and the trust needed to keep them coming back. I would like to think that in every segment related to digital media, some companies will have top-quality offerings, content, and solutions, and they're going to win.

When I'm with IAB members — who are IDG's competitors as well as its collaborators and customers, and sometimes the same companies are all three — I see them as entrepreneurs in the best sense of the word. They're investing, taking risks, creating a global marketplace; they're developing alternative

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sources of power generation and energy efficiency. They're focused on creating value. And that's why they're optimists.

The Lifetime Value of a Name

S+B: How did IDG begin its own moves in online innovation?

CARRIGAN: Our magazine category, technology, was like a canary in a coal mine: Our audience moved rapidly to interactive and digital platforms. There weren't a lot of other media categories in front of us. We had to experiment wildly and create an innovation culture just to keep up.

Fortunately, our readers and visitors are digitally savvy and our advertisers are experimental. We'd propose a new idea about lead generation or create some new program, and we could generally find an advertiser who was willing to try it. We built a lot of digital businesses that way. Some of our ventures have been pure play; the old IDG had little to do with them. With other ventures, like lead generation, we repurposed our traditional assets. For example, we used to use magazines to drive databases of customer names; now we use those databases to generate sales leads for vendors and all sorts of electronic commerce that has nothing to do with magazines. We were just figuring out what lead generation was nine years ago. The capabilities we've added in "lead gen" have been tremendous.

S+B: What is lead generation?

CARRIGAN: It means earning permission from members of your audience to provide information to them, or offer services and products to them, on a targeted basis, ideally when they need it in the buying process. Any media company that does this is providing a great service, especially on mobile devices. Our audience includes a lot of IT and tech professionals, walking around with smartphones and tablets in their workplaces. They're looking for content, but their devices are not optimized for viewing in-depth reports. So we place an app called Tech Briefcase on their mobile device; we distribute it through the iTunes store but ask users to register with us when they first open it. We learn their preferences through the registration process, and then the app provides those users abstracts of the types of white papers they want. They can bookmark the ones they like and retrieve the full document later on their laptop.

We went to great expense to create this mobile app; we did focus groups and utility tests. It was more like software development than traditional magazine publishing.

If you give people exactly what they want and you respect their preferences, they're willing to give you information about themselves. We progressively capture richer and richer data about them, and then we can reach very specific subsets through highly targeted programs, drawing in material from any of our publications.

S+B: In other words, Tech Briefcase is a brand without walls, your own private-label aggregator.

CARRIGAN: Yes, as opposed to a digital replica of a print magazine. Many publishers seem to think that digital replica apps are the future, and they love it. They think they can put the genie of online publication, with all that loss of control, back in the bottle. They may add animation, slide shows, or video.

Just to be clear, we publish app replicas of some of our own magazines, and we believe in them. But as a sign of the future, they're not all that exciting; in fact, they're somewhat limited. We've found more substantial opportunity in creating service-oriented software-like applications that blend our magazine content, conferences, and websites. For example, *Macworld* is the most successful Apple-oriented computer magazine in print. Instead of creating a digital replica, we created the Macworld Daily Reader app. It's gotten more than 250,000 downloads. It doesn't look anything like the magazine; it's a dynamic, very slick, mini version of our website. These apps, and our mobile device innovations, are all part of our evolution from print media to a more interactive media company.

We spend a lot on app development, in part because we have ideals around quality, but largely because we see our best opportunities with interactivity and name capture. For example, to really use Tech Briefcase or Macworld Daily Reader, you have to register with us outside of iTunes; Apple doesn't share the data it gathers on iTunes, so we do it ourselves. When we capture someone's attention this way, we recognize the lifetime value of his or her name. That is gold to us.

"As we filter material for you, we capture more information about you. We're not taking advantage of you; we're earning your trust."

S+B: How does capturing a name translate to gold? What's the transaction at the end of the rainbow?

CARRIGAN: First of all, we have relationships with about 12 million audience members around the world and counting. It's a big number. Which is not to say that we have their permission to sell them anything we want. We earn their trust and permission over time. The more we interact with an individual, the better the business opportunity for us and hopefully the richer the IDG experience is for that person.

Let's say you're in our database because you downloaded an app — either Tech Briefcase or something more specific, like the *CIO* or *Computerworld* app. You have the right to unsubscribe at any time, but as long as we respect you and send you highly targeted and relevant content, you won't unsubscribe. As we filter material for you, we capture more and more information about you. We're not taking advantage of you; we're earning your trust.

Suppose we learn that you're responsible for buying storage systems for your company. You're interested in cloud computing solutions and virtualization strategies. We know that you need information, and that you talk to vendors as part of your job. So we introduce you to sponsors that have the exact information that you're looking for, and we charge each sponsor for that introduction. We also have fee-based offerings, such as the CIO Executive Council; IT executives meet there and interact with peers. As our specific and targeted data about you grows over the years, always with your permission, we can create very focused programs aimed at your particular needs. Wouldn't you expect advertisers like IBM and Citibank to be interested in that?

One Jump across the Chasm

S+B: How important is the social media aspect of your business — putting your users in touch with one another?

CARRIGAN: Our programming strategy is based on a three-legged stool: social, editorial, and vendor content. The number one source that users go to for information about what to buy is social: their knowledgeable friends and colleagues. Editorially driven information ranks second. Our readers have always told us they want to talk with one another. Our readers include many influential end users, as we call them, who give more advice than they receive. So it's important to unlock better ways to connect them.

That's why we're aggressive about embracing outside social networks, which have become an important part of audience generation for us. We have the largest CIO community on LinkedIn, with almost 45,000 registered members. Search engines are still by far the most common way that people find IDG media, but social media generates 10 percent of our inbound traffic. We're creating a lot of programs around social media, by building sub-communities.

Editorial content — authoritative and trusted writing — is more important than it ever has been. Some of our editors are highly opinionated critics of the industry, whereas others are more focused on reviews, but they are all important for drawing people in. They also participate in the user conversations, often as hosts. Anyone can find conversations on Facebook, but our brands focus those conversations on specific topics with trusted journalists at the core.

The right vendor content is also important, and not just for revenue. Our audience wants to know what products are available from them and how they fit. The value in vendor content comes from contextual presentation: If you see a conversation on Twitter about virtualization, with white papers from vendors on virtualization next to it, that's a very valuable service.

S+B: What does a media company — or, for that matter, any marketing company — need to develop organizationally to experiment like this?

CARRIGAN: They have to change their mind-set: to rethink and rebuild their ways of delivering content and advertising, and connecting with their prospects. Media companies have to become more like technology companies. The way I put it at the annual IAB meeting in 2011 was: "Instead of downplaying or doubting the value of that 28-year-old wunderkind sitting next to you in his blue jeans, with his $40 billion market cap, 50 times stock multiple, and army of hotshot VC financiers, embrace him and embrace what he stands for."

In any media company, you have to do a lot of unfamiliar things these days: Conduct more in-house R&D, hire some young engineers and turn them loose, take courses, go to tech meetings, and develop strategic partnerships with technology firms. And reinvent yourself fast. I like to quote David Lloyd George, the English prime minister in the 1920s, who said, "The most dangerous thing in the world is to try to leap a chasm in two jumps."

It was relatively easy for IDG because we're an independent, private firm, and have been for 47 years. Many publishers and media companies were acquired by larger public companies or private equity firms. The financial groups got into media because it looked like a safe place to invest. Then the downturn came, and the business fundamentally changed and companies were burdened with this layer of financial obligation. Many have restructured since then, but their debt still constrains them.

Even at IDG, we had to let go of a lot of old practices. There's danger in doing that, but also immense opportunity. Ironically, in letting go, a company becomes more capable.

S+B: For example?

CARRIGAN: We used to be very orderly with our magazine brands, with separate advertising rate bases and newsstand distribution for each title. But that's not the way users experience media anymore. People consume media from so many different sources that you have to let go of the individual title as an organizing principle. We had to organize ourselves differently, removing internal barriers. An editor or publisher might now work on a project that serves several different titles at once, or where most of the content is coming from places besides IDG.

Another major example of letting go for us was the rise of online ad exchanges and real-time bidding technology [an automated way of managing online advertising transactions]. This came from outside the publishing industry, but rather than seeing it as a threat, we partnered with one of those firms, learned about the technology, and then created our own startup ad network, the IDG TechNetwork. Now we're a category leader in this field ourselves, directly connected to our traditional reader base.

We also had to let go of the way we qualified our customers' names for controlled circulation [in which specialized audiences receive sponsored publications free of charge, and the magazine must certify that recipients fit the criteria]. We have a much wider purchase funnel now: We draw in potential users from social media, Twitter, search, online conversations, the mobile Internet, and content syndication with different media companies. Most of those people leave without registering, but a percentage of them download an app, subscribe to an e-newsletter, read a white paper, or sign up for one of our more than 750 events each year. Or they may even subscribe to a print magazine. With each new step, they move further down the marketing funnel as qualified leads. We spend a lot less effort qualifying them, but ironically, they are much better as sales prospects for IDG's marketing clients, because they have taken all these steps to receive information or attend an event.

S+B: They've qualified themselves.
CARRIGAN: That's exactly right. We don't even use the term *controlled circulation* when talking about this kind of online lead generation, because it works so differently from the old form of qualifying people in print. For example, once you're qualified with one IDG title online, you're qualified with all of them. If you registered with *Network World* and then go to *Computerworld,* we recognize you. We'll say, in effect, "How are you doing?" and send you relevant material and offers.

Designing for "SoLoMo"

S+B: What will be the impact of the mobile Web — the migration of more and more Internet activity to mobile devices — on marketing and media?
CARRIGAN: This is probably the biggest area of focus for most of IAB's members right now. In the fourth quarter of 2010, smartphone shipments exceeded those of PCs, and they've been higher ever since. Mobile media is only going to become more prevalent, more useful, and more dominant. How do you design for it in a way that serves both marketer and consumer? We're all trying to figure that out.

There's a temptation to treat mobile media like conventional Web browsers, especially when designing for tablets. As HTML5 [the next-generation website specification language] rolls out, it will reinforce that temptation, bringing people back from apps to the Web. The current system, with lots of apps in little kernels that don't talk to one another, is unsustainable.

But it's not that simple. Smaller devices will foster a Web environment with very different forms of interactivity and interdependence. I spend a lot more time using Twitter, for instance, from my mobile than I do from my laptop. [Venture capitalist and Kleiner Perkins Caufield & Byers partner] John Doerr coined the term *SoLoMo* to describe this new world: It is "social, local, and mobile." Smartphones will recognize where people are located, who they're connected with, and what's near them. Advertisers will soon develop compelling ads that run across multiple platforms; people will start to follow an ad on their mobile device, and then pick it up on a retail display or their office computer. There will be a lot of targeting and gathering of data based on where people are located.

Every mobile device also requires technical customization. It's going to be challenging for publishers to figure out where to invest their

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resources. The IAB has not moved too rapidly to freeze advertising standards for mobile devices, because it's still early days. We want to let things percolate.

S+B: What's the current state of thinking on privacy?

CARRIGAN: There is no more important issue in our industry. For the industry to grow, consumers have to feel confident that information collected about them is being used the right way.

In current practices, there's a lot of confusion. The primary issue is the tracking of online behavior — targeting advertising to people based on data about where they visit and what they purchase. This is a big practice in the online industry, particularly around ad networks, and although most of the data is not identifiable with a personal user, it still raises concern.

The IAB has had an ongoing campaign on this called "Privacy Matters." We have a code of conduct we require members to sign. The IAB was also one of the founders of the Digital Advertising Alliance, which developed a forthcoming "forward eye" icon — displayable by sites that guarantee transparency and control to visitors. You can see the list of participating companies; it includes Google, GM, Adobe, American Express, Gannett, Hearst, Procter & Gamble, and many others — including several dozen ad networks — so far. When consumers click on the eye, they should see what information about them is being captured by that site and how it has been used. They should also be able to opt out. The Council of Better Business Bureaus manages complaints and enforcement. I credit Randall Rothenberg for pushing this agenda and getting a coalition of publishers and other groups (including the Association of National Advertisers and the American Association of Advertising Agencies) to come up with the initiative.

People confuse this with more serious privacy violations, such as data leaks [releasing sensitive or tracking information to third parties] and phishing [pretending to be a trusted electronic vendor to acquire sensitive information]. That's one reason we have to be more diligent — to create a self-regulatory impact, so that we don't provoke heavier government regulation, especially if financial and medical information starts to be gathered.

S+B: But governments seem to have to regulate the Internet more — just because of the potential for abuse.

CARRIGAN: The last thing a dynamic, employment-generating industry like ours needs is more government regulation. In fact, most governments are like the large legacy publishers in our industry. They need new approaches, and they need to make major investments in revitalizing infrastructure, but it's hard for them to change. That's why government efforts to regulate or manage the online world, or for that matter the financial world, have such little credibility.

If you look at the positive, job-creating innovation that has occurred in our business, it's mainly from pure-play, disruptive companies that were enabled by the Internet. Something similar will inevitably happen to government. There is a huge potential in reducing costs, connecting users more directly to solutions, and displacing many old ways of doing things. But the U.S. government has by and large not adopted electronic technologies — even though it played a major role in creating them. Look at the problems with e-voting, sharing healthcare information, and the postal system. Look at political gridlock; Democrats and Republicans refuse to agree on anything. They need to learn that "coopetition" works, that the other side of the aisle is not always the competitor.

I understand that the transition is difficult. There will be hiccups, problems, and security issues. But the disruptions will happen anyway, either with the existing government's involvement or without it. In the meantime, any efforts to regulate privacy from outside will inevitably be so heavy-handed that they'll block the economic growth they're trying to foster. It's too bad, because government could be a participant with us. But I don't see how it can happen in the current political environment, where nothing gets done and pessimism reigns.

S+B: What major challenges will online media and marketing face next?
CARRIGAN: One big one has to do with integration. How do you corral all of these online activities productively for your organization? More and more users are saying to their IT departments, "I want this tablet to be my primary device. Figure out how to secure it and provide my e-mail and the company data on it." Everyone is going to have to deal with this consumerization of IT. Lots of new companies will be created to provide solutions to this problem, but ultimately, it's not purely a technology issue. The way people work is intertwined with the way they live, and we're all going to have to grapple with that.

Another challenge has to do with the chaotic state of measurement in media and marketing. The IAB is working on developing neutral, third-party standards for metrics and measurement quality. Until we have a cross-industry agreement on how brand advertising should be measured, sold, and bought, it will be very hard for electronic commerce and sponsorship to roll out in any effective way.

It's very difficult to make these types of changes, and I think if there's anything special about electronic media, it's that we sense the inevitability of change. We feel it. But even with us, there's a hesitation. It's natural to hope that things will stay the same, but in this environment, they rarely do. I think when we look back, three or five years from now, we'll all regret that we didn't move more quickly. +

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> "Most governments are like large legacy publishers. They need new approaches, and they need to invest in revitalizing infrastructure."

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