

Directory Dynamics

BY JOHN ZARWAN

Demand for print continues despite on-line alternatives

Printed directories, including telephone books, White pages, Yellow Pages, membership rosters and employee phone books, have been hit hard by digital media. As these printed documents are essentially lists derived from databases, they lend themselves to electronic formats. As reference material, they are out of date the moment they're printed. Web-based versions can continually update and refresh the information. Corporate directories, membership lists and similar items have already essentially moved to electronic format as they can be updated in real time.

Despite this, the market for print directories remains vibrant and healthy. Estimates are they still constitute about five percent of the total printing industry. The chart below shows the estimated growth of the directories market in Canada alone.

The most significant component of the directory market, and a large reason for its continued health, is the growth and size of Yellow Pages. The U.S. printed Yellow Pages is a \$15 billion industry, Canada's is about 10 percent of that. Yellow Pages publishing revenues continue to grow at four percent to five percent a year. And with profit margins of 50 percent or more, it is a very desirable industry, as evidenced by the number of leveraged buy-outs and formation of income trusts.

Although there are more than 6,500 Yellow Pages directory titles in North America, the Yellow Pages market is highly con-

centrated, with the 10 largest publishers accounting for 95 percent of the market based on revenue. The traditional "Bell" telephone companies have two-thirds of the market. Canada is even more concentrated. Out of a total print Yellow Pages spending of \$1.2 billion, print revenue of the Yellow Pages Group, which publishes 340 directories and delivers 30 million books a year, is in excess of \$1 billion a year.

According to the Television Bureau of Canada, Yellow Pages represent 10 percent of total Canadian advertising spending. More than 80 percent of Yellow Pages advertising is local. Yellow Pages advertising is critical for many smaller and mid-sized businesses, and offers them many advantages. Yellow pages is solely devoted to advertising. It is one of the very few media where consumers deliberately seek exposure to advertising. And it is used frequently. Furthermore, Yellow Pages users are further along the buying decision-making process than almost any other type of advertising; people use the Yellow Pages to satisfy a specific and usually immediate purpose. Yellow Pages are also highly targeted. Prospects go directly to a specific heading, looking for advertisers that can fill their needs. Yellow Pages are easily accessible anytime, and the number of calls generated by advertising through the medium can be tracked to evaluate the advertisers' return on investment.

On the other hand, the yearly or semi-annual publishing cycle, the long lead time for placing ads, and other restrictions means advertisers have little control over the timing of exposure to potential customers. With the large number of listings, it is also difficult for advertisers to "rise off the page," as they can in a newspaper or magazine. While graphic quality has been improving, it still lags behind other print media. Yet there is no end in sight for the printed directories, as evidenced last fall by Quebecor World and Yellow Pages Group extending an existing printing agreement, worth over \$1 billion, to carry on through 2020.

Nevertheless, despite an increase in ad page revenue, local circulation of print Yellow Pages is on a decline. To a large degree, this is a result of the shift of advertising to Internet Yellow Pages. Yellow Pages ranks second, after newspapers, in the share of local on-line advertising. According to the Interactive Advertising Bureau of Canada, directory ad spending on-line represents about 22 percent of the total on-line ad spending in Canada.

Internet Yellow Pages are an updated version of a proven, profitable model. More sophisticated variations include interactivity, with maps, Web-links, even automatic telephone dialing.

Industry analysts suggest the greatest driver of directory

CANADIAN DIRECTORY MARKET

e: estimates
p: projections

Millions of Dollars						Annual Growth (CAGR)		
2001	2003	2004 ^e	2005 ^e	2007 ^p	2010 ^p	2001-2004	2004-2007	2007-2010
1,183	1,223	1,293	1,381	1,568	1,848	3%	6.6%	5.6%

SOURCE: PRIMIR (FORMERLY GAMIS) STUDY "THE STATUS AND FUTURE OF DIRECT MAIL" (2004) MEDIA EXPENDITURE MODEL BY KUBAS CONSULTANTS.

users from print to on-line will be broadband Internet access. Convenience and ease of use are paramount, and print offers both. Increased broadband penetration is rapidly undermining the print advantage. With the spread of broadband, it becomes easier to look something up online than in a book. However, the printed copy still is useful, particularly for those times when the computer is not "on," although cell phones may be used in these cases.

A shift in use does not necessarily mean significant changes in print revenue. Both white and Yellow Pages will continue to be distributed to households. Local advertisers will continue to advertise in print versions. Even if people do not use the Yellow Pages as much, they will still be printed and distributed. Every household will continue to have one.

Other printed directories are in trouble though. For many types, there is no need for any printed copies let alone multiples. And the utility of Web searches is outstripping the effectiveness of printed versions. The Canadian industrial trade directory, *Frasers* (a Rogers publication) launched its free online presence *frasers.com* in 1999 and continues to invest in its search capabilities. The site's robust Industrial Web search engine delves deep into supplier's sites improving the relevancy of the requests. "Deep linking lets users search for specific items, like part numbers and

brand names, and find them deep inside websites," says *Frasers* publisher Gloria Gallagher.

U.S.-based Thomas Industrial Network is discontinuing all its print publications after the 2006 edition. These publications and others will continue to be available free-of-charge at their website. The company says the move reflects over a decade long transition to the Internet as the primary information source of the industrial market. Membership, employee phone books, and other personnel directories that are used for reference will migrate to electronic form, while those that are published for recognition rather than reference are likely to remain in paper form for many years.

In summary, much of the printed directory market will be replaced by electronic reference. The largest segment, however, telephone and yellow pages, will continue in print but its relative importance will slowly decrease as online versions and search related technology do a better job of meeting most customer needs and the advertising money follows. **CP**

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