
**Classified advertising and the ‘new’ services economy: implications for newspapers**

**Christina Spurgeon**

**July 2003**

**Abstract**

This article looks at various factors that have contributed to the apparent erosion of classified advertising revenues for metropolitan dailies, a trend which has become more pronounced in recent years. Factors considered include the rise of the suburban press as a source of competition for classified advertising, the intensive commercial development of new online media in the dot com boom of the late 1990s, and the fall in the number of ‘white collar’ jobs that accompanied the subsequent bust in 2000. Also considered is the global ‘new economy’ trend to disintermediation and re-intermediation of established value chains associated with the key classified advertising categories of employment, real estate and automotive, and in the newly dynamic personal classifieds category. Thus, importantly, the changes in patterns of classified advertising considered here are also attributed to profound changes in social relations arising from the new uses that people make of ‘new’ and ‘old’ media to look for jobs, buy cars, find a home and even establish intimate personal connections. The responses of newspapers to these threats and opportunities for capturing classified advertising revenues have relied on the innovative use of information and communications technologies as well as consolidation of ownership and control. All of these developments have important implications for the evolution of newspaper business models and news-making practices. The implications of these developments for metropolitan dailies and suburban throwaways are compared and contrasted here.

**Dr Christina Spurgeon** is a Lecturer in Media and Communication in the Creative Industries Faculty at QUT. Email c.spurgeon@qut.edu.au
Ph. (07) 38641182
Correspondence to: GPO Box 2434, BRISBANE, 4001.

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**Abstract**
This article looks at various factors that have contributed to the apparent erosion of classified advertising revenues for metropolitan dailies, a trend which has become more pronounced in recent years. Factors considered include the rise of the suburban press as a source of competition for classified advertising, the intensive commercial development of new online media in the dot com boom of the late 1990s, and the fall in the number of ‘white collar’ jobs that accompanied the subsequent bust in 2000. Also considered is the global ‘new economy’ trend to disintermediation and re-intermediation of established value chains associated with the key classified advertising categories of employment, real estate and automotive, and in the newly dynamic personal classifieds category. Thus, importantly, the changes in patterns of classified advertising considered here are also attributed to profound changes in social relations arising from the new uses that people make of ‘new’ and ‘old’ media to look for jobs, buy cars, find a home and even establish intimate personal connections. The responses of newspapers to these threats and opportunities for capturing classified advertising revenues have relied on the innovative use of information and communications technologies as well as consolidation of ownership and control. All of these developments have important implications for the evolution of newspaper business models and news-making practices. The implications of these developments for metropolitan dailies and suburban throwaways are compared and contrasted here.

**Introduction**
Classifieds have provided the ‘rivers of gold’ that have sustained newspapers, particularly ‘quality’ metropolitan dailies, as revenues from copy sales have declined. Although its importance to the business of newspapers is understood, classified advertising is not often problematised in journalism, media, cultural or advertising studies. Its status as the necessary but nevertheless mundane, uninteresting clutter,
consisting more of trivial information than of news or persuasion, means that it is overlooked. It is argued here that we need to pay attention to trends in classified advertising practices if we are to understand the key drivers for institutional, operational and social change that newspaper managements and staff are presently coming to terms with. The following description and analysis of trends in classified advertising is based on an analysis of data on advertising in main media and a survey of relevant trade press and academic research. It will ideally be of assistance to journalists and journalism educators in prescribing paths of possible action in the present context of rapid change.

Classified advertising revenues in main media
Annual advertising expenditure in the main media in Australia now exceeds $7 billion (CEASA, 2001). This figure would be significantly higher if expenditure on entries in classified directories such as telephone books, online advertising and ‘below-the-line’ advertising not billed through agencies was included. However, the more established indicators of ‘main media’ expenditure will be used as the starting point for this analysis of trends in classified advertising and newspaper revenues.

Figure 1 shows that newspapers derive revenues from national and non-national advertisers, with a revenue split of roughly 60/40 between national and non-national advertising expenditure across all media. Overall, Australian newspapers attract about 20% of the national advertising spend and 70% of non-national advertising revenues. Non-national advertising across all main media is a 50/50 mix of classified and retail advertising. Each of these non-national categories accounts for about 20% of total advertising expenditure in main media (CEASA, 2001, p.7). However, while retail advertising expenditure occurs across all main media, classified expenditure is concentrated almost entirely in newspapers. Indeed the non-national revenue mix for newspapers is 65% classified and 35% retail (7).
In recent times however, there have been important shifts in classified advertising expenditure that reveal much about the likely long term impact of ‘new’ media services on pre-existing print media and news-making practices, as well as how, in a services culture, the social relations of daily life are also changing. While these shifts in classified advertising revenues are having a de-stabilising effect on metropolitan mastheads, they are also supporting growth in another neglected area of newspaper activity, the suburban press. Three sources of pressure upon the classified advertising revenues of metropolitan dailies are considered here. The first is the rise suburban newspapers, a long-term trend associated with the urbanisation of Australian society. The second is the more recent rapid development of online media platforms, most notably the World Wide Web, and the third is the overheating of the new media market and the consequent ‘dot com’ bust of 2000.

**The rise of suburban newspapers**

The metropolitan daily press has been coming to terms with declining readership for a number of decades now. Inter-generational concerns about the preferences of younger people for electronic media and the greying of newspaper readerships are the focus of much of industry and academic attention. Another contributing factor to the longer-term decline of newspaper readerships is the rapid urbanisation of society, commencing in the post-war period. Not only did this movement of populations support the development of the ‘new’ medium of TV, but it also supported intensified
development of the suburban press (Morton, 2000) and increased competitive pressures within newspaper markets.

By 2000 the value of advertising in Australian suburban and community newspapers was $661m, nearly 10% of all expenditure in major media. This result was sufficiently strong enough for the Australian Suburban Newspaper Association (ASNA) to put its readership surveys contract up for public tender and independent audit for the first time (ACNeilsen 2001). While non-ASNA members have been independently audited for a number of years, this evidence of commitment to improved market research is not only a sign of increased confidence in the performance of the suburban press but it also addresses the critiques of the legitimacy associated with the development of the suburban press in the post-war period. As Griffin observers, in this period the suburban 'throwaway' press has been unkindly treated in academic research and commentary because it is perceived to occupy 'the bottom of the journalistic food chain, a slave to advertising, a pimp to consumerism and unworthy to be mentioned in the same breath as even the more lowly of regional dailies' (Griffin p.106; pp105-118). Hippocrates attributes the low status of the suburban press to the rather unworthy form of ‘new’ journalism that emerged in suburban press from the 1960s onward, exemplified by the advertorial (Hippocrates, 1998, p. 191). Suburbans’ total reliance on advertising revenue meant that suburbans came to be perceived as being at the ‘whim’ of major advertisers, if not in fact (192).

The entry of Rupert Murdoch into the Sydney market in 1960 marked an important moment in Australian suburban press development. Fairfax and Packer (who has since withdrawn from newspapers) responded by joining forces in a defensive alliance. No longer simply the products of localised cultural geographies, suburban newspapers were increasingly drawn into the strategic corporate game-play of media moguls. In subsequent decades the suburbs were territorialised and monopolised as titles were acquired by companies owned and controlled by major media proprietors, with Murdoch interests making the most substantial inroads. The earlier historical role of Australian community presses as important soap boxes for 'crusading journalists' (Hippocrates, 1998, p.192) was altered in the face of commercial pressures associated with competition for expanding advertising expenditures in an urbanising society.
By 2001 Murdoch companies owned and controlled a total 94 out of 126 suburban titles in mainland capital cities, with a dominant presence in every market (CLC, 2002, Table 11). Given the pressures on editorial staff in suburbs, including time constraints, staff restrictions and the relatively small amount of space that advertising left editorial (Hippocrates, 1998, p. 192) this manoeuvre was clearly not a politically motivated grab for the hearts and minds of suburban Australians. Rather, in the early years, it was more about taking advantage of important economies of scale in print production (Mayer, 1968, p. 66). More recently it has also been about capturing lucrative retail and classified advertising revenues, particularly in the sub-category of real estate. While metropolitan dailies battled with television for national advertising revenues, suburban newspaper circulations and non-national advertising revenues also grew. News Limited claims, on the basis of its own research, that the rate of growth in advertising expenditure in suburban press between 1996 and 2001 grew at an annual rate of 52% (Lyons, 2001). When Murdoch’s metropolitan and national daily press interests are also taken into account it becomes clear that a key strategy of this game is the optimisation of advertising revenues across all categories.

For Fairfax, these trends are, without doubt, a source of major concern. The flagship metropolitan dailies in Sydney and Melbourne are particularly reliant on classified advertising, deriving as much as 65% of advertising income from this source (Schulz, 2002). Although Fairfax also has national and suburban titles, its market reach is not nearly as extensive as that of the Murdoch press. The ‘partial cushioning’ of classified advertising that has historically saved the Fairfax Sydney and Melbourne metropolitan dailies in particular from ‘having to chase circulation by all available means’ (Mayer, 1968, p. 62) is a weakness that News Corporation appears to understand well.

**Classifieds online**

Suburban newspapers have not been the only source of competition for classified advertising revenues that the metropolitan dailies have faced in recent years. Following the development of the World Wide Web, and the opening up of the Internet to commercial users, classified advertising also began to appear on the web in ever-expanding amounts. Online classifieds are probably as old as Internet news groups. The relatively short-lived private networks of CompuServe, Prodigy and AOL also allowed, and in some cases encouraged, the posting of classifieds (Janal, 1995).
In the mid-1990s web-based services that systematically targeted the three major classified advertising categories of employment, automobiles and real estate were established by computer software giants such as Microsoft and Internet upstarts alike.

Employment websites such as Seek, MyCareer and CareerOne were attractive both to job seekers and Human Resource departments because of the enhancements they provided, including CV and searching services. Their major innovations on print media classifieds included a convenient, fast and cheap way for prospective employers and employees, particularly in the young socially and geographically mobile professional market segment, to check each other out (Tomlinson, 2002). Although print media still has certain advantages in the area of recruitment - mainly its capacity to capture the attention of “passive” job seekers - the response to online employment classifieds has been impressive. By 2000 it seemed that twice as many jobs were being advertised online in Australia than in newspapers. Amongst other things, if this trend is sustained it has potentially interesting implications for labour market indicators that continue to rely upon print media advertisements as their principle sources of data (Olivier Recruitment Group, 2002, p.7; 26).

Automobile sites also proved to be viable and attractive alternatives to classifieds for matching up new and second hand car dealers, buyers and sellers, “due in large part to dissatisfaction with dealers and the traditional car buying process” (Rayport and Jaworski, 2002, p. 140). Similarly, online real estate classifieds not only offered enhanced and more detailed information about properties, for example virtual hours tours, but they also minimised the amount of contact that buyers and renters needed to have with agents. The online platform also made it possible to integrate access to other services, for example finance and insurance services. There also appears to have been extraordinary growth in the personal classifieds category in the last decade or so. An increasing number of people clearly augment or substitute physical meeting places with print and online personal classifieds, in search of intimate connection (Moore, 1998).

These examples illustrate the trend to disintermediation that characterise the ‘new’ services economy whereby ‘middlemen’ in various service industry value chains are by-passed and service industries and business models are altered and restructured.
Importantly, though, these examples also show that these changes are ‘client-driven’ to the extent that people are choosing to use ‘new’ media in new ways to get better services and an expanded range of opportunities for social connection. The aesthetics of classified advertising are also changing as the possibilities for creative inputs are also expanded. In online environments classified advertising can be much more than the analogue print-equivalent to short text messaging we presently associate with mobile phones. In other words, the efficiency and productivity gains that capital can derive from the adoption of networked communications are only one aspect of a far larger story of complex social change.

In a very insightful 1996 publication Morris observed argued that the key threat online classified services posed for newspapers came from their capacity to capitalise on the value of non-editorial information to users. Morris argued that this could be directed to breaking “the nexus between news and advertising, thus fracturing the synergies created by the invention of the newspaper” (Morris 1996, 16). More precisely it is argued here that the nexus between classified advertising and news is what is presently being undone. It is also clear that metropolitan dailies are more vulnerable to this process of dis-association than suburban and community newspapers. The capacity of the metropolitan daily to retain relevance to a diverse readership is challenged as urban identity localises and becomes highly specific. Conversely, the opportunities for suburban and community newspapers to build readerships on foundations of local identity are increased, especially where local identity is stable, uncontested, and supported with social capital and infrastructure that may have accumulated since the post-war era. In other words, newspapers are also subject to the pressures of ‘glocalisation’, a term that has been widely adopted in globalisation literature to describe the shifts in media usage that simultaneously strengthen global reach and local identity (for example, Robertson, 1994).

**Newspaper responses to online media**

Newspapers’ responses to the development of the Internet were reasonably swift and took a number of forms, including diversification into online services. There is probably not a paper in Australia that does not now have a web presence. The business model initially seemed relatively straightforward and low-risk, especially when compared to other emergent opportunities at the time, such as datacasting.
Newspapers could leverage existing assets to develop online services in relatively low-risk ways, for example by re-purposing content produced by existing editorial staff for the new platform, using existing sales forces to sell it, and cross-promotional opportunities to generate web traffic. Classified advertisers could also be offered greater exposure for a nominal on-cost if indeed these costs were not also absorbed by the online service. Banner advertising was anticipated to provide a new line of revenue that would eventually justify the online investment (Day, 1999, p.8-9).

Kerry Packer’s Consolidated Press was the first major media group to go online with the establishment of the Ninemsn portal in partnership with Microsoft. In 1999, amidst on-going cost-cutting that aimed to see the company recover from a series of ownership and control crises of the previous decade, Fairfax launched F2. F2 aimed to start up new online services that would complement Fairfax’s printed products and open up new business opportunities. CitySearch, for example, was an important F2 initiative that was took Fairfax into the lucrative classified directory listings market, valued at over $1bn in 1999 (CEASA, 2000, p.4). It also aimed to consolidate local connection and build national profile through the development of datacasting services to be distributed on a new, digital TV platform.

News Limited took a more cautious approach at first, developing websites for its newspapers which also carried classified advertising, and conveyed “the impression of ‘staking out’ its claim in cyberspace while (waiting) for the Internet ‘gold rush’ to begin” (Marshall et. al 1998, 74) before establishing a new media division, News Interactive. News Interactive formed a series strategic alliances with a range of specialist online service providers including CareerOne and AdCorp that have provided leverage into new advertising markets in ways that also complement and extend its existing print media classified interests. News was also a contender in the development of datacasting services.

Advertiser response to these online ventures was also cautious, rising in value from an estimated $13m in 1998 to a peak of $80m in 2000 and dropping back to $65m in 2001, equivalent to about 1% of the value of the total expenditure in main media (Brook, 2002). As many Internet start-ups also rudely discovered from late 2000, when the bottom fell out of the listed value of the dot com sector, establishing viable
online business models has proven to be far easier said than done. By 2003 however, it was clear that online advertising had recovered, and was valued at $167m (ABC, 2003). The first audited figures produced for online advertising in Australia also suggested that online classified services, which attracted $60m in 2002, would endure.

Perhaps a bigger blow than the faltering early growth of online advertising revenues, however, was the policy and legislative framework for digital TV. Datacasting was envisaged as a new digital TV service category that would not compete directly with existing TV but which would enable ‘new’ players to develop wireless broadband services and applications to residential markets. Interactive directory and classified information services seemed like a logical niche to develop on this new platform, especially taking into account the political constraints operating upon the development of these services. In the end, however, the legislative conditions imposed on digital TV services, including datacasting, so favoured commercial TV incumbents that they had “the potential to block the digital conversion process indefinitely” (Productivity Commission, 2000, p. 244). Indeed, datacasting spectrum auctions did not proceed due to lack of interest. It was in this policy hiatus that F2 incurred losses in excess of $100m between 1999 and 2002 (Megalogenis, 2002, p. 4).

Nevertheless, by 2002 the ninemsn, F2 and News Interactive were established as leading online properties. However, following with the dot com crash, advertising expenditure also experienced its worst worldwide slump in two decades. Other local and international events also dampened any hopes of a quick recovery in national advertising, including the major corporate collapses of HIH, One.Tel and Ansett, in Australia, and Enron in the US, and the terrorist attack which brought down the World Trade Centre in September 2001.

In spite of these events, all the indicators in Australia favoured classified ad revenue growth in 2002. Real estate markets, especially in metropolitan areas and along the eastern seaboard were booming. There were also modest recoveries in the corporate investment and professional job markets. Curiously, however, white collar recruitment ads in Fairfax papers actually fell by as much as 32% in the first half of 2002 (Megalogenis, 2002, p.5). While much of this fall could be attributed to the tech wreck some commentators suggested that for the first time in the post-war period the
real economy and advertising spending had become disconnected. Alternatively, growth in the main media advertising expenditure pie had stalled for the first time in over a decade. Certainly, in the case of classifieds, the Fairfax ‘rivers of gold’ that had already been breached by the suburban press seemed to be under threat of being siphoned off to online services, while larger proportions of national advertising budgets were being diverted to ‘below-the-line’, direct marketing campaigns.

The future for newspapers
Following the sustained 2001-2002 slump in advertising and the failure of digital TV policy to deliver a viable datacasting service category, Fairfax focused on a dual strategy of quickly reining in costs and consolidating existing revenue streams. F2 and classified advertising were identified as Fairfax’s “most significantly underperforming businesses” (Megalogenis, 2002, p. 4) and, in a move that aimed to capitalise on the cross platform synergies of online and print classifieds, the two areas were put into one single commercial division. Extraneous online activities, such as the auction site sold.com were offloaded. F2 now sits alongside real estate, motor vehicles and employment, under one management structure. The F2 policy of not charging print customers any additional cost to have classified advertising online was brought to an end and dedicated online journalists also disappeared.

Following the dot com bust the major media groups, Fairfax, PBL and News Limited are all now more keenly focussed on cross platform selling (Bawden, 2003). This involves the development of integrated packages across all commonly owned and controlled media properties that are intended to be attractive to advertisers looking for greater value from their spends. Fully-fledged cross platform advertising sales will need to be supported by highly integrated content management (editorial and advertising) systems and sales forces. This level of restructuring appears to have already begun with some News Limited suburban chains where integration of content management systems has already resulted in increased centralisation of production, editorial and sales activities and even the establishment of a national rate card (Lyons, 2002).

MIT media scholar Jenkins says that newspapers are facing a moment of transition and unavoidable evolution. “And though they desperately try to define a niche for
themselves, many will find their days numbered” (Jenkins, 2001). Particularly at risk in Jenkins’ view is the city newspaper, “once the voice of our regional differences”. Is it possible that we are witnessing a similar emptying out by national and local media, of the space occupied by Australian metropolitan dailies? Other longitudinal research suggests that it is far too premature to be writing such epitaphs (for example, Picard, 2000). Throughout the second part of the 20th Century total advertising revenues grew on average faster than GDP, as the range of media services and marketing strategies also multiplied and diversified. Consequently newspaper revenues also grew. The fact that the proportion of expenditure on newspapers declined in this period, or that circulations have remained relatively flat since the 1980s, does not mean that advertisers shifted advertising spends away from newspapers. As Picard observes in his analysis of newspaper advertising trends in the US, “advertisers increased expenditures when additional media advertising opportunities appeared…” (Picard, 2000). Declining circulations and cover price sales do mean that newspapers are more dependent upon advertising revenues than ever before. The mix of newspaper advertising has also changed over time. Classified advertising now rivals retail as the single most important category of non-national advertising expenditure for all newspapers, except Sunday papers and regional non-dailies (CEASA 2002, Summary Table 00-1). Competition between newspaper chains for classified revenues is likely to be just as intense, if not more so, than competition between newspapers and online media. In the meantime, while they may have been punished in the market for complacency in recent years, metropolitan dailies continue to be the dominant site of classified advertising expenditure in main media. Nevertheless it is also clear that the association of news with classified information has been broken. Readerships are increasingly likely to turn to the Internet or suburban press for classifieds, a development which adds to the array of challenges that metropolitan dailies face. Major media proprietors have responded to this trend by joining in, and using their pre-eminence in ‘old’ media to become market leaders in the provision of ‘new’ online classified advertising services. However this leaves increases uncertainty about how the valuable knowledge-based assets built up in news production and distribution will be maintained and developed into the future for metropolitan dailies and suburbs alike.
This analysis suggests that the potential of the suburban press warrants further consideration. Journalism educators are already giving the capacity, needs and potential of the suburban press serious consideration (Romano & Loo, 2001). Suburban newspapers are also gaining recognition as important sites of cultural expression. As Griffin has previously argued in this journal, the “the local” should not be “trivialised and belittled” (Griffin, 1999, p.32). In his review of the intersection between journalism and cultural geography Griffin finds that “..the reporting and commenting activities of local newspapers...are taking on new and changing meanings, significance and importance in the light of a global reorientation and restructuring that gives greater weight and prominence to the local and recognises that battles fought at the local level, however seemingly trivial and parochial, either reflect or ultimately impact on global issues and concerns” (27-28). Innovations intended to achieve growth and shifts in advertising revenues, and to reposition ‘old’ media products such as newspapers as ‘new’ media services in an increasingly globalised information market, are another aspect of this phenomenon.

References


