CLASSIFIED INTELLIGENCE

Consulting Services for the Interactive Classified Advertising Industry

Selling Print Classifieds Online

Building the Web-to-Print Future

Sponsored by

AdStar

June 2004

What's new in online classified advertising?

Executive Summary

Two themes run clearly through this report:

- Online placement of classified advertising has three extraordinary benefits for newspapers: It increases revenue, cuts cost and improves customer service.
- The future of classified advertising for newspapers requires aggregation of databases — from external sources (like auto dealer inventory systems and multiple listing services) and user-input information — and disaggregating them back into various forms of print, online and mobile-delivered advertising.

Neither of those points is new. The first, we made in our original report about *Selling Print Classifieds Online* in February 2002. (Copies are still available on our Web site, www.classifiedintelligence.com.) The second was covered superbly in a report from the Newspaper Association of America, *Classified Evolution: A Web-centric Solution to a Shifting Marketplace.* (It's included in this report as an appendix.)

What's new in this report?

- Self-service ad placement is growing rapidly — and it's fast incorporating more than just classifieds. Newspapers are starting to offer self-service display ads, especially targeting small advertisers who have not been traditional newspaper advertisers.
- Other ad media, most notably yellow pages and search engines, are targeting newspaper advertisers as well by offering self-service advertising.

Peter M. Zollman

Will all advertisers place their own ads one day in the future? No, of course not. Newspapers will still have sales reps. They'll just spend a lot more time *selling*, as opposed to *taking ads*. They'll spend more time providing **measurable proof of return on investment**. And they will work with much larger marketing departments, to drive small and occasional advertisers — plumbers, accountants, attorneys, micro-local businesses like sandwich shops and cleaners, private-party classified ad users — to the newspapers' self-serve ad tools.

What else did we find about self-service advertising?

- Newspapers are absolutely timid about promotion. Time after time we heard, "We haven't promoted this yet — but we'll start soon." *What are they waiting for?* It's the same issue as the newspaper vs. the Internet. Publishers have been intimidated by the Internet and the changes it will make in their businesses; so many tried to bury their heads in the sand and hoped it would go away. Likewise, classified ad directors know self-service works, but they're afraid. So they move slowly and hide it under a rock. What a terrible disservice to themselves, their newspapers and their advertisers!
- Skill sets in classified call centers will have to change. Reps will become more sales oriented — not just pushing upsells and hustling people off the phone, but truly *selling*. Outbound. Support for people working with the online self-service app. Calling (or e-mailing) advertisers for renewals. Working with small merchants on display ROP ads, not just the traditional classified verticals.
- Advertisers have more choices than ever before — daily newspaper, weekly newspaper, niche publication(s), the papers' Web sites, vertical Web sites (AutoTrader.com,

Monster.com, Realtor.com), targeted Web sites, local sites, broadcast sites, broadcast.

Newspapers that take an arrogant attitude (in pricing or customer service) about how "They *have* to advertise with us," will soon find that "No, they *really* don't!"

This report was sponsored by AdStar, one of the vendors we cover. We thank them tremendously for their long-time support. However, it's *our* report — our brand and our credibility — so we take an objective look at the industry and current developments. All editorial judgments are ours; any errors are ours. (If you find any, please let me know immediately.) Because of AdStar's sponsorship, the report is distributed free. You're welcome to forward it to your friends and colleagues. Better still, encourage them to come to our Web site, ClassifiedIntelligence.com, where they can register and download it for themselves.

Many of the themes in this report are covered in other respects in several of our recent paid reports that can be purchased on our Web site — *The Geo-Google Threat: Search Engines Target Local Advertising* (published by our sister company, the AIM Group, in conjunction with The Neil Budde Group); *Employment Advertising: Fight for Dominance Goes Local*; and *Taking Control of Classified Advertising Sales: New Lead-Generation and Data Tools Help Build Revenue.* Free previews are also available on our Web site.

As always, a quick reminder: We offer a wide range of consulting services to newspapers, broadcasters, dot-coms and vendors, always with a practical focus on "helping develop successful interactive classified advertising services." If you'd like to talk to us about those services, please call me or e-mail me.

Peter M. Zollman

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A fresh look at online classified ads

OVERVIEW

If you are not selling classified ads online you're missing the boat, and a boatload of money. That's the short version of what this report — version 2 of a report first issued in early 2002 — says about online ad taking. It's also the "old news" about online ad sales.

The "new" news is that self-service ad ordering is taking classified front-ends where no legacy system has gone before. In places like Austin, Atlanta and New York City, publishers are recognizing that it makes less and less sense, and even less "cents," to take a classified for print and then eventually transfer it to the Web. The new gold standard is to first sell the ad and its text and image content online, offering any number of upsell elements such as pictures, borders, multiple lines, shading, bolding and e-mail response, and make it live online. Then, reformulate the ad and transfer it to the classified front-end system for publishing in print.

Call it "reverse publishing."

"That's what's new," said Jeff Baudo, COO of AdStar, the sponsor of this report. "Look, taking a classified ad online is important, but it's old news. What we've got now is a state-of-the-art Web-based ad-taking capability. That's the direction we're going in and it makes the most sense for the industry. We're fronting the front-end."

Eli Rousso, CTO and EVP of AdStar, says this next-generation of Internet classified tools serve as a generic bridge among different forms of ad systems, which, in a typical newspaper, simply don't talk to each other well, or even at all.

"Now we have the inherent ability to interconnect newspaper technologies with other technology," Rousso said. He's talking, of course, about AdStar's XML Gateway product, released earlier this year. But he's also talking about the paradigm shift; about going from online to print. And about going from one front-end system to another as might happen in a newspaper group.

Using the Internet for original data-entry by the customer has enormous advantages over having the phone room input the ad into the classified system:

- Parsing an online ad and delivering it to multiple sites and front-end systems is easier and faster than trying to extract it from a newspaper front-end.
- Users can be offered the full-range of upsell elements and, in a what-you-see-is-what-you-get environment, can see what those elements look like. Seeing is not only believing, but experience shows it translates into substantially more revenue.
- Different features can be offered for the different media. More text or multiple pictures for online ads, or for niche publications. "Virtual tours" or even video clips for the online classifieds. Borders for in-column ads. Extended job descriptions for online employment apps.
- There are far fewer make-goods.
- The cost of taking an ad online is significantly lower than going through the phone room.

"I don't care how good someone is on the telephone," said Julia Wilke of a group of Gannett papers in Wisconsin. "They could tell you all about one of our 'make an offer' attractors, describe it in great detail and still you'll go 'Nah.' But when you actually see it on the Internet; you say, 'I'm having that!'"

Launched in late 2003, the Gannett Wisconsin papers' online order system is bringing in 175 ads a week; half are from advertisers who haven't been in the paper in more than a year. And, to Wilke's delight, ads ordered online average 2.5 lines more than those taken over the phone. All without any promotion.

At Cox Newspapers, where the *Atlanta Journal-Constitution* has been on the cutting edge of

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self-service classified ads, the reverse publishing paradigm is the driving force behind the launch of a new online ad system.

"Taking a three- to four-line ad and putting it online has been OK," explained Dean Welch, "but there's a good chance that newspapers could eventually get beaten by Internet-only advertising services."

Welch and his colleagues at Cox Newspapers were looking forward to the launch of the new system, built by AdStar and Digital Technologies International (DTI), which was to automatically convert online ads for print. In the system, a customer can write a 2,000-line Web ad and have it boiled down to 4-5 lines for print. Cox hopes they'll select a combination buy, but the customer will decide the advertising mix.

"Advertisers should have been allowed to make their decision based on what they felt their needs were," Welch said. "I suspect we would have had a lot more online-only ads and that we would have had even higher revenues."

It's not been long since talk like that would have gotten you drummed out of the Newspaper Association of America's Classified Advertising Federation (and welcomed in the New-Media Federation). But the NAA itself issued a report in 2003 that referred to an earlier NAA report — "Classifieds in Crisis" — and noted:

"Classified advertising was a marketplace ripe for change, and the Internet is accelerating that change. With superior database functionality, multimedia capabilities, low cost for ad sales, better targeting, lower delivery cost and now mass-market reach, the Internet has become a natural marketplace for the classified business."

It was a remarkable admission for a newspaper trade association.

"As traditional barriers have disappeared, newspapers' position as the primary conduit to consumers is at risk. The industry will have to re-establish its place in the value chain for each of the classified verticals," the NAA report said. (It's reprinted beginning on Page 36.)

"While newspapers have ramped up their online offerings, the fear of cannibalization and adherence to a print-centric means of ad collection and publishing have limited their abilities to maximize revenue and compete effectively against these new entrants. To ensure survival this must change."

Constrained by classified computer systems built to take print ads and fiercely protective of the so-called core product, classified ad managers contented themselves in the early years of the commercial Web with simply posting their print listings, incomprehensible abbreviations and all ("6 rms riv vu" or "3bd/1½ ba enc gr").

A few classified managers offered online placement as a true upsell, but most simply took a 2 percent or 3 percent extra bump in the classified ad rates — attributing it to the extra reach of the Internet posting.

By the time of our February 2002 report, most papers we surveyed were selling ads online in some form, including the NAA's Bona Fide Classified program. However, less than half were using a fully functional online system, and many of those that were had been selling ads online for less than two years. Others used a simple form that allowed the customer to e-mail a classified ad to a sales rep, who would call back for price, payment and similar information.

Now, some six years after the first newspapers began selling classified ads on their own Web sites, the practice is much more widespread and the results — longer ads, more upsells, higher sales — are universal. From the very largest newspapers to some of the smallest, online ad sales are a proven revenue generator and a convenience for customers.

For example, the 21,570-circulation *Hickory* (N.C.) *Daily Record* began offering online ad sales in October 2003. Part of a small cluster of Media General papers, the *Daily Record* almost immediately began sharing in an extra $2,000 a month coming from the 115 or so ads

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> *Internet advertising,*
> *Cox Newspapaers*

placed online each month.

At the *Denver Post* and *Rocky Mountain News*, real estate agents use a Virtual AdTaker system to place hundreds of line ads a week; those placed online are typically more than 50 percent larger than those placed by phone. Real estate agencies also self-serve build dozens of half- and full-page display "gallery" ads including dozens of photos each week, eliminating a lot of work for the newspapers' production staff and making ad creation easier, faster and more accurate for the agencies. Oh, and the papers' refunds and rebates for advertising mistakes drop to near zero on self-service ads.

> **'We are beyond satisfied with the system. … We have experienced cost savings that far exceed our investment in the system.'**
>
> *— Brad Bradberry,*
> *publisher*
> *Evergreen Newspapers*

At the *Sacramento Bee* about 2,200 ads are placed each month through an AdEZ system. Not only do they generate more revenue, ad-for-ad, than those placed by phone, but they also have reduced the load on the phone room.

By now, there is no doubt that any newspaper which still does not offer robust self-service ad tools is missing a significant revenue opportunity. The experience of newspapers of all sizes and in all regions has been remarkably similar: Letting customers place their own ads generates more revenue, reduces costs and makes for happier customers.

Papers that track customers who switched from the telephone to online know that benefits them even more. Not only do those customers spend more, but the time saved in the phone room lets savvy managers redeploy staff to outbound calling.

Though he was speaking of a specific vendor, Brad Bradberry, publisher of a group of Colorado weeklies, neatly summed up his feeling on self-service ad taking: "We are beyond satisfied with the system. … We have experienced cost savings that far exceed our investment in the system."

So what are you waiting for? You can get a low-end starter package for as little as $2,000 and a per-ad charge. A more sophisticated system that delivers fully formatted ads right into your paper's front-end system can run $25,000 or $30,000. Buying a system can run into six figures.

Still not sure? Then do what 38 percent of the newspapers we surveyed for our earlier report were doing two years ago: Put up an e-mail form to let users send you their ad. It won't be slick. Your staff will have to call or e-mail back with pricing and billing. But it will be a start. We predict that, like those papers we surveyed, you'll soon become a convert to the virtues and values of self-service ad placement. And when you do, you'll join the papers that are moving to the next generation — Web-to-print ad sales models.

Cox moves forward with reverse publishing

Dean Welch, director of classified and Internet advertising for Cox Newspapers, isn't content to sit back and enjoy the considerable success of his online classified ad placement system. Even though revenues for ads placed online are nearing $5 million per year at the *Atlanta Journal-Constitution*, where he launched the system a few years back, Welch has his eyes on the next prize: reverse publishing.

"Taking a three- to four-line ad and putting it online has been OK," explained Welch, "but there's a good chance that newspapers could eventually get beaten by Internet-only advertising services."

The reason, Welch said, is simple: Pure-play Internet sites like Monster.com, AutoTrader.com or EBay.com can post a lot more ad text than most advertisers want to run in print. While many newspaper-based systems now offer print / online combos, those online ads are often short because the ad was built first for the limitations of print advertising, and typically placed through a telephone sales rep. It's a one-size-fits-all-formats approach. On top of that, there's also the fact that many newspapers still maintain separate online and print classified systems. At Cox's flagship newspaper, the 410,000-average daily circulation *Atlanta Journal-Constitution*, for example, you can only post a job online. The system isn't linked to print at all.

To step up to the challenge, Welch and the classified ad managers at some of the 40 Cox papers nationwide sat down and designed specs for what they consider the next generation of online classified systems. In this version, advertisers will be able to input as much information as they desire — just like at the dot-coms. The system will then automatically extract and rewrite a four- to five-line "print-friendly" version, leaving the online version as is.

"Someone can write 2,000 lines if they want," Welch said, and if they're willing to pay for it, it will all be displayed online.

Welch's team submitted its outline to two vendors working with Cox papers: AdStar, which handles online ad input (and more) for the *AJC*, and Digital Technology International (DTI), which supplied the front-end computer systems for many of the papers.

"The *AJC* has been a real advocate of true e-commerce," said Jeff Baudo, COO at AdStar. "We've built them a system where some of the fields are common between online and print. Only these fields get into the print version. We're also using our XML Gateway product to enable their existing third-party developed online-only systems to now offer a print capability."

This new "reverse publishing" module will be rolled out in phases at Cox papers. The *AJC* is scheduled to go live in July 2004 and the *Austin American-Statesman* in August.

It's in keeping with what has become one of the industry's success stories. Look at some of the numbers for the *AJC* alone:

- Revenue from online ad placement is now about $400,000 per month — up more than four-fold in two-and-a-half years.
- Almost 30,000 ads were placed online at the *AJC* in 2003. Averages for 2004 are about 3,000 per month, with an anticipated total for the year of about 38,000 to 40,000.
- Seventy percent of ads placed online are from private-party advertisers running print / online combos; 18 percent are print-only with 2 percent Internet only. The other 10 percent come from commercial accounts. "We've really pushed online primarily as an opportunity for non-contract commercial advertisers," said Welch.

Ads taken online are typically larger and run longer — 15 to 20 percent on both counts. "When you're talking with a salesperson on the phone and you start writing an abbreviation,

you see it in your mind," Welch said. "But when you do it yourself online, you see what it looks like right away and you think, hmmm … can anyone actually understand that?" And fewer abbreviations, of course, translates into more lines per ad.

Based on a review of people who have advertised during the previous six months, Welch estimates half of the online ads are "found ads" — ads that wouldn't have been placed at all if it weren't for the online ad sales engine. When the reverse publishing tool is rolled out, Welch would like to see that percentage increase to 80 percent. Interestingly, most online ad place-ment at the *AJC* comes during regular business hours, not like at many papers that see extensive use on nights and weekends. "Maybe Atlanta is more connected than other parts of the country," Welch speculated.

If half of the ads are found business for the *AJC*, that means $2.5 million in business that's new to the paper. And there's another benefit, as well. Some sales reps have been redeployed to handle outside sales and other functions. As Welch figures it, based on 1,250 calls per month that would have come in through the phone room, divided by an average of eight calls per hour, about 156 hours of calls have been elimi-nated. Each sales rep works about 160 hours per month, so the *AJC* saves the work of one full-timer through direct ad input.

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>
> *— Dean Welch, director of classified and Internet advertising, Cox Newspapers*

All of this has been achieved with no promotion in print and none on the paper's home pages, making the growth even more impressive. It should be noted, however, that promotion of online ad placement is very prominent once users click through to or go directly to the paper's online classifieds sections — AJCJobs.com, AJCHomefinder.com, AJCCars.com, and (our favorite) AJCStuff.com.

Welch plans to kick up the system's profile after the new tools launch. "The new system will be widely promoted, with ad campaigns in the paper, online and other media."

The new system will also give advertisers a lot more feedback, with extensive reports that show advertisers how many people are looking at the ads online.

Although he has reason to be proud, Welch says, in hindsight, he would have done some things differently.

"When we started, we really discouraged online-only buys," he said. "Maybe it was just naiveté, but we wanted to have people buy combos. So the rate structure pushed this. In retro-spect, it seems shortsighted. Advertisers should have been allowed to make their decision based on what they felt their needs were. I suspect we would have had a lot more online-only ads and that we would have had even higher revenues."

With the new system ready to roll in Atlanta, Baudo at AdStar is already looking to the next challenge — getting into the phone room. "Most phone rooms don't even have the ability to offer (online-exclusive ads) to a customer," he said. "So we're going to build them a browser, so they can offer the same thing an advertiser would get if she or he went right to the Web site."

AJC CLASSIFIEDS

Web Address: http://www.ajcclassifieds.com/

Clicks from home page: One click from the AJC.com home page opens the AJCClassified.com site.

Prominence Index: high. On the AJCClassified site, four large blue boxes dominate: jobs, cars, homefinder and "stuff," which includes merchandise, pets and recreation. Each has a prominent link to "click to sell." The follow-on pages couldn't be clearer: Each features a detailed three-step example of how the online classified system works, a link to get started, and a "call me" button if an advertiser still feels the need to talk to a person.

Print promotion index: not applicable. Cox does no advertising in print or media other than online in its own properties. A major print campaign is planned for the launch of the reverse publishing system.

Online promotion index: low. There are no banners or other promotions online. If an advertiser doesn't click through to AJCClassifieds.com, there's no way of knowing it offers online ad placement. This is also set to change in Q3 of 2004.

Online ad revenue: undisclosed. $400,000 per month in private-party ads, putting annual revenues at just under $5 million. About 3,000 to 3,200 ads are placed each month.

Percentage of online-input ads from private-party users: 90 percent from private-party advertisers, because the AJC has not encouraged use of the site by commercial and contract advertisers.

"Add-on" ads: Company estimates this at about 50 percent.

("Add-on" ads are defined as ads that the newspapers believe were received as additional business and would not have received if the online input service had not been offered.)

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IPix spans the Web with AdMission

**IPIX
ADMISSION**

IPix Corp. is definitely onto something. Drawing from more than five years experience as the ad-image technology provider for the likes of EBay, Homestore, Cars.com and others, IPix has learned a thing or two about how online images sell advertising. The result of that learning is a new product line — and new business unit — called AdMission.

AdMission is a self-service application that supports online creation of display ads with text, links, and multiple images in an environment that doesn't annoy users by drawing them away from the site they were perusing. It's a virtual storefront — with e-commerce hooks — especially for small businesses that don't want to maintain Web sites. It can be used by advertisers to build their own ads; ad-takers in call centers; or by field sales reps, who can build them in the office or in the field as "spec ads" or as final designs for their advertisers.

At its core is the IPix Rimfire imaging technology, a robust image-management system that powers just about everything IPix does for media and Web sites. Like a growing number of ad-technology providers, AdMission can generate print ads as well.
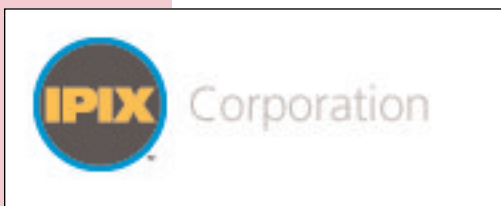
But AdMission's *piece d'resistance* is transportability. IPix's next product is focused on directories, with local search technology provided by Interchange Corp., that will provide the vehicle that makes each ad searchable across multiple Web sites, if the ad is sold that way, and on an extremely granular level. Potentially, classified ads and directory listings are not only unbundled on publishers' Web sites, they can be dispersed to dozens or hundreds of other Web sites, if those agreements are made. Talk about reach.

Ads can reach specific demographic audiences or be geo-targeted to the nearest stop sign. It presents new opportunities for AdMission's target customers — newspapers, search engines and yellow pages — to connect consumers with small businesses which could neither afford to advertise in full-circ newspapers nor maintain their own Web sites. For IYPs (Internet yellow pages) self-serve advertising tools lets customers create low-cost, dynamic, updatable advertising around static listings.

"The trend is, the overall [online advertising] market will grow, but the growth will come from online publishers," said Sarah Pate, EVP and GM of AdMission. "We do see the traditional publishers, the yellow pages, the newspapers moving online to be able to compete with the search aggregators and the EBays of the world."

AdMission's core ASP tools aren't expected to be released until mid-July, but newspaper publishers got a sneak peek at June's Nexpo and Classified Conference held in Washington, D.C.

AdMission is well-positioned for an evolving advertising market. Millions of advertisers are already familiar with IPix's imaging tools from their experiences on EBay, Homestore, scores of newspapers and other IPix channel partners.

From their desktops, advertisers can simply drag and drop images — or folders of images — into a photo queue. They can write text for the ad, captions for each photo, and multiple keywords to describe each product or service. The latter is key to making their ads fully searchable, optimizing the value of their ads and creating the best consumer experience. In only minutes, a Web ad can be created with multiple photos, links to multimedia or other sites, maps and driving directions — including a printable coupon.

Here's a scenario demonstrated to us: A Japanese restaurant creates an ad in a local online directory — a directory either sponsored by a yellow pages publisher or a newspaper. The ad keywords menu items and includes photos of various dishes. The restaurant's address determines its geo-code and triggers proximity ranking in search results. The address is also plotted in mapping and driving directions.

The consumer doesn't need to search through listings of Japanese restaurants. She or he can simply type "sushi" — or even a more specific sushi dish, "unagi" — in the search box, and those restaurants in relevant proximity will be listed. The advertiser's restaurant receives a priority listing.

The consumer clicks the listing to view the ad, which launches a small ad window that floats over the search-results page. The window contains four tabs, one that describes the business, one that includes contact information, another that showcases products and services, and a fourth tab, if appropriate, that includes a coupon.

Basically, it's all most small businesses need to present themselves online, without the need to build and maintain Web sites. Pate says it has the potential for closing the gap between the numbers of consumers online versus the numbers of advertisers online.

"Consumers are going online to look for products and services at an increasingly exponential pace, and they're not finding what they need," Pate said. "So consumers are moving online but local advertisers haven't followed them yet. It's logical to believe they will follow them online, but there is still a big gap to be able to move those small businesses," she said.

In any community, most local businesses don't have the time, money or expertise to run Web sites, let alone understand online business models. Even if they did, they'd still have to advertise. Pate recalled a lesson learned from a recent focus group: "One of the quotes from a small-business owner named Roger was, 'a Web site is only as good as a business card in your pocket. No one's going to reach in there and get it.'

"No matter how good local search technology gets, the end result is that it's only as good as the content returned," Pate said. "You still need a compelling ad, where the consumer is going to look for you, that's going to drive a qualified lead either into your store or into your Web site."

That's AdMission's purpose, she said. "AdMission is focused on getting those very easy-to-use tools in the hands of publishers who can offer them to advertisers to be able to create that deep content that gives consumers relative information exactly where they're looking."

There are certainly other self-serve advertising tools in the marketplace, notably, AdStar, Pica9, MacDonald Advertising Services' Visuals Plus Express and a growing number of serviceable technologies, some of them home-grown. Noting that IPix works with AdStar and others, Pate sees AdMission as a complementary technology, rather than a competing technology. She said AdMission will continue to foster relationships with technology partners.

While AdMission's focus is online, it does interface with front-end print classified systems. CCI is actively demonstrating IPix integrated technology, Mactive announced an alliance in October; Publishing Business Systems announced in March; Digital Technology International announced last week. IPix has enhancement plans for AdMission into 2005. "The future for our roadmap is to be able to continue to extend the features that are most critical for advertisers (and) to add in more robust business management, tracking, reporting metrics and administration," Pate said, "so that a small business can really increase the effectiveness of leveraging the tools, and to make changes, almost in real-time, as they see what the effectiveness of their ads are."

Pate says AdMission is a logical extension of IPix's competencies, noting that the U.S. Trademark & Patent Office recently issued a patent for AdMission technology, covering its process for the remote gathering and distribution of media objects. "We've really been doing this for about five years," she said. "We know more about how advertisers advertise, and how consumers consume with media than probably anybody. We have handled over a million ads on a daily basis before with consumers viewing those on an average of 70 times on the other side. We've won our spurs in this particular space and now we're leveraging that for traditional publisher so they don't have to go through the same learning curves."

Put the advertisers in total control

Self-service advertising has grown beyond newspapers: Now online yellow pages, too, allow local merchants to design their ads online. Several major online yellow pages in the United States, including Verizon SuperPages.com, allow advertisers to design and place their own ads.

We tested Verizon's, which was deep and rich, but perhaps a little too complicated for the average user. But you can be sure it'll get better. It's designed to give advertisers control over the prominence of their ads, let them monitor exposure and track their return on investment in real-time. The system allows customers to log on at any time of the day and place an ad.

"In today's world where you can shop, bank — even date — on the Internet, local merchants want the flexibility to manage their advertising when it's convenient," Darrin Rayner, VP of e-commerce sales and online marketing for SuperPages.com, said in a news release about the service. "Our self-service application is ideal for the small- to-medium-sized business owner who wants a presence on the Internet."

SuperPages uses a pay-per-click bidding system in which merchants set their own price for each click. Advertisers who bid highest receive the best placement. Users pay a $10 monthly minimum; it takes two to five business days for an editor to review and approve their ad content before it's posted.

Registration is simple; promotion of the self-service product is excellent.

On the SuperPages.com home page, two "bullet points" promote self-service advertising. One encourages business owners to add to their Web sites free searchable keywords and business profiles, with a link to their Web sites. The second notes: "Advertisers: Pay-per-click ads put you in control for our top ad positions." Registration is a cinch, taking less than a minute to complete.

The software gets a little clunky and may frustrate business owners who aren't computer-savvy. Before users can design ads, they must set up the business profile. Profiles are deep, rich and industry-specific. We set up a profile for a remodeling company in Boston. The software was programmed to offer choices of brand names, so we could easily check the products we offer. It also allowed inclusion of other keywords, and company features. It required us to include payment info - whether we take credit cards, offer terms, etc., which should be optional but is not an unreasonable "forced" field. When we quit building the profile during the fourth of five steps, it offered an option on whether to save it and return to complete it later, or eliminate it. We saved it; SuperPages in turn delivered us to a page where we could easily buy keyword ads and pay-per-click ads. It also offered "business resources" — with articles such as "Why create a marketing plan?," "10 ways to motivate employees" and "Crafting a winning business plan."

Right on the page — a good one for other self-service ad sellers to review — SuperPages.com notes that it is "the No. 1 online yellow pages," with up to 16 million visits per month. "And," it says, "our users are ready to buy! Eighty percent contact advertisers and 53 percent make a purchase." The page also includes info about how to build pay-per-click ads, or "full-serve" support for pay-per-click campaigns.

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Advertisers upselling themselves

AD WEBSTER

With virtually no promotion online or off, Gannett Wisconsin's deployment of the AdWebster online classified system from Harris & Baseview is generating almost 200 ads a week, less than a year after it launched. More significantly, a full 50 percent of those ads are from advertisers who haven't placed an ad in the previous 13 months. And best of all, ads originating online are averaging 2.5 lines more than phoned- or faxed-in counterparts.

Online advertisers are essentially "upselling themselves," explained Julia Wilke, business system manager for Gannett Wisconsin. "The trick … is the whole attractor piece," referring to AdWebster's ability to easily add visual components to a classified ad.

"I don't care how good someone is on the telephone," Wilke laughed. "They could tell you all about one of our 'make an offer' attractors, describe it in great detail and still you'll go 'Nah.' But when you actually see it on the Internet; you say, 'I'm having that!'"

As a result, the ad staff at the papers is enthusiastic. "We've seen no resistance whatsoever," Wilke said; on the contrary, people are "thrilled" with it.

The numbers are all the more impressive given that three of the most critical segments — recruitment, home sales and rentals — are not even available yet online. Wilke said automotive is the largest online ad sales segment right now, attributing some of that to cross-over activity: "People looking to buy cars are also often looking to sell cars. Rummage sales are also big … and a lot of fun."

Despite the enthusiasm, it wasn't an easy process. AdWebster was installed in June 2002 as an upgrade to Harris & Baseview's AdPower system serving the 10 Gannett Wisconsin regional publications, but didn't launch until late 2003. Why the delay?

"The biggest hurdle was getting someone to host it," explained Wilke. "Because we're part of Gannett, they are very cautious about anyone being able to get behind the firewalls. But AdWebster only works if you touch the servers."

In the end, Harris & Baseview itself was chosen to host the system at a cost of about $1,100 per month. Gannett paid Harris an undisclosed fee to purchase the system — "We own the software," said Wilke — plus an annual maintenance fee. There are no monthly or per-transaction fees.

Gannett Wisconsin currently restricts the service to individuals. "We still want our commercial clients to talk to their ad reps," said Wilke. "It's a balance."

Currently, the service is pretty much hidden on most of Gannett's Wisconsin newspaper Web sites. On the *Green Bay Press-Gazette* site, for example, it's not even shown on the home page. Only if you click the "general" sub-category on the classifieds menu bar do you see a small "Place Your Classified Ad" link on the follow-on page — and it doesn't even indicate that it's an online service. But all that's set to change by fall 2004. "It will be promoted in the main paper, the shoppers and weeklies, on billboards and radio," Wilke said.

At that point, expect online classified placement to explode — especially off hours and on weekends. Wilke and Theresa Munoz, classified advertising manager for Gannett Wisconsin, both have noticed that "an awful lot" of ads are coming in when ad sales phone lines are closed. It doesn't hurt that after-hours, the classified department's phone message directs callers to the Web site.

There are other, sometimes surprising, reasons why advertisers choose to go online. Munoz cites the one customer who "explained she was going to call it in but decided to do it online because personal phones calls are monitored at her job."

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GANNETT WISCONSIN

Web address: http://classifieds.wisinfo.com/greenbay/

Clicks from home page: Varies depending on the property. Most follow the format of the *Green Bay Press-Gazette* which has a link to classifieds on top and side menu bars. On the classifieds page, there is a link to "place your classified ad" which is smaller in prominence than the phone and fax prompt.

Prominence Index: Low. There is no specific mention for online classified placement on any of the Gannett Wisconsin home pages. A prospective advertiser must click the general sub-category in the classifieds menu. Clicking a specific sub-category such as Cars or Personals launches a uniquely branded set of pages — with no link to the AdWebster system.

Print promotion index: None. Gannett Wisconsin is planning a major print, radio and bill board campaign in the third quarter of 2004.

Online promotion index: Low. Other than the classifieds link on the home page, there is no promotion online. This is also set to change in Q3 2004.

Online ad revenue: Undisclosed. However, online ads are generating an average of 2.5 more lines per ad over phoned or faxed in classifieds. Average classified price is $24.

Percentage of online-input ads from private-party users: Gannett Wisconsin currently only allows private advertisers to place classifieds online.

"Add-on" ads: Company estimates this as more than 50 percent.

Self-service ad placement: prime the pump, keep it simple

Consumer Networks offers self-service ad placement tools with its online coupon software. In a recent post on a Newspaper Association of America forum, Jeff Beliveau, the company's VP of newspaper operations, offered two valuable recommendations for papers to help encourage online ad placement:

- "Prime the Pump: It's hard to close the deal if the potential client clicks to a sparsely populated site. Before launching a self-service feature, pre-populate the area with a large enough number of clients for the 'me too' effect to occur.
- "The ad creation and payment process has to be super simple and fairly quick, or you will get a lot of abandoned shopping carts."

Ad placement in multiple publications

ADSJET

Since Landmark Communications went live with a self-service ad system at its three major dailies — *The Virginian-Pilot* in Norfolk, Va.; the *News & Record* in Greensboro, N.C.; and *The Roanoke* (Va.) *Times* — the company has seen phenomenal print-to-Web migration: more than 30 percent of its contract customers in some markets.

It's a great success, especially considering the company is still promoting self-serve ad sites only minimally and relying mostly on word-of-mouth to drive traffic.

The next step is to add functionality at a new site, AdJets.com, which will let advertisers place ads in multiple publications; target ads at demographic groups including parents and families, seniors, military families and business decision makers; and receive "deeply discounted" ad rates while they use a "self-directed ad program [that] creates convenience, control and accuracy."

Landmark wants to revolutionize the way newspapers think about advertising, said Joe Antle, the man who conceived and implemented the system. Antle said he's doing what Dell Computer Corp. did for the personal computing business in the 1990s: letting individual advertisers place their orders online after customizing their purchases on an easy-to-use and dynamic Web site.

The AdsJet project began in January 2004 and was in tests until early May. Then Landmark began soliciting small businesses that were not advertising in 12 Landmark-owned publications, including apartment and employment guides distributed through direct mail.

AdsJet, a display application, works somewhat like Costco wholesale clubs. Advertisers pay an annual $199 fee, and must buy at least $1,800 per year in advertising in any of the 12 publications. The fee pays for access to the software, which was developed with a local company. "Members" receive substantially discounted ad rates for paying the fee and designing and scheduling the ads themselves.

AdsJet is targeted at yellow-page advertisers.

"We're getting through the clutter of an oversold market, and that's a real challenge," Antle said. "Our interest is in people who are noncustomers. We're letting the technology improve on their nickel.

"We're helping customers manage their relationship with us, and that idea is as powerful as the technology."

Antle said sales reps sat down with about 100 businesses during the first month after launch, and about half were receptive to membership proposals.

Self-serve classified liners are available through a separate online application. As at most newspapers with self-serve sales, ads placed directly by advertisers generate upsells more than 20 percent higher than ads placed by phone. The system, designed by Digital Technologies International (DTI), lets private-party advertisers include "popper" graphics and other features, adding a few extra lines and squeezing additional revenue from each ad. By next year, Antle says, business customers at all three papers will be able to place ads online.

Ads tend to be larger because many advertisers buy a border or decide to bold-face the first line or two, Antle said. The site shows exactly how the ad will look, and lets users design and redesign it for as long as they like.

"The visuality of it is part of it, and the other part is that the customer is thinking to themselves, 'I'm buying this, you ain't selling me, and I'm choosing to buy more,'" Antle said. "Typically revenue is 20 to 25 percent higher."

While not necessarily new to the business world, the self-service concept is radically altering

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the way many newspapers do business. In addition to increasing profits, Antle said it has made the papers' call centers more efficient, allowing them to better deploy sales staff.

"You begin to look at it differently," Antle said. "We can rethink our business rules and Web-only packages. We've been able to take an enormous amount of human capacity and redeploy that for more outbound activity. The sales clerk is no longer the entry clerk; he's more of a strategic advisor."

Historically, call center reps might be able to handle 100 ads per day. But with Web ads, they can handle 200 to 300, said Valerie Mach, marketing manager of interactive media for Landmark.

"You allow efficiencies because this person is not spending as much time per ad," Mach said. "You can reduce your cost line or do more outbound selling."

Time will tell if customers who have migrated to the Web are just early adaptors, a group of tech-savvy noncontract customers who are willing to spend more money.

The Virginian-Pilot, the group's flagship paper, runs three Web sites: PilotOnline.com, HamptonRoads.com and EZPilotClassifieds.com. The first two feature overlapping national and local news and shared ad content. The third is simply a direct link to the self-service ad system, which has been live since August 2002. It initially targeted non-contract customers; since March 2004, contract customers have been encouraged to use it, too.

Placing an ad from the news sites is intuitive: Clicking on a large, red "place an ad" button (as large as the paper's logo in the navbar) takes visitors to a page where they place print, online or combo ads. Creating the ad requires nothing more than typing a few lines into a text box and selecting extra features, if desired, such as bold-faced copy or graphics to make the ad stand out. A "preview" button shows users how the ad will appear; they can go back a step to tinker with it if they're unimpressed. Next, the system calculates the bill, based on the size of the ad and the number of days it will run.

Antle said he's deeply considered the issues and budgets of small businesses, and is well aware price is a major concern for many customers. He said the site will soon offer online-only specials to attract price-sensitive private businesses.

The Greensboro paper offers a $5 discount for Web placement. Antle said he thinks it's smart to discount rates to encourage migration to self-service, but he won't tell the other Landmark papers whether they should join Greensboro in this particular strategy.

Antle hammers on the convenience of an online system that is available around the clock. He and his staff immediately noticed that about 40 percent of the ads placed online were sold after normal business hours.

As ads become more affordable, Antle expects that the classified marketplace will be redefined. While auto and employment liner ads sell well at most papers, one great opportunity might be in general merchandise, Antle said. Local retailers will start selling individual products, for example bikes from a local sports store.

"We've sort of defined classifieds as the marketplace — but now you've got this whole new channel that's available 24 / 7," Antle said. "From a customer service perspective, the system is a win-win for the newspaper as well." Although Antle says the paper has a "first-rate" call-center staff, the error rate is still higher for ads placed by phone. When the customer designs, writes and verifies his own ad, error rates drop from about 1 percent in the phone room to one-tenth of 1 percent online.

"Now my boss is asking why this isn't perfect, why there are any errors at all," Antle said. "But this is still early-generation stuff — some of our business rules are so complicated that when you automate them people don't understand."

As the system matures, Landmark hopes to hook its contract customers with additional functionality. It hopes to allow contract buyers who place multiple ads to purchase all of their ads in one fell swoop; currently, advertisers must buy each ad one at a time. And the company hopes to add tools like spelling checkers to its ad-placement site.

"We're having a lot of successes and continue to improve the site," Antle said. "To me it would be ugly to come into our call center in a couple of years and find a bunch of smart people typing ads."

Gallery display ads exceed investment

VIRTUAL ADTAKER

Here's a testimonial about an online ad-development product that's tough to beat: "We are beyond satisfied with the system," said Brad Bradberry. "We have experienced cost savings that far exceed our investment."

Bradberry, publisher of Evergreen Newspapers in Colorado, was raving about Virtual AdTaker, software used to build "gallery" display ads and to place liner ads at several papers in Colorado.

"In a market dependent on real estate, some 75 percent of realtors use the Virtual AdTaker software and seem to love it," Bradberry told us. "Write-offs due to errors on real estate ads have gone to zero. The support behind VAT is outstanding as well."

Dynamic Access Systems, known as DynAccSys, is the 22-year-old Silver Spring, Md., data management firm that developed Virtual AdTaker. The company's primary business is the handling of mortgage and banking information, but it built this application several years ago to help newspapers and real estate agencies create image-rich display ads.

Virtual AdTaker lets advertisers create, schedule and — in the case of transient advertisers — pay by credit card for their classifieds. The program handles liners, transient or contract, in all categories; display ad creation and scheduling is offered for auto and real estate ads.

Display services launched in mid-2000, liners in late 2001. Thirteen newspapers use Virtual AdTaker, including the *Denver Post, Rocky Mountain News, Denver Business Journal* and Evergreen Newspapers.

Denise Zeigler, director of real estate advertising for the Denver Newspaper Agency, which publishes the *Post* and the *Rocky*, says their advertisers place hundreds of real estate line ads online each week through Virtual AdTaker. A DynAccSys client for nearly four years, the papers report a 62 percent increase in the size of ads placed by real estate agencies themselves, as compared with those scheduled through newspaper sales reps.

Evergreen, a group of six paid weeklies in and around Evergreen, Colo., owned by Landmark Communications, signed for Virtual AdTaker in July 2003. The papers, including the *Evergreen Hustler, Canyon Courier* and *Columbine Community Courier*, reach nearly 44,000 subscribers in central Rocky Mountain foothills.

Evergreen uses Virtual AdTaker for real estate display and legal line ads. Bradberry said DynAccSys provides the necessary servers, database, and technology for a "moderate up-front fee." He said the papers pay a small per-ad fee, plus a "moderate" monthly license fee based on circulation to cover the software, 24 / 7 support and software upgrades. "On an annual basis … the fees are the approximate cost of one staff person for each product (in-column or display)," he said. (Bradberry declined to give more details on fees.)

Advertisers who run the largest displays rave about Virtual AdTaker.

Janice Lizzi, operations manager at Broker One Real Estate Co. in Evergreen, schedules a double-truck ad with the papers several times each month. "It's wonderful," she said, "It saves a tremendous amount of time and reduces errors."

Before Virtual AdTaker, she said, Broker One sent 30 pages of copy to the paper, where a production rep would retype them. Then, of course, Lizzi or someone else at Broker One would have to proof the draft ad and make corrections. Now one employee at the agency is assigned to ad creation and scheduling. As listings come in, that employee prepares them for publication. Each agent has an individual gallery of ads, and a master gallery is maintained as well.

Lizzi sees two advantages to Virtual AdTaker, the first being that the ad will appear online

and in the paper exactly as sent. "We can tweak the pictures ourselves. We don't have to worry that the tops of buildings will get cut off, for instance." The second is that the ad deadline was extended.

Russell Puls, the papers' advertising sales manager, said most ads come in on Sunday and Monday, around the clock, which has reduced the hectic Friday deluge of incoming ads. Evergreen doesn't offer advertisers a discount for online ad placement. The papers promoted Virtual AdTaker by having real estate advertisers meet individually with their sales reps, and with a few short calls to government offices for legal ad placement.

Transient and private-party advertisers can use an online form to submit ad copy and schedules, but they can't pay for ads without talking to a sales rep because the papers use a Baseview classified front-end system that is not yet integrated with Virtual AdTaker. By the end of 2004, Evergreen expects to be able to offer Virtual AdTaker for all photo classifieds.

Again due to system incompatibility, graphics manager Tom Findley said the papers are not using the e-mail ad-renewal notice system in Virtual AdTaker. The papers plan to launch a different permission-based e-mail reminder system for all ads.

Choosing the product was quick and easy: Puls, who had worked with Virtual AdTaker GM Renae Gerkin at another paper, respected Gerkin highly. Evergreen looked briefly at another vendor, but quickly decided to work with Gerkin. "Renae and the other Virtual AdTaker staff are great to work with," Puls said. "They are always looking for improvements, and they complete their upgrades during off hours so as not to inconvenience us."

In the browser-based app, the advertiser chooses classification, indicates the asking price, selects bold-faced if desired, uploads a digital image, creates a banner, types in text and contact info. He or she can add a logo, choose enhancements offered by the paper (bold "awesome," check mark, "check this out," etc.), indicate column width, and schedule the ad. The user can then review the ad and make changes as required. Each ad is stored in the Virtual AdTaker system and can be changed as necessary. For example, a brokerage can put together a gallery ad with 40 homes on a Monday, but update it before deadline with replacement homes for any

Broker One Real Estate uses Virtual AdTaker to run listings.

properties that sold.

Virtual AdTaker is easy to learn and use, and would clearly save time for real estate agencies or auto dealers — and of course the newspaper's staff as well.

Gerkin and Puls both agreed products that allow advertisers to develop and place their own ads online essentially have ended the time when 80 percent of all classifieds came in on just two days — Thursday and Friday.

"Virtual AdTaker relieves your staff to really sell an ad — not just take an order," Gerkin said. That's not just true of Virtual AdTaker, but of all self-service ad sale products. It is perhaps their best virtue.

Ease of use puts ads on client's terms

ADSITE

Just as airline passengers are learning to buy their tickets and check in online, advertisers are moving toward a do-it-yourself approach as well.

"We're moving into a world where increasingly people want self-services on the Internet, and that's not a trend that is unique to online newspapers," said Liddy Manson, VP and GM of jobs, cars and real estate at Washingtonpost.Newsweek Interactive. "The move toward self-service, while being very cost-effective for the paper itself, has more to do with meeting the client on the client's terms, with 'ease of use' being the key."

As advertisers and their customers become increasingly Web-savvy, she said, they develop more opinions about how they want their ads to appear and find the convenience of self-serve attractive. "As we look into the future, a lot of what we're trying to do with self-service is to reach into the consumer-to-consumer sphere of classifieds, and allow people to post things for sale in a much more casual environment," said Manson.

Until December 2003, only the jobs and cars sections on WashingtonPost.com accepted online order entry. Now advertisers can place merchandise and real estate ads online as well. While *Post* executives won't divulge revenue information, they say they're pleased with the results.

For now, advertisers are finding the self-serve tools by themselves. The *Post* plans to expand its promotion of the services later this year year. "Basically, every employer assumes that you have it now," Manson said. To compete with job sites like Monster.com and CareerBuilder.com, self-serve is a necessity.

Like employment advertisers, real estate advertisers see two options when they enter the WashingtonPost.com classified section. They can build an online-only ad, using Classified Ventures' HomeScape platform, or they can follow a link to order a print ad. There's no way to buy Web and print with one process. The online-only option is a simple, seven-step process that lets advertisers post up to four property photos to their ads, as well as one link to a virtual tour. The price is $99 for 28 days or $149 for 120 days. The ad is accessible through all 130 Homescape newspaper affiliates. The *Post* launched the service in April and has been "very pleased," Manson said. Although a few commercial advertisers have used it, the service mostly attracts transient, for-sale-by-owner ads.

For several months, the *Post* offered a self-serve application for real estate agents to design and place their own banner ads, using technology provided by AdVariant from Amazing Media. Agents could spend as little as $80 for 20,000 impressions. "It gives the advertiser more control of the campaign, and they can change it whenever they need to without a middleman — saving us manpower, too," *Post* spokesman Don Marshall told us in April 2003. The program has been discontinued, and Manson won't give details. "We're really still looking at the pros and cons of that product, and other ways in which we can simplify the ad-placement process," she said.

The *Post*'s Web system for placing print employment ads, called Adsite, was built by WPNI's technology department. The eight-step process lets the advertiser use a choice of templates, add signature lines, icons, or logos, and choose run dates and specific zoned editions in which the ad will run. Pricing is calculated when the ad is designed and is shown before the advertiser enters credit card information. (We built a 13-line ad to run in all 13 zones on one Sunday, with no icons or logos. The price was just under $200.)

Plans are under way to unify the technology so advertisers can build an online ad and a print

ad at the same time, says Manson. "The biggest setback in our jobs product to date has been that you buy [your print ad] from one Web site, type in your information, add in a billing amount … and then you have to start all over again to do it [for an online ad.]" Unified technology was scheduled to launch in mid-2004, and "once we have that up and running and stable, we'll look into doing that for all our other classifieds," Manson said.

The technology behind the employment site at the *Post* was built internally with support from Accenture, and has been sold to several Cox newspapers, including the *Austin American-Statesman* and the *Atlanta Journal-Constitution*. In addition to a number of variously priced posting packages, it offers employers a resume database and results of screening tests taken by candidates. Employers can also offer "featured employer" sections and respond to applicants with an automatic e-mail feature.

Like the other verticals, auto advertisers can place print-only and online-only ads through two different online interfaces. Online ads appear at the *Post*'s Cars.com section at $40 for a single-photo ad, and $50 for an ad with up to 12 photos. Ads are renewable without additional charge until the car sells. Through online placement of print auto ads, which also uses the *Post*'s own Adsite software, a three-line, three-day ad runs $36.

These online order-entry services at the *Post* launched in April, so definitive data on use was unavailable. Consumer response has been positive, Manson said, and in the long run will serve "to build community, and to engage (advertisers) in our site."

Happy ads make SacBee.com want to celebrate

"**L**ordy, lordy — look who's forty."
"Have a good day at work, Daddy."
"Alexis is 9!!!"
You won't find too many ads like these in *The New York Times* or other major metro papers, but "happy ads" or celebration ads — once exclusively the province of small-market and weekly newspapers — have found a new home online.

At *The Sacramento Bee*, happy ads cost just $5.95 and reside in the upper right-hand section of SacBee.com, the Web site of the 300,000-circulation daily. They launched in February after the paper decided it wanted to bring in more private-party ads online and enhance the site's human voice and local flavor. It's easily accomplished online with a few simple steps.

The site carries up to five celebration ads at once, rotating them evenly. At $5.95 each, 365 days a year, that's a revenue stream of almost $11,000 if they sell out. (When we checked in early June, they were just 99 cents; we were told that was a limited-time special.)

More important, the site is expecting to sign a corporate sponsor for celebrations.

Kelly Shively, online advertising manager, said the sponsor would be listed on the SacBee.com home page, some inside pages and in house ads. Although she wouldn't say how much the advertiser is paying, other than "several thousand dollars," she described it as a relatively easy sale.

"They get to be part of a feel-good piece — not next to some controversial news story," Shively said. "We're getting great feedback from the community about Celebrations."

With private parties loving it, the Bee making money with it, and advertisers gaining home-page exposure from their sponsorship, the feature may well be a cause for celebration.
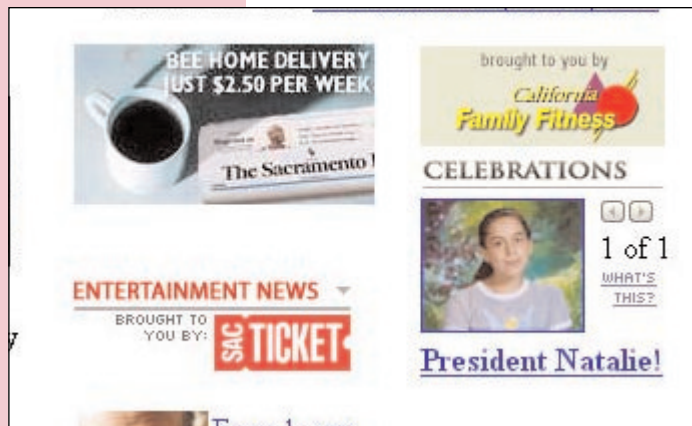
Self-service puts responsibility for content where it belongs — on the advertiser

PICA9

Newsday, the Long Island newspaper owned by Tribune Co., offers a hodge-podge of self-serve ad placement tools from two different vendors. Web classifieds and print employment ads can be placed online, but all other print ads for *Newsday* have to be placed online.

In the most unusual self-serve ad arrangement we've seen, commercial real estate advertisers can use the Web to build print ads for *Newsday*'s affiliated weekly real estate rack product *Long Island Life*. (It has no online counterpart.) First advertisers have to negotiate the ad size and price with a *Newsday* sales rep, by phone or in person. Then they are directed to a Web-based application developed by Pica9 to design the ads.

"What's great about a self-service system is it puts responsibility for quality content squarely where it belongs — and that is on the advertiser" and not the newspaper, said Pica9 CEO Kevin Groome.

Newsday may be skittish about using all of the self-serve tools at its disposal.

"They prefer right now the phone contact they have with their customers — for upselling and relationship-building," Groome said. "They don't want to get so automated that they lose that personal touch."

Executives at the 570,000-average daily circulation paper declined to discuss the services.

For *Long Island Life*, advertisers use a Web browser and Adobe Acrobat to create display ads by choosing from pre-built templates or by custom-building a template, then adding photos and borders. Groome said this lets customers create ads that are brand-consistent and high-quality in print, while extending deadlines by two days.

"(Advertisers) can get those last-minute prices in or make that last-minute tweak, or put in a new photograph because they finally managed to take a shot of the house on a sunny day … and they love that," he said.

He estimated that 75 percent of the ads are submitted during the hour before the Wednesday afternoon deadline.

Pica9, which employs 15 people, is based on *Newsday*'s turf in Garden City, N.Y., and is wholly owned by Welch Nehlen Groome, an advertising and marketing communications firm. In addition to its *Newsday* app, Pica9 provides tools to Hilton and Marriott that let property managers repurpose ads and content from ad agencies, to "localize and customize (them) for a fraction of the cost of what it used to take to go through an agency or a freelance design group."

Pica9 has also built a print-ad reservation and billing system, but *Newsday* does not offer it. Newsday.com, the paper's Web site, sells auto, apartment and employment ads online.

Its Apartments.com section lets advertisers place self-service, online-only ads at $65 for two weeks to $85 for four weeks, including up to six color photos. Its online real estate section is powered by HomeScape, a Classified Ventures service. HomeScape offers self-service ad tools, but they aren't available at Newsday.com.

Self-service ad placement is also available for the online-only cars section, at $40 for a basic ad or $50 for an ad including up to 12 photos. The ads run on Cars.com, and are renewable online at no extra cost until the car sells.

The Newsday.com employment section is powered by CareerBuilder.com. Print-online combo ads can be placed online through a self-service FlexAd tool powered by AdStar. Recruiters can choose from various packages for print and/or online; rates vary based on ad size and the duration of the run. Print ads run in *Newsday*'s Sunday CareerBuilder section; in Tribune's New York metro Spanish-language paper *Hoy*, and in *Jobs*, a monthly employment book. They also run on Careerbuilder.com.

Groome said Pica9 expects to launch newspaper services in two major markets by the end

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of 2004 that will be broader in scope than *Newsday*'s. They will be "much more e-commerce-oriented systems — for the occasional advertiser, not just the contract advertiser … and will address dozens of different business categories, not real estate only," he said. He couldn't name the participating papers or markets.

"We're going to be pushing the envelope in a variety of areas, in terms of how creative is offered up to users, to what extent they can create their own ad, to what extent can they license creative that might be pre-existing," he said. The project will show how "ad-building capability can help to promote the entire concept of advertising to small businesses, which are often loathe to spend any money on marketing.

"And that, I think, is ultimately the vision: to lower the barrier to entry for high-quality print advertising."

Ad placement made easy on Loot.com

Just as self-serve ad placement is not limited to newspapers, it's also not limited to the United States. In fact, one of the best online ad sales apps we've seen is at the site of Loot.com, the U.K. classified newspapers that also run an award-winning phone-room operation.

The Loot ad placement page, http://www.loot.com/rs6/homepage.asp?action=help&t=loot_usage/place_help , is clearly featured on the Loot home page (although frankly, it could use a little more punch). But when you click on it, the page really shines. With a series of screen shots and simple explanations, it guides users through the process in easy-to-follow language. Although the page is long, it's so straightforward that it's not at all intimidating.

The Loot-ers also have a bit of a sense of humor about them. The payment screen is headlined, "What's the damage?"

Evolver Media GmbH, evolver.de, based in Chemnitz, Germany, offers an online ad-placement product that is running at more than a dozen German newspapers. And Rosetta, based in Amsterdam, also offers ad-placement software.

Loot.com's ad-placement page makes placing an ad easy.

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VENDORS

Company name: AdStar, Inc.

URL: AdStar.com

Address, phone: 4553 Glencoe Avenue, Suite 325, Marina del Rey, CA, 90292, (310) 577-8255

Contact for sales: Ben Smylie, SVP, sales and marketing, bsmylie@adstar.com

Key executives: Leslie Bernhard, CEO; Eli Rousso, EVP and CTO; Jeffrey Baudo, COO; Smylie; Nancy Works, VP-product development; Richard Grover, VP of product technology

Company founded: 1986

Ownership: Publicly traded on Nasdaq — ADST, ADSTW

Services offered: AdStar provides ad-placement services to more than 50 newspapers in the United States. AdStar Agency, used by more than 400 advertising agencies to send more than $400 million worth of advertising to newspapers each year; AdStar Web, used by newspapers to provide self-service advertising insertions by commercial and private-party advertisers; XML Gateway, XML interface for transferring third-party content between computer systems; Advertise123.com, an ad-placement interface to hundreds of newspapers and Web sites.

Edgil Associates, a wholly owned AdStar subsidiary, provides secure integrated payment processing, electronic publishing, database management, and data translation and routing systems to the publishing industry.

Key clients: Tribune Co. newspapers including *Los Angeles Times, Chicago Tribune, Orlando Sentinel*; *Atlanta Journal-Constitution, Detroit Free Press, Philadelphia Inquirer, New York Daily News,Los Angeles Daily News, Akron Beacon Journal, St. Paul Pioneer Press* and *San Francisco Chronicle*.

VENDORS

Company name: Brainworks Software Inc.

URL: Brainworks.com

Address, phone: 100 South Main St. Sayville, NY 11782 (631) 563-5000

Contact for sales: sales@brainworks.com

Key executives: John Barry, president

Ownership: Privately held

Company founded: 1988

Services offered: Remote ad-order entry system, other ad-management systems, including electronic tearsheets, sales budget management, billing, data-mining, Palm integration, as well as editorial technology.

Key clients: More than 850 publishing clients, mostly small to medium newspapers.

VENDORS

Company name: ComScript Publishing Inc.

URL: GDTNova.com

Address, phone: 1135 West Sunset Blvd, Rocklin, CA, 95765 (866) 443-8462

Contact for sales: Jan R. McDonald, CEO, jan@novapub.com

Key executives: Jan R. McDonald

Ownership: Privately held.

Company founded: 2000, result of merger between Global Digital Technologies Inc. and Nova Publishing Products Inc.

Services offered: GDT-Nova brand — Connex XML server, AdEZ, EzAgent

Key clients: *Sacramento Bee, Washington Post, Tampa Tribune, Chicago Tribune, Orlando Sentinel.*

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VENDORS

Company name: Dynamic Access Systems Inc.

URL: DynAccSys.com

Address, phone: 11911 Tech Road, Silver Spring, MD 20904 (301) 622-0950

Key executives: Lisa Miller, president; Renae Gerkin, VP GM Media

Contact for sales: Renae Gerkin 720-895-1972

Ownership: Privately held

Company founded: 1983

Services offered: Virtual AdTaker is a suite of Web-based tools that allows classified advertisers the ability to create, schedule, view, edit, and pay for ads online. DynAccSys also provides financial and accounting technology services to large lending institutions.

Key clients: *Denver Newspaper Agency, Denver Business Journal, Daily Camera* of Boulder, Colo., Gabriels

VENDORS

Company name: Harris & Baseview

URL: HarrisBaseview.com

Address, phone: 505 N. John Rodes Blvd., Melbourne, FL 32934 (321) 242-5000

Contact for sales: John MacEwen, VP Sales, (734) 662-5800, (321) 242-5330

Key executives: Briggs Kilborne, CEO

Ownership: Division of MediaSpan Publishing

Company founded: 1982

Services offered: Self-serve ad module AdWebster, and a host of pre-press publishing and new media technologies.

Key clients: Several Gannett papers use AdWebster; more than 4,000 media clients use other Harris & Baseview services.

VENDORS

Company name: IPix Corporation

Address, phone: 1009 Commerce Park Dr., Suite 400 Oak Ridge, TN 37830
(888) 909-IPIX (Co-headquarters: 3160 Crow Canyon Road San Ramon, CA   94583
(925) 277-9499)

Contact for sales: Sarah Pate, EVP, GM AdMission

Key executives: Don Strickland, CEO; Sarah Pate, EVP, GM AdMission

Ownership: Public (Nasdaq: IPIX)

Company founded: 1992

Services offered: AdMission — IPix's newest business unit — a self-service ad-order entry
system for online and print, powered by IPix's Rimfire photo management product. IPix
provides online and offline imaging technology for business, entertainment, government
and the security industry.

Key clients: AdMission clients not announced

VENDORS

Company name: MacDonald Advertising Services

URL: MacDonaldAdvertisingServices.com

Address, phone: 302 Ferry St., Lafayette, IN 47901, 1-800-237-9075

Contact for sales: Greg Ludlow, director of sales and marketing

Key executives: Patrick MacDonald, publisher

Ownership: Privately held

Services offered: Newest product is Visual Plus Express, an online Web-based ad-building tool. It's a point-and-click, light-duty designed tool designed for inside sales personnel to create spec ads for customers. MacDonald offers an informational, educational and motivational monthly publication for newspaper advertising execs about what is happening in the industry. Provides monthly art, photos, ads for local advertisers.

Key clients: 857 large and small newspapers across the U.S. and abroad.

VENDORS

Company name: Pica9

URL: Pica9.com

Address, phone: 1325 Franklin Ave. Suite 255 Garden City, NY 11530 (516) 742-2022

Contact for sales: Steve Poppe, VP Sales, spoppe@pica9.com

Key executives: Kevin Groome, CEO; Michael Welch, VP Bizdev

Ownership: Wholly owned subsidiary of Welch Nehlen Groome, an advertising communications firm

Company founded: 2001

Services offered: Web-based, template-driven ad-construction system allows advertisers to build their own high-quality print ads.

Key clients: *Newsday*

VENDORS

Company name: Publishing Business Systems Inc.

URL: PBS.com

Address, phone: 122 East Main Street Barrington, IL 60010 (847) 381-9950

Contact for sales: (847) 381-1339

Key executives: Steve Smith, president

Ownership: Privately held

Company founded: 1989

Services offered: AdPlus Prism ad-order entry system for advertisers; available as a module for PBS' AdPlus ad-taker system. IPix Rimfire integrated into the product.

Key clients: *Sacramento Bee, Journal of Montreal, The Toronto Sun, La Opinion, The Hartford Courant, Florida Times-Union.*

ABOUT THE CONTRIBUTORS

Peter M. Zollman served as editor and project manager on this report. He's executive editor of Classified Intelligence, LLC and founding principal of the company as well as its sister company, The Advanced Interactive Media Group, LLC. Zollman has been consulting with media companies, dot-coms and application service providers since 1997. He has been an award-winning reporter, editor, sales executive and senior executive with United Press International and Reuters news services, and has experience in radio, television and newspapers as well. Before launching the AIM Group and CI, he was director of news for the world's most advanced interactive-media project, Time Warner's Full Service Network. He's based in Altamonte Springs, Fla., just outside Orlando.

John Zappe served as primary researcher and writer of this report. He recently joined Classified Intelligence, LLC as an associate, providing research, analytical reporting and consulting services with our clients. Zappe spent three years as VP of new media for the Los Angeles Newspaper Group, where he increased revenue from $400,000 to $5.2 million in a three-year period, generating a 40 percent margin. Previously, he headed new-media services at The Press-Enterprise Co. in Riverside, Calif., and the *Press-Telegram* in Long Beach, Calif. He also has served as a reporter and city editor and a freelance journalist covering trials in southern California. (No, not the O.J. trial.) After leaving LANG, Zappe ran an ISP with strong local content and local advertising sales in central California. He earned his J.D. at the Syracuse University College of Law, longer ago than he cares to admit.

James S. (Jim) Townsend is a partner and editorial director of Classified Intelligence, LLC. Townsend, based in the Houston area, has provided research and analysis for CI since 2001, covering all facets of interactive classifieds. From 1994-2000, he was the editorial director of HoustonChronicle.com, one of the Internet's oldest and largest newspaper Web sites. From 2000 to 2001, he was SVP of a startup media company before joining Classified Intelligence.

Andrew M. Ackerman provided research for this report. Ackerman, of Longwood, Fla., is a recent graduate of Emory University in Atlanta, where he was editor-in-chief of *The Emory Wheel*. He served as a full-time news intern at the *Palm Beach Post* in West Palm Beach, Fla., where he covered education and government, among other beats.

James M. (Jim) Townsend is a recent graduate of the University of California in Los Angeles, where he obtained a master's degree in film. He received his bachelor's degree at the University of Texas in Austin. Currently living in the Houston area, Townsend provides occasional research and analysis to Classified Intelligence and the AIM Group.

Christine Allen handled design and production of this report. She is director of production and a contributing writer at CI, and produces *Classified Intelligence Report* every two weeks. She has been an award-winning reporter and managing editor with the *Heritage Florida Jewish News*, where she also won a journalism fellowship to Brandeis University. She then served as news editor of *Christian Retailing* magazine, and also has served as managing editor of three bi-monthly community magazines in Orlando.

About AdStar

AdStar Inc. (Nasdaq: ADST) has been a leading provider of advertising technology since 1986 for professional advertisers and major metropolitan newspapers.

Pioneers in remote ad-entry, AdStar products are utilized by more than 40 major metropolitan newspapers in the U.S., the **Newspaper Association of America**'s bonafideclassifieds.com, **CareerBuilder**, and a growing number of other online and print media companies.

More than 1,400 professional advertisers have utilized AdStar services, including classified advertising agencies such as **Bernard Hodes Advertising, TMP Worldwide, Miller Advertising, Shaker Advertising, Nationwide Advertising** and **Austin Knight Advertising**. Major direct advertisers also use AdStar, including **Century 21, Coldwell Banker, Coopers & Lybrand, Ford** and **General Cinemas.**

In 2003, advertisers used AdStar's remote-entry products to place more than 1.5 million advertisements valued at more than $150 million. That figure represents almost 1 percent of all classified advertising in daily newspapers.

AdStar's remote-ad products allow advertisers to compose and submit advertising from their computers, via AdStar's client software, directly into newspapers' computer systems. This provides the advertiser with greater control of the advertising process, including later deadlines, fewer errors from copy rekeying, administrative and reporting functions and, in many cases, more favorable rates — resulting in higher revenues for many newspaper clients.

AdStar provides a broad range of products, from Web-based solutions to dial-up and fax environments — all of which are specifically focused on solving advertiser issues surrounding the purchase process of classified advertising. AdStar's latest technology provides additional services and features, including real-time transactions via credit card and ACH debits.

In 2003, AdStar acquired **Edgil Associates**, a leading provider of e-commerce services. **EdgCapture**, Edgil's automated payment process technology, is currently employed by call centers in more than 100 of the nation's leading newspaper and magazines.

AdStar is headquartered in Marina del Rey, Calif., and its Edgil office is in North Chelmsford, Mass.

About Classified Intelligence

Classified Intelligence is an **in-depth consulting service** that works with you to develop successful, real-world businesses. We deliver *must-have* competitive intelligence about interactive classified advertising — automotive, employment, real estate and auctions/merchandise.

We talk with you regularly. We work with your company face-to-face. And we keep you up-to-date on what's happening in the field of e-classifieds with our regular and special reports.

Classified advertising is a $100-billion-plus business worldwide. The business is expected to grow substantially, with new forms of interactivity — direct online auto sales, rich contextual matching of job opportunities with potential employees, and full-motion video of houses for sale.

Classified Intelligence is for…

- **Newspapers:** *Expand* your classified advertising revenue by combining the best of print and online services.
- **Dot-coms:** *Grow* your business with new ways of serving Internet users with automotive, employment, real estate, merchandise and personal ads.
- **Broadcasters:** *Capture* nontraditional revenue by tapping into a local marketplace that has always belonged to your print competition.
- **Vendors:** *Stay tuned in* to what your competitors are doing, and what your clients want, as you build and provide the technology needed to build and offer e-classifieds.

We're experts on interactive media. We help **build** interactive products and services; we *don't just talk about them based on flimsy research.* Our analysts and consultants are well known and respected. We speak nationally and internationally and work with top media companies.

Classified Intelligence clients receive:

- Regular conference calls, when you meet privately with *your* analyst — someone who knows the issues <u>and</u> your company — about issues that matter to your company
- Customized on-site consulting visits - meetings, workshops, intelligence briefings
- *Classified Intelligence Report*, twice monthly
- *Classified Intelligence Advisories*, reports focusing on a topic of immediate interest
- *Classified Intelligence Alerts*, immediate analysis of major newsworthy actions

Classified Intelligence is about who's doing what … who's planning what … who's working with whom … and what you should be doing to improve your classified business.

Classified Intelligence, LLC is affiliated with the **Advanced Interactive Media Group, LLC**, *aimgroup.com*, an industry-leading consulting firm that works with some of the biggest names in the media and corporate worlds. Our clients include:

- Newspaper Association of America
- AutoTrader.com
- Hearst Newspapers
- Tribune Co.
- CareerBuilder
- ABC News
- Daily Mail and General Trust, London
- Travidia, Inc.

- Finn.no, Oslo
- Washingtonpost.Newsweek Interactive
- Workopolis, Toronto
- Fish4 Trading Ltd., London
- WRAL-TV
- Radio-Television News Directors F'ndn
- PowerOne Media
- The New York Times Co.

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Classified Intelligence special reports

Classified Intelligence and its affiliate, Advanced Interactive Media Group, (AIM Group), produces several reports annually. The newest reports available include:

The Geo-Google Threat: Search Engines Target Local Advertising
The new breed of "local search" products, including Google, Overture and yellow page publishers, may affect local media more than Monster.com and other dot-coms have damaged employment advertising in newspapers. *The Geo-Google Threat* is a 59-page report that outlines the multiple threats posed by local search — and includes an extensive "action plan" for local media publishers. The report was published by the AIM Group in conjunction with The Neil Budde Group, another leading interactive-media consultancy. It includes 17 charts from eMarketer, a research firm focused on marketing and interactive media. Go to www.aim-group.com for an instant purchase.

2004 Classified Intelligence Employment Annual
In research conducted in conjunction with Belden Associates, we discovered that newspapers still frequently fail to offer appropriate pricing and product information through their telephone sales rooms. But there are sterling examples of companies that do things right. In addition to the research, the report includes a dozen market studies on employment ads online; a reviews of the "Big Three" employment sites (Monster.com, CareerBuilder.com and Yahoo HotJobs), and much more. Buy the report at www.classifiedintelligence.com.
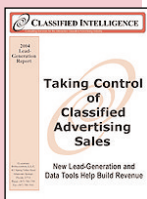
Taking Control of Classified Advertising Sales: New Lead-Generation and Data Tools Help Build Revenue
One proven way to generate new revenue is to go after advertisers who are spending money with competitors. But how do you find them? Using a marker to circle ads in competing papers is the old way. So is searching for them online. The new way is to make use of sophisticated online competitive-analysis and lead-generation tools. Three companies provide them in the classified advertising field. Buy the report at www.classifiedintelligence.com.

Broadcasters and classifieds: the new revenue stream
The growth of broadcast classified advertising services will have profound impact on revenue streams at newspapers and broadcasters alike in coming years. No longer are local newspapers guaranteed the steady, predictable, growing revenue of "liner" and display ads for cars, homes and jobs. The audience, and the advertisers, are movin' on. Buy the report at www.classified-intelligence.com

Pricing and Packaging reports
Also available is the first of quarterly *Pricing and Packaging* reports, conducted in conjunction with Belden Associates. The first report focuses on newspapers' rates and packaging for employment advertising. Reports to come include automotive, real estate and merchandise rates. Buy the reports at www.classifiedintelligence.com.

To purchase any of these reports, please go to www.classifiedintelligence or call (407)788-2780.

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HORIZON WATCHING

CLASSIFIED EVOLUTION: A WEB-CENTRIC SOLUTION TO A SHIFTING MARKETPLACE

NAA BOARD COMMITTEE ON INDUSTRY DEVELOPMENT

The newspaper industry needs to flip its classified model by adopting a Web-centric strategy. Positioning the Internet as the core platform to accept, store, manipulate and disseminate classified advertising will result in more revenue per order, new revenue streams, significant cost savings and will enable us to develop better products, compete with new entrants and enhance advertiser satisfaction.

In 1996, NAA's *Classified in Crisis* report identified shifts in newspaper advertisers' business strategies and warned about the impact of new competition. The Internet, in particular, loomed as a major new marketplace for jobs, cars and homes. Indeed, in 2001, as the advertising environment overall plunged, online classified revenues rose 119%.[1]

Newspapers responded by building out their online classified products, forming partnerships with national players and better integrating print and online staffs. But by positioning the Internet product as an offshoot of print classifieds, newspapers are leaving the door open to competitors who are not burdened by "legacy thinking." The problem and opportunity is perhaps best summarized by Chris Hendricks, The McClatchy Company's vice president of interactive media, in an interview with *Editor & Publisher* magazine:

Currently, the product creation cycle appears to be backwards. We create a narrowband product (the newspaper) by compressing data to fit the constraints of the medium. We gather and store only what we need for the printed product. We then take the print data and push it to mediums that are broadband and demand immediacy, quantity and quality of information (e.g.,

Web, e-mail, wireless). In 10 years, I believe we'll be well along the path to reversing the product creation processes to build broadband products first and narrowband products last.

The opportunities for growing classified segment revenue are expanding. Reid Ashe, president and COO of Media General Inc., put it well:

This is as much about opportunity as it is about threat. The new classified business is much bigger and more vital than the old. It's creative and exciting. We can bring more consumers into the "people's marketplace" and give them a richer, more productive experience. We can cut prices and increase margins. Instead of losing share of a stagnant market, we can grab a growing share of an expanding one.

Marketplace Dynamics

Before the Internet emerged as a significant media platform, the marketplace for jobs, homes, cars and other general merchandise was constrained due to a lack of delivery methods to reach a vast consumer audience. Newspapers, with mass-market reach, a daily product and established sales infrastructure, were firmly entrenched in the local sales value chain. To reach prospects, advertisers had to buy the entire market providing limited product information at fairly expensive rates. Still, as the only practical local vehicle, most advertisers and consumers continued to use the newspaper.

Classified advertising was a marketplace ripe for change, and the Internet is acceler-

> "This is as much about opportunity as it is about threat. The new classified business is much bigger and more vital than the old."
>
> — Reid Ashe

ating that change. With superior database functionality, multimedia capabilities, low cost for ad sales, better targeting, lower delivery cost and now mass-market reach, the Internet has become a natural marketplace for the classified business. Sellers can target specific segments (in some cases individuals), with detailed product information (including photos, video and audio) at a relatively low cost. Buyers can easily sift through extensive product listings to find the product most suited to their needs and, increasingly, complete the transaction immediately. These are capabilities that no matter how hard we try, we can NOT match in print.

While newspapers are still significant players, they are no longer the only—or always the most effective—game in town. A variety of local and national competitors (including some traditional players), who are aggressively focused on the Internet's inherent advantages, are attacking segments of the classified market—some segments that newspapers currently own (cars, homes, jobs), some that are declining (merchandise) and some most never had (personals). Further, our most valuable national advertising clients are rapidly becoming major advertisers on these Web-only products.

As traditional barriers have disappeared, newspapers' position as the primary conduit to consumers is at risk. The industry will have to re-establish its place in the value chain for each of the classified verticals.

This is the second of four Horizon Watching position papers in 2003. For more information, visit www.naa.org/horizon.

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A WEB-CENTRIC SOLUTION

The Case for Change

While newspapers have ramped up their online offerings, the fear of cannibalization and adherence to a print-centric means of ad collection and publishing have limited their abilities to maximize revenue and compete effectively against these new entrants. To assure survival this must change.

We argue that newspapers must embrace these *critical success factors* for future classified publishing or risk being marginalized:

• **Sophisticated Database:** Classifieds

are inherently a database-driven product. Consumers want and will favor an easy and efficient way to sift through products using a variety of search criteria. A product that provides more ways to search listings is simply better, and opens up new revenue opportunities. Our current model of phone-room order taking is inherently flawed because we can't afford to collect the necessary information for future products and our current classified systems are not capable of storing all the necessary data.

• **Enhanced Product Info:** The classified advertiser and responder both want

not only better selection criteria, but also as much information as possible to, at minimum, pique their interest or, ideally, make a purchase decision. This simply makes the process more efficient.

• **Ad Sales Automation:** More and more advertisers do not want to talk to a sales representative to place their ad. They want simple and easy tools to construct a complex ad with multiple up-sell options. And they want to do it themselves at a time that is convenient to them.

• **Audience Segmentation:** Advertisers want to pay only for "reaching the right audience." The nature of our print

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Automotive Web Sites: A Comparison

One illustration of the difference between Web-centric and print-centric views can be seen in the automotive category. The search functionality and breadth of services of the Web-centric sites provide a richer shopping experience than three illustrative sites from newspapers ranging in Sunday circulation from 50,000 to 275,000. While this comparison may not be as dramatic across all newspapers, it clearly highlights the disparity between typical newspaper sites and the Web-centric offerings.

		Cars.Com	AutoTrader.Com	eBay Motors	275,000	150,000
Car Type	New/Used/Both New cars ("create a car"), used cars, or both	Both	Both	Primarily Used	Used	Used
Search Capabilities	Basic Make or model, category (e.g., SUV)	+++	++	+++	++	++
	Intermediate Price, distance, year, mileage	+++	+++	++	No	++
	Advanced "Keyword," body style, fuel type, transmission, drive type (e.g., 4WD), color, "Certified Pre-Owned," age of ad	+++	+++	+++	No	+
Query Response Detail	Basic Dealer and private-party, car features, VIN number	+++	+++	+++	+	+
	Advanced Photo, model information, specifications and performance, listing of other cars available from dealer, dealer information	+++	+++	+++	No	++
	Response Sorting Sort by search characteristics (e.g., price)	Yes	Yes	Yes	No	No
Services	Free Payment calculator, rebate/incentive listing, dealer locator, car reviews, buying advice	+++	++	None, unless posted	No	+
	Revenue-Generating Place ad, outside auto valuation, car history report, insurance, financing, extended warranty, outside inspection	++	+++	++	+	++

Extent of Capability: No = none, **+** = limited, **++** = moderate   **+++** = robust

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A WEB-CENTRIC SOLUTION

products, and their distribution, and our lack of a rich consumer database limits our abilities to segment our audience in a way that works most effectively for advertisers.

- **Immediate Transactions:** Advertisers and consumers want the option to complete a transaction in "real time." The print classified does not allow this connection to happen or transaction to be completed.
- **Multimedia:** Advertisers and consumers want photos, music and other multimedia components to increase the effectiveness of their ads.

Online commerce giants eBay and Amazon have both tapped into a vast marketplace for private-party transactions. Their success is due to world-class technology for sellers and buyers that offers flexibility, scalability and convenience. As newspapers struggle with enhanced search and order-entry capabilities, these companies are already refining "next generation technology"— collaborative filtering, sales engines, buyer feedback—that will help them better understand and serve their customers. Competitors are beginning to experiment with presence-based systems (such as Instant Messenger) that enable buyers and sellers to complete a transaction online and in real time.

Integrating these types of tools represents the kind of advance that comes naturally for companies with foundations in electronic advertising entry and database listings.

A Model for Change

As the above sections make abundantly clear, there is a strong case that newspapers, to continue to be major players in classified advertising, must fully embrace the Internet as both an ad sales and delivery platform. The time for action is now. They must develop native Internet-based systems for all elements of the classified publishing process.

We see little downside in this approach. If the demand and opportunity for these systems doesn't develop, little incremental money will have been spent in building systems with these capabilities. On the other hand, if the market does evolve as seems likely, we will be positioned to win rather than to attempt to catch up.

Selling the Segway: A Future Scenario for Private Party Ads

It's time, Jack reluctantly concludes, to part with the old Segway scooter. The battery won't hold a charge like it used to, and cold weather is coming. Let's see what I can get for it.

Jack thinks briefly about where to advertise. The national boards attract lots of traffic, but he'd rather forgo the hassle of crating, shipping and insuring. Besides, the local board is getting pretty lively, and it's not very expensive. In fact, he recalls, he's due a free ad as a reward for renewing his newspaper subscription.

Jack picks up his wireless keyboard and turns to the listings on the newspaper board. An index appears on the wall. About a dozen Segways are for sale in town. Just to be sure, he checks the local eBay site, co-branded with the NBC station. It has two local listings, one of which is also on the newspaper board. He goes back to the newspaper board and flips through the pictures. Half of the scooters are pretty beat up, and the decent-looking ones seem to be commanding healthy prices. Better yet, they haven't been listed for very long. The write-up posted next to the listings confirms it. This market is hot!

OK. Let's bring up the ad-entry screen. The personal data section is already complete. The next item to specify is category and the first option is Segway, because that's what he's been looking at. Photo. OK, where's the digital camera? Jack finds it, snaps a picture and uploads it. That's good so far. The summary screen says he can get a basic listing with photo online for a week, and a one-line item one day in print. No charge so far. How about a blind mailbox and extra room for description online? For a couple of bucks, why not? A photo in print? With the market this strong, he probably doesn't need it.

Jack has some ideas, though, to make his online ad stand out. There's that video that his girlfriend shot with Jack doing handstands on the scooter. Yeah! He finds it in the home server and uploads it. Now we need a soundtrack. Something upbeat. The music server has just the thing. OK, I'm running up the tab a little, Jack realizes, but I'm on a roll!

A few more options. Yes, he wants his ad to appear at the top of the category. He'll take the video icon with the print ad. Jack stops and thinks about the next question. Do I want a fixed price or an online auction? Jack opts for the straight listing. If it doesn't sell quickly, he can shift it over to auction, with a reserve.

Jack hits the "complete" button. A moment later, he receives an e-mail showing how the ad will look in print and online. The message offers a couple of suggestions to make the ad stand out even more. He decides to make it flash online and to go with a larger font in print. The total cost is more than he'd planned, but hey, this is a work of art. Now it wants to know if he wants to buy insurance. "Insurance? Oh, you mean the ad stays up until I sell it. No, I don't think I need that," Jack concludes.

Now the ad is up and Jack follows the link to his advertiser page. He finds more suggestions for improving his ad, but hey, this seems to be working. He watches as the visitor counter clicks up. Within an hour, three messages have hit Jack's mailbox asking for appointments to see the scooter.

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Taking these steps now is far from simply speculating on a phantom threat; rather it is prudent insurance predicated on current trends. Not only is advertising self-entry working for our competitors, there are some indications that enhancing Internet capabilities for sellers is paying dividends for the industry. Classified Intelligence L.L.C's report, *Selling Print Orders Online,*[2] offers some evidence that online order entry of classified ads results in higher revenue than those taken through the phone room:

- *In one case, a newspaper group in New Jersey reported in early results that advertisers were spending two-and-a-half times as much online than they were for phoned-in ads—$97 online, on average, vs. $40 for ads placed through the phone room.*
- *Private-party ads at one newspaper, phoned in, average 3.5 lines. Placed online, they're averaging 4.71 lines.*
- *One large Florida daily reported that nearly half the ads it received through online entry came from out-of-market advertisers—a much higher percentage than those taken by phone.*
- *At the Asbury Park Press, employment ads placed [online] are generating rates 18 percent higher than those placed by phone, while other ads placed online average five to 34 percent higher than similar category ads placed by phone.*[3]

GDT Nova, an online order-entry technology company, reports that the average value of an ad taken online by their newspaper customers has been at least 25 percent more than phone room ads. AdStar Inc., another online order-entry vendor, reports that the average ad price for all of their customers is $86, compared to the industry average of $53 for revenue per phone-room call handled.[4]

Not only do online ads result in higher revenue, the cost per order is much lower when ads are created without the involvement of a classified advertising sales representative. Business schools have written a number of case studies on the Internet's

ability to wrestle costs out, and improve the quality of, customer service operations. Federal Express, for example, by moving package tracking from a $2 phone call to a $.02 Web capability, shaved $600 million from their customer service costs.

The savings opportunity in our industry is at least as large on a per unit basis. For example, the average cost of phone-room handled calls is $2.26 (and as high as $45).[5] Ads placed online are significantly less expensive. In Atlanta, for example, Dean Welch, classified and online advertising director at *The Atlanta Journal-Constitution*, reports that "costs diminish by 90 percent to take an ad online."[6]

Beyond improved margins for online order entry, parsing advertising content into a sophisticated database presents a variety of new revenue and new product opportunities. It facilitates upsell and execution of a variety of enhancements, including multimedia attachments, ad placement, type treatment, etc. eBay, for example, offers 10 enhancements to their product listings, ranging from $.05 (for a "Buy It Now" feature) to $99.95 (to rotate the ad with others on the eBay home page).

A number of these features have generated significant revenue for other online advertising venues. For example, paid listing services—where advertisers pay for high placement on results of a specific search—was a $1.1 billion business in 2002 for Google and Overture.[7]

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Conclusions

Newspapers certainly still have an opportunity to dominate the classified marketplaces for the foreseeable future. They have a number of critical assets: a strong brand, experienced sales staffs, advertiser relationships, significant promotional capabilities and broad reach online and off.

Editorial capabilities can provide a range of opportunities to connect with buyers at various stages of the purchase process. Unfortunately, much as Clayton Christensen discusses in *The Innovators Dilemma*,[8] we are in the midst of a disruptive change. To improve our chances of maintaining our dominance into the future, newspapers must adopt to a new way of gathering and publishing classified advertising.

This is not an incremental strategy. Newspapers will have to fundamentally rethink their classified back-end and make significant capital investments to build a truly competitive system. Existing vendor solutions may not provide all of the capabilities that newspapers need.

The competitive challenge for newspapers is not a new story. New players—with different business models, focusing on new markets—develop cutting-edge products and undercut newspaper pricing. We have addressed this type of competition in the past and must now do so again aggressively.

Taking these steps now is far from simply speculating on a phantom threat; rather it is prudent insurance predicated on current trends.

[1]Morgan Stanley Online Classified Advertising Report, November 18, 2002
[2]Selling Print Classifieds Online, Classified Intelligence, L.L.C, Feb. 6, 2002, <http://www.classifiedintelligence.com/main.asp?SectionID=18>
[3]Selling Print Classifieds Online, pg. 5
[4]Median phone room revenue per call figures are from the "NAA Classified Advertising Benchmark Study" which will be available in the summer of 2003
[5]"NAA Classified Benchmark Study," 2003
[6]Selling Print Classifieds Online, pg. 12
[7]Salomon Smith Barney research, March 2003
[8]Clayton M. Christensen, The Innovator's Dilemma, (Cambridge: Harvard Business School Press, June 1997)