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Pricing Strategies

Pricing is a key strategic tool in the battle for increased circulation.

Different practices adopted around the world can be utilised to increase reader loyalty and profitability

Shaping the Future of the Newspaper



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Executive Summary

Price: One of the four “P’s” of Marketing, along with product, promotion and “place”, or distribution. Add to that a fifth “P”, prospecting. Without sales, marketing is bankrupt. It seems strange in our industry, that price should sit along product, as a subset of marketing. But in newspaper companies, the two are seen as equally important. In our industry where our product – the newspaper – defines what we are, what we do and what we stand for, other strands of marketing fall into second position.

Yet pricing is far more than simply the mechanism by which we generate revenue for our content. As this report goes on to outline, price is a statement of our value. It is a mechanism by which we encourage and reward loyalty. Price is also something that differentiates one newspaper from another.

It is true to say that for most newspapers, a cover price is a means of generating revenue. We distribute and market newspapers for a cost, charge our readers a price for reading, and the revenue generated contributes, in part, to the other costs of the newspaper in terms of

content generation and organisation, printing and production.

The majority of newspapers charge their readers at the time of purchase, which in turn tends to be close to the time of reading. Could any other news medium do this? Imagine you are sitting at home this evening, and as the news is about to start on television, or radio, you are invited to insert coins into a slot. Would you pay? Of course not! And few others would. That people are willing, day after day, to pay for their news at the point of consumption speaks wonders about the power of news in print, to inform, entertain, influence, and contribute to the value of citizens’ lives. That their newspaper is then passed on to friends and family members who also enjoy it, only strengthens the newspaper’s cachet.

For a minority, typically readers in wealthier markets newspapers are bought by subscription, and a range of pricing mechanisms exists for this. Commitment to subscription is seen by many in our industry as the perfect relationship. A buyer who is tied

into six – or seven-day delivery and payment should be the ideal customer. Yet subscription models are proving increasingly challenging as subscribers confess to less time for reading. Behind many apparently stable circulations are subscription machines frantically managing churn levels in the 40, 50, 60 percent or higher, only to maintain a façade of readership.

Which is worse? A reader who reads a newspaper they haven't paid for – or a reader who subscribes but no longer reads?

There are two answers to this question. The most obvious one is that a subscriber who doesn't read is a cancellation waiting to happen. One of the problems that is apparent in the culture of subscription-based newspapers, is the belief that loyalty is the responsibility of the circulation department. Without journalists producing content that raises the demand for daily readership, any mechanical encouragement of reader loyalty will ultimately fail. Price can achieve only so much.

The second answer is that media generally, and newspapers in particular, are uniquely a dual-revenue business model. Circulation is vanity. Advertising is sanity. Every editor likes to boast about a high circulation figure. But for most newspapers, in mature markets at least, the vast majority of revenue comes from advertising. And of those revenues generated, typically only a third of circulation revenue contributes to other costs in the business, while more than 85 percent of ad revenues are left after cost of sales.

So price is also a tactical tool that can be geared to maximizing advertising revenues. The final chapter of this report demonstrates how price elasticity can be measured. One of its clear conclusions is that while sales and market share can be deeply affected by changing price – an increase in price results in a decline in sale and vice versa – a lowering of price will rarely result in so much additional sales as to offset the loss in copy revenue. However if such an increase in circulation is accompanied by a consequential increase in advertising revenue, then such a strategy can be beneficial. The modelling of such a scenario is beyond the scope of this report, but this author has seen many such bipolar strategies work to maximise revenues across both revenue streams.

Some players in the industry argue that cover prices must be maximised, since, they argue, increasing price rarely results in a parallel decline in sale, therefore overall revenues and profitability must go up. In addition, some publishers argue that a higher cover price supports the notion that the customer is paying for something of real value.

The irony in all this is that, as the final chapter in the report shows, measuring price elasticity is a relatively simple matter, yet few seem to do it. Such modelling can be applied to both single copy and subscription pricing, though with both cases, the impact of promotions or incentives should also be considered.

Subscription pricing is perhaps where our industry has gotten itself into its biggest mess. Or should one say discounting? As newspapers have desperately sought six- or seven-day purchase, they have offered bigger and bigger incentives. These have normally taken the form of an introductory discount, or incentive offer. Readers in over-canvassed markets have learned to play the system, by cancelling and then renewing in order to benefit from the offer.

The mistake here has been two-fold. First, the offers undervalue the newspaper by substituting some secondary benefit. Second, the strategy fails to acknowledge the advertising value of the reader. This is not about price, but about promotion.

The way to maximise price is to continually review and revise the offer. An interesting aspect of newspaper pricing is that in seemingly similarly valued economies, newspaper prices can vary enormously. Two countries with similar average incomes and living standards can demonstrate remarkably different levels of cover price. Yet variations in these prices show similar changes in sales purchase. This is because the reader does not see the price point per se as the deciding factor. Rather, they see the variation in price over time, relative to the perceived value and benefit of the product.

The best way to increase price is to boost the perceived value of the newspaper. And all of the evidence suggests that this has more to do with maximising and promoting the value of the content of the newspaper, and any additional surrounding offers, rather than the variation in the price itself.

We spend too little time evaluating our worth and working on improving and marketing our content, and encouraging our readers to return day-in, day out. As long as we give readers more of what they need and want, the more they will be willing to pay.