



NCI and the New Generation of Real Estate Marketing **A Case Study**

By Peter Krasilovsky
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NCI seeks to retain its position as a marketing partner for real estate agents, new home builders and developers, large apartment managers, and now, home and design professionals.

EXECUTIVE SUMMARY

Network Communications Inc., one of the three largest “shopper” publisher with local real estate, apartment, home improvement and design publications, is transforming itself to capitalize on changes brought by the market and the Internet.

Some of its efforts are geared towards utilizing the Web to support its print products. For instance, 60,000 publications are ordered every month from the company’s websites.

Other efforts are more transformative, as NCI seeks to retain its position as a marketing partner for real estate agents, new home builders and developers, large apartment managers, and now, home and design professionals. NCI’s challenge is to regularly get in front of consumers and add enough value for its ads to trigger a phone call, an email, or a visit to an advertiser, apartment community or new home sales center.

But NCI also needs to prove to its advertisers that it is generating leads. One way it has done this is by conducting extensive surveys and focus groups with consumers. Online, it has established a “lead management system” that can track online activity down to the property level. The results

of its measurement campaigns have reinforced the value of the company’s products.

The company has put a special emphasis on integrating its Web presence with its print publications — and adding special “value added” features, such as virtual tours, photos and interactive floor plans. The ability to saturate the market with print publications and leverage complementary print and Internet usage is seen as a major advantage over pure-play real estate Web portals, such as Realtor.com.

One of the controversial positions that NCI has taken is to charge a single price for its Web and print offerings. Its competitors often charge an additional fee for the Web. But NCI sees little purpose in creating a Web-only value — especially since it believes that print and Web channels complement one another.

Looking forward, NCI has been diversifying its portfolio by adding home improvement and home design publications. Its goal is to add new advertisers, while leveraging its core competency in the homes arena and maintaining a coherent operating structure.

INTRODUCTION

The way that homes and apartments are marketed, sold, rented and renovated has gone through a sea change during the past several years. It will change even more during the next several years.

A major instigator has been the emergence of Internet services and applications. These have empowered consumers to begin the search process themselves, and rely on a multitude of sources — Internet sites, Newspapers, Magazines and Referrals — without entirely relying on professionals. Indeed, agents only introduced buyers to the home they bought about one third of the time in 2005. That’s down from fifty percent in 1999.

NCI’s efforts are centered on adding value in a way that positions it as a central player in the new generation of real estate marketing.

The widespread use of the Internet has also led to agents competing more aggressively and effectively for leads. Agents have pragmatically adapted to the impact of technology innovations, which increasingly require that they develop rich media solutions, such as video or virtual tours, to promote their listings. In addition, agents have come to see that consumers that have acquired a significant amount of information during their home search will often take require less time in the car, looking at listing after listing.

Other changes have been influenced

by the recent run up of the real estate marketplace. The (now expired) boom, boosted the number of agents in the U.S. to over 1.2 million, up from 635,000 at the boom’s start in 1996. Now faced by a sales decline, however, some agents have left the business.

Faced with increasingly fervent competition from their peers, others have begun competing on the basis of lower commissions. Marketplace changes and simplified listing and marketing — all aided by the Internet — have also led to an increase in cut-rate, partial service brokerages, such as Help-U-Sell and ZipRealty.

Against this backdrop, media companies that have thrived on real estate-oriented advertising — such as newspapers and free specialty publications, commonly known as “shoppers” — are now challenged to maintain their advertising relationships and revenues, as well as their hold on readers. For such media, the quest is to keep relevant by making necessary adjustments, adding services and features, and reinforcing their value to advertisers and readers alike.

This report is focused on how Network Communications Inc.—the one of the largest “shopper” publishers with highly recognized titles such as *The Real Estate Book* and *Apartment Finder* — is leveraging its distribution, circulation, sales channels and loyal advertisers to adjust to the new environment. Its efforts are centered on adding value in a way that

positions it as a central player in the new generation of real estate marketing.

NCI BACKGROUND

Network Communications, Inc., (NCI) founded in 1978, has local real estate, apartment and home improvement and home design publications in 630 local markets covering 70 percent of the U.S. population. Based in the Atlanta suburbs, the company publishes 12 million copies every month, and estimates that it generates over 10 million sales leads.

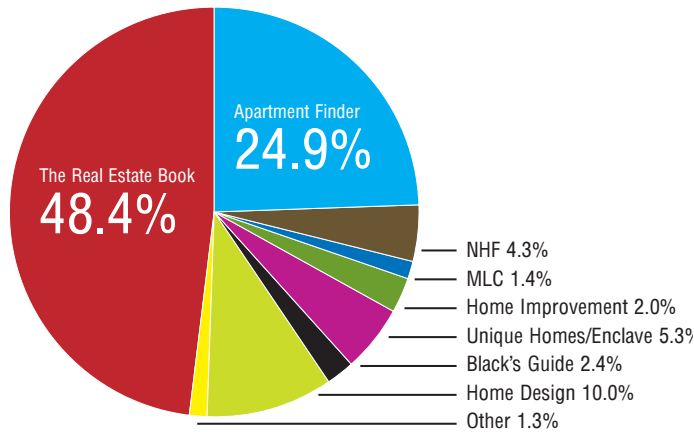
In fiscal year 2007, which concluded in March 2007, the company reported \$204 million of gross revenues, and \$46.5 million EBITDA.

All this makes NCI one of the three largest national players in the home-and-apartment shopper category, along with Primedia’s Consumer Source and Dominion Enterprises (formerly Trader Publishing Co.). One of NCI’s calling cards is its reliance on advertising from individual agents and rental managers. Just 10 percent of its advertising comes from brokerages or large offices.

NCI’s Internet strategy also stands out. Web sites account for 30 percent of the company’s leads. This is a direct result of its aggressive Internet strategy, which is generally based on bundling online ads with print for one price, rather than “upselling” them separate price points.

In terms of ownership, the company is controlled by Court Square Capital Partners, formerly known Citigroup Venture Capital Equity Partners, which purchased the company in 2005 from ABRY Partners and CEO Dan McCar-

NCI's Revenue Mix



thy, who remains the largest individual shareholder in the company.

NCI'S PRODUCTS

NCI's largest title is *The Real Estate Book*. This staple accounts for 481 local editions, up to 45,000 advertisers at any one time, and nearly half, or 48 percent, of NCI's total revenues. *The Real Estate Book* has greatly benefited from the real estate boom, and the general interest in properties. At any given time, five percent of adults are in the market for a new residence.

While *The Real Estate Book* occupies a unique niche in the market, it competes broadly with a number of players. Other media players with print capabilities include newspapers; Endurance Business Media's *Homes & Land*, which has 280 local editions and is owned by Endurance Business Media; and *Harmon Homes*, which has 152 local editions and is owned by Dominion Enterprises. Web-only competitors include ForSaleByOwner.com and Move.com's New Homes (formerly Homebuilder.com).

Another important source of referrals and leads for real estate agents are businesses such as Lending Tree (RealEstate.com), ZipRealty, Homeseekers.com, Housevalue.com, HomeGain.com. These businesses operate under a different business model than *The Real Estate Book's* flat-fee advertising model, but compete with for consumer traffic online.

Another source of competition for traffic and agent budgets are large Web portals with real estate areas, including Yahoo, MSN, AOL and Google. Interestingly, NCI has agreements with a number of these competitor to distribute its content through their web products, a strategy we will discuss later in this paper.

NCI's second largest title, *Apartment Finder*, has 104 local editions and ac-

counts for 25 percent of the company's revenues. The company estimates that each issue provides advertisers with over 40 leads per month.

Apartment Finder are a highly concentrated segment, in which The Top 50 apartment owners control 18 percent of the apartment market, and consequently, *Apartment Finder* focuses on mid-sized to large apartment community owners, rather than single unit properties, which is more the domain of Websites such as Apartments.com and Craig's List.

Apartment Finder's primary competitors are ConsumerSource's *Apartment Guide*, which has 85 local editions; Dominion Enterprises' *For Rent*, which has 65 local editions; and Endurance Business Media's *Rental Guide*, which has 30 local editions. *Apartment Finder* is generally priced below the competition.

Other NCI titles account for 27 percent of company revenues. These include 16 editions in NCI's fast-growing Home Improvement and Design division, and 74 editions of other brands (i.e. *Black's Guide*, a commercial real estate guide, and *Unique Homes*, which caters to upscale real estate). All of the expansion titles are focused in one way or another on the housing industry. NCI sees common threads between its expansion books and its core real estate and apartment products. It also sees opportunities for growth in upscale market segments, and the ability to attract new advertisers, such as re-modelers, interior designers and specialty landscape architects.

NCI'S DISTRIBUTION STRATEGY (PRINT)

Central to the company's success has been its distribution strategy. The various NCI publications are generally picked up by readers at more than

320,000 high traffic distribution points, such as convenience stores, restaurants, real estate offices, grocers, banks, hotels, beauty salons, auto service outlets, and on public transit. More than 90% of them get picked up every month.

The distribution points are considered to be a critical element of the company's success, and some location owners receive a display allowance. Convenience stores, for instance, typically receive from \$20-\$200 per month, depending on their location, the number of copies distributed, etc.

Readers, of course, have many choices and are generally suffering from "information overload." One result is that they aren't picking up as many publications as they have in the past. But NCI says its print distribution is doing as well as ever. It has compensated by having more locations, and more diversified and unique locations, such as wine shops, health clubs and other places where consumers engage in leisure activities.

In addition to the distribution points, NCI's magazines are also distributed via mail order.

Currently, 50,000 magazines per month are ordered by consumers. Of those, 37,500 are ordered from the company's various Web sites, while 12,500 are ordered from its toll-free number.

TARGETS: TOP-TIER AGENTS AND MANAGERS

A key to understanding NCI's approach is that it aims directly at individual agents and apartment managers, rather than brokerages or large offices. This orientation hasn't changed since its

Distribution Points for *The Real Estate Book*

Restaurants	23.7%
Convenience Stores	14.8%
Realtors/Real Estate Offices	14.4%
Grocers	7.9%
Retail	5.6%
Banks	5.5%
Lodging	4.9%
Beauty Salons	4.1%
Public Transit	2.3%

Source: NCI

founding in the late 1970s.

Specifically, NCI targets high volume agents that account for the majority of real estate sales. The maxim that "20 percent of go-getters that account for 80 percent of sales" very much applies to the real estate industry. This adds up to a target base of approximately 150,000 agents, out of the 1.2 million agents currently paying dues to the National Association of Realtors (NAR). The company

currently sells to roughly 45,000 agents, or about 1/3 of its potential advertisers.

Agents that advertise in *The Real Estate Book* typically pay about \$500 per month, or 25 percent of their total marketing budget, which is roughly \$2,000. Their other spending generally goes to direct mail.

Best Qualified Leads

Combination of Resources	67%
Internet	15%
Any Leads	12%
Free Publications	2%
Newspapers	2%
Other	2%

Source: Borrell Associates, 2006

These agents typically don't buy very much newspaper advertising, with the notable exception of open house ads.

This is another differentiator with the general agent population. According to the NAR, the "bottom" 65 percent of Realtors makes one or fewer transactions a year. These agents are more dependent on advertising with newspapers and online services (along with direct mail). They also spend less than \$1,000 per year on advertising.

THE NCI CONSUMER

As for the "NCI consumer" — the type of person who picks up a free real estate or homes publication — 75 percent are buyers, and 25 percent are sellers, according to a survey conducted for NCI in September 2006. More than 50 percent are suburban, and annual household income ranges from \$25,000 to \$100,000.

Both men and women read the books, but they are looking for markedly different content. Women are oriented towards existing homes, and are really using *The Real Estate Book* for information. Online, they tend to visit more Websites than men. Men, meanwhile, are more oriented towards new developments and planned communities.

"NCI consumers" don't have an exclusive relationship with NCI — or with any other leads source. They actually look at many sources of real estate information in print and on the Internet.

Given the proliferation of information resources in real estate, NCI's challenge is to regularly get in front of consumers and add enough value for its ads to trigger a phone call, an email, or a visit to an agent. As NCI's Executive Vice President of Consumer Strategy Glenn Goad notes: "Consumers use many sources — but they'll choose 'favorites' if the information is of value."

Goad adds that there is another important

aspect to winning the hearts of consumers. They increasingly dictate where real estate professionals should advertise. Ultimately, consumer adoption of media will driver advertiser choices, Goad observes. The more value the consumer experiences from the media, whether it be a print publication or an Internet product, the more likely he is to communicate his affinity for that media to the agent. Ultimately, that consumer reinforcement is likely to shift advertisers' perceptions of the most effective media, and ultimately advertisers' advertising choices.

PROVING THE VALUE OF ADS

With so many sources of real estate and home information leads, it has become more essential directly quantify where leads are coming from. Consequently, NCI has embarked on a campaign to measure the results of its advertising, including extensive surveys and focus groups with consumers. "We have had more conversations with consumers than we have ever had before," says Goad.

Other efforts include the optional deployment of dedicated phone lines — one for each property or advertiser — to determine whether the ads are responsible for calls. Roughly 10 percent of NCI advertisers have deployed a dedicated phone line.

The results of its measurement campaigns have reinforced the value of the company's products to its advertisers. For many years, for instance, NCI had estimated that each ad in *The Real Estate Book* generated 20 phone calls per month. But its phone research has determined that each ad actually generates more than 36 phone calls per month. It had undercounted its influence by 80 percent.

NCI has also made strides in quantifying its results from its online sites. The company's online "lead management system" tracks online activity down to the property level, and can provide daily reports to advertisers on how many times a property has been viewed. The company current has under development a new product. The Lead Quality Metric System,

that ranks leads in terms of their relevancy, immediacy and engagement. This product will be introduced in the latter half of 2007 and will likely generate even more incremental value for advertisers in terms of making decisions about which leads to respond to most quickly.

The leads analysis can also be strategic for sales, determining whether properties have been properly priced or whether the ad copy is compelling. Copies of the reports can also be sent directly to home owners, illustrating the real estate agents effort on their behalf.

INTEGRATING WITH THE WEB

While the print publications still account for the bulk of NCI's usage and revenue, the company has put a special emphasis on integrating of its Web presence. This makes sense since 75 percent of home buyers start their search on the Internet, and 70 percent of apartment shoppers use a combination of the Internet and print publications for their home search.

The ability to saturate the market with print publications and leverage complementary print and Internet usage is seen as a major advantage over pure-play real estate Web portals, such as Realtor.com. Outside of real estate, there are cases where similar efforts have proved successful. For instance, CareerBuilder, which is integrated with hundreds of newspaper recruitment sections, has emerged as a genuine online-offline success story.

Scott Dixon, president of NCI's Real Estate area, likens NCI's print commitment to retailer LL Bean's, which has recently recommitted to its print efforts. "A couple of years ago, LL Bean tried to reduce the number of catalogs it mails out as a cost savings measure," he notes. "But it noticed a dramatic reduction in sales when it did. Now it prints 250 million catalogs, which is more than ever. And whenever it mails out a catalog, it sees a 70 percent increase in online orders.

Top 12 Real Estate Web Sites

SITE	UNIQUE USERS	VISITS PER MONTH	AVERAGE MINUTES
Realtor.com	4,997,000	3	27
Yahoo Real Estate	3,416,000	2	6
Homegain.com	3,337,000	1	3
Rent.com	3,112,000	2	12
Apartments.com	2,543,000	2	16
Homes.com	1,582,000	2	12
ForRent.com	1,533,000	2	11
LivingChoices.com	1,323,000	2	10
Apartmentguide.com	977,000	2	14
Realestate.com	818,000	2	7
HarmonHomes.com	355,000	2	11
HomesandLand.com	275,000	2	9

Source: NCI, WebTrends

“Our job is to reach the customer,” Dixon concludes. Reaching NCI or its advertisers “is not the customer’s job. What we’ve seen is that print and online work really well together.”

FOCUS ON DRIVING WEBSITE TRAFFIC

Over the past five or six years, Executive VP of Consumer Strategy Glenn Goad has chronicled three distinct stages of the company’s Web development.

NCI Web Development

Stage 1 (2001-2004):	Development of a stand-alone Web site
Stage 2 (2004-2006):	Creation of a “Web environment,” in which the Web was used as a sales tool, and partnerships are formed with other sites.
Stage 3 (2006-Present):	Integration of all its media, and use of the Web to add more value to advertisers with highly effective features.

Now fully immersed in Stage 3, NCI has added many key features to reinforce advertiser value. It has also begun focusing on driving traffic to the Web sites.

The local Websites today are attracting just over 2 million unique visitors every month, according to June 2007 WebTrends report. NCI’s national Web portal, Livingchoices.com, attracts over 1.3 million visitors.

But the conclusion within NCI is that most of the real potential lies with the branded sites, which are more effectively targeted at the local level. Of the visitors to NCI’s local sites, 148,000 visit more than once. The average visit lasts for just over ten minutes. The return traffic is fairly average for the industry, but it obviously hasn’t reached its full potential.

To drive more traffic, NCI is waging an aggressive, multipronged campaign. For starters, the Web URLs appear boldly on the covers of all the publications. Display ads for the websites also appear throughout the publications.

A more unique effort is value-added “Web IDs.” These are dedicated URL addresses that consumers can copy down from the print publications, and look up on the Internet. The Web IDs have links to such information as neighborhood information, photos and maps. Another advantage that they bring to the table is they can be independently promoted outside of the publications and Website in email, marketing literature and other channels.

Todd Walker, VP of *The Real Estate Book* calls Web IDs a “search extender.” “When consumer contacts with it...it is a pretty qualified lead,” he notes. Currently, 300,000-500,000 Web IDs are

being inserted every month — a penetration level that NCI expects to double.

Altogether, NCI’s ability to promote its websites via cover ads, display ads and Web IDs account for roughly a third of its online traffic.

TEAMING WITH 3RD PARTY WEBSITES

In addition to NCI’s home-grown efforts to build Website traffic, the company is taking several tried-and-true steps to further boost results. These include Search Engine Optimization and investing in keyword buys for paid search on Google and other search engines. Such search efforts account for roughly 1/3 of NCI’s Website traffic.

NCI is also contracting with other Websites for links and content feeds that will boost the results for its own advertisers. Looking forward, NCI anticipates that it will also start adding content and listings to the Websites of local publications.

The company currently has links or feeds to more than 30 sites, including GoogleBase, Yahoo Real Estate, Homegain, HomeScape, New York Times, Wall Street Journal Lending Tree, Oodle, AreaGuides.com, Bobvila.com, HomeGain.com, BellSouth.net, Real Estate.com, Sympatico/MSN and Viacom TV. Many of these sites are compensated on a pay-for-performance basis.

NCI’s strategy of increasing traffic to advertisers via third parties is not necessarily a new one. It has also been embraced by Internet Yellow Pages, which have been able to meet their online advertiser goals by getting click-thrus from a number of sites.

PACKING IN THE ‘VALUE ADD’: SPECIAL FEATURES

The ultimate success of NCI’s integrated Web and print strategy hinges in part on its ability to add value to its advertisers by incorporating unique, state-of-the-art features. This is especially important as many of NCI’s advertisers have begun investing in their own Web sites. Consequently, they need more assurance that NCI brings something extra to the table.

“It provides an advantage in a market where 85 percent of listings are now available online,” notes Glenn Goad. Agents won’t take the initiative to add many sophisticated features themselves, he feels.

Some of the features that NCI’s websites have deployed include the previously

identified WebIDs, virtual tours, interactive floor plans, videos, photos, and maps via Microsoft Virtual Earth. They also include information on taxes and prior sales.

Panoramic virtual tours, especially, have been a central focus for the company. Research by market research firm Ipsos has shown that ads with virtual tours increase viewership by up to 500 percent. Moreover, the same research found that 62 percent want to view a virtual tour before they move in.

Until recently, however, such tours cost well in excess of \$150 for each property, required professionals to produce them, and took weeks to process. The cost and delay made many agents hesitant to use them. But using the latest cost-efficient technology — basically, a fish-eye lens on top of a normal digital camera — ApartmentFinder now provides advertisers with up to five virtual tours at no additional cost. These include interactive floor plans.

Already, after less than seven months in the field, 25 percent of ApartmentFinder’s advertisers have produced over 30,000 virtual tours. Over the next couple of years, company officials are hoping for penetration rates exceeding 85 percent.

NCI is similarly enabling real estate professionals to add multimedia videos to their Websites, which they may use to introduce themselves to potential home buyers, highlight neighborhoods, or show off properties (including property grounds, which can’t be done as effectively with virtual tours).

“We can be the You Tube of Real Estate video,” says Glenn Goad. “We think we can host 400,000-500,000 videos.”

FUTURE USES FOR THE DATA

The addition of all those videos, virtual tours, photos and interactive floor plans will be attractive to advertisers trying to sell a house or rent an apartment. But NCI actually has far more ambitious, long-term plans for the content.

The plan, in fact, is to make all the content into a “database” that constitutes a permanent, easily accessible property record — no matter who owns the property. “We have 25,000 homes coming into the system every week. But until five years ago, we never saved the data,” says Glenn Goad. “But now we’ll have everything you want in one place.”

Goad notes that such a rich “database” is likely to set NCI apart from the competition — especially as listings become more of a commodity. “Five years from now, we may not have the sole listing for 101 Main Street. Dozens of sites may have it. But we could have user

A DISCUSSION WITH NCI CHAIRMAN AND CEO DAN MCCARTHY

As we have seen, NCI has worked hard to transform a traditional “shopper” business, and confound analysts who have handicapped shoppers against other traditional media, such as newspapers and Yellow Pages.

Chairman and CEO Dan McCarthy has been instrumental in developing the new vision, and assembling an executive team to further enhance the vision and carry it out. In a recent conversation, McCarthy, who previously led the Primedia Enthusiast Group and Cowles Business Media, says he has been driven by a mission of being “the most effective media partner for marketers when consumers are getting ready to act.”

McCarthy readily acknowledges that there is nervousness about the future of real estate-oriented media, especially in a down market. But he has been reassured by the stability of NCI’s advertising base.

“We’ve been experiencing a slowdown for six months, and it has taken us to flat year-to-year performance,” he says. “But what has been interesting is that the total number of customers hasn’t dropped. They are retooling investments. That puts a tremendous premium on media that works.

“They’re asking questions like: ‘Where do I leave money?’ ‘Am I being cost effective on the Internet?’ It has them looking harder” at possible solutions.

McCarthy also feels confident that the company is sufficiently diversified, although it seeks to leverage its homes expertise in everything that it does. “There is an ongoing need for real

estate agents, property managers and renovation service providers to advertise frequently to generate leads,” he says. “In a soft housing market, the need for and duration of real estate advertising increases as the time on market expands.”

When home sales slow down, McCarthy notes that apartments tend to pick up. “Multi-family is counter cyclical.” Similarly, “home improvement becomes the focus when new home starts decline.”

McCarthy is especially emphatic that Internet and Print advertising cannot be sold as separate entities. By taking his position, he is well aware that he is defying the logic of Harvard Business School Guru Clayton Christensen, the author of *The Innovator’s Dilemma*.

“We have an obligation to best serve our customers,” notes McCarthy. “We have 40,000 to 45,000 customer relationships. And they are all built on the underlying premises that ‘I am an expert in the market.’ Now how am I going to go back to them and say ‘I have a new distribution channel.’ And I haven’t figured out the economics?”

McCarthy adds that NCI long ago “made a decision not to force advertisers to underwrite cost of product development. We’ll do it ourselves.”

But McCarthy believes he hasn’t actually left any money on the table. Instead, NCI has successfully moved customers to higher tiers that include both print and Internet elements. “We have \$10 million of Internet upgrade revenue,” he says. “I think of it in the same way as a preferred position in a magazine. It’s like a back cover. But we can offer that premium position to more advertisers.”

feedback, photos, history of home... It is going to be a very rich database.”

NCI’s hopes are that the availability of such an exclusive database will play a key role in winning repeat business, or getting business from new owners who have taken over from previous advertisers.

UPSELLING BY VALUE, NOT CHANNEL

In terms of sales practices, NCI is bundling Web ads in with the print offering, rather than charging additional fees. Where there is upselling, it is for access to enhanced features, across both print

School’s Clayton Christensen, the author of *The Innovator’s Dilemma*. Christensen stressed that new media channels need to be sold separately to maximize revenues and innovation.

But NCI sees little purpose in creating an artificial “Web-only” value. It believes that print and Web channels complement one another.

NCI executives see other issues in breaking out the Web segment. Marcia Bollinger, Senior Vice President of *Apartment Finder*, for instance, says that if online sales were broken out, it would have to be done on a

pay-for-performance basis, since apartment managers are very sensitive to return on investment. But with pay-for-performance, “it would be very hard to track what we should bill them” since

it is hard to know where the leads actually come from.”

“In this business, it is difficult to track the lead to a source. Did they use ours, or someone else’s? Prospects may use two apartment publications, and/or two apartment websites,” she says. “It is a very gray area. And from an ethical point of view, we don’t have a good

comfort level with it. We maintain a strong focus with our customers on lead tracking and work every day to raise the bar on this integral part of our business.”

NCI’S DIVERSIFICATION PLAY

While NCI’s focus has primarily been on real estate and apartments, it has recently begun adding publications devoted to home improvement and design. Both of these segments enable NCI to diversify its portfolio of publications, with the goal of leveraging areas that have many similarities, allowing for a coherent operating culture.

The Home Improvement and Design area currently has 16 publications, including 12 city/state-oriented publications, and four regional publications. More than 600,000 copies of the publications circulate in an average every month. The division is set to add a number of new titles from independent distributors, including a small number of the licensees who currently operate local versions of *The Real Estate Book*.

The division began as an experiment with the acquisition of Kansas City Home and Garden. Soon afterwards, the company acquired Weisner Publications, which was a chain of seven home design publications (of which two have been discontinued).

We have had more conversations with consumers than we have ever had before. -Glenn Goad

and Website offerings.

This approach is different than the approach of competitors such as ConsumerSource and Dominion, which charge a distinct fee for Web advertising. It also defies the conventional wisdom that separate values need to be established for Web and traditional products, as has been argued by Harvard Business

Division President Adam Japko notes that the Home Improvement and Design areas have dramatic differences between them, and serve different types of advertisers. Home Improvement attracts the advertiser who replaces garage doors. It is not a well organized media and advertising category," he says, hence the opportunity.

The Home Design space, meanwhile, is based on serving affluent markets, and appeals to high end advertisers such as interior designers, architects, builders and specialty landscape architects. They represent a different segment of the living space enhancement business, different

CEO Dan McCarthy also feels confident that the company is sufficiently diversified, although it seeks to leverage its homes expertise in everything that it does.

than the garage door installer, or the window replacement company, he says. These advertisers, to date, are less about return on investment marketing than enhancing their brand and showing their product line and projects. "They don't say... 'where are my leads?'"

Japko notes that NCI's Home Design publications are in the same "shelter" category as Dwell, Metropolitan Home, Architectural Digest and Better Homes & Gardens. But while they have a national focus, "we're local or super regional."

Meredith Publishing, which publishes *Better Homes and Gardens*, for instance, partners with national associations. NCI, by contrast, will seek to work with local and regional associations to launch a product. Recently, for instance, it is working towards teaming up with the local chapter of the remodeling association in Minnesota, which boasts 300 members, all potential advertisers. The large size of the chapter and industry involvement persuaded NCI to schedule the launch of the Minnesota book.

Japko readily concedes that while there are synergies with NCI's other products, the company also needs to learn some new competencies, especially for the Home Design product. "It is not a test of 'can we integrate,'" he says. For instance, since the Home Design magazines are generally mailed out, NCI has needed to create circulation departments, and hire operations staff.

Developing an integrated national Website is also not as important as with

the other NCI segments, says Japko. "There isn't the same imperative. The advertisers aren't demanding it. Basically, we can do it on a timetable that works for us and continues to allow our print advertisers to present themselves to these titles on line audiences that feels like a similar quality presentation to the on line brand's print analog."

CONCLUSIONS

NCI has demonstrated a great deal of thought leadership in its approach to a new generation of real estate marketing. It has assembled state of the art tools,

and developed Web sites that add real value to its existing print publications. But it has also worked to keep its print publications fully in the picture, knowing full well

that real estate leads are now coming from multiple, overlapping sources.

NCI has also defied conventional wisdom, and done so in a compelling manner. Where other companies would seek to position their Web sites as a new business offering, with separate rates, NCI has chosen to bundle its print and Web offerings together. The strategy has positioned the company to attain a higher online penetration of print advertisers and to win the ongoing loyalty of advertisers who rely on its specialized Web features.

At the same time, the company has not allowed itself to be diverted by technology issues. Instead, it has kept its eye on what matters most to its advertiser: bringing the consumer closer to making a buying decision. To this end, NCI has focused on measuring leads and maximizing distribution, farming out its listings to third parties on the Web, where appropriate. It has also emphasized the uniqueness of its local and super-regional targeting — even as it builds out LivingChoices.com, a national real estate portal.

As NCI successfully positions itself to ride the waves of change, questions remain:

- Will full service real estate agents remain the norm, and will consumers continue to utilize them?
- Will agents start depending more on their own Web sites than on media solutions, such as *The Real Estate Book*?
- Will apartment managers continue to rely on one stop solutions, such as

ApartmentFinder, or will they seek out alternatives?

- Will a down market change the dynamics of real estate marketing?

Certainly, as these questions envisage, the sky could fall. But what we conclude is that the executives at NCI have been imaginative and thorough in presenting better solutions for their existing advertisers and strong platforms for bringing in new customers. They have also begun to diversify in a compelling way with the Homes & Design and upscale real estate publications.

If the market shifts, our expectation is that the team at NCI will shift right along with it.

APPENDIX

About the Author

Peter Krasilovsky, head of Krasilovsky Consulting, writes The Local Onliner blog (www.localonliner.com), produces The Kelsey Group's Interactive Local conferences, and consults widely with local media and directory firms on their interactive strategies.

Peter's authoritative views on new media trends have regularly landed him on television and radio, as well as in newspapers and the business and trade press. In recent years, Peter has been focused on providing better, more profitable new media solutions for local media companies (newspapers, Yellow Pages, search companies and portals). Peter's local media research has been commissioned by The Newspaper Association of America, The Yellow Pages Association, The Interactive Advertising Bureau and other industry organs.

In his work as the leader of his own consulting firm, a co-founder of Borrell Associates Inc., and as the founding director of the Kelsey Group's Local Online Commerce program, his clients have included a "who's who" of newspaper and directory companies, as well as their technology vendors.

Previously, Peter's focus was primarily on Big Media, Internet Service Providers, and telecommunications providers as they sought to leverage their traditional market position with interactive solutions. Peter holds a BA in Liberal Arts from Sarah Lawrence College, Bronxville, N.Y. and an M.A. in Communications Management from The Annenberg School of Communications at The University of Southern California. He works out of Carlsbad, CA and may be reached at Peter@krasilovsky.net, or (760) 918-0450.