

## Executive summary

The World Association of Newspapers, in collaboration with Borrell Associates, surveyed newspapers across all continents about the growth of Internet and print revenues from 2005 to 2007. The survey results show that despite signs of a worldwide economic slowdown, digital revenues are rising at a spectacular rate. However, these increases are less dramatic than in previous years, particularly in Europe and North America, which have well-established online newspaper operations.

No other newspaper group in the world comes even close to Scandinavia's Schibsted, which is now making more than 50 percent of its EBITA operating profit from online operations. The continuing and rapid growth in newspaper digital advertising sales is the catalyst for the newspaper industry transforming itself at a stunning pace. Another newspaper in Western Europe has achieved near-equality between online and print profits, and several others report around 20 percent of total advertising coming from digital operations.

In its sixth year, the Benchmarking New Digital Revenues survey results show a marked shift of classifieds verticals from print to Web over time, particularly recruitment, the newspaper industry's most valuable and lucrative vertical around the world. Just in the last three years, several European respondents have witnessed a slide of overall classifieds revenues from print to Web, with most respondents reporting that more than 85 percent of their classified revenues came from print in 2005, on average, and in 2007, more than half of the respondents reported that percentage had slipped five percentage points.

Another key trend is the expansion of display advertising revenues online. In Europe, for example, newspaper companies are reporting that online display advertising revenues represented less than one to eight percent of all revenues in 2005, but now represent eight percent, on average.

While North America and northern Europe are hot spots for newspaper companies growing substantial online revenues, news operations in the rest of the world are seeing triple-digit

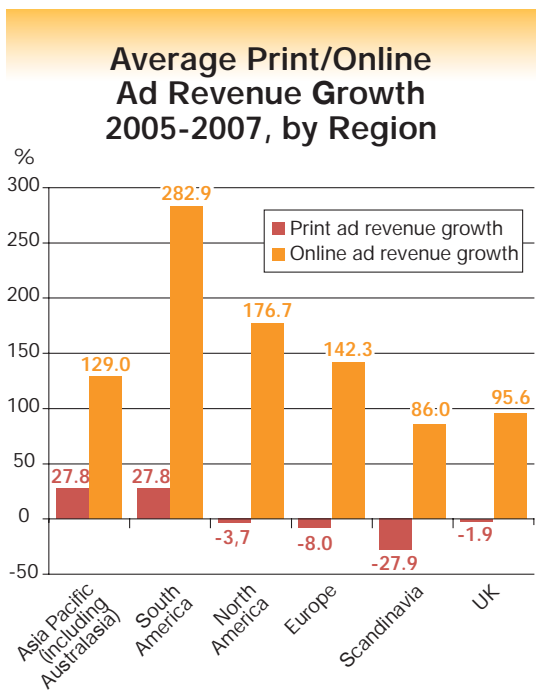
growth as they embark on their online revenue strategies.

In Asia, online ad revenue grew much stronger than its print counterpart, between 42.9 percent and 244 percent from 2005 to 2007, compared with an average print revenue growth of 27.8 percent during the same period.

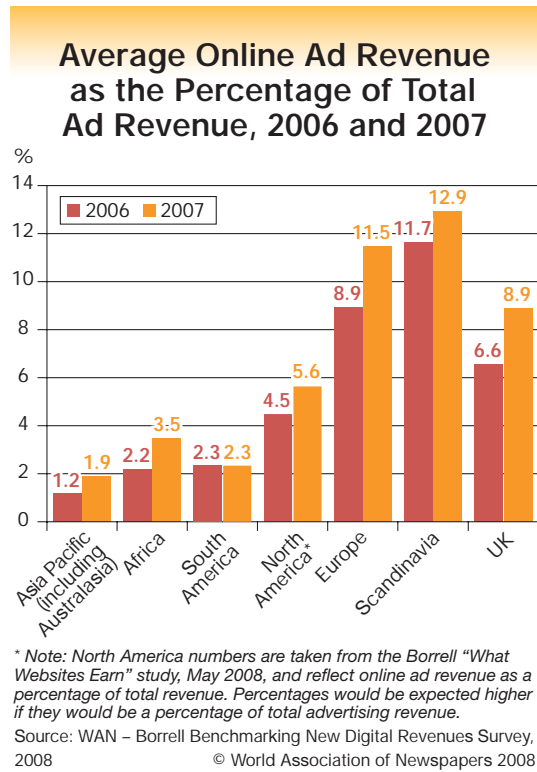
In Africa, where digital operations are newer than in most other regions, growth in one case was almost 400 percent, but online ad revenue as a proportion of total ad revenue was typically quite low, in the three percent to four percent range. The story is similar in South America, where some companies more than doubled their online sales, which is quite common in the early “start-up” days, with the online total ratio at not much more than two percent.

In North America, 20 percent to 25 percent annual compound growth is being achieved by most companies. That number is a bit higher in the United Kingdom, where several newspapers are seeing growth in the 25 percent to 30 percent range and one company, Trinity Mirror, filed an annual report with a 35.6 percent increase.

In all, 73 online publishers took the survey, representing 252 newspapers worldwide. The most robust data was collected in Europe, from which half of the survey takers hail.



Source: WAN – Borrell Benchmarking New Digital Revenues Survey, 2008 © World Association of Newspapers 2008



The survey also explored the respondents’ quest for innovation and expansion. The survey-takers were asked what strategies are working and not working, which new products have been rolled out in 2007 and what innovations are planned for 2008 and 2009.

In the next 18 months, newspaper companies said they plan on implementing new initiatives, such as: More online-only products, online video advertising, new speciality sites (such as travel and health), hiring more dedicated sales people, video marketing and sponsoring, outsourcing online sales advertising, commercialising foreign traffic and beginning to audit online and cost per sale (CPS) campaigns.

While a few U.S. newspapers hit by declining recruitment advertising caused a decline in advertising sales online, the rest of the world continues to see robust growth now and in the foreseeable future. However, the transformative impact of online growth while a majority of newspapers are seeing circulation and print advertising decline needs to be assessed. The good news, though, is that despite those worrying trends, online advertising continues its high double-digit rise, and newspaper companies around the world are working to overcome declines in print through new and exciting initiatives.