

## Executive summary

Newspaper advertising expenditures will continue to grow now and in the foreseeable future, according to global research firms PricewaterhouseCoopers and Zenith Optimedia. Every region of the world is expected to see at least single-digit growth increases for newspapers, and double-digit Internet advertising increases in the coming years.

However, slowing economies and the surge of Internet advertising are causing both Western Europe and the United States to experience slower than average growth and declining market share in newspaper advertising revenues. U.S. newspapers are the hardest hit by recessionary economic trends and competitive market forces, and are regrouping to appease Wall Street investors.

Meanwhile, many newspaper markets are tracking impressive ad revenue growth, particularly in Central and Eastern Europe, India, the Middle East, South Africa and parts of Latin America and the Asia Pacific region; however, their market shares are simultaneously falling due to surging Internet advertising gains.

Newspapers worldwide, and the United States in particular, have adopted aggressive growth strategies to reverse their declining stock prices. Mergers and acquisitions for media companies have hit an all-time high, with Internet company acquisitions leading the list of newspaper investments. Newspaper sales forces around the globe are being trained to sell multimedia and to sell more aggressively, and the efforts are paying off on the bottom line. Research and development efforts at newspaper companies are paying dividends with clever and profitable print and digital product development. Cost-cutting measures are shaving millions of dollars off bulging budgets. Newspapers are getting back to their local roots with content and revenue strategies.

Despite the heroic efforts, U.S. newspaper companies have lost market value on Wall Street, mainly because print advertising revenues are dropping faster than Internet revenues can replace them.

Analysts say the downturn in the U.S. newspaper industry is not an anomaly, and will

likely be exported to some newspaper markets around the world, much like other positive and negative trends have been transported in the past. This report offers strategies and solutions to avoid the pitfalls American newspapers are currently experiencing.

This report establishes the facts about the changing newspaper industry economy in the United States, chronicles Wall Street analysts' views on how to reverse the industry's fortunes and details dozens of tactics on how to safeguard your company against the prevailing trends.

"My belief is that newspapers have significant competitive advantages in today's media landscape, levers that I believe they can better exploit, and which should allow them to make a successful leap into the digital future. The list of key competitive advantages as I see them: the best local media brand, by far the most significant source of local content and information, a significant number of sales feet on the street," said Paul Ginocchio, analyst with Deutsche Bank, San Francisco.

The Shaping the Future of the Newspaper project team attended the annual UBS Media Week conference in New York in December 2007, and in this report analyses the investor presentations from nine American newspaper companies, including the New York Times Co. and the Washington Post Co.

The analyses include overall revenues for each company, revenue mixes among companies' business units, details about cost-cutting and revenue-making strategies, mergers and acquisition tactics and digital strategies. The body of case studies underscore the significant efforts made by some of the most profitable newspapers in the world, despite the stock price declines.

The report responds to Wall Street's call to reinvent newspapers, by chronicling details of dozens of key mergers and acquisitions from newspaper enterprises worldwide, as a part of individual growth strategies. Many of the acquisitions are digital businesses, which make up the lion's share of merger and acquisitions in the media industry today.

Finally, the report offers details of research and development strategies from several news enterprises, including News Corporation, Scripps, Reuters and the American Press Institute's NewspaperNext programme, which represents thousands of American newspapers.

