

## INTRODUCTION

**Classified advertising has long been a reliable and significant source of revenue for newspapers, earning in some cases as much as 50% of total revenues. Today, the painful threat of losing this classified franchise to new online competitors is being taken seriously.**

**What strategies can newspapers take to defend these ad revenues ? Which alliances should be sought? Which categories of advertising are most under threat? What market models will emerge? How will technology shape the environment? This publication takes a look at some of the answers to these questions**



## **PLAYING ON EXISTING ASSETS: PUBLICITAS AND ITS PRINTPLUS™ APPROACH**

**As the database division of Switzerland's ubiquitous Publicitas, the international advertising sales organization that represents over 250 of the country's newspapers, MMD SA sits on a wealth of information. That is why it has adopted an 'eat-your-own-lunch' approach to online services. Called PrintPlus™, its goal is to build online classifieds by building on existing assets: databases, sales forces, advertiser relationships, as well as its own powerful brand identity.**

**"It hasn't been easy," says Pascal Zahner, International Development Director for MMD. There have been many online attempts--some successful, some not--since the company started evaluating potential projects in 1993. At the time, "no one (at the company's board) understood much about the medium, but they did understand that taking the offensive was key. They all saw the opportunity."**

### ***Getting its feet wet***

**Publicitas got its feet wet with the annonce-o-mat, where readers could insert their ads in-house. This quickly led to the Fastbox, an external kiosk where readers could also insert their ads. "There are 35 in Zurich but they aren't used for classified anymore because they don't generate enough volume. It would take readers 15 minutes to insert their ads," says Zahner.**

**Then MMD moved to the Internet. There are currently an estimated 280,000 Internet users in Switzerland--a relatively small figure. While 32% of the population has a computer, only 9% has a modem. Moreover, connection costs are high: \$20 per month, plus a \$10 an hour connection fee. In spite of this, top Internet sites get 400,000 views per month, while popular classified sites get 80,000.**

### ***A first attempt on the Internet***

**MMD's first Internet attempt, which integrated all the databases it managed for its print publishers, never made it to market. Its successor, which is still running today, represents seven or eight publishers. The Edicom publishing group, for example, puts up some 7500 electronic ads every day in its 52 rubrics.**

**MMD now has a joint venture with Real Time in the US for its search technology. "We are using their technology, which allows us to target people according to key words they use," he says.**

**Indeed, Zahner encourages publishers who want to get online to choose standard solutions. "They are cheaper, better, and ready to be installed. There are also more and more features integrated in these tools. This was not the case even two years ago."**

#### ***Developing the html platform for Swiss videotext service***

**MMD pushed its online involvement one step further by providing the html platform for Swiss On-Line, Switzerland's equivalent to the French Minitel. With 125,000 subscribers and more than 250 services, SOL, for which the Swiss had to buy hardware, is the largest online service in the country. Forty percent of its traffic is home banking, and every advertising spot is sold six months in advance. Everyone can place an ad for free; it is those who look at it who pay. "It looks old-fashioned next to the Internet, but it's efficient," says Zahner. It also makes money.**

**MMD has been operating the Internet version of SOL for a year now, and has attracted some 30,000 subscribers. "We are like a service provider, with 400 referenced sites. Access is free, and microbilling and home banking are about to be introduced," says Zahner. In addition to Publicitas, a number of major Swiss companies are investors in SOL.**

**"We were hoping that publishers themselves would use SOL to aggregate their databases and their classified ads," says Zahner, "but it never happened. Publishers are not ready to compete in an open environment," he says, though there is recognition that this day will soon come.**

#### ***Developing partnerships for niche online classified products***

**Zahner concedes that MMD has not been successful with the PrintPlus approach in the 'horizontal' market. But the company has two major vertical (niche) projects that have garnered much interest--one on real estate, the other in the automotive sector. "When an access provider can bring together real estate agencies and the like, he replaces the role of newspapers as content providers," says Zahner.**

**In real estate, MMD partnered with major real estate agencies and publishers to launch the Swiss Immo online service. If a property is sold, the real estate agency who put it on the system gets a percentage, as does the agency who sold it. Immo, Switzerland's real estate association, gets a percentage as well. The service, which users can query, includes mapping options and provides all documentation needed for the transaction.**

**MMD's other niche project is a partnership with Eurotax, which is the leading car inventory services in 18 European countries ("it has software in all European garages," says Zahner).**

### ***The Internet - an advertising sales challenge***

**Today, online revenues in Switzerland come from banner advertising, keyword advertising, printplus upsells and pay per view. In 1996, Swiss companies spent \$1.5 M on internet advertising, but now budgets are picking up, and a \$4 to \$5 M figure is expected for 1997. "We are now seeing 6-digit budgets from large accounts," says Zahner.**

**Still, "for an ad sales organisation, there isn't much there to sell yet," says Zahner. "Many sites are not selling CPM, but just rates without any statistics--a situation that is gone from US markets. But it's still the case all over Europe."**

**Moreover, "we are working with an existing sales force who is used to selling print. If the message is easy (pay 1F more and get your ad online), then there's no problem, but it gets harder when you start selling banners, CPM, and so on. We now have a team selling only on-line," says Zahner.**

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## **U.S. MARKET TRENDS IN ONLINE CLASSIFIED ADVERTISING**

**The print classified advertising market in the U.S. reached an all-time financial high in 1995. With \$13.7 billion in revenues, the year showed a 10% increase; estimates for 1996 revenues hover around \$15.2 million.**

**But according to Randy Bennett, VP of New Media for the Newspaper Association of America, this positive financial picture masks some fundamental changes. "There is a lack of marketing of our classified services. Rates have increased twice as much as inflation. Technology has opened doors to cheaper competitors, and the future is troubling," he says.**

**Newspapers' share of the classified market is steadily declining. Other outlets now get 80% of recruitment ads, 63.4 % of automotive classified and 57.6 % of real estate. If trends keep up, "newspapers could lose up to 50% of ad revenues in the next five years to competition," he says. Moreover, an average decline of 25 % in classified revenues would lead to a drop in the average newspaper's margins, from the current 14 % to a paltry 3 %.**

**Much of this is due to the advent of online classifieds, a phenomenon made possible by the penetration of computers and the Internet into American homes. Forty percent of U.S. homes have a computer, and a full 60% of these have modems; from 10 to 20% have access to the Internet.**

### ***Markets themselves are restructuring***

**But technology is only part of the equation. "Our markets themselves are changing: All are restructuring to sell directly to consumers," explains Bennett. In the recruitment advertising market, corporate downsizing has had a significant impact. "There has been a shift from direct recruitment to outplacement and temporary workers, which now account for 80% of market," says Bennett. Rather than trying to fill specific jobs through newspaper ads, temporary agencies count on TV, the Internet, job fairs and the like to enrich their pool of available talent.**

**The stagnant real estate market also faces a fundamental shift. "Independent agents control 80% of the ad dollars in their markets, and they tend to use small ads in papers to lure clients rather than try to sell as certain property. They're also looking at other niche outlets," he says. Moreover, a sizeable decrease (33% in**

1994) in the rental market has driven many of these ads to lower cost special publications and online.

In the automotive sector, the availability of high-quality used cars, combined with a new breed of car dealers--on-line car brokers, superstores, discount brokers--has left the new car market relatively flat. As a result, traditional dealers are looking for cheaper ad outlets, he says.

#### *An increasingly wide choice of online sites*

Their options are expanding every day. "Electronic options for car buying are proliferating," says Bennett, citing examples such as Auto-by-Tel and Dealer Net, which allow buyers to bypass newspapers altogether. "Even major used car dealers are listing their inventory on the Web." Microsoft is also getting in on the act, as is the Reynolds and Reynolds inventory service, Yahoo and even National Public Radio.

The same is true for the other main classified categories. There are currently 3500 recruitment sites on the Web, offering 1.2 million jobs and one million CVs on line. Moreover, online classifieds are not limited by geography, and can easily include information on work environment, benefits, company news and so on. They can also feature links to huge databanks.

Indeed, in the real estate sector, one of the country's largest agents, Harmon Homes, is aggregating its databases across sites. On the rental market, Rent Net is a free database of 1.2 million listings. "They charge \$19/mth per ad, and the viewer gets an unlimited text and a walkthrough," says Bennett.

Thanks to such cheap rates and sophisticated features--unlimited ad copy, multimedia functions, interactive dialogue, easier search and customizing possibilities, the ability to personalize with emailed lists of targeted prospects--the online classified market is estimated to reach \$900 million annually by the year 2000.

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#### *Newspapers bring several advantages*

**Indeed, newspapers are moving into the online classified market en masse. Some 500 daily newspapers have Web sites, and 60% of them offer classified advertising. They are also bringing several competitive advantages to the game: credibility and brand awareness; a critical mass of ads; established local sales forces and relationships; opportunities to partner with customers for solutions. Moreover, their deep local content adds value to the classified product. The result? Many advertisers are reticent to alienate newspapers: 95% of classified ads run in newspapers first.**

**Of course, online classifieds generate their own set of problems. The access barrier now shifts to the consumer, who must choose from a multitude of sites. There are also technological barriers: access bottlenecks, limited bandwidth, limits in exposure are all commonplace frustrations.**

**Beyond technology, newspapers putting their classifieds online face a series of challenges: How to recreate Web ads without their extensiveness? How do papers protect their franchises? How do they strike a balance between the unknown margins of online and the high margins of print classifieds? How does the industry create standards? How can publications package content, not just ads? What about copyright issues? And revenues: what about revenues?**

### ***Making money isn't easy***

**"It is complicated charging for online ads, there has to be a human intervention. The price is still tied to the print product, and it will be difficult to make consumers understand the logic of pricing for on-line," says Bennett.**

**For the time being, the revenue model most often adopted is adding a percentage to the current ad rate and then apportioning it to the online product. "This at least guarantees some revenues while a new revenue model emerges," says Bennett. Enhancements such as photos, links to Web pages and the like are also bringing in some revenues.**

**Many newspapers are entering partnerships and splitting revenue streams. Indeed, extended networks of newspaper classifieds bring with them a critical mass necessary to attract consumers.**

If networks pose certain obstacles, these tend to be technical rather than philosophical. "Microsoft, Yahoo, AOL are major competitors...so we need to drive traffic back to local level. There may be some concern about subjugating the local brand to a national brand, but newspapers see real risk in not getting involved," says Bennett.

"Your strategy must be dictated by your competitive environment. Get in early with a basic site, to extend your brand online - even if it's not a fully featured site. But if your competition is already adding virtual walkthroughs and its ads are free, this may dictate a more aggressive approach in offering multimedia capabilities".

#### *A few U.S. examples*

Bennett provides some examples of how publishers are dealing with these issues. Among them :

- The Houston Chronicle gives its advertisers no choice in the buy, and increases its ad rates 1% to cover the online addition. It made \$887,000 in 96, or 73% of all revenues for its general on-line product.

- The Seattle Times gives a free on-line ad to its newspaper advertisers. Enhancements--bold print, an email address or linkage to the Web-- are, however, available for an additional \$5 charge. In their first week, they sold more than 1000 enhanced ads.

- The Plain Dealer in Cleveland, Ohio, partnered with the local dealers' association to launch an online Auto superstore. Sixty dealers buy space in a database, paying \$300 per month for 50 listings. Users can search the database using various criteria. The goal of the superstore is not to sell cars online, but to generate leads. There are currently some 3000 cars and trucks listed, and dealers report that their online presence has enabled them to reach new customers.

- The Boston Herald partnered with a private online service to offer a used car site. It charged advertisers \$10 for the classified ads, and split the revenues with the service.

- **The Sun Sentinel developed a full homefinding Web site, complete with community information, many photos, mortgage information and calculation tools. Advertisers have the opportunity to sponsor sections.**
- **Work Avenue, which matches job seekers and employers, is a network developed by six mid-sized publishers. The service is free for job seekers, but employers pay \$120 for every CV they select. The newspaper sits squarely in the middle of the transaction.**
- **The San José Mercury News' Talent Scout provides much online job-related content to differentiate it from other sites--indeed, it has a full-time editor. It is also one of the first to accept online-only ads.**
- **The Washington Post has a contract with the author of the popular job-hunting manual, 'What color is my parachute?' to answer online questions.**
- **The Houston Chronicle is developing its own directory technology. It plans to integrate its business directory product into its online classified service. For example, users searching for a home would be linked to related services such as mortgage companies and movers. The offer is designed to compete directly with the Yellow Pages.**

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## **LEVERAGING EXISTING ASSETS TO DEVELOP SHORT-TERM ONLINE REVENUES**

**"Classified ads are a revenue base--but they're content too," says Steven Cave, New Media Development Director at Portsmouth Publishing, the leading publisher in a semi-urban coastal area about 60 miles south of London.**

**"We need to be the principal provider of local information; that applies to online as well," says Cave. The key to success is not technology, though: it is building an extensive and reliable database. "Coming from a database background, newspaper publishing culture is wasteful. You publish something, and then throw it away."**

**But data is what drives it all, he says. Get the database warehouse right from the start, and you won't have to worry if a new digital media comes along.**

**Portsmouth Publishing kept this in mind when it started establishing its new media offering. Its approach was to 'organically extend' its core newspaper brands, so a natural place to start was by combining these brands with the four main new media: audiotex (which enabled it to offer classifieds, dating and information lines); cable TV (for teletext, local TV and TV ad sales); the Internet (local site, national link); and database (for direct marketing).**

### ***Determining reach for new media***

**They then compared these possibilities against estimated audience sizes in the region. Portsmouth's paid-for daily enjoyed a 64% daily penetration of the area's 500,000 adults. An estimated 22% of the population were reachable by audiotext, while cable and teletext each enjoyed a 16% penetration. The Internet, for its part, came in last with 13% penetration. (In fact, says Cave, this figure is higher than average for the UK, perhaps due to the region's relatively high-tech character.)**

**The results of this process showed that the current new media sources had audiences that were simply too small to generate profits as separate businesses (a situation that will remain for some time, says Cave). Moreover, Portsmouth Publishing had established that any new media venture would have to generate short-term revenues.**

Consequently, the company decided to develop its core source of revenues--classified advertising--by packaging them with audiotext, internet and cable. "This allowed us to leverage existing transactions and relationships with advertisers," says Cave.

It had some powerful arguments up its sleeve. By adding up the market reaches of its respective media, and allowing for duplication among them, Portsmouth was able to offer its classified advertisers one-third more reach.

#### *Economies of scale help keep costs low*

"How much would the newspaper invest to get that increase in circulation?" asks Cave. "It's a powerful argument, especially as we can offer low rates" thanks to economies of scale, he says. These came from two sources. The first was data collection: all information for the new services came from material already generated for the newspapers. The second source of economies of scale came from data production.

"Automating the production of the new products from the original newspaper source gives the advantage of low costs arising from economies of scale," says Cave. "Most of classified is lineage that is transferable without manual involvement." Moreover, the company is updating its advertising systems, which will allow them to integrate even more. "Once the raw data for the text is extracted and cleaned up, we can drop the material into templates which produce the new services automatically."

Indeed, these new services have required few additional resources. "Our efforts required one more person (sub-editor), and one new media person to champion the cause. We also have two people for the new media database, as well as one designer to provide support," says Cave.

#### *A range of new media services*

Portsmouth's current new media services include several audiotext offerings such as Homefinder and Autofinder. Thanks to new voice techniques, "we give our consumers searchable access via the telephone to 3000 ads for cars, homes and other categories," says Cave. Indeed, the company has 28 editorial services and 22 advertising services, as well as overflow and night lines. The service has grown substantially over the last year and a half, and the activity is profitable.

**Teletext standards had already been established by terrestrial TV stations, so Portsmouth simply followed in their footsteps. Thanks to a joint venture with NYNEX, it publishes classified ads for cars, property and jobs on its teletext channel, as well as community information pages, story updates and special editions for small towns, among others. Teletext also affords Portsmouth Publishing opportunities for promoting the newspaper, and vice versa. Launched in January 1997, Portsmouth Publishing expects to make a profit from this service in the very short-term.**

### ***Classified ads are the best opportunity for Web revenues***

**Of course, all the information carried on audiotext and teletext is transferable to the Internet. "Our Web site is developed to be the main online access point about our area," says Cave. "We think the best revenue-earning opportunity to fund our Web publishing is again to offer searchable classifieds as the core feature of the site." The company will add new services as the use of the medium grows.**

**Finally, Portsmouth Publish is developing a direct marketing facility to service local advertisers. "Direct marketing is used by 42% of our customers," says Cave. "It's a business of building lists, and it is part of understanding our market."**

### ***A proactive marketing strategy supports the services***

**Of course, this comprehensive service (direct marketing excluded) has to be sold. Even though the services are added on and advertisers are not given a choice of opting out, "we have to sell it, it's not an 'oh-by-the-way' thing," warns Cave. The company developed marketing material to back up its sales force and has issued direct mail pieces as well.**

**The company is counting on its current sales force to sell the new packages. "The difficulty with a specific sales force is that it is competitive, which leads to confusion with advertisers. Sellers will say "you don't need print" and no amount of management will change that," says Cave. You can, however, have a specialist on hand, but the sales force must be responsible for developing the revenues.**

**In fact, this change to multi-product portfolio selling represents a big cultural change for the company. "For a lot of reps, selling this new media package has not**

**been easy," says Cave. "Marketing people don't know what it's all about. You have to show that online services can add strength to the printed product."**

**So, he concludes, "don't underestimate the difficulty of making the cultural shift. It has to be approved by senior level and then throughout business." Indeed, editorial must be involved. "News will go out before paper goes to press, so you need the editor on board for this," he says.**

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## **GAINING INTERNET REVENUES THROUGH A PRIVATE NETWORK AFFILIATION**

**AdOne is a U.S.-based, privately-held online network of newspaper classified advertising. Established two and a half years ago, it serves some 93 publishers representing 412 titles in 26 states and in Canada. The network enjoys a cumulative circulation of approximately seven million, and a viewership of 21 million.**

**AdOne processed 500,000 ads in its first two years of existence, and as many in its next two months. Today, "our traffic more than doubles every two months," says co-founder Conrado 'Roddy' de la Garza, testifying to the Internet's exponential growth in North America.**

**De la Garza, who had been involved in developing online services at the newspaper where he was formerly employed, uses his personal experience to argue the merits of his venture.**

**"When we saw how much money we made from our audiotext data service, we said, let's bring it in-house. Two months later we realized that vendors had updated their technology, and that our system was out of date. Our vendor kept adding upgrades to integrate this new technology, which made it very costly for us. In this business, technology changes every day," explains De La Garza.**

### ***Using powerful and intelligent search technology***

**De la Garza and his partners set out to build a network based on sophisticated, proprietary search technology, offering newspapers very powerful tools that would be onerous to buy--and maintain--on their own. Moreover, given that people will search beyond the classifieds, such tools also help expand viewership to newspaper Web sites. "Online classifieds represent potential revenue streams. But webtime is seven times real time. You can offer your customers all sorts of features, but in the end, you're only going to make revenues if you deliver results," says de la Garza.**

**Revenues for AdOne are generated through a simple formula: newspapers charge a standard surcharge (say, \$5 to \$8) for their ads to appear on the network. The surcharge is then split between the paper and AdOne.**

**AdOne uses a proprietary search technology, including the intelligent and interactive AdHound. For instance, a viewer looking for a 4-bedroom house in a specific area can get the relevant ads delivered by email. "This allows us to get statistics on users, and to match buyers and sellers," says De la Garza. "Readers don't have to worry about missing ads. It's great value, especially if the ad buyer is being charged more."**

### ***Creating interactive relationships***

**Such interactive tools can also be used to help build brand identity. "At the Columban, Colombo the dog mascot goes out to search ads. It helps create a new brand of relationship with the reader," says De la Garza.**

**This intelligent search agent also extends the range of search criteria (ie., in real estate, viewers can search using mortgage payments or school districts as criteria) and helps refine classified searches (ie., if no marketing jobs are available at the time of the search, marketing won't come up as a query option).**

**AdOne also has a patent pending on KBS (knowledge-based search) technology, which analyses queries by syntax. For example, a user looking for Jeep Eagles would not get all entries containing the word 'eagle'--a situation common to other search engines.**

### ***Customers can choose the services they require***

**AdOne is using this search technology to provide a number of products to its newspaper clients.**

- AdIdentity, where the company designs a branded classified site for an individual newspaper; the network serves to link the sites.**
- AdHunter, which uses the Universal converter intelligent search tool, as well as KBS - knowledge based searching, to look for ads**
- AdOne Classified Network, the largest affiliation of online print classified ads**
- AdHost, the enterprise architecture, based on a \$2 million server in New York, which supports the company's search technology**

**- AdAudience, which provides ongoing promotional campaigns, selling banner ads or specific opportunities for marketing support**

**- Adtracker - an MIS monthly report showing how many people accessed the site, from where, from which site they came from--even how many times the site was searched today.**

**AdOne also provides support plans for product introduction, training and sales assistance, as well as marketing and effective pricing.**

***Making your site the gateway to the market***

**According to De la Garza, being part of a network such as AdOne "extends the perception of your newspaper being the market, since your site provide comprehensive data not only for local but for entire site. Your site is the gateway to others. Like Yahoo, classified users will start with your site," he explains.**

**And it's a win-win situation. "Publishers get incremental revenues for very low risks, plus they get increased traffic to their sites. The online ad buyer gets a greater audience, and thus better results, while the user gets user-friendly expanded access," he says. Moreover, a network has the strength to negotiate agreements or partnerships with other companies capable of further enhancing services.**

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## **DEVELOPING NATIONAL BRANDS WHILE MAINTAINING LOCAL IDENTITY**

**International content is a commodity that is easily available from a wide variety of sources. "Local content, though, is expensive to obtain, and difficult to gather," says Sharon Knitter, Advertising Development Manager for the Chicago Tribune. "Traditionally, it has been the franchise of local newspapers. But newspapers need to adapt to keep on top." Otherwise, she warns, other competitors--Microsoft in particular-- will become a greater threat.**

**Knitter believes newspapers need two things. First, they need branding in order to maintain a local identity while extending to national audiences through partnerships. Secondly, they need to keep on top of distribution, for their ability to reach many markets quickly will determine how much traffic they can generate.**

**"At the Chicago Tribune, we hedged our bets with strong brand offerings such as Digital Cities and Career Path, while at the same time maintaining our strong local brand and marketplace," she says. Indeed, "for our audiences, we must be THE information provider for cars, real estate and jobs."**

**How to go about it? The Tribune examined its environment and found there were four key external forces influencing its classified ad business: new entrants, customers, traditional competitors and suppliers.**

### ***Adapting responses to market situations***

**By looking at what each had to offer in each of the three main classified categories--real estate, recruitment and automotive--the Tribune was able to isolate its strengths, and more importantly, its weaknesses. In the automotive sector, its weaknesses were lack of national content and lack of pictures.**

**It responded by launching a niche publication, Auto Finder, which included photos of used cars as well as private party or dealer-to-dealer advertising. Bought in 1993, it was put on the Web in 1996, where it developed into the Chicago Tribune Auto Website.**

**"We included the invoice price (of the cars) in the Web ads, but dealers didn't want it there, so they pulled \$5 million worth of advertising," says Knitter. She**

concedes that the Tribune's approach lacked finesse. "We just put up the site and the invoice prices without telling the dealers. Had we shown them the market, I think they would have reacted differently," she says (the Tribune's online competitors all include invoice prices in their sites). The Tribune did make some concessions to bring the dealers back. Today, the site enables the Tribune to generate additional revenue streams through micro-sites for dealers and manufacturers.

Real estate was the most difficult online service for the Chicago Tribune to launch, says Knitter. The market in the US is actually three markets: new homes is the strongest segment but also the most under threat since national builders are building their own internet sites; residential resell; and rentals, in which the paper is weak (niche publications have taken the market away from it). "Owner sales are our strength," says Knitter, who adds that the paper also enriches its classifieds by bringing viewers information about the market.

To offset its weaknesses, the Tribune bought RelCon, a rental listing publication. It also started a new homes guides and brought up a Web site in June 1996, which offers searchable information on a wide variety of criteria.

#### *Who pays for what? Classified ads as content*

"There is a lot of traffic in mortgage data, as well as in information on recent transactions," she says. "We did \$300,000 worth of business this year, which is peanuts compared to what we'd get in the newspaper." Moreover, "brokers and local boards are very proprietary about listings. In newspapers, they pay us to print their ads. But on the Internet, they feel it's content and want us to pay them because their ads will generate visits to our Web site."

Nonetheless, the Tribune has been able to generate some revenue from selling links to company profiles, sponsorship of titles and banners, and advertising by financial and ancillary services.

Recruitment, the third major category of classified advertising, is so important to the financial health of newspapers, and yet so at risk. "Niche publications, job fairs, new competitors--everyone wants to get involved, so while recruitment is a very local marketplace, we established early on that a national presence must be available," says Knitter. Its response was Career Path, a tremendously successful partnership with other major newspapers such as the New York Times, the Boston

**Globe, the LA Times, the Washington Post, and for a Silicon Valley presence, the San José Mercury News.**

**Career Path owes its success to one overriding factor: "Despite potential difficulties of getting so many to agree, we all felt in the same boat - we were all afraid of Microsoft," says Knitter. The resulting product has over one million registered users and generates 4.5 million searches every year. One thousand people register every day (including 2000 visits each week from Europe). It offers 325,000 jobs each month, and no job is older than two weeks. Career Path currently has over 25 affiliates; others are welcome to join. It has recently hired its own CEO.**

**Knitter encourages newspapers who are building such networks to start a whole new brand (to avoid whose brand will come first). Career Path has its founding companies, but it also has the ability to include others. "They don't get the revenue split we get, but they get all functionalities," says Knitter. "And for the user, it's seamless."**

#### ***Selling the services through established channels***

**"Our regular sales force sells all our Internet products. They have no internet objectives, though it adds to their revenue streams," says Knitter. Currently, ad sales people have put their rates up, but they've bundled in the Internet.**

**There are currently three employees at Career Path. Affiliates must advertise one half page every week, so there is no need for marketing or a specific sales force.**

**Moreover, none of the newspapers want a Career Path salesforce out there. "We want to be prepared for the Internet, but any advantage we can give to newspapers, we'll take," she says.**

**It seems to be working. A very small percentage of companies use internet-only ads. "Only five companies chose to advertise that way," she says. One of those companies was Hewlett Packard, which was recruiting Web-savvy people.**

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## **USING ONLINE CLASSIFIEDS TO REINFORCE THE ROLE OF THE PRESS**

**As the driving force behind Cadres OnLine, the leading Web site in France (at least for those consulted in France), CEP Communication benefits from a key advantage: many of its trade publications are the leading source of job offers in their respective sectors. These include LSA (agrofoods); 01 Informatique (computers); Le Moniteur (building construction); L'Usine Nouvelle (manufacturing); and so on. Cadres OnLine takes advantage of these and other information sources (Le Monde joined the network in January 1997) and reproduces it for both Internet viewership and the Minitel, France's hugely successful videotext service.**

**"We are a database of employment ads that are uniquely reprinted from the press, and targeted to managerial staff," explains Philippe Clerget, Managing Director of L'Usine Nouvelle and director of the service. Launched four months ago, Cadres OnLine is analogic to Career Path (see previous pages), says Clerget, but it operates on a smaller scale.**

**There are an estimated 480,000 Internet users in France--a small audience but an interesting one, given their sociodemographics. They are highly educated--85% have BAC +2, 40%, BAC +5--and 44% are either managerial staff, business owners or from the professions.**

**"Print today is omnipresent for job recruitment ads, but it doesn't stop us from preparing the future. We did not take the initiative to start our online service on the Minitel. It would not give us the reach or the seriousness we required for listings of job offers for managerial staff. But the perspectives for the Web were so promising," that CEP took the plunge, says Clerget.**

**Though CEP itself is not involved in daily newspapers, it is France's leading publisher of news magazines, economic publications and books, as well as the leading trade show organiser. Its portfolio includes some 80 publications and 54 trade shows. With Cadres Online, "our goal is to reinforce the essential role of the press in job offers," he says, as well as to provide a sufficient volume of ads to make an online recruitment project viable.**

***Adding value to recruitment advertisers***

**"We spend too much time on the competition, and not enough worrying about clients. This is even truer for classified customers than for display advertisers, so we have to work on the value we bring to customers. With electronic media, we can expand circulation," he adds.**

**So far, the strategy of Cadres OnLine has been to add value to the product: that is, advertisers get added online exposure without additional costs.**

**The site, which features more than 2000 accessible offers (50% of the offers published in the national press), as well as advice on writing CVs, salary evaluation tests, personal evaluation tests and references.**

**"There's not much window-dressing, it's rather raw information," says Clerget, but its specificities overcome its lack of "sexy" graphics. For instance, viewers can respond directly to the online recruiter, and create their CVs on line as well.**

**The service is automatically updated on Monday (most weeklies appear on Thursday), a day which, not surprisingly, enjoys the highest viewing frequency. Ads can stay on the service for three weeks.**

### ***The Web generates more connections than the Minitel***

**In January 1997, one month after its launching, the site had 60,000 connections; and even though the Minitel has a much wider penetration, fully 45,000 of them came from the WEB site. Studies have shown that 90% of viewers come from France, 50% have a BAC+4 level of education, 60% are between 20 and 30, and fully 70% are men.**

**In addition to searching the job ads, 20% search for information on salaries, 15% on CV advice, and 15% click on tests.**

**Cadres OnLine is very careful about reproducing the ads it takes from its source publications. "We restructure and reprint all ads; it's a question of quality, we don't want to repeat any mistake which may have appeared," says Clerget. All ads are scanned three times and reverified. "We need to enrich the ad, to give it a sector," he explains.**

**For the time being, Cadres OnLine is not bringing in revenues. " On the Minitel, our offering is on the least costly channel (3615), and it does bring in some**

revenues, but it is totally free on the Web. For the time being, the service costs the contributing publications 5/1000ths of their sales revenues, so the cost aspect is not a question."

As for ad opportunities, these are reserved to recruitment operations, and not to any other ads. "We will do special operations with high added value. For example, we can host a mini-site web, such as for Bouygues Telecom's launching. They needed to hire 120 people in four months. For them, Cadres OnLine was an interactive tool," says Clerget.

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