

**BEYOND THE PRINTED
WORD**

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A REVIEW OF MAJOR DEVELOPMENTS AND TRENDS IN 1997

In spite of evidence that some newspapers may be scaling down or even closing their Web sites, the overriding trend for newspaper online publishing in 1997 was continued fast growth--particularly in countries like the U.K., Canada, Norway, Brazil and Germany, says Sergio Puoti, General Manager of INES Media. Indeed, fully 43% of online newspapers are now based outside the U.S., up from 29% in 1996. Newspapers are no doubt responding to the growing demand for local content, an area which Puoti qualifies as one of the fastest-growing areas of online demand.

Despite this flurry of activity, making money remains a key challenge, even if an increasing number of sites are breaking even. Revenues are coming from a variety of sources, though advertising is still the largest generator. Despite the lack of a standard business structure (discussed later in the text), one site in every six is now attracting advertising. Publishers are exploring other revenue sources as well. According to Puoti, they are looking at subscription possibilities, "but many users still refuse to pay for Internet content."

Partnerships are another solution, though they are not always easy to implement, especially if partners are traditional competitors. "Some publishers, particularly smaller ones, have found that Web hosting and selling Web site design can complement more traditional revenue sources," he continues.

A NUMBER OF ISSUES COME TO THE FORE

A number of issues surfaced during the year, illustrating the need for new rules and guidelines. Publishers are still trying to

determine how their Web sites fit in their overall publishing activities; indeed, "many are careful to make sure that their Web sites do not steal attention from their printed products," says Puoti. The Dallas Morning News' decision to first publish breaking news about the Oklahoma bomber on its Web site generated much heated discussion.

"On one side, the paper was praised for using the Web's advantages of immediacy and depth to their fullest extent, as well as for beating radio and television at their own game," says Puoti. "But if people become used to finding news on the Web first, will they bother to buy the printed product?"

Developing synergies is another issue, particularly among media companies that own a number of properties. Such companies are often insisting that their properties--newspapers, TV stations, online sites, for example--learn to work together to provide concerted and complementary coverage of events such as elections, for instance. Cross-promotions across the various media are also becoming increasingly common.

The fine line between editorial and commercial interests became increasingly blurred this year. "With less money to be made from commercial display advertising, publishers are tapping other revenue sources that pose greater potential for conflict of interest," says Puoti. A key example was the New York Times, which started providing links to booksellers Barnes and Noble in its book review section. "When the reader can see that the Times has a direct financial interest in helping Barnes & Noble sell books, the objectivity of the book reviews is called into serious question indeed," says Puoti.

On the legal side, service providers are increasingly beleaguered by government authorities who want to hold them responsible for content posted on the

Internet. In Germany, for example, where the government passed a law prohibiting the posting of pornography and extremist political propaganda, service providers are held liable for violations if prevention is deemed possible. How will these laws stand up? Are they enforceable? "Service providers are being burdened with poorly-defined liabilities and are being made into scapegoats for all the real and imagined evil on the Internet," says Puoti, who adds that the situation is leading to self-censorship.

KEY TRENDS: COMMUNITIES, GUIDES, DIRECTORIES AND 'PUSH'

In terms of content and audience, Puoti says that 1997 saw a number of clear trends emerge: the development of online communities, city guides, Web directories and 'push' products.

The rise in online communities shows that many users are getting tired of surfing and are now developing online habits. "Those users want company and a sense of belonging—the cyberspace equivalent of a pub where everybody knows your e-mail address," says Puoti.

One reason for the growing number and popularity of Web communities is the changing demographics of Web users. Sixty-seven percent are now 30 years of age and older, including 19 percent over the age of 50. Women account for 41 percent. These communities are great business opportunities, says Puoti: 'chatters' tend to stay online for as long as half an hour (instead of seven minutes on content-oriented sites). Such communities also have common interests and more clearly-defined demographics, making it easier for advertisers to target their messages and for content providers to charge membership subscriptions.

City guides have also become a popular product. A number of large companies—Microsoft, America Online, and CitySearch—have launched such ventures, many of them in partnership with local partners. Newspapers, thanks to their database of movie and restaurant reviews as well as other listing information, have much to offer in this area, says Puoti. Indeed, newspaper city guides can take advantage of the brand's reputation for unbiased recommendations.

Another growth area is Web directories, which offer a collection of selected Web addresses that are grouped under headings and sub-headings. "Yahoo was one of the first directories to organize the Web in this way, and it is now one of the most popular sites on the Web," he says. Yahoo was also the first directory to offer original content. Today, it offers news reports from Reuters, sports scores, stock quotes, yellow pages, and even interactive features such as chat.

Thanks to such added value, Web directories are the most heavily visited Web sites and therefore attract advertisers. Newspapers are now trying to get their share of this important market. "In the U.K., Associated Newspapers opened a directory called U.K. Plus, in partnership with Excite, which allows the user to search for UK sources through UK Plus, or the entire Web through Excite. And the Mirror Group just announced a partnership with Lycos-Bertelsmann," he continues.

One area of possible collaboration is archive material. "Think about the concept of one-engine search of all the newspaper archives that are available online," says Puoti. Such a product would surely be of interest to all those corporations who are currently paying on clipping services, though newspapers would need to look at copyright issues with their journalists.

Push technology has enabled a new form of "active delivery", which reinstates a certain amount of publisher control in an environment which is largely user-controlled. "More and more newspapers are starting e-mail editions as a low-cost means of putting their brand name and informative content on users' computer screens," says Puoti. At another level, PointCast, which uses proprietary software and sends frequent updates, complete with graphics and animated advertisements, is making inroads into environments where there is a permanent connection to Internet, ie corporate intranets. Finally, somewhere in the middle in terms of complexity is an HTML e-mail program, such as Netscape In-Box Direct, where new home pages are constructed every day and sent to subscribers' mailboxes.

ADVERTISING ONLINE: MARKET DEVELOPMENTS AND ISSUES

If online advertising represents only a tiny fraction of the total advertising market, it grew significantly in 1997, especially in the United States, says Constantine Kamaras, Director of the World Association of Newspapers' Management and Marketing Bureau.

Total U.S. online ad spending in 1996 was estimated at \$267 million by the Internet Advertising Bureau (IAB) and Coopers & Lybrand, and at \$301 million by Jupiter Communications (a 500% increase over 1995). "Most of the revenue went to the big sites--the Netscapes and Yahoos--while many small sites were left with lots of unsold advertising space," says Kamaras.

By comparison, spending in Europe was very low. Advertisers spent an estimated five million marks (\$2.8 million) in Germany, £1 million (\$1.5 million) in the U.K. and 4.5 million French francs (\$700,000) in France.

Standardization was a key issue, both in terms of comparable audience measurements and banner sizes. To address the latter situation, the Coalition for Advertising Supported Information & Entertainment (CASIE) and the Internet Advertising Bureau (IAB) issued guidelines for the usage of eight standard banner sizes, which were welcomed by both advertisers and agencies.

Banners, however, are no longer the only types of ads online. The newest form of Web advertisement is the so-called interstitial, which is an ad that fills the user's screen and stays there for 10 to 15 seconds when the user accesses a Web site or jumps from one page to another within a site. The ad then disappears and is replaced by the content page. "It remains to be seen how Internet users will react to this more intrusive form of advertising," says Kamaras. Jupiter nonetheless predicts that in the year 2001, advertisers will dedicate an average of 25 percent of their online budgets to interstitials. That contrasts with 5 percent today. Jupiter also predicts that 50 percent of those online ad budgets in 2001 will go to banners, down from 80 percent today.

HOW TO MEASURE?

Audience measurement is another area in need of industry-wide standards. Germany was the first to agree to such standards, while in May 1997, the international standards executive committee of the Audit Bureau of Circulation agreed on standards based on page impressions, visits, ad impressions served and click-throughs.

Moreover, in September, the Internet Advertising Bureau's Media Measurement Task Force, endorsed by CASIE, published measurement guidelines. Though the guidelines are supported by major players in the industry, PointCast has pointed out that they focus on the Web site model and thus have little value for so-called "push"

publishing. The guidelines will therefore be updated within the next six months' time to accommodate these technologies.

Page impressions are fast becoming the most commonly used unit for measuring Web site traffic. "Today, almost every Web publisher has adopted the cost-per-thousand-impressions pricing model," says Kamaras. Web publishers are skeptical about pricing according to click-throughs, which neither recognize the branding element or other external factors which are out of the newspaper's control. Another trend emerging in the last 12 months is the growing importance of advertising networks--including those started by newspapers to market their advertising space together.

Finally, newspapers are facing growing competition for their classified ads from other non-newspaper Web sites--TV station Web sites, for example. In addition to launching their own online classified sites, newspaper publishers are cooperating to offer comprehensive online classified services. "For example, a consortium of seven regional newspapers in the U.K. has set up ADHunter, which provides a database of ads from local and regional newspapers," he explains.

Another trend is partnering with successful non-newspaper classified sites on a revenue-sharing basis. For instance, USA Today is cooperating with large, established classified-ad Web sites offering automotive ads (AutoWeb), employment ads (Monster Board) and real estate ads (Realtor.com, Rent.Net).

Whatever the approach, "what looks increasingly certain is that the elements necessary for success are extensive searchability, personalisation, full multimedia offers, interactivity, real time placement and, our crucial USP, relevant and imaginative content," concludes Kamaras.

INTERACTIVE SERVICES OF MEDIA COMPANIES: STATISTICS AND RESEARCH

International Data Corporation estimated there would be 60 million Internet users worldwide at the end of December 1997, a figure which corresponds to 71,000 new users every day.

Small wonder, then, that newspapers are getting online at a similar pace. At the beginning of 1996, there were 900 newspapers online. As of October 10, 1997, there were 2302, with 2227 of those operating on the World Wide Web, says Marsha Stoltzman, Vice-President of Marketing Relations in the New Media department at Editor and Publisher in New York.

"The same phenomenon is happening among other media. Our current records indicate that there are 1,909 magazines online, 643 radio stations and 923 television station and 85 syndicates." In addition, there is a host of other non-traditional media providing content on their sites, ie. search engine services such as Yahoo, Excite, Lycos and AltaVista. In this context, Stoltzman suggests that "your brand identity within your local community has become increasingly critical, and you need to be very carefully leveraging that brand identity."

To better understand how newspapers are approaching the online environment, Editor & Publisher undertook research to examine various newspaper companies and analyze their interactive activities, particularly with respect to emerging business models. "We wanted to look at the whole industry," she explains, so the results make no distinction between large media companies and smaller publishers. The sample size was 246 newspapers, most of them in North America.

The survey covered the full range of issues affecting online publishing for newspapers. Questions covered topics ranging from staff integration to banner sizes, from the provision of Internet services to third parties to sales strategy. Three year gross sales figures were also requested.

Stoltzman came to Amsterdam with a few preliminary findings from the study, and these, as she says, suggest there are a few "big wake up calls" for the industry. "On the positive side, there is a shift towards standardization," says Stoltzman, both in terms of audience measurement and banner sizes. There is also a 13% increase in the number of newspapers producing original content for their sites; and a 29% increase in the number of newspapers in advertising networks. Some 78% of newspaper Web sites are referenced in the core print product and 95% of newspaper employees use their sites for research, user feedback and to keep track of their companies.

There was also good news in terms of advertising revenues. In 1995, 12% of newspapers had online advertising revenues of over \$50,000. That figure was up to 46% in 1997. In terms of banner advertising, "the market is still very small, though it is going in the right direction," she says. In 1995, less than one percent (.9%) of newspapers had revenues from banners of over \$50,000. In 1997, that figure had increased to 6.9%.

INVESTMENTS SEEM TO BE TAILING OFF

Nonetheless, one of the key findings of the survey was that "newspapers seem reluctant to continue or to increase spending in this media at a time when it is reaching critical mass," says Stoltzman. "Despite some good moves, efforts to capitalize on new products have eluded newspapers." Small revenues seem to be breeding equally small investments.

Promotion dollars have decreased (from an average of \$18,000 in 1995 to \$10,000 in 1997), and while full-time staffing shows no change (four people on average), part-time staffing has decreased. Expenses for equipment and services are up from 53% of newspapers reporting expenses of up to \$50,000 to 58%, but projected to go back down to 53% in 98.

"Do newspapers really have all the equipment they need?" she wonders.

Stoltman also believes there have been missed opportunities in developing local community information. Fully 42% of Web sites studied offered no information on special events; only 24% had tourism-related content. Though standards are being developed, 40% of sites studied did not provide advertisers with any measured data and "of those who did, only 16% obtained their data through outside sources," she says.

As for alliances, the study shows that only 21% of newspapers are partnering with other newspaper companies. Few sites also sold sponsorships. "Is this due to pricing issues? An image problem?," she asks.

Other survey results include the following: most sites were not charging for access to archives; very few have plans for subscriber services; few have the capability to implement transactional services; and moreover, only 14% use push technology - "has it lost its luster?" Finally, 21% of newspapers responded that they had separate staffs for their Web sites.

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SUCCEEDING ONLINE WITHOUT A PRINT PUBLICATION

SPORTline is precisely the kind of content provider that is bringing newfound competition to newspapers in the online world. Started in the proverbial two room flat with two computers, journalist Costas Georgiadis and a couple of his friends have put together a sports package that has not only attracted Greek sports fans from around the world, but has enabled its owners to win the bid for the 2004 Athens Olympic Web site.

SPORTline offers a full array of information for Greek football-mad enthusiasts. "It functions as a newspaper, a magazine, a news agency, a site of direct communication amongst users, a radio station and a data archive accessible to all," explains Georgiadis. The site itself is organized into different sections. A news agency lists that day's articles, while the 'newspaper' features a main article that changes at least once per day. The home page provides a list of articles plus a photo. Game results are reported immediately, while in another section, users can access after-game reports, photos and player ID's. Statistics are also included in a separate area.

Georgiadis says he and his team designed the site so that users could access all news published on the site since it started. They also made it interactive and very service-oriented: users can comment on games and players and receive practical information on various sports: where to windsurf, where to buy the best equipment and so on. One of the site's most distinguishing features is its publication language: modern Greek. Despite the fact that the Internet is not yet particularly widespread in Greece, there are ten million Greeks living abroad. "Their strongest ties with Greece are twofold: their home

village and their football team," says Georgiadis. Match results and sports news help maintain the link of the emigrants with their country of origin, he adds.

The strategy is clearly paying off. During the first ten days of operation, in early November 1996, "our site registered 210,000 hits and its first page was viewed by 9500 computers," he says. "These numbers were previously considered unattainable by Greek standards." Less than one year later, in early August, 1997, "our site registered 1,250,000 hits and its first page was viewed by 62,500 computers," he continues. "During that same period the major Greek daily newspapers could manage to sell no more than 80,000 copies."

Georgiadis believes his site is a success because it offers a complementary way of obtaining sports-related information. "The net cannot offer certain newspaper possibilities as, e.g., in-depth investigation, analysis and comment." It can, however, take advantage of high transmission speeds and interactivity. SPORTline does not charge subscription fees, so it relies on advertising to put it in the black. This hasn't been without difficulty, though. Agencies regard online advertising with a considerable amount of trepidation, says Georgiadis. "It is very cheap so it bites into their profit margins. Its impact is automatically measurable thus reducing their possibility to gloss over their weaknesses. And thirdly, it can lead to direct sales, thus antagonising advertising in the traditional media."

Other revenue sources include a second company that sets up sites, which it later advertises on SPORTline. The company has now expanded into a five room area with seven computers and its staff has increased to 25.

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DEVELOPING ONLINE PUBLISHING NICHEs

Associated Newspapers is a venerable UK media company with such well-known media properties as the Daily Mail, with its 2.2 million copies sold, the Mail on Sunday and the Evening Standard. Its approach to online publishing has been to establish a number of theme-related niche Web sites--with varying levels of success.

Surely one of its most successful ventures has been SoccerNet (www.soccernet.com), which Alan Marshall, General Manager of the group's wholly-owned subsidiary, Associated Media Base, calls "the world's best and busiest soccer Web site, offering users round-the-clock coverage." The site is managed by a former Daily Mail employee whose 12-year old son actually developed the site.

Drawing on input from the high-quality journalists of Associated Newspapers, Marshall says soccer.net is very simple to use and is one of the few sites to generate reasonable advertising revenue. "For the time being, these revenues don't cover all costs, but in five to six years, there should be big revenues in the online marketplace--though not comparable to newspapers revenues," he says. The site also makes money from sponsorships, with partners such as Microsoft, Braun and Ericsson. SoccerNet is now looking to the 1998 World Cup to generate both added interest and revenues.

"The Royals" was another site launched by Associated Newspapers. "In the UK, this seemed like a no-brainer, but the site is now

closed," he says. Web publishing is often affected by external factors out of newspaper control and this was a case in point. Launched in March 1997, and put up by the Daily Mail, the site offered users access to photos, archives and news on the Royal Family. A short six weeks later, however, the Royal Family launched its own site. "So two months later, we closed. We just couldn't compete with the Royal Family in terms of content," he explains.

DIRECTORY PRODUCT A SUCCESS

The company has had much greater luck with UK Plus (www.ukplus.co.uk), a context-based directory which enables users to search the Internet according to interest area categories. "It is very easy to use," says Marshall. "Just type in what you are looking for and it's there." Indeed, the content has been categorized with users in mind, allowing them to start with general topics and drill down into specifics. Moreover, all links in the database are reviewed regularly, which ensures the database is up-to-date. The database, which was developed with Oracle, cost Associated Newspapers a fortune--fully £1M in development costs.

"We developed the interface so that the production team can update, modify and load their own pages on templates, which means they don't require programming knowledge," he continues. The investment has paid off: the site is highly successful, generating 150,000 impressions per day (250,000 when Diana died). Though it sells banners and buttons, its revenue from advertising is still small. "A £6000 ad will run for three months, whereas in the Daily Mail, it costs £25,000 for just one full page ad," offers Marshall.

Associated Newspapers has also invested several million pounds in a classified job site called People Bank. "The classified ad market

place is the most threatened because online offers a cost-effective process," says Marshall. Indeed, users input their CV details into the site's database and People Bank lets the job find them. It is the companies who search the site for suitable candidates who pay more if they wish to interview someone who is listed.

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The site, however, has been somewhat slow to get off the ground. "We feel it's the right product, but at the wrong time," says Marshall. Many job hunters are not keen on inputting CV data onscreen. "Today, kids of 15, 16 are very computer literate, so entering details on the system won't be a problem. As time goes on, the site has potential to earn revenue," he says. To minimize its risks, Associated Newspapers has sold part of the site's capital: a management team has bought 40% and another 30% has come from venture capital (AN kept the remaining 30%). "We do point people to the site in Daily Mail career pages," he adds.

A final niche product established by AN is UK Plus - Business Day (www.standard.co.uk), which corresponds to the pink pullout business pages of the Evening Standard. This two and a half year old site, created by an independent company (Emphasis), distributes market information and is targeted to dealers in London's financial City district.

The site, which maintained a newspaper-type format, took advantage of established technology. "We already had the building blocks. We were electronic, we had a pagination database for repurposing the information, the pictures were onscreen and in the right formats," he says. The site gets about 100,000 visitors per week.

Associated Newspapers Ltd.

Allan Marshall

United Kingdom

GOOD WEB DESIGN - EFFECTIVE USE OF GRAPHICS AND LAYOUT ONLINE

In an environment where users have about 20 seconds to realize they've gone from one site to the next, Web site design must be used not only to help the user navigate the content, but to situate it within a wider context.

"In those 20 seconds, the reader must know 'this is a Brazilian site, this one is a Germanic site,'" says Mario Garcia, president of New Media Design International, a design consulting firm. "Many Web sites look exactly alike, yet a Web site should reflect a country's culture. Since the original models come from the US, all others tend to look (like they do)." Those 20 seconds must also be sufficient to convey positioning, ie. this is a serious newspaper site, and so on.

Luckily, Web designers have an array of design options at their disposal: photography, text and typography, and graphics, of course, but also video and animation. Designers can show users the police chase or that Olympic race. The possibility, however, is still not used a lot because "designers fear it will delay communication," says Garcia, "but it is getting faster all the time."

For the time being, "the metaphor for magazines and publications on line remains print, though it should not be," he says. As part of the print metaphor, Web designers are also continuing to place advertisements on the bottom, but Garcia says his focus group research shows that many users may want it elsewhere: on the side of the screen or even in the middle.

He attributes this to the fact that most people designing Web sites currently come from print, "but in five years that will change. People do not want Web sites to feel or look like a magazine or newspaper. Of course, there are opposing views on this subject." Ironically,

people are reading more on the Web, not less. "A screen is 21 lines, you have no idea how long the story is so you start. This fools people into reading more," he says. Moreover, much information on the Web is purely for the obsessed, for those audiences with very focused interests.

DEPTH FOR THE INFORMATION-OBSSESSED

Depth of information is one of the Web's major advantages, and designers must not lose sight of the fact that sometimes, all a user wants to do is read. "Designers normally like to have a visual element on every screen. Users, however, tell us 'Get me there with a visual element, but once I begin to read, do not create interruptions with too many icons or elements'," Garcia explains.

This capacity to offer depth makes the Web truly complementary to print. In the US, for example, a newspaper will print six or seven paragraphs from the president's speech and put the whole speech on the Web site.

"Newspaper editors, though, still treat this as a secondary medium. The teams are not even on the same floor as the newsroom.

(Nonetheless), the best newspaper Web sites are those where the site editor participates in daily newsroom meetings."

The site must take what's in the newspaper and adapt it to the interests of its Web site users. "Only 50% of the print edition belongs on the site; the rest should be new material. There should be columnists who write only for the Web site," says Garcia. Moreover, lead stories may not necessarily be the same.

"People accessing Web sites need local news above all and news about science and technology, which may be page 34 of the print edition but on the home page of the Web site." Garcia says he still does not see this happening.

Newspaper sites should also make the most of the Web's interactivity. There has already been a big increase in reader feedback. "The number of letters to the editor in the US has increased 28% through email. There is no cool-off period on the Web," he explains.

Finally, Garcia gave some advice on how to best use the four key elements of Web design: story structure, screen architecture, colour and typography.

In terms of story structure, "the screen is a limited canvas, with 21 lines. Where do you want the eye to go first? A main story should have a lead story structure," says Garcia. Then, where should the eye go next? "Navigational tools work better vertically than horizontally. Moreover, the fewer elements you have in your navigation, the better off you are." Garcia also suggests to offer surfers a pre-screen before the home page as a way to both give the user a visual break and position the Web site.

In terms of architecture, "the eyes initially move top to bottom, and then the movement is more horizontal than vertical," he says. "You also want to enable users to get out immediately." As for movement within the site, clicking is more effective than scrolling. "If you offer users more than three screens, it is better to click," he says. Colour, for its part, should be used primarily in icons rather than in text (except for highlights) or in backgrounds, he suggests. Nonetheless, the choice of colours is practically limitless where colour is used.

Finally, typography is as important online as it is in print because the eyes tire much faster. "The good news is that just about everything works well, including narrow typefaces which are hard to read in print," he says.

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BEYOND ADVERTISING - OTHER ONLINE REVENUE SOURCES

The mid-sized German city of Koblenz, located between Cologne and Frankfurt, is not exactly at the heart of the information superhighway. So when the Rhein Zeitung, the regional newspaper which serves it, went online, it raised a number of eyebrows. Nonetheless, says Joachim Türk, the paper had several reasons to get on the Web: "We wanted to avoid competition in classified ads," he begins. "We also wanted to accumulate know-how in a new medium, and get new young readers with a new product."

The newspaper decided to take advantage of inherent Internet strengths--topicality, non-stop operations, search functions--when it developed its own site. "From the beginning, we didn't think the paper version was a good basis for the electronic version, so we built up our own online content," he says.

Dedicated editors put a variety of new content on the Rhein Zeitung Online site: computer games, technical information on computers and economics as well as a wealth of links to other Web sites. The results are encouraging. "Every day, we have 10,000 hits. Every month, we get 410,000 visitors and 1.7 million page views," Türk explains.

Moreover, some 20% of visitors come from the Rhein Zeitung's own subscriber base. Rhein Zeitung Online has had to seek new options for raising revenues, particularly since the other traditional source of newspaper revenues--advertising--is bringing in only 10% of total revenues. "Business has been difficult," he admits. "Companies are investing in their own Web sites, which leaves little room for banner ads." Moreover, if the site were to charge rates according to CPT, it would charge

itself right out of the market. Rather, it charges a fixed rate of 15 DM.

"We do believe that income from advertising is promising in the future," he continues. "We know our customers. Next year, we are expecting ad revenues to be 15% of our revenue."

ADVERTISING REVENUES NOT ENOUGH

Türk also believes that because the Internet is a distribution medium, offering content will not be enough to generate significant advertising. Sites, he says, will have to be more like virtual department stores. These could attract a greater number of visitors by offering more diverse services: online banking, shopping and travel, for example.

Even if the proportion of advertising does grow, Rhein Zeitung Online still needs revenues from other sources. Indeed, in 1997, 90% of online revenues did come from other sources. For the time being, the top revenue generator is Internet access, which brings in 60% of the company's online revenues. "The best product on the Internet is Internet access, so we've become an access provider," explains Türk. For one thing, this gives Rhein Zeitung Online many cross-promotion possibilities, since 60% of the company's Internet access subscribers are also newspaper subscribers, leaving 40% as potential customers for the print publication. Of course, the Rhein Zeitung advertises online for its print subscriptions.

The company is also trying to spur newspaper subscriptions by offering different access prices to subscribers and non-subscribers. Subscribers to the print version pay 10 DM for 30 hours of Internet access. Actually, because of German regulations, "we split the subscription into two parts: access (5 DM) and content (5 DM)," explains Türk. Non-

subscribers pay a fee of 25 DM for the same service, though it is segmented differently: 5 DM for access, but 20 DM for the online Rhein Zeitung content. The company does offer special rates for students and teachers through its school net product.

Finally, Rhein Zeitung Online has developed partnerships to further its penetration of the online market. Eight regional savings banks receive content for their Web site (stock exchange and economic news) in return for selling Internet access to their clients (these banks have approximately 30,000 customers doing home banking). A number of computer distributors also sell Internet access. By end of 1997, the company had approximately 7000 Internet access subscribers.

NON-TRADITIONAL REVENUE SOURCES

Another 30% of revenues come from Internet services such as Web design, host domains, mail service connectivity and intranet. Given the difference in approach they require, "these activities are not being serviced with our traditional field sales force," says Türk. Best of all, the new 12-person sales team allows the paper to develop relationships with customers who have never advertised in the print edition.

Other services include offering customized information to customer Web sites. For instance, Rhein Zeitung provides Formula 1 information to a producer of shock absorbers, which helps the site get 30,000 hits per month.

Türk, however, sees clouds on the horizon: the opening of the telecom market will no doubt lead to a significant increase in the number of Internet access providers. He is preparing for this situation: "With telecom alliances, there is room for development at the regional level. I believe we can market our products together by offering service bundles, which include

access, subscriptions and mobile phone service."

Türk is also looking at the possibility of getting involved in e-commerce, and has a regional virtual bookshop project in the works. It is also working in partnership with GMD (a research center for information technology) to offer local municipal governments, federations and associations a Web site which could act as a virtual city hall, making it possible for citizens to fill in forms and have them signed and stamped in such a way that they are legally binding. The site will also offer calls for tenders, yellow pages, tourist information and advertisements.

Rhein-Zeitung

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MAKING THE MOST OF ADVERTISING AS A REVENUE SOURCE

Newspapers will continue to play a huge role in our lifetimes, but they won't be able to compete with online publications when it comes to direct response advertising and electronic commerce, says Hugo Drayton, Director of the Electronic Telegraph.

"There are so many instances when online is a superior medium," he says. It has so many assets: real-time capability, an instantly global reach, hyperlink technology, direct commerce options, search possibilities, and archive storage and retrieval. With such an array, publishers have an embarrassment of choices as to how to structure their business offering. "We can go broadcast and narrowcast, reach both wide and small audiences. For advertisers, reaching this mix in a single medium is a huge step forward," he says.

There were two key reasons for launching an electronic version of the Daily Telegraph. One was to appeal to new audiences and rejuvenate the brand's image. ET has "a significantly younger, wealthier and more professional audience than for our print product," he says. The other key reason was to explore new revenue models. "Advertising and circulation revenues will not be sufficient," he says. Advertising is volatile and subscription revenues are very price-sensitive. For the moment, however, Drayton says his site relies on well-known types of revenue sources, namely, banners and classified ads.

"Classified ads will grow in importance," says Drayton, who adds that the medium is highly appropriate for the segment. "It makes no sense to look through reams of paper to find one item."

Banner advertising, for its part, has brought in significant new revenues. He adds that ET should grasp the opportunity of independently selling banners in the US, where a large proportion of ET users reside. However, in spite of their current importance, Drayton does not believe banners will continue to loom as large in ET's future revenues. "The real added value will come from more integrated approaches, such as sponsorships, e-commerce and transactions," he says.

"We've been reasonably good at sponsorship opportunities," he continues, and expects them to continue being an important business model for ET. A recent example is Boots, which tied its presence to ET's coverage of health issues. "In this environment, we must be extremely careful about the line between advertising and editorial, which can be very blurred," says Drayton.

KNOWING AND TARGETING SPECIFIC USERS

Part of ET's success with sponsorship can be explained by its 750,000 registered users. "I still believe that if we don't register people, we're being short-sighted. Agencies want to know who is using our sites. It takes just one minute. If they won't do it, they're probably not that committed," he maintains. Moreover, registering will allow ET to offer and charge for specific pieces of information. At the moment, "the only content charged for is our Fantasy League Online, which costs users £10 per year," he says. (The game is also sponsored by Mitsubishi.) Other types of charged-for content will be made available soon, ie. items that are of high value to a minority such as updated stock shares.

Of course, to attract advertising of any kind, the first requirement is to offer compelling editorial and links that will drive regular traffic and attract the types of readers sought by

advertisers and sponsors. Indeed, the new, younger audience ET is currently enjoying is one many advertisers have difficulty reaching.

One area which has drawn on ET's ability to offer both targeted editorial and a specific audience is a new product for students entitled Juiced. This 'relevant brand extension' is being sponsored by Midland Bank. "It doesn't look like ET, though it has links to ET. It also has its own editor and the majority of it is specially commissioned content," says Drayton.

Other specialty sites include ETC., which regroups some of the 'soft' features found in the Daily Telegraph; PlanET, the group's travel site; and Appointments Plus, an enrichment of the current classified offering. ET also runs special promotions and contests within the ET site itself. "We did a collective book with Ruth Rendell, where readers contributed paragraphs to the story," explains Drayton. "We called it the Web of Intrigue contest." ET also has a shopping site, where users can buy concert tickets and the like; a Hong Kong fact file, which borrowed heavily from the newspaper's archives; and Euronet, which provides links to European Commission resources.

To generate both advertising and sponsorships, ET uses both a dedicated online ad sales team as well as the Daily Telegraph's regular sales force. "Some smaller ads are right for ET, but not print," he says.

Finally, positioning is starting to be an issue for many advertisers. A web page has limited space, and there are of yet no tests indicating which positions work best for banners.

"Advertisers tend to move around to see what works best. We have found that good ads work well, bad ones don't, and that position doesn't matter," he says. ET will not guarantee any advertiser front page exclusivity, but "we can give exclusivity to a feature page."

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WHEN REGIONAL PAPERS CONSORT TO SELL CLASSIFIED ADS TOGETHER

Classified advertising revenues are central to overall newspaper revenues, certainly in the regional press. "Lose your classified franchise and you lose everything," says David Worlock, external chairman of the ADHunter consortium.

Consequently, two years ago, a group of seven regional press companies in the UK formed a partnership. The objective? To launch an aggressive strategy that would defensively protect their classified ad franchise. "But it was also a way to begin the process of discovering values that existed in the new medium," he says. The consortium's seven shareholders represent some 559 titles, with 38 million copies sold weekly. According to Worlock, these "were the minimum core group. They had enough critical mass and size of audience to offer a national service," he says. Indeed, the seven shareholders represent 60% of all classifieds in the UK.

ADHunter was founded on a single underlying principle: in an online environment, the user is in control--and nowhere is this truer than for classified ads. "It is the user who defines geography, where he'll search, how far he'll go to buy a car. We who come from newspapers believe we are in control," he says. Yet, "do we understand our customers well enough? ADHunter is a huge step over a new threshold to conquering new territory." Worlock believes the online market for classified ads will be hugely competitive. Today, he says, "everyone can be a newspaper; it may even be easier to start from the beginning." Network offerings have also created a very interesting situation for regional press.

"Telecom operators, digital TV, cable, all are potential competitors--or allies for someone prepared to grasp the problem," says Worlock. Other competitors exist already: directory publishers, the free sheets, local radio, local government (who was an early player of taking free local ads), even customers themselves, ie. realtors.

Notwithstanding these players, Worlock believes that "old and new competitors will only be formidable if regional press itself is not fully prepared to take this situation onboard, to establish forward positions and be in a position to make alliances, form relationships and fill the space with valid commercial services." Consequently, the newspaper must be the local gateway to a multi-source, multi-linked local information database. Classifieds are a minimum value item in today's newspapers, he says. In a searchable database, however, an ad can be linked to other values. He cites cars as an example: "if one has the registration mark, you can open insurance files and have access to credit ratings," he says. "With such possibilities, newspapers can make searches in this environment unique."

Today, ADHunter is a growing entity, with an additional seven other press groups joining the original seven. The group has launched two sites: Auto Hunter and Job Hunter. ("Property Hunter will be launched in the near future, but we must get it exactly right," says Worlock.)

TAKING VALUE FROM LOCAL BRANDS

The sites have a huge advantage: they benefit from £1 million of free advertising space in local papers. As Worlock points out, "the whole importance is to advertise locally." In a similar vein, the sites feature allied branding.

"It is the local newspaper logo next to the ADHunter logo that brings value, not ADHunter on its own," he says.

Worlock says that users have near certainty of finding something relevant when they search the Ad Hunter sites. Moreover, it has begun experimenting with added value features. "If you don't find, you can record the search and we'll mail your results as new items are loaded in the system."

Ad Hunter itself derives its revenues from site advertising on the Ad Hunter site and sponsorships, which are expected to become the main revenue source very soon. "Our ethos is leaving control with the local newspaper. Newspapers can make their own deals locally, and set their pricing to reflect the added factor of putting an ad into the ADHunter database," he explains. As a result, margins are also in the hands of the local newspapers. "I'd be surprised if by the end of the second year, they had not recouped their original investment," he says. Initial investments in the consortium have been quite modest, actually. "Our objective is to get a revenue flow to maintain the operation," says Worlock. For the time being, the investment supports the two sites and a very small staff.

Worlock is preparing for the day when online publishing is no longer computer-reliant. For the time being in the UK, "we do not have a PC owning, Web surfing population like in US," he says. "If we can attract 15% of A's & B's by year 2002, we'd be very good." Yet market research indicates that 40% of the UK population will have network access by that time. Worlock believes the rest of users will come from up and coming markets such as rental set top boxes (Web TV).

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Electronic Publishing Services Ltd

AN ONLINE ALLIANCE BETWEEN THE NEWSPAPER AND OTHER CONTENT PROVIDERS

Universo Online is an independent company owned by two of the leading communication groups in Brazil: the Folha Group, which publishes Folha de São Paulo, one of the most influential newspapers in Brazil; and the Abril Group, which publishes Veja, Brazil's leading magazine (plus 244 other magazines).

Though the Internet market in Brazil is only 28 months old, it is developing at a furious pace. There are already more than 600 Internet access providers (95% of them very small), 120,000 hosts and 800,000 people connected. Created only 17 months ago, Universo Online (UOL) is today the country's largest access provider, with 350,000 pages of content available. UOL employs 104 people, 20 of them journalists, says Caio Tulio Costa, Director General of Universo Online in São Paulo.

What are the key factors to its success? A rich and varied content that it has been able to put together thanks to partnerships with a host of other content providers, including a number of competitive media properties. Partners include 24 magazines, two Brazilian publishing houses, six other newspapers in the country as well as 64 newspapers from elsewhere. (Key articles from these papers must then be translated into Portuguese daily for the site.) The site also features some 14 electronic commerce companies, one home banking institution, as well as a search engine company (Inktomi), among others.

To present this information in a coherent manner, UOL has 28 stations with over 200 channels. For instance, there is a newspaper station, where each channel represents a

different newspaper site. Other stations include Chat, Reference, Kids, Electronic Commerce, Magazines, Weather and Traffic, Soap Operas, Travel, Computer, Classified, Personal Sites and others.

The system is very easy to use, says Costa. It has 18 mbits of connectivity, with links provided by Global One, Sprint and Brazilian operator Embratel. Platforms used are those of Sun, Digital and Mac/Compaq, whereas the database is from Oracle. The site can be browsed using both Netscape and Internet Explorer (indeed, UOL is also a channel in the Brazilian version of Explorer 4.0). Of course, users have access to a 24-hour help desk.

This large-scale venture has generated some impressive numbers. "On the first day of operation, UOL got 515,000 hits. In September of 1997, it registered 13,757,817 hits, though I recognize it's not a great way to measure audience. Page views in that time frame have gone from 330,000 to 3,330,000. On each page, we can put two to three banners, so we can charge more CPM. If we were in the US, we'd be the seventh site after CNN and Pathfinder. Today, we get 23.8 million page views per week and 3.4 million per day," he says.

UOL has been registering its users since the beginning. "We had over 575,000 registered users as of October 6," he says. "Eighty percent of the audience is male; the largest chunk is between 20 and 40."

UOL has four primary revenue sources: Internet access subscriptions, which provide the company with 70% of its revenues; content-based advertising, which represents 25% of revenues; electronic commerce, with 15 different stores; and Web site development for third parties.

UOL has also begun charging for certain of its services. For instance, users who want archival

retrieval pay a fee of \$22 per month; they then get total access within the site. Indeed, Costa says this is in line with UOL's development strategy. "Most valued parts of site will be paid for," he says.

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A COOPERATIVE VENTURE FOR SELLING ADVERTISING ON NEWSPAPER ONLINE SERVICES

Online Marketing Services (OMS), a one-year old German cooperative venture headquartered in Dusseldorf, offers regional newspapers national marketing services for their online editions. The venture, jointly owned by six newspaper companies, is based on "a model where all companies have the same rights and obligations," says OMS Director Georg Hesse. Though this collegiate approach may sometimes be more complicated--getting to a consensus isn't always easy--Hesse believes it is the only viable model.

Participation in the network, however, is not limited to these six. Hesse and his colleagues recognized that there would be strength in numbers, and that a truly national coverage would be more attractive to advertisers. "We thought we'd get ten companies in. We had no less than 16," he says. As it stands, certain areas of Germany are very well covered by OMS, other areas, less so. "Bavaria and Hesse (around Frankfurt) are still missing for truly national coverage," says Hesse. OMS may well seek new partners to offset this weakness.

All together, the member newspapers sell five million newspaper copies, giving OMS a strong marketing position. Nonetheless, OMS is a 'lean and mean' operation, with only two full-time staff. Independent representatives sell the online ad space, though Hesse says it was hard to find companies with new media departments.

OMS's strength is reflected in its online figures: its member sites generated some 5.7 million page views in September 1997. Some of these sites include: Express (the country's second largest tabloid), Berlin Online (which federates

several Berlin sites), Westline (which federates a number of newspaper sites in the region of Dortmund), the Hamburger Morgenpost site and the Rheinische Post site (which offers sports news). In addition to the regional news offered on these sites, many OMS partners are developing partnerships with DPA, the German wire agency, to better cover national news and developments.

Hesse says OMS has several unique selling points. The site is updated several times per day; its users have regional interests, particularly in sports and politics; and its members are serious, well-known partners who bring trust and credibility. As a result, says Hesse, users are spending much time on the sites' pages.

MAKING IT EASIER FOR ADVERTISERS

For advertisers, the service aspect is also very important. "They have just one partner to deal with, not 16 different ad reps. Plus, the customer doesn't want to know what goes on behind the screen," he says. Indeed, service is also key when considering that many advertisers provide material and expect OMS to adapt it to each newspaper's site. OMS has begun working with animated banners and buttons. As for pricing, the venture has been offering its advertisers a fixed rate. "Given our large growth figures, if we spoke in CPT, our prices would soar and advertisers would not be able to afford it," he explains.

Given the newness of the venture, OMS fixed low introductory prices for 1997, though these will not be maintained in 1998. "Our customers have been quite comprehending, because we can provide more specific information than before," he says. OMS will therefore work with rates of between 40 to 110 marks; these will increase slightly for

more targeted services such as chats or financial and computer news.

OMS is also looking to develop special services and events reports which could be sponsored, ie. CEBIT 98. "We will continue to strive for national marketing. But for our individual members, the exchange of experience may lead to something more concrete," says Hesse. "We may want to cooperate on content side."

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BEYOND NEWSPAPER CONTENT

La Repubblica was not the first Italian newspaper to go online, but it was the first to offer viewers added content, says Vittorio Zambardino, the online publication's director.

The site opened in early January 97, after one year in preparation. Today, "we are the leading site in Italy for news," he says. On the site's front page, "we take three major stories from the newspaper." In addition, this same front page offers a right-hand column featuring a photo which changes throughout the day, preferably to illustrate the various issues or players involved in the story (ie, photos alternating between Schumacher and Villeneuve on the final days of the Formula 1 competition).

Much of the information is written especially for the Web site, which employs six editor/journalists, three html operators, one Webmaster, freelancers and one designer. This team adds information to the stories it takes from the newspaper; "the editors also input all the 'hot' news. The site is updated continuously from 10 am to 8 pm, five days a week," explains Zambardino. The site does remain accessible throughout the weekend, though.

The site does not register its users, but viewer estimates run to 1,400,000 users, "though I think this figure is high because there are lots of intranets. 500,000 is a wiser estimate of those who really use it," he explains. The site is apparently used mostly on weekdays, during mornings and evenings, and is primarily accessed through schools, universities and intranets. Some 80% of users are male.

Zambardino says his site is not the latest in sophistication. "We feel we're behind state-of-

the-art, but it's a deliberate choice. Italians are usually one year to 18 months behind the US state-of-the-art in hardware and software. In Italy, there is not a single Java site and...most users use Netscape 1 or 2."

Italy is one of the few countries where accessing the Internet actually costs more than the cost of a local phone call. Indeed, the Italian operator charges extra for Internet-based communications. "I think it is a shame that you have to pay one Swiss Franc (127 lira) every two minutes and twenty seconds you are connected to Internet," says Zambardino (six minutes and forty seconds in the evening).

La Repubblica's business model "is a mixture of journalism and marketing," he says. It does not charge its viewers any fees and relies on advertising revenues, which means it is expecting a long return on investment times. "We can't complain about advertising on our site. The ratio is one to three for every lira spent," he says. "We spend on editors, software, hardware. You think you're finished spending but no, you have to keep spending."

La Repubblica online is also looking to develop new forms of advertising for the Internet. "People are not interested in the old way of advertising on the net, in the TV way. You have to do something new," he says. The site is also experimenting with content niches for its viewers. "We have a supplement magazine called Computer - No Problem, which ran for 25 weeks," he explains. Interestingly, one of their failed experiments was a theater movie listing. Zambardini says users "needed to spend too much time combing the database. Looking for movie information is quicker on paper. The user had to click too many times to get the information. (In this type of application), you need to give information with one click." The site will now offer its users that same information in a more

journalistic format. La Repubblica online also hosts Chat sessions, but "only to create events," says Zambardini.

Today, It is also looking to the possibility of offering its viewers personalized journals and email editions. The company is also creating new sites for each of its 14 local papers, as well as for the publication's weekend magazine.

La Repubblica

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A NEWSPAPER PUBLISHER BUILDS AN ONLINE COMMUNITY

The opportunities on the Internet are bigger than the risks, says Edgar Franzmann, editor of *Zeitungen on the Net*, a gateway site for publishers DuMont Funk und Fernsehen. The gateway includes the sites of the group's two key publications: The *Kölner Stadt-Anzeiger*, which is a leading newspaper around the Cologne and Bonn area; and *Express*, which is Germany's second largest tabloid after *BILD*. DFF also owns the *Mitteldeutsche Zeitung* and DuMont Buchverlag, which sells art books, and is involved with *Rundschau on line*, the online site of a competing publishing group in Cologne in which it has a 22.5% stake. The two companies, in turn, collaborate on the Columbus city guide, which appears on both gateways and provides regional online listings.

Why create a gateway site? "We started with the basic premise to be number one. We decided that if we can provide our readers with information, we can combine them into a community," says Franzmann.

"I don't think we should underestimate the image boost we can get through the Internet with respect to new targets," he continues. As core readership decreases, the Web site enables the papers to actively target new groups, particularly the 80,000 students in Cologne who have free access to Internet through the University. In September 1997, the site had 401,000 visits and 1,108,000 page views.

The site's editorial team is located in the company newsroom, where the TV and radio journalists are, rather than in the newspaper's newsroom (Franzmann himself comes from radio). "They had lots of technical know-how that was useful," he explains. "But from time to time, we feel a bit distant from the print product. This needs to be improved."

Neither of the full papers are online. "We have two papers but three different systems, so exporting to the Internet was difficult," he says. "Now, we have direct access to the editorial department and take the best of the papers. We did try other things--3D games, for example --but we're not best in this area."

A REGIONAL APPROACH

Each publication has a unique attraction. For *Express*, it is a Java-based news ticker bringing latest news. "With one click, you get what you want. Content is inputted by our editorial team; they put in the hyperlinks as well," he explains. The *Kölner Stadt-Anzeiger* site is organized into sections, with one lead article that is sometimes very long. Both sites use their printed versions as sources of material on news, sports and regional items.

As for the Columbus City Guide, it provides a journalistic summary of city news from various newspapers. The site also presents reviews of the top films of the week, which are done by the online staff. "We are thinking of adding news, which would be supplied by film distributors. With one click, users get the cinema address and the nearest tram stop. We also include tip of the week; the goal is to help people," explains Franzmann. Cinema archive, exclusive interviews, information on Cologne's famed cathedral--all are other examples of features information.

Zeitungen on Net also hosts a number of Chat lines, which can generate strong ties. "People actually meet in pubs. We organized the last one ourselves. 250 people showed up, including two elderly people," says Franzmann. "We also include forums, including a Lady Di Forum."

Franzmann also lauds the Internet's capacity to provide voluminous information. "We were able to put in all the results of the Cologne marathon, in which 14,000 people participated. This brought us 70,000 visits in three days," he says.

How does the site make money? Zeitungen on the Net is part of OMS (see above) and has its own marketing agency for regional advertising. It also has a service cooperation with a hotel reservation service, whereby "the hotel pays us for all traffic they get through our service," he says. It is now exploring other such possibilities.

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INTEGRATING MANY DIFFERENT SERVICES INTO A SINGLE PRODUCT

Taking advantage of a well-known brand is the first step to creating a successful online product. Witness the case of Texas-based Houston Chronicle, where both electronic products and the newspaper drive home the message that anything with the Houston Chronicle name on it is part of 'Houston's leading information source'. "All new products must drive home this idea," says Gale Wiley, Director of the Houston Chronicle Directory Center in Houston, Texas.

This focus is no doubt largely responsible for Houston Chronicle Interactive's success. "Our site is currently seeing close to a million hits per day," says Wiley. Moreover, he adds, "we are confident we will see a profit this year. We see growing revenue from our inclusive buy in classifieds, our upsell of employment display ads, our sale of banner ads and Web sites, and our new product, Directory Center."

Houston Chronicle Directory Center (<http://houstonchronicle.com/directory>) illustrates perfectly the widely held belief that the Houston Chronicle cannot rest on its laurels, that it must continue to offer its viewers better and better service. "Even with our success, we are seeing more and more media players enter our marketplace. On the print side, we see direct mail companies, supermarket greensheets, and suburban weeklies. On the Internet side where the cost of entry is lower, we see on-line newspapers, on-line directories from the telephone companies, and on-line classifieds. We see specialized automobile, real estate and employment sites—all of them competing for fixed advertising dollars," he says.

This leaves the company with little choice, he believes. "As Houston's leading information source, we must produce the best, most complete information for our local audience." As a result, the Houston Chronicle has developed a full line of electronic products that can be found on the Houston Chronicle site, including the new Directory Center.

The Directory Center is an online product that builds on the company's greatest strengths: "our brand, our archives, our classifieds and our relationship with the community," says Wiley. The story of its conception is a compelling one. "When we built Houston Chronicle Interactive, we immediately put our classifieds on-line. We raised our classified ad rate and included an on-line classified buy with every print ad that ran in the paper. Our on-line classified product was complete, and the New Media division made money," explains Wiley.

DEVELOPING AN INTEGRATED DIRECTORY PRODUCT

In May, 1996 came the idea of the Houston Directory Center. "I wanted to integrate four directories into one online product. I wanted to integrate searchable classified, yellow pages, residential, and community directories with maps and door-to-door directions. I also wanted to integrate Chronicle archive information with all four directories," he says.

The idea, of course, was to go after the very lucrative yellow pages business, which in Houston alone represents about \$220 million in revenue. "Of the 185,000 businesses in Houston, the Chronicle has about 14,000 as regular advertisers. In other words, with this product we had the opportunity to sell more than 170,000 businesses into our directory product," continues Wiley. In order to add value, Wiley wanted to integrate the online

classified product with the new yellow pages function "so that a consumer could find new and used items through our directory."

When the Chronicle's New Products committee gave its OK for the Directory Center, they recommended that it include a print component. Packaging print and online together would enable the strength of the paper product to pull along the online product. And where to put this directory ad? "The logical place for it in the paper was in the classifieds section," he continues. This new directory product required some state-of-the-art technology. Wiley and his team created a central database, and wrote a JAVA program to link this database to the Chronicle's telemarketing team.

"Telemarketers can bring up a business on their computer screens, automatically dial that business, and make a sale," he says. The database generates three reports daily: for online, print and billing. "The online report reflects all the businesses that have bought ads. On the print side, our SII classified system gets all the new three line directory ads. And billing is sent a file that shows when an ad has started, what kind of ad it is, and other pertinent billing information," Wiley explains.

The results are clearly win/win for all players involved. From the online users viewpoint, customers can search for a business by name or category. They can search by geographic area, by coupon, by special offers and more. "For example, if you're looking in the Yellow Pages Directory for bicycles, not only will you get a searchable listing of all bicycle shops, but you'll also be able to link to a list of current Chronicle Classifieds pertaining to bicycles, a list of related bicycle stories from the Houston Chronicle, and links any community services or organizations related to bicycles," says Wiley.

The newspaper--and its readers--also benefit from a host of new local advertisements. "If a customer looks in our paper's classified section, he will see 300 new categories, most of them in the services and merchandise areas. We have even added a restaurant section," he continues.

For advertisers, "Directory Center is a chance to advertise both in our print classifieds and on-line for one relatively low price," Wiley stresses. "All businesses in Houston get a basic listing for free. But if they want to distinguish themselves from other businesses in their category, they can buy a wide range of options, from a priority listing to coupons to a Web site to e-mail."

HCI launched Directory Center in March 1997 to immediate success. "In the first three months we sold more than 300 packages for project revenue of a million dollars," says Wiley.

Directory Center is currently receiving approximately 2000 visits a day, and from January to May, online classified requests increased 24%.

HCI plans to keep improving Directory Center with content and technical updates. It will also promote Directory Center to consumers and market it to advertisers. "And always, we will promote the brand, stay local, capitalize on the strength of our content, our classifieds, and our deep relationship with the community," he concludes.

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CREATING A PACKAGE OF SERVICES FOR A SUBSCRIPTION-BASED PRODUCT

The Wall Street Journal Interactive Edition is one of the few online sites to charge subscribers for access, a policy it has been implementing in full since January 1997. Since then, anyone wishing to use the online site has had to pay an annual subscription fee of \$49; print subscribers can access the site for \$29.

And people are paying. The secret to this success? According to Neil Budde, Editor of the Wall Street Journal Interactive Edition, "you must build the site so they'll come back. It's about turning surfers into 'can't live without us' users."

The key issues newspapers must look at if they are to charge for subscriptions are simple enough, says Budde. First, is the information you provide critical to your subscribers? Do users have enough affinity with your brand to go to your site everyday? Finally, is the market big enough? Sites should only charge subscriptions if the answers to these questions are affirmative, as they were for the Journal.

"We did see a dip in our usage, but it was a lot less than we thought it would be," says Budde. The dip has since tailed off, and circulation is now building back up. With some 140,000 subscribers, "we now have more traffic than as a free site a year ago," he adds.

The initial concept for the site began in 1993, when editors looked at the database service the WSJ had been running for many years, mostly for professionals, and wondered, "What if we made WSJ online available to a wider public?"

Planning and development began in 1994. The company started down the path of proprietary software, but the World Wide Web came along before it got too engrossed in the process. With this technical challenge safely out of the way, the editors could return their focus on which information would be valuable and of use to users.

"We went on the Web in July 1995, with a subset of the product. Meanwhile, we worked on the full WSJ Interactive product," Budde explains. When it went online in April 1996, executives announced that the company would begin charging for access. By August, subscriptions has begun to come in and by January 1997, "the door was closed and no one got it without a subscription," says Budde.

RESULTS HAVE BEEN ENCOURAGING

The results have been encouraging. "More than 77% of our first subscribers are still subscribing after the first year," he says. The site now obtains 50,000 daily users and around 700,000 page views. Some 80% of users come at least once per week and 11% are from outside North America (4% from Europe).

In spite of its subscription revenues, the WSJ site still gets 60% of its revenues from advertising, a factor which simply reflects the value of the site's audience to advertisers, says Budde. Indeed, an audience which proves its commitment and loyalty by paying for service is of higher quality to advertisers. The WSJ is thus able to charge a CPT of \$60, which is two to three times higher than for the average Web site. Moreover, stresses Budde, "we're delivering brand awareness, not just clicks," says Budde.

If the WSJ has been such as success, it is largely because it is not a duplication of the

print copy. "The key is our timeliness," says Budde. Stories are updated throughout the day. Moreover, the site features articles from the European and Asian editions of the WSJ, giving the site depth the print edition simply does not have for lack of space. Indeed, says Budde, "we estimate there is about \$1000 worth of print subscription material per year on our site."

The site benefits from a staff of 40 dedicated news staff, 10 design and interface developers, 25 technicians and operators, including at least 5 just for registration and billing. There are also 20 business, advertising and support staff.

PROVIDING A HOST OF ADDED VALUE SERVICES

Such a team allows the WSJI to offer a host of added-value information and functions. The site features issue briefings, which enable users to catch up on specific topics; company briefing books; and Personal Journals, where subscribers design an edition that is tailor-made for them. The site also hosts table talks for discussions on current happenings. "We moderate; nothing is put up without us looking at it. We filter and screen out junk. Almost all comments are useful, though," says Budde.

Like many papers, the WSJ has found there is value in the past; consequently, it offers users a 14-day archive, which is included in the subscription price. Users can also access specialized archives through the Dow Jones Publication Library; while the search is free, users are charged \$2.95 for each article retrieved. A key feature of this Publication Library is that it offers three lines of text in addition to the story headline to give people a better idea of the topic covered.

Today, "we're looking at expanding our reach," says Budde. Part of the site is offered in other languages in some parts of world, Latin America in particular. The site has begun offering a limited amount of sports coverage and is developing a small business suite. "Adding new features to the paper costs a lot," explains Budde, so it doesn't happen very often. But with the Web site, "we can put in features every day. We can target small subsets and offer unique coverage as well."

The WSJI is targeting online investors with updated, detailed market information, for instance. Information from other Dow Jones publications--Smart Money, Barrons'--is also tied into the site. Other added-value features include 'Most Active Issues', which is updated every hour; and 'Track your spending habits'.

As for the paper's classified job sections, the WSJI site eschewed simply putting the paper's ads online. "Many companies are already putting their listings on their own Web sites," he says. Consequently, the WSJI is working with a company which goes in, takes all job ads and puts them in a central database. Users can then search according to several criteria. Users of this service also benefit from related articles, tips on CV writing and so on.

The Journal site is also using push technology. It is present on the Pointcast Network and is working with Microsoft Active Channel. It also uses email to send updates on large breaking stories.

The Wall Street Journal Interactive Edition

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USING A NEWSPAPER'S ASSETS TO GREATEST EFFECT IN A VARIETY OF ELECTRONIC MEDIA

Portsmouth and Sunderland Newspapers share the fears of many other newspapers. "We believe the greatest dangers come from electronic media which are text-based media, such as Internet or teletext," says the company's Christopher Bisco, particularly in terms of classified advertising. "Some of our customers are attracted to these new media as a way of bypassing our publications."

Of course, the threat is greater in the long-term than in the short. When it carried out its market survey, the company found that the potential reach of these text-based media was relatively small, from 21% for audiotext to a paltry 13% for the Internet. Considering that actual reach was bound to be even smaller, Bisco says they decided against stand-alone businesses to deal with these new media. Nonetheless, "a multi-media print package was another proposition altogether," he says.

"Fully 47% of our population reads a copy of our daily evening paper," says Bisco. "By adding the potential penetration of the new media to the print product and putting them in one package gave the company a much stronger marketing proposition to offer." It also was in line with the company's objective to be a competitive and efficient local information provider--not only in print, but in other text-based electronic media such as audiotext and teletext, or any other viable delivery media. Such an approach also brought both economies of scale for the company, which could now distribute its information much more widely; it also extended the life of its core products.

Of course, the company was operating from several strengths. "We have very strong newspaper brands that we've developed over the years," says Bisco. The company also has unbeatable information gathering resources, with some 200 people involved in the process. Of course, the company also dominated its local classified market. The company's revenue plans were based on adding small increases to the classified rates to charge for the greater reach of the new, enlarged portfolio.

This portfolio of services around the company's main brand "The News" included Newline, an audiotext service on cars, houses and local information; Newstext, a teletext service which offers 3,000 pages of news, local information and classified ads; and The News Online, which acts as the Portsmouth region's Internet gateway. In addition, the company also has a special sales force to sell local advertising for the cable TV franchise. Contents from the newspaper are formatted automatically and made immediately available to both the teletext and Internet services. "As soon as story is ready, it hits the TV set and because we've integrated the Web site, it goes there too," says Bisco. Indeed, users can see at what time the story was inputted.

NEW MARKETS EXTEND THE CORE BRAND

For the time being, "we were right to expect little from new markets," says Bisco. In total, The News has extended its exposure by an equivalent increase in copy sales of 5 to 6%. Bisco says that although it doesn't seem like much, "I cannot think of many other ways in which we would be able to increase our newspaper circulations by such a significant amount in such a short period."

Moreover, the costs involved in generating that increase have been very low, so the company is actually making a small profit.

Moreover, the added 'readers' are in fact respondents who are actively seeking information--a quality that is appealing to advertisers. New media revenue now accounts for 1.8% of total advertising revenues.

Bisco believes that the major short-term challenge for the company is repositioning its brands so that they are recognized not only as newspapers but as sources of all relevant local information. "We haven't been good at extending our brand and developing it as multi-media provider," he says. "Our culture has to change. Our whole mentality is newspaper production." Nonetheless, the company's efforts have won it the New Media Age Award for Consumer Publishing in July 1997.

Finally, Bisco believes that the emergence of digital TV in the UK will present the company with an even greater challenge, namely, how will the company reformat its services so they can be presented on digital TV?

"Digital TV will merge the strengths of audiotext, teletext and the Internet into one user-friendly service which will reach a mass audience," he says. "Obtaining news and information from these services will be a much more interactive and user-friendly experience than any of the electronic media currently available." Bisco also believes these services will be tailor-made for small market areas and local services.

Given the vast range of these services that will likely be launched, "We think consumers will get very confused, and that will be good for us. Consumer won't be able to find what they want so the strongest brands will pull the greatest number of consumers," he concludes.

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AUTOMATIC DELIVERY OF NEWS CONTENT TO END USERS

Despite all the hype, it is a curious fact that very few newspapers have actually adopted push technologies to actively deliver their online products to users.

"With all the energy and resources that as newspapers we must put into our Web sites, can we deal with push as well as pull?" asks Nina Keren-David, Editor of the Jerusalem Posts online edition. Keren-David says she knows something about the skepticism many publishers feel about push and pull. Her own editor's first instinct was 'Why am I doing this for free?' "He wanted paying subscribers and I had to convince him it was not a good model for us," she says.

Keren-David went on to establish a Web site that has been designated by an American Journalism Review poll as among the top 10 news sites on the net--the only non-US paper to be so considered.

The site was launched in August 1995. There are actually two sites: one in Israel and a mirror site in the US, where only the ads are different. Indeed, 75% of the site's audience is in North America. In September 1997, it received over 13 million hits a month and two million page views. The site operates with minimal resources, but Keren-David says "you can do a lot with a small cohesive team. But you must partner with technology and jump in."

USING PUSH IS EASIER THAN MANAGING A WEB SITE

This approach has propelled Keren-David and her team to adopt push technologies to actively deliver their product. She believes that

push is easier than Web publishing and demands fewer resources in terms of time, frustration and money.

"Push provides us with ready tools," she says. "It allows publishers to concentrate on what they do best (provide content)." Push technologies then ensure that it is delivered.

Why use push technology? First of all, it can help a site build repeat visits. "We have many casual readers--the occasional reader who comes to your site when he gets the chance. These are not the same as core loyal readers," she says. Push technologies also enable publishers to reach a wider audience because, as she says, there is an increasing likelihood that your content will cut through the 'info-jungle'. The possibility of sending out real-time coverage of breaking stories--as the Jerusalem Post did when a terrorist bomb devastated one of the city's markets--can also cement relationships with readers.

The Jerusalem Post online site uses three push mechanisms: an email edition, BackWeb and InfoPage. "We recognized that there were very different techno-literacy levels and that we had to give readers a choice," she says.

The email edition is particularly successful. "There is a much wider audience for email than for the Web," explains Keren-David. "People pay to receive their email editions: it saves time, it's clean and simple, there are no gimmicks or advertising."

Though there are some technical problems with people not receiving email, service is good on the whole. The service generates a significant amount of email itself: "We receive some 50 e-mails a day," she says. "This represents about 5% of our subscriber base."

Though the Post has been hesitant to register its users, Keren-David believes it should have.

"If you start registering users, you establish communication with your readers," she says.

The Post's second push mechanism, a Back Web channel that was developed in one week, is an effective way of creating brand recognition, but it could be intrusive, she believes. Section fronts are sent out automatically to subscribers at pre-defined times during the day. A banner with scrolling headlines appears on the subscribers' desktops, enabling them to click on a story of interest for the full, downloaded html page. Launched 10 months ago, Back Web uses existing content, runs completely automatically and has about 6000 subscribers. "It is scalable, we can send software, including Java files, not just html," says Keren-David.

The key advantage of Back Web is that publishers own and control the channel and are not dependent on Microsoft or Netscape. Moreover, it's a polite agent. "Only when it's all downloaded does it pop up on screen," she says. It is up to users to download client software and select the channels.

The final push mechanism used by the Jerusalem Post is InfoPager, a new push product designed specifically for the publishing industry. The Post is actually acting as a Beta testing ground for this technology, which was developed by a local software company. InfoPager's personalized newspaper is downloaded in five minutes and is then read by users at their leisure. The format, rather than being html pages, resembles an actual newspaper format. "I think there is an audience out there for newspapers that look like newspapers," she says.

With an email address, a name and personal preferences, it takes only one hour per day, she says. Indeed, "if it takes more than one

half hour at night, after the paper closes, forget it."

In the end, says Keren-David, push and pull are complementary. "Push is commercial, great for direct marketing. It makes it easy to promote new sectors, big stories and so on." Push technology will ensure the site gets advertising and subscriptions; "it will ensure you're out in front," she says. Pull technology will generate advertising only. "And there's no insurance they'll come back," she warns.

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CREATING AN AUTOMATIC DELIVERY MECHANISM FOR NEWS

Marieberg Interactive is one of the largest newspaper groups in Sweden, with a 25% market share. Each of its newspapers runs its own online site. Yet the corporation saw an additional way of gaining position in the Swedish online market--and a way of making additional revenues as well.

Given today's information overload, "we thought of creating a tool to help news consumers choose from all these infochannels without feeling the stress," says Micke Jaresand of Marieberg Interactive. "Of course, we looked at push technology and saw how you can personalize information."

Push, says Jaresand, offered several benefits: automatic updates, ads that could run at selected times, and content that could be consumed at user-designated times. "You don't even need to be online; the programme fills your computer, then you can disconnect and read your stories wherever you are," he says.

With this in mind, Marieberg Interactive faced a crucial decision: Buy or build? "We are not a technology company, which should be an argument to buy, as we are not competent to write code. But not much was available at the time, at least at cost, and we felt a great need to be the first. So, we built our software, which was very difficult," he says. The project took seven months and a great deal more money than anticipated. Yet, Jaresand believes it was not as expensive as buying into a technology like Pointcast would have been.

SHAREWARE MAKES TRACKING HABITS EASY

Marieberg's solution was a shareware programme based on a client- server model. Entitled 25 Hours, users can either install it by CD-ROM or download it through the Internet. "If users have a 28.8 Mbit modem, it takes about 20 minutes. The user has to input his name, address, age, profession, etc. Then, the user selects information from a menu. These selections are stored in an information database, together with the news and information we collect from our staff reporters, the news wires and so on," he explains. The server can thus track how the reader behaves: what they read, how often they read it, when and so on. Such information is very useful for selling advertising, he says.

There are eleven staff reporters feeding into the information channels (The staff also includes seven people in sales and, at the moment, an external company also sells ads), five in marketing (help desk, supplements), two in production and two in R & D. Much of the content is unique but it also includes material from other newspapers within the group, as well as from external papers, TV stations, magazines, special magazines and other Web sites.

Why should these other content-providers join Marieberg? Jaresand says the site offers its clients revenue splits, additional users and branding opportunities. "CNN's presence in Pointcast, for instance, increased visits to their home page by 40 to 50%," he explains. Though it is still too early to see how successful the model will be, "we have been on air for one week, during which time we have registered 10,000 downloads," he says. In Sweden, Internet penetration is about 25% of the population, representing some 600,000 daily users. "Our goal is to have 25,000 by the end of the year, or 5% of market," he continues. In the longer-term, it is hoping for 150,000 by end of 1998 (or 20% of market).

For the time being, the site makes money on advertising and sponsorships. It has a rather unique approach to advertising, for it sells 10-30 second spots instead of banners. "We're looking at TV as our model," he explains. The cost for such an appearance? About 10,000 gilders. The site also sells sponsorships for content that is statistical--weather, sports, stocks--though not for news.

This approach has generated some 50 advertisers in two months-- before service was even on market.

"Our sales are better than budgeted. Revenue is expected to be 2m Kroner, and in the Internet market, it's very good," he says. Moreover, though it can't charge for normal use of information, it can charge for exclusive information.

If Jaresand and his team are so optimistic about the product, it is because they believe it is really four business models rolled into one. Advertisers benefit from extremely well defined target groups; revenue-generating services can easily be added--special weather service, exclusive newsletters, real-time stock information; it includes models for shopping and e-commerce; and finally, it can be adapted for the intranets of global and national companies.

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WEB PROMOTIONS AND BRAND BUILDING--A MAGAZINE EXAMPLE

When a best-selling novel becomes a movie, the results are unique to each medium. The same applies to Web editions of well-known publications such as ELLE and Paris Match, which are published by leading international press group Hachette Filipacchi.

"We have seven Web sites which generate three million page views on the French market," says Patrice Schneider, Interactive Media Director at Hachette Filipacchi Grolier, the group's new media division. Moreover, there are eight ELLE Web sites worldwide, plus Elle International, which is published in English. In the U.S., the company is already America Online's leading content provider.

"We are still in the genesis of a new medium. Agencies and clients have embraced the new media but in old media terms. They're fitting round pegs into square holes," says Schneider. Elle, for instance, is a whole new product online, though it does respect the publication's integrity and values. In line with this philosophy, the Paris Match site focuses on a different picture every day, whereas Pariscope, a listings weekly, offers its site users neighbourhood listings of movies that are about to start.

All HFG sites follow the DIS principle: daily updates (even for its weekly and monthly magazines); interactive, with chats and forums; and service-oriented. Elle sites, for example, plan to offer recipes that would allow users to do the necessary online grocery shopping they require.

Schneider has gained significant experience developing such sites and offers a few words of advice. Creating an online publication, for

instance, requires new job skills. "There is such a thing as an Internet writing style: it is short, catchy and able to offer links to navigated content," he says. Journalists need to be much more interactive as well (Elle's journalists answer some 500 emails per week). Finally, publications migrating online must think more about videos and sound as well as about design.

Nonetheless, the 'make or break' skills necessary to a site's success revolve around online marketing intelligence. With their capacity to target and track, Web sites offer powerful marketing tools. Schneider believes there will have to be a social mandate among users, publishers and advertisers about their usage.

"We want to corner the women's market on the net," he says, but "it will be easier said than done." Though women's penetration on the net has gone from 34% to around 40% in one year, Jupiter Communications, a major research firm in online media, sees two main obstacles to women getting online: lack of time, and lack of technological interest.

As a result, Schneider believes a push mechanism seems like a viable option for reaching women. "We do have a home delivered PC edition via two push models," says Schneider. The company uses a BackWeb channel, whereby a teaser running across users' desktops entices users back to the Elle Web site. It also makes it possible to send wall papers, even screen savers. The local Elle Web sites use the Microsoft Internet Explorer 4.0 Push Model, which transforms the Web experience from static html to intelligent multimedia, he continues.

As for advertising, there is a federation of Web sites around world. Advertising tends to be country specific and banners are in local languages. A CPT of \$40 to 60, which is

common to the sites, is not applicable to the push models though: their precision makes them more expensive.

Finally, the Elle site also enjoys a special Clinique/Elle partnership, whereby the company has committed to a six-month presence in exchange for a guaranteed number of page views.

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WHAT DO THE COMING 12 MONTHS HOLD? DEJA VU ALL OVER AGAIN

1998 looks like more of the same—continued experimentation with new content and business models, says Randy Bennett of the Newspaper Association of America's New Media Federation.

If "the Internet as a mass medium is still a long-term play," he says, the pace of change is very rapid. For example, it took radio 38 years to reach 50 million households—the measure in the U.S. at which a medium becomes credible for advertising dollars. It took television 13 years, cable television, 10 years and the Internet, by some estimates, will only take five to seven years to reach that milestone. "1998 is near the mid-point of that curve, which began in 1996, so it is important," he says.

In the U.S., 90% of all homes with computers will have modems by 2001. Moreover, in Germany, the United Kingdom, France and Italy, the number of PCs equipped with modems is expected to increase 735 percent in the next three years and begin to mirror U.S. penetration levels.

In addition to the slowing penetration of personal computers, user demographics are beginning to resemble the population as a whole. There are more working women coming online, more users who are older, less affluent, less computer savvy. Together, these trends suggest that there will be an acceleration of several developments, he says.

First, the America Online model of aggregating content will be more widely adopted. "Companies will begin to impose more structure on the Internet and begin to filter and package what they deem is the best content in specific areas," he explains.

As a corollary, 1998 will also be the year of the brand, particularly since research suggests users are spending more time online, but browsing fewer sites.

ADVERTISING

In spite of these trends, "we are not likely to see any dramatic developments in the next 12 months that will have an impact on profitability, particularly in the advertising environment," says Bennett.

Forrester Research projects online advertising to reach \$1 billion by the end of 1998 and \$4.1 billion by 2000, with roughly half going to direct marketing and half to brand advertising. Outside of the U.S., Jupiter expects Web advertising to reach \$138 million by the end of next year and \$703 million by 2000.

Analysts expect the biggest advertisers to continue coming from industries such as computing, Internet, telecommunications, publishing and financial services industries, which today account for more than 60 percent of ad spending on the Web. Most of it, however, is going to search engines, gateway and major technology publishers. " " Most analysts believe that Web advertising will stay concentrated in the top 50 sites for the foreseeable future," says Bennett.

In terms of format, the banner is and will continue to be a dominant form of advertising on the Web. It now accounts for 80 percent of online ad spending. The good news is that the Advertising Bureau reports that banners can be more effective than TV in generating brand awareness. "We will see continued experimentation with more interactive banners, as browser technology and Java-based tools provide increased capabilities," he continues.

1998 will also bring more experimentation with sponsorships, where advertising is woven into the editorial. "My guess is that most news publishers will feel uncomfortable with and shy away from the sponsorship model," predicts Bennett. Interstitials, or intermercials, those full-screen ads which appear while users are waiting for pages to download, will also become more common.

"These will make most sense where there are natural delay such as application downloads," he adds. Other experimentations will include push, chat, ad-supported e-mail and free, ad-supported Internet access offers.

In terms of advertising, the Web will continue to support a variety of revenue models. In 1998, both impression-based pricing and click-through models will be offered, but CPT pricing will continue to be the dominant model. "We are also likely to see new pricing models emerge, particularly prices based on duration, similar to TV and radio," he adds. "We are also likely to see accelerated efforts at sophisticated targeting of advertisement based on user profiles."

In spite of privacy issues, registration will grow. Publishers will also increase their use of traditional database-building techniques, such as contests and promotions, to gather consumer data.

Bennett also sees an intensified competition in classified ads. With more than 50% of US dailies online, they will have the desire to protect their franchises. Consequently, they will form strategic partnerships, develop targeted content and forge national networks.

In terms of partnering, Bennett says the goal is to be a local or regional aggregator that is an integrated part of the core product, which should lead to packaged deals for advertisers. The sites should also offer users more service-

oriented content that is beyond traditional newspaper content, he says.

Beyond these revenue streams, Bennett suggests that newspapers look at non-traditional outlets for making money: directories, web hosting, online auctions, software development. Finally, Bennett suggests that electronic commerce will emerge as significant.

STANDARDS

The Internet Advertising Bureau guidelines on measurement definitions, released in June 1997, should gradually gain industry-wide acceptance in 1998. At the same time, Bennett expects terms--visit, for example--to be clarified. He also believes that new methods of tracking cached pages (pages that are held locally by other servers and don't get tracked on your site as separate page views) will be introduced and tested. Finally, in 1998, sites may begin tracking consumer behavior: what the user did, how much time was spent and if the ad was seen.

ONLINE COMMERCE

Electronic commerce should make inroads in 1998, "particularly since working mothers, who are fond of time-saving practices like home shopping, are a coming demographic on the Web," he says.

The major stumbling block is consumers' doubts about security. Those fears are likely to remain over the next 12 months, but will begin to dissipate as technology advances and certification programs are put into place, he continues.

Morgan Stanley, which recently issued a comprehensive report on Web Retailing, believes that electronic commerce could reach

\$5-10 billion in 1998 and as high as \$57 billion by the year 2000, accomplishing in five to six years what it took direct marketing 20 years to achieve.

This increase in online commerce will develop independently of publishers for the most part. However, "Web merchants will need to drive traffic, which means increased advertising dollars, both online and in print," stresses Bennett.

TECHNOLOGY

In terms of technology, Bennett advises sites not to get overly complicated. Today, less than 1 percent of Web pages use Java, "largely because it continues to be slow and cumbersome and most browsers in use don't support it," says Bennett. But over time, speed and compatibility issues will subside, and Java will have a significant role for advertising and content development. Experimentation with "push" technologies will continue, but no killer application will emerge, though e-mail-based push products are likely to be popular. Finally, 1998 will also see shifts from a narrowband to middleband environment, though speeds of 28.8 and lower will still account for more than 80 percent of the access in the U.S over the next 12 months.

In addition, three potentially significant developments may have an impact in 1998. IBM's new small and powerful chip and Intel's flash memory chip will accelerate the manufacturing of powerful, low-cost devices such as the NC or Network Computer, or the Net PC. These low cost computers, selling for under \$1,000, are capturing a growing share of the personal computer market, ranging from 18 percent to 23 percent of all retail sales.

Web TV is also on the horizon. Forrester estimates that 1 million homes will use the TV to browse the Internet in the year 2000, a figure which will grow to a full 15 million by the year 2002.

The second development is the emergence of technology that will streamline multimedia Web page distribution. Intel, for example, announced a new technology for Internet service providers—known as Web accelerators—that speed the delivery of graphic-rich Web pages. Bennett says that another technology to keep an eye on is called IP multicasting, which sends streams of video, audio or text to thousands of users simultaneously, rather than one stream per user.

Nonetheless, "the development that bears the most watching next year is the release of Windows 98, which will fully integrate the Internet into the operating system," believes Bennett. "If Windows 98 achieves the same penetration as Windows 95, then Microsoft will have de facto control of consumer access to the Internet and the browser wars will be over." (The US Justice Department has since sought a court order to stop Microsoft from forcing computer makers that use Windows to also use the Explorer browser).

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