

LookSmart Answer Their Critics

By Kalena Jordan

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If you've read my article "LOOKs Can Be Deceiving" (http://www.high-search-engine-ranking.com/LOOKs_Can_Be_Deceiving.htm), you'll already know how I feel about LookSmart's recent decision to change their US-based directory model at www.looksmart.com from Paid Submission to Pay Per Click.

One person who was very interested in the article was CEO of LookSmart Australia, Damian Smith. After he read it, Mr Smith contacted me and agreed to an exclusive interview to address some of the issues raised in the article. Below is a transcript of that interview.

Do the answers provided by LookSmart shed much light on their decision or go any way towards resolving the issues? I'll let you make up your own mind:

(WR) = Web Rank, (DS) = Damian Smith

Question 1 (WR) - Why did LookSmart Ltd decide to change LookSmart.com from a Paid Directory to a Pay Per Click model?

(DS) Our customers told us to. For 24 months, since we launched our first Submit product, customers wanted to know what they were getting for their US\$299. They wanted a guarantee. We couldn't give them one, since results are served according to relevancy.

Now, you only get charged when you get a lead to your site. Strict accountability. If we don't deliver traffic, we don't get paid. If the leads don't convert, you won't keep paying us either.

With the new model, the users' need for a relevant search result, the advertisers' need for a qualified lead and the distribution partner's need for revenue are perfectly aligned.

Question 2 (WR) - Why did LookSmart Ltd decide to force their customers to rollover into the new model instead of grand fathering their listings?

(DS) We're giving our legacy customers US\$300 in value-that's more than they ever paid in the first place. Plus, we're giving them 20 months to stay in the directory and see for themselves how well the product works.

In addition, if listings are critical for relevancy, they'll stay in the directory regardless of paid status.

Question 3 (WR) - Why wasn't the model introduced for LookSmart.com.au? Did local consumer protection laws or other legal issues prevent this?

(DS) We've decided not to move our directory in Australia to a pay-per-click model for SME's purely for business reasons - most notably making it easier for our sales channels to sell the product.

Our sales channels in Australia will be very different from those in the US - most notably, because of our relationship with Pacific Access, their salesforce (sic) will be selling our SME product alongside Yellow Pages Online and their other products. We expect this to be our dominant sales channel within a short period of time. Because these products tend to be fixed or annual fees, we believed there would be difficult issues for sales people in trying to sell products on very different bases. We certainly don't believe there are any legal issues involved in a move to a different pricing basis.

Question 4 (WR) - If there was no move to a PPC model, why did LookSmart Australia see the need to increase the paid submission fee and introduce an annual fee here?

(DS) We've always intended to move to an annual fee, and think that's a perfectly reasonable basis for directory inclusion - just like a Yellow Pages model, where businesses pay annually for inclusion. The fee increase reflects the significant increase in distribution over the past 12 months - most notably OptusNet and GOeureka, which are now exclusively powered by LookSmart. AUD\$400 per annum (pre GST) is excellent value given the volume of traffic - and the highly qualified nature of the leads - we're sending to SME's.

Question 5 (WR) - Under the revised LookListings submission model for LookSmart.com.au, is there a limit to the number of sites and/or URL's you can submit?

(DS) Yes, you can list up to 3 URL's from the same domain via this process. For sites who want to list more than 3 URL's from same domain, we ask them to contact our Sales team directly, where a tailored cost-per-click campaign can be developed specifically for that client.

Question 6 (WR) - Looking at your new LookListings TOS for LookSmart.com.au, it appears the only way to request a change or update a listing is by re-submitting and paying an additional AUD 440 for a complete review. How do you expect small businesses to afford this?

(DS) You've raised a fair point, and we're introducing a new product shortly to allow small businesses to update their listing for a much modest fee. We should have full details on this product in the next week or so.

Question 7 (WR) - Will LookSmart Australia be switching to a similar PPC model in the near future? If so, can you guarantee existing customers of LookSmart.com.au won't be forced to rollover like those of LookSmart.com?

(DS) Given the issue our sales channels in Australia - see question 3 above - we won't be moving to a CPC model for SME's. We will continue to offer CPC - the preferred method - for larger clients, as we've been doing for over 2 years.

We do hope to offer SME's the opportunity to list in the premium "Featured Listings" or "Sponsored Matches" placements now seen on many of our partners, most notably Yahoo! Australia & NZ. This would be on the same CPC basis as other clients, but would obviously be entirely discretionary for

those SME's to decide whether they wanted to list this way. Again, the Yellow Pages analogy is worth considering - a fee for inclusion, and then opportunities to pay for prominence on relevant keywords.

Question 8 (WR) - Because of the recent outrage caused by LookSmart.com's move, many Australian and New Zealand customers of LookSmart Australia feel that LookSmart.com.au is tarred with the same brush and are hesitant to remain as customers. What do you say to them?

(DS) Look, while there are some SEO's that are complaining, and we hope to work with them and address their complaints in a sensible and balanced fashion, we believe that over the next few months, most end use customers - the businesses who actually pay the bills at the end of the day - have recognized that they can get better long-term service & value in the US out of our new product. The pricing is only one part of the change - there's also a raft of new options for customers on reporting and flexibility in controlling exposure and spend each month.

Obviously, not every customer will always be happy. That's part of life, and you should accept that any company may have customers for whom it cannot deliver profitable service - and in that case, no one should expect the parties to "have" to do business with each other. That's a pretty reasonable stance for a company to take, I would have thought.

LookSmart Australia shares a business model with LookSmart in the US. We have different products to give life to that business model, as you'd expect from any sensible global business in this day and age. The data suggests very clearly that listing in LookSmart Australia is a "must-have" part of a marketing spend for SME's online who are interested in Australian traffic. People can read about what we're offering, call and ask us questions, and if they believe they can obtain value from our services, then they can buy our listings products. If not, then that's their right also.

Question 9 (WR) - How sustainable is it to operate completely different business models in various countries in a global market? How do you expect SEO's and resellers to explain the different LookSmart search models and recommend competing services?

(DS) We have a single worldwide business model - but not surprisingly, we have different products and channels to deliver those products in different markets. It'd be a funny sort of company that had exactly the same product in every market. I can promise you won't see a toasted ham, cheese & tomato sandwich on the menu at McDonalds© in Iowa, but you will in Australia! While we have a single world-wide business model - search-targeted marketing - it shouldn't surprise people that the actual products and channels to sell those products vary market to market. It's pretty reasonable business practice to adapt your products to the local market.

Question 10 (WR) - For a long time now, LookSmart Australia has claimed to reach 66% of the Australian search market via partnerships with OptusNet, NineMSN, News Interactive, F2 and GoEureka. Given the changes to the industry and the rocketing popularity of Google with Australian users, is this figure still accurate?

(DS) Very much so - in fact, we've just rechecked the figure with AC Nielsen, who are, along with Red Sheriff, the authoritative sources on this subject. Their unduplicated reach figure for our network is over 66%. It's pretty simple. If you want Australian traffic, inclusion in the LookSmart directory is a pretty vital part of a small business marketing spend.

Question 11 (WR) - Given all the negative feedback they're currently receiving from existing customers, do you think LookSmart Ltd should have handled the model merge differently?

(DS) Despite what some people might believe, LookSmart is receiving very little negative feedback. As of today, we've received thousands of new orders, with far fewer customer service issues than anticipated. We messaged the change in advance, and have provided information through email, on site and through customer service to help customers transition. Obviously, you can build & improve on any product implementation, and we intend to do that.

Question 12 (WR) - LookSmart Australia recently announced a deal with Yahoo! Australia & NZ to provide "pay-per-position" search results to Yahoo users. What are the benefits of the deal for LookSmart Australia customers and is the deal with Yahoo LookSmart Australia's way of breaking into the Pay Per Click market here?

(DS) LookSmart's deal with Yahoo! Australia & NZ is part of our new "looklistings" distribution network in Australia. Across a number of properties - which at the moment include Yahoo! Australia & NZ, Goeureka, OptusNet and LookSmart Australia - we now provide the top 3 search listings on a CPC basis for highly relevant listings. Only highly relevant results will make it in there - we're not going to sell the keyword "home loans" to someone selling tickets to sporting events, for example! The commitment to relevance is a big part of the reason those major distribution partners have signed up with us. I can promise you that if Yahoo! Australia & NZ believes we're providing poor results, they'll let us know, pretty damn quick.

For Australian customers, the product has a very simple benefit - highly relevant, guaranteed prominence listings on the major search properties in Australia, attracting LOCAL traffic only. Sure there's Australians typing in "home loans" on Google - but there's millions more Americans doing the same thing, whereas on our network partners, it's all local traffic. Relevance comes from local traffic, as much as from the work of our team and the search algorithm. We believe the ROI on our product will beat the rest.

LookSmart has always been in the "pay per click" market in Australia - most of our larger clients pay on this basis rather than on a fixed annual fee. Those clients - such as ebay, Seek.com.au, Wizard Home Loans etc - have been on the CPC basis for some time, and will continue to do so. It's the preferred method of paying for listings for larger clients, and works very well in terms of tracking leads and calculating ROI across a very large number of listings.

Web Rank would like to thank Damian Smith for taking the time to respond to our questions. If you have additional questions for LookSmart as a result of reading this interview, Damian suggested emailing him directly at <mailto:dsmith@looksmart.net>

Further information on LookSmart.com's LookListings for Small Business can be found here: <http://listings.looksmart.com/> . More information on LookSmart Australia's LookListings product can be found here: <https://www.looklistings.com.au/> .

For those who missed it, LookSmart Ltd announced their Q1 Results at the end of April. Details can be found here: <http://news.cnet.com/investor/news/newsitem/0-9900-1028-9812520-0.html> . The market's response to the announcement can be witnessed here: <http://www.shareholder.com/looksmart/chart.cfm?Period=1&Bench1=> .

About the Author:

Article by Kalena Jordan, CEO of Web Rank.

Kalena was one of the first search engine optimization experts in Australia & New Zealand and is well known and respected in her field.

For more of her articles on search engine ranking and online marketing, please visit <http://www.high-search-engine-ranking.com>

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