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Italian publishers form online alliance

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MILAN — The two biggest newspaper companies in Italy plan to form an online advertising consortium intended to increase their revenue from the Internet at a time when print advertising is in deep decline.

RCS MediaGroup and Gruppo Editoriale l'Espresso said Tuesday that the venture was the first of its kind in Europe and that the consortium, called Premium Publisher Network, would be open to other editorial groups.

Analysts said the move made sense even though it did not change their valuations for the companies, since online advertising was still only a fraction of the total market.

Premium Publisher Network will start operations in the first half of 2009, offering performance advertising, which links charges to readership levels. RCS and l'Espresso will continue to offer online display advertising separately.

Alberto Francese, an analyst at Banca IMI, said online advertising had strong growth potential in 2009 but represented only about 4 percent of the Italian advertising market. Performance advertising accounts for 20 percent of online advertising, he said.

RCS and L'Espresso publish the most-read Italian newspapers - Corriere della Sera and La Repubblica.

The newspaper industry has been severely hit by the economic downturn. Spending has been curbed by cost-cutting advertisers or eroded by the Internet giant Google and other online outlets.

In the United States, several newspaper publishers have already formed consortiums to take advantage of rising online advertising. About 800 U.S. newspaper Web sites in the Newspaper Consortium have arranged a partnership with Yahoo, and several top U.S. newspaper publishers have formed an advertising sales network called quadrantONE.