

5.3

Digital Classifieds Survey

With continuing migration of classified advertising from print to online, newspapers need to stop defending print at all costs and build their long-term strategy. Only those that embrace change can turn the threat of migration into an opportunity

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1. The 2006 WAN Survey

Both good news and bad news mark the global print-online classifieds landscape, according to the World Association of Newspaper's third annual Digital Classified Survey. Newspapers are continuing to regain their strength in recruitment advertising both in print and online and for the first time have seen an increase in market share in property classifieds sales. However, the outlook in automotive advertising has further deteriorated and appear to be joining travel and private party ads as a wasteland for print newspapers.

The central message of this year's study of classified migration is that complacency is still the largest enemy of the newspaper industry. While many newspapers have a dominant market position online, the majority still do not have a realistic strategy to face the inevitable migration process: they have so far failed to adjust their business models and mindset to the new market place and continue to be over-protectionist about print. Though internet revenues are growing at virtually all the newspapers surveyed, the increase is below the online trend across the various categories.

Newspaper revenues in print actually grew last year – for the first time in the three-year history of SFN classified surveys. Newspapers have increased their classified revenues by an average of 3.7 percent, undoubtedly pegged to the worldwide economic growth in the past few years. Meanwhile, newspapers' combined print-online classified market share has slightly declined from 45 percent in 2004 to 44.8 percent in 2005.

There are, at the same time, several publishers that not only weathered the storm but have made the most of the digitalization process. Newspapers in developing countries and emerging markets have been particularly successful – learning from the mistakes of their peers in developed countries and making preemptive moves to claim their territory online.

Once newspapers have lost the dominant market position online, it is hard to catch up. Dutch daily *De Telegraaf* is offering discounts to real estate advertisers, trying to lure them away from the leading online only real estate classified sites, but the sweeteners are not

working. “Special prices do not help. It is the number of visitors that count,” said Quintin Schevernels, online classified manager.

There are plenty of successful players in mature markets as well, newspapers that continue to innovate and so stay ahead of their online-only competition.

For many of these players, digitalization is a balancing act. “We would currently be carrying about 6 percent to 9 percent more recruitment advertising in print revenue terms if the Internet did not exist,” said the head of strategic planning at a UK national newspaper group. At the same time, “most of the recruitment we carry online only is business we wouldn't have carried in the print version of the newspaper so this is a source of new revenue from new markets for us.”

Newspapers that face up to migration and adjust their business model early enough continue to win. All classified operations are profitable at *Helsingin Sanomat*, Finland's largest daily, said Jarkko Kytta, category manager. The print sections still command a substantial premium, while online operates with a lower cost base. By optimizing costs and prices just enough to maximize yield, the paper is looking ahead into a **“golden era of online classifieds,”** he said.

The restructuring of the market continues to be clouded by cyclical factors.

Since the economy is on the upswing in most countries, many newspapers are focusing on the growing advertising revenues and volumes and are not paying attention to the underlying development that the volume of business coming back to newspapers is significantly lower than it would have been without the existence of digital media. Indeed, many of the publishers interviewed for this survey cannot estimate their real market share: their share taking the entire classifieds market into consideration, not only their share compared with other daily newspapers.

Many newspaper companies have not opened their eyes to this threat and are not learning from the mistakes of publishers in more digitalized markets. “Digital publishing is not considered as a threat but an opportunity. We have expertise and we are the reference [point] in many communities. We have good relationships with principal advertisers. Our

newspapers have a lot of credibility in the market, and we are exporting this fame to the online market,” said the strategy director of a major newspaper chain in Southwestern Europe. Newspapers, of course, have credibility and good relationships. But in order for digital publishing to be an opportunity, not a threat, they will need an aggressive strategy as well.

“If our industry does not innovate in terms of technology and more sophisticated searches, we will lose much of the shift to other competitors. We are too slow to change and our customers try other options first,” commented Al Bonner, advertising and marketing director of the *Lawrence Journal World* in Kansas.

“Clients are the new competitors”

The growing threats revealed by this year's survey are related to newspapers' best traditional classified clients: realtors, car dealers and recruitment agencies. These advertisers are gradually turning from clients into competitors. “Car dealers and real estates agencies realized, that [it] is much cheaper to place their business ads into one display ad published in our niche publications,” said Ivan Mraz, director of Czech regional publisher *Avizo*. These ads attract readers to the companies' own web sites, leaving the newspaper out of the purchase process.

At the same time, these traditional clients get bypassed more often as well: the trend we reported last year on the disintermediation of agents and dealers has continued and could deepen newspapers' problems. “It is a threat because we are used to sell to professionals and our systems and sales techniques are typically set-up to deal with these type of customers,” said Poul Melbye, research manager at Danish daily *Politiken*. As more of the professional ads turn into private party ads, newspapers are even likelier to get bypassed.

The world of advertising is changing. Newspapers can win. But they cannot be complacent. Those that still are should listen to Jane Gleadall, digital director at Loot, Associated Newspapers' London-based classified magazine. “Over the next 5 years, ad volume will significantly increase online and as much as 90 percent of all ads could be placed online directly,” she said.

1.1 Methodology

In order to continue tracking the level of migration in classified advertising from print to online, WAN repeated the survey conducted in the previous two years, and gathered fresh data and insights from newspaper companies around the world.

WAN interviewed 72 executives at press groups representing more than 150 newspapers and classified magazines, with a combined circulation of 30 million copies and print classified revenues of \$1.7 billion. To spot trends in markets at different stages of the classified migration process, publishers with different experiences and approaches were selected from 45 different countries from around the world. Around three quarters of the executives interviewed also participated in the survey in prior years, so trends could be followed on a case by case basis.

Classified advertising accounted for an average of 40 percent of revenues at the newspapers in the survey, ranging from 0.1 percent at a national daily in Latin America to 60 percent at a regional daily in the UK.

Survey participants at a glance

Number of interviews: 72
 Of this also in prior surveys: 63
 Number of newspapers represented: 159
 Number of countries represented: 45
 Total circulation: 29,863,191
 Total classified revenues in print: \$1.68 billion
 Total classified revenues online: \$113 million

Interviews were questionnaire based, followed by telephone or e-mail conversations. The following data were collected:

- Basic corporate figures: newspaper circulation, Internet site traffic, print and digital revenue;
- Revenue from different categories of classified advertising in print and online: recruitment, automotive, real estate, travel and miscellaneous;
- Market share in the various classified advertising categories in 2004, 2003 and before the commercialization of the Internet in the marketplace;
- Market share of print and digital competitors across the various classified advertising categories.

By concentrating mostly on changes in market share rather than revenue over the past few years, we aimed to neutralize the effects of the economic cycle assuming that, all factors being equal, economic recession and expansion would affect the market players to the same extent and so market share would not change.

The collection of quantitative data was followed up by telephone and/or e-mail interviews with each participating company. Here publishers were asked about the marketplace in which they operate, the strength and nature of their competition and their current and future strategies. Respondents were asked to summarize successes as well as failures over the past few years.

The interviews were contacted from February through April 2006. The quantitative data refer to fiscal 2005 figures.

1.2 Revenue changes since 2004

More than three quarters of respondents also participated in prior Digital Classifieds surveys, which allowed us to track revenues across this subset of the sample in the various classified advertising categories.

The overall change in a newspaper's revenue could serve as crude proxy for the health of the economy in which it operates, and so the effect of the digital migration on print classified revenues can be measured relative to this overall change. Among the developed country publishers in the survey, overall revenues in 2005 were up by 4.2 percent. Revenue from print classified advertising at the same time has increased by more than 5 percent a major improvement compared to the decline of 12 percent reported last year, when revenues overall also grew by more than 4 percent.

The overall figure masks a major contrast between the growth in recruitment and property advertising on the one hand, and the collapsing categories of automotive, travel and private party advertising on the other.

⁽¹⁾ To neutralize the effects of exchange rate movement, the same conversion rates were applied for all developed country currencies when comparing data for 2003, 2004 and 2005. (For developing country currencies with high inflation, different exchange rates were used.)

Print revenue change (2004-2005)								
	Total revenue	Ad revenue	Classified	Automotive	Property	Recruitment	Travel	Other
Developed countries	4.2%	3.0%	5.3%	- 7.1%	10.7%	14.4%	-18.3%	-2.3%
Emerging economy	9.3%	4.6%	3.3%	81.3%	101.7%	10.9%	69.2%	-1.6%

Online revenue change (2004-2005)								
	Total revenue	Ad revenue	Classified	Automotive	Property	Recruitment	Travel	Other
Developed countries	55.3%	30.8%	52.4%	34.9%	45.5%	58.3%	-44.4%	119.4%
Emerging economy	48.8%	58.9%	28.5%	56.3%	64.6%	60.4%	75.0%	0.0%

(See Table above) The data suggests that the growth in recruitment advertising was not only cyclical, but for the first time newspapers have increased their overall market share in a category. This reversal underscores a promising change for the long-term health of the industry. (See the section on Recruitment p.11)

Not surprisingly, the Internet now accounts for a bigger portion of newspaper classified revenues than last year. While the internet's share of overall advertising revenues at newspapers has increased to 2.6 percent in 2005, online's share in terms of classified advertising is more than three times that figure: 6.8 percent of all classified advertising revenue came from online activities. (see Chart) **Indeed, two out of three dollars earned by newspapers online are revenues from classified advertising. In terms of revenue, the migration appears slower than expected.**

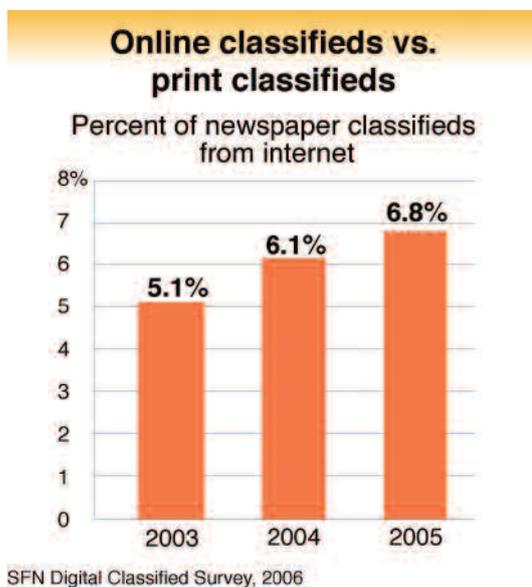
Even in an advanced digital market like Denmark, the total value of online classified advertising is expected to climb from 6 percent to 7 percent of total classified sales last year to only 10 percent this year, noted Poul Melbye, research director at Copenhagen-based daily

Politiken. Considering, however, that online advertising is much cheaper than classified ads in print, in volume terms this means that more than half of the volume is now online.

Digital revenues at newspapers in developed countries were up by more than 55 percent in 2005 compared with the previous year. (See Table) Classified revenues have increased by almost this much, 52 percent compared with a 33 percent increase in 2004. This is a decent growth in a year when newspapers are doing well in print but will not be enough to compensate them for their lost print revenues in the long run.

Newspapers operating in emerging markets began losing ground last year. Publishers in these markets enjoyed double-digit growth in all classified areas in print in 2004, but this has slowed to an increase of just above 3 percent last year. In fact, for the first time in the SFN digital classified survey, publishers in emerging economies were outperformed by their peers in developed countries. The decrease reflected the dip in the "other" category, which refers to both private party advertisements and community notices, such as birth and death announcements. For many newspapers in the developing world, these are the most important classified categories. Many have reported a sharp decline in the "other" category after major gains made in 2003 and 2004.

At the same time, the business categories are still showing healthy gains, albeit from a low base. In many of these markets newspaper readership and even literacy is on the rise, so the Internet is not the primary focus for publishers. The challenge for newspapers operating in these markets is to learn from both the successes and the mistakes of their peers in developed markets and prepare for the online competition that is to come. Indeed, in terms of the middle class, internet penetration in Eastern Europe, Turkey and some Asian countries is already close to the overall levels in the developed world.



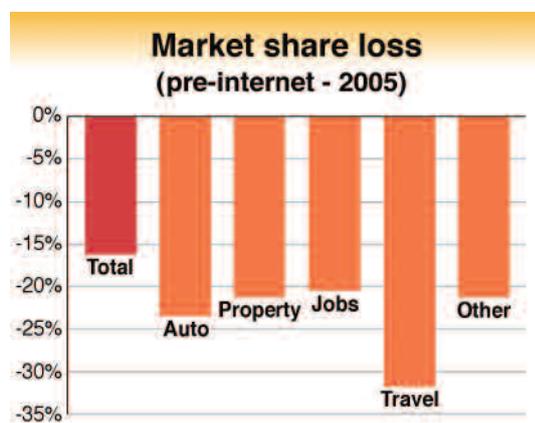
The increase in online revenues in general and classified revenues in particular has been only half of the developed world's growth rate in emerging economies. This is a sharp reversal of last year's growth rate, which was three times higher in developing countries than in mature economies. At the same time newspapers are not reporting falling online market share figures, so the decline in growth rates is not threatening their overall market position: many advertisers have probably held back on their online spending, realizing that it was premature in some of the markets with lower internet penetrations.

1.3 Print losses

The trend of slow but steady migration out of print and into digital media continued in 2005 – though newspapers in different markets are exposed very differently to this trend. Looking at newspapers' performance in terms of market share rather than revenues is a more realistic indicator of the industry's overall health, since market share figures are not influenced by the overall economic cycle.

Newspapers overall have on average lost 16 percent of their classified market share since the “pre-Internet era.” (see Chart below). In other words, they have lost 16 percent of their classified advertising revenue between corresponding points of the economic cycle. This represents a further erosion in newspapers' market position compared with 2004, when they lost 13 percent of their market share⁽²⁾.

(2) The overall decrease is lower than any of the specific categories because not all newspapers in the survey reported both overall and sector specific market share figures.



SFN Digital Classified Survey, 2006

Though in many markets there is growth in print ad sales, this growth remains lower than what it was at comparable points in previous economic cycles. There is “tremendous growth in off-line classified in the areas of jobs and real estate. This is a result of economic growth and the volume is well below what would have been expected pre on-line when you look at the economic indicators,” said Poul Melbye, research director at Danish daily *Politiken*. The long-term restructuring of the classified market is being clouded by cyclical factors.

“Recruitment is growing again because the economy in Holland is growing,” Quintin Schevernels, online classified manager. “But in the other sectors we see classifieds drop.”

As last year, publishers in many developing markets are doing much better in both print and online. Despite growing competition online, Bulgaria's *Capital* has seen its print recruitment revenues increase by 25 percent and its online sales by 77 percent said Advertising Director Rumiana Georgieva.

Between 2004 and 2005 newspapers in the survey have lost 5 percent of their advertising market share (see Chart below). This indicates that migration has picked up compared to earlier years, but, with the exception of the motors category, this is because of migration starting in more countries around the world, not due to faster migration in individual markets. Indeed, now even newspapers in Africa have reported digital classified revenues, which may be small in absolute terms, but signify that in 2006 no region is completely free from the effect of classified



SFN Digital Classified Survey, 2006

digitalization.

Newspapers in the most developed digital markets believe they are through the worst: At Finnish regional daily *Turun Sanomat*, **they are expecting a 10 percent increase in all areas this year, the first time they have seen an across the board growth in half a decade, explained Kirsi Laine, classified advertising manager.**

In many cases, customers are becoming competitors – by setting up their own web sites and advertising those in the newspapers, both print and online. “More and more real estate agents and car dealers are using the ads for the branding of their own name. The shift will go on and the total amount of money in the market will get smaller,” said Quintin Schevernels, online classified manager, at Dutch daily *De Telegraaf*.

Areas further from major metropolitan centers are seeing a smaller effect of migration. “Digital media is still not yet having an enormous effect on local revenues, but the economy is,” said David Allen, marketing director at Leicester Mercury, a regional daily in the UK. The Mercury has identified the potential threats early on and has successfully claimed its territory online – so a lot of the digital migration has taken place internally within the company.

For newspapers that have traditionally had no classified advertising, the Internet offers a unique opportunity to catch up with their more established competitors. They can act as any other pure player, without carrying the baggage of a print-focused approach. **“As we have no print classifieds we have not suffered any negative impact. This is not a threat but a great opportunity, because the internet lowers the costs of entering a fast growing market,”** said Ricardo Peirano, director of Uruguayan daily *El Observador*.

A number two newspaper in a major Asian market has become the leading automotive advertising vehicle online, even though it carries barely any classified ads in print. “We had a first mover advantage,” the paper's strategy director said. On the back of its online success, it launched a weekly print magazine supplement, which carries print versions of online ads as an optional upsell.

Why market share matters

Without understanding their market share both print and online newspapers cannot hope to devise realistic strategies for growth and market dominance. This year the distinction between revenue growth and market share growth is even more important than in the past: classified revenues are growing not only in developing markets but also in mature economies, so the beneficial effects of the economic cycle could cloud the underlying position of newspapers.

In the case of many publishers growing revenues signal strong economies rather than any underlying improvement in the performance of classified advertising.

Mary Lou Fulton, vice president of audience development at the Bakersfield Californian, says publishers get complacent because their profitability is increasing, while their market-share is slipping. “It gives the illusion of success, but revenues are not growing and keeping pace with the market... **If you stand still, you watch your market share erode. You lose your critical mass of readers and then your critical mass of advertisers. Then you're done.**”

Market share should be measured across the entire market both print and online, including newspaper competitors, classified magazines as well as online only competitors. Only this more complex measurement, rather than the traditional comparison with other print competitors will give newspapers a realistic view of their market position.

Once again our survey found that many of the newspaper companies interviewed did not measure and could not even estimate their performance relative to the market and were therefore not in the position to understand the nature of threats and opportunities facing them, let alone decide on future strategy. (For more information on measuring market share, see SFN Report 3.2 Section 6.6.)

1.4 Digital losses

Market maturation and technological changes mean that newspapers that were early winners in the digitalization of classifieds are sometimes losing their competitive edge. While this is not an issue yet for the majority of publishers, this is another area in which newspapers need to remain vigilant.

Fewer than half of survey participants reported

an increase in online market share last year. Though only one in eight saw an actual decline, publishers would need to increase their share of the online market if they are to attain critical mass and become the dominant force in online they are in print.

The competitive Korean market is an example of how technological change effects newspapers' market position online. More and more of classified advertising online is replaced by keyword advertising – and newspapers are not able to keep up. While the market at large has grown by 35 percent since last year, newspapers' online classifieds and keyword revenues have decreased by two thirds, explained Changhee Park, director for strategic planning at Seoul-based daily *JoongAng Ilbo*. The reason for the shift is the effectiveness of major portal sites, which draw as much traffic in a day as newspaper sites do in a month. As a result “These portal web sites are competitive because most major portal sites have better ROI than the classified ads that are in printed or online newspapers,” he said.

1.5 Findings by sector

1.5.1 RECRUITMENT

The best news for newspaper classifieds both print and online is in recruitment advertising: **newspapers have gained more in digital market share than they lost in print, reversing the decade-long trend of an erosion of recruitment advertising.**

As the chart on Page 9 illustrates, newspapers have lost 3 percent of their recruitment market share since last year. However, they have more than made up for this loss online.

Newspapers' combined, print and digital share of the recruitment advertising market has increased from 48.94 percent in 2004 to 50.48 percent in 2005 (see Chart to the right).

In many markets recruitment advertising for more qualified, white collar jobs tends to be the first category to migrate to the Internet. This is the category where newspapers have lost the most over the last few years: 21 percent of their market share has moved online.

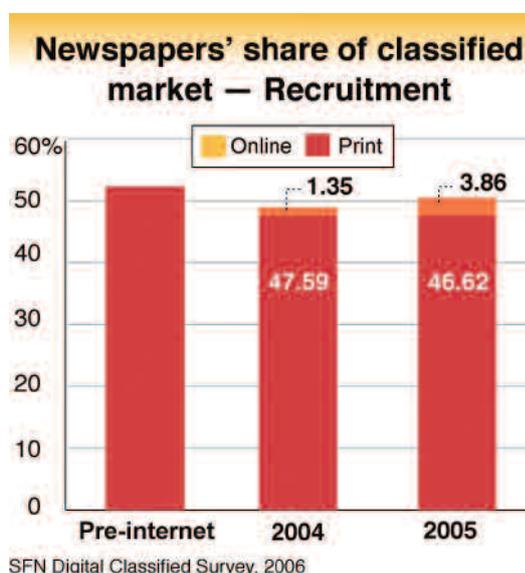
Over the last year there have been important changes in markets that were less digitalized before: In France 40 percent of recruitment

advertising is now online, said Sophie Arnould, commercial director at Com-Quotidiens, which represents the country's regional dailies. Even in South Africa, a country with low Internet penetration, 30 percent of recruitment advertising at classified magazine publisher *Junkmail* is now online, said MD Felix Erken.

Newspapers have managed to hold on to about a quarter of the revenues lost from print in their own online operations. Around another quarter of the revenues have migrated to other, online-only players, while the remaining revenues have been cost savings by advertisers thanks to lower rates and fiercer competition online than in print.

Newspapers are able to convince more of their advertisers that dailies are the best medium to reach private job seekers: those who are not actively looking to switch jobs, but could be enticed to apply with the right offer. Recruitment is the category where newspapers can best prove to be delivering quality candidates online as well. Edinburgh-based Scotsman has about one tenth the number of online job ads than its digital-only competitor, “but on our site these are all real jobs,” said Classified Advertising Director Caroline Blyth. The question the sales team needs to put to job advertisers is whether they want their company's ad to be seen among serious and real ads or simply be online for the least possible amount, she explained.

As a result of their more convincing story, newspaper have more of a pricing leverage in



recruitment than in other areas. The internet accounted for 7.6 percent of recruitment revenues at participating newspapers, up from 2.7 percent in 2004 and 1.5 percent in 2003. The only area where the market lets Swedish regional daily *Göteborgs-Posten* charge for its internet advertising is recruitment, where ads are sold in bundled packages, explained Eva Josefsson of the marketing department.

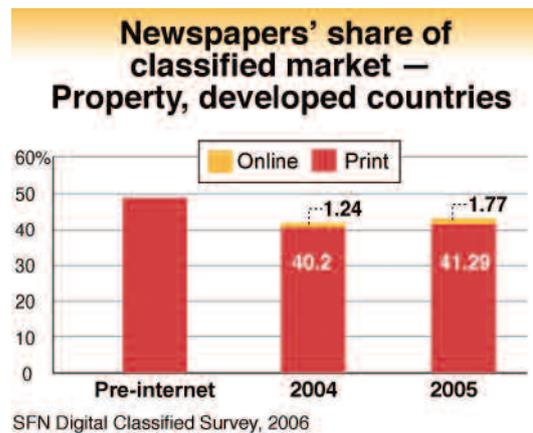
Recruitment is the area where initial migration online occurs first, but it is also here that newspapers compete the best.

1.5.2 PROPERTY

While recruitment advertising is where newspapers are the strongest, that was just the escalation of a trend that began in 2004. In property, 2005 marks a turning point.

It was in this category that publishers reported the highest print revenue increase, 45 percent – though admittedly that had a lot to do with the property boom in most markets, especially in emerging economies, which reported a 102 percent growth in real estate advertising.

In developed countries not only did print revenues from real estate advertising increase, but so did newspapers' print market share, which grew by more than one percentage point. However, this still leaves newspapers below their level in 2003, as in 2004 their share of property advertising declined by two percentage points. The increase in online market share is more significant than reported for 2004 – but remains below the huge growth in recruitment advertising online (see Chart).



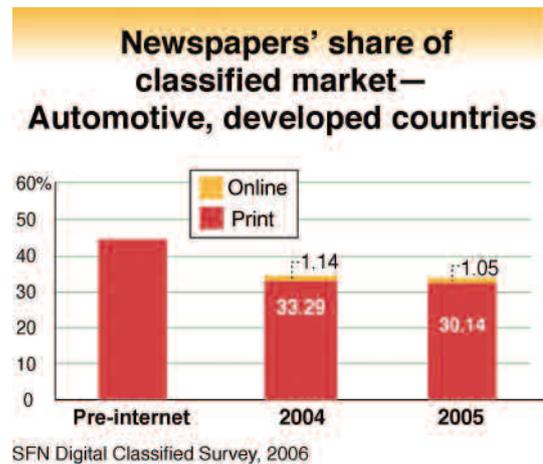
For regional newspapers especially, property is emerging to be the least vulnerable category because this is the most “local” area of advertising. “People will go to the next county to buy a car or even to work, but real estate

will be of interest only locally,” said Peggy Molnár of Pannon Lapok, which publishes five regional dailies in western Hungary. As a result, newspapers have a major advantage in property.

1.5.3 AUTOMOTIVE

Though recruitment is traditionally the first loser to the internet, newspapers have experienced the heaviest losses in the automotive sector. And, unlike in recruitment and property, they have seen no rebound with the economic cycle. “Car advertising has been a failure across the board for all newspapers,” said the advertising director at a Scandinavian newspaper.

Newspapers have seen their market share decrease by 12 percent last year alone, by far the biggest loss across the categories. Developed country newspapers have reported a 7 percent decrease in revenues in 2005. Furthermore, their already puny market share online has actually decreased in 2005 (see Chart).



“We have lost business in the classic classified ads, the largest losses being automotive,” said Cornelia Schulte, assistant advertising manager at German regional daily *Neue Osnabrücker Zeitung*.

Automotive advertising is a problematic area for UK regional dailies, as the shift to online is compounded by consolidation in the industry, said the advertising director of a regional daily.

Since car dealers are unwilling to invest in technology, newspapers have to do it for them – a lesson Danish daily *Politiken* learned the hard way. It failed to become a leading player in automotive advertising online – because it

did not think of integrating the inventories of the largest dealers with its own advertising system, explained Research Director Poul Melbye. **“We can see now that the winners are the companies that have a technical relationship with the dealers,”** he said.

One of the most important problems for newspapers is that their largest customers are finding themselves disintermediated: classified sites and direct sales channels such as eBay are cutting out the need for dealers from the sale of used cars. This poses a serious dilemma for newspapers: if they embrace the change and offer platforms such as direct sales, they will likely alienate their most important advertisers, Melbye said. “Pure players are more free to do this,” he said.

1.5.4 PRIVATE SECTOR ADS

In all but the least digitalized markets private sector advertising has virtually disappeared from print newspapers in some markets, such as the UK, this loss has been part of an ongoing process, only recently accelerated by online operations, that began many years ago and was caused by new competitors, such as specialist Auto Sales publications. The decrease in market share has been relatively small this year, because most developed country newspapers have lost most of their revenues from this category in prior years. The overall decline has been masked by non-economic ads in this category, such as birth, wedding and death announcements, which dominate this sector in many emerging market newspapers.

Unlike in the professional ad categories, newspapers have not managed to retain any of the migrated private party ads in their own online operations. Much of this advertising has migrated to local sites, such as eBay, craigslist.com and their local equivalents.

Those newspapers that are able to generate revenue from private party ads are reinventing themselves as a transaction platform, rather than just an advertising vehicle. Brazilian daily Zero Hora is not only offering ads online, but has also bolted on a fulfillment mechanism for the items advertised – helping it to remain ahead of the online-only competition. “It is a new mindset, a new culture that demanded commitment and determination,” said Marketing Manager Renato Mesquita. “Our portal is the most advanced product in its category in our

market.” Despite the considerable investment, the portal is already profitable, he said.

The one category of private sector ads that are not susceptible to digitalization is birth, death and marriage announcements - which are the bread and butter of classified advertising for many local dailies in Eastern Europe and the Middle East.

“The purpose of these ads is to communicate to a wide, local audience, who are not actively seeking these items. As a result the newspaper's position is not going to be challenged by online players,” said Ildikó Értelmes of Hungary's *Pannon Lapok*.

“Free-free models will take the market both in print and online,” predicts Kaisa Ala-Laurila, vice president, responsible for classifieds publications and online services for Finnish publisher Ilta-Sanomat. “We need to think totally new ways of monetizing online visitors, such as auctions [and] eCommerce.”

1.6 Online offtake

A further problem for newspapers is their inability to charge anything close to print rates for ads placed online. The online classified advertising revenue per reader, also called online offtake, has continued to fall. The online classified offtake is measured as a percentage of the print classified offtake at each participant – to neutralize the effect that advertisers attach very different values to newspaper readers in different countries (See Table).

Online offtake as percentage of print

	2005	2004	2003
All 2004-2005 participants	14%	22%	33%
Participants with online sales	14%	22%	33%

The reason for this fall in on-line offtake is not a fall in revenues, but a much larger increase in traffic. While the traffic of many newspaper websites, measured in visits per day, has increased by 50 percent or more per year, newspapers could not raise their prices and the increase in volume alone did not keep up with traffic growth.

With the exception of just a few newspapers in the sample interviewed, newspapers are battling with competitors offering online advertising at lower rates. With the exception

of recruitment advertising, newspapers have not been able to increase prices charged for ads, but in most cases have been able to hold on to their prices and compete on services and reputation against online-only players.

In fact, in many ways explaining the value of a newspaper and its web site has become easier now that many advertisers have tried using the free services as buyers themselves: many ads on such sites are not removed once the items are sold, since leaving the ad on the site carries no cost. Newspaper web sites, which have lower volume than free sites can compete on quality.

What is online advertising offtake

A useful measure of advertising performance is that of advertising revenue per copy, known as advertising off-take. For online, this figure is calculated by dividing the annual advertising revenue of the newspaper web site by the average number of daily visits over the same period.

Gross Annual Ad revenue = Offtake times Average daily visits

Offtake, like yield, becomes an important measure when it is compared to itself over time, against target offtake figures, or when comparisons of very similar businesses are made.

This is an important measure for several reasons:

- It demonstrates the value placed by advertisers on the online 'readership'.
- It provides a pure indicator by which to measure the performance of the advertising department relative to its peers.

1.7 Digital Strategy

Innovate, innovate, innovate. That is the biggest lesson newspapers should draw from this year's survey. In the 2003 survey we identified basic strategies that newspapers can follow and recommended that they actively preempt the emergence of strong web only players (SFN Report 3.2, Section 4). Last year we focused on reviewing the approach of a few successful players and provided publishers with a checklist of practical tips (SFN Report 4.3, Sections 4 and 6).

These prior recommendations remain valid – though many of them come too late now for players in mature markets. This year, we are

focusing on issues that have emerged over the last year.

For many newspapers the classified migration process has reached an equilibrium – and those with the proper strategy have remained on top. In one of the most competitive markets, Finnish regional daily Turun Sanomat is now seeing its classified revenues grow 5 percent a year, after years of decline. To remain competitive, the paper teamed up with other regional publishers, slashed its own costs and held prices, explained Kirsi Laine, classifieds advertising manager.

1.7.1 INNOVATE IN PRINT

Contrary to suggestions frequently made in the press, print advertising is not doomed – as long as newspapers provide attractive propositions and repackage their offerings by providing focused classified sections along with related editorial content. "We have launched a real estate- and an automotive weekly section of the newspaper. It has been very successful both in terms of revenue and market acceptance," said Eva Joseffson of the marketing department at Swedish Regional Daily *Göteborgs-Posten*.

Ocasião, a Portuguese classified magazine has slashed prices for photos by half to just above €5, and the number of photo upsells per edition jumped from 60 last autumn to 1,000 in April, said Managing Director Helmut Pollinger. At the same time, the classified pages are now all full color, which resulted in a more appealing product with a 7 percent increase in circulation over the last six months. The extra revenue has more than paid for the investment of going full color on all classified pages as well as for the price reduction, he said.

Recruitment advertising, especially, has made a come back into print. Many newspapers reported last year that they are pitching the print product to advertisers as the best vehicle to reach passive as well as active quality candidates. (SFN Study 4.3, Section 1.4.1.) "On the recruitment side, digital does not play as big a role as the previous year," said Gottfried Wirth, advertising sales manager at Canadian daily *The Globe and Mail*.

Its local focus helped *El Correo*, a regional daily in Spain's Basque Country, to keep its market leadership position in both print and

online. “Only a few people are prepared to travel far to work, or to buy a new house,” said Maria Goti, director of online operations.

Regional newspapers need to fight the common perception that they are dinosaurs of the past. “The perception of regional newspapers is one of decline, the reality is one of growth,” said David Allen of the UK’s Leicester Mercury, adding that the paper’s readership survey revealed that it reaches 16,000 more readers now than it did three years ago. The challenge now, he added, is to change the perceptions of advertisers.

1.7.2 MANAGE THE MIGRATION

Many publishers that claimed their territory and set up digital operations before the online only competition, have continued to remain market leaders. “We pre-empted the emergence of digital media and hence, our approach has been to offer both the media options to our customers, either as a joint or independent offering,” said R Sundar, a director at the Delhi-based Times of India, which operates the country’s market leading recruitment portal, timesjobs.com.

The *Neue Osnabrücker Zeitung* in Germany lost much of its automotive advertising to online competitors, because by the time it approached its customers with online offerings, they had begun working with online only players. “We attempted to create a partnership with local car dealers. It was limited in effectiveness because it emerged that the dealers preferred to include them (the cars) themselves in services such as Ebay.de, Mobile.de, Autoscout.de,” explained Assistant Advertising Director Cornelia Schulte.

The *Lawrence Journal World* in Kansas has had a similar experience. “We compete with cars.com to the west and east. We should have developed our own product and brand much earlier in the process,” said Advertising and Marketing Director Al Bonner.

Defensive strategies have backfired, and newspapers that did not notice the online competition are now facing an uphill battle to catch up.

“We have focused too much on print and have to be more aggressive,” said Quintin Schevernels, online classified manager at Dutch daily *De Telegraaf*.

In Portugal, the market has not yet forced newspapers to offer web-only advertising. But when that time comes, daily *Expresso* will not be taken by surprise, said Classified Advertising Director Geert van Hassel. “International market watch helps us define strategies,” he said. “At this time we propose print-web solutions to our advertisers not only because we don’t want to accelerate print cannibalization, but also because the print-web value proposition delivers best results. Such bundling is acceptable in this market as our sites and brands are clearly credible and “top-of-mind” but if the market or the demands shift to digital, we are ready for it.”

Only players with critical mass online will survive the competition. In order to maximize volume newspapers need to set up partnerships with their biggest traditional advertisers, such as car dealers and real estate agents – and offer an integrated solution so that their offerings appear on the newspaper’s web site real time. These will provide a basic volume of ads, which will help in competing for dominant market position. “Recruitment works well: we have contracts with recruitment agencies and are offering huge discounts,” said Schevernels. Since the newspaper already has the relationships, these agreements were easier to set up than they would be for online only players.

In prior SFN surveys we have recommended that newspapers focus on building volume online. If they manage the digital migration process and acquire market dominance, they will also gain pricing leverage. In France, this is starting to happen already, said Sophie Arnould, commercial director at Com-Quotidiens, the national sales representative of country’s regional dailies. **Online recruitment prices have increased to 10 percent of print prices, compared to around 5 percent reported last year.**

1.7.3 INNOVATE ONLINE

Previous SFN studies have stressed the importance for newspapers to be first movers and claim the territory online ahead of the appearance of digital-only competitors. Being first, however, is no longer enough: newspapers have to continuously innovate to safeguard their market position online. HVG, which is the market leader in recruitment advertising in Hungary, has seen its online

market share shrink over the last two years – just as digitalization of recruitment advertising has accelerated. “Our policy has been to create packages for our clients. Package means online and offline offer at the same time, but honestly sometimes we are slow in acting and reacting,” said Miklós Breitner, VP for strategy at HVG.

The dating site at Dispatch Media in South Africa got off to a promising start, but volume has decreased over the past year, as users switched to a mobile phone based service, which was not included in Dispatch's own digitalization package. “Cellular telephone SMS traffic is on the increase,” said Liesl Elias, advertising manager at the Eastern Cape newspaper.

South African classified magazine publisher, *Junkmail*, on the other hand invested in mobile technology, which it expects to help maintain its edge over the competition online. “As restrictions to mobile interaction decrease the use as an alternative media stream from web or print will increase. Watch this space,” said MD Felix Erken. A third of *Junkmail*'s recruitment advertising revenue now comes from its digital operations. “The more progressive and accelerated we become in our development the more spend we will have to commit financially to software, hardware and most importantly human resource.” The company's mobile offerings complement print, and online as a third delivery channel, but are also available independently, Erken explained.

As the competition is heating up online, The Bulgarian newspaper *Capital* has begun adding editorial content to its online recruitment site, offering advice to companies and job seekers alike. A forum lets job seekers share opinion on employers, which has proved very popular, explained Rumiana Georgieva, the paper's ad director. Despite this progress, the real test of the site's viability will be whether it can reach a real critical mass of ads, she said, so the paper now plans to hire a dedicated sales team to go after online only advertisers.

A similar approach has been taken by *The Tampa Tribune* in Florida. “We have launched new products that focus on driving local content which is our strength in the marketplace,” said Advertising Director Bruce Faulmann.

The Lawrence Journal World in Kansas has begun offering mini-TV spots online to its

recruitment advertisers, an optional upsell that has proven popular, said Advertising and Marketing Director Al Bonner.

In Korea, where keyword advertising has grabbed a significant market share from newspapers' online classifieds, daily JoongAng Ilbo has begun fighting back by starting to offer keyword advertising tied to article content. The plan is that the quality of responses the paper provides advertisers will somewhat counterbalance the lower traffic on the newspaper site compared to the major portals, said Changhee Park, strategic planning director at the Seoul-based daily. “We expect the credibility of the article to affect the price of keyword ads,” he said.

1.7.4 BUNDLE ADS, INTEGRATE SALES

Newspapers cannot compete head on with digital-only players, who almost always have a lower cost and very often superior technology. Newspapers need to offer creative packages that digital only competitors cannot match. Swedish regional daily Göteborgs-Posten focuses on emphasizing the complementary nature of print and internet recruitment ads – and so managed to retain a substantial portion of its pre-internet market share in the very competitive market, said Controller Eva Josefsson.

Newspapers need to cooperate with each other as well in order to offer the highest possible classifieds database in the market. “Our company and corporate approach is to join and unify with other newspapers to a strong local and national brand,” said David Gianelli, online business strategist at the Arizona Republic in the U.S.

By having a unified sales team and concentrating on the benefits package deals offer to advertisers, newspapers can maximize the amount of advertising they can retain in print while at the same time grab a slice of the digital market. The sales team needs to be able to advise clients on setting up their print/online campaigns, so that the two forms of media reinforce the ad's effectiveness. Advertisers are buying the response, not the medium. “We actively sell online and print as a joint media, with combined audience and response for our advertisers,” explained David Allen, marketing director at the Leicester Mercury in the UK.

“We are increasingly focusing on digital which will entail adopting some of the commercial

tactics employed by the leading job sites. But we also recognize that as a media owner we can harness significant leverage from the strength of our established brand and, with two channels to market, we have a competitive advantage which we will attempt to exploit to the full,” said the head of ad marketing at a UK national newspaper group.

To offer a more customized service to its advertisers the website of the Dallas Morning News was reintegrated into the print publication last year. “This way we are using a single brand name to offer an expanded range of advertising products to our customers,” said Sales Analyst Gail Roberts. “This has been particularly effective in the employment area.”

The Evening Standard estimates to have lost a fifth of its advertising volume to the Internet. It is fighting back by “offering greater emphasis on package selling,” said Commercial and Strategy Manager Tim Smith. The London paper is “selling clients an audience based on a number of print products and online products.” The initiative has been successful mostly because the package is easy to buy and sell, has simple pricing and because we have developed a trade brand to describe the package. This contrasts with attempts to sell more complex packages that included e-mail campaigns and online campaign management tools to clients – concepts that for many traditional, big advertisers were hard to grasp. “It was too complex and the market just was not ready,” Smith said.

For newspapers in earlier stages of classified migration process offering compulsory bundled packages of print and online advertising means they can quickly build volume online. “Increasing advertising rates to include digital as part of the package has allowed us to fund the development required,” says Thelma Henderson, marketing director at Scottish Provincial Press, which publishes the Inverness Courier as well as numerous rural weeklies. This approach, however, is not without its risks: newspapers need to be prepared to decouple their print and online advertising before a strong online only competitor emerges (See SFN Report 3.2, Section 4.3.)

1.7.5 BUY RIVALS

Newspapers that have found themselves on the losing end of the digitalization competition can

also buy their digital only rivals. Acquisition has become a trend last year, with a fifth of the newspapers surveyed reporting a past or planned purchase.

Spanish regional chain Vocento, for instance, has recently acquired a leading recruitment site, Info Empleo (www.infoempleo.com). “We are now in the process of studying how to integrate it with our own classifieds,” explained Maria Goti, director of online operations at *El Correo*, Vocento's Bilbao-based daily.

Swiss publisher Edipresse last year acquired minority stakes in a recruitment and a real estate classified site, both will continue to operate independently, retaining their brand names. Going forward, Edipresse is considering to offer advertising opportunities on the property site to its print advertisers, explained classified advertising manager Frédéric Gris.

Pannon Lapok, a chain of Hungarian regional dailies has taken a somewhat different approach: forming a partnership with a leading recruitment portal, explained Advertising Director Peggy Molnár. Though the potential upside is lower than under a fully-owned approach, so is the risk and investment required.

1.7.6 BROADEN THE PORTFOLIO

Whether they have managed to become market leaders or have lost the online race, newspapers in the more digital markets need to find new areas of growth online by thinking beyond the traditional categories of recruitment, automotive, real estate and travel. “We very much missed the train on the traditional classified areas and have lost market share to pure players, but are now looking to find new classified areas to move into,” said Poul Melbye, research manager at Danish daily *Politiken*. “It could have been dating, if we had seen it coming. It could also be localised search engines, catalog services, auction sites etc.”

With the technology already developed for the traditional classified areas, such niche web sites are low risk ventures.

Dutch daily De Telegraaf, which has lost much of its dominant print market position to online only competitors, has recently acquired a dating site as well as a magazine publisher

with strong boat, camper and caravan classified sites, explained Quintin Schevernels, online classified manager. When the paper does not have a strong print brand in an area, it is more economical to buy a well established site rather than to launch one, she said.

Irish classified magazine Buy and Sell is developing dating and members club sub-sites in order to increase traffic on its main classified site and provide more exposure to its advertisers. “We are creating more reasons to visit our site,” said Director of Operations Jill Armer.

1.7.7 CONVERT TO SELF-PUBLISHING

Online ads typically cost around one tenth of print advertising, so volume would need to increase ten times for the shift to be revenue neutral for newspapers. No publisher has reported such an increase over the past three years of the survey. As a result, in order to retain profitability, publishers need to decrease the costs of their classifieds operations.

The best way to do that is to give control to the customer. “The impact of this trend is to increase the levels of online service functionality and reduce the reliance on call-center processes. As a consequence we are starting to see a reduction in costs,” said Jane Gleadall, digital director at Loot, Associated Newspapers' London-based classified magazine. “... as more ads are placed directly on line we will see our margins improving.”

***Ocasão*, a Portuguese classified magazine, now takes 40 percent of its advertising online – which reduced labor costs by half,** and led to savings on rent and computers as well, said Managing Director Helmut Pollinger.

The Sarasota Herald Tribune is looking to turn the freed up ad processing resources to better use, explained Conan Gallaty, directory of online operations and strategy at the Florida newspaper.

“We are moving to have the ad acquisition process automated as much as possible and put the control of classified display ad construction in the hands of the advertisers. Then our time will be spent less on process and more on sales,” he said.

On top of achieving cost savings, ensuring accurate copy and eliminating bad debt, allowing advertisers to submit their ads into

both the online and print product also leads to an increase in revenues. “The online channel is a 24-hour operation. That in itself increases sales, especially in the private ad category,” commented Kirsi Laine of Finnish daily *Turun Sanomat*.

Equally importantly, it is a myth that the involvement of the sales representative is key to upselling classified advertising customers. **“Left to their own devices, customers are already proving that they are better buyers than we have ever been sellers, in as much as they are spending more money and placing bigger ads for longer periods than ads placed over the phone,”** said the classified manager of a Western European daily.

Newspapers compete with Internet

By Peter M. Zollman

With Google and Microsoft offering free classifieds, Craigslist and its free classifieds growing into an international force, and EBay investing more than \$1 billion in classified advertising sites worldwide (most of them free), what's a newspaper to do?

Can publishers afford to offer free classifieds?

If not, can you sustain your classified advertising business?

Because – face it – classified advertising is changing by the minute. It will never be the same.

First let's *define* classified advertising, because it means different things to different publishers. In this context, "publisher" takes on a new meaning, too.

At Classified Intelligence, we define "classified" advertising by the category of advertiser. Automotive listing and dealer ads; real estate (or property) ads; recruitment ads – all are classifieds, including display ads. Private-party sales of "stuff," or merchandise, are classifieds, as are "personals" and "matrimonial" (a subset of personals) in India. In some countries, like the U.K., travel is also a classified vertical.

Classified "publishers" no longer need paper, ink and delivery trucks. Craigslist, Monster.com, TotalJobs, Blocket.se, Kijiji.com (owned by EBay), Marktplaats.nl (EBay again), Mobile.de (EBay), Scout24.ch / .de / et al, Yahoo, BharatMatrimony.com, Naukri.com – all are classified publishers. Most are No. 1 in a specific marketplace. And only one is owned by a newspaper publisher. *

At last count, Craigslist was in 219 markets; Kijiji, 340; Gumtree, the U.K. division of Kijiji, 57, and so forth.

In the last few months, both Google and Microsoft have entered the classified business – Google with Google Base and Microsoft with Live Expo. Neither has made a strong initial showing, but only a fool would count them out. Both are in it for the long term. And all of their ads are free, too.

Yet newspapers have thrived for decades by charging advertisers for their classifieds. What's a publisher to do?

* Of all the sites listed, only Blocket.se, owned by Schibsted, is affiliated with a newspaper publisher. TotalJobs is owned by Reed Elsevier Group. All the rest are dot-coms, or Web publishers.)

We recommend several steps:

- **Focus on your audience and advertisers:**

Don't deliver ads; deliver results. In the new world of classifieds, results have to be measurable and quantifiable. After all, no advertiser spends money on an ad because of the medium. Ultimately, only one thing counts: results. And advertisers can tell better than ever which medium, even which ad, delivered the best results at the lowest possible cost.

- **Deliver multiple products on multiple platforms:**

The Houston Chronicle offers 18 separate recruitment advertising products (as well as products for automotive, real estate and merchandise). The Dallas Morning News offers xmxm recruitment products. (More about those in a minute.)

- **"Participate in the transaction":** Ultimately, we're confident, most ads will be sold (and paid for) through variations of pay-for-performance pricing – the model Google and Yahoo-search offer now. (If it gets clicked, they get paid; if not, they don't.) Other ads are sold on a "pay per lead" basis, or the ultimate test, the "commission on transaction" model. This is a slow but inexorable trend. How can you participate? Add e-commerce tools to your site – buttons for "buy now," "make an offer" and "e-mail seller." Right now, you're not likely to take a commission on each transaction. But eventually, those buttons may deliver your revenue. And that may not be so bad. Which would you rather have – 10 recruitment ads at \$400 each, or two that each generated \$6,000 on the basis of a 6 percent "success fee" for the hiring of a \$100,000 employee?

- **Sell ads by self-service:** This is the easiest and most compelling short-term proposition for a publisher trying to increase revenue, improve customer service and reduce costs. We hear repeatedly that advertisers who build their own ads online spend up to 60 percent more than those who place ads through a telephone sales rep. In fact, a friend just told about his plans to place a three-line ad to rent a condominium. He went online instead of calling – and ultimately spent \$687 for a display ad that he described as "a work of art." "Doing it myself online just makes me feel creative," he told us.

- **Offer free classifieds:** Yes. Offer free classifieds. But they should be focused on specific goals: enhancing revenue through upsells; creating and exploiting "community," and expanding your marketplace to draw a larger audience and more commercial advertisers. Which classifieds should be free?

Those where you have little or nothing to lose. No personals? Offer free personals, perhaps. Few or no merchandise ads? How about a free-ad section, value-limited (“up to 2,000”) and based on space availability? Auto listings dying? Pump them up with free ads; sell enhancements and charge dealers.

One mistake many newspapers make is to think of their classified ads as a single entity.

A recruitment advertising executive once said that although he was in the jobs field, he learned more from following the real estate and automotive classified advertising industries. “After all,” he said, “we’re all in the same business – putting buyers and sellers together.”

While that’s true, it’s also true that real estate or property ads require different support, services and sales approaches than automotive ads. Recruitment ads are substantially different from automotive or property ads. As ads become more interactive and transactional, the newest tools and services in each vertical will demand more specialization.

For example, consider recruitment at The Dallas Morning News and the Houston Chronicle. Although both are still “newspapers,” each offers a wide variety of recruitment products well beyond print editions. There are candidate-screening tools; video clips on the papers’ Web sites; a television recruitment program; video clips and text ads on stand-alone kiosks at local universities, shopping malls and recruitment centers; direct mail; printed special sections; job fairs, and more. There’s the “diversity” Web site for reaching African-Americans and Hispanics; the youth-oriented site targeting students and recent graduates, and perhaps soon another site or section for older adults or “baby boomers” looking for part-time work during retirement.

Or take property ads. This category includes a wide variety of “sub-verticals.” New homes are typically advertised by builders or developers; resale homes, by property or estate agents; and “FSBOs,” homes “for sale by owner.” There are condos, large apartment complexes, individual flats and townhomes – all of which require different sales approaches by the newspaper, and different tools and content in an interactive environment. For rentals, perhaps, the best tool is a mobile device – with geo-coding to show the distance to the flat or condo the renter wants to visit. Luxury homes benefit from high-end online video clips, on a Web site or a handheld device.

At a conference of classified advertising directors last year, Tom Mohr of Knight Ridder Digital said many newspapers are still struggling to adjust to the new classified realities.

“I sometimes don’t think we have fully come to terms with the degree to which we need to undergo transformational change in order to be in a defensible position for the next five to 20 years,” Mohr said. “It’s fair to say that as an industry, we have in some ways, let me be tough, failed miserably, in the ways we have responded to the competitive threats we face. ... I see the need for very aggressive, very significant, transformational change. And I see that beginning to happen.”

Mike Kment of Gannett Co. Inc., painted a bleak picture of private-party advertising: “I think the price point for both private-party and commercial customers, relative to... bringing buyers and sellers together, is just slightly north of zero,” he said.

“The great advantage that we have going forward is the proximity to the transaction,” he said. “We are by definition local, local, local. How do we bring (together) people who will benefit from being proximate to the timing of the transaction ... and how can we monetize that?”

Ultimately, newspapers serve their advertisers by bringing audiences who want what those advertisers are selling. The medium – ink and newsprint, a Web site, a mobile device, a kiosk in a shopping mall, even a television program – is irrelevant to the audience and to the advertiser. The reader or user will select the medium he or she chooses; the advertiser only wants results.

If you think of classifieds as ink on paper, you’re right. But not nearly right enough. They’re simply a means for helping sellers reach buyers, and vice versa.

Kment ended with a note of optimism, but great caution:

“We all know we’ve come a long way in the last few years, and it’s become ever more clear that we’ve got a long way to go. ... “If we can be the ones to ... reinvent classifieds across our platforms (so they) may last another 50 years, or at least another few years, then we really will have done something. If all we do is we are present at the wind-down of what somebody else built a long time ago, that would be sad. So my challenge to you is (to) not only think about a couple of these things, but ... to really think about the responsibility we have to reinvent this business.”

Classifieds upselling: A growing moneymaker

By Martha L Stone

The print-to-Web upsell is a sales strategy that is a solid revenue maker in North America, and in the nascent stages of rollout in newspaper companies around the world. Media executives in North America are reporting print-to-Web upsells to be one of the fastest growing revenue makers at their companies, according to annual reports and interviews.

Upselling can take two forms: forced bundles or presumptive upsells. In the former, print and Web are sold as an unequivocal combined offer. In the latter, the sales person sells the print and Web package together, presuming the advertiser will buy, but is able to remove the print or Web offer if the advertiser objects to the package.

Many media companies have adopted the presumptive sale, and are averaging 60 percent to 90 percent advertising acceptance on the packages. The price of the ad goes up by 10 percent to 15 percent when an Internet component is added.

Any media companies are boosting the price of the upsold ad several times per year, McClatchy's Christian Hendricks reports that one McClatchy property in Washington state increased its recruitment advertising upsell price six times in 16 months in 2004 and 2005, resulting in a 110 percent revenue increase. Knight Ridder Digital president Tom Mohr

advocates regular re-evaluation and re-pricing, several times a year to coincide with dramatic website traffic growth. Both executives report significantly higher revenues, and little or no advertiser dropoff after price increases.

Media News Group Interactive, based in Denver, reports a growing percentage of the company's revenues are coming from the Internet because of higher volume and rising prices.

For many media companies that have not diversified into other revenue streams like display advertising, cost per click advertising, archive and content sales, etc., as much as 75 percent of the Internet revenue can be flowing from the fruits of the upsell strategy.

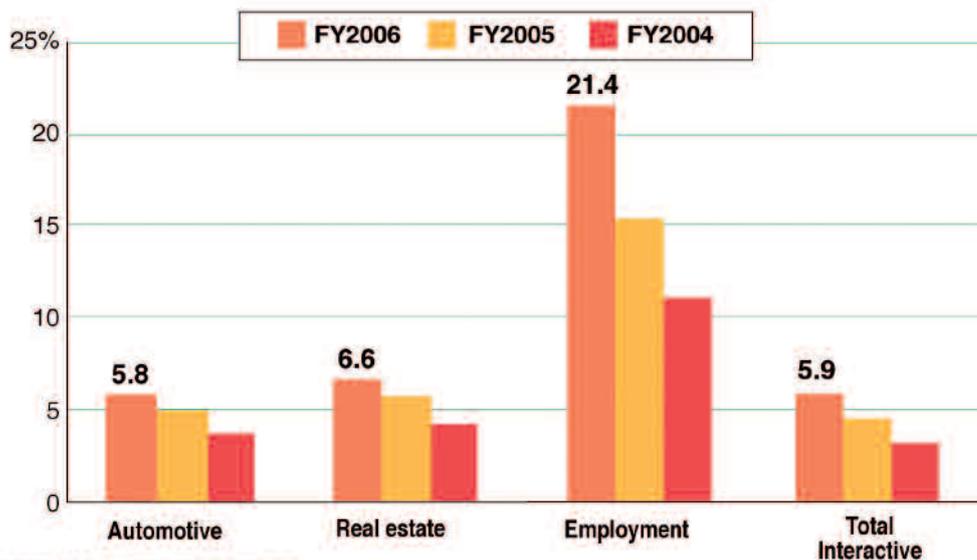
Several types of upsells exist, including those beyond the print-to-Web strategy:

There are four main types of classifieds upsells:

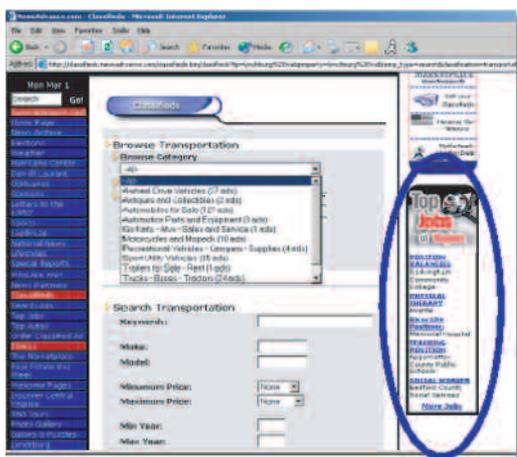
- Print to Web upsells:
- TopAds include Top jobs, Tophomes, TopCars (Called BestAds in Ireland and SponsoredJobs in the UK)
- Classifieds advertising upsells such as borders, bold type, premium placement and premium days, sold through call centers or on online self-service functionality.
- Upsell into a network or aggregation like CareerBuilder, Finn.no , Classified Ventures as an assumed upsell

(continued on following page)

Media news group interactive revenue as a percentage of print



Source: Media News Group Interactive



TopJobs listings on the Classifieds page.

TopAds

TopAds is a classifieds upsell for recruitment, homes and cars. The upsold text ad is placed on the home page or the Classifieds page, and links to the classifieds listings inside. The ad either is listed with others in a static fashion, or rotates with other liner ads after an exposure of 15 or 30 seconds. Some media companies ad a “send this ad to a friend” functionality.

The ads reach the passive job, auto or home seeker. The recruitment advertising TopJobs is by far the most successful of the TopAds categories.

Typically the ad costs about \$100 on top of the classified ad price. Top Ads programmes can generate hefty revenues: U.S. media chains are reporting between \$1 million and several million per year

Lee Enterprises, with small 44 dailies and 120 weeklies; Gannett as the largest U.S. media companies, and Morris, Media General, Tribune, New York Times, and many others in between, have been making millions of dollars with the Top Jobs strategy.

“Top Jobs, an online classified upsell, is in High Gear. We are on track to drive \$1.8 million in Top Jobs this year. And we've sold 20,000 more top jobs – that's an increase of 224 percent over prior year.” Said Mary Junck, chairman and CEO of Lee Enterprises, based in Davenport, Iowa, at their 2004 mid-year review.

Morris Digital Works brought in \$1.8 million in 2004, and more than double in 2005. Robert Granfeldt, business development director of Morris Digital Works, said salesperson

incentives is one of the driving forces behind the success. One newspaper at Morris gave out plastic toy tops to sales people each time they sell a TopAd. After the sales person collects 10 tops, they received a \$100 bonus, he said.

Upsells for Classified ads online

A plethora of upsell opportunities from online ads abound, which can be sold either through the advertising department call center or on the company's self-service advertising online site. These upsells can account for a large portion of online classifieds sales, including:

- Photos, panoramic photos, videos, logos, clickable links
- Borders, shading
- Preferred placement
- Increased number of days running the ad, from 7 days to 14 or 28, or by one premium day, like Sunday
- Photo upsells are popular, and can bring in 5percent of online classified revenue, according to Knight Ridder

Self service

KRD is seeking ways to integrate local self-service ads into Topix.net, CareerBuilder and ShopLocal.

Self-service has become a solid moneymaker for media companies. Allentown Morning Call reports making more than \$400,000 per year, while the UK's Friday-Ad reports making almost \$500,000 per year online.

The dangers of packages

Depending on how the package is designed and presented to clients, the print and Web forced bundle could be a dangerous strategy.

Media companies must carefully express the value proposition of the print-Web bundle, and give it an appropriate value. When advertising clients are given little or no choice in taking the digital offer, media companies may be enforcing a rate increase, and not actually building digital revenues.

Without explaining the value of the digital advertising solution as part of the print-Web package, this leaves the door open for online-only players to really sell them the benefits of online advertising.

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