



## Pictures In Motion

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### *Classified Advertising in 2006 and Beyond*

#### **Market Overview**

Today publications that depend upon classified advertising as a strong revenue source are in trouble. In the past, when print was king, the only way an individual or small business could buy or sell items or post or look for jobs was through classified ads. Over the past ten years, as more and more people and businesses turned to the Internet as their information source, advertising was quick to follow. Today over 1 billion people worldwide are projected to be on the Internet and over 140 million are active users in the USA. Is there any wonder why brick and mortar publishers are suffering?

According to a recent report by Jupiter Research\*, online holiday sales for 2005 is forecasted to reach \$26 billion in the United States, an 18% increase over 2004. This same report sites that overall online retail sales in the US in 2005, U.S. "are on target to reach \$79 billion versus \$66 billion in 2004." Convenience, wider array of choices, and lower prices are just some reasons people will shop online. When online incentives include deferred payment plans and free shipping offers, online shopping becomes a no-brainer. This trend points to some ideas that publishers might consider to draw both online sellers and buyers to classified advertising.

The general decline in classified advertising revenue can be attributed to the falling US economy that occurred at the turn of the 21<sup>st</sup> century. Post 9-11 market events and the downsizing of thousands of businesses that ensued as a result also had a profound affect. As jobs diminished so did classifieds in help-wanted and automotive advertising. As an example, during this period, overall advertising revenue for the New York Times's decreased 6.2% for January 2001 compared with an increase of 26.9% for January 2000\*.

#### **Moving Classified Ads Online**

So how can publishing companies compete and get some of that classified revenue back? As the old saying goes, "If you can't beat them – join them." Obviously the first step is to have a website affiliated with the printed publication. Once the audience realizes the content is online, the next step is migrating readers from the printed version to the online version. Wherever the eyes are, advertisers and classifieds are sure to follow.

Perhaps the greatest success story of online classified advertising is Craigs List. In 1995, Craig Newmark started the online bulletin board as a way to get information out about "cool events in the area" to people living in the San Francisco community. It spread by word of mouth, until the traffic the site generated became large enough to demand the use of its own list server. Soon people began using the platform to post classifieds and discussion forums. In 1997 Craig made the decision to keep the site non-profit

Today, the list is regarded as world's most used classifieds in any medium, and one of the most popular websites in the world (trailing YHOO, TWX, MSFT, EBAY, GOOG, NWS in page views) -- while maintaining its renowned public service mission, non-corporate vibe, and headcount of less than 20. Those striving to attract visitors to their online classifieds could learn a few lessons from the craigslist model.

Unlike commercial sites that assault users with advertisements from top to the bottom of the page, the attraction to craigslist.com is their down-to-earth approach, which strives to make the "net more personal and authentic, while advocating social responsibility through the promotion of small, non-profit organizations." The success of craigslist comes from how they built online communities and

respect their visitor's interests and intelligence. According to its users, craigslist's popularity stems from the following:

- It gives people a voice
- There's a sense of trust and even intimacy
- Consistency of down-to-earth values
- Simplicity
- No charges, except for job postings
- Freshness of the material
- **No ads, particularly no banner ads**

Another new study conducted at the University of Missouri's Graduate School of Journalism found that classified advertisements in online newspapers are not making full use of Internet resources. "Although newspapers have made some strides toward increasing their use of interactivity and vividness features, they appear to have gone after the low hanging fruit, those features that are easiest to add," said Sarah Farebrother, an MU journalism graduate student, who conducted the study with Shelly Rodgers, Assistant Professor of Journalism. "This is significant because companies that create more effective online classified ads will be more successful over time." The study suggests that the effectiveness and overall hits to classified ad sections of online publications would increase with the use of online interactive tools like audio or video clips, chat/instant message capabilities, e-mail or web-based forms.

## Understanding the Online Marketplace

Up until now, classified ad buyers have been treated equally. Generally there was one person taking the ad and filling in one form with one set price for all buyers. However, why not segment customers into three categories:

- **Priority customers**—for example, the auto dealer that regularly advertises and represents the greatest revenue potential.
- **Important customers**—for example, the property manager that occasionally advertises rental properties and represents medium revenue potential.
- **Opportunistic customers**—for example, the individual looking for a one-time opportunity to sell his or her used car or announce a garage sale.

According to one management-consulting firm, this customer-centric approach can grow classified ad revenue by 10-25 percent. The key is segmenting the customer base and then treating each customer segment differently. "Once they have segmented ad customers into meaningful categories, newspapers can develop more effective and cost-efficient customer treatment programs, as well as sales and marketing strategies, tailored to meet their buyers' needs."

The last step is to be flexible and to continually introduce new approaches to optimize service and sales. In addition to their traditional inbound (and reactive) call centers, publishers need to build outbound (proactive) capabilities.

Other business models could also work. Just like the way airlines sell plane tickets, what if one offered special pricing dependent upon how close the purchase time was to the ad publishing date. Long-range purchases would be cheaper than ads that were placed within a week or a few days.

Giving clients the ability to upload their own artwork to the classified ad page of the site is one way to streamline the process. Dynamic websites that make use of php or asp can easily make this happen. Having clients handle their own artwork and placement also saves administration costs and employees' time to get the job done.

So as we have seen, success at generating classified advertising revenue in the 21<sup>st</sup> century requires a combination of new age community building, use of interactive online tools, and some good old-fashioned marketing and business sense.

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