



Boston.com

The newspaper industry has been battered and given up for dead for several years now. But something funny is happening on the way to the graveyard.

—Lincoln Millstein, CEO, Boston.com¹

Lincoln Millstein, chief executive officer of Boston.com, peered out the jet window at Boston's hazy skyline. Only two nights before, on July 16, 1999, similar conditions had contributed to the tragic crash of John F. Kennedy, Jr., who had been piloting his private plane to nearby Martha's Vineyard. Kennedy's untimely death was felt heavily throughout the region, and nearly a million people had logged onto Boston.com to follow the event, establishing new records for traffic at the site. This was part of the macabre nature of the news business, thought Millstein. But the tragedy also indicated how strongly the online affiliate of *The Boston Globe*, Boston.com, dominated online news coverage in New England (see **Exhibits 1A** and **1B**).

Millstein was on his way home from Chicago, where he had chaired Connections '99, the largest industry conference for online newspaper executives. Boston.com's traffic over the weekend reaffirmed his opening remarks there:

If I may crib from William Drewry of Donaldson, Lufkin, Jenrette, the latest data from Media Metrix shows that in all of the country's major markets, the local newspaper is either number one or two in online news penetration. For example, Boston.com is currently running at 16.3% audience penetration in the Boston market. By comparison, the top national general news site, cnn.com, is at a 7.7% penetration. What this means is that newspaper websites are gaining traction in becoming the dominant local providers of news and information in the digital realm, as they already are in the paper and ink world. So far, in 18 out of 38 different markets measured, the top-rated local newspaper site has a bigger audience than any national competitor.

For the past six months, after making a commitment to providing "viral content" on its site, Millstein had overseen a constant increase in traffic at Boston.com. The unveiling of its new auction marketplace less than a month before had boosted traffic by half a million page views (see **Exhibit 2**).

¹ Speech by Lincoln Millstein, "Welcoming Remarks," Newspaper Association of America Connections '99 Conference, Chicago, Illinois, July 15, 1999.

Dean's Research Fellow Jon K. Rust prepared this case under the supervision of Professor Thomas Eisenmann as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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Other non-newspaper-related content like interactive features on Major League Baseball's All-Star Game and golf's Ryder Cup, both to be held in Boston during 1999, also helped attract a larger audience.

Notwithstanding this growth in traffic, serious questions remained, not the least being that Boston.com still required investment capital from its corporate parent, the New York Times Company. For decades, newspapers were accustomed to 20%-30% profit margins. Newspapers' online sites not only failed to achieve such margins—if they were profitable at all—but some members of the print old guard grumbled that the online sites cannibalized the core print business. For example, since Boston.com began providing the *Globe* online at no charge in late-1995, circulation at the *Globe* had dropped 10% on Sundays and 8% Monday through Friday (see **Exhibit 3**). Classified Help Wanted advertising, which represented more than 35% of total advertising revenues in the print product, had dropped more than 6% in the past 12 months. While Millstein and others contested whether Boston.com was the cause of such declines, the trends had contributed to the recent replacement of the publisher of *The Boston Globe*, Ben Taylor.

As the jet touched down, Millstein could not help but wonder how the management changes at the *Globe* would affect his operation. Would Boston.com be pressed by its corporate owners to temper its aggressive push online? Or would it be given more free rein, as he wanted, to define a new business model for the entire company, even if that meant attacking the core franchise? Specifically, how would the changes affect Boston.com's new auction site, which could be seen as a direct threat to the print advertising franchise? Would Boston.com be forced to scale back its plans to provide local retailers with e-commerce store fronts? And how would the organizational structure of Boston.com be impacted? Only a month before, Boston.com had been moved into New York Times Digital along with *The New York Times on the Web* and several other New York Times Company websites. An IPO or a tracking stock was being considered, but was that a good thing? Should Boston.com be more closely integrated with the *Globe*? With the New York Times Company and its other properties?

History of *The Boston Globe* and Boston.com

The Boston Globe was founded in 1872 by six Boston businessmen, led by Eben Jordan, founder of the Jordan Marsh Co. The paper soon ran into financial difficulty, however, and Jordan hired Charles H. Taylor to restore profitability. Taylor stabilized the paper, and as a result of his loyalty and success, became a partner with Jordan—the only original investor still supporting the paper.² For the next 127 years a Taylor family member would serve as publisher of the *Globe*. During that period *The Boston Globe* won 15 Pulitzer Prizes for editorial excellence and established a track record of innovation. It was the first newspaper to use bylines to tell readers who wrote the story, the first to receive a news story by telephone, and the first to introduce color Sunday supplements, which included magazines and “free-standing inserts” from department stores and other retail advertisers. Such innovation had been rewarded in the marketplace: by 1999, the *Globe* was read daily by 1.4 million people (averaging almost three readers per copy and 472,000 copies sold) and on Sundays by more than 2.2 million people (751,000 circulation). It employed more than 450 people in news and editorial and 230 in advertising sales and support.

Until 1973 when it became a subsidiary of Affiliated Publications, formed that year and controlled by the Taylor family, the *Globe* was a private company. On October 1, 1993, Affiliated merged with the New York Times Company in a transaction valued at more than \$1.1 billion. The deal included a “non-intervention” clause that precluded the new owner from changing *Globe* upper management for a period of five years. In July 1999, eight months after the clause's expiration, and

² “History: 125 years of service,” Boston.com.

one year after two prominent *Globe* news columnists were forced to resign upon admitting to plagiarism and story fabrication, the New York Times Company replaced the fifth-generation Taylor family publisher with one of its own executives, Richard Gilman, whose only tie to Boston was a 1983 MBA from Harvard Business School. The move sent shock waves throughout Boston's media community as journalists and media observers wondered whether the newspaper would be able to maintain a voice distinct from that of its corporate flagship, *The New York Times*. Corporate pronouncements indicated that improving profit performance and stanching declining circulation were among the parent company's top priorities.

Boston Globe Electronic Publishing (BGEP)

When we started the enterprise, it was a midnight strike. We knew we wanted to start a website, but what did we want to put on that website? My original answer was that we were going to put the newspaper on the website. The question then came back, "Why can't we charge for it?" But in 1994 no one was charging for content. The publisher responded, "All right, I'll go along with that, because there is no audience anyway." Thus, our publisher really entered into the enterprise without a clear vision of why we were putting the news online. Within a matter of years, however, our audience got to be fairly significant. Then the question became quite profound: Are we in essence destroying our business model? We're charging people for this product on paper, but on the web we're giving it away for free. What's the endgame?

—Lincoln Millstein, CEO, Boston.com

When the New York Times purchased the *Globe*, it also acquired the *Globe's* separate electronic news subsidiary, Boston Globe Electronic Publishing (BGEP), which was founded early in 1993. At the time Millstein was a seasoned veteran news editor of the *Globe*. He said:

I'm really the accidental CEO of Boston.com. I came to my job because back in 1993 only a handful of people at *The Boston Globe* knew what I was talking about. A few of us were already attuned to the warning signs that a significant revolution was about to occur in the publishing industry.

Millstein was aided by the fact that Stephen Taylor, a senior *Globe* executive and a member of the ownership family, was a champion for entering the online arena, having risen through the Management Information Systems (MIS) ranks. A Stanford MBA, David Margulius, was hired to write a business plan for an online version of the *Globe*.³ Margulius's analysis suggested that a growing newspaper online site would ultimately cannibalize both print subscription and advertising revenues. Despite this conclusion, the *Globe's* management approved the plan after Taylor and Millstein argued that the paper could cannibalize itself or be cannibalized by others. The two then circumvented the normal New York Times capital budgeting process and took the idea directly to several executives on the parent company's board. These Times executives were designing their own Web initiative and intuitively understood the self-cannibalization argument.

Wholly owned subsidiary Millstein and Taylor were convinced that the new enterprise needed to be agile and experimental, and thus decided to incorporate BGEP as a separate, wholly owned subsidiary. Other advantages to this strategy were discovered once Millstein and Margulius began building the online entity. For example, nonexempt employees of a subsidiary would be free of union membership rules, so the website would not have to sign inflexible collective-bargaining agreements.

³ Portions of this section are paraphrased from a paper on Boston.com by Daniel J. Green, HBS MBA '99, prepared for Professor Joseph Bower's Strategic Management class at Harvard Business School.

Also, if online ads were not sold by a separate sales force, Millstein worried, key clients might never view the Web as having intrinsic value as an advertising medium. He feared that a joint sales force would focus on more lucrative print sales and toss online ads into bundles for large print clients as free incentives.

In addition, Millstein believed that the website should have its own brand so the *Globe* wouldn't be thought of as an "online newspaper." This designation might limit its ability to experiment with new advertising and editorial forms (e.g., partnerships with local broadcasters), and might be a liability with web users who were younger, on average, and much less likely to be loyal readers of print newspapers. In 1995, Boston.com was established at offices a mile and a half from the newspaper's main location in Dorchester. The site debuted on October 30, 1995, heralding its partnership with 23 Boston-area media and cultural organizations, including the city's three main TV stations, several radio stations, *Boston Magazine*, and the Museum of Fine Arts.

Leveraging *Globe* resources While Millstein, Margulius, and Taylor were defining the shape of BGEP and its partnerships outside the *Globe*, they also considered how the new organization should leverage *Globe* resources. Chief among these was the newspaper's extensive news coverage: the *Globe* had more journalists employed in the greater Boston area than all other newspapers and TV stations combined. Boston.com, it was decided, should have full access to the *Globe*'s news content. It was also decided that print and online classified ads sales efforts would be coordinated, allowing advertisers to place ads in the paper and on the website simultaneously. Phone orders would be fielded by *Globe* sales reps, and Internet orders by Boston.com staff.

In practice, however, coordination between the two entities was often bumpy. Some *Globe* managers were reluctant to allow an autonomous subsidiary to offer the *Globe*'s news content for free to non-subscribers. Hence, Boston.com was prohibited from "scooping" the *Globe* on major news articles and was not allowed to hire its own reporters or columnists.⁴ In addition, Boston.com personnel were not invited to *Globe* daily news meetings, where news gathering priorities were established. Meanwhile, little cross-selling of advertising between the print and online businesses took place, and classified advertising coordination was limited by technology constraints: classified ads could be uplinked to the website only after being retyped and reformatted for HTML.

Notwithstanding these issues, Boston.com received significant financial and technological support from the *Globe*. Millstein and Taylor convinced *Globe* executives that it would take time to find a successful model for online news, so experimentation was critical. The *Globe*'s senior executives agreed, freeing Boston.com of the obligation to be profitable within any specific timetable. *Globe* management also waived the requirement to precisely track shared overhead costs and absorbed without a transfer charge the cost of providing news and support in the areas of MIS, human resources, legal, and corporate control. Finally, Boston.com had carte blanche to run ads in the *Globe* at no charge. In total, the first-year investment in Boston.com was about \$3.5 million, slightly less than 1% of the *Globe*'s operating budget.

In addition to providing resources, the relationship with the *Globe* shaped Boston.com's cultural values. Millstein observed that Boston.com's heritage prevented it from sacrificing editorial integrity in the interest of commercial gain, as Internet city guides sometimes had done. Like the *Globe*, Boston.com would never blur the line between content and commerce. Boston.com would not,

⁴ A prohibition on "scooping" meant that Boston.com could not publish a major story until it had appeared in the pages of the newspaper. Through mid-1999, the one exception to this followed the merger of BankBoston and Fleet Bank, the two largest regional banks. Even here, pointed out Teresa Hanafin, online news editor for Boston.com, the impetus for breaking the story online was fear of preemption by *The Wall Street Journal* (which also had received early news of the merger), rather than a desire to get the information to Boston-area consumers as rapidly as possible.

for example, allow payment for preferential placement of stories or deliberately publish stories favorable to large advertisers.

The Newspaper Industry

The revenue mix of a typical major metropolitan newspaper comprised two key sources: advertising, which accounted for 78% of revenue; and circulation (i.e., direct payments by consumers), which represented the balance.⁵ At the *Globe* approximately 70% of circulation revenue was derived from sales of home delivery subscriptions; the balance was from single copy sales through newsstands or vending machines (see **Exhibit 4**). Advertising revenue was broken into three categories: retail display, free-standing inserts (or preprints), and classifieds. Retail display advertising was predominantly sold to local accounts, such as department stores and supermarkets. National accounts, such as airlines, represented a smaller percentage of display advertising. Pre-printed inserts were distributed along with the editorial sections of the newspaper and were “free standing,” in contrast to display advertising, which was printed alongside articles within the editorial pages themselves. Classified advertising was composed largely of help wanted, which represented roughly 65% of classified revenues at the *Boston Globe*; and automotive and real estate advertising, which split the balance (see **Exhibit 5**).

Due to increased competition from other forms of advertising—including broadcast and cable television and direct mail (see **Exhibit 10** for data on the reach of different media)—newspapers’ share of total advertising revenue had been falling for years, dropping from 24.4% to 21.5% between 1993 and 1998 (see **Exhibit 6**). The shift in advertising dollars to other media had placed pressure on newspaper managers to increase circulation revenue. Increased circulation revenue could yield powerful profit leverage, because the newspaper business conformed to the economic model typical in many information industries: once the first newspaper was produced, reproductions had a modest incremental cost—for the most part, just extra paper and ink. The costs of news gathering, distribution systems, and printing presses were fixed.

Online threat As newspapers lost advertising share to other media, newspaper executives saw profit margins decline from 40% in the 1970s to the low teens by the mid-1990s. Many feared that margins could erode further if classified advertising shifted from print to online city guides such as America Online’s Digital Cities or Microsoft’s Sidewalk, which provided local news, weather, sports, event information, and traffic reports (see **Exhibit 7**).

With the explosive growth of the World Wide Web, the threat to newspapers became unmistakable. First, news was being distributed free over the Internet, threatening circulation revenues. Second, classifieds, a \$15 billion market in 1997, was becoming commoditized. Classified ads that cost more than \$100 per day in major market newspapers often could be placed online for free until an item was sold. Shaken, large newspaper companies cautiously began to counterattack. By 1998, each of the top 100 newspapers had a website. And they had begun to join hands in areas like online job advertising, car classifieds and auctions. Nevertheless, they had lost considerable ground to upstarts like Monster.com, Carpoint, and eBay. (See **Exhibits 8** and **9** for a list of online competitors and cooperative ventures between newspaper companies.)

⁵ Statistics for major metropolitan newspapers are derived from the 1998 Inland Press Cost and Revenue Study for newspapers the size of the *Boston Globe*. The Inland Press figures are recognized as industry norms.

Boston.com Strategic Initiatives, 1997-1998

For its first three years, Boston.com maintained clear brand distinction from the *Globe*, even though the newspaper's content was its main draw. The early plan to offer the best of all local media—except for the competing *Boston Herald* newspaper—fizzled due to lack of online commitment by most of its partners. "The partnerships with TV stations didn't deliver tremendous value," said Lisa DeSisto, Boston.com's vice president and general manager. "Except for New England Cable News, which was providing us with news video, they were just links to our partners' homepages." Now, less concerned about frightening away potential content partners, Boston.com began incorporating the *Globe* name into its site. This co-branding helped increase traffic by positively differentiating Boston.com from Microsoft's Boston.sidewalk.com and from other competing brands that were foreign to Boston consumers.

Classified advertising Boston.com had moved aggressively to develop online classified advertising. Explained Keith Yocum, director of classifieds for Boston.com: "The classified business is huge for newspapers because it's highly profitable. For example, the cost—just paper and ink, not labor or overhead—for a classified page with Sunday distribution in *The Boston Globe* is around \$3,200. And for that page the newspaper gets \$72,000⁶ in revenue." To protect this franchise from online encroachment by others—not just pure Internet start-ups, but also radio and TV competitors who had enviously eyed newspapers' classifieds for decades—*The Boston Globe* and other large newspapers uplinked all their print classifieds for free, seeking to become a one-stop buy for both media and to destroy the profit potential for pure-play Internet classifieds providers. Yocum said that Boston.com had gone a step further:

Two years ago, we quietly put together an online order form that allowed recruiters to put up help wanted ads for 28 days for \$95 *without* running in the newspaper. It was a standalone feature with no promotion, but it immediately began to be used. No other newspaper in America would even think about putting up such a form. "Aren't you competing against your own classifieds?" we were asked. Meanwhile, *Globe* executives wanted to know who was using this form and how did they find it without promotion. There were *Globe* declines in classifieds in '97, and they wanted specific data to determine if Boston.com was impacting their print. But we couldn't find any patterns regarding Internet usage. Today, we generate between \$36,000 to \$55,000 per month just from this form. Our total classified budget this year is \$1.7 million, and because of this form we will have more [online] classified revenue than almost any other newspaper in the country.

Online Yellow Pages After promoting the *Globe* news content and creating the online classified form, Boston.com's next big push was to create the area's most complete directory listing, i.e., an online "yellow pages" listing local merchants and service providers. It partnered with Zip2, an Internet start-up specializing in local directory software, and dedicated 12 sales people to the effort in late 1997. Along with listing each merchant's business and contact information in the directory—including interactive maps—Boston.com helped build microsites for its clients and hosted them on its servers. After some initial success, sales stalled and the dedicated sales force was reduced through a combination of transfers and attrition. Nevertheless, the directories effort became a rich learning experience, yielding improvements in customer support systems; lessons about the importance of following up with accounts to promote retention; and lessons about customer targeting—dry cleaners just didn't have a pressing need for a website!

⁶ Yocum cites the cost of a classified section-front, full-color, full-page ad. An inside, full-page, black-and-white recruitment ad was \$58,000.

Rejecting auctions During this period, Boston.com also considered offering e-commerce and auctions on its site. It launched what DeSisto described as “the longest e-commerce beta in history,” with a local software company that “imploded” when the firm was acquired and subsequently lost interest in the beta test. Abandoning the test sent Boston.com back to square one in offering e-commerce solutions to its clients. Auctions, meanwhile, weren’t initially considered an attractive offering. DeSisto explained:

We don’t really have a business development function here. The vendors who are successful in working with us are the ones that are most persistent and who get our attention. I actually think it is a fault of ours that we are not more proactive; we’re actually reactive. Auctions are one example.

I remember these guys from FairMarket, who were peddling software for auction sites, calling me before eBay was big. I told them I really didn’t see the need for auctions on our site. We also thought it posed a conflict with classifieds—imagine someone selling their car through an auction instead of a classified listing—and we didn’t want to further cannibalize the newspaper. Then, the eBay explosion came in late 1998 and we got nervous because we saw they could disintermediate the newspaper classifieds here. We also recognized we could own a local niche, especially for big items that you didn’t want to ship, like furniture, or for selling local services like restaurant reservations or timeshares and housecleaning. So we changed course and decided to get into that space. Not long after, eBay announced that they were going to offer local auctions in Los Angeles, so we knew we had to scramble. Thirty days after we signed our contract with FairMarket, we launched.

Strategic Initiatives, 1999

There’s some confusion now. You see that these companies are spinning out pieces of their existing business. But the question now is do you take it public? Do you create an entirely separate company? Do you move it a mile down the road and give it carte blanche to run over the existing business or do you try to take the long view and keep it more integrated? It’s a huge crisis that is today still unanswerable.

—William Drewry, DLJ equity analyst⁷

In mid-1988 Millstein read and then recommended to his management team the book, *Unleashing the Killer App*.⁸ The book’s message was that if you weren’t destroying your own business model and establishing something new, someone else would. That idea bolstered Millstein’s plans to shift Boston.com toward more community-initiated content in 1999. At Connections ’99, he explained the concept and challenged online newspapers to exploit their print legacies while not being dragged down by them:

There are people in our industry who say that we can’t compete with the pure play Internet companies, because they have Internet currency that we don’t

⁷ Comments by William Drewry, “Power of the Package: Print and Online Panel,” Newspaper Association of America Connections ’99 Conference, Chicago, Illinois, July 15, 1999.

⁸ Larry Downes, Chunka Mui, Nicholas Negroponte, *Unleashing the Killer App: Digital Strategies for Market Dominance* (Boston: Harvard Business School Press), May 1998.

have to fund brand build-up and acquisitions. These pure play Internet companies move at lightning speed; therefore, we must create new entities to compete. New entities cannot move fast if they are tightly integrated with their print newspaper parents. I would characterize people who espouse this view as the new media hawks. To me the doves are the people who would say, wait a minute, we have a tremendous asset here at the print newspaper. We have a tremendous brand, tremendous legacy, and it would be foolish not to leverage that.

I go back and forth between being a hawk and a dove. As the CEO of a small company, I spend a lot of my energy recruiting and retaining people. If my parent company can buy me an army with Internet currency so that I can retain these programmers and salespeople, I'm really in favor of that. So on that score, I tend to be a hawk. I see the traditional media as being really handicapped by our current compensation systems.

The other area where I'm a hawk is content. Frankly, 1998 was a year of some struggle for us. Boston.com launched in 1995, 1996 and 1997 were years of strong growth. But in 1998 our traffic growth started to slow, and it really worried us. We didn't know what was going on. So starting in 1999 we embarked on a strategy to build traffic with content that wasn't from our parent newspaper. We wanted viral content, produced by users of Boston.com. Along these lines, the most significant thing that we did in 1999 was to launch Boston.com Auctions. In our four-year history, that led to our single largest growth in traffic. As we look ahead, we're thinking more and more along these lines: user-created content. I don't know if our newspaper content has hit a wall or not. But I'm thinking like a hawk.

I have a dove side. We couldn't have built Boston.com without *The Boston Globe* behind it. Every time we launched something, if we hadn't done an ad campaign in the *Globe*, I don't think that we'd have been very successful. And we get shared services from the *Globe* that really help us at Boston.com.

So, I'm not religious one way or another. It's very difficult for us to walk this tight rope. But walk it we must.

Boston.com Operations in 1999

In July 1999, 80 full-time employees worked at Boston.com, supplemented by 15 interns. Stephen Taylor was president, Millstein was CEO, and DeSisto was vice-president and general manager. Reporting to DeSisto were six department heads, overseeing technology development, editorial, classifieds, operations, finance, and sales (see **Exhibit 11**).

Major and local account advertising sales In the summer of 1999 the sales department consisted of two areas: major and local accounts. Major accounts included businesses like Bank Boston, Staples, Filene's, and Dunkin Donuts, who were targeted to buy section sponsorships and banners. Major account representatives were organized by category, e.g., one rep called on all financial clients and another on retail department stores. The major accounts staff included five sales people, a manager, and support person. Budgeted revenue for 1999 was \$4.2 million. The local accounts unit—which included seven representatives, one manager, and one support person—sold ads primarily in the yellow pages directory. Local accounts were organized by geography and represented \$1.8 million of budgeted revenue in 1999 (see **Exhibit 12**).

Initially, there had been little coordination between Boston.com and *Globe* sales reps. Then in 1997, a plan was approved to pay commissions to print reps whenever their accounts advertised on Boston.com, whether the print reps helped sell the online ads or not. In addition to this “double commission” plan, advertising dollars spent online would count towards fulfillment of print sales contracts, allowing *Globe* advertisers to receive volume discounts. Around that time, the online sales force began successfully targeting advertisers who weren’t active in print. A notable example was Dunkin’ Donuts, which represented more than \$113,000 in 1998 revenue online but spent virtually nothing in the *Globe*. These developments led *Globe* sales reps to be more open to working with their online counterparts. Said Donna Rice, sales director at Boston.com: “We do a lot more of what we call ‘four-legged’ sales calls with the *Globe* now, but we don’t allow them to slow us down. If they aren’t going to work really hard to get us through the door of some account, we go off on our own.”

Classified advertising The classified department included 10 sales and support staff and one manager. Six worked in recruitment advertising—or “Help Wanted”—with the remainder divided between real estate, automotive and classified support. Classified revenue totaled \$747,000 in 1998 and was on pace to surpass \$1.7 million in 1999. The budgeted 1999 revenue distribution was help wanted, 60%; autos, 18%; and real estate, 16% with “other” the remainder. In addition, .5% of *Globe* classified advertising revenues were allocated to Boston.com., representing \$800,000 in 1998 and a budgeted figure of \$720,000 in 1999 (see **Exhibit 13**). Pricing for online classifieds depended on the category and format—with all *Globe* classifieds in their original form uplinked at no additional charge. All recruitment classified listings on the Boston.com site were subsequently uplinked free of charge to CareerPath.com, which was the national job recruiting site owned by several newspaper companies, including the New York Times. Internal market research by Boston.com indicated that jobseekers used Boston.com as often as rivals Monster.com and JobFind, but human resource managers nevertheless believed that Monster.com was more popular with candidates (see **Exhibit 14**).

In auto classifieds, Boston.com had lagged Internet “pure plays” CarPoint, AutoWeb, and Autobytel in introducing new and used car inventory packages. When a dealer contracted for such a package, an online site would manage the dealer’s recordkeeping (e.g., state legal forms), and automatically update online lists of cars for sale by the dealer. As with recruitment ads, all Boston.com car classified ads were uplinked to a national online site owned in part by the New York Times Company, Cars.com.

Boston.com was finding it difficult to penetrate the real estate classified ad market. While some newspaper websites had been able to negotiate online listings agreements with their area’s multiple-listing services (which were created and maintained by consortia of local realtors), providing them with complete data on every house for sale in the market by a broker, Boston.com had yet to reach such an agreement. It also had failed to convince the area’s largest brokers to put all their listings on the site, in part because the hot Boston real estate market had reduced the need for realtors to advertise aggressively. Boston.com also was hampered by its partnership with the national online real estate sites managed by Classified Ventures, another newspaper joint venture. Classified Venture’s Apts.com was aimed at large complexes, which were uncommon in the Boston market, and its “New Homes” site did not draw many visitors from New England, where new-home construction was uncommon.

Classified computer systems Having to work within the constraints of the *Globe*’s computer systems was often frustrating for personnel at Boston.com. According to Monica Hubert, director of operations and design at Boston.com:

The *Globe* has these old systems. A classified ad is typed in as a continuous chunk of text: “Two bedrooms, two baths, quiet street.” The data is bad because it’s not fielded. So as much as we can, we try to parse these ads with a computer program so that the data can be searched more efficiently online, but it still produces

bad data. I tried to press the idea of a web-to-print model at a *Globe* long-term strategy meeting a few weeks ago. Shifting to a data-based input model has been on the table for years but hasn't gotten anywhere. The computer system. Union. Culture. Everything. But if we want to be successful and have a good arts and entertainment product and have good classified data, then we're going to need to do this.

Keith Yocum expressed similar frustration about working with several of the national newspaper classified sites owned in part by the New York Times Company.

If I have a criticism of cars.com, it is that newspaper people run it, and newspaper people don't always stay up to speed. They've done okay because they've been publishing lists. But in the future the higher value added will be around connectivity issues and more sophisticated usage of technology (see **Exhibit 15**). CareerPath, for example, represents a classic, newspaper-centric view of the web as a simple list. But they're coming around—slowly. It's kind of like the Titanic trying to turn. There's all these weird sounds, clanking and grinding. We need one database. We need a whole new model, in which all the partners input ads using a common set of fields.

At Boston.com, Yocum's model was to build "the largest listing of things." He explained:

Our mission is to grab share. It's to build relationships. Too many newspapers have modest goals, because they don't want to compete against themselves. They can meet these modest goals without too much disruption. But they lose the market. Eventually, their solutions become ludicrous, like trying to buy out the competition that never should have been given a toe hold. *The Boston Globe* is number one in our market in print classifieds. But we are number three in this marketplace for online classified revenue, behind Monster and Jobfind. I don't know how to get number one unless you put the sales people out there. I'm not sure how many sales people Monster has in this market. Twenty? The Top 100 *Globe* accounts, originally, were hands off for Boston.com. Thankfully, that dropped by the wayside pretty quickly.

Online news The news organization of Boston.com was divided into features and news, both reporting to Teresa Hanafin, editorial director. Features was staffed by six full-time employees and three interns and was located at Boston.com's offices. They built and enhanced sections like Health, Technology and Going Out, as well as special features like the Ryder Cup. Some of the staff's time was spent developing the "look and feel" of the site, creating links to non-*Globe* information and implementing partnerships with content providers like MIT's *Technology Review* and *Boston Magazine* (see **Exhibit 16**). The content staff generated little original copy.

The news arm comprised 10 staff members and 3 interns and was responsible for breaking news, i.e., for keeping stories on current events fresh throughout the day. It resided within the newsroom of the *Globe* in Dorchester in what was called "The Pod." The Pod, manned 24-hours a day, did not originate news; staffers rewrote wire stories⁹ or transcribed events from WBZ-AM radio, local TV stations, CNN, Fox News, or MSNBC.

There were two different areas for *Boston Globe* news within Boston.com (see **Exhibit 17**). The first area was called *The Boston Globe Online*, which was like a site within a site where the full edition of the newspaper was uplinked at midnight after the newspaper had gone to press—so as not to

⁹ A wire service is an agency, like Associated Press, Reuters or Dow Jones, that sends out syndicated news copy to subscribing news media by wire, satellite transmissions or the Internet.

“scoop” the print product—and preserved without changes during the day. The *Globe* Online precisely replicated the layout of the print newspaper. In contrast, the news in the rest of Boston.com was constantly updated and supplemented with non-*Globe* content, and the layout decisions were made by Hanafin and her staff. “Our audience is different from the *Globe*’s, so we make different choices than the *Globe* editors,” said Hanafin.

Hanafin believed that constantly refreshing the site was critical. “We change the look and feel of the Boston.com news pages as often as we can,” she said. “There is an entire menu of stories from the *Globe* we can draw upon. We check the wires. Generally, there is something new there. What we do on the Boston.com homepage is gradually push the original *Globe* stories lower and lower over the course of the day and put the breaking news on top” (see **Exhibit 18**).

According to everyone else at Boston.com, Hanafin, who had joined the online operation in May, was a major asset. She had risen through the ranks at the *Globe* and was a former Metro editor there, a position that often represented the heart and soul of a metropolitan newspaper. Her camaraderie with the *Globe* news staff and her understanding of how the paper operated enabled her to get things done. “For three years we had been trying to set up online chats with popular *Globe* columnists,” said DeSisto. “And Teresa set it up with a yell across the news room.”

Hanafin was nevertheless circumspect about the relationship between the newspaper and website. Integration, she said, was one of the major challenges facing both operations. She tried to imagine *Globe* reporters filing stories onto the website throughout the day:

It would be a big adjustment because print reporters are accustomed to having 8-10 hours to fully and thoroughly report a story before they have to let it go to be edited. They’re uncomfortable releasing some of the information after only one or two hours. But they have to understand that people aren’t sitting around twiddling their thumbs waiting for the *Globe* to be put on their doorstep at six in the morning. People are getting information all day long from a variety of sources and if we don’t give it to them, they’re just going to go someplace else. By putting our own stories out there with the *Globe* by-line rather than stories off the AP it carries a certain caché. I’ve heard concerns about doing this, one being that reporters ask “Why should I scoop myself?” And I respond, Don’t kid yourself. You’re being scooped all day long by radio and TV.

Strategic Challenges, 2000

In a world defined merely by the quality of information, what should the New York Times be scared of? We have the best information in the world, with our commitment to quality journalism, our commitment to honest reporting, and our commitment to provide reporting that people read to make their lives successful. In an era defined as the information age, that has to have some value. Our business is information—quality value-added information. What defines us—and what is to me the core of newspapering—is taking the information and making it valuable . . . putting it in context . . . making it accessible to your audience. If you accept that, then everything else is just means of distribution.

—Arthur Sulzberger, Jr., chairman, New York Times Company¹⁰

¹⁰ Speech by Arthur O. Sulzberger, Jr., “Jefferson or Barnum: The Values of Our Information Age,” Tufts University, April 9, 1996. Quoted in “*The New York Times* Electronic Media Company,” HBS Case No. 897-051.

There were several key issues facing Boston.com in mid-1999. One had already been decided. Until recently, Boston.com had chosen not to require its users to register before accessing the site. For a few weeks after its launch in 1995 it had done so, but hundreds of e-mails from users denounced the requirement. At the time, Millstein knew that the audience for Boston.com had more options for similar content than did the audience for its big sister *The New York Times on the Web*, which had successfully implemented registration requirements. Nevertheless, Millstein also realized that having specific information on site users and being able to identify and serve them specially targeted advertising was valuable. To secure such information now, Boston.com was implementing voluntary “universal registration,” where users would be asked to give basic information to gain access to certain areas of the website. For example, receiving a weekly e-mail about new movies in town, accessing the story archives, or entering contests would require registration. Viewing the auction site did not require registration, although participating did. Eventually, the plan was that the same registration i.d.—or, if the user okayed it, a cookie¹¹—would be used to gain access to all portions of the website needing authorization, allowing Boston.com to build a database on its users.

Auctions The mission statement of Boston.com was “To support, defend and extend the franchise of *The Boston Globe*.” However, in the case of Boston.com auctions, there was little doubt that the online site could undermine the newspaper’s classified advertising. Classified advertising in the newspaper, after all, was basically an auction in slow motion with interested buyers phoning sellers who ran ads in the paper to negotiate a deal. As a case in point, cars for sale by their owners (which had an average value of \$5,000) were one of the most popular auction items on Boston.com. In the paper, a typical private car ad would bring in a minimum of \$70. In its deal with FairMarket, Boston.com retained all revenues from banner advertising sold in the auction section of the website, and auction transaction fees would be split equally. Because he believed it would help build the user base, Millstein had convinced FairMarket to join him in waiving the fee for at least the first two months of the service. But when and how high should listing and/or transaction fees be set? (See **Exhibit 19** for comparative pricing for eBay.)

Some Boston.com staffers were also pushing Millstein to expand auction services to local businesses in a formal relationship. Already, businesses could list auction products on their own. One new idea was to create “merchant kiosks” on the site, a sort of virtual store. In addition to helping stores liquidate overstocked items through auctions, Boston.com could set up an e-mail service where losing bidders of private item auctions would be sent invitations to find similar merchandise at the appropriate kiosks.

Finally, one reason Boston.com had decided to work with FairMarket was that it was already providing auction services to websites elsewhere in the United States, e.g., Lycos and ZDNet. FairMarket pooled all of its customers’ listings and allowed each customer to offer the entire pool under its own brand. So when Boston.com launched its auction area, there were already more than 60,000 items waiting for bids. Unlike AuctionUniverse, which was the national newspaper auction site started by Classified Ventures, FairMarket’s network arrangement allowed for “private labeling.” Items placed on Lycos’s auction site, for example, would also appear on the Boston.com site without any indication as to where the item had been originally listed. Given this access to a rapidly growing nationwide list of goods and services, Boston.com was debating whether to push its auctions as a competitor to eBay, Amazon, and others on the national level. Should it also seek a partnership with AuctionUniverse, which was quickly adding other newspapers? Or should it try to reduce the out-of-area listings already on the site and simply seek to carve its niche as the dominant New England auction place?

¹¹ A cookie was a small piece of software code downloaded into a website user’s computer by the website, which allowed the website to identify the user and track her traffic whenever she logged back into the site. Cookies could be used to avoid requiring users to reenter commonly requested information, such as user names and passwords or shipping addresses.

To integrate or not Another quandary facing Millstein and his team in mid-1999 was the appropriate degree of separation between the Boston.com and *Globe* sales forces. Millstein recognized that an important sales message might be missing because of lack of coordination. At the Connections conference, he confessed:

I don't think any of us have exploited the power of the print-online package. *The Boston Globe* newspaper in our market has an impressive reach, with 2 million some-odd readers, and then you layer on that the reach of Boston.com, much of which is non-duplicative, and it's tremendous coverage. But we haven't been operating our entities to exploit that. We haven't tried to sell that total package.

The reverse position was that the two sales forces should be separated even more, allowing the online entity to take full, unobstructed aim at the newspaper. Keith Yocum was one proponent of this route:

It's the third rail¹² of the newspaper industry right now: How should newspaper companies organize their sales forces to work with their online units? You can tell a lot about a company by how it organizes the sales force. It's kind of a Rorschach test.¹³ But when there is a structural change in an industry, that's when you need the courage to compete against yourself—no holds barred. Otherwise, you end up as a buggy whip manufacturer in the age of cars.

Yocum argued that classified advertising should be separated from the newspaper. Or, at a minimum, it should be "upsold," meaning that *Globe* classifieds should be uplinked to Boston.com only if the advertiser agreed to pay an additional fee. While stopping the free uplink would diminish the number of listings found at Boston.com, Yocum believed the gains would offset any drawbacks:

Currently, some people who place classified ads don't know their ad is also being listed online. Others don't understand they're getting it for free, they think it's already part of the classified rate. We not only fail to generate any revenue, but the advertiser isn't even assigning any value to what we're doing for free. And if they don't understand the value, they can't make good judgments. There's no wonder the consumer is valuing the online companies classifieds more highly than ours, they're out in front of them *selling* it to them while we're not.

Even we don't understand the value of our offerings. We were sitting around in a room talking about raising the rates of the recruitment form from \$95 to \$119, and I'm agonizing over the increase like a *Globe* manager would. Then I call one of my online classified sales people and ask, How many people have complained about the rate being \$95? "Complained?" he asked. "Complained?" And then he understood what I was getting at: "No one! They say they can't believe it is so low." So we knew we could raise the rate. Last Friday, we changed it to \$149. That is still less than Monsterboard.

Upselling classifieds from the *Globe* harbored other challenges, however. Operations Director Hubert knew the computer systems were not optimal since they lacked data base capabilities. Trying

¹² The "third rail" is a metal rail through which electric current is led to the motors of electric vehicles like subway cars. Touching one can be deadly.

¹³ Rorschach personality and intelligence tests asked subjects to interpret ink blot designs in terms that revealed intellectual and emotional factors ("I see dragons chasing paperboys . . ."). They were designed by Swiss psychiatrist Hermann Rorschach in the first half of the twentieth century.

to add upsell charges and then new routing for specific ads would create more system headaches. Moreover, she outlined a cultural challenge:

Globe classified sales people have been there, most of them, for a long time. It's a group that is somewhat archaic. They just redesigned the whole department about a year ago, which is a great thing, because it was dark and there were no windows and it's just a lot of people yelling, "Pick up the phone, pick up the phone." It's a hard job, and they need to know so much about the different products already. I'm not sure how much specific training that they have and some of them are intimidated by technology. If someone says the word "Internet," they transfer the call over to us. They don't even try to answer the question. That's not everybody. But they just don't have time to learn. The last thing you would ever see is somebody in classified surfing the web, because they're constantly under pressure.

Millstein understood the cultural challenges of working with the *Globe*. More than once he had confronted charges that the newspaper's declining classifieds and circulation were his fault. But he believed these managers missed the point; there was a change in lifestyle taking place. Boston's fastest-growing demographic was the young professional moving into the metro center. The print newspaper was struggling to reach that demographic. He explained:

All the studies I have seen have yet to find any evidence of significant cannibalization of the newspaper by the website. Of course, I hear anecdotally: "Yeah it's great, now I can get the *Globe* online and I canceled my subscription to the paper." And lots of people at the *Globe*, in the circulation department and in the news side, come and tell us that. But on the other hand, Boston.com is a tremendous channel that has allowed the *Globe's* circulation department to sell as many as 10,000 new subscriptions in the first half of 1999 just from our online subscription area. So every time I hear anecdotally that someone is canceling the paper, I can say, "Last week we started 170 papers on line."

Tracking stock The final issue facing Millstein was what his priorities should be in light of the New York Times Company's consideration of a tracking stock for New York Times Digital. Already, shifting BGEF out from under the *Globe* newspaper and into New York Times Digital earlier in the year had created new tensions between his operation and the *Globe*. Some of his managers had recently returned from long-term strategy sessions at the *Globe* offices having found that Boston.com was nowhere on the agenda. Some *Globe* staffers claimed they no longer knew where Boston.com managers' allegiances were.

The same kinds of questions were being asked throughout the New York Times empire. After the chairman of the company, Arthur O. Sulzburger, Jr., emphasized the importance of the Internet operations in his annual State of the Times speech at the company's shareholder meeting, the *New Yorker* magazine reported that folks at the flagship newspaper were heard saying, "What are we? Chopped liver? It's all digital, digital, digital."¹⁴

The *New York Times*, while a powerful brand, was no financial juggernaut. In fact, in 1999 America Online had a greater market capitalization than all of the newspaper companies traded publicly on the New York Stock Exchange combined. Hence, NYT executives were enamored with the idea of a tracking stock. By selling a piece of New York Times Digital, the hope was that enough cash would be generated to buy interests in other Internet enterprises or to invest in the software and personnel needed to establish New York Times Digital as a major Internet player. Revenues for Time

¹⁴ Susan Tifft and Alex Jones, "Scion of the Times: How Arthur Sulzburger, Jr., has struggled to keep the family newspaper what it was—and what it must become," *New Yorker*, July 26, 1999.

Company Digital were expected to reach \$29 million in 1999 with Boston.com representing about one-third of that (see **Exhibit 20**).

If a tracking stock was issued, one challenge would be determining how costs and assets should be transferred between the print and online entities. And what about stock options? Should *Globe* personnel be given options in Boston.com? These questions were on Millstein's mind as he closed his comments to the newspaper executives at Connections '99:

I think we're all learning. We all put a stake in the ground, and the first thing that we did was publish the newspaper online, and we all went through a cycle where we got good results from that. But now we're seeing that this has its limits, and the question is at this point: If we've hit the wall there, where do we go now? We're all trying different strategies to get to that next curve. But it's the big question; which ones are right? And is local success enough—or even sustainable—in this new economy?

Exhibit 1A Percentage Penetration of Top Domains in Boston Area

Q3'99									
Rank	Domain	Apr-99	May-99	Jun-99	Q2 Avg.	Jul-99	Aug-99	Sep-99	Q3 Avg.
1	Yahoo.com	48.2	43.7	48.5	46.8	52.1	55.0	54.2	53.8
2	AOL.com	48.4	48.2	39.3	45.3	47.5	51.1	45.2	47.9
3	MSN.com	38.1	35.5	30.9	34.8	42.6	48.0	42.8	44.5
4	Netscape.com	37.9	33.0	33.0	34.6	28.5	38.5	32.4	33.1
5	Microsoft.com	28.8	29.6	25.3	27.9	25.5	32.2	32.1	29.9
6	Go.com	32.6	32.6	30.1	31.8	27.5	31.8	27.6	29.0
7	Geocities.com	31.3	26.4	29.1	28.9	31.6	28.5	26.3	28.8
8	Lycos.com	27.7	27.8	23.5	26.3	26.5	24.0	23.2	24.6
9	Amazon.com	19.4	19.4	18.5	19.1	24.1	24.3	22.6	23.7
10	AltaVista.com	24.9	21.5	18.5	21.6	16.9	23.6	26.5	22.3
11	Excite.com	22.7	20.1	23.7	22.2	21.1	21.8	22.7	21.9
12	Boston.com	18.2	16.4	17.7	17.4	20.5	21.8	20.0	20.8
13	Angelfire.com	14.2	19.4	17.3	17.0	21.3	15.5	19.2	18.7
14	BlueMountainArts.com	22.9	20.3	20.2	21.1	19.3	15.4	17.3	17.3
15	Tripod.com	16.9	16.1	14.5	15.8	15.5	14.6	17.7	15.9
16	Ebay.com	14.8	14.4	15.2	14.8	14.2	16.3	17.0	15.8
17	Passport.com					15.3	16.4	14.2	15.3
18	Hotmail.com	14.3	15.5	13.9	14.6	14.2	15.0	15.6	14.9
19	Real.com	12.2	12.3	14.2	12.9	14.0	12.1	18.4	14.8
20	About.com	9.5	8.8	11.0	9.8	9.9	13.1	18.8	13.9
21	Looksmart.com	5.8	11.5	6.8	8.0	13.3	14.5	12.8	13.5
22	HotBot.com	15.1	17.3	8.0	13.5	8.9	13.8	13.6	12.1
23	DigitalCity.com	9.7	11.7	8.7	10.0	14.6	11.3	9.0	11.6
24	Snap.com	16.0	13.9	11.2	13.7	9.5	10.1	15.0	11.5
25	ZDNet	10.6	10.8	7.7	9.7	9.3	12.7	11.8	11.3
26	Weather.com	7.0	7.0	5.7	6.6	9.1	9.4	14.7	11.1
27	MSNBC.com	8.1	11.2	5.7	8.3	12.7	9.2	10.5	10.8
28	BankBoston.com	8.5	8.2	7.6	8.1	11.1	11.3	9.8	10.7
29	Infospace.com	13.0	10.9	11.6	11.8	11.2	11.8	7.3	10.1
30	Xoom.com	12.6	13.7	10.0	12.1	9.4	9.0	11.6	10.0
	<i>Other News/Information/Entertainment/Classified Sites</i>								
31	Pathfinder.com	13.0	10.9	11.6	11.8	11.8	9.7	8.2	9.9
34	Disney.com	6.6	10.3	7.4	8.1	10.3	9.8	8.9	9.7
37	Sidewalk.com	8.8	10.0	9.6	9.5	11.2	11.0	5.9	9.4
41	Sportsline USA	8.0	5.7	6.5	6.7	9.5	6.4	8.8	8.2
49	Monster.com	4.1	6.2	5.7	5.3	7.2	6.6	5.6	6.8
50	ESPN	6.1	6.1	6.0	6.1	6.1	6.5	7.2	6.6
51	CNN.com	7.7	7.1	6.6	7.1	10.2	6.2	3.4	6.6
57	Sony Online	6.3	4.4	5.8	5.5	4.4	8.1	5.9	6.1
58	ABCNews	6.3	5.5	3.0	4.9	7.0	5.5	5.8	6.1

Source: Adapted from Media Metrix.

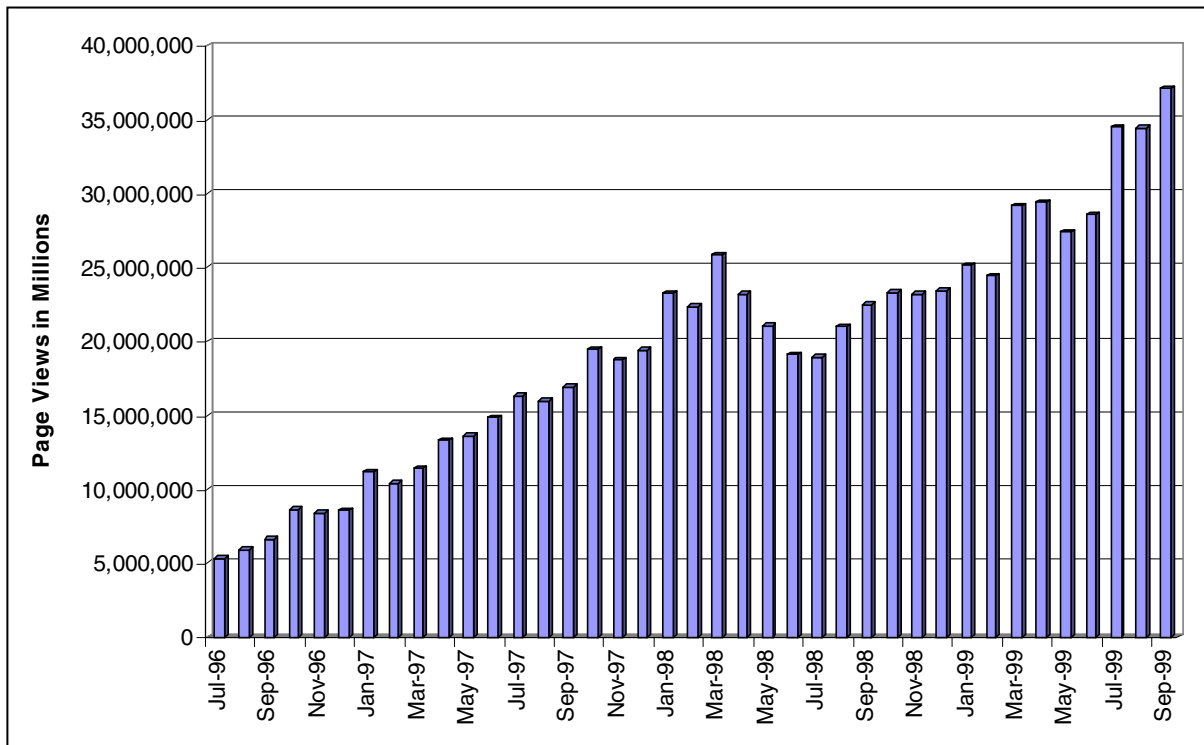
Domains in bold indicate news/information/entertainment/classified sites.

Exhibit 1B Top 10 Boston.com Traffic Days through October 1999

Rank	Date	Page Views	News Event
1	7/21	1,963,545	JFK, Jr., crash—bodies found
2	9/16	1,846,201	Hurricane Floyd
3	4/19	1,809,733	103 rd Boston Marathon
4	7/19	1,798,766	Search for bodies from JFK, Jr., crash
5	10/12	1,723,648	Heroics of Martinez, O’Leary win Game 5 for Sox
6	10/18	1,709,902	Final Game of the Rex Sox-Yankees series
7	7/20	1,579,857	JFK, Jr., crash coverage continues
8	10/4	1,505,832	Rex Sox secure wild card spot
9	10/19	1,503,942	Red Sox defeated by Yankees in playoffs
10	9/13	1,494,612	Hurricane Floyd continues

Source: Adapted from Media Metrix.

Exhibit 2 Monthly Page Views



Source: Adapted from Media Metrix.

Exhibit 3 Boston Globe Circulation, 1989-1999

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Daily	509.6	523.0	517.0	505.7	504.9	500.3	500.6	486.4	466.3	472.7	469.3
Sunday	787.4	787.9	798.3	808.3	811.4	815.3	785.9	777.9	751.4	748.7	730.4

Source: *The Boston Globe*.

Exhibit 4 Boston Globe Circulation Revenue, 1989-1998 ('000)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Home Delivery	52,021	62,677	72,108	77,568	72,035	74,543	81,858	88,146	90,994	92,822
Single copy	34,871	31,902	31,447	29,247	34,936	35,868	39,526	44,249	41,017	37,907
Total Revenue	86,892	94,579	103,355	106,815	106,971	110,411	121,384	132,395	132,011	130,729
% single-copy sales	40%	34%	30%	27%	33%	32%	33%	33%	31%	29%

Source: *The Boston Globe*.

Exhibit 5 Ad Revenues for a Typical Major Market Newspaper the Size of *The Boston Globe*

Local Display	National Display	Classified	Free-Standing Inserts	Total Advertising
\$104 million	\$22 million	\$172 million	\$59 million	\$357 million
29%	6%	48%	17%	100%

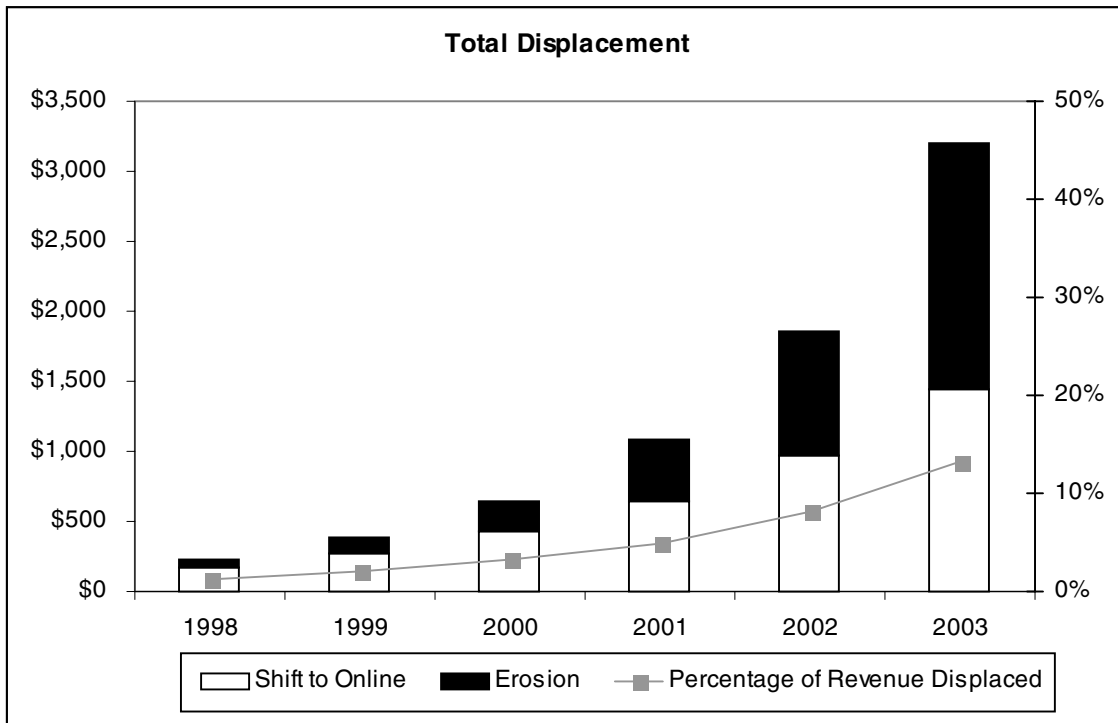
Source: Adapted from Inland Press Association, "Cost and Revenue Study for Daily Newspapers, 1998."

Exhibit 6 The U.S. Online Advertising Market

	1999	2000	2001	2002	2003	2004
U.S. Online Ad spending (millions)	\$2,805	\$5,358	\$8,680	\$12,587	\$17,244	\$22,244
Annual growth rate	119%	91%	62%	45%	37%	29%
Percent of traditional advertising	1.3%	2.4%	3.7%	5.1%	6.6%	8.1%
Performance-based spending (millions)	\$421	\$1,393	\$3,038	\$5,412	\$8,622	\$11,790
Revenue per thousand page views	\$7	\$9	\$10	\$12	\$13	\$15
Barter-type effects (millions)	\$561	\$857	\$1,128	\$1,259	\$1,207	\$1,112
US online households (millions)	39	44	51	56	60	63
U.S. Online Retail Spending (millions)	\$18,152	\$33,029	\$52,244	\$76,269	\$108,031	N/A
Annual growth rate	132%	82%	58%	46%	42%	N/A
Percent of traditional commerce	1%	1%	2%	2%	6%	N/A
Online advertising/online commerce	15%	16%	17%	17%	16%	N/A
Traditional advertising/traditional commerce	8%	8%	8%	8%	8%	N/A
U.S. per Capita Ad Spending						
Online	\$40	\$67	\$94	\$124	\$160	\$195
Magazine	\$56	\$58	\$60	\$62	\$65	\$67
Radio	\$89	\$92	\$96	\$100	\$103	\$108
Newspaper	\$335	\$348	\$362	\$376	\$391	\$406
Television	\$258	\$268	\$279	\$290	\$301	\$313

Source: Adapted from Forrester Research, "Internet Advertising Skyrockets" (August 1999).

Exhibit 7 Impact on Newspaper Classified Revenue Due to Online Competition



Source: Compiled from Jupiter Communications, "Classifieds: Online Projections" (July 1999).

Note: Read bars of graph to left figures; percentage line to right.

Explanation:

"Shift to Online" is the amount of print classified advertising revenue projected by Jupiter to move to online classified players. In 2003, \$1.4 billion is projected to shift from potential newspaper print classified to online.

"Erosion" is the impact on the off-line classifieds market caused by free and discounted classifieds necessitated by the new competitive landscape. In 2003, Jupiter projects that \$1.8 billion in potential classified revenue will be lost to newspapers due to such discounting.

"Percentage of Revenue Displaced" is the percentage of revenues lost by newspapers if there were no online classifieds. It is determined by adding the effects of erosion to the revenues of online classified players. In 2003, Jupiter projects newspapers to lose \$3.2 billion in traditional classified revenues, or 13% of what the market would be without online classifieds.

Exhibit 8 Classifieds Online Landscape

Sample only includes page 1 of original HBR article.

Aggregators

Classified Competitive Landscape Analysis

Company	Value-Added Services	Distribution Partners	Revenue Model	Owners/Investors	Traffic (in 000s) ^a	Analysis
Classifieds2000 Excite www.classifieds2000.com	Aggregates classifieds into categories: auto, employment, real estate, rentals, personals, services, and auctions; an e-mail feature called Cool Notify. Tag Line: The Internet classifieds.	Excite, Infoseek, WebCrawler, LookSmart, Netscape, Snap, ZDNet, iVillage, Bigfoot, GeoCities, InfoBeat, Quote.com, NetGuide	Excite Careers Network charges for job listings; other classifieds are free of charge. Banner and sponsorship revenue from Excite Network.	A division of Excite Inc. acquired April 1998	1,081	By allowing person-to-person bids on certain categories, such as computers, Classifieds2000 is taking classifieds to the next level. However, this is a tough space to compete in, given eBay's dominance of person-to-person auctions. Don't expect Classifieds2000 to topple eBay anytime soon.
Classified Warehouse AdOne Classified Network www.classifiedwarehouse.com	Listings include employment, automotive, real estate, franchises, and other person-to-person trade and services.	Lycos, theglobe.com	Revenue sharing from newspaper affiliates, banner, and sponsorship revenue.	AdOne Classified Network, acquired by a consortium, including MediaNews Group, Hearst, the E. W. Scripps Co., Advance Publications, and Donrey Media Group. Also acquired Franchise Solutions November 1999.	2,300	Because the site culls ads from local newspaper affiliates, it is easy for users to place an ad both online and in print; the site features a handy clipping service to save particular ads. However, Classifieds Warehouse serves as further proof that newspapers just don't understand the Internet. Its ads are brief, abbreviated, and aggregate everything from vacation rentals to cars to pets for adoption; without targeting a specific vertical market, the site will have trouble succeeding.
InfoSpace www.infospace.com	Aggregates classifieds and directory listings plus related content, maps, and commodity data. Tag Line: The Ultimate Directory.	Syndication and distribution through partners, including AOL, Netscape, Lycos, MSN, Dow Jones, MetaCrawler, NBC, Snap, Playboy, and Dow Jones	Aggregates content from third-party sources, integrating it with value-added content and syndicating it for affiliates. Majority of revenues gained from advertising and sponsorships, plus ad revenue sharing from affiliate sites.	Public company	5,306	Classifieds aggregated from other online databases are only one of the various types of listings available on the site. Because users can only search one database at a time, it is difficult to see why they would use InfoSpace rather than going directly to a vertical classified provider.

Source: Adapted from Jupiter Communications, "Classifieds: Online Landscape," Marissa Gluck, December 1999.

^aMedia Metrix, September 1999.

Exhibit 8 (continued)

Automobiles

Classified Competitive Landscape Analysis

Company	Value-Added Services	Distribution Partners	Rate Card/ Revenue Model	Owners/Investors	Number of Dealers and Listings	Traffic (in 000s) ^a	Analysis
MSN CarPoint Microsoft Corporation carpoint.msn.com	Kelley Blue Book, finance and insurance section, news, ratings, reviews, calculator, interest rates	Yahoo! Excite, Infoseek, HotBot, WebCrawler	Dealers pay for generation of leads and can list their used car inventory for a monthly fee. Carpoint also hosts dealer showcase Web sites for initial setup and maintenance charges. Additional banner and sponsorship revenue.	Microsoft; Ford Motor Company, launched July 1996	2,000 dealers	1,991	Microsoft understands the auto classifieds market. The company provides services not only for the car buyer, but also for the car owner, and attracts repeat visits by offering personal information on tune-ups, recalls, and repairs. Ford's investment in MSN CarPoint allows the car manufacturer to see customer shopping patterns and help them build-to-order vehicles using MS technology.
Autobytel.com www.autobytel.com	Leasing, financing application, pricing, reviews, articles, credit reports, warranties, mechanical breakdown, a rewards program, and insurance available. Tag Line: We're changing the way America buys cars.	Excite, Infoseek, Netscape, Lycos	Receives a commission and/or fees from dealer referrals, insurance, financing, and leasing. Dealers pay initial subscription fee plus a monthly fee of \$600.	IPO filed; financed by GE Capital services, AIG, Media One Interactive Services; launched 1995	2,560 dealers, as of March 1999	740	Autobytel.com has added much deeper content of the car buyer, indicating that the company understands what it takes to succeed in the automotive classifieds market. Additionally, it recently launched a personalized car care service, extending the consumer relationship beyond the buying process.
Cars.com Classified Ventures www.cars.com	Reports, reviews, news, loan calculator, rates	AOL, Excite, Alta Vista	Car dealers form relationships with Cars.com's affiliate newspapers, and list their vehicles in print and online. Internet marketing package offered to dealers can include generation of leads, customized Websites, and/or full inventory posting on a fee basis.	Classified Ventures (An online classifieds service owned by a newspaper consortium of The New York Times, Washington Post, Chicago Tribune, McClatchy Co., Knight Ridder, Gannett and CNI.)	340 dealers 125,000 listings, as of January 1999	995	Cars.com is rich in content and ancillary services. The site also includes advice from Car Talk radio show hosts Tom and Ray Magliozzi. The search results interface is one of the sleekest and easiest to navigate. The company also has developed (somewhat complicated) discount deals for its users.

Source: Adapted from Jupiter Communications, "Classifieds: Online Landscape," Marissa Gluck, December 1999.

^aMedia Metrix, September 1999.

Sample only includes page 1 of original HBR article.

Exhibit 8 (continued)

Sample only includes page 1 of original HBR article.

Real Estate				Classified Competitive Landscape Analysis			
Company	Value-Added Services	Distribution Partners	Rate Card/ Revenue Model	Owners/Investors	Number of Dealers and Listings	Traffic (in 000s) ^a	Analysis
Realtor.com www.realtor.com	Neighborhood information and school reports for fee Tag Line: Your next home is here.	Provides listings on AOL's Real Estate Center, Classifieds, and Digital Cities (co-branded), Excite, WebCrawler, Classifieds2000, Netscape Netcenter, Infoseek, Lycos	Free basic listings can be upgraded, list as a Feature Home or include a virtual house tour for an additional fee	HomeStore.com, public company formed by merger of Real Select and Spring Street	1.3 million listings	1,602	The site caters as much to realtors as to home buyers, and it does an excellent job of walking home buyers through the many steps of a complicated process. Realtor.com has some interesting marketing partnerships, such as Home Depot and Kmart, but they are buried deep within the site.
MSN Home Advisor Microsoft homeadvisor.msn.com	Mortgage tools and neighborhood and school information crime reports	Provides listings on Geocities, Yahoo!, Infoseek, Switchboard, Pathfinder, Tripod, mortgage service to InfoSpace	Free of charge to brokers and agents. Generates revenue by matching qualified home buyers with leading institutions, also obtains advertising revenue	Microsoft	500,000 listings	788	The site has very strong content offerings for everyone from neophytes to experienced home hunters, with an easy-to-use interface and navigation. Microsoft has made some aggressive moves in attracting buyers: It offers a free PC when customers close a loan. The site is also cutting smart advertising deals, such as its strategic alliance with Sears.
Homes.com www.homes.com	Mortgage center, property reports, school information, demographics, community data. The most comprehensive Web site available for real estate.	Yahoo!, Classified2000, Virtual Relocation, iOwn.com	Real estate brokers and agents can list their properties through Preferred Pages Web sites, \$2,000 to \$9,000 plus monthly fees, or through the print magazine.	Listings from Homes and Land magazine	300,000	262	A recent redesign has added deeper content for home seekers, yet the site still relies heavily on content from its print magazine. Too much extraneous content, such as information on owning a franchise of its magazine, detracts from the home-buying process. Homes.com has also added deeper content for realtors and brokers.

Source: Adapted from Jupiter Communications, "Classifieds: Online Landscape," Marissa Gluck, December 1999.

^aMedia Metrix, September 1999.

Sample only includes page 1 of original HBR article.

Exhibit 8 (continued)

Real Estate (continued)

Classified Competitive Landscape Analysis

Company	Value-Added Services	Distribution Partners	Rate Card/ Revenue Model	Owners/Investors	Number of Dealers and Listings	Traffic (in 000s) ^a	Analysis
HomeHunter.com www.homehunter.com	Locally based content, services, relocation information, finance guide Tag Line: Your online guide to buying and selling a home	Partners with Real Cities; distribution on AOL, Excite, Infoseek, PointCast, Yahoo!	Revenue sharing from affiliated newspapers, Real Cities sites, realtors' listings, banners, and sponsorships	Classified Ventures	N/A	N/A	HomeHunter.com is currently under redesign (again) and doesn't provide users with any upcoming information other than a list of newspaper partners. The site is missing an opportunity to gather potential homebuyer information to inform them of the relaunch.
NewHomeNetwork www.newhomenetwork.com	Floor plans, maps, school and community information, mortgage and affordability calculators, photos, save search results	AOL, Excite, Infoseek, PointCast, Yahoo!	Paid model, builder, and community showcases, advertising and sponsorships	Classified Ventures	N/A	N/A	An excellent resource for new home buyers, with professional advice, well-written columns, and useful tools. Probably the best of the Classified Ventures real estate sites.
Apartments.com www.apartments.com	Moving center relocation resources, credit reports, calculators	Infoseek, AOL, Yahoo!, Snap, Excite, Netscape, WebCrawler, InfoSpace, PointCast, USA Today	Property managers pay to list their rentals; packages available range from basic to Platinum; incremental banner and sponsorship revenue.	Formerly Apartments Plus, acquired by Classified Ventures	800,000 rentals	298	Apartments.com packs a great deal of information into individual listings, providing a useful guide for consumers looking into apartment rental market. Additionally, the site contains relocation tools most of its competitors lack.
HomeStore.com www.homestore.com	Provide real estate-related information, products, and services through Realtor.com, Remodel.com, HomeBuilder.com, SpringStreet.com, HomeFair.com, Commercial Source.com	Excite@Home, Digital City, AOL, @Home Network, Netscape, MediaOne, CompuServ, NBC, WebCrawler, PointCast	N/A	Kleiner Perkins, Witney Equity Partners, national Association of Realtors	8 million	2,285	Its niche focus distinguishes HomeStore.com from its competitors and the site provides a deeper home-searching experience. HomeStore.com acts as the entry way for its niche sites.

Source: Adapted from Jupiter Communications, "Classifieds: Online Landscape," Marissa Gluck, December 1999.

^aMedia Metrix, September 1999.

Exhibit 8 (continued)

Sample only includes page 1 of original HBR article.

Recruiting

Classified Competitive Landscape Analysis

Company	Value-Added Services	Distribution Partners	Rate Card/ Revenue Model	Owners/Investors	Number of Dealers and Listings	Traffic (in 000s) ^a	Analysis
<p>Monster.com TMP Worldwide www.monster.com</p>	<p>My Monster, résumés and cover letter management, company profiles, e-mail search agent, Careers Network, chat, message boards</p>	<p>Alliances with Advertising Age, AOL, College Town USA, Future Pages, Excite, iVillage, Neoforma, Netscape, PlanetIT, Yahoo!, USAToday.com</p>	<p>\$225 per single ad, posted for 60 days. Membership packages, company profiles, résumés database access, banners, buttons, and sponsorships available</p>	<p>TMP Worldwide</p>	<p>195,000 listings</p>	<p>2,582</p>	<p>Monster.com's push at off-line branding has created a significant lead over competitors. True to its name, Monster.com is probably the most well-recognized career site. The company has taken a broad strategy, amassing a significant database of résumés and listings, and should remain a leader for general job listings for some time. In addition, facing competition from smaller and niche recruiting sites, Monster.com has begun to develop industry-specific sub-sites—a smart move.</p>
<p>CareerPath.com www.careerpath.com</p>	<p>Save job search results, submit online résumés, company profiles, news, content offerings, virtual job fairs</p> <p>Tag Line: You can go anywhere from here.</p>	<p>The Boston Globe, The Chicago Tribune, The Los Angeles Times, The New York Times, The San Jose Mercury News, The Washington Post, The Austin American-Statesman, The Fort Worth Star-Telegram, The San Antonio Express-News, The Bellingham Herald, The Herald Dispatch, The Kansas City Star, The Jackson Sun, and the News and Observer; 90 affiliates in total supply listings and direct readers to CareerPath site</p>	<p>Affiliate relationship with newspapers provides local or network advertising. Subscriptions to résumé database available for three months for \$1,000 or one year for \$3,000. Provides company profiles, and corporate job listing uploading is available for a fee. Banner and sponsorship revenue.</p>	<p>Financially backed by Knight Ridder, The New York Times Co., The Tribune Co., The Washington Post Co., Cox Interactive Media, Gannett, and Hearst</p>	<p>380,000 listings</p>	<p>1,004</p>	<p>While bolstered by content from newspaper affiliates, CareerPath.com has an enormous number of job listings. However, most listings are from print newspapers and the search results often offer very limited information. Site does not truly exploit the Internet as a recruitment tool, because listings are basically reprints from print publications. Navigational and user interface difficulty make CareerPath.com a very weak player.</p>

Source: Adapted from Jupiter Communications, "Classifieds: Online Landscape," Marissa Gluck, December 1999.

^aMedia Metrix, September 1999.

Sample only includes page 1 of original HBR article.

Exhibit 8 (continued)

Recruiting (continued)

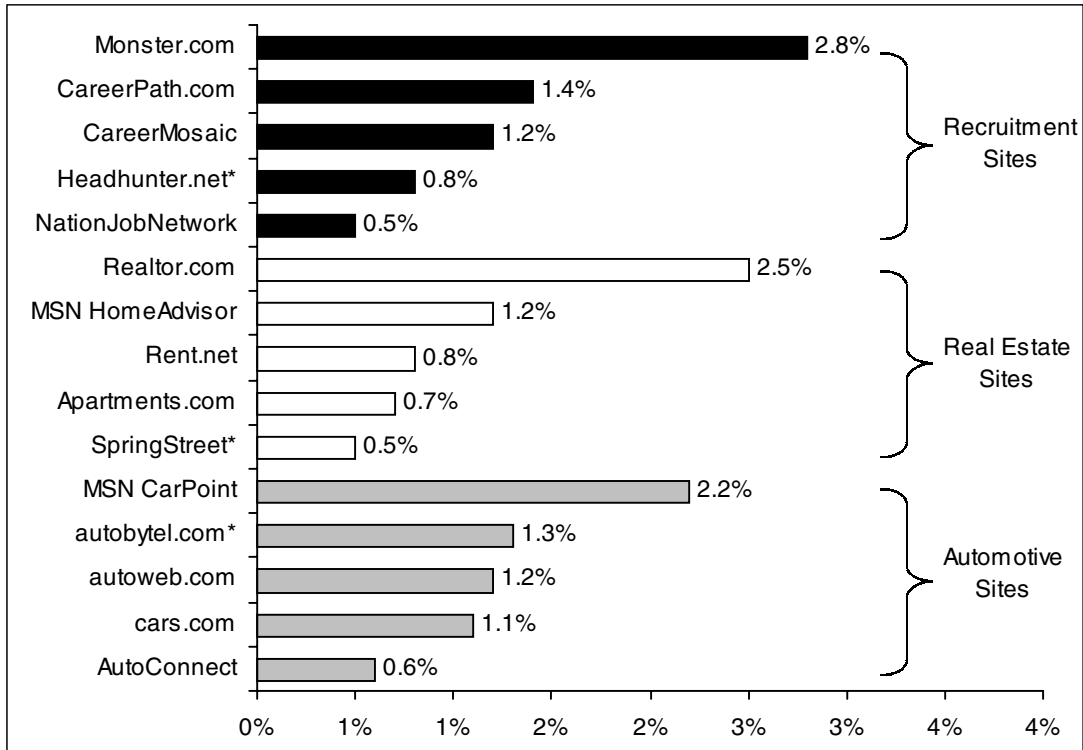
Classified Competitive Landscape Analysis

Company	Value-Added Services	Distribution Partners	Rate Card/ Revenue Model	Owners/Investors	Number of Dealers and Listings	Traffic (in 000s) ^a	Analysis
BrassRing Inc. www.brassring.com	Virtual career fairs/ online recruiting through Terra-Star and thepavement. Skills assessment through Kaplan and hiring management through HireSystems are all under one roof.	Terra-Star.com, thepavement, kaplancareerfairs.com, HireSystems	N/A; site launch in spring 2000	Kaplan, Washington Post, Tribune, and Accel Partners	N/A; site launch in spring 2000	N/A; site launch in spring 2000	As CareerPath.com falters, two of its lead investors try again. Because BrassRing is very late to market, it will have to spend aggressively to have any chance to catch up to its competitors. It is essential that it use the resources of the Washington Post and the Tribune can provide.
Headhunter.Net www.headhunter.net	Confidential résumé posting Tag Line: This is the way to work.	Supplies listings to Yahoo! and Alta Vista; affiliate program with GeoCities; sponsor of Tripod's Jobs and Careers section.	Free for basic listings, upgrades available for \$25 to \$75 per month.	Financed by ITC Holdings Company	260,000 listings	687	This site's interesting model allows employers to upgrade their job listings—and job seekers to upgrade their résumés for higher visibility (for a fee)—but it is doubtful that users will take advantage of the service when there are so many free competitors
HotJobs.com www.hotjobs.com	Users can block résumés from companies (privacy and control), résumé statistics (e.g., number of times résumé has been viewed, number of jobs applied for), company profiles, personal search agent, free e-mail, message boards, no headhunter listings Tag Line: The experienced professional's job board.	Yahoo!Classified, theglobe.com, AltaVista, usenetgroup, America's Job Bank	\$150 per ad, per month. Membership includes 20 postings for \$600 per month. Banners, buttons, sponsorships, and marketing partnerships available	Privately funded by founders	Over 130 member companies; 17,000 listings (as of March 1999)	584	HotJobs.com offers job seekers deep company information and a streamlined application process. The company's privacy features are a competitive advantage that many other recruitment sites lack.

Source: Adapted from Jupiter Communications, "Classifieds: Online Landscape," Marissa Gluck, December 1999.

^aMedia Metrix, September 1999.

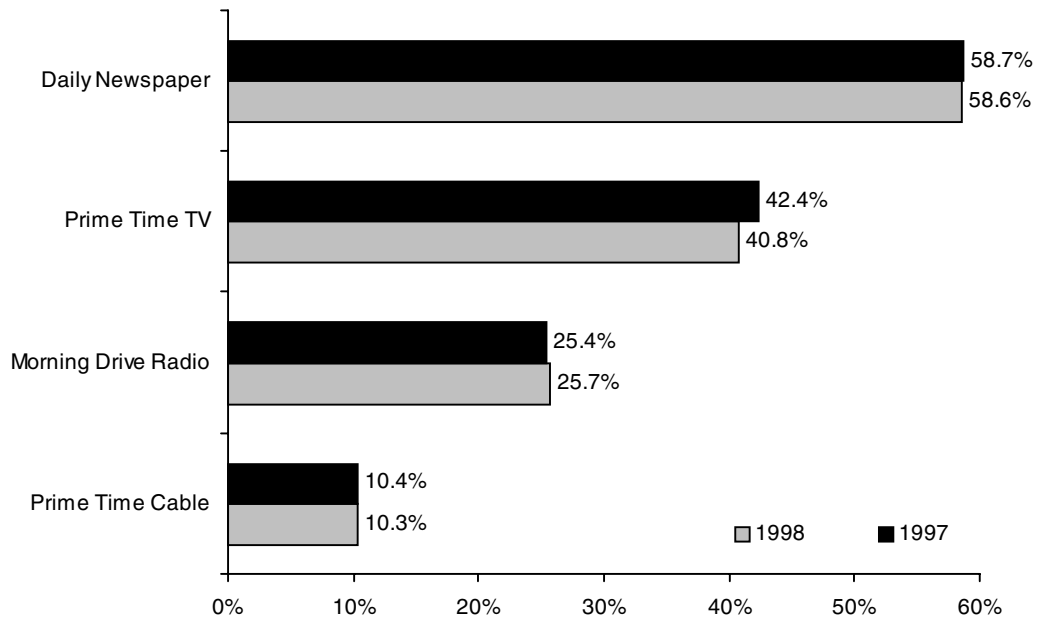
Exhibit 9 Recruitment, Real Estate, Automotive Sites Audience Reach



Source: © 1999 Jupiter Communications.

*Based on network aggression.

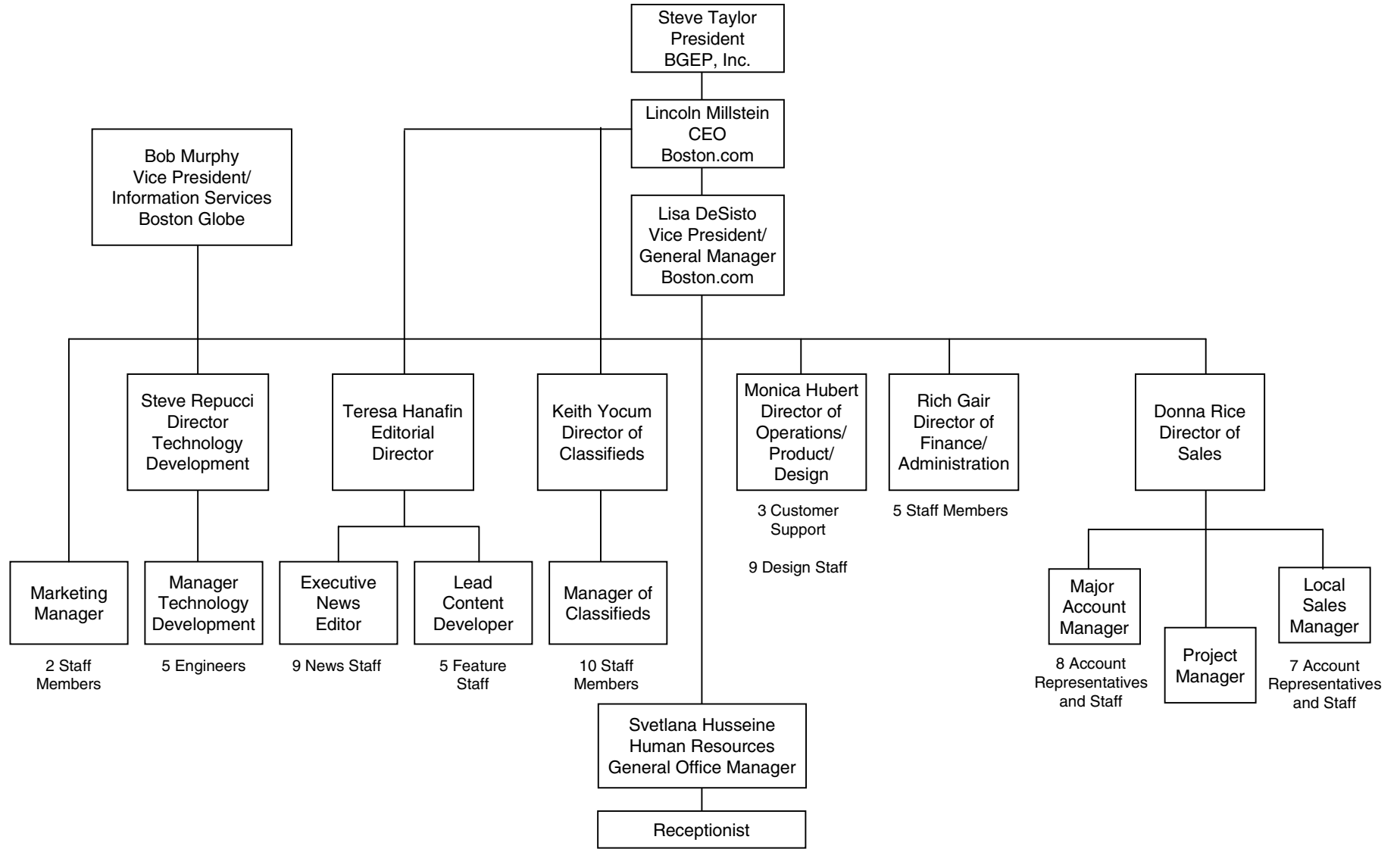
Exhibit 10 Competitive Media Index: % of Adults Reached by Various Media



Source: Scarborough Research—"Top 50 DMA Market Report," 1996-1998.

Exhibit 11 Boston.com Organization Chart July 1999

Sample only includes page 1 of original HBR article.



Source: The Company.

Exhibit 12 Boston.com Advertising Revenue

	1995	1996	1997	1998	Actual 1999-Q1	Budget 1999-Q1	% to Budget-Q1	Budget 1999
Classified	--	20,443	230,012	747,349	367,137	252,794	145%	1,420,355
Class/Allocation	--	--	--	800,000	180,000	180,000	100	720,000
Classified—Total	--	20,443	230,012	1,547,349	547,137	432,794	126	2,140,355
Majors	5,200	464,970	1,207,411	2,084,092	533,950	700,000	76	4,150,000
Local	--	--	--	477,420	245,422	373,851	66	1,844,331
Archives	--	31,602	357,233	1,035,754	342,803	224,003	153	896,000
Other	--	<u>112,010</u>	<u>50,237</u>	<u>278,347</u>	<u>74,333</u>	<u>73,260</u>	<u>101</u>	<u>443,180</u>
Totals	5,200	629,025	1,844,893	5,422,962	1,743,645	1,803,908	97	9,473,866

Source: Company documents.

Exhibit 13 Boston.com Classified Advertising Revenue by Category

	1995	1996	1997	1998	1999 - Q1	1999 Budget
Real Estate	--	--	--	42,750	46,245	227,305
Autos	--	--	12,600	95,500	36,720	256,655
Help Wanted	--	200	125,208	523,617	269,180	848,195
Other	--	20,243	92,204	85,482	14,992	88,200
Total Classified	--	20,443	230,012	747,349	367,137	1,420,355
Allocation ^a	--	--	--	<u>800,000</u>	<u>180,000</u>	<u>720,000</u>
Total	--	20,443	230,012	1,547,349	547,137	2,140,355

Source: Company documents

^aAllocation from *Globe* is based on .5% of newspaper classified ad categories that are sent to Boston.com for listing.

Exhibit 14 Help Wanted Advertising Rates for Boston.com and Monster.com

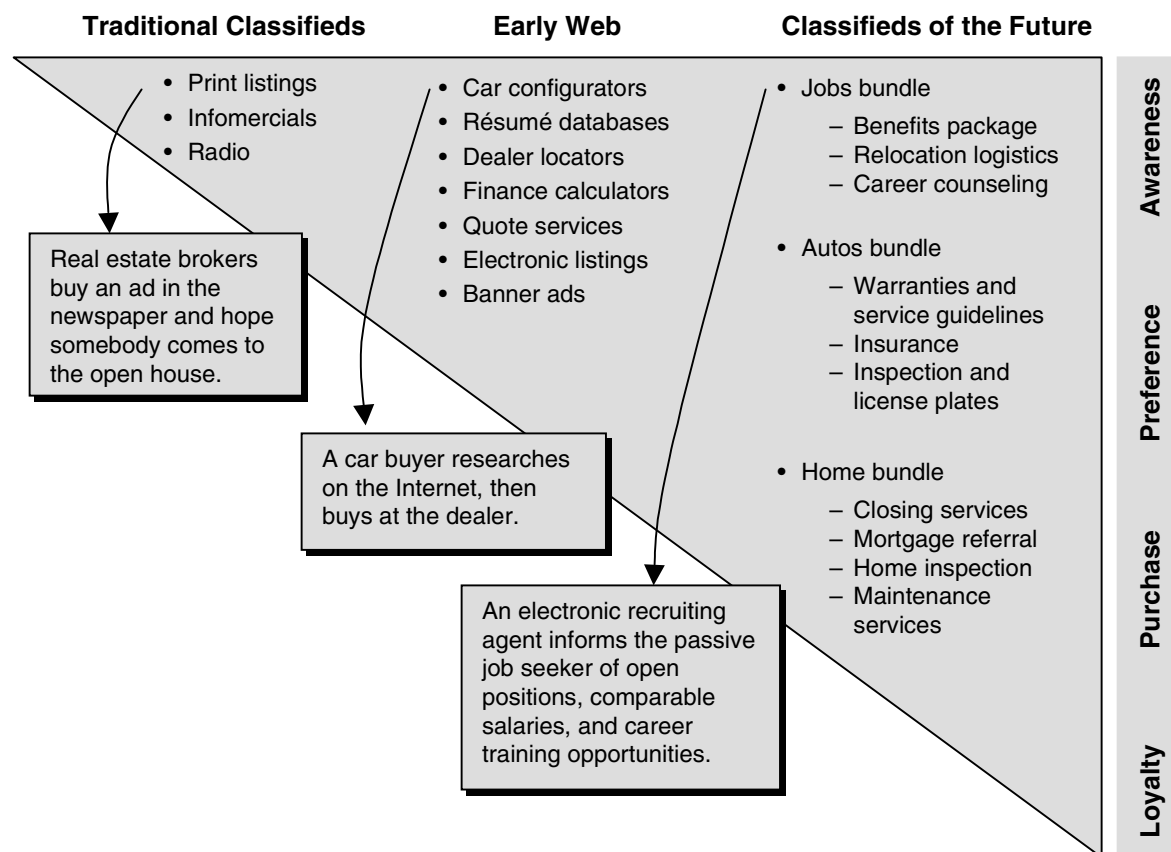
Type of Product	Boston.com price ^a	Monster.com price ^b
Sponsorships, banners, tiles	\$3,500 per month and up	N/A
Wraps	\$750-\$1,900 per month	Customized
Employer profiles	\$417 per month	\$270-\$570 per month ^c
Bulk job listings	\$89-\$59 per listing	\$224-\$65 per listing
Individual job listings	\$149 per listing	\$275 per listing
Other services provided	Resume searches, virtual job fairs	Auctionplace for independent pros

^aCompany document.

^bMonster.com rate sheet.

^cAnnual contract rate.

Exhibit 15 Evolution of Classified Advertising



Source: Forrester Research, Inc.

Exhibit 16 Boston.com Site Index and Media Partners**MEDIA PARTNERS**

Boston Globe
Banker & Tradesman
Boston Magazine
Mass High Tech
On Call Magazine
Panorama Boston Guide
Portland Press
Yankee Mag.
Homes Mag.

RADIO STATIONS

KISS108
MIX 98.5
STAR 93.7
WBCN-FM
WBOS-FM
WBUR
WBZ-AM
WCRB
WRKO AM680
WXRV The
River 92.5
WZLX-FM

TELEVISION

WBZ Ch. 4
WCVB Ch. 5
WGBH Ch. 2
WHDH Ch. 7
NECN
NESN

ARTS & MUSEUMS

American Repertory Theatre
ARTS/Boston
Boston Ballet
Boston Symphony
Computer Museum
DeCordova Museum
Emerson Majestic
Garden in Woods
Gardner Museum
Handel & Haydn
Huntington Theatre
Mass. Horticultural
Museum of Afro
American History
Museum of Fine arts
Museum of Science
N.E. Aquarium
NEXT Ticketing
Revels
USS Constitution
The Wang Center
Wine Today

COMMUNITY

Irish Famine Mem.
Boston Public Lib.
Jimmy Fund
Mass Audubon Society
March of Dimes
United Way
Virtually Wired

MORE

Appalachian Mountain
Better Business Bureau
BusinessWire
CarTalk.com
Cybersmith
Ford Hall Forum
PR Newswire
Nordby International
SmarTraveler Traffic
Weather Service

Site index**Auctions**

Books, Movies, and Music, Collectibles and Memorabilia, Computers, Entertainment, Gifts & Travel, General Merchandise, Sports & Recreation, Travel and Vacations, Vehicles

Autos

In partnership with cars.com
Used cars, Dealers, Antiques, trucks, motorcycles, more, Sell your car, Loan rates, Loan calculator, Buyer resources, Model reports, Advice, Car Talk, Driver resources

Business

News, Stock quotes, Emerging Business, Reliability reports, Banking, Events, License search, Banking resources, Latest banking news, Credit cards and student loans, Office equipment search

Careers

Search, Employer profiles, Place ads, Links, Events, Post a resume

Chat

Commoners, Internet Stocks, Peter Hotton, Red Sox, Patriots, Celtics, Bruins, Revolution, Ryder Cup, SportsTalk

Education Resources

Preschool, Kindergarten, Middle School, High School, College, Adult education, Special education, Teacher certification

Going Out/Arts

Movies, Books, Music, Television, Museums, Performance, Partners, A & E news wire, Horoscopes, Personals, MovieMail, Dining, Other listings

Health

News, Physician Profiles, Calendar, Studies and volunteers, Drugs and medications, Links, Fact sheets, Emergency numbers

Music (MP3)

Getting Started, Upload Center, Download Center

Personal Finance

Calculators, College, Financial News, Home Buying, Loan Rates, Quote Center, Retirement, Your Portfolio

Real Estate

Homes, Apartments, Office space, Cape Cod, Commercial space, Links Open houses, Out of state, Recent sales, Sell your home on-line, Mortgage rates, Mortgage calculator, Vacation rentals, Place print ad, Place online ad

More

What's new & hot on Boston.com
Contests & giveaways
Marketbasket
Online personals
This day in history

Sports/Outdoors

News, Bruins, Red Sox, Patriots, Revolution, Golf, Scoreboard, Activities, TV/Radio

Technology

Techie corner, Downloads, Discussions, Conferences, Mass high tech listings, Software library, Computer news, On computers, Cybernotes, Local ISPs

Traffic

Current traffic conditions, Boston and Cambridge roads, Logan airport conditions, Get a map, Get directions, Current Commuter Rail conditions, Related links

Travel

Features, Airfares, Daytrips, Destinations, Boston, Cape and Islands, New England, US & World, Camp Guide Consumer reports, Taking the kids

Weather

Five-day Boston forecast, New England, United States, Europe, Asia, Marine, Radar imagery, Satellite imagery

Weddings

Your Wedding, Articles, Free Enrollment, Enrolled Couples, Guests, Gift Registry & Shopping Local Services

Yellow Pages

Auto, Community, Going Out, Health, Hotels & Travel, Money & Law Real Estate, Shops/Services, Sports

Your Town

Find Your Town, City Weekly, North Weekly, Northwest Weekly, South Weekly, West Weekly

New on Boston.com**Is This You?**

Identify yourself in one of these photos taken around Boston and you could win \$100.

Abuzz

Real people, real answers. Sign up for Abuzz and join Boston's circle.

MovieMail

Sign up for Boston.com's MovieMail, a free weekly e-mail providing you with upcoming film highlights, openings, schedules, and more.

MP3

We've got hundreds of local bands and their songs for you to download. Check out the Spotlight section for a weekly band feature and a calendar of shows by our bands.

Source: Adapted from Boston.com.

Exhibit 17 Home Page Images: The Boston Globe Online and Boston.com, Oct. 1, 1999 (10:52 a.m.)

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METRO | REGION
BUSINESS
SPORTS
LIVING ARTS
EDITORIALS | OP-ED

Weekly
Health/Science (Mon.)
Food (Wed)
Calendar (Thu)
At Home (Thu)
Picture This (Fri)

Sunday
Automotive
Cape & Islands
Focus
Learning
New England
Real Estate
Travel
City Weekly
South Weekly
West Weekly
North Weekly
NorthWest Weekly
NH Weekly

Features
Archives
Book Reviews
Columns
Comics
Crossword
Horoscopes
Death Notices
Lottery
Movie Reviews
Music Reviews
Obituaries
Opinions
Special Reports
Today's stories A-Z
TV & Radio
Weather

Classifieds
Auto
Help Wanted
Market/Basket
Real Estate
More information

Help
Contact the Globe
Send us feedback

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Accrobat version (.pdf)

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 Today
 Yesterday

Search the Web
Using Lycos:

Health/Science

Crossword

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UNCONTROLLED REACTION

Mothers escorted their children from school in Tokushima yesterday. (Reuters Photo)

Leak spews radiation in Japan

Plant accident called worst since Chernobyl
(By Sharon Moshavi, Globe Correspondent)

Councilors give Marshall mixed signals

(By Michael Rosenfeld, Globe Staff)
Supreme Judicial Court Justice Margaret Marshall was grilled with questions about her views on abortion rights, the death penalty, and labor relations yesterday as hearings on her nomination to become chief justice concluded with a personal attack by a member of the Governor's Council who accused her of failing to respond candidly.

Documents say broker bilked clients of millions

(By Steven Wilmsen, Globe Staff)
In the dead of night on Aug. 17, 1998, John Macoul, a trial lawyer in Salem, N.H., was startled awake by his bedside phone. Struggling out of a deep sleep, he didn't recognize at first the voice of his brother-in-law, Donald Martineau.

In funds race, Gore, Bradley neck-and-neck

(By Michael Kravish, Globe Staff)
WASHINGTON - In a sign of Bill Bradley's surging strength in the Democratic presidential race, the former New Jersey senator reported yesterday that he raised more money in the last quarter than Vice President Al Gore, leaving both candidates nearly tied in the financial race with about \$10 million each in cash on hand.

North Shore movieland

Gloucester, Manchester reap Hollywood treatment
(By Joseph P. Kahn, Globe Staff)
MANCHESTER-BY-THE-SEA - The first traffic light ever seen in this tiny North Shore town went up last week at the corner of State Street and Main. The light works fine, traffic even slows down on cue. But it's an illusion, a Hollywood prop installed by a visiting film crew. For that matter, so are "State" and "Main," two ersatz street signs that reflect the film's working title.

Documents say broker bilked clients of millions

(By Steven Wilmsen, Globe Staff)
In the dead of night on Aug. 17, 1998, John Macoul, a trial lawyer in Salem, N.H., was startled awake by his bedside phone. Struggling out of a deep sleep, he didn't recognize at first the voice of his brother-in-law, Donald Martineau, a veteran broker at Merrill Lynch & Co. in Boston.

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The Boston Globe photo staff has selected a collection of their work for this online gallery. [Galleries](#)

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<p>LIVING ARTS</p> <ul style="list-style-type: none"> -Unconventional war fare -Remains of the day -Geeks go for guffaws 	<p>BUSINESS</p> <ul style="list-style-type: none"> -The end of an Ira? -60-second drill -CMGI buys yet another on-line firm

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business
Chat
Going Out/Arts
Health
MP3 Music
Personal
Finance
Sports
Technology
Traffic
Travel
Weather
Your Town

Specials

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A four part series of excerpts reprinted from "All Souls: A Family Story from Southie"

Pet Contest
A snapshot of why we love our pets.

Spotlight team
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GEES GO FOR GUFFAWS

State OK's \$16b bank merger
State officials gave a final nod yesterday to Fleet Financial Group Inc.'s proposed acquisition of BankBoston Corp., eliminating the last regulatory hurdle to a deal that creates New England's dominant bank.

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60 second drill
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Councilors give Marshall mixed reviews
Supreme Judicial Court Justice Margaret Marshall was grilled with questions about her views yesterday as hearings on her nomination to become chief justice concluded with a personal attack by a member of the Governor's Council who accused her of failing to respond candidly.

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The area around Powell's Cove Park in northern Queens is a tidy, upper-middle-class neighborhood. It hardly seems like the breeding ground for a disease more commonly found in the Third World.

Scientists eye possible weakness in the AIDS virus
US researchers believe they may have found a chink in the armor of the AIDS virus, which could lead to a new generation of drugs designed to disable the virus before healthy cells are infected.

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-Motorist who Stephen King indicted

TECHNOLOGY
-Celebrating 25 years of humble bar code
-1999's Ig Nobel awards announced

BUSINESS
-Searching for the worst boss

CONTINUOUS WIRE REPORTS
Sports

Friday, October 1

MOS movie
"Mysteries of Egypt" opens today at the Museum of Science's Mugar Omni Theater.

The music scene:
Linda Ronstadt and Emmylou Harris appear at the Orpheum, Govt Mule visits Avalon, and more.

IN TODAY'S GLOBE
The FleetCenter, reports [Names & Faces](#), still needs a headliner for New Year's Eve.

Is This You?
See if you show up on Boston.com.

All makes, models, modems
Cruise through our cars section.

Save on tickets
Find out what's on sale today from Arts/Boston.

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Source: The Company.

Exhibit 18 The Pod Schedule

Time	Function
12 a.m.	Embargo on <i>Boston Globe</i> news stories lifted. Next morning's full newspaper content uploaded to <i>The Boston Globe</i> Online within Boston.com.
6 a.m.	Homepage editor begins building Boston.com front page based on <i>Globe</i> news articles.
7 a.m.	Deadline for having Boston.com homepage up and active. Editors review site from home.
7-9 a.m.	Few changes to homepage unless major story breaks. The Pod selects wire story updates.
9 a.m. to midnight	Layout of homepage is changed at least every 60 minutes by rotating different <i>Globe</i> stories onto the front or by superceding with breaking wire stories, either re-written by The Pod or run unedited.

Source: Company interviews.

Exhibit 19 Auction Fees for eBay

Insertion Fees

When you list your item for sale at eBay, you pay a non-refundable Insertion Fee. Insertion Fees **vary by the type of auction** you choose:

- Regular Listings**
 The Insertion Fee is based on the opening value or minimum bid for your item. However, Insertion Fees for Non-Binding Bid Categories and Vehicles are on a fixed schedule.
- Reserve Price Listings**
 The Insertion Fee is based upon the reserve price of the item you list for sale. Insertion Fees are non-refundable.

 When you list a Reserve Price Auction, you will also be charged a Reserve Price Auction Fee, which is based upon the reserve price. Reserve Price Auction Fees are fully refundable. At the end of the auction, if your item sells, the Reserve Price Auction Fee is refunded to your account. This also applies to Real Estate and Vehicles.
- Dutch Listings**
 The Insertion Fee is based upon the opening value or minimum bid of the item you list for sale multiplied by the quantity of items you offer. The maximum insertion fee for any Dutch auction is \$2.00.

Opening Value or Reserve Price	Insertion Fee
\$0.01 – \$9.99	\$0.25
\$10.00 – \$24.99	\$0.50
\$25.00 – \$49.00	\$1.00
\$50.00 and up	\$2.00

Insertion fees for items covered by the Non-Binding Bid policy and items in the Vehicle categories:

Item Category	Insertion Fee
General Vehicles: Cars General Vehicles: Trucks General Vehicles: RVs Collector Vehicles: Collector Cars	\$25.00
Miscellaneous: Real Estate	\$50.00

Additional Reserve Price Auction fee (fully refunded if item sells):

Reserve Price	Reserve Price Auction Fee
\$0.01 – \$24.99	\$0.50
\$25.00 and up	\$1.00

Fees for Additional Listing Options

When you list your item for sale, you can choose several listing options to promote your listing. Make it stand out and get more bids! These options also have non-refundable fees.

Additional Options	Insertion Fee
Bold	\$2.00
Category Featured Auction	\$14.95
Featured Auction	\$99.95
Gift Icon	\$1.00
Gallery	\$0.25
Featured Gallery	\$19.95

Final Value Fees

At the end of an auction, you will be charged a Final Value Fee based on the final sale price (final value) of your item:

- **Regular and Reserve Auctions** (when the reserve has been met) The final value is the closing bid. Remember, there is no Final Value Fee charged if the reserve is not met.
- **Dutch Auctions** The final value is the lowest successful bid, multiplied by the quantity of items you sold.

Then **here's how you calculate** your Final Value Fee (if you sold real estate or vehicles, see below):

1. Take the first \$25 of your final value, and calculate 5% of that. If your item sold for \$25 or less, this is your Final Value Fee.
2. If your final value was more than \$25, take the additional amount, from \$25.01 to \$1,000, and calculate 2.5% of that.
3. If your final value was more than \$1,000, take that additional amount and calculate 1.25% of the remaining amount.
4. Add these amounts together and you have your Final Value Fee!

Source: Adapted from information on eBay.com.

Exhibit 20 The New York Times Company and New York Times Digital (June 1999)**The New York Times Company**

The New York Times Company (NYSE: NYT) is a diversified media company including newspapers, magazines, television and radio stations, and electronic information and publishing. The Company's core purpose is to enhance society by creating, collecting, and distributing high-quality news, information, and entertainment.

The Company, which had 1998 revenues of \$2.9 billion, publishes *The New York Times*, *The Boston Globe* and 21 regional newspapers; publishes three magazines, including *Golf Digest*; and operates eight network-affiliated television stations and two New York City radio stations.

The Company operates nearly 50 websites, including nytimes.com, boston.com, and winetoday.com as part of its New York Times Digital business unit. It also operates news, photo, and graphic services as well as news and feature syndicates. The Company holds interests in one newsprint mill, one supercalendered paper mill, and the International Herald Tribune S.A.S.

New York Times Digital

(Figures as of June 1999)

NATIONAL SITES*The New York Times on the Web*

www.nytimes.com

The New York Times on the Web has over 7.8 million unique registered users. It recorded more than 85 million page views for the month of June and attracted more than 384,000 new registered users in that month alone (source NYT registration database). Users spent an average of 42.6 minutes per month with The New York Times on the Web, more than any other comparable news site and in the top five across all sites on the Internet (source: Media Metrix, June 1999).

The New York Times Learning Network

www.nytimes.com/learning

From The New York Times on the Web, the The New York Times Learning Network serves as an online resource for educators, parents, and students in grades 6 through 12. It provides daily lesson plans based on the content of the newspaper, online news quizzes, crossword puzzles, and other activities for students, and links to valuable online education resources for parents. In addition, vocabulary from *The New York Times* articles links to definitions from *Merriam-Webster's Collegiate Dictionary*, and country names to maps through *Microsoft Encarta* concise encyclopedia.

Wine Today

www.winetoday.com

This unique vertical site features comprehensive and timely news on the California Wine Country, averaging more than 130,000 unique visitors and 700,000 per month.

Golf Digest

www.golfdigest.com

Golf Digest is a vertical site currently under development based on content from *Golf Digest* magazine, the largest-circulating golf publication in the world. The website is designed to be a leading provider of quality content and e-commerce.

REGIONAL SITES

Boston.com

www.boston.com

Boston.com is the country's largest regional gateway serving all of New England with more than 28.5 million page views in June.

New York Today

www.nytoday.com

New York Today is New York's leading online source of local lifestyle and entertainment news and information. It recorded 3.8 million page views in June.

REGIONAL NEWSPAPER GROUP

New York Times Digital also encompasses the websites for 18 daily and 3 nondaily award-winning newspapers located in Florida (9), Alabama (3), Louisiana (3), North Carolina (3), California (2), and South Carolina (1). Total print circulation for the regional newspaper group is, dailies: 736,800—weekday; 787,600—Sunday. Nondailies: 32,600—weekday; 14,500—Sunday.

Source: Adapted from New York Times Company documents.

Exhibit 21



Monthly Commentary- William B. Drewry US (404) 897-2838

Monthly Commentary: Let the Games Begin

On January 28th, the New York Times Company announced that it had filed a registration statement to issue a tracking stock for New York Times Digital, the arm of NYT that houses all of its Internet operations. The stock responded on the following Monday by trading down by 1.35%. The biggest Internet-related announcement probably ever in the newspaper industry and the market said "so what?" Not an incredibly encouraging start to the Internet era for newspaper stocks. But then again, it wasn't an unexpected move. Perhaps it was a prime example of "buy on the rumor and sell on the news." But at NYT's current stock multiple, we doubt that. The stock has actually outperformed the overall market (S&P 500) year to date, mostly on the basis of a blowout Q4 earnings report. NYT's Internet revenues were up for the quarter by 145%, though we wonder if anyone even noticed. So, the near term takeaway seems to be that Internet tracking stocks are not important. We can't disagree for the near term, but beyond that period, we certainly do not concur.

The issue for newspaper stocks and Internet spinouts has always been two-fold: what is the implication for the new security and what is the ultimate implication back to the parent company? We continue to believe that the long-term effect of putting newspaper Internet operations into a separate company or security should be a major positive back to the parent company. For New York Times Company (or Knight Ridder (KRI – Buy) or Gannett (GCI – Buy) for that matter), a separate Internet security serves to make the Internet operations as transparent to investors as they possibly can be. This is important in a sector where investor perception has been negatively biased towards the newspaper's ability to succeed in a digital world. To date, it has been difficult to ascertain where the companies were in terms of progress and transparency takes care of that. NYT is using ultimate transparency with a separate tracking stock and hence a completely separate P&L. Other companies like Tribune (TRB – Buy), Knight Ridder and eventually Times Mirror (TMC – Buy) are taking a bridge approach by putting their online operations into a separate line item in segment reporting. Less detail than the NYT approach but better than before.

As this information works its way into the market, the attention turns back to the core company operations. We believe that the potential effect on the stocks has been underestimated by the market. When evaluating NYT for example, we believe that investors will potentially see three sets of numbers, similar to the approach that Ziff Davis (ZD+) took when it issued a tracking stock for ZD Net last year. There should be NYT consolidated, NYT "core operations" and NYTD "core operations". We believe, if prior investor form holds true, that NYT will be valued on the "core operations" numbers and some add back of value from NYTD. The parent stock may not get full credit for the value of the NYTD security on a day to day basis but to us, that is not the most important issue. The important issue would be the fact that the NYT core operations numbers will look even better than they already do once the NYTD losses, which have been building steadily for the last five years, are stripped out. It makes a cheap stock look even more cheap. It also makes the EBITDA growth margins even higher than before. Higher margins generally equate to higher returns.

The bottom line is that the bear case on newspaper stocks and Internet cannibalization has been falling apart over the last six months. The isolation of Internet operations from the core business only bolsters the bull case (our long held position) for newspapers as it shows the core operations to be healthy and growing. Advertising revenues are growing at a steady and improving clip, costs are under control and margins have been consistently increasing. With help wanted advertising volume in a recovery mode after a cyclical (and perhaps a bit of secular) downturn in 1998/99, the outlook is better today than it was even twelve months ago.

On the question of tracking stock versus spinout, the jury is still out. Many pundits in the market "pooh pooh" tracking stocks, saying they don't mean much and there is no takeout premium to be had since the parent company owns all of the assets. Well, maybe, maybe not. However, we would point out that there has not been a lot of tracking stocks in this sector and this could be somewhat of uncharted territory. We mentioned Ziff Davis, which is not a good analogy for the newspaper stocks, for obvious reasons. We would point to the tracking stocks that TCI used to great effect and investors did very well with Liberty Media and TSATA. Meanwhile, the parent stock zoomed up the charts during 1997 and 1998 pre-take out and was eventually sold for a major premium. Maybe not a great analogy either for potential newspaper company tracking stocks but as we said, there are not a huge number of pure media comparisons to use for the near term to chart the course.

Finally, we continue to believe that newspaper stocks still have a negative Internet bias priced into them and the stocks are suffering as of late from rate hike worries and newsprint price hike concerns. The short term cyclical factors should dissipate as investors get better visibility on what should be strong earnings in Q1, a situation similar to what we saw happen back in 1997, which was the last rising newsprint price environment (by the way, the stocks outperformed every quarter). However, on the Internet side, we believe that a potentially successful New York Times Digital offering could spur other companies to come to

the market this year (like Dow Jones (DJ – Market Performance), Knight Ridder, Tribune and Gannett). And as the market digests what this actually means, that there is a new fast growing business but also a healthy base business, we believe that the stocks will respond positively.

Potential Implications for Other Newspaper Companies

The table below is an analysis of the estimated equity value that each of our large cap newspaper companies could potentially extract from their Internet operations, based on the latest revenue trading multiples for edit-driven content companies such as ZDNet, MarketWatch.com, CNET, Inc., and others (see valuation comparison). Applying a median multiple for the comparable group of 12.5x EV/Revenues in 2000 and a 7.4x multiple in 2001, we conservatively determine that the large cap newspaper companies could extract more than \$4 billion of value by spinning off these assets or by creating a tracking stock. We say conservative, because looking at the live example of NYTD, we estimate that the market could reasonably attribute a 20x 2000 multiple, or an equity value of \$1.05 billion to the stock, when NYTD comes to market. On an operating cash flow basis, the companies benefit from monetizing these assets, because they can strip out Internet losses from the core business to boost core operating cash flow – and therefore, market value. On top of this, the newspaper companies' stock prices also benefit from the equity value of the Internet business shares that they own. This is a simplified analysis, of course, but it supports the thesis that we have been building for quite some time now that newspaper companies are real players on the Internet and can extract the hidden value of their successful Internet operations to build on the value that we've argued has been present all along in the core business.

Internet Forecast and Preliminary Valuation Analysis for the Newspaper Group

Company	Internet Revenues			% YoY Change		Target EV/Rev Multiple		Estimated Enterprise Value		Estimated Per Share Value		80% Est. Per Share Value		
	1999	2000E	2001E	2000E	2001E	2000E	2001E	2000E	2001E	2000E	2001E	2000E	2001E	
	Gannett (GCI)	\$40	\$70	\$119	75%	70%	12.5x	7.4x	\$875	\$881	\$3.11	\$3.13	\$2.49	\$2.50
Knight Ridder (KRI)	\$32	\$55	\$94	72%	70%	12.5x	7.4x	\$688	\$692	\$7.06	\$7.10	\$5.65	\$5.68	
New York Times (NYT)	\$31	\$53	\$92	73%	74%	12.5x	7.4x	\$661	\$681	\$3.68	\$3.79	\$2.95	\$3.03	
Dow Jones (DJ)	\$43	\$55	\$72	28%	30%	12.5x	7.4x	\$688	\$529	\$7.53	\$5.80	\$6.02	\$4.64	
Washington Post (WPO)	\$17	\$43	\$72	150%	70%	12.5x	7.4x	\$531	\$535	\$52.60	\$52.94	\$42.08	\$42.35	
Times Mirror (TMC)	\$20	\$35	\$60	75%	70%	12.5x	7.4x	\$438	\$440	\$5.79	\$5.83	\$4.64	\$4.67	
Tribune (TRB)	\$20	\$30	\$45	50%	50%	12.5x	7.4x	\$375	\$333	\$1.58	\$1.40	\$1.26	\$1.12	
Large Cap Total								\$4,255	\$4,090					
Large Cap Median								\$31	\$53	\$72				

Source: Company Reports. DLJ.

Note: All estimates are general ranges and are subject to change. DJ's estimates only include wsj.com and dowjones.com and excludes Factiva, which is Internet-related, and the company's 50% interest in smartmoney.com. Including these, total online revenues are currently at a run rate of more than \$150 million.

Valuation Comparison

Company	Ticker	YTD Perform	Stock Price 2/14/00	Market Cap	Enterprise Value	EV/Revenues			P/E		
						1999	2000	2001	1999	2000	2001
Edit-driven Content											
About.com, Inc.	BOUT	-15.0%	\$76 1/4	\$1,121	\$1,061	39.3x	12.0x	6.4x	NM	NM	NM
CNET, Inc.	CNET	-8.3%	52 1/16	3,801	3,627	34.5x	23.2x	N/A	NM	NM	NM
iVillage Inc.	IVIL	-5.2%	19 3/16	524	439	10.9x	5.3x	3.0x	NM	NM	NM
MarketWatch.com, Inc.	MKTW	17.1%	42 3/4	594	574	24.8x	13.1x	7.7x	NM	NM	NM
theglobe.com, inc.	TGLO	-23.9%	6 3/8	187	121	5.8x	2.5x	N/A	NM	NM	NM
TheStreet.com, Inc.	TSCM	-17.9%	15 3/4	422	295	9.6x	4.7x	N/A	NM	NM	NM
Ticketmaster Online - CitySearch, Inc.	TMCS	1.3%	38 15/16	3,232	3,145	31.5x	19.0x	11.2x	NM	NM	NM
ZDNet	ZDZ	52.4%	32	2,589	2,551	26.2x	18.5x	13.8x	NM	NM	NM
Ask Jeeves	ASKJ	-25.7%	83 7/8	2,280	2,228	116.6x	35.8x	N/A	NM	NM	NM
Median		-8.3%		\$1,121	\$1,061	26.2x	13.1x	7.7x	NM	NM	NM
Total = \$14,749											
Newspaper Publishing Companies											
Dow Jones & Company	DJ	-8.4%	62 5/16	5,644	5,691	2.8x	2.8x	2.6x	25.8x	29.9x	26.5x
Gannett Inc.	GCI	-17.7%	67 1/8	18,633	19,802	3.6x	3.3x	3.2x	20.7x	17.9x	16.2x
New York Times Company	NYT	-3.2%	47 9/16	8,417	8,387	2.7x	2.5x	2.3x	27.5x	23.8x	20.7x
Times Mirror Company	TMC	-16.0%	56 1/4	4,206	6,607	2.1x	2.1x	2.0x	17.3x	14.4x	12.8x
Tribune Co.	TRB	-27.7%	39 13/16	9,459	9,543	3.0x	2.7x	2.5x	25.9x	22.3x	19.9x
Washington Post Company	WPO	-9.1%	505 1/2	4,763	5,432	2.5x	2.3x	2.1x	21.9x	24.4x	20.1x
Median		-12.6%		\$7,031	\$7,497	2.7x	2.6x	2.4x	23.9x	23.0x	20.0x
Total = \$51,121											

\$ in millions.

Source: Company Reports. DLJ Estimates. Wall Street research reports.

Source: Copyright © Donaldson, Lufkin & Jenrette Securities Corporation, 2000.