

Now There Is A Way For Newspapers to Compete With Craigslist. Say Hello to LiveDeal.

Philip M. Stone - October 27, 2005

Newspapers know they stand to lose billions of dollars in classified advertising revenue to Craigslist, and many publishers have simply no idea how to compete against free ads. But now comes along LiveDeal, a Craigslist competitor that actually encourages newspapers to turn over their classifieds to a site LiveDeal will run for them on a revenue share basis. It's aimed at local readership within a 50-mile radius of local postal codes, but it extends nationwide.

Torstar, publisher of the *Toronto Star*, Canada's largest circulation newspaper, is eliminating its current online classifieds operation for a new LiveDeal-powered site available by the end of the year, and it likes the whole idea so much that this week it invested \$3 million for a minority stake in the Silicon Valley company.

LiveDeal has a simple idea - offer an online classified ad site searchable by postal codes. Punch in any of the 70,000 US zip codes and classifieds for a large variety of topics show up from a 50-mile radius. The search can be extended outwards to the whole country.

As part of the Torstar deal, LiveDeal will create a Canadian LiveDeal web site. Once it is active the Star will transfer its online classifieds to the new site and close down its current online classified operation.

What makes such an operation interesting to newspapers is that unlike Craigslist, LiveDeal is actively encouraging newspapers to partner with it on a revenue share basis. LiveDeal becomes the newspaper's online classified presence, responsible for the site's various features and maintenance, while the newspaper concentrates on getting the ad in the first place.

Its a simple idea - a reader of the *Toronto Star*, for instance -- calls the newspaper's classified department wanting to sell a car. Besides appearing in the print edition that ad will also appear at no charge on the LiveDeal powered *Toronto Star* classified ad site. That means the ad not just in local print, but via the online site it can be accessed, locally, nationally or even internationally.



While the online ad is free, the newspaper's classified ad staff will try and sell enhanced features for the ad's online placement. For instance, for a few dollars more show the car's picture; or how about placement at the top of the car sale category, etc.

The newspaper is already drawing up new pricing plans that combine the print ad and enhanced features for the online placement.

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“There has to be a free point of entry on the web,” said Tomer Strolight, president of Torstar Digital, “but that doesn’t stop us from selling enhanced features.”

Things could get really interesting if more than one newspaper participates within a 50-mile radius. Rather than not wanting a competitor’s classifieds the thinking goes that the more the merrier since it makes the overall site that much stronger.† Asked if the Star would welcome a competitor newspaper from within 50 miles to participate on the same site Strolight said, “I certainly would like to talk with them.” Obviously, the more inventory in a local area the more people will flock to the site.

The Star already enjoys great success in sharing its recruitment ads online with two competitors – the Globe & Mail and Gesca. The three parties jointly own workopolis.com, started five years ago, that today lists about 50,000 jobs, and thus recruitment ads remain outside the LiveDeal relationship. .

Strolight described [workopolis](http://workopolis.com) as “a runaway success. When we started the site the ads went on for free, but now we sell the ads online because it is so successful.”

LiveDeal’s founder and CEO, Rajesh Navar, says that revenue sharing deals with newspapers is a natural business plan, basically a win-win for the newspaper and for LiveDeal.† “We provide the newspaper’s classified online site, maintain it, and enhance it while the newspaper’s classified sales staff are actively cross selling enhanced features to go with the ads free placement online.”

Navar founded LiveDeal.com in 2003. He was an original member of the engineering and management team at eBay and that probably explains why the site has an eBay look and feel about it.

By promoting “local” sales - within the 50 miles radius, LiveDeal believes it has an upper hand for selling those “try it before you buy it” items. Buying across country poses risk, but one can make a 50-mile trip to try something out. Its financial performance would tend to prove the point – it currently lists more than \$3 billion worth of goods for sale compared to \$1 million one year ago

If Craigslist did not already worry newspapers, then Google gave them something even more to think about this week. A home page for Base.Google.com appeared for a short while and it had the look, feel, and smell of an online classified site, although Google did not confirm that. Since everything Google does is for free, all newspaper publishers need now is to compete not only against Craigslist, but also Google, the world’s most successful online sales company. About 40% of a newspaper’s revenues come from its classified business.

One advantage LiveDeal can give a newspaper is that because it manages the newspaper’s online site, and it has the resources and technology to maintain

The site to be as modern as possible including using rich media, that a newspaper doesn’t have to worry any more about investing to make its classified site competitive with others. A University of Missouri-Columbia study, for instance, recently criticized newspaper classified sites for not embracing multimedia.

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That lack of multimedia may be because of a lack of bandwidth or similar technical reasons or it could just be a plain lack of resources for the additional technology. But that worry goes away when a third party has responsibility for managing the site and keeping it up to date with the latest rich media features. LiveDeal says it is adding maps and voice over IP within the year.

A newspaper could argue it can handle classifieds on its own web site quite nicely without need of a third party. But for all the human and financial investment it takes to continually keep sites technically up-to-date, let alone the design and filing, it could well behoove a newspaper to check out the financials of doing such a third-party deal.

It's worth a look.

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