

ADVERTISING

Newspapers Think Locally for Online Ads

Sales Efforts Increase, But 'Smaller Dollars' Prove Hard to Chase

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In an effort to make up for their plunging print-ad revenues, newspaper companies have been scrambling to train their sales teams in the intricacies of selling online ads to local marketers.

But in many cases they aren't selling a lot of ads and at least some of the new ads they are managing to sell are cannibalizing their print-ad revenues, industry analysts say.

Over the past two years, the number of local salespeople peddling online ads for newspapers has ballooned to 15,500 from 5,900, according to estimates from media-research firm Borrell Associates. Traditional media companies have believed strongly that they have an edge over Internet companies because they are based in the communities they serve.

But whatever edge may have existed appears to have evaporated. Newspapers now control only 27.4% of the local online ad market, down from a 35.9% share in 2006, according to Borrell.

There are several reasons why newspapers so far have failed to crack this market. Because online ads are far less expensive than print ads and thus offer lower commissions, it's difficult to get salespeople to focus on selling the digital products.

Also, the types of ads that newspaper companies are selling—typically banner



ads—don't correspond with the needs of a local merchant. And much of the potential local online ad revenue growth comes from small and medium-size local businesses, a market segment that newspaper companies have typically ignored.

It's not that spending on local ads isn't growing—that market expanded at a 57.2% clip last year. The big winners so far are Internet companies like **Google** and **Local.com**, which collectively control 53.3% of the local online ad market, up from 25% in 2006. And they've done that with only 1,400 ad-sales reps. They specialize in selling ads that target consumers searching the Web for a particular product or service, whether it's a plumber or a neighborhood pizzeria.

Some publishers say rising competition from everyone from Google to local bloggers has made it tough to offset newspapers' sliding share of local online

ad revenue. "At the moment we're just trying to retard it as much as we can," says Dan Shorter, president of digital media for the Minneapolis Star Tribune.

The cannibalization of print ad revenues is also a problem. One common scenario is that a trusty local print advertiser—a car dealership, say—that used to spend \$20,000 a year on advertising might now spend a quarter of that with the newspaper online and nothing in the print product. Thus, the newspaper company is now selling more digital ads, but the new sale is taking away from its bottom line.

Companies like **E.W. Scripps**, **A.H. Belo** and **Lee Enterprises** generally have three broad streams of ad revenue—local, classified and national. Classifieds typically represent 60% to 70% of papers' online revenue, but **Craigslist**, among others, is fast gobbling up that business. The pool of national ads, meanwhile, has been a promising area for newspapers, but even there, growth is slowing. That's why papers are focusing relentlessly on local online ads. A lot of newspaper companies have teamed up with Internet players like **Yahoo** on a variety of cross-selling and ad-technology initiatives to get more local ads.

Small- to medium-size businesses are a prime target for newspapers because their limited ad budgets price them out of the daily print paper. Newspapers aren't the only traditional media businesses trying to reach this crowd: Yellow pages-style directories, which for years have sold listings to small businesses, are also eyeing this opportunity.

But as newspaper companies have discovered, smaller and less sophisticated advertisers require more hand-

holding—and bring in fewer ad dollars—than a traditional local advertiser. The independently held Bakersfield Californian recently started offering free seminars to teach local small companies how to set up free business listings on Google and Yahoo, and on an online directory hosted on the paper's Web site. These smaller businesses for the most part have annual advertising budgets of \$10,000 or less a year, which would be eaten up by buying just two full-page ads in the paper.

"It's a very long sales process for smaller dollars," says Mary Lou Fulton, vice president of audience development for the Bakersfield Californian, which now has a handful of digital-only ad-sales reps.

Most newspaper companies don't break out local from nonlocal ad revenue. But in the last week, Scripps, Belo and Lee reported declines in online ad revenue for the second quarter. Those figures include both ads sold separately and as part of a bundle with a print ad.

Some papers, like the Scripps chain, are trying to give sales people more motivation to sell online ads. At Scripps's Corpus Christi Caller-Times paper in Texas, for example, the online audience is about 40% of the size of the print circulation. As a result, 40% of the salespeople's commissions are tied to their sales of online ads. Figure goals go up sharply each year, forcing the sales teams to sell more digital ads to continue to maintain their monthly commissions.

"Unless you take practices that have been in place for 50 years and shake the dust off the rugs, you're not going to move the needle," says Mark Contreras, senior vice president of Scripps newspaper division.