

The Future of Internet Classifieds

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Past Predictions

- “The world market for personal computers in the coming decade will be 275,000.”
 - IBM, 1980
- “There is no reason for any individual to have a computer in his home.”
 - Ken Olson, President, Digital Equipment Corp., 1977
- “I don’t see anything useful in having a home computer.”
 - Gordon Moore, co-founder Intel, 1970

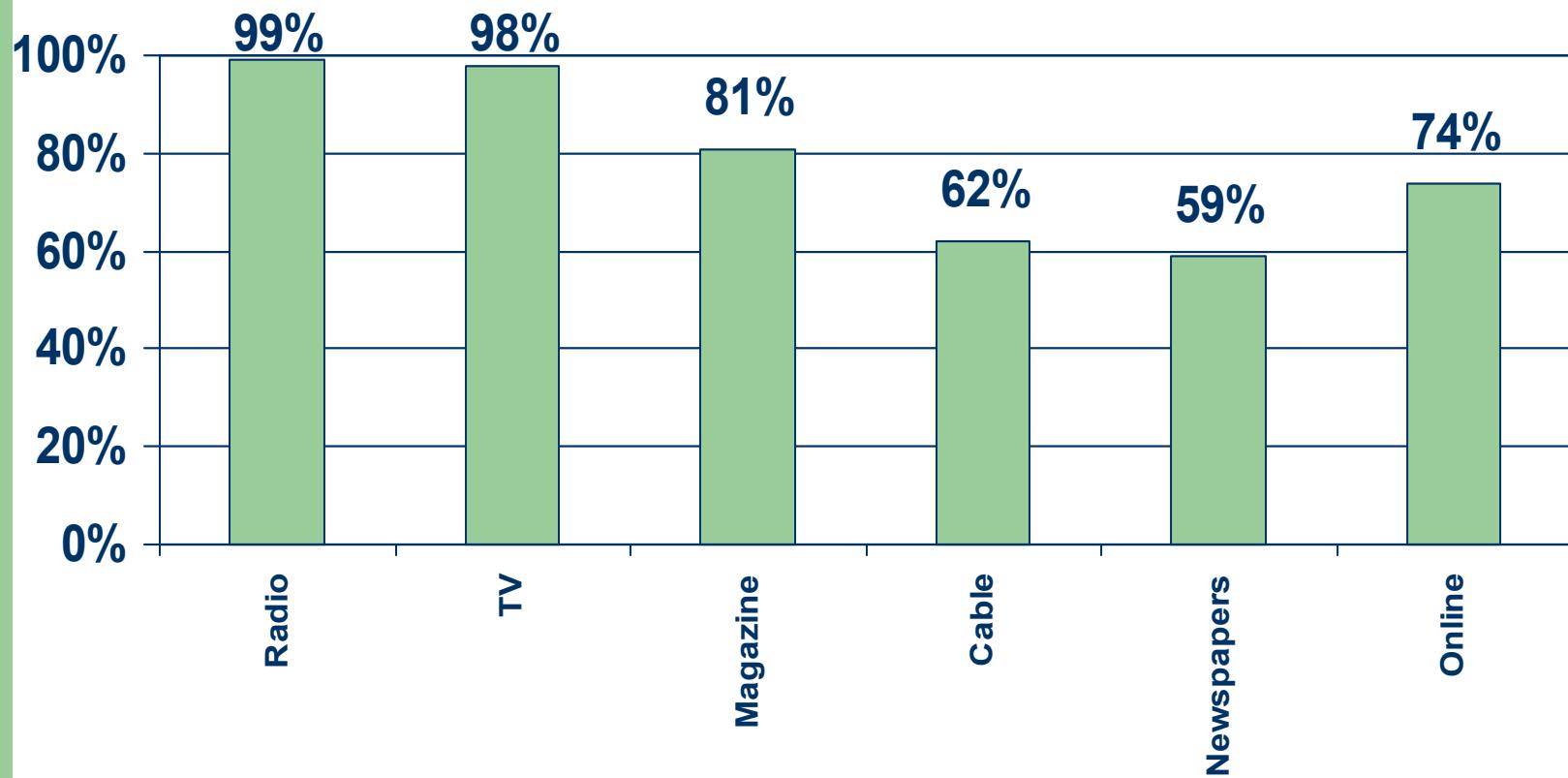
Past Predictions

- “The average American family hasn’t time for television.”
 - The New York Times, 1939
- “Americans have need of the telephone, but we do not. We have plenty of messenger boys.”
 - Sir William Preece, chief engineer of the British Post Office, 1876

The Internet – A Revolution in Media

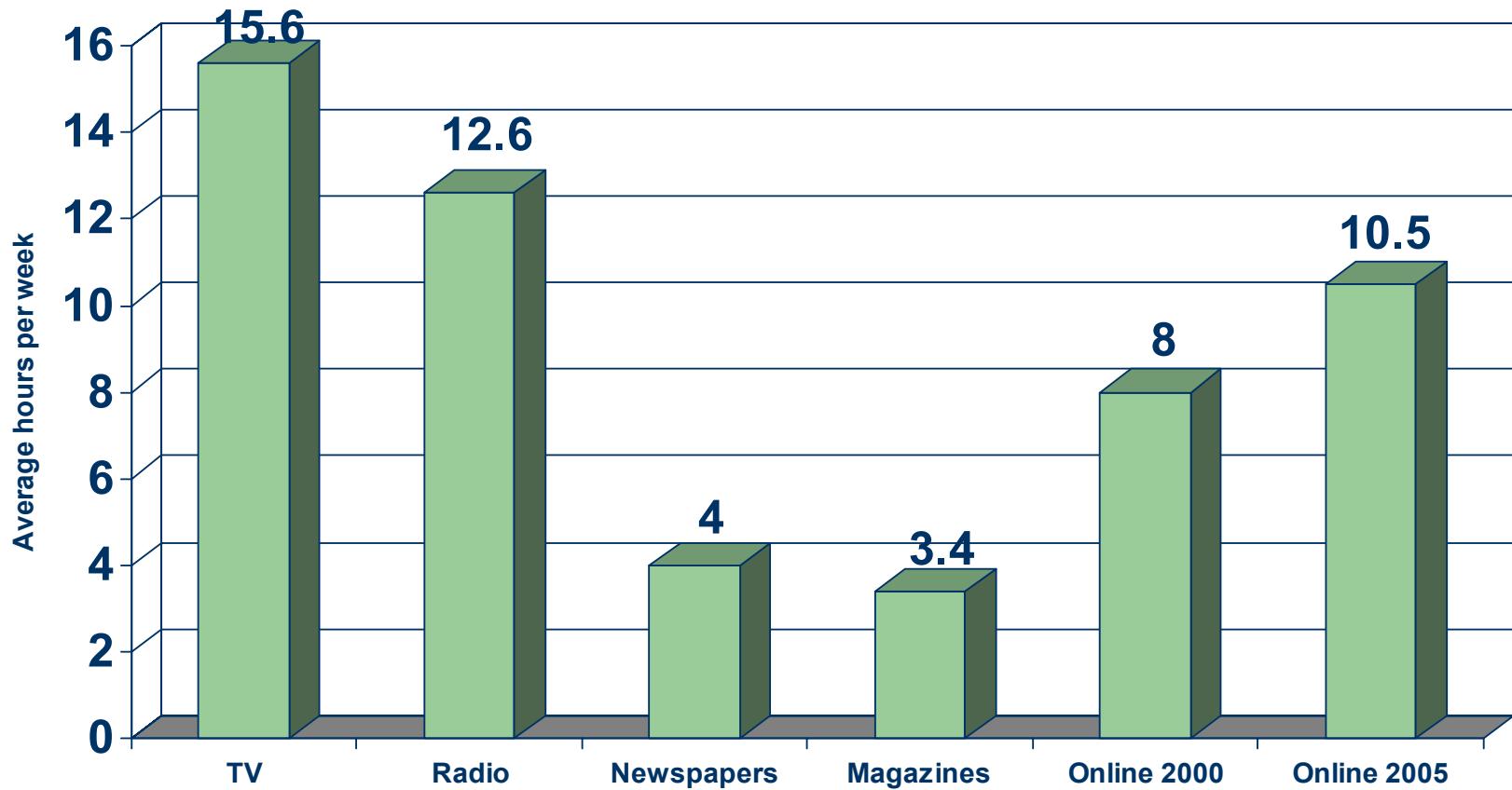
- The Internet is now a mass medium
- The Internet is fundamentally changing consumers media consumption habits
- The user is in control of the media experience online
 - Power has shifted from the advertiser/publisher
- The Internet has ushered in the era of perfect market economics
 - Perfect information
 - Pricing transparency
 - Accountability

The Internet is Fast Becoming a Mass Medium



Source : Jupiter MMXI, US Penetration in 2005

Media Consumption is Strong



Source : Jupiter MMXI, US 2002

Internet Publishing Strategies – Traditional Players

- Route 1 – ‘Protect the Franchise’
 - Consolidate circulation against backdrop of increased media substitution
 - Consolidate ad revenues by having a complementary product online
 - Discourage entrants by leveraging existing media assets online
 - Wait till clear business models emerge

Internet Publishing Strategies – Traditional Players

- Route 2 – ‘Go on the Offensive’
 - Build on solid brand platform to create new products for new markets
 - Increase overall reach and share of ad revenues
 - Own the customer – move from an audience aggregator to a branded service provider
 - Cross-promote, cross-sell and re-invigorate the traditional brand

Internet Classifieds – Growth Forecasts

- Online Classifieds will grow faster than all other forms of online advertising
 - Spending will increase from \$1.2bn in '02 to \$2.3bn by 2007 in the US
 - Online classifieds registered impressive growth up 38% in 2001 in the US
 - Online classifieds represent 20% of total offline classified spend in the US

The newspaper industry lost 25% of its recruitment advertising business to the Internet in 2001-2002 and 50% since 2000

Source : NAA

Why Are Internet Classifieds Taking Off?

- Classifieds work better on the Internet. Fact!
 - Searchability of the information is the killer application
 - Context enriches the experience
 - Auto ads combined with valuation databases
 - Property listings include value added neighbourhood information
 - Recruitment ads are complemented with CV matching services and career advice
 - The larger the database – the broader the appeal
 - Immediacy and control puts the consumer in the driving seat

Whilst Problems Beset the Traditional Market

- Difficult advertising environment
- Circulation and readership on the wane
- Ad rates on the increase
- Advertising effectiveness under real scrutiny
- Direct attacks from online competition challenging efficiency of print advertising

Hotjobs Competitive Proposition

- No geographical limitations
- Faster – on the web same day
- More efficient – not charged by the word
- More effective – stays on the site for 30 days
- Greater reach

Recruitment Advertising : A Case In Point

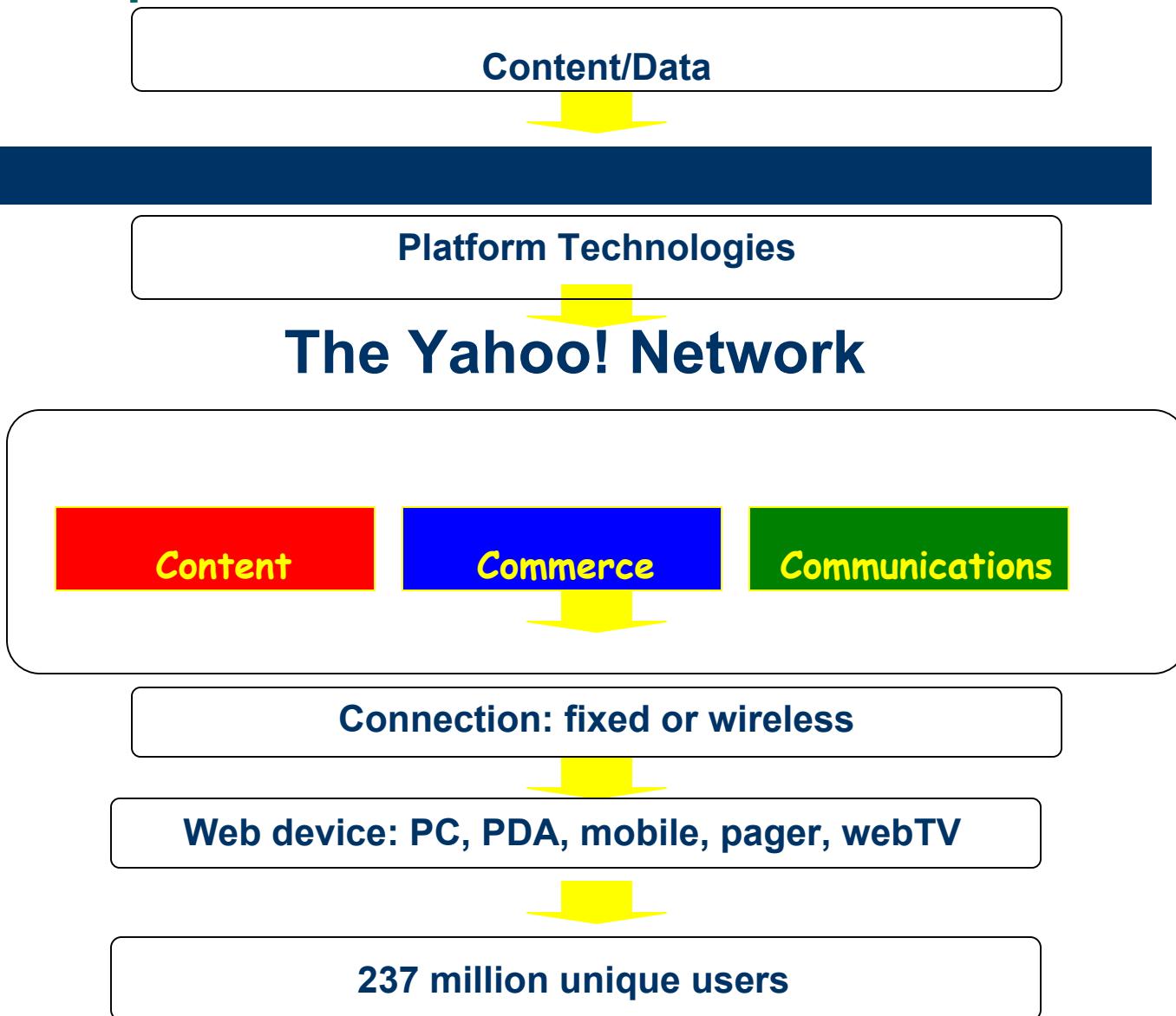
- The Internet is very quickly becoming the lead medium for recruitment advertising
 - More cost efficient than print with higher conversion rates
 - Delivers host of capabilities not available in print
 - User friendly, searchable and comprehensive
 - Reaches consumers not found with print

Readership of newspaper classifieds in 67 US metro markets declined by 11% in 3 years

Introducing Yahoo!

- Number 1 Internet Brand Globally
- Most trafficked Internet destination worldwide
- Net revenues for 9 months to Sep. 30 '03 were \$961m (+ 44% Y/Y)
- Operating in 25 countries worldwide
- 3 distinct revenue streams
 - Marketing Services
 - Fees
 - Listings revenues
- Over 100 products

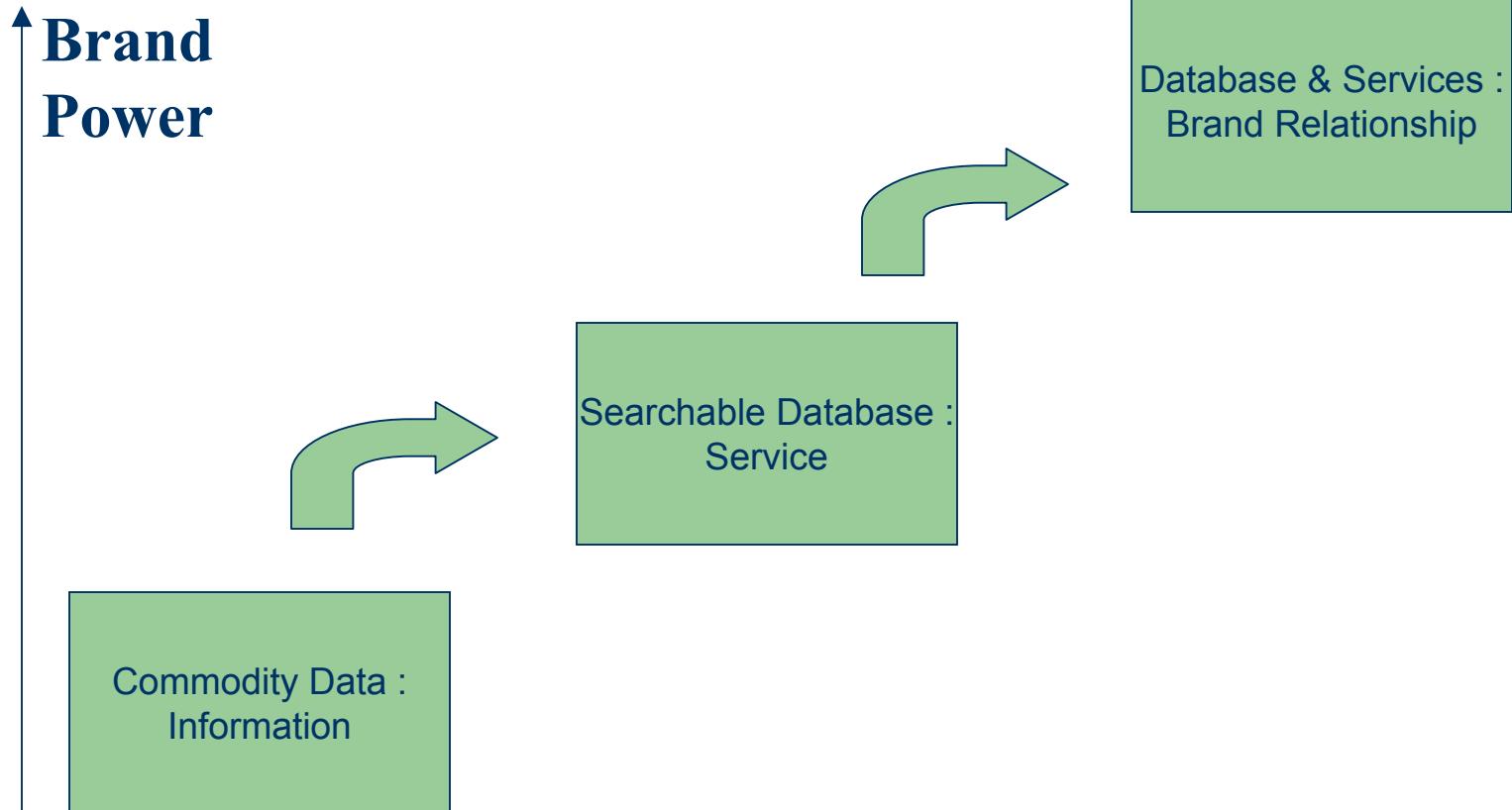
Simple, Effective Business Model



Yahoo! Strategy

- Be the only place anyone needs to go to find anything, communicate with anyone, or buy anything
- Build the best consumer brand relationship in the connected world
- Play an increasingly relevant and essential role in the lives of consumers
 - Yahoo! Is the information utility
 - Yahoo! Offers end-to-end search operations
- Move from agent to principal

Building Brand Relationships in Classifieds



Yahoo!'s Competitive Advantage in Classifieds

- Yahoo! Reaches over 237m people in 25 countries every month
- Search Experience
 - first navigational guide to the Internet
 - acquisition of Inktomi and Overture
- Leading e-commerce destination - \$800m in Q3 '03
- Breadth and depth of product offerings – over 100 – gives the product broad appeal
 - Multiple opportunities for cross-selling and cross-promotion
 - Inclusion of low price products that would be priced out of the market by expensive offline classifieds

ebay's Competitive Advantage in Classifieds

- Ebay's trading platform which drives incredibly high rates of conversion
 - Estimated conversion rates @ 50% across all listings
 - Ebay registered \$3.8bn in gross online sales in Q3 '03 alone
- Breadth and depth of listings
 - In 2002, the size of ebay's US online listings was almost 3 times larger than all US newspaper classified ad listings combined

Ebay motors has become the largest used car vendor in the US in terms of units sold

Yahoo! & Hotjobs

- Significant market potential
 - online recruitment classifieds expected to grow up to 35% annually reaching between \$2bn and \$4bn by 2005
- Imperative to diversify its revenue base
 - reduce dependence on advertising revenues from 80% to 50%
 - Focus on new metrics – ARPU - led to development of 'user pay' services
- A forward integration business model
 - 71% of people who looked for a job online used Yahoo!(Source : Yahoo!, Dec. 02)

Yahoo! & Hotjobs

- With Hotjobs, Yahoo! bought market share, recruiting software and a competitor
 - Number 2 jobsite
 - Diversified customer base of 7000+ employers
 - 5m resumes
- More cost-effective to focus on known customers than acquire new customers
 - Up sell to Yahoo!'s 350,000 SME's
 - Hotjobs freed of marketing and promotion costs

Yahoo! brings its scale and integration to Hotjobs and Hotjobs becomes the recruitment access point for Yahoo!

Likely Future Developments

- Continued dis-intermediation of traditional agents with power shift to online players
- Increasingly richer and more rewarding experience for consumers
- Increasingly higher conversion rates for advertisers
- Continued media consolidation both online and offline
- Continued loss of classified market share by traditional media

Is it all over for Newspapers?

- No...but need to implement key strategies
 - Think Positively
 - Market expansion
 - Sampling device for non-print readers
 - Redefine classifieds business with the consumer at the centre
 - Pursue value-enhancing relationships with consumers
 - Users – registered users – paying users
 - Aggressively pursue a classified strategy - with service and functionality the watchwords – and not a content strategy

Is it all over for Newspapers?

- Read the market properly – look to customer behaviour in preference to advertising \$
- Don't anchor the web product to the printed product
- Develop competencies in interface design and site architecture
- Seek out strategic alliances – CareerBuilder.com
- Invest in marketing relationships –
Careerbuilder.com on AOL & MSN
- Cross-promote & cross-sell....and retrain staff

And Finally...

the recognition, history, trust and goodwill that newspapers have earned over many decades will only provide a competitive differential if your online classified proposition is as strong as your online competitors



Thank You