

# 6.3

## Advertising Best Practices

As media competition escalates, the need for advertising department optimisation increases. The implementation of three strategies will move the newspaper ad department toward better profitability and sales effectiveness: Managing yield and pricing management, focusing on ad effectiveness and developing the digital sales department

# Shaping the Future of the Newspaper



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# Executive summary

As competition escalates for share of advertising spend, it is clear that newspapers need to optimise their advertising operations for greater profitability and effectiveness. Executing best practices in advertising can make the difference between exceeding the target and failing.

The options for the advertising department are: win or lose, hit the target or fail. The most effective advertising departments in the world not only measure financial and advertising volume performance, they also measure activity – everything from the number of client contacts and conversions to the growth or decline in the number of advertisers. Like no other department in the newspaper, advertising team performance is completely measurable.

Against this backdrop of measurability, the World Association of Newspapers' Shaping the Future of the Newspaper project published a report in June 2006 called Advertising Science, which covered the gamut of advertising department performance and activity.

In this report, we will explore three crucial topics in newspaper company advertising

today. The takeaways from these chapters will constitute a roadmap for newspaper companies wishing to optimise their advertising performance.

- Yield and price management practices
- Advertising effectiveness research
- Digital revenue-making

Why focus on these three topics in particular? The answer is simple: because they point to key strategic issues that are facing the newspaper industry.

At the heart of the yield and pricing issue is a fundamental change in the newspaper business. The Digital Revolution has caused a seismic shift in the media landscape, and has challenged newspapers to rethink their entire advertising strategy. How do we change pricing as we incorporate digital product offerings? How do we make money from digital?

For many to challenge the perceived wisdom of the 'digisphere', that is the world revolving around the Internet and all things facing fundamental change, or even death as a result

of the digital explosion, is not an option. Whether it's true or not is immaterial. Despite the many challenges to the perceived wisdom of launching digital advertising strategies for some newspaper companies, the momentum of digital revenue-making circa 2007 is too strong to resist.

Many newspapers believe they face an immediate challenge, that of turning their newspaper businesses into multimedia news businesses at the heart of which will be advertising revenues. Therein lies the problem, as newspapers' digital business only fetch a fraction of what a newspaper advertisement could command, and worldwide, garner far less than 10 percent of all revenues of a newspaper company, with notable exceptions discussed in this report.

### Comparing newspaper and online attributes

Online advertising	Print advertising
High volume	High volume
Comparatively low revenue	High revenue
Comparatively low cost	High cost
Low yield	High yield

Source: SFN 2007

The challenge newspapers face is to seize the digital opportunity while still selling the high-volume, high-yield newspaper advertising. The appetite for newspapers is not diminishing. According to 2006 World Press Trends, more daily newspapers are printed than ever before, now exceeding 10,000 titles, a 3 percent increase from 2005. WAN has identified more than US\$6 billion in newsprint technology invested during 2006.

Managing the revenues across the channels is a powerful approach to balancing print and digital businesses together. The key to managing revenue is the fundamental understanding of advertising yield.

Another important best practice is the sales teams' understanding and communication of the power and value of newspaper advertising to advertisers. Newspapers deliver large numbers of high quality audiences, daily. Newspaper advertising works, by moving people to the point of sale and as a major way to build brands.

Newspapers are developing innovative new titles, new sections, more colour and more advertising formats. Moreover, newspapers are also the perfect partner in any media campaign as studies in this report show. Adding the newspaper to a multimedia schedule will increase its success beyond the use of a single channel such as television.

This report therefore will highlight some of the latest research that celebrates the ability of newspapers to build brands, improve share and sell goods and services.

## Yield management

A young newspaper salesperson asked his then-boss, "Which of these is my priority, volume, revenue or yield?"

Surprised at the naiveté of the question, the Managing Director replied, "Clearly, I want all three and that's a basic requirement."

Yield knowledge and execution are fundamental requirements in every newspaper sales person's toolbox. This report highlights some of the best practices at the tactical level.

Fundamental to achieving the business plan is an understanding of the revenue mix and the impact of price on profit. Some categories of advertising allow automatic ad-system control of the price, while other categories allow 'negotiating wiggle room,' that is, the ability of the sales people to negotiate price in order to secure volume or frequency or sometimes just the ad sale.

It is this ability inbuilt in many market cultures to vary the price that makes yield a vital tool for building profit. The impact of even a small variation of price can have dramatic results on the business.

The yield chapter highlights:

- The need to educate the sales teams on the impact of yield variance
- The control of yields
- The opportunities to segment the rate card to identify new, potential high-yield categories
- How to focus sales teams on high-yield business
- How to weed out, or at least be aware of, advertisers that are costing you money by paying less than would equal a positive net contribution

## Advertising effectiveness

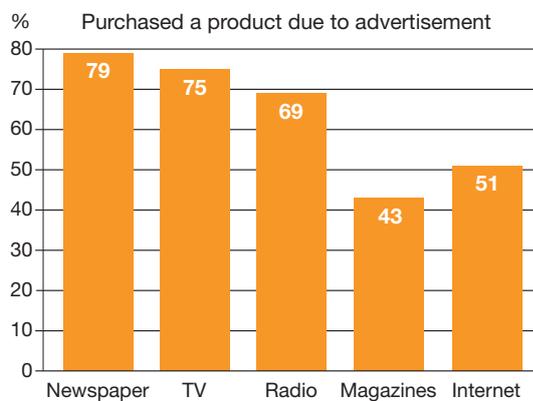
Newspaper advertising effectiveness research is an arrow in the quiver of every successful salesperson. The ability of newspaper advertising sales people to communicate the power of newspaper advertising, by referencing research, is among one of the most important components of a successful advertising sales pitch.

Several new newspaper ad effectiveness research studies have been published in 2006. The new studies point to the intimate relationship advertisers have with newspapers, the effect of newspaper advertising on the reader, and the impact of newspaper advertising on building brands.

The NAA report from the U.S., the ‘Newspaper Engagement Study’, highlights how the reader interacts with the newspaper.

### Newspapers lead other media in post-ad purchases

Evidence indicates that a **minimum of three exposures** to the ad in a **seven-day period** is the minimum required to produce a positive return on investment.



A new study from the Newspaper Marketing Agency of the UK, shows that the most powerful and effective way for advertisers to build brands is to combine newspaper and TV advertising in a campaign. The research demonstrates newspapers connect powerfully with readers emotions, developing a close affinity with the content, including advertising.

The research used a tried-and-tested technique of ‘Brain Fingerprinting,’ by measuring brain wave impulses, in order to determine the impact of the brand on the consumer. The results detailed in this report show a massive increase in the impact of the advertising on the consumer.

One of the failings of advertising effectiveness research in the past has been not in the quality of the research or its findings, but in the way the findings are communicated. Getting the attention of the advertising community – both agencies and brand managers/clients – has proven difficult in the past. Usually the launch of a piece of research involves press releases and presentations whose effects are short-lived. However, in the case of ad effectiveness research produced by the Irish National Newspaper Association, a significant effort was made to distribute the data. The ‘Press Builds Brands’ study involved the advertising agencies of Ireland, the clients and the newspapers in a close relationship.

The study integrated newspaper advertising campaign contests as part of the methodology. The NNI invited food and drink companies in Ireland to compete for the chance to win a high-priced newspaper campaign, and invited Irish ad agencies to compete to create the best campaigns for the products. The results were a success: all of the brands achieved major increases in sales and brand awareness.

This research demonstrated that not only is it a requirement of newspapers to demonstrate results, but it’s also vital to communicate the results in a powerful and effective way that will change the perceptions of advertisers and agencies.

## Digital Revenue-Making

Most businesses are not compelled to change unless they must. For many media companies, that time has come. As these global statistical projections show, newspaper revenues are expected to rise from US\$119 billion to US\$135 billion between 2005 and 2009.

### Advertising spending worldwide, by media, 2005-2009 (US\$ millions)

	2005	2006	2007	2008	2009
Television	151,187	160,391	167,149	176,671	184,502
Newspapers	119,178	123,460	127,125	131,179	135,228
Magazines	52,993	54,807	57,021	59,450	62,078
Radio	34,348	35,443	36,543	37,821	39,548
Outdoor	21,769	23,473	25,190	27,054	29,126
Internet	18,712	24,454	31,344	36,926	42,685
Cinema	1,697	1,812	1,938	2,087	2,272
<b>Total</b>	<b>399,883</b>	<b>423,839</b>	<b>446,310</b>	<b>471,189</b>	<b>495,438</b>

ZenithOptimedia, December 2006

Meanwhile, worldwide Internet revenues are set to more than double by 2009, from US\$18.7 billion in 2005, to US\$42.7 billion in 2009, according to Zenith Optimedia. The slippage in print revenues and solid growth in Internet revenues are phenomena happening in most countries.

The trend is forcing a dynamic change in the way newspaper companies are structured, and the way advertising is being sold at these companies.

As advertisers embrace online and mobile advertising, online newspapers are ramping up their online advertising sales operations to go beyond the classified advertising “upsell.” Research from Borrell Associates, PriceWaterhouse Coopers and the Interactive Advertising Bureau report that display, search and video advertising are among the fastest-growing forms of online advertising today.

Most online newspapers earn the majority of their revenues – an estimated 75 percent – with classified advertising, but some, profiled in this report, are reporting success in display and video advertising in particular, and to a lesser extent, search advertising. Search advertising has been the ballywick of the likes of Google and Yahoo!, although newspapers on each continent are

developing their own search advertising platforms in order to compete with the Internet “pure plays,” which are directly competing with newspapers by focusing their efforts on local advertising.

Media companies worldwide are tapping into this steadily-growing revenue stream by developing online, video and mobile advertising strategies. Multiple-media companies profiled in this report, which are most securely situated for the future share three common traits:

- An aggressive digital revenue strategy driven by top management
- A new organizational structure in the business department to develop new multiple-media products quickly, as the trends emerge
- A focus on customers, both news consumers and advertisers

Three key strategies will improve the profitability and long-term growth for newspapers: Yield and price management, implementation of advertising effectiveness techniques, and the development of a digital revenues strategy. The advertising landscape has changed inexorably. The successful implementation of these three principles will provide the newspaper industry a catapult into a profitable and vibrant 21<sup>st</sup> Century.

# 1. Advertising effectiveness

Newspaper advertising effectiveness can be defined in a variety of ways. Scores of research studies produced around the world have shown that newspaper advertising can build brand, drive purchases and engage readers. Study after study shows that advertising in newspapers is most preferred compared with advertising in other media.

In this chapter, we will examine three of the latest advertising effectiveness studies from three countries, each published in 2006, and each showing the power of newspaper advertising. Each study was prepared to inform advertising and advertising agencies about the ability of newspapers to outperform all other media.

The studies include:

- National Newspapers of Ireland's research and contests
- Newspaper Marketing Agency's TV and Newspaper campaign study, UK
- Newspaper Association of America / Scarborough Research Reader Engagement Study

## National newspapers of Ireland research

The National Newspapers of Ireland (NNI) research was prompted by a 2004 report from a task force of six Irish agencies that found negative perceptions of newspaper advertising including:

- Press advertising is more expensive than other advertising, and less creative than audio and visual media
- There's a lack of research that proves newspaper ad effectiveness
- More options are available because of media fragmentation

The task force report prompted a two stage response from NNI, carried out in 2005 and 2006.

Stage 1: Encourage agencies to think positively about newspaper advertising.

Stage 2: Research newspaper advertising effectiveness.

In the first part of Stage 1, NNI devised a competition in which advertising agencies

could create campaigns about the power of newspapers. The strategy played to agencies' affinity toward contests and the NNI's goal of encouraging agencies to change their negative opinions about newspaper advertising.

In the second part of Stage 1, NNI created a competition in which each agency would create a 6-month, high-budget campaign across 18 NNI titles for a small Irish food brand, and then measure the results.

A key component of every stage was a communications plan to ensure the maximum publicity and impact of the research.

### STAGE 1

The first competition was to encourage art directors and copywriters to think positively about newspapers. They were given a simple brief: "Create an ad or campaign that expresses the power of newspaper advertising."

The judge was Luke Sullivan, creative head of GSD&M in Texas. From a field of 200 entries, four prizes were awarded: Student award, Best Copy, Best Art Direction and Grand Prize. The winning ads were published across NNI's 18 titles.

The grand prize winner was a cleverly written, all-copy ad that goes against the commonly held wisdom that long copy ads do not work. It was produced by Chemistry, a leading Irish

agency, and was part of a series of all-copy ads that went on to win a number of prestigious national and international awards including a Golden Lion in Cannes in 2006.

The first stage of the competition achieved its twin goals, by engaging the advertising agency community and producing world-class advertising promoting newspapers.

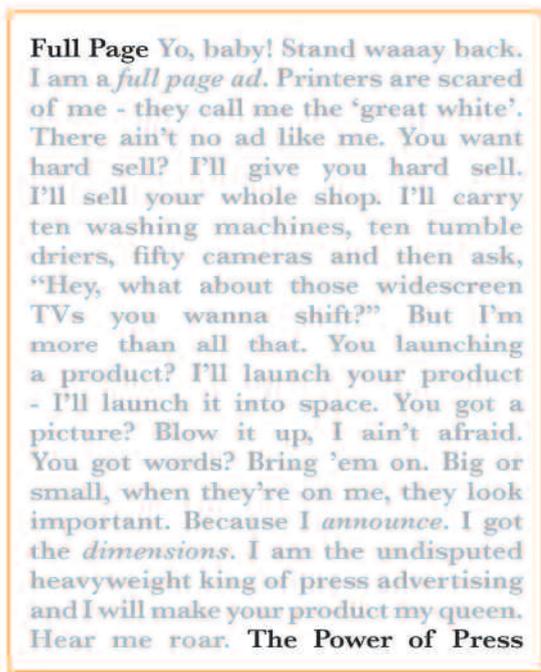
### STAGE 2

The next challenge was to demonstrate the effectiveness of print advertising and further engage ad agencies and clients.

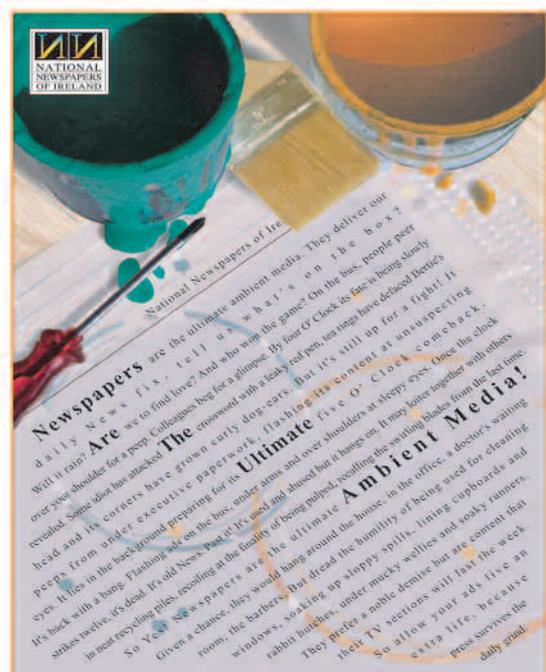
In the "Press Builds Brands" contest, NNI took 22 small food and drink companies from the Bord Bia, the governmental body, and assigned each one to a leading advertising agency. The brief to agencies was simple: create a press advertising campaign that will "revolutionise the fortunes" of the brand in question.

The campaign judged the best advertising success story would win an NNI advertising budget equivalent to a Top 5 Irish food brand, or about 1.2 million, while two runners-up would each win press advertising budgets equivalent to a Top 20 Irish food brand, or about 75,000.

The budgets would be spent publishing the winning campaigns across NNI's 18



Stage 1, Grand Prize winner



Stage 1, Student Prize winner

newspapers. A research company then tracked brand awareness of the companies to assess the impact of the advertising.

*The winners were:*

**Gold prize:**

*'The way it should be'* by TMP Worldwide for Glenisk (an organic yoghurt company)

**Silver prize:**

*'A bread less ordinary'* by GospelTM / Vizeum for the LifeFibre Company (specialty bread maker)

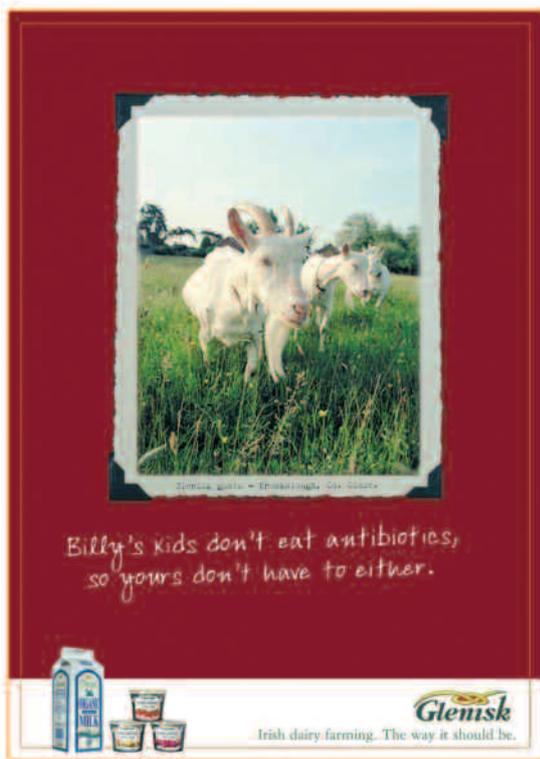
**Silver prize:**

*'Our family'* by Initiative / Bloom for Brady Family Ham

**The case studies**

**CASE STUDY 1:**

**TMP WORLDWIDE FOR GLENISK**



What the judges had to say about this memorable, clever and witty execution: "This is a campaign that has something compelling to say. It does so with wit and warmth. It is utterly single-minded. It states something which we all know, but often don't express. And it does so to brilliant effect. It shows how great brand advertising can carry a very simple message – so long as that message

is one we want to hear. And one that makes us actively seek out the brand in question."

The campaign results showed a major impact on the brand. Engaging clients was a key objective, according to Vincent Cleary, managing director for Glenisk.

\* Brand awareness rose among adults by 33 percent and among core consumers by 41 percent

\* Trial levels increased by 73 percent among core users and 75 percent among regular users

"It's been a great year for Glenisk. Not only did our sales grow to 20 percent and hold, but our profile has increased significantly – we've come of age. The newspaper campaign helped us to double our growth expectations and communicate fundamental messages about our brand and our credibility to Irish consumers, supermarkets and potential investors. We really feel that press helped us to hit the big time. You'll see more of us in 2007... as a paying customer this time," Cleary said.

**CASE STUDY 2:**

**GOSPELTM / VIZEUM FOR LIFE FIBRE**



The second case study is a campaign for LifeFibre, a small bakery competing in a market dominated by giant breadmakers. \* LifeFibre's sales increased 35 percent from 2005 to 2006, and national brand awareness increased three-fold between October 2005 and April 2006. Overall, awareness has doubled, from 10 percent to 20 percent, according to Des Byrne, director of Behaviour

and Attitudes, the research company that measured the campaign.

"We looked at other angles, including regular and non-regular bread purchasers, and in most of the key categories LifeFibre's awareness levels rose by a similar degree. Three months is a short space of time in which to grow a brand – but as a 'first step' in marketing terms, they have done remarkably well. This can be attributed to an effective advertising campaign, a strong advertising medium, and a really good product being advertised," Byrne said.

The campaign was a hit from the client's perspective as well.

"Winning the NNI competition and advertising in the national newspapers has had an amazing effect on the LifeFibre Company. Certainly, our national sales and brand awareness levels have risen significantly, as we had hoped and expected they would. But beyond these tangible measures, the ad campaign has changed our mindset, made us 'think big' and has given us new confidence in our brand. We have learned a lot from this experience, and it's been great. It's been a transformation," said Jerry Kiely, managing director of LifeFibre.

**CASE STUDY 3:  
INITIATIVE AND BLOOM  
FOR BRADY FAMILY HAM**

The Brady Family Ham campaign began in March 2006 and was originally scheduled to run continuously until December 2006. However, after three months the client felt that sales were not growing as expected. The Brady campaign was halted in May 2006, and the creative and was adjusted to give more prominence to the company's logo and branding. The campaign restarted at the end of August 2006 and continued until end of November 2006.

After adjustments were made to the campaign, brand awareness rose sharply from 1 percent to 8 percent. It was greater than any of the large competitors in the sector during the period.

The biggest impact of the campaign was on sales. Volume sales during the campaign rose from 25,000 to 105,000, an increase of 320 percent. As the demand for the product increased, the distribution network expanded.

The number of stores carrying the product more than doubled, from 200 stores to 450. The new distribution network has set the stage for greater distribution in the future.

"This has been a major learning curve for us. At first, the campaign didn't go exactly as we had planned, but that in itself was a valuable lesson. We were able to change things and get back on track. We learned a lot about how to brand ourselves. Before we won the NNI competition, advertising was never part of our thinking. We just didn't see it as important. Now, having seen what newspaper advertising can do for our brand, it will definitely be a part of our strategy in the future," said Bill O'Brien, managing director of Brady Family Ham.

The success of NNI's campaign is demonstrated by their clear understanding that it is not enough to carry out the research and demonstrate success. It is as important to ensure that the research actually does the job of changing the views of the target audience. By involving both clients and agencies in a fundamental way, this research proved the case about the power of newspaper advertising.



## TV and newspapers: Newspaper Marketing Agency in the UK

The Newspaper Marketing Agency (NMA) conducted the largest newspaper advertising effectiveness study in the UK from 2005 to 2007. The 3-year study cost £22 million and involved 27,000 interviews, 200 quality groups, in-market testing for 20 major brands, and the largest ever neuroscience study of the impact of advertising on the brain.

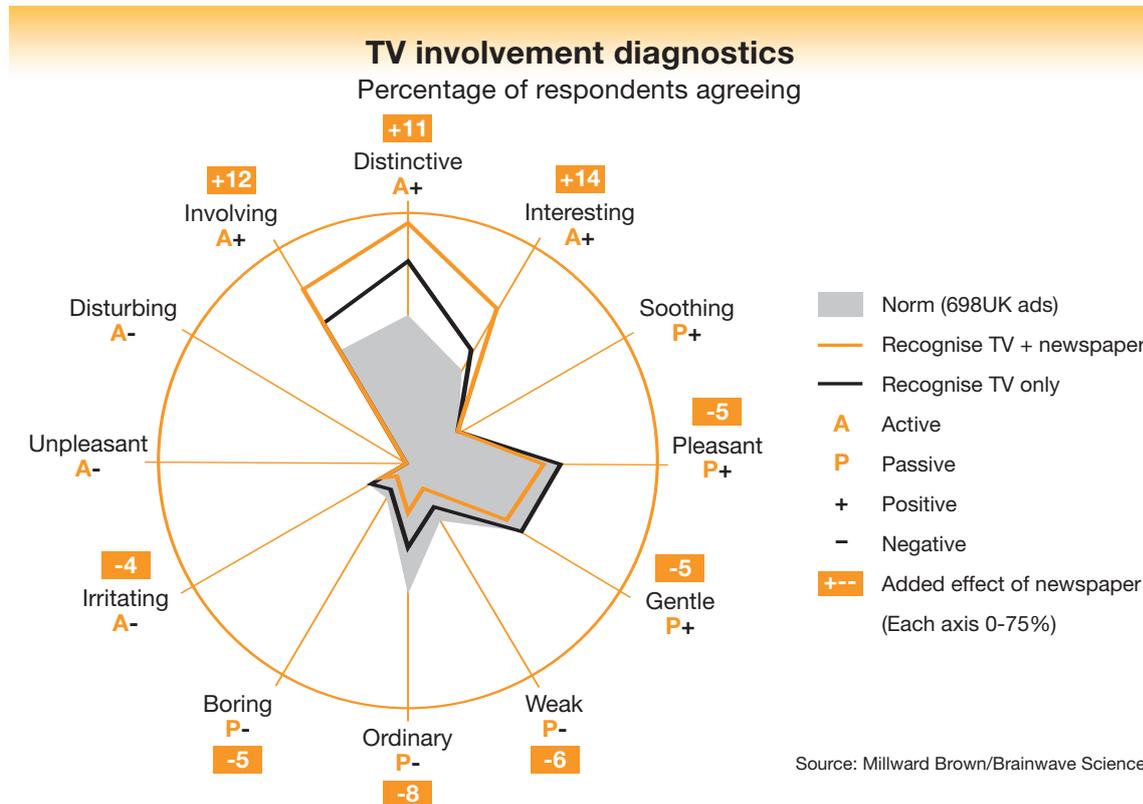
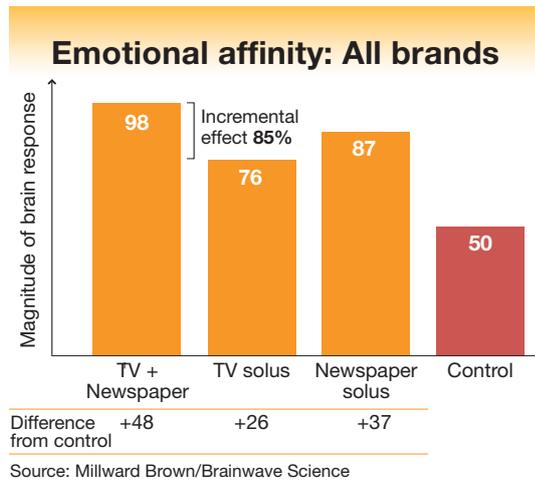
The top conclusion is that the combination of newspapers and television advertising in a

campaign is a powerful brand-building partnership. The study also concluded that newspaper content touches readers' emotions. People are moved by sad stories, made angry by crime stories, amused by the antics of celebrities, and made happy about their football team's win. They care about what they read in the paper, according to the study.

## Making newspapers accountable

Advertisers in the UK have been demanding evidence that newspaper advertising provides value for money spent. They want to be able to measure the success of an advertising campaign. The UK national newspaper industry has developed a series of metrics to assess ad campaigns and mounted the research program, which includes in-market tests of multimedia campaigns.

Each company participating in the study gained in brand recognition, brand identification, brand involvement and immediate sales. The results were measured both by industry metrics of effectiveness and by the leading-edge science of "Brain Fingerprinting."

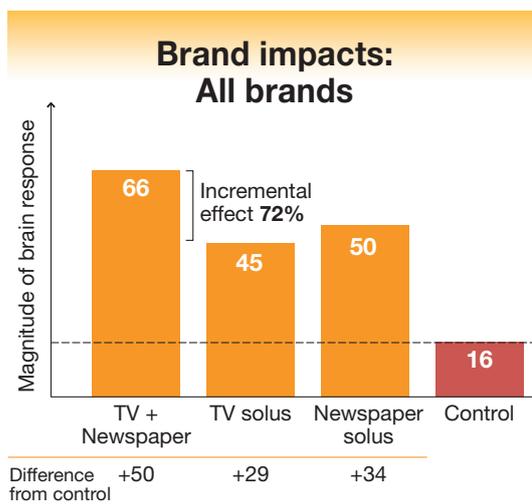


## TV + Newspapers increases brand impact by 72 percent

Brain Fingerprinting, devised by the U.S. neuroscientist Dr. Lawrence Farwell, uses electrical brain responses to detect whether something is stored in the brain. It has been rigorously validated, to the extent that it is admissible as evidence in U.S. courts, where it has helped to put a serial killer behind bars and to quash an innocent man's conviction.

Less dramatically, reading a person's brain waves can pick up what is noticed in an advertisement and what stays in the memory afterward.

This technology was applied to all six of the NMA's in-market tests in 2006 - for Kraft Philadelphia cream cheese, Toyota Yaris, L'Oreal Garnier Nutrisse, Guinness, Shredded Wheat and Walkers Sensations.



Source: Millward Brown/Brainwave Science

Dr. Farwell's company measured 23,000 brain wave responses from 237 people who had been exposed to TV ads alone, newspaper ads alone, a combination of TV and newspapers, or no ads at all (the control group).

A combination of newspaper and TV ads garnered a 72 percent greater impact on consumers' brain wave patterns compared with a TV campaign alone – that's a 72 percent increase in brand impact by adding newspapers to a TV campaign. For people seeing both TV and newspaper ads before brain testing, the impact on "liking the brand" was 85 percent greater than for those who had seen only TV ads.

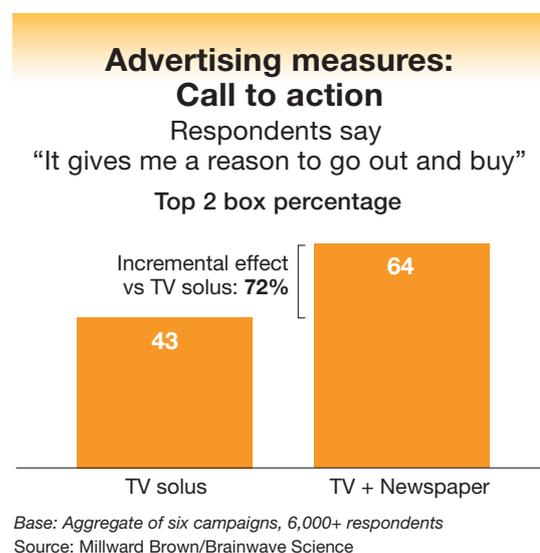
## Greater brand bonding

Just as striking was the impact on industry tracking metrics. A TV-plus-newspaper campaign produced an increase in "bonding" with the brand – the primary measure of loyalty used by Millward Brown, the global market leader in in-market brand tracking – more than five times the increase generated by TV alone.

So the measurements of both the unconscious (brainwave) responses and the conscious (industry metrics) responses show that TV plus newspapers creates a substantially stronger emotional identification with a brand. A campaign involving newspapers is a stronger driver of emotional affiliation to a brand than a TV campaign alone.

Newspapers also score on the "reappraisal" metric – "surprising" consumers and getting them to think differently about a brand. TV scores very strongly on this measure, but adding newspapers boosts that response by 43 percent.

Seeing newspapers has the unique benefit of enhancing the response to TV. Millward Brown's TV involvement diagnostics prove that newspaper advertising accentuates the positives in the consumer's response, and soothes some of the negative associations. People were more likely to find a campaign "involving," "distinctive" and "interesting" when the two media were working together, and were less likely to describe it as "ordinary," "boring" or "weak".



## Spur to action – newspapers drive sales

That implies that a campaign becomes more actively engaging by bringing in newspapers. So as well as deepening the emotional connection, newspapers can be an effective spur to action.

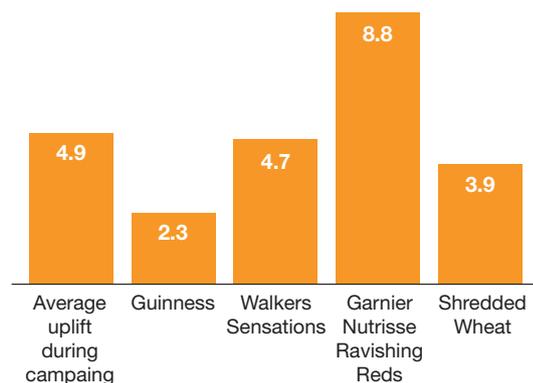
TV plus newspapers gives a 49 percent greater increase than TV alone on the “Call to Action” metric – people who agree that the campaign “gives me a reason to go out and buy.”

This is no surprise. The “Call to Action” has long been accepted as a newspaper strength.

The effect of four of the campaigns on sales was measured by the research agency dunnhumby, sampling 13,000,000 customers in the Clubcard database of Tesco – which sells 9 percent of all UK newspaper copies – to monitor buying behavior before, during and after a campaign. Homing in on regular Tesco shoppers who bought newspapers carrying the ads, dunnhumby found that sales of the brands (Guinness, Walkers Sensations, Garnier Nutrisse Ravishing Reds and Shredded Wheat) rose by 4.9 percent.

### Percentage of sales increase driven by newspapers during campaign

Percentage of respondents agreeing



Source: Dunhumby/Tesco Clubcard data

Sales remained higher in the post-campaign period – sales of Guinness actually continued to rise. As a further benefit, the campaigns generated a “halo effect” for other brand products. Three of the four advertisers saw sales increases for their other products.

## Higher OTS increases sales uplift

dunhumby detected a significant difference in sales uplift between people buying 3 to 4 newspapers carrying the ads and those buying 1 to 2 relevant newspapers for the 4 brands they measured.

## Newspapers drive traffic to brands’ Web sites

The power of newspapers to influence consumer behaviour is further demonstrated by the way that newspapers as a whole – both in their online and paper versions – drive visits to brand Web sites.

Brand advertising in national newspapers accounted for a 23 percent increase in unique visitors to the Toyota Yaris homepage over the year-to-date monthly average. Online newspapers boosted the traffic by a further 21 percent, delivering a national newspaper contribution of a 44 percent increase.

The newspaper campaign for Kraft Philadelphia cream cheese lifted Web traffic to the recipe pages of the brand site by 440 percent, with 85 percent being first-time visitors. There was a 240 percent rise in visits to the site as a whole, and a 62 percent increase in the average number of pages visited.

## Creative pre-testing can double campaign performance

The pre-testing of advertising creative has been credited with greater advertisement performance. The 13 campaigns run in 2005 delivered average 17 percent uplift in brand recognition. The 2006 campaigns delivered an average of 34 percent. The key different in the way the research was conducted between 2005 and 2006 is the pre-testing of creative.

Pre-testing helped ensure that the ads were visually striking, well branded, engaging and easy to understand. The ads were seen as more stylish, original and intriguing and less ordinary, dull and plain than is the norm for print ads. And they didn’t skimp on information – they were rated on average 50 percent more informative than the norm.

## Other advertising effectiveness studies

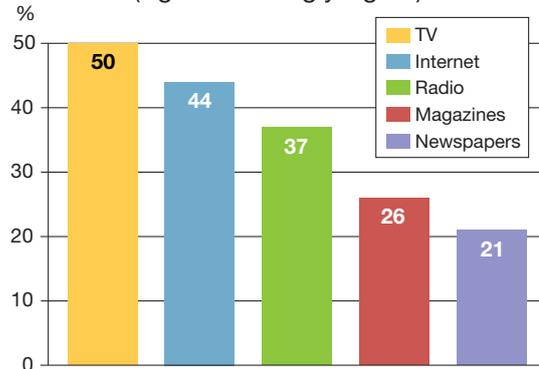
The latest research to examine the effectiveness of newspaper advertising is the Newspaper Association of America's Readers Engagement Study, published in 2006. It builds on earlier work carried out in Japan by the Japanese Newspaper Association NSK, and the Newspaper Society in the UK.

The NAA, in conjunction with Scarborough Research, conducted the study that details readers' affinity toward their newspaper by measuring the amount of time spent with the newspaper during weekdays and Sunday, preferences for sections, and emotional connections with the newspaper.

The study revealed that newspaper advertising garner the highest level of trust and credibility (40 percent) compared with magazines (30 percent), television (23 percent), radio (18 percent) and Internet (16 percent). More than half of the 4,594 respondents agreed or strongly agreed that newspaper advertising is useful.

The study also showed that newspaper advertising has the lowest "intrusion factor" compared with other media. Nineteen percent of the respondents agreed or strongly agreed that newspaper ads were too intrusive, while 41 percent of the respondents said Internet ads were too intrusive, and 38 percent said TV ads were,

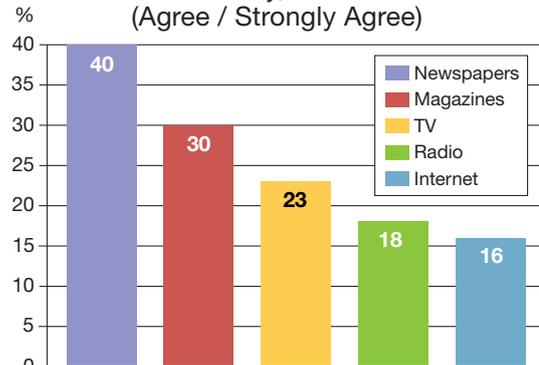
### Which media has ads that take away enjoyment? (Agree / Strongly Agree)



Source: NAA Reader Engagement Study, 2006

### Newspaper rate highest in trustworthy ads

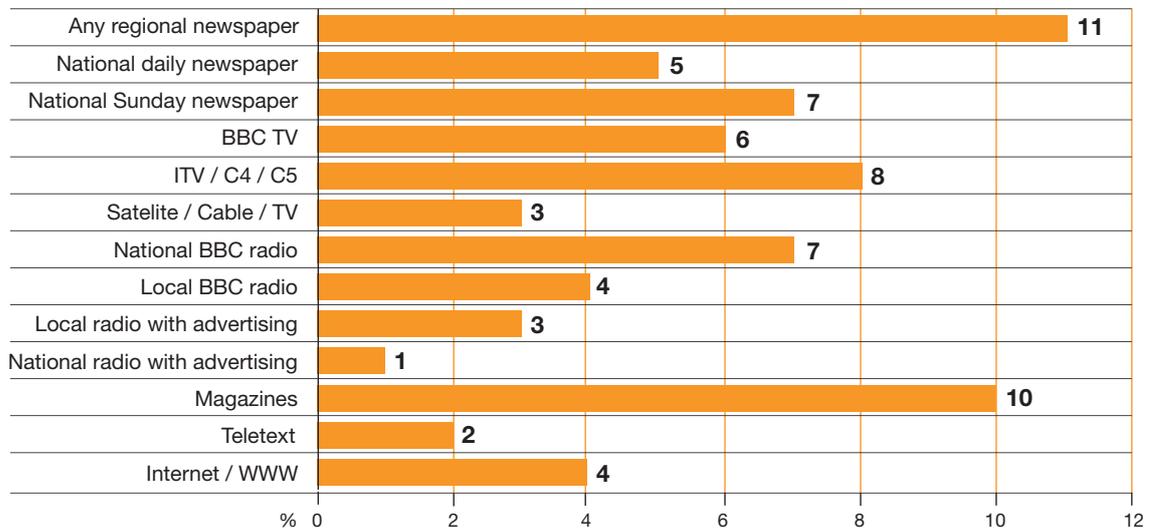
Has trustworthy, believable ads (Agree / Strongly Agree)



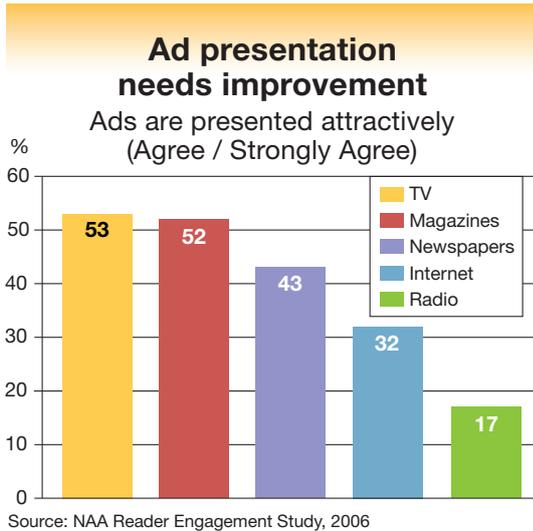
Source: NAA Reader Engagement Study, 2006

### Media that understands my concerns and lifestyle

Regional newspapers are seen to understand the concerns and lifestyle of the population better than any other media



Source: Newspaper Society study, 2005



The research provided by the Japanese newspaper society NSK sought to demonstrate the affinity readers have with their newspaper. It clearly demonstrates the relationship and value readers place on their daily newspaper. The British study by the Newspaper Society is carried out every three years, the latest version having been published in 2005.

A clear pattern of reader affinity toward newspapers has emerged, despite the different cultures.

The British survey also points to the importance of “localness” and the strong relationships readers have with their local community newspapers.

### Newspaper readers' usage preferences

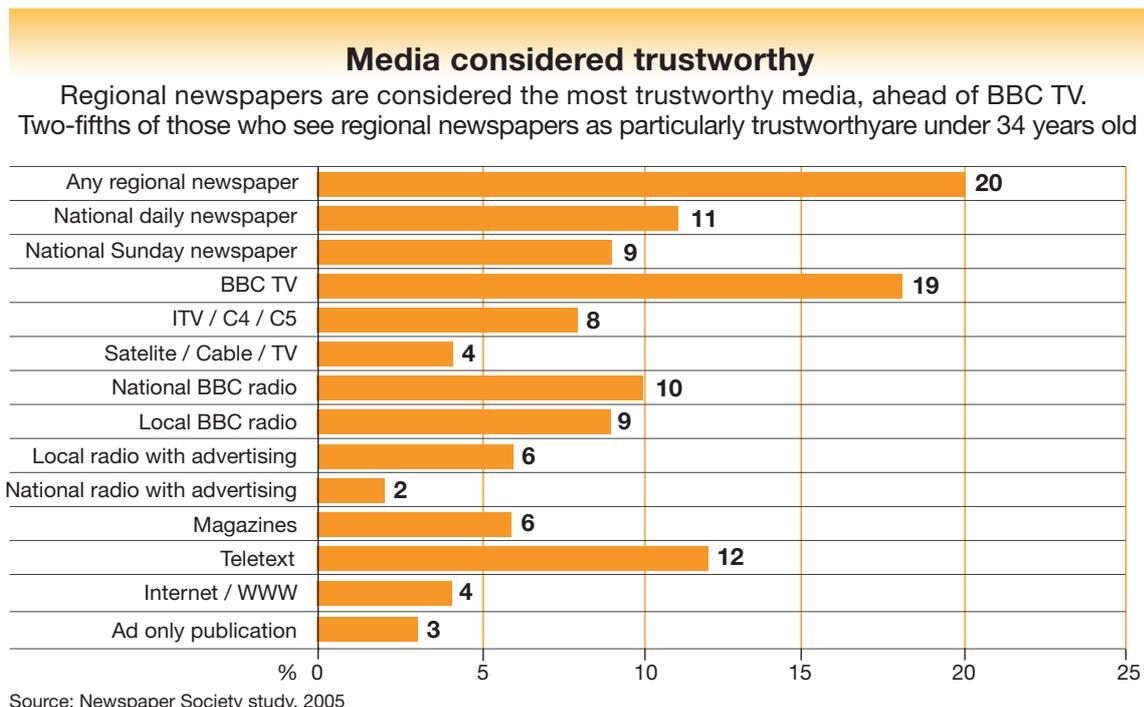
Agree / Strongly agree	%
Very important to be up to date on news	76
Like to use different news sources	70
Like quality of reporting in paper	54
Allows me to choose ad to pay attention	53
Like to read stories / people like myself	51
Ads in paper are usefull	51

Source: NAA Reader Engagement Study, 2006

In this study, the local newspapers dedicated to a city or region achieved the highest scores for trust, better even than the score of the British Broadcasting Corporation, the government-sponsored TV channel internationally recognized for its journalistic integrity. Local and regional newspapers were also considered to understand better the concerns and lifestyles of consumers than any of the media tested.

The value of this type of information to advertising departments is high.

It enables them to prove to advertisers that newspaper advertising is not just a matter of reach and frequency. Advertisers also can leverage the affinity newspaper readers have for their newspaper. It points to newspapers



working harder at developing brand relationships for advertisers whose advertising is associated with the high consumer values of the newspaper environment.

The NAA's report, published in 2006, builds on the theme of reader affinity and identifies ways in which readers engage with the newspaper. Focusing on the printed newspaper, the research was conducted among 4,594 respondents.

Seventy-eight percent of the respondents agreed or strongly agreed that the newspaper

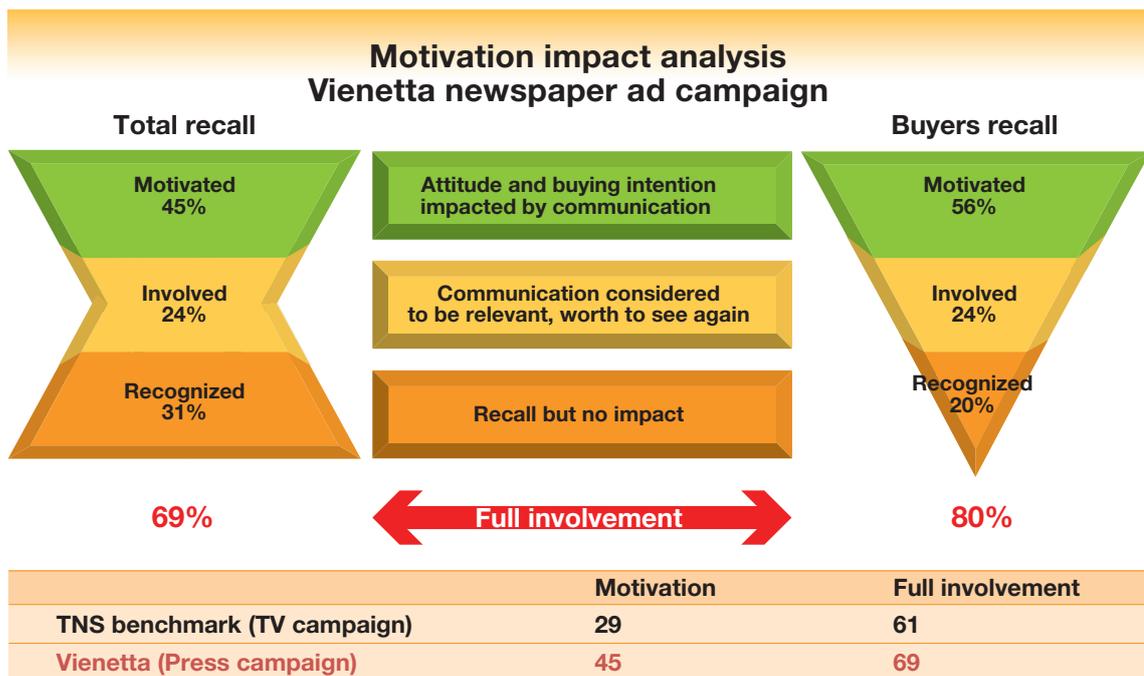
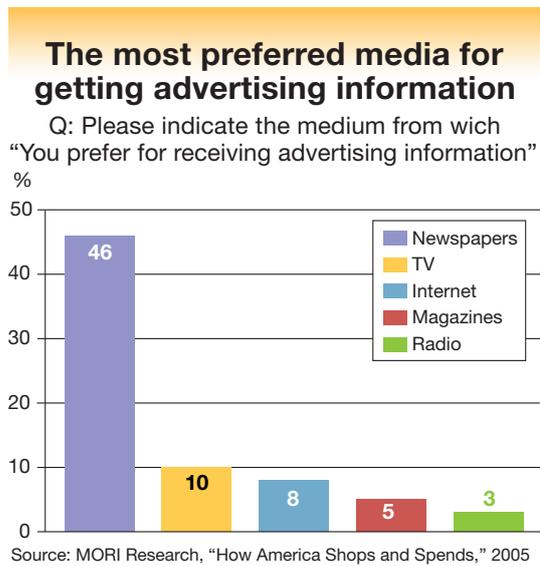
helped them learn more about their local community, and 68 percent felt better informed after reading a newspaper. The study also reported that more people trust newspaper advertising than they do ads in any other media.

One key finding indicated room for improvement. The presentation of our advertising needs to get better. We are not as attractive as TV or magazines.

In addition to the NAA research, other U.S. studies are worth noting. The NAA conducted another study in 2005 with MORI research about how America shops and spends, while Yankelovich Research focused on readers' affinity for newspapers.

Both the Yankelovich study and the British Newspaper Society's "The Wanted Ads" research demonstrate that consumers are much happier with the advertising content of newspapers than any other medium. The strong correlation between the two different studies supports the proposition that readers prefer newspaper advertising.

The evidence points to increased TV fragmentation. The ad avoidance phenomenon is making it harder to reach audiences in a cost-effective manner. The research indicates that not all media are equal in their ability to engage the reader with advertising content.



Source: TNS Hungary

A study by Ringier Hungary showed that print motivates consumers more than TV. In a presentation given to the 2007 WAN World Newspaper Advertising Conference in Zurich, Béla Papp, Managing Director of Ringier Hungary and Kornél Müller of Unilever, showcased the results of cooperation between a media company and a multi-national consumer goods group to test the effectiveness of newspaper advertising. Like the Irish case study from NNI, this approach highlights the need for research to engage the advertiser from the outset.

The ice cream brand Viennetta was chosen for the initial research. And AC Nielsen and TNS were the research partners.

Advertising appeared in a schedule combining Ringier's Hungarian daily newspaper Blik and a variety of Hungarian magazines. The test brought together Ringier's objectives with those of Unilever.

Unilever wanted to:

- Raise the sales of Viennetta
- Change the image of Viennetta
- Re-position the brand as value-for-money within the ice cream cake segment

Ringier Hungary wanted to:

- Show the creative possibilities of print
- Show the marketing power of the campaign and the benefits of close cooperation and engagement

- Identify the optimum print campaign volume for the targeted results

All the objectives of both parties were exceeded. Total recall of the campaign reached 69 percent for all consumers.

The campaign demonstrated that consumers were more motivated by print than TV. Against the historic trend, sales of the brand increased by 13.5 percent. Unilever Hungary has significantly expanded its print advertising, especially in daily newspapers. Makers of consumer goods have started to re-dip their toes in daily newspapers, including Gillette, Kraft and Nestle.

This chapter showcases a variety of newspaper advertising effectiveness studies, which are the latest in a long series of research releases.

The newspaper industry needs more examples – more evidence – to show advertisers and agencies the power of newspaper advertising. These studies are tools to inform sales people of the value of their product, so they can in turn inform their clients that newspapers can build brand, drive sales, engender affinity and build advertising recall.

## Gallery of innovations in advertising printing



At the *Helsingin Sanomat*, Finland, an advertising cover sometimes wraps around the front page.

## Gallery of innovations in advertising printing



This BMW advertisement in *Süddeutsche Zeitung* in Munich, Germany, uses transparent paper to imitate the movement of runners in BMW's TV spot. The ad campaign won the Innovation Award from the German Printing Industry, and the Druck & Medien trophy.

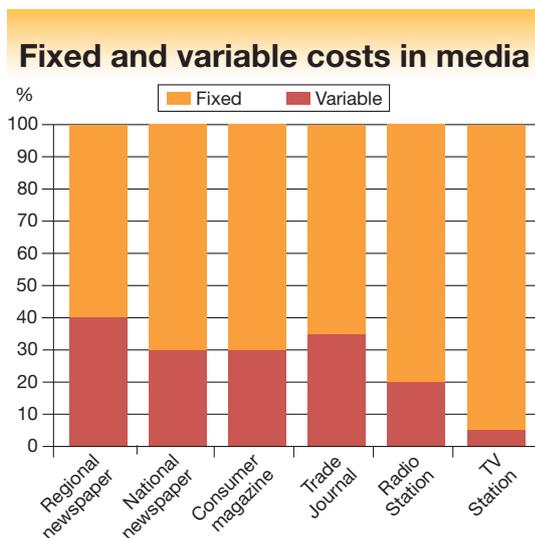
Detroit Newspaper Agency in the U.S., and Handelsblatt in Germany have employed innovations in wraps around the newspapers' front pages.



These advertisements for Motorola mobile phones and for the Superman movie used transparent paper, and were printed in the Chicago Tribune, U.S.

## 2. Newspaper revenues and yield improvement

The development of digital revenues presents a problem for some newspaper companies. Newspaper yields tend to be higher than other media, in particular, broadcast and digital media. The reasons for this are straightforward and linked to the relative costs of the media, economies of scale and the success of the advertising they carry.



Source: Merrill Lynch SFN 2006

Fixed costs are an impediment to a company's tactical agility in times of cyclical, or structural changes in market demand. Newspapers are more agile than most. According to research by Merrill Lynch in the UK, approximately 40 percent of regional newspapers and 30 percent of national newspapers' costs are variable (compared with 21 percent of radio costs and 3 percent of TV costs).

Even so, newspapers still have fixed costs of about 60 percent to 70 percent. As we will see, newspapers that migrate revenues to new digital channels probably will not be able to reduce their costs in line with volume and revenue shifts to online.

Newspapers are unrivalled as providers of news and content, which puts them in a prime position to exploit digital revenue opportunities. But the model for digital revenue consists of drawing high volumes of relatively low-yield ads, very different from the high volume, relatively high yield advertising of traditional newspapers.

This leads to a possible conundrum: newspapers need to maintain growth in newspaper revenue, while also developing new digital revenues. But Lars Munch, CEO of Denmark's Politiken says, "It does not matter which channel the money goes into, as long as we have it".

This sentiment is echoed across many newspapers in Europe and the USA.

But others say less advertising leads to lower readership – an important reason for readers to buy newspapers is advertising content.

Publishers must thus focus on Yield Management, both for the newspaper and the digital properties.

As one senior newspaper executive put it; "We need to ensure that we (can) justify different yields for print and on-line, but managing print yield is something we need to get better at, if we hope to solve the problem of handling print and on-line yields".

### Managing yield – Margin of need and volume development

The number of advertisers in any market is finite. The number of media options seems to be constantly increasing. The ability to grow revenue by developing new business may be limited.

Such limits may present thorny challenges to established newspapers. They will likely know most of the advertisers that benefit from newspaper advertising. Gaining new revenue sources demands hard work, in a ratio called 'the Margin of Need'. When that margin increases, sales effort declines, meaning that sales staff must work much harder to get the sale.

The Margin of Need can be rooted in either actual economic reality or the perception thereof. Regardless, 'Need' clearly has an impact on price and yield. Increased sales effort implies a lower margin of need on the advertisers' part, while the reverse is true when the sales staff exerts decreased effort.

A tried-and-true strategy to increase ad volumes is to lower prices, which can encourage more ads from both existing and potential customers. Some argue that lower prices are needed to raise market share. But the economics of the newspaper business, where increased volume means increased costs, make this strategy dangerous. For one thing, it creates lower yields. For another, discounting might 'leak' into the existing customer base.

Yield management, meanwhile, can have a major impact on the profitability of the newspaper company. Even junior salespeople can make significant contributions to the bottom line, if they are well-trained in how to negotiate higher yields from even the toughest advertisers.

The proliferation of choice available to advertisers, whether they are local, regional or national, perhaps begs the question of how realistic a yield strategy it is. After all, basic economics correlates the available supply with cost, so surely a decline in yields is inevitable in the current environment where media choice, or fragmentation, proliferates.

Fragmentation is a top concern for advertisers, because it makes their jobs more complicated. In fact, market fragmentation is the biggest concern among respondents to a Marketing Forum survey in the UK. Gone are the days when 40 percent of the population in the UK might watch a popular soap opera.



Source: SFN 2007

### Audience viewing (average)

(millions)

	14-Jan-07	9-Jan-00	%
BBC 6 o'clock news	5.10	7.40	-31.1
ITV Evening news	4.30	6.86	-37.3
Simpsons (SKY)	0.57	1.00	-47.7
Eastenders (BBC)	10.15	20.00	-49.3
Coronation St (ITV)	11.93	17.13	-30.4

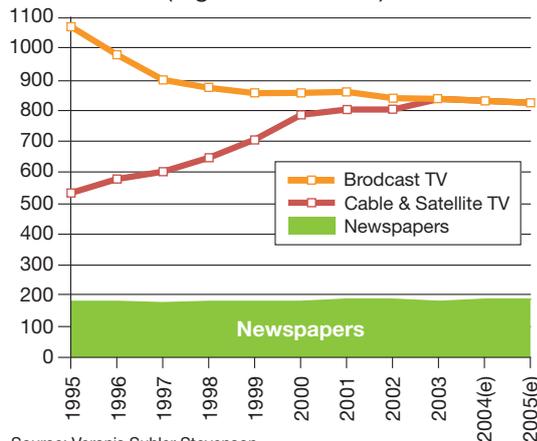
Source: SFN Research

A jump in the number of channels means a bigger TV audience overall, but one so splintered that it is harder and more costly to reach.

Newspapers have been less vulnerable to fragmentation than TV, as we see from this Veronis Suhler Stevenson chart. But they still need to carefully develop a yield management strategy.

### Hours spent with the medium

(logarithmic scale)



Source: Veronis Suhler Stevenson

## 1. Understanding, measurement and tracking

The first question for the Ad Director to answer is the extent to which the ad sales department actually understands the concept of yield.

In some cases customer relationship management systems make understanding appear irrelevant by tying the salesperson's offer to the price parameters set by the system. But where salespeople have the ability to vary price, understanding the impact of their actions is vital.

### Have any of the following become more complex than it used to be?

(Top 12 from a list of 15 items)

Marketing to consumers (%)    Marketing generally (%)

Media fragmentation	67
Increasing financial constraints/budgetary pressures	63
More varied media consumption	62
Declining consumer loyalty	58
Individualisation of tastes/fragmentation of markets	57
More short-termism	54
Increased pressure for constant innovation	47
More accountability	47
Less clearly defined and segmented lifestyles	45
Increased use of technology	40
Less predictable consumer behaviour	36
Introduction of Customer Relationship Management	27

Source: Marketing Forum/Future Foundation survey of 168 Marketers/Consumer Insight specialists

There are a number of basic questions that every member of that team should be able to answer, such as:

- What is yield?
- How is yield calculated?
- What does yield measure?
- Why is it important?

These questions may sound simple and straightforward, but the reality is, that ongoing research conducted in the UK showed 37 percent of advertising managers, and 88 percent of advertising salespeople were unable to answer them.

This level of understanding is an prerequisite for getting the best possible yield out of every newspaper, category, advertiser and salesperson, as it is the first step in focusing the salesperson's attention on yield rather than on 'any business, any price'.

### Yield: Standard definitions

- Yield is the net amount paid for a standard advertising unit, be it a single column inch (SCC), a column, or a page.
- Yield is the actual price achieved against the indicated rate card.
- Yield is calculated by dividing the cost of the ad by the unit of volume selected
- It measures variance against published or standard advertising rates
- Yield, strips out rate-card discounts and commissions and leaves us with the actual amount paid.

Tracking yield over time shows the impact of discounts, given for any reason on the price of advertising. It can be used to identify:

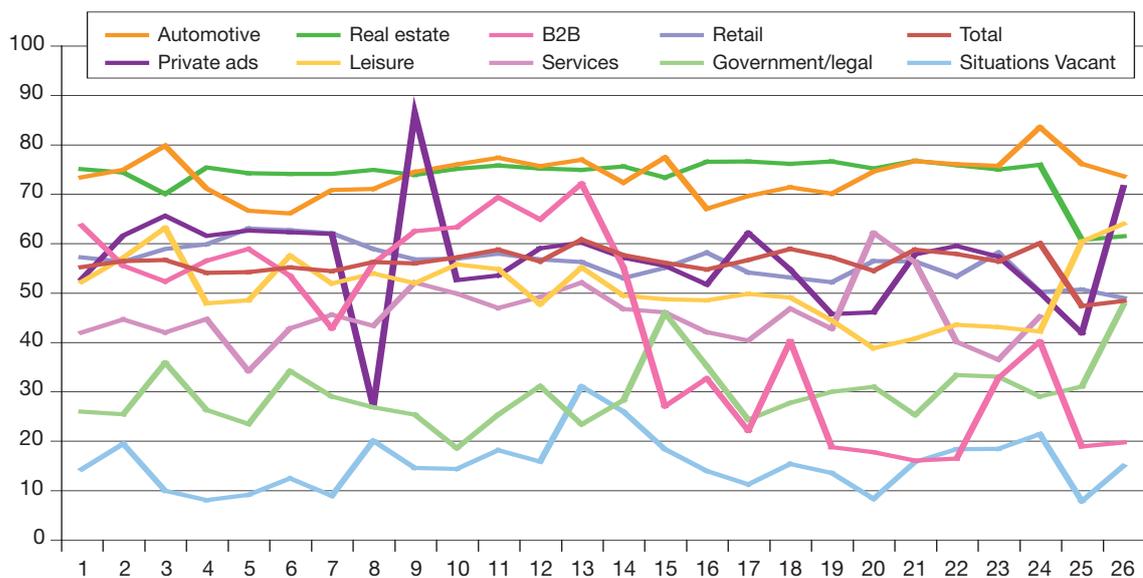
- The effects of competition on price
- The relative negotiating abilities of sales people and teams
- The impact of offers and discounting schemes over time
- The net contribution of categories of advertising and even individual advertisers
- The short- and longer term market price trends
- Yield will 'red-flag' negative trends
- Yield will point to opportunities for rate card optimisation

We can track yield and make comparisons between the rate-card and the yield, between one issue and others, one month or year and the previous one, one month and the same month in previous years, one business category with another, one advertiser within that category with another, one salesperson selling the same product mix with another.

Over time, comparing like with like creates a picture of discounting practices. It also lets management look at why there might be variations.

In this example from a European publisher, we can see that there are very large variations in discounting practice over time and across categories. This publisher used this analysis to identify areas of weakness – and opportunities for higher yields. The data came from individual salespersons' sales activity, enabling

### Mid-size daily European newspaper discount levels



Source: SFN 2007

the management team to drill down into the data to identify why the variations were happening at the level of the sale.

If yield performance is slipping, it can suggest several things: strong competition, a change in market conditions, or perhaps weak negotiating skills.

### YIELD AND PROFIT/CONTRIBUTION

The relationship between yield and profit compared with that between volume and profit is clear. An increase in yield can be achieved without any adverse effect on costs and therefore has a direct and proportional impact on profit. Any increase in volume carries with it a proportional increase in costs and therefore is, pro rata, less profitable. Yield is therefore a vital tool for improving profits.

The exception to this rule arises when a newspaper has the ability to vary the quota of advertising to editorial. There are, of course, occasions when it is possible to publish otherwise uneconomical advertising, for example, when a quota has not been reached, or when it is impractical to reduce the size of the newspaper. However, as a general principle, most newspapers have advertising-to-editorial ratios in place for good reason, and varying these ratios in favour of advertising has adverse effects on readers and circulation both in the short- and long-term.

Too often, even salespeople who understand yield view it as an accounting tool rather than something that is their direct responsibility. If they are going to commit to securing the maximum yield on every piece of business, they need to engage with it and take ownership of it.

There are three simple tactics commonly used to help salespeople embrace the art of yield management.

#### 1. Make yield data and trends meaningful

It is very likely the ad-system will generate yield data. However for it to be meaningful it needs to be easy to absorb.

A chart showing the target, last year and the actual yield over time, is far more revealing than a spreadsheet.

- **Relate earnings to yield achievement.**

There is no simpler and more effective way to focus the sales effort on yield than to make it a part of the target and incentive package.

- **Identify and justify all the reasons for discounting.**

The best way of doing this is to make it a task for the ad-team.

- **Demonstrate the impact of yield variance.**

By creating a simple financial model of the newspaper it is possible to bring into focus the impact of yield.

### Yield examples

Newspaper revenue	Budget/Target	\$	Yield +5%	\$	Yield -5%	\$
Circulation		300		300		300
Advertising		500		525		475
<b>Total</b>		<b>800</b>		<b>825</b>		<b>775</b>

Newspaper costs				
Wages		350		350
Newsprint		300		300
Other		100		100
<b>Total</b>		<b>750</b>		<b>750</b>

Revenue		800		825		775
Costs		750		750		750
<b>Profit \$</b>		<b>50</b>		<b>75</b>		<b>25</b>

<b>Target %</b>		<b>100%</b>		<b>150%</b>		<b>50%</b>
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Source: SFN 2007

This simple model of a newspaper P&L has been widely used to demonstrate to salespeople the impact of yield variance. As a model it can be used to evaluate the impact of volume led revenue development and price improvements.

Newspaper X	Budget/Target \$	Impact of volume led growth
Circulation	300	300
Advertising	500	517.5
<b>Total</b>	<b>800</b>	<b>817.5</b>

Newspaper costs		
Wages	350	350
Newsprint	300	352.5
Other	100	100
<b>Total</b>	<b>750</b>	<b>802.5</b>

Revenue	800	817.5
Costs	750	802.5
<b>Profit \$</b>	<b>50</b>	<b>15.5</b>

<b>Target %</b>	<b>100%</b>	<b>31%</b>
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This variation of the model was the product of a training exercise where ad- managers and salespeople were invited to model the effect of a volume-led sales initiative that resulted in a 15 percent increase in volume, driven by a discount offer, with a net effect of -5 percent.

In this case the 'modellers' decided to increase newsprint costs in line with the ad volume in order to maintain the important ad/editorial ratio. Had they chosen to also include small increases in wages and other costs, as a result of the volume increase, the impact would have been more negative. This type of exercise allows salespeople and managers to 'wargame' the effects of volume, revenue and yield strategies on the bottom line.

### NET CONTRIBUTION

Net contribution is a way of comparing advertising product lines to measure their relative efficiency in contributing toward profit.

It is calculated by: Revenue - Direct costs = Contribution.

So by calculating the costs associated with a category, publishers can calculate how efficient that category is at contributing profits.

In this example of an automotive category, it is clear that some advertisers are making a negative contribution. The newspaper is losing money on their advertising because the revenue is not covering the costs.

Best practice newspapers carry out this analysis by category and by advertiser.

They will use it to stimulate the planning process to further develop higher yield business that makes a good contribution and improve or eliminate lower yield business that does not.

## 2. Understanding, believing and exploiting the comparative value of your newspaper against other advertising options

The climate of increased media choice prevalent in most markets means that media buyers and local businesses have, more than ever, the opportunity of reducing their media selection to a commodity purchase. Media buyers and sellers are also adept at exploiting issues such as the difference between left- and right-hand pages, the position within the newspaper, the day of the week and the value of colour.

Some categories yield better prices than others, largely due to historical market forces. Property yields tend to be low because real estate companies have long had a choice of advertising options and keep a close eye on their bottom line. Recruitment revenues, although under pressure, remain relatively high because options in the past have been limited and there was little incentive for the advertising buyer to seek discounts.

Ultimately, then, the price paid comes down to the relative negotiating strength of the newspaper and the ability of the buyer to exploit any weaknesses that exist in the newspaper's position.

The fact that some advertising categories or individual advertisers generate a better yield than others can be used to help publishers increase overall yield. However, this very situation should also lead us to question the reasons for these variances. After all, advertisers are buying what is essentially the same product...or are they?

Some of the reasons advertisers pay different rates for placing their message in the same newspaper include:

- **Bargaining Power.** This may be real or imagined. It is only important in the sense that both parties accept that one or the other has more power.

- **Perception of Value.** Customers place different value on our product(s), ranging from marginal value to high value. Customers who perceive higher values are prepared to pay higher prices.

- **Competitive Market.** Clients can cleverly disguise what they pay for competitive media to mislead publishers. This can improve the client's bargaining power, and may even spark a free fall in advertising pricing.

- **Monopoly Market.** Whilst the advertiser(s) will pay the requested price because they do not have an alternative, if the price is perceived as unfair, there can be long-term repercussions, especially if the market changes.

- **Proven Results.** This is similar to, and is indeed one of the factors that may influence, perceived value.

- **Client Character.** Clients who ask long and hard for more tend to get more. If a business's customers pressure it or all they can get, and who may walk away if they do not get it, that will change the way the business operates. Buyers of a used car would not dream of buying from a motor dealer without a negotiation, whereas people are unlikely to question the price tag on a suit unless it is faulty in some way.

- **Money to Spend.** Some clients do have large and healthy budgets. They may be less sensitive to price because they can easily afford it. However they may just as easily perceive this as part of their bargaining power and act accordingly.

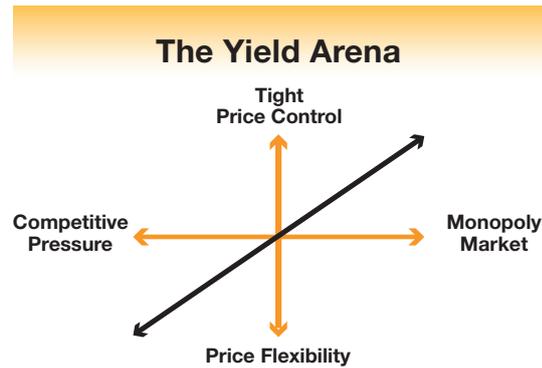
Any or all of these reasons may lie behind the price paid by any given advertiser, category or marketplace.

Identifying these reasons leads to two interrelated points.

### (i) THE YIELD ARENA

The combination and permutations of these reasons constitute The Yield Arena. Consideration of The Yield Arena enables us to estimate the position of our products.

The Yield Arena demonstrates how we tend to practise stronger yield management in a stronger or monopoly market. Weaker practices and softer rates appear in a market under competitive pressure. The degree of



Source: SFN 2007

price control **tends** to follow the black line cutting the axes.

Whilst the most common and understandable response to The Yield Arena is to take a harder line when our position is strong and a softer one when we think we are weak, the time when newspaper publishers really need strong control of pricing policy is when under pressure (real or perceived).

Giving salespeople the ability to vary price in a tough market means they will probably **lower** price to the limit of their power. How, then, do you prevent the real value of the product, e.g., the yield, the price being paid for it, from sliding downhill?

Stronger **controls** are not necessarily the best approach to tighter markets. It is arguably more productive long term to be less aggressive in strong markets, to avoid alienating core client groups and to assist us in strengthening market share at a good yield.

Strong controls do not mean high or unrealistic prices. They simply mean strong and intelligent management of the business.

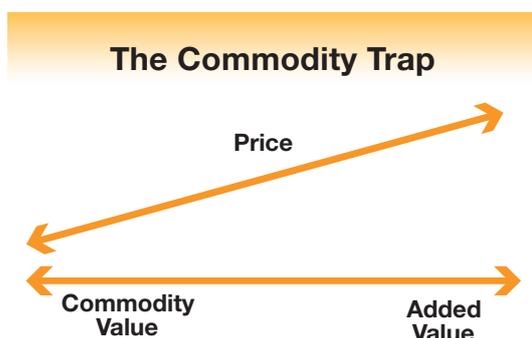
### (ii) RECOGNISING AND CHANGING PERCEPTIONS OF PRODUCT VALUE: AVOIDING THE COMMODITY TRAP

Implicit in The Yield Arena and the reasons behind yield variations is the principle of Product Value. Real or perceived value lies at the core of how we position ourselves in negotiations.

Every Ad Director believes that the sales team 'know' the products they are selling. We also tend to assume that our key advertisers, and indeed even those who use competing media more extensively than our own, know them too.

In reality, through over-familiarity and pressure from customers, what tends to happen is that salespeople fall into The Commodity Trap, and neglect product value and differentiation to focus purely on price.

In a market where buyers regularly persuade sellers to believe that price is the only issue, these same buyers try to 'talk down' the value of the product. The added value, or unique value, of the product is ignored or forgotten. The more the value is ignored, the more of a commodity the product becomes, which in turn weakens its value still further.



Source: SFN 2007

Experienced buyers will talk down the added value, because sellers react to them doing so: it enhances their perceived bargaining power.

A typical example of this is the way that ad agency buyers will try to reduce the value of a title to a pure cost per thousand (CPT). They will then further reduce it to the CPT of a smaller, more defined target audience, and persuade the seller that only these numbers are important. The tactic is practised by agencies and experienced direct clients because they soon learn that it works.

The first thing the seller must do to break out of the Commodity Trap is to know the title inside-out, and to appreciate that its value is not as a manufactured product, but as a means of communicating with, and relating to, a wide number of consumers of many products and services.

It is imperative that sales people can identify and discuss as many points as possible about their own titles, and about their competitors, which could improve a customer's perception of them. Sales people often overlook or undervalue the points in their favor, either because their knowledge is limited, or because

they have over time been sucked in the Commodity Trap by their customers.

There are a number of simple, practical steps publishers can take to help sales people to become more familiar with their product.

Just some of these ideas include:

- Identify all the possible differentials between their offering and any competitor. This might include such marginals as credit terms, copy delivery options and the number of reader letters or competition entries as well as the more obvious things like audience size and profile, costs and value.
- Train salespeople to explain what each one might mean to an advertiser and how it could be presented.
- Hang posters of value points around the office.
- Make it easier for advertisers to provide testimonials and make sure staff know how to ask for them and use them.
- Present testimonials professionally...provide incentives for testimonials.
- Assign individual staff members with obtaining up-to-date, useful examples of some of the points identified (e.g. John to get examples of competitors and find out entry levels, Sally to find examples of national advertisers from a range of categories, Jim to find out our market share in key categories against main competitors), and then have them present their findings to the team.
- Guide sales staff through the paper at sales meetings, highlighting examples of the points identified – and then regularly ask each of them to lead the team through the previous week's publications looking for the same points.
- Run unannounced quizzes on the content of the previous few issues.
- Replicate these exercises with competing titles, with the emphasis on differentiation between it and your own.
- Brainstorm on the most common objections to buying and the most effective responses to them. Produce sales aids as reminders.
- Carry out simple reader and advertiser surveys to illustrate attitudes and the value of newspaper to them.

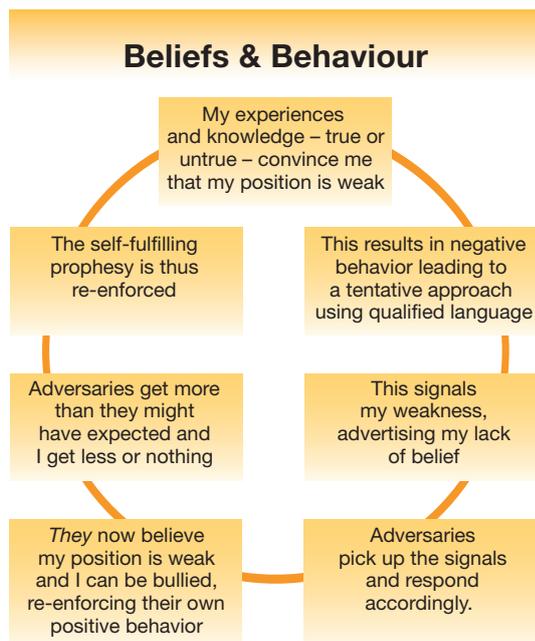
- Ask each salesperson to identify their three toughest clients. Then get them to identify points from the Added Value list which they believe will have an impact and a value to them. Run role plays and skill practices on how to use the info.

A word of caution. Carrying out the above processes as a one-off exercise will only make a short-term difference: Ad Managers need to make sure that this work is regularly updated to maintain awareness and enthusiasm.

Salespeople also need to be trained to use this knowledge to work continuously on buyers' perceptions of your product. In other words, they need to build the perception of product value by talking it up, otherwise they leave the way clear for buyers to talk it down.

Regardless of whether a message is negative or positive, over time continued exposure tends to affect our perception of it as illustrated by the chart below:

Salespeople should be trained and managed to develop the habit of, at every opportunity, dropping in a positive comment about their newspaper. They can refer to a recent initiative or a success, such as a key new advertiser or a promotion which enjoyed a good response. The more often they do this, the more they are persuading the customer of the value of the newspaper, and improving their own bargaining power, real or perceived.



Source: SFN 2007

### 3. Segmentation and pricing techniques

Segmentation is a simple idea that emerges from basic marketing principles and is already practiced to an extent by many newspapers.

Segmentation means that we analyse, and break down or define, our categories in more detail, to identify groups with different needs and thus differing levels of price resistance. The criteria used for analysis will vary, but might include those listed in the chart below, under Types of Advertiser.

Such an approach may mean that the same company will pay different rates depending on the specific advertising objective.

For example, BP (British Petroleum) would normally be considered as one business, but analysis using a segmented approach means that they may actually be using our newspapers in a number of different ways

- FMCG: ROP consumer campaigns
- Exploration Division: Far East Special Report or Feature
- Exploration Director or Oil Workers: Recruitment

The different reasons for advertising imply a different value placed on, or commanded by, our products, and so a different understanding of cost and a rate opportunity for a newspaper.

**Niche pricing segmentation example**

**1. Types of Advertiser Consider:**

- Advertiser economic reality
- Margin of need
- Experience of Advertisers
- Competitive pressures
- Unique cost experience
- What does this segment value?
- Timing: Seasonal price opps

Example Type:	1.1 Powerful Retailer
Sub-type.	Big Experienced National
Sub-type.	Established local trader
Sub-type.	Small New Tech
Sub-type.	Regional empire builder

Source: SFN 2007

If we can apply segmentation to our business, then yield measurement and tracking provides the intelligence necessary for informed business analysis. That in turn can enable the Ad Director to implement a number of simple strategies to increase the yield and through it, the revenue.

This is however, done to maximum potential only if the yield tracking drills down to segment level and, ideally, is advertiser specific.

### TECHNIQUE 1: IMPROVING THE VOLUME MIX

This process enables publishers to increase yield by focusing the volume mix in favour of high-yielding business.

Because all newspapers carry a mix of high and low yielding business, the overall advertising yield is an average. The same principle holds good within each category, or each individual sales person's portfolio of business.

The simple Volume Mix Analysis tables below demonstrate the effects of volume drives in each of three key categories.

#### Model A

A Section	SCC.	Volume Cms	Revenue	Yield
Retail	10 x 100 =		€1,000	€10
Motors	€8 x 100 =		€800	€8
Property	€9 x 100 =		€900	€9
<b>Total</b>	<b>—</b>	<b>300</b>	<b>€2,700</b>	<b>€9</b>

Model A shows three categories of business. As with all specific categories of business, the yield each category achieves are different, reflecting the variations in market conditions, competitor positions etc.

#### Model B (i)

B Section	SCC.	Volume Cms	Revenue	Yield
Retail	10 x 200 =		€2,000	€10
Motors	€8 x 100 =		€800	€8
Property	€9 x 100 =		€900	€9
<b>Total</b>	<b>—</b>	<b>400</b>	<b>€3,700</b>	<b>€9.25</b>

Model B shows what happens when emphasis is placed on the higher yielding Retail category, while keeping steady the lower yielding motors and property categories.

The overall yield increases by 33 cents or nearly 3 percent.

It has simply required the sales team to direct their efforts towards the business which will generate the best returns.

Compare this with what would have happened had the increase been sought from motors (Model C).

#### Model C

C Section	SCC.	Volume Cms	Revenue	Yield
Retail	£10 x 100 =		£1,000	£10
Motors	£8 x 200 =		£1,600	£8
Property	£9 x 100 =		£900	£9
<b>Total</b>	<b>—</b>	<b>400</b>	<b>£3,500</b>	<b>£8.75</b>

The revenue grows albeit to a lesser extent, the overall yield drops by 25 pence or -3 percent. The costs stay the same and the profit falls.

#### Model D

C Section	SCC.	Volume Cms	Revenue	Yield
Retail	£10 x 170 =		£1,700	£10
Motors	£8 x 65 =		£520	£8
Property	£9 x 65 =		£585	£9
<b>Total</b>	<b>—</b>	<b>300</b>	<b>£2,805</b>	<b>£9.35</b>

In reality, and taking account of production costs etc, it may not always be possible to increase overall volumes. Model D shows the effect of maintaining the same overall volumes, but increasing the volume of the high yield Retail business and reducing the lower yield Motors and Property volume. The overall yield increases, as does total revenue, with no incremental costs.

In practice, you might in fact see an even more marked improvement in yield, as ideally it would be the lowest-yielding volumes that would be sacrificed. Of course, certain 'blue chip' business may be retained e.g. major local key accounts, prestige, market leaders, and used as drivers to help secure new revenues etc.

By extending this Volume Mix technique within categories through improved segmentation of the business (see below), it is usually possible to realise small gains in many areas of the business. The technique can also be applied to individual advertisers.

## TECHNIQUE 2 : EXPLOITING SEGMENTATION: TARGETED YIELD INCREASES

Typically, in many newspapers, price increases are applied uniformly across all categories and sub categories. In practice, there are a number of problems inherent in such a strategy.

### Example A

#### Effect of uniform Yield increase

Category	Revenue (€000s)	Yield increase %	+Revenue
Key Accounts	90,000	+5%	€4,500
Retail	240,000	+5%	€12,000
Motors	210,000	+5%	€10,500
Specials/ Features	170,000	+5%	€1,900
<b>Total</b>	<b>710,000</b>	<b>+5.5%</b>	<b>€35,500</b>

Potential pitfalls could include:

- Could Key Accounts, given their specialised nature, really achieve +5 percent? Given that the Key Accounts group will have won their discounts by tough negotiation, these would be jealously guarded by the clients. A 5 percent yield increase would be hard-won, and require much management time and effort for relatively little incremental revenue.
- The Motors market may be healthy, while the Features team has recently been expanded. Additionally, experience indicates that Features is an area which shows little price resistance, being fuelled rather by the quality of the opportunity than by general market conditions. In both areas there could be opportunities for even better yields, which a uniform increase would fail to exploit.

### Example B

#### Effect of Selective Yield Increase

Category	Revenue (€000s)	Yield increase %	+Revenue
Key Accounts	90,000	+3%	€2,700
Retail	240,000	+5%	€12,000
Motors	210,000	+6%	€12,600
Specials/ Features	170,000	+7%	€1,900
<b>Total</b>	<b>710,000</b>	<b>+5.5%</b>	<b>€39,200</b>

Example B illustrates how a Selective Yield Increase Strategy might work. Here the yield is increased in areas of strength, with the extent of the increase is determined by what the

market will take. These areas of opportunity have been therefore exploited more, and to greater effect.

Assuming that driving the yield on key accounts will be more difficult than on other categories, this has been reduced to an achievable 3 percent.

This approach generates a better overall revenue and yield improvement than the uniform strategy.

Such an approach to targeting yield increases automatically prompts the consideration of niche rate cards, whereby the published selling price reflects the strengths of certain segments and assists us in taking advantage of market conditions. This already happens to varying degrees on most newspapers, such as with the range of published classified rates.

Segmentation of each business category in terms of needs similar to those illustrated is the first step in identifying pricing opportunities that could improve yield and overall profitability.

## 4. Sales Negotiation Ability

Ultimately, improved pricing is achieved by the salesperson demonstrating the value of the newspaper over and above any perceived commodity price by the buyer.

While sales people can be trained in many negotiation skills and practical techniques, their success often comes down to their confidence in the strength of the newspaper and in themselves. Both facets of confidence can be developed through good management.

There are four simple techniques that every member of the Advertising Management Team can instill in their staff:

- Talk up the positives at every meeting. The salesperson should be able to outline every aspect of added value and relevance of the newspaper to every advertiser.
- Every time a price is quoted, it should be quoted at rate card, the percentage discount given and then the net price stated. A good salesperson will always look surprised at how low the end price is.
- After concluding any deal, the salesperson should remind the buyer how well they have bought.

## HOW TO DEVELOP AND IMPLEMENT A YIELD IMPROVEMENT PLAN

The guidelines below are a starting point for any such plan. Each Advertising Department's management team will want to use their knowledge of the business and to identify which elements will have the greatest impact on the yield performance.

### ELEMENTS OF A YIELD IMPROVEMENT PLAN

**1.** Rank categories (if applicable) by current yield, e.g., from the highest to the lowest. If you only handle specific customers within one category of business, go straight to No. 2.

You now know which categories or types of client give the best yield and can start to prospect and plan to develop them.

**2.** Repeat the process ranking customers within each category by yield.

You now know which clients give best return for your sales time. These are your best customers. You should aim to sell more to them and to add value to your service.

**3.** Analyse each category (and/or customer) over time and identify and understand the reasons for changes in yield. If you have never carried out such a review, do this over a year's time at least. It would be better to do it over two, three or more years. If you have done so previously, then consider performance since the last one.

This will assist you in identifying what your medium- to longer-term objectives should be for each category and client.

**4.** Set yield targets for each category and customer. Consider the market, the relative position of your title, the type and attitude of the advertisers in each category, and other points discussed during the programme.

Do not be afraid to aim for very small increases. Remember the impact 5 cents can have on the business.

Targets should include realistic increases over time for categories with apparent potential, and possibly no change for other categories. There may even be some categories or clients where it is going to be difficult to maintain current yields, in which case you need to determine the acceptable bottom line, and at what level of volume.

It is useful to refer to market reports to inform your thinking and highlight future opportunities or potential impediments to growth if they are available.

Targets should be time related, depending on the scale of the job to be done. For example, one category might merit a marginal yield increase which can be achieved in a month or two, while others may require more sustained effort over a longer period.

**5.** Develop the 'good reasons' added value case for each category and key customer. The better the justification for your yield ambitions, the more easily you will achieve them.

**6.** Decide on a yield strategy for under-performers, e.g. any advertiser who is paying too little.

**7.** Prospect for new sources of revenue. Plan to introduce new types of business, particularly those that are not size- and rate-critical, for example, co-op and sponsorship. Your plans should also include added-value opportunities for each category, including enhanced sales propositions, online or multi-title/multimedia packages, features and supplements, competitions, sponsorship or community involvement.

**8.** List the main sources of discount and plan to reduce them.

This should include analysis of error-based discounts. You will need to identify and address the causes of the errors. Find out where and why you give discounts. Set small and achievable targets for discount reductions.

**9.** Stop any one-off unstructured discounting by implementing controls.

**10.** Review the ratecard and consider a more segmented approach, as far as permitted by current legislation.

## How to implement a yield development plan

- **Break down yield goals and the actions required to achieve them into short-term and long-term tasks.**

This way the team will remain motivated by seeing ongoing progress.

- **Do not try to tackle every area at once.**

If all the suggestions seem viable, focus on the top six to start with. When those have been achieved, implement the remainder.

- **Educate the team to understand what and why**

People are much more likely to support structures and goals they are involved with. Explaining yield and its value to the business is important to all sales people. Delegating tasks within the plan to individuals will make everyone feel some ownership of the plan.

- **Supply the training and the authority to carry out the tasks.**

Check that each member of the team has the knowledge and skills to negotiate. Only grant the authority to agree to rate cuts where necessary, and to people who will use it wisely.

- **Develop Support Material to prove added value.**

Develop an added value presentation pack for each product or category

- **Talk up the products and the people, to the people.**

They will believe what they are told, so tell them how good they are. Tell them how good the products are, and get them to tell you.



## 3. Best practices in digital advertising

By Martha L. Stone

**“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.” So said Charles Darwin in his “Survival of the Fittest” essay, published in the *Origin of the Species* in 1859.**

Almost 150 years later, newspaper companies are validating the theory with their successful digital strategies thrust into over-crowded media marketplaces. Darwin’s theory is playing out. Only the media companies most responsive to change will survive and thrive in the highly competitive digital era.

Media companies are taking cues about product development from the reams of research available on digital media consumption and digital advertising trends. The most advanced media companies spot opportunities just as trends are emerging and follow by developing new products tailored to their marketplaces.

Newspaper companies around the world have learned powerful lessons from ongoing trends

in digital media. The most recent hot trends are video and search advertising, mobile video content, social networking, and citizen-generated content. Newspapers online are experiencing double-digit annual growth in digital advertising. Media companies worldwide are tapping into this steadily-growing stream by developing online, video and mobile advertising strategies.

Multiple-media companies that are most securely situated for the future share three common traits:

- An aggressive digital revenue strategy driven by top management
- A new organizational structure in the business department to develop new multiple-media products quickly, as the trends emerge
- A focus on customers, both news consumers and advertisers

As advertisers shift toward digital, newspaper companies have been ramping up their efforts to offset the slippage of the high-yield print revenue with the low-yield digital revenue. While margins have fallen for print advertising

### Advertising spending worldwide Percent of total adspending 2005-2009

	2005	2006	2007	2008	2009
Television	37,8	37,8	37,5	37,5	37,2
Newspapers	29,8	29,1	28,5	27,8	27,3
Magazines	13,3	12,9	12,8	12,6	12,5
Radio	8,6	8,4	8,2	8,0	8,0
Outdoor	5,4	5,3	5,6	5,7	5,9
Internet	4,7	5,5	7,0	7,8	8,6
Cinema	0,4	0,4	0,4	0,4	0,5

ZenithOptimedia, December 2006

in recent years, in some cases significantly, those for digital ads have been reported as high as 40 percent to 50 percent.

Globally, revenue is shifting from print to Web over time. Innovative newspaper companies are preparing for the inevitable future by growing their digital businesses.

Most businesses are not compelled to change unless they must. For many media companies, that time has come. As these global statistical projections show, newspaper revenues are expected to rise from US\$119 billion to US\$135 billion between 2005 and 2009.

Meanwhile, worldwide Internet revenues are set to more than double by 2009, from \$18.7 billion in 2005, to \$47.7 billion in 2009, according to Zenith Optimedia. The slippage in print revenues and solid growth in Internet revenues are phenomena happening in most countries. The trend is forcing a dynamic change in the way newspaper companies are structured, and the way advertising is being sold at these companies.

### Advertising spending worldwide, by media, 2005-2009 (US\$ millions)

	2005	2006	2007	2008	2009
Television	151,187	160,391	167,149	176,671	184,502
Newspapers	119,178	123,460	127,125	131,179	135,228
Magazines	52,993	54,807	57,021	59,450	62,078
Radio	34,348	35,443	36,543	37,821	39,548
Outdoor	21,769	23,473	25,190	27,054	29,126
Internet	18,712	24,454	31,344	36,926	42,685
Cinema	1,697	1,812	1,938	2,087	2,272
<b>Total</b>	<b>399,883</b>	<b>423,839</b>	<b>446,310</b>	<b>471,189</b>	<b>495,438</b>

ZenithOptimedia, December 2006

The first step to success is to recognize the seismic changes in the media landscape. The second is to create a plan to address each major challenge with a strategic solution. That includes hiring and training sales and business development staff, reorganizing the sales department, and developing an incremental sales plan.

The most lucrative solutions directly address the trends that are changing the media landscape. Newspaper companies are finding clever solutions to challenges facing the industry. This chapter will detail how companies around the world are addressing these issues.

The newspaper industry is in transition regarding the implementation of these strategies. Some of the most advanced media companies employ all of these solutions. The most successful companies recognize that all of these components are important if they are to thrive in the competitively charged marketplace, and to grow revenue streams beyond print revenues, which are declining in many parts of the world.

### The digital challenge: Rewards for those companies with a plan

Industry challenge	Company solution
Upsold classifieds represent vast majority of online revenues	Diversification of revenues
Newspaper still makes the vast majority of revenues	Audience aggregation strategy makes print revenues centre stage, and creates added revenue with ancillary products
Multiple media assets, but each media is in its separate "silo"	Convergence advertising packages an opportunity for incremental revenues
Mobile is hard to monetize	Sponsorships, advertising, content subscriptions, downloads
Advertisers demand comparable print and digital currency	Standardised print-digital metrics
Local online advertising has limitations	National and international networks can double the size of traffic and revenues

Source: Shaping the Future of the Newspaper, 2007

## A publisher's view of the media landscape

Jim Moroney, publisher of the Dallas Morning News in the United States, has been transforming his company into a multimedia journalism and advertising machine since the early 2000s. But before he launched the process, he mapped out how his organization would change to respond to the way people use media today.

In the past, the media industry was the epicenter of the Information Age. Now, the industry is just one component of the current Participation Age. The world's most advanced newspapers no longer present a one-way monologue to their readers. These papers embrace audience participation and find multiple ways for readers, viewers and users to contribute content, including blogs, photographs, videos, columns and podcasts, about subjects they are passionate about.

Before the emergence of digitalisation, media owners were in control. But now, media consumers are in control of their media usage habits – any content, any time and any place. Media companies have to be prepared to meet that challenge by providing our good content on multiple channels.

### The media landscape has changed forever

Old way	New way
Information age	Participation age
Media owners in control	Media consumers in control
Advertising to mass audience	Advertising to targeted audiences
One size fits all products	Customizable products
Publish once and distribute one way	Publish once and distribute many ways
Content is king (Commoditized content)	Context is king (Differentiated content)
Marketing focus on awareness and consideration (CPM)	Marketing focus on preference, purchase and retention (Cost per lead, cost per click)
Convenience is good	Convenience is essential

Source: Jim Moroney, publisher, Dallas Morning News

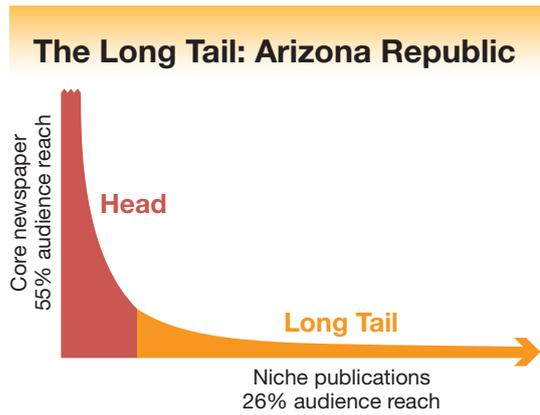
Another related challenge is transitioning from the mass audience mindset to the audience aggregation mindset. In many parts of the

world, newspapers are executing an “audience aggregation” strategy that puts the newspaper at the core of the advertising campaign sale, and surrounding that, print and digital products that target the younger generation, women, affluent segments, or an immigrant population. Together, the aggregated total reach of these products makes a much more compelling advertising offer. And, at an increasing rate, advertisers just want to reach a highly targeted segment, like young people or affluent people, for example.

The audience aggregation strategy has a foundation in emerging business practices well beyond the newspaper industry. Indeed, consumption of once mass-marketed products is now fragmenting into an aggregation of multiple targeted products. For example, Coca-Cola no longer just sells its legacy soft drink. It also sells Coke Light, Coke with vanilla or cherry flavours, and now, Coca-Cola with vitamins, to compete with the growing demand for drinks with nutritional content.

Procter & Gamble, the international manufacturer of hundreds of consumer products on a mass scale, now creates dozens of products with the same brand but different sub-brands. The variations depend on the continent where the product is sold, and the function the product provides to consumers. The No. 1 most popular shampoo and conditioner brand in the world, Pantene, no longer is just one shampoo and one conditioner formula for everyone, everywhere. Pantene now includes dozens of variations for consumer preferences on all continents, and for shiny hair, colored hair, curly hair, limp hair, and so on. Together, the sales for aggregated Pantene hair products far exceeds that for the single formula. After its multi-brand relaunch in 2001 alone, Pantene saw an 8 percent growth in sales in one year.

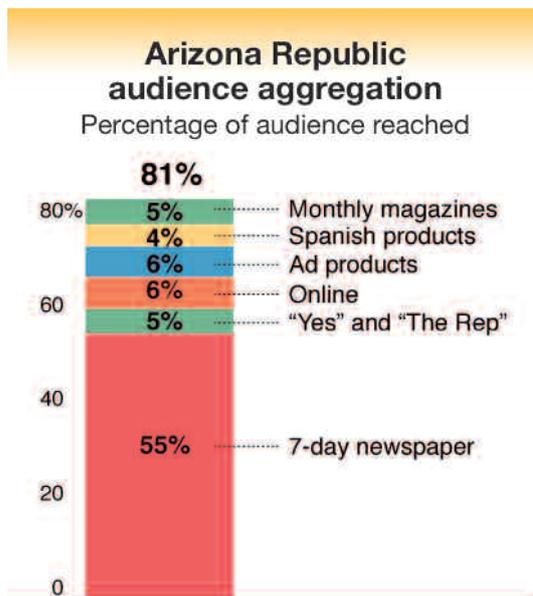
The strategies, executed by mass-market product manufacturers and newspaper publishers alike, are part of a shift in the ways industries are thinking about their consumers. The 2006 book, “The Long Tail: Why the Future of Business is Selling Less of More,” by Chris Anderson of Wired magazine, describes the way that a variety of low-sales-volume products collectively can outsell a single, mass-market product with the right store or aggregated business channel.



Source: SFN Analysis; *The Long Tail*, Chris Anderson, 2006; *Arizona Republic*, 2005

The term “long tail” refers to charting popularity of a product on the “X” axis, and the inventory on the “Y” axis. In the case of a newspaper’s long tail, charting refers to the advertising revenue or circulation of the main newspaper on the “X” axis, and the remaining revenue, circulation or market share from multiple other products on the “Y” axis. In theory, the long tail can – in the future – make up a greater amount of market share, revenue and/or circulation for the newspaper company.

The Arizona Republic, the Gannett newspaper in Phoenix, USA, is one example of a newspaper company employing the audience aggregation, or Long Tail, strategy. The main newspaper reaches 55 percent of the audience. Add in a monthly magazine, a Hispanic newspaper and Web site, advertiser newspapers, online revenues, and targeted newspapers for young people and women, and



Source: Arizona Republic, 2005

the company is now reaching 81 percent of the market. The long tail, then represents 26 percent market reach.

The changing media environment also dictates that newspapers no longer publish once and distribute only through the main paper. Newspapers must distribute on multiple channels. Of course, content is the newspaper industry’s franchise, but so much of our content is commoditized – readily available elsewhere. The real value of content is context, that is, the differentiated content on multiple channels that makes our media content special and sought-after. We can charge for and sell advertising against these types of content.

The Online Publishers Association in 2005 conducted a study about content that U.S. consumers are willing to pay for online.

The fastest growing categories of paid-for content were entertainment and lifestyles information, followed by personals/dating and business content and investment. The purchase of commoditized news and sports slowed from 2004 to 2005, and continues this trend worldwide in 2007.

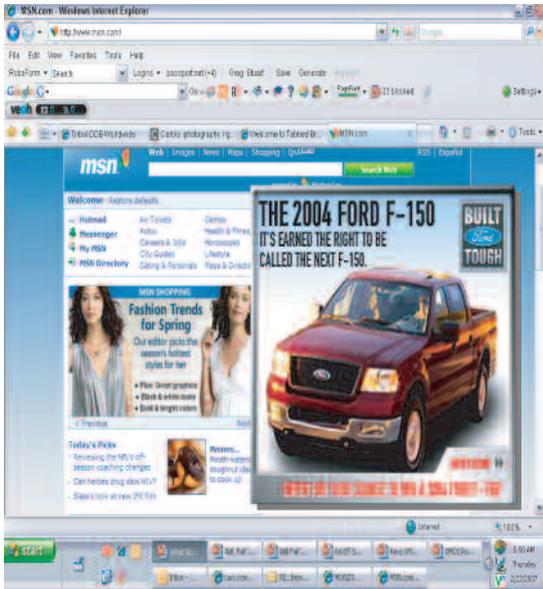
Meanwhile, advertisers are seeking advertising placement on digital channels just as they have for newspapers. Context matters. According to advertising effectiveness expert Greg Stuart, the former CEO of the Interactive Advertising Bureau, the following Ford advertisement ran on MSN.com’s home page, and on its MSN Auto cover page. The one on the auto page scored 10 percentage points higher in recognition than its home page counterpart because of its context; it was in front of potential auto buyers.

The advertising unit “CPM” or cost per thousand is morphing to cost per lead and cost per click. Advertisers are demanding “performance” for their advertising at an increased rate. The fastest growing digital advertising is not CPM-based, but “cost per click” based, particularly in the search advertising model employed by Google and Yahoo.

And finally, while convenience has always been important, it is now essential for us to provide it to our customers. Why? Because consumers demand it, and if newspaper companies don’t provide convenience, another publisher will. That means newspaper companies must provide news at any time in any place, and in the most

## Online advertisement context matters

Ford campaign increased impact by 10 percentage points by moving ad from home page to auto section front page

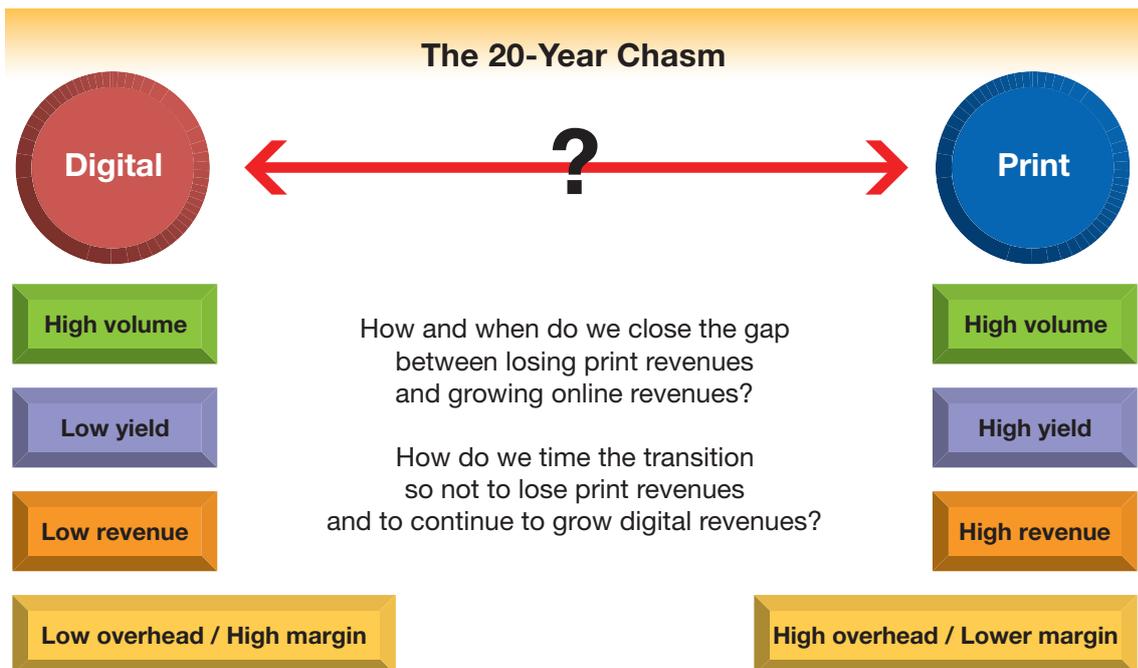


Source: Interactive Advertising Bureau, 2006

relevant and compelling form possible, Moroney said. Newspapers also must devise a way to make the purchase of advertising convenient and simple, which is something they have lost sight of in our business.

Many newspaper companies around the world are grappling with the notion of losing their print revenues faster than they can grow their

digital revenues. The rate of decline of the high-volume, high-yield, high-revenue print advertisement business is faster than the growth of low-yield, lower-revenue digital advertisements. The Shaping the Future of the Newspaper project calls this conundrum the 20-Year Chasm, the estimated length of time this financial uncertainty will plague the newspaper industry.



Source: Shaping the Future of the Newspaper, 2007

However, some media companies are narrowing this gap. In most places in the world, SFN predicts it will take 20 years or even more to recover our slipping print advertising by growing online revenues to a comparable level. Some media companies have found ways to shorten the period of pain to perhaps a decade or less.

Schibsted CEO Kjell Aamot reported in March 2007 that Schibsted's digital empire in Scandinavia continues to grow substantial profits, in the 30 percent to 60 percent margin range, among their many holdings. In 2006, Schibsted made 15 percent of its revenues, and 40 percent of its profit, online. This year, Aamot expects to make 30 percent of Schibsted's revenues and a whopping half of its profit online.

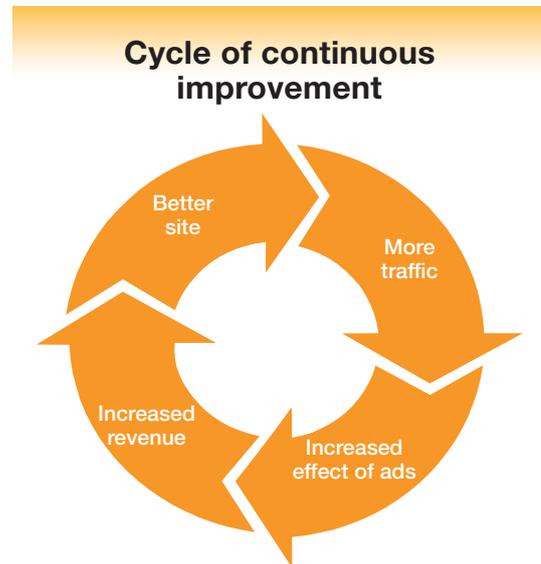
An aggressive strategy to raise online newspaper advertising prices is one tactic used to grow profits as demand increases for online inventory. VG.no, the most profitable Schibsted online newspaper, now charges NOK210,000, or more than US\$34,000, for the home page's top banner ad position for just 24 hours. The banner price was raised three times in 2006 because of the demand for the position.

VG.no editor-in-chief Torry Pederson credits a strategy of content development for their revenue success. In his theory, the site will get draw more traffic if features relevant and compelling content. As the traffic grows, the site becomes an attractive place for advertisers.

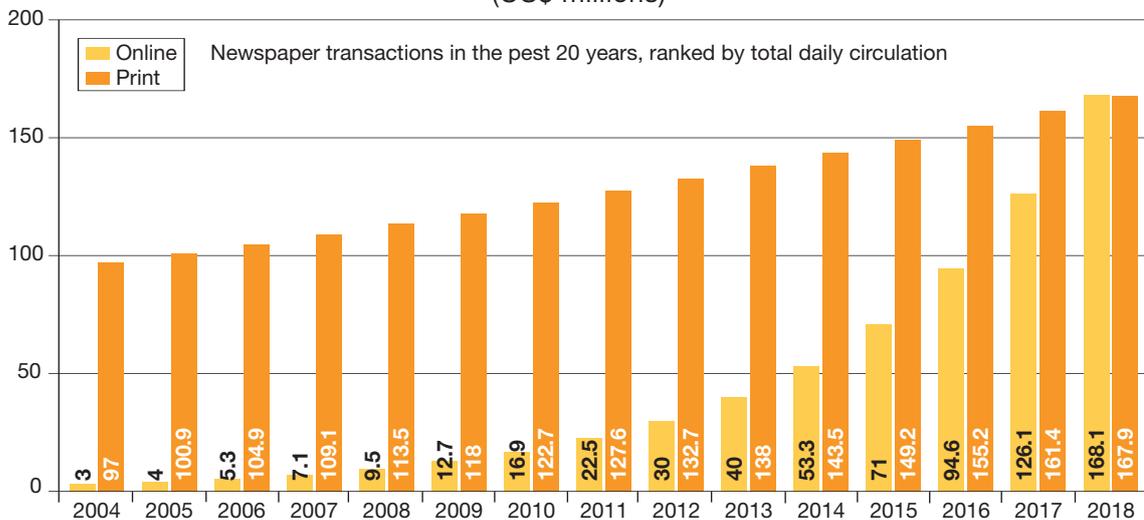
As the site becomes more profitable, executives invest in more content and tools, and the virtuous circle of success continues.

Companies that are on the path to 50 percent digital/50 percent print revenues include Dow Jones with its Wall Street Journal, Vorarlberger Nachrichten in Austria, the Cox Newspapers chain in the United States, Morris Newspapers, a chain of small U.S. newspapers, and many more.

The common themes among these newspaper companies are that they are very aggressive at exploiting their success in online revenue-making and are careful to integrate the newspaper and Internet advertising offers. While digital advertising continues to be a



**Online revenue vs. newspaper revenue**  
(US\$ millions)



Source: Poynter Institute, 2006

low-yield business, netting one-tenth to one-third the price of a print CPM, the digital advertising department represents a significantly lower overhead in running advertisements online. Profit margins are significantly higher. At Schibsted, for example, an online classified generates only about 30 percent as much revenue for Schibsted as the equivalent print ad, but provides 65 percent higher profit.

In this projection by the Poynter Institute – a think tank in the USA – print and online newspaper revenue in the U.S. will be about equal by 2018. These projections stipulate a continued aggressive effort by newspapers to sell online advertising and combined print-and-digital advertising at an unrelenting pace.

How are the most aggressive newspaper companies accomplishing this feat? Through a series of strategies in online advertising, audience, convergence advertising packages, mobile advertising, building a print and digital currency, and building digital partnership networks.

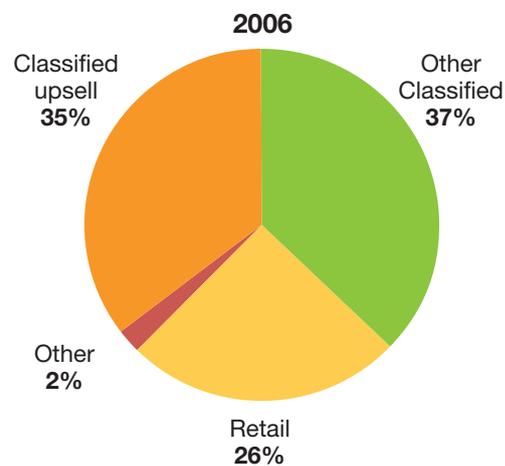
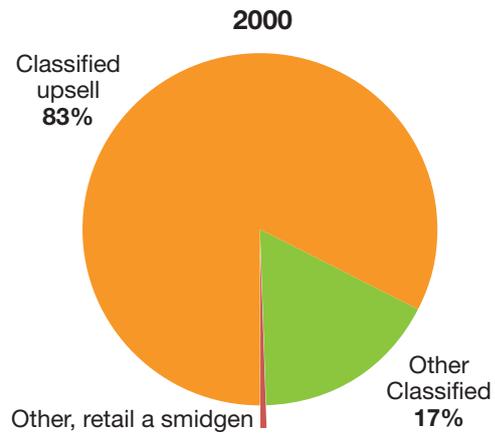
### Beyond classified advertising

The first way to close the chasm between online and print advertising is to aggressively sell online advertising. Most newspaper Web sites today rely heavily on classified upsell revenues.

But the most advanced sites are selling a range of advertising and sponsorship packages to expand revenues. Aftonbladet in Sweden, for example, sells a variety of advertising and subscription packages to bolster its healthy bottom line. Cox Newspapers' Web sites, represented in this pie chart, say they're on track for making half of their newspaper revenues in digital within 12 to 15 years. They credit an aggressive online sales strategy, driving retail advertising on the local and national level, and online-originated classifieds as the reasons for the surge in growth of this multimillion dollar business. CoxNet's reliance on classified upsell revenue dropped from 83 percent to 35 percent from 2000 to 2006.

Borrell Associates, a research house in the United States, reported that on average, 75 percent of all revenues earned online come from classifieds upsells from print. In other words, most online newspapers in the U.S. assume

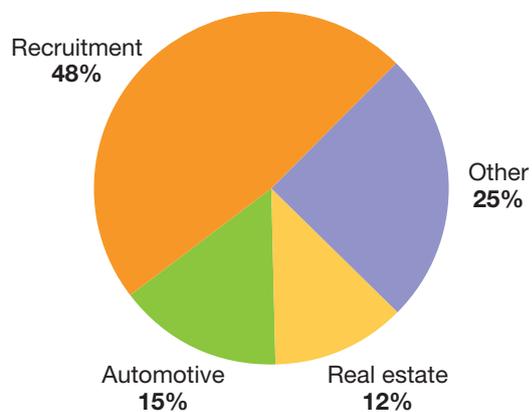
### Diversifying revenues online: CoxNet



Note: Diversification of revenue with less dependence on classified upsell

Source: CoxNet, 2006

### Newspaper website dependence on Classified categories, 2006



Source: Borrell Associates

they'll upsell an advertisement to the Web and add a 10 percent to 15 percent premium to the sale. The uptick in dependence on upsells likely comes from the surge in recruitment advertisement, according to the study.

Meanwhile, the companies reporting the highest revenues online have bolstered their classified revenues with retail, sponsorships, mobile, search and email marketing.

Many successful news Web sites in Scandinavia and the United States are selling out of online advertising inventory, and this has prodded online newspaper companies into redesigning their sites to increase the number of ad units on each page. The advertising sellouts have also forced newspaper companies to raise their CPM prices several times in one year – following the simple laws of supply and demand – including Schibsted, CoxNet, New York Times and Morris.

Morris, a chain of 29 small regional U.S. newspapers, has streamlined its online ad units to make them easy for sales reps to sell and for advertisers to buy. Prior to the redesigns in 2006, some Morris sites had as many as 17 advertisements on the home page. The redesign reduced that to only four large-ad positions and forced prices up to an average of a \$12 CPM, which is high for small sites. Consequently, ad revenues grew significantly in 2006, and advertisers reported more effective ads. This year Morris expects to make more than \$4.3 million online in 2007, which is 55 percent higher than in 2006. They expect to make half of their newspaper revenues online by 2015 or 2018.

Audience aggregation is a popular new strategy of adding multiple print and digital products to the main newspaper to create a stronger advertising proposition. The aggregated audience portfolio can be sold to the advertiser as a targeted product or a combination buy.

The Arizona Republic, the Gannett newspaper in Phoenix, USA, is one example of a newspaper company employing audience aggregation. The main newspaper reaches 55 percent of the audience. Adding a monthly magazine, a Hispanic newspaper and Web site, advertiser newspapers, online revenues, and targeted newspapers for young people and women brings the total reach to 81 percent of the market.

The audience aggregation strategy has been adopted worldwide. In Japan, the Asahi Shimbun, the second most circulated newspaper in the world, saw in the late 1990s that those 30 and younger were not reading the newspaper as much, but rather, using their mobiles and the Internet.

Asahi Shimbun executives knew they had to change their strategy to survive and thrive. So they studied the kinds of content, channels and timings of each of the segments of their readership. They determined that the youngest readers favored mobile, those in their 30s and 40s favored Internet, and the older generation favored newspapers.

They used this information to target new products to each segment. For example, they launched a mobile subscription service. Now they have 1 million subscribers, mostly young people.

## Convergence

Cross-media advertising campaigns have become a popular strategy for building incremental revenues at media companies around the world. In order to execute these campaigns in an effective and efficient way, newspaper companies need to create a structure, workflow and incentive plan.

Most cross-media campaigns only include newspaper and online components, and some include a combination of video, audio and mobile advertising.

Time Warner executed a multimillion dollar campaign for its annual Time Person of the Year cover story. The car manufacturer Chrysler bought advertising across platforms: In Time and other magazines, on CNN and CNN.com, on iPods and on mobile phones.

Cross-media advertising strategies are not just the balliwick of the mega-media company. Small newspaper companies with multiple media assets also are executing successful multimedia advertising strategies. The Nordjyske Medier company, which includes a daily paper, 20 weekly papers that serve the Danish Jutlands, two free newspapers, three magazines, TV, radio and Internet, has used cross-media advertising as the vehicle to reorganize the company and make it significantly more profitable. In 2000, when advertising dropped to dangerous levels, Nordjyske was forced to rethink its strategy

and sack hundreds of employees. Since diversifying with multiple revenue and media products, the company is on a more solid foundation. Newspaper advertising represented 70 percent of the revenues for NordJyske in 2001. This year, the number is estimated at 20 percent, with almost double the revenues. The revenues jumped from DKK614 million, or about US\$109 million, to DKK965 million, or US\$171 million, from 2001 to 2006.

The Tampa Tribune this year will make about US\$12 million in incremental revenue with cross-media packages, including a health package called 4You. The TV-print-online ad package costs USD\$8,500 per week and is targeted at smaller healthcare and fitness advertisers. The package includes a full-color newspaper ad, one TV segment on a health and fitness TV show called 4You, and the same clip aired for a week on TBO.com.

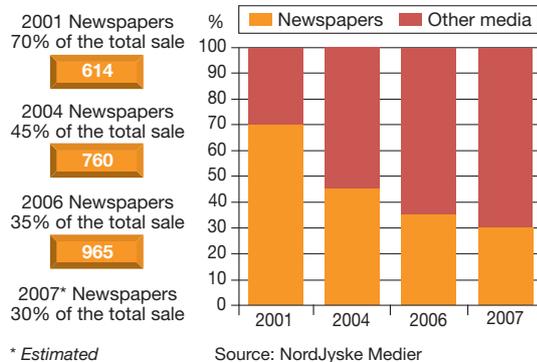
The company also creates tailor-made cross-media advertising packages using

combinations of the three media. Media companies need to be structured properly for success in the convergence advertising strategy. At the Tampa Tribune, a new layer of management was added to link the three media. The highest-ranking executive for the company ultimately controls all three – the president of the Florida Communications Group, John R. Schueler. The president ensures each media channel is reaching its sales goals, together and separately.

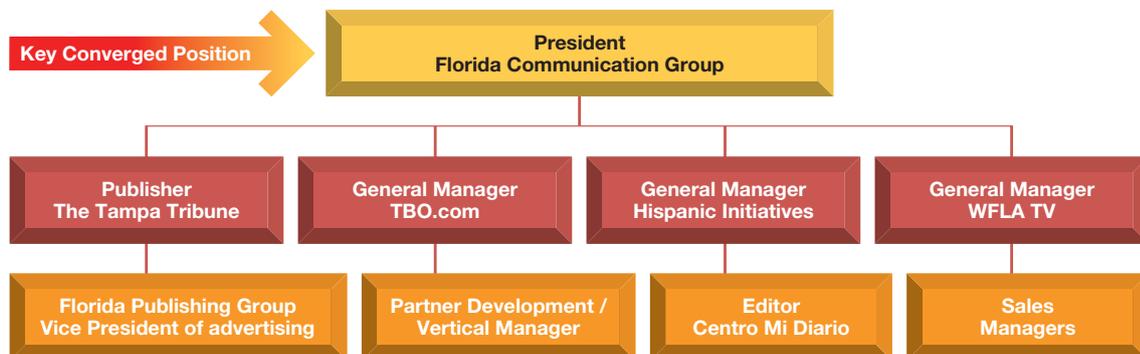
The process for selling across media is different than the way ads are sold for one medium alone. Although all media companies sell differently, the NordJyske has mapped out a step-by-step process for its salespeople. Business Development manager Gitte Vase credits two-way communication between company and advertisers for repeat business and more effective advertising. NordJyske has adopted a consultative sales approach in which it gathers information about the advertiser that will help him achieve his sales and marketing objectives. Learning reports for the advertiser and a final internal learning report are part of every cross-media sale.

One key component is how to compensate salespeople who sell across media. Each media company is different in its approach, but all try to encourage salespeople to reach targets important to the company with the appropriate compensation. So, if it's online advertising the company wants to sell, then the company needs to make that a priority in compensation. Morris Newspapers and its online company, Morris Digital Works, give separate bonuses to reach each media target. If both goals are reached, a sales person gets another bonus.

### Diversifying the revenue structure for NordJyske Medier



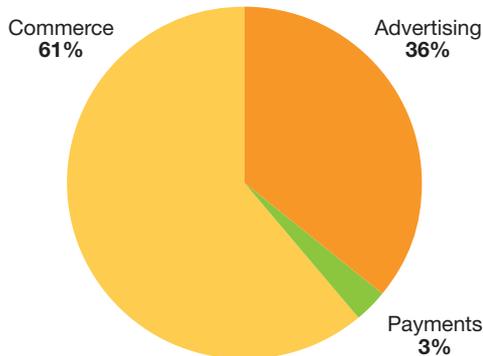
### Florida Communications Group converged structure



Source: Florida Communications Group, 2006

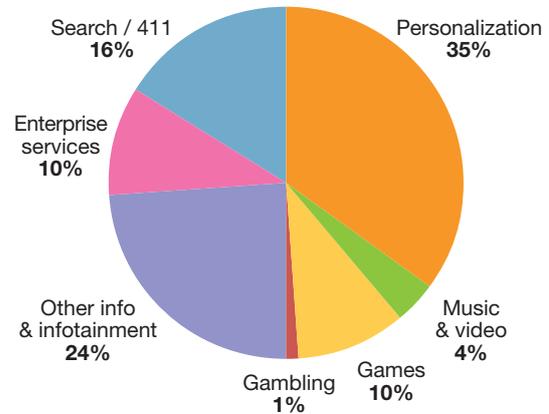
## Internet vs. mobile revenue 2005

Top 10 internet companies revenue composition



Source: Morgan Stanley

Mobile Internet revenue composition



### Mobile

While the Internet is a profound opportunity, mobile promises to be even more lucrative for newspaper companies in the years to come, with more than double the usage of the Internet worldwide. Media companies have constructed a diverse revenue-making proposition, including content subscriptions, advertising, sponsorships, games, music, videos, ringtones, wallpapers and more.

In fact, the mobile revenue opportunity is even more diverse than the Internet. Mobile combines the unique characteristics of a personal device – almost always on – with a connection to community, content and commerce, at the fingertips of the user. Industry experts say this powerful combination will make the mobile industry worth about \$450 billion by 2010. For newspapers, news content is in the category of “other info and infotainment,” which represents about one-fourth of the revenue composition of the mobile Internet. But music, games, search, personalization and commerce all represent opportunities for media companies in addition to advertising and sponsorships.

At Asahi Shimbun, the internet and mobile phone channels have been profitable. The Web makes only one percent of the newspaper’s revenues – about US\$36 million in 2005. Meanwhile, subscriptions to Asahi’s Nikkan news and sports mobile service makes about US\$1 per monthly subscription

for 1 million subscribers, or \$12 million per year. Further, a mobile marketing campaign has been credited with selling 21,000 newspaper subscriptions between 1999 and 2006 after an estimated investment of only US\$136!

The Atlanta Journal-Constitution in the USA sells mobile-content sponsorships that appear on the news page of their mobile site. Delta Airlines paid US\$40,000 for a sponsorship for February through September of this year.

### Print-digital metrics

A variety of census-based, impact-based and panel-based research is being used to count print and Web usage patterns for newspapers. WAN has launched a new initiative with the top executives of such organizations as the ABC Worldwide, BPA Worldwide, Interactive Advertising Bureau, Scarborough Research, the Newspaper Association of America, the Canadian Newspaper Association and the Brazilian Association of Newspapers, among others, to reach an agreement on which metric is best to measure the true reach of a newspaper brand into the marketplace. The new Media Measurement Integration Task Force is exploring the notion of a global standard for print and Web together and is exploring ways to create a metric to satisfy the world’s media buyers and planners. The Canadian NADBank’s research in this slide shows how newspaper circulation is dropping

on a number of measures while 7-day online statistics continue to grow.

In an effort to describe newspapers' many audiences to the advertiser, some companies are explaining the reach of their multiple touchpoints to the consumer. In this case, Trinity Mirror in the U.K. uses the term "impacts" to describe the number of times the media brand reaches each audience member.

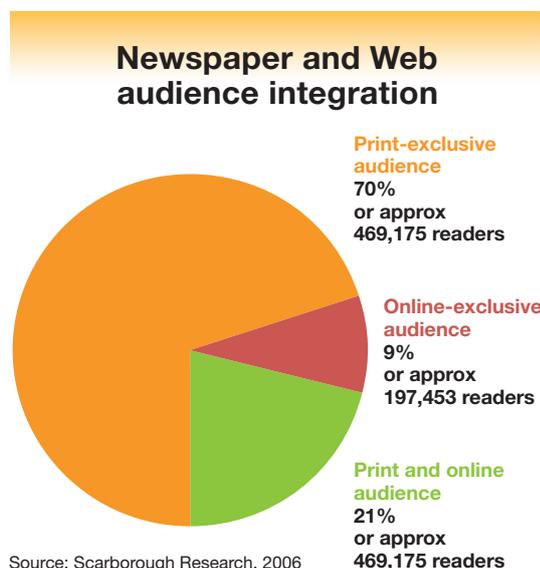
Trinity Mirror creates cross-media packages newspaper ads, supplements, digital, short text messages and posters.

By aggregating the impacts of each media, Trinity Mirror was able to calculate an impressive overall number.

In fact, impacts are a well known currency of the media buyer – used to calculate standard ratings in broadcast for over 50 years.

So, for example, a newspaper with few metrics available will know the impact a newspaper ad campaign achieves (duplicated readership) and the impacts a Web page achieves (page impressions) and so calculate an overall number.

Meanwhile, Scarborough in the United States provides an integrated print and Web calculation for newspapers that includes exclusive print audience, exclusive online audience, and duplicated print and Web audience, as in this example of the Boston Globe. These kinds of reports have been used by advertising reps selling cross-media advertising campaigns.



## Networks

The power of the Internet is about the network, and this is the direction that newspapers' local online advertising is going. Networks can be a countrywide network or a worldwide network. For example, many successful networks already have been set up by newspaper companies. One popular foundation for networks is aggregating classifieds listings like Fish4 in the UK, FINN in Norway, Blocket in Sweden, and Classified Ventures, and CareerBuilder in the United States (6.2 Benchmarking Digital Revenues). While these classifieds get exposure and value on local classified Web sites, they get far more distribution and are a far more attractive proposition to advertisers on a national or global scale. And, most importantly, national and international advertisers want this type of advertising buy, and they make up about two-thirds of the Internet advertisers and about 90 percent of all money spent on online advertising. SFN predicts that the power and importance of the network will only snowball in the future.

More than 150 newspapers in 44 states, representing half of the United States' largest metropolitan areas, have partnered with Yahoo on a far-reaching deal that includes employment advertisements, content sharing, reciprocal advertising sales, advertising technologies and a vast advertising network. Right now, these newspapers get 58 million unique visitors to their sites per week, combined. With Yahoo, they will get double, or an estimated 131 million. The 10-year deal, estimated to be worth millions of dollars over time, was just launched, so it's too soon to tell about the effects of this partnership. It's also too soon to tell whether the partnership will extend outside the United States.

The Google deal is far different. Google is acting as a big ad agency network in this case. Google approached major U.S. newspapers last year and proposed an experiment in placing remnant PRINT advertising. Most of these ads are from advertisers who normally don't advertise in the newspaper. Here is the way it works:

- Newspapers can accept, reject or negotiate offered advertising.
- Some negotiations may take five or more rounds of rate offers and counteroffers.

- Once the offer is accepted, the ads are all sent electronically through Google's technology driven network.

After the three month experiment, all newspaper publishers renewed for the next three months. We were told during our study tour of newspaper companies a few weeks ago that newspapers expect to make between \$30 million and \$40 million each year on the deal. Take the Dallas Morning News, for example. In the first three-month period, it received 82 offers from Google for remnant ads and accepted 17. Again, no word on whether or not these deals will be extended to the rest of the world yet. They are just in the experimental stages.

Digital revenue success is for those companies that vigorously reach for the new revenues, not passively wait for it to come to them. One of the most successful news websites in the world, VG.no, has a formula for success. Develop relevant and compelling content, which drives more traffic. Sites that draw a lot of traffic are havens for a growing number of advertisers. As the site becomes more profitable, publishers can invest in the development of more compelling content, and the perpetual circle of success continues.

# Conclusion

This SFN report presents the tip of the advertising best practice iceberg. Newspaper advertising departments are dealing with a complex and evolving market environment. So this is not the end of the SFN reports on Best Practices in, rather, it should be regarded as the latest episode.

The key topics detailed in this report are of vital importance to the future of newspapers: advertising effectiveness, yield management and the development of the newspaper company's digital business.

## Ad Effectiveness

This report has described a variety of newspaper advertising effectiveness studies around the world, which often result in the same powerful conclusions: that newspaper advertising can drive sales and build brands for advertisers. These facts go well beyond the reach and frequency mantra that is used in most sales pitches to advertisers today.

SFN continues to trawl the newspaper world for more research about what sets newspaper

advertising apart from the crowd of media competitors. The fact is, more research is needed to show how newspapers reach audiences, and how newspaper advertising in particular creates an impactful environment for advertising.

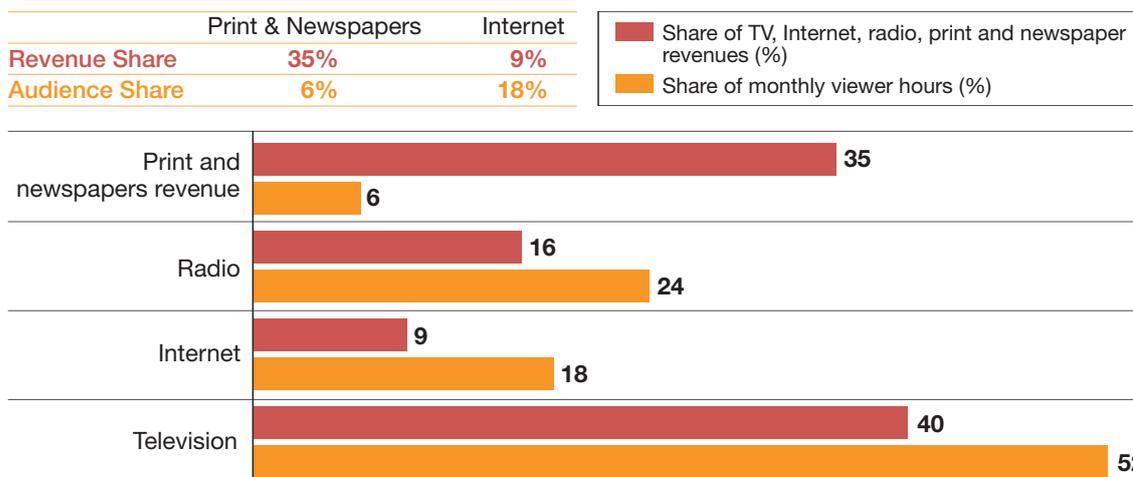
Credibility and a solid advertising success track record have made newspapers the No. 2 advertising medium in the world after television. If these PwC and Veronis Suhler Stevenson studies are to be believed, then newspaper advertising gets a disproportionate amount of ad spend compared with the time spent with the medium.

This can be interpreted in different ways.

1. It's wrong and will change over time.
2. Markets are never wrong and, over time, the right price will be paid for the right product.

Logic would dictate that if clients are willing, over a period of many, many years, to continue to invest there must be a reason.

## Revenue share and audience share for print and Internet



Source: PriceWaterhouse Coopers, 2006

Again two possibilities present themselves:

- A. Advertisers are wrong
- B. Newspaper advertising is worth the investment

Despite this, TV continues to hold the dominant market position in most markets around the world.

And why is it difficult to persuade those advertisers to give newspapers more share of the advertising pie?

Simply put, advertisers and ad agencies are not persuaded, and it's up to newspaper companies to persuade them. Influential, credible research will help newspaper companies convince advertisers and agencies about spending more advertising budget on newspapers.

What we learn from the cases in this report is there are three, not one, jobs to do;

1. Produce compelling research
2. Involve the clients and agencies in the research process as partners
3. Consistently and pointedly communicate the results of the research

Only if all three conditions are met will newspapers succeed in maintaining their record of excellent revenue growth.

Finally, we need more research on an ongoing basis. Newspapers are in the business of winning their fair share of marketing budgets, it's time we looked at our own marketing and spend some money on research and communication.

### Millions of advertising dollars per hour the American people spend with each medium (US\$ millions)

	2005	2009
Television	40.1	50.9
Radio	19.3	22.4
Internet	65.4	130.5
Newspapers	316.3	369.6

Source: SFN/ Veronis Suhler Stevenson (2005)

### Yield Management

Yield is the simple concept of the actual price achieved against the rate card, calculated by dividing the cost of the ad by the unit of volume. Automatic systems exist to monitor net price, so the sophisticated and comprehensive information exists for those who have access to it. The challenge is, how well is the information about yield communicated in newspaper company advertising departments?

Many newspapers are very good at teaching salespeople to sell and negotiate. But how many teach the impact of their sales activities on the bottom line?

Further, how many new categories of higher-yielding advertising are lurking in a rate card whose categories have not changed since the 1960s?

Newspaper are like supermarkets. We sell value, and we try to offer products and prices

that optimise our returns, yet give every section of the market an affordable product to buy. That's why newspaper categories differ in price.

The price we pay as consumers is about the value we perceive and receive. That's how our rate cards should be developed. The idea that an eyeball, an impact, a reader, a viewer or a listener are all of equal value is incorrect.

Opportunities for yield development exist at the tactical level of the ad department, and wherever sales action can lead to a variation in price.

Finally, newspapers should be aware of the net contribution of each category and each advertiser. If an advertiser is paying so little as to not be contributing to profit, that may be OK. Perhaps that category is an important section for the reader when purchasing the paper. We know well, that many advertising sections are responsible for hikes in circulation on the day they appear. But, if newspapers are carrying advertising at a net loss, they should be aware of the fact and so able to decide if the ads are worth carrying.

## Developing the digital revenue strategy

An essential element of newspaper advertising strategies is digital advertising. Newspaper companies around the world have learned powerful lessons from ongoing trends in digital media. The most recent hot trends are video and search advertising, mobile video content, social networking, and citizen-generated content. Newspapers online are experiencing double-digit annual growth in digital advertising. Media companies worldwide are tapping into this steadily-growing stream by developing online, video and mobile advertising strategies.

Multiple-media companies that are most securely situated for the future share three common traits:

- An aggressive digital revenue strategy driven by top management
- A new organizational structure in the business department to develop new multiple-media products quickly, as the trends emerge
- A focus on customers, both news consumers

As advertisers shift toward digital, newspaper companies have been ramping up their efforts to offset the slippage of the high-yield print revenue with the low-yield digital revenue. While margins have fallen for print advertising in recent years, in some cases significantly, those for digital ads have been reported as high as 40 percent to 50 percent.

Globally, revenue is shifting from print to Web over time. Innovative newspaper companies are preparing for the inevitable future by growing their digital businesses.

As the media climate shifts from monomedia to multimedia, to a much more fragmented and competitive environment, newspapers are ramping up their efforts to optimise their advertising departments for greater success with yield management techniques, ad effectiveness research and the implementation of an aggressive digital strategy. The successful installation of these three principles will make advertising departments more able to compete on this competitively charged media landscape.



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