

The “Free DA” Phenomenon: Is the Business Model Sustainable?

Free, advertiser-supported Directory Assistance services hold promise as media for local, mobile search and e-commerce. To succeed they must morph beyond the DA model to become a more wide-ranging portal for multimodal access to a portal of local businesses and mobile services.

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Key Findings

Multi-million dollar investments from the venture capital firms notwithstanding, the path toward sustainability for providers of “free Directory Assistance” will not be an easy one. Nonetheless, the free directory assistance phenomenon is here to stay, either as a loss-leader for competitive VoIP carriers or as a front end to advertiser supported, “per-per-lead” or “pay-per-call” services:

- **Free Directory Assistance is a subset of mobile or local search** – Internet advertising exceeded \$12 billion in 2005. Local search accounted for roughly 10% of that total and will grow in excess of 35% annually over the next five years.
- **“Free” services are gaining popularity across all media** – The advent of “free” alternatives to DA is not limited to calls to operator services platforms. Text-messaging and mobile browser-based Web searches are used to find local merchants, movie times, driving directions and the like.
- **Quality and completeness of current DA offerings is underwhelming but acceptable** – The new service providers put their emphasis on pricing, but have done little to augment the listings available from listings aggregators like InfoUSA, Axciom or LSSi.
- **“Interactive Media” shops are nowhere to be seen** – Although each has a smattering of national and local companies participating in pay-per-lead arrangements, neither Madison Avenue nor Silicon Alley has bought into the phone-based alternatives.
- **Yahoo! and Google “by phone” lurk** – The ultimate killer app for free phone-based local search is exemplified by the providers of popular Web-based search, namely Google and Yahoo!
- **Barriers to entry are exceedingly low** – Dozens of companies have entered the market on the heels of InFreeDA and Jingle Networks. Each one claims that “pull” from advertisers and callers have lured them to expand from specific geographic markets.
- **Incumbent Third-Party DA providers are better positioned than newcomers** – Free DA service providers must deliver quality that meets or exceeds standards of paid alternatives as well as multimodal offerings of Web-based search engines.

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