



CLASSIFIED INTELLIGENCE

Consulting Services for the Classified Advertising Industry

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**PREVIEW
EDITION**

Competing with Craigslist: Local publishers show how

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**Executive
summary**

There are ways to compete with free

Craigslist poses a threat to every publisher of classified advertising. That's neither a criticism nor an accolade; that's a reality. It's obviously filled a terrific void in the communities it serves, and threatened traditional publishers not out of malice but by in many cases "building a better mousetrap."

It's easy for founder Craig Newmark and CEO Jim Buckmaster, of course, to manage that mousetrap in a much different way than, say, a newspaper or a dot-com manages its classifieds – the car, home, job and "stuff" ads. Now in more than 450 markets worldwide, Craigslist is not motivated by profit; just about every other classified advertising business we know has to keep its owners or shareholders happy by delivering a profitable return. So Craigslist is on a different playing field than, say, the local newspaper or Google or Realtor.com.

Still, Craigslist is eating some publishers' lunches – while others have found a way to stay at the table and eat, too.

This report is designed to illustrate the ways some publishers have competed successfully, while others have watched (or failed to pay attention) as their classified-advertising marketplaces collapsed.

For publishers that have lost volume, the concept of "marketplace" is essential to a classified advertising business. Buyers come to a marketplace to meet sellers; sellers come to meet buyers. If volume gets out of balance, and there are few buyers or sellers (represented by the number of ads), a downward or death spiral begins. It can become very, very ugly for a publisher that relied on classified advertising revenue for the bulk of its profit.

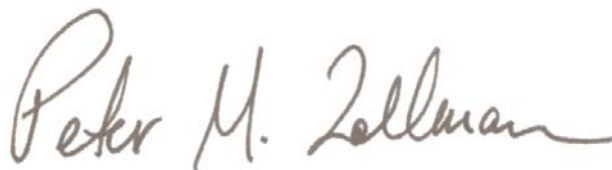
We first looked at Craigslist in 2004, and we've been following it closely since. Although it's officially a for-profit company, it operates essentially as a not-for-profit. And with just 20 or so employees, it'll generate \$40 million to \$50 million in revenue this year (as we illustrate on *Page 10*).

In late 2005, Craigslist launched in dozens of new cities, most of them small- and mid-sized, and this study was born. For 13 months, we tracked ad volume in 12 local markets on Craigslist, local newspaper classified Web sites, and others. We had to see how Craigslist grew and whether it caused the others' businesses to shrink. Admittedly, counting ads is not a perfect measure – but it's an excellent way to see how the "marketplace" is faring.

After we counted, we called the publishers to see how they felt about Craigslist and what they had done.

Publishers in two of the markets reacted. They changed their policies, became aggressive and managed to stay in the race with Craigslist. In other markets, nothing happened at the local newspaper, and classified volume – especially in the merchandise category – fell off a cliff.

In these pages, you'll find out which publishers responded, what they did, how it worked, and what they say about it. And you'll see: There *are* ways for a local publisher, in a for-profit environment, to compete with Craigslist.



Peter M. Zollman
Executive Editor,
Founding Principal
Classified Intelligence LLC



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About Classified Intelligence

Classified Intelligence is an in-depth consulting service that works with its clients to develop successful, real-world businesses. We deliver must-have competitive intelligence about interactive classified advertising – automotive, employment, real estate and auctions/merchandise.

We talk with our clients regularly. We work with their companies face-to-face, one-on-one. And we keep them up-to-date on what's happening in the field of e-classifieds with our regular and special reports.

Classified Intelligence is for...

- Newspapers: Expand your classified advertising revenue by combining the best of print and online services
- Dot-coms: Grow your business with new ways of serving Internet users with automotive, employment, real estate, merchandise and personal ads
- Advertisers: Tune in to the changes in the media you use – and how they are building new products and services to help you meet your advertising needs
- Vendors: Receive ongoing analysis of your market, and information on what your clients want, as you develop and provide technology for electronic classified services.

We're experts on interactive media. We help build interactive products and services; we don't just talk about them based on flimsy research. Our analysts and consultants are well known and respected. We speak nationally and internationally and work with top media companies.

Classified Intelligence clients receive:

- Regular conference calls, when you meet privately with your analyst – someone who knows the issues and your company – about issues that matter to your company
- Customized on-site consulting visits – meetings, workshops, intelligence briefings
- Classified Intelligence Report, twice monthly
- Classified Intelligence Advisories, reports focusing on a topic of immediate interest
- Classified Intelligence Alerts, immediate analysis of major newsworthy actions

Classified Intelligence is about who's doing what ... who's planning what ... who's working with whom ... and what you should be doing to improve your classified business.

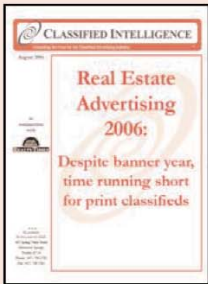
Classified Intelligence LLC, is affiliated with the Advanced Interactive Media Group LLC, aimgroup.com, an industry-leading consulting firm that works with some of the biggest names in the media and corporate worlds. Our clients include:

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| ■ Newspaper Association of America | ■ CareerBuilder | ■ Workopolis, Toronto |
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Classified Intelligence and its affiliate, the Advanced Interactive Media Group (AIM Group), produce special reports regularly in addition to Classified Intelligence. Reports available include:

■ *Recruitment Advertising: Job sites, newspapers falling out of favor*

Coming off a great year and already into what is likely to be another good year, you might think recruitment advertising is finally back on track. And, from what you will read in this, our sixth Recruitment Annual, you wouldn't be wrong. Our panel of advertising experts – which includes recruitment-site founders, an ad-agency executive and others – insists that, despite the onslaught from free sites, the pay-to-post model is thriving, not just surviving. Similarly, recruiters told us they don't foresee any big change in how their company advertises job openings. This year. But there are changes coming.

■ *Real Estate Advertising 2006: Despite banner year, time running short for print classifieds*

Despite the fact that U.S. newspapers are enjoying a banner year in print classified real estate advertising, that train is about to run out of track, and there could be a rocky cliff below the barricades. Realtors tell us that they're still buying print – not because it works better than other ad choices, but because sellers expect to see their listings in the local paper as proof that their agents are working for them. In a survey we conducted with Realty Times, we found that no advertising choice dominates Realtors' ad spending, and that in general terms, agents are as unlikely to advertise in the local paper as they are with national Web sites.

■ *Online ad placement and online-only classifieds: Newspapers' best and worst practices*

Self-service advertising sales are finally becoming widely accepted among newspapers and other print publications. We offer 17 “best practices” recommendations that every newspaper and dot-com should review and follow as it builds or upgrades its self-service ad placement system. Separately, we asked 21 U.S. papers and one in Canada whether they offered online-only classifieds, and the reasoning behind their decisions. The consensus was simple: “You have to do it,” several execs told us.

■ *Free Classifieds: They're all the rage, but where's the money?*

Classified content is hurtling toward free – prices driven downward by consumers' rising expectations. It's no longer a question of “if” – if it ever was. It's not even a question of “when” – the time is now. The real question is “how?” We profile ad publishers – newspapers and Web sites – that are making it work. There are opportunities, but given the head start heavyweights like Google, eBay and Craigslist have, the window of opportunities is a narrow one.





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Now that you've had a chance to examine the preview, buy the complete report "**Competing with Craigslist: Local publishers show how**" for just **\$499**, by visiting our Web site, www.ClassifiedIntelligence.com. Click on the "buy now" button under the report image, or call us or fax us using the form below.

We're also offering a special "Craigslist package" which includes our earlier companion report, "**Competing with Craig: Strategies and tactics for battling Craigslist and his counterparts**" for only an additional \$100 or a total of **\$599** (a \$150 savings) for both.

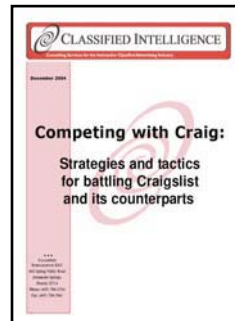
The reports are a compliment to each other. "**Competing with Craig**" examines how Craigslist and its counterparts effected changes in the industry; while the new "**Competing with Craigslist**," takes a look at Craigslist's impact on 12 specific markets.

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