

**STRATEGIC ANALYSIS OF HOW TO MAXIMIZE THE
EARNING POTENTIAL OF WIDGETS**

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ABSTRACT

This paper presents an analysis and recommendations for maximizing the earning potential of CBC widgets. Theoretical concepts, such as the Customer Value Model, Roger's Model of Adoption and viral marketing are used to identify ways to grow widget adoption and encourage viral distribution as a means to increase impressions available for sale to advertisers. The paper explores trends in Internet usage and advertising, with a focus on defining best practices that can be applied broadly to all widgets.

Keywords: Widgets, Strategy, Monetization, Advertising, Viral Marketing, Internet Advertising, Revenue; Social Networks

Subject Terms: Widgets; CBC; Word-of-mouth advertising; Viral Marketing; Internet Advertising; Canadian Broadcasting Corporation; CBC-Canada; Social Networks

EXECUTIVE SUMMARY

The digital media landscape is changing. In the past five years broadband penetration has reached critical mass. Social networks, personal start pages and dynamic desktops are redefining the way people interact with digital media and each other. Additionally, the Internet is moving beyond personal computers to a growing range of connected devices, such as game consoles, automobile dashboards, and a myriad of mobile devices. As a result, a new distributive model of the Web is emerging where people no longer navigate to multiple sites to find the media they seek. Instead, content is delivered wherever the audience is – giving people what they want, when and where they want it.

This new web model is powered in part by widgets – portable and customizable mini websites that can be placed in many different digital environments. They can be distributed virally by email, or syndicated to computer desktops, blogs or social network sites. Widget contents are updated dynamically by pushing new content to all instances of a widget simultaneously. Widgets satisfy growing consumer demand for greater media control, while extending the reach of media publishers and advertisers beyond branded websites to wherever people spend time online.

The Canadian Broadcasting Corporation (CBC) is Canada's national public broadcaster and one of the country's largest cultural institutions. CBC offers a broad range of media services including, radio, television, and the Internet. The Corporation's digital media business model centres on content syndication and the monetization of

traffic to CBC.ca through advertising and sponsorship. In response to changes in the Internet market, CBC is preparing to use widgets to:

1. Extend CBC's online reach beyond CBC.ca
2. Provide CBC audiences more control and choice over what, where, and when CBC content is consumed
3. Establish a new stream of ad revenue

Widgets promise to help media publishers penetrate walled-gardens, such as social network sites, and generate revenue. However, there are barriers to achieving this promise. For example, although they have penetrated 80% of the US online market in less than 3 years, widgets are new and still not well understood by consumers. Furthermore, competition for users is intensifying, and low switching costs threaten user retention. Widgets are also heavily dependent on the continued success of social networks, and widget ad spending, while growing, is very weak. Still, widget growth has been explosive, and widget ad spending is expected to increase by more than 166% from 2007 to 2008. The key success factor contributing to a widget's earning potential is establishing and maintaining an active user base to be monetized, which represents the ultimate challenge to overcome if the promise of widgets is to be achieved.

Drawing on market analysis, as well as theoretical concepts such as the Customer Value Model, Roger's Model of Adoption and viral marketing, 9 areas of recommendation have been defined for maximizing the earning potential of widgets. These include: growing audience awareness of widgets and the benefits they offer, providing superior user experience, and maintaining user value over time. These

recommendations are a starting point for establishing best practices for CBC widgets, with the flexibility to adapt to change. Given the rapid rate of change in the widget market, the potential challenges and opportunities of widgets should be re-evaluated regularly as the widget market evolves. Particular attention should be paid to the use of widgets in the mobile market, given the growing popularity of mobile products, such as Apple's iPhone and iPod Touch, that allow people to access the Internet and consume a variety of media formats, including widgets.

For our families:

Thank you for your unwavering support and ongoing encouragement
throughout the MBA program.

Jonathan Carrigan

André Zandstra

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1: INTRODUCTION

1.1 The Situation

The digital media landscape is changing. In the past five years broadband penetration has reached critical mass and the Internet has expanded beyond the Web browser. People's relationship with the Internet is evolving as well. First there was Web 1.0 with one-size-fits-all content delivery, where the user would go to a publisher's website to access content. Then came Web 2.0, and users began to interact with each other and share content peer-to-peer. More recently, Web 3.0 is emerging as a user-centred model, where content is customizable, portable and distributed by consumers. This new model is enabled in part by widgets – portable and customizable mini websites that are distributed virally by users. They can be emailed to a friend, embedded into a blog or personal website, or placed in a range of Web environments, including, social networks like Facebook, and start pages like iGoogle. Widgets can also be placed on computer desktops and some mobile devices, such as Apple's iPhone. As a result, people are increasingly consuming online media outside the domain of publishers' websites.

1.2 About CBC

The Canadian Broadcasting Corporation (CBC) is Canada's national public broadcaster and one of the country's largest cultural institutions. The Corporation is governed by the Broadcast Act of 1991, which states that the CBC should be available

throughout Canada in both English and French, and reflect the country's diversity through a wide range of programming that informs, enlightens and entertains. In fulfillment of this mandate, CBC offers a broad range of media services including, radio, television, the Internet, satellite radio, and digital audio, as well a record and music distribution service and wireless WAP and SMS messaging. Government funding makes up approximately half of CBC's operating funds. The rest of the Corporation's revenue comes primarily from specialty services, advertising and program sales.

More specifically, the Corporation's digital media business model centres on content syndication and the monetization of traffic to CBC.ca through advertising and sponsorship. In response to changes in the Internet market, CBC is preparing to use widgets to deliver digital programming across multiple platforms. This approach aims to be a self-sustaining way to enhance the audience experience by providing increased control and choice over what, where, and when CBC content is consumed.

1.3 The Opportunity

Widget audiences are growing in parallel with the popularity of personal web spaces like social networks, start pages, and blogs; and the expansion of the Internet beyond the traditional browser. Market research firm, Comscore, recently reported that more than 80% of US Internet users have used widgets. Advertisers are taking note. US advertising executives report that widgets will play a bigger role than mobile phone advertising in their 2008 strategy (Williamson, 2008). Other connected devices, such as game consoles, portable players, and automobile dashboards are emerging as potential growth opportunities for widgets. As a diversified media publisher, CBC is well

positioned to leverage the potential of widgets for the distributive delivery and monetization of digital media.

1.4 The Challenge

Still, there are challenges that the CBC's widget strategy will need to overcome. First, widgets are new and not broadly understood by consumers, which is a barrier to adoption. Second, the selection of widgets is growing and competition for users' attention is intensifying. Finally, consumers face low switching costs because most widgets are free, and easily installed or deleted.

1.5 Strategic Analysis

The objective of this analysis is to provide recommendations for maximizing the earning potential of CBC widgets. Theoretical concepts, such as the Customer Value Model, Roger's Model of Adoption and viral marketing will be used to identify ways to build widget adoption and encourage viral distribution as a means to increase the rate of impressions available for sale to advertisers.

This report will explore the current trends in Internet usage, the evolving space of online media advertising, and the opportunities and challenges of delivering CBC content through widgets. The objective of the analysis is to define best practices that can be applied broadly to all CBC widgets.

2: THE SITUATION

2.1 Changing Landscape

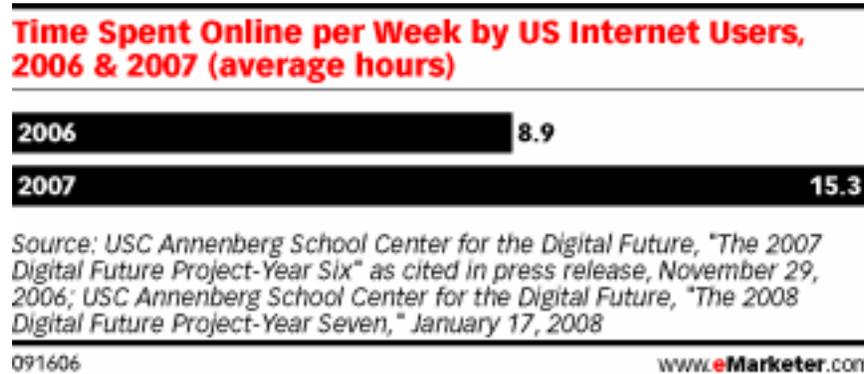
The digital media landscape is changing. Broadband penetration has reached critical mass and people are consuming more online media. As a result, the value of online advertising grew more than 146% from 2005 to 2007 (Williamson, 2008). The most profound change, however, is the way people use the Internet. The Web has evolved to provide users a more significant stake in the media they consume, which is forcing publishers and advertisers to adapt to a new online model.

Access to broadband or high-speed Internet is considered a key contributor to increased online media consumption. Trends show that broadband provides a more satisfying user experience, tempting people to spend more time online (von Abrams, 2007). In Canada, broadband penetration more than doubled from 2002 to 2006. Today, an estimated three in five Canadian homes use broadband Internet connections (von Abrams, 2007). By 2011, broadband penetration is expected to reach nearly 80% of all Canadian households (Macklin, 2007). Having reached critical mass, high-speed Internet is increasingly the media channel of choice.

Internet use continues to grow at an exceptional rate and people are spending more time online at the expense of other media. In 2007, American's spent 71% more time online than they did the previous year (Phillips, 2007). In Canada, adults ages 18-54 spent more than 13 hours online each week, and even those over 55 - a group

traditionally not well represented online, spent an average 9 hours per week using the Internet (von Abrams, 2007)].

Figure 2-1: Time spent online by US Internet users, 2006 & 2007 (average hours)



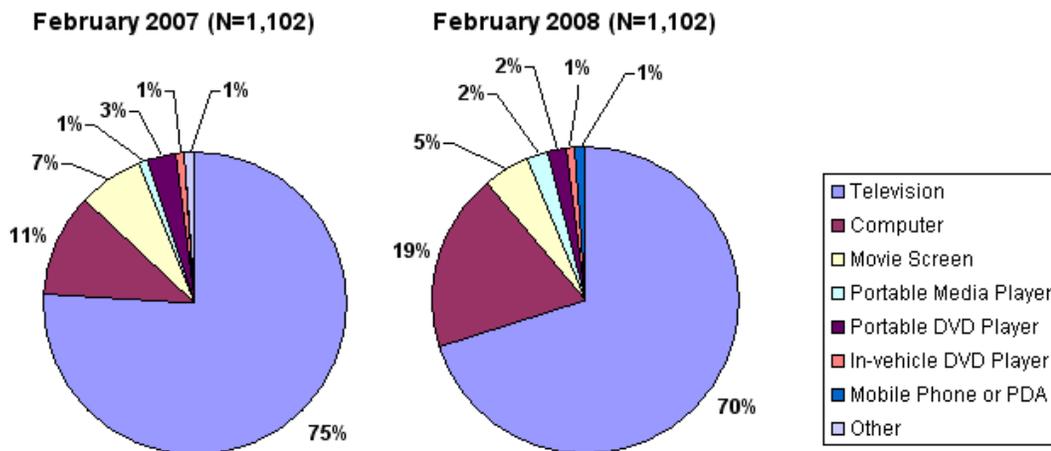
Reprinted with permission from eMarketer. Source: Is TV Time Caught in the Web? eMarketer, February 22, 2008. p.2

Advertisers are taking note. Online advertising spending in Canada is projected to triple from \$1B in 2006 to over \$3B in 2011 (von Abrams, 2007). However, current online advertising still only accounts for slightly more than 5% of total marketing expenditures (von Abrams, 2007). Industry projections state that overall spending on online advertising will grow faster in Canada than anywhere else in the world between 2007 and 2011 (Global media and Entertainment Outlook: 2007-2011). "This suggests that advertising budgets will continue to shift out of television, newspapers, and magazines into Internet advertising." (Phillips, 2007).

As broadband penetration and Internet usage rise, the online audience and the Internet-connected devices they use are becoming increasingly diverse. It is believed that time spent online will increase at the expense of television and other traditional media sources (Phillips, 2007). A recent Ipsos Insight study found the share of video consumed

via the Internet increased 72% from 2007 to 2008 (Ipsos Insight 2008). Over the same period, television's share of the total video audience decreased 7%, while growth for other video sources was also negative or flat. Movie theatre viewing share, for example, fell 29%. According to Adam Wright, Director at Ipsos MediaCT, "Streaming video online has become an activity many Americans aren't just experimenting with, but enjoy on a regular basis (Ipsos Insight 2008).

Figure 2-2: Where All Video Content is Watched 2007/2008



Source: PC Encroaching On TV's Dominance In Share Of Screen Time With Digital Video Users. Ipsos Insight, May 30, 2008 <<http://www.ipsos-na.com/news/pressrelease.cfm?id=3941>>

Overall, the Internet has become a significant source of information and entertainment (eMarketer 2007a), and the media consumption patterns of younger audiences may provide insight to the industry's future. According to Gartner research firm, a "new 'trickle-down' phenomenon, where teenagers lead the evolution of consumer Internet applications, heralds a new era where Internet applications will mimic life — communicating, entertaining, socializing, informing, transactional, either in a fixed location or on the move. Rather than being considered as contrarians, this group should

be regarded as the precursors of what is to come" (eMarketer 2008c). Recent studies show that children ages 8 to 14 spend nearly 14 hours per week online, and almost half are online 21 hours or more (Phillips 2007). As the Internet becomes the media channel of choice, online audiences are becoming more sophisticated and expect to control the media they consume.

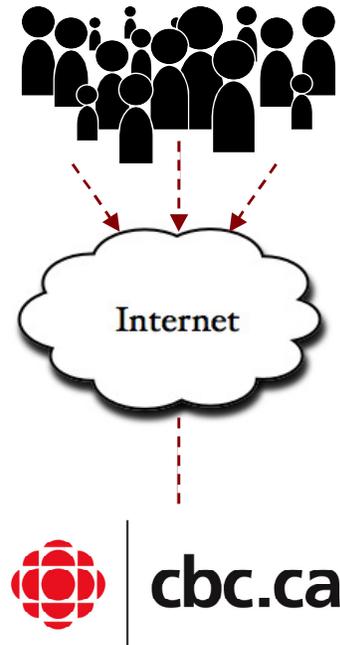
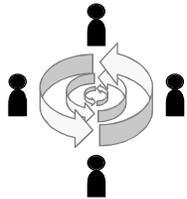
2.2 Web Evolution

In the 1990s the Internet emerged to great fanfare as an alternative media source with great potential for consumers and business alike. However, following the dot-com bubble burst of 2001, many questioned the viability of the Internet's future, claiming the Web had been over hyped. Yet, bubbles and shakeouts have been found to be "a common feature of all technological revolutions" (Perez 2002). The second coming of the Internet has been termed Web 2.0. Web 1.0 was comprised of one-size-fits-all content delivery, where the user would go to a publisher's website to access content. While the Internet offered a more interactive experience than traditional media, users were not active media participants. Then came Web 2.0, and "far from having 'crashed', the web was more important than ever, with new exciting applications and sites popping up with surprising regularity" (O-Reilly 2005). Invigorated by new Web applications, Web 2.0 empowers users to do more than just retrieve information. People collaborate and share content peer-to-peer, which has led to the development of web-based communities, social networks, wikis, and blogs (O-Reilly 2006).

Figure 2-3: Evolution of the Web, 1.0 and 2.0

- **Web 1.0:**
 - User comes to the content
 - One size fits all

- **Web 2.0:**
 - Web 1.0 plus users interacting with other users

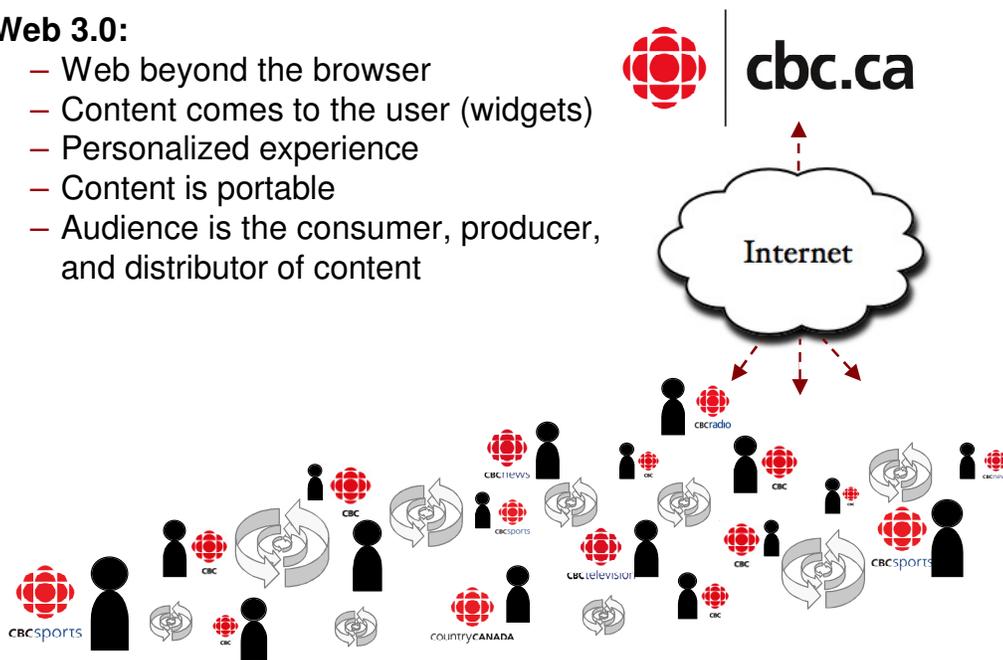


More recently, Web 3.0 is emerging as a user-centred distributive model, where content is customizable and portable. With Web 3.0 the audience is the consumer, producer, and distributor of digital media, which is accessed from a variety of connected devices. According to eMarketer, the macro factors contributing to this change are, 1) consumer demand for media control, 2) the growing number of people using social networks, and 3) media companies expanding their reach beyond single destination websites by delivering content to multiple locations online (Williamson, p.1). "One of the hallmarks of Web marketing and media over the past year has been decentralization and syndication... the general idea is to reach consumers where they spend their time, rather than force them to come to a destination." (eMarketer 2008b).

Figure 2-4: Evolution of the Web, 3.0

- **Web 3.0:**

- Web beyond the browser
- Content comes to the user (widgets)
- Personalized experience
- Content is portable
- Audience is the consumer, producer, and distributor of content



This distributive model of the Web is enabled in part by widgets - portable and customizable Web content modules that are distributed virally by users. Widgets function as a way for media publishers to deliver content to audiences wherever they are. They can be placed on any website, including personal start pages like iGoogle, blogs, and social network sites like Facebook. Widgets can also be downloaded to computer desktops (PC and Mac) and some mobile phones. They are even starting to appear on Internet-connected game consoles and portable devices like Apple's iPod Touch, and may one day be found on a variety of Internet-connected objects like automobile dashboards and stovetops. For the audience, widgets make it possible to access content without having to visit the website it comes from. Widgets also allow users to filter unwanted content by selecting widgets that focus on particular types of content like news headlines, movie trailers, or any other topic of interest. More and more widgets are also

customizable, allowing users to define its contents. Most importantly, however, is that widgets are viral. People "get" widgets from publisher websites like CBC.ca, a blog they read, or they may discover a widget through an online social network, or a friend might send a recommendation by email. As people come into contact with widgets of interest, they are collected and shared with others. Widgets make it easy for people to access the content they want, from multiple sources, without having to go to multiple websites. By placing widgets on a desktop or portable device, users are empowered to by-pass the Web altogether. Examples of widgets are provided in Appendix-1.

One of the most popular places for finding and sharing widgets is online social network sites like Facebook and MySpace. "Five or ten years ago, when people logged on to the Internet, they went to Yahoo! or MSN, large publishers' web sites. That's all changing. Over the past few years, people have come to spend most of their time on blog sites and social networks" (Quinton 2008). Dynamic Logic recently found that 51% of Internet users ages 18 to 34 visit "a social network site at least once every few days" (eMarketer 2008b). Facebook estimates that one in five Canadians use the site (von Abrams, p.18). The most active users of Facebook are youth, potential indicators of future usage trends, and as they spend more time engaged in social networks, there is less time for other Web activities (eMarketer 2008c). "Social media and the changing dynamics of online advertising are the two strongest near-term catalysts for industry change. Programmers and marketers must embrace MySpace and Facebook as new competitors to existing portals and should develop content syndication and marketing strategies to take advantage of the viral nature of social media" (Greene et al, p.6). Widgets are seen as a way to penetrate social networks, which some analysts consider to

be "walled gardens" where users are empowered and the control of publishers and advertisers is diminished (Williamson 2008). Examples of widget environments are provided in Appendixes 2a, b, and c.

A recent study found that 8 in 10 North American Internet users viewed a widget in November 2007, which was double the rate from just half a year before (comScore Widget Matrix, January, 2008). The irony of this impressive growth is that many users are unaware they are using widgets because the term "widget" is still not well known. Widget ad spending is projected to grow more than 160% from 2007 to 2008, but will still only account for 2.5% of total social network ad spending. However, interest in widgets is on the rise. A recent survey of US advertising agency executives found that 58% believed widgets would play a bigger role than mobile in their 2008 strategy (Williamson, 2008).

2.3 New Models

The emergence of Web 3.0 is creating a new business reality for media publishers and advertisers. Speaking to American advertising trade publication, Adweek, a marketing executive summed it up like this, "The imperative for all of us trying to make a business of this is to figure out how to get traction in a distributed world" (Williamson 2008). Prior to Web 3.0, the online business model for media publishers centred on driving traffic to branded websites. "Widgets reverse that tack and move the online brands to where the consumers already are" (Quinton 2008). In 2008, consumer Internet traffic is expected to surpass business traffic for the first time and this growth is expected to continue through 2011 (Duffy 2007). The challenge for consumer traffic marketers is

to adapt their business models to the emerging Web 3.0 reality by finding ways to monetize “off domain” activity.

3: ABOUT CBC

3.1 The Company

The Canadian Broadcasting Corporation (CBC), or CBC | Radio-Canada, is Canada's national public broadcaster and one of the country's largest cultural institutions. Established in 1936 as a crown corporation by an Act of Parliament to counter growing American influence in Radio, CBC originally consisted of eight stations and 14 private affiliates. Today, CBC employs more than 8,000 people in 27 regional offices across the country, has a head office in Ottawa and 14 foreign bureaux (CBC 2008a).

As a crown corporation, CBC is responsible to Parliament and to Canadians, yet operates at arm's length from Government. Its mandate is defined by the Broadcast Act of 1991, which states that the CBC should be available throughout Canada in both English and French, and reflect the country's diversity through a wide range of programming that enlightens and entertains (CBC 2008a).

A 12-member Board of Directors governs the Corporation. The Board is responsible for approving "strategic direction, corporate and business plans for the Corporation, to assess the Corporation's progress in achieving its strategic and business objectives, and to oversee the plans and policies in place to ensure effective communication with Parliament, the public and stakeholders" (CBC 2008a, p.2).

CBC's corporate priorities are: (CBC 2008a, p.2)

1. *Ensure distinctive programming of the highest quality on all delivery platforms*
2. *Recognise the importance of regional reflection and of the changing face of Canada*
3. *Ensure the sustainability of CBC/Radio-Canada's Canadian schedules*
4. *Demonstrate that CBC/Radio-Canada is a well-managed company and generate cash flow to re-invest in programming*
5. *Strengthen CBC/Radio-Canada's commitment to all its employees — to those who create and those who support them*
6. *Position CBC/Radio-Canada to enhance its ability to fulfil its mandate through selective alliances and partnerships*
7. *Reinforce the capacity of CBC/Radio-Canada to work as one integrated company*
8. *Enhance/strengthen CBC/Radio-Canada's stakeholder relationships*

3.2 Product / Service Mix

The CBC is the only Canadian broadcaster delivering radio, television, Internet, mobile and satellite-based services in both official languages and 8 Aboriginal languages, across Canada and around the world (CBC 2008b, p.14). The Corporation's English services include television, radio, and the Internet. CBC Television is comprised of 16 conventional, over-the-air stations across the Country, along with specialty services, such as CBC Newsworld and The Documentary Channel. CBC television broadcasts 24 hours a day, 7 days a week, via the air, cable, and satellite (CBC 2008b, pp. 15,26). CBC Radio

comprises 2 terrestrial, over-the-air stations, which are also available via the Internet. A third radio service, Radio 3, is a music channel delivered exclusively via Sirius Satellite Radio and the Internet (CBC 2008b, p.32). CBC.ca is the Corporation's primary English-language Internet service. The site includes content from CBC's television and radio services, as well as unique New Media programming. Among the top 3 news and media sites in Canada, CBC.ca attracts more than a million unique monthly visitors. CBC's Internet services are also reaching audiences outside CBC.ca. For example, "more than one million podcasts of CBC/Radio-Canada programs were downloaded each month in 2006-2007" (CBC 2008a, p.3).

As the media industry evolves, CBC is becoming an integrated organization that delivers content through conventional and digital media channels, which include the Internet, satellite radio, podcasts, streaming audio and video, cell phones and other digital devices (CBC 2008b, p.iii). However, "in an intensely competitive media environment, content is as critical as technology" (CBC 2008b, p.20). As Canada's national broadcaster, CBC is mandated to provide high-quality programming that reflects the country's social and geographic diversity. CBC fulfills this mandate with a broad range of content, including, news and information, feature films, drama and comedy, children's programming, and more. Online, CBC content is organized into three primary categories – news, sports, and entertainment. Such a broad content offering is reflective of both CBC's competitive advantage, as well as its most fundamental challenge – being relevant to all Canadians. While content may be 'king', CBC believes technology is key to reaching new audiences while maintaining traditional ones, by reaching consumers through as many formats as possible.

3.3 Responding to Market Changes

CBC's 2006-2007 annual report opens with a message from the President and CEO, highlighting changes in the media industry. "In just a few years, the landscape of Canadian broadcasting has changed almost beyond recognition. Canadians can now choose from hundreds, even thousands, of television channels, radio stations and websites, and new technologies are allowing them to gain access to that content whenever and however they want it" (CBC 2008b, p.2). As the CBC attempts to reach more people in more ways, widgets represent an opportunity to improve the audience experience by providing added convenience, control, and choice. However, the intent is for CBC widgets to generate revenue to be self-sustaining.

Most of CBC's revenue comes from specialty services, advertising and program sales. More specifically, the Corporation's digital-media business-model centres on content syndication, which accounts for approximately 47% of digital revenues; and monetizing website traffic to CBC.ca through advertising and sponsorship, which makes up the rest. In response to changes in the Internet market, CBC is preparing to use widgets to deliver digital programming across multiple platforms. As a diversified media publisher, CBC is well positioned to leverage the distributive potential of widgets to extend the Corporation's online reach beyond CBC.ca. The objective of this analysis is to identify tactical recommendations for maximizing the earning potential of CBC widgets.

4: THE OPPORTUNITY

Widgets promise to help media publishers satisfy consumer demand for greater control over content, while also enabling them to penetrate walled-gardens and generate revenue. As a diversified media company with an established audience and credible reputation for quality, CBC is well positioned to pursue the opportunities widgets present.

Three distinguishing features of widgets are: 1) their compatibility with a variety of media formats, including text, audio, video, and interactive media; 2) widget contents can be updated dynamically by the publisher and customized by users; and 3) widgets are portable and can be distributed virally by users. This unique combination has opened the door to a new model for media distribution. Thompson Reuters call it “distributed commerce” (Bruno 2008), where users no longer navigate to different online locations to access or buy media. Instead, consumers establish syndicated connections with favoured suppliers; which are aggregated wherever users want – on a social network profile or personal start page, a computer desktop, or mobile device. “If iTunes is the Wal-Mart of music, widgets are more like vending machines” (Bruno 2008). What this means for media publishers and consumers alike is a move beyond the traditional web browser to a new distributive media model that extends to any Internet-connected device.

A recent comScore survey found that in a single month, just over 80% of the total US Internet audience used a widget (comScore, 2007). Consumer demand for widgets is driven primarily by the popularity of social network sites and a desire for more control.

Where as, commercial investment in widgets is driven by a desire to extend brand reach into users' personal digital media space, and to leverage the viral nature of widgets.

4.1 User Control

Widgets give users more control over the media they consume. First, they simplify the browsing experience. Similar to bookmarks for web pages you want to visit regularly, widgets allow people to aggregate favourite media sources in a convenient location of the user's choice. This enables users to scan multiple media sources without having to navigate several different websites. Next, widgets allow users to filter unwanted content, either by selecting widgets with a relevant content focus or by personalizing the contents of individual widgets when customization options are integrated into the widget's design. Finally, users control the environments widgets are placed by adding, moving, and removing widgets. Thus, widgets give users what they want, when and where they want it.

Peter Yared, founder and CEO of iWidgets notes that consumers are using RSS feeds to display news and blog postings from numerous sources in one place. They are using personal portals such as iGoogle to view customized collections of information and interests and using social network sites like Facebook and MySpace to share pictures and 'what's up' with friends, family and even business associates (BusinessWeek, 2008).

Vanessa Camones, founding member of theMix agency, a San Francisco and North Oakland-based social web strategy, consulting and public relations firm, says widgets provide "an ideal way to create an ongoing dialogue with target audiences, as their decision to 'grab' your widget and place it on their own site means that they want to

interact with your brand on a regular basis—after all, widgets allow you to change content frequently and refresh easily. It’s easy to distribute content and leverage your brand” (PR News, 2008).

4.2 Penetrating Walled Gardens

Widgets enable media publishers and advertisers to engage users in digital spaces that have traditionally been challenging to reach, such as personal profile pages on social network sites, computer desktops, and mobile devices. Canada is one of the world’s most connected countries. In 2008, nearly 44% of adult Internet users and 77% of teen Internet users will visit a social networking site at least once a month. By 2011, this is projected to grow to 49% for adults and 84% for teens (eMarketer 2008).

Social network use in Canada, where individuals can chat, send messages, post pictures and video, has surpassed 80% of all Internet users. Other segments for Canadian audiences include multimedia sites, sites that provide interactive media such as video, audio or flash/java programs, with a 79% reach, and blogs with a reach of 63% (eMarketer 2007).

Social networks are providing fertile ground for experimentation with widgets and their marketing capabilities. Established online advertising companies such as Advertising.com, PointRoll and Viewpoint are developing new widget distribution networks to make it easier for marketers to get their web widgets in front of consumers (eMarketer 2008). Eric Alterman, chairman of KickApps, a widget design firm, has predicted that content and ad portability will be so commonplace to the Web that “every consumer facing Web site will be a collection of widgets” (Brandweek, 2008).

4.3 Revenue Potential

Widgets provide two main avenues for monetization: 1) driving traffic to existing monetized web pages, and 2) in-widget advertising and sponsorship. Global Internet ad spending is projected to more than double from \$21.4 billion to \$50 billion in 2012. In Canada, online advertising spending is also growing and is projected to triple from \$1 B in 2006 to \$3B in 2011 (eMarketer, 2007) though this still only accounts for slightly more than 5% of all marketing spending. It is expected that overall online advertising spending will grow faster in Canada than anywhere else in the world between 2007 and 2011 (Global media and Entertainment Outlook: 2007-2011). When asked about the potential of widgets, 60% of attendees at the December 2007 iMedia Agency Summit said widgets would likely play a bigger role in their 2008 advertising strategy than mobile (iMedia press release, December 17, 2007).

Widgets bring together a variety of online advertising formats, such as rich media, display, click through, contextual targeting and seeding. Widgets also bring new capabilities to ads, such as allowing customers to engage with the content without necessarily navigating away from the page they are on. Increasing the active user base of a widget, therefore, increases its earning potential by growing the number of impressions available for sale to advertisers. Michael Sprouse, chief marketing officer for the ad network, Epic Advertising, sells ads in widgets and he has found that widget click-through rates are three to five times higher than banner ads (Advertising Age, 2008).

Widgets provide an opportunity for CBC to reach online audiences ‘off-domain’ while driving ‘on-domain’ traffic by linking to CBC.ca from CBC widgets. For example, a widget might present the day’s top headlines. When a user clicks the headline within

the widget the CBC.ca source page opens in a new Web browser with the full story. Most CBC.ca pages are monetized through some form of advertising or sponsorship. Therefore, increasing the active user base of CBC widgets would positively impact CBC's digital media ad revenues.

5: THE CHALLENGE

Despite rapid growth there are several challenges to overcome before the promise of widgets is realized. Three key challenges have already been discussed – widgets are new and not well understood, competition for users is intensifying, and low switching costs threaten user retention. Deborah Williamson is a senior analyst for research firm, eMarketer, and the author of a recent report, *Web Widgets and Applications: Destination Unknown*. Williamson has concluded that "given the grand ambitions of the widget and application market, and the social networks that support them, the business still has a lot of growing up to do" (eMarketer, 2008a) Some specific challenges include, a dependency on social networks, weak advertising spending, and the need for widgets to go viral, as well as limited industry metrics and a lack of technical standards. No matter how promising the potential of widgets may be, understanding these barriers is the first step toward developing a successful widget strategy.

5.1 Dependency on Social Networks

Widgets can be placed on desktops, blogs, and personal start pages, but most widget development has targeted social networks (Williamson, 2008b). FaceBook users alone account for nearly 765 million widget installs (eMarketer, 2008d). "So for the widget market to succeed, social networks must continue to claim Internet users' time" (eMarkete,r 2008b). Fortunately for widget publishers, the popularity of social networks is not likely to decline any time soon. The use of social network sites in the US is expected to increase 46% from 2007 to 2011 (Williamson, 2007b).

However, in spite of this growth there are signs that social network users may be susceptible to widget burnout. "With a constant stream of new widgets, consumers may get overwhelmed. And they may stop interacting with the ones they already have." (Williamson, 2008, p.4) For example, the most popular Facebook widget as of January 29, 2008 was Slide Inc's, FunWall. Of the 21.6 million installations of the widget, only 19% were active. Installation and usage rates drop-off quickly. The tenth most popular Facebook widget, XMe, had just 15 million installs, of which only 3% were active (Williamson, 2008, pp.4, 11). It is worth noting, however, that while the scrabble-like widget, Scrabulous, was number 79 in terms of installations, nearly a quarter of all installs were active making it the 9th most actively used widget on Facebook. As the number of widgets grows, the widget landscape is becoming increasingly competitive. Simply getting people to install a widget is a challenge but just the first step. Unless people actively use the widget, its value is significantly decreased. As such, finding ways to engage the attention of social network users, as Scrabulous has done, is likely the real challenge.

5.2 Widget Advertising Spending

Depending on social networks to establish a successful widget business model is also a challenge because marketers are only directing small portions of their total online ad budget to social network websites. Social network advertising in the US is expected to reach more than \$1.4 billion in 2008, up from \$9.2 million from the previous year. Still, this is just 5.5% of the total online ad spend. By 2010, analysts expect spending to rise but only as high as 6%. Although social network ad spending is expected to increase by

as much as 83% by 2012, at a mere 5.1% the social network share of total online spending will actually be shrinking (Williamson, 2008, p.6).

Table 5-1: US Online Social Network Advertising Spending, 2006-2012 (millions and % of total US online ad spending)

US Online Social Network Advertising Spending, 2006-2012 (millions and % of total US online ad spending)							
	2006	2007	2008	2009	2010	2011	2012
Social network ad spending	\$350	\$920	\$1,430	\$1,815	\$2,085	\$2,360	\$2,610
Total online ad spending	\$16,900	\$21,100	\$25,900	\$30,000	\$35,000	\$41,000	\$51,000
Social network % of total	2.1%	4.4%	5.5%	6.0%	6.0%	5.8%	5.1%

Source: eMarketer, May 2008

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www.eMarketer.com

Note: includes general social network sites where social networking is the primary activity; social networks linked to portals such as Google or Yahoo!; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, the figures include spending on display, video, search and other forms of advertising appearing within social network environments, as well as fees that marketers pay to social network sites for profile-page creation, promotions etc; as of May 2008, spending estimates also include development, distribution and media spending for widgets and applications that appear within social network sites

Reprinted with permission from eMarketer. Source: Williams, Debra. "Social Networking Ad Spending Update." eMarketer. May 13, 2008. (094753.jpg). <<http://www.emarketer.com/Article.aspx?id=1006278>>

In fact, prior to May 2008 eMarketer was predicting social network advertising to make-up a growing share of advertiser's budgets. However, these estimates were revised downward because "in spite of media hype around social networking, worldwide advertising spending on social networks has not met expectations" (eMarketer, 2008e).

Table 5-2 shows eMarketer's earlier estimates.

Table 5-2: US Online Social Network Advertising Spending, 2006-2011 (millions and % of total US

US Online Social Network Advertising Spending, 2006-2011 (millions and % of total US online ad spending)						
	2006	2007	2008	2009	2010	2011
Social network ad spending	\$350	\$920	\$1,560	\$2,020	\$2,400	\$2,700
Total online ad spending	\$16,900	\$21,400	\$27,500	\$32,500	\$37,500	\$42,000
Social network % of total	2.1%	4.3%	5.7%	6.2%	6.4%	6.4%

Note: includes general social network sites where social networking is the primary activity; social network offerings from portals such as Google, Yahoo! and MSN; niche social networks devoted to a specific hobby or interest and marketer-sponsored social networks; in all cases, figures include online advertising spending as well as site or profile-page development costs; figures exclude user-generated content sites with social networking features, eg YouTube
 Source: eMarketer, October & December 2007

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online ad spending)

Reprinted with permission from eMarketer. Source: Williamson, Debra. "Social Network Marketing: Ad Spending and Usage." eMarketer, December 2007, p.6.

Advertisers may have good reason to be cautious. In a recent issue of Business Week, Ben Kunz, director of strategic planning for media planning firm, Mediassociates, argues the effectiveness of online advertising is attributed in part by the "mind set" of online consumers. According to Kunz, "there are three modes, or mindsets, people take on when they use interactive communications: receiving, hunting, and doing" (Kunz 2008). During the days of Web 1.0, Internet users were predominantly receivers getting information from "Web portals where people would spend long stretches, returning often" (Kunz, 2008). When targeting receivers, marketers focus on increasing a website's 'stickiness.' As the number of Web sites grew, people became hunters and advertisers invested more in search sites, such as Google. More recently, however, the online users of Web 2.0 have become doers. "They are leaving single Web sites behind and becoming

immersed in social media... [As such] the entire mindset of a person engaged on MySpace or LinkedIn is different from that of a hunter on a search engine. A Google user is walking into a store. A Facebook user is walking into a bar" (Kunz, 2008). As a result, gaining the attention of social network users is much more difficult, hence the poor engagement stats presented earlier. According to Kunz, "Widgets can be a useful extension of your brand, but only if included in a broader portfolio of Internet outreach. The days of having a single Web site are gone, because people are spending much of their time in "doing" mode" (Kunz, 2008).

The reality of this challenge is reflected in weak widget advertising spending. Although widget ad spending is expected to grow by more than 166% from 2007 to 2008, this will still only represent 2.5% of the total projected US online social network ad budget (Williamson, 2008). David Berkowitz is the director of emerging media at 360i, a search engine marketing firm. Berkowitz recently found that "just 8% of the top network and cable-TV programmers use emerging media such as widgets in their media-marketing efforts" (Bulik, 2007). This shows that while a growing number of marketers are open to experimenting with widgets, there is still significant uncertainty. As the widget industry experiments, mistakes are made and ad models change. This leads to bewildered advertisers that do not know where to invest, so budgets are allocated to more familiar options.

Some of the most popular social network sites, such as MySpace, have the ability to compound the challenge of weak widget ad spending by prohibiting in-widget advertising altogether. In an interview with the popular technology blog, TechCrunch, the Senior Vice President Corporate Communications for Fox Interactive (MySpace's parent

company) said, "widgets that violate copyright, pose security risks, distribute pornography, or engage in commercial activity" are prohibited and will be blocked. Commercial activity includes selling ads on a MySpace page through a widget (Arrington, 2007). This forces publishers to negotiate special arrangements with social networks like MySpace or risk having their widgets banned. Either way, the earning potential of widgets suffers.

5.3 The Need to Be Viral

As the Internet becomes increasingly user-centred, more consumers are relying on advice from friends, family and even online strangers, when making purchasing decisions. Recent studies have found that word-of-mouth recommendations is second only to TV as the primary way for US consumers to learn about new products (Williams, 2007). Social networks facilitate the viral sharing of information between consumers. In 2007, MySpace studied the viral impact of social network marketing campaigns, and they found that more than half the value comes from the 'momentum effect' of viral sharing (Williams, 2007). As such, viral sharing is likely to be more effective at growing widget audiences than the promotional efforts of widget publishers. This is especially true in the context of social networks where the central activity is interacting with other users. However, given the ease of adding and removing widgets and a growing selection, there is little time for a widget to gain traction (Williamson, 2008). The challenge, therefore, is knowing how to increase the likelihood a widget will be shared by users, thereby growing the widget audience and, as a result, widget-related revenues.

5.4 Industry Metrics and Other Challenges

Reliable industry metrics are a valuable tool for benchmarking, as well as identifying opportunities and risks. Widget-industry service providers, such as Clearspring, Widgetbox, and others, have developed reporting tools for widget publishers to measure the success of individual widgets by tracking the number of installations, click-throughs, or level of engagement. However, the availability of industry wide measures is limited, and what exists is often contradicting. A November 2007 comScore survey for example, excluded desktop widgets and, due to different measurement methodology, widgets placed on the popular social network site, Facebook. As a result, the study failed to provide an accurate picture of the market and sparked debate within the industry regarding the true size of the widget market.

Adding to the confusion is the term widget itself. A JupiterResearch and Ipsos Insight survey found "that 43% of young people ages 18-24 used widgets and that another 35% of the same group were unfamiliar with widgets." The contradiction reveals that people "either do not know or do not care to use the term widget" (Williamson, 2008, p.9). Until there is an accurate view of the industry as a whole, widgets will continue to be viewed by marketers as an unproven experiment, and publishers may fail to see a return on investment.

Finally, a lack of technical standards can inhibit the mobility of widgets across different digital platforms. As recently as the beginning of 2007, widget spaces such as Facebook and MySpace were incompatible with each other. As such, MySpace widgets could not be shared with Facebook friends or visa versa. In less than a year many of these barriers have been eliminated. Today, most widgets can be shared across multiple

platforms, including different social networks, start pages, and desktops. However, although people “are spending more and more time on places like Facebook and MySpace, they're not particularly loyal. They move from one hot spot to the next and don't look back" (Hempel, 2008). This means resources must be directed to updating widgets to be compatible with new spaces as they emerge. Industry standards would ensure that widgets are automatically compatible in all widget spaces, but these standards do not yet exist - particularly in the mobile space, where platforms like Apple's iPhone are proprietary.

6: STRATEGIC ANALYSIS

So far this paper has revealed issues to either be resolved or exploited. Since widget-related revenue is generated primarily from advertising, the earning performance of a widget is rooted in the size and level of engagement of its user base. The Strategic Analysis that follows provides the basis for tactical recommendations for cultivating and maintaining an active widget user base, thereby increasing potential ad revenue. The first step to maximizing a widget's earning potential is to understand what attracts people to widgets, why they chose one widget over another, and how to retain users over time. The consumer value model and Roger's model of adoption provide a guiding process for creating value for widget users. Once a widget is adopted and being used, the next step is to grow the widget user base, which requires understanding what motivates people to share widgets with others, so they become viral. Together, user adoption, engagement, and viral sharing ultimately determine a widget's worth.

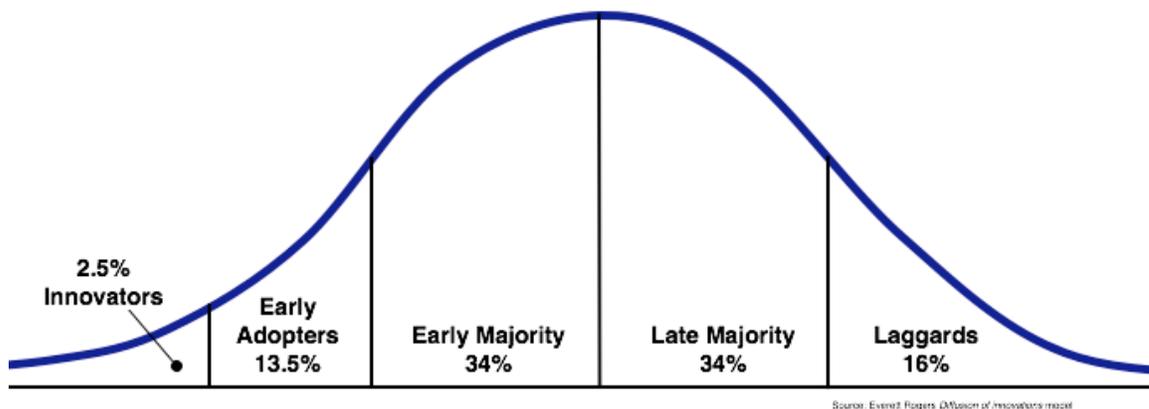
6.1 Adoption Factors

Providing value is the ultimate objective of all product development (Lindstedt 2008b), because if customers feel that the benefits of a product are lower than the total cost required obtaining them, there is typically no sale (Lindstedt et al, 2003, p.30). While most widgets are free to the user, some time and effort is required to find and install them. Still, widgets are relatively easy to install and delete, so switching costs are very low. Therefore, widgets must provide value to be adopted and kept by users. A widget's market potential, as with any product, increases when it provides "a high level

of customer value, is of excellent quality, meets customer needs better than the alternatives available, and has unique advantages that are easily understood by customers” (Lindstedt et al, 2003, p.26). Because widgets are a relatively new option for online users, the benefits widgets offer need to be communicated and understood before people will install and use them. This includes explaining what widgets are, how they are used, and the value they provide. Depending on a user’s level of widget awareness, users may also need to be informed about the environments where widgets can be placed, and guided through the widget installation process. Failure to provide the information people need to feel comfortable with a new product can deter adoption of that product. As such, understanding the needs of a widget’s potential audience is important part of a successful widget adoption strategy.

In his diffusion of innovations theory, Everette Rogers divides adopters of new technologies into five segments on a “Bell Curve” – innovators (2.5%), early adopters (13.5%), early majority (34%), late majority (34%) and laggards (16%).

Figure 6-1: Diffusion of Innovation



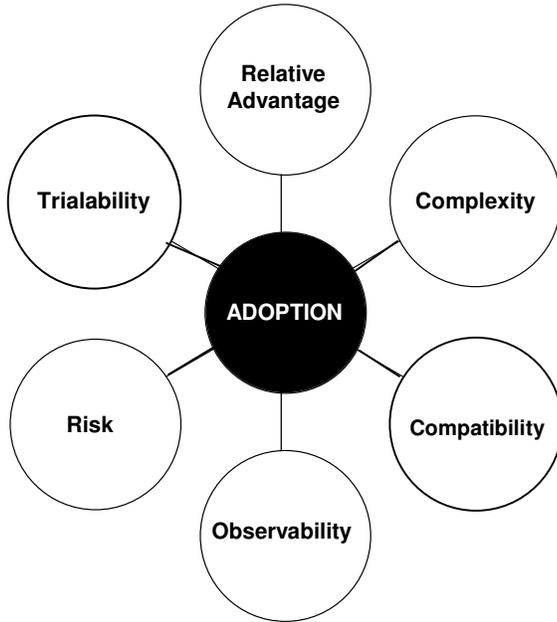
Source: Wikipedia <<http://en.wikipedia.org/wiki/Image:DiffusionOfInnovation.png#filehistory>>

Innovators are technology enthusiasts - risk takers with a high tolerance for ambiguity. They want to be the first to try new things. *Early adopters* are somewhat keen to be the first to try a new technology but not quite as quickly as *Innovators*. The *early majority* is more pragmatic and represents the bulk of the market. They tend to adopt new technologies only after they have been proven. The *late majority* is more conservative. They tend to approach new technologies with more caution than the early majority. They need proof of results before using new products. Finally, the *laggards* are sceptics that avoid new technologies altogether. According to Rogers, new products work their way along this technology adoption lifecycle as they gain market acceptance. Given the rapid growth of the widget market and the results of recent studies that widgets are being used by the vast majority of online users, widgets have reached the early to late majority stage of the technology adoption lifecycle. However, these same studies also show that many widget users are unaware they are using widgets. This illustrates both the ease with which widgets are adopted, as well as the lack of widget awareness overall.

According to Rogers Model of Adoption, there are six influencing factors acting on a person's decision to adopt new products. 1) *Relative Advantage*, which is the degree to which widgets are perceived as being better than other ways of finding and consuming digital media options. 2) *Complexity*, which is the degree to which widgets are perceived as difficult to understand and use. 3) *Compatibility*, which is the degree to which widgets are perceived to be consistent with existing values, past experiences, and the needs of current and potential users. 4) *Observability*, which is the degree to which the benefits of widgets are visible. 5) *Risk*, which is the degree to which unknown costs of installing a

widget may outweigh the benefits. 6) *Trialability*, which is the degree to which widgets may be experimented with before being adopted.

Figure 6-2: Rogers Model of Adoption



Using this model to assess widgets, table-6-1 shows that widgets are well positioned for market adoption.

Table 6-1: Analysis of barriers to widget adoption using Rogers’ Model of Adoption

Factor	Rating	Explanation
Relative Advantage	High	Widgets offer many benefits over current methods
Complexity	Medium	Users need to have a personal digital media space
Compatibility	High	Navigating a widget is analogous to using a website
Observability	Medium	Widget benefits may not be immediately apparent
Risk	Low	Most widgets are free and easily deleted
Trialability	High	Widgets can be used before installation

6.2 Creating Value

Every stage in the user experience requires continuous analysis to ensure superior user value is established and maintained over time. The adage that a chain is only as strong as its weakest link is synonymous with the process of creating value. If finding and installing a widget is too onerous a user is not likely to install a widget. Similarly, no matter how simple and convenient it is to find and install a widget, if the widget contents fail to provide value, engagement will suffer and eventually the widget will be deleted. Establishing a positive impression with users, therefore, can impact the likelihood a widget will be installed and shared with others. As such, creating value and maintaining that value over time is key to long-term widget success. A 1996 study (Cooper, 1996) found that products that provide consumer value are three to five times more likely to succeed than “copy-cat, reactive and ho-hum products” (Lindstedt et al, 2003, p.26).

The Value Model is an analysis tool that helps identify ways to create consumer value, by breaking down the user experience into a sequence of events and evaluating the value created or lost during each event. By simulating the user’s interactions with the product, the model "provides a comprehensive inventory of customer interactions, which can be used as a checklist of opportunities for business improvement" (Raab, 2008). The model is applied by assessing the different interactions a consumer has with a product. These interactions combine to form the user experience. A simple model considers the user experience from a high-level perspective, where as a more detailed model breaks the experience into a series of interactions and sub-interactions. "More detailed models are more work to build, but they also allow more precise simulations. Thus, assuming actual data or credible estimates are available, a detailed model can calculate the effects of

slight changes in customer treatments. This makes the customer value model a tool for tactical decision-making, in addition to broader strategic analysis" (Raab, 2005).

6.2.1 Five Stages of User Experience

One approach is to divide the user experience into five distinct stages – prospect, buyer, recipient, user, and decommissioner. The objective during the first two phases is to tempt potential users. The purpose of the remaining phases is to satisfy user needs and create loyal users (Lindstedt et al, 2003, p.36). Succeeding to provide value throughout the user experience is important because every loyal user becomes a source for new users, and because “a good reputation tends to spread” (Lindstedt et al, 2003, p.37).

6.2.1.1 Prospect Stage

The *prospect* stage is when a user with a need considers the value of widgets as a product group along with other relevant alternatives. To succeed at the prospect stage, widgets and the benefits they offer must be communicated clearly and understood by the potential widget user (Lindstedt et al, 2003, p.45).

6.2.1.2 Buyer Stage

The *buyer* stage is when the user has decided to seek a widget product to satisfy the need. To succeed at this stage, a widget’s unrivalled value must be apparent. Several factors can influence a user’s decision-making process, such as product features, the quality and quantity of alternatives - which includes a publisher’s reputation, visual design, and the widget’s alignment with the user’s needs. (Lindstedt et al, 2003, p.45). The opinions of friends and family or other influencers including recognized experts can

have substantial influence (Collins, 2007a). As such, the buyer stage is when the value of loyal customers is realized.

6.2.1.3 Recipient Stage

The *recipient* stage is when the user decides to install a widget. It's important to note that because most widgets are free and easily installed, the user may decide to install several widgets temporarily as a trial before deciding which widgets to keep. Sampled widgets will either provide expected value or not. To succeed at this stage the widget must deliver "the right things at the right time and in the right way" (Lindstedt et al, 2003, p.36, 46). The objective is to earn a position on the on the user's personal web space, desktop, or mobile device.

6.2.1.4 User Stage

The *user* stage is where a widget's value is maintained over time. The central issue at this point is the overall experience. The longer a widget can provide value, the greater its earning potential because its user base will grow and engagement levels will be sustained. Thus increasing total ad impressions within the context of the widget or monetized web pages the widget drives traffic to. The objective is to develop a lasting relationship with the user through the widget.

6.2.1.5 Decommissioner Stage

Finally, the *decommissioner* stage usually pertains to physical products and recycling of the materials they are made of when the product has reached the end of its lifecycle. In the context of widgets, this stage occurs when either the contents or utility of the widget expire, or the user's needs change. If this occurs the widget's value is lost.

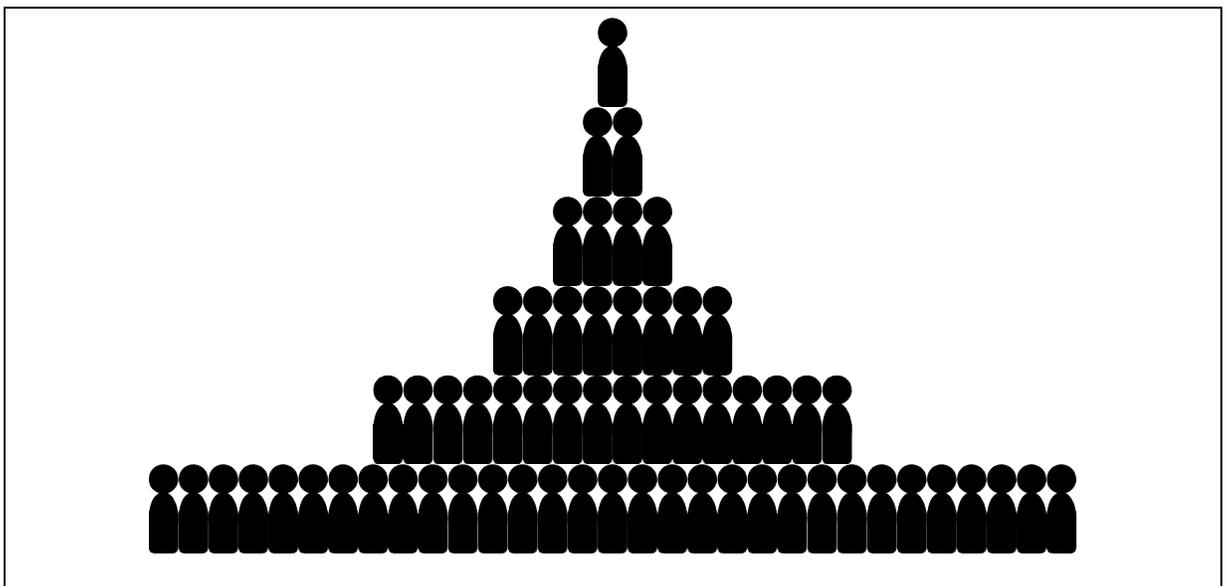
Thus, the widget must be adaptable to changing user needs if value is to be maintained. Failure to maintain value over time ultimately results in the widget being deleted.

Creating value makes it more likely a widget will be installed and used on an ongoing basis. However, the full potential of widgets is realized when a widget is shared with others. Using the value model to identify opportunities to improve user value is the important first step for cultivating the viral distribution of a widget by loyal users.

6.3 Viral Marketing

Viral marketing describes a strategy to capitalize on individuals' propensity to pass along a message about a product or service that they believe will be of value to their network. This usually entails creative or entertaining messages that can be passed along in an ever growing fashion through email or within an electronic community such as a social network using word of "mouse". This creates the potential for an exponential growth in the message's exposure and influence (Wilson, 2005). The term Viral

Figure 6-3: 2X Exponential Growth



Marketing was coined by a Harvard Business School professor, Jeffery F. Rayport, in December 1996 article for Fast Company magazine *The Virus of Marketing*. Historically, viral marketing relied on brand endorsements through word-of-mouth, slowly being passed from one person to another. It took the form of an engaging and memorable story that was easy to recount and had some link to a product or service. Now, with the aid of technology through the Internet, email, and social network sites, viral marketing can capitalize on network effects rapidly spreading a message through the exponential connections found on the web.

One of the most broadly acknowledged successes of viral marketing is Hotmail email service, where each message that was sent out by their users was appended by an advertisement for its own service, “Get your free e-mail at Hotmail”. Now it is as simple as a click of a button and a campaign can reach enormous audiences extremely rapidly. The success of Hotmail, reaching over 12 million users in only 18 months can be linked to the free e-mail advertisement sent out and to the indirect personal endorsement of the sender (Jurveston and Draper, 2000) and the relative novelty of the innovation. Additionally, the Google service Gmail captured a significant part of the market share in spite of the fact that initially the only way to sign up for the service was through a referral, and each user only had a limited number of referrals allowed (Leskovec et al).

Viral marketing exploits existing social networks by encouraging consumers to share product information with their friends. Viral marketing can create a cascade of sharing through email links or by posting on blogs or social network spaces. Viral marketing exploits social connections in a manner that can significantly increase the

reach of a message. This differs remarkably from the ability to share information face-to-face or over traditional one-on-one networks such as the telephone. In computer-aided conditions the scale and scope is considerably expanded. For example, the ability to reach a much larger audience is facilitated through the use of email where the effort to send multiple messages is only marginally more than the effort to send a single email (Subramani et al, 2003). There is also a reduced effort – forwarding an email does not require an in-person conversation, take up considerable amounts of time, nor incur any financial cost. People are more likely to install a widget that has been personally endorsed by someone they know because the widget has been pre-screened by a trusted source. Thus, viral marketing of widgets has three components: 1) easy sharing with others, 2) extensive reach, and 3) positive response from recipients to widget recommendations.

6.3.1 Viral Marketing and Widgets

With the growth of social networks, blogs, and other forms of user generated content, word-of-mouth has become a powerful tool for reaching media consumers and penetrating new markets. Social network sites are essentially a viral web infrastructure for sharing opinions, music, videos and other media with friends and friends of friends and so on. A June 2007 comScore World Matrix reported social networks reach 80.1% of Canadian Internet users, multi-media sites reach 79.2%, and blogs 63.8

Table 6-1: Social Networking, Multimedia and Blog Users in Canada, April 2007 (thousands of unique visitors and % reach).

Social Networking, Multimedia and Blog Users in Canada, April 2007 (thousands of unique visitors and % reach)		
	Unique visitors (thousands)	% reach
Social networking sites	18,452	80.1%
Multimedia* sites	18,247	79.2%
Blogs	14,685	63.8%
Total Internet audience in Canada	23,026	100.00%

*Note: home and work locations; *sites that contain video clips, audio clips or some other kind of interactive media such as shockwave/ flash etc*
Source: comScore World Metrix, provided to eMarketer, June 8, 2007

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Blogs are a growing influence on consumer decision-making and a centre of viral propagation. Canadians are the most active consumers of blog sites with a total of 58% of the internet population reading these sites (comScore, 2006). This figure has seen a large jump recently with youth audiences making the largest gains. TNS Canadian Facts reported in June 2007 that nearly three-quarters of online users between 13-17 said they visit blogs, and this proportion falls only slightly among the 18-29 year olds (eMarketer, 2007).

Consumers are increasingly influenced by word-of-mouth when making decisions. A December 2006 survey by BIGresearch found that 91% of US adults said that they regularly or occasionally seek advice from other consumers about products or services. The same survey found that people are just as likely to give advice as they are to

seek it (eMarketer, 2007). Viral marketing is built on the premise that receiving an endorsement for a product or service from a friend, or unbiased party, carries much more influence than a paid advertisement. In a survey of US adult Internet users by DoubleClick in July 2006, 92% of the males and 95% of the females said their friends' recommendations influenced their purchase decisions – 26% greater than the next highest category, Magazine ads. Additionally, the survey showed that the most worthwhile recommendations came from friends (eMarketer, 2007).

Capitalizing on Web 2.0 practice of providing avenues for customer generated content has created a channel for personal endorsements as a way to influence the consumption of information and products on-line. A MarketingSherpa survey found that 58% of consumers strongly or somewhat preferred sites with reviews (MarketingSherpa and Prospectiv, 2007).

6.3.2 Viral Marketing Framework

Subramani and Rajogopalan suggest that two main factors play a role in the determining the nature of a viral marketing activity. The first is the role of the influencer – whether the attempt to influence is passive or actively persuasive. The second is the level of network externalities – the additional benefits accruing from broader usage of the product or service being recommended within a user community (Subramani and Rajagopalan, 2003).

Together, these two factors highlight four quadrants where the influence and motivations to propagate a viral activity are different. Subramani and Rajagopalan describes the quadrants as follows:

Figure 6-4: Viral marketing matrix of network externalities and role of the recommender

Externalities	<p>High Externalities: benefits to all users depend on size of user base</p>	<p>Signaling Use, Group Membership</p> <ul style="list-style-type: none"> • Normative influence 	<p>Motivated Evangelism</p> <ul style="list-style-type: none"> • Normative influence
	<p>Low Externalities: benefits to users only</p>	<p>Awareness Creation, Signaling Benefits</p> <ul style="list-style-type: none"> • Informational influence 	<p>Targeted Recommendation</p> <ul style="list-style-type: none"> • Informative influence • Normative influence
		Passive	Active
		Recommender Role	

Source: Subramani, M.R., and Rajagopalan, B., “Knowledge-Sharing in Influence in Online Social networks via Viral Marketing.” Communications of ACM, 46 (12), 2003.

6.3.2.1 Awareness creation and Signalling

Awareness creation and signalling benefits: In this quadrant the role of the influencer is passive and the benefits of other users are minimal. For example, a greeting card site will invite users to pick-up their cards at the site and subsequently encourage the visitors to create and send their own cards. Hotmail, as earlier described, would fall into this quadrant through its recommendation to sign-up for a free email account. This type of viral activity is usually associated with creating awareness for new and novel products and services.

6.3.2.2 Targeted Recommendation

Targeted Recommendation: This quadrant describes a framework where the influencer plays an active role in sharing information and where the network externalities are minimal. A typical example of this type of viral activity is the forwarding of a news item from an online media site. Most of these sites, including CBC.ca, provide a “share this story” or email link to post an article of interest on a social network site or to forward to a contact via an email message. The Targeted Recommendation relies on two possible factors, first for email, the ability of the recommender to accurately predict the interest of the intended recipient(s); or second by posting a story to a social network site, the recommender seeks to be associated with the story as a reflection his/her personality. Media sites with broad content are best positioned to capitalize on this type of viral marketing because they have wide appeal.

6.3.2.3 Signal Use Group Membership

Signal Use Group Membership: This quadrant describes contexts where network externalities exist but the influencer’s role is passive. Examples of this quadrant include the use of specific kinds of software such as Winzip or Flash. When a user sends the connected other a file compressed using winzip as an email attachment or makes a Flash animation available on a webpage, the recommender’s role in spreading the word about the software is passive. The positive externalities come from the benefit of a broader base of users and support services for a particular service or software. Another successful example of this type of viral marketing and adoption is in the ubiquitous use of PDF format for sharing documents, which subsequently supported the sale of the Adobe Acrobat’s PDF document creation software.

6.3.2.4 Motivated Evangelism

Motivated Evangelism: This quadrant describes contexts where recommenders play an active role in influencing adoption and where there are positive externalities for both the influencers and recipients. An example of this is ICQ (I Seek You), or any other instant messaging service, where the user encourages their network to join the service and the greater the number of users the greater the benefit to the users. A more recent example of this is in the launch of Skype as an instant messaging service with telephone capabilities.

Widgets most closely align with the Targeted Recommendation context of viral marketing. That is, widgets have low level of network externalities, the number of users does not increase or decrease the usability of the interface. There is no connectivity or ability to interact directly between widget users providing no advantage to the number of installed widgets. User recommendation for widgets is active. For widgets to become viral, users who have installed widgets must be encouraged to share the application with others to spawn additional installations. Taking into consideration the abundant content on the CBC web site and the potential for CBC widget personalization, recommendations can be targeted to specific segments of the influencers network.

6.3.3 The Virus Equation

The viral equation provides a useful analysis tool to determine the effectiveness of a viral media campaign, and to track adoption progress for viral programs. Convention states that as long as each user brings at least one new user, the user base will grow. Growth is governed by the number of requests (N) sent out through the viral network and

the conversion rate (CR) for these requests. This equation provides a Viral Index as expressed in the following equation (Kalayanam, 2007).

$$\text{Viral Index} = N (\text{CR}) \geq 1$$

Growth is labelled the “Viral Index” and indicates the relative size of each new generation of adopters as a function of the previous one. Viral growth requires a value of $V \geq 1$. The importance of this equation comes into play when developing a viral marketing strategy – encouraging management decisions that both increase the ease at which a viral property is shared and the likelihood it is adopted and subsequently passed on.

Continual analysis of a viral marketing campaign with respect to the distribution and conversion rate will provide important feedback to developers and marketers, which will in turn allow for iterative development of the viral engine.

6.3.4 Viral Marketing Success Factors

The success of a viral marketing strategy is aligned more closely with fortunate circumstance. The important factor to consider is the senders motivation – why individuals would contribute to the spread of a message. Case study research and literature reviews indicate the existence of some clearly identifiable key elements that contribute to the success of a viral marketing strategy (Pousttchi and Wiedemann, 2007).

These factors include:

1. Perceived usefulness by the recipient;
2. Reward for the communicator (entertainment, shock, etc.);
3. Perceived ease of use;

4. Free viral content;
5. Initial contacts;
6. First mover advantage;
7. Critical mass; and
8. Scalability

The viral effect is created by providing both great content and an easy method for sharing. It also relies on the influence of the person sharing the message and response of the recipient. These social-psychological factors create uncertainty in any viral marketing campaign. Viral marketing is a powerful means for both marketers and recipients to benefit from the innate helpfulness of individuals in social networks. However, success hinges upon the recognition of the strong need for influencers to be viewed as knowledgeable helpers in the social network rather than as agents of the marketer (Subramani and Rajagopalan, 2003).

Research has found that most people are moderately connected and are as willing as the highly connected to share marketing messages with others. Also, that influence is motivated by a basic human need to be helpful by giving advice. People enjoy finding and sharing valuable information. Influencers, therefore, are primarily motivated by a desire to help others. People like to be needed and valued, and influencers appear to derive a sense of self-worth and validation from giving good advice. When this advice is well received, it gives them confidence to continue and expand their efforts. Influencers tend to pass along information that they consider both unique and trusted (Smith et al, 2007).

A widget's earning potential is based on the size and composition of its active user base. Value drives adoption and recommendations from loyal users fuel the viral effect. These two factors combine to form the basis for developing a strategy to maximize a widget's earning potential by growing the size of its active user base.

7: RECOMMENDATIONS

Drawing on the information and analyses presented above, this section provides recommendations in 9 areas: target audiences, widget awareness, widget adoption, viral marketing, social networks, widget burnout, widget monetization, widget design & development, and evaluating widget potential. The combined effect of these recommendations is to establish best practices that positively impact the earning potential of CBC widgets.

7.1 Target Audiences

Due to the proprietary nature of the information presented in this section, it has been removed for publication. The complete version was submitted to CBC.

7.2 Widget Awareness

Widgets are new and not well understood. Even people that use widgets on a regular basis may not know what a widget is. Therefore, reducing any trepidation first time widget users may feel, and increasing awareness of widgets generally, contribute positively to widget adoption.

- Provide support for new widget users, such as answers to frequently asked questions, or tutorials for widget installation, customization, and use. Also provide information about the different places widgets can be placed, and help make it easier for people to establish widget-friendly spaces.

- Promote widgets in context alongside related contents within CBC.ca and beyond to reach target audiences.
- Distribute widgets as adds to reach target users (see: Target Audiences above).
- Promote widgets to target audience segments on other platforms (TV and radio).
- Communicate user benefits in all widget promotions.

7.3 Widget Adoption

As shown above, widgets are well positioned for adoption, based on Rogers model of adoption and the growing popularity of digital media. Given that widgets are new, competition for users is intense, and user's switching costs are very low, it is vitally important that CBC widgets provide substantive and sustained user value. For a user to install a widget, there needs to be a perceived benefit. Whether the widget informs, entertains, or makes a task more convenient - if there's nothing it for the user, the widget will not be installed, used or kept.

- Provide a superior user experience with content users value, superior design and usability, and by enhancing user control over widget contents.
- Make widgets customizable to broaden their appeal.
- Ensure widgets are compatible with as many widget-friendly spaces as possible.
- Seed widgets in context alongside related contents within CBC.ca and beyond to reach target audiences.

- Increase user switching costs by integrating features that require user registration and login, such as CBC Member Centre utilities like favourite member comment tracking.
- Encourage viral sharing of widgets (see: *Viral Marketing* below).

7.4 Viral Marketing

Viral marketing is built on the premise that receiving an endorsement for a product or service from a friend, or unbiased party, carries much more influence than a paid advertisement.

- The most important factor contributing to viral distribution of widgets is the value a widget provides its users. The more positive the experience, the more likely a user will share the widget with others. See recommendations for Widget Adoption (above) and Widget Burnout (below).
- Customization is another contributing factor to viral distribution. The more a widget can be personalized to the individual preferences of users, the broader the widget's appeal and the more likely viral invitations will result in widget installs.
- Broad widget compatibility is key to the viral marketing success. The more environments a widget can penetrate, the easier it is for widgets to spread virally by penetrating extended social networks. See *Widget Design & Development* below.

7.5 Social Networks

When visit social network sites they are in ‘doer’ mode. In this space key success factors are social utility and engagement. Widgets need to support or enhance a user’s social network experience.

- Engage users with utilities that enhance interaction with others in the social network.
- Create widgets that offer a shared experience, such as gaming or posting comments.
- Facilitate competition between users in the social network.

7.6 Widget Burnout

The selection of widgets available to users is constantly growing, while the capacity of users to engage with widgets is finite. Thus, it is important to maintain user value over time, to build and maintain an active widget user base. The following are recommendations for reducing the likeliness a widget will be discarded when utility is lost, contents with a fixed time frame expire, or user needs change. Thus, prolonging a widget’s relevance to maintain user value over time.

- Make widgets as customizable as possible. For example, give users the ability to define widget contents, personalize feature settings or presentation styles. Customization helps make widget more relevant by adapting to different user needs. This makes a widget more likely to be “grabbed” and less likely to be deleted once installed.

- Modularize widget contents and make content modules interchangeable between multiple widgets. This allows the contents of one widget to be added to, or replace, the contents of another widget. Thus facilitating content customization, which prolongs widget relevance and, as a result, user value.
- Launch new widget contents as both specialized widgets as well as new content module options within existing widgets to attract new users, while increasing content options available to existing users.
- Consider the long-term widget lifecycle. Identify potential expiry points, as well as possible opportunities to update widget contents and features, and identify potential replacement widgets to offer as possible replacements when required.
- Ensure widget design allows communication with widget users about related contents on other platforms, as well as new widget features and content options. A flexible method to deliver announcements and promotions supports widget life-cycle management.

7.7 Widget Monetization

A widget's earning potential is rooted in the size and engagement of its user base. Therefore, widget monetization begins by building an active user base to generate ad impressions through in-widget advertising and driving traffic to CBC.ca.

CBC's online advertising inventory is sold through AOL Media Networks and an internal sales team. CBC's ad inventory consists exclusively of standard online ad formats, as defined by the Internet Advertising Bureau (IAB). A portion of CBC's ad

inventory is also used for internal promotions managed by Communications. Widgets can accommodate the following IAB standard formats:

- Micro bar (88 pixels wide by 31 pixels high).
- Medium rectangle (300 pixels wide by 250 pixels high). Note this ad format requires a flip functionality be built into the widget, and must be presented in combination with a smaller format. When the user clicks the smaller ad (or sponsor logo), the widget rotates to reveal the medium rectangle ad. A 'close' link rotates the widget back to its default position.
- IAB standard mobile display ads (112 pixels wide by 20 pixels high, and 167 pixels wide by 30 pixels high, and 215 pixels wide by 34 pixels high).
- IAB standard audio/video ads (15 seconds and 30 seconds).

Also, widgets should:

- Be designed to accommodate title sponsorships.
- Drive traffic to monetized pages at CBC.ca. For example, rather than present full articles within the context of a widget, present headlines with short teaser descriptions. When a user finds an article of interest and clicks the headline, a new browser opens with the monetized CBC.ca source page containing the full article. As new widget contents are developed, consider ways to drive traffic to CBC.ca without sacrificing user value within the context of the widget itself.
- Drive traffic to other platforms (CBC.ca, TV, Radio, Podcasts). Use audience segmentation analysis to determine the most effective cross-platform promotional

opportunities, such as the radio/widget cross-promotion recommendation presented above (see: Target Audiences).

Additional considerations:

- Integrate different ad formats into widget designs to accommodate bundled ad packages and custom campaigns.
- Track widget installs and usage trends over time to assist sales by establishing CBC widget metrics, and to determine the impact of widgets on CBC.ca ad impressions. Widget metrics should also be used to identify the types of contents that appeal most to widget audiences.

7.8 Widget Design & Development

Because widgets are easy to delete, they need to provide a great user experience to avoid being discarded. A key component to creating a great user experience is designing a product that satisfies user needs, is easy to use, and looks great. The primary widget design challenge is limited space – both the space available within the widget for content presentation and navigation, as well as the space afforded widgets where they are placed.

Table 7-1: Widget Development Technology Assessment

Key:

- Flash: Does the site support Flash
- JavaScript: Does the site support JavaScript< Widgets
- HTML: Does the site support HTML
- Can IFrame: Does the site allow IFrames in widget code
- In IFrame: Do widgets get placed in an IFrame by the site
- JS <-> Flash: Does the site support communication between JavaScript and Flash
- CSS Override: Widget CSS override

	Flash	JavaScript	HTML	Can iFrame	In iFrame	Flash <-> JS	CSS Override
BlackPlanet	x		x	x	x		x
Blogger	x	x	x	x		x	x
Dashboard	x	x		x	x	x	x
Eons	x	x	x	x	x	x	x
Facebook*	x		x	x			
Feewebs	x		x	x			x
Friendster	x		x				x
Hi5	x		x				x
Hoverspot	x	x	x	x	x	x	x
IGoogle	x	x	x	x	x	x	x
Livejournal	x		x				x
MS Live	x	x	x	x	x	x	x
MS Spaces	x	x	x	x	x	x	x
Multiply	x		x				x
MySpce	x		x				x
MyYearBook	x	x	x	x	x	x	x
Netvibes	x	x	x	x	x	x	x
Orkut	x		x				x
Pageflakes	x	x	x	x	x	x	x
Perfspot	x		x				x
Piczo	x	x	x	x	x	x	x
Tagged	x		x				x
TypePad	x	x	x	x		x	x
Univision	x		x				x
Webwag	x	x	x	x	x	x	x
Vista	x	x		x	x	x	x
Vox	x		x				x
Wordpress			x				
Xanga	x		x				x
Yahoo Widgets	x	x		x	x	x	x

* Refers to the Facebook Profile page

Based on Clearspring's Drop Target Matrix, July 2008
 <<http://www.clearspring.com/docs/tech/widget-dev/drop-targets>>

- Design for target audiences.
- Develop widgets using Flash. Figure-7-6 compares the compatibility of different widget development technologies with some of the most popular widget-friendly spaces. Flash offers the broadest compatibility.
- Fix widget dimensions to the standard box ad format of 300 pixels wide by 250 pixels high, to enable the distribution of widgets as interactive online ads.
- Invest in usability planning and testing to help ensure the widgets is as easy to use as possible. Use the Value Model to identify opportunities for improving the user experience.
- Design for user-initiated customization of content and widget functionality.
- Make sure widget designs allow periodic announcements to widget users. For example to notify users of new contents options, or to invite them to update the contents of a widget when current contents expire.
- Consider the specifications of as many different widget environments as possible to ensure widgets are presented as intended.
- Consider in-widget ad requirements to facilitate monetization opportunities. Also, consider the value of different ad formats, determine which formats are most appropriate, and integrate them into the widget design.

7.9 Evaluating Widget Potential

Sometimes building a widget may not be the best use of resources depending on the nature of your content and the audience you hope to reach. Figure-7-6 presents a decision tree to be used for evaluating the potential of a proposed widget.

Widgets and where they are placed continue to evolve, and over time, how people use widgets may also change. The above recommendations are a starting point for establishing best practices to position CBC widgets to maintain user value over time, with the flexibility to adapt to change. Given the rate of change within the widget marketplace, the potential challenges and opportunities of the midget market should be re-evaluated regularly. Particular attention should be paid to the use of widgets in the mobile market, given the growing popularity of mobile products, such as Apple's iPhone and iPod Touch, that allow people to access the Internet and consume a variety of media formats, including widgets.

APPENDICES

Appendix 1: Widget Samples



NATIONAL GEOGRAPHIC Video What's on TV

Animals Environment Daily News

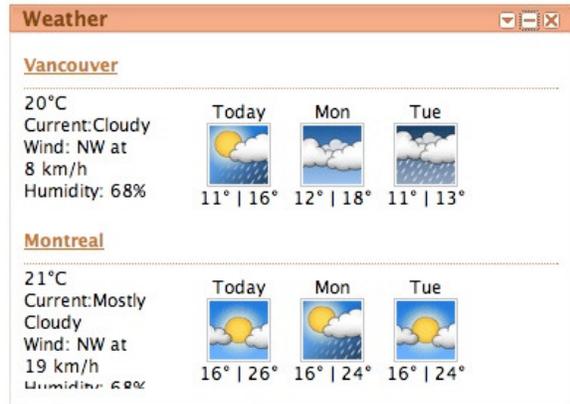
Animals Videos

Fishing Genet

More Videos

GET THIS WIDGET ▶

This widget features a blue header with the National Geographic logo and 'Video' text. Below the header are three tabs: 'Animals', 'Environment', and 'Daily News'. The main content area shows a large video player for 'Fishing Genet' and a grid of smaller video thumbnails. A 'More Videos' link is located below the thumbnails. At the bottom, there is a 'GET THIS WIDGET' button with a right-pointing arrow.



Weather

Vancouver

20°C
Current: Cloudy
Wind: NW at 8 km/h
Humidity: 68%

Today Mon Tue

11° | 16° 12° | 18° 11° | 13°

Montreal

21°C
Current: Mostly Cloudy
Wind: NW at 19 km/h
Humidity: 68%

Today Mon Tue

16° | 26° 16° | 24° 16° | 24°

This weather widget has an orange header with the word 'Weather'. It displays weather information for two cities: Vancouver and Montreal. For each city, it shows the current temperature, weather conditions, wind speed/direction, and humidity. Below this, it provides a three-day forecast with icons for each day and the high/low temperature range. The widget includes standard window controls (minimize, maximize, close) in the top right corner.



ACOUSTIC BEN HARPER
SOUL & THE NEW INNOCENT
HANDMADE GROOVES & THE CRIMINALS

ENTER PROMO CODE "WIDGET" AT WWW.BENHARPER.BIZ AND GET 10% OFF YOUR ORDER! (Offer expires 2/29/08)

Home Music Video Photos Dates News

sprout SHARE ▶

This promotional widget for Ben Harper features a dark blue t-shirt with a target logo on the left. The main text promotes his album 'Acoustic Soul & The New Innocent Grooves' and 'The Criminals'. A promotional offer for 10% off is provided with a promo code and a deadline. Below the text is a black and white photo of Ben Harper and his band. At the bottom, there is a navigation bar with links for Home, Music, Video, Photos, Dates, and News, and a 'sprout' logo with a 'SHARE' button.



People GOSSIP GIRL

WATCH VIDEO GET GOSSIP

Sat, 21 Jun 2008 12:10:00 EDT
ELLEN GIVES PORTIA PINK DIAMONDS FOR 'DREAM WEDDING'
"Yes we have set a wedding date," says DeGeneres, walking the red carpet with de Rossi at the Daytime Emmys...

Sat, 21 Jun 2008 12:55:00 EDT
JAMIE LYNN'S BABY HAS FULL HEAD OF HAIR, DADDY'S TOES
Britney and family took turns holding Maddie Brienn in the birthing room, a source tells PEOPLE...

Grab It ALL-NEW APRIL 21 Mon. 8/7c CW

This promotional widget for the TV show 'Gossip Girl' has a black background with yellow and white text. It features a 'People' logo and the show's title 'GOSSIP GIRL'. It lists two upcoming episodes with their dates and times, along with short teasers. On the left side, there are vertical buttons for 'WATCH VIDEO' and 'GET GOSSIP'. At the bottom, there is a 'Grab It' button and the text 'ALL-NEW APRIL 21 Mon. 8/7c CW' with the CW network logo. A 'CLOSE [X]' button is in the top right corner.

Appendix 2a: Widget Environment Samples (iGoogle)

The screenshot displays the iGoogle homepage with a grid of widgets. At the top, there is a navigation bar with links for Web, Images, Maps, News, Shopping, Gmail, and more. The user's email address, jonwinagan@gmail.com, and links for Classic Home, My Account, and Sign out are also visible. The main search area features the iGoogle logo and a search bar with buttons for Google Search and I'm Feeling Lucky. Below the search bar, there are links for Home, Add a fab, Select theme, and Add stuff.

The widgets are arranged in a grid:

- ESPN NHL Team:** A widget for the Montreal Canadiens, showing their record (36-22, 1st in the Northeast Division) and team news. The news includes: "Kunitz's power-play goal puts Habs atop East", "Plekanec's first career hat trick paces Canadiens", "Higgins, Canadiens bury Thrashers in third period", "Trade roundup: Canadiens send Huet to Capitals", and "Leclaire shuts out Habs".
- LOST on ABC.com:** A widget for the TV show "LOST" on ABC, featuring a trivia question: "What is Kate's astrological sign?" with options: Virgo, Leo, Gemini, and Taurus. It also promotes new episodes on Thursdays at 9/8c.
- OSCAR.com Widget:** A widget for the Oscars, listing winners: Matt Damon, Ben Affleck, and Emma Thompson. It includes a trivia section with categories: Writing, Acting, Directing, and Photography.
- Joost:** A widget with a list of links: "Street Fighter lives on", "Re-living Wednesday nights", "Behind the music", and "Football's over... what's next?".
- Economist.com News analysis and views:** A widget with a list of news links: "Hillary Clinton's victories in Texas and Ohio", "Angry talk of war in South America", "Israel's heavy-handed intervention in the Gaza Strip solves nothing", and "Armenia's post-election violence claims eight lives".
- The Globe and Mail - Report on Business News:** A widget with a list of news links: "Rubin takes a bigger bite of energy, materials stocks", "Ambac bailout announcement could be imminent", and "WestJet codeshare record February traffic".
- CBC | Arts News:** A widget with a list of news links: "Music Week packs Toronto with indie bands" and "Ariana, Steady Dan set for Montreal jazz fest stage".
- TIME: Top Stories:** A widget with a list of news links: "The Primary to End All Primaries?".

Appendix 2b: Widget Environment Samples (Facebook)

The image shows a Facebook profile page with several widgets. A callout box on the left contains the text: "Note this widget's ability to scale according to where it is placed". A red dashed arrow points from this text to the Oscar.com widget. The widgets shown include:

- Facebook logo
- Profile information and posts (e.g., "FACT - OL... now what?", "Robin Shaw: fiction. I've seen the Simpsons episode.", "Colin Young: Fact. I'd like to believe in a creature that we have not discovered before...")
- Friends in Other Networks (e.g., "Networks with the most friends", "Networks you belong to")
- Oscar.com widget (highlighted by the callout)
- ESPN NHL Team widget (displaying "ESPN SAMPLE TEAM" with a score of 0-0)
- LOST on ABC.com widget (displaying "What is Kate's astrological sign?" with options: Virgo, Sagittarius, Gemini, Taurus)
- Hockey Pool widget

Appendix 2c: Widget Environment Samples (Dashboard)



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