



## **New Tools, New Rules:** ***Gaining from the Digital Upheaval as the Net Reaches Critical Mass***

**CEO's Look Ahead Keynote Panel**  
**SIIA Information Industry Summit**  
**Cipriani's, New York City**  
**January 30, 2007**

The new devices and software tools of the Web 2.0 have spawned an entirely new information culture and infrastructure. The convergence is radically changing the way you can use information technology to run your business or serve your customers.

The tools of the teenager-- blogs, wikis, pods, metasearch, virtual worlds-- are invading the business marketplace. They are changing the information habits of users-- just as PCs and LANs upended legacy systems. They are eroding the power of the Wintel duopoly. And creating bold new competitors in record time.

Industry executives representing media, technology, finance and journalism will square off to debate the following issues:

- How will the new technologies change the marketplace?
- Is the Wintel colossus in trouble?
- Where is the convergence headed?
- What future products and services does it make possible?
- What does it mean to business models?
- What's a CEO to do?



### **Hosted by Genesys Partners**

Genesys Partners, Inc. is an investment banking, venture capital and venture development company that specializes in the Internet-based information industry.

We focus on early-stage "jewel in the rough" companies that are

developing information products and services with disruptive market potential. We specialize in accelerating angel-backed ventures into the institutional capital arena.

We assist young companies in a highly hands-on way to increase their chances of success, and to make the crucial transition from start-up to IPO or sale of the company. At 126 Fifth Avenue, New York, NY 10011, [www.genesyspartners.com](http://www.genesyspartners.com)

## Panelist biographies:

All biographies courtesy SIIA website [www.sii.net](http://www.sii.net)



**Saul Hansell**  
**New York Times**

Saul Hansell is a reporter covering digital media and electronics for the New York Times. He has covered the business side of technology since 1997 when he became the first reporter at the Times to focus on electronic commerce. Writing mainly for the daily Business Day section, the front page, the Thursday Circuits section and the Sunday Money and Business section, he has covered the rise and fall of the Internet companies as well as the medium's effect on media and commerce. He also contributes regularly to the Market Place column, with analysis of technology stocks. In 2004, his coverage was expanded to include coverage of digital music and consumer electronics. From 1992, when he joined the Times, until 1997, he covered banking and finance.



**Clare Hart**  
**Executive Vice President, Dow Jones & Company & President,**  
**Dow Jones Enterprise Media Group**

Clare Hart is executive vice president, Dow Jones & Company, and president, Dow Jones Enterprise Media Group, a principal business unit with \$657 million of revenue. She is responsible for the Company's media portfolio serving businesses, including Dow Jones Newswires, Dow Jones Licensing Services, Factiva, Dow Jones Indexes, Dow Jones Financial Information Services, Dow Jones Reprints and Permissions, as well as the Company's enterprise-facing joint venture, STOXX.



**Patrick Kenealy**  
**Managing General Partner, IDG Ventures Pacific**

Pat was founder and CEO of IDG's Digital News Publishing subsidiary, Publisher and CEO of its PC WORLD Communications subsidiary, and finally CEO of IDG itself overseeing media, market research, and event businesses in more than 50 countries. Pat was founder and Managing General Partner of IDG Ventures Pacific in San Francisco, and a founder and General Partner of IDG Ventures Atlantic in Boston and IDG Ventures Europe in London. Some of Pat's board and observer seats have been

Babycenter.com, FutureTense, Spinner.com, Service Metrics and Andromedia. Pat currently sits on the boards of Quova and Digital Persona. Before joining IDG, Pat held a number of publishing and editorial management positions with Ziff-Davis Publishing and Cahners Publishing, and earned a B.A. from Harvard University.



**John Kilcullen**  
**President, Entertainment Div, The Nielsen Company**

John understands the market impact of digital convergence. He has also been successful in creating a high level of collaboration with Nielsen Entertainment and growing face-to-face platforms including awards shows, executive conferences, special events and executive roundtables. Over the past three years, John has reinvented the industry and consumer business model for Billboard in non-music areas that overlap with THR. With his innovations in digital, mobile, video, branded entertainment, mobile/video games and entertainment law, he is well qualified to his new post. Prior to joining Nielsen (formerly VNU) John spent 11 years in the Bay Area, where he was founding member of IDG Books Worldwide, Inc. Under his leadership the company grew revenues to over \$200 million and launched the popular "for Dummies" brand of books.



**James Kollegger--Moderator**  
**CEO, Genesys Partners**

Jim is CEO of Genesys Partners, Inc. a venture capital/investment banking/development firm that specializes in early stage information technology ventures. He is one of the pioneers of the electronic information industry who helped build the Information Industry Assn., (now SIIA) who named him their first "Entrepreneur of the Year" in 1987. Genesys Partners follows a jewel-in-the-rough strategy; and takes a very hands-on approach to developing its portfolio companies. Examples include Portaga, a web services platform for the travel industry that permits travel booking directly from Outlook, Knovel Corp., a software/content database engine that automates work flow for engineers and scientists, and Cognia, a database creation engine and software platform, using natural language processing, for the biotech and pharma industries.



**David Verklin**  
**CEO, Carat Americas & Chairman of Asia Pacific**

A member of the Aegis Group Plc Board of Directors, David oversees Carat US, Canadian, Latin American and Asia Pacific operations. He is also a member of the Audit Bureau of Circulation. He was previously Executive VP Managing Director and Corporate Media Director of Hal Riney & Partners in San Francisco and Young & Rubican in New York. In 1996 he was inducted into the AAFA Hall of Fame for under 40s.

**Kollegger:** Welcome to the keynote panel “CEO’s Look Ahead--New rules, New Tools: Gaining from the Digital Upheaval.” If you split that title into “what *are* the new tools” and “what *are* the new rules,” you’ll see the new technology changing our culture--and that culture further changing the infrastructure. You see kids absorbing that technology as their lifestyle. So you have an engine of change that we haven’t quite seen the likes of in our lifetime.

**The things that always drive markets are greed and fear.** But there’s also hope. One of my favorite metaphors is Wayne Gretsky’s answer to the question “why are you successful?” His reply: “I skate to where the puck is going to be.” So our over-arching theme today is “**where is the puck going to be--so you can be ahead of the game for your companies.**”

Today happens to be the release of Microsoft Vista and Office 07 for the consumer marketplace. So one of our questions is about the end or the decline of the WinTel monopoly. IDC just produced a study, sponsored by Microsoft, and forecast a \$70 billion economy for Vista. And they’re predicting that in the first three months Vista will do twice the volume of Windows XP, and five times the volume of Windows 95. So is this a phenomenon or a fading star?

Another look at this picture comes from Ray Lane-- the number two guy at Oracle; he and Larry Ellison built the company and he’s now a venture partner at Kleiner Perkins. **Ray’s theory is--and this is a challenge to the WinTel duopoly--that the digital tools of the teenager are fast invading the marketplace.** And whether you want to make your company more efficient or serve your customers better, keep an eye on the tools of teenagers, because they are creeping in to the business world and they are going to upend the business world. Which reminds me, that in the 80s, I was on the board of the American Management Association’s CIO council. I was not a CIO, but they wanted me to broaden their thinking, and of course it was a very useful perch. There were a few bright lights in that group – these were big iron MIS, CIO types – but I was amazed how the majority of them were not open to change. In fact at that time, they viewed the coming of PCs and local area networks as an insurrection to be controlled and stamped out.

So how do you analyze the new marketplace? We have gathered some very smart minds to focus on the subject from different points of view.

**Kollegger:** Clare Hart was CEO of Factiva. She’s now president of the Enterprise Media Group at Dow Jones, which includew everything but the newspapers and the Dow Jones electronic service. So she’s from that media perspective.

**Kollegger:** Pat Kenealy has had many titles, including publisher of PC World, founder of the IDG Venture Group with Pat McGovern, one of the most successful venture capital

operations that I'm aware of; then became CEO of IDG, then came back to the future--back in the venture operation. So he's not only run a big a company which happened to cover this industry, but he's also betting that company's money on the future infrastructure.

Next to him, coincidentally is another ex-IDGer, John Kilcullen. John is probably best known as the guy who invented the Dummy books. These are an amazing phenomenon covering everything from computers to wine. He is currently group president for the Entertainment Media division of what used to be called VNU, which is now called the Nielsen Corporation.

Next to him is David Verklin, with a very different point of view. David is CEO of Carat, Americas and Asia. He runs a \$7 billion advertising and media agency, and is considered one of the leading lights in the digital media industry.

Last but not least, we always like to have a journalist on board to keep us all honest. Saul Hansell, technology reporter from the New York Times.

Now, the rules of the game: No speeches, no slides, no Powerpoints, no long-winded discussion, very interactive, probably a cross between Charlie Rose and the McLaughlin Group. So, we're going to look at this in a broad context, then talk about specific tools, and talk about business models and impact. Then have about a 10-minute Q&A for the audience.

Pat and I were talking recently about what makes a technology take off? And Pat's theory --which I call the Mogul Theory of how technology is driven into the marketplace-- is pretty interesting.

**Kenealy:** This is not really a formal economic theory but more a dinner conversation between Jim and I, but we got on the topic of technology dislocations in the media business, and if you look back far enough, to the Gutenberg days of movable type, **technology has disrupted the media business in very serious ways roughly once a generation.**

In American business there was no national press before there were railroads. There were no chains of newspapers before there was the telegraph. There was no broad dissemination of images until there was the fax machine... and then radio, then television, then color magazines, then cable, then satellite, now the Internet and now wikis and now Google and whatever.

And the point behind those technologies, if you want to call it the **Mogul Theory, is that in almost each one of those revolutions, you can tie a guy** – Hearst to the newspaper chain phenomenon, you can tie *a guy*, Bill Pailey to the radio, you can tie *a guy*, Ted Turner to satellite, or John Malone to cable, or the Google guys to search, or the Yahoo! Guys before them to broadband portals.

**“Mogul Theory, is that in each one of those revolutions, you can tie a guy – Hearst to the newspaper chain phenomenon, you can tie a guy, Bill Pailey to the radio, you can tie a guy, Ted Turner to satellite, or John Malone to cable, or the Google guys to search” –Pat Kenealy**

And the point I think that has for us is, each of those moguls tends to want to stay a mogul. They like to be big, they like to be powerful, and being just big is not satisfying to many of them; they also want to be relevant. And you find today if you watch Charlie Rose and you see Rupert Murdoch one night, it’s still deeply personal for those guys. And at the same time, each of those technologies that I mentioned spawns a media company, **American history says that most of the assets in a new media class one generation later are owned by the proprietors of the last generation of media.**

So more radio station chains own television companies than independently started television companies. Today, if you look at who’s buying all the Internet companies, it’s older generation media, and that cycle continues. And I think that the thing for us to think about as we all get together is that that change that we say now “oh my god it’s washing over our industry,” it may be the first one in our career, it may be the middle one in our career, it may be the one we retire in the face of. But I think it’s a useful dinner topic to talk about how that change is constant and that what we see in the Web is not all the different from what someone saw in the telegraph 100 years ago.

**Kollegger:** David, you’re nodding “yes.”

**Verklin:** Well I know that in this conference, over the years you have constantly had a debate over whether you want to hear about ad-supported models or subscription models. And I can speak about what’s happened in the advertising business, which is that our industry has been reinvented. I mean there has been more change in the American advertising business in the last four years than there’s been in the last 40. So the entire America advertising business has undergone... sea change. From the consolidation of media space and time buying like my company... in my little corner of the American economy there are only ten companies. 10 companies! Did you know that 92% of all the national television in the United States was purchased by six companies. Six companies bought 92% of the network TV in the past year!

So when I hear you talk about sea change and changing models, I’m not sure I could name you the mogul, but I certainly could tell you that you’re right about industries being reinvented, including mine.

**Kollegger:** Clare?

**Hart:** I can speak to it from an enterprise perspective because obviously that’s where my focus is within Dow Jones and the Enterprise Media Group. Technology has absolutely

**“One of the most interesting questions in the media world raised by the Web is the complete fragmentation and dissolution of the channels of distribution and the lock-points of distribution” –Saul Hansell**

redefined the way people get access to information. And keeping with the theme of this panel, what the younger generation, the Gen Ys and the employees are bringing into the workforce are **expectations around information and the ability to get access to everything. Their belief is that they should go to a website and be able to get access to everything.**

Of course, when you're in college or younger and you have a lot of time to do that, it works. **But the challenge in the enterprise is to simplify access to everything and ensure that employees only get access to only relevant pieces of information.** So say you have the broad spectrum, but technology is used to narrow it down to just the most meaningful pieces of information. And that technology is improving everyday, as we apply it to content.

**Kollegger:** John, Saul do you want to add anything to that?

**Hansell:** Just to play the gadfly, which I suppose is my role here, what would be the opposite of the mogul theory? I think you can look at one of the most interesting questions in the media world raised by the Web is the complete fragmentation and dissolution of the channels of distribution and the lock-points of distribution. All of those with moguls you named up to this point, especially the John Malones but also the Peles and all of them were about creating... were about getting there first and setting up a distribution channel that they could program and compete against a very small number of other rivals in that world.

Suddenly we have a world of *any* point to *any* point. Look at a page on MySpace, which is worth doing to see how individuals, millions of them, are assembling their own media experience. This clip from YouTube, that song; radio on MySpace is just each song that owner of each page has put together.

And you see in television, we're not quite there yet, but AppleTV, the new thing from SlingBox and pieces of Windows Vista, are going to allow any programmer to reach any television set *without going through the gatekeepers*. We see all of this disassembly and reassembly and I'm not saying there aren't going to be moguls; the Google guys and people like them may play in that world, but it's going to be a lot harder to be the first one with the satellite and get incredibly rich as a result of it.

**Kenealy:** The constant back and forth between the new technologists and the old... what I'll call the “media giants,” and you can personify them as “guys” or just say that it is in Time Warner's destiny to be big and absorb new media. When printing presses were the

**“What’s happened is consolidation in the media business. Viacom and Time Warner’s total share of usage has increased. They diversified their portfolio, bought a lot of new stuff, and have a greater share of audience than they did five years ago”**

*--David Verklin*

means of distribution, newspaper companies started buying them. When cable in the ground started being the means of distribution Warner Amex Cable started buying them. I think you’re absolutely right in that you’ll see a democratization of distribution of information fighting the constant appetite of the big guys to control audiences. If you use television as an example, it spawned a couple of moguls, but in the advertising business, some would that Ogilvy Advertising became what it became because it understood television at a time when others did not. So that back and forth between new technology and the appetite of big media companies I think is the yin-yang of our business.

**Hansell:** There’s no question about the appetites, but that doesn’t mean they can feast on the meals they want to feast on. The monopolies and oligopolies may potentially not be there to be had the way they were in the past is what I’m saying.

**Kenealy:** In New York you can look at Hearst or look at Time, Inc and say for 100 years these companies and done a good job of skipping from wave to wave, from radio to television to satellite to cable to the Internet right now, but there are buildings all up and down this island that belong to huge media companies that missed the wave, as you described. And they’re the ones that are now, you know... rooms like this.

**Verklin:** Don’t write off big media though. If you look at the share of market of the big media, they have... let’s look at TV for a moment: they’ve invested and bought cable TV distribution, they’re looking into distribution on the Web, actually what’s happened is consolidation in the media business. Viacom and Time Warner’s total share of usage has increased over the past five years. They diversified their portfolio, they bought a lot of new stuff, and actually, they have a greater share of audience than they did five years ago.

**Kollegger:** John?

**Kilcullen:** Can I have a show of hands, who’s in the advertising business here? Content business? Subscriptions? Just some trends that I thought would be helpful that we’re seeing: **if you look at the time and location shifting of consumption of media – huge, huge, disruptive technologies. If you look at slim devices, if you think about what’s happening with streaming music through your hard drive into a stereo system – how do you place advertising on that? How do you subscribe to that?**

It’s a new way for people to consume, and think too generationally: what age groups are you actually targeting your business proposal to? Then look at Sling Media. Think about

**“I don’t know how many people in your company are thinking about the “fifth screen,” the screen that’s got a built-in billing mechanism, that you take like your keys and wallet, everyday when you leave your building” –John Kilcullen**

what Sling Media’s doing. They’re creating TV programming on your PC, and they’ve got all kinds of implications for advertising content. Look at the mobile and think “wow, can I read a newspaper on a mobile phone? Can I read a book on a mobile phone? Can I watch a TV show on a mobile phone?”

What we did with Billboard was we had news, reviews, trivia, touring, charts, data, and you set the \$4 subscription and all of a sudden you have 25,000 subscribers. Now you look at mobile advertising, look at ad-sponsored mobile, it’s a pretty compelling opportunity to have that message brought to you by a sponsor. So think about a mobile minute, a mobile moment, breaking news...

So I don’t know how many people in your company are thinking about the “fifth screen,” the screen that’s got a built-in billing mechanism, that you take like your keys and wallet, everyday when you leave your building whether you’re old or young. And if you’re in Japan and you’re two hours each way to work, you have a lot of time, and guess what the number one application on mobile phones is?

**Verklin:** Internet. 52% of people in Japan access the Internet through their telephone.

**Kilcullen:** Number one recreational application?

**Verklin:** Gaming on the phone.

**Kilcullen:** Games. So if you’re in the news, reviews, licensing, data business and you’re thinking, how do we play in this game? Well you can if you think through the user experience. Then think of a few other things. Moguls, interesting... but user-generated content, from YouTube to MySpace – that’s all about a community. Citizen journalism – blogging – that’s all about a community. So if you’re going to regulate that community or foster it, the tools and technology, the ways to engage those communities I think are pretty compelling.

Think about “cool”: is this a great music experience? No. It’s an expression of hip. It’s fashion. So if you’re thinking about content and you think “I want the best quality broadcast experience,” and the quickest news delivery... that’s not what kids use this for. It’s a past-time; it’s recreational. It’s an expression of hip and cool.

**Kollegger:** By the way in parallel to all this, is that innovation doesn’t come from the existing players, in part because they’re defending market share. So if you take that statement and go into Vista... Saul, you’re the journalist – is Vista an attempt to protect

the desktop enterprise or is it really an expansion of that power base... more of *pax Microsoft* similar to *pax Romana*?

**Hansell:** Yes and yes. It was interesting, yesterday I spent a little time at one of the events that Gates and Ballmer had to launch Vista, which was a thoroughly unexciting event because everyone knew for years what the thing had in it. But it was a room packed with reporters and a few friends of Microsoft: beta testers, corporate types who have armies of Windows PCs, and I walked around and chatted with people and I couldn't find *one* who was excited. I couldn't find *one* who said "I can't wait to install this."

This is five years of work by a collection of pretty decent technologists and there's nothing in it! This may be an example of what happened to IBM before they redefined themselves, what happens to lots of big companies when they have to protect their own business.

**Kollegger:** IBM initially used the PC to protect the mainframe.

**Hansell:** Now let me compare that: I had the pleasure a week before that to spend a little bit of time with **Steve Jobs when he brought up to the *Times* a suitcase full of iPhones. I was thinking of that when you mention telephones and that was a demo that made me say "wow" more times than I can think of since I saw the first Macintosh in 1984.**

Everytime you looked at another feature there was something said "that's cool looking," "that's useful," "that anticipates my needs"... "it's sexy," and to your point, it's not only a fashion statement, but it also changes how you think about using mobile Internet. You're all sitting there thinking "Yeah yeah yeah, in Japan they do this on the train," but trying to read the news or do anything useful on a cell phone on the Internet is like communicating by Morse code.

Suddenly this thing has a browser that pans and zooms, that you can type on, that's bright and colorful, and if you're anywhere around WiFi, which is more and more places, will swap over to WiFi. And you think, "I could read a newspaper on that... I could do a lot more on that..." I didn't get to type on it enough to really figure out whether I like the keyboard, the big question, but if your question is "Is there innovation?" Sure even in traditional spaces like personal computers, Apple does some.

So Microsoft is a special case because it's so big, because of the way it's run – because of all the eccentricities of Microsoft.

**Kilcullen:** Right, but the battle for the digital living room is not going to be won by any one player. Steve Jobs – iMac, iTunes, iPod, the iPhone – have cleaned Sony's clock. They own the consumer electronics franchise and the endgame for Steve Jobs is to sell more high-margin boxes through digital entertainment, through music, through mobile video.

**“There’s an expectation that whatever your using in your consumer life, whether it’s an iPhone, Treo, Blackberry you’ll also be using in your business life... a corporate standard around iPhone is not going to be a surprise” –Clare Hart**

So I would say if you look at that digital living room, if we took a poll asking “Who’s going to win?” certainly he’s [Jobs] going to have a footprint in that.

**Kenealy:** But I make the point not because I believe it would be true, but in the same way that Time Warner had to buy AOL – big gulp, indigestion afterwards – they had to buy Ted Turner - big gulp, indigestion afterwards – does Sony have to buy Apple? They might, they could.

I want to make a point in the data business because when John asked for a show of hands, there were not a lot of guys selling advertising and not a lot of consumer media types but the example that somebody drove home to me a couple weeks ago at a very casual lunch was telling: he said, “I used to go to the office and read my stock portfolio in the Wall Street Journal. And then two years later I’d turn on my computer in the morning and it’d come up on my Yahoo! And then I didn’t read the stock pages in the Wall Street Journal anymore.” Then he said, “Now I go to work on the subway, I read my stock portfolio on my phone, and Yahoo! has lost that market share.”

So right now while phone screens are small and better for alphanumeric data than they are for pictures, it’s the data companies who need to think, as Jim said, “where’s the puck going to be?” because they who are struggling to catch up with the 12-inch screen should be anticipating what’s going on to the 9-inch screen, or the 3-inch screen on your phone.

**Hart:** I think in the enterprise phase there’s absolutely, whether it’s an iPhone, Treo, Blackberry, whatever, there’s an expectation that whatever your using in your consumer life, you’ll also be using in your business life. We’re seeing that whether it’s instant messaging, mobile phones (which started in the consumer world), email starting in the consumer world... and being able to have a corporate standard around iPhone is not going to be a surprise, just like Blackberries became a corporate standard.

And as you’re talking about, time and place, is less relevant, as we work, we have our private lives and our business lives and they tend to meld. And technology has to be an enhancer. And I think the expectation people have in the enterprise space is “make it simpler.”

From a corporate perspective, executives are looking at “make it simpler, drive productivity, simplify access to every bit of information, whether it’s data, internal,

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external sources, sources from the web, commercial sources... simplify access to it so employees can make decisions faster and advance the business further.”

So the technology is just a means to get us there, whether it’s Vista, Apple, it’s what is the overriding business purpose.

**Kilcullen:** Where we talked about teens earlier – Dow Jones, *New York Times*... where are teens and tweens getting their news? Online. And what kind of channels are they tuning in to get their news? Social media and Jon Stewart. They’re getting their news from Jon Stewart. All of a sudden he’s become an opinion leader and he’s editing news. It used to be MTV, now it’s Jon Stewart. So the whole notion of mogul, old media and new media... It’s all going to be about follow the money, follow the attention, and follow the cool, hip appliances.

It’s not going to be about WinTel or desktops. You ask a kid about an operating system, it’s not even a conversation. You ask a 20 year-old, maybe a 30 year-old, about an operating system - it’s not transparent. It’s not really their world; their world is social networking, their world is about swapping experience, sharing a cool bit of news. And How do you, if you’re an advertising business, or a subscription-based service, or a venture capitalist, how do you go about connecting those dots?

We had a fight last night with Microsoft at our table about “there’s no way you’re ever going to watch a movie on a transportable video device.” I think that’s not current thinking: you have the 22-minute sitcom, no problem. Comedy, no problem. Animation, no problem. And guess what, you’re going to watch Rome if you like Rome. You’re going to be addicted, so I’d watch the addiction, I’d watch the habits, I’d watch the time and place of consumption. And *Dummies* taught me one thing: **follow unconventional wisdom, hire contrarians, and make sure you’re running as fast in the opposite direction of conventional wisdom than anyone else in your space.**

Follow that periphery of odd behavior. MySpace looks like a teenage kid’s messed-up living room. But that’s what their comfortable with. Quality is subjective. Crass jokes, weird screens, and it doesn’t have to be broadcast quality. But in our world, everything has to be high quality. And it’s going to be late.

So time to market, speed, currency – these are all things that are going to drive innovation, not just tech as a type of IP asset.

**Kollegger:** Clare way back when Dow Jones first got into the online business--the Bill Dunn and Carl Valenti era--I remember talking to them and they said “if we don’t do this someone’s going to eat our lunch. And we’d rather it be us.” Then they launched a very successful new service within a very conservative company which became a \$1bb division.

Now fast-forward. You’re in a new position. You’re not really reinventing yourself but adapting to the reality of the media as the media are changing. Talk about this in the context of a Vista environment versus the teenage device-era coming up. It’s either make, buy, or adapt, and it seems like you’re doing all three.

**Hart:** We are doing all three. The way we’re looking at things, is that technology is an enabler. And I completely agree with John in terms of bringing in creative types, unconventional thinking, one of the things that we look at is making sure that we’re bringing in new employees straight through the organization including HR who is actually hiring these people – we’re bringing in tech-savvy people.

We’re a content company so people could argue, do we really need to be tech-savvy? Yes, across the board they have to be tech-savvy because content is driven by technology. So we have to be thoughtful of the culture, of the kind of people we’re bringing in. The other thing, and I think this is true for all of us is we have to live in a world of ambiguity as we all know and a world of “coopetition.” So there might be a day where Factiva and Lexis Nexis wouldn’t talk to each other, but as well know, we do talk to one another because serving our clients is number one and from a realistic perspective, the world is moving very fast; partnering, coopetition, accepting that ambiguity is absolutely essential.

The other point I’d make, and John referred to it, as far as the things we’re focused on is making sure we’re looking at the right partnerships and also taking a look at the launch of products in a Google-like way: simplicity in terms of the user experience – people are not going to go to training courses, they just don’t have the time. Products don’t have to be gold-plated – launch in beta. Don’t be late. Get something out there and start getting feedback as you possibly can because it’s only going to be enriched by feedback from your client base.

I think that relates to our philosophy and how we continue to evolve this business. And that is something we call customer intimacy: making sure we are listening very carefully to what our enterprise customers are doing with respect to the overall content collection, not just commercial grade content that we’re delivering but also their internal content assets and other web content and understanding how they want to use it in role-based applications in way that we won’t think of. Product developers and project management people aren’t sitting in a marketing or sales position. Philosophically, that’s our approach.

**Kollegger:** Let’s switch gears and look ahead. But before we do that let’s go through the Joseph Schumpeter “creative destruction” scenario. As each new medium comes along,

**“There are so many exciting things on the horizon. I think Second Life and 3D virtual experiences will be to 2007 what YouTube was to 2006. I think it’s the next big thing, I think it’s going to be huge.” –David Verklin**

it’s predicted to kill the old one. Radio was predicted to kill newspapers. TV was going to kill radio. Cable was going to kill TV, etc. David, you have your eye on media because that where you place your clients’ money and exposure. What’s the big thing coming to you?

**Verklin:** There’s so many exciting things on the horizon. In no particular order, I think Second Life and 3D virtual experiences will be to 2007 what YouTube was to 2006. If any of you haven’t been on Second Life, I think it’s the next big thing, I think it’s going to be huge. We’ve just opened a store for one of our clients, I think it was Reebok, and we’ve sold about 30,000 pairs of shoes on Second Life.

**Kollegger:** This is very different from the previous panel where Second Life was dismissed as marketing research.

**Verklin:** I’ve heard that... but I’ve seen our own experience. We’ve seen the first Second Life millionaire!

**Kilcullen:** In the music space, we just came back from the south of France and Jay-Z just did a concert. His concert had a Second Life avatar impersonating Jay-Z at the concert, and in Second Life the concert appeared on the screen. So you can buy sneakers, have sex, date, you can buy turf... Reuters is on Second Life.

**Kollegger:** Reuters has a reporter covering it.

**Hansell:** I couldn’t get it working on my computer. The question here is... is it really massive, or is it like the video game world where you have a big minority of people who are very engaged and who want that kind of immersive experience. Second Life, because of the commitment to understanding the world, doesn’t strike me as MySpace. MySpace can be casual, while you can’t be casual in Second Life. There may be the son of Second Life that uses some of that virtualization in a much more interesting way. Certainly that technology is evocative and getting cheaper but I don’t see any signs, though you guys are closer to it, that this will have tens of millions of people involved in it.

**Kenealy:** What I would tell you is, like with any early technology, you can hate the MySpace example, you can hate the billboards in Madden Football, the fact that you can buy the brand in Grand Theft Auto that you’re going to drive around in the game, but **what’s very hard to argue with is the wholesale movement of eyeballs, particularly young eyeballs, away from television and the Internet towards what you can generalize as interactive gaming.**

And this idea that kids like an interface to the world around them that looks like a computer game... if you stay at that level of generality, a gaming interface has profound implications for the people in this room. Some of your data consumers are going to want to play with your data as a kind of simulation, not read it off a table.

**Verklin:** I agree. I think that this audience should be paying attention to it. You can be a blob in real life and Brad Pitt in Second Life. We're seeing enormous interest in this among our clients, most of whom target young clients. I think this is the real deal.

**Kollegger:** If you haven't looked at it, take a look. I was at Esther Dyson's conference three years ago when Linden Labs was there and it seemed like a far-out thing. Part of Esther's charm is that PC Forum *is* far out. But Second Life has picked up such speed. If you recall a few years ago, before the iPod really took off, Steve Jobs said that if you think of it as a small computer that's very interesting. He didn't think of it just as a music player. And look where it is now.

**If you think of Second Life not as a game but as an interface between yourself and the world, it's a whole different paradigm.**

**Hart:** I just want to point out, again from an enterprise perspective, you look at the Second Life experience and think about the generation of workers who are going to be coming into the workforce who grew up on video games and Second Life type technologies. We have to think from an enterprise perspective, how do we build learning programs? How do we build onboarding programs within our organization using this type of technology? Because it's the technology that the next generation is familiar with so while we probably didn't grow up on this sort of thing, the next generation of employees did, and we have to get engaged using the formats and tools they're used to working with.

And it's not the same tools – we can all read the stats on how they're moving away from TV, newspapers, and magazines. Their world is the online work, and all our products, learning programs, and the way we communicate internally have to build on these new technologies.

**Hansell:** One of the interesting things about Second Life to tie back to the mogul theory is that it's a medium but there's no mogul, there's no professional content. I guess games are, but in the Second Life world it's all user generated content or, to some degree, advertisers participating as users on a level playing field. So you can certainly see it a laboratory of what happens when this immersive experience is being built by the participants for themselves – and there may well be a mogul, a Ted Turner who figures out how to attract a disproportionate share of the audience, but there may well not be.

**Verklin:** The other thing that's happening right at the moment that's related but I'm not sure you're paying attention to. If you paid attention to this Burger King promotion with the three Xbox games that just came out – it's the other thing that I think is just going to be huge. If you study what Burger King has just done: They released three Xbox games,

**“This is a whole new business model that we are seeing. We think gaming is going to be enormous. Anyone that thinks gaming is just about 16 year-old boys playing Xbox is just not paying attention.”**

you can buy them at Burger King with a Happy Meal, and it looks like they’re going to sell 8 million games. At \$2 a piece that’s a \$16 million business. Right now the franchisee gets half of that, so if you’re a Burger King franchisee, for every game you sell you’re making \$1. You’re making more on the game than you are on the burger. So the Burger King franchisees are very excited about this form of distribution of Xbox games. \$16 million dollar business, half of which goes back to the franchisees.

Now let’s go to the user. If you go right now on Ebay, you can buy those three games for \$25. \$2 at Burger King or \$4.95 for the game and Burger King’s equivalent of the Happy Meal. This is a whole new business model that we are seeing moving. If I’m excited about Second Life, I’m also excited about this entire area of gaming. And in 2007, Jim you asked what we’re focused on – we’re focused on gaming. We think gaming is going to be enormous. Burger King is one expression, Microsoft buying Massive is another expression. Anyone that thinks gaming is just about 16 year-old boys playing Xbox I think is just not paying attention.

**Kollegger:** I have a 21 year-old son and he’s a General in World of Warcraft. It’s a billion dollar property, and it’s also an educational device in ways you haven’t seen before. It’s a totally different way of getting involved with information.

Pat, you just invested in a gaming deal.

**Kenealy:** Yes, I just invested in a company that will sell the billboards and the brand and the product placements into computer games and they sell advertising availabilities at 8 million and 9 million sessions at a time. And I’ll tell you that the reason you can tell some of those games for \$2 out of Burger King is because there’s a product placement revenue stream, an ad revenue stream, a user data stream, all of which come out on the back end to these game publishers and when you compare that to a \$9 movie, 20 hours of gaming for \$2 is going to take share away from the big movie screens.

**Kilcullen:** VNU is a Dutch company, we just changed our name to Nielson...

**Verklin:** What does VNU stand for anyway?

**Kilcullen:** It doesn’t stand for anything... classic corporate gobbledey-gook.

So we bring in a guy from GE, very familiar with NBCU and digitization and disruptive technologies and obviously was running aerospace, and he comes in and says “I looked at media, I look at content, I look at measurement and it’s a very simple process, there’s a

**“Einstein said ‘everything that can be counted doesn’t count, and everything the counts can’t be counted.’ With all the trends we think about, where is your radar? My fear is that the people who are farthest away from the customer are making all the resource decisions” –John Kilcullen**

lot of complexity that we all add to it.” If I look outside the room here I see a lot of people probably 30 plus and over. What scares Dave and what scares me is culturally, are we embracing the constant trial and error, the constant tinkering, or are we just dismissing it?

And so when I gave a presentation last week I said, to all the Nielson media measurement PhDs, “If you think about what Einstein said, he said ‘Everything that can be counted doesn’t count, and everything the counts can’t be counted.’” And I think that with all the trends we think about, where is your radar? Who is your early reconnaissance? Are they teens, tweens, McKinsey and co, Bain and co? Are they private equity following the next round because they trust the brain power of the private equity?

I would say spend as much time and follow that money where transactions and behaviors and attitudes and habits happen. And I mandate our people, when we have panels like this we actually have teams that sit on the panel, and you’d be shocked to see the Sonys, the Microsofts, the record labels, and the film studios where they hear what the consumer experience is. When we have a touring panel and say, “TicketMaster sucks!” “I hate sponsorships and all the stuff they jam in my face!” If you’re listening to that really selectively you’re going to learn a lot, and my fear is that the people who are farthest away from the customer are making all the resource decisions.

**In all your organizations your homework assignment is: are you resistant to change? Or do you embrace it? Are you contrarian or are you conventional?**

**Kenealy:** To add to that, when you sit in a data business and a big part of IDG’s business is like all of yours where we sell high value data to professional people, it’s really easy to say, “well, my data is for serious, grown up MIS managers, or doctors, or farmers, or oil companies, or lawyers, or bond traders...that doesn’t really apply to me.” And in ten years, all the people in those vertical markets will be the guys who are right now teenagers buying their tickets on Fandango and flying on Jet Blue and reading their content on their cell phones. **So going where the puck is, as Jim says, has to count on the fact that your very most progressive scientists and lawyers and bond traders are guys in their 20s but the decision makers for your products at the moment are older, but its ten years away from being right on top of you.**

**Kollegger:** Ok, let’s go back to the word mogul. Put another “o” in it so you have two “oo’s” and start it with a “g” –Google, and it affects everybody’s business. We had Martin Sorrell on my panel two years ago and he’s the one who came up with the word

*“New Tools, New Rules”—Keynote Panel, SIIA Information Industry Summit 1/30/07*

**“There’s an emerging strategy in marketing called “web first.” Drive the traffic to the website first. You can cookie them, you can learn more information. So Google and the big search engines are critical.”**

“frenemy” for them. Google is such a phenomenon-- let’s just talk about that. Pat?

**Kenealy:** I guess I’m a little more philosophical in that 5 years ago I was scared out of my wits about Google but I could look 5 years beyond that. And before that, if IDG didn’t have an AOL deal, we were doomed. And then if we didn’t have the right Yahoo deal a few years ago we were doomed. And then 2 years ago we were in hysterics over we have to have a Google deal. It’s a continuum and I think right now Google has a big distribution advantage in helping people find information, but it’s nothing compared to the advantage the guy who owns the cable in the streets have over cable subscribers. So I’m not as worried as I was a few years ago.

**Kollegger:** Isn’t it the ultimate win win?

**Kenealy:** It’s become the weather. And the fact that I have to give up a piece of some of the advertising to Google it’s like giving up a piece of every magazine we sell on newsstands. It gets micro bites of our information into people’s hands and if they like what they want, just like a newsstand buyer becomes a subscriber, a Google searcher who likes PC World data will become a pcworld.com visitor and then become a paid subscriber.

**Kollegger:** David, is Google trying to be the ultimate portal of eyeballs to advertising?

**Verklin:** Google is really interesting if you do what I do for a living every day. A couple of issues...there’s an emerging strategy in marketing called “web first.” Which is simply the idea, let’s use Cingular as an example...I know it’s changing to ATT but let’s keep it as Cingular for the moment. Is the goal of a Cingular TV commercial to drive you to the store? No. Actually, more and more marketers in the next 36 months will try to take you from your TV and drive you to a website. Right? So web first. That fundamentally, the new vision of marketing is to drive people to a website first. At that website, they can shop or learn, transact, us VOIP, push to talk to talk to a live human being, or be directed to a brick and mortar location. So web first is an emerging trend in marketing. Drive the traffic to the website first. You can cookie them, you can learn more information. Don’t drive them to the store, drive them to the web and from the web decide what you’re going to do. Google and the search engines play a key role to that right? Because therefore every TV commercial is going to really drive traffic a lot of times to a search. So Google and the big search engines are critical, and I think you’ll see the media plan of the future will have search as part of every media plan we do. So is Google a threat? In that case, I think they’re central to the strategy. You guys know the statistic right? 80% of America doesn’t get past the first page of a search. So if you’re not on the first page of a search you’re not getting noticed. So I think in that sense

**“Google is not going get overcome by a conventional player, by a big search engine. It’s something that comes from completely out of left field like user created video. If you talk to the Google guys, they didn’t see it coming, and it absolutely snuck up on them”**

Google is a critical part of the future. On the flip side, as you know, Google is trying to create an advertising market place which could disinter mediate companies like ours. I’m actually not that worried about that but it’s a space we have to pay attention to. So Google is in all parts of the mix, and on the one hand they’re a friend and the other hand they’re a potential enemy. But I think in the long run Google is vulnerable from disruptive technologies like YouTube. Google is not going get overcome by a conventional player, by a big search engine. It’s going to be something that comes from completely out of left field like user created video. And if you talk to the Google guys, they didn’t see it, they didn’t see it coming, and it absolutely snuck up on them. They tried to create their own video service. It was an abject failure and they ended up paying \$1.6 billion to get back in the game

**Kilcullen:** But God bless Google because what they told us was, and if you’re at Dow Jones, NY Times, Reed, Walters Kluer, vertical search. If you can take your competencies and have a vertical, not the history of Best Buy or the stores at Best Buy, that’s not helpful to me. But I want to know all about the specific domain. And I want to take the databases of Ad Week, Brand Week, Billboard, High Reporter and Nielsen EDI Box Office, and I want to have all the analytics and intelligence around that taxonomy. That’s a great lesson we learned from Google; we thank them for that and now there are going to be other technologies that will enable vertical search. So if all of you have databases of data or content, being able to string all of those pieces together through third party relationships and your own internal companies, is a very compelling subscription solution. It’s a very compelling sticky factor to give you a differentiator. So I always ask our people-- Google, friend or foe? I always get different answers on that. We love them on the licensing front, we love them as a partner, and we’re a little concerned that if they get too far into our ad business and we’re not smart enough to counteract than there might be some issues there, but short term I think the vertical search learning is very compelling for anybody in the licensing enterprise database.

**Kollegger:** We’re sitting here 5 years from now...what’s new, what are your predictions? Saul?

**Hansell:** Other than the obvious, which is something that we haven’t thought of yet that nobody mentioned yet, that is going to be the big thing. So what do we see?

We see fragmentation, hybridization, we see, I suggest, more of the things we’re used to coming apart and being put back together again in ways that we just can’t tell. That said,

**“The only thing that is absolutely predictable is that there’s going to be a producer and a consumer, and anything in the middle is absolutely up for grabs.”—John Kilcullen**

it’s certainly true that the old stuff doesn’t go away, right? We still have radio, newspapers...but they will coexist in very different ecosystems than they do today.

**Verklin:** I think 5 years from now in my area we’ll see the advent of advertising to the interested. Take, for example, one of my big clients IAMs, the largest dog food manufacturer in the world. What percentage of America owns a dog? Does anybody know? About 40%. So tonight when we run an ad on a primetime TV show or on the news, 60% of the people who see that ad tonight aren’t interested in it. Now that’s bad for all parts of the food chain isn’t it? It’s bad for the user if I don’t own a dog; I’d rather see an ad that I’m interested in. If I’m the network I prefer not to put ads in front of people that they’re not interested in, and if I’m the brand manager on IAMs, I don’t want to put ads in front of people who don’t own dogs.

I think in 5 years from now, we will see a business where we’ve eliminated a lot of waste from advertising and we’ll be putting ads only in front of the interested. That will be used behind behavioral targeting as well as using databases to get a sense that you only seeing ads you’re interested in. I believe that is our future.

**Kilcullen:** Content isn’t king, its context. You’re going to see a lot more contextual commerce. Just like the web promises convenience, people will be very happy buying anything embedded into a story, off a search, there will be a pop up, whether its your mobile phone, web access, TV, video on demand, people will be very happy with the whole notion of church and state and content and commerce, that if we’re going to offer convenience anytime you want it you can buy it.

I think there will be new companies that we don’t know today that are going to disrupt the Googles and the Amazons and the Time Warners and the cable companies. Why? Because they will look at hard drives and portable devices, they’ll skip all the traditional channels of distribution and go right to the consumer. The only thing that is absolutely predictable is that there’s going to be a producer and a consumer, and anything in the middle is absolutely up for grabs. So where you stood on that value chain 5 years from now will be very interesting because you could be a young kid in Dakota. You can have a mass reach or niche of a lot of interested parties selling a lot of stuff. I think you have to be Time Warner or AOL or whomever, and the questions are going to be who is the young kid in the room that’s got his own cash flow generating his own business and has off the shelf technology building his own empires and doesn’t need any of us.

**Kenealy:** I have three. The first is that you’ll be using a touchpad and your voice to do most of the interface with your computer.

The second is that there will be a huge localization of content thanks to the geotargeting work that's going on now both in advertising and in relevant news and other data content.

Third, I think that simultaneous language translation is going to further globalize the content business such that we'll be able to look at a French website in real time with that data streamed to us from a foreign language into our own language as we watch.

**Hart:** I have to pick up on what David said, although what I'm looking at is content to the interested. I think we'll see more and more refinement of technologies like we see in Amazon.com around what books you like to read, like Paragon and what kind of music you like to listen to, that being applied to what content you need to see. So we know by the behavior of individuals, what they read today and what they'll likely be interested in reading in the future. I think more in the sense of context, globalization, the translation capabilities that are going to enable us to provide the vast amount of content that young people expect as part of their standard way of doing research, a la Google or a la the web. The third thing is really unrelated to technology and content, but more related to culture. I think because of globalization, that this room in 5 years will have a different look; it will be a more global business community, more of a diverse audience at the SIIA.

**Kollegger:** And there you have it, there's our look ahead. Thank you.



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