KYMENLAAKSON AMMATTIKORKEAKOULU

University of Applied Sciences

International Business/International Trade

Ivelina Arabadzhieva

THE ECONOMIC DOWNTURN AS A GROWTH OPPORTUNITY FOR ONLINE BUSINESS
DIRECTORIES

Bachelor's Thesis 2009

ABSTRACT

The economic downturn creates opportunities for businesses because competitors go out of business and consumer habits change. Whilst this has proven to be very negative for print directories in the UK that are losing advertisers, some of their online competitors are managing to take advantage of the situation by attracting their lapsed customers.

The major goal of this study was to assess whether one of the UK's biggest online business directories has the potential not only to survive but also to grow during the current economic downturn.

SWOT and strategy analysis was implemented in order to determine the company's current position. Also, an online questionnaire was sent to Company X clients, in order to determine their propensity to renew their contracts upon expiration.

The findings showed that Company X, whilst faced with the recession, is both proactive and innovative, and having developed a very good business acquisition strategy, has got the potential to grow during and beyond the recession. However, the online survey showed that in order to keep this growth sustainable, the strategy needs to focus more on client retention.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

1 INTRODUCTION

1.1 Background information

Over the last few years the growing usage of the Internet, and the advancements made in online search, has prompted businesses of all sizes to allocate a significant part of their marketing budgets to advertising on the Internet. In the UK more and more small businesses are giving up on traditional forms of adverting, such as print directories, and moving to advertising in online directories. Print directories, such as Yellow Pages, are currently in decline because online directories represent a more cost effective and eco friendly alternative to traditional print media. This phenomenon is further enhanced by the current economic downturn, when small businesses have to make extra sure they are spending their increasingly limited advertising budgets wisely.

Whilst working at Company X (to respect confidentiality the real name of the business shall not be revealed), on of the UK's fastest growing online business directory, I noticed some very interesting trends. Even during the current period of recession in the UK when almost every day big companies are going out of business, Company X has retained consistent growth in both size and revenue. This is largely due to the fact that the company has implemented various projects in order to not only survive but also grow during this period of financial uncertainty.

Sales records showed that Company X is very good at new business acquisition. This is largely due to the fact that the Marketing Team has developed a very successful strategy to generate a large amount of 'hot' leads every week for the Sales Teams to follow up and monetize on. When it comes to client retention however, the records show that Company X is currently below the desired level that would ensure sustainable growth.

It is clear that the company cannot grow sustainably by only relying on new business acquisition. As a member of the Marketing Team I was asked to conduct research that would give more information about why most of Company X's clients chose not to renew their advertising upon expiration. The results were indeed very alarming and clearly showed that most of Company X's advertisers were not satisfied with the results

of their advertising. This prompted the management team to undertake projects aimed at achieving better product delivery and therefore higher level of satisfaction and client retention.

The biggest such project is called Fast Track and I had the chance to be involved in developing the strategy since the beginning. As a first step, Fast Track brings together the efforts of various departments such as Marketing, Search Engine Optimisation, Product and Sales in order to ensure that Company X delivers guaranteed results to all advertisers. The strategy of this project is detailed in Chapter 7.

1.2 Purposes and objectives of the thesis

The main purpose of this thesis is to find an answer for a question, which can be formulated as follows: 'Does Company X have the potential to grow sustainably during the current economic downturn?'

The major objectives are first to estimate Company X's current level of client satisfaction and retention, and then after presenting in detail Fast Track, to assess the company's potential to grow during the economic downturn.

1.3 Research methods

Research tools applied in this thesis are desk research and an online survey. Before implementation of the survey a theory will be gained to explain the basic concepts and outline the driving factors behind the growing popularity of online business directories. First of all, the evolution of advertising as a concept will be followed in order to explain why online advertising is growing at such a pace at present. Later on, some of the main advantages of online vs. traditional advertising will be described with emphasis on online vs. print business directories.

Furthermore Company X will be presented and the company's current strategy will be described briefly. A SWOT analysis is also included in order to fully understand the company's present position, and the opportunities moving forward.

The empirical study consists of an online questionnaire to Company X clients that aimed at finding out more about Company X's potential to retain customers. The strategy that the company is currently implementing in order to improve customer retention, whilst also keeping client acquisition at high levels during the recession in the UK, will be detailed in the last part of the empirical study.

2 ADVERTISING

This chapter will concentrate on defining what advertising is and explaining its evolution over the years as a function of the technological progress and the economy. Special attention will be paid on comparing the advantages of online advertising over other traditional mediums and explaining how local search works. All of the above will be studied from small business owners' point of view and in the light of the current economic downturn.

2.1 Definition

Advertising is defined as: *The activity of attracting public attention to a product or business, as by paid announcements in the print, broadcast, or electronic media.* (Answers, n.d.)

A bit broader definition of advertising is provided by Arens (2004, 6):

> *The structured and nonpersonal communication of information usually paid for and usually persuasive in nature about products (goods, services and ideas) by identified sponsors through the various media.*

Arens (2004, 7) explains each of the components of the definition above and specifies that the medium is the channel through which advertising reaches us. It could be any paid means, such as radio, television, newspaper, that is used to present the ad to a target audience. Thus the development of different technologies is definitive for advertising as it changes the ways in which the targeted audience is reached. Therefore, in order to understand what the advertising industry is today, it is very important to outline the major factors that influenced its evolution.

2.2 The evolution of advertising

At the beginning of the 20th Century, Albert (n.d., as cited in Arens, 2004, 7) generally regarded as the father of modern advertising defined advertising as *salesmanship in print, driven by a reason why*. As at that time, the nature and scope of the business world, and advertising were quite limited. A century later, our planet is a far different place. The nature and needs of business have changed, and so have the concept and practice of advertising.

There are four influential inventions that have shaped the media and thus the advertising industry: the printing press, radio, television and the Internet (Sample, 2007).

Although evidence of advertising date back to 3000s BC, among the Babylonians, mass productions of advertising materials such as posters and circulars became possible only in the 15th century with the invention of the movable-type printing press by Johannes Gutenberg. Two hundred years later, the first newspaper ad appeared offering a reward for finding 12 stolen horses. (Arens, 2004, 7.)

The first advertising agency, which was set up in Boston in 1841, introduced the commission system by offering a discount of 25% on ad space in newspapers. This move marked the formal beginning of advertising space selling. By 1861 there were already 20 agencies in New York City alone. Agents' main function was to agree with newspapers for large amounts of advertising space at discount rates so that they can sell it to advertisers at a higher rate. Advertiser's obligation was to create the ads. (MSN Encarta, n.d.)

When radio and cinema became commercially available in the first part of the 20th century, the advertising industry quickly took advantage of their reach, spread, and popularity (Sample, 2007). Initially, a single business would sponsor a radio program for a brief mention of its name. Later, sponsorship rights for a show were sold to multiple businesses, a practice that soon became the norm. (MSN Encarta, n.d.)

The popularity of television as an advertising medium grew in the 1950s when the economy improved and tv sets became more affordable. Soon, the television's popularity surpassed that of radio and the industry started to consider it the number one medium for advertising. (MSN Encarta, n.d.)

In the 1990s the advertising boosted magazine publications. They became a perfect medium for national advertising because they showed the best quality copy. Magazines also provided a new way of distributing new products and advertisements to the mass audience nationwide. (Arens, 2004, 8.)

The manufacturers in this period focused their efforts on new product development, increased their sales force, and made their own brand packages to boost the advertising. Cola-Cola, Jello Gelatin and Kellogg's Corn Flakes are the brands of this era. (Arens, 2004, 11.)

Surviving after the economic recession after World War II, advertising entered its golden era when ads started to focus on acceptance, style, luxury and success. This period led to companies adopting segmentation, where marketers focused their work on satisfying the needs of groups of people with common interests. This period also marked the shift from product features to brand image. (Arens, 2004, 15.)

Advertising developed rapidly and soon the positioning of the product became one of the main ideas rooted in the advertising process. The positioning was an effective way to separate the importance of particular brand from its competitors by linking it to customers' necessities that have higher importance for them. Some of the most famous brands that characterize this time were Volkswagen – 'Think small' and 7Up – 'The Uncola'. (Arens, 2004, 15.)

In the year 2000 the Internet became the fastest growing ad medium since TV. Since then advertising has mainly developed in two directions – online and TV ads. The number of ads placed on television doubles every quarter. (Arens, 2004, 8.)

2.3 The online shift

For the first time in 2007, UK online advertising spend (click-on banner and AdWords) surpassed national newspaper ads. Growth in one year was 39,5% and is now nearly half of the amount spent on TV ads. (Sweney & Wray, 2008.)

Considering the current economic downturn and faced with an uncertain economic future, marketers need to ensure that they are spending their increasingly limited budgets wisely. This largely explains the shift towards online advertising, where the returns on their investment are obvious, and easy to quantify. Therefore, the same forces that will drive down ad spending in the coming years will also spurt an uptick in global ad spending online. (Quenqua, 2008.)

For the first time in October 2009, Warc (2009), online source for marketing information, announced that in the first half of the year the online advertising expenditure in the UK overtook television in terms of total ad revenues generated. As a result of the economic downturn and the changing habits of consumers, many businesses restructured their marketing budgets and the total advertising spend in Britain fell by 16.6%. For the same period online advertising spend increased by 4.6% and the latest figures show that the web now holds 23.5% market share, which is a global high.

In an intervirew with Warc (2009) Eva Berg-Winters, comments on the online shift:

> *A slowing economy has accelerated the migration to digital technology, and hence the continuing shift from more traditional forms of advertising to online, which promises return on investment and measurability in a period of instability.*

Research conducted by Boland (2009) has shown that even at a local level, more and more people use online sources to search for local businesses. Asked about the mediums consumers use to source local products and services, 72% of the respondents answered that they use search engines more than they used to, while only 1% stated that they use

search engines less than before. On the other hand, Yellow Pages directories usage is in decline with 23% of respondents using them less. Boland's research clearly shows the trend of users increasingly preferring to use the internet over traditional mediums to look for products and services.
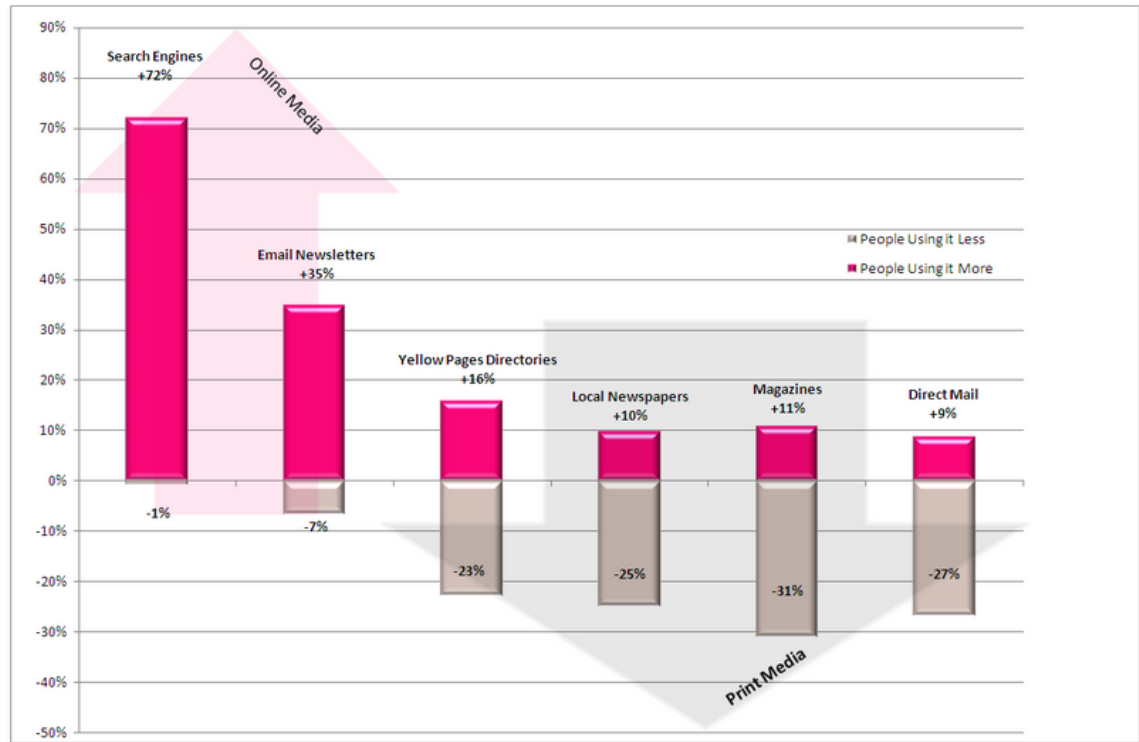
Figure 1. The most popular channels that Americans use to find local products and services (Boland, 2009)

Online video is also becoming more and more popular among consumers and marketers are taking notice of this trend. In an article published on Internet Advertising Bureau website, Jack Wallington (2009) predicts that *2010 will be the year that online video makes its mark on the advertising world*. Wallington explains the growth of online video and bases his predictions on figures showing the constant and significant growth of online video popularity, and the fact that consumers feel that online video is more relevant to their interests and less intrusive than other forms of advertising.

2.4 Online vs. traditional advertising

Research shows that up until June 2009 nearly a quarter of the world population was using the Internet (Internet World Stats, 2009). Figure 2 clearly shows the steady growth of internet usage since 1995.
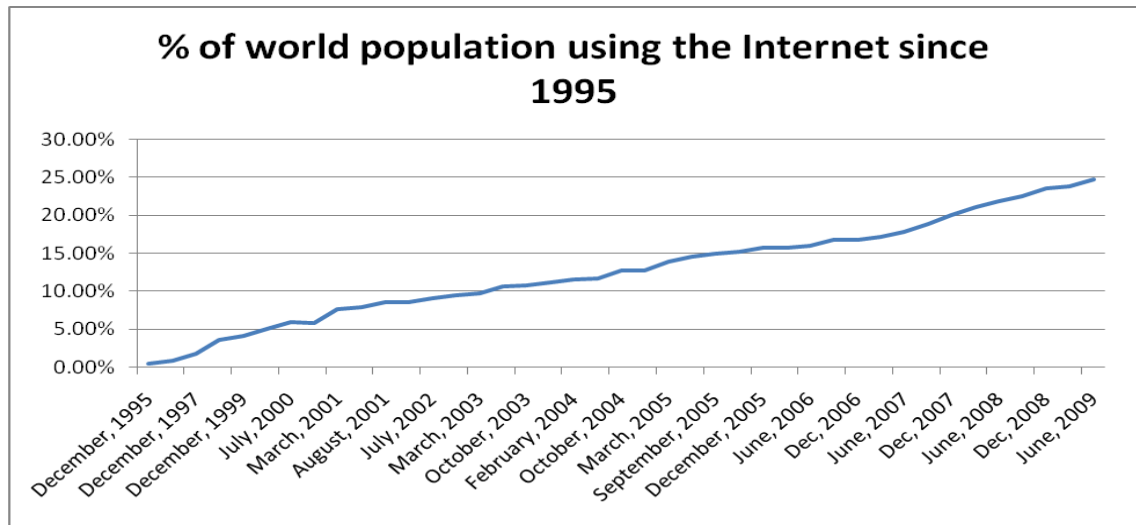
Figure 2. Internet usage growth since 1995 (Internet Growth Statistics)

The information available on the Internet grows by the minute and, so does the number of people that spend their quality time online. As a consequence, companies are now investing more in reaching potential customers while they are in front of their monitors. This has created a new market for internet advertising. (Implied by Design, n.d.)

For online business directories the increasing popularity of internet advertising means that even more small business owners are likely to come their way after giving up on traditional, more expensive and often less efficient forms of advertising. This trend also comes as a consequence of the current economic downturn when small business owners have to ensure they choose the most cost effective and efficient ways to reach consumers.

What makes online advertising attractive for SMEs with relatively small marketing budgets is the fact that it is often cheaper, easily measurable and allows advertisers to be much more targeted.

2.4.1 Measurability

John Wanamaker (n.d., as cited in AdAge, n.d.), the founder of one of the first American Department Stores, said: *Half the money I spend on advertising is wasted; the trouble is I don't know which half.* It is very difficult, and sometimes even impossible for businesses to know how many people see their ads in magazines, newspaper and on TV. It is even more difficult to track the return on investment that offline marketing campaigns bring. Internet advertising enables advertisers to accurately track and measure the number of potential customers that a particular ad drives to their website. (Bizinger, 2002.) Therefore, online advertising enables businesses to determine *which half* of their marketing money is *wasted*.

2.4.2 Targeting

Programs such as Google AdWords and AdSense match up advertisers with the keywords that people look for. Therefore, with internet advertising companies are able to reduce wastage of marketing money by displaying their ads to people who are actually interested in these specific products and are most likely to buy. (Online Advertising, n.d.)

2.4.3 Cost effectiveness

The Internet enabled even small firms with limited budgets to reach global markets. Even a small add in Yellow Pages costs hundreds of pounds per year and it is not possible to guarantee return on investment. Also, with Pay-Per-Click campaigns advertisers are charged only when someone clicks on their ad. (Online Advertisng, n.d.)

2.4.4 Flexibility

Once published, an advertisement in a print directory cannot be modified. If for example, a business relocates, it is physically impossible for an ad in a print directory to be updated with the new address. This is where online business directories have a great advantage because they provide flexibility. Anytime, 7 days a week and 24 hours a day

business owners can login and change or even remove completely their listings in online directories.

3 LOCAL ONLINE ADVERTISING

To find local products and services consumers used traditional media such as local newspapers, magazines and print directories. Although these channels still exist, their usage is in decline because consumers are increasingly using search engines and online directories to find local businesses.

This chapter will concentrate on explaining the decline of print directories as a consequence of the increasing popularity of online search, as well as arising environmental concerns.

3.1 How does local search work

Working for one of the largest online business directories in the UK provided me with an opportunity to acquire valuable knowledge about how local search works. My practical knowledge in the field enabled me to describe some of the process below and write comments without having to refer to any sources.

A very clear definition of local online advertising is given by Kolton (2007): *using the Internet to attract customers within a defined geography*. Kolton also explains that local online advertising is defined by a specific keyword and location.

As an example, someone that lives in Southampton and needs a plumber can use a search engine, such as Google to find a local business. They would do a keyword and location-specific search such as 'plumber in Southampton' or even two keywords and postcode-specific search such as 'emergency plumber SO14'. Then Google would bring organic and paid results as shown in Figure 3.
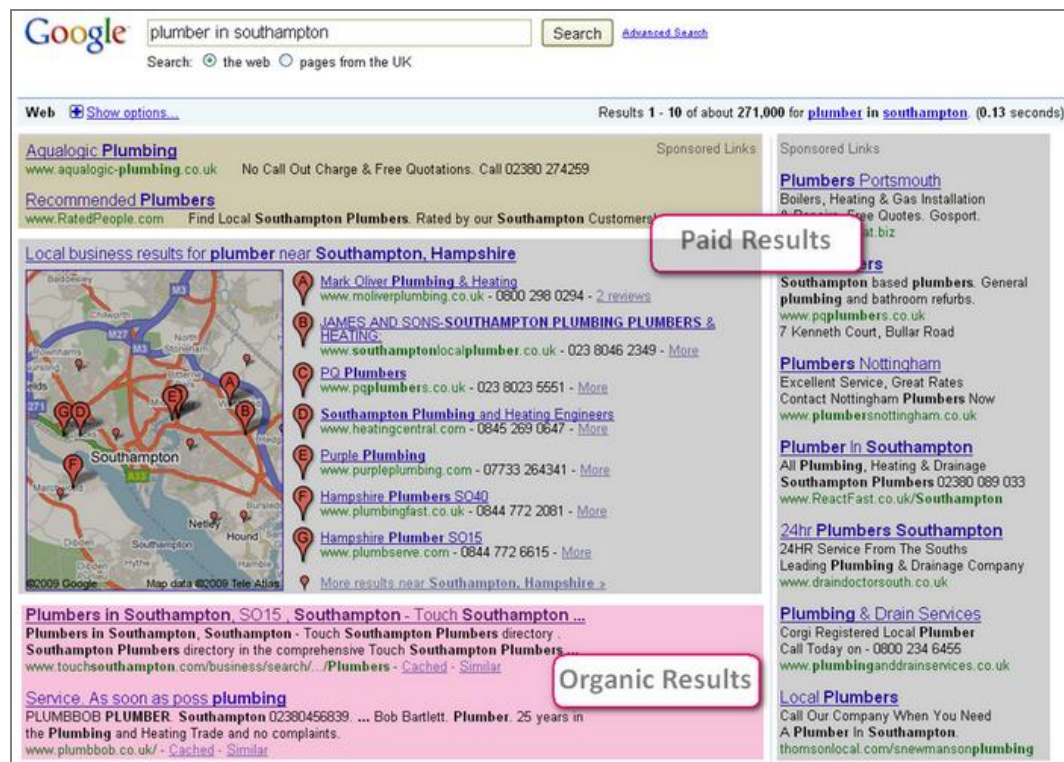
Figure 3. Organic and paid search results on Google

The term 'organic search results' is defined as: *A results list from querying a search engine that is ranked entirely by the search engine's algorithms rather than due to being paid advertisements.* Contrary to paid results that always appear on the first page, organic results are ranked based on their page rank. The page ranking system has been introduced by Google and it defines the priority of placement of the link on the results page. (YouDictionary, n.d.)

The process of increasing the amount of visitors to a website by ranking high in the search results of a search engine is called Search Engine Optimisation (SEO) (Webopedia, n.d.). Many companies hire SEO specialists to ensure that their website can be seen on the first page of Google. This type of services is usually very expensive and often unaffordable for small business owners such as plumbers or roofing contractors. Online business directories, such as UK's CompanyX.com, have SEO teams devoted to ensure that businesses listed in the directory rank high in search results. This largely explains the increasing popularity of online business finders as a cheaper alternative for small businesses and sole traders to get first-page presence on major search engines such as Google. Figure 4 below demonstrates how a business

listed on CompanyX.com appears first in the organic results for a search for a certain type of services in Nottingham. For identity protection purposes the exact terms in the search query will not be revealed.
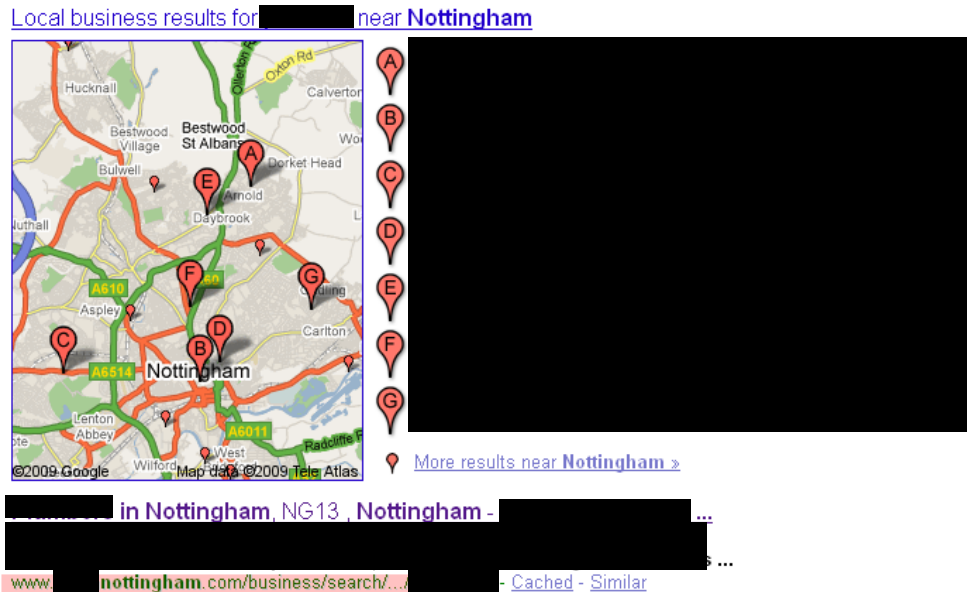
Figure 4. Company X ranking on Google

Businesses can also be found via direct searches in online business directories. Nowadays local search sites are one of the most popular options that consumers use to look for locally based information, products and services. The popularity of local search sites is increasingly growing and between June 2008 and June 2009 local searches jumped by nearly 31%. (PRLog, 2009.)

3.2 The decreasing usage of print directories

In 2007, speaking to an audience of Microsoft's top advertising customers Bill Gates (2007, as cited in Romano, 2007), the Chairman of Microsoft Corporation, predicted that Yellow Page usage amongst people below 50 years of age will drop to near zero over the next five years. According to Gates, the change of consumers' habits has prompted advertisers to shift their budgets to new areas. Bill Gates explains the decline of print media usage with the advancements in local search technology.

Research by Roy Morgan (2009, published in YellowTurningBlue, 2009) conducted in Australia confirmed what Gates predicted 2 years ago. The study among Australians revealed that print directory usage has been in consistent decline between 2002 and 2009. During this period the number of people using Yellow Pages *less often than monthly* or *don't use it at all* has increased by 55%.
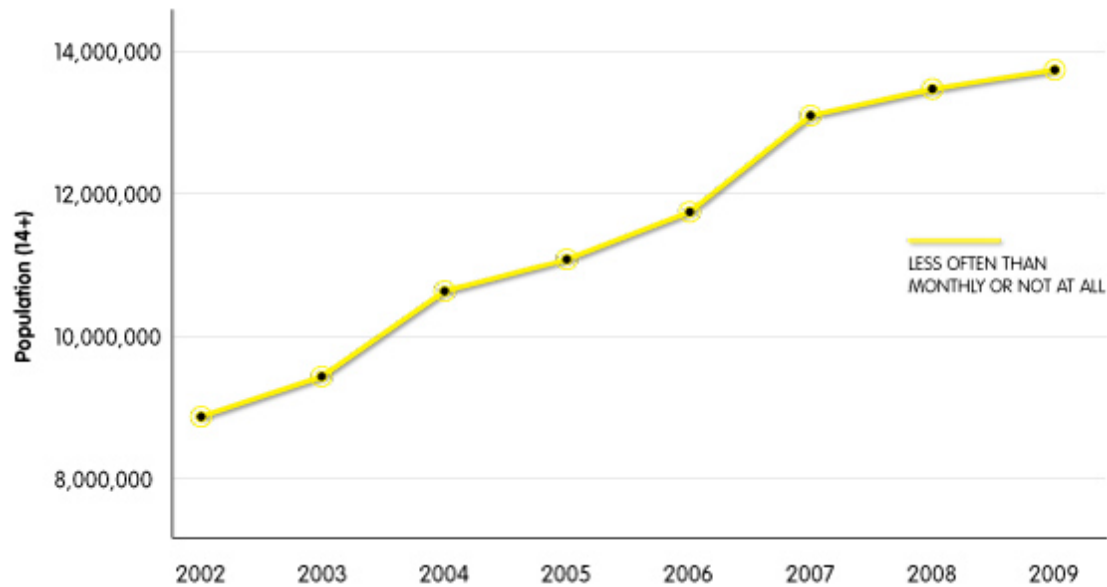
Figure 5. Decline of Yellow Pages usage in Australia between 2002 and 2009 (YellowTurningBlue, 2009)

Even though online media is one of the top preferred sources for consumers looking for local products and services, research shows that print directories are still the most frequently used source. Nevertheless, the negativity towards phonebooks has been increasing and nowadays the industry is largely seen as a *dead-tree business that is descending quickly toward irrelevance.* (Bell, 2009.)

Recent research conducted by 192.com (2008) revealed that the print of 75 million phonebooks in the UK consumes 680,000 barrels of oil, 2 billion liters of water and energy to power 112,000 3-bedroom houses for one year. Not surprisingly, over the last years multiple online groups and petitions have emerged demanding that the industry adopt an 'opt-in' practice in order to reduce the wastage (Bell, 2009).

A recently emerged campaign in the United Kingdom, unambiguously called *Say no to phonebook*, was initiated by one of the leading *people, business and place finder(s)* in the country called 192.com (2008). Their petition is calling for *the government to impose a centralised scheme where UK citizens can opt-out of receiving a phone book*. The company has also conducted a research which showed that 4 out of 5 respondents support the proposed opt-in phonebook delivery system.

Bell (2009) argues that the most important factor dictating whether a consumer prefers to use a phone book or the Internet to look for local business is the age. Research conducted in the United States has shown that 54% of the people who prefer Yellow Pages are older than 35 years, compared to only 29% of respondents aged between 18 and 34 years. Bell also states that *dividing line dissects social class and educational background as well.*

To estimate the value of Yellow Pages for advertisers the Kelsey Group, a research company which services the Yellow Pages industry, conducted a research which revealed that the effectiveness of print directories, and the return on investment for advertisers, is in decline. The research also found that print directories, as a relatively expensive medium, appeals to long established businesses, whereas they have a low uptake among new small companies. The specialists from the Kelsey Group suggest that print directories' proposition is losing value for small-business advertisers because they largely prefer to reach consumers through nontraditional channels like the Internet. (Bell, 2009.)

The Marketing Manager of Company X, one of the UK's fastest growing online business finder comments on the subject about online vs. print directories:

> *In this day-and-age business owners want the flexibility to say what they want, when they want. They don't want the constraints associated with print directory media, where the same messaging and offers are printed and in the public domain for a full 12 months. Quite simply, online offers both flexibility and control, so*

business owners can align their online messaging to existing promotions, ensuring consistent end-to-end messaging.

To sum up with, the increasing usage of the Internet and the popularity of local online search combined with environmental concerns, are some of the most important forces that drive the decline of the print directory industry. Furthermore, the flexibility and cost effectiveness of online business directories provide value to small businesses that print media could hardly compete with.

4 COMPANY X

This chapter will introduce Company X, one of the leading online business finders in the UK. A SWOT analysis is included to determine the company's current position, and estimate its potential to grow in this very competitive market during times of financial uncertainty. Later in the chapter the short, medium long term strategy of the company will be presented.

4.1 The company and its products

Company X is a medium size company established in 2004. It's a fast growing online business directory that provides advertising solutions mainly to small and medium size companies throughout the UK. The company's main product is called Product X. It provides personal profile page for the business wishing to advertise. Product X page has the following features:

- Business address and contact details

- Integrated map

- Free call back, email the business and visit website link (if available)

- Business logo

- Business description, including summary, and keywords

- Main business category

- Picture gallery

- Special offer

- Blog

- Ebay products

- Video (optional)

Product X guarantees certain number of profile visits per year. The profile visits are 400, 600, 100 and 1500 divided into different types of categories – Standard, Medium,

High and Premium. The profile visits are delivered through direct searches at Company X's website, and organic and paid search results on major search engines.

The company's headquarters are located in London but there are satellite offices in Birmingham, Brentwood, Croydon, Dorking, Reading, and Warrington. The company has several departments such as Product Development, Marketing, Design, Web development, IT department, Client Services, Human Resources, Finance Department, Telesales and Fields Sales Departments.

Company X has experienced steady growth in the past few years and it has a well developed network of customers. Increasing the turnover and efficiency suppose recruiting new customers and increasing the sales. The Sales Teams has almost doubled in the past 6 months ensuring the cash flow is secured for the business needs.

4.2 Present positioning audit

The present positioning audit will be done using SWOT analysis. The information that the analysis will provide will be used to spot opportunities that the company can take advantage of during the economic downturn.

SWOT analysis is a good way to do a competitive analysis of a company or few companies regardless of size or industry. The SWOT analysis consists of four different sections – Strengths, Weaknesses, Opportunities and Threats. It is often called internal-external analysis tool. Strengths and Weaknesses are more internal to the organization. They relate to business organization as a unit, the processes inside and the way that this organization operates. Opportunities and Threats are looking into external factors, such as competitors, environment and where the company could go. (MindTools, n.d.)

4.2.1 Strengths

- Well developed network of customers: Company X has more than 2.6m business listings represented in more than 2700 categories. This large database attracts more than 3.5m website visitors each month.

- Steady growth in the past year: The company has enjoyed a steady growth in the past year particularly since Mark Livingstone became the new Chief Executive Officer in August 2008. The growth is in terms of number of number of business listings, sales growth, number of employees and traffic to the website.

- Management staff with strong experience: The company's management and senior management staff have strong experience in internet industry. Many of the senior managers have worked in world recognized companies such as BBC, Ask.com, Gemplus, LEGO.

- Well established and efficient use development: Company X implements development processes that allow the fast and efficient development of new products. This makes the company very competitive as it enables it to reduce the amount of time spent on developing a product and respond faster to market changes.

- The website is indexed very well by the major search engines: As demonstrated by Figure 4, Company X's website is indexed well by major search engines, especially Google. In searches for the most common type of services, Company X has results on the first page.

- The website is loading relatively fast

- Every page has a link back to the home page

- The search results could be sorted by sponsored businesses or by distance

- Affordable prices relevant to small businesses' limited budgets

- Businesses have profile page: Compared to the main competitors, Yell.com and Thomson Directories, the businesses advertising with Company X have their own profile pages where they have multiple features, listed in the beginning of this chapter.

- Full 24/7 reporting tool: Business owners can log in to their accounts, 24/7 and can see daily statistics for their advertising or edit their profile.

- Customer reviews: Users may leave review about their experience with particular business. This feature enables consumers to make informed decisions before choosing a particular business.

- Video profile: This is the newest product that Company X offers to advertisers. 60 second custom video profiles are fully produced and edited for the client. Post-production, the client can add the video to their own website. Company X also takes care of third party proactive promotions on YouTube and Blog Catalog. This new product gives Company X a very strong competitive edge against the competition.

4.2.2 Weaknesses

- Cluttered homepage: The search feature on the home page is not prominent enough, the feed is not interesting and engaging and there is no main message. Appendix 1 presents Company X's homepage. The search feature and the feeds are highlighted.

- The search results are polluted with advertising: The advertising pollutes the search results rather than to enhance them. Appendix 2 presents a screenshot of a search result

- The search does not bring the best results: The search is not absolutely accurate and it often brings irrelevant results.

- The purchase path is not clear enough: The purchase path, the place where new businesses join Company X, is not clear enough. Therefore, the company is missing out on selling products online.

- Inaccurate data: Since the company has grown and doubled in size sometimes the internal systems cannot handle the large amount of data. There are different databases storing information. The integration between these databases is not at very good level and this leads to errors in, for example renewal processes.

4.2.3 Opportunities

- Concentrate on specific business categories that are more likely to advertise during the economic downturn

- Introduce new products: In order to offer more to the businesses, Company X should introduce new products to tailor the needs of any business in UK

- The search results should be improved: In order to enhance the user experience the search results should be improved. The search should bring more accurate results

- New website features: New features should be included in the website engaging the users. Company X is a local business directory which offers local business searches. As such it should offer more local features as local business news, events, and photos of the areas.

- Database integration: Different databases in the company should be integrated as one and there should be unique number for every customer. This unique number should be valid in every third party platform with which Company X exchange data

- Automating the manual processes: There are few processes that are done manually in the company. The manual processes cause errors due to the repetitive work, they are time consuming, require extra man power.

4.2.4 Threats

- Strong competitors: There are number of competitors offering similar services. This number includes Yell.com, Thomson Directories, Qype, and Yelp. Table 6 summarises the present position of each competitor. The information has been acquired through internal to the company sources.

Table 1. Competitive landscape (Company X)

Company	UK Revenue £m	Unique Visitors per Month	Business Model	Strategy
Yell	162m	10.7m	Paid listings	Take share/disrupt
Thomson Local	80m	630k	Paid listings	Take share
Ufindus	10m	380k	Paid listings	Take share
192.com	< 4m	1.5m	Search people	Off radar
Bview	< 3m	< 750k	Vouchers	Syndicate from
Rated People	< 3m	500k	Quote engine	Build & compete
Approved Index	< 3m	< 500k	Quote engine	Build & compete
FreeIndex	1m	1.2m	Display advertising	Replicate
Service Magic	< 1m	< 500k	Quote engine	Build & compete
Qype	< 1m	2.5m	Display advertising	Syndicate to
Yelp	< 500k	120k	Paid listings	Syndicate to
Trusted Places	< 500k	315k	Display advertising	Syndicate to

4.3 Current growth strategy

In general, strategy is referred to *the development of plans for deceiving or outwitting an enemy* (Bocij et al., 2006, 63).

A broader definition of 'strategy' is provided by Mintzberg & Quinn (1987, 19), known as the five Ps for strategy:

- *Strategy as plan: a deliberate, intentional approach to achieving (long-term) results*

- *Strategy as ploy: competitive manoeuvers aimed at generating some positive effect on the basis of competition*

- *Strategy as pattern: strategy emerges or is inferred from consistent natural (i.e. unplanned) behaviour*

- *Strategy as position: how the organisation positions itself in its various environments, particularly its market and competitive environments*

- *Strategy as perspective: distinctive characteristics of an organisation as perceived both internally and externally*

Johnson & Scholes (1999, 82) argue that today's business environment is rapidly and dynamically changing and businesses develop their strategy not to compete with a single competitor but to compete in a specific market. In the context of marketing environment strategy is defined as:

> *The direction and scope of an organization over the long-period:*
> *which achieves advantage for the organization through its*
> *configuration of resources within a changing environment to meet*
> *the needs of markets and to fulfil stakeholders' expectations*.

Every company regardless of size and industry field has a strategy whether successful or not. Strategy is based on time, industry field, competitors and other circumstances. Schendel et al (1979) explain that *strategies differ among firms and that better strategies make a difference in performance results*.

Porter (2004, 34) states that company's revenue could give an answer whether the strategy has been successful or not. One strategy could have been grown after a process of careful planning or it could have derived from the different parts of the company's departments. According to Porter *the sum of these departmental approaches rarely equals the best strategy*. Every company has discovered its own and unique approach to the market.

The overall business or corporate strategy must look into both internal and external factors. It consists of three elements, sub strategies, related to different resources. The business strategy looks into the internal resources, micro and macro environment. (Porter, 2004, 36.)

The current economic situation has increased the pressure on Company X as well as other online business directories. The economic slowdown requires fast change in terms of efficiency and providing products to suit the businesses. The clients require more value for the money and high return on investment. It is worth mentioning that the ever increasing clients' requirements to Company X and other online business directories create difficulties and challenges but at the same time create competitive advantage opportunities to those companies that are able to change and act fast accordingly to the market situation.

When asked whether the economic downturn presents an opportunity for online businesses, Tarlton Parsons, CTO at i-CD Publishing commented:

> *Economic downturn is definitely an opportunity for online directory, as well as a lot of other businesses. In fact, almost any kind of dramatic economic changes present big opportunities. The fundamental reason is that opportunity requires change. A static economy is the most difficult for businesses to grow in because they can only grow by displacing someone else. Even a shrinking economy has opportunity because it doesn't shrink uniformly. As it shrinks competitors go out of business, leavig [sic] gaps in the markt [sic], and consumer purchasing behaviour changes*.

Company X is the solution for the users who have the need for a local product and service, but Company X is also the solution for the businesses that need to generate new customers and to keep in touch with the existing ones. The aim, through different practices and actions, is Company X to become first choice website when choosing a local product or service.

4.3.1 Short term strategy

More user generated content

To enhance the user experience, both to users and businesses, Company X is aiming into gathering more user generated content. This content includes updating profiles with more information about the products and services that a particular business offers. Content is collected through weekly email marketing explaining to the clients the benefits of having a complete business profile and asking them to update their detail, add a special offers, company logo and photos in their image gallery.
For the business owners that are not able to update their profile, the Client Services team is involved by contacting those businesses and updating the profiles on their behalf.

When clients respond to an email campaign then the profile updates will be considered as additions/modifications, known as adds & mods. These adds & mods will bring further return on investment as any activity on Company X website brings revenue from Google adSence by serving ads on Company X Website.

Emails are also sent to registered users asking them to leave reviews about their experience with particular business. The Marketing Team runs different promotions, competitions and free prize draws to further encourage the user to review businesses on CompanyX.com.

More user generated content will bring benefits to the business owners, consumers, and also to Company X as a company. Also, more quality content on the profile pages means better indexing by the search engines.

User Feedback

User feedback is very important for any business. Company X gathers information from clients and users about their experiences with Company X. This helps the company to determine whether it is heading in the right direction. User feedback is gathered by

developing surveys, targeted to specific users, focus groups, website testing. The website testing is usually recorded and then the user activity is further analyzed. The acquired information is then used for developing any further improvement to the website which should go in the medium term projects.

User surveys are taken very seriously and are conducted frequently in order to better understand clients' expectations and determine how the company can meet them.

4.3.2 Medium term strategy

Increasing efficiency and productivity

Michael Porter (2004, 42) states that productivity is the base for competitive advantage. To keep growing as a company and delivering more to its customers, Company X is working to increase its productivity. This means that any manual processes in the company will become automated because the manual and repetitive work leads to errors and requires more man power.

New products

The current economic situation and global recession put pressure on the existing customer. Company X is constantly looking into developing new products to suit the businesses. The user surveys, which were mentioned in the short term strategy, would give good understanding on the clients' expectations.

Company X demonstrates innovativeness and ability to respond to ever increasing customer expectations by introducing new products such as Video Profile and *@CompanyX118*. *@CompanyX118* is a Twitter functionality that allows users to ask questions in a variety of natural language phrases like '*@CompanyX118 I need a good plumber in Romford*'. Then the application searches Company X database to find and reply with a relevant business and sends the name, number and Company X URL to the user who initiated the query.

The market competitive analysis is important part of the product development. Some of the competitors are already offering similar services.

Enhanced User Experience

User experience is the core of any business providing online services. Users should be able to find the desired information. In order to improve the user experience Company X is conduction video recorded testing sessions.

The Development and Product Teams are currently working on making the business search more accurate so that users would be able to find exactly what they are looking for. Currently the search algorithm uses the category that the business belongs to, the portal, which is town based on the users postcode and 6 keywords that are available on the client's profile page. The search does not always bring the best results. For example, if the postcode of the client is not accurate this affects the search and the client does not appear in the search results.

Company X is currently developing technologies that will allow clients to choose the areas in which they would like to operate. Some of the businesses do not serve the whole postcode and the generated leads from their advertising will not bring the needed enquiries. To offer such unique feature Company X is developing bespoke a system which based on Geo Cells.

4.3.3 Long term strategy

Client Satisfaction and Retention

Concentrating the efforts of various departments into ensuring client delivery and over delivery against guarantees. It is expected that this will also boost the retention rate and therefore the sustainable revenue growth. The current project that focuses on this is called Fast Track and will be examined in details in the next chapter.

New Partners

Company X is constantly looking into developing long term relationships with other companies that could bring more revenue and knowledge.

More organic traffic

In long term prospective in order to maximize the revenue, Company X is aiming at executing projects that will increase the organic traffic to the website. Currently the ration between organic and paid traffic is about 70% for organic traffic and 30% for paid traffic. Organic indexing takes time and therefore the projects should start immediately in order to bring results.

More customers through online purchase path

Automating the manual processes will bring the productivity in the company into whole new level. More organic traffic to the website should bring further return on investment. Company X should make efforts into encouraging more users to sign for a product from the online purchase path. Currently the sales are done through Field sales and Tele sales teams in various locations in UK. If the number of clients coming from the online purchase path increase this will bring further cost saving by reducing the amount of sales representatives, the cost for equipment, training. Developing strong online purchase path should amongst the long term prospective of the company.

5 INTRODUCTION TO THE EMPERICAL STUDY

5.1 Purpose of the research

It is clear that for the online business directories in the UK the current economic downturn creates certain growth opportunities. Product development and new business acquisition are in the core of a successful business strategy. Another equally important factor is client satisfaction and retention.

As a member of the marketing team, in February 2009, I was asked to conduct an online survey with Company X's paying advertisers. The purpose of this survey was to assess the company's potential to retain existing clients through estimating their level of satisfaction with the company's products and services, as well as determining their propensity to renew upon expiration of their advertising campaigns.

5.2 Methodology

A link to the online questionnaire was emailed to 368 of Company X's 10,000 advertisers. All of these 368 clients had been advertising with Company X for 10 months, and therefore due to renew their contracts in the next 2 months. The reasoning behind this selection frame was that 1) these clients have enough experience with the company and therefore can accurately evaluate the level of service, 2) these are the clients due to renew soon, so we could get a clear idea about the expected renewal rates. All of the 47 responses (13% of all emailed business owners) were usable.

5.3 Structure of the study

The survey was conducted for and on behalf of Company X and it was signed off by the Marketing Manager. It consists of 16 questions and it was designed to give a better idea of Company X's potential to retain customers.

It begins with background information about the respondents' business such as respondents' role, business size, which product have they purchased from Company X.

In this section respondents were also asked to specify whether they also advertise with other online business directories, and if yes, which ones.

The purpose of the third group of questions was to acquire information about Company X clients' level of satisfaction regarding level of service and product delivery.
The last question of the survey asked respondents to share any ideas they have about new products and improvement that they would like Company X to introduce.

Depending on the answer given to a specific question, the next group of questions varied for the different respondents. This function is called skip logic and it was used in order to show each respondent only relevant questions.

6 RESULTS OF THE STUDY

6.1 Background information

The first 5 questions aim to gather general information about the company and the respondent such as role, business size, whether they advertise with another online business directory and which one.

The first question was about the respondent's role in the company. Most of Company X's advertisers are tradesmen such as plumbers, builders or electricians. So it's not surprising that most of the respondents (89%) were the actual business owners, 7% were managers and the rest were secretaries.

The second question was about the size of the company. Again, keeping in mind that Company X's clients are mainly sole traders, the distribution of the results was expected, with 43 businesses having 1 to 10 employees and only 2 businesses with 11 to 50 employees. None of the respondents fell in categories with more than 51 employees.
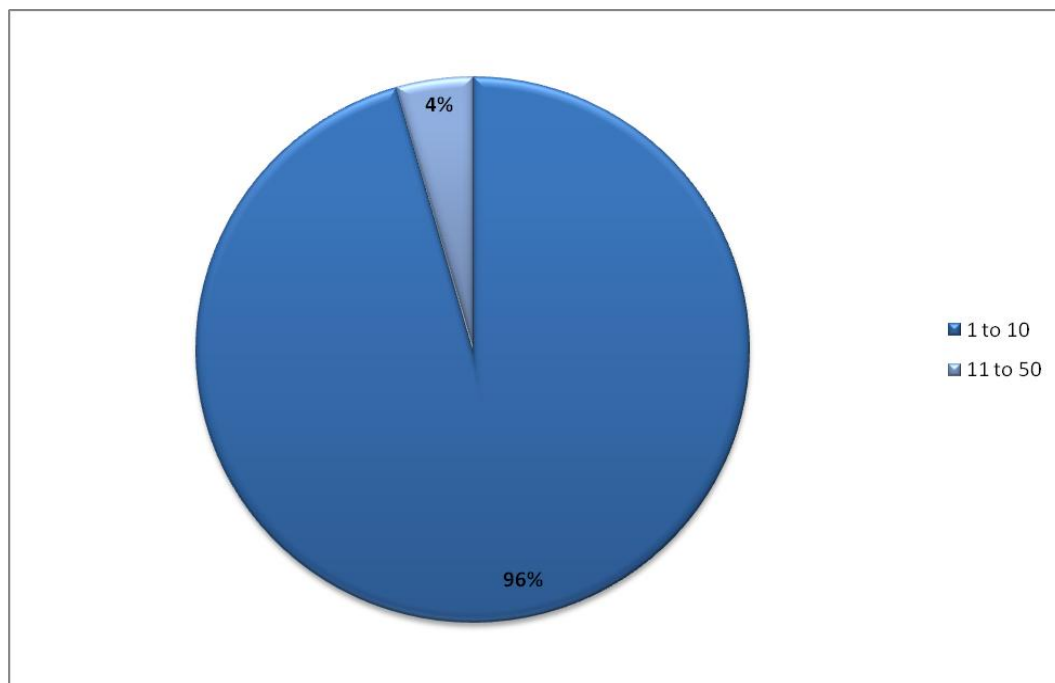
Figure 6. Number of employees in respondents' business

In Question 3 respondents were asked to specify which product they have purchased and they were given the option to select more than one answer as required. Only 5 out of 45 valid answers had more than one product. Company X's main product is the Product X and it was expected that most respondents would be Product X clients. Indeed, 17 out of 45 were. It was surprising however that the largest proportion of respondents (48%) didn't know what product they had and 2 people didn't reply which probably means that they were not sure about the answer either. This result suggests Company X's clients' low level of involvement with the company and the offering.
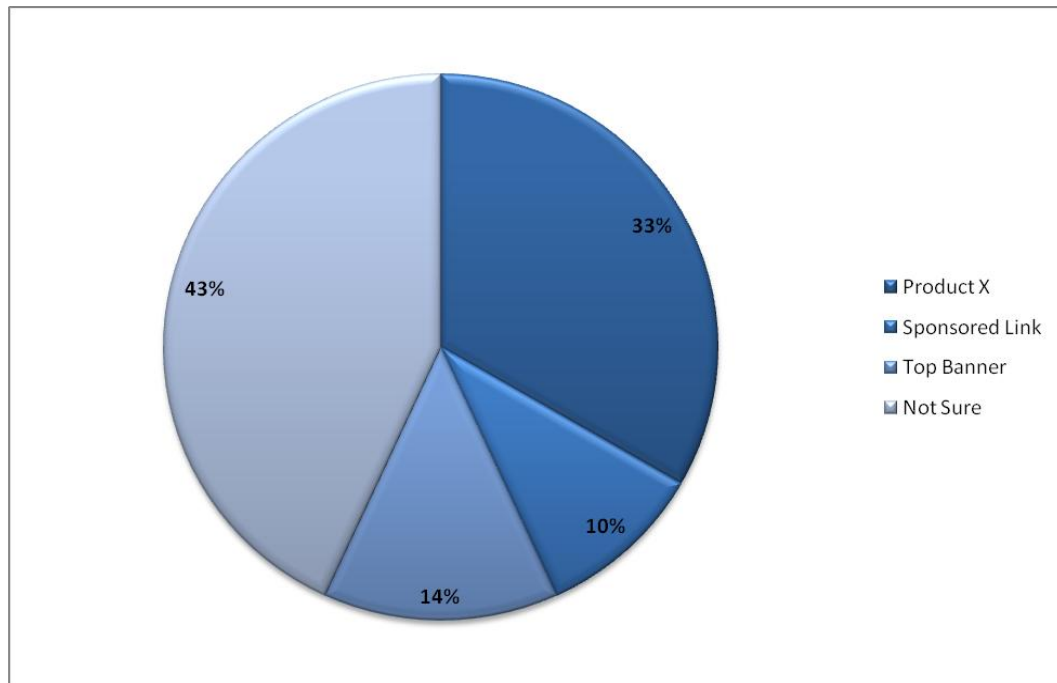
Figure 7. Products that respondents have bought

6.2 Companies advertising with other online business directories

Questions 4 and 5 were included in the questionnaire in order to collect information about whether Company X advertisers also advertised with other online business directories, and if yes, which they are? All 47 respondents answered this question and the majority (81%) said that they were using other online directories' services as well as Company X's.

Skip logic was assigned to this question, so that only people that gave a positive answer were asked in the next question to specify the other online business finders where they advertise. The given options were Company X's two major competitors Yell and Thomson Local. Respondents were able to select more than one answer as required. An interesting observation is that 63% of the respondents of this question are also Yell clients compared to 34% who also advertise with Thomson Local. Only 10% advertised with both Yell and Thomson, as well as Company X. The group 'other' consisted of the following answers: Google, Gumtree, Freeindex, Vivastreet, Yahoo, Access Place, Up My Street, City Visitor, Hot Frog, Business Internet, BT, Scoot, Accountantlocal, BT Customer Street.
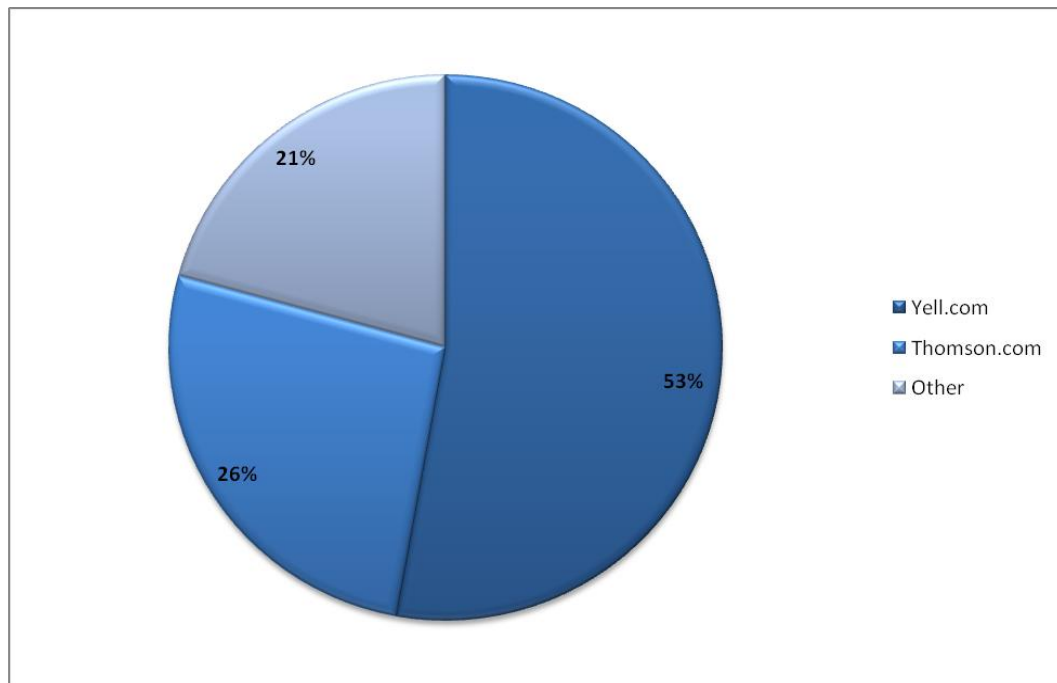
Figure 8. Company X advertisers using other online business directories

The next group of questions (6 to 14) was included in the questionnaire in order to collect information about how advertisers' perceive the company, it's product and services.

Question 6 asked whether respondents have ever contacted the company for any reason. Only one of them has not responded. The largest group of people (28, 61%) said that they had tried to contact either the Client Services team or the sales executive who sold

the product. The rest (18, 31%) of the respondents said that they had never tried to contact Company X.

This question was also set with skip logic so that only respondents that replied positively were shown the next question.

Clients that answered with 'no' were asked why they had never contacted Company X. All of them gave an answer with the largest group (73%) saying that they had never had a reason, 17% could not find contact details and 3% (2 respondents) chose 'other' and didn't specify a particular reason.

6.3 Client satisfaction analysis

Advertisers who said that they have tried to contact Company X were asked in the next question to rank different aspects of the service they received. A scale from 1 to 10 was used with 1 indicating very poor performance and 10 as excellent performance. For purposes of presentation of the acquired information ratings were grouped in the following categories:

Table 2. Categories of client satisfaction

Rank	Label
1 & 2	Extremely disappointed
3 & 4	Not satisfied
5 & 6	Neutral
7 & 8	Satisfied
9 & 10	Extremely satisfied

As shown on Figure 11 the results are average, i.e. the proportions of people who had either positive, neutral or negative experience with Company X are very close. Considering the fact that Company X has many competitors who offer similar services, it is fair to suggest that Company X would probably lose a large proportion of clients who had either negative or neutral experience.

In this day-and-age, and especially during a period of financial uncertainty when consumers strive to make the most of their increasingly limited finances, an average level of client satisfaction is alarming. Therefore, it is crucial for Company X to identify areas where the level of services can be improved. Only by ensuring that clients perceive Company X as offering good value for money, will the business have a chance to prosper during and beyond the current recession.
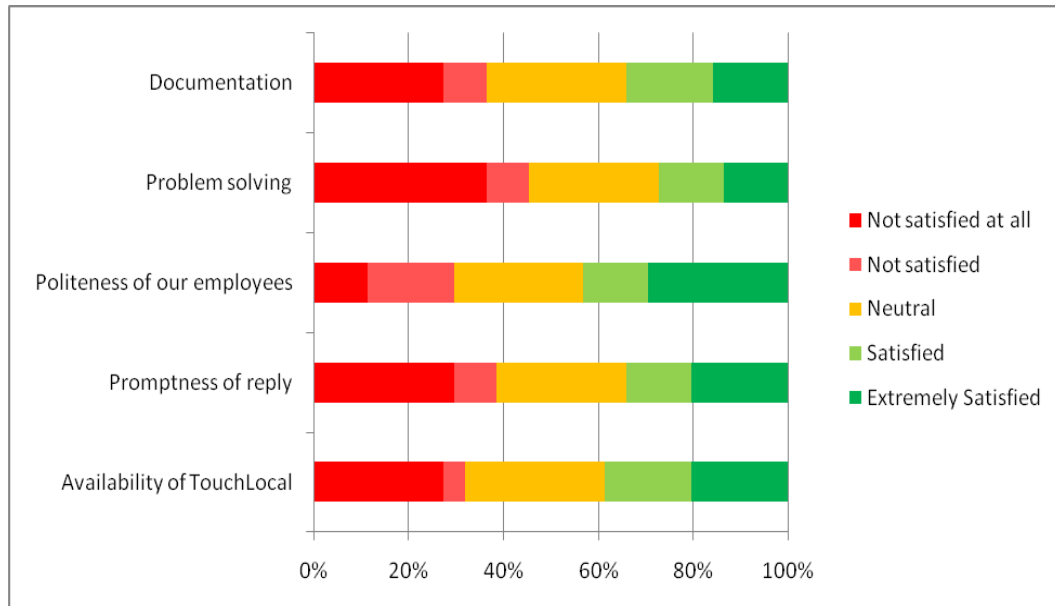

Figure 9. Client level of satisfaction with the service provided by Company X

The purpose of the next question was to find out about the level of satisfaction with Company X's products. The findings are interesting but also very alarming. Less than 10% of clients consider that Company X's products are good value for money and more than 60% are not satisfied at all. The results are very similar in terms of response to their advertising. Regarding pricing, none of the respondents gave Company X 9 or 10 and only 13% said they were satisfied with the pricing. The distribution of the results is shown on Figure 10.

This result once again proves that the present business strategy concentrates too much on new business acquisition. Whilst this is crucial, it is equally, if not even more important for a commercial organisation to have a customer base built on retention. Not

only is it more expensive to acquire new clients, but also if this trend continues, the image of the company could be irreversibly damaged.
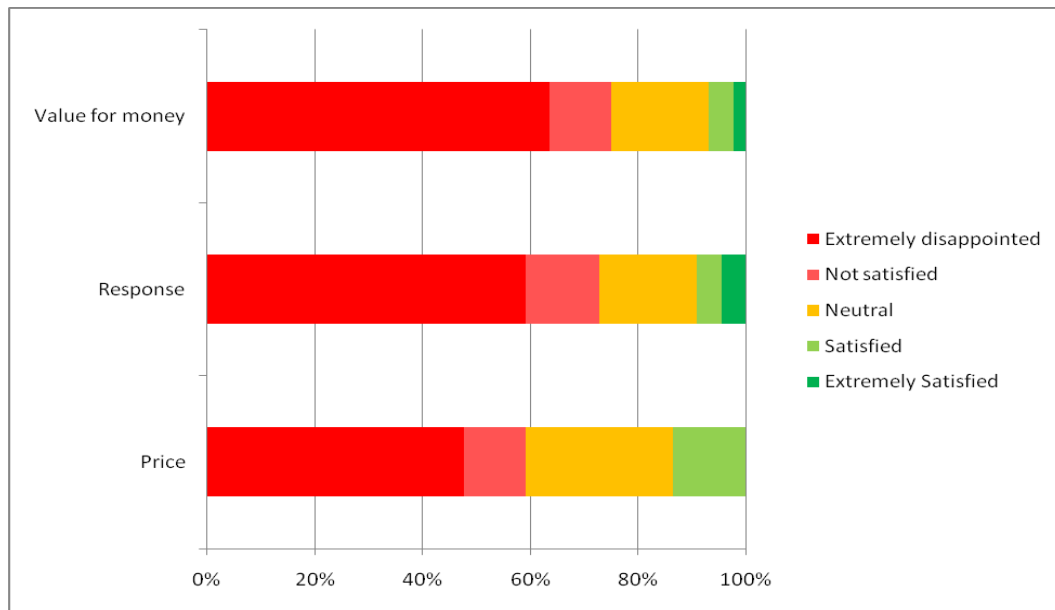

Figure 10. Client level of satisfaction with Company X's products

The overall level of satisfaction with the product is poor. The average figures of the three parameters show that the largest group of respondents (57%) are extremely disappointed with Company X's product. In addition, another 4% say that they are not satisfied, 28% are neutral and less than 10% are either satisfied or extremely satisfied.

Question 11 asked clients whether they would recommend Company X to other businesses, 3 of which didn't give an answer. Considering the results from Questions 9 and 10, it is not surprising that 72% of the respondents replied negatively. In the next question this group was also asked to specify a reason, and asked to give open ended answers. The reason not to recommend Company X was most commonly because respondents were not satisfied with their own experience. One respondent was simply not interested and another one stated that they didn't have suitable contacts. Five clients further commented on why they wouldn't recommend Company X.

Comments by survey respondents not to recommend Company X:

- *So far response rate was poor*

- *Not getting the referrals originally promised, yell.com refers more over twice as many visitors*

- *Not enough Photos for the price charged (Google - 10 photos - FOC)*

- *complete waste of money*

- *poor response to ads*

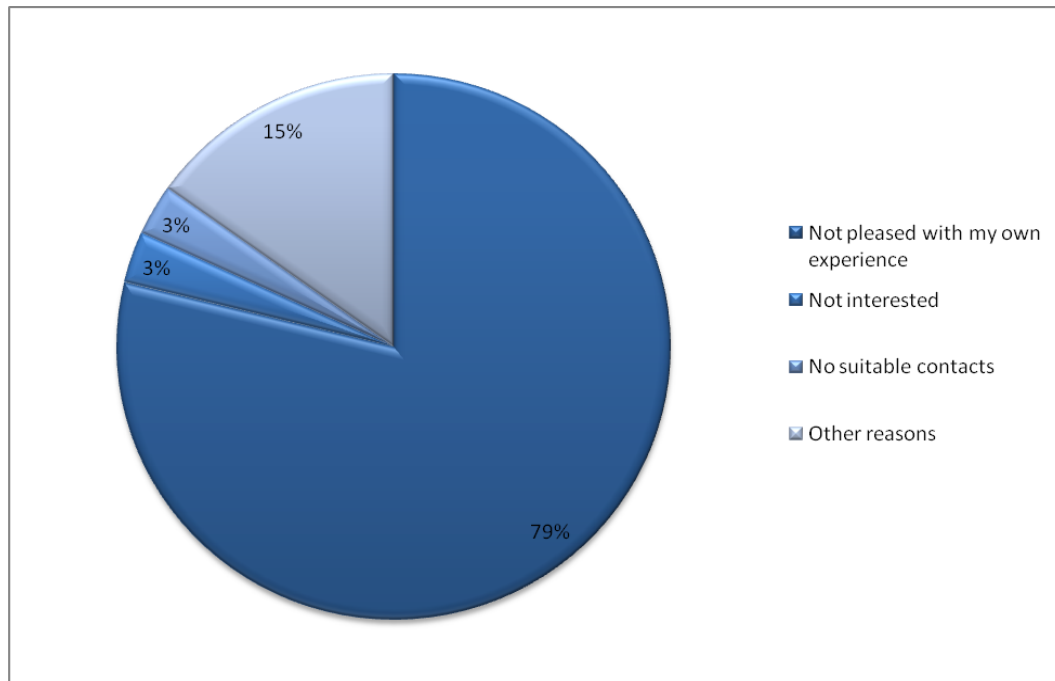Figure 11 presents a summary of the answers given to Question 12.

Figure 11. Why would clients not recommend Company X to other businesses

Question 13 was open to all participants in the survey, and asked whether they would renew their contract with Company X upon expiry. Once again the most common answer was negative. Only 4% of respondents replied with 'yes' and 32% were not sure. Three individuals did not reply to this question. The distribution of the results is shown on Figure 12.

This result reflects Company X's inability to satisfy and retain clients. Potential retention rate of 4% is not enough for any commercial organisation that has ambitions to grow sustainably and eventually become the market leader. Company X's senior

management team should take these results very seriously and focus their strategy on significantly improving the current client retention rates.
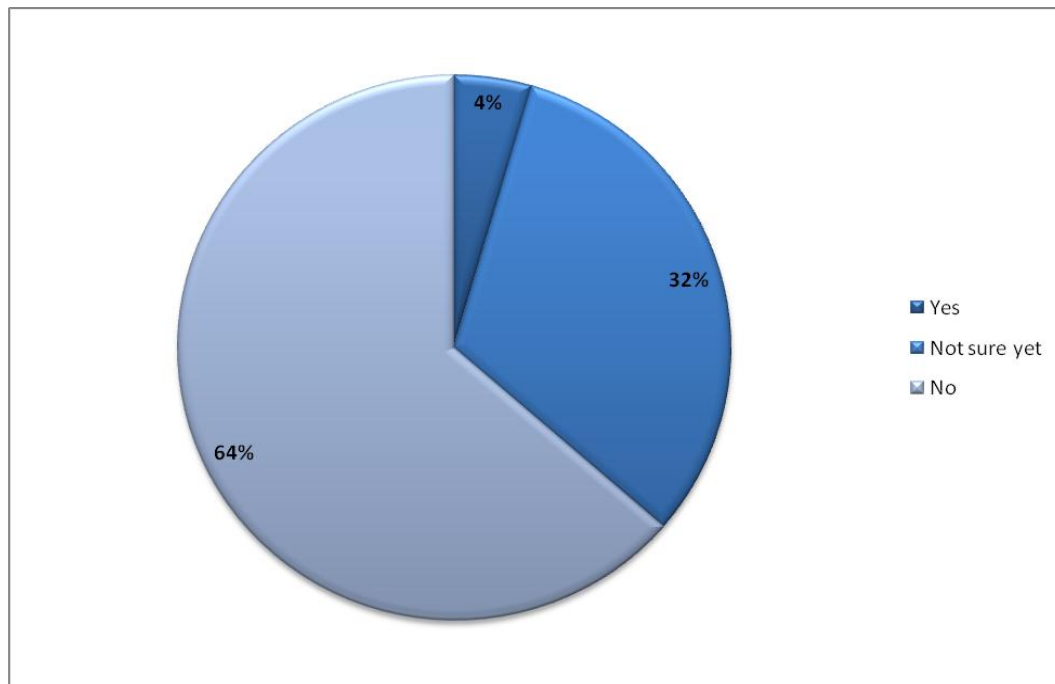
Figure 12. Would clients renew their contracts with Company X

The people that replied negatively were asked to select reasons why they wouldn't renew their contract and all of them answered to this question. The given options were: poor customer service, poor response, not value for money, technical reasons, business has ceased trading and changed to different advertiser. Respondents were also given the option to comment and specify other reasons.

'Poor response' and 'Not value for money' were the answers that received the most response followed by 'Poor customer service'. 'Technical reasons' was selected twice and one client said that they switched to another advertiser. Eight respondents further commented on this question or specified a different reason.

Comments by clients about why they wouldn't renew their advertising with Company X:

- *Not brought us ANY business.*

- *sales staff promise the world, reality is you get jack all, staff dont [sic] listen IT systems are floored awful company*

- *Not delivered on promises. Abysmal customer service, probably the worst I have had with any company.*

- *Not a single new client for £1000*

- *I was told I would get onto google which was not true, I was lied to, to make a sale.*

- *failure to stand by your guarantee*

- *Totally conned into purchasing this advertising had no results or enquiries although promised xamount [sic] per month. When requested to cancel have been totally ignored!*

- *absolutely NO response*

Figure 13 provides a summary of the obtained results.
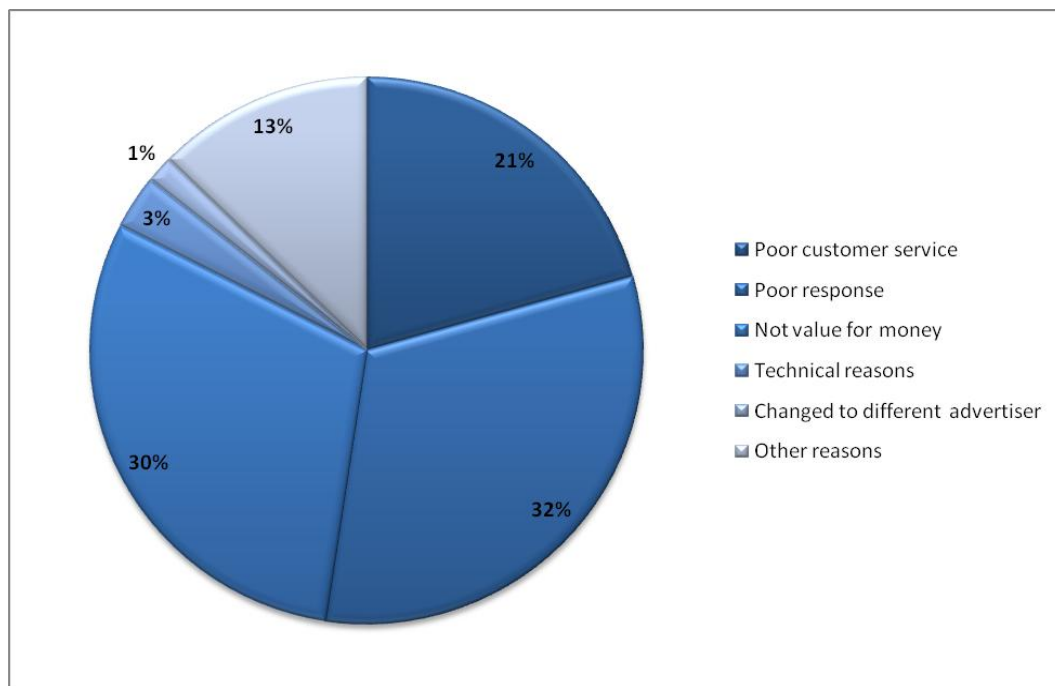
Figure 13. Why would clients not renew their advertising with Company X

When I presented the questionnaire to the Marketing Manager of Company X, I was asked to include two additional questions. The first one was open to respondents who stated that they would not renew their advertising with the company. The aim of the

question was to open the door for Company X to contact these clients, acquire more information about the problems they have experienced and potentially positively influence their opinion about the company. Therefore, Question 15 of my survey was formulated as follows: *We are sorry to learn you want to leave Company X. We are always striving to improve our service, so may we contact you in the next few days to obtain more detailed feedback?* Nineteen out of the 28 clients who intended to leave Company X gave a positive answer

.

The last question that I was encouraged to include in the survey asked respondents to share any ideas about products and services that they would like to be introduced. Only two people replied to this question and an interesting fact is that based on their answers to the previous questions, both of them were very positive about the products and services that Company X offers. Their comments were as follows:

Ideas that Company X clients gave about products and services that they would like the company to introduce:

- *the link to website should be a direct link not a javascripted link which search engines can't follow such as google.*

- *you should do more to make your search responsive like google not restricted to terminology users won't use or understand.*

Due to the fact that both ideas are of technical nature and they do not serve the purposes for which this research was carried out, I will not comment on them in this work. However, it does give us an insight into some of the improvements we could consider moving forward to influence client satisfaction.

7 FAST TRACK

The negative results from the conducted survey prompted the management team at Company X to undertake a project that is aiming at improving the level of product delivery. The project was called Fast Track and it is an initiative that brings together the efforts and knowledge of various departments to secure sustainable long term profitability for the company through achieving a high level of customer satisfaction and retention.

The marketing team played a crucial role in the planning and execution of Fast Track. As an Assistant Marketing Manager I had the chance to be very involved throughout the whole process of planning and implementation.

7.1 Project background

Company X has been experiencing steady growth over the last couple of years. Major revenue uplift from new business acquisition has been observed. However, in terms of client retention rates the company has not improved as much. In order to secure steady growth, especially during the current economic downturn, it is crucial for Company X to undertake projects in order to increase the number of businesses that renew their advertising after expiry.

Following the analysis of the conducted research (Chapter 5) it was agreed that in order to achieve higher levels of client satisfaction Company X should concentrate on fewer business categories and drive usage in them through the combined efforts of SEO, Sales, Marketing and Product teams. This will ensure that Company X can deliver all guaranteed business profile views for each client. In return this will dramatically improve the level of client satisfaction and will positively influence retention rates.

Sales and marketing focus on specific categories to drive sustainable client acquisition and retention in them started in April 2009. From a sales force perspective the initial Fast Track initiative (as this is currently being named internally) commenced in June 2009. Marketing activity already begun prior to that both from a product perspective,

where usage is being driven up in these categories, and also from a marketing support perspective where, for example, tailored sales support collateral was produced and the warming of prospects via e-mail was undertaken.

7.2 Category selection criteria

A total of 31 categories were selected for the initial launch of Fast Track. Fifteen of these were originally the chosen categories for a project being run by the Product team. This project had the objective of taking 15 categories that had the characteristics of being: relatively high in client numbers, domestic service orientated and reasonably recession resilient, and then look to drive up views of the clients in these categories by a combination of actions. Defined as 'reasonably recession resilient' were businesses, demand for which is not likely to drop due to the economic downturn. Such business categories are for example plumbers, solicitors and dentists.

7.3 Measures to increase the content of the clients' business detail pages (BDPs)

Targeted keyword activity behind the BDP's to improve organic Google listings and targeted PPC was implemented. For the Fast Track project it was felt that, for the initial selection, the categories should be ones that the sales force intuitively would accept as good prospects, be recession resilient, and ones within which client value could be delivered (so that any client and revenue growth would be sustainable). Given the overlap in the criteria for these projects it was decided to include all 15 of the Product team's categories within Fast Track. The additional 4 categories that were then added were ones that were of the same characteristics, and for which there was a particular interest in focussing on what growth (in sales and client value) might be achieved with a concerted effort. In effect, therefore the two projects have become the same one, with the Product team concentrating on driving up advertiser value in for these categories, and the Marketing team focussing on driving client acquisition through the sales force.

7.4 Strategic framework for future category selection

In the various discussions and associated analysis about which categories should be within the Fast Track initiative a simple but instructive way of classifying them was suggested. This could form Company X's overall category development strategy, not just the Fast Track program. In essence this approach describes 4 groupings of categories which can be mapped out in a quadrant diagram. These 4 groupings are:

Group 1: with higher client numbers and higher levels of client value delivered
Group 2: with lower client numbers and higher levels of client value delivered
Group 3: with higher client numbers and lower levels of client value delivered
Group 4: with lower client numbers and lower levels of client value delivered

Figure 14. Fast Track category grouping

Various initial analysis were undertaken to be able to chart where categories fall in relation to these four groups. There were different measures that could have been used

for both dimensions. For example, higher client numbers could either be in absolute figures, or as a proportion of the total business listings within the category (whether all listings or free profile listings). Similarly, what constitutes a measure of client value delivered could be taken as unique usage levels in a category, or as the percentage of business Product X clients for which the commitment of page views of their details is being exceeded. In the undertaken analysis the former measure was used but this was partly because data for this was made readily available at the time.

Advertisers on CompanyX.com that are not paying clients are called free listings. Most of Company X's revenue comes from selling to free listing advertisers because they are already engaged with the company (what is internally called 'warm leads'). Therefore, it was very interesting to analyse the ratio between paying and free advertisers for the selected Fast Track categories. This ration is illustrated in Figure 15.
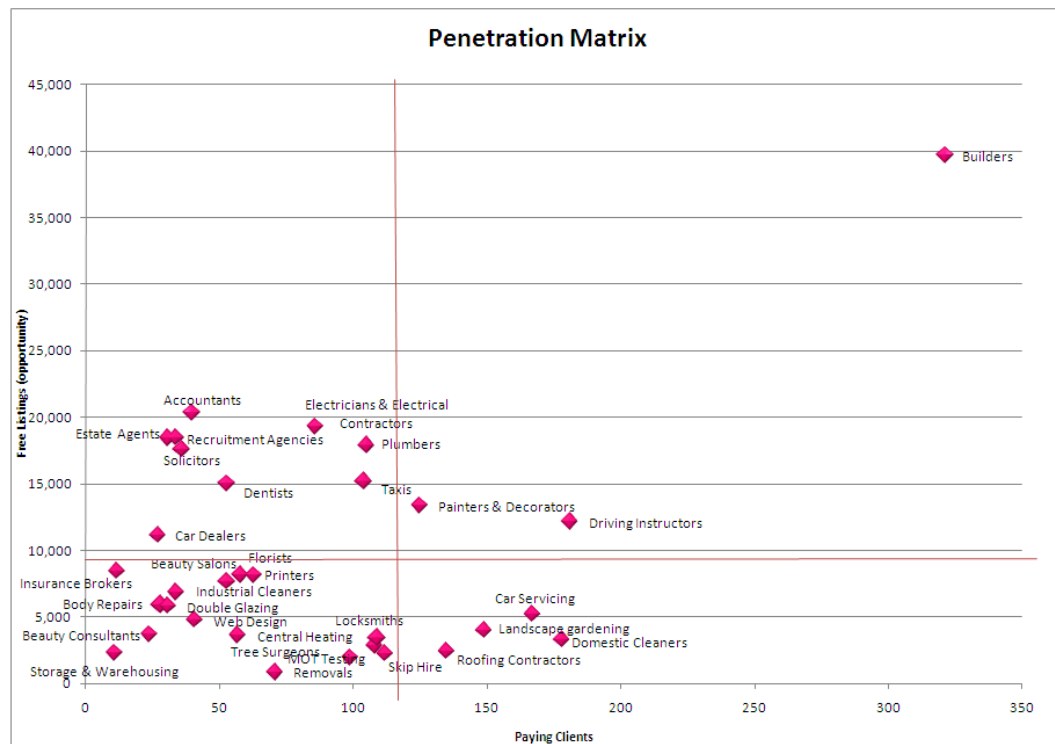
Figure 15. Ratio between paying and free listing advertisers on CompanyX.com

Similarly to the category grouping analysis, Fast Track categories fell in 4 groups depending on the ratio between the number of paying clients versus the number of free listings. High number of free listings in a specific category means that the Sales team at

Company X has many leads to follow up. Therefore, the opportunity to acquire new business is very good. However, in many cases client value moves in inverse proportion with the number of paying advertisers. That means, the more paying advertisers in a specific category, the less profile views each of them would get. Following this logic, it is clear that the greatest opportunity is in categories where there is a high number of free listings and a relatively low number of paying advertisers. From Figure 15 it is clear that Accountants, Estate Agents, Solicitors, Dentists, Car Dealers, Taxis, Recruitment Agents and Electricians are the headings where the greatest opportunity is.

In principle, client numbers and value delivered to client was measured. It was also decided that Company X's strategy for a given category (for Fast Track and more generally) should depend on which group it falls within. Furthermore, the adopted strategy for the groups could be characterised in the manner shown in Figure 14.

Thus, Group 1 categories already represented quite a lot of revenue and, although client value was relatively high, care needed to be taken not to push client growth without appropriate levels of overall category client value growth. Furthermore, care also needed to be taken to ensure that even the current clients continue to receive the necessary value to remain clients. Hence this Group was one to approach with 'Balanced Growth'.

Categories in Group 2 would represent a real (and sustainable) opportunity for sales revenue growth as value was usually over delivered for the given number of existing clients.

Conversely, categories in Group 3 would be considered 'Vulnerable' in that they are characterised as having too many clients given the overall usage/value being delivered. Here, the taken actions needed to be focussed on driving value to existing clients rather than in driving additional clients, at least until value is increased.

Group 4 categories were for the most part ones for which the strategy was to leave as low priority from both client acquisition and from client value growth perspectives. However, it was suggested that later on there could be selected categories to be

considered to present an opportunity. For example, if there is an emerging type of service, the demand for which is likely to grow.

7.5 The overlay

Company X's website is divided in 114 different portals such as CompanyXLondon.com, CompanyXnottingham.com etc. Therefore, the described strategic framework needed also to take into account the very significant differences in both client value provided, and customer numbers between the 114 portals. To a very significant extent, though, the fact that these differences existed was the outcome of Company X's own geographical prioritisation of both selling effort and traffic driving initiatives.

Therefore, an important future opportunity dimension was found: the opportunity provided by the potential for focussing on significantly increasing both client numbers, and traffic to them in portals that were poorly penetrated.

In terms of what this meant for Fast Track, firstly, the current differences in category performance by portal had to be analysed for the 19 initial categories. From this, it was possible to identify any traffic 'hotspots', where there was a high traffic to those categories and great room for client growth (effectively specific Group 2 categories in Figure 14). The sales force was then orientated towards these traffic hotspots for the relevant Fast Track categories, armed with relevant traffic statistics to help them with their selling efforts. Similarly, for category traffic 'low spots' identified, consideration was given to making these portals a lower priority for the relevant client type. Also, new data control systems were introduced that allowed for closer control over which sales person works what data and when, which enabled targeting of sales effort. The same approach should be taken for subsequent Fast Track category selection.

Furthermore, with regards to the future of Fast Track, there was the question of how any general focus on under penetrated portals would be integrated in the ongoing Fast Track program. With respect to this it was imperative for those responsible for the Fast Track

programme to be able to factor into their thinking any planned general geographical sales expansion.

Another idea that was discussed was that the Fast Track vehicle could, for any given period, be used to 'fast track' specific portals rather than, or as well as 'fast tracking' specific categories.

7.6 Future category selection

Within the strategic framework identified, it was suggested that the categories selected should broadly fall within Group 2 ('Opportunity') and Group 1 ('Balanced Growth'), as shown in Figure 14. In addition, there should still be ongoing consideration given to the categories' recession resilience. In terms of whether the categories should be intuitively 'sellable' from the sales force's perspective (as per the broad criteria for the initial 19 categories), it was suggested that for future category selection there should be a mix. Indeed, by definition, the Group 2 ('Opportunity') categories will have relatively low existing client numbers, suggesting a sales force reluctance to embrace some of them at least. The management team hoped that initial success will engender sales force trust in Fast Track category selection and support, so that they will embrace these less familiar to them categories more readily.

In principle the same analysis should be undertaken for future category selection. There will then be an opportunity to identify 'traffic hotspots' for particular sales force focus. In addition, if the performance of a given category is particularly uneven across different portals, a decision could be made not to include it in Fast Track (for example a category might be in Group 1 in the overall analysis, but be shown to have all the client and traffic performance concentrated in very few portals. In such an example, the decision may be taken not to include it in Fast Track, as for most of the country it is a Group 4 ('Low Priority') category.

On another point, categories that emerge from analysis as firmly in Group 3 ('Vulnerable') should be considered for traffic boosting activity, and certainly care

should be taken not to drive client growth in 'Vulnerable' categories without a clear and deliverable plan to raise traffic.

7.7 Suggested analyses for future category selection

Given the foregoing, the following initial analysis approach was suggested, recognising that this would inevitably be an iterative exercise so that other analysis requirements will emerge as the data is reviewed.

- Plot all categories with more than x (say 10) clients within them on the quadrant.

- For the client number axis, use raw client numbers.

- For the client value delivered axis use unique users in the past 6 months.

- Make a determination of where the four quadrants lie on the resultant chart and making an initial selection of, say 100, categories that are the most within Groups 1 and 2.

- Look through these categories and pick, say, the 50 that are most closely aligned to the Company X core objective of serving those looking for businesses aimed at a more domestic oriented market, and that are more likely to be service rather than product orientated. Also take into account the recession resilience of these.

- For these 50 categories look at their client penetration (expressed as the number of clients divided by the total number of listings) and at the total number of remaining non-client listings still available.

- Use the data to gain a feel for both, a measure of current relative success (the penetration), and of absolute opportunity.

- For the 50 categories try to understand the variability in performance. A simple way to do this would be to produce a table for each category with data for each giving both unique users and advertisers. Sort the tables so that the concentration can be seen (for example by adding columns showing the percentage respectively of clients and unique users in each. By sorting the data in turn, on these comparing

across categories it will be possible to see where there are extreme cases of performance concentration.

This analysis should also reveal 'traffic hotspots' for these categories at a level where there is a high level of traffic but not of client numbers. This data can help direct sales activity at a tactical level for the Fast Track categories selected. This analysis should also be undertaken for Fast track categories as a matter of priority for this reason.

7.8 Further consideration and thoughts

- Can a better measure of client value delivered than unique users be developed? The value of a lead to a business varies greatly. So a given level of unique users in one category will not, all other things being equal, result in the same total client value delivery as in another.

- Measurement and success criteria need to be agreed for Fast Track.

- The learning from the initial launch of Fast Track needs to be taken on board in the selection of following categories.

- Could whole portals be 'fast tracked' (are there some real 'opportunity portals'?)

- Management (and effective working) of data is critical to make sure that the data for the categories selected are worked in the desired way.

7 CONCLUSIONS

The goal of this thesis was to ascertain whether one of the UK's leading online business directories has the potential to survive and grow during the current recession. In this last chapter I will briefly summarize all findings in order to point out factors on which my final conclusion will be based.

In present times nearly a quarter of the world's population uses the Internet and this number is still growing. The more time people spend online, the more companies will invest in reaching them through the Internet. However, the growing number of internet users is not the only reason why many businesses choose to shift their marketing budgets online. Companies in this day-and-age and especially SMEs tend to see internet advertising as a more targeted, cost effective and flexible way to promote their products and services. Therefore, it is not surprising that online advertising has been in constant growth over the last few years.

On the other hand, print directory advertising is becoming less relevant especially amongst young people. As a consequence, print directories, such as Yellow Pages are losing advertisers. Small businesses and in particular, sole traders, who tend to advertise in print directories, are now taking online advertising very seriously. This is further enhanced by the fact that during the current economic downturn more than ever SMEs have to ensure that they are not wasting their increasingly limited advertising budgets. In this sense, the economic downturn represents a growth opportunity for online business directories. The question is what can they do to take advantage of the recession?

From the first sight, UK's Company X looks like it is on the right track to not only survive the recession but also take advantage of it. The business has been constantly growing both in size and revenue and the economic downturn doesn't seem to have affected the sales figures. Also, the company has responded very well to current trends by introducing new products such as Video Profile and the Twitter application for finding local businesses. Another great advantage is that the company has developed an excellent strategy that aims to achieve high levels of new business acquisition.

Whilst new business acquisition is extremely important for any commercial organisation, another key factor that determines whether a company will fail or succeed is client retention rates. A deeper study has shown that currently Company X does not concentrate enough on this crucial factor which means that the current growth rate cannot be sustained for much longer.

The client satisfaction research that was conducted has shown that Company X is currently delivering below expectations and therefore not able to retain clients. The reasons for this are summarized below:

- Sales people misleading and overpromising in order to make the sale
- Accounts are sold at a very high price and at this level up-sell is not likely to happen
- Post-sales customer service is currently below the required levels

In general, Company X is a sales led organisation and the sales teams concentrate their efforts on new client acquisition. This model is not sustainable, and in order to keep growing, the strategy of the company should be based on winning, keeping and growing clients over the long term.

Company X's future business growth needs to be built on a foundation of retained clients. Clients that understand, are confident about the return on investment from their advertising, and are fully satisfied with the level of service, are more likely to renew and increase their advertising spend. Key to this is the positive management of client expectations from point of sale through to fulfillment, and after sales service. Therefore, it is crucial for the company's future to establish a more integrated and effective approach to client relationship management that leads to fewer cancellations and results in improved renewal rates.

In terms of pricing, the sales teams should move from trying to sell very expensive accounts to selling lower entry level packages. Once clients are on board and have had a

positive experience of value, they can be migrated up a value staircase spending more over time as the client relationship develops. Furthermore, all post-sale client service interactions should be treated as an up-sell opportunity.

Based on the findings of the research, I am very confident in concluding that Company X does have the potential to take advantage of the opportunities that the current economic downturn creates. The one essential factor that will in the long term affect the sustainable growth of the business is the company's inability to satisfy and retain its clients. Therefore, changing the current strategy from strongly sales-led to an integrated relationship based approach is the key to achieving a positive and sustainable growth during the economic downturn and beyond.

REFERENCES

192.com 2008, '192.com Urges Consumers To Say No To The Phonebook', 27 May, retrieved 28 September 2009, http://www.192.com/content/info/news/say-no-to-phonebooks/

Ad Age n.d., 'The Advertising Century', retrieved 3 October 2009, http://adage.com/century/people006.html

Answers n.d., retrieved 28 September 2009, http://www.answers.com/topic/advertising

Arens, W 2004, Contemporary Advertising, 9th edn, McGraw-Hill/Irwin, NY

Bell, I 2009, 'The Yellow Pages: Adapt or die?', 23 February, retrieved 1 October 2009, http://www.ianbell.com/2009/02/23/the-yellow-pages-adapt-or-die/

Bizinger, D 2002, 'Online vs. Offline Advertising', WebProNews, 26 December, retrieved 6 April 2009, http://www.webpronews.com/topnews/2002/12/26/online-vs-offline-advertising

Bocij, P, Chaffey, D, Greasley, A, Hickie, S 2003, Business Information Systems, 2nd edn, Pearson Education Limited, England

Boland, M 2009, 'Of Local Search, Love Meters, and Raking Leaves', Search Engine Watch, 16 January, retireved 2 October, http://searchenginewatch.com/3632402

Implied by Design 2008, 'The Advantages of Internet Advertising vs. Traditional Advertising', retrieved 30 September 2009,
http://www.impliedbydesign.com/articles/the-advantages-of-internet-advertising-vs-traditional-advertising.html

Internet World Stats 2009, 'Internet Growth Statistics', 7 September, retrived 30 September 2009, http://www.internetworldstats.com/emarketing.htm

Johnson, G & Scholes, K 1999, Exploring Corporate Strategy, Prentice Hall Europe, UK

Kolton, J 2007, 'Local Online Advertising: A Primer.', Encyclopedia Britanica, November, retrived 31 September 2009,

http://www.britannica.com/bps/additionalcontent/18/27731041/Local-Online-Advertising-A-Primer

Marketing Manager, Company X, email correspondence, 30 September 2009

MindTools n.d., 'Stakeholder Analysis', retrieved 13 February 2009, http://www.mindtools.com/pages/article/newPPM_07.htm

Mintzberg, H & Quinn, JB 1992, 'Five Ps for Strategy' in The Strategy Process, 4th edn, Prentice-Hall International Editions, Englewood Cliffs NJ

MSN Encarta n.d., 'Advertising', retrieved 31 September 2009, http://uk.encarta.msn.com/encyclopedia_761564279/advertising.html

Online Advertising n.d., retrieved 31 September 2009, http://www.onlineadvertising.net/

Porter, M 2004, Competitive Strategy Techniques for Analyzing Industries and Competitors, Free Press, NY

PRLog (Press Release) 2009, 'Local Search Usage Has Shown Positive Movement', 19 October, retrieved 20 October 2009, http://www.prlog.org/10381009-local-search-usage-has-shown-positive-movement.html

Quenqua, D 2008, 'Forecast: Advertisers to Continue Shift to Online', Clicz, 1 July, retrieved 3 March 2009, http://www.clickz.com/3630097

Romano, B 2007, 'Gates sees accelerated decline of traditional media's ad model', Webtraffic Partners, retrieved 20 October 2009,

http://www.webtrafficpartners.com/yellow-pages-decline.html

Sample, T 2007, 'The History and Evolution of the Advertising Industry', Ezine Articles, retrieved 9th October 2009, http://ezinearticles.com/?The-History-and-Evolution-of-the-Advertising-Industry&id=457430

Schendel, D & Hofer, C 1979, Strategic Management, Little Brown, Boston

Sweney, M & Wray, R 2008, 'Online ad spend reaches record £3bn', Guardian, 10 June, retrieved 15 August 2009,

http://www.guardian.co.uk/media/2008/jun/10/advertising.digitalmedia

Tarlton Parsons, i-CD Publishing, email correspondence, 2 March 2009

Wallington, J 2009, 'Video Ads Grow Almost 200 per cent', Internet Advertising Bureau, 5 October, retrieved 6 October 2009,

http://www.iabuk.net/en/1/videoadsgrowalmost200percent051009.mxs

Warc 2009, 'Online adspend overtakes TV in UK', 1 October, retrieved 1 October 2009,

http://www.warc.com/News/TopNews.asp?ID=25747&Origin=DigitalLanderEmail

Webopedia n.d., retrieved 31 September 2009,

http://www.webopedia.com/Term/s/seo.html

YellowTurningBlue 2009, retrieved 30 October 2009,

http://www.yellowturningblue.com.au/

YouDictionnary n.d., retrieved 31 September 2009,

http://www.yourdictionary.com/computer/organic-search-results

APPENDIX 1 Company X homepage

APPENDIX 2 Polluting advertising on Company X's search results

APPENDIX 3/1 Survey questionnaire

▓▓▓▓▓▓ – Customer satisfaction review

1. Customer information

1 Please select your role in the company

- ○ Owner
- ○ Manager
- ○ Secretary
- ○ Other (please specify)

[   ]

2 How many employees does your company have?

- ○ 1-10
- ○ 11-50
- ○ 51-100
- ○ 101-200
- ○ More

3 Which product did you purchase (select more than one if required)

- ☐ [   ]
- ☐ Sponsored Link
- ☐ Top Banner
- ☐ Not sure

4 Do you advertise with other online directories? *

- ○ Yes
- ○ No

[Next]

5 Please select the online directories you also use for advertising *

- ☐ Yell.com
- ☐ ThomsonLocal.com
- ☐ Other(s)

[   ]

[Previous] [Next]

APPENDIX 3/2

6   **Have you ever contacted** ▮▮▮▮▮ **for any reason?** *

- ○ Yes - Client Services
- ○ Yes - Sales Executive
- ○ No

[Previous] [Next]

7   **How long did it take to resolve your request?** *

- ○ Less than 24 hours
- ○ 1-2 days
- ○ 3-4 days
- ○ Longer

[_____]

[Previous] [Next]

8   **Why have you never contacted** ▮▮▮▮▮ *

- ☐ Not required
- ☐ Could not find contact details
- ☐ Other

[_____]

[Previous] [Next]

9 **How satisfied are you with the following aspects of** ▮▮▮▮▮▮ **service?**
(Please rank 1 being not satisfied at all, 10 being extremely satisfied) *

	1	2	3	4	5	6	7	8	9	10
Availability of ▮▮▮▮▮▮	○	○	○	○	○	○	○	○	○	○
Promptness of reply	○	○	○	○	○	○	○	○	○	○
Politeness of our employees	○	○	○	○	○	○	○	○	○	○
Problem Solving	○	○	○	○	○	○	○	○	○	○
Documentation	○	○	○	○	○	○	○	○	○	○

10 **How satisfied are you with the following aspects of your advertising with** ▮▮▮▮▮▮ **?**
(Please rank 1 being not satisfied at all, 10 being extremely satisfied) *

	1	2	3	4	5	6	7	8	9	10
Price	○	○	○	○	○	○	○	○	○	○
Response	○	○	○	○	○	○	○	○	○	○
Value for money	○	○	○	○	○	○	○	○	○	○

11 **Would you recommend TouchLocal to other businesses?**

○ Yes
○ No

Previous | Next

12 **Why wouldn't you recommend** ▮▮▮▮▮▮ **?**

☐ Not pleased with my own experience
☐ Not interested
☐ No suitable contacts to recommend TouchLocal to
☐ Other reason

Previous | Next

APPENDIX 3/4

13 Will you renew your contract with us? *

    ○   Yes
    ○   Not sure yet
    ○   No

Previous Next

14 What is the reason you would not like to renew your contract with us? *

    ☐   Poor customer service
    ☐   Poor response
    ☐   Not value for money
    ☐   Technical reasons
    ☐   Business has ceased trading
    ☐   Changed to different advertiser
    ☐   Other reason

Previous Next

15   We are sorry to learn you want to leave ███████. We are always striving to improve our service, so may we contact you in the next few days to obtain more detailed feedback? *

    ○   Yes
    ○   No

Previous Next

16 Are there any products or services that you would like to see us introduce?

Previous Next