

# 6.6

## Innovative Management Systems

Large and small newspaper companies around the world are implementing technology systems to create workflow efficiencies, save money and to improve customer service, but not without careful consideration to present and future return on investment

# Shaping the Future of the Newspaper



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## Executive summary

Most newspaper publishers want to save time and money. Software can help them realise operational efficiencies, with the added potential to build their companies by expanding knowledge of their market and consumers.

Large and small newspaper companies around the world are implementing smart technology systems to create workflow efficiencies in advertising, finance and circulation processes; to improve customer service; and to streamline production processes. Some media companies are opting to connect systems across departments, to gain broader efficiencies and richer sets of information.

The key, though, is to ensure that the hefty pricetags for these systems are quickly recouped through personnel reduction and workflow cost savings. Newspaper companies interviewed for this report said they spent hundreds of thousands of dollars on single-task systems, and more than US\$10 million for cross-company integrated systems. Pricetags depend on a variety of factors, including newspaper company size, circulation, scope of system, type of system, and system vendor.

This report will lay out a pragmatic approach to implementing management solutions for publishing companies, by noting the results of the World Association of Newspapers Innovative Management Systems survey, and by detailing case studies of system implementations at newspaper companies across the globe.

Newspaper companies profiled in this report have adopted software after carefully researching their options, then adopting a systematic approach to installing the software and training personnel to maximise the softwares' capabilities. The process of system implementation includes:

- Identifying the need for a tailored management system
- Defining and tailoring the solution
- Identifying advantages, disadvantages and opportunities for increased organisational responsiveness, data flow, data reliability and availability across departments
- Installing the system, and simultaneously, reorganizing processes and training personnel

Consider how many newspaper companies from around the world have improved processes, efficiencies, cost savings, customer service, a more “transparent” view of the company’s financials, and a 360-degree view of customers across departments.

Not surprisingly, the most common system implementations at newspapers center on revenue generation, according to the WAN survey. Those systems include advertising management, billing fulfilment in accounting, and subscription billings.

Companies also are keen to accelerate the financial statement closing process. Many large diverse media companies have implemented software systems to simplify and centralise accounting processes. This has helped productivity and the ability to deliver numbers to the market sooner. One survey respondent noted that a software application has provided “clear information about results and the speed to achieve them”. Consider:

Finland’s Sanoma Group reported many advantages after implementing a system for better advertising and subscription management.

- Improved information accuracy
- Ability to close financials in as few as four days (down from two weeks)
- Ability to execute new business strategies quickly
- Increased agility of organization to take on new challenges and adapt to new business opportunities.

According to the WAN survey, newspaper companies were keen to purchase management systems that were scalable and flexible for the future, to grow and adapt as the company expands. Companies don’t want to spend millions of dollars on systems and end up saddled with technology that is out of date in a few years.

Consulting services are often an important part of the management systems package. Companies can’t afford to allow their advertising and circulation systems to be down for any length of time. Project management consultants can create an implementation plan to ensure a smooth and quick transition from one system to the next, and can provide training services to those employees using the systems.

Cost is the most significant obstacle to system implementation. According to the survey, there is little dispute over whether the software is needed. But, with costs ranging from six figures to well into the millions of dollars, it’s little wonder that some companies would pause before taking a plunge into the software ocean.

Management systems are big business. SAP, the largest software maker by revenue in management systems, outgunning Oracle and Microsoft, offers business solutions to hundreds of industries, projects US\$12.8 billion in sales in 2006. Another systems software company, Hyperion, was purchased by Oracle in March 2007 for US\$3.3 billion. Atex purchased Mactive in January 2007 for an undisclosed sum, reportedly in the high millions of dollars. Mactive in 2006 earned US\$30 million in revenues and had 108 employees. Atex in 2006 earned US\$120 million, and had 600 employees.

Management systems companies run the gamut from big to small. SAP employs almost 40,000 worldwide. Sysfactory, which offers a circulation solution, amongst others, to newspapers, employs just 20.

CRM system implementation also score highly on the WAN survey, due in part to its importance in departments that touch customers, such as advertising and circulation. Newspaper publishers are facing growing competition, and now know that client retention has to be a key driver of any business strategy. Due to this, many respondents singled out “an improvement in customer service” as the greatest single impact they could have in their business.

In Brazil, O Globo implemented a CRM package in order to better understand their customers online, and allowing the company to prioritise and target their best customers.

Finally, many respondents felt that having access to up-to-date, detailed trading data provided senior managers with the appropriate intelligence to make informed decisions about the implementation of future company strategies. This for many was therefore the most important impact software could have on their business. One comment read “improved control and better decision-making has resulted in improved efficiencies”.

Morris Newspapers, based in Augusta, Georgia, USA, implemented a circulation system across their 32 regional newspapers, from Alaska to Florida. The system standardises the circulation accounting, automates the processes, enables carrier interaction, and includes single copy sales. The result is that delivery complaints have gone down, even with a reduction in staff. They are also able to offer subscribers upsells.

This report includes multiple examples of innovative management systems and a complete recap of WAN's management systems survey of 92 chief information officers at newspaper companies worldwide. The report underscores the need for the software for companies to stay competitive and efficient, but recaps the pushback companies demonstrate as a reaction to the high cost of systems installations.



# 1. Introduction: Survey Analysis

The World Association of Newspapers surveyed newspaper company executives in April 2007 about the prevalence and importance of software management systems that power back-office processes in finance, circulation, advertising and customer service departments at newspaper companies.

The Web-based survey generated 92 responses, with representation from each continent.

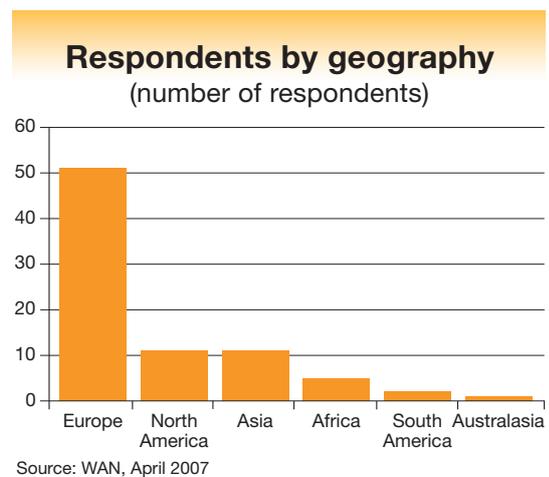
The survey results are broken down primarily by geography and size of company.

Most respondents either had implemented back-office technologies or plan to do so (77 percent). Among respondents who do not plan to implement a system, high cost was the most significant reason why.

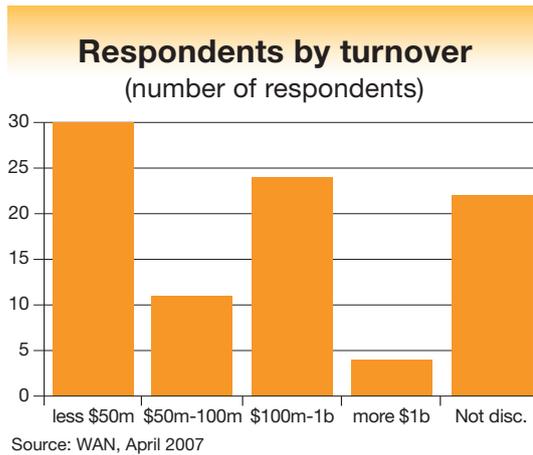
For those companies that have or are planning to install a new system, a variety of factors play in to the decision, including customer service, and building their future network to serve customers.

More than half of the respondents came from Europe (59 percent). North America and Asia

jointly supplied the second highest number of replies with 14 percent each. (Since there was only a single reply from Australasia, for the purposes of further assessment that respondent's answers have been included within the Asia numbers)



Of those respondents who disclosed company turnover figures, the highest number of respondents (40 percent) came from smaller



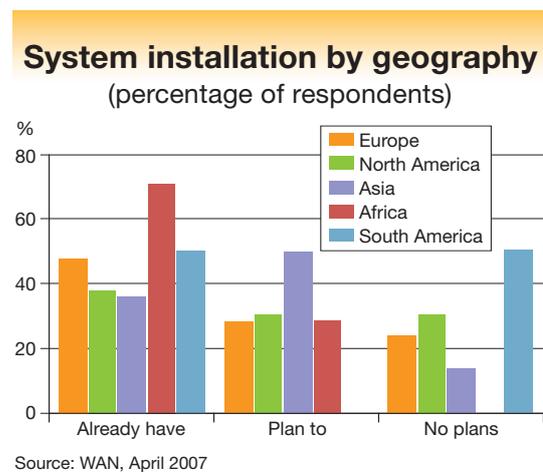
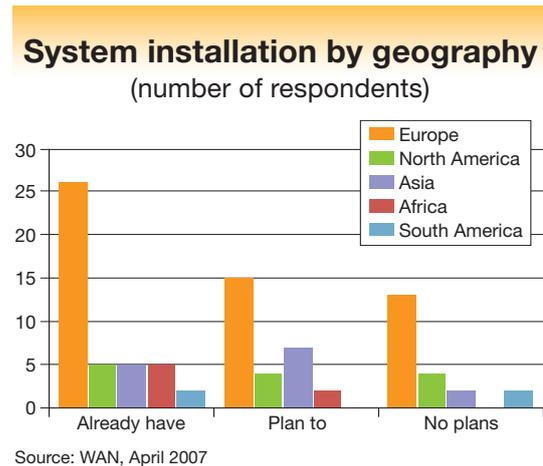
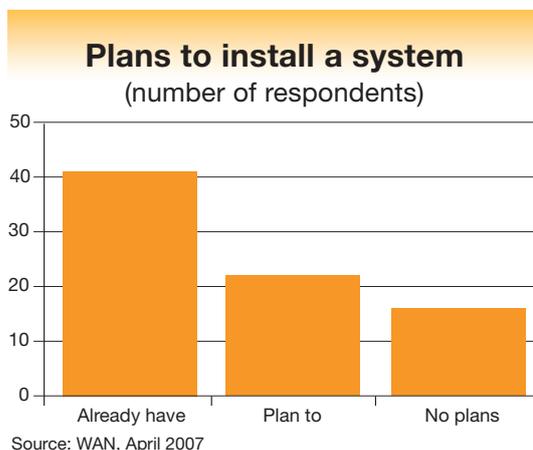
companies in global terms, with a turnover of less than US\$50 million. For the purposes of further assessment the companies who preferred not to disclose company turnover have been excluded from any company size assessments.

### General analysis

The first half of the analysis concentrates on establishing the prevalence of software systems now and tries to determine how popular investing in these systems may become in the years ahead. The first question was simple and offered three alternatives.

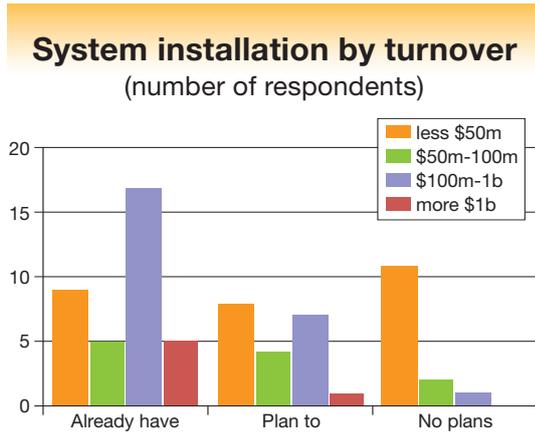
- 1) Do you already have a system or systems in place?
  - 2) Do you plan to implement one or more systems in the future?
- or
- 3) Do you have no plans to implement a system?

Many newspapers want management software, the survey showed. The number of companies that either already have, or plan to have, at least one system in place is high, 77 percent.

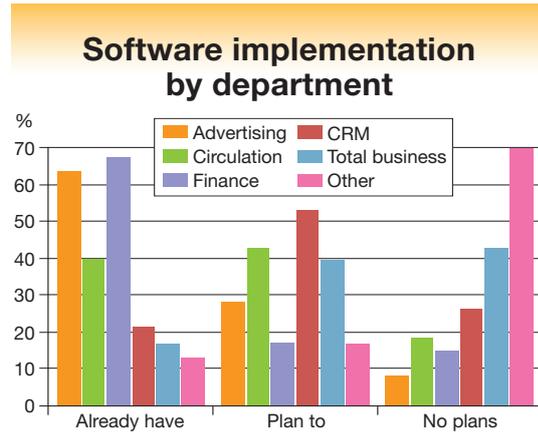


Europe's responses mirror the overall results, but some interesting differences are visible across the other continents. It is in Africa where software systems are most popular – 71 percent of respondents already have a system in place, and the other 29 percent plan to invest in such systems. Asia has the highest percentage of companies planning to invest whilst it is in the Americas that we find the most resistance to investing in management systems. In South America, 50 percent of newspaper companies, more than double the survey average, have no plans to implement a management software system, whilst in North America that figure is also higher than average at 31 percent.

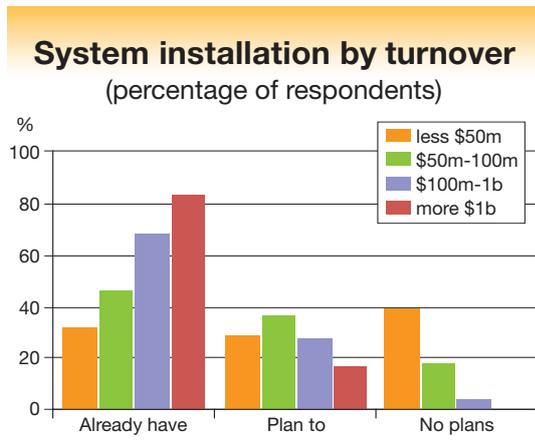
On studying the breakdown by company size, the results provide some interesting data. The greater the turnover, the more likely it is that the company will have a software management system in place, conversely, the smaller the company, the greater the likelihood of there being no plans to implement one. One hundred percent of



Source: WAN, April 2007



Source: WAN, April 2007



Source: WAN, April 2007

companies surveyed with a turnover of more than US\$1 billion have a system or plan to install one, but that drops to 61 percent of companies with a turnover under US\$50 million. This data strongly implies that turnover has a genuine influence on whether or not systems are installed.

### Newspaper department implementation

The survey also asked in which departments the software management was being utilised. The same three options were asked:

- 1) Do you already have a system or systems in place?
- 2) Do you plan to implement one or more systems in the future?
- or
- 3) Do you have no plans to implement a system?

The results are detailed here.

Finance is the area in which software solutions are most prevalent followed closely by advertising. Circulation is a distant third in existing solutions but it is noticeable that a high percentage (43) of respondents plan to change that. Customer Relationship Management did not score very highly with existing systems, but many publishers have future plans, and it is likely that elements of CRM will be included within the solutions already in place in such functions as Advertising and circulation. Only 17 percent favour a total business solution at present due perhaps to the cost. Nevertheless, 40 percent do have future plans for a total solution and that may be down to purchasing software flexible enough for expansion into other areas through additional purchase. Respondents reported using software in a variety of other categories, including human resources, online content management and direct mail.

### In depth analysis

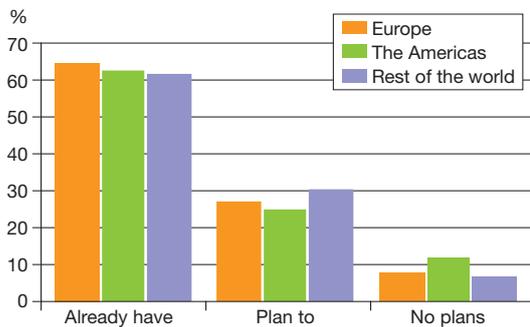
The function results are further broken down by geography and size.

#### A) GEOGRAPHY

Due to the number and spread of responses received, the geographical analysis of the function data has been split into 3 regions – Europe, the Americas (North and South) and the Rest of the World (Asia and Africa).

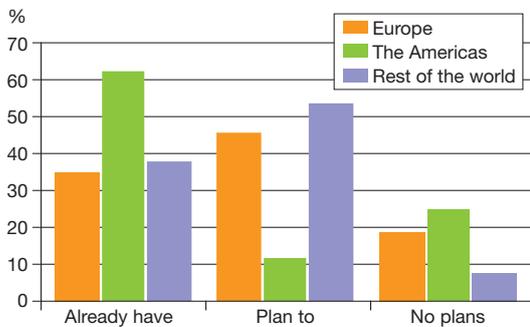
Regional results for the Advertising function are evenly spread. Geography does not seem to have any great impact on trends in this area, with the figures showing similar scores throughout.

### Advertising software implementation by geography (percentage of respondents)



Source: WAN, April 2007

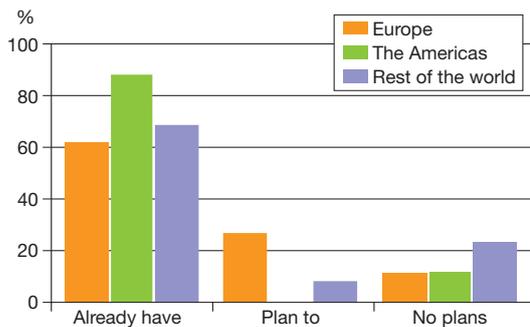
### Circulation software implementation by geography (percentage of respondents)



Source: WAN, April 2007

In the case of circulation it is noticeable that the highest percentage of companies who “already have” a system are situated in the Americas. In the other two regions there is a much larger number with “plans to” implement. This may result because the U.S. has more companies offering a circulation software system and they have been doing so for longer.

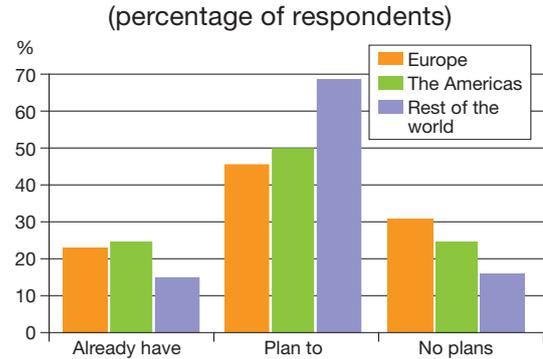
### Finance software implementation by geography (percentage of respondents)



Source: WAN, April 2007

Finance systems rank highest among all management systems at newspaper companies. Two key factors could be the indispensability of such software, and that finance software does not need to be tailored for the newspaper industry. There are a large number of companies offering software for finance across all industry sectors, many of which are based in the U.S. This is also the region where we see the highest percentage of organisations who “already have” a system in place.

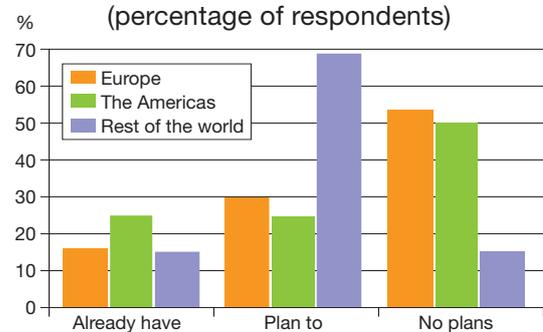
### CRM software implementation by geography (percentage of respondents)



Source: WAN, April 2007

Geography does not impact heavily on uptake levels when it comes to Customer Relationship Management software. However CRM software is a part of future plans for the majority of respondents. In the Rest of the World region (Asia and Africa), the number of companies with “plans to” employ a system is high at 69 percent.

### Total business solution software implementation by geography (percentage of respondents)



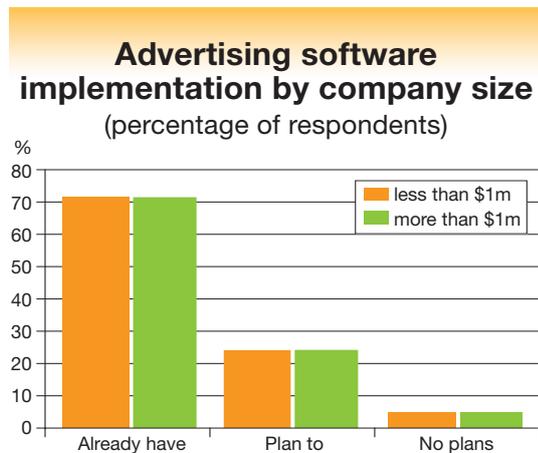
Source: WAN, April 2007

Total business solution software, or integrated software across departments, is high on the list of implementation for the future,

especially in Asia and Africa. The number of companies in this region with “plans to” employ a total business system is much higher at 69 percent. Companies with such plans will probably have purchased software systems with potential for expansion through bolt-ons or upgrades.

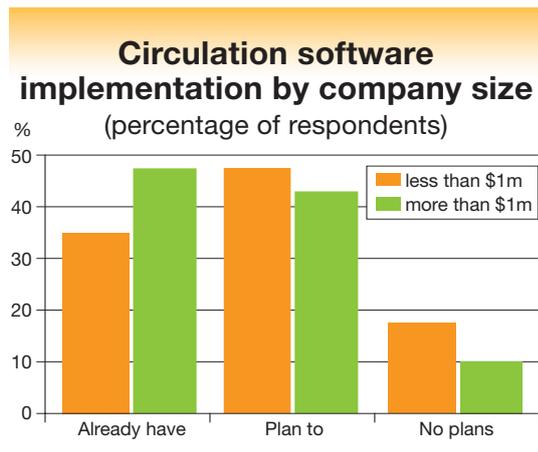
**B) COMPANY SIZE**

For a different perspective on the purchase and plans for purchase of management systems, the data has been broken down by company size in two turnover classifications – Less than US\$100 million and More than US\$100 million



Source: WAN, April 2007

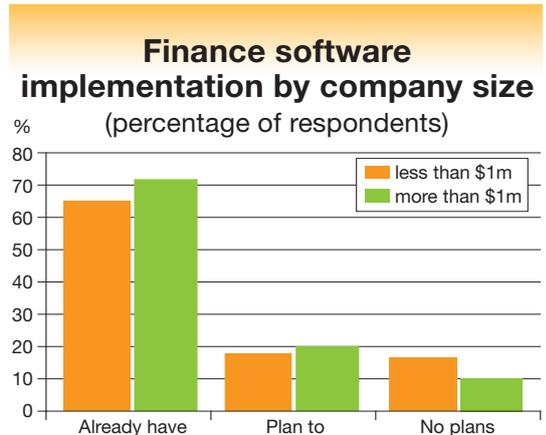
As with geography, the size of the company seems to have little or no impact on the level of existing or planned software systems.



Source: WAN, April 2007

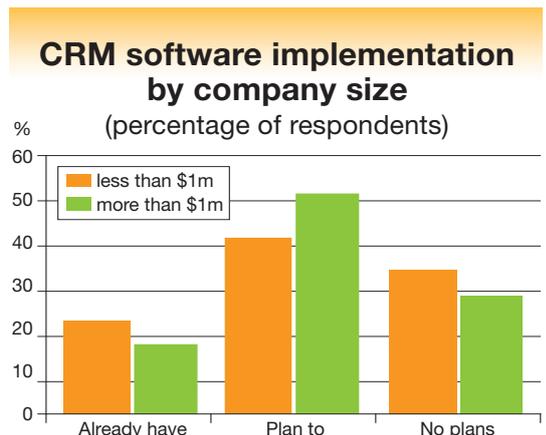
Overall results show that, the larger the company, the greater the likelihood of finding an existing software solution. This is particularly true in the case of circulation. The survey showed that 35 percent of companies

under US\$100 million “already have” a system but that rises to 48 percent for companies with a turnover in excess of US\$100 million.



Source: WAN, April 2007

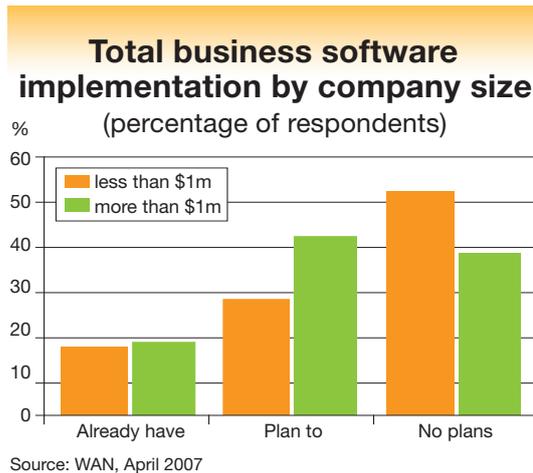
It is the larger newspaper companies that demonstrate higher percentage uptake levels on finance software implementation.



Source: WAN, April 2007

CRM is the one category where smaller companies outgun their larger counterparts by “already having” a system in place. It is often said that smaller businesses put more emphasis on client and customer relations and these statistics would seem to add credence to that.

It is noticeable that there is a very high percentage (53) of “small” companies who have “no plans” to implement a Total Business Solution, or in other words an integrated, cross-departmental management system that allows those using the technology to get a 360-degree view of the customer, in classifieds, display, circulation, accounting, finance and CRM. Perhaps this



is not all that surprising since total solutions are often the most costly and may in the end be deemed to be too great a capital outlay for those organisations. They also present substantial management challenges – even large companies with well-staffed IT departments can struggle to implement such a system.

## Decision influencers

### A) WHY COMPANIES IMPLEMENT MANAGEMENT SOFTWARE SYSTEMS

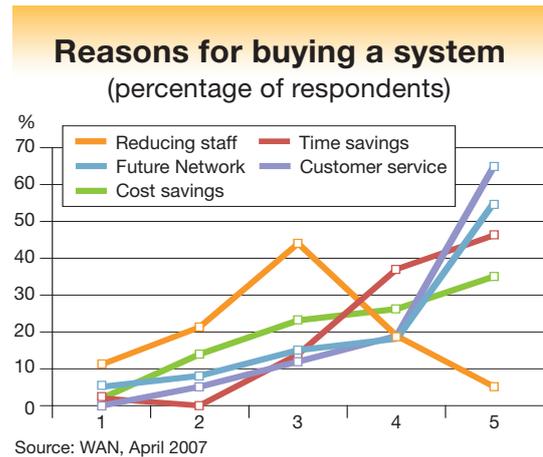
Survey respondents who said they already had or planned to install a management software system were asked why. This was done by attributing a ranking of 1 to 5 (1 for least important, 5 for most important) to 5 key drivers:

- 1) Making cost savings
- 2) Reducing staff numbers
- 3) Achieving time savings
- 4) Improving customer service
- 5) Building a network for the future

The results are detailed here.

The statistics show that overall the main driver to purchase management systems was improving “customer service” followed by building a management software network for the future. The area that had the least influence by far was “reducing staff” numbers, followed by achieving “cost savings”.

While many companies are focused on cost savings and a reduction in staff, respondents do not rate these issues as the top influencers on the purchase of new management system software.

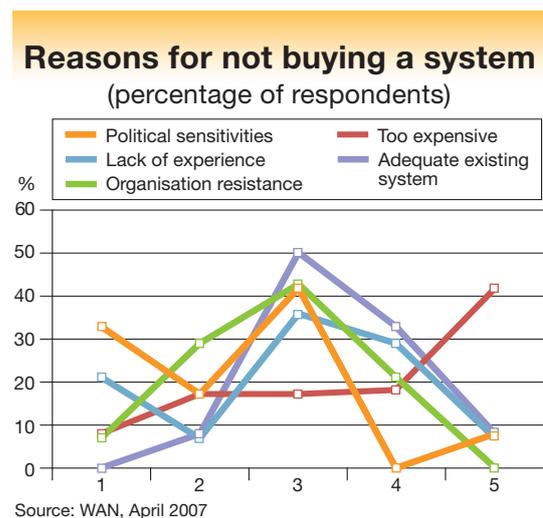


### B) WHY COMPANIES DO NOT IMPLEMENT MANAGEMENT SOFTWARE SYSTEMS

Respondents that had no plans to employ a management software system were also asked why. They were asked to rank, on a scale of 1 to 5, (1 for least important, 5 for most important) the following 5 factors:

- 1) Adequate existing system
- 2) Too expensive
- 3) Lack of experience with management systems
- 4) Organisation resistance
- 5) Political sensitivities

Once again the results are detailed below.



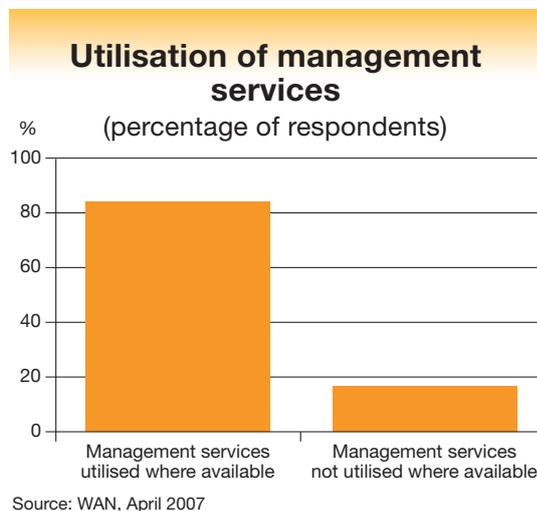
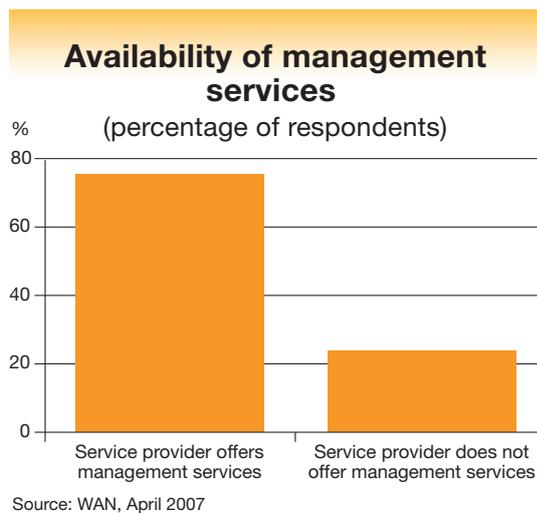
The clear fear with these systems is that they are “too expensive” This might be linked to the finding that it is the smallest companies that are most likely to have no implementation plans. It is possible that smaller publishers find it harder to justify the capital outlay.

Whilst prices for a total business system and the consultancy work that accompanies implementation can be high, there are a variety of products available and solutions can be tailored to meet company requirements.

Both “political sensitivities” and “organisation resistance” had the least amount of influence and that would suggest that senior newspaper executives are open to the idea of purchase even if not yet convinced on price.

### Project management

Another important aspect of investing in a new software system is a quick, clean implementation with minimal disruption to the working environment. As part of a package, many providers offer project management and consultancy services to clients and we asked respondents who already have or are planning to employ a system whether their provider offered these services and if so were they going to utilise them.



Evidently a high number of system providers offer project management services and where available the uptake levels are also good at 85 percent.

### Business impact

Finally we asked respondents to tell us in their own view what has been the single most positive impact of implementing a management software solution on their business. The replies cover a variety of factors, but the three main areas relate to, turnaround and accuracy, where opinions received include “speed and accuracy of reporting” and “clear information about results and the speed to achieve them”, secondly clients and customers, and comments here include “improvement in customer service” and “client satisfaction” and finally decision-making, where remarks include “best information for decision-making”, “better management information” and “improved control and better decision-making resulting in improved efficiencies”.

### Conclusions

The survey clearly shows that software management systems have a place in the newspaper industry of today. Overall 44 percent of the companies who replied through the survey have already purchased and implemented a system whilst a further 28 percent have plans to do so. That means that 21 percent, only just over a fifth, have no plans at all.

This does not mean to say the picture is a universal one and the survey did highlight some interesting inconsistencies. In particular the survey produced the finding that the larger the company, the more likely it is to have a software management system. When this is linked to the single most influential negative decision-influencer, namely that systems are “too expensive”, then it could suggest that small publishers are being priced out of purchase or, at the very least, think they are.

The departmental analysis produced differing results, and these have already been highlighted previously in this document, but it is not surprising to discover that finance has the highest level of software system implementation. Finance software is a popular offering in the marketplace since it is an

indispensable software, applicable to almost every business sector, with no requirement to be tailored to a specific industry such as publishing.

In conclusion, management software systems are prevalent in the industry with such user benefits being enjoyed as improved customer service and time and cost savings. Nevertheless service providers would be well advised to address cost concerns, particularly amongst smaller newspaper publishers.

## 2. Case studies

Media companies around the world are installing a variety of innovative management systems to help make their businesses run smoother. Profiled in this chapter are installations around the world, including:

- Journal Register Company, U.S., advertising system by Atex
- Infoglobo, Brazil, customer relations management system by SAP
- United Business Media, UK, finance system by Cartesis
- RCS, Italy, advertising system by SAP.

### **Journal Register Company, U.S., advertising system by Atex**

**Publishing company:** Journal Register Company

**Service provider:** Atex

**Function:** Advertising

**Location:** United States

The Journal Register Company (JRC) is a newspaper publisher based in Yardley, Pennsylvania, U.S., with six strategically sited operations in Pennsylvania, Michigan, Connecticut, Ohio and New York.

Using a business strategy known as “clustering,” JRC capitalises on synergies created from its cluster operations through cross-selling advertising, combining editorial coverage, marketing regional advertising and Web site networks, and consolidating office functions among the group titles. Without a doubt, clustering is key to the company’s present and continuing success.

Prior to June 2001, JRC was a minimal user of external software systems electing instead to support its properties with its own in-

house developed systems for retail advertising, accounts receivable and circulation, and various third-party solutions for their classified advertising and editorial systems, all of which were installed as discrete applications.

In June 2001 JRC began an initiative to standardize vendors and centralize systems to support their strategic clustering policy. A key criteria was that the software solution fitted with the shared services strategy and the existing publishing systems, processes and resources. Overall, the company was looking for systems that could evolve and integrate with emerging technologies.

They began this process with the group-wide purchase of a classified advertising system from Atex consisting of an integrated suite of ad-order entry software, contract management, customer account management, billing, report generation and classified pagination. These products were installed in a centralized deployment to assist cross-selling and reduce internal support costs.

The JRC classified system consists of three physical database nodes, each with redundant Citrix servers running Atex's classified advertising management solution. Each Citrix server is connected to a clustered Oracle database arrangement that also houses the ad content file systems. These systems are situated in two locations: Yardley, Pennsylvania (two facilities) and New Haven, Connecticut (one facility). Future plans involve moving all systems to Yardley. Users log on to the Citrix servers from remote sites and perform the standard ad-taking functions. The ads are saved to the database and file systems and the ad content, in the form of Encapsulated Postscript (EPS) files, is then moved throughout the course of the day to the remote production sites.

In a computing model such as this, network integrity and capacity are of primary concern. Since all the ads are scheduled on the Citrix servers, the actual network load of the ad-taking process is relatively low; the majority of the data transfer is occurring between the servers located in Yardley with only graphical representations of the users' 'screen' sent to the remote sites. The main Atex network load comes from the moving of the EPS files to the remote sites.

The benefits to JRC have been many. By creating greater synergies across the group, the company was able to achieve cost efficiencies and improve customer service.

More recently, JRC and Atex have completed a system upgrade adding the advertising makeup application, XML Styler, which uses the industry-standard Extensible Markup Language (XML) and looks and acts much like Microsoft Word.

The system allows the ad salespeople to create high-quality ads for customers. This is done using style-sets that can be defined at multiple levels (i.e., publication, classification, etc.), or by using keystrokes, pull-down menus or other controls.

JRC continues to look to the future where even greater system consolidation will occur with the move to a single integrated advertising solution for all advertising types. This planned system will also add CRM, business analytics, integrated accounts receivable, ad tracking, and Web-based customer self-service functionality.

### Fact Box

**Journal Register Company** (NYSE: JRC) owns 22 daily newspapers, with more than 550,000 total daily circulation, including the New Haven Register, Connecticut's second largest daily and Sunday newspaper. The Company also owns 345 non-daily publications, with total distribution of more than 6 million, as well as commercial printing and software development companies.

#### Journal Register Company financials

- 2006 total revenues (continuing operations) US\$506.1 million
- 2006 operating income (continuing operations) US\$56.9 million
- Staff 5,600

**Atex**, [www.atex.com](http://www.atex.com), has been a provider of software solutions and services to the global media industry for 30 years. Through the recent acquisitions of Mactive and Unisys Media, Atex has created the largest digital advertising and editorial content management and multimedia software delivery capability in the world. The company has nearly US\$1 billion worth of software installed worldwide and supports in excess of 800 customers in more than 40 countries.

## Infoglobo, Brazil, customer relations management system by SAP

**Company:** Infoglobo, Rio de Janeiro, Brazil  
**Newspaper:** O Globo, one of the three largest papers in Brazil  
**2005 Revenues:** US\$330 million  
**Employees:** 2,000  
**Management system installation:** SAP for Media  
**Approximate system cost:** US\$10 million

In 2003, Infoglobo built a team to upgrade its management systems in order to improve back-office, advertising and circulation processes, and to become more efficient. To do this, Infoglobo executives chose to implement an updated SAP for Media solutions system. Infoglobo hired SAP in 2004, and SAP employed 11 full-time and 10 part-time consultants on site, while Infoglobo averaged 55 employees to help with the implementation.

The estimated US\$10 million investment is on track to pay for itself within two and a half years, Infoglobo executives say.

It was important to transition the newspaper from one system to the next as quickly and efficiently as possible, and the entire transfer of data had to be done within three days, which was the longest downtime Infoglobo could manage.

In 2005, Infoglobo began to upgrade the system, and learned some very valuable lessons, says Paulo Moura, Infoglobo's IT manager.

For example, during upgrading, employees asked many times to customize their areas of the system, says Rodrigo Belentani, SAP account executive. Before O Globo used SAP, they used to give customers eight invoices per year, so that each customer would pay eight bills per year, instead of paying per month. Many people in the business area wanted the SAP system to be customized to make the old type of eight invoices per year work, but in the course of the project they began to understand that type of invoicing is difficult to track, he says.

“Today, when a customer wants to cancel a subscription, it's easier to know how many months they have paid for, and how many they still have to receive, and it's easier to create strategies to retain the customer when you know how long they have paid for,” Belentani says.

The cost for the software and implementation was about US\$10 million, Moura and Belentani say. The price includes the upgrade of the back-office solution and the upgrade of the core media business.

In order to help people who wanted customisations to better understand the system, and to decide whether the customisation they want would actually work, Infoglobo created a committee. When an employee asked for a change in the system, the committee would talk to customisation experts and developers from Germany to help decide whether changing the system would work. Most of the time it was found that going with the standard solution was the best option.

### Infoglobo processes improvement, 2004 to 2005

Tasks	Before system installation	After system installation	Results
Days Sales Outstanding (DSO)	5 days	3 days 43% reduction	Better view of the customer More robust credit analysis and higher productivity in manual analysis Improved collection functionalities
Aggregated Products Offering	54	108 50% increase	Higher flexibility Standard replicate scenarios Increased productivity
Ad Revenues		20% increase	Faster, customer targeted sales process Reduced lead-time to implement campaigns Better credit analysis
Subscribers chum	47%	42% 12% reduction	Better view of the customer Structured retention process Tailored strategies for types of customers

Source: Infoglobo

“The system is the way it is for a reason,” Belentani says. “From my perspective, in SAP, that’s something we experience a lot.” He says SAP employees discuss everything with the customer, “not to be in an arrogant position to push them to go with us,” but to “come to a conclusion on which process is best to implement ... and which process does not give the customer a competitive advantage, in order to make the customer the best player in that market.”

Moura says this example of finding a better way to do business through solutions available, rather than sticking with the way things have always been done is a lesson other newspapers can learn from O Globo.

“I think that the majority of people who implement SAP have problems, because they try to change a central idea [that is in place for a reason],” Moura says. “The implementation was, for us, a lesson learned, and now we can avoid... repeating the same mistakes, and that’s why we don’t have big problems with SAP now.”

One example of an improvement in performance is that before upgrading its system, it took five days to receive payments. It now takes three days.

“Every day you don’t have this money in the bank, you lose interest. It’s money you’re leaving on the table,” Belentani says.

Also, since using SAP, the aggregated products offering have increased by 50 percent, and are now at 108. Aggregated products are when a magazine, CD, DVD or some kind of extra is added to the newspaper, and sold for a slightly higher price. This type of campaign is designed to sell more newspapers. Belentani points out that ad revenues have also risen by 20 percent and there has been a 12 percent reduction in subscriber cancellation.

“The system was completely configured to set up a web to not lose the customer, by offering promotions and bundles and advantages. In the past, [subscribers] just cancelled, and now phone operators ... can make them offers, and they have reduced cancellations by 12 percent,” Belentani says.

Through money-making benefits, SAP has calculated Infoglobo will make its US\$10 million dollars back within two and a half years.

Belentani says even with maintenance costs, the benefits of the system pay for the investment.

## United Business Media, UK, finance system by Cartesis

**Publishing company:** United Business Media

**Service provider:** Cartesis

**Function:** Finance

**Location:** UK

With operations in more than 40 countries, United Business Media (UBM) is one of the leading players in the fast moving and highly competitive international media and business information market. The company operates in a variety of different areas many of which are expanding at different rates. UBM’s challenge has been to aggregate financial data together from these disparate sources.

In 2005, UBM approached Cartesis to provide a management software system that could fulfil two major requirements. First, UBM needed to consolidate information from around the globe for monthly management figures. And second, the company needed to ensure a swift turnaround when the time came to produce the annual external reports. Up to this point, UBM had relied on an Excel based system with input by individual divisions. However, Excel’s limited capabilities made data entry a challenge.

The solution was to initiate two new key processes using Cartesis Finance: the first for internal management reporting and the second to handle statutory financials and reporting to the Stock Exchange, and David Wein, Group Chief Accountant at United Business Media, explains why: “We were implementing both a Management and Statutory reporting system and so needed time to develop a robust and stable system. It was important that we had a development that got everything right first time.”

For the internal process, the new system had to be able to deal with more than 100 different packages of information every month from a variety of business operations. To handle this situation, UBM devised an input statement that stipulated exactly which figures, key performance indicators, and other information was required from each operation to fulfil the various business criteria.

Since a number of general ledgers and local source systems are used by UBM’s many

operations, the input process auto-populates the consolidation forms in Cartesis Finance from all these applications saving time and ensuring accuracy. Exactly the same process is followed for the budget and forecasting rounds.

As regards the year-end and interim reporting, a separate statutory process is also run on Cartesis Finance where a great deal of information is handled within tight reporting deadlines.

Wein welcomes the changes saying, “Cartesis Finance is exceptionally powerful and flexible. We can work with our financial data and produce diverse reports to fulfil both our management and statutory needs. UBM allows us to present our data the way we want to present it. In addition, the feedback I am getting from users is that Cartesis Finance is much easier to use.”

UBM relies on management reporting to make business decisions and track each unit’s performance. Being able to automate the reporting and to separate the statutory from internal management reporting gives added value to the process. The most important benefit is the time saved for the UBM finance team.

Moving forward, the existence of flexible and efficient reporting will continue to be vital to UBM as it continues to grow its business over the next few years. It is likely that Cartesis Finance will be required to supply Senior Management with the information needed to help move the business forward. As Wein explains, “We need to make sure that we are continually getting the right information and the right reports in the most efficient way. Cartesis Finance helps us to do that.”

## Fact Box

### United Business Media (UBM)

[www.unitedbusinessmedia.com](http://www.unitedbusinessmedia.com) is a global media company with a particular interest in business information services.

### UBM financials (continuing businesses)

- 2005 turnover UK£675 million
- 2005 gross profit UK£137 million
- Staff 5,000+

**Cartesis** [www.cartesis.com](http://www.cartesis.com) was created in 1990 and is a leading specialist in finance and business management software. The Paris-based company has offices across the globe and can boast more than 1,300 customers in 44 countries.

### Update

On 23 April 2007, Cartesis was purchased by the Nasdaq-quoted company Business Objects for about US\$300M. John Schwarz, CEO of Business Objects, said: “This acquisition marks an important step in our strategy of systematically building out the industry’s best performance management platform.” The purchase was expected to be finalised within 90 days of the announcement.

## RCS, Italy, advertising system by SAP

**Newspapers in Italy:** Corriere della Sera and La Gazzetta dello Sport

**Newspapers in Spain:** El Mundo, through its subsidiary Unedisa

**2006 Revenues:** 2.2 Billion Euro

**Employees:** 5,000

In 1999, RCS Media created RCS Diffusione in order to provide a single point of newspaper distribution, by combining and streamlining the media group's circulation process, which at the time were “firmly anchored within the individual companies,” said Franco Mameli, logistics director at RCS Diffusione, in a case study by media systems solutions company SAP.

At the time, RCS was relying on manual processes, including six different systems, to manage circulation throughout the entire media group, which made it difficult to find information, Mameli said in the study.

The confusion of systems and processes was a clear sign RCS needed to revamp its IT system, and RCS chose SAP for Media.

RCS' many titles made it representative of all circulation processes in Italy, which allowed the company to "contribute to the development of the platform, which would help SAP enhance its system with new and critical functions," said Anna Bottazzi, IT manager at RCS Diffusione, in the SAP case study.

The project began in June 2001.

An important objective for RCS was for software implementation to minimise disruption, ensuring that business would be able to continue without lengthy interruption during the software and system conversion. RCS employees and the SAP development team started with the final steps of the distribution cycle, focusing on "invoicing, and then on demand planning for newspapers, periodicals and collectibles," Mameli said in the case study.

"We wanted to be 100 percent sure that the processes would be maintained. This is the reason we decided to divide the activities into segments and start with the most consolidated ones," he said in the study.

The project was challenging, due to the many processes and organisational units involved; yet after conversion, RCS employees were able to find data easier and more quickly, allowing the company to have more control over its own information.

In 2003, RCS entered into a joint venture with Deadis (De Agostini Group – Hachette Rusconi), and the company, now renamed m-dis Distribuzione Media S.p.A, has evolved into one of the top media distribution businesses in Italy.

In March 2007, RCS agreed to increase its stake in Blei from 51 percent to 100 percent, increased its stake in Skira from 24 percent to 48 percent and acquired Digicast.

In January 2007, RCS launched Italian newspaper Corriere di Bologna, and in February it launched the Spanish health magazine OK Salud. In 2006 RCS launched the startup of the full-colour La Gazzetta dello Sport, the new free press Corriere della Sera, the start-up of RCS in the Portuguese market through A Esfera dos Livros and relaunched the travel magazine Siete Leguas.

Corriere della Sera's circulation rose 4 percent in 2006, to 673,000 copies per day, up from 670,000 per day in 2005. La Gazzetta dello Sport fared worse, with circulation dropping 8 percent, from 387,000 in 2005 down to 384,000 in 2006. However, the entire Italian newspaper market grew in circulation by 1.9 percent, from 4.985 million in 2005 to 5.08 million in 2006, according to FIEG, ADS and RCS's internal estimates.

RCS's Spanish newspaper, El Mundo, grew in circulation by 5 percent, from 314,000 in 2005 to 330,000 in 2006. The entire Spanish newspaper market dropped 3.1 percent in circulation, from 1.565 million to 1.516 million, according to OJD and Observatorio de Prensa Diaria.

## Atex sheds light on pricing

Pricing for management systems across newspaper company departments can vary according to number of users, newspaper circulation and even can be priced as a monthly package.

As varied as pricing can be across service providers and their software and training packages, one thing is for certain: management systems require a significant capital outlay. This investment requires newspaper companies to plan a strategy in order to reap a quick return on investment. This can be realised through staff reduction and streamlined processes.

Atex is one major suppliers of management systems to the global media industry. The company helps newspapers manage content for both editorial and advertising, as well as planning production, workflow, billing, distribution and circulation campaigns and logistics. The functions are supported by business analytics to help measure market changes in real time.

Atex has provided Shaping the Future of the Newspaper a picture of the systems pricing landscape for this report.

All newspapers typically receive the same basic software system, with pricing based on the size of the paper, says Peter Marsh, a spokesman for Atex. For example, the price of an advertising system for 10 to 15 users is much lower than a system with several hundred users. Marsh pointed out that prices do vary, but the entry price for an advertising system is about US\$75,000, and can reach US\$1 million or US\$2 million, depending on the number of users.

Editorial systems start at US\$50,000 for smaller newspapers, but large systems, with about 1,200 journalists using them, are in the million dollar range, Marsh said.

Pricing for circulation is an exception, because price is based on circulation, rather than the number of users. Marsh says entry prices for a circulation system is between US\$100,000 and US\$500,000, and climbs even higher based on circulation numbers.

Another reason costs increase for larger newspapers and media conglomerates is that larger installations mean more user training and more third parties, he said.

A new pricing model is emerging in the industry. Instead of traditional software licensing for a flat fee, Atex and its competitors are offering a “managed services model”, where customers pay on a monthly basis, and the systems provider hosts hardware and software, and provides help desk support. This model is run through a data center. The software becomes a service, instead of a product the customer must buy and have installed, Marsh said.

“It would mean that Atex takes the responsibility,” Marsh said. “We do the training and provide end-user support 24/7.”

The price range for a managed services model is based on the number of users, and generally runs between \$2,000 and \$20,000 per month.

“It’s a new area for us and our competitors, but it’s definitely the biggest growth area for our business,” Marsh said.

While the managed services model is common in the United States, Marsh says Atex is receiving more requests around the world, in places “where it makes sense for newspapers to get out of the computer support business. If several newspapers are bought by a single company, it makes sense to consolidate, instead of having separate support and IT staff.”



### 3. How do management systems work?

The survey results show that, whilst not the most influential negative factor, one of the main reasons for not implementing a software system is “lack of experience with management systems.” This suggests systems are perhaps too complicated or not user-friendly.

One company offering software solutions for the publishing industry is Sysfactory based in Tromsø, Norway. One of their products is Syscirc, which is designed to manage all the different aspects of the circulation function: subscriptions, bulk sales, retail sales and distribution. Syscirc has the ability to handle several titles on the same client record since the circulation module can work with other modules in a common database. This feature benefits those publishers who want to use the same client record for selling and handling other non-subscription products like events and tickets.

Syscirc is designed to do this regardless of frequency and type of title and it is suitable for web based publications, hard-copy dailies and newspapers/magazines with more irregular

publishing periods. The system can also manage processes related to hard-copy distribution – right down to the optimum routes for carriers.

There is also a financial component to Syscirc. Each subscriber is assigned their own sales ledger where the subscriber's balance is available to view at any time. This ensures that all balance lists can be easily managed and that all subscription calculations can be accessed around the clock. In this way, the system can handle all types of sale (i.e. bulk or retail) and also effectively act as a financial manager.

The step-by-step explanation below shows how one system interface works.

Like other management systems, this program can be configured and tailored to an individual company's needs. One typical change is language. In nearly all cases, new users can start running the program without modifications.

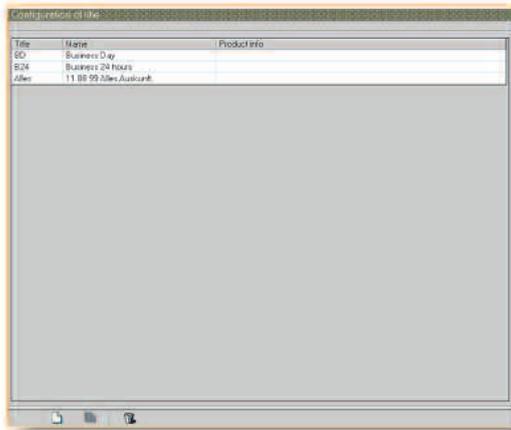
A typical user will have an in-house system administrator who is responsible for set-up and maintenance. The system administration with

some SQL knowledge and understanding of database structures should be able to operate the system. Except for some busy days during preparation and start-up, the time consumed in the maintenance of a circulation database is moderate.

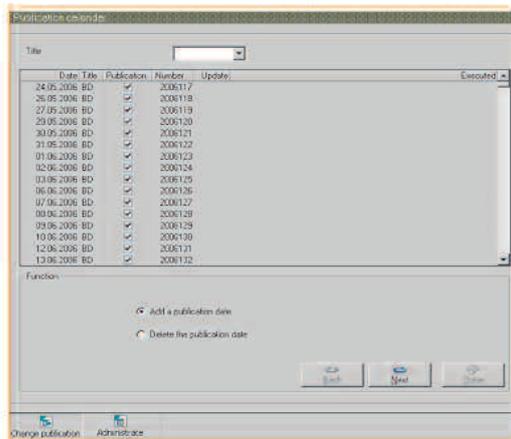
The following visuals demonstrate how the information appears on the computer screen and step-by-step guidelines on set up and use.

Before using the system the information unique to circulation circumstances needs to be input.

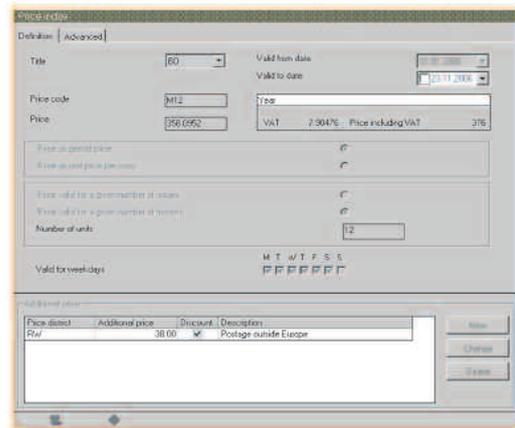
### System Set-up



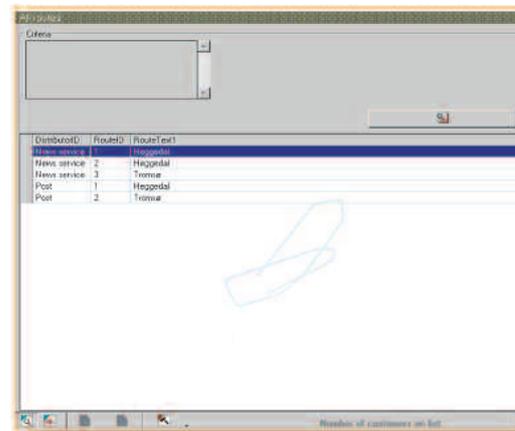
**Step 1:** Input details of all the titles the system will be required to handle.



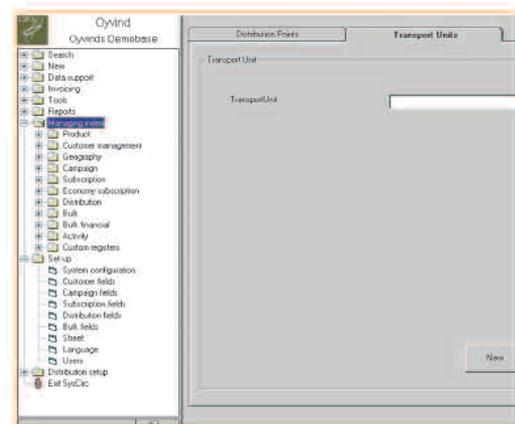
**Step 2:** Input the publishing calendar. As previously noted, the system can handle publications of different type and frequency.



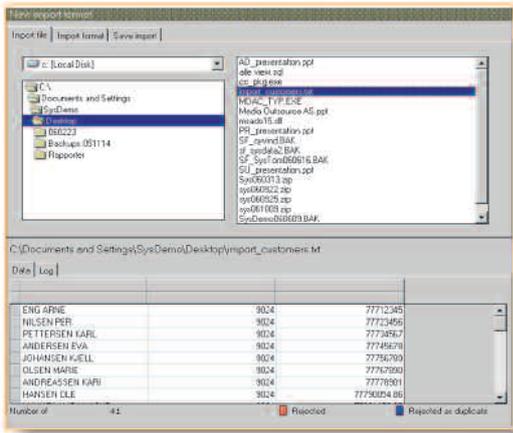
**Step 3:** Subscription prices are added. This system has a flexible pricing model with the option to give new clients a step-by-step price increase if desired.



**Step 4:** The details of different distribution routes can be input whether they are by post, single copy van delivery or in bulk. An address verifier function then provides the distribution route automatically.

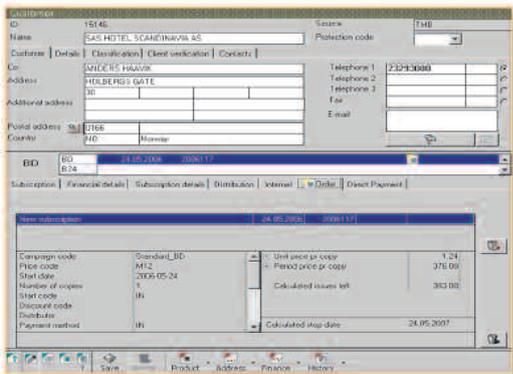


**Step 5:** Other personal or relevant configurations can be applied depending on the complexity of the operation and the individual company requirements.

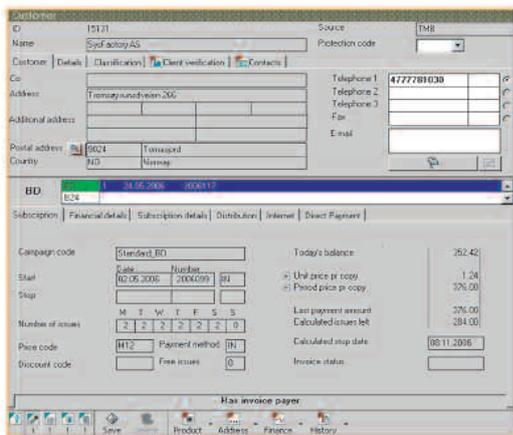


**Step 6:** Existing subscriber information can then be imported from other programs with the help of the provider. Once the set-up details have been applied, the system is ready for use.

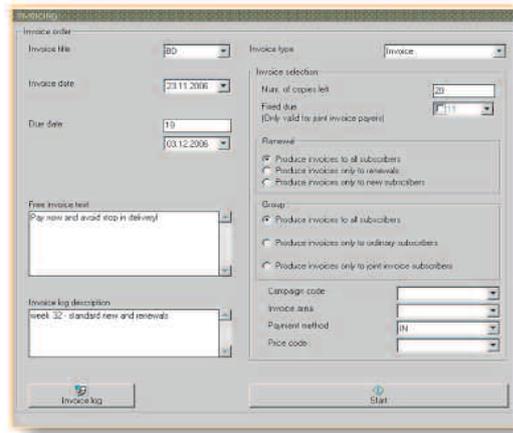
### Using the system



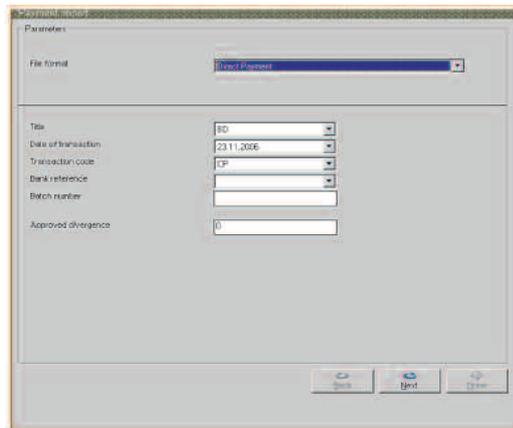
**Step 1:** When operating in the telesales mode, new subscribers are started automatically, whilst others can be imported or entered manually by customer service.



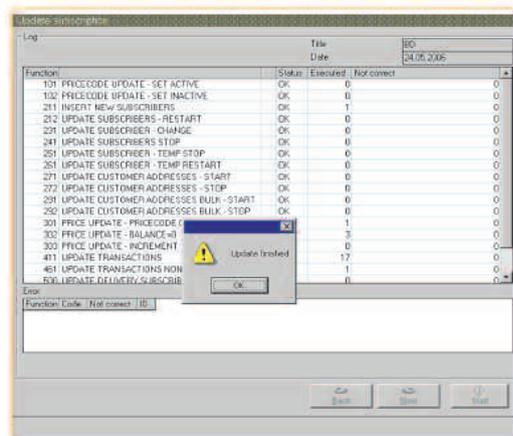
**Step 2:** Customer service has access to all the relevant client information. When working in a common database, customer service can also handle events, internet points, tickets, book clubs, etc.



**Step 3:** Invoicing can be tailored to suit different types of clients, such as new or loyal customers. When configured, the invoice process takes little time since invoice formulas are in the program and can be printed on site or exported to an external print house.



**Step 4:** The client ledger is updated with payments, either from file or manually. The program is able to handle direct debit and credit card payments and processes for reminders and money collection calls.

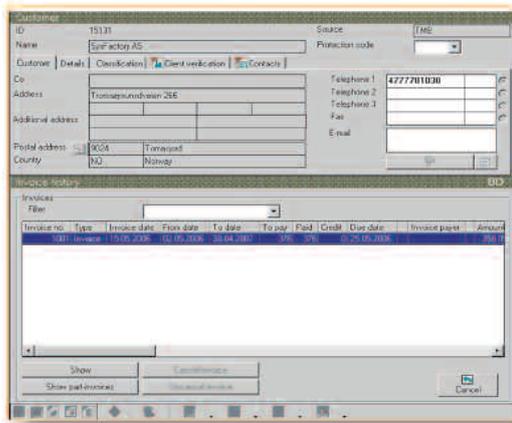


**Step 5:** Before each distribution date, a program update is carried out.

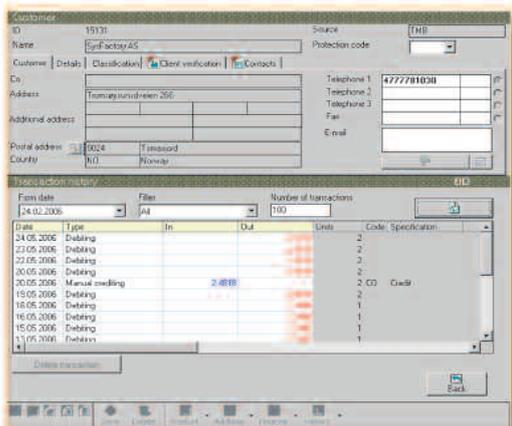
This is to capture all starts, stops and changes which are then automatically transferred to the tailor-made distribution method. Following this procedure, client balance and title revenue is updated as well.

## Financials

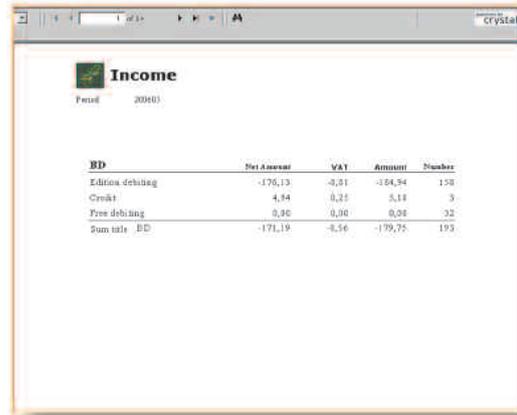
All the client level financial data is handled within the program whilst the main accounting information is usually updated on a monthly basis.



**Step 1:** The program provides a full invoice and transaction history for all clients.



**Step 2:** Each subscriber has their own profit and loss account. In addition, an income for each copy delivered is automatically calculated. This ensures the correct income calculations are made even with temporary stops or extra copies delivered.



**Step 3:** The program has standard financial reports for income, balance/deferred income and tax. Other reports can be tailor-made, either by the client or by the provider.

There are a variety of software management systems available from all-encompassing total business solutions to small tailor-made function based products. Whilst the Sysfactory product example above is a niche product aimed mainly at the small publisher, the simple steps outlined above should help to convince newspaper publishers that a “lack of experience with management systems” should not be a barrier to purchase and implementation.

## 4. Conclusion

There is no doubt that harnessing technology to save time and money, in order to increase profit, play into newspaper publishers' strategies today. Newspaper publishers in particular need to ensure their hardware and software systems are good enough to keep the company competitive now, and into the future.

We set out to find examples of innovative software systems, and it is clear that innovation is to be found in the tailored nature of each implementation. The service providers in this sector are adept at creating solutions that are designed specifically with the client in mind. While many vendors produce a basic system, it is the ability to customise each application that is key.

Nevertheless, software solutions are not a panacea and publishers need to consider several vital issues before taking the plunge.

### **1- Flexibility / Compatibility**

It is important that any chosen solution is flexible. We know that the speed of technological advance just gets quicker and whilst a system may appear state of the art now, there is always the possibility that it will quickly go out of date. A company can improve its chances of avoiding such a situation by ensuring that the chosen system is easy to upgrade. It is always easier to bolt-on improvements than to rip it all out and start again. An emerging pricing scheme is the software-as-a-service implementation, which is essentially a monthly plan that includes software, training and support, rather than a flat fee for the software.

Compatibility is also a factor. Many publishers, as is evidenced by the survey, will decide on a software application for a specific function such as Finance or Advertising. This may be because their existing capabilities in other areas are considered acceptable. However, over time requirements may change, and it is important that any subsequent

software application is able to work in tandem with an existing system. A “total business” software solution is always going to be the most efficient method, but can be costly. Publishers who want to build up to a system that works across their entire business over time need to choose systems that have such capabilities.

## **2- People**

However effectively some existing software systems work, they are still not yet capable of operating themselves. Still, many companies will see an eventual reduction in head count thanks to new systems, and that may seem like a benefit of installation. Employees, particularly those who might be affected by the change, are unlikely to see it quite the same way. It is worthwhile therefore for companies to spend time and effort on a training programme to work in tandem with the implementation. By demonstrating to future users all the benefits associated with working on the new application, resistance to change can be minimised. Also, where appropriate, those who are no longer to be employed in the same role can be retrained as part of the process, therefore perhaps coming to see the implementation in a positive light.

Another aspect of the people issue is the use of external consultants to advise and help with the application. On the evidence gathered, it would seem that while full-time experts will raise the cost of an installation, their expertise can be very beneficial. It is their previous experience that is key. By anticipating issues before they even arise, implementation can be completed quicker and more smoothly. The speed of deployment can be vital, because most publishers (particularly those with daily titles) cannot afford or accept a long down time to complete the changeover process.

## **3- Price**

We are all aware of the adage that you need to speculate to accumulate. But before purchasing a system a company will need to calculate the potential return on investment. The price of a system could run into millions, and any capital expenditure can prove a daunting prospect for a small publisher. It is important that companies assess the full

impact of the new system from the short, mid and long term cost and head count savings, to the true and full cost of implementation. Everything from software savings to the potential of improved staff productivity should be included. However, publishers should not be overwhelmed by fears of crippling costs, as the survey has highlighted a range of software providers from small to very large, offering a range of solutions to suit any pocketbook.

There is no doubt that software management systems provide a wide range of benefits to publishers. As long as the system is flexible and all cost implications are calculated in advance, then both the time and money savings can be appreciable. If you add in potential improvements in customer relationships and greater market intelligence then it is easy to see why these systems have become so popular.

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