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## U.K.: New regulations threaten online recruitment

BY KATJA RIEFLER

A new law that regulates rules of engagement between British employment agencies and advertising media went into effect on April 6. But what looks at first blush like another dull act of bureaucracy could have serious consequences — and even totally alter the country's online recruitment landscape — if the legislation isn't modified.

"The Conduct of Employment Agencies and Employment Businesses Regulations 2004" (EAA Regs) are intended to update laws on the books that regulate how employment agencies conduct business. As written, however, the rules hobble commercial job boards and exempt government-run boards from the same standard.

"The purpose of this legislation is to protect the rights of job-seekers and hirers. Its effect will be to hinder the development of a whole industry," said **Bill Shipton**, chairman of the Association of Online Recruiters (AOLR), a special division of the **Recruitment and Employment Confederation (REC)**. Shipton is also commercial director of Workthing, the online recruitment service of the **Guardian Media Group**.

AOLR represents the United Kingdom's leading Internet job boards. "Life is no longer as simple as in 1973," as Shipton put it. In 1973, when

Continued on Page 2.

## Two major reports coming to your inbox

### 2004 Employment annual

The battle for online supremacy of employment advertising has taken to the streets, where big job boards are competing fiercely with local newspapers and niche services for shrinking ad dollars. But in research conducted in conjunction with Belden Associates, we found that still far too often, too few newspaper ad-takers exhibited any understanding of how their online components worked — even after nearly a decade of online ventures. Look for our annual report next week.

### Lead-generation

One proven way to generate new revenue is to go after advertisers who are spending money with competitors. But how do you find them? Searching online, or circling ads in competing papers, is the old way. 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 — and we'll tell you all about them later this week in our special report: "Taking Control of Classified Ad Sales: New Lead-Generation and Data Tools Level the Playing Field."

## New regs for U.K. jobs

Continued from Page 1.

the government first regulated recruitment agencies, it created exemptions for print media's classifieds.

AOLR, in conjunction with REC, started negotiating with the government's **Department of Trade and Industry** (DTI) 18 months ago in order to explain why job boards should be exempt from the EAA Regs, as print advertising has been before. They haven't won the game yet. What has been achieved so far is the definition of a three-month grace period, whereby new regulations of Internet ventures will not be enforced. The DTI also agreed to take a closer look specifically at job boards before July 6, when some additional EAA Regs rules will go into effect.

To comply with the EAA Regs, all recruitment agencies, and therefore also all Internet job boards, are required to check and verify every job advertised, check the backgrounds of each company — “even health and safety issues,” explained **Tom Hadley**, head of external relations at REC. They have to check the identity, background and skills of every individual posting a resume — “an impossible task given the huge number of jobs and CVs posted on job boards every day.”

Additionally, after April 6, any recruitment agency wishing to do business with another agency, such as a job board, has to satisfy itself that the second agency is suit-

able to act as an agency and therefore complies with EAA Regs. Had the grace period not been negotiated, it would now be against the law for any recruitment agency to advertise jobs on a commercial online job board. Since the position of job boards is still subject to a consultation process, the lack of clarity on this issue from the DTI is causing considerable confusion within the recruitment industry.

But confusion is not the only problem with this piece of legislation. The deeper we dig, the worse it gets. The strict regulations only apply to commercial job boards — not to government-run boards, specifically, not to **JobCentrePlus.gov.uk**, the country's biggest and most active job board (it has about 400,000 job listings at any given day). So the government smoothes itself the way and hinders private competition.

Another loophole: The EAA Regs only apply to enterprises based in the U.K. **Monster**, for instance, wouldn't necessarily be bound by the rules. It's easy enough for online-only job boards to set up a new base of operations elsewhere — but not so for Britain's print-and-online publishers. “Half of the market has to act with one hand tied to the back,” Shipton said.

The situation of newspapers that operate job boards is especially unclear. Classified recruitment advertising in print media is excluded from the regulations — and so are online job boards of newspapers, insofar such a board “is an integral part of the paper,” as Shipton contends. If the EAA Regs are not altered, newspaper-owned job boards that are operated as separate companies could perhaps simply be re-integrated into the newspaper to avoid being subject to regulations — a weird scenario.

AOLR and REC agree with the government that there has to be some regulation of the market. No one questions that job-seekers and employers have the right to protection. But much will depend on whether the DTI will give in to a pragmatic approach.

“More and more people are looking for jobs on the Internet. They can't ignore that,” said Hadley. And the services that are available from Internet job boards such as e-mail alerts, CV databases and matching cannot be easily compared to ads in print — the next three months will be essential for the online recruitment industry in the UK.

Shipton seeks a quick resolution: “The potential impact of this confusion is that job boards will lose revenue, agencies will suffer from lack of candidates, employers will be unable to fill jobs and work-seekers will be unable to find new employment. The whole situation is totally unacceptable and I have written to the Secretary of State at the DTI to ask that the Department provides immediate clarity on the position of job boards,” he stated in a press release published one day prior to the enforcement of the EAA Regs.

## CLASSIFIED INTELLIGENCE REPORT

PETER M. ZOLLMAN, executive editor  
PZOLLMAN@AIMGROUP.COM, PHONE: (407)788-2780  
NEIL SKENE, publisher  
JIM TOWNSEND, editorial director  
CHRISTINE ALLEN, staff writer  
LEE S. HALL, contributing editor  
KATJA RIEFLER, contributing editor, Europe  
PHYLLIS TURNER, business manager

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## INTERNATIONAL

## Job search engines — the next ‘big idea’ in online recruit-

When **JoPit.com** launched in the last week of March, the British *Online Recruitment* magazine ([onrec.co.uk](http://onrec.co.uk)) welcomed the new search engine for recruiters and job-seekers as an idea “that promises to revolutionize the online recruitment marketplace.” JoPit — not to be confused with U.K.-based **Jobit.com** — works like a search engine or — perhaps a better visualization — like a price-comparison engine. If you enter a phrase, JoPit simultaneously searches thousands of corporate Web sites and Internet job sites in real time. The results are displayed in seconds.

The idea behind JoPit is simple: Many companies offer more jobs on their corporate Web sites than they advertise on job boards. Job-seekers, on the other hand, might not use company Web sites as their favorite address for job searches. Jopit aims to close this gap.

JoPit serves up results in detailed view of job descriptions or in a job headline view, 50 at a time. Links spawn a new browser window, unlike U.S. job-scraper **FlipDog.com**, which frames results.

However, at the moment there is not much information on the Web site about the company and its concept and there are only very basic services available. You can search for new jobs in the whole world, continental Europe, in the U.K., United States or Asia only by entering a search phrase. If you chose the advanced search option, you can also specify your preferred field of career. So a search for “job” in the U.K. reproduced 6,758 results at the time tested.

It is much too early to speculate over the success of Jobit.com in the U.K. or elsewhere. As it was the case with price-comparison engines, much will depend on whether the companies whose Web sites are visited by the job-crawlers agree to this procedure, and what the business model will exactly look like.

In France, aggregating jobs of various sources in one central Web site is quite a successful concept. However, it is organized a little bit differently. **OptionCarriere.com**, as well as **Keljob.com**, gather ads from partner sites and companies that want high exposure for their ads. Those ads are made searchable on their own sites as well as on partner sites. The big newspaper *Le Monde*, for example, works together with Keljob, as do portal sites like **MSN.fr** or **Tiscali.fr**. Many job portals work with more than one aggregator in order to give their clients the highest exposure possible.

Keljob, which launched July 2000, already has been able to make its concept a success — and in an e-recruiting market in recession for the third consecutive year. And 2003 turned out to be the first year the company showed a

profit. Keljob reports revenue of €4.3 million (\$5.2 million), with €17,000 (\$624,000 US) of commissions to be deducted. The net revenue is €3.8 million (\$4.6 million US), a growth of 61 percent with regard to 2002. Keljob realized a positive operational result of €125,000 (\$151,000 US), about 3 percent of the net revenue.



JoPit homepage

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### EBay starts real estate advertising in Germany

**EBay** in Germany (**EBay.de**) has begun a beta test phase for real estate, a new category for the auction company's German site. Although the items can only be advertised and not auctioned, the new format fits smoothly in the EBay design and the search functions, so EBay users can find their way immediately. The enormous range of the market place offers advantages with the sales or the letting of real estate to owners, brokers and private parties. Announcements can be placed for local or international, private or commercial property sales. Prospective buyers connect directly with sellers.

The new category starts with a special campaign: For April, advertisers can place their listings at the price of €1 (\$1.2 US) for 10 or 30 days. After the expiration of the special campaign, a 10-day ad will cost €5 (\$6 US), a 30 day ad €10 (\$12 US).

A spokesman for EBay Germany called the entrance into real estate “a natural advancement of the marketplace, because the EBay community placed increasingly inquiries to offer vacation homes in the category journey and for purchasing or renting objects in large cities.” The advertisement format was selected, because real estate purchases in Germany require a notarial recording and cannot yet be completed over the Internet.



## U.K.: Boom in online recruitment ad expenditure at regional press

Advertising expenditures in the U.K. rose by 2.5 percent to £17.2 billion (\$31.4 billion US) in 2003 — before accounting for inflation — with the strongest growth taking place in the fourth quarter. The annual growth rate equates to a decline of 0.4 percent in real terms. By far, print accounted for the largest share of total ad spending (48.7 percent), with TV the second largest medium (25.4 percent), followed by direct mail (14.1 percent), outdoor (5.2 percent), radio (3.4 percent), Internet (2.2 percent) and cinema (1.0 percent). Looking only at display advertising, TV was the biggest medium with a 33.5 percent share with the press second at 32.3 percent.

Within the print sector, ad spend in regional newspapers and directories grew (by 3.2 percent and 5.0 percent respectively in nominal terms, and by 0.2 percent and 2 percent respectively in real terms). The other print sectors experienced falls in advertising expenditure in both nominal and real terms.

Regional press saw the fastest growth in U.K. online recruitment advertising expenditure last year, up 48.2 percent to £24 million (\$43.8 million), according to figures released by the

**Advertising Association.** Online specialists saw growth of 41.5 percent while national newspapers attracted 22.9 percent more online recruitment advertising. The figures high-

'This performance demonstrates that regional newspapers are getting smarter at offering advertisers a range of platforms with which to target audiences — both print and online.'

— Kevin Beatty  
managing director,  
Northcliffe Regional Newspapers

light the dramatic growth of the online classified market and how regional press, the U.K.'s largest press advertising medium, is taking a major slice of it.

Regional press now accounts for 30 percent of the U.K. online recruitment market. This currently excludes revenues from **Fish4jobs**, the regional press-owned job site. This is up from 28 percent of the market in 2002. National press accounts for 5 percent of the online recruitment market while online specialists account for 65 percent.

"This performance demonstrates that regional newspapers are getting smarter at offering advertisers a range of platforms with which to target audiences — both print and online," said **Kevin Beatty**, chairman of the **Newspaper Society's** marketing committee and managing director of **Northcliffe Regional Newspapers**. Beatty said the figures were confirmation of what advertisers have long known about the power of the regional press.

In overall terms, regional press advertising expenditure grew by 3.2 percent in 2003 to £2.99 billion (\$5.5 billion

US), outperforming total U.K. ad spending, which grew by 2.5 percent. The growth in online recruitment for regional press comes on the back of sustained growth in regional press ad spending every year for the past decade. Unlike national press, the regional market continued to perform well even in the midst of a media recession. The latest estimate for Internet advertising expenditure in 2003 is £376 million (\$686 million US) — an increase of 61.6 percent on the previous year. This incorporates a **World Advertising Research Centre (WARC)** estimate of full year, Internet Advertising Bureau figures and a new survey of online recruitment advertising expenditure carried out by the WARC.

\* \* \* \*

### Eniro buys Gula Tidningen

**Eniro AB**, a leading Swedish media company for search channels that connect buyers and sellers, has announced it is buying **Gula Tidningen AB** of **Trader Classified Media N.V.** The purchase price is SEK73 million (\$9.6 million US).

"Gula Tidningen is well-suited to our strategy of connecting buyers and sellers and strengthening our positions in existing markets," said **Lars Berg**, chairman and acting CEO of Eniro AB. "Advancement in the classified advertising market, where we previously were only active through our Internet service Bilweb, provides new opportunities for enhancing our offering and creating value for both users, customers and Eniro."

Eniro will acquire 100 percent of the shares of Gula Tidningen AB, which will be consolidated in the Swedish market. The purchase is expected to have a positive effect on earnings before depreciation in 2004, and to have a neutral effect on earnings per share.

Gula Tidningen has annual sales of about SEK75 million (\$9.86 million US), with adjusted earnings before depreciation of slightly more than SEK10 million (\$1.3 million US).

"Our greatest challenge will be to develop Gula Tidningen on the Internet," said **Cecilia Geijer-Haeggstrom**, executive VP for Internet and mobile business at Eniro AB. "Combining Gula Tidningen's market position and advertising database with Eniro's Internet traffic and nationwide sales forces will create an excellent platform on which to develop sales synergies."

With about 60 employees, Gula Tidningen AB has three newspapers / brands with associated Web sites: *Gula Tidningen*, Sweden's largest newspaper for classified advertising; *Lila Tidningen*; and *Kop & Salj*.



## INTERACTIVE

# Gabriels Technology Solutions: Cover to cover

BY CHRISTINE ALLEN

It all started with two books.

**Michael Gabriel Cianchetto**, who goes by Michael Gabriel, wrote two books on apartment rentals and sales in New York City, *Gabriel's Apartment Rental Guide* and *Gabriel's Apartment Sales Guide*, and self-published them through his Web site, **Gabriels.net**. The books became best-sellers and bibles to the real-estate industry.

The business, which began in a corner of Gabriel's living room, became the seed from which privately-held **Gabriels Technology Solutions Inc.** (we'll use **GTS** to avoid confusion) grew to become an ASP in the real estate, automotive, employment and general classifieds field. It's developed custom applications for high-profile clients including *The New York Times*, *The Boston Globe*, *Atlanta Journal-Constitution*, *The Palm Beach Post* and (Daytona Beach, Fla.) *News-Journal*.

"Having successful real-estate books published gives a lot of credibility to a business," Gabriel said.

When (Michael) Gabriel and his brother, Gabriel — that's his first name. He goes by Gabriel Cianchetto (it's no wonder the company is named Gabriels) — started the technical development side of his business, the company quickly grew to five desks in his living room. That was in 1996. At that point, GTS received its first and only capital funding — a small stake of 5 percent — from **Barbara Corcoran** of the **Corcoran Group** in New York, one of the state's largest real estate firms.

Through the popularity of his books with both consumers and real-estate agencies that used the books as information tools — he had compiled information on every apartment complex in Manhattan, something no one else had done — his company developed an internal listing system for the local real estate industry. This eventually evolved into the development of what was essentially the first software application that enabled Manhattan real-estate agents to share listings through an MLS-like system, which offered public portals with all the listings aggregated into one portal.

Manhattan was one of the only markets in the United States without a multiple listing service. While Gabriel was working on his product, real-estate agencies in the city had grouped together to form a New York MLS, but because of infighting between agencies and brokerages, the MLS collapsed.

The *New York Times* saw its opportunity to really scoop a big one with the demise of the NYMLS and approached GTS with a deal. Gabriel was sitting in the catbird seat with already aggregated data listings. The *Times* launched its online real estate application with GTS in June 2001. It provided local users with the largest aggregation of listings

in the New York marketplace.

"With our aggregated listing, the *Times* really created what is a successful portal to the New York brokerages and generates a significant number of leads to brokers, along with Web traffic to their own sites. It's also used by brokers to search inventory," (Michael) Gabriel said.

"We've been using Gabriels for more than two

years and our working relationship is going well," said **Ira Silverstein**, director of classified operations with **NYTimes.com**. The *Times* plans to expand the *Boston Globe's* real estate vertical.

Silverstein said that it wasn't GTS that increased revenue for the *Times*. While GTS provides the back-end and built out the real estate product, it's a successful sales team bringing in the bucks, said Silverstein.

Shortly after it began working with the *Times*, GTS entered into a relationship with **The Relo Network**, which represents 800 major independent real estate firms across the country. GTS developed for Relo the first application to enable consumers to search listing inventories of the entire Relo network.

The third major deal for GTS came in 2002, when the company signed an agreement with **Cox Enterprises** to provide custom solutions for its newspaper group, including the *Atlanta Journal-Constitution*, *The Palm Beach Post* and (Daytona Beach, Fla.) *News-Journal*.

Now, Gabriels' clients and partners include major multimedia companies, newspapers, real estate brokers, developers, and landlords.

What makes GTS unique is its ability to design custom applications, provide aggregate data listings, host and maintain data on multiple newspaper portals on the Web.

"A lot of companies use templates. We do a full-blown custom solution for our clients," Gabriel stated. "For

## Gabriels Technology Solutions

Independently owned ASP in the real estate, automotive, employment and general classifieds field

Michael Gabriel, CEO  
Gabriel Cianchetto, business development

Address: 145 Hudson St., Suite 755  
New York, N.Y. 10013

Clients: The *New York Times*, the *Boston Globe*, Cox Enterprises, The Relo Network, major multimedia companies, newspapers, real estate brokers, developers, and landlords.

Continued on Page 6.

## REAL ESTATE

## Boston aims to keep real estate discrimination online in check

BY CHRISTINE ALLEN

In what may be one of the first attempts to fight discrimination in real estate advertising on the Internet, the **Fair Housing Center of Greater Boston** filed a lawsuit against four local Web sites and real estate agents whose online ads held allegedly discriminatory phrases. These specific real estate Web sites were named in the lawsuit because of a repeatedly high number of discriminatory ads found on the sites, according to **Dave Harris**, executive director of the Fair Housing Center. He was not at liberty to say how the alleged discriminatory ads were discovered.

The lawsuit, filed in U.S. District Court in Boston on March 23, seeks injunctive relief and unspecified monetary damages. The intention of the lawsuit, according to Harris, is to raise standards for real estate ads in newspapers and on the Internet.

"We hope to resolve this matter quickly and we see this as a way to prevent future ads of this kind," Harris told **Classified Intelligence**.

The defendants, **Boston Apartment Rentals**, **Marc Roos Realty in Boston**, **A & S Realty** and **Apartment Depot**, were reportedly not notified prior to the filing and actually found out about the lawsuit when a reporter from the *Boston Globe* contacted them about the lawsuit.

"I wish someone had said, 'I want to target you first,' before they shot me in the butt," **Eric Boyer**, operator of

Boston Apartment Rentals and **BostonApartments.com**, told the *Globe*. The Web site is a free-form bulletin board with thousands of apartment and roommate-wanted listings. Boyer does not edit ads posted on the site.

The Fair Housing Center chose to file the lawsuit before notifying the defendants hoping this will lead to a quick resolution.

Apparently, disclaimers don't help against discrimination lawsuits. Boyer's Web site has a page dedicated to discrimination laws, and states that the real estate ads listed are subject to the Federal Fair Housing Law, "which makes it illegal to advertise 'any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin, or an intention, to make any such preference, limitation or discrimination.'"

Boyer further states that his publication will not knowingly accept any advertising for real estate, which is in violation of the law.

The disclaimer goes on to say, "Our readers are hereby informed that all dwellings in this publication are available on an equal opportunity basis."

A quick scan of several ads on each Web site did not reveal any discriminatory wording. The Web site of one of the defendants, Apartment Depot, was "under development" at the time this article was written.



## GTS expands classified listings

Continued from Page 5.

example, our closest competitor is Classified Ventures and they use templates."

The company is involved in every aspect of the projects that they have acquired, including the evolution of the business model, business strategy, and operations.

GTS has expanded from data aggregation for the real estate industry into all other areas of classified advertising. The company has planned a multi-phased rollout of an ecommerce solution that is fully automated called "Universal Listings System."

"This means consumers can post anything at anytime in various sections of the online classifieds," Gabriel explained. Automotive listings are complete, and up and running on NYTimes.com. Employment — the newest project in the works — should release sometime during the third quarter this year.

Relo Network has endorsed GTS as technical vendor for



its network and one large real estate firm, **Jack Conway Real Estate of Boston**, has signed them to develop its Web site.

The company has grown from five desks in a living room to more than 30 employees and, in May, will relocate to a new facility where they can expand to more than 50 employees.

With only eight years under its belt, GTS is a growing company in providing revenue with online real estate verticals for newspapers, and is now moving into other categories, with the prospect of becoming international. Gabriel couldn't comment at this time on plans to become international.

"I'm going bonkers," said Gabriel with a laugh. "Now it's about managing the growth."





## AUTOMOTIVE

# Autobytel buys IDriveOnline Inc.

**Autobytel Inc.** acquired **IDriveOnline Inc.**, a provider of customer loyalty programs for the automotive industry, in a cash and stock deal worth \$11.7 million, based on the April 8 closing price of Autobytel's common stock (Nasdaq:ABTL).

Under the terms of the agreement, IDriveOnline is to merge into a newly formed wholly owned subsidiary of Autobytel, which will be renamed **Real Performance Marketing Inc.**

The acquisition will expand Autobytel's market share in the dealership service reminder business, an area in which the company already markets a product called Retention Performance Marketing (RPM). Autobytel has approximately 650 dealers nationwide who use either RPM or IDrive. Autobytel anticipates that approximately 1,300 dealers will be using the combined product by year's end.

"There has been no overlap between customers who use RPM and the IDrive program because a dealer uses only one program," Autobytel corporate communications specialist **Angela Linares-Jacobson** told **Classified Intelligence**.

"In 2003, RPM delivered about \$4 million in revenue. This year, the combined product should contribute \$15 million in revenue, and next year that number is anticipated to be \$30 million," said Autobytel Inc. president and CEO **Jeffrey Schwartz**. "We expect the acquisition to further accelerate growth and profitability in what is already our fastest growing product area."

The acquisition combines RPM's technology platform with IDriveOnline's applications, including an online prospecting and retention tool, enhanced data and segmentation tools, and improved dealer reporting capabilities. Because of these features, IDriveOnline has been able to generate higher monthly fees per dealer than RPM — an average of more than \$2,000 versus \$1,200, according to Autobytel.

The **National Automobile Dealers Association (NADA)** reported that in 2002, parts and service accounted for 12 percent of dealers' revenues, but 48 percent of their operating profits. Service customers are seven times more likely to buy a car from the dealership where they have their car serviced, while the typical dealer loses 80 percent of this business to aftermarket competitors within five years of selling a vehicle — representing a loss of more than \$67 billion annually. **Deloitte and Touche** projects that a 5 percent increase in service customer retention can increase a dealer's operating profit by 25 percent.

Located in Houston, IDriveOnline was established in April 2000 and has about 30 employees.

"Autobytel and IDriveOnline are remarkably well aligned and we expect a rapid, smooth integration of the

businesses," said IDriveOnline president and founder **Fred van der Neut**. "We anticipate being able to rapidly go to market with our combined product."

Van der Neut will serve as vice president and general manager of the combined business.

Under the terms of the agreement, IDriveOnline shareholders are entitled to receive 474,501 shares of Autobytel Inc. common stock and approximately \$3.6

million in cash after assumption and retirement of debt of approximately \$1.4 million, subject to adjustment. One-time

integration costs associated with the acquisition are anticipated to be approximately \$750,000 in 2004.

Amortization of intangibles is expected to be about \$500,000 in 2004 and 2005.

The transaction is expected to close sometime this month.

Schwartz said Autobytel is still in acquisition mode: "We will aggressively pursue acquisitions to add scale and leverage to all areas of our businesses and maximize shareholder return. Stay tuned," he said.

\* \* \* \*

## EBay Motors customers can choose car inspectors

For years, **Pep Boys** has provided vehicle inspections for **EBay** auto buyers and sellers for \$25. Now buyers (and sellers) have a choice. **SGS Automotive Services** is offering its comprehensive vehicle inspection services on EBay, providing professional inspections completed at homes or offices.

SGS vehicle inspection reports can be ordered directly from the EBay Motors Web site by clicking on the vehicle inspection icon. After placing a vehicle inspection order, an SGS customer service representative calls or e-mails the vehicle owner to schedule the inspection at a convenient time and place.

The SGS inspection for most vehicles is \$99.50, which includes a review of the vehicle interior and exterior, underbody and under hood, along with a test drive at no additional cost. For high-end luxury, classic and exotic vehicles, the inspection is \$139. After the inspection is completed, the inspection report, along with digital photographs, are posted online for access by the buyer or seller, depending on who ordered the report.



## AutoTrader.com to blitz cable viewers with commercials

Watch for **AutoTrader.com** commercials during prime-time viewing on television from mid-April through August. The company bought about 600 spots, its largest-ever cable television buy.

Programming included in the ad buy consists primarily of prime-time slots on stations that include TBS, TNT, USA, Lifetime and Nick at Nite.

"Having a dominant media presence on all the hottest stations puts us in the right place at the right time to reach our demographic," said **Clark Wood**, vice president of marketing at AutoTrader.com. "We drive traffic to our site and to the dealers who advertise with us."



\* \* \* \*

### New York Daily News' auto site growing

Recently, we saw a banner ad on the *New York Daily News* Web site, **NYDailyNews.com**, for "New York's newest automotive search engine." The ad promoted the newspaper's AutoMarket.com, which was launched about nine months ago and is their first online automotive endeavor, according to **Joe Stella**, VP, director of new media.

The vendors are local automotive dealers from the N.Y.

metropolitan area who provide their auto inventory to NYDailyNews.com via data feeds. Stella told **Classified Intelligence** all of the automobiles are directly from the auto dealers' stockpiles and any search for a vehicle — new or used — is done solely within the confines of their inventory.

"Traffic is growing monthly and the dealers are getting response from the Automarket section," Stella said. "As with any significant purchase, however, the need to visit a dealer is not supplanted by an online shopping experience.

We are providing another environment for these dealers to showcase their cars and develop a new venue for attracting leads."

Additionally, individuals can list their own cars and they are included in the database of inventory. Liners and display ads from the paper's print classified section are not yet featured in the AutoMarket but will be in the coming weeks, according to Stella.

"I'm not sure what impact the online automotive section will have on print classified ads until we incorporate the regular auto classifieds," Stella told CI.



## AUCTIONS

### Become a star, bid on a roll in a movie on EBay

"Everyone is a star" is **EBay's** slogan, and now everyone can have a chance to be a movie star through the auction giant's Web site. Six major and 18 supporting roles for the movie "Who the hell is...Paul?" will be cast via EBay auction. Casting will take about three months.

The film, a comedy tracing the transformation of a below-average Joe at the hands of four gay roommates - written by German screenwriter **Ralf List** in the spirit of "Friends," "Queer Eye for the Straight Guy," and "Sex and the City" — will be produced in the United States for distribution in cinemas worldwide, and then as a possible television series.

Interested bidders can link directly to the auctions through the film Web site: [www.whothehellispaul.com](http://www.whothehellispaul.com).

"It is not my intention to turn the casting industry upside-down, but rather to discover some new talent in an untradi-

tional way," said List, who is also the film's director.

"I decided to cast my film via Internet auction so that everyone can have the chance to become a star."

Prior acting or film experience is not required in order to bid. However, each role has a set of criteria the winner must meet, such as age and appearance. Bidding started March 29 on the first role (Chip, an attractive, charming but eccentric

guy) at \$1. As of April 5, three bidders were contending for the part and highest bid was \$8.50.





## GENERAL

## Yahoo earns that exclamation point with first quarter report

**Yahoo** (Nasdaq: YHOO) blew away Wall Street estimates, reporting first quarter revenues of \$550 million, more than double comparable 2003 levels, and earnings of \$101 million (14 cents per share vs. 8 cents). The biggest growth came in the “marketing services” area, driven mainly by exploding growth in revenues from sponsored search advertising.

“Sponsored search benefited from growth in queries, the introduction of Yahoo Search Technology and an expansion of sponsored search across all verticals,” said **Aaron Kessler**, an analyst with **JP Morgan** in a report April.

Almost lost amid the Yahoo-phoria was the ever-shrinking contribution of the company’s “listings” segment,



which includes **HotJobs**. Although listings revenue grew 16 percent, to \$34 million for the quarter, it made up only 6.5 percent of Yahoo’s total revenue,

down from about 10 percent a year ago.

Yahoo CEO **Terry Semel** focused his remarks during the company’s quarterly earnings call almost entirely on the prospects for search-based advertising.

“We will continue to expand search technology to all reaches of Yahoo, and focus increasingly on personalization,” he said. Yahoo’s conference call ran for an hour, and not once was HotJobs mentioned.

Yahoo also announced a 2-for-1 stock split, effective May 11.



## AdStar closes a \$1.5 million financing deal on heels of year-end growth

**AdStar, Inc.** (NasdaqSC: ADST, ADSTW) reported a 26 percent increase in net revenues to \$2.83 million, compared to \$2.24 million for 2002. Driven by transaction-based ASP revenues, the company enjoyed a 61 percent increase in net ASP revenues to \$1.47 million for 2003, compared with \$915,819 in 2002. AdStar’s net ASP revenues were also supported by slight increase for the year in licensing, software, and customization services.

In addition, AdStar experienced a more than \$880,000 one-time write-down of capitalized software and related customer support fees. AdStar’s net loss increased to \$2.84 million, or \$0.31 per share, compared with a net loss of \$2.36 million, or \$0.29 per share in 2002.

“Our firm commitment to our ASP model continues to support our revenue growth,” said **Leslie Bernhard**, president and chief executive officer of AdStar Inc. “We are encouraged by the events of 2003 despite the net loss for the year. The acquisition of profitable Edgil Associates and our new service agreements with the *Los Angeles Times* and *The Dallas Morning News* will contribute significantly to our revenue in 2004. Our notable progress with new and existing customers positions us several steps ahead of our nearest competition, and as transactions and revenues continue to increase, we have only scratched the surface of our technological capabilities.”

In other news, as a result of the company’s common stock closing above \$2.25 per share on March 31, more than 1.4 million shares of Series A preferred stock issued to Tribune Company were automatically converted to common stock. As a result of this conversion, the shares have lost their liquidation preference to the common stock of approximately \$1.8 million, plus accrued and unpaid dividends.

### This just in....

AdStar announced today that it has closed a \$1.5 million financing with **Laurus Master Fund, Ltd.**, a New York City based institutional fund specializing in providing financing to small capitalization publicly traded companies (“Laurus Funds”). The financing consists of a convertible note bearing interest at the prime rate minus one percentage point. The note is convertible into AdStar’s common stock at an initial fixed conversion price of \$2.25 per share.

Once the underlying shares are covered by an effective registration statement and subject to certain limitations based on market volume for the common stock and the investor’s aggregate holdings, Laurus Funds is required to convert all monthly installments of principal and interest into common stock if the common stock exceeds 10 percent above the fixed conversion price. AdStar may redeem the note by paying 125 percent of the then outstanding principal balance plus accrued interest. The note is secured by a first lien on all of the assets of AdStar and its subsidiary.

In connection with the financing, Laurus Funds was also issued warrants to purchase up to 200,000 of AdStar’s common stock, exercisable as follows: 120,000 at \$2.58, and 80,000 at \$2.80 (120 percent and 130 percent of the twenty-two day average closing price, respectively).

“We are pleased to have raised \$1.5 million for AdStar without dilution to our current investors,” said Bernhard. “Borrowing at less than prime is unprecedented in AdStar’s history and reflects the substantial value of the conversion privilege and warrants, even at conversion or exercise prices substantially above recent average stock prices.”



## Free papers celebrate spring; MacDonald launches ad builder



*Peter M. Zollman*

SAVANNAH, Ga. — The weather was perfect; the dogwoods, azaleas, lilacs and wildflowers were in full bloom; the turnout was great, and the **Association of Free Community Newspapers** had a spectacular annual meeting in the Deep South earlier this month. Notes and quotes:

**MacDonald Advertising Services**, which provides ad design support in the classified and retail fields, unveiled a new service that could bring do-it-yourself ad services to advertisers. Called **Visuals Plus Express**, it can cut sales and production costs while providing sales reps with quick ideas and easy production or “spec” ads.

It’s another in the small but growing group of products designed for self-service, online display ad production. There’s **VirtualAdTaker**, **OnlineAdWizard**, and a handful of others. But coming from MacDonald, which already has hundreds of newspaper clients in the retail and classified environments, it has a leg up on a lot of the competition. It’s priced at just \$25 per month — so inexpensive, in fact, that we think it’s *too* cheap. Sign up quick, before Patrick gets smart and raises the price!

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Almost 400 people attended the conference, which was a great turnout. AFCP papers run the gamut from single community mom-and-pops that are run by just mom *or* pop, with folksy local content, to giant companies that distribute 2 million shoppers weekly. Judging from the number of people exhibiting promotional products like umbrellas, yoyos and coffee mugs, they must give out a lot of tchotchkes.

The wrap-up speaker was **Janet DeGeorge**, an outstanding classified advertising trainer who’s a good friend.

(Unfortunately, we had to bail out early, so we missed her presentation.) Other sessions focused on “do not call” rules, which still have lots of newspapers flummoxed — we’ve heard some newspapers have totally halted outbound calls, for fear of a fine; a postal update, and several sessions on customer service and support.

But the delegates received a heavy dose of local charm, too, with cocktails by the pool and dinner with “Mark Twain” one night, a riverboat party another night, and a beautiful Savannah city square (and tea room across the square) as an antidote to the charmless bigbox Hilton.

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The **International Classified Media Association** was represented by executive director **Lucie Hime**, who’s looking to expand the group’s presence in the United States. She had several deals in the works, including one with **Classified Intelligence** that will be announced in a few weeks, and another involving a potential classified advertising network for U.S. and European properties.

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AFCP is focusing heavily on **PaperChain**, a combined marketing effort of 15 state, regional and national associations to promote the value of the free-newspaper industry. Most of these are shoppers or weeklies, many of them competing with local dailies (and some of them owned by those same local dailies).

PaperChain has developed marketing materials for promoting the newspapers, and for training their sales reps in presenting the value of free newspapers to advertisers.



## advanced interactive media group

The Advanced Interactive Media Group, L.L.C., works with media companies, software developers, application service providers and organizations to help develop successful interactive-media services. It is affiliated with Classified Intelligence, L.L.C. The AIM Group focuses on practical solutions. Our services include strategic business planning; corporate workshops and presentations about interactive media; advertising development and training; cross-media alliance support; Web site reviews; market research and analysis, and team-building seminars.

PETER M. ZOLLMAN  
Founding Principal  
NEIL SKENE, Managing Principal  
STEVE KLEIN, Principal  
STEVE SULLIVAN, Affiliate  
402 Spring Valley Road  
Altamonte Springs, Fla. 32714  
(407) 788-2780  
Fax (407) 788-7061  
info@classifiedintelligence.com

## INTERACTIVE INSIDERS

# Robert Cauthorn leaves SF Chronicle

The *San Francisco Chronicle's* digital operation, **SFGate.com**, has lost one of its most creative online execs. **Robert Cauthorn**, VP of digital media, left the **Hearst**-owned property suddenly last week because of differences with management about the future of digital operations at the paper.

Chronicle publisher **Steve Falk** sent a memo to the management and digital media staff praising Cauthorn's accomplishments, noting that under his guidance, the company's digital operations reached record levels of traffic, revenue and national stature and had their first profitable year. In the next paragraph, he announced Cauthorn's abrupt decision to leave the company.

Neither Chronicle execs nor Cauthorn would discuss what the differences were, but Cauthorn, with a well-earned reputation as being a cowboy innovator of online newspaper publishing, is not someone who tolerates complacency. He often challenged industry constituents to take risks and try new things.

Among other things, Cauthorn invented Top Jobs, the right-hand rail job-listing format in general news sections that will generate an estimated \$80 million in revenues for U.S. newspaper Web sites in 2004. The product, which has morphed into Top Homes and Top Cars at some sites, has also rolled out internationally — appearing on **ThisIsLondon.com** and several European sites for the first time earlier this year.

For the first time in his life, Cauthorn told **Classified Intelligence**, he has made a change without knowing what comes next.

"The challenge for me is to find myself in a position where I can save the thing I love the most — newspapers," he said. That doesn't necessarily mean print, he said, but the entity itself — the "news organ," as he put it. What this is, he wants to discover.

Cauthorn was the centerpiece of last month's In Focus column at **Online Journalism Review (OJR.com)**, by **Vin Crosbie**.

"We're all in a transitional state, at an inflection point in our industry's history," Cauthorn said. He complained that newspaper sites are being held back by industry complacency and print-side fears that as the digital sector grows, print will lose advertising and circulation.

"Print circulation continues its long-term drops, but our online circulation here has been growing at a 30 percent compounded annual rate for years," he said.

Cauthorn, formerly of *The Arizona Daily Star* in Tucson, received NAA's New Media Pioneer Award in 1998 for his imaginative, one-step-ahead approaches to online content and advertising.

Cauthorn believes that in the next 10 years, dailies will

fall by the wayside, with only three or four newsprint editions published each week, making the papers more profitable.

Cauthorn told CI that he needed to leave the *Chronicle*. "It's a good paper and I wish them well, but it's time for me to take on challenges in a larger arena."

He said he might work outside the newspaper industry as a means of helping the industry save itself. At the same time, he believes that change must come from the top within the industry.

"We need a generation of CEOs who have a genuine hope for the future and who are willing to say, 'Now is the time for the next great wave in the newspaper industry.'"

He told Crosbie, "Wait until you see what happens once newspaper online executives take over the print side."

Wherever he ends up, Cauthorn said, he can't let newspapers fail.



Robert Cauthorn

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## Klass leaves Loot for a new challenge

**Melanie Klass**, **Loot's** sales director of print products, has left Loot for the "cut and thrust world" (as she puts it) of the **Associated Newspapers Limited**, based in Kensington, U.K. Associated Newspapers Limited is the management company for five major newspapers — *Daily Mail*, *The Mail on Sunday*, *Evening Standard*, *London Metro*, *Ireland on Sunday* and the advertising publication **Loot**. She is now the business development manager for **Group Classified** where she will be involved in growing the classified business in print and online for the companies' newspapers.

While with **Loot**, Klass turned the **Loot** business around, increasing advertising revenue by 35 percent and winning European Call Centre of the Year 2003.

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## Ian Murdock named VP of Hearst Newspapers

**George B. Irish**, president of **Hearst Newspapers**, announced the promotion of **Ian Murdock**, the digital media director for Hearst Newspapers, to VP of the company.

"Ian brings to his new position a broad background of

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## Interactive Insiders

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success in technology, sales and management. As a former president of the **Newspaper Association of America New Media Federation**, he helped the newspaper industry merge the traditional business with emerging new media opportunities,” Irish said.

In his position as VP, Murdock told **Classified Intelligence** he has three primary areas of responsibility: Digital media strategy, general technology strategy and the operational responsibility for the company’s smaller papers.

He will report to Irish.

Murdock has been with Hearst Newspapers since 2000 as digital media director for the company’s 12 daily and 14 weekly newspapers.

Before coming to Hearst, Murdock was new media director for the *San Antonio Express-News* from 1997 to 2000, where he successfully launched classified advertising and strengthened relationships with advertisers. The *Express-News* site enjoyed strong penetration under Murdock’s leadership.

Prior to his career in the newspaper industry, Murdock was president of **LA-Z-BOY Furniture Galleries**, in Texas from 1990 to 1997.

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### Former LA Times CEO to serve on eBay board

**eBay** recently announced the appointment of **Richard T. Schlosberg III** to its board of directors. He will also serve on the corporate governance committee of the board.

“Dick is a great addition to an already outstanding board of directors,” said **Meg Whitman**, eBay’s president and CEO. “Drawing on his depth and breadth of experience, he will be a valuable contributor to eBay’s future.”

Schlosberg is a 23-year veteran of the communications business. Prior to joining the **David and Lucile Packard Foundation** in 1999, he was executive VP of **The Times Mirror Company**, as well as publisher and CEO of the *Los Angeles Times*. Earlier, he served in the same role at the *Denver Post*. Under his leadership, the *Times* and the *Post* were repeatedly recognized for excellence.

Schlosberg’s previous board affiliations include **Junior Achievement**, the **Salvation Army**, and the **Newspaper Association of America**.

\* \* \* \*

### New York Times takes a Holliday

Effective March 29, **Guy D. “Doc” Holliday** became the VP, advertising sales with the *New York Times*. He was the

director of engineering and maintenance operations with the paper.

In his new role, Holliday will be responsible for managing the *Times*’ classified advertising sales, including the real estate and recruitment categories as well as the eastern national sales offices, health care, home furnishing manufacturers and packaged goods. Holliday will report to **Jyll Holzman**, SVP of advertising. Holliday assumed his new duties after returning from active military duty from March 2003 to March 2004, where he is a major in the U.S. Army.

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### Houston Chronicle stirs up the classified ad division

The entire classifieds division at the *Houston Chronicle* is going through a major reorganization. The results will be a new call center, with a twist. The Classified Contact Center will launch June 28, and will be headed up by the *Chronicle*’s former employment director, **Cindy Mitchell**. Her new title is contact center director.

“I have been in employment for many years as a salesperson, manager and director. They asked me if I would like to tackle this new challenge and I jumped on it. I felt that I had taken the employment team as far as I could take it without some help from the economy, and I was ready for a change,” Mitchell told **Classified Intelligence**.

Replacing Mitchell as employment advertising director is **Michael Dawes**. He was promoted from sales manager of the national / general department.

“I think he will bring a new perspective on things, and I’m still here to assist if he needs my help,” Mitchell told CI.

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### Correction

**Michael Silver** is the new director of “emerging” technologies with **The Tribune** corporate office, not “merging” technologies as reported in the last issue of *Classified Intelligence Report*. As it turns out, that title may still change. His new title was under discussion when the announcement was made. We’ll let you know if the final title is different.

