
‘Innovate or Perish’: An Interview with Marty Himmelstein

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Summary: Marty Himmelstein was a local search pioneer, having worked for Vicinity Corp. before it was acquired by Microsoft. Vicinity and early search engine Northern Light released “Geosearch,” which was, according to Himmelstein, “the first large-scale geo-enabled search engine.”

Himmelstein contends that current IYP/local search products are quite limited and the traditional, offline sources of structured data that most of them rely upon are inadequate to deliver against consumer needs and expectations – and the true potential of local search.

Interactive Local Media Program Director Greg Sterling has engaged Himmelstein in several interesting conversations about local search. Because Himmelstein’s views are both thoughtful and very specific, we wanted to offer them directly to ILM clients.

Marty Himmelstein worked for Internet start-up Vicinity Corp. before Microsoft acquired it in 2002. Vicinity provided private-label business locator, mapping and Internet Yellow Pages (IYP) services. The company teamed up with early search engine Northern Light and released “Geosearch.” According to Himmelstein, that project offered “the first large-scale geo-enabled search engine.” It ended in 2002, with the acquisition of Vicinity.

Himmelstein has argued that the future of local search resides in what he calls “Internet-derived Yellow Pages.” He contends that current IYP/local search products are quite limited and the traditional offline sources of structured data that most of them rely upon (to varying degrees) are similarly inadequate to deliver against consumer needs and expectations – and the true potential of local search.

This Advisory departs from Kelsey Group custom in offering the transcript of an interview with Himmelstein regarding his opinions about the current state and future of local search.

What was Vicinity’s approach to local search?

Vicinity was the leading provider of spatially enabled business locators, with customers that included FedEx, UPS, many of the automobile manufacturers and more. Vicinity integrated the best map, routing and geocoding data and became a leading provider of these services.

Vicinity was the private-label provider of Yahoo!’s IYP until it was brought in house. We also worked with Cincinnati Bell to build their version of the greater Cincinnati IYP.

As early as the spring of 1997, we discussed the possibility of adapting our proximity searching algorithms for the Web, an idea that culminated in our partnership with Northern Light to provide the first large-scale geo-enabled search engine. We were involved in other local search initiatives, such as a partnership with Inktomi to incorporate our clients’ store information into their shopping engine.

In short, we were involved with all aspects of local search, often leading the way.

Who do you believe is currently doing the best job with local search?

Local search encompasses the geographically oriented activities of daily life, specifically “What is within 100 miles from me and what is happening within 100 miles from me.” It’s the combination of commerce, community and civics. By this standard, no one player is doing the best job. Most aren’t doing a particularly good job.

Google is interesting because they derive local content directly from the Web. Their results are hit or miss for now, but will get consistently better as Web authors adopt conventions for putting geographic markers on Web pages.

Twenty percent of Web pages already contain a well-formed address or telephone number, and an estimated 20 percent or more of user searches specify a geographic locale. No matter how local search evolves, a significant amount of local content will come directly from the Web – from the Web pages you and I create.

Companies that want to compete with Google must geo-enable their products.

“Hyper-local” sites will be at the center of much of the innovation in local search. These sites focus on community-contributed content: local news, school board meetings and other online equivalents to the news about town.

Small and medium-sized enterprises (SMEs) are part of these local communities. Their proprietors are often local citizens as well as business owners, and so share a common interest with other community members in the vibrancy of their neighborhoods.

It would be mutually beneficial for emerging hyper-local sites to work with SMEs to help SMEs develop a Web presence and to establish hyper-local sites as aggregation points for rich local business content.

This is one way Yellow Pages publishers could be “disintermediated.”

What is missing from current local search applications?

Unfortunately, current applications retain the historical shortcomings of their progenitors, the printed Yellow Pages and compiled mailing lists. They are information poor. They are oriented toward the advertiser, not the user.

Older distribution channels were centrally controlled, unidirectional, costly and constrained in their information-carrying capacity. These limitations do not exist on the Internet.

Most SMEs can describe their services and products in considerable detail on several Web pages. The missing piece, however, is that these businesses have no consistent way to describe what they do or sell. The lack of descriptive standards prevents users from relying on the Internet as a better alternative to other sources of local information.

One remedy for this deficiency is for vertical industry groups to define and promulgate standards that their member businesses can use to describe themselves on the Web. If we couple these standards with suitable trust mechanisms that can prevent unethical or made-up businesses from gaming the system, we would have much of the infrastructure needed for building a superior local search tool.

Standards and tools will benefit not only consumers but SMEs too, because they will provide SMEs much needed assistance for establishing a viable Web presence. Standards will help attract wary SMEs to the Internet and, by amortizing development costs, help them compete with national chains, which already have million dollar Web sites.

What role do you see for blogs and social networks in local?

They will play a huge role in local search. User-contributed content adds a component that was hard or impossible before the advent of the Internet.

For visitors new to a locale, for example, what could be better than easily accessible recommendations by locals about local businesses? Still, local search social networking will need controls. I think we can assume businesses and people are potentially unethical in roughly equal percentages. But since there are more people than businesses, local enterprises can be unfairly damaged by rants and raves, including those that are "politically" motivated.

The explosive popularity of blogs and RSS contain a central lesson for local search. If we substitute businesses for the individuals who are now the main creators of blogs and combine that with RSS as a notification tool, we can see that it is eminently feasible for businesses to use the Web to create broad, thorough and up-to-date business information that is immediately accessible to consumers. This is the local search model that I think should – and will – prevail.

Local search/directory sites that rely on proprietary or unshared source data will wane in popularity over time. Services will differentiate themselves on the value-added services they provide to businesses and users for creating and searching a common core of commerce and community-oriented local information.

Will an unknown company emerge and do something revolutionary, or will most upgrades in local be made by established players?

Local paid listings are an obvious source of advertising revenue for the large Internet properties. And although paid listings are not optimal for either users or SMEs, they do represent a large market that can be tapped relatively quickly. It is a market the large public companies will aggressively pursue.

These players may therefore be constrained in their willingness to experiment with novel, unproven or disruptive technologies. So innovation by new and small companies is thus not only possible, but likely.

In your view, what does the future hold for Yellow Pages publishers?

The primary source of commerce-oriented business information will be the Internet itself, directly contributed by businesses and their proxies. This process has started, but will not be complete for 10 or 15 years. Yellow Pages publishers don't own their customers' data, and what they have is meager in comparison to what businesses themselves can create on the Internet.

The current Internet role for Yellow Pages publishers is as an information conduit between their customers and the main Internet distribution channels. This is hardly a situation about which they should be complacent.

Yellow Pages publishers do have the assets to help them adapt to an Internet economy. They have longstanding customer relationships, many with SMEs that would welcome their help creating an Internet presence. They have a trusted brand name and billions in annual revenues that will not disappear overnight.

Yellow Pages publishers must innovate or perish.

I think their smartest option is to recognize the inevitable transition from paper to the Internet, and supply their customers with a migration path for making that transition. One way to do this is to fund a handful of independent initiatives to help define the future of local search. Literally, become venture capitalists.

The Bottom Line: Himmelstein Highlights

Here are a few points worth repeating and some related Kelsey Group perspectives:

- A significant amount of local content will come directly from the Web. "Hyper-local" sites will be at the center of much of the innovation in local search. **(TKG: This goes to both content depth and type. The depth of business content online is growing and is much richer than exists in traditional offline sources. Regarding "hyper-local" sites, they will potentially be able to offer considerable content that is non-commercial but of high value to users.)**
- Blogs and other user-generated content will play a huge role in local search. User-contributed content was hard or impossible before the advent of the Internet. **(TKG: One type of user-generated content falls into the category of ratings, reviews and recommendations. In addition, online communities have the capacity to breed trust, loyalty and repeat usage. The activity around such applications is accelerating, but has yet to reach the mainstream.)**
- Local search/directory sites that rely on proprietary or unshared source data will wane in popularity over time. Sites will differentiate themselves on the value-added services they provide to businesses and users for creating and searching a common core of commerce and community-oriented local information. **(TKG: This goes to the fact that the Yellow Pages database is now essentially a commodity. Sites must distinguish themselves with a high degree of consumer utility and, for those that have advertiser relationships, offer a range of value-added services to advertisers.)**
- Innovation in local going forward is likely to come not only from major companies, but to a potentially greater degree from new and small companies that are not constrained by the same market pressures. **(TKG: Those innovative smaller companies will likely be bought by the public companies once they establish the value or viability of a product or service.)**
- The primary source of commerce-oriented business information will be the Internet itself, directly contributed by businesses and their proxies. This process has started, but will not be complete for 10 or 15 years. **(TKG: This may well be true on the advertiser side. However, the process of consumer adoption of the Internet for local information is well underway.)**
- Yellow Pages publishers must innovate or perish. Their smartest option is to recognize the inevitable transition from paper to the Internet and supply their customers with a migration path for making that transition. **(TKG: There has been historical ambivalence about online, given the lower price points and the corresponding revenue discrepancy vs. print. In a best-case scenario, publishers can enable SMEs' online presence and campaigns while improving the value and usability of the print book for both consumers and advertisers.)**