

Inside Classified

Tap the Riches

Newsprint Web sites begin to emerge as viable revenue sources *By Jennifer Streisand*

Newspaper executives are developing innovative strategies to increase the profitability of Web sites, which are gradually becoming a productive revenue source.

Industry research indicates that profitable newspaper Web sites slightly outnumber those losing money. A study conducted by the Innovation International Media Consulting Group of Detroit showed that 38% of North American newspaper Web operations surveyed are making a profit, compared with 36% that are losing money, according to figures published by the Newspaper Association of America.

The NAA also compiled its own report to highlight some of the strategies that profitable Web sites are using, said Rob Runett, the organization's manager of electronic media analysis.

The report, entitled "Playing the Game to Win," indicates profitable sites "rely heavily on online classifieds."

There is no better technology to do interactive searching for classified information than what is available on the Web, according to Runett.

"That's why newspapers have been so aggressive in pursuing this," he said. "They realize that as a medium, they can provide something online that is a much better experience for their customers than anything else because you are able to do specific searches. That's really what Internet use is about."

The role of classified advertising

People often go online with a focused goal, and the classifieds provide a place for visitors to do targeted searches, Runett noted.

"When it comes to classifieds, their goal is to find a new car, a used car, a new home or a new job," he said. "The ability of these newspaper sites to create specific sections of their site dedicated to this information gives their visitors a tremendous resource."

In fact, classifieds have become so important to newspaper Web sites that they often account for anywhere from 20% to 90% of the online revenue that a newspaper Web site generates, Runett said. (These percentages are based on observations and discussions with newspaper executives, not on formal research, Runett clarified.)

"One of the things that we do at the NAA is closely track two of the major conferences that happen during the year as well as quarterly reports offered by a variety of the newspaper chains," he said. "In the quarterly reports and in the conferences, newspapers are making an effort to explain what is going on with their online divisions because there is such an interest from Wall Street and the analysts."

"It is market by market and paper by paper, but just in general when you think about the sites, really they are classified-driven in terms of revenue," Runett added.

Selling classified online

Newspapers sell classified advertising in two key ways, he explained. Originally, many papers included the

cost of the online ad in a bundled rate for the print ad, so that when an advertiser purchased a print ad it would automatically go online.

But newspapers are increasingly changing the way online ads are sold, Runett observed.

"People are doing it as more of an add-on, so there's a price for print, and then if you would like it to be online, there is an additional price," he said. "There is an upsell. A lot of sites are going in that direction, but there is still talk in the industry all the time about what is best."

Charging an additional price for the online ad can be a key element in building the online business and showing that it does not have to be relegated to a digital version of the print product, Runett noted.

"I think [newspapers] are trying to show that there is actual value with the newspaper site," he said. "Whereas before there could be a misconception that they were jacking up the rates and were throwing your ad online. The problem with that is that advertisers may not fully understand the value of the Web."

The New York Times Company leads the way

The New York (N.Y.) Times Company's digital division, which operates NYTimes.com and Boston.com, has performed well in the past four consecutive quarters, said Christine Mohan, spokesperson for NY Times Digital.

"It's a division that is profitable," she said. "We have been man-

aging expenses tightly, and the revenue has been growing."

Mohan attributes the success of the Web sites to strong brand names, among other things.

People know The New York Times and The Boston (Mass.) Globe, so they log on, she said.

"Boston.com has established itself as a very strong portal," Mohan said. "It's the largest regional portal, and they are known for their brand and their news and information."

Since Sept. 11, 2001, there has been an increasing demand for quality news and information, Mohan noted.

"We [NYTimes.com] have very strong international coverage as well," she said. "In fact, about 20 percent of our audience is international. Eighty-five percent of our audience is actually outside the New York area, so it is certainly a very national and international Web site for NYTimes.com."

The Web site is using some new advertising strategies, which is another factor contributing to its success, Mohan said.

For instance, NYTimes.com is using something called Surround Session. This means when a visitor comes to the site, they see a message from the same advertiser on the first five or six pages they view, Mohan explained.

"We have had great success from advertisers in adopting this," she said.

The idea, according to Runett, is for the viewer to have an opportunity to connect with the message.

"If the visitor engages with the advertising on each successive page, that can lead them from awareness to seeking more information," he

said. "Then perhaps the final ad is a way that they could either transact with the company or there is some kind of way they can connect for more information."

NYTimes.com was the first to adopt this approach, and Runett predicts other newspaper Web sites will follow.

Target marketing is another strategy that has increased profits for The New York Times Web site, Mohan said.

NYTimes.com enables visitors to register at no charge when coming to the Web site.

The registration involves giving personal information such as e-mail address, ZIP code, age and gender, Mohan explained.

"We use that information to provide target programs for our advertisers, so they can reach a specific audience," she said. "We have had registration since we launched. We are able to offer very targeted advertising, which makes for more productive ads."

Using e-mails containing ads is an additional advertising strategy that has worked well for NYTimes Digital, Mohan noted.

The e-mails contain content from The New York Times that includes ads related to that content.

"An advertiser will purchase the ads in a specific newsletter knowing what type of audience they are getting," she said.

Reaching the Web surfer

Newspapers are also employing strategies to appeal to the viewer just casually perusing the Web site.

At the San Francisco (Calif.) Chronicle, making the classified pages easier to navigate is a strategy designed to increase traffic and profitability, said Robert Cauthorn, vice president of digital media.

"Previously, people had to conduct too many searches, and there was not a browsing metaphor for people who wanted to browse by categories," Cauthorn said. "The previous site was too biased in favor of people who wanted to do directed searches."

The newspaper's Web site is now able to capture casual readers, he noted.

At the Topeka (Kan.) Capital-Journal, new features in the real estate section have contributed to the success of the Web site, said Phil Thompson, interim new media director.

Morris Communications, the company that owns the Journal, is committed to creating the kind of site that allows the paper to supply data to readers in a friendly, usable fashion that makes them come back and look again, Thompson said.

"For instance, Morris has built a proprietary database that allows us to move the real estate listings into it as well as our normal classifieds," he said. "We can extract it however we need to for whatever presentation we want. The beauty of it is that we are not tied to some other vendor's idea of what the presentation should be. Our real estate product is entirely built within the company."

The advantage to that is that the newspaper's Web site can present the information in a way that works best for the viewers in the Topeka market, Thompson noted.

What it takes to win

Profitable newspaper Web sites are taking a long, hard look at how resources are allocated, Runett said.

"The sites that are doing well, for the most part, have had to cut back on staff and do things more efficiently," he observed.

One way to make the sites run more efficiently is to develop systems and products that can be used by all of the Web sites in a newspaper's chain, Runett said.

"Instead of each newspaper and their site having to develop their own way to get the content online, these companies have invested money to come up with a platform that can be used across their entire network," he said. "Now there is a cost to build it, but once it is working, then there are all of these efficiencies that are built into that."

Runett said a newspaper's knowledge of its audience's needs is a key factor in the development of a profitable Web site. It also helps to provide the right mix of programming and services.

"By services, I'm talking about things that have advertising components, such as classified advertising, because really that is a key way to drive people to your site and keep them there," he said.

Wisdom with your resources can also determine the success of a Web site, he added, stressing that it's important to "know if something is not working and have the courage to pull it back and invest your time in a different area."

