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BEYOND ROI®

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Online Advertising Reboom

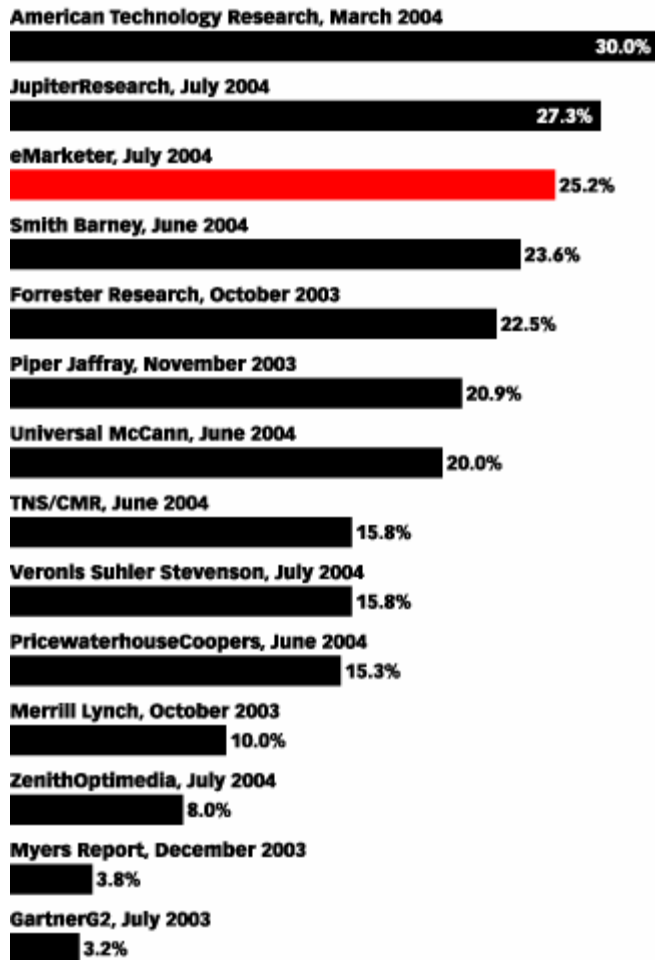
July 2004

eMarketer projects that US online advertising spending will hit \$9.1 billion this year — \$1 billion more than its previous high in 2000, at the height of the dot-com boom.

According to eMarketer's just released report, Ad Spending in the US, after the precipitous 15.8% drop in 2002 for US online ad spending, the path back has been more like Lance Armstrong cycling the Alps in the Tour de France — steep and rapidly upwards. With a 20%-plus growth rate last year, and the same expected this year and next, eMarketer sees Internet ad spending surpassing \$11 billion by the end of 2005.

"The interactive ad industry is growing, and broadband is the driver" says eMarketer's Senior Analyst, David Hallerman, author of the report. "Our research shows that high-speed users spend more time and money online. With broadband usage reaching critical mass, companies are now investing more heavily in paid search and rich media advertising while spending less on other forms of media." eMarketer is not the only researcher predicting growth. Most other leading researchers support eMarketer's view. Predictions made in 2003 by Forrester Research and Piper Jaffray both indicate online ad spending in the US should rise by 20% or more in 2004. A more recent projection by Universal McCann, whose chief forecaster Bob Coen has been analyzing ad spending since the Truman Administration, also has this year's Internet ad spending at the 20% mark.

Comparative Estimates: US Online Ad Spending Growth, 2004 (as a % increase vs. prior year)



Note: eMarketer benchmarks its US online ad spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2003
Source: eMarketer, July 2004; various, as noted, 2002-2004

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Though paid search leads all media among marketers online, accounting for nearly 40% of online ad spending, eMarketer predicts that rich media will see increasingly high growth as more companies invest in online branding opportunities such as display ads.

"High-speed access improves everyone's online experience, enabling the use of more complex graphics, allowing access to content on-demand and generally making the Internet more useful in every-day life," says Mr. Hallerman.

Industry leaders cited in the report say that revenues to fund online ad growth will come from newspaper and television advertising budgets, as well as overall increases in ad spending.

The New York Times Company is an example. With properties in newspapers, television, and interactive media, the company announced in June that ad revenues in the first half of

2004 versus the same period in 2003 grew by just 3.5% across the company and 0.8% in the newspaper group while revenues in the Times Digital division soared by 39.8 percent. Mr. Hallerman says, "Without question, network television and newspapers' piece of the ad spending pie will be cut in the next three to five years, with some suggesting it could be by as much as 30% or 40% percent."