



**CLASSIFIED INTELLIGENCE**

Consulting Services for the Interactive Classified Advertising Industry

**December 2004**

**PREVIEW**

# **Competing with Craig:**

## **Strategies and tactics for battling Craigslist and its counterparts**

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## Executive Summary

**T**he acquisition of 25 percent of Craigslist by EBay in mid 2004 was big news on many fronts. For newspaper classifieds, it represents a more well-funded threat by a (mostly) free, highly nimble competitor that has decimated existing classified media. For up and coming Craigslist imitators, it points to a potential exit strategy that has been mostly beyond the horizon in the years of the dot-com bust.

This report compiles and expands Classified Intelligence coverage of Craigslist since early 2003. We begin tracking Craig as just a blip, barely registering on the classified radar, and continue to follow Craigslist's global expansion. One of our most recent articles listed 72 cities in the Craigslist's empire. By tracking the history of our coverage, we also can see where Craigslist started down one path, then switched directions and moved in another.

We also review several sites that are imitating — or improving on — Craigslist. And we provide insight into the Craig's community philanthropic efforts, a not insignificant element in the Craigslist's mystique.

Our report has four key anchors:

- We lead off with a provocative and never-before-published piece by Bob Cauthorn, the former director of SFGate.com. Cauthorn lays down the challenge for newspapers in stark terms: adapt or die. His analysis of how Craigslist has pulverized the classifieds in not one but all four major dailies in the San Francisco Bay Area is must reading for anyone in the classified industry. And he provides step-by-step suggestions on how to counter the Craigslist threat and fill the holes where Craig is notoriously weak.
- To get a better understanding of who this geek-turned-entrepreneur named Craig really is, read Carlyne Zinko's "A Day in the Life of Craig Newmark." Zinko describes in detail the Craigslist founder's mix of technology and social activism.
- In August 2004, John Zappe wrote a ground-breaking article for Classified Intelligence Report which was the first — and still most comprehensive — analysis of the deal between Craigslist and EBay and what that means for the competition. It's complete with e-mails and Web log posts from Craig to his community.
- Finally, we have an original essay by Avi Zollman, a recent college graduate, who has used Craigslist for everything from finding a job to furnishing his new apartment. Hear direct from the new generation of online consumers what newspapers, broadcasters, yellow-page publishers and dot-coms need to do if they're to have any chance at all of competing.

Is the Craigslist juggernaut unstoppable? If you can't beat it, should you be joining forces? We invite you to read on...



## About this report



Peter M. Zollman

**T**his report started out as a compilation of the coverage in *Classified Intelligence Report* of Craigslist and its imitators. Happily, it's grown to be much more than that.

Most important: If you're competing with Craigslist, how do you do that successfully?

How do you run a for-profit business, competing with a business that — while it's organized and legally structured as a for-profit business — is essentially about a community of interests, profits be damned? How do you structure your classifieds businesses so that they offer more than Craigslist (or similar sites), while still operating as a newspaper-related, dot-com or broadcast business should? How do you improve on the remarkable community feel and sense of "ours" that Craig Newmark and his excellent crew have fostered?

Because to compete, long-term, you're going to have to do better.

So, rather than just present what we had already reported, we added two valuable pieces:

- We got Bob Cauthorn — the guy who's had to fight off the Craig-wolves the hardest, the longest and the toughest — to tell you what he would do if he were you. Cauthorn ran the interactive-media operations at the San Francisco Chronicle, heart of Craigslist-country. His lessons alone are worth the price of admission.

- Then we got a 23-year-old who lives in Washington, D.C., is extremely politically and current-events savvy, soaks up news all day long, but rarely reads or uses the local newspaper or its Web site, to tell you why he uses Craigslist and eBay to find almost everything he buys. And, again, what you have to do about it to be successful.

Most of the articles in this report were originally published in *Classified Intelligence Report*, our continuous advisory service to clients of Classified Intelligence. Some were published in our twice-monthly analysts' report and some were issued as "alerts," immediately after an announcement or after we discovered (for example) that Craigslist had launched in more cities. Some are republished here from other sources because we thought they were compelling for our audience.

Originally, the report was laid out chronologically. We thought that would provide a clear "pathway" to see the growth and progression of our coverage. However, we thought through it again, and have now organized it by topic:

- Strategies for competing with Craigslist and similar sites
- About Craigslist and about Craig Newmark himself, a most interesting individual
- About "Craig and Meg," the Craigslist-eBay relationship
- About the imitators — some of whom, we're sure, would not want to be considered imitators at all
- About the contributors
- And, of course, about Classified Intelligence.

Some of the articles and reports have been edited slightly from their original form, in order to improve clarity and eliminate inconsistency. And a few updates have been inserted, again for clarity. However, most articles are published as they originally appeared. And we've left in some overlap and repetition, intentionally. So please be sure to note the "originally published on" date, and understand that you may notice some redundancy. That's by design.

We don't just *write* about this stuff, of course. Our role is as consultants, first and foremost. We want to help your company or organization understand the classified advertising marketplace, and grow your business. We're media-neutral. Whether you're a newspaper company, a dot-com, a yellow page company or a broadcaster (or even Craig Newmark), our goal is to help you improve the services you offer your audiences and your advertisers — and to help you (and us) make more money in the process.

So: Enjoy reading about Craigslist, Craig Newmark and their impact on your business. And call me or e-mail me if we can help you in any way as you sort through the changing maze of classified advertising.

*Peter M. Zollman* 

## How to buy this report ...

Single copies of "Competing with Craig" are available for just \$250. You can buy the report at our Web site, [ClassifiedIntelligence.com](http://ClassifiedIntelligence.com), and pay by credit card.

You can call Phyllis Turner, our business manager, at (407) 788-2780, or e-mail her at [info@ClassifiedIntelligence.com](mailto:info@ClassifiedIntelligence.com), and she'll send it to you and invoice you. (Please be sure to include all pertinent information, including your phone number in case she has questions for you.)

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## About the Contributors



**Peter M. Zollman**, founder and executive editor of Classified Intelligence, has interviewed Craig Newmark three times and is always amazed at how attuned he is to answering his e-mail quickly. Zollman conceived this report and served as its project manager. He's one of the two lead consultants at Classified Intelligence, and spent two hours in a recent workshop with a newspaper group in Austria helping them understand the Craigslist phenomenon and what they should do to compete.



**Bob Cauthorn**, who wrote about Craigslist's impact on newspapers, is one of the pioneers in the online news industry. He launched one of the first newspaper Web sites; in 1995, it became one of the world's first profitable online news sites. He was involved in newspaper e-commerce, telecomms, ISP services and other cutting-edge products early in newspaper Web development. One of his best-known innovations, introduced while he was VP of digital media at the *San Francisco Chronicle*, is the Top Jobs program, which has been widely copied in the U.S. and internationally. It has generated an estimated \$60 million for newspaper Web sites during 2004. In mid-2004, Cauthorn resigned from the *Chronicle* and SFGate.com to work on "revolutionary" (his word) next-generation news, community and advertising services. He plans to unveil his new company and products in early 2005. And for those who know Bob and wonder: Yes, he still bike-commutes to the office nearly every day.

**Avi Zollman**, our avid Craigslist user and competitive strategist, works in Washington, D.C., in the technology and "online community" department of a media-watchdog Web site, MediaMatters.org. Previously, he spent almost a year as foreign policy analyst and on the IT staff of Dean for America, the presidential campaign of former Vermont Gov. Howard Dean. He graduated in May 2004 from Marlboro College with bachelor's degrees in political science and philosophy, and is planning to attend graduate school to earn his PhD and become a political science professor. And for those of you who haven't guessed, he's a close relative of CI founder Peter, and his wife Ellen, who delivered Avi more than 23 years ago.

**Brian Blum**, automotive and real estate beat writer at Classified Intelligence, served as editor on this report, compiling and editing the contents and updating them as appropriate. He's a long-time technologist and writer. He wrote the book, "Interactive Media: Essentials for Success," (Ziff-Davis Press, 1995) and edits the the Web newsletter ContentBiz.com. He also writes an internationally syndicated column on family life. Before joining CI, he was VP marketing of telcomm provider Comverse and CEO of online publishing company Neta4.

**John Zappe**, former VP of new media for the Los Angeles Newspaper Group, serves as employment analyst for *Classified Intelligence Report* and participates in numerous CI research projects. He's also our primary "Craig-watcher," although we all watch Craigslist pretty closely. While he was at LANG, he grew revenue 13-fold and developed 40 percent margins at a unit that had been losing money. Previously, he was director of new media for the Riverside Press-Enterprise. He is a graduate of the Syracuse University College of Law.

**Deanna Sheffield** is a staff analyst for CI, focusing on our "merchandise / auctions" category and our "general interactive media" category. She joined the company in July after working as a general assignment reporter with the *Pasadena* (Texas) *Citizen*, a small daily newspaper in south Texas, and as a copy editor at the *Houston Chronicle*. She's a native of Texas with two great rambunctious kids, so she doesn't have too much time to use Craigslist or EBay — except for professional reasons, of course.

**Jim Townsend**, a principal in CI, is editorial director of the company and participated in this report in a wide range of ways, including oversight, suggestions, recommendations and general support. He's former new-media director of the *Houston Chronicle* and SVP of operations for NutriNews Inc., a nutrition information Web site.

**Christine Allen**, long-time analyst and production director at CI, put this report together to make it look as good as it does. She's a former managing editor of a Jewish community news weekly and news editor of a Christian retailing magazine. (Talk about ecumenical!)



# About Classified Intelligence

**C**lassified 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.
- **Advertisers: Tune in to the changes** in the media you use — and how they are building new products and services to help you meet your advertising needs.
- **Vendors: Follow competitive analysis** of 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 *and* 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.

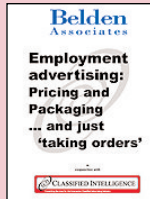
**Classified Intelligence, LLC** is affiliated with the **Advanced Interactive Media Group, LLC**, [aimgroup.com](http://aimgroup.com), an industry-leading consulting firm that works with some of the biggest names in the media and corporate worlds. Our clients include:

- |   |   |
|---|---|
| • Newspaper Association of America                | • Finn.no, Oslo                         |
| • Shaker Recruitment Advertising & Communications | • Washingtonpost.Newsweek Interactive   |
| • AdStar Inc.                                     | • Workopolis, Toronto                   |
| • Travidia Inc.                                   | • Fish4 Trading Ltd., London            |
| • CareerBuilder                                   | • WRAL-TV                               |
| • Advanced Publishing, New Brunswick              | • Radio-Television News Directors F'ndn |
| • Daily Mail and General Trust, London            | • PowerOne Media                        |
| • Tribune Co.                                     | • The New York Times Co.                |



## Classified Intelligence special reports

**C**lassified Intelligence and its affiliate, the **Advanced Interactive Media Group**, (the AIM Group), produce special reports regularly in addition to Classified Intelligence. The newest reports available include:



### **Pricing and Packaging reports**

Classified Intelligence and Belden Associates have teamed up to study “pricing and packaging” of classified ads at newspapers throughout the United States. The first two reports in this series focus on newspapers’ rates and packaging for employment advertising, and real estate advertising. Remaining reports in the series will cover automotive and merchandise rates. The reports are available at [www.classifiedintelligence.com](http://www.classifiedintelligence.com) or [www.beldenassociates.com](http://www.beldenassociates.com).



### **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.



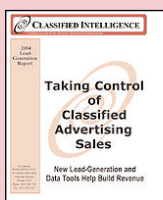
### **2004 Classified Intelligence Employment Annual**

In addition to our first jointly conducted research with Belden Associates, this 132-page report — our fourth annual look at the “state of the art” in recruitment advertising — includes a dozen market studies on employment ads online; comprehensive analyses of strategies at the “Big Three” recruitment sites (Monster.com, CareerBuilder.com and Yahoo HotJobs), and much more.



### **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. This 103-page report outlines opportunities for broadcasters in the classified advertising field, and the threat to newspapers from broadcasters.



### **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? The new way is to make use of sophisticated online competitive-analysis and lead-generation tools.

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