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Web Sites' Discovery: Cash Talks

PATRICK CAIN
INVESTOR'S BUSINESS
DAILY

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As Web sites strive to be flashy and addictive, the drug of choice of some is . . . money.

A few online retailers, video portals and gaming sites are offering cash or cost savings in a bid to make up ground against Web giants such as YouTube and Amazon.com.

E-tailer Jellyfish.com, video site Metacafe and game site Weblo are among the startups using dough as a lure to snag the attention of more online users.

Success will be tough, but lessons might have been learned from the past. This time around, e-tailers seem to be tweaking their promotions to their audience, says Peter Kim, a Forrester Research analyst. That's something many failed to do "in the last dot-com boom and bust," he said.

Offering financial incentives can work, "but it has to be tied into good content through a good experience," Kim said.

The firms have different ways of providing financial incentives.

Madison, Wis.-based Jellyfish.com is an e-tail site, where users can search for products and get a list of links and ads from its participating merchants. But then, if a Jellyfish user ends up buying a product from that merchant, Jellyfish will return to the buyer a portion of the price, generally 3% or more.

How can it do this? Basically, it gives its users a kickback from the ad revenue Jellyfish gets from its participating vendors.

"It's been incredibly successful for a number of reasons — the addictiveness, the retention, the amount of users it has attracted," said Brian Wiegand, chief executive and co-founder of Jellyfish.com.

The company says its users on average visit the site 18 times a month and spend 50 minutes there. "That's an eternity when you think about Internet time," Wiegand

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said. Forrester's Kim agrees that both figures are high.

The site launched last year, and in October announced it had received \$5 million in funding from private equity firms Clyde Street Investments and Kegonsa Capital Partners. Clyde Street principal Ralph Dillon, former CEO and chairman of Cost Plus Imports, joined Jellyfish's board.

In November, Jellyfish has added a gaming element to its site. It's a regular feature it calls Smack Shopping. Several times a day the site will auction a random item at a continually falling price. Users can guess what the final price will be. The winner gets to "spin" an electronic wheel to win prizes that have included \$1,000 in cash and a Nintendo Wii video game player.

"Smack Shopping is really using advertising to create fun, to create entertainment," said Mark McGuire, Jellyfish's president and other co-founder. "Over the next couple years more and more creative kinds of advertising are going to be invented and brought to the mainstream that sort of invites consumers in."

The company says Smack Shopping has sold more than 1,000 goods at a 44% average discount.

Jellyfish also reaching out to Web communities such as MySpace and blogs, letting users of those sites know about its Smack Shopping and other "shopping events."

For 4-year-old YouTube rival Metacafe, the money lure goes to the amateur makers of videos that prove to be popular. Its producer rewards program awards \$5 for each 1,000 clicks a video gets, assuming the video adheres to a few company rules. The company says one person has made more than \$26,000 this way. Its home page lists the weekly top earners.

With more than 24 million unique monthly visitors, Metacafe is a leading video site. The company, with offices in Israel and Palo Alto, Calif., has secured \$20 million in funding, mostly from big-name venture firms Accel Partners and Benchmark Capital.

"We're growing because we have a great audience and great content," said Erick Hachenburg, CEO of Metacafe. "We're seeing revenue growing month over month, quarter over quarter. And advertisers want to be associated with great content. Producer Rewards provides the incentive to have more great content, so it's been very successful for us."

Hachenburg says the site's traffic rose 26% in March vs. a year earlier, which he partly credits to the release of the site's "Caf Confidential" competition. It offered a \$1,500 shopping spree to clothing retailer American Apparel for the best video.

Weblo is also using a gaming element, and the chance to earn money, to try to build an audience that will click on the ads placed on the site. The 6-month-old startup is building a site where people pay real money for virtual real estate and then try to attract visitors to that real estate.

The site, which describes itself as "monopoly on steroids," will share some ad revenue with some members of its community.

"We're paying people to be part of the community," said Sean Morrow, Weblo's director of marketing.

The site's sales include its virtual state of California, which it says netted \$53,000.

Morrow said people use their Weblo sites as places to blog, provide links, make profiles, anything that might generate traffic. But the key to financial rewards is to get people to click ads, not just look at them.

"We're moving to an era of online advertising that's moving to actions, not just page views," Forrester's Kim said. "In the greater scheme of marketing, marketers need to be more accountable for their spending and where their leads come from and how efficient their leads are."

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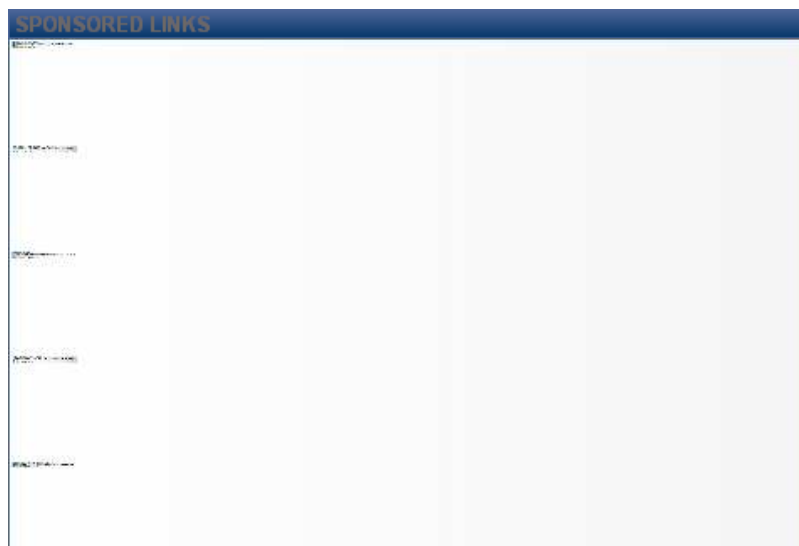


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The ride was a bit bumpy, and the first quarter delivered ho-hum US stock returns, but global equities fared well. As of this writing, the MSCI World Index is trading at new highs. We remain very bullish for the remainder of 2007, reiterating our forecast for a good to great year for stocks (+10% to +40%). [Full Story](#)



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