

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

Shaping the Future of the Newspaper



www.wan-press.org
A WORLD ASSOCIATION OF NEWSPAPERS PROJECT,
SUPPORTED BY WORLD'S LEADING BUSINESS PARTNERS



www.man-roland.com/en/p0001/index.jsp
A LEADING COMPANY FOR NEWSPAPER PRODUCTION SYSTEMS

PUBLIGroupe

www.publigroupe.com/en/hom.cfm
THE SWITZERLAND-BASED INTERNATIONAL ADVERTISING
AND PROMOTION GROUP



<http://w3.upm-kymmene.com/>
ONE OF THE WORLD'S LEADING PRINTING PAPER PRODUCERS



www.telenor.com/
THE LEADING NORWEGIAN TELECOMMUNICATIONS, IT AND MEDIA GROUP



www.samsung.com/
A GLOBAL LEADER IN SEMICONDUCTOR, TELECOMMUNICATIONS
AND DIGITAL CONVERGENCE TECHNOLOGY

CONTENTS

1	The 2006 WAN Survey	5
1.1	Methodology	7
1.2	Revenue changes since 2004	7
1.3	Print losses	9
1.4	Digital losses	10
1.5	Findings by sector	11
1.5.1	Recruitment	11
1.5.2	Property	12
1.5.3	Automotive	12
1.5.4	Private sector ads	13
1.6	Online offtake	13
1.7	Digital Strategy	14
1.7.1	Innovate in Print	14
1.7.2	Manage the migration	15
1.7.3	Innovate online	15
1.7.4	Bundle ads, integrate sales	16
1.7.5	Buy rivals	17
1.7.6	Broaden the portfolio	17
1.7.7	Convert to self-publishing	18
	Article by Peter M. Zollman	19
	Article by Martha L Stone	21

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 Kytтанen, 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.