
‘The Transition to Online Marketplaces’



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Kelsey Group Research Tracks



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The Mission of Classifieds, Circa 2008

1. Create a Local experience that facilitates a habit.
2. Host the best place to buy and sell; see everything and post everywhere.
3. Move from a “Listings” orientation to a “Marketplaces” orientation.



A Premise to Believe In

“Markets Are Conversations”

Christopher Locke, 2000



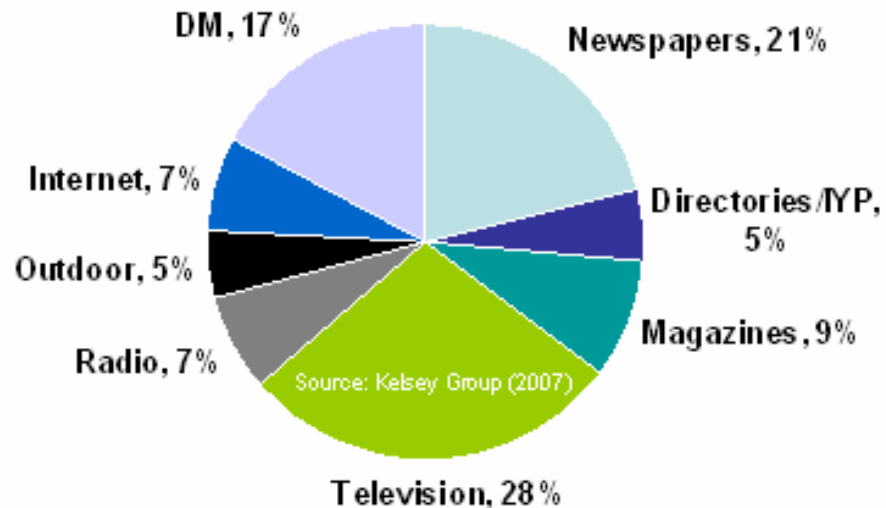
Today's Agenda

1. Kelsey's Global Forecasts for Interactive Advertising
2. The Shifting Role of Online
3. The Transition to Marketplaces
4. A Look at Auto Dealers as the Cutting Edge of Verticals

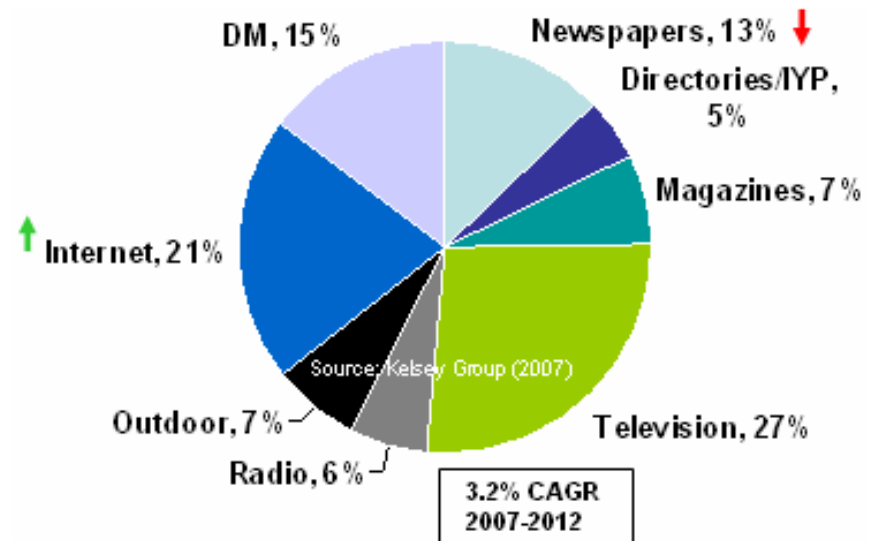


Kelsey's Global Forecast: More Revenue, but a Swift Transition to Interactive

2007: \$605 B Global Ad Market



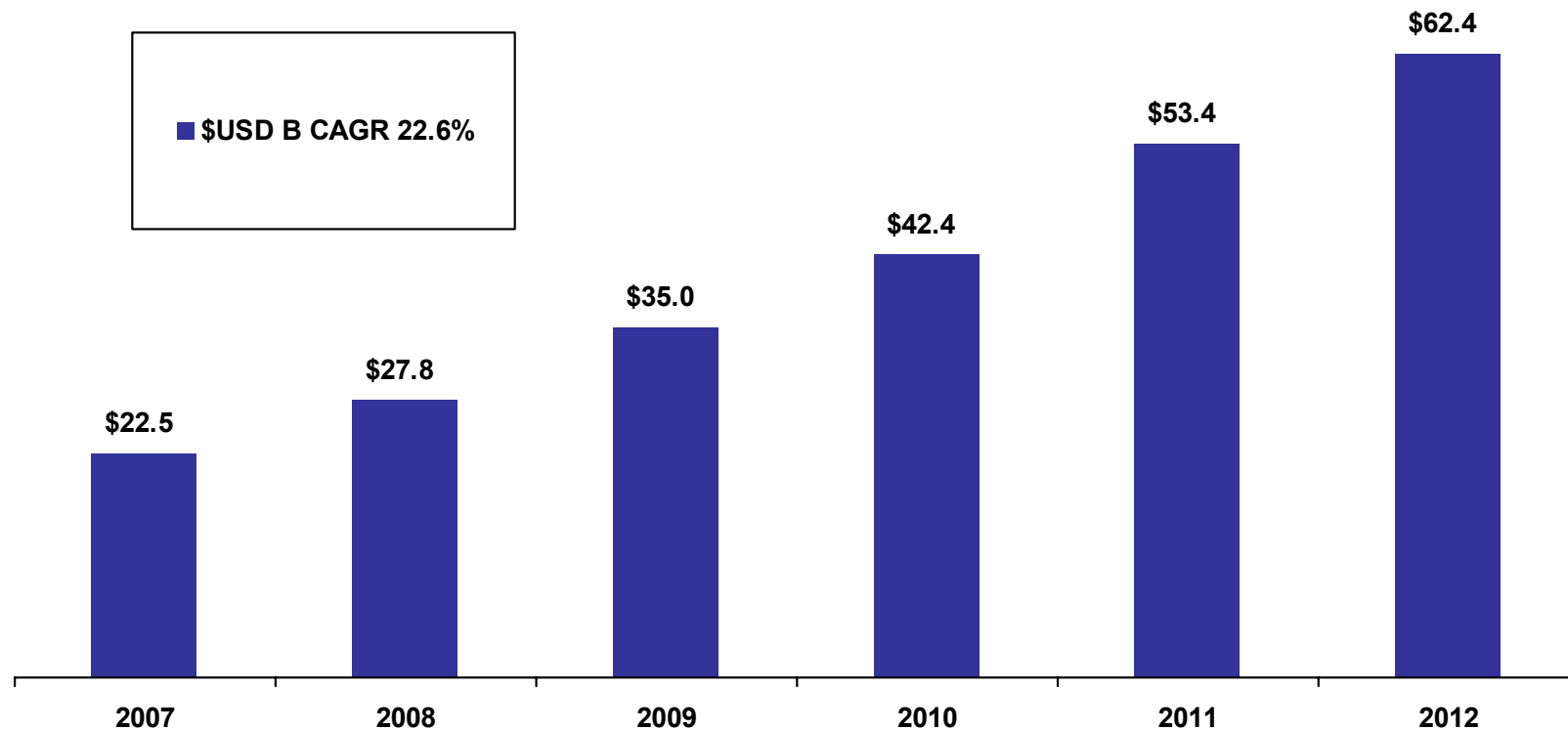
2012: \$707 B Global Ad Market



Source: Kelsey Group (2007)



US: Total Interactive Ad Spend Forecast 2007-2012

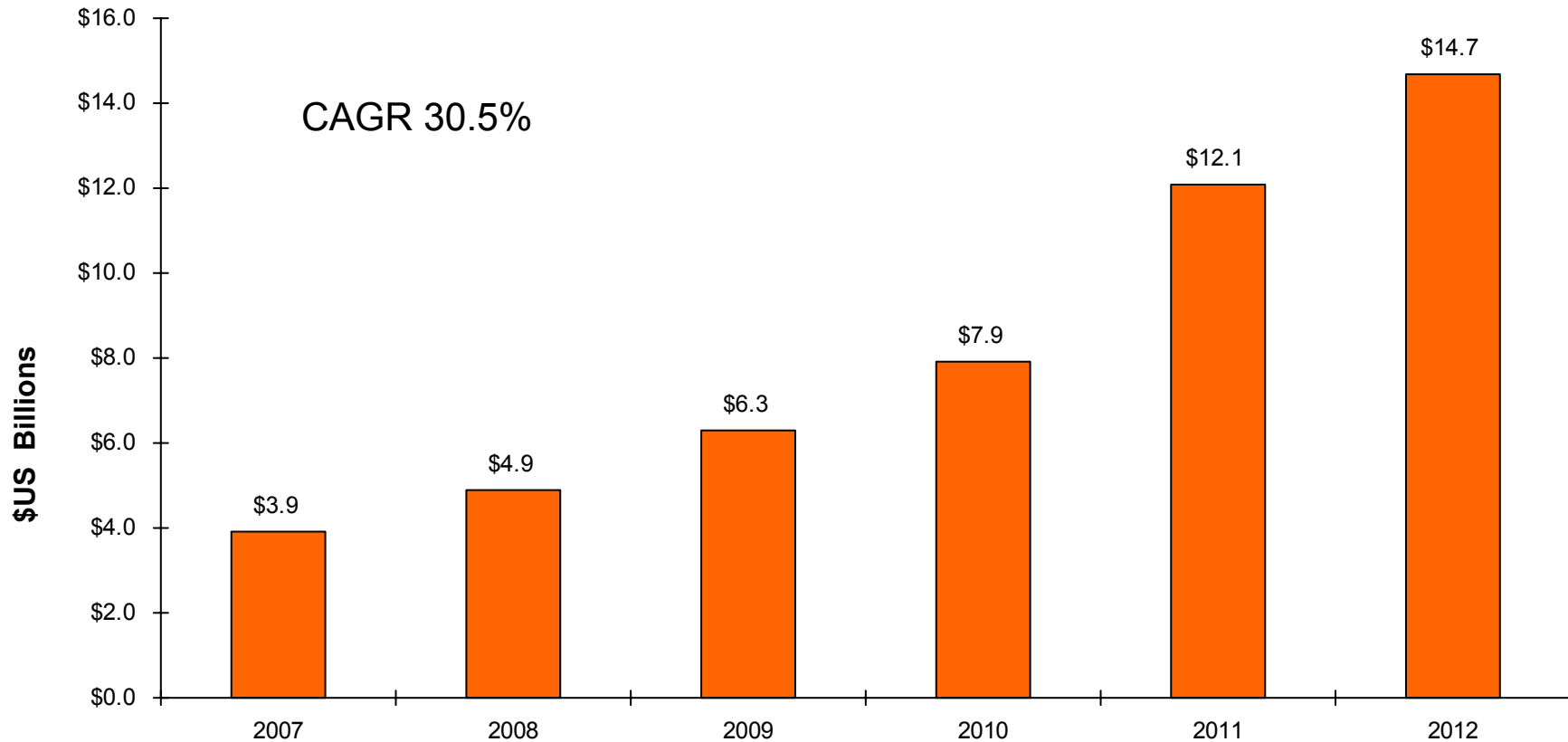


Source: Kelsey Group (2008)



Vertical Markets Forecast 2007-2012

24% of all interactive spend



Source: Kelsey (2008)



After 12 years, Online's Role Now Firmly Established

- Online represents the fastest growing part of traditional media revenue.
- Local online revenues are growing on the basis of SEO, SEM, Coupons, Display, Business Listings, Video etc.



The Shift: Media News Group's Projected Revenue Pie, 2008-2011

- Core Print Product goes DOWN from 85 percent to 65 percent
- Online goes UP from 8 percent to 20 percent
- Niche goes UP from 7 percent to 15 percent

The growth is coming from online and niche.



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In Changing Environment, Online's Revenue Contribution is Tricky

- Online revenues are beginning to stand on their own (although their contribution is just 1:10 of print.)
- At one U.S. paper, online-only classifieds now account for 27 percent of online revenues
- The contribution from print “upsells” is down to 26 percent. Next year it is “zero.”



Revisiting Clayton Christensen's 'Innovator's Dilemma'

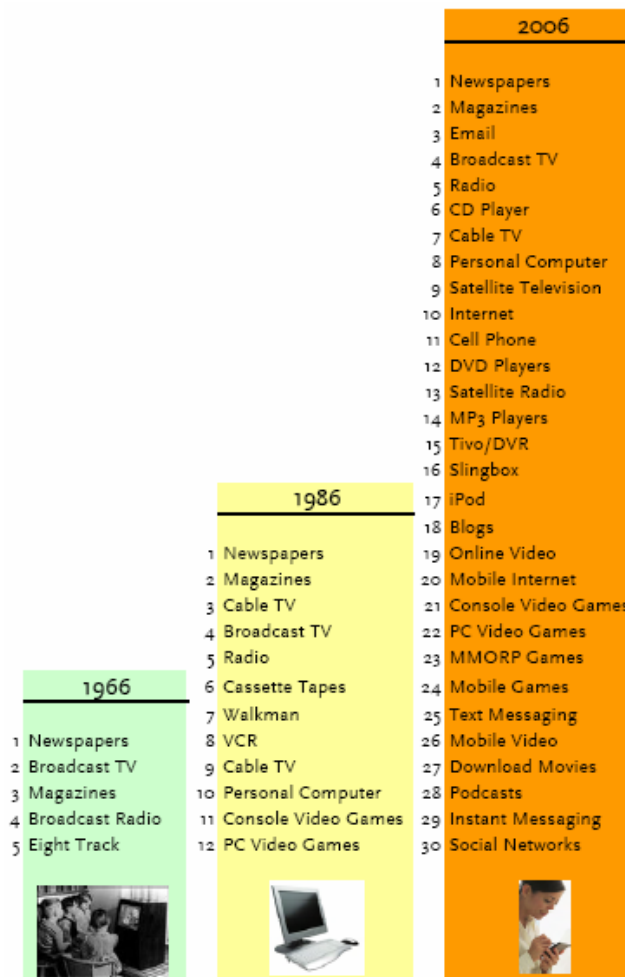
- How do you continue to maximize online and print revenues during the transition?
- What is your ideal organization for driving new revenues: Integrated or separate?



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Meanwhile, Advertisers are Confronted with a Complex, Fragmenting Market



More choices requires more guidance

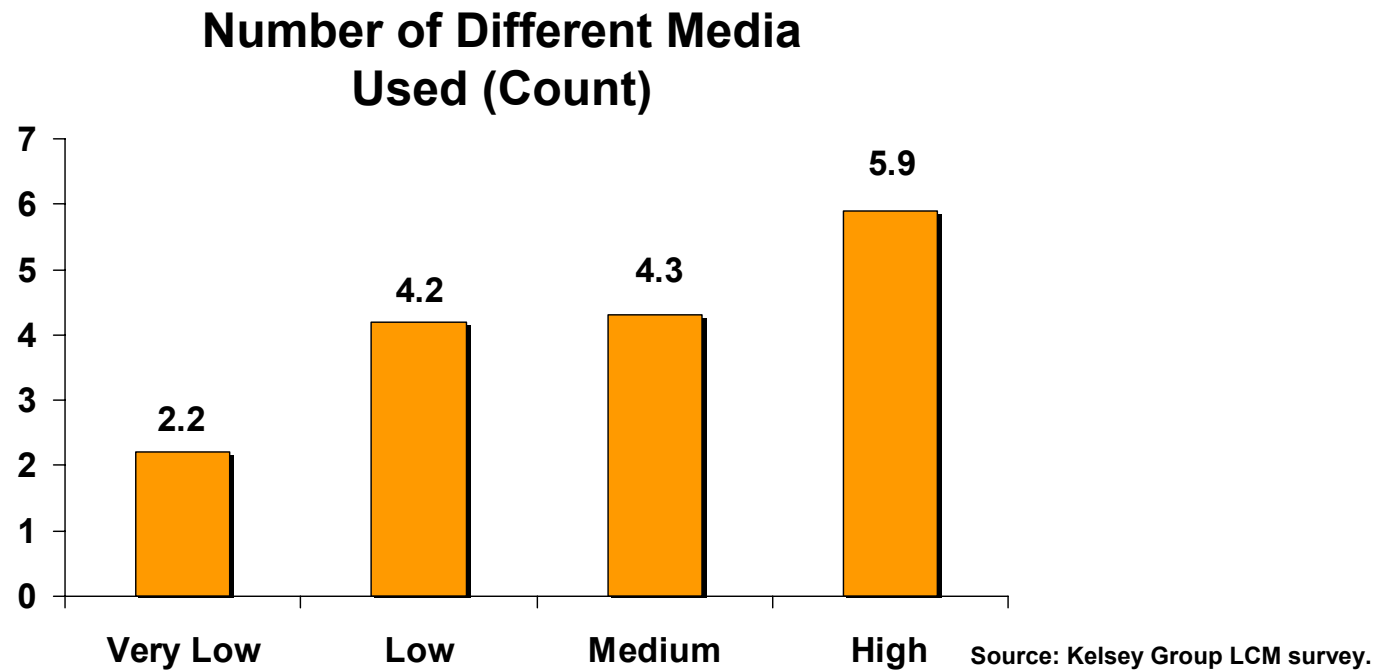
Source: Piper Jaffrey (2006)



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Reaching Consumers With More Channels is Critical

The number of different media used by SMBs increases significantly in the higher spending brackets:



Supports the need for a balanced portfolio of local media options

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A Historical Look at The Shift from Classifieds

- Before the Internet, classified advertising had been controlled by local print publishers with a lock on local content.
- These include newspapers, traders, penny savers



1. Online Aggregators

The Internet gave rise to online aggregators who go to the direct sources to monopolize content. These include:

1. *Homestore* with NAR and MLS relationships
2. *Monster.com*
3. *AutoTrader* with Mannheim relationships



The Response to Aggregators by Publishers

Publishers launched their own aggregators

- *These include CareerBuilder, Cars.com, and HomeScape*



2. Online Marketplaces

- eBay created an online Marketplace for buyer/seller interaction and online commerce, enhanced features, galleries and improved efficiency
- There has been a similar response by publishers to add-in online commerce and catch up on features (with mixed success)



3. Search Arrives

- Google came along, proving you no longer have to own the content to monetize it.
- Oodle, Vast, Trulia and Zillow all take it to the next level with value add consumer experiences around aggregated content



4. Craigslist Makes It Free

- Craigslist shatters existing pricing models and builds viral community marketplace



5. Social Networks Move Towards Self Selection

- Enter Social Networking –consumers self-selecting by interest or geography , push of UGC



6. Tools and Features Enfranchise Advertisers

- Tools have added another dimension in embracing advertisers.
- These include analytics, click to call, monitored phone numbers, click tracking, lead gen



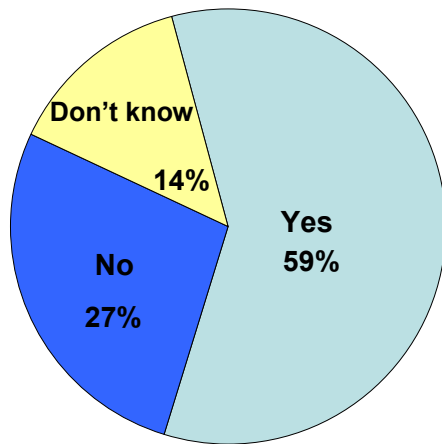
The Flow of Vertical Tools/Features

- Where2Get it launched 10 years ago with Store Locators for Seiko watches
- It now provides Brand Locators, Coupons, Menus, Trip Planners, Assorted Guides (RV Parking, WiFi, NonSmoking)
- Next Gen services in works: Mobile Locators, Mobile Browsers, SMS Text, Interactive Voice Response



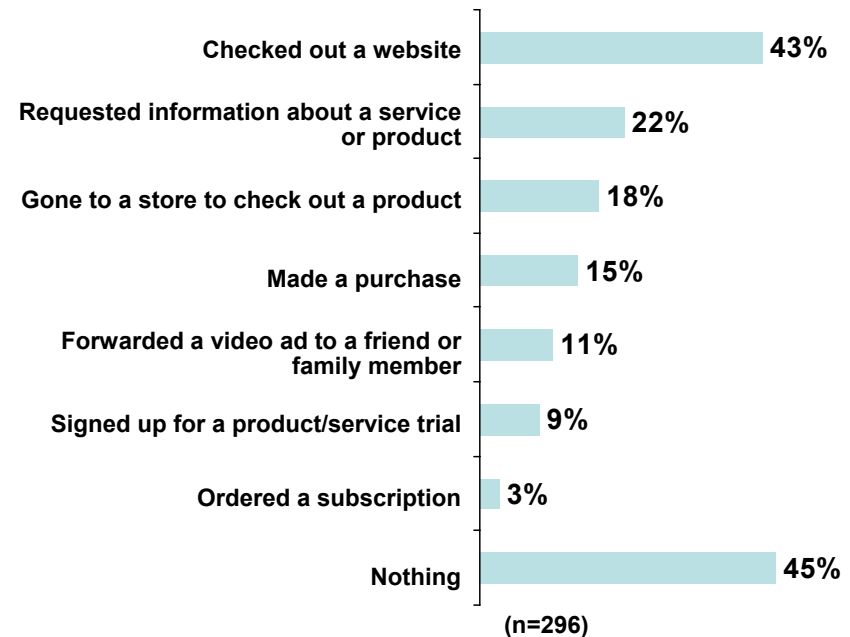
Impact of Online Video Advertising

Viewed a Video Ad on the Internet



Base: Total respondents (n=501)

Did as a Result of Viewing an Online Video Ad



Results like this have driven all of the major IYPs into adopting online video seeking to gain ground versus local cable and newspapers sites



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With Verticalization, Mass Media has begun to Implode

- Gannett has broken *The Cincinnati Enquirer* into 244 separate verticals.
- Cincy Moms is a vertical alongside local news.
- It has developed new vertical segments for “moms” oriented services, including events, baby sitters, kids clothes and cosmetic surgery.



Examiner Papers Count on Verticalization

Examiner's Free Metro strategy in 57 cities relies on the development of vertical sections

- *Automotive Examiner*
- *Right Side Political Examiner*
- *Go to Education Examiner*
- *Celebrity Examiner*



Pure Plays Also Verticalizing

- Monster.com pioneered with Monster Moving, Career Education
- Move.com last month launched Homes and Gardens.

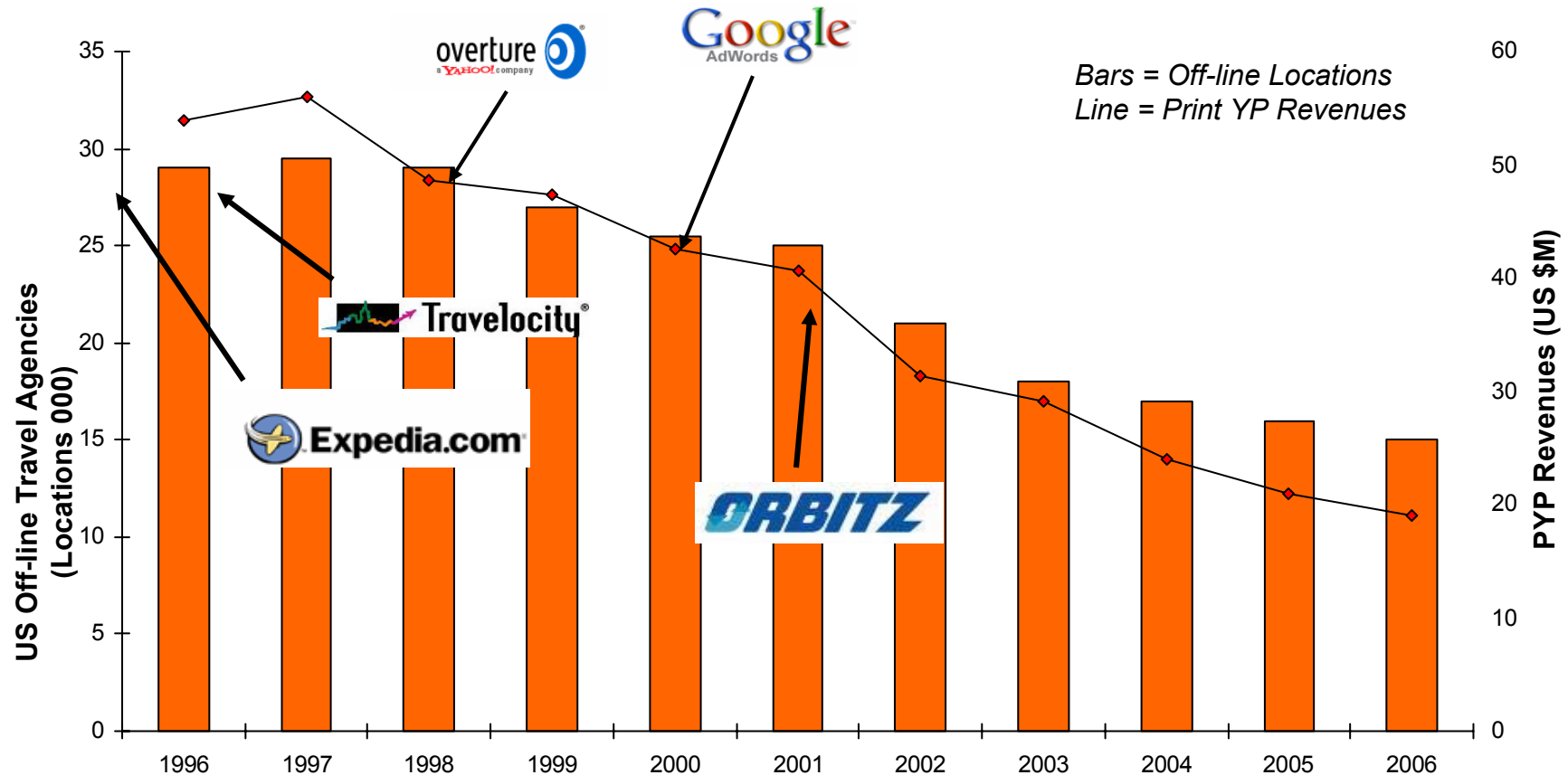


Verticalization: 3 Case Studies

1. Travel – Changes in off-line business landscape due to the Internet
2. Home Services – Cash out refinance market drives enormous demand and revenue in print
3. Automotive – AutoTrader.com leverages content advantage into revenue



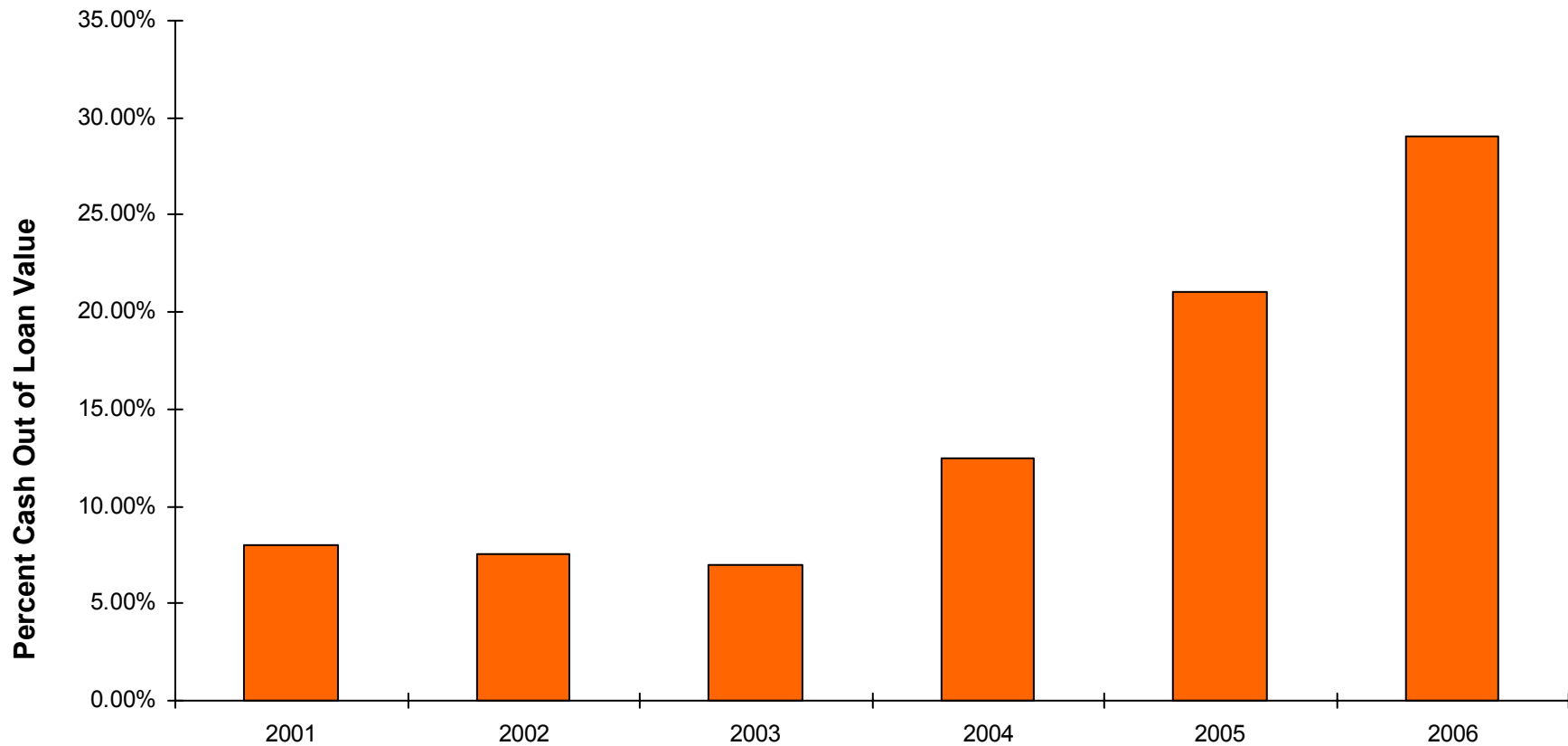
1: Travel. The Internet's Impact on Travel Agents vis a vis Yellow Pages



Source: Census, Kelsey 2006, YPA



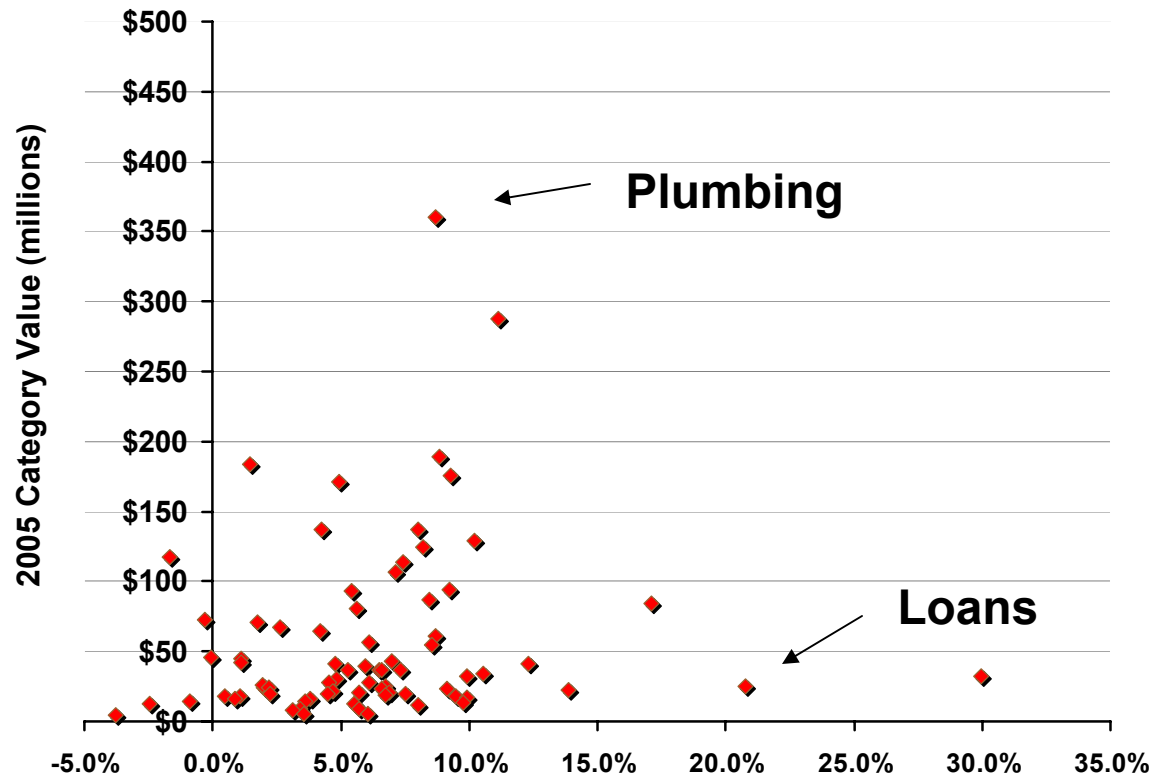
2: Home Services. Home Equity Money is a Side Effect of Boom



Source: XYZ



More Cash Drives Strong Revenue Growth in 77 Home Related Categories

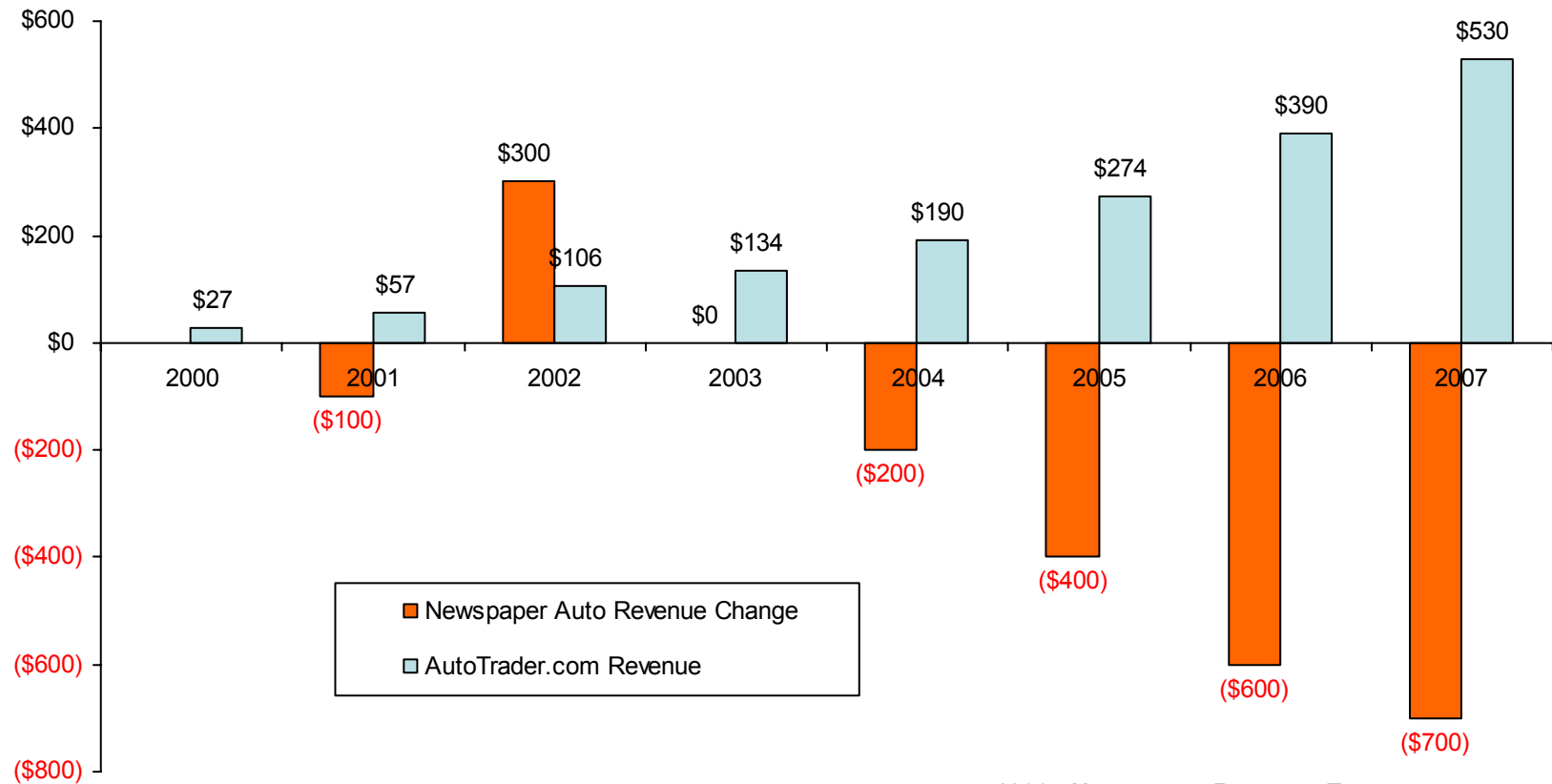


Source: Census, Kelsey 2006, YPA

4 Year CAGR



3. Automotive. AutoTrader Directly Impacts Newspaper Auto Revs

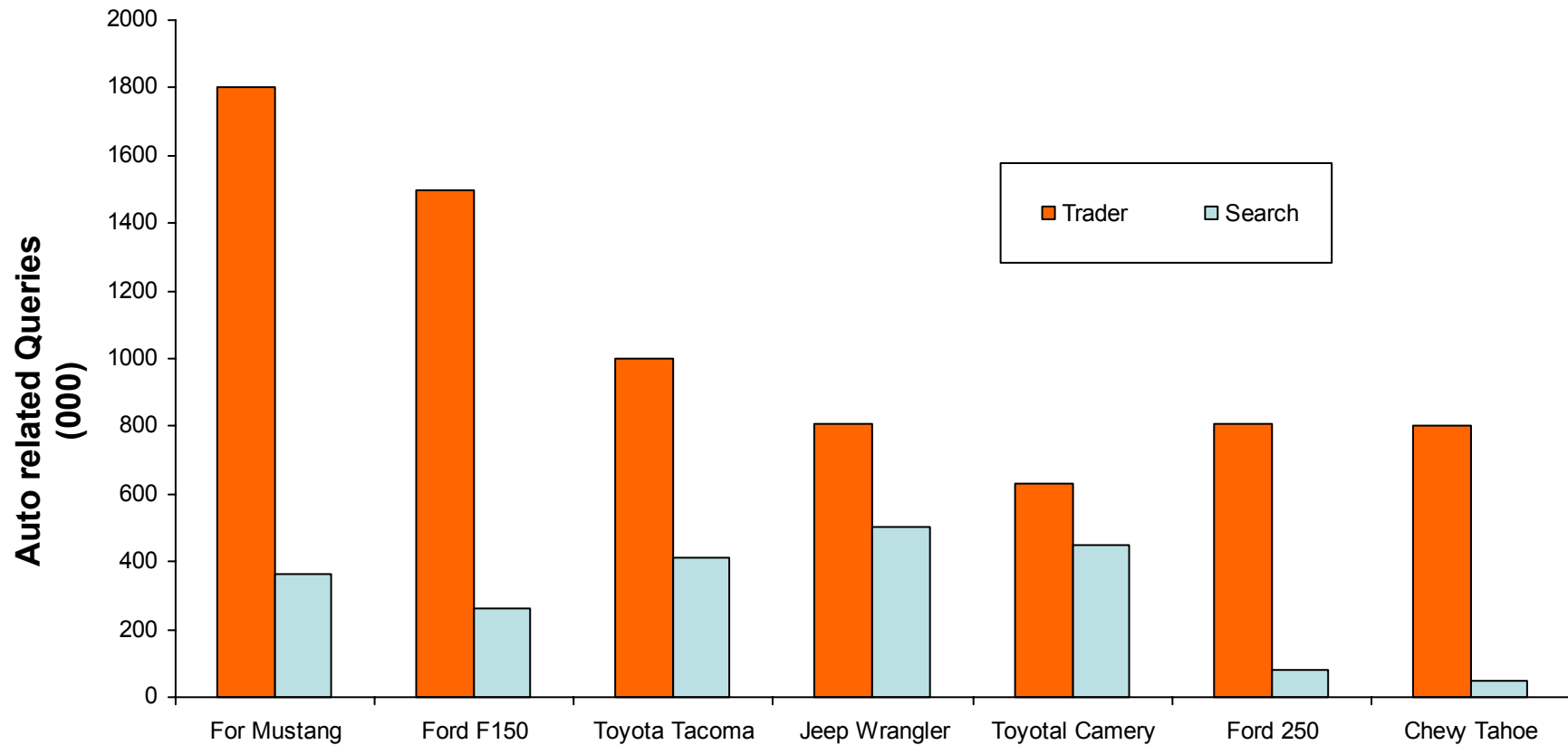


*2007 Newspaper Revenue Est.

Source: Kelsey, NAA, AutoTrader (2008)



AutoTrader.com : The Industry's Search Engine?



Source: Kelsey, Trader, comScore (2008)



The Kelsey Survey: How U.S. Auto Dealers are Transitioning

- New survey of auto dealers
- Wave I February, 2008
- Will be repeated in Fall 2008
- Co-sponsored with Ward's Auto

Will the auto vertical set the 'template' for other verticals?



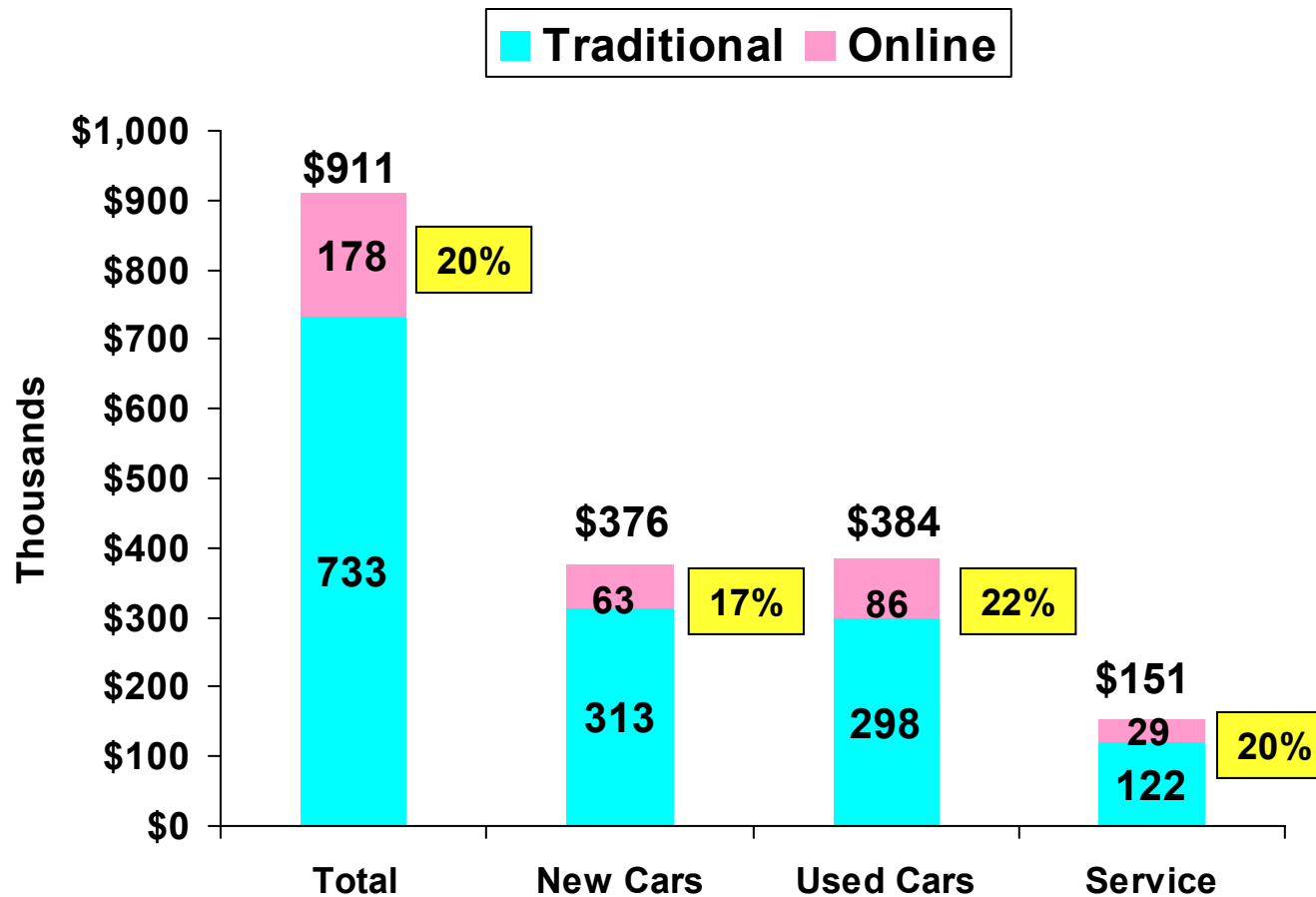
Key Take Aways from Auto Dealer Survey

1. Big growth plans for online advertising
2. Dealers already using multiple formats
3. Not all online media created equal
4. Price increases/ROI for online ads to become an issue?
5. Ambitious ramp-up of 'Web 2.0'



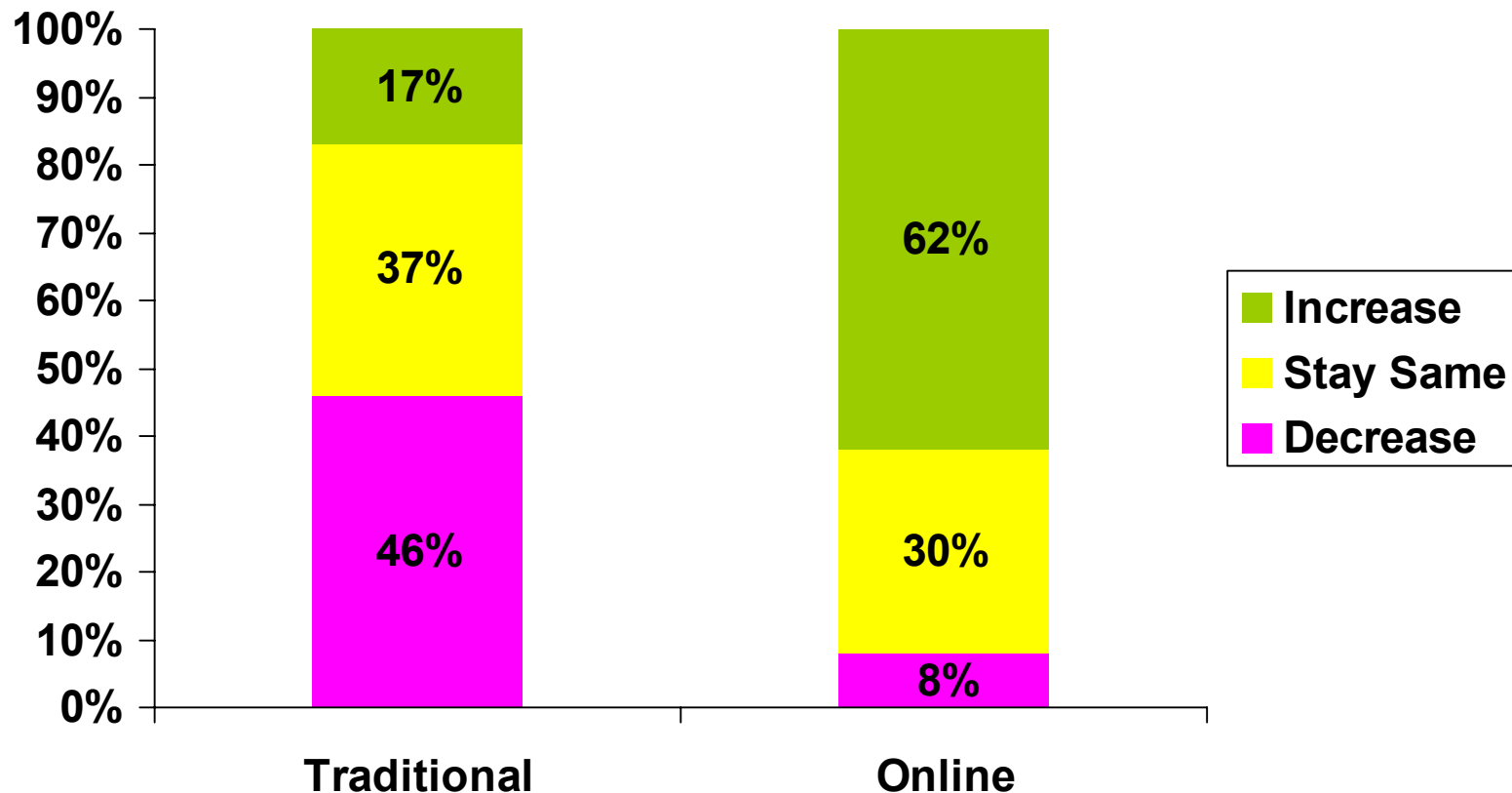
Av. Dealer Spends ~\$1M per Year on Ads

The average dealer in the survey spends \$911,000 annually on advertising of all types -- 20% of which is spent for online advertising.



Major Spending Increase for Online

Dealers reported aggressive plans for increasing spending on online media as compared to traditional media



Conclusion: Classifieds Must be Developed as Vertical Marketplaces

- Build vertical products around high-end, life-event driven categories
- “Mash up” classifieds along vertical segments
- Tweak navigation – but respecting functionality of A-Z
- Create presence in multiple formats
- Emphasize tangible measurement (i.e. call monitoring)



7 Rules of the New Environment (Zillow's Rich Barton)

1. Consumers crave information and power.
2. If it can be known it will be known – by all.
3. If it can be rated, it will be rated.
4. If it can be free, it will be free.
5. Pros who are active players in the new vertical marketplaces win.
6. There can be no vertical marketplace without community.
7. The digital media model rules (local is giant).



Thank you. Let's Continue the Conversation!

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