

**Neg Norton**  
**YPA 2010 Annual Conference**  
**Opening Address**

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Thank you, Chris.

Good morning again everyone! I'd just like to take this moment to thank you -- on behalf of the association -- for joining us this year.

I do hope the new format is to your liking.

And to Chris' point about personal accountability, I really hope that you'll use your time to

network the other attendees,  
get insights at the strategic exchange meetings,  
share your perspectives on the InsideYP blog,  
and really maximize this opportunity to tap the wealth of knowledge in this room.

This is one of those rare occasions where you've got perhaps the single biggest global gathering of industry executives all in one place.

So I hope everyone walks away from this year's event with at least 15 new business cards and hopefully a few shekles left in your wallets.

I always look forward to our conference as a chance to present our collective "state of the union." And there is just so much to address right now.

With new projects, partnerships, service offerings and technologies coming through the pipeline in rapid fire -- we almost can't keep up with all the developments being announced on a daily basis.

These changes are energizing. And what I take away from all the breakthroughs is that, after a long time talking about the need for transformation -- we're now seeing tangible evidence that the transformation has gone from words to action.

Just take a cursory look at the headlines over the last few months.

- Starting from the bottom line, we saw two major companies -- Idearc and RH Donnelley -- undergo extensive financial restructuring, reduce debt and emerge from bankruptcy as stronger, revitalized companies -- now

### **SuperMedia and Dex One.**

- Others, such as YPG, have updated their brands to reflect the multi-platform focus of our transformation.
- We've also seen new innovations in marketing strategies. In January, for example, **The Berry Company** announced a new go-to market strategy to fundamentally transform the way they operate and serve their clients. **SuperMedia** continued to roll-out extensions of its innovative SuperGuarantee program. These programs, in different ways, leverage the trust consumers have in these Yellow Pages franchises. This type of fresh thinking based on our core foundations is an increasing trend across the industry.
- Another emerging trend is experimentation with new integrated web platforms that bring together news, local directory listings, social content, video and other interactive content all in one space. This is evidenced by **AT&T's** move from yellowpages.com to yp.com in April and their continued beta testing of Buzz.com. **YPG's** work with Calgary.com, and **LocalEdge's** launch of Skunkpost.com also come to mind.
- And beyond the web, we are seeing many other platform innovations – a good number of them being brought to the industry by suppliers and other new parties – such as **Avantar** and **Yellow Magic's** new yellow pages application for the iPad, **SuperMedia's** sp411 and 72 city-specific recommendation feeds on Twitter, and **Yell Group's** augmented reality iPhone App.
- A flood of strategic partnerships and acquisitions are also shaking things up, including vertical site acquisitions like EveryCarListed.com ( from **SuperMedia**); RedFlagDeals.com, CanPages.com and Restaurantica.com (from **YPG**), and **DexKnows** weddings.
- And finally, in the realm of Consumer Choice and Sustainability – we've seen some great measures introduced to reflect the needs and concerns of our consumers. These include **AT&T's** moves to transition residential White Pages to opt-in, **Dex One's** "Select Your Dex" program, **Sensis's** carbon neutral certification and **Yellowbook's** efforts to significantly minimize the size of their directories – reducing paper consumption by nearly 30%.

These transformational steps coupled with a recovering economy and gradually improving small business confidence can make this the best of times for our

industry.

. Here are some signs that provide encouragement:

- As profits rebound and stock prices rise, businesses are regaining the confidence to hire again.
- The credit crunch is moderating--- most lenders are no longer tightening standards for business and consumer loans.
- Consumer spending and income levels have stopped sinking and either flattened out or returned to a growth mode
- Industrial production and sales have also started to resume growth
- And most importantly to us – small business optimism is returning as they increasingly join the recovery and feel the results of improved consumer confidence.

In fact, [show data comparing Q1 and Q409] new Forrester data on small business perceptions of the market place indicate that there was a notable decline in those SMB owners who thought the economy will get “significantly worse” from the first and last quarters of 2009.

At the same time, we saw an increase in positive perceptions of those thinking the economy will get “slightly better” over 2009.

Q75.FI: During the NEXT 12 MONTHS, what do you think is most likely to happen to the national economy?	Q1 09	Q4 09
Become substantially worse	23%	15%
Become slightly worse	24%	22%
Remain about the same	26%	27%
Become slightly better	24%	32%
Become substantially better	3%	3%

I think all of us are cautiously optimistic that these trends will continue throughout 2010.

These market forces combined with the innovations happening in the industry set us up for success... but there is still lots work to be done. Our key to completing this voyage and making this THE BEST OF TIMES is our individual commitment to:

- A clear, fact-based understanding of the realities of the market
- Fresh ideas and new thinking
- And of course a willingness to change
- While always remembering who we are, and what we do best

So - to the point about keeping a fact-based understanding of the market - let's talk about what our industry metrics are telling us.

Typically the first place consumer spending will re-emerge is in needs-driven areas – needs driven by events in their lives, by repairs that were deferred, upgrades to

increase value or replacements that are no longer a luxury but a necessity. Exactly the areas where the information in our products is most helpful.

So it should be no surprise that as economic conditions improved:

- Usage grew throughout 2009 for both print and IYP (as shown in the graphs)
  - Print weekly reach increased **14%** between the 1st and 4th quarters of 2009.
  - Print weekly frequency increased **19%**
  - IYP weekly reach increased **35%**.
  - IYP Weekly frequency increased **24%**.

Those are impressive increases.

Here's another insight from the usage data that's an eye opener for many.

While the popular belief is that print is in decline, consider the following :

Of the top 660 headings:

- **43%** of the headings received at least as many references from print as 10 years ago.
- **33%** of the headings received 20% or more print references than 10 years ago.

Ten years ago, Internet Yellow Pages were in their infancy. Today, there are roughly 5 billion searches a year to IYP.

If we combine IYP and print references for the top 660 headings, an even more dramatic picture emerges:

- **58%** of the headings received as many references from print and IYP combined than from print alone 10 years ago.
- **47%** of the headings received 20% or more combined references than from print alone 10 years ago.

- Calls are picking up as well.

Between 2008 and 2009, a study by CRM Associates of 4100 clients with the same ad size in both years showed that total calls increased 3%---and yes, both print and IYP showed increases. 45% of the clients received more calls in 09, while 55% received fewer.

I'd like to make a couple of points here.

First, the call volume data speaks to the need for clients to have improved, more competitive content to get the calls. Second, at the risk of stating the obvious, every heading in every market tells a different story. It's so easy to fall into the trap that print is declining. But it's not declining for Trailer Rentals. It's not declining for Home Centers. It's not declining for Hot tubs & Spas. It's not declining for Resorts, or Video Games or Counter Tops.

YPA has tons of research available to help local and national salespeople understand how our products work within a specific category. Larry Small and Natalie Wuchenich are available specifically to help members interpret the research and use it to help clients make informed choices. Please take advantage of their expertise.

Third, and this happens to be a real pet peeve of mine, with all this research and expertise available, why is it that only 75 of the 164 CMRs even have licenses to use the YPA research? And how many local sales trainers, sales managers and directors really use the YPA research? What's up with that? Why isn't using this information simply part of our standard operating practices?

So if print and online yellow pages usage has been flat for several years, why aren't revenues keeping pace? (Show the chart indicating that usage has been flat for past 4 years but revenues have declined—according to Kelsey Group)

Bad economy? Yes, but it wasn't bad all four years. Increased competition brought about by secular change? No doubt. Public perceptions that print was in decline? I'll buy that to some extent. But do those factors alone explain a 17% revenue decline?

I don't think so and it gets to execution.

Chris talked about it around the context of accountability.

Dave Swanson made essentially the same point in a really terrific keynote he gave at the joint YPA/Kelsey meeting this past September. He said " Somewhere along the line we became product and price sales people. We stopped listening and asking questions and couldn't wait to talk about the new shiny internet thing and do we have a deal for you this year."

I believe we've suppressed our value in the market as a competitive response to media fragmentation. Why? Why shouldn't our value be even greater given that we provide multi-platform solutions?

Our access to customers through our sales channels is our industry's greatest asset. Now is the time for publishers and CMRs to strengthen these bonds with

Comment [SV1]: To be confirmed

our clients by ensuring that our go to market strategies truly put clients first. Our products work---really well. And with ROI figures in excess of 10 to 1 for nearly everything we sell, I maintain that we'd be serving clients a hell of a lot better by helping them understand how to get the most value they can from our media, not by putting the focus on keeping their current spend intact. Because in an era of ever increasing media fragmentation, I'd posit that excellent client service, defined as good preparation, good listening, fact based advice, really relevant searches, good creative, good reporting and analysis....in a nutshell---being accountable... will be the winning formula for the future.

I'd like to switch gears now for a moment and talk about some association business. I'll begin with a quick recap of the recent election of directors for the YPA Board.

First, we exceeded the quorum and each director received more than a majority of votes in their class. Elected publisher representatives include

- Scott Klein, SuperMedia
- Scott Pomeroy, Local Insight Media
- Frank Jules, AT&T
- Dave Swanson, Dex One and
- Joe Walsh, Yellowbook.

CMR representatives are:

- Chris Cummings, Marquette Group
- Norm Hagarty, DAC Group
- Sharon Sweeney, Nationwide Yellow Pages and
- Kathleen DeCaire-Aden, SMG Directory Marketing.

As some of you may be aware, Kathleen recently accepted the position as CEO-Wahlstrom. Kathleen's departure from SMG creates a vacancy on the YPA Board. Because the election has just taken place, and Kathleen was elected as a director, the YPA Board will be filling the position for the forthcoming term. In the case of vacancies for Class D, or CMR directors, our bylaws provide that the Board will honor the recommendation of the National Marketing Division. I understand that the Division will be addressing this issue at their Advisory Council meeting tomorrow.

In matters less complicated---Marc Tellier was appointed as an international Director.

Yours truly was also appointed as YPA President.

And I'm pleased to announce that at Saturday's Board meeting, Bill Dinan, President Telmetrics was appointed to the Board representing Associate

members. Bill's appointment, in my view, reflects the importance of call measurement services to clients and to the future of our industry.

Chris Cummings, as you already know, will be YPA Chair again this year.

I must say it took some convincing, but thankfully he agreed to serve a second term.

The Scott's, Klein and Pomeroy will serve again as Vice Chair and Secretary/Treasurer respectively.

At our January Board meeting, the YPA Board approved our objectives for 2010. These net out to 5 broad goals.

Solid execution against these broad goals is only possible if the organization is in good financial health.

We recently completed our audit with Price Waterhouse Coopers and once again received an unqualified opinion.

In short, YPA is in very good financial health. We have a fund balance of approximately \$13.6 million dollars, of which 2.1 million is designated for the National Marketing Division. A few short years ago our fund balance was \$2.5 million.

Our 2010 budget, including several new initiatives approved by the Board following budget approval, calls for revenues of 12 million and expenses of 12.6 million for a loss of \$600,000. The additional expenses reflect some investment opportunities I'll touch on momentarily.

First, a brief review of revenues: 24% or roughly \$ 2.9 comes from Dues, Initiation and Research Fees. In 2009 we reduced publisher and CMR Dues by 20%. We retained those discounts in 2010 and even accelerated reductions for larger publishers. Nearly three quarters of YPA's revenues come from Products and Services the marketplace consumes from YPA. Six years ago this funding model was almost completely inverted where the majority of YPA's revenues came from Dues and Research fees.

The move towards a consumption based funding model works well for two reasons; first it's fair----larger companies pay more simply because they consume more and vice versa and secondly, YPA's products and services have value in their own right. To that end, we're motivated to create new products and services that bring value to the market and where YPA can make a profit. So while I have the opportunity....I'd like to say thank you.



**Operating Expenses by Program**

- National Order Infrastructure – 34%
- Membership / Conference – 20%
- Communications / PR / Website – 13%
- Research – 14%
- NMD – 8%
- Public Policy – 7%
- Co-Op – 4%

• **Public Policy**

- *Opt-out (Do Not Deliver)*
- *Ad Tax & Restrictions*
- *Bogus Billing*
- *PPC Committee*
- *Environmental Committee*
- *Environmental Programs*
- *Distribution Committee*
- *Intellectual Property*
- **Promote & Grow Industry Media Relations**
- **Research**
- **Fact & Media Guide**
- *Local Media Tracking Study (Formerly Industry Usage Study)*
- *Intermedia Shopping Study (Formerly Media Impact Study)*
- *University Program*
- *Co-Op Programs*
- *Web Sites (YPA, Buyyellow.com, Search Engine Land)*
- *Rebranding*
- 

• **National Order Infrastructure**

- *Rates & Data*
- *ELITE*
- *E- Billing*
- *Directories Online*
- *Training*
- *Share of Voice*
- *IYP & New Initiatives*

• **Membership**

- *Annual Conference*
- *Recruitment*
- *Development*
- *Communications*

• **NMD**

- *Nat'l Channel Advocate*

- *Pays Database*
- *Interactive Roundtables*
- *Research*
- *Sales Support*

I'd like to give a quick shout out at this point to our CFO Donna Borowicz who does a fabulous job managing YPA's finances. A quick story about Donna's effectiveness; 3 years ago Price Waterhouse, our accounting firm, made the decision to stop serving all not for profit clients. Yet they retained YPA as a client simply because our audit was so orderly and our books so clean.

I mentioned earlier that about \$2.9 million dollars is derived from Dues and Research fees. Those revenues are the responsibility of our Membership group led by Cindi Aldrich. We ended 2009 with 403 members: 131 publishers, 164 CMRs and 108 Associate members. YPA is proud to have members from 33 countries.

Chris touched on the merger with ADM a few minutes ago and all of us at YPA are delighted to be working with the newly formed National Marketing Division.

The Division continues to focus on the national marketplace. An Advisory Council of CMRs and publishers oversees the division, which is headed by Nancy Augustine.

Among the Division's 2010 initiatives are: Maintaining the PAYS database and portal, administering the MAP program, leading the Interactive Roundtable and providing sales support to CMRs and publishers.

PAYS is the database of purely national call tracking data. PAYS stands for **P**roof that **A**dvertising in **Y**ellow pages **S**ells. Division members have 24/7 access to a web-based portal of results. Sales aids for 58 categories covering 86 headings also are available.

MAP, or **M**easurement & **A**ccountability **P**artnership, provides top national advertisers with ongoing call tracking lines. This ensures advertisers always have current information available demonstrating yellow pages' value – both print and online.

The Division's Interactive Roundtable of CMRs and publishers addresses issues

related to IYP and local search. Listings accuracy and research are two topics currently on their agenda.

The National Marketing Division staff supports its members through services such as research interpretation, advice on test design and summaries of split-run and companion directories.

All YPA members are encouraged to join the National Marketing Division.

As I mentioned earlier, the lion's share of YPA revenues come from products and services---- and the lion's share of those product and service revenues come from the National Order Infrastructure area, managed by Kathy Roush. Our mainstay products, Elite and Rates and Data continue to work well and serve the needs of the market. We added a significant amount of new data to our Rates & Data files to ensure CMRs have the most current and accurate information available. Several enhancements were made this past year including prototype and directory branding information, town sectionalization, additional WP data and more detailed companion directory data. These enhancements will be rolled into our IRIS Online product in 2010.

We continue to improve our Directories Online service while growing both users and the number of directories in the system. We added Yellow Book this year and currently have over 7,000 directories, representing 95% of the North American market. Based on suggestions from many of you, we redesigned the interface, standardizing the look and feel of the system and enhanced its search capabilities via API feeds and faster processing.

Which brings me to two announcements I'm pleased to make this morning. Based on the success of Directories Online, YPA is developing a service we're calling Share of Voice. As Chris alluded to, with our Share of Voice service, CMRs and publishers will be able to conduct detailed directory analyses for client and marketing purposes faster and more cost effectively than ever before. We've already begun development and expect the service to be ready by the end of the year.

I'm also pleased to announce that on Saturday, the YPA Board approved a relationship with Media Traks which will bring an internet Yellow Pages order placement system to market. We're calling the system Elite IYP. As the name suggests, the system would be the industry standard IYP order entry system and potentially, for other digital products as well. For CMRs this should be extraordinarily good news and long overdue. Stop in and visit the YPA SES session in Champagne One to hear more about both services.

One of our industry's biggest challenges and areas of opportunity is public perception.

YPA is investing in a comprehensive communications program with our partner Fleishman-Hillard to help shape the public's perceptions about our transformation, so that in the minds of the public, our industry's brand is in line with today's reality.

I've had the opportunity over the past few months to meet with a number of media outlets, including Barron's, Reuters, and others and I'm happy to report that media are more open than ever to hearing our story and with visible signs of transformation all around us, we can easily support our message.

In addition to traditional media, the bulk of discussion about our industry happens online – from small business Web sites to microblogs like Twitter, the online community is actively discussing what role Yellow Pages advertising should play for small businesses.

To be part of that conversation, we've dramatically increased our efforts to reach industry bloggers and post content to our own blog, InsideYP – which I hope you check daily.

Through our blog, we're able to amplify news from our members as well as provide analysis and context on trends and areas of interest. Interestingly, even some of the most ardent online centric bloggers are finally acknowledging that print still has a vital role in the media mix for many categories. So I'm very pleased with the progress we've made in the social media space and look forward to doing more this year.

Strong data is also helping us tell our story. The PR team is using the results we've received from the Burke study to support our claims that Yellow Pages continue to be a wide-reaching and trusted source for local information. Our investment with Burke is paying off in multiple ways, and good PR is one of them.

We continue to face challenges as well. Certainly, legislative efforts drive negative attention for our industry. But we've never been more engaged with media at the local level than we are today, and I believe that's having a positive impact on our legislative efforts.

I'd like to thank Stephanie Hobbs and the PR committee for all their hard work in helping us make strong progress in this area. Our tracking shows that media coverage of our industry is more positive than it was one year ago today. Challenges certainly remain, but we have great momentum in 2010.

I alluded a few minutes ago to several ways YPA creates value. One is through Dues reduction. Another way is through the products and services that help members lower their costs, and improve quality or productivity. The third way YPA creates value is through the services we render on behalf of the industry. And frankly I can think of no better demonstration of that value than our Public Policy efforts, led very capably by Amy Healy. As we expected, the attacks on the industry and publishers ability to delivery directories without government interference have been greater both in number and intensity in 2010.

States, counties and municipalities have set our industry in their sites. The dire budget circumstances state and local governments are experiencing means legislators are exploring every avenue to find ways to raise revenue or reduce costs including the costs to dispose of unsolicited advertising such as directories. In other instances, legislators are responding to a small but vocal constituency that believes Yellow Pages directories are a waste and should be curtailed.

We continue to take this legislative threat very seriously. The industry's response to our critics has been swift, strong and smart. YPA maintains that the industry's best response to legislation is a policy of self-regulation where publishers provide clear and prominent notification to consumers about how to decrease or stop the delivery of directories they no longer wish to receive. And these processes must work at the point of delivery. While we know the vast majority of consumers continue to use and find value in the printed directory, we also agree that people should have the option to stop directory deliveries if that is their choice. You've heard me say this many times before but delivering a directory to a consumer that doesn't want one creates no value for anyone; not the publisher, consumer nor the client. Therefore, we should have every incentive to get it right.

As head of this association, one thing I am particularly proud of is the collaboration between YPA and our members on this effort. Last year I called for all of us to hold hands on this issue – and, I'm pleased to say that's exactly what we've done. The success of YPA's legislative and lobbying activities are a direct result of a coordinated and committed response by publishers and suppliers to do the right thing. Through our committee structure, YPA works directly with publishers, paper suppliers, printers and distribution companies. The collaboration through these committees, which hits all the necessary touch points in the industry, is something we can all be proud of and something I'd like to spend a moment discussing.

For years now, our public policy committee has coordinated the state, county and municipal responses to legislation and ordinances directed at the industry. The legislative landscape varies in every state and locale. We owe our success rate in holding off legislation to the industry's ability to build key alliances as well as to educate our critics about the self-regulatory efforts of our publishers and the

thousands of good paying local jobs supported by our industry. This is a compelling message, particularly at a time our country is experiencing high unemployment.

Another part of our strategy is to be proactive by telling our story about the true environmental impact of the printed directory and to dispel the myths that are spread by bloggers and other media that have either not done their homework or chosen to ignore the facts. YPA's Environmental Committee has been instrumental in this regard.

By providing success stories for YPA's first sustainability report, which we are officially releasing today, we can tell our story, the real story, about the progress the industry has made to government agencies, the media and environmental groups. (Show cover of report on the big screen). This report showcases many of the positive steps that publishers and suppliers have taken to address environmental and consumer choice concerns.

For example, Yellowbook's decision to reduce the size of its directories requires 30% less material, generates less waste which results in lighter directories requiring less fuel and fewer trucks to transport and deliver. AT&T's residential white pages consumer choice program saved 22 million pounds of paper in 2009 alone. SuperMedia's announcement that they were placing consumer choice information on the covers of all of their directories set a bold precedent that other publishers have followed. And DexOne continues to set the bar high by issuing press releases in major markets to promote the use of Select Your Dex prior to the next delivery. These are innovative steps the industry has taken and our critics should know about them.

You can be sure that YPA will be stepping up our communications efforts in this area. The report sets the record straight about how directory paper is made, and it also contains information about the life cycle analysis of directory paper that YPA conducted in partnership with the American Forest & Paper Association. I'd like to give special appreciation to Paul Gordon at Catalyst Paper for serving as the industry's liaison for the life cycle analysis and for providing his subject matter expertise for the report. Thank you Paul.

And no consumer choice program would be effective without the support of the distribution companies that place directories into the hands of millions of users every day. YPA recently conducted a Distribution summit hosted by DexOne whereby publishers and distributors shared best practices and honed in on the areas that have been the focus of so much attention including multi-unit housing and seasonal home areas. It is at the point of distribution where many of our critics have focused this past year and we, as an industry, are determined to get

this right. The days of dropping directories off in an apartment building lobby and not looking back are over.

Whether the rationale is to curb unwanted directories left in apartment lobbies, to cut down on solid waste management fees or to expand a growing trend to curb unsolicited advertising, one thing is certain, the industry will be facing these legislative threats for years to come. We must live up to the commitments we have made and continue to make strides in this area in order to stave off legislation.

But as I started out saying, I am very proud of the way the industry has come together to support our self-regulatory position. This united front is the single biggest reason we've been so successful in preventing any state legislation from passing.

So I hope that gives you a good summary of our priorities and ways we're investing the assets you've entrusted to us.

In closing, I'd like to end with a prediction. And that is that:

The next time we meet,  
12 months from now

We will not be talking about transformation any more.

**We will have transformed**

We have a clear vision of what the future looks like for our business, and that is as trusted consultants to local businesses, offering smart and effective multiplatform solutions to generate sales leads wherever, whenever on whatever platform their consumers are searching.

We have the resources, the knowhow, the channels, and the transformative leadership to realize that vision better than any other player in this space.

It's time to re-establish our place as the #1 provider of integrated marketing solutions to small and medium sized businesses. It's time to make this the Best of Times for our industry.

Thank you.