

Source: McClatchy Seen Joining Yahoo Ad Deal

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McClatchy leaves an Internet advertising pact with fellow newspaper publishers Tribune and Gannett to join a rival group close to a deal with Yahoo.

McClatchy Co. has left an Internet advertising pact with fellow newspaper publishers Tribune Co. and Gannett Co. Inc. to join a rival group close to a deal with Yahoo Inc., a source familiar with the matter said on Friday.

The decision marks a split in the Internet strategies of three of the largest U.S. newspaper companies, which jointly own stakes in online jobs site Careerbuilder.com and local search and discussion forum Topix.com.

The group that McClatchy would join includes publishers Belo Corp., Hearst Corp., Journal Register Co., Lee Enterprises Inc., MediaNews Group Inc. and EW Scripps Co. It spans papers such as the San Francisco Chronicle and the Dallas Morning News.

The consortium already uses Yahoo technology to sell help-wanted advertising and offer other local information services on their related newspaper Web sites.

The publishers and Yahoo may announce an expanded agreement as early as next week that would allow advertisers to easily buy space across multiple newspaper sites, the Wall Street Journal reported, citing unnamed sources.

Such a deal would create a new advertising channel for newspapers by allowing them to set commercial rates for a much larger Internet readership rather than the traffic to an individual site, or set of a few sites, they can use now.

The existing Yahoo agreement with publishers spans at least 176 U.S. newspapers. Publishers see it as a way to attract Internet ad revenue and get more people to visit their Web sites as print editions cope with waning circulation and slowing ad sales.

Yahoo's tie-up with traditional publishers also aims to give it a stronger foothold in local markets via the Web, viewed as a key area of advertising growth as it competes for share with Internet search leader Google Inc.

The partnership may prove fruitful, but would take time to gain momentum, said Benchmark Co. analyst Ed Atorino.

"In the long term, the arrangement with Yahoo could drive revenue to newspapers," he said. "In the time being, it's a little bit of an R&D venture."

Gannett, Tribune and Yahoo officials declined to comment. Several McClatchy executives did not return telephone calls seeking comment.

McClatchy shares fell 7 cents to \$31.50 on the New York Stock Exchange. Gannett shares rose 4 cents to \$57.52, while Tribune shares fell 11 cents to \$32.76. Yahoo shares fell 14 cents to \$31.07 on the Nasdaq stock market.

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