

# EXHIBIT 5

# classified intelligence report

Consulting Services to the Classified Advertising Industry

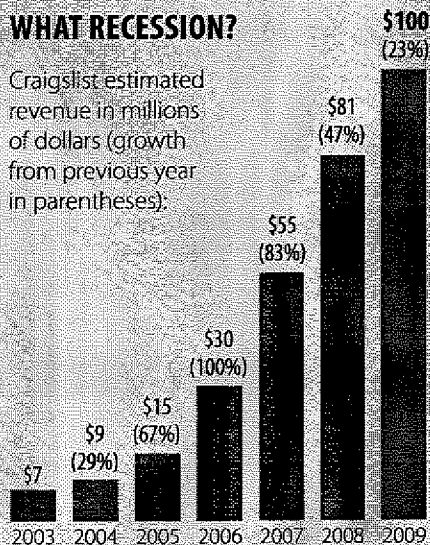
Vol. 10 No. 11

June 10, 2009

## Craigslist tops \$100 million revenue

### WHAT RECESSION?

Craigslist estimated revenue in millions of dollars (growth from previous year in parentheses):



### 2009 DETAIL

Source	1-month revenue	Projected revenue
Jobs	\$4,930,000	12 months: \$59,160,000
Apts/Housing	\$888,000	12 months: \$10,656,000
Erotic	\$2,550,000	5 months: \$12,750,000
Adult	\$2,550,000	7 months: \$17,850,000
<b>TOTAL</b>		<b>All 2009: \$100,416,000</b>

AIM Group estimates



Photo illustration generated at obamicon.me

Craig Newmark

### Inside

#### Craigslist

Craigslist revenue: 100 million smackers

June trial set on eBay's suit over alleged share reduction

Who shares free-ad space with Craigs?

Craigslist is law-abiding

#### general

Adicio, Gabriels thrive in tough economy

#### real estate

Zillow COO talks to CI

# Craigslist revenue: 100 million smackers

BY PETER M. ZOLLMAN

Craigslist, the most important global force in classified advertising today, up 23 percent over its 2008 revenue, according to an analysis by the AIM Group / Classified Intelligence. And our \$100 million estimate may be very conservative; we believe revenue could easily exceed the nine-figure mark.

Despite the general decline in recruitment advertising in the United States and globally, and despite the fact that Craigslist charges nominal rates for recruitment ads in just 18 cities (all of them in the U.S.), we expect the company to generate almost \$60 million in help-wanted ads this year. And it could easily double that number by adding fees for advertising in, say, a dozen cities – which increases the site’s effectiveness for advertisers, despite the fact that they have to pay.

Owned primarily by founder Craig Newmark and CEO Jim Buckmaster, with at least 24 percent held by unhappy shareholder eBay, Craigslist is a highly profitable site with core values more like a not-for-profit community organization. And while it could readily double or even triple its revenue by charging in more cities, it’s doesn’t seem interested in doing so. In the “factsheet” about Craigslist on the site, it explains that it’s not driven to generate revenue because “we rely on local communities to suggest ways to make money without compromising Craigslist.”

Even so, it’s not without its problems.

Craigslist has increasingly been under assault recently:

- Attorneys general in several U.S. states challenged Craigslist about its “erotic services” category. Initially, the company signed an agreement in November with 43 states to self-regulate that category, but in May it shut down “erotic” services entirely and replaced it with “adult” services, neatly sidestepping the deal it had signed. And where under the original agreement it had planned to donate all proceeds from “erotic” ads to charity, under the new “adult” category Craigslist says it will decide whether to do so, or not. That certainly means additional millions in revenue for Craigslist.

- Kijiji and its counterparts, owned by eBay, have beaten Craigslist to the punch in some countries. While Craigslist is run like a not-for-profit, and Buckmaster repeatedly says the company is not concerned about com-

## ON THE WEB

Here are some relevant links to this Craigslist report:

Craigslist circa 1998:

<http://tinyurl.com/craig98>

Craigslist Foundation annual report:

<http://tinyurl.com/r72cq2> (PDF)

“Boot Camp” for non-profits:

<http://tinyurl.com/r22bgz>

Craigslist compares job-site prices:

<http://tinyurl.com/oj22dg>

Joint agreement with 43 attorneys general:

<http://tinyurl.com/ofdnhg> (PDF)

Connecticut AG’s timeline:

<http://tinyurl.com/p5bh7b>

Craigslist lawsuit against South Carolina AG:

<http://tinyurl.com/r8w9ww> (PDF)

Craigslist petition for TRO against South Carolina AG:

<http://tinyurl.com/p64yog> (PDF)

Cook County (Ill.) sheriff’s lawsuit:

<http://tinyurl.com/qaggw8> (PDF)

Motion to dismiss Cook County sheriff’s suit:

<http://tinyurl.com/qk8q17> (PDF)

eBay’s lawsuit against Craigslist:

<http://tinyurl.com/onpp92>

petition or about revenue, Kijiji and eBay are decidedly for-profit efforts, and they play an increasingly important role in eBay’s long-term strategy to manage multiple tools for business-to-consumer, consumer-to-consumer and even business-to-business sales of merchandise and autos. eBay noted revenue in its classifieds businesses grew 57 percent in 2008 – a very difficult year for classifieds in general, globally. (Of course, eBay’s classified revenue started from a very small base. No matter; compare that with the increase of 47 percent in Craigslist’s 2008 estimated revenue, and a drop of nearly 30 percent in newspaper classified revenue in the United States in 2008, and you get the picture.)

- The term “Craigslist killer” has become part of the lexicon, unfortunately, and frankly, we think, most unfairly. At least three killings and at least two attempted killings-

Continued on **Page 3**

## Craigslist revenue

Continued from Page 2

for-hire have been linked to Craigslist – along with literally thousands of other crimes and prostitution arrests. While crime has been associated with classifieds long before there was an Internet, even, the notoriety does not reflect well on Craigslist. (It may help increase the site's profile, and thus its page-views, but we're confident the whole crime-on-Craigslist thing doesn't sit well with either Buckmaster or Newmark.)

- Growth in traffic, page-views and the number of cities Craigslist penetrates appears to be slowing. It can't increase exponentially forever. However, if you're running a non-profit – or you're thinking like one – that may not matter so much.

The AIM Group estimated revenue for Craigslist the way it has for the last seven years, by simply counting the number of paid ads for a given period and extrapolating an annual figure. It's not a flawless method, but it's remarkably simple.

We're extremely conservative in our approach; Craigslist's revenue should top \$100 million this year, even without any changes. And if it added new cities or categories where it is charging for ads, or if the "adult services" category generates significantly more, it will easily exceed our expectations.

Our revenue research this year was complicated by the fact that in the middle, Craigslist switched from "erotic" ads – which were essentially a non-revenue item, since the company had agreed to donate all of that revenue to charity – and moved to "adult services." In his blog post about the change, Buckmaster noted that while all revenue from erotic services

ads was to be donated to charity, "we are making no representation regarding how revenue from the 'adult services' category will be used." Thus, the company will probably profit greatly from the millions that category is likely to generate. Our estimate of \$17.9 million for 2009 is based only on 150 cities, so revenue is likely to be considerably higher.

Craigslist has always been a low-cost business. The company proudly proclaimed for many years that it employed just 25 people or so in "a Victorian house in the Inner Sunset neighborhood of San Francisco." Its primary expenses are servers (located in San Francisco and Phoenix), bandwidth, some programmers and customer-service representatives. It's now up to about 30 employees, and because it has committed to have each adult services ad reviewed before it is posted, it may have to ramp up hiring. (Reviews of those ads, of course, could be done by an outside party or performed outside the U.S. at lower costs.)

The company has long cooperated with police and prosecutors in cases of crime tied to Craigslist; in fact, Newmark, who now calls himself "founder and customer service rep," spends a lot of his time answering e-mails and working with law enforcement or other agencies to track down people using Craigslist illegally or improperly. When South Carolina Attorney General Henry McMaster threatened the company with prosecution for hosting ads from prostitutes – ads that are clearly protected by the federal Communications Decency Act – the company fired back. It filed a preemptive lawsuit to block McMaster from taking action, and, a few days

Continued on Page 5

## classified intelligence report

**PETER M. ZOLLMAN**,  
executive editor / publisher  
peterz@aimgroup.com  
407-788-2780

**JIM TOWNSEND**, editorial director  
jimt@aimgroup.com  
713-550-0699

**BRUCE ANNAN**, managing director  
brucea@aimgroup.com  
905-726-2642

**NEIL SKENE**, associate publisher  
**SHANNON KINNEY**, director, sales/marketing  
**TERESA WATSON**, business manager  
**CARLA REYES**, client-services manager

**JOE MICHAUD**, senior analyst  
**BRIAN BLUM**, writer/analyst  
**MYA FRAZIER**, analyst  
**JOHN STURRUP**, Canada  
**KATJA RIEFLER**, director, Europe  
**CRISTINA DE BARROS COSTA**, Germany  
**TALAL ABU ISSA**, Jordan  
**LINDA KARLSSON**, Germany  
**ISABELLE REPTON**, France  
**ALESSANDRA RITONDO**, Italy  
**STEVE SHIPSIDE**, U.K.  
**CHRISTOFFEL VOLSCHENK**, Germany  
**MICHAEL VAN WUNGAARDEN**, Netherlands  
**MICHAEL KACZMAREK**, Eastern Europe  
**GERARD ESTEVE**, France  
**ROSS HODDINOTT**, director, Pacific  
**DON GASPER**, Hong Kong  
**RALPH GRAYDEN**, Australia  
**NIRMALYA SEN**, India

**BRUCE OREN**, researcher, infographics  
**JENNIFER TOWNSEND**, design/production

Published twice monthly, except once in December, by the Advanced Interactive Media Group LLC © 2009

This publication may not be reproduced in any form, in whole or in part, except by licensed clients.

From time to time, Classified Intelligence Report and our writers cover companies that are clients of the AIM Group. We make every effort to ensure that our editorial content is objective and is not compromised by any client relationships.

402 Spring Valley Road  
Altamonte Springs, Fla. 32714  
407-788-2780 Fax 407-788-7061

# CRAIGSLIST REVENUE: CITY-BY-CITY CALCULATIONS

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>ATLANTA</b>					
Auto	52,000				
Jobs	4,600	\$25.00	\$115,000	12	\$1,380,000
Real Estate	24,500				
Erotic	2,100	\$6.25	\$13,125	5	\$65,625
Adult	1,100	\$6.25	\$27,500	7	\$192,500
<b>Total</b>			<b>\$155,625</b>		<b>\$1,638,125</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>BOSTON</b>					
Auto	20,000				
Jobs	11,000	\$25.00	\$275,000	12	\$3,300,000
Real Estate	5,500				
Erotic	1,200	\$6.25	\$7,500	5	\$37,500
Adult	700	\$6.25	\$17,500	7	\$122,500
<b>Total</b>			<b>\$300,000</b>		<b>\$3,460,000</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>CHICAGO</b>					
Auto	23,400				
Jobs	9,400	\$25.00	\$235,000	12	\$2,820,000
Real Estate	24,400				
Erotic	2,300	\$6.25	\$14,375	5	\$71,875
Adult	700	\$6.25	\$17,500	7	\$122,500
<b>Total</b>			<b>\$266,875</b>		<b>\$3,014,375</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>DALLAS</b>					
Auto	70,000				
Jobs	6,200	\$25.00	\$155,000	12	\$1,860,000
Real Estate	18,800				
Erotic	1,600	\$6.25	\$10,000	5	\$50,000
Adult	500	\$6.25	\$12,500	7	\$87,500
<b>Total</b>			<b>\$177,500</b>		<b>\$1,997,500</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>DENVER</b>					
Auto	36,800				
Jobs	5,700	\$25.00	\$142,500	12	\$1,710,000
Real Estate	14,400				
Erotic	700	\$6.25	\$4,375	5	\$21,875
Adult	400	\$6.25	\$10,000	7	\$70,000
<b>Total</b>			<b>\$156,875</b>		<b>\$1,801,875</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>HOUSTON</b>					
Auto	38,600				
Jobs	4,400	\$25.00	\$110,000	12	\$1,320,000
Real Estate	8,800				
Erotic	800	\$6.25	\$5,000	5	\$25,000
Adult	300	\$6.25	\$7,000	7	\$52,500
<b>Total</b>			<b>\$122,500</b>		<b>\$1,397,500</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>LOS ANGELES</b>					
Auto	40,300				
Jobs	19,600	\$25.00	\$490,000	12	\$5,880,000
Real Estate	8,600				
Erotic	2,600	\$6.25	\$16,250	5	\$81,250
Adult	3,500	\$6.25	\$87,500	7	\$612,500
<b>Total</b>			<b>\$593,750</b>		<b>\$6,573,750</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>MIAMI</b>					
Auto	46,800				
Jobs	7,100	\$25.00	\$177,500	12	\$2,130,000
Real Estate	35,700				
Erotic	1,800	\$6.25	\$11,250	5	\$56,250
Adult	1,100	\$6.25	\$27,500	7	\$192,500
<b>Total</b>			<b>\$216,250</b>		<b>\$2,378,750</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>NEW YORK CITY</b>					
Auto	28,900				
Jobs	26,200	\$25.00	\$655,000	12	\$7,860,000
Real Estate	27,000				
Apts/Housing	88,800	\$10.00	\$888,000	12	\$10,656,000
Erotic	9,500	\$6.25	\$59,375	5	\$296,875
Adult	7,600	\$6.25	\$190,000	7	\$1,330,000
<b>Total</b>			<b>\$1,792,375</b>		<b>\$20,142,875</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>ORANGE COUNTY</b>					
Auto	32,100				
Jobs	6,700	\$25.00	\$167,500	12	\$2,010,000
Real Estate	16,400				
Unaccounted					
Erotic					
Adult	1,600	\$6.25	\$40,000	7	\$140,000
<b>Total</b>			<b>\$175,000</b>		<b>\$2,150,000</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>PHILADELPHIA</b>					
Auto	23,300				
Jobs	5,100	\$25.00	\$127,500	12	\$1,530,000
Real Estate	13,500				
Erotic	900	\$6.25	\$5,625	5	\$28,125
Adult	700	\$6.25	\$17,500	7	\$122,500
<b>Total</b>			<b>\$150,625</b>		<b>\$1,680,625</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>PHOENIX</b>					
Auto	51,200				
Jobs	5,200	\$25.00	\$130,000	12	\$1,560,000
Real Estate	26,100				
Erotic	1,300	\$6.25	\$8,125	5	\$40,625
Adult	800	\$6.25	\$20,000	7	\$140,000
<b>Total</b>			<b>\$158,125</b>		<b>\$1,740,625</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>PORTLAND</b>					
Auto	25,200				
Jobs	5,600	\$25.00	\$140,000	12	\$1,680,000
Real Estate	10,000				
Erotic	500	\$6.25	\$3,125	5	\$15,625
Adult	500	\$6.25	\$12,500	7	\$87,500
<b>Total</b>			<b>\$155,625</b>		<b>\$1,783,125</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>SACRAMENTO</b>					
Auto	17,900				
Jobs	3,500	\$25.00	\$87,500	12	\$1,050,000
Real Estate	2,800				
Erotic	1,100	\$6.25	\$6,875	5	\$34,375
Adult	500	\$6.25	\$12,500	7	\$87,500
<b>Total</b>			<b>\$106,875</b>		<b>\$1,171,875</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>SAN DIEGO</b>					
Auto	21,100				
Jobs	8,100	\$25.00	\$202,500	12	\$2,430,000
Real Estate	6,200				
Erotic	1,700	\$6.25	\$10,625	5	\$53,125
Adult	1,500	\$6.25	\$37,500	7	\$262,500
<b>Total</b>			<b>\$250,625</b>		<b>\$2,745,625</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>SEATTLE</b>					
Auto	41,400				
Jobs	10,400	\$25.00	\$260,000	12	\$3,120,000
Real Estate	17,200				
Erotic	1,300	\$6.25	\$8,125	5	\$40,625
Adult	900	\$6.25	\$22,500	7	\$157,500
<b>Total</b>			<b>\$290,625</b>		<b>\$3,318,125</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>SAN FRANCISCO BAY AREA</b>					
Auto	40,900				
Jobs	15,900	\$75.00	\$1,192,500	12	\$14,310,000
Real Estate	12,700				
Erotic	4,400	\$6.25	\$27,500	5	\$137,500
Adult	3,100	\$6.25	\$77,500	7	\$542,500
<b>Total</b>			<b>\$1,297,500</b>		<b>\$14,990,000</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>WASHINGTON</b>					
Auto	17,300				
Jobs	10,700	\$25.00	\$267,500	12	\$3,210,000
Real Estate	7,400				
Erotic	1,900	\$6.25	\$11,875	5	\$59,375
Adult	1,500	\$6.25	\$37,500	7	\$262,500
<b>Total</b>			<b>\$316,875</b>		<b>\$3,531,875</b>

Ads/ categories	Total ad count	Ad price	1-month revenues	Multiplier (months)	Projected 2009 revenue
<b>ADULT LISTINGS, OTHER U.S. CITIES</b>					
50 other U.S. markets (Pop. >250,000)	30,000	\$6.25	\$750,000	7	\$5,250,000
Average x 85 cities (Pop. >150,000 <250,000)	39,100	\$6.25	\$977,500	7	\$6,842,500
<b>Total</b>			<b>\$1,727,500</b>		<b>\$12,097,500</b>

## Projections

- 2009 revenue: \$100 million
- That's almost \$60 million in job ads
- More than \$10 million in NYC rentals
- An estimated \$12.8 million for first five months of 2009 in the now-canceled erotic-services category in 150 U.S. cities.
- A projected \$17.9 million in adult-services revenues in 150 U.S. cities.
- Craigslist pulls in at least \$1.8 million a month in NYC; \$1.3 million a month in the San Francisco Bay Area; and almost \$600,000 a month in Los Angeles.

## Methodology

- One-month count in jobs in 18 cities, rounded to the nearest 100. Multiplied by 12 months.
- One-month count of broker-represented apartments in NYC, rounded to the nearest 100. Multiplied by 12 months.
- One-week count of adult-service ads in 58 cities with populations above 250,000. Ads were rounded to the nearest 100. Multiplied by the remaining weeks of the

year. Estimates for 85 cities smaller than 250,000 population were derived by averaging the ads in the 58 larger markets and dividing by half (smaller markets typically report a smaller number of listings).

- One-month calculation of erotic services in 150 cities were derived by taking a 5/7 proportion of adult services ads.

- We also counted one month of automotive and real estate listings in the 18 cities in which Craigslist also charges for job ads. We made no attempt to delete duplicates.

## Notes

Note 1: Craigslist charges \$10 per ad per seven days, \$5 per reposting per week. If an ad runs for one week and is reposted three consecutive weeks for a one-month run, the total price for that ad per month is \$25. Divided by 4 weeks, that makes the average price per ad in the Adult category \$6.25. Our projections are computed on this basis.

Note 2: We could not count the Erotics category in Orange County because the category has been removed.

## Craigslist revenue

Continued from Page 3

later after (potentially) scoring some political points in the conservative Southern state, McMaster accepted a temporary order blocking him from following through on his threats. The Electronic Freedom Forum, a free-speech organization, said the company caved on the "erotic" vs. "adult services" in "a sad and all-too-familiar [lesson]: Bullies often get their way when no one stands up to them."

While it's being hammered in the media but raking in huge chunks of cash, Craigslist hasn't been sitting quietly as it did in its early days and waiting for growth to come organically. Although the site spends essentially nothing on marketing and advertising, it has added support of French, German, Italian, Portuguese and Spanish in its classifieds during the past year or so, and has also added native-language "skins" to serve users in countries where English is not the first language. Those are radical changes for the site, which still uses a design that's almost as basic (except for growth and additional categories) to the Web 1.0 home

page it launched in 1995. (Here's what it looked like in 1998: <http://tinyurl.com/craig98>)

As part of its non-profit-like behavior, Craigslist helps fund the Craigslist Foundation, founded in 2000 by Newmark. The fund, which reported income in 2007 of \$823,000, provides information to non-profits through a Web site and through "boot camps" where speakers talk about board governance, marketing, finance and public relations for organizations. The fund reported program spending of \$543,000 and expenses of \$248,000 in 2007. (The report for 2008 hasn't been published yet.)

With 20 billion page-views, 40 million new ads posted and 50 million users each month globally (40 million of them in the U.S.), according to Craigslist, the site is a behemoth that is having a profound effect on every aspect of classifieds. Where it goes from here – more towards profits, more towards "community;" selling out to EBay (doubtful) or buying out EBay's share (equally doubtful); taking on the reluctant role of defender of Internet freedom, or not – is what makes our job watching Craigslist interesting.

## June trial set on EBay's suit over alleged share reduction

A June 22 trial is scheduled in Delaware Chancery Court in the battle between Craigslist and EBay, Craigslist's only independent shareholder.

In a lawsuit filed April 22, 2008, EBay accuses Craigslist founder Craig Newmark and CEO Jim Buckmaster of trying to manipulate Craigslist's stock to cut out EBay's interest after it launched a competing free-classified site in the United States.

Neither company is speaking publicly about the lawsuit these days; the only information is available in court filings and on Buckmaster's blog, <http://blog.craigslist.org/>. But Craigslist's attorneys, Perkins Coie LLP of Seattle, confirmed the court date.

The suit, which was met with a countersuit by Craigslist, charges Newmark and Buckmaster with "breaching their fiduciary duties of care, loyalty and good faith" to EBay through "self-dealing transactions ... designed specifically to benefit themselves to the detriment of EBay."

The battle is over about 25 percent of the shares in Craigslist, which were sold by Phillip Knowlton, a former staffer who received the stock from Newmark. (*See CIR 5.16, Aug. 24, 2004.*) After Knowlton left the company, his shares were shopped in a private offering to dozens of companies (including many newspaper companies, which decided to pass them up). EBay paid a price we estimated at \$10 million to \$12 million. Because the purchase was not considered material to EBay financially in 2004, the company did not have to publicly disclose what it paid.

EBay placed founder Pierre Omidyar on the Craigslist board of directors, and the companies reached an extensive shareholder rights agreement. Newmark said at the time, "Although I never figured that part of Craigslist might be owned by a public company, (EBay chairman / CEO) Meg Whitman and Pierre Omidyar showed us that they were interested in us for all the right reasons." Buckmaster talked about ways Craigslist might benefit from the relationship, including multilingual expansion of Craigslist, "more resources to deal with online scammers, ... advice on setting up user rating systems," and, he added, apparently in jest, that "perhaps we can help them with things like pageload speed."

Ironically, for a stake that's no doubt worth hundreds of millions of dollars today, it was widely regarded in 2004 as an odd investment at best. One media executive who reviewed the offering said companies that decided against

trying to buy Knowlton's shares probably did so because "there was nothing to gain. You were buying a minority interest. You got no voting power and the guy running the company isn't interested in making money. Who's going to take a deal like that to the CEO?"

EBay's purchase fueled a frenzy on Craigslist discussion boards and other Web sites, questioning EBay's motives and even the future of Craigslist. Buckmaster and Newmark periodically added comments of their own; Newmark called the agreement between Craigslist Inc. and EBay "rock solid."

The companies apparently got along well until 2007, although the seeds of trouble were probably launched in March 2005 when EBay launched Kijiji, its own free-classifieds site. At the time, Kijiji was only in six countries – none of them primary English-language countries or sites. (*See CIR 6.05, March 9, 2005.*) Or perhaps trouble began brewing even earlier, in November 2004, when EBay spent \$290 million for Marktplaats.nl, a Dutch classifieds site. At the same time, Craigslist was launching in eight markets to bring the number of cities where it was represented to 65.

Regardless, the battle was on in June, 2007, when EBay launched Kijiji in the U.S. and Craigslist notified EBay that it believed Whitman et al were engaging in competitive practices in violation of the shareholder agreement. The companies fought over who should serve as EBay's representative on the Craigslist board, or whether EBay should even have a board seat. Later, Buckmaster told Whitman to take a hike – saying he and Newmark no longer wanted EBay as a shareholder and wanted to buy back EBay's shares. Whitman responded that EBay had "firewalled" Kijiji off from its Craigslist interest and hoped to maintain a good personal relationship with Newmark and Buckmaster. She said EBay wanted to acquire the remainder of Craigslist "when Newmark and Buckmaster feel it would be appropriate."

By April 2008, any pretense of niceties between the companies was over. EBay filed its lawsuit in Delaware; Craigslist responded with a complaint in California, charging EBay with unfair competition, false advertising, trademark infringement and more. Buckmaster's not much for speaking publicly or to media outlets, but on his blog he charged (among other things) that EBay was advertising to draw prospective Craigslist users to Kijiji. He said searches

Continued on **Page 7**

## EBay suit

Continued from Page 6

for Craigslist on Yahoo.com were bringing up EBay ads to misdirect users from Craigslist onto EBay sites instead.

EBay, for its part, continues to expand its classified businesses and highlights them consistently as one of its top growth areas.

There's no indication of settlement talks, and it seems doubtful that Craigslist will be willing to accept an EBay that is the company's only independent shareholder while it is also a direct competitor. It's equally or even more doubtful that Newmark and Buckmaster would sell out to EBay. With nine-figure revenue and costs that are probably a very small fraction of that amount, they should have the resources to fight it out in court for a long time, if necessary. ●

# Who shares the free-ad space with Craig?

While Craigslist charges a fee for some recruitment and rental ads in specific cities, and all adult-services ads, it is primarily a free classified site. We have therefore narrowed down our list of Craigslist competitors to 12 sites that offer free classifieds for all or most private-party advertisements.

## BackPage

Launched March 2004, BackPage is an online classified portal for 25 alternative newspapers, community newsweeklies and TV stations. Owned by Village Voice Media, BackPage is now in 250 cities in three countries, in both Spanish and English. It has 2 million users and 2.5 million postings each month. The only paid categories are some adult classifications and rentals in New York though free ads only run locally. To expand a free listing beyond the local region there is a small fee.

## EPage

Privately owned EPage.com is an elder of the free classifieds world, having launched in 1993. The EPage Network provides classified ad and auction content for other Web sites. Free to set up and fully customizable, 28,000 classifieds sites such as YourOnlineClassifieds.com and HighlandClassifieds.com now affiliate with the network. Product comparison site

Top3.com, AuctionPage.com network, and community-idea site BetterIf.com are offshoots of EPage. It is billed as the world's largest classified network, with 3.5 billion ads so far, and 700,000-plus monthly visitors. Anyone can place 10 ads at no charge.

## Gumtree

Part of EBay's Kijiji family of 2005, Gumtree launched in London in 2000 as a classified rental and employment resource. It's now in 60 cities in the U.K., Ireland, Poland, Australia, New Zealand and South Africa. Still with a strong emphasis on rentals, Gumtree has 25,000 rental listings each month. Monthly visitors top 1 million. All private-party and business-services ads are free, including up to three photos and a YouTube video. There is a fee for recruitment advertising.

## IList

If we were handing out an award for most innovative Craigslist competitor, this one would win hands down. This San Francisco-based start-up was founded in May 2008 as a free social-classifieds site. The new IList Micro lets you not only advertise via Twitter but also set up tweet alerts for items of interest. Listings prominently display the seller's identity, and link directly to her profile on other social networks.

You can post your own listings on Facebook, MySpace and FriendFeed. You can notify your Gmail, Yahoo and Hotmail contacts of your ad as well. With one click you can place your ad on Craigslist. Shoppers can add listings to their Favorites list or contact the seller. With the IList Flash widget, you can add IList ads to your blog or Web site. You can also set up e-mail, RSS and SMS alerts to help you find that elusive item, service or job.

## Kijiji

An EBay property, Kijiji offers free classifieds in 34 countries, for merchandise, vehicles, services, real estate, employment and personals. Advertisers can sell, indicate an interest in trading, upload a photo, and map their location. First launched as a French-English bilingual site in 2005 in Montreal and Quebec City, Kijiji quickly moved into Europe and Japan, later China and India – and into the United States in 2007. Kijiji also offers paid listings to be featured at the top of the results search or on the site's home page.

## Kugli

Based in Rumania, this six-year old classified site is in hundreds of countries. Its 95,000 ads include links and

Continued on Page 8



## free ad-space

Continued from Page 7

photos. The most active U.S. city, Los Angeles currently offers more than 400 ads. In Guangzhou, Guangdong, China, however, the most trafficked region, you can view more than 9,200 ads. Every ad is free – even recruitment and services, and each advertiser receives a weekly report on views and replies.

### Locanto

With local listings for all major U.S. cities as of 2006, Locanto is now in 27 other countries in both English and Spanish. All Locanto advertising – even recruitment – is free. Job-seekers can post their resumes at no charge. Each free ad includes up to four photos and hyperlink. With two clicks you can share your ad on Facebook. Additional features include anonymous e-mail service, mapping, and RSS feeds.

### Oodle

While Oodle is an aggregator of more than 80,000 Web sites in the U.S., Canada, the U.K. and India, a consumer can place a free classified ad directly on the Oodle site. Its Oodle Marketplace product powers other classified sites for Facebook, Walmart

MySpace, Military.com, NewYorkPost Classifieds and many others, with featured listings and banner advertising. Oodle has 40 million listings, with 500,000 added each day. About 200 million consumers use the site.

### PennysaverUSA

Long the print-shopper leader, this Harte Hanks classified print and Web product began with the California-based Pennysaver and Florida-based Flyer. Its print publication is delivered each Wednesday to more than 9 million U.S. households. It has evolved into a robust online classifieds network that includes competitor American Classifieds and others. Consumers can download free coupons and vie for prizes in weekly online contests. Private party online-only ads are free, with 350 characters of text, five photos, video, online map, and e-mail response form. Minimally-priced upgrades include featured ads, additional copy and hyperlinks.

### StumbleHere

This two-year-old free classifieds site aggregates from and posts free ads to hundreds of classified sites including Craigslist, Trulia, MySpaceClassifieds, Oodle and AOLAutos. Free ad features include photo, video and the

opportunity to share your ad on Facebook. Additional low-cost features include top placement in search results and featured ad. StumbleHere also offers free online games and a forum.

### USA4Sale Networks

USA4Sale.net's flagship Ocala4Sale.com launched in 1998. USA4Sale Networks was named best classified Web site by Editor & Publisher and Mediaweek for 2009. Since launching, its classified network has published hundreds of thousands of classified ads, primarily in Florida. All basic private party listings are free, with minimal fees for borders, color, attention-getting headlines or hyperlinks. You can follow USA4Sale as CoolClassifieds on Twitter, and as Gainesville4Sale and Ocala4Sale on Facebook and MySpace.

### WebCosmo

Launched in 2007 in 40 U.S. cities, all classified ads including recruitment and business services are free. Advertisers can choose a local, statewide or countrywide listing. Additional freebies include opinion polls. Online business owners can take advantage of a free page rank tool and social-bookmarking widget. ●

## Alternative weeklies see a rise in adult-oriented listings

Some alternative weeklies reported a bump in adult-oriented listings in the wake of Craigslist's changes to the category.

A story in Washington City Paper said adult ads there were up 38 percent in May, compared to the same month of 2008. Its sister paper in Minneapolis had "almost doubled," the story said, and added that SF Weekly in San Francisco reported that the week before Craigslist imposed its changes, the paper had 160 adult ads; the week after, 910. All three papers are owned by Village Voice Media and their online classifieds are powered by

Backpage.com.

A trend or a blip? It's too early to tell. It could be that adult advertisers decided to try the alternative weeklies at least while Craigslist was under so much scrutiny by law enforcement. For the most part, lawmen aren't aiming their radar guns on the weeklies.

Carl Ferrer, VP of marketing and sales for VVM-owned Backpage, acknowledged that listings have increased across many categories, but he declined to specify.

## Despite what you read, hear or think, Craigslist is law-abiding

Is Craigslist a hotbed of crime? Not really.

Reading the paper or watching the tube you might think so. And it's certainly true that thousands of crimes – many of them petty, but others including assaults, murders, solicitation of a hit-man, a rape, prostitution and more – have been linked to Craigslist.

On balance, though, Craigslist is probably no more or less safe than any other classified advertising publication or Web site. Classifieds have always been linked to crimes. The classic was when someone advertised a diamond ring for sale, typically in the local newspaper. A “buyer” shows up to “inspect” the ring, sticks a gun in the owner’s face, and away it goes.

But because of high-notoriety cases including the Boston “Craigslist killer,” one of at least four killings linked to Craigslist, the site has generated terrible publicity lately.

Law-enforcement officials throughout the U.S. have complained that prostitutes were posting regularly on Craigslist. Absolutely true. But Craigslist is far from the only site where prostitutes post, and the federal Communications Decency Act protects Craigslist from any responsibility for posts made by users. Regardless, Craigslist agreed in November to crack down on illegal activity. In an agreement signed with 43 state attorneys general and the National Center for Missing and Exploited Children, the company agreed to crack down on content and illegal activity in its erotic services section, charge people to post ads and require them to submit a working telephone number. The company agreed to donate all of the money from erotic services ads to the NCMEC.

“It’s very promising what Craigslist has done,” NCMEC President Ernie Allen told us. “I understand that erotic services ads are down 80 percent. More importantly, Craigslist has helped us find and help children.”

In March, the company said erotic services ads were down as much as 95 percent from November in cities including Atlanta, Chicago, Los Angeles, New York and Seattle.

By May, however, that agreement was effectively scuttled.

Since the agreement covered “erotic services” ads, and the company killed that category and replaced it with “adult services,” the deal can be followed or ignored at Craigslist’s option.

While Craigslist declined to be interviewed for this report, CEO Jim Buckmaster’s blog counters the attorney

generals’ comments with examples of sexually explicit ads on competitor Backpage.com, operated by Village Voice Media, which publishes 17 alternative weeklies in the U.S. Of course, any law enforcement legal battle with smaller sites would generate far less media coverage – which may be why Craigslist has been targeted. And it may be one reason such battles haven’t happened yet, although several law enforcement officials recently said they were expanding their investigations of online prostitution advertising beyond Craigslist.

Carl Ferrer, VP of marketing and sales at Backpage, had harsh words about Craigslist. “Craig’s erotic service change was very whack-a-mole – adult clients switched categories within his own site like personals and massage,” Ferrer told us.

While it’s not clear what changes are spillovers from the legal battle, Backpage is also working to clean up. “Each month, our users remove 150,000 bad postings from over 2 million,” said Ferrer. “Backpage.com also requires a credit card to post in any adult service or massage category. We did this from our very launch and over four years before Craigslist.”

One of the most heinous crimes tied to Craigslist is that involving Philip Markoff. The 22-year-old Boston medical student is accused in the April 14 slaying of masseuse Julissa Brisman, whom he met through Craigslist. Police in Austin, Texas, say Nathaniel Briscoe found an ad placed by prostitute Amy Elizabeth Dickey on Craigslist and killed her in an encounter in May. In Minnesota in 2007, Katherine Anne Olson was shot and killed by Michael John Anderson after she responded to a Craigslist ad for a babysitter. Anderson was convicted earlier this year. And the list goes on.

Federal law is clear that Craigslist is not legally responsible for users who post ads that propose illegal activity, or who commit crimes. Section 230 of the Communications Decency Act states, “No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.”

That hasn’t stopped prosecutors and lawmen from making a lot of noise.

South Carolina Attorney General Henry McMaster in May demanded that Craigslist remove “the portions of the

Continued on **Page 10**

## Craigslist and the law

Continued from Page 9

Internet site dedicated to South Carolina ... which contain categories for and functions allowing for the solicitation of prostitution and the dissemination and posting of graphic pornographic material.” He gave Craigslist 10 days to comply or face a criminal investigation. Craigslist sued in federal court to stop him; he later agreed to an order blocking him from action until a court rules on the lawsuit. McMaster, who’s expected to run for governor, claimed it a “victory.”

In Illinois, Cook County Sheriff Thomas Dart sued Craigslist as a public nuisance helping facilitate prostitution, asking that the site take financial responsibility for his department’s enforcement efforts. That case is due in court this summer.

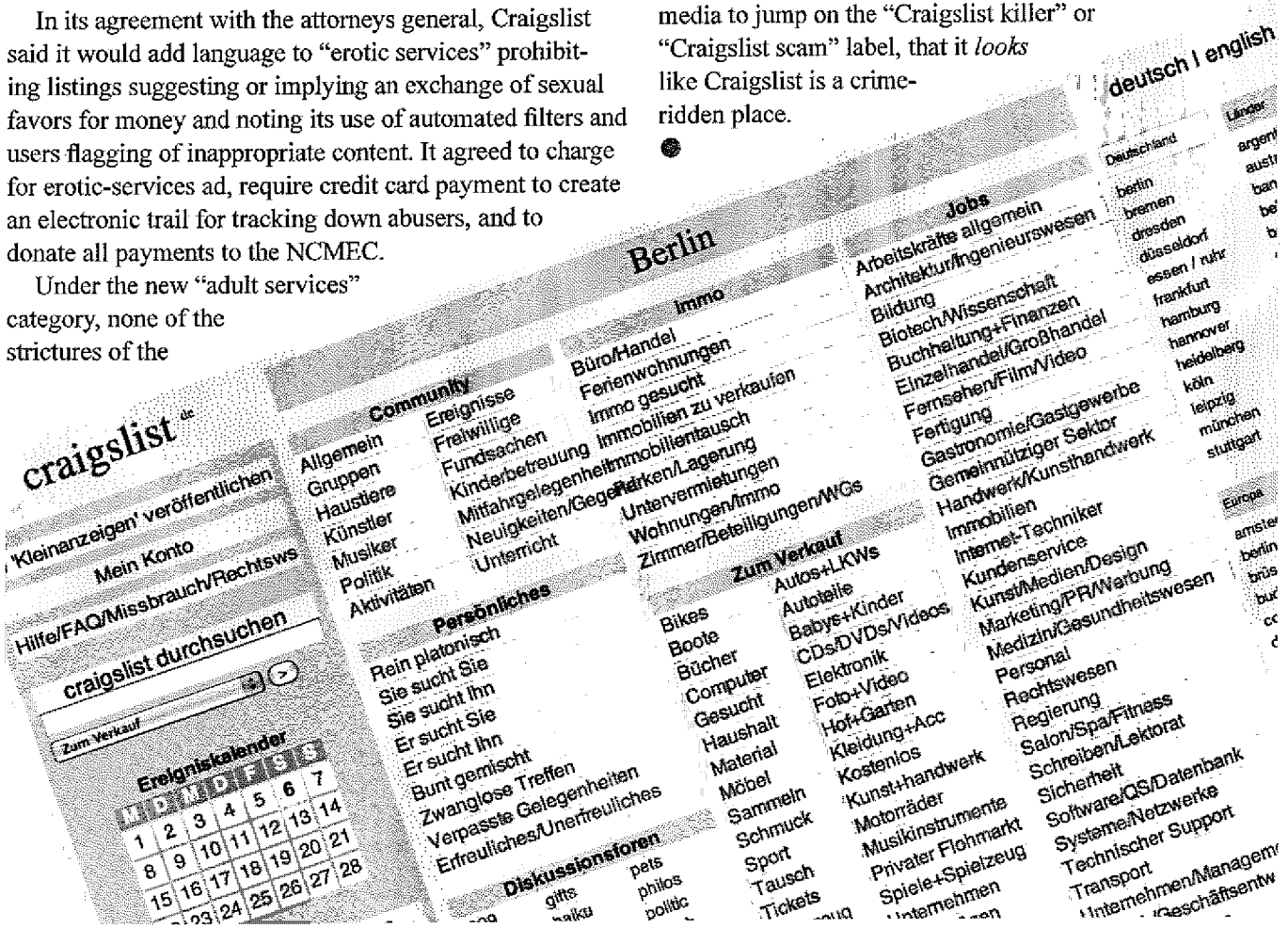
In its agreement with the attorneys general, Craigslist said it would add language to “erotic services” prohibiting listings suggesting or implying an exchange of sexual favors for money and noting its use of automated filters and users flagging of inappropriate content. It agreed to charge for erotic-services ad, require credit card payment to create an electronic trail for tracking down abusers, and to donate all payments to the NCMEC.

Under the new “adult services” category, none of the strictures of the

November agreement – which was voluntarily signed by Craigslist – apply. Craigslist has indicated it may continue some or many of the practices, but it is not required to do so.

Numerous law enforcement officials have praised Craigslist for its assistance in various investigations, including the Markoff case. Craigslist requires a subpoena, but then fully cooperates in investigations by providing IP addresses, e-mail trails and any other information requested in a legal case. Newmark, himself, has done a lot of the work in the past (especially with real estate scams in New York City).

Even if Craigslist dumped adult ads, prostitution, robberies, assaults and other scams would continue. They’re linked to other Web sites, and even print classifieds. Craigslist has no monopoly on miscreants. It’s just that it has so many users and so many ads, and it’s so easy for media to jump on the “Craigslist killer” or “Craigslist scam” label, that it looks like Craigslist is a crime-ridden place.



Craigslist recently began skinning some international sites in native languages, supporting German, French, Italian, Portuguese and Spanish. The city’s predominant language is the default, but users can toggle between that and English.

## general

# Despite tough times, Adicio, Gabriels thrive

BY MYA FRAZIER

Despite challenging economic times, or perhaps because of them, two of the classified industry's premier technology providers are successfully expanding their traditional customer bases and taking pitched battles for market share with them.

For years, Adicio Inc. and Gabriels Technology Solutions competed to be the go-to source for newspapers providing online classifieds. Each takes a different approach to the market. Gabriels provides white-label, customized portals for real estate and automotive. It also provides recruitment and general-classifieds technology. Adicio offers more modular services for recruitment, automotive and real estate, meaning the customer has some control over which templates it uses as well as a good bit of control over the overall look-and-feel. It also offers stand-alone platforms for rentals, virtual job fairs and transportation general classifieds.

And while one company is an apple and the other is an orange, each has coaxed customers away from the other, usually due to price and / or service. The customers we talked to were positive about their current choices and not particularly negative about their former choices. Apparently, sometimes they want an apple, sometimes an orange.

Gabriels, based in New York, was founded in 1994 as the definitive publisher of New York apartment guides. The company launched the first real estate portal for Digital City New York, an America Online product, and deployed The Relo National Home Search for Leading RE, representing nearly 800 independent real estate brokerages across the U.S. In 2001, it snagged The New York Times as its marquee client with a new real estate portal. (See *CIR 5.07, April 13, 2004.*)

Adicio, based near San Diego in Carlsbad, Calif., began operation in 1997 as CareerCast, providing best-of-breed recruitment-advertising technology to newspapers, broadcasters and niche operators, including professional associations and trade publishers offering job boards. In 2004, it began offering real estate and automotive technology; since the old name didn't fit, it changed its name to Adicio in 2005. (See *CIR 6.07, April 12, 2005.*)

Adicio markets itself as "the developer of interactive classified advertising software solutions for the careers, real estate, and motors markets", while Gabriels says it is the "leading private-label e-commerce technology provider for architecting and developing custom Web applications."

## Adicio's win column

Adicio diversified its client base from the get-go, with aggressive expansion not only in North America but Europe. (It maintains an office in Amsterdam.)

The Wall Street Journal, Cablevision and Advance Internet are marquee clients. It also provides technology and support for Monster.com newspaper affiliates and virtual job fairs. Adicio powers more than 500 niche recruitment sites for clients including the American Medical Association; Diversity, Inc.; Nielsen Business Media; IEEE, the global engineering association, and Raycom Media, operator of 46 television stations throughout the U.S. In fact, more than half of Adicio's clients are non-newspapers.

In recent months, Adicio has gained some momentum among newspapers by attracting several former Gabriels clients, including the Seattle Times and the Chattanooga (Tenn.) Times Free Press for real estate and motors, as well as Sound Publishing in the Pacific Northwest, The (Charleston, S.C.) Post and Courier and the Daytona Beach (Fla.) News-Journal. In addition, Adicio won a number of new real estate and motors clients during the past year, including the Tulsa (Okla.) World, Belo Interactive, MediaNews Group, The Huntington (W.Va.) Herald-Dispatch, the Buffalo (N.Y.) News, Blethen Maine Newspapers and the Virginian-Pilot in Norfolk.

"Success feeds on itself. As we attract new clients, they make requests about product upgrades and features, and we take that feedback and incorporate and continue to evolve our products to meet client needs," said Tony Lee, Adicio's chief alliance officer.

In addition to upgrading its products, Lee said Adicio has shed its image as a "great product with Cadillac prices."

"At one time, we were more expensive than anyone else, but we have created smart ways to do what we do even better for less," Lee said. "We're very pleased with our many

Continued on **Page 12**

## thrive

Continued from Page 11

recent additions of new clients that have judged our platforms to be the best performing and most cost-efficient in the market.”

Adicio has also grown its client support staff, he said, noting the company employs 94, up about 10 percent from a year ago.

Lee said the recent wins reflect Adicio’s focus on aggressively growing its real estate and motors client base, and its successful pricing strategy.

Despite the challenges newspapers face, Lee said the issue of newspaper survival doesn’t impact Adicio’s broader strategy: “Newspaper brands will continue online, and they are working hard to migrate revenue online. Newspapers aren’t going to give up online unless they literally fold up and disappear.”

Lee joined Adicio full-time in 2006 from Dow Jones, where he was publisher of The Wall Street Journal Online Vertical Network, which used Adicio-powered careers and real estate sites. (He’d been on the company’s board for many years.)

### A switch to Adicio

Ed Bourn, online and technology director at the Chattanooga paper, said his company initially chose Gabriels for its online real estate tools in 2006. “Gabriels was the smart decision at the time. Within two years, though, real estate agents and auto dealers got more sophisticated than we were. They passed us because we didn’t have the dollars to invest in constantly updating [our] site. We were better off going with Adicio [in 2008, which] leapfrogged us to where we needed to be technically. Back in 2006, Adicio’s product wasn’t where we needed it to be.”

In April, though, Bourn switched gears and turned to Adicio to launch a new real estate portal, following its launch nearly a year ago of Adicio’s recruitment platform. He praised the company’s customer service, SEO technology and data-collection capabilities – and cited some design differences between Adicio and Gabriels products. “Our site works fundamentally like other [Adicio] sites” because of its template, Bourn said. “We added some very good design guys here that can make the template site look a lot different than other template sites, but we didn’t have those skills two years ago. It’s cookie-cutter and not custom, but the idea and wants of other newspapers are rolled into their technology. They don’t do one-offs in regards to technol-

ogy. Gabriel’s is more custom per platform, but there was less shared technology.”

Gatehouse Media, which publishes 90 dailies and more than 400 other publications, with more than 300 Web sites, works with both Adicio and Gabriels.

Steven Rogers, online automotive and real estate manager at Gatehouse, said the company selected Adicio’s real estate product that will be rolled out to nearly 200 Gatehouse newspapers, including 98 in the first 12 months.

“For us, both platforms were equal. Adicio just gave us a better price. That’s what drove our decision,” he said.

### A switch to Gabriels

But Gatehouse recently chose Gabriels to launch online automotive ads at 129 papers in the company’s New England region by the end of June. Adicio had previously powered autos at three Gatehouse papers. Why did it pick Gabriels now?

“The pricing structure, the quality of the platform and some of the reporting features and functionality [that are] not available with Adicio [are] available with Gabriels,” Rogers said. “And from a relationship standpoint, we’ve been working better with Gabriels than Adicio based on the way the contracts are structured. With Gabriels, we only pay per active account. If there is no income, there is no expense.”

Rogers said his decisions were also influenced by earlier relationships with each company. Before he joined Gatehouse in April 2008, Rogers worked for The Post and Courier for the paper’s Web site, Charleston.net.

“I had experience with the real estate platform in Charleston with Adicio so I felt pretty secure with choosing them, but on the same note, Gabriels was our automotive platform when I was there, so it was a win-win. I had experience with both and I had an opportunity to choose where to go,” he said. “We are losing Adicio as a vendor for automotive, but gaining them for real estate, so it’s been a very positive experience on both sides.”

Other sites that switched from Adicio to Gabriels include The New York Times and The Orange County (Calif.) Register – both switched several years ago and now run Gabriels-backed auto sections – and two real estate sites operated by Lee Enterprises papers.

### Gabriel’s win column

Some of Gabriels’ notable launches beyond newspapers include FrontDoor.com, the Home & Garden Network’s

Continued on Page 13

**thrive**

Continued from Page 12

national real estate portal; The Real Estate Book's TREB.com, and UniqueHomes.com for Network Communications. It also built the shopping section of HGTV.com for Home & Garden Television and an international site for the Food Network, first deployed in the U.K.

Although Gabriels has recently landed new pure-play Internet clients that aren't print-related, it remains committed to working with newspapers to develop online classifieds: "Newspapers are still a very important part of our business," said Michael Gabriel, CEO and founder.

"We've grown over 100 percent in the last two years alone," Gabriel said. "We've launched five national portals within the last two years, across real estate and automotive. ... Every one of these sites receives millions of visitors per month and many also have in excess of a million listings in the system."

The sites were developed with technology licensed from Endeca, a Massachusetts search technology company whose media and publishing clients include AutoTrader.com and The Guardian, based in the U.K. (Endeca also supports Home Depot.com and Walmart.com, high-traffic sites with high inventory.)

"Two years ago we made a conscious decision to embrace new technologies and to be competitive with large-scale national portals because newspaper clients need (that)," he said, adding that many Gabriels clients could not afford to develop an Endeca application themselves. "[Endeca's] technology ... is more comparable to a Google-like experience where data is indexed so data can be delivered faster and in a form so that ads and featured advertising can be very targeted. We've made a tremendous investment, not only from licensing, but also from a development perspective. It's a much more sophisticated platform to develop on."

Gabriels employs 100 developers today, including 15 recently added Endeca engineers.

"Newspapers needed more than technology to succeed," he said. "They require content in the form of both good information that will keep users coming back to their sites, and most critically they need comprehensive listing inventory for their real estate, automotive, and employment sites in order to be competitive. ... National capabilities are nice to have, but having local and expanded content in local service area and surrounding counties is critical. Many clients

don't have the necessary inventory to maintain a visitor retention rate because the user experience is lacking because there is not enough content."

**Network effects**

In addition to its national portals, he said, Gabriels still works with 300 newspapers.

"We are doing a lot of interesting stuff with high-profile clients with large volumes of data and high traffic," he said. "Our efforts as an organization are delivering our new product lines to our newspaper clients and bringing new business opportunities to our partners, so they have the content and listings to be competitive in the marketplace."

More recently, Gabriels worked with The New York Times to relaunch its online real estate section, realestate.nytimes.com, and GreatHomesAndDestinations.com, a site focused on luxury and vacation homes worldwide.

Adicio has long capitalized on the network effect of the inventory it hosts, specifically in recruitment. For years, recruiters could upsell ads nationally that would be seen in participating career sites on the Adicio platform.

In January, Adicio pulled together the 500-plus job sites it supports into a single, searchable portal, launching under its long-standing brand name, CareerCast.com.

Similar to the way aggregation sites like Indeed.com and SimplyHired.com work, when job-seekers click on a listing in CareerCast, they are directed to the originating job board and can apply there. Job-seekers can create an account on CareerCast.com, upload or create resumes and cover letters, and use stored personal data to apply to jobs listed on any Adicio-powered site. Their resumes are only visible to recruiters on the sites on which they apply.

Because there's no central resume repository, resumes can't be mined, as they are on sites like Monster, CareerBuilder and HotJobs. Recruiters can buy ads on Adicio-powered job sites through CareerCast's online e-commerce platform, but there are no sales teams selling listings on the portal. So there are no blurry rules of engagement – something affiliates of the Big Three have to work through.

"Our goal is to drive traffic to our clients' sites, while encouraging recruiters to post jobs through the portal to client sites that are the best match for their hiring needs" Lee said. "The response so far from our clients to the portal has been terrific. They're especially pleased with the traffic we're driving to their job listings, as well as to the articles and videos on their sites that we highlight on our home page, all at no charge. It's been a great win-win."

Continued on Page 14

## thrive

Continued from Page 13

### Both companies profitable

Adicio has been “consistently profitable” almost since its inception, Lee said. The company is privately held – minority-owned by News Corp., which obtained its ownership in

its 2007 purchase of Dow Jones.

Gabriels, too, is profitable, according to Gabriel, who recently repurchased a 5 percent stake in the company from New York real estate magnate Barbara Corcoran for “many, many multiples of value of what the stock was originally purchased for” in a 1996 investment. He now owns 100 percent of the company’s shares. “We’ve been profitable since we released our first book,” he said. ●

# One platform, one brand for U.S. newspaper classifieds?

BY JIM TOWNSEND

A new white paper out from the American Press Institute calls for U.S. newspapers to set aside their differences (and evidently, their uniqueness) and create a unified, national platform for classifieds under a single brand.

Titled *Creating an Industry-Wide Classified Platform and Brand*, the report acknowledged there are quite a few issues to work through – notably, antitrust laws that attach criminal penalties to price-fixing (or even price discussions).

*“Now more than ever before, newspapers throughout North America have the motivation and the circumstance to create a single classified platform to rival non-newspaper sites --- through better leveraging of technology; superior user experience; and a powerful, unified national brand,”* the report proclaimed.

“Motivation” and “circumstance”? A bit like the guy who gets religion on the way to the gallows, we suppose, but, OK, we buy that.

*“The Craigslist of the world have a head start, they have the traffic – but they also have vulnerabilities.”*

That’s true. Craigslist in particular is vulnerable. Offer even a marginally better consumer experience, Craigslist

can be beat. But 95 percent of the ads would have to be free, and there’d have to be a bazillion of them.

*“By working together, we can make it happen.”*

Therein is the rub. It’s hard to circle wagons pulled by cats.

How would newspapers pull it off? Foremost, it requires an “ongoing investment in the technology” and suggest the establishment of an “independent, industry-supported ‘innovation skunkworks.’”

It also requires an “investment in category-specific expertise ... so that potentially revenue-generating trends can be spotted and exploited ...” Hey wait a minute. That’s what we do!

Here are the must-haves, according to the API:

- *It must be broad in scope, with a common platform easily deployable at any individual newspaper and linked together across markets;*
- *It must permit both local branding and strong overall consistency of brand;*
- *It must be able to bring together all of the classified listings in a community, either through scraping (which would direct a user to the site where the content was originally published)*

*or through syndication agreements (which would republish the content on this new site)*

- *It must exceed all current offerings in appearance, functionality and trust.*

The report was the product of discussions started by senior newspaper execs in API-hosted “summits” held in November and January. A committee that Walter Hussman, president and CEO of Wehco Media, publisher of the Arkansas Democrat-Gazette in Little Rock; John Newby, publisher of The Times in Ottawa, Ill., and Brian Tierney, CEO and publisher of Philadelphia Media Holdings.

The next step, the report says, is to gain consensus from the committee about moving forward. It suggests the API staff facilitate contacts with other industry leaders and associations for input and involvement.

Eventually, the facilitators will have to identify “potential deal-breakers” for newspapers and “devise strategies to address these,” the report said.

It’s going to be an all-uphill battle in a war that some would say might have already been lost. But bless ‘em for trying to *do something*.

Clients can download the report from our Web site: <http://aimgroup.com/index.php/ci/publication/2088/>

# Google's Cohn Q&A: Let users drive innovation

BY MYA FRAZIER

*Russ Cohn, industry leader, classifieds, publishing and local market for Google, is based in the U.K. and has spent nearly a decade in search advertising. He recently presented at the International Classified Media Association annual conference in Estonia. (See CIR 10.10, May 20.)*

*Cohn took some time out to talk to CIR about his view of the future of classifieds, how publishers can work with Google to drive traffic and emphasized the Google mantra of allowing user behavior to drive innovation, noting: "The classifieds business has not thought enough about the user."*

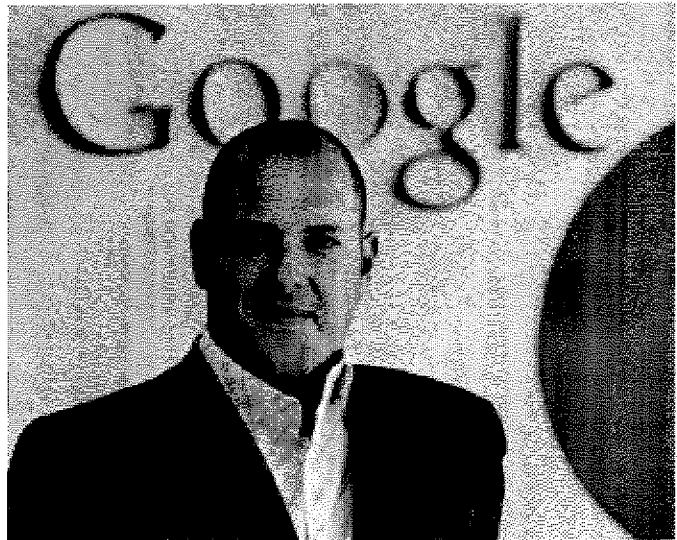
## **CIR: What do you think the future of classifieds is?**

Cohn: That's a tricky one because it's hard to tell the future and things are evolving fast. The obvious thing everyone knows, per country, region and business model, users have changed their behavior. This is true in newspapers and across most media; people are online more than in the past. There are fewer print products, less TV viewing. There's the bigger element of user behavior changing and that is driving the market.

But people will always look for value and local tools are improving all the time and can enhance the experience of classifieds online. New tools on community engagement are emerging and are changing things. It's kind of all-pervasive. People want things and they want them where they want and how they want them. They want more and more tools to find what they want quickly, but in a deep way. Look on the advertiser side, that's where the money is right now. You can't talk about advertising without talking about advertising's value – the business customer – businesses have to continue to learn how to add value. They have to give measurement and performance and values in term of audience.

**CIR: Is that part of the problem? The focus seems to be more on giving advertisers what they want versus meeting the changing behavior of consumers online.**

Cohn: From a Google point of view it always has been and always will be about the user. When we go out and talk to the market, we stress the importance of focusing on the user. The classifieds business has not thought enough about the user. Good publications had the listings and users



**Russ Cohn**

could go to one newspaper to find what they needed. And [newspapers] could charge such high rates because they owned the audience. In the future, they will have to focus on the user to keep people coming to the business and ultimately to give advertisers more value.

The struggle I see, in speaking to people in the industry, is that they can't prioritize because business is declining for some at a rapid rate. It's 'I can't think how do I put maps on my site, when I'm trying to stop a 50 percent decline in revenue.' And they find it very hard to focus – particularly smaller publications. But you've got to give the user a better time and better experience.

**CIR: I know your expertise is in jobs, property, dating, professional services and manufacturing markets. Among these, which one has room for growth and innovation in the classified space?**

Cohn: It depends which way you look at it, whether its innovation form a vertical search point of view or the user experience. I think user demand is pretty high for all the typical classified sectors. There's not massive untapped opportunity somewhere. With the recession, the demand for things has gone up, demand for jobs, unemployment is increasing, whatever the number is, there's no shortage of interest in jobs and there's innovation in jobs on the social

Continued on **Page 16**



**Q&A**

Continued from Page 15

front, networks are evolving at an exponential rate and taking jobs away from the job boards.

**CIR: So is it jobs then?**

Cohn: All these markets follow the same pattern over time. You have the aggregator or big portals coming up quick to give aggregating views of the market because it's too complicated to go everywhere. Financial, retail, travel -- that was the easy step from print. Job boards, property portals, it was easy for the business to put those listings in front of an audience. But we are seeing more action from advertisers, taking more control of their own businesses, and building up their Web sites as part of the overall business. ... Look at real estate and jobs, there's big move incorporate with YouTube, using own site, giving potential employees insight into what it's like to work there. Video is exploding. In real estate there's a big opportunity around video.

**CIR: How can publishers take better advantage of what Google has to offer?**

Cohn: We have a fantastic array of tools. We have a great audience, a wide audience. We are the No. 1 search engine in most markets. Consumers come to Google to find information they want and care about and search is the doorway or gateway of that interest. The fact that we have the audience is the starting point of that. We offer great tools so we can grow our ecosystem by giving away stuff for free. Not only can these businesses get in with maps and natural search and AdWords, on the market side there are ways to receive that traffic to better engage users.

How do we reach an audience? Natural search, paid search, AdSense and maps, these are ways to get traffic to site and when they are on a site they help publishers engage better. With AdSense, with monetization on the site, it can make more money for a publisher and the tools and insights for search. And Google Trends allows publishers to see what people are searching for on Google, and build strategy around where the interest lies. For example, petro prices, energy and the recession are words we see spikes in search related to what people care about. You can use these tools to get insights into what people want.

**CIR: What is Google's global classified strategy? If not a global view, can you outline your view for the U.K.?**

Cohn: We don't have a classifieds strategy. We don't see ourselves as a classifieds business. We know there's a sizeable customer opportunity and we play well from an advertising and publishing opportunity. We partner with the leading players in classifieds directly and publishing; they spend a lot of money to gain customers and use our tools and services to get Google users, to bring them on to their site. Our strategy is to focus on the verticals.

**CIR: Where does classifieds belong on Google and how does it relate to Google Base? What happens when buyers don't know what in particular they're looking for?**

Cohn: Actually the way the industry pegs their data is very important. Often, we don't have location specifics to what they are looking for and it's hard to aggregate that data back. For us, it is hard to get it online in a meaningful way.

**CIR: How is Google working with classifieds publishers and other content providers to get better data?**

Cohn: You've got local business centers encouraging advertisers and partners to feed into and get better results in the match. That's what primarily drives the Google maps interface. We encourage them to submit in there and get better listings when they are searching in those environments. We encourage them to feed to use as much as possible.

**CIR: What do you see as the future of Google Base and its relationship with classifieds?**

Cohn: Google Base is being use for product search, but we are not using it for classifieds sectors. I can't tell you the future of Google Base because I don't know it. It's difficult to say how we will look at it. The mission is all the world's information, so we want as much information as possible, and an increase in local search. We aren't going to get all the data, but we want to improve how we tag video, for instance. For us, it's about trying to partner and get as much information form local sources, but we don't really have the road map for the future of Google Base. ●

# WAN: There's revenue potential out there – grab it!

BY KATJA RIEFLER

BARCELONA – It's easy to get distracted here – the weather is always nice, the sightseeing opportunities fabulous, the food and wine excellent.

However, the more than 350 participants from 51 countries that found their way last week to Spain in order to attend one or more of the World Association of Newspapers (WAN) series of 3 days of conferences got a lot of food for thought on top the scenic venture.

The conference program was packed with newly released data on advertising and revenue generating: Price Waterhouse Coopers gave insights into its brand new "Moving into multiple business models" reports, WAN shared insights into its "World Digital Media Trends 2009" that is about to be published within the "Shaping the Future of the Newspaper" (SFN) project. The three big trends: the growth of internet revenues, the growth of mobile delivery, and the growth of video on the Internet.

Global printed newspaper advertising share will have dropped by 7 percentage points 2012 (21.6%) compared to 2003 (28.3%). Internet share will have jumped from 3.4 percent to nearly 20 percent in the same period. Search still shows the biggest growth rate among online advertising formats. Banners continue being strong. Classified ad revenue is declining.

But it was not only dry facts. You could also learn about how to avoid ending up in a tent in a desert surrounded by dead donkeys (read more later on) and listen to jokes on the economy. Simon McDonald from the Financial Times was especially good at this in his presentation: "A recession is when your neighbor loses his job. When you lose your job, it's a depression," he explained and added a quote from the late Sam Walton, founder of Walmart: "I was asked what I thought about the recession. I thought about it and decided not to take part."

\* \* \* \*

This latter quote could have been as well the motto of the whole event: Most speakers praised their own companies being the lucky exception from the overall crisis. There's still revenue to be made; customers appreciate creativity and support; and despite the problems newspaper companies all over the world are facing due to the advertising slump, the print business overall is healthy and growing. Johnny Hustler, managing director, Archant Lifestyle, United Kingdom, showed how Archant's regional magazine

business began a mere 10 years ago. The company is now the largest publisher of regional magazines in the U.K., with 53 titles and more than 1 million copies each month – the magazine business is responsible for one-third of Archant's revenues. Key to the success is total customer care, according to Hustler: "We're doing almost anything for our larger clients – even the menus for company celebrations."

\* \* \* \*

Becoming an agency for customers in addition to providing quality publishing seems to have become a common strategy among newspaper publishers. Theo Blanco, executive sales & marketing director at Uppsala Nya Tidning in Sweden, told the audience that they can sell almost everything to advertising customers – if they can provide the desired reach. "Newspapers make things too hard! It's time we jump off the Titanic and onto a space shuttle," he said. "Our motto is: 'Make money now!' We don't have time to wait five or 10 years."

Axel Springer presented new solutions for cross-media advertising sales and the concept of converged media marketing. Ears perked when Daniel Biene mentioned "user-generated advertising" – a contest from Axel Springer's big tabloid Bild in which consumers pitch the best advertising for the newspaper. The winner will gain €60,000 in cash – not small change in these overall depressing times.

\* \* \* \*

How do you aggregate strong local brands into a single powerful national advertising medium? That was showed by Juan Luis Moreno, Internet strategy director of the Vocento Group in Spain. Through all the change, the only thing that has not changed from print to online is the brand, and its engagement with users, Moreno said. "We have to recover our brand influence in the digital environment. ... At Vocento, we don't say we have a business based on media. Our business is our brands."

Vocento's three-pronged strategy to achieve these changes are: – Organizational and cultural change and brand consolidation via the Internet through creating emotional bonds with users as well as a brand network and the incorporation of market trends.

Since the strategy's implementation, Vocento has grown double the average market growth in terms of unique users in Spain. It is also in the Top 10 online players – the first media company to enter the Top 10, he said.

Continued on **Page 18**

**WAN**

Continued from Page 17

\* \* \* \*

Classifieds, in print as well as online, remain a major part of the income of publishing houses. In young economies like the United Arab Emirates print can still maintain its leading position - Francis Matthew, editor of Gulf News, blamed this to marketing and aggressive pricing as well as an Internet market in its early stages. In Latin America Internet in classifieds is very much on the rise. Guilherme Augusto Machado from Diários Associados, Brazil, showed great online advertising and classifieds self service tools. In the U.S., where a lot of other online advertising formats are available, the dependence of newspaper publishers on online classified revenue nevertheless is still disturbingly high. According to WAN research do only newspapers with a daily circulation of less than 20,000 copies rely to less than 70 percent on classifieds for their digital revenue. Recruitment is responsible for about 50 percent of all the income.

\* \* \* \*

Guardian News & Media is one of the most ambitious news providers on the Web, expanding its reach well beyond its traditional borders. Part of this expansion is the development of its "green" blog network dedicated to environmental issues and sustainable development. Demonstrated by Matt Gilbert, bizdev manager of Guardian News and Media in the U.K., and Kevin Tan, SVP of international for Adify from the U.S., such networks have great potential for attracting new advertising revenues for newspaper companies.

What the Guardian and Adify have done is pull 41 like-

mindful blogs and independent Web publishers together in a vertical-ad network to make their combined audience attractive to advertisers. The network attracts 4 million unique users a month – affluent and well-educated with strong "green" attitudes – and has 25 million page impressions.

\* \* \* \*

How to reach niche audience with print and or online products was shown by two speakers. Peter Vandevanter talked about I-News, and individuated news in general. MediaNews Group recently created personalized editions for guests at a Denver hotel. Ads sold for 10 times the typical \$25 CPM of newspapers. Dan Pacheco, Founder of Printcasting.com in Bakersfield, agreed: "New advances in print-on-demand and digital inkjet printing create a compelling picture for on-demand, personalized and niche publishing."

Advertising in the current testing period is free, but in the end all members of the value chain will profit: The business model calls for 60 percent of revenues to go to publishers because they print, distribute and market the publications locally. Thirty percent goes to contributors, proportionate to content use. And 10 percent goes to the network to cover costs of improvements and maintenance.

\* \* \* \*

Last not least: What about the dead donkeys? This metaphor was used by Juan Bascones from Havas Media to warn about focussing too much on return on investment: If the only answer you find to economic difficulties is increasing the load of your pack animals while cutting the food you will celebrate early successes - and end-up with destroying your biggest asset – the donkeys, in case you are a peasant, the newspaper brand, if you are a publisher. ●

**Little adds CEO, ContentNext, to her role**

Caroline Little, who ran WashingtonPost.Newsweek Interactive, is now managing ContentNext Media, which publishes the terrific site / e-mail product PaidContent.org.

Little is CEO of North America for Guardian News & Media. Adding day-to-day responsibility for ContentNext is just part of her role; she's also responsible for growing the parent company's business and advertising in the U.S. She's been on the board of

ContentNext since it was acquired by Guardian last summer. She replaces CEO Nathan Lane, who's joining the e-commerce fashion company Gilt Groupe. Lane in turn replaced ContentNext / PaidContent founder Rafat Ali, who of course remains with ContentNext as one of its two premier reporter / bloggers.

In the announcement on PaidContent, Little said there's no plan to merge ContentNext with Guardian

(which offers solid coverage of media in the U.K. and sometimes Europe), or with Guardian America. "Our goals remain the same, and we need to continue to stay focused and execute on them," she said.

ContentNext also operates MoCoNews.net, about mobile devices and services; PaidContent:UK; and ContentSutra.com, a companion site that focuses on India.

## real estate

## Zillow COO: From Zestimates and mortgage quotes to mobile

BY BRIAN BLUM

The company is still not profitable, but traffic is up, there's loads of money in the bank, and Spencer Rascoff of Zillow is feeling fine. That's the takeaway from our recent interview with the online real estate portal's COO.

Our wide-ranging conversation didn't necessarily start off in a positive direction. Our first question to Rascoff was intentionally provocative: Given the economy and the housing crisis, we asked, why is Zillow still in business at all?

"The question you should be asking is actually the contrary," Rascoff said. "Why are we doing so well? We're setting record traffic numbers every day and [while the company doesn't release numbers] monetization has dramatically improved."

As far as traffic, Rascoff is right on the money. Zillow is consistently ranked among the Top 5 most-visited real estate Web sites in the U.S.. Hitwise had Zillow at No. 3 in May with 9 million unique visitors a month (a 70 percent growth from the same month last year). ComScore put Zillow in fifth place.

Rascoff says the uncertainty in the housing market has been a boon for Zillow. "Volatility benefits information providers," he said. "Of course we don't benefit from the advertising downturn. If it weren't for that, our revenue would be even higher."

Zillow has a four-pronged strategy for making money. The company sells enhanced listings to brokers and individuals; exclusive Realtor display slots; CPM-based display ads to industry vendors; and pay-per-click mortgage listings.

Rascoff seemed most excited by Zillow's mortgage marketplace, which the company introduced in April. "What we're trying to do is replicate what we did with home valuations in the mortgage space," he explained. "In a typical lead-generation model, the buyer fills out a form, then the phone rings with a call from a lender. On Zillow, the buyer still fills out a form, but shares no personal information."

Once the form is posted to the marketplace, the 5,000 lenders in the Zillow system can start to bid on it. Within 3-5 minutes of a request, the potential borrower will receive

around 20 quotes (up to 60 if the borrower has good credit and lives in a desirable area), Rascoff said.

The borrower can then compare lenders through an easy-on-the-eyes table display, and check out reviews and ratings before deciding which lender to contact.

In April, Zillow received 65,000 loan requests. About 25,000 loan quotes were generated per day, Rascoff said. Doing the math, that means some 750,000 loan quotes flowed through the system that month.

Zillow sells lenders cost-per-click spots in its rate tables at an average cost of \$5-\$10 per click for a direct link to the lender's site.

Among Zillow's other revenue generating components, the company's enhanced listings don't break any new ground: \$10 a month secures a more prominent placement. One difference between Zillow and other real estate classified companies such as Realtor.com: basic listings come with complete functionality. There are no extra charges for additional photos or virtual tours, just for a better position.

Zillow also sells standard display ads, directly and through its newspaper consortium, which is made up of 11 major publishing companies including Hearst, Media General, Scripps, MediaNews Group, and Community Newspaper Holdings Inc. (CNHI). The papers in the consortium have the option to upsell local advertisers to the Zillow site.

Zillow launched a new program in April with newspaper consortium partner CNHI to power the real estate sections of its 100 newspaper Web sites. The Zillow pages are co-branded with the local newspaper. Rascoff says Zillow has plans to eventually co-publish with up to 180 newspaper sites in the U.S.

In this area, Zillow competes directly with Trulia's Publisher Platform, which made waves in April when it took over the Washington Post's online real estate section. Trulia to date has far fewer partners than Zillow, however.

That hasn't stopped the two companies from engaging in some friendly banter. A lighthearted battle broke out on Twitter in April between David Gibbons, community

Continued on **Page 20**

## Zillow

Continued from Page 19

director of Zillow and Rudy Bachraty, social media guru of Trulia, The topic wasn't the dueling publishing platforms but the two company's different uses of SEO. Rascoff was quick to explain.

"Trulia aims to be a vertical-search engine," Rascoff said. "If you go to look for listings in San Francisco on Google, you will see Trulia. You go to their site, then click over to Prudential. It's a pure cost-per-click model."

Zillow takes an entirely different approach, Rascoff continued. "We're more like an online real estate community. We try to keep people on our site." Zillow doesn't buy placement on Google and its listings aren't even search-engine optimized. The company has never paid for advertising of any kind, in fact. Zillow's traffic is generated entirely by word-of-mouth or through articles in the media, Rascoff said.

Another area in which Zillow and Trulia compete is in the Q&A department. Trulia has its "Voices" forum while Zillow's is more plainly called "Advice." Zillow Advice receives about 2 million page views a month. There were 80,000 contributions during April. Participants seem enthusiastic...but then Rascoff should know. "I spend about 3 hours a night on Advice." (Now that's what we'd call dedication to the job.)

Zillow has also been very active with social media. The company runs two multi-author blogs – GeekEstate and the Carnival of Real Estate – in addition to its corporate blog. Several staffers individually tweet. And Zillow was a founding member of REBarCamp, a real world techie forum where Web 2.0 savvy Realtors and geeks get together in bars to create an "un-conference" without an agenda. These meetings typically attract up to 200 participants.

Clearly, Zillow has expanded beyond its original mission to provide home valuations of most homes in the U.S. – a feature that has become increasingly commoditized (HomeGain, Realtor.com, CyberHomes and EPraisal all have similar functionality).

With 4 million homes for sale on the site (including 50,000 for-sale-by-owner properties), Zillow's not going

anywhere. But the road ahead will be tough. 21.9 percent of the homeowners on Zillow are currently underwater and the overall Zillow home value index is down 14 percent year over year.

Zillow has not been immune to the worldwide recession either. Despite having raised almost \$99 million, the company last year laid off 25 percent of its staff. "We wanted to remove any capital markets risk from the company," Rascoff explained. "We wanted to be sure we could survive on our own forever without raising any more money."

Zillow has since replaced most of those downsized and headcount is back up to 150. Most of the initial cuts were in research and development.

Moving forward, Zillow's future may not be tied to the Web at all. Enter the iPhone.

Zillow released its iPhone app at the end of April. In its first 24 hours, the app had 15,666 downloads, making it the No. 1 real estate app in the Apple App Store. That number is now up to close to 400,000.

While Rascoff shied away from a specific data point, Zillow CEO Rich Barton said in an interview with WebWare's Rafe Needleman that up to 20 percent of the site's queries are coming from the new iPhone app. "There will be a time soon when people will be accessing Zillow mostly from their mobiles," Rascoff predicted.

So far, anecdotal evidence suggests that iPhone consumers are using Zillow much as original visitors to the Web site did three years ago. "They're walking the dog around the neighborhood and looking up what their neighbors' homes cost," Rascoff said. He expects that usage will eventually shift more to the for sale arena as on the Web.

Last week, Google unveiled a mobile version of its Google Earth program. Although the idea of iPhone owners watching a Google Earth representation of the real world around them seems to remove the reality from the virtual, it would make it that much easier for consumers to locate available property.

Imagine a flashing red home on a 3D Google street view map screaming out "foreclosure." Click a button and you're on the phone with the broker.

If it happens, Zillow will undoubtedly be there. ●