

PIRP PERSPECTIVES

Talking Yellow Pages: Some Observations on U.S. Developments

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Those of us concerned with "information services" have in recent years heard much about audiotex, videotex, and "talking yellow pages." In the thoughts that follow, I have tried to sort out some emerging themes, beckoning paths, and early warning signs suggested by our conversations with practitioners and by our own studies at PIRP. In addition, two particular issues, we believe, have started to push forward:

- Will consumers provide "room on the shelf" for multiple directories? and
- Is there room in the advertising market for a second or third provider (as with news weeklies and network TV), or will the directory market begin to resemble the daily newspaper market in which advertisers seem to support only one newspaper in all but the largest markets?

Some Recent History

At the dawn of the 1980s, "videotex" was the word on many a media seer's lips. At the time it was widely believed that an explosion in home computer use would create a mass consumer market for electronic information services. People would tap the new electronic systems to obtain the latest news, make travel reservations, browse through on-line reference sources, pay bills, and shop -- all without leaving their trusty CRTs and keyboards. Traditional institutions such as banks, retailers, travel agents, libraries, and newspapers would wither away in the wake of the videotex revolution unless they rushed to the forefront of the electronic delivery world.

Obviously not everyone agreed with these ideas. Our colleague Benjamin Compaine, for example, outlined a series of hurdles to such dreams in his 1980 paper, "Shifting Boundaries in the Information Marketplace." Compaine saw the envisioned "electronic cottage" marred by higher prices for information services (as users paid for more, and advertisers for less) and increased family contention for time, space, and terminal access.

From Videotex to Audiotex

In fact, since those earlier days of unlimited optimism, Knight-Ridder has shut down Viewtron, Times Mirror has closed Gateway,

and a host of other would-be videotex providers have scaled back or terminated their plans.

Videotex has not disappeared, of course. In the U.S., services such as CompuServe and Dow Jones News Retrieval continue their healthy growth, but they hardly resemble the mass market home utilities envisioned by many videotex champions. French officials continue to report dramatic increases in use for DGT's Minitel Service. As Telephony recently reported (July 13, 1987), however, "chat" services, especially sexually oriented ones, account for a large portion of the growth. Some of us in the U.S. who witnessed the dramatic boom and collapse of Citizen Band radio and video games wonder whether Minitel's growth is real or just a fad.

Nowadays, as we hear less of "videotex," we hear more and more of "audiotex," wherein users with a simple telephone can access electronic information systems and receive their desired information by voice. A spokesman for one of the new audiotex services notes as a perceived advantage of audiotex over videotex that there are "more push-button phones than personal computers."

During the past year or so, much of the attention on audiotex systems has involved "talking yellow pages." To date, two types of "talking yellow pages," or "electronic classifieds" have emerged in the audiotex world.

The first, typified by InfoPlus' Yellow Pages Plus, is based on a traditional printed classified directory. The classified ads within the directory include a four-digit number. Using a push-button telephone, the person referring to the ad can enter a local telephone number, then the four-digit number from the ad, and then be connected to a pre-recorded message provided by the advertiser. These messages can be updated on a monthly, weekly, or even daily basis. Conceptually, this type of service can be seen as an audio-only variation of videotex systems, such as Prestel, but with the directory providing the menu function and the telephone serving as the input/output device (instead of requiring a PC or a dumb terminal).

The second type, typified by NYNEX's short-lived "Hello Yellow!" service, uses human operators supported by computerized search systems. The consumer calls a telephone number, obtained from a directory, a newspaper ad, or a placard in a hotel room, for example, and specifies his or her "search" request: "I would like to find an Italian restaurant in Cambridge." The answering operator, supported by a prompting system and appropriate search software, can help narrow the search by price, location, type of food, or other criteria. While NYNEX retreated from its effort in this field because of questions about whether the service was a prohibited information service under the terms of the AT&T antitrust settlement, United Telecom (Infoline) and other companies, not similarly restricted, have pursued tests of such systems.

Obviously combinations and permutations of the two approaches already exist and more will evolve. Either approach can be combined with weather, time, sports, stock quotes, or other services. The first approach can include a series of four-digit codes tailored to

increasingly specific interests. The second can use more specific numbers for access to more specialized human operators: "Call 333-1001 for Apartment Listings: 333-1002 for Used Cars."

Some Early Soundings

Little hard information is available about the success of the competing approaches, but this is not surprising given, first, their novelty to the consuming public; second, their novelty to advertisers; and third, the cloudy U.S. regulatory environment. The latter has kept Bell operating companies from investing in them and has discouraged other would-be "information providers" who fear that Bell operating companies will be allowed to enter the market before long. Nevertheless, some preliminary observations are possible.

Because the InfoPlus "talking yellow pages" (Yellow Pages Plus) made its debut in the Boston area, I have had the opportunity to question a number of colleagues and acquaintances about their impressions of the system. The consensus is one of initial curiosity, followed by disinterest. Individual advertisers have not yet learned to exercise the distinguishing characteristics of the system; their pre-recorded messages tend simply to repeat what they have already presented in their print directory ads. Advertisers are not using the system's capability to provide more timely information than that provided by the traditional print product. On the other hand, advertisers did not know how to use radio or television when these media first came upon the national scene. They learned. Maybe advertisers -- and users -- will learn how to use talking yellow pages. We should not rush to judgment.

However, an Infoplus manager reportedly shared an instructive story with a Boston-area seminar on audiotex: InfoPlus thought that it was entering the audiotex business, but concluded that it was really in yellow pages. Given traditional margins in the print directory business, that is probably a good place to be, even if you got there accidentally!

The second approach, *à la* Hello Yellow!, suggests different problems and opportunities. The search routines available to the answering operator can provide added value to the consumer, especially in dynamic market situations where the clientele or the product is changing rapidly, and the number of similar products is large. An example of a rapidly changing clientele would be restaurant customers in a city with heavy convention or tourist traffic. Used cars or apartments in a large city are examples of products that change rapidly.

I might also note that some newspapers have made themselves unnecessarily vulnerable -- at least in the short term -- by the relatively haphazard organization of their classified ads. In my opinion, a newspaper that subdivides apartment ads by 25 different neighborhoods, or consistently lists used cars by make, year, and model, eases readers' use and thereby reduces the relative advantage of a computerized search system.

A major virtue of an "electronic classified" is its currency for both buyer and seller. The extended half-life of print media has advantages (people may make a purchase based on an ad that stopped

running a week ago) and disadvantages (I once had 17 calls over a two-week period about a bicycle that I had sold on the first call on the day that the ad appeared). A Hello Yellow!-type ad presumably can reduce buyers' and sellers' mutual frustration by rapidly disappearing from the classifieds when a sale has been consummated.

A major disadvantage of this kind of advertising may prove to be the high cost of human involvement. A telephone operator, even supported by high-quality search software, may be an expensive piece of the system, especially if the operator is a unionized employee of a telephone operating company. A newspaper employee accepting a classified ad might handle an ad for an apartment once. A telephone operator would accept the same ad, and then perhaps provide the telephonic description of it to 50 callers. A pricing scheme that reflects this type of cost differential might be difficult to handle: Would you sign a contract to advertise the sale of your used car if the cost of the ad depended on the number of times an operator referred shoppers to it?

In addition, the cost of using human operators may be expected to climb, at least in the U.S. In recent years we have been warning our affiliates that basic demographic trends will present serious problems for many "service" industries as the pool of entry-level workers (18 to 24 years old) plummets through 1995. Airlines, banks, rental car companies, retailers, and a pack of other "service" industries may be competing for the same people who might otherwise be sitting at consoles answering "talking yellow page" calls.

"New" Information Services

Although data is not yet available to prove it, demand for "new" information services rather than automation of classified advertisements seems to have fueled the real growth in audiotex services, according to some observers. Some of these "new" services have an "old" flavor to them, but depend upon the selectivity and immediacy of the new technologies. Weather forecasting messages have been a major money maker over the decades for many telephone companies, but the AT&T divestiture and conflicting telephone company policies have created a market for "New Hampshire Weather and Ski Conditions," or "Travelers' Weather Forecasts," for some of the new audiotex providers. The same holds true for the reporting of sports scores and other localized, specialized information.

Users have demonstrated their willingness to pay tariffs for weather, time, and sports information through telephone companies. Apparently they are willing to tolerate advertisements to get the same information via audiotex services. But while audiotex services offer such advantages as selectivity and immediacy, they must continue to compete with a wide range of other media; while I am figuring out whether to call my telephone company or the local "talking yellow pages" to get the weather forecast for my trip to Atlanta, I might glance at page three of the Wall Street Journal on any Monday and see the Stouffer Hotels advertisement that provides the week's forecast for 19 U.S. cities (as provided by the CATV Weather Channel).

Providing "new" services might be the key to audiotex success. Consumers undergo a lifetime of acculturation, and they do not -- normally -- change habits overnight. People are accustomed to referring to telephone directories for some classes of information and to classified ads for others, and both media have already overlapped in specific fields for decades. It may prove easier to build the audiotex business by creating a new market based on "new" services than by converting the users of established print products.

Some "talking yellow page" services may become commercial successes. But in the short term, at least, the greater competitive threat that print directories and newspaper classifieds face may come more from look-alike rivals than from new technologies. Telephone directory publishers obviously need to recognize that their traditionally hefty margins could suffer as more publishers enter formerly monopolized markets. (The CPE market may be instructional in this regard.) Newspaper publishers, already concerned about declining per capita readership, will have to keep an eye on the specialized classified publications, the growth in metropolitan magazines, and the suburban/neighborhood newspapers. (Anyone looking for a house in Lexington, Massachusetts, will find more comprehensive housing listings in the weekly Lexington MinuteMan than in The Boston Globe.)

On the other hand, new entrants considering the more traditional forms of yellow pages or newspaper publishing seem to face high entry costs, and the current vendors are accustomed to dealing with rivals who use traditional technologies. Some newspaper publishers, for example, have gone so far as to engage in occasional "self-cannibalization," by starting or acquiring local weeklies or "shoppers," which might rival them in their traditional print advertising sectors.

New Questions

While many questions need to be answered in the marketplace, the introduction of "talking yellow page" services raises at least two new ones.

The first of these I would term "the space on the shelf" problem. How many different editions of yellow pages will consumers be willing to store and handle? The absolute physical limitations in homes and offices may be a serious impediment to competitors such as Infoplus who rely upon users' acceptance of a second (or third?) set of yellow pages on their shelves.

The second question, not totally unrelated to the first, might be called, "Is there room for number two?" In the U.S. national TV network advertising race, for example, NBC, ABC, and CBS have all managed to survive and prosper for more than 40 years, but in the newspaper business, extended relegation to a second position in the advertising market seems to be the kiss of death. The old Washington Star remained competitive with The Washington Post in circulation for many years, but its claim on the advertising market fell much more quickly than its readership. The Boston Globe, in an advertisement of May 14, 1987, could claim a 70%-to-30% advantage in advertising over

its local rival (The Boston Herald), while circulation was at 62% for The Globe versus 38% for The Herald.

In the magazine field, NewsWeek, U.S. News and World Report, and more recently, The Economist, have managed to survive in the U.S. newsweekly market, despite TIME's dominance. Perhaps advertisers in magazines are following the example of People versus Us; you can put only so much advertising into a given vehicle before giving some to Number Two in order to keep the first-place winner "honest."

Alternative vendors to traditional leaders in the classified ad/yellow page markets might want to think about which of these advertising models applies to them.