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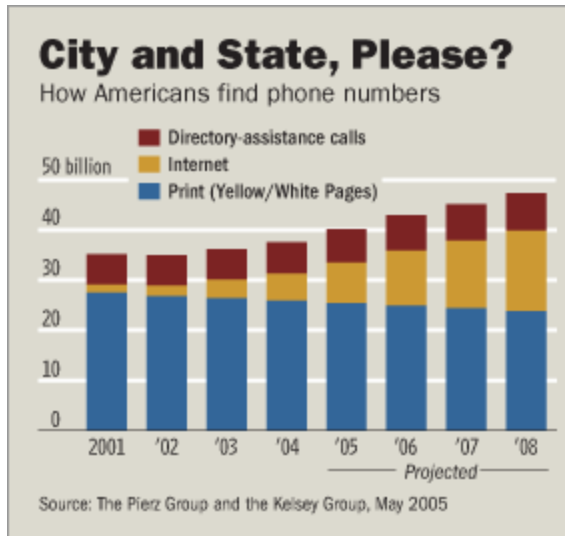
Your Listing, and a Word From Our Sponsor

By REBECCA BUCKMAN
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A raft of start-up companies has begun offering free directory assistance over the phone. But callers won't get their numbers right away: They have to listen to an advertisement before hearing their desired listing.

The new companies, which operate under national brands such as 1-800-FREE411 and 1-800-411-METRO, are inspired by the business model of a technology giant: **Google** Inc. And just like Google, which sells Web advertisements tailored to specific online search results, the phone companies' audio ads are narrowly targeted.

If you call for the number of a neighborhood pizza joint, you might hear a 10-second pitch for, say, Domino's Pizza Inc. A request for a specific flower shop might trigger an audio ad for **1-800-Flowers.com** Inc. After listening to the paid pitch, callers have the option of choosing to be connected to the advertiser. Or they can hit a different button to get their original, requested number. If you request a residential listing, you probably won't hear any ad, because there's no business to match your request to. Indeed, right now, even some callers requesting business listings may not hear any targeted advertisements, since many of the free 411 services are only now signing up advertisers.



"It's the same exact model [as Google], except it's applied to the telephone," says George Garrick, the president and chief executive of Jingle Networks Inc., which runs the new 1-800-FREE411 service. Jingle, which launched its service in September, says it processed seven million calls last month from more than three million different customers.

Jingle says its advertisers have included Domino's; ServiceMagic Inc.; 1-800-Flowers.com; Progressive Insurance; and Enterprise Rent-A-Car

Co. Mr. Garrick says callers aren't turned off by the ads, most of which are 10 to 12 seconds long. "People have just come to accept that advertising is a way of getting free stuff," Mr. Garrick says.

The growth of such free services could represent another big change in the telecom industry, which is already being reshaped by consolidation and new Internet technologies. Free directory assistance is increasingly attractive because regular 411 calls are becoming more expensive. Traditional phone companies have raised their rates over the past several years. In addition, people are making more calls from mobile phones, whose carriers charge an average of \$1.50 per 411 call, according to Pierz Group, a telecommunications consulting firm in Clarkston, Mich. Directory assistance from fixed-line phones costs an average of \$1.15 per call. The U.S. directory-assistance market had revenue of \$6.5 billion last year.

Calls to the new free 411 services currently make up only about 1% of all directory-assistance inquiries, according to Kathleen Pierz, managing partner of Pierz Group. She expects that figure to grow. "The biggest percentage of the [free 411] calls are new calls," she says. "It's incremental call volume from people who are more price-sensitive."

Calls to 411 are among the most profitable services at traditional phone companies. But according to Ms. Pierz, big phone companies, like **AT&T** Inc., aren't necessarily losing a lot of business to the new services, at least not yet. The big phone companies, however, have been gradually losing some 411 business to the Internet, as people turn to online yellow-page directories and regular search engines like Google and **Yahoo** Inc. to retrieve numbers.

Technology companies could wind up mounting stiff competition to the new free phone-information firms. Google and Yahoo can provide much of the same information that telephone directory assistance does now for consumers who text-message the companies with information requests via their mobile phones, or

access them via personal computers or cellphone browsers.

Still, Jingle and some of its competitors have started to attract the attention of venture-capital investors. Today, Jingle, which is based in Menlo Park, Calif., plans to announce it has raised \$26 million from investors including IDG Ventures, Liberty Associated Partners and Comcast Interactive Capital, the venture-capital arm of cable giant **Comcast Corp.**

Some investors say they have been surprised by how quickly use of free 411 services has grown, particularly since some of the companies have done little or no public marketing of their brands.

Many of the new free services seem to be spreading by word of mouth -- including the mouths of celebrities. Jingle's service got an unexpected boost in February when supermodel Tyra Banks chatted about 1-800-FREE411 on her TV talk show. Ms. Banks, who often talks about her frugality on the program, recounted discovering the free 411 service when friends told her to call it to get movie show times at a theater. "Take out your cellphones right now, dial 1-800-FREE411, and you do not have to pay a dime!" Ms. Banks exulted to her audience. "You can get any number in this country and it is free!"

After Ms. Banks's Feb. 2 show, "call volume did go up pretty significantly," says Chip Hazard, a general partner with Jingle investor IDG Ventures in Boston.

Companies that advertise with free 411 services are benefiting from increased call volume, too. Home-repair referral Web site ServiceMagic Inc., owned by **IAC/InterActiveCorp**, says the response rate on the audio ads it runs on 1-800-FREE411 is around 10%, roughly double its hit rate on search engines like Google. Still, comparisons are difficult, says ServiceMagic Senior Vice President Craig Smith, since the company is offering \$50 dining coupons for free 411 customers who use its service and return to the site and submit a rating and review of their chosen home repairman. Overall, the free 411 advertising has "worked out well," Mr. Smith says. "It's about time somebody revolutionized 411 service."

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