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Can Controlled Circ Work for E-Mail?

The more things change, the more TechTarget stays the same.

Yes, TechTarget has grown, and it has moved beyond solely the Web and e-mail, venturing successfully into magazines and conferences.

Yet TechTarget has stayed true over the years to both parts of its name. It's still 100% focused on information technology, and it is evermore obsessed with being highly targeted. To emphasize the latter point, TechTarget recently switched its sizable e-mail newsletter readership to a controlled circulation model, taking a page from the print world. This allowed TechTarget to dramatically reduce the number of newsletter readers receiving its advertisers' campaigns while upping the advertising rates.

Normally, eMarketer would include a chart here, yet controlled circulation is such a new idea for e-mail that it is literally off the charts. Instead, let's turn right to another constant with TechTarget, its leadership. TechTarget CEO Greg Strakosch is the first interviewee to be featured three times in eMarketer's Q&A series, and for good reason -- eMarketer appreciates good news, sound business sense and innovation.

Greg Strakosch: Basically what we did, and we're the first in the industry to do it, is we've taken our e-mail newsletters, and we've made them all direct, qualified, controlled circ. The first thing is we have all the demographics on all of the subscribers, and second of all, just like a controlled-circ magazine does, if they don't meet certain criteria, they're not in the subscription base.

If you compare that to most of our competitors, most of their e-mail newsletters, to sign up, only require an e-mail address. They don't even know the person's name, let alone the company or job function or industry or what they buy. It really puts us a quantum step ahead of the competition. I'm convinced that what we're doing will be the standard two years from now.

"We are very targeted. We are focused on the IT professional.... The dot-com shakeout, the VC closing down, doesn't affect IT. IT professionals use the Web everyday for business purposes. They're hopping on the Web and they're going to our site. We're uniquely positioned to get a huge share of that money. We're never going to have the reach of someone like CNET, but CNET can't compete with someone like us in terms of our level of targeting."

--Greg Strakosch, in his 2001 interview with eMarketer

If you're a buyer, and you have the choice of knowing who's receiving it and knowing it's the right person versus buying names where all you have are the e-mail addresses and the only thing you can base it on is the content, obviously, all media buyers are going to choose when they know exactly who it is. I'm convinced that we're going to create a new standard here.

eMarketer: Where did you get the idea to do it?

GS: It's not a new idea. Magazines have been doing this for decades. We're just applying an absolutely proven model that's worked in the print world forever to e-mail newsletters. Basically the problem we were solving was the circulation of our e-mail newsletters got very large, and all our users are focused on is quality over quantity and ROI [return on investment], and it's just a normal evolution for us. We've been collecting full demographics since day one, which a lot of people weren't doing and I don't really understand why they weren't -- well, I know why they weren't. They wanted to build their circ quickly, and that was the easiest way to do it. Our customers were telling us they didn't care about reaching 80,000 people. They just wanted to reach the 20,000 right people. It fits in perfectly with our model.

eMarketer: Before you did this, did you talk with any of your advertisers about what was going to happen?

GS: Yes, and when you ask an advertiser, basically the question is, "Would you rather buy a circulation where you know everything about the person and they reach certain criteria, or would you rather buy a circulation where it's just a large number and you don't know who it is and if they qualify?" It's a pretty easy conversation, but I will tell you that for us to do it was not easy. We worked on this for almost a full year. What you need to do is really get full demographics for all your people, and then a bunch of people don't qualify.

eMarketer: I was going to ask what their response has been.

GS: Basically what we do is we send out two versions of the newsletter. One version has the advertising that goes to the people who make it, and then there's another version that goes out without advertising.

eMarketer: Isn't that a plus for those who don't qualify?

GS: You're 100% wrong on that. The advertising is part of the content in the B2B market. And I said no advertising -- it goes out with house ads, so it's not like there's no advertising. Studies prove that in the B2B world, advertising is part of the content. It's part of what the people want to learn about when they read a B2B magazine or go to a Web site is what are vendors doing because the vendors are helping them do their job. It's not like the consumer market where advertising is viewed as a nuisance.

eMarketer: With the controlled circulation, can you then up your rates?

GS: We can raise the rates, absolutely. We're premium-priced with everything we do, and the reason is because we have the best quality circulations in everything we do, whether it's magazines or conferences or our online properties, and with the high quality circulation, you get the best ROI. When you prove out ROI, you can cost-justify premium rates.

eMarketer: I was reading your interview in the Technology Marketing Insider Pass, and it referenced how you were running out of inventory on one of your properties. Is that the general case for TechTarget properties? Are ad inventories full?

GS: We have 18 different properties. On some sites, we're sold out months and months in advance. With most advertisers right now, their budgets are quarterly. A lot of our Q1 inventory is already pretty tight. We're pretty much sold out for the rest of Q4. Q2's wide open because our customers aren't buying that far in advance. Our Storage site and Security site and our Windows site, those are red hot, and getting inventory is really tight there, so we keep raising prices to balance out the supply and demand there. In other markets, there's more available.

In a model like ours, where it's very targeted, it's different than Yahoo!. Yahoo!'s never going to have an inventory problem. We are going to have inventory problems because there's only so many people in the world that can spend a million dollars on storage in the next six months. We have all of them. It's not a number like what you would see at a Yahoo! or a CNET.

eMarketer: Is your readership mostly US-based?

GS: Our readership is about 60% US-based and 40% international. We're a little behind there because the market's the other way around -- about 40% of the IT market's revenues are in the US, and 60% is outside the US. A lot of our customers are more focused on the US though.

eMarketer: Do you see more of a global expansion of your readership?

GS: We're doing some international conferences right now. We're doing some conferences in the UK. In 2004, it's safe to say you'll see us undertaking a lot of initiatives internationally.

eMarketer: How is the conference business going for you?

GS: Terrific. Our model is very unique, where we end up rejecting over half the people who apply. To get into our conferences, you need to be a decision maker, VP or director level, you need to come from a company with -- it depends

on the conference -- over 5,000 employees, you need to have a million dollar specific budget, so if it's a storage conference, you need to have a million dollars you're going to be spending on storage, and you need to be active, you need to be spending that in the next two quarters. That model works.

Our conferences our relatively small, we have about 500 attendees, but we have the 500 largest active buyers at any one time. We did nine conferences in 2003; we will do 14 conferences in 2004. All of our second-year conferences grew over our first-year conferences, and we're launching five new conferences next year.

eMarketer: And what's new on the magazine front?

GS: Since we last spoke, we acquired a magazine. We launched Storage Magazine about two years ago, and by every measure, it's the number one magazine in its space. In July, we acquired Information Security Magazine, which is the franchise publication in the enterprise security space. We already had the leading Web site in that space, SearchSecurity, we have the best conference, our Security Decisions conference, and now we have the best magazine. We're able to really do good work for our advertisers with integrated programs between the three properties. It helps ROI, and it helps us grow our share of their media budget.

eMarketer: Do you see any other space that you could go into?

GS: Yes. We got into the storage space last year and the security space this year. I think you'll see us knock off at least one market per year going forward. I wouldn't want to tip my hand to what market that will be, but I can definitely tell you that in 2004, we will be replicating that strategy in a different market.

Have you been following the Comdex story at all? Comdex put out an apology. It was basically a "We suck, we know we suck, we're sorry we suck" column. It's quite extraordinary. What's interesting is the trade show guys have been basically saying that their business has been hurt -- 9/11 really hurt it and the economy hurt it and SARS hurt it, and those things are all true, but what really killed these guys is the Internet. Before the Internet, the way people would research products was they would go to these trade shows. No one liked going, but it was the best way in three days to figure out what was new in the industry. Now, people would rather do it on the Web.

Everyone knows that five, six years ago, everyone said everything's going to get bought on the Web, and that was way overblown. The real story is no purchase is made without the research being done on the Web. That is totally ripping apart industries like Comdex and trade magazine publishing. That's really what the Google story is. Google has 150,000 advertisers, and they are selling keywords. Google's the umbrella business, and there are a lot of guys in vertical B2B markets like us. We're building very rich content around doing research on the Web. Barry Diller's doing this very successfully in the travel business. Expedia and Hotels.com have a nice model because they get the e-commerce transactions, but they also have huge online ad businesses. Guys like Kelley Blue Book and Edmunds are building unbelievably powerful advertising franchises in the car space because no one buys a car anymore without going online first to do their research. That's an interesting story -- the way researching on the Web has changed the buying process so much, it's really creating unbelievable changes in big industries.

I think there's still room for magazines to be successful and for conferences to be successful, but I think the real key in this day and age is for anything to be successful, it has to be very targeted. It's analogous to what's happened in broadcast television. ABC and NBC and CBS still have very good businesses today, but they're a shadow of what they were 10 or 15 years ago. All the growth in the television market has been with the specialty channels. Now it's going one step further, so instead of just ESPN, you have the Golf Channel. If you're selling golf equipment, you're not going to advertise on NBC or ESPN. You'll advertise on the Golf Channel because it's 100% efficiency, and that leads into ROI. Those are the big trends that are taking place.

"The new media winners today and going forward over the next several years are the guys that can give very efficient, targeted media offerings that have a significant component that is online, because that's how people researching products are going to buy now."

--Greg Strakosch, in his 2002 interview with eMarketer