PUTTING A 21ST-CENTURY SPIN ON A POWERFUL SELLING VEHICLE

by Burt Michaels

The Yellow Pages face important challenges—and can tap major opportunities—as they transform themselves for the Internet age

Today, the competition for marketers' dollars in the media world is more intense than ever. At a time when audience fragmentation and commercial avoidance technology is more prevalent, advertisers are experimenting with a host of nontraditional options for reaching their target audiences—and, in the process, upending the traditional distribution of ad dollars. Television, radio, and newspapers are now competing with ads not only on the Internet, but also at the supermarket checkout, the tops of taxicabs, and the gas pump.

In this environment, Yellow Pages publishers "quietly" sold advertising space to local and national advertisers to the tune of $14 billion in 2004—generating revenue from bold listings, to small in-column ads, to larger display ads in black/yellow up to process color ads on white backgrounds that include photos of people/businesses. Recent developments suggest no shortage of confidence in this traditional medium; in 2002, venture capitalists purchased the Qwest Dex Yellow Pages for $7 billion when this division was offered for sale.

Nevertheless, the next decade represents an important challenge to the yellow pages directories and their publishers. What role can this format play in the new media world, and how can it adapt to consumers' changing needs while staying true to its brand equity? How can the Yellow Pages build on the synergies between print and electronic versions of the medium? With more than 200 publishers distributing in excess of 7,000 different yellow pages directory titles, can the industry come together to promote

its medium collectively, rather than focus exclusively on internal competition?

A powerful ROI argument

To maintain their competitive edge, the yellow pages publishers might best focus on what their products do best. First, studies clearly indicate that this medium delivers customers (new and repeat) to advertisers, directly or indirectly. Consider this:

1. A 2004 usage study shows that, after the average yellow pages reference, almost nine in ten (86 percent) users had already made their planned purchase or were likely to do so. *(Source: Knowledge Networks/SRI: YPA Industry Usage Study)*
2. Over the past seven years, the yellow pages industry has collected information from more than 65,000 metered ad studies in over 1,200 headings. (Metered lines indicate call counts to a unique phone number in a yellow pages ad.) The estimated sales return for local display ads for each dollar invested in these ads was $13.30. *(Source: CRM Associates)*
3. The Yellow Pages play a meaningful role in purchases across many categories. For example, a. among the 3 percent of consumers using a moving company in the past year, 60 percent referred to the Yellow Pages, b. 44 percent of the 11 percent having transmission service done in a year referred to the Yellow Pages, and c. 19 percent of the 88 percent purchasing pizza used the Yellow Pages. *(Source: TNS)*
4. In an experimental pre/post advertising study for nontraditional advertisers in the yellow pages (e.g., a brand of soft drink in the Pizza heading, a bottled water brand in the Restaurants heading, a headache remedy in the Pharmacies heading, and several others), recognition of these ads all scored notably higher in the post wave. *(Source: Knowledge Networks/SRI)*

These exceptional results are largely due to a very focused consumer or business user; the Yellow Pages are a medium in which ads are a *good* thing. Specifically, because the yellow pages user is not there for news or entertainment, he or she does look at and read the ads (e.g., among users looking at ads the average is more than four ads referenced). Indeed, typically 18 percent of users indicate that there were not enough ads to look at in the heading referenced; among those looking at ads, 20 percent wanted more information in the ads.

Highly desirable demographics

The print Yellow Pages appeal to highly desirable demographic groups; the average yellow pages user has attended college, and has an annual household income of $60,000 and up—both above the national average. Typically they are ages 25–49, come from bigger families, are lighter-than-average television viewers, and often are also Internet users; 80 percent of Internet shoppers say they have also used the *print* yellow pages in the past month.

The Yellow Pages' unique place in the research and buying habits of consumers is evidenced by the fact that yellow pages use mirrors trends of the times. For example:

- Computer-related and telecommunications headings in the Yellow Pages have risen in use by 51 percent and 83 percent, respectively, since 1985–88.
- In this same time, references for childcare and household cleaning services have increased more than twofold, as the "two-adult working" household becomes even more the norm on the American landscape.
- Prominent ad campaigns directly affect yellow pages references; the recent high-profile advertising by "direct to consumer" insurance companies like Geico and Progressive, for example, is reflected in a threefold increase in mentions for these brands among users in the Insurance heading since 1995–98 (from 5 percent to 17 percent of mentions).

Clearly, the Yellow Pages have a powerful value proposition for advertisers—national and local; but to fully realize this opportunity, they might want to address some potential deterrents to this usage.

A challenge in the media mix

Today, competition within the yellow pages industry has never been broader; yet the Yellow Pages might do well not to fragment their marketing efforts too dramatically; in addition to individual brand publisher advertising, collective action on behalf of the Yellow Pages overall is likely to be important in keeping the medium fresh and foremost in consumers'—and advertisers'—minds.

Though consumers see the Yellow Pages as an always-available, convenient-to-use source of shopping information, media buyers and sellers have tended to treat them as something less than a full-fledged medium. To maximize the value of their medium—and defend their current share of ad dollars—directory publishers, in this opinion, need to confront this issue head-on by communicating their value story.

EIGHTY PERCENT OF INTERNET SHOPPERS SAY THEY HAVE ALSO USED THE PRINT YELLOW PAGES IN THE PAST MONTH.

As consumers have embraced computers and the Internet as everyday tools, the Yellow Pages have migrated to new media through their own electronic products—the Internet Yellow Pages (IYP), wireless applications, and yellow pages on CD ROMs. While IYP usage complements the usage of their print cousins in most categories, the situation is complicated by consumers' use of search engines (such as Google) to find data that might also appear in the Yellow Pages.

The migration of media time to the Internet is just one aspect of consumers' changing media habits. Devices such as PDAs, cellular phones, and even iPods have fundamentally redefined how consumers allocate their time, and their exposure to advertising. Though these options have in some ways reinforced the Yellow Pages brand, they also pose a threat that cannot be ignored.

Adapting to an online world

Much of the current research suggests that the print Yellow Pages will coexist with electronic shopping alternatives for the immediate future, if not indefinitely. For example, among the 31 percent of consumers who shopped on the Internet in the average month in 2004, 80 percent also indicated referring to the print Yellow Pages in the past thirty days (either in connection with these Internet searches or for other reasons).

But the Internet is changing consumers' expectations about information availability, and where to find it. The challenge for the print yellow pages publishers is to identify how they can best capitalize on their established relationship with consumers and the synergies between the electronic and print products—that is, how can the print Yellow Pages help the Internet shopper with information for their searches? Does the nature of this support vary by the location of usage (at home, at work, or elsewhere)? And how can the directories emphasize their local/informational advantages by becoming a better source of what consumers are looking for?

Meeting the needs of a changing population

The Yellow Pages are also adjusting to another dramatic shift in the media landscape. The 2000 U.S. Census and its updates indicate a major change in the U.S. population, with an increase in households where a second language is spoken (up 30 percent, from 13.8 percent in 1990 to 17.9 percent in 2000); Mexican Americans account for the largest part of this increase.

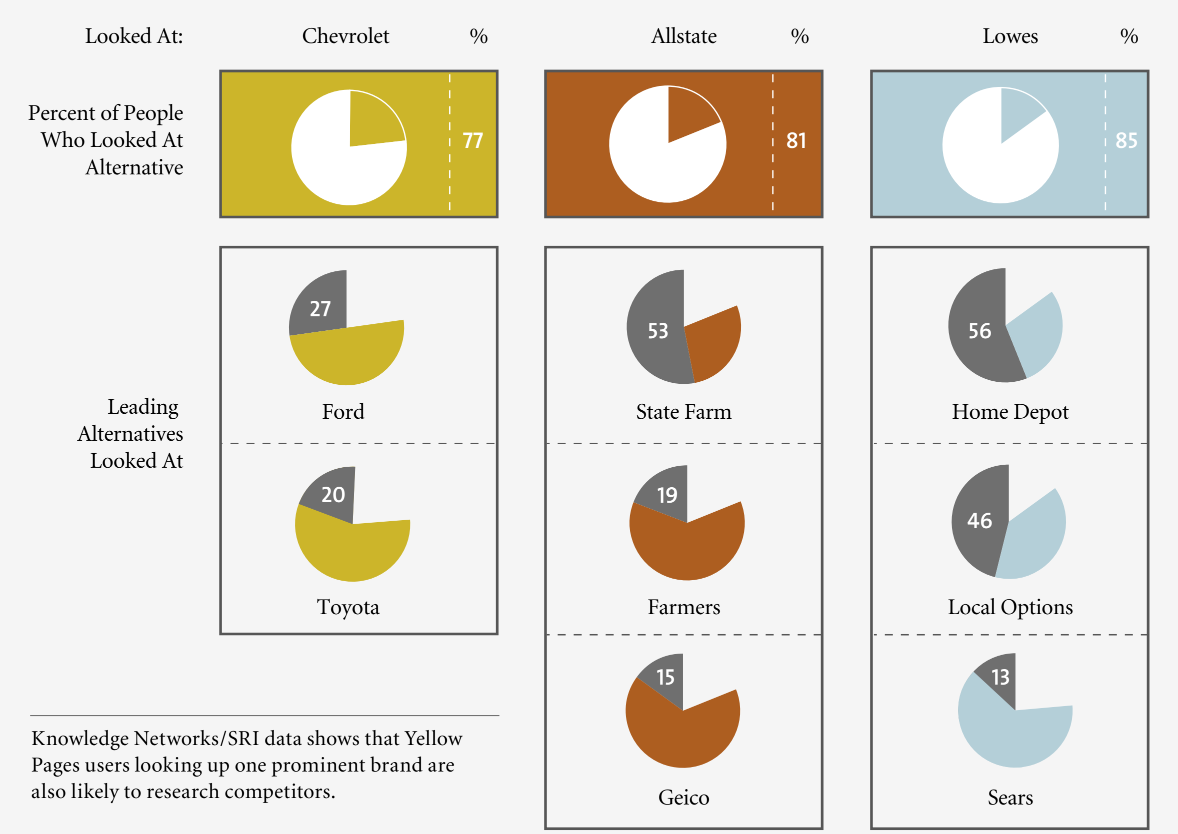
Research among Spanish-speaking consumers shows that print yellow pages usage is lower among these consumers than for their English-speaking counterparts, and that they may be more likely to call 411/information, where they can speak to a person in their preferred language.

The challenge to the print yellow pages publisher is to continue to provide refinements that render a more user-friendly product for those less skilled in English—that is, either through more language aids in the Anglo directory, in foreign-language directories, or both. It would also be useful to expand on efforts to attract ads from minority business owners.

Leveraging baby boomers' comfort with yellow pages

Another key population trend is the Baby Boomers' transition into retirement, with reportedly more disposable income than most of their predecessors. It is important to note that this higher-income portion of senior citizens turns to the print Yellow Pages with the same frequency as their younger,

CHART 1 : YELLOW PAGE USERS CONSIDER ALTERNATIVE BRANDS



Knowledge Networks/SRI data shows that Yellow Pages users looking up one prominent brand are also likely to research competitors.

under-65 counterparts; but they are also relatively Internet-savvy.

The availability of large-print directories clearly addresses some of the needs of this group; but more sophisticated initiatives—to give them the information they want quickly, for example—will also be important.

Marketplace misconceptions represent a challenge to present and future Yellow Pages. Some advertisers view the Yellow Pages as being only a directional ad medium; they believe that their mass-media advertising has convinced consumers to buy their brand, and the Yellow Pages just tells them where to make the purchase. But yellow pages research by Knowledge Networks/SRI paints a very different picture *(see Chart 1).*

1. Among those looking at the Chevrolet brand in the Auto Dealers heading, 77 percent looked at another alternative as well when considering the purchase or lease of a car or truck. Leading the list of

alternatives were Ford (27 percent) and Toyota (20 percent).

2. Among those looking at the Allstate brand in the Insurance heading, 81 percent also looked at others, including State Farm (53 percent), Farmers (19 percent), and GEICO (15 percent).
3. Among those looking at Lowe's, 85 percent looked at other alternatives, with Home Depot (56 percent), a local option (46 percent), and Sears (13 percent) also being considered.

Clearly, mass-media advertising works; but it works for more than one brand, such that consumers often have multiple brands in mind at the time of the purchase. The advertiser who does not follow through with advertising in the Yellow Pages may, in fact, be diminishing the value of the investment in other advertising. Making this potential loss clear to the advertising community will pay benefits not just now, but in the future.

Syndicated Research: A Collective Step Forward

In recent years, as more competitive yellow pages directories were being delivered to homes and businesses in markets throughout the U.S., confusion among both local and national advertisers increased, as well; in which of these alternative yellow pages directories does the merchant/dealer purchase an ad?

This confusion was exacerbated by usage results from alternative publishers that were often contradictory—that is, based on measurement methodologies that were often biased to deliver a favorable result for one directory or another.

In this atmosphere of near chaos, the telephone directory committee of the ANA made a call for independent third-party syndicated research—and the industry has responded. In 2004, Knowledge Networks/SRI was selected as the measurement provider for a new syndicated yellow pages measurement service. As currently designed, this service will use representative, 24-hour-recall data to estimate population usage, and mostly past-7-day usage to report specific directory shares in 125 to 150 directory distribution areas.

Many believe this syndicated measure will do much to attract more local and national advertisers to this ad medium, with the possibility of also drawing some nontraditional yellow pages advertisers. It should increase confidence in the medium and perhaps ensure a more equitable distribution of media spending. However, whether this new service realizes its full potential may depend on the industry's ability to communicate its value story—not only to its current target audience, but also to the mainly New York-based advertising world.

Meeting the challenge of a 21st-century marketplace

Despite their already broad influence among consumers, the Yellow Pages have the opportunity to expand their reach and value dramatically in the coming decade. Circumstances—from the Internet to the changing U.S. population—have forced all conventional media to rethink their businesses and transform into smarter, more flexible market forces.

Consumers are demanding more from all the products and services they use. Sources of entertainment and information are so numerous—and schedules so tight—that tolerance for slowness and lack of relevance has diminished. Consumers expect to have customized knowledge at their fingertips—and IYP and Yellow Pages on CD-ROM may fill some of that need. But the yellow pages print product retains a variety of key advantages over other sources. Publishers may need to take these differentiators to the next level and confirm their essential role in the research and shopping process.

Similarly, marketers have many opportunities to leverage yellow pages trust and pervasiveness to meet aggressive marketing goals. The Yellow Pages' unchallenged advantage in recency and their key role in consumers' buying decisions make them a powerful force that national advertisers need to study and exploit more effectively. The availability of objective, third-party information about the medium will be an essential step toward encouraging a heightened role for the Yellow Pages in national marketing budgets.

Extending the print Yellow Pages' unique advantages in ways that speak to consumers and advertisers alike is truly a 21st-century challenge—one the marketplace will follow with keen interest in the coming years.

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