

# The Evolution of YP Publishing

*How to succeed in the Era of Multi-Channel, Performance-Based marketing*

*Information Service Experts*

**SOLEO**  
*communications*

## Executive Summary

In the past decade, Yellow Pages Publishers have had to contend with a number of disruptive changes that threaten their traditional business model.

First, the rapid rise of online search undermined the popularity of printed books, reduced revenues and changed the basic value proposition that publishers offered to their clients.

Now social media and mobile devices are transforming the way businesses interact with customers and prospects, offering new competition for merchants' limited advertising budgets.

The increasing focus on performance-based marketing adds another degree of complexity to the situation, because it favors marketing partners with the proven ability to generate qualified leads, track results, and perform analytics. To keep up with the competition, many publishers will have to focus on these capabilities in the years ahead.

At first glance, all of these trends suggest a challenging future for the YP industry. But forward-thinking publishers can gain a dominant position in online local search and interactive advertising by offering an integrated portfolio of multi-channel, performance-based advertising and marketing services and *by becoming a strategic marketing partner to their clients.*

Innovative technology that's available today provides the foundation for a platform that will help publishers integrate multi-channel connectivity with sophisticated lead generation and performance management capabilities. As a result, it will provide the basic infrastructure publishers need to succeed in the fast-changing world of merchant advertising.

**Forward-thinking publishers can gain a dominant position in online local search.**

## The Publisher's Dilemma: How To Succeed In The Volatile New World Of Performance-Based Advertising.

Publishers today are struggling to find new ways to succeed in a fast-changing business environment. And most of the challenges and problems are a direct result of one key factor: the changing nature of merchant advertising.

If you turn back the clock, advertising decisions for merchants were much easier to make. Business owners would typically lead off their programs with YP ads. And if there were enough money in the budget, they would explore other options in print, radio and TV, direct mail and transit advertising.

But today, merchants face a bewildering array of advertising options, including the emerging channels that are widely hailed as the wave of the future.

In addition to traditional offline advertising, merchants can place a search ad on Google AdWords, develop their own website, engage in social media marketing, and explore ways to promote their products and services over the growing number of smartphone and other mobile devices in their markets. In fact, there are more ways for merchants to advertise than ever before.

The increasing number of advertising options presents a dilemma for every publisher. Every new option that comes into existence represents new competition and has the potential to diminish the importance of publishers' offerings in the eyes of merchant advertisers.

### A quick look at the competitive landscape.

The impact of online search advertising on YP publishing is a well-known story. Google, which launched its revolutionary AdWords program in 2002, processes about 1 billion search requests per day. And advertising related to these online searches accounts for 99% of the company's revenues, which exceeded \$23 billion in 2009.

But now Facebook is threatening to overtake Google as the world's largest Internet business. The company, which launched its breakthrough website in 2004, already has more than 600 million users and accounts for more than 23% of all online advertisement displays in the U.S. according MediaBuyerPlanner. And it's still growing. In fact, Facebook replaced Google as the most popular site on the Internet for the first time in December, 2010.

“This is the most transformational shift in the history of the Internet”, said Lou Kerner, a social media analyst, in a December 31, 2010 article published by The Washington Post. “We’re moving from a Google-centric Web to a people-centric Web.”

Groupon, another rising star in the social media landscape, has even outpaced the remarkable growth of Facebook. Launched in 2008, it turned a profit after only seven months with its innovative “deal-of-the-day” program. In only two years’ time, it has expanded into 35 countries and acquired more than 40 million subscribers. In August of 2010, Forbes magazine called it the “fastest-growing company ever.”

According to a post by the social media blogger P. Morgan Brown cited in a December, 2010 online article in The Atlantic, (What Groupon’s Doing That Google Couldn’t), the development of a local sales force is a key strategic goal for the world’s fastest growing company:

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Groupon knows that without people pounding the pavement, pounding on doors and pounding the phone, they won't reach the mass of SMBs who are 1) not actively seeking out new advertising options online and 2) are hounded by traditional SMB advertising providers that don't ever let up on closing small business deals. And to put that organization in place is going to take a ton of cash. You need sales agents in each city, you need sales management, you need office space, you need call centers, and you need fulfillment, billing and operations teams to handle that size of a customer base. And that takes a ton of money.

Of course, Facebook and Groupon are just two example of the undeniable rise of social media which includes Twitter, YouTube, Yelp, Foursquare and many others, each accounting for millions of users and countless hours of online time. According to Nielsen, the global information and measurement company, 22% of the time people spend online is now devoted to social networks and blogs. And that adds up to an amazing figure: 110 billion minutes of online activity per year. Loosely translated, that means one thing to local merchants: *If you’re looking to connect with customers, you can find them on social media.*

Another powerful trend that affects local advertising is the dramatic growth in the number of mobile devices, smartphones and tablet computers. Nielsen reports that the smartphone market will exceed feature phones by the end of 2011. The media research leader also says 25% of all

mobile devices are already smartphones. And clearly people are using them for a lot more than calls. In fact, the Pew Internet research organization predicted in 2009 that 50% of web browsing will take place on mobile devices by the year 2014.

Once again, these statistics prove that mobile computing is not a fad. Instead, it represents a tectonic shift in the way people access online information. And if merchants want to reach their customers and prospects, they'd better have a strategy for connecting with the growing number of people who use mobile devices.

## The fallout for traditional media.

Naturally, all of these powerful trends are having an adverse impact on traditional media. According to eMarketer, the average time people spend on TV and video, radio, newspapers, and magazines is decreasing. As a result, advertisers are changing the way they allocate their advertising budgets

- The percentage of small and medium-sized businesses using online media surpassed traditional media in 2008. And the gap is steadily widening. (*Source: BIA Kelsey*)
- Social network ad spending is growing at an annual rate of more than 20%. (*Source: eMarketer*)
- Nearly half of small and medium-sized businesses now have a Facebook page. In fact, more of these businesses have a Facebook page than engage in email marketing. (*Source: BIA Kelsey*)
- Spending on mobile advertising for location-targeted and non-location-targeted ads is expected to reach a total of nearly \$3 billion by 2014. (*Source: BIA Kelsey*)

Bottom line? If publishers want to secure their future, they must find a way to play a more meaningful role in the brave new world of local, social and mobile marketing.

## The advent of performance-based marketing

With people spending increasing amounts of time online, advertisers are focusing more attention on online marketing channels.

One of the advantages of using digital marketing channels, like Google AdWords, is the having the ability to track and analyze responses. That capability meshes well with the increasing focus on performance-based marketing (ROI) and quantifiable results throughout the business world.

In fact, a report from the CMO Council, an organization of marketing leaders around the world, identified marketing performance measurement as one of the top four projects on marketers' agendas.

Even though local merchants may not operate at the same level of sophistication as Chief Marketing Officers for global corporations, they share the same need to get quantifiable results—and a better Return on Investment—from their advertising expenditures. And that's exactly why businesses of all sizes are moving away from hard-to-quantify awareness-building programs to focus more of their budgets on performance-based marketing.

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It's all part of a game-changing transformation in the way companies connect with their customers, evaluate their advertising options, and assess the effectiveness of their advertising and marketing investments.

## Turning a major challenge into a dynamic opportunity.

Many publishers have already taken steps to expand their offerings into online advertising. And some have begun to address the need for more effective lead generation and performance measurement capabilities by adding call-tracking capabilities and performance-based revenue models like Pay-per-Call.

AT&T Interactive has also begun the transition from a traditional YP company to an online search and interactive advertising company. Their 'YP Local Ad Network' now includes over 170 mobile and online publisher websites and has the potential to reach more than 71 million unique visitors.

In addition, publishers have a number of strengths and other advantages that can help them succeed in the new era of digital, performance-based marketing.

**Existing relationships with local merchants.** Publishers already have plenty of feet on the street. This is a key competitive advantage. In fact, one of the key challenges facing booming digital media businesses like Google is the development of an effective local sales force. Publishers don't have to build this high-powered selling infrastructure. It's already in place.

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**The superior value of calls versus clicks.** Publishers have traditionally been involved in advertising designed to drive calls to merchants. And despite the increasing popularity of clicks, calls placed by a customer or a prospect continues to be the most valuable source of leads to a merchant.

According to a 2010 BIA Kelsey Advisory, small and medium-sized businesses rate calls and store visits as the highest quality leads by a wide margin.

If publishers can find new ways to generate high-value calls to merchants and track and analyze the results, they can deepen their relationships with their clients and gain ground on the competition.

**Merchants do not have the time or expertise to negotiate the complex, fragmented digital marketing landscape.** With limited budgets, resources and time, merchants must make smart decisions about allocating their advertising dollars. But in today's fragmented media marketplace, that's difficult for businesses of every size.

If publishers are able to help their clients optimize their advertising expenditures and simplify the process of multi-channel advertising, they will be able to develop long-term strategic marketing partnerships with local merchants—partnerships that will be difficult for competitors to displace.

## Becoming a strategic marketing partner:

### Requirements for success

By building on these strengths publishers can regain a leadership role in the age of digital marketing. But evolving into this role will require YP publishers to make some organizational changes.

To become a strategic marketing partner, publishers will have to:

- Develop new digital marketing capabilities and expertise
- Forge effective, mutually beneficial relationships with new advertising channels
- Expand their technological infrastructure to support new services and facilitate performance management.

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Each of these steps will require effort, focus and commitment. The extent of the organizational changes will depend largely on how much of the process publishers wish to manage in-house as opposed to other possible alternatives such as customer self-service options and/or partnerships with outside agencies. Nevertheless, all of these changes can all be achieved today.

- Publishers can develop the expertise of their sales force through cross-training or the recruitment of digital marketing specialists. This logical approach has already helped many publishers expand into online advertising with website-based offerings.
- Successful partnerships with other channels can be developed when there is a strong likelihood of a win-win business opportunity. Publishers can help their channel partners gain access to local clients, and channel partners can help publishers expand their offerings with state-of-the-art digital marketing services. These mutually beneficial relationships will allow publishers to generate more revenue and convert potential competitors like Google AdWords into business partners.
- Technology is now available today to help publishers interface with multiple advertising channels, generate highly qualified leads, track and analyze responses and results, and create easy-to-use dashboards for integrated performance management. As a result, publishers will be able to offer more bundled services, generate more revenue and become strategic marketing consultants to their clients.

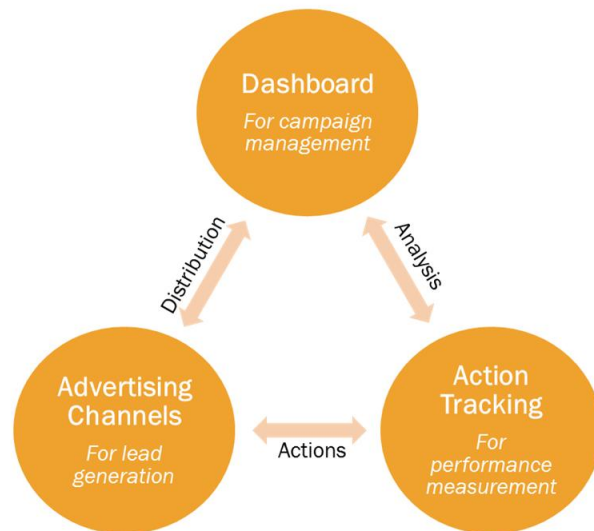
Let's discuss this technology in greater detail, because it plays a key role in the transformation of YP publishing.

## Anatomy of a Performance-Based Marketing Platform

To evolve into a new role, YP publishers will need help from technology platforms that support three key capabilities that are essential for success in the era of digital, multi-channel, performance-based marketing.

### I. Multi-channel lead generation

Since it's essential to facilitate lead generation in today's complex media landscape, publishers need to be able to interface easily with a variety of offline and online channels, export ads designed for lead generation and tracking, and generate deal-based SMS ads and coupons for mobile advertising applications.



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In addition, publishers associated with telecommunication carriers have the opportunity to deliver advertising for their clients through channels that are not readily available to Internet companies. These unique channel options include calls being handled by Directory Assistance and calls that are made to disconnected or changed numbers. Another opportunity is the ability to gain valuable real estate on the growing set of mobile devices with pre-installed applications. These publishers are in a position to leverage these new, proprietary channels in the performance-based advertising market.

All of these powerful lead generation capabilities are possible with technology that's available today.

### II. Performance measurement

Innovative platforms can also be designed to help publishers integrate multi-channel performance data on merchant advertising with analytics, reports and other campaign management information. As a result, publishers can help merchants track and analyze clicks,

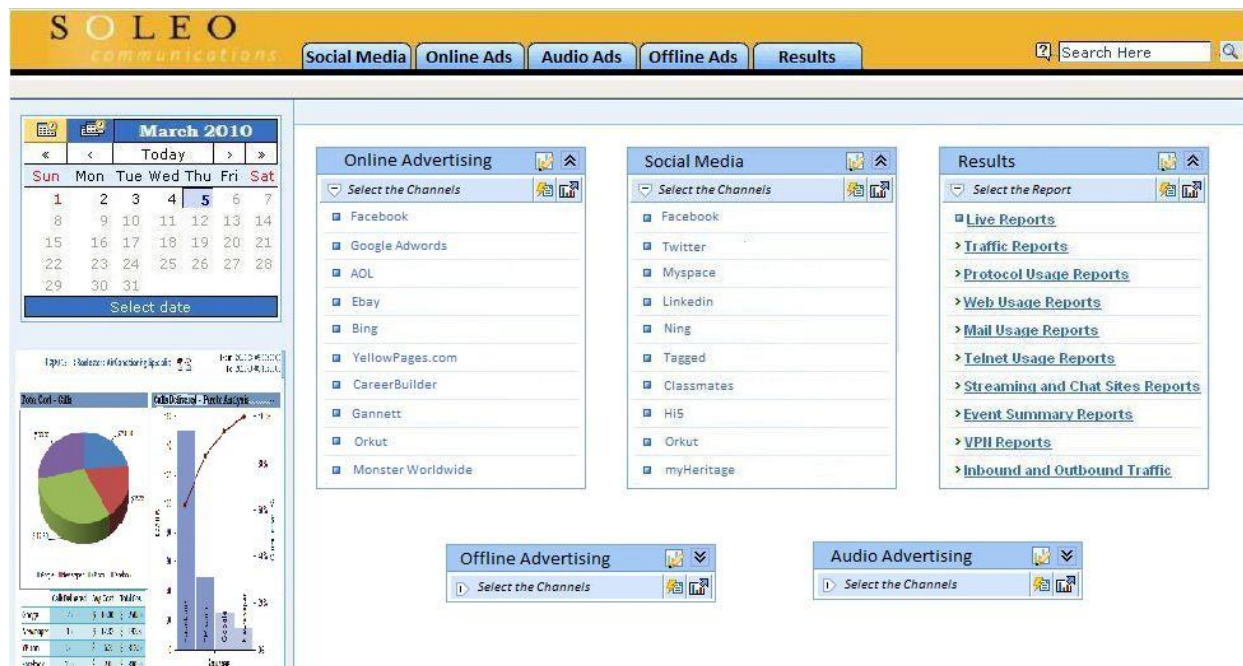
calls, coupon redemptions and store visits. The insights gained from this data-driven analysis will help merchants refine their channel selection decisions and improve the effectiveness of their advertising programs on a continuous basis.

### III. Simplified campaign management.

The technology that supports this new marketing services platform includes sophisticated capabilities. But the primary user interface—the campaign management dashboard—is designed to streamline everything from the distribution of lead generation advertising to the aggregation of performance management data.

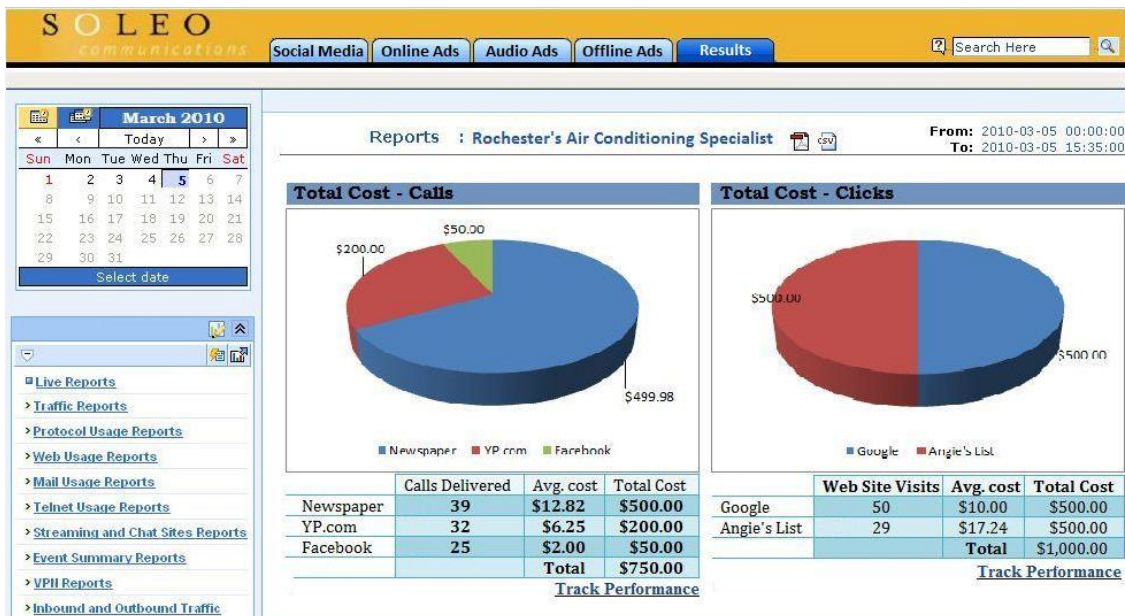
This intuitive dashboard, which can be customized to meet publishers’ specific requirements, makes it easy to perform the following functions:

- Select the desired online and offline advertising channels
- Create ads for display, search and SMS advertising applications.
- Distribute ads—including display ads created by publishers or outside agencies—to the appropriate channels.



The dashboard also provides an easy way for publishers and merchants to:

- Track the results of their campaign
- Determine the average cost per response
- Access historical information, reports and analytics



All of this information will enable publishers to identify new ways to help their clients get a better overall Return on Investment on their advertising investments.

## Here's how the platform works for publishers and clients.

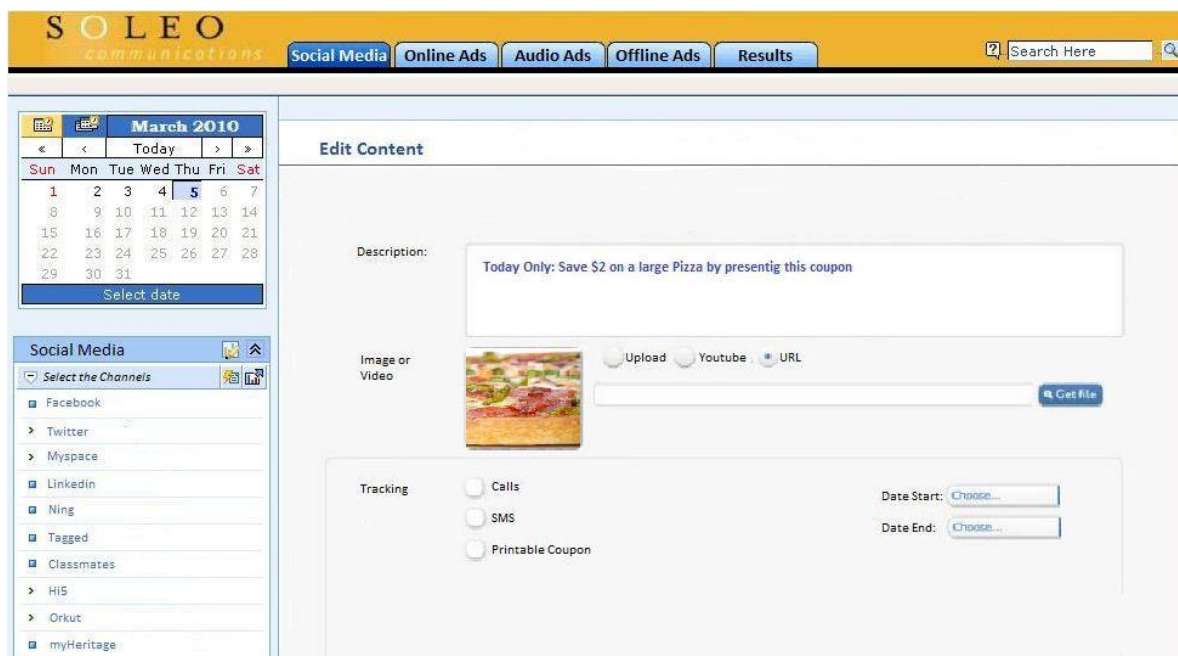
As you can see, this multi-faceted platform is designed to support new services and capabilities that will help publishers dramatically improve the value proposition they offer to clients.

Here are some examples that show how it works in practice.

### 1. A local restaurant wants to promote a time-limited offer on social media.

By using the dashboard, a member of the publisher's staff can quickly generate text for a special offer and automate placement on Facebook, Twitter or other sites. Text for each channel will include a special phone number or short code link designed to facilitate tracking. The promotion can also be designed to include SMS coupons, printable coupons and click to call capabilities for customers using smartphones, tablets and other mobile devices.

After the timeframe for the promotion expires, the results from the advertising channels will be automatically imported into the dashboard's performance management section along with other data based on call-tracking, coupon redemptions, and store visit information provided by the merchant.



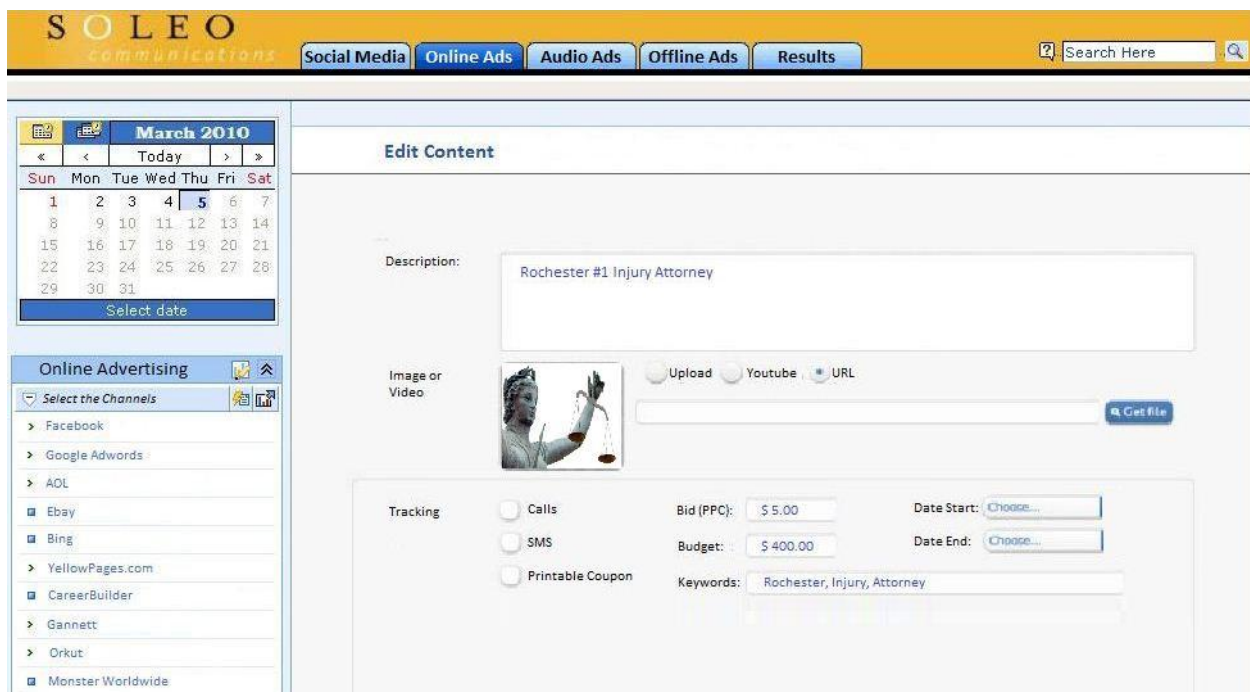
The results will give merchants an easy way to analyze the effectiveness of their promotion, identify the most productive channels, and calculate the average cost-per-response, a key element in determining the campaign's overall Return on Investment.

In the future, customer smartphones enabled with GPS or Near Field Communication technology will help automate the process of tracking store visits and actual sales, which will add another valuable dimension to the performance picture.

**2. A law firm wants to expand beyond YP advertising to include an online campaign designed for call-tracking.**

The managing partner of a local law firm wants to launch an online advertising campaign that incorporates call-tracking as a key performance management feature. Since the firm doesn't have the expertise or time to develop and manage the campaign in-house, the partner turns to the firm's longstanding Yellow Pages partner for assistance.

Working closely with the client, the publisher's representative selects the right online channels, develops the appropriate advertising content and includes keywords designed for Search Engine Optimization. The content also includes specialized phone numbers linked to sophisticated call-tracking features.



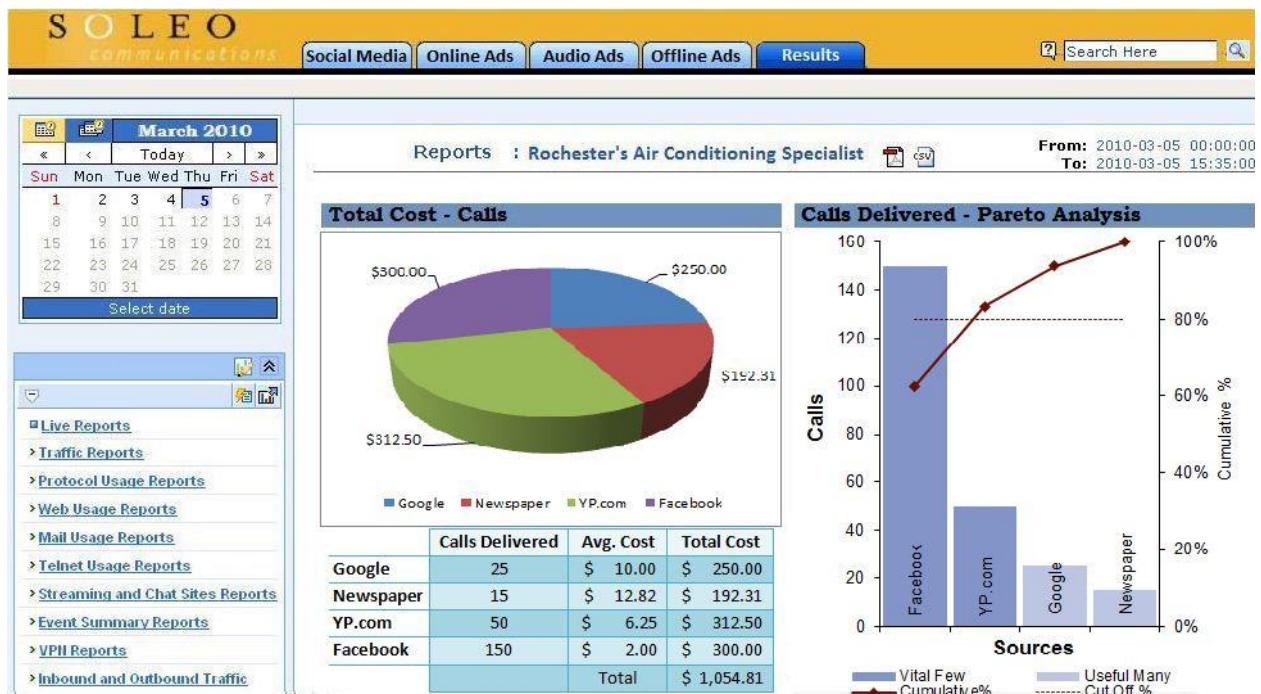
After the ads appear on the selected channels, the number of clicks and calls will be calculated along with the associated costs. The publisher's representative then can review the performance data with the client to develop plans for continuing improvements in advertising effectiveness.

**3. A neighborhood hardware store wants to launch and track a promotional campaign that includes online advertising, social media and a display ad in a weekly newspaper.**

The publisher's representative uses the dashboard to create and export text-based ads with embedded call tracking numbers developed for each online and social media channel. Then she finds the display ad, which was previously created by the publisher's staff or an outsourcing partner. After she assigns a special call tracking number to the display ad, she clicks a button on the dashboard to email the ad to the newspaper.

Once the results for all of the ads are quantified and updated in the dashboard, the representative analyzes them and produces a report with recommendations for the next campaign.

In all of these examples, the technology platform and dashboard interface have expanded the portfolio of marketing services available to merchants, streamlined and simplified the process of developing and placing lead-generation ads in multiple channels, and provided an easy-to-use tool for performance management and campaign analytics.



Just as important, this novel platform elevates the importance of publishing in the eyes of clients. Instead of simply being a point of contact for a limited number of transactional advertising options, the publisher now has the potential to become a marketing consultant at a much more strategic level.

By implementing innovative technology, publishers can acquire the fundamental capabilities required to help their clients get a better return on their multi-channel advertising investments.

Clearly, this is a new role for publishers. But it will help them deliver more value to clients. And that will give them a powerful competitive edge in the dynamic merchant advertising marketplace.

In the final analysis, that dynamic opportunity will provide the motivation for forward-thinking publishers to reinvent their business model and value proposition.

## A final word: For YP publishers, technology-driven evolution is the key to success.

A brief survey of recent history shows that technology has been a driving force in the disruptive changes that have made the prospects for YP publishing so uncertain. But clearly technology can also be a catalyst in the industry's revival.

By implementing innovative technology, publishers can acquire the fundamental capabilities required to help their clients get a better return on their multi-channel advertising investments.

This expanded portfolio of offerings will help publishers reverse the industry-wide decline in revenue and move beyond their traditional role to become a true strategic partner to local merchants.

Of course, evolution in the business world is not a natural process: It doesn't happen by itself. Instead, it requires decisiveness, sustained effort and an in-depth commitment to a transformative vision.

But for publishers willing to make this journey, today's struggle to survive will lead to a new opportunity to thrive in the fast-changing world of digital, multi-channel, performance-based marketing.

## About the authors

The Innovation Office at Soleo generates, cultivates, and pursues innovative ideas, markets and opportunities. Members of the Innovation Team combine thought-leadership with cutting-edge technology to address market opportunities in the rapidly evolving global market place.



Building on a foundation of carrier-grade application development and high-volume call handling expertise, the Innovation team works to identify areas of opportunity for Soleo to leverage its knowledge base from traditional telecommunications markets to emerging technologies and new market opportunities. Throughout, they maintain the same high standards for process, quality and dependability on which the Soleo reputation is built.

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## About Soleo

Soleo Communications, Inc. is based in Fairport, New York. Soleo is a systems integration company that builds technology solutions for the Directory and Operator Services markets. SOLEO was founded with the vision of delivering advanced information service solutions that are standards based and built with a framework that can cost effectively take advantage of the latest technology. SOLEO provides these types of information and operator service solutions globally to a number of telecommunication carriers and wholesale voice service providers. Soleo is headquartered in Fairport, New York.

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