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European Classified Ads' Cross-Channel Struggle

FORRESTER®



By Rebecca Ulph Jennings

With Jaap Favier

Tim van Tongeren

UK Research Centre

Forrester Research Ltd.

Charlotte House

9-14 Windmill Street

London W1T 2JG

UK

Tel: +44 20 7631 0202

Fax: +44 20 7631 5252

European Research Center

Forrester Research B.V.

Rijnsburgstraat 9-11

1059 AT Amsterdam

Netherlands

Tel: +31 20 305 43 00

Fax: +31 20 305 43 33

www.forrester.com

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Net classified ads continue to compete with traditional media for attention. Online-only players partner and diversify for success, while cross-channel titles adopt channel-agnostic strategies to move users across media.

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- More than a third of online consumers regularly read online classified ads.
- Online publishers worry about the threat from local newspapers.

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- Online will take 10% of the classified ad market by 2008.
- Broadband will help multichannel publishers fully exploit the benefits of each media.

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MARKET OVERVIEW

ONLINE USERS LIKE MULTIPLE INFORMATION SOURCES

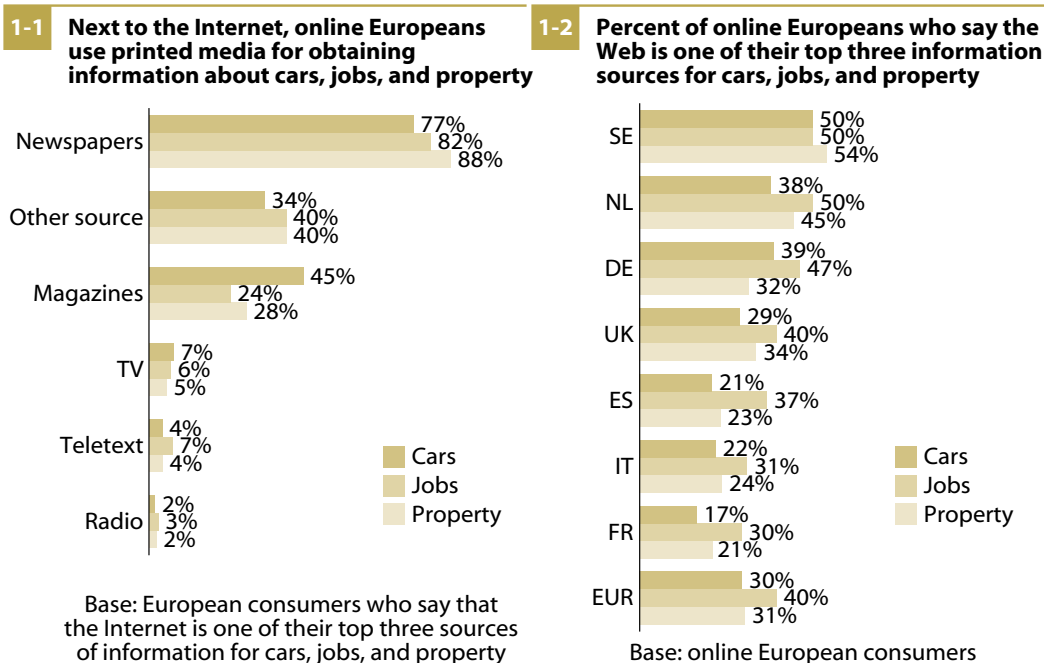
Online classified advertising -- which, for the purposes of this report, includes property, cars, and jobs, but not personal ads nor auctions like eBay -- rode the economic downturn well. Forrester's research reveals that a growing number of Europeans regularly read online classified ads, while many also look to offline equivalents. Although online auctions are not included in this study, the fact that 12% of online consumers buy or sell at sites like Intoko.de shows that Europeans are confident about using the Web for many types of ads (see the July 2003 Forrester Data Crosstabs "Internet Access: Europe").¹

- **Job ads attract the greatest interest.** A fifth of online Europeans regularly look for jobs online, and 40% say that the Web is one of their top three sources for job listings. These users rely on many channels: 82% of those who cite the Net also say newspapers are in their top three, and 24% cite magazines. Swedes are the most Web-dependent; the French, the least (see Figure 1).
- **Online property ad readers also use newspapers.** Around a third of online users say the Net is one of their top three sources for property ads. More than 50% say that newspapers are a top source, and 17% cite magazines. A large majority (88%) of those who say that the Web is one of their top three sources also claim that newspapers are.
- **Online car ads interest around a third of users.** For car ads, 30% of online consumers cite the Internet as one of their top three sources; newspapers (43%) and magazines (25%) remain useful, too. Nearly 80% of those who say that the Internet is one of their top three sources say that newspapers are, too.

MOVING OFFLINE READERS ONLINE PROVES A CHALLENGE

The shift to online classified ads and content, combined with the economic downturn, has put newspapers and magazines in the eye of the storm during the past few years. Online-only publishers aren't finding it plain sailing either; advertisers see online classified ad specialists as offering a gateway to more eyeballs than print does, but consumers retain their fondness for the regional press, presenting a continued threat to many online-only services.

- **Newspapers suffer from a downturn in ad revenues.** In Europe as a whole, newspaper ad revenues -- national and regional -- declined 6% in 2001, according to Zenithmedia. According to the Advertising Association, UK national newspaper

Figure 1 Classified Ad Fans Span Media Channels And Countries

Source: Forrester Research, Inc.

ad revenues dropped 8% in 2001, 7% in 2002, and another 5% in Q2 2003.

Regional press revenues proved more robust, showing a 0.8% increase in 2002.

- Offline readership doesn't translate online.** While Net access hardly hits print press readership -- 44% of Net users read a regional paper regularly compared with 42% of offline consumers, for example -- papers find it difficult to get readers to cross channels for classified ads or news. Just 8% of online Germans and 5% of online UK consumers regularly read newspapers online (see the March 13, 2003 Forrester Brief "Online Newspapers Don't Stop The Press Yet").²
- The Web offers significant potential buyer reach.** The average regional paper in the Netherlands reaches fewer than 50,000 households -- often weekly -- whereas Dutch online classified property ad leader Funda reaches 100,000 users per day. *Auto Trader*, the UK's leading classified car ad magazine, has a circulation of 360,000 offline but 2.2 million unique users each month online. According to Forrester's Consumer Technographics® Q2 2003 European Study, UK online users spend around 9 hours per week online, but less than 4 hours per week reading newspapers and magazines.

Publishers Fear A Growing Channel Conflict

We interviewed online and offline classified ad publishers in Europe about the current market and their upcoming challenges. Online and cross-channel classified ad publishers are bullish about their expected growth rates but are concerned about gaining consumer trust and the threat from portals with large traffic volumes. Online-only publishers see the regional print media as a continuing threat.

“We expect classified property ads to grow at 20% to 30% next year -- not because the Net adds value, but because people move homes more often. The problem, however, is that people don't like the idea of their personal property details appearing online for the world to see.” (Online and offline classified ad publisher)

“I don't think eBay is a threat, but Google is. Imagine what would happen if it added a jobs directory to its Web site. eBay is actually more of an opportunity than a threat; classified advertisers could leverage its network, and networks and word of mouth are important in filling many jobs.” (Online-only classified ad publisher)

“Once the economy recovers, print media will take market share back. We're already seeing it happening. Having a multichannel offering will be important. I think we are not far off doing partnerships with print media; we were the enemy traditionally, but now they have to work with the enemy.” (Online-only classified ad publisher)


ANALYSIS

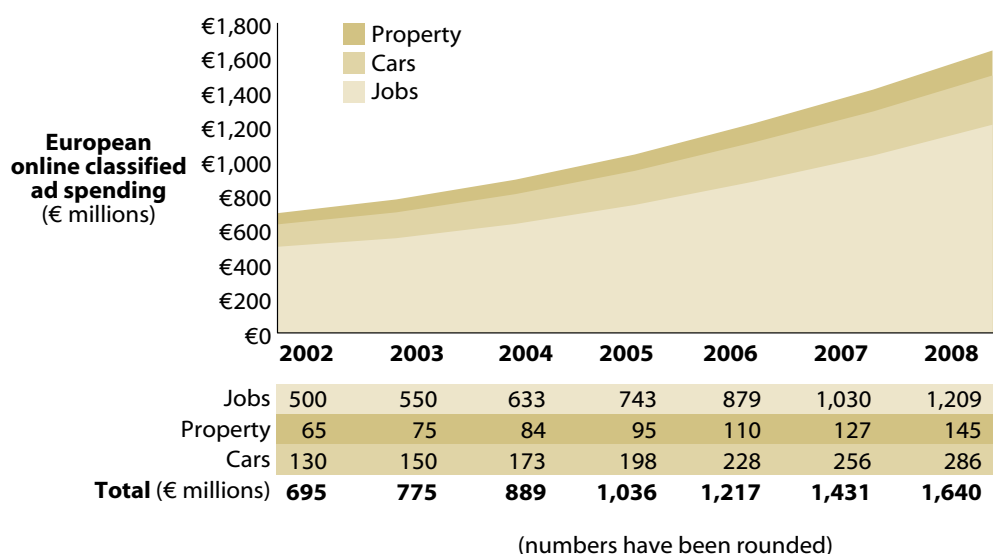
ONLINE CLASSIFIED ADS WILL GROW TO €1.6 BILLION IN 2008

As consumer confidence online grows, broadband penetration increases, and an increasing number of businesses feel the effects of a recovering economy, the European online classified ad market will grow to more than €1.6 billion in 2008 (see Figure 2).

- **SMEs and economic factors boost online jobs.** The rebounding European economy will stimulate the market for both skilled and unskilled jobs, driving online revenues up.³ SMEs, attracted by the speed and low cost of the medium, will slowly move more recruitment online, while big employers will use both simple text ads and more sophisticated recruitment tools, depending on the type of position advertised.

Figure 2 Forecast: European Online Classified Ad Spending, 2002 To 2008

 The spreadsheet detailing this forecast is available by clicking the online "Get Data" button above this figure



Source: Forrester Research, Inc.

- Agents fuel the property market.** The economic recovery will also boost the classified property ad market, although the balance between renting and owning homes varies significantly between countries. According to Forrester's Consumer Technographics data, 41% of UK adults have a mortgage, but just 21% of Germans and 22% of the French do (see the September 24, 2003 Forrester Brief "Sizing Europe's Online Mortgage Market").⁴
- Cars benefit from home technology changes.** Broadband growth and the increased penetration of digital cameras will make it easy to use the Web to sell a vehicle; it's appealing to buyers because they can clearly see what is on offer. Dealers are increasingly taking the opportunity to offload stock quickly, while eBay Motor's potential European expansion will promote the Web as a medium for used vehicles and parts.

CLASSIFIED ADS REDRAW THE BATTLE LINES

Between 2003 and 2008, the online classified ad market will more than double to account for at least 10% of the entire classified ad market. The growing channel conflict will

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drive multichannel publishers to combine their capabilities by pulling users across channels with distinct offerings; online-only brands will partner and diversify (see Figure 3).

Services Will Elevate Job Sites

As consumers continue to integrate online research into their job searches, both online and offline publishers will have to look to improve service offerings to retain eyeballs and revenues.

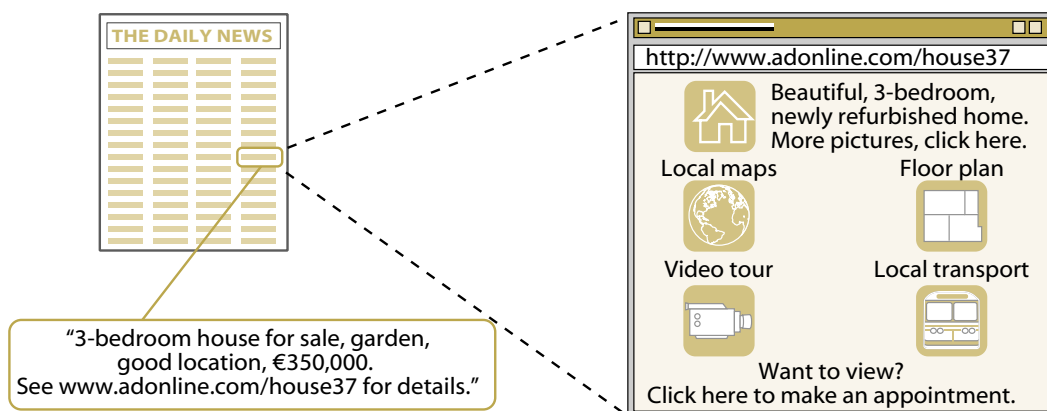
- **Wider job categories will show interest.** Much of the early online job market focused on IT or marketing -- serving the stereotypical early adopter. But as online usage becomes mainstream, the market will start to cover currently underserved sectors like temporary staff, who make up 6% of the UK work force.⁵ Job sites will team with portals and entertainment sites like TF1.fr to encourage the submission of CVs or basic details from visitors in high-turnover sectors like catering, even from those who are not explicitly looking to change jobs. Firms like Monster will add simple services with improved usability for inexperienced Web users.
- **Online-only players will partner to exploit word of mouth.** Top jobs don't get filled through ads, but through relationships and word of mouth -- which are hard to replicate online. Sites like StepStone will link with communities like Spotlight.de or business network Ecademy to reach high-quality candidates, even when they aren't actively looking for new positions. Vacancies will be easy to forward, with advertisers targeting the 14% of online users who pick up on and spread online ideas (see the May 2003 Forrester Report "The Tipping Point Online").⁶
- **Cross-channel players will diversify.** Plain text job postings will become a commodity online, with basic, time-dependent fees. Publishers that have offline arms like JobTrack.nl will develop sophisticated tiers of products -- from flexible online offerings for those with urgent posts or vacancies that are quick to fill to offline ads that encourage SMS or online responses. Editorial space will alert job seekers to the existence of online offerings, with sales forces targeting companies that have their own recruitment sites, such as Auchan, and want to drive traffic to these sites directly rather than go through online-only intermediaries.

Property Sites Will Grasp The Broadband Opportunity

The economics of selling online, compared with paying real estate agent fees, attract only confident and self-directed sellers; most home vendors prefer to retain agents because of legal requirements in some European countries and because of the hassle involved -- agents remove the need for a seller to be at home to show prospective buyers around, for example.

Figure 3 Multichannel Publishers Push Readers Across Media Channels

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Source: Forrester Research, Inc.

- **Broadband users will demand higher-quality information.** As broadband penetration grows to 30% of Europeans by 2008, users will expect 360-degree images, floor plans -- like those on Foxtons.co.uk -- and neighborhood shots as standard (see the June 2003 Forrester Report "Europe's Broadband Focus Shifts To Profit").⁷ Sites will build tools that let buyers place properties side by side on a page, allowing point-by-point comparison. Sophisticated agents will introduce online feedback forms, where viewers can comment on properties viewed.
- **Online specialists will leverage the boundary-free Web.** Sites targeting long-distance movers will appear, doing deals with international firms like Shell to aid a peripatetic work force that is looking not just for homes, but also for good schools, safe neighborhoods, and quick commutes. Video and audio walkthroughs will let buyers view properties from abroad, with detailed and area maps like those on Funda. When 20% of European mobile owners have Java in 2004, services will spring up that allow users walking or driving in an attractive neighborhood to get details of local properties sent to their phones immediately (see the June 2003 Forrester Report "Limits To Growth For New Mobile Services").⁸
- **Cross-channel services will target sellers.** Glossy supplements aim to attract sellers as much as buyers; Web sites don't have the same casual browsing attraction, so they must be more proactive. Integrated offerings like Finland's Oikotie will exploit cross-channel links by highlighting online properties in offline editorials, selling vendors on the value of combining "active" online browsers with "casual" offline readers. Tiers of offerings will emerge -- cheap, simple online ads for lower-value properties and higher-priced print spreads for top-end homes.

Car Advertising Will Address Confidence Issues

Around 14.4 million new cars and 35 million used cars are sold in Europe each year, suggesting that around 30% of European households get involved in car purchases in that time. Persuading buyers to move online requires increased confidence in what is often a difficult purchase *offline*, due to a lack of general knowledge about car maintenance. Both online and offline sites need to keep services simple.

- **Nervous buyers will get reassurance.** Sites with high levels of consumer-to-consumer used vehicle traffic will offer discounts for cars sold with an inclusive AA or ANWB check, while dealers will be rated online in the same way that eBay vendors are. This should help put a stop to the practice of advertising an unusually attractive but unavailable vehicle simply to drive footfall into the showroom -- and end the tendency for dealers to pretend to be private sellers in classified ads.
- **Online players will diversify.** More than a million cars are sold at offline auctions in Europe each year. As broadband enables users to access clear specifications online, sites looking to establish differentiation will tap into this market. They will emphasize confidence in the security of online transactions, with explicit details of guarantees in case of dissatisfaction. Leading auction site british-car-auctions.co.uk claims to have more than 1,000 buyers signed to its online sales channel.
- **Multichannel offers will focus on ease of use.** Letting buyers contact sellers directly via phone or email wins over intermediation. Consumers prefer to retain control; cross-channel players find this easier to accept than online-only sites do -- they want to build user relationships by controlling more of the process. Sites should look to replicate the best parts of the offline shopping experience -- friendly advice, easy comparisons, and lots of information -- while incorporating online advantages like sophisticated search and lots of pictures (see the June 25, 2003 Forrester Brief "What Influences New-Car Buyers?").⁹

WHAT IT MEANS

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Online-offline marriages increase apace.

As online-only sites increasingly realize the need for diversification and offline partnerships, key players in the offline classified ad markets will find themselves wooed by any number of suitors. Correspondingly, offline properties that failed online -- or don't dare try alone -- will hunt for online partners. The challenge for such marriages will be the assimilation of very different working practices and business goals -- something that online integrated leaders like fish4 have years of experience in. Such an advantage means that new services like synchronized editorials or online responses to offline ads will first appear at these integrated enterprises; others will find it hard to catch up.



Advertisers get creative.

When your car, home, or job is competing online against others that offer color pictures, full-service histories, or complete floor plans, your ad will struggle to stand out. Advertisers will develop strategies to keep one step ahead -- such as videos of the car being driven, tours of the headquarters of firms with frequent job offerings, or personal reports on local schools.



Micropayments find a raison d'être.

For very popular properties in desirable areas, in-demand vehicles, or attractive jobs, headline details sent via email or SMS will link to online or mobile micropayments that allow the user to unlock the full details. This will deter timewasters, and publishers will see additional revenues plus indications of the real popularity of various sections of their offerings. The one fly in the ointment? Potential changes to EU legislation that may jeopardize the use of mobile payments for online deliverables.¹⁰

RELATED MATERIAL

Online Resource

The underlying spreadsheet detailing the forecast in Figure 2 is available by clicking the online “Get Data” button above the figure.

Companies Interviewed For This Report

24/7 Real Media
www.247realmedia.com

321 Auto
www.321auto.fr

AOL
www.aol.co.uk

Ask Jeeves
www.askjeeves.co.uk

Associated New Media
www.anm.co.uk

fish4
www.fish4.co.uk

Funda
www.funda.nl

ICMA
www.icmaonline.org

InfoJobs.net
www.infojobs.net

jobpilot
www.jobpilot.fr

Monster
www.monster.fr

Overture
www.overture.com

StepStone
www.stepstone.de

The Telegraph
www.telegraph.co.uk

Tiscali
www.tiscali.com

Wegener eMedia
www.wegeneremedia.nl

Yahoo!
www.yahoo.co.uk

Yell
www.yell.co.uk

Related Research

September 30, 2003 Forrester Brief “Online Job Search Crosses Categories”

December 19, 2002 Forrester Brief “Online Recruitment Takes A Coffee Break”

April 2002 Forrester Report “Online Recruitment Grows Up”

June 6, 2001 Forrester Brief “Net Recruitment Needs Offline Help”

G R A P E V I N E

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Oh, *that's* what you mean.

In the process of researching this report, we came across quite a few new specialist job sites: One we especially liked the sound of was Jobswithballs.com. However, visions of escaping our desks for a life of death-defying employment eating fire and throwing knives evaporated when we realized what the site was really about -- jobs in sports and leisure. Top points to the founders -- who include a former pro tennis player -- for finding a URL that's sure to stick in peoples' minds, though.

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Watch the birdie.

According to a radio station in Swansea, a real estate agent recently made an error that highlights -- among other things -- the benefits of online ads. The agent sent out details for a local home, including an unintended feature -- a picture in which the lady owner can be seen naked in the bedroom window. True or not, this shows the advantage of being able to instantly change details: Paper details can't be retracted, whereas the lady's blushes could be spared online, at least.

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Put it away, please.

After Swansea's unintentionally explicit photo, here are some intentional ones. eBay has seen a wave of innovations in user activities, some of which should be encouraged and others not. One it is less than keen on is the phenomenon of "reflectoporn" -- users put up photos of products that show a reflection of the seller in the item photographed, usually minus their clothing. Started by UK users, reflected images have appeared in items as diverse as kettles, cutlery, and guitars. It just goes to show that for every new technology, someone will eventually figure out how to use it for one of the world's most lucrative industries -- porn.

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How Bill Gates can help you with grasping market sizes.

In a conversation with one of our interviewees, we discovered a statistic that really puts the growth potential of online classified ads into context. Leading Dutch property site Funda has more than 80,000 homes for sale, with a total value of around €25 billion. Our interviewee noted that Bill Gates could buy all these houses -- thereby basically acquiring a small city in the Netherlands -- and still keep \$15 billion for his groceries and charity commitments. That's one way of getting a grip on the numbers.

ENDNOTES

- 1 These spreadsheets contain crosstabs about computer Internet access, Internet connections, Internet subscriptions, and what consumers regularly do online.
- 2 Europeans -- especially Northern Europeans -- enjoy reading newspapers but are less keen on the online versions. In pioneer market Sweden, a high 29% of consumers read newspapers online, but other markets lag behind. Across Europe, online readers often turn to their offline paper's competitors.
- 3 The latest OECD forecasts show EU GDP growth of 2.4% in 2004, up from 1.2% in 2003.
- 4 Europeans will use the Net to originate 0.5 million mortgage loans in 2003 -- some 5% of total new mortgages. This will triple by 2008 to €230 billion of gross new online lending, spurred by growth in the UK and the Nordics.
- 5 According to the UK Office of National Statistics, 6% of employees in the UK were in temporary jobs in the summer of 2003.
- 6 Firms need to use viral marketing to get commercial messages to mass audiences. For success, marketers should focus on winning over Online Influencers -- and letting them do the evangelizing instead.
- 7 Broadband grew 92% in Europe in 2002; in 2008, 30% of homes will have it. Access providers will shift focus from volume to profit growth by expanding tiered services, scuttling their portals, and rethinking billing.
- 8 Three events form the critical path to boosting mobile's top line: new service launches, phone introductions, and end user adoption. But these events don't occur at the same time, limiting available revenues from new services.
- 9 New-car shoppers decide what to buy based on the advice of friends, expert reviews, and marketing -- but what really matters most? To understand which information sources are most popular -- and influential -- we surveyed 1,350 US new-car buyers and found that Dealer personnel are most influential, while Web sites are critically important to shoppers.
- 10 The EU is debating the introduction of legislation that will deem all payments by mobile for products not consumed on the mobile device to be e-money. This will require operators to hold a banking license.

