

Digital Thought Leaders

Craig Newmark

Founder

Craigslist.org

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“We’re just helping people out, we’re the guys who help the neighbour by carrying their groceries”



Craig Newmark set up his list of local web listings in San Francisco in 1995. Run from his garage on shoestring budgets, Craigslist is the story of a dotcom success that has spawned offshoots in 175 cities across 35 countries, and audience traffic that matches Amazon. It’s left regional newspaper executives reeling, and forced many analysts to question the future of local press.



Making sense of a digital world

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Speed read

The List is a classic community website which came from humble beginnings but crossed a tipping point in the late nineties to become a global phenomenon.

The team behind it remain ruthlessly non-commercial, but its effect on newspapers has been vast, and is arguably yet to be fully felt by most.

The publishing model is simple: content is generated by the community in each city, almost all advertising listings are free, and the business retains only a skeleton staff to maintain the engine behind the scenes.

The digital global media players are all poised to enter this market and a new landscape will quickly unfold. Traditional media groups have to decide their strategies quickly and act boldly.

The classified ad phenomenon that rocked print

When I mentioned Craigslist to newspaper executives on the West Coast, the colour drained from their faces. The List is not bad news; it's terrible news. The business model cuts at the heart of a newspaper's profitability and does so with such elegance - and is so intrinsically native to the digital economy - that you can't help but shrug and say 'this is the future'. In the UK, where the press industries enjoy about 40% of all advertising spend, the vulnerability is palpable.

The most humble beginnings

How it came about is the story of a web hobby that gave people just what they wanted at the most perfect timing. Craig Newmark delights in showing how simple the approach was: "In early 95 I started just telling people about the technology world, it was a simple list and just kept growing. I started posting about technology and then things gradually grew. By 99 it was time to get serious and that's when I left my real job to do it full time". With 18 staff and a humble office in the wrong part of town it's incomparable to the corporate homes of Yahoo! or MSN, but its audiences and use are breathtaking.

For the first nine years the business got there without marketing or any type of support beyond the core elements needed to support the site itself, and even now the idea of a handful of staff behind one of the world's largest dotcoms may seem unthinkable to many online media groups. "We run as a community service and that's what distinguishes us from other sites. At the moment we're doing about 6m pages a month in London and that's without consciously trying to work the market".

"We run as a community service and that's what distinguishes us from other sites"

There are challenges though "we have to moderate the discussion boards, look out for over-zealous apartment sales reps in New York and all the challenges you have with running a web community".

The business model? It really is free

"We're just helping people out a bit", says Newmark, talking about the model, "we're the guys who help a neighbour by carrying their groceries". It's an odd analogy, but then you realise that almost every ads is free - to buyers and sellers - and that the whole ethos of the list is

about community; a community in the Bay area that has become a worldwide network of other local communities.

There are a few paid-for ads. The model of charging for the help-wanted ads in New York, LA and San Francisco began in 1998, but paradoxically it was driven by the users' needs to price out dubious scams from the lists, rather than the team's desire to rake in revenues. The funding remains slender and the model has not been extended, which may leave some city analysts' jaws scraping the floor, but fits heart and soul with their mission.

The Press: Where does this leave newspapers?

Has it taken \$50m out of the classified ad market in the Bay area of San Francisco? Well maybe. But surely this is about a new model in getting buyers and sellers to come together and if it's doing it more efficiently than print titles then who can argue?

With classified advertising at the heart of the regional newspaper's business model, Craigslist presents an unusual challenge. Don't dismiss the crude page design and the raw format; the list is home to millions of classifieds that, in the most part, now don't go near newsprint. It's channel shift, pure and simple; marketers and ordinary citizens simply finding a new way to reach prospective buyers. In fact, of the design Newmark bites back "it's ultimately very sophisticated and very effective; it gives users what they want and because it's so simple it works well on all browsers".

The design? It gives users what they want and because it's so simple it works well on all browsers

The model of free advertising competes so fundamentally with how most newspapers have structured their businesses that it's hard to see a clear path for the two to coexist. And if a showdown is coming then the tiny David has a great many slingshots that Goliath better be mindful of. These ads are free; newspapers are expensive. These ads are available 24/7 and

can be updated and tweaked with all the beauty of digital publishing; newspapers can never be. These ads reach folks around the corner and around the world; print is still anchored in one place. And these ads are in the medium that a whole new generation calls home. Papers that simply put their ads online in defence are not even scratching the surface of what this is about.

Facts at a glance

- 160,000 new job listings per month
- More than 5 million new classified adverts each month
- 35 countries but only 18 staff
- 1 million new forums postings per month
- Top 10 internet company by page traffic

Craigslist is the collision of the new economy and traditional business models. If it hadn't been Craig and San Francisco it would have been someone else somewhere else. For all the anxiety in the newspaper industry, the smart response has to be to embrace the networked economy and look at how the local title can work with the new environment.

Where audiences are moving

The List had an easy start, it began in the heartland of the internet revolution and maybe its gradual spread around the world has slipped under the radar of many analysts. But the two models – paid-for ads in print versus the free listings on the web - are head-to-head, and a simple review of where advertising spend is focused and where people spend their time, helps explain why.

The 'Life in a Fishbowl' media diary in the UK from Wanadoo provided the pioneering insight into how the time we spent with media was changing. Back in 2002 they asked internet users to record the minutes they spent with different media. The study revealed the truth of media channel shift. The findings were also heresy for many media planners; even then the web enjoyed three times more hours per person per week than newspapers, and the growth since has been vast. With newspapers enjoying 40% of UK advertising spend - versus less than 2% in online then – the disconnect is clear. Today, from New York to Sydney, this tuning-out of traditional media and the new repertoire of media we're each selecting has pushed online's role to vast new heights. And it's this audience, in this mindset, is where Craigslist fits.

"We've reached the point of becoming a public utility in many of its cities", says Newmark, and when we talked with the very much 'for profit' local press in Newmark's home town the bitterness is deep: "they're destroying our business" was the cry we heard everywhere.

Ownership

EBay recently took a 25% share in the company (which they craftily acquired from a former employee), giving them a strong foothold into the company's thinking, and ever since there's



been much speculation about whether this meant that the group had 'sold out' and lost its values. Meeting the team quickly rectifies that. The debate about whether the List is a non-profit or profit based company reflects the transition that the company has undergone. The founders had to incorporate as a company when they started having assets, but Newmark is keen to point out that if the New York Stock Exchange is a not-for-profit, then people need to think again about the definitions themselves.

Maybe the transition to becoming more commercial will continue, though any look at the site reveals that if there is a balance between commercialization and community then CraigsList is firmly on one side - "we're non-commercial" repeats Newmark for the fourth time. In an industry victim to dotcom extravagance, the



management team are the antithesis of the stereotypes, in every way and keen to joke about it upfront. In the world of Californian web users, the community behind CraigsList remains culturally sensitive to any extreme commercialization. It's the same community that moderates all of the postings and by using peer-review to remove inappropriate postings. The model is web centric.

inappropriate postings.

Ebay's interest is more than casual. They've been on a buying spree in Europe and the US, and while their history may be in auctions their technology scales exceptionally, their brand is powerful and their users active. Saying Ebay is only ever going to be about auctions is like saying Amazon would only ever be a bookstore. The global auctions giant leapt at the List and is finding it much tougher to get into other classified franchises.

What's next?

"We don't think about the future in the way big corporates do", explains Newmark candidly. "If someone asked us what our business plan was, we'd say 'What business plan?'. The future for us is just more of the same" - the stripped down simple look and universal access are

here to stay, the focus on the community rather than the commerce seems unchallengeable and the commitments they set out with are still what they're holding true to.

I can't help but come a way with a sense that their real drivers are simply helping communities come together. Their returns are not in stock rises, but in every email of thanks from a user who finds a job, a partner or a home, but with page traffic to match Amazon they're sitting on the world's hottest 'dot-org' - and there must be a balance between commerce and community that can be struck.

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Implications? Our take...

The story of CraigsList is more than the story of classifieds and the story of one entrepreneur. The ripples of what began in San Francisco in 95 stretch across the world, and the implications stretch across many industries. In the digital networked economy, information wants to be free; the marginal cost of accessing something is zero, and the democratisation of access means the gatekeepers and media of the offline world have no automatic right to retaining their franchise online.

Traditional media groups can re-earn that right, and many have developed sustainable online businesses as a result. But the economic models will be different, and the effects of The List and other me-too services will be felt way beyond the web. Many people want a piece of this market. The digital media giants - MSN, Google, Yahoo - will all develop similar services, either organically or by acquisition in the race to colonise this space.

We believe that a new breed of intermediaries will then develop to handle the increasingly complicated placement of data between these services, providing a simplicity to the user comparable to today's experience of shopping through price comparison sites or buying search engine advertising through a specialist network.

Will *The List* retain its community ethos and non-commercial feel? Yes, but over time this will alter. We believe the advertising community's willingness to pay, the audience's increasing comfort with commercial messages, and the eagerness of other digital players to get involved, will create a climate of gentle commercialisation of *The List*. Job ads in further cities could provide instant expansion capital and gradually toughen up the edges of a very soft commercial plan. The founder's vision seems unshakeable, but a little more commercialism seems inevitable and the balance will be good for *The List's* users as well as its advertisers.

Actions

Reflect on how this publishing model could affect your market.

Newspaper executives: work out your new market share by factoring in Craig's volumes. Look for other simple free-to-air classified sites like Gum Tree and include them to give you a better picture of how your market share and total volumes are changing over time.

Marketers: think about whether you can work with Craig's List as sellers – but that means working with the grain of the community to give people what they want in a timely and relevant way.

Keep up to date with the inside track by reading Craig's blog.

Resources & Links

Craigslist.org – the community site that's stayed true to its founder's vision

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About Digital Thought Leaders series

In times of huge economic and social change, knowledge becomes a critical success factor. We created the Digital Thought Leaders interviews to bring you closer to people and brands shaping the digital networked economy. They are based on private interviews or lectures we've participated in, and are published monthly. We also publish similar insight papers to accompany our own talks and training workshops, to unlock the potential of your team.

About the author

Danny Meadows-Klue has been a commentator on the digital networked industries since 1995. He managed the UK's first online newspaper and has helped run web businesses ranging from mass market portals and consumer magazines, to online stores, search and email services. Among his industry roles he is the co-founder and former chairman of the UK and European Internet and Interactive Advertising Bureau, and has been lecturing on digital marketing for more than a decade. He set up Digital Strategy Consulting in 2000 to help firms accelerate their own digital networked media strategies.



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