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CHAIRMAN'S REMARKS

Monday, October 27, 2008

ADM Annual Conference
The Westin LaCantera Resort, San Antonio, TX

“CHANGE” – Perhaps, it is the one word that we all see and hear *demands* for every day. Currently, through the political process of electing on new president, we are bombarded with this powerful word. “Change for America”... “Change our Country Needs”... “Change, etc. etc.”... But, outside the rather divisive political arena where we all know dramatic change is going to happen, we experience change throughout our daily lives – throughout the world, our country, and certainly throughout our business environment. Everyday the headlines provide riveting reminders of the tumultuous time that we face as change happens.

In this year of change – everyone, of course, is changing something – our industry has been no different. It has been a difficult past 9 months for Yellow Pages given...

- Wall Streets negative attention;
- Legislative initiatives to either opt in and/or opt out of our products;
- Green proponents questioning our delivery process and recycling efforts;
- Several key hotel chains no longer distributing directories in an attempt to further their own agendas;
- The super-hyped world of Google, et all;
- And finally, a protracted process of possible industry association consolidation between YPA, ADM, and ADP.

I argue that it is not the challenges we face as a problem, but how we face them that will define us going forward as an industry. While such a statement may sound awfully “political”, especially given the excessive coverage of the campaign efforts for a new president, I am *not* advocating that we become a “maverick”... or a “reformer”. And, we certainly cannot simply put “lipstick” on our issues. However, we,

as an industry, must take responsibility given the critical nature of the challenges before us. There can be no “bridges to nowhere” for our industry as we play such a vital role in connecting our advertisers to the “Joe six-pack and hockey mom” consumers through the valuable leads we deliver.

It is important for all of you to know, I continue to like my current space provided we get pro-active with the value story.

We say it over and over again, but we are still way overdue in our efforts to proactively and diligently shout the value of our product.

Though the Yellow Pages has remained one of the most stable and effective advertising solutions in today’s ever-changing market, unfounded rumors of print Yellow Pages’ expected demise have recently grown in popularity. Speculative assumptions, general misinformation, and a blatant disregard for the facts seem to be to blame.

Unfortunately, we as a medium at large continually fail to REPORT positive news about our product, and even worse, bloggers now loudly spout their anti-print opinions at every opportunity. But remember, bloggers – people who by definition post their personal journals to the Web – spend a significant percentage of their time online, and thus clearly prefer the Internet as their go-to reference tool. Bloggers obviously possess a definite pro-Internet bias, but one that is not at all universal. Their opinions should not be considered representative of the overall culture and population. Doing so would be similar to listening to the campaign coverage of *only* MSNBC or Fox News and suggest that their respective political pundits are “complete and accurate” rather than a bit biased to the left or the right respectively. Along similar lines, here’s what they need to really know – “the rest of the story”, so to speak:

As we know, the fact is that the latest research from the Yellow Pages Association shows the Yellow Pages industry as a whole grew to 17.2 billion searches in 2007, up from 16.7 billion in 2006. Of these searches, the print Yellow Pages represented a total of 13.4 billion,

matching last year's total, and thus proving print directories' overall strength and stability. The Yellow Pages have remained both strong and popular proven by the fact that consumers rated Yellow Pages the most trusted source of advertising in today's market in 2007.

At the same time, newspapers have experienced the largest decline since tracking began in 1950. Radio advertising results also look grim after a 2 percent drop in 2007, and a notably slow start to 2008. It's the same story for magazines, as total rate-card-reported advertising revenue fell 1.2 percent during the first three months of 2008. Further, ad pages fell 6.4 percent. Research has also found that DVR commercial skipping could threaten approximately \$8 billion in TV advertising. Meanwhile, media that target and deliver value to consumers during the most opportune moments of the buying cycle, such as direct mail, coupons and print Yellow Pages, have all increased in their influence on consumer purchasing habits.

Furthermore during our slow economic times, these other media have begun to struggle even more. The continued revenue decline of magazines, newspapers, television and radio only reinforces the urgency for businesses to invest in stable, successful advertising. The print Yellow Pages offers an unmatched stability that allows advertisers to invest with confidence. The economic downturn presents an optimal advertising opportunity for small- to medium-sized businesses to differentiate themselves from their competition by staying with their most stable lead generation source - the print Yellow Pages. In 2007, 87% of the U.S. population referenced print Yellow Pages, and 86% of these shoppers made a purchase. Those numbers translate to an outstanding return. We enable businesses to remain successful because we provide the most qualified, ready-to-buy leads at the most affordable prices. Other traditional media just don't wield the same influencing power they used to, nor do they provide a proven return.

Educating our customers is vital. We must show them that executing a diversified advertising strategy with both online and print Yellow Pages capitalizes on the extraordinary opportunity to reach the majority of consumers. The two media effectively complement each other and

both significantly outperform competing media in terms of delivered returns. In fact, new research has found that 62 percent of Internet shoppers also reference Print Yellow Pages, and also that 87 percent of print Yellow Pages users and 70 percent of Internet searchers will make a purchase. Combining the strengths of both print and Internet advertising maximizes overall exposure and generates highly qualified sales leads. And with the testing capabilities of our medium, we demonstrate accountability and ROI and allow advertisers to *efficiently* and *effectively* reach potential customers better than any other medium in today's market.

Though print's reputation is under constant attack, the Yellow Pages obviously more than hold their own in today's market. Print Yellow Pages actually have quite a bit to brag about as they offer an extremely desirable customer base, a highly complementary relationship with other media, a higher return than all other advertising outlets, more stability than traditional media, and everything in between. The results speak for themselves; the power of print is undeniable.

Our primary short fall has historically been the speed (or lack thereof) towards solving our industries problems and the transparency in how the industry partners communicate. The "Devil in the Details" always seems to inhibit a positive future outcome. In some ways, we are no different than our dysfunctional Congress as it has dealt poorly with the ensuing credit crisis on Wall Street. We, both CMR's and Publishers, are constantly re-acting vs. positively acting to the changed media world and the expectations of proven ROI from our advertisers.

As a striking example, I recently came across the 1994 issue of Directory World. Do you even remember the publication? One of the lead articles was on the newly announced "Marketing the Medium" program crafted by a \$600,000 study conducted by Boston Consulting Group. Dubbed "Testing for Success" it was designed to increase national spend of current and potential advertisers. The big question then was will it work? It did have success against the targeted results, but here we are again in 2008, with another program – MAP –

Measurement and Accountability Partnership – which Nancy will demonstrate later its progress and success.

But, it's still not enough. Nothing short of measurement lines in every ad to continually re-enforce value, will be enough. The industry waited too long to get line costs down to where this unilateral proposal can work. We must test till we drop and put both the pundits on Wall Street and, most importantly, our advertisers in a credible value story position. We can then expertly challenge the other media spends within our advertisers' media mix to move some of their spend back to our industry. Through demonstrating the success of our very accountable Yellow Pages offerings, both print and online, we can attain the appropriate "share of wallet" that will help our advertisers grow their business in a cost-effective manner. *All* of us should have been 4 years ago. I would heartily encourage our publisher partners to quickly develop Pay per Call pricing initiatives to penetrate "old prospects" and underdeveloped headings as a means to new revenue streams that have automatic ROI associated with the buy. It took too much time to get call measurement lines cost where it is today, so we must all act NOW to put other media on notice as to the ROI which still exists within our industry. Once demonstrated, we MUST galvanize our efforts to effectively communicate the powerful message that Yellow Pages delivers a high ROI for our advertisers.

I would be re-miss if I didn't mention CMR compensation as a challenge for the CMR industry both past and present. It starts with the sophistication of our contacts and decision-makers compared with the multi-hat decision maker at the local level. The national decision-maker deals exclusively with marketing and media. They have high expectations as it relates to proof of effectiveness and the myriad of options that exist in today's world. Meeting these expectations through compelling and sophisticated means, especially in distributive, decentralized channels, is expensive as CMRs must make sense of all of the *data* that comes from the industry, the publishers, and certainly from our own efforts and turn that into *information* that supports the value story and ultimately our collective growth. CMO's are changing every 18 months as they grapple with these multi-platform choices and the need to justify their spending decisions. And with each new

CMO comes the mandate to change what was. That's bad for our large advertisers and good, possibly, for the non-advertiser. Therefore, any fluctuation to the minimum level of compensation – I'm defining that at 20 percent – weakens the CMR's ability to sell through the value story at a critical time for our industry. The rationale given for TMP's resignation from ADM was financial. If this can happen with the industries' largest CMR, it doesn't bode well with the remaining CMR's within the channel. Even independent publishers have had to move from a straight commission plan of the old days to a salary and commission mix to better serve its local market. Perhaps the single most important considerations in compensation is to remember CMR's are companies – not sales reps and therefore shouldn't be compensated as you would an individual sales person. Not if you want us to invest in the appropriate infrastructure and talent to prove ROI and sell through the value story.

Most of you have probably heard the quote attributed to Walt Disney: "Change is inevitable, growth is optional." I'd like to add two other quotes for you to think about:

"We must become the change we want to see" – Mahatma Gandhi.

"When you're finished changing, you're finished" – Benjamin Franklin

In other words, we are not in a UNIQUE position looking at change. Conversely, the need for it has always been – and will always be – around. Change is difficult and can be traumatic. But it is going to happen whether we want it to or not; whether we like it or not; whether we try to stand still and let it roll over us; or we embrace it and hop on for the ride!

These thoughts are especially pertinent as we look at the possible merger of ADM, YPA and ADP. With the many internal and external changes and challenges surrounding us - often attacking us - as an industry, I feel the time is right for looking strongly at the possibility and remaining open to exploring all options.

Considering the economic conditions we all find ourselves in – individually and as companies – the merger makes more sense now than ever before. The resources of 3 separate associations combined into one makes perfect economic logic, allowing us to eliminate financial repetition while making more investments into newer and broader areas of research, consumer awareness, advertising, etc.

Not only would we be combining financial resources – but we gain even more from the combined intellectual resources as well. Not 3 groups telling the same story 3 ways, but one group finding more and better stories to tell.

And best of all, we finally become a UNIFIED VOICE to the outside world – our clients as well as our competing media. This is change – and put a different way – change is inevitable but growth is *intentional.*”

At various times in your careers, you will be called to take a risk. And I think you will find, as I have, those will be the times of your greatest opportunity. When we realize we are part of the *same* family, then we’ll come up with the *real* solutions.