



REPORT FROM THE INTERNATIONAL NEWSPAPER MARKETING ASSOCIATION CLASSIFIED SEMINAR

THURSDAY 10 MARCH 2005 – AMSTERDAM

This was the second classified seminar that INMA has held in Europe and whilst the group was small, the programme was interesting and relevant and there was lots of interaction between the delegates.

The keynote, and strongest presentation, came from **Bob Cauthorn**, President of CityTools, but formerly a senior executive at the San Francisco Chronicle, one of the titles in the San Francisco Bay area affected by the success of Craigslist. Bob gave a great 'wake-up' presentation outlining the reasons for Craigslist's success, the mistakes the newspapers had made and offering clear strategies for newspapers in Europe to compete against Craigslist before it gained the foothold that it already enjoys in the US.

To give an idea of the impact of Craigslist, the four principal papers in the Bay Area are owned by three of the largest and most professional newspaper publishing companies in the US. In a market of 6 million people, their combined circulation is 1 million, and their annual revenues were US\$ 1 billion (50% classified) from a US\$ 3 billion market. They employ 6000 staff. Craigslist employs 20 people and currently costs the Bay Area titles close to US\$ 100 million each year in lost revenue – almost all recruitment advertising (it is impossible to quantify the lost C2C advertising revenue).

Last week, there were 15,000 jobs on Craigslist in San Francisco, 100,000 apartment rentals in New York and the site is generating over 1 billion page views a month and will top 2 billion by summer 2005. In San Francisco alone, Craigslist has 150 million page views per month compared to the combined newspaper circulation of 500,000. Bob asked, "Well, where would you advertise?" And the newspapers recognise this, with all the major titles advertising their vacancies on Craigslist, tacitly admitting that their titles don't work as well.

Bob argued that newspaper publishers had a completely different perception of their market than their customers did. In the classified arena, newspaper publishers had decided to concentrate on the principal verticals of recruitment, property and autos with a clear bias towards B2C clients. However, what readers actually wanted was access to the most 'complete' market possible i.e. one that was richly populated and with a wide variety of products and services advertised.

The consequence of all of this is that the Bay Area newspapers have now lost the ability to control the pricing of classifieds in their marketplace and that the critical mass and control of the market has shifted to Craigslist.

Bob listed the principal errors that he felt newspapers had made:

1. believing that market leadership was unassailable
2. making advertising too complex e.g. developing multi-media video-walkthroughs of property rather than offering simple, quick listings
3. lack of understanding that the business was no longer just about print

4. over-attachment to the existing business model and a fear of cannibalism
5. failure to grasp customers' desire for a complete marketplace

However, Craigslist isn't perfect and it has several weaknesses that publishers can exploit to help them compete better.

1. Craigslist is currently only available in English, and whilst their part-owners eBay can probably help them with that in the medium-term, publishers have a window of opportunity to launch free classified services in their local language.
2. Craigslist also does not scale very well as its open, community style requires a high degree of hands-on customer service to police the ads. Whilst much of this is done by the users themselves ('report this ad' buttons for example), many more users and advertisers could strain the existing customer support structures to breaking point. Publishers should leverage the proofing and online publishing systems that they have developed to take advantage of this weakness.
3. Finally, Craigslist is not very business-friendly and does not make it easy for B2C advertisers to participate by offering online payment systems, upload interfaces or account management tools. Publishers are much better placed to develop these sorts of relationships with B2C advertisers but there is only a short period of time in which to act.

Bob's theme throughout was 'Keep it simple'. Craigslist's business model is to let a site grow (it does not cost them anything extra to open a site in a new city), and when a category reaches critical mass, to start charging a reasonable flat fee in that category (job ads - US\$ 75 in San Francisco, US\$ 25 in Los Angeles and New York for a month's exposure, and they are considering charging for apartment listings in New York). There are no sliding scales, special discounts or different formats to confuse users.

Bob Cauthorn has contributed to a Classified Intelligence report on the impact Craigslist is having on the classified marketplace and ICMA members can buy "Competing with Craig" for the discounted price of EUR 125 (usual price of EUR 186). Simply email me at L.hime@icmaonline.org to take advantage of this offer.

Bob was followed by **Kaisa Ala-Laurila** of Ilta Sanomat, publishers of Keltainen Pörssi and Palsta in Finland. Kaisa presented the matrix of web-print and B2C-C2C in the Ilta Sanomat stable and described how content from each product was re-purposed or upsold into adjacent relevant products to generate revenue and strengthen the customer (reader and advertiser) offering. One area of upselling which had worked well was upselling from web B2C to print C2C.

Online Keltainen Pörssi uses the same model as the print, the private individual advertises for free but the reader/user pays to access the content (online, the contact details are hidden payment is made). Kaisa admitted that it was Keltainen Pörssi's market-leadership that allowed them charge online users (and achieve a 17% conversion rate from non-paying browsers to paying users online), but that there are plans to move gradually towards free access e.g. some advertisers can now pay a little extra to show their contact details to non-paying browsing users, thus gaining greater exposure for their ad.

Ilta Sanomat are also developing vertical products to support the main book and even have plans to launch a vertical for firearms, an important category in Finland's outdoor culture.

George Deedes, Classified Manager for the Daily Mail, presented the story of their success with print classifieds and argues that the Internet had had little negative impact on their business to date. The Daily Mail, part of Associated Newspapers (owner of LOOT),

operates completely separate print and online classified sales teams and in fact all online classified are sold into sites which carry no Daily Mail branding at all (e.g. www.thisistravel.co.uk). The profile of the principal classified categories in print is very evenly spread and most advertising is B2C rather than C2C due to the high cost of national newspaper advertising in the UK.

George believes that because online activity is easier to measure than how customers use print, advertising online is often perceived as more effective than advertising in print, resulting in a situation where 'we are more likely to be precisely wrong than approximately right'. For example, what do customers do when they see a travel ad in the newspaper that interests them? In the past, they used to phone or visit their travel agent directly. But, according to research carried out by the Daily Mail, over 60% now go on the Internet to visit the travel agent's website – it's simply the response channel that's shifted from telephone to web, not the effectiveness of the original media that's changed.

Bob made the point that what was required from newspapers in the short and medium term was revolution not evolution and questioned whether most publishers would be able to make bold enough changes.

Finally, **Maurice Pothof**, Sales Manager for Google AdWords in the Benelux gave an overview of how the AdWords model can complement and enhance newspaper publishers' content. Google's mission is to organize the world's information and make it universally accessible and useful. Whilst Froogle is still in beta, it is developing well and will be launched in the Netherlands by the end of 2005.

Presentations from this Classified Seminar will be available in the ICMA Library from 20 March 2005 at <https://www.icmaonline.org/Members/LibOverview.aspx>.

Don't forget, ICMA has a partnership arrangement with INMA which means that ICMA members can generally attend INMA events for the member rate – for further details of upcoming relevant events, check out the ICMA website for details of the latest offers.