iVillage
Case Update

iVillage Inc. (stock: IVIL), developer of the iVillage.com website, is the leading online women's network. The company's destination website, geared toward women between the ages of 25 and 54, provides 17 distinct content channels, each targeting a specific demographic through relevant interactive services, peer support, access to online experts and focused shopping opportunities. These channels are similarly structured to facilitate site and channel navigation and are focused around such topics as careers, health, money, parenting, relationships, astrology and travel.

iVillage continued to experience growth through the first quarter of 2001. Traffic to iVillage grew 12.6 percent to 241 million average monthly page views. In March, iVillage ranked No. 29 out of the top 50 websites in terms of unique users. The site continued to demonstrate strong stickiness, ranking No. 15 among the top 50 websites in terms of time spent per month. On average visitors spend 22.6 minutes on the site and return an average of 2.2 times per month (Media Metrix, March 2001).

The company attracts corporate sponsors interested in targeted access to a specific demographic. Sponsor companies include Ford Motor Co., Charles Schwab & Co. Inc., Ralston Purina Co., Kimberly-Clark Corp., Amazon.com Inc., Glaxo Wellcome PLC, PNC Bank, Johnson & Johnson, Unilever PLC, Hertz Corp. and others. To promote membership growth and attract visitors, iVillage has partnered with media companies that operate over a variety of media platforms. Strategic partners include America Online Inc., NBC, TCI Cable (now part of AT&T Corp.) and Cox Communications Inc.

In December 2000, the company announced its first international joint venture with Tesco PLC, Britain's largest food retailer. iVillage further expanded its international strategy in the first quarter of 2001. A second joint venture was announced in February 2001 with Hindustan Lever Limited (HLL), a Unilever subsidiary, to develop a website targeted at Indian women. The venture brings together iVillage's content and online solutions with HLL's knowledge of consumers and brand management to support the Indian site through online and offline activities for Indian women.

Industry
Many industry trends that began in 2000 — declining valuations, increased competition, declining advertising revenues and potential for industry consolidation — continued in the first quarter of 2001.

Stock prices of community websites such as iVillage and Women.com continued to fall. Analysts started to criticize and penalize companies whose business models were based exclusively on advertising/sponsorship revenues. Online advertising revenues have continued to drop due to the lower prices advertisers are willing to pay (measured in costs per thousand views, or CPM) and a declining number of companies believing in its overall value. The crash of online advertising has pushed many online content providers to start adopting a subscription-based model to increase revenues.
As predicted by analysts, the industry started to consolidate. In February 2001, iVillage announced the acquisition of Women.com, one of its largest competitors. This acquisition has the potential to create the largest and most comprehensive destination for women on the Web. However, the battle for leadership in the industry is likely to continue. While Oxygen Media laid off 10 percent of its workforce late last year, it also received a $100 million investment from Vulcan Ventures and, recently, support from AOL Time Warner, which might help the company overcome its difficulties.

**Company Financials**

For the first quarter of 2001, iVillage reported revenues from continuing operations totaling $12.6 million, down from $18.1 million for the same quarter in 2000, largely due to the decrease in revenues from dot-com advertising. The associated pro forma net loss (excluding restructuring charges and a loss on investment) for the first quarter of 2001 was $11.4 million, compared to a net loss of $22.3 million for the same period one year ago.

iVillage continued its progress of diversifying revenue streams, which at the end of Q1 2001 was comprised of approximately 60 percent from advertising on iVillage.com and 40 percent from the company's other revenue sources. These include television, magazine publishing, production services, licensing, research, astrology and subscription sales.