

Executive Summary

As platforms on which to consume news proliferate, newspapers continue to delight, inform and enlighten billions of people around the world every day. Newspapers possess unique characteristics that are desirable for the ages: they are tactile, portable and packed with information to enhance the reader's quality of life. Newspapers' many content categories are well organised, and contain new and often serendipitous story selections each day. Newspapers also continue to function as vigilant watchdogs over government, serving as beacons for democracy around the world. Their reporting staffs routinely surpass staff numbers well beyond the scope of other media, providing depth and breadth of coverage found on no other media channel.

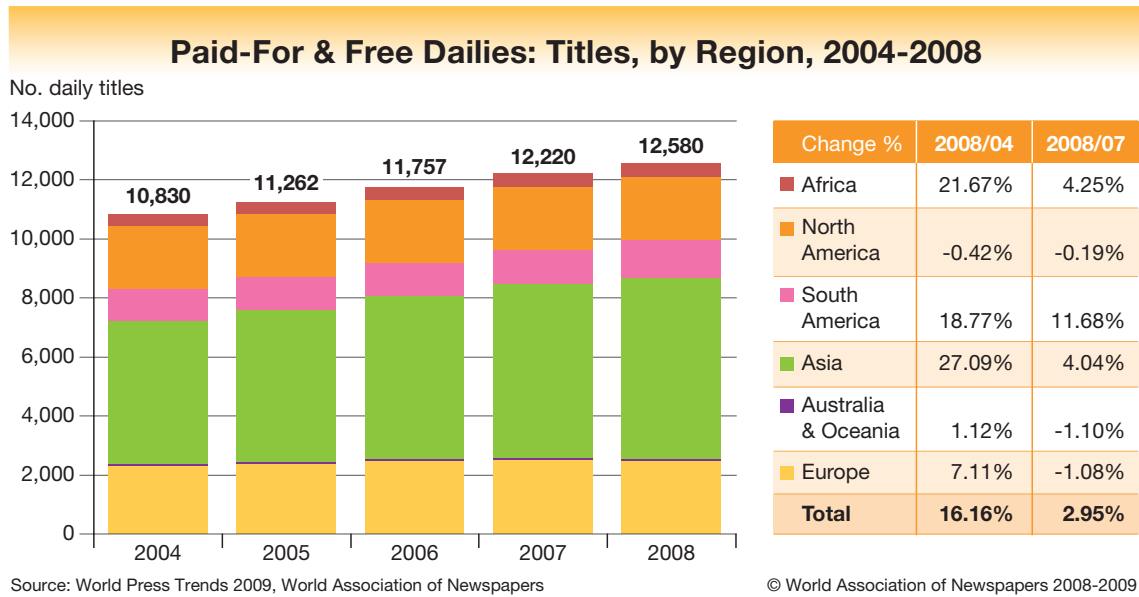
The newspaper itself also has esoteric qualities that, while not measurable, are certainly tangible.

“Paper's great strength is that it allows the mind to settle down into that peaceful deep-dive state in which we do our best thinking. This state is much harder to achieve when we're reading in the digital medium, where there is endless information, and so many

possible tasks to undertake at any moment. On the Internet, there is no beginning and no end,” William Powers writes in Chapter 1, from his book titled “Hamlet's Blackberry.”

Although the feeling of settling down with a newspaper cannot be quantified, analysis of core assets and leading indicators show that on the business side, newspaper companies are under financial pressures circa 2009, faring similarly to other businesses during the current economic downturn. And, in some cases, they are faring much better. The economy hit the United States the hardest, driving advertising revenues down more than 30 percent. Despite that, some newspaper companies have maintained high profit margins, including the country's largest newspaper chain, Gannett Co., Inc., which earned a 12 percent operating profit margin in the first quarter of 2009. While advertising spend for newspapers is shrinking parallel with the world's economy, experts believe this trend will recover in tandem with the economy.

Despite reports to the contrary, the number of newspaper readers and the number of paid-for



and free newspaper titles are growing, according to World Press Trends 2009, the annual newspaper industry bible for circulation, readership and advertising statistics. The number has grown from 12,220 titles in 2007 to 12,580 in 2008.

Among the most important core assets are trust and credibility. The report tracks the stable performance of trust in newspapers compared with other sources of news, and underscores the importance of protecting the core assets moving forward.

Individual newspaper companies continue to invest, expand and innovate. The Power of Print report chronicles examples of newspapers as forward-thinking and pragmatic enterprises. Some examples of case studies profiled in this report:

- Korean daily newspaper JoongAng Ilbo in 2009 invested more than US\$100 million in switching to a Berliner format, buying new printing presses, refurbishing its printing facility and putting more emphasis on quality news and information. However, spending money on merely cosmetic changes would not be enough to slow or reverse declining circulation and subscriptions, points out Jeong Do Hong, director of strategy at JoongAng Ilbo. Therefore, it was key to build upon the cornerstone of trust, which is the bedrock of every quality newspaper, he said.
- In April 2009, Sojormedia Capital, part of Grupo Lena in Portugal, launched i, a unique niche newspaper among 13 mass market daily

products, and has so far seen a healthy readership, said Martim Avillez Figueiredo, i's publisher and editor-in-chief.

- Archant is the United Kingdom's largest independently owned regional media business, publishing four daily newspapers and 60 weeklies in its Archant Regional newspapers division, and 80 magazines across its three magazine companies: Archant Specialist, which produces hobby titles; Archant Dialogue, which does contract publishing; and Archant Life, which specialises in 52 county titles, as well as other city titles and several French magazines. Ten years ago, Archant didn't own any magazines. Today, the magazine division accounts for £55 million in revenue, or about a third of the business.

- The Bakersfield Californian, a 70,000 circulation newspaper, serves a population of 350,000 in the mountains of southeastern California, and has 36,000 registered users for the Californian's online products; 4,000 blogs; and 15 print and online niche publications. The Californian is known for its aggressive product development strategy, which aims to capture a greater amount of the audience in this isolated mountain community. Each product has print and online components. The main newspaper reaches only about 20 percent of the population, but the company's 15 print and online niche publications together reach more than 80 percent of the market when combined with the main newspaper. The company's market share is measured in two ways: advertiser market share, and the newspapers'

reach among consumers, including how the portfolio of products reached 80 percent combined in a 30-day period.

- In May 2009, the PPF Group in the Czech Republic invested €10 million, and launched seven weekly newspapers and 30 Web sites across the country, opening a newspaper office in each of its hamlets. If successful, they plan to add more. The group also has opened a Prague-based training centre for the group's 90 employees and outside journalists, called Futuroom. The focus of the newspapers is "hyperlocal journalism," with an emphasis on advertisers and readers in the communities they serve. Each local office will feature an Internet café, so locals can enjoy a coffee while interacting with the news. "While everyone else is closing, we are expanding," Roman Gallo, director of media strategies at PPF told The New York Times.

- Just five years after its launch, the Media24-owned Daily Sun grew to become the largest newspaper in South Africa, with a circulation of 500,000, all by finding, understanding and staying loyal to an under-served, and even non-served audience, said Fergus Sampson, CEO of emerging markets at Media24. The newspaper's success, however, has less to do with editorial, advertising and circulation, and more to do with the Daily Sun seizing the opportunity that opened up thanks to a confluence of circumstances happening in social, political and economic realms in South Africa in the 1990s, in the time following the fall of apartheid, he said.

- On one hand, MediaNews Group is a mirror image of the stumbling newspaper industry in the United States. MNG, anchored by the San Jose Mercury News in California, and the Denver Post in Colorado, is experiencing double-digit declines in advertising and flattening or declining circulations among many of its 100 newspapers during the economic downturn. In April 2009, MNG ended its eight-year joint operating agreement between the Post and the Rocky Mountain News when the "Rocky" ceased publication. But in the process of challenging times, the unthinkable happened. The circulation of the Denver Post dramatically increased when the Rocky closed, from about 200,000 to 375,000. "We picked up most of their circulation. We offered subscribers a deal to take the Post instead of the Rocky for the same price. We

lost about 29,000 circulation total," said MNG chairman William Dean Singleton. Denver is the No. 2 most penetrated newspaper market in the United States after Washington, D.C.

As the case studies and data show, print newspapers in some parts of the world are seeing only growth, while in other, more developed markets, the power of print is growing in a different way, as publishers carve out spaces in niche markets and better tailor print to the needs of their communities. Around the world, newspapers that value and strengthen printed products in the most appropriate ways to serve their specific audiences and locales are seeing success, brought about by continued dedication to newspapers' goals: to inform and delight.