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What Users and Advertisers *Really* Want

It's interesting for me to be addressing a group primarily composed of magazine publishers, because while over the years I've had the opportunity to publish books, newsletters, journals, directories and buying guides, I've never had the opportunity to publish a magazine, though I've always wanted to!

So, as an outsider to the magazine business, my objective today is to try to give you a sense of what's going on in other parts of the publishing world because, as I hope to demonstrate, the issues we all face are surprisingly similar, as are many of the solutions.

As it happens, I spend most of my time focusing in the area of directories, databases and buying guides. It's a small, obscure and some would say downright peculiar segment of the larger publishing industry. It's also the segment of the publishing industry that a lot of people – including myself – thought would benefit most readily from the Web. After all, what could be more natural and logical than using the Web to provide one's subscribers with access to your databases? Even better, it quickly became obvious that from a purchasing perspective, the Web was all about buyers seeking sellers. And since that's exactly what buying guides are designed to do, placing buying guides on the Web seemed like a home run opportunity as well. As an industry, it seemed our day had come.



So what's the collective experience of directory publishers on the Web been so far? The word "underwhelming" is actually a little too optimistic, and the word "miserable" is definitely too extreme, but the collective experience is in there somewhere between those two points. Based on my work with clients and everything I've seen and heard to date, I'd say that the directory industry experience pretty well mirrors the track record of other publishing industry segments.

Why has the Internet been such a challenge for publishers? I think it's simply because there are so many variables in the equation. The Internet hasn't just changed our perceptions and the way we do business, it's also changed the perceptions of our customers and the way they do business. Just as we're feeling our way into the future, so are they.

As an industry, we spend a lot of time discussing what the Internet means to us, but a lot less time exploring what it means to our customers. That's what I thought I'd explore in my time today, and it's why I selected "What Users and Advertisers Really Want" as the topic for my talk.

Being associated with the Internet is a bit like riding a mechanical bull. It lurches in one direction then goes off in another direction, leaving you hanging on for dear life with no idea what's going to happen next, and the distinct knowledge that you're not in control. Right now, we're all talking about a company called Google, not just because of its incredible success and imminent IPO, but because it is a looming competitive threat as well. But what's most scary about Google is that it's only seriously been in business for less than five years and isn't even fully up to speed yet. We are truly living in interesting times.

While it's both trendy and convenient to say that the Internet has totally changed the business of publishing this masks a more subtle



truth: it's actually our customers – subscribers and advertisers – who have totally changed the business of publishing. The Internet simply provided them with the tools and the impetus to effect this change.

Why do I say this? Because the Internet is a nothing more than a mechanism for information access and exchange. From the perspective of publishers, it's a different format in which to distribute information. Its rapid and remarkable growth is directly related to its defining characteristics: it's simple to use, it's in widespread use, and it's extremely low-cost. Viewed this way, the Internet doesn't seem very threatening or disruptive. Indeed, given these characteristics, the Internet should have been a boon to the publishing industry, allowing publishers to distribute their products faster, in more customized and personalized formats, all while enjoying dramatic cost savings. Instead, the Internet has turned out to be one of the most disruptive forces to ever hit the publishing business.

So what happened? Without anyone realizing or intending it, the Internet put a giant spotlight on the publishing industry, allowing its customers to see it as never before, as well as giving them a means to measure its products and performance, and new ways to respond to perceived shortcomings. Let me give you a few examples of this:

First, by spurring the delivery of content in purely digital form, information users really starting looking at content free of its packaging for the first time, raising fundamental questions about the value of content. That's because tangible packages provide critical cues as to product value. There was certainly foreshadowing of this. In the 1980's, when directory publishers began to offer their products in CD-ROM format, it was very common for subscribers to say, "I know it costs less to make a CD than print a book, so why isn't the CD cheaper?" That so much



content is made available for free on the Web certainly hasn't helped to increase the perceived value of digital content.

That digital content could also be so easily distributed to third parties who hadn't paid for it has not helped either, while giving new meaning to the term "liberating technology."

Second, the Internet has made it much easier for consumers to find alternate sources of information. In other words, it's now easier for your customers to find your competitors. More than a few publishers, particularly directory publishers, have over the years built very nice businesses because they had essentially captive markets courtesy of market ignorance. In those golden days of publishing, if you found a new subscriber and provided a product of even marginal quality, you could count on that subscriber to stay with you forever. It wasn't that they necessarily loved you or your product; it was far more likely that they simply assumed you were the only game in town. Trying to find an alternate source was a slow and imprecise process, hardly ever worth the effort. Now, of course, a full range of options is only a Google search away.

Third, the Internet also created a level playing field in terms of distribution. Many publishers have flourished over the years largely because they controlled access to an audience or a sales channel that was too difficult or expensive for others to access or build themselves. With its characteristics of ubiquitous, low-cost distribution, the Internet has neutralized this competitive barrier, making business harder for the former beneficiaries, while offering new opportunities for those who had formerly been on the outside looking in. Ten years ago, trying to launch a new magazine against established competition, was a risky, expensive, daunting proposition. Now, with the Internet, it's not. That's a long-way from a guarantee of financial success, but it remains a huge competitive enabler that keeps more than a few publishers up at night. Consider the example of the book business where for

decades, a handful of major publishers essentially controlled access to the critical retail bookstore channel, leaving thousands of small presses laboring in obscurity and hoping for a miracle to put them on the map. Now, these small presses have equal access to the biggest bookstores of all – the online bookstores – and far more opportunity on the Internet to find an audience, fueling a quiet Renaissance among smaller book publishers.

Fourth, in a few scary cases, users are even questioning whether some publishers add any value at all. Look at the outright rebellion in the field of academic journals, where authors are telling publishers, “no thanks, we’ll do it ourselves,” and doing so with some success. The Internet de-mystified the publishing process for academics, who now believe, with some accuracy, that many journal publishers are reaping staggering profits for work that at its essence is more administrative than creative. Just last week Reed-Elsevier announced a stunning concession to its authors, who will now be allowed to offer their papers for free on their personal and institutional Web sites, before they are even published in the journal. This new policy has a number of conditions attached to it, all designed to minimize its impact, but it’s not hard to see the long-term direction in which things are headed.

These examples so far have addressed subscribers, but there are just as many issues relating to advertisers.

Just as the Internet has empowered subscribers, so too has it empowered advertisers by giving them new ways to reach their target markets. The so-called “buyer seeking seller” model, long the key selling proposition of buying guide and yellow page publishers, is almost perfectly expressed on the Web. An advertiser can put up an informational Web site, and potential customers can find it with increasing ease thanks to search engines. Not surprisingly, this is creating a tough selling environment for buying guide publishers.



Mix in that most seductive of new business models, “pay for performance,” and it’s no surprise that advertisers are so quick to try these new forms of advertising. What could be more attractive to an advertiser than someone who says “pay me only if I deliver, when I deliver, and for the quantity I deliver”? It truly is a great deal for advertisers, provided that they fully understand, want and need what is being delivered.

And while the buzz surrounding them has temporarily diminished, it’s far too early to write off the whole concept of electronic marketplaces and exchanges, those new-fangled bastions of efficient and rationalized purchasing. Ironically, they are struggling precisely because they are too rational, but their ruthless efficiency makes them attractive to company management, and they are quietly gaining traction in several industries.

So far, this hasn’t been encouraging talk. It’s easy to rush to the conclusion that the traditional publishing industry has been marginalized, swept to the side as new technology and new business models have stepped up to replace it. You could also conclude that our audiences have been usurped and our content devalued. But of course it’s not that simple.

Part of the complexity is that much of the pain we are feeling is self-inflicted. If, for example, electronic content isn’t valued as highly as it should be, I would contend that this is due in large part to our own industry, which until very recently has been flooding the Internet with so much free content. Give people enough free content for enough time, and they’ll start to assume that all content is meant to be free. I see many encouraging signs that we’re beginning to recover from this, but it’s going to take some time and it’s going to hurt for a while longer too.



Similarly, many of us are in an awkward transitional period, selling our print products while making the same – or better – information available on the Web for free. Most publishers got to this odd position because their online audiences were built on free content, and they are convinced their audiences will evaporate if they try to charge for their online content. This leaves publishers desperately trying to hold onto declining print revenues, while desperately trying to build their free online audiences, hoping the whole mess will sort itself out before they have to make any tough decisions. I would argue that publishers in this conundrum are avoiding the more profound question: does my content still have any value to my subscribers? I am going to talk more about this.

When it comes to shooting ourselves in the foot, we've done an equally good job in the advertising area. When we first started selling Web advertising, we generally bundled it with print and in some cases gave it away for free. In both cases, we essentially assigned Web advertising zero value since it was being offered at zero cost. It took years for us to start to ask money for online advertising, and right about that time a recession kicked in. With advertisers looking to reduce their advertising budgets, the first thing to go was online advertising since it was new and unproven, and since publishers had been sending such mixed messages about its value. In an admittedly deep advertising recession, publishers focused their energies on retaining print advertising revenue. Yet, more than a few major B2B magazine publishers will tell you privately that for the last few years, they've effectively mothballed their online activities to focus on print, which in their words, "we know how to sell and has proven value." Cause and effect, anyone? And ironically, what is now leading us out of the advertising recession now? Online advertising, driven by strong advertiser demand. It's hard to keep a good medium down, but I am not sure we're done trying. Here again, we see the "V word," – value – rearing its head.



Some of us are already engaged in another form of self-abuse by allowing contextual advertising on our sites. The rationale for a publisher to accept advertising from a search engine is simple and seductive: some money from advertisers you'd never sell anyway is better than no money. Some publishers are already reporting nice monthly checks rolling in – with no work at all. What's not to like? After all, aren't you the clever one for turning the search engines into ad sales reps for you?

Yet what would you say if an independent sales rep came to you and made this proposition:

- 1- I want you to give me about 10% of the space in your publication, and by the way, I'm looking for good positions, maybe even your home page.
- 2- I'll sell ads into that space, and keep the lion's share of the revenue
- 3- I won't specifically chase your advertisers, but if they should come to me, tough on you
- 4- I'll sell using a whole different pricing approach than you use, which may turn out to be a cheaper rate than you offer your advertiser
- 5- I'll essentially be the judge of who advertises what on your site, without regard to your brand or your market position
- 6- I'll be building a huge syndicate, so you'll always need me more than I need you
- 7- I will be telling the advertising community, day in and day out, that my approach to advertising is far superior to yours

How long would that rep be in your office? Probably just long enough for you to stop laughing. Yet when Google talks, we listen.

Contextual advertising may in fact be clever and beneficial if most of your revenue doesn't come from advertising. But if you generate the bulk of your revenue from advertising, you need to be



afraid – very afraid – of contextual advertising. Let’s go back to that rationale I mentioned earlier: you’re getting some money from advertisers you’d never sell anyway. Actually, that was the rationale for going with some of the old syndicated advertising services like DoubleClick. They sold massive traffic in broad categories to marketers of broad-appeal consumer products. That is indeed free money for any specialized publication. But if you publish a magazine for, say, the machine tool industry, and a contextual ad appears on your site based on the keywords “NC simulation,” that’s your advertiser -- or it should be -- meaning the search engine supplying that ad is competing with you and you’re helping them do it. On the other hand, if you’re a machine tool magazine and contextual ads are popping up for, say, 1-800-FLOWERS, it’s the search engine that needs to worry, because it will be out of business very quickly. Let me say it another way: by definition and design, contextual advertising is competitive with your own advertising sales efforts.

When I try to summarize all I have seen and heard in the last few years, I consistently come back to one word, the “V word,” -- value. All of us need to understand how – and if – we are providing value in this new environment, and if we’re not providing value, we’ve got to re-engineer our products so they do. Let’s examine some of the ways the traditional value equation has been radically altered by the Internet:

For starters, the way that people access and use information has changed dramatically over the last ten years, and I don’t think this change has been fully appreciated.

We are experiencing what I call the collapse of information float. As you may know, when money is in transit between payer and payee, that period is called float. I believe there is information float as well, the period of time between when an event happens and when it becomes generally known. But just as bill payment is



increasingly electronic and instantaneous, so too is news dissemination. The information business today is now a real-time business as far as alerting people to events is concerned. There are too many news outlets, and many of them define themselves by how fast they can break news, patting themselves on the back if they can get a story out hours or even minutes before the competition. News is a tough business, and many experts have concluded it has been fully commoditized at this point.

Of course, the collapse of information float has impact far beyond reporting current events. Ten years ago, I started a trade newsletter with a monthly frequency. Our editorial approach was a common one at the time: write stories based on interesting press releases we had received as well as stories we heard talking with others in the industry. Not only was this a viable approach, we found that even with a monthly frequency, we would often be the first to report much news. Part of that was our specialized coverage, but part of it was that information traveled much more slowly then. We probably only reported about 10% of what was going on in our industry, yet our subscribers would typically know only about 10% of that 10% . In those days, the information float was huge.

Now, everything we publish in this newsletter is, by definition, old news. With a few keyword searches on the Internet, our subscribers can now easily replicate what we had traditionally published in our newsletter. In addition, they can get the information faster, and they can probably get it for free. We have survived by shifting our emphasis to adding more detail to these events, offering opinions and context, connecting the dots for our subscribers and relating it back to their businesses. It is, frankly, a lot more expense and a lot more work, but without this effort, our product would be dead.

Of course, this phenomenon is not limited to newsletters. Consider the directory business, that, in this real-time world, still remains



largely on an annual update cycle. Directory publishers originally adopted this cycle due largely to the limitations of typesetting and printing technologies. As these technologies advanced, publishers rapidly adopted them, but with an emphasis on reducing costs, not compressing the production cycle. As with newsletters, it's not clear they would have been properly rewarded for improving data quality until recently, but now that's it's a business necessity, the change is wrenching because it's complex, expensive and has to happen fast. A number of publishers won't survive it.

While on this topic, I'd like to direct some opprobrium at the yellow pages industry, which has never been a bastion of data quality, at least where free listings were concerned. As someone involved with the industry, when I first established my Verion business phone service, I watched very carefully to see how long it would take for my listing to appear in Verizon's very own online yellow pages. The answer is 14. Not 14 minutes. Not 14 hours. Not 14 days. Not 14 weeks but, rather, 14 months. But rather than focus on improving data quality, Verizon, like its brethren, has been in a frenzied race to build out this mediocre database nationwide. This is because yellow page publisher are really just ad sales operations, and in their view, those pesky listings really do just exist to separate the ads. This dubious attitude was masked by the annual print publishing cycle, which was used as an easy excuse for errors and omissions, but on the Web, this attitude is deadly. Here's an example of an industry that's poised for a fall because it doesn't appreciate how much things have changed, insulated as it is by its print-based local market monopolies.

We also need to understand the issues surrounding information proliferation. If you have any doubt that too many publications are carrying the same information, do a news search on the Web. It's particularly notable with newspapers, where you can typically read the exact same Associated Press story on any of a dozen or more sites. It's convenient for me as a user, but it works to kill brand and

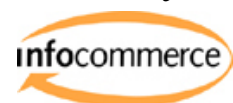


subscriber loyalty while commoditizing the news product. It also has the curious effect of letting one paper step on another's business model, because I'll be the first to admit that I'll read the article at a site that doesn't slow me down by requiring registration.

The notion of the editorial filter was that an intelligent selection of news by the publication provided real value to the user while defining the publication. Now, in an era where everyone publishes everything, we not only devalue the content, we devalue our publications.

Similarly, I am disdainful of vertical business sites featuring syndicated news feeds, even if ostensibly filtered by category or keyword. There's a reason they've proliferated: they are cheap, automatic, mindless, and allow you to feel like you're delivering value without lifting a finger. But face it: pumping a relentless stream of press releases and industry news from non-experts to your specialized, expert audience is not a high-value activity. And to the extent your syndicated feed does deliver valuable information, I'd suggest it's something you should be writing about yourself, and/or it's coming from a competitor.

I'm not picking on syndicated news in particular; it's merely a symptom of a larger problem. I used to get a weekly email – note my use of the past tense -- from a trade magazine in my field. Here, the issue was not lack of editing. Indeed, every item was nicely summarized in a few sentences, with a convenient link to the full text. The problem was that the publisher believed it was delivering value by being comprehensive. It included every piece of news, every press release, everything that its editors saw in the course of the week, and the email often contained 50-100 items. Even a modestly diligent scan was a 20-30 minute investment of my precious time, and among all those items, there were far more misses than hits in terms of news of interest to me, which is why I



eventually gave up on it. I'd rather miss a piece of news because an editor judged it not interesting, than to miss a piece of news because I overlooked it in the sheer volume of information coming at me.

In the old days, we filtered because there was only so much we could print; now we need to realize that there is only so much our readers can process, which is why filtering is even more valuable than it was in the past.

I just referred to “my precious time.” That wasn't hyperbole, and it leads nicely into the third way the value equation has changed, and I think we're all living this one. One wave of technology made vast amounts of information easily available. Another wave of technology made it easier to process, format and display information and communicate it to others. Still another wave of technology, ironically called, once again, “liberating technology,” made it easy to send, receive and process this information anywhere at anytime. Net result: we're all drowning in information. And to a greater or lesser extent, we're all responding with a classic defensive mechanism: we're shutting down. Where we used to read, we now skim. Where we used to skim, we now glance. Where we used to glance, we sometimes now ignore. Just as the computer revolution ending up producing more paper rather than less, the information revolution created the unexpected consequence of helping us to work both smarter and harder.

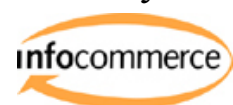
I am certainly living testament to all this. I get a number of trade magazines, both paid and controlled. When each arrives, I glance at the stories mentioned on the cover. If I'm really good, I scan the table of contents as well. Then I dutifully add it to the stack by my desk. I say by my desk, because at nearly two feet tall, I can no longer keep the stack on my desk. When I have a slow moment, or need a break from my computer, I do flip through them, read some articles, and yes, I do look at ads. When things slow down, I take



the oldest issues, pronounce them too old to contain anything of value anymore, and throw them away. While I do this regularly and systematically, I do this with great guilt, knowing that valuable information is getting by me. What's also strange is that despite this ritual, I still like to receive information in print. It remains more portable, more organized, and more conducive to spontaneous access. My point is that competition for my attention is extreme.

When I am looking at information on the Web, I am almost invariably seeking an answer to a specific question or something to document a belief or support an argument. I call this type of work "fact fishing." There's even a company in New York called eMarketer whose entire business is gathering or organizing all the tables and charts that various research houses issue, providing convenient access to them to be used in reports and presentations. A recent study I saw notes that even academics are rapidly shifting from "browsing" to "searching" in the way they access information. I will tell you that as a survey sample of one, there are no business Web sites I go to on a regularly basis to obtain industry news. I will say that I do value and scan relevant information delivered to me by email. I am a huge proponent of pushing content to readers rather than hoping they'll come to you because that's an uphill battle in this environment I am describing to you. I am also monitoring the growth of RSS, which could provide the best of both worlds.

When you look at value, you also need to consider pricing. As I've said, I believe the "information wants to be free" silliness is now well behind us, although it will take a while longer for information users, particularly consumers, to adjust to this new reality. Another reality, one that seems to get overlooked a lot, is that throughout the entire Internet revolution, businesses continued to pay for content, and lots of it. The primary impact of the "culture of free" was to exert downward pressure on prices as buyers found they



could get similar types of content free on the Web, or just felt they could. This didn't necessarily stop buyers from buying, but it created a mindset that the value in what the publisher was offering was the convenient assemblage of content, not the content itself. Not surprisingly, buyers didn't place a very high value on the act of assembling what they perceived was largely free content, and this significantly constrained the ability of many publishers to raise prices, and some even felt compelled to reduce the price of their online products.

Changing value perceptions are not limited to information users. Advertiser value perceptions have changed as well. I talk to a number of B2B advertisers, and have participated in a number of B2B advertiser focus groups. I think that, as a group, the best way to explain their current state is "dazed and confused." At one end of the spectrum, there are still a remarkable number of companies that have no Web site and share a single AOL account for email. On the other end of the spectrum, you have companies investing millions to build, maintain and promote their Web sites, though their strategies run along the lines of "more is better" and "change is good." A recent study by Forrester Research drives home this point by noting that Fortune 1000 companies spend an average of \$2 million per year on Web site re-designs, without any real knowledge if these changes are improving their sites. As always, when large amounts of money are being spent, don't assume they're being spent wisely.

Despite these extremes, there's remarkably commonality in the confusion among advertisers, which is something along the lines of "print seems dead for advertising, but I'm not still not sure how to get the Web to replace it." This uncertainty has proved to be highly disruptive for both advertisers and publishers.

Prior to the Web, advertisers had limited advertising options. They could buy space in the appropriate trade magazines. They could



field a sales force or get on the phones. They could go to tradeshows. They could use direct mail. Interestingly, we've all found ourselves selling against direct mail at some point. What made direct mail so compelling to advertisers was that it was so targeted and measurable. But guess what? We were able to successfully sell against direct mail because we were able to demonstrate that we offered something different and valuable to the advertiser.

Along came the Web, and its siren song was that it was so measurable. Publishers built online sites and said to advertisers, "okay, be measurable online with us." That worked for a while, until the search engines upped the ante and added targeting capabilities. Suddenly, advertisers were flocking to a new form of advertising that offered the compelling characteristics of being ... targeted and measurable. But unlike direct mail, we're not yet making a convincing case that we're offering something different and valuable. If we're not convincingly articulating our own value, there's scant hope that advertisers will identify it for us.

What do advertisers really want? For most B2B advertisers, they want phone calls and emails from qualified prospects. For a smaller group of advertisers, they want to build or burnish a brand. I'm not convinced that search engine keyword advertising is optimized for either of these objectives. A search results list is certainly not a great branding environment, and as to keyword-driven clickthroughs, let's never forget that clicks are not leads. I was in a seminar recently where a Google representative confirmed that they see their business as driving traffic to your site based on relevant keywords, and that their sole interest is how many, not who they send your way. Whether advertisers will remain content with this state of blissful ignorance remains to be seen. Right now, advertisers seem pre-occupied with boosting their site traffic, viewing it as some form of digital affirmation, proof that they're liked and are interesting to others. But at some point, when



keyword advertising bills are going up much faster than new business, it will be time for tough questions, questions I am not sure the search engines are willing or able to answer. There's a huge opportunity here for B2B publishers, but we've got to lay the groundwork now. Frankly, if I had to choose, I'd much rather be competing against the Google's of the world than companies such as TechTarget, GlobalSpec and KnowledgeStorm, who make it their business to put hard sales leads on the desks of their advertisers, as opposed to anonymous clicks.

Further, it gets said quite often that search engines can provide ROI for keyword searching, while publishers can't demonstrate ROI for online advertising. This is part of the current trendy obsession of trying to apply ROI measurements even where they make little sense. The reality is that in B2B advertising, it's hard to measure advertising returns because B2B purchasing is not a straight-line process. You don't typically order horizontal earth boring machines through a shopping cart on a Web site. Search engines can't tell you the revenue they generated for you, only the number of clicks they sent your way. You can measure ROI on sales leads, but in the B2B world, you can't easily measure ROI on clicks.

Arguably, there is an advantage here for publishers because if keywords are proof of relevance and qualify the clickthroughs, aren't clickthroughs from a site that is totally devoted to a specific topic or industry likely to yield better and more qualified clickthroughs?

Again, it's a sample of one, but I look at my Web site logs very carefully and I think they are revealing. I get a number of clickthroughs from the search engines, and I can see the keywords that were entered, and I would judge most of them relevant to my business. I also see that few of these clickthroughs look at more than a single page on my site, and some leave before the page even



loads completely. My site may be bad, but it's not that bad. Yet to the search engines, a click is a click, is a click, and had I purchased those keywords, I would have been dutifully charged.

In contrast to this, I see referrals from other Web sites that pertain to the publishing industry. These visitors stay longer and look at more pages. Most importantly, even if they don't buy anything, I've made a valuable brand impression on someone in my industry. If I made, say, industrial safety goggles, I'd have a hard time feeling comfortable buying all but the most specific keywords on a search engine, because there are specialized goggles for all sorts of applications, as well as consumers looking for goggles. The chance of poor-quality clickthroughs is high. Yet if I were to advertise on the site of, say, *Industrial Plant Safety* magazine, I think you would agree that while the volume of clickthroughs might well decline, my chances of getting high quality clickthroughs would dramatically improve. That's because the site provides context, and context plays a critical role in pre-screening and qualifying clickthroughs.

A recent trend that demands special mention is a new push by some advertisers to break down the walls between editorial and advertising. Advertisers have wanted this for a long time, but having suffered as we all have through a long and deep advertising recession such requests are suddenly getting a more positive reception. This has always been a bad idea, but with the value shifts I am describing, I think acceding to such demands now could be fatal. I'll get specific about this in a minute.

So, having reviewed the big picture and the big trends, I'd like to try and summarize all this for you and leave you with some specific recommendations.

What I have been describing is a series of shifts in the marketplace, largely driven by the Internet, that have radically changed the



competitive landscape. These shifts have also caused our customers – both advertisers and subscribers – to work differently, to do business differently, and to think about information differently. We need to respond to these changes to remain valuable and viable. The good old days of publishing, where you could be a bit slow and a bit sloppy and still do nicely are gone. This new environment is demanding and competitive, and we have to rise to its requirements.

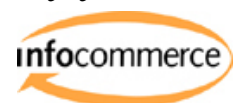
First, we have to understand that our audience wants content that is distinctive. The media environment is so cluttered right now that unless you have something special, interesting and unique and valuable to say, you've got nothing to say. At many publishing companies, editorial departments have been disproportionate recipients of cost cutting measures. In the old days, particularly with a controlled circulation magazine, you could get away with a lot. If you haven't already figured it out yourselves, I'm here to tell you those days are gone forever. Quality editorial has never been as important as it is today. Your target audience can't read 10% of what's available to them and the only way to get and keep their attention is by having something to say. I saw an article recently noting that a trade magazine had appointed a noted industry expert as editor. The article speculated that this might be the beginning of a trend, and noted wistfully that it used to be more common. Let me suggest to that this novelty needs to quickly become a business imperative. This is the time for taking intelligent editorial risks, taking positions and having opinions and you can't do it unless you are a subject matter expert and have the respect of your audience. The bar has been raised.

Second, the ability of our audiences to process information now stands in inverse proportion to our ability to deliver it. Subscribers want less information, not more, provided it is intelligently selected. For a long time, it was well understood that there was value in intelligent filtering of information. I know at times that as



a publisher I felt constrained by that, having ten good articles to publish but only having room for eight. That's why I initially thought the Internet was so liberating: there were suddenly no constraints and no limits. I've now seen the consequences of this and changed my tune, and your subscribers have as well. Part of our job is to determine what's important, and a lot of us have drifted away from this.

Third, and this one is critical, your subscribers want to be told what to do. When you have no time to think, much less analyze, having unlimited access to unlimited amounts of raw data is not helpful; it's a burden. Consider this example: which would you reach for given the choice: a comprehensive list of Toronto restaurants, with full information on cuisine, hours, prices and credit cards, or a *Zagat* guide to Toronto's best restaurants? My bet is you'll take the selective list over the comprehensive list. Why? Because someone has done the thinking for you. They've developed the selection methodology, done the legwork, asked around made the tough choices, steered you in the right direction, and were willing to put their name on it. I call this "the new 3'Rs," ratings, ranking and recommendations. When you provide a recommendation, narrow the list, identify the best, rank based on criteria, you are providing tremendous value to time-challenged readers. Consider the phenomenal success of *Consumer Reports* on the Web. It's also worth noting that after initially operating a free site, Zagat has found it can now charge for subscriptions on the Web. There's a fascinating new book out, called *The Paradox of Choice*, that cites studies which have shown that too many choices actually cause anxiety and stress, and in some cases, cause people to make no choice at all. And that's all before you layer in the complication of limited time. This is part and parcel of offering more distinctive, informative, helpful and valuable editorial. And this is why I believe the walls between advertising and editorial must remain solid: content that is biased, and particularly recommendations that are biased don't just destroy your credibility, they destroy your



value. And the single most important thing I can tell you is that your future depends on adding more value to what you do.

You should also consider how you can better integrate yourself into the workflow and business processes of your readers. I mean two things by this. First, information sources that are standalone and passive are strictly optional in today's environment. Your challenge is to find ways to continuously engage and interact with your readers. It could be anything from email newsletters, to surveys, polls, contests, audio-conferences, whatever you can think up and whatever it takes. It's a business imperative to stay front of mind with your audience, because otherwise you'll quickly fade from view. I won't go as far as saying you should try to create some sort of community, because in my opinion the whole idea of business communities has been pretty well discredited. I am simply suggesting that at a minimum you push information into your reader's email workflow. If you're worried about all the issues relating to spam, remember that the consensus experience is that truly useful email remains truly welcome email.

You can go further of course. The more you make your Web site a real resource, the more repeat traffic you can develop, and the more opportunities you have to integrate into reader workflow. This could be anything from a good deep-linked set of links to useful resources, to a buying guide, to organized access to product literature, anything that someone might need more than once and where you can provide a top-flight resource. I also believe there are opportunities to create vertical industry search engines. And if you're groaning to yourself because all of this sounds a lot like the old vertical portal concept, well groan a little more, although let me suggest to you that those spectacular vertical portal flameouts you may remember were largely the result of the wrong people, doing the wrong things, the wrong way at the wrong time.



Second, if you have structured data, you have different integration opportunities. You can sell data feeds that integrate into your customer's software applications. Alternately, you can develop your own application around your data and sell the package to your customers. Your buying guide could offer online RFPs and other tools to streamline the procurement process. You could offer online catalogs of parametric product-level searching. The key is to embed yourself into your customer's business and tasks so that habituation and high switching costs work in your favor. Remarkably, it's not hard to accomplish if you can really save your customers time, effort or money.

Think for a minute about the big daily newspapers. For a long time, they have reaped huge profits from their classified advertising businesses. From every perspective, these appeared to be impregnable monopolies. They had daily frequency, huge reach and consistently produced a good response for advertisers. In every respect, they had their markets locked up. Yet a little start-up called Monster.com came in and gutted a big portion of their classified business. Yes, Monster was cheaper, but that wouldn't have meant anything if Monster couldn't get big distribution to generate a good response. Monster succeeded by offering a distinctly better product. Suddenly, employers could enter ads online, 24 hours a day, as opposed to the papers that had strict deadlines and relied on telephone operators and fax machines to receive ads. Monster eliminated artificial geographical constraints, so employers could now reach an expanded pool of applicants. Employers could now start receiving applications within minutes of placing an ad, with resumes that arrived in convenient digital form. Job applicants could store resumes online and forward them with a few clicks. Employers could search stored resumes. Stored searches would alert applicants to new jobs within minutes of posting. And Monster continued to offer new services by offering software that streamlined and automated large parts of the corporate HR function. Monster pushed itself into the middle of



the hiring process by streamlining every aspect of the workflow and the process, simplifying things, speeding up things and automating things. In a time-starved world, automation, increased productivity and efficiency free up time. That's so compelling to people that it is enough for start-ups to successfully challenge large, entrenched monopolies. Never under-estimate the power of helping customers recover time.

Is workflow and business process integration for content producers one of those frothy new concepts that sounds great but is impossible to execute? Let me give you as an example a local company you may heard about: it's called Thomson Corporation. Its Thomson Financial division, a billion dollar operation in its own right, now derives 93% of its revenues electronically, and can't wait to get to 100%. As significantly, it got to this point during the most confusing and disruptive days of the Internet. And while the conventional wisdom was that to be a player on the internet, you needed to give your information away, it not only continued to charge, but even raised prices. The simple secret is that during this period, Thomson Financial was increasing the value of its products, moving to real-time updating, and building customized data feeds for its clients who then in turn built them into their internal systems and business processes. Even more cleverly, Thomson delivers its content through a software platform into which customers can incorporate their own data, literally placing Thomson in the center of their customers' workflow and business processes, and giving them the protection of high switching costs.

Let's now talk about your advertisers and what they really want. My contention is that advertiser needs are the same as they have always been. They are so basic that frankly, how could they have changed that much? What has changed is that advertisers are now being offered a lot of new ways to meet these old needs. Just as information sources have proliferated, so have advertising options.



At the same time, I believe that most advertisers are confused about this range of options, and uncertain about how to get the most value for their advertising dollar. But while some of the new advertising outlets are aggressively marketing themselves and offering what seem like risk-free deals, publishers continue to send out a decidedly mixed message, when they're sending out any message at all. With different types of B2B publishers now reporting that online revenues comprise 10-40% of total revenues, and that online advertising is the fastest growing part of their businesses, it's time to get serious about online.

Let me offer a series of recommendations for your consideration:

First, if your print and Web advertising is bundled, unbundle it. Bundling may have made sense in the early days of the Web, when advertisers were unsure of the value, but we've persisted with it way too long, likely because deep down we're still unsure of the value. A few years ago, print was propping up online. Now, print may well be holding online back. If you've got a viable Web site, start selling it. It's time.

Second, while you can make powerful arguments for and against, based on what I've seen, I think I come down on the side of a separate online sales force. I think the potential drawbacks are more than offset by the focus, drive and media mastery a separate sales force brings.

Third, stop using site traffic as a sales crutch. Publishers used to do this in print, seeking to have greater circulation than any of the competition, thinking that with huge numbers, all sales objections would just wash away. Yet, all this ever achieved in print was higher costs and lots of marginal subscribers. Yet here we are again, knocking ourselves out and spending like crazy to maximize site traffic in the belief that the biggest online circulation will



somehow achieve something the biggest print circulation never did. We should be selling the quality of our audience, not the raw size of our audience.

Fourth, online needs selling tools just like print. I am amazed that things like audits, readership surveys and research – all staples of print selling, are practically non-existent for online selling. Most publishers can't even tell a prospective advertiser the amount of overlap between print and Web audiences, a useful piece of information when you're pitching and print/Web bundle. We're practically forcing our salespeople to sell entirely based on site traffic alone. That's the wrong approach for B2B, if only because any traffic number you quote will seem like nothing when your competitor is Google.

Fifth, we need to add some measurement to this most measurable of mediums. It is indeed remarkable how few publishers report back performance to their advertisers. In an environment where powerful competitors report and even price based on individual clicks, sophisticated advertiser reporting is obligatory, and if used properly, can provide a real competitive advantage and serve as a selling tool as well.

Sixth, we need a better value story, and we need to repeat it loudly and consistently. I've stated already that I think the online context and environment we provide gives us a real advantage to advertisers. Similarly, as pay per click rates rise, it makes more sense for the publishers to purchase the keywords, so that they inure to the benefit of advertisers on the publisher's site. The advertiser is spared the hassle of administering keywords, probably gets a better economic deal overall, and benefits from what I like to call "double filtered" clickthroughs.

Seventh, consider this quote from an industrial advertiser: "Trade ads (or articles) provide awareness of what is newsworthy from my



company, as well as branding--both of which Google *can't* do.”
Yes, some advertisers do get it, but they’re not all going to figure it out by themselves.

Finally, remember that print distinguishes you from other advertising options, because bundled with online you can deliver much more of a market than online alone. My “fact fishing” tells me that even at this late date, nearly third of all Americans still don’t have Internet access. That percentage is probably lower for businesses, although I couldn’t find you any free statistics to demonstrate that. What I do know from our work analyzing B2B publisher Web sites, is that on average 18% of all visits during business hours are dial-up visitors, suggesting to me than even among businesses that are counted as “wired,” there are a lot of light and infrequent Web users. Print may be declining in importance, but it’s not going away, and that’s a competitive advantage that’s uniquely yours.

To sum it all up, we got a lot to offer, but we’ve got to do a better job of merchandising what we’ve got, and we’ve got to sell harder in this much more competitive environment. The problem is not our product, but that our product and our value isn’t well understood or appreciated.

With all this talk about value today, I certainly hope you’ve found some value in these remarks, and I thank you very much for your interest.

