

**Positioning in the new marketplace:  
Value-added services for advertisers**

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*The full texts of speeches and presentations from World Association of Newspapers conferences and events are now available through the Assist Programme database. Contact Jacob Arfwedson or Peng Chambon Perrier at the WAN Secretariat, 25 rue d'Astorg, 75008 Paris France. Tel: +33 1 47 42 85 00, Fax: +33 1 47 42 49 48, E-mail: [contact\\_us@wan.asso.fr](mailto:contact_us@wan.asso.fr)*

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*This report summarises the presentations made at the Newspaper Advertising Conference held in February 1998 in Barcelona, Spain.*



## **A PROJECT-BASED APPROACH TO GENERATING NEW REVENUES**

The Newcastle Chronicle and Journal Group in the U.K. has discovered that a project-based structure allows it to effectively respond to its two main market challenges: meeting advertiser demand for a much broader set of services, and generating new revenue streams. "We set up a separate entity to look at a project management approach," says Barry Henderson, General Manager of parent company Northeast Trinity. It has since worked on a variety of disparate projects: the Tall Ships Race, the Euro '96 football championship, the East End regeneration tender bid and the local Ikea store's birthday campaign.

The Tall Ships Race was held in Newcastle in 1993. "It was estimated that three million people would visit the ships over a four-day period and that another 1.5 million people would line the river on the last day," Henderson says. Clearly, such a high-profile event could generate significant new revenue for the local economy. However, though Cutty Sark, as the event's sponsor, took on some of the marketing responsibilities, the host city's budget was miniscule in relation to what it wanted to accomplish. Consequently, "we were approached by the City to see how we could help," he recalls.

The Newcastle Evening Chronicle, of course, saw mutual benefit in this opportunity. It expected to increase pre- and post-event circulation. There were also advertising and supplement possibilities. Moreover, "we expected our brand to be seen as heavily involved," Henderson explains. So, it entered into a joint partnership with City Hall: "they gave us their marketing budget, we made sure the event was publicized. They also gave us their marketing material to publish." The

paper also bought Tall Ships merchandise to resell on a revenue share basis.

This latter aspect of the project brought special challenges to the Chronicle. After all, it had no experience in merchandising. To offset this gap, it developed a 'partnership within a partnership' with Marks and Spencers, who seconded one of their management trainees in exchange for advertising. It also partnered with a local TV station to produce a video and a CD, which were available through mail order in-paper and through leaflets.

The project generated advertising revenue in excess of £100,000. Merchandising brought in one quarter of a million pounds, and the company sold 10,000 videos and CDs. Best of all, "people perceived that we had actually organized the whole project," Henderson says. All told, the Tall Ships Race brought in almost half a million pounds for the publishing group.

### *Football brings great opportunity*

The Euro '96 international football event brought opportunities of a similar magnitude. It was the first time since 1966 that England had hosted an international football event and half the games were played outside London. The Newcastle Evening Chronicle, along with regional publishers from the other host cities, formed an alliance to develop three special supplements that would develop awareness and excitement as well as spur ticket sales.

In return, the football association endorsed the products and granted interviews with management and key players. As part of the deal, the newspapers also organized an in-paper competition where the winners were invited to train with England's squad. Tickets to the final were also offered.

The result? The project made £300,000, and the papers saw an average circulation increase of 8% over the three issues. "It was the first time the regional press had come together like this, which brought its share of problems, including different standards, deadlines, colour availability and ownership of the product," he explains.

The event provided local opportunities as well. The Chronicle and Journal Group published an A4, glossy 76-page Visitors' Guide to the event, and supplied 50,000 copies free of charge to tourist offices in the region. The Visitors' Guide also included the programme of events for two-Eurofest, a week festival of entertainment which also brought revenue thanks to advertising and sponsorship opportunities.

### *Helping a customer win*

The publishing company worked with the city on an altogether different type of project: put together its tender bid for Inner City Regeneration project funding with the UK central government. "We have a good relationship, a good understanding of their business and a history of shared experiences," Henderson says.

"The idea was for each authority to put forward a bid detailing their plans and objectives if funding should be granted to them," recalls Henderson.

The Group produced a video presentation as well as a brochure outlining detailed project specifications. Sadly, the bid was unsuccessful, though the presentation itself was widely recognized.

Even though the Chronicle farmed out all the work, "at the end of the day, our client's only concern is that someone who understands can deliver a one-stop shop," he maintains. The regional press is as well placed as any to

deliver this service. "We underestimate the trust and faith our customers have in the regional press," he says, adding that most clients have built their business on the force of the regional press.

A recent promotion done for Ikea illustrates his proposals. The local Gateshead IKEA store was about to reach its fifth anniversary — without a marketing budget to 'celebrate' it. Indeed, all advertising was done through the multinational's corporate advertising agency, which did a national TV campaign. However, even without a budget, the local store had objectives, including increasing brand awareness, nurturing and expanding the customer base and becoming a key player in the region's furniture business.

For starters, the Evening Chronicle organized and arranged a simple in-paper competition: all children born on Ikea's birthday were asked to send in their names and addresses. Winners were chosen, brought to the store for a golden ball hunt, and the winner won gift certificates for toys. This small but successful endeavour paved the way for step two: proposing that an independent budget be set up and given to the Evening Chronicle to manage.

The Chronicle based its proposal on the fact that the building societies in the region were about to receive windfall profits, which would inject significant revenue in the region's economy. Using this as a key argument, the paper made a marketing presentation to board directors, complete with documentation on market trends, buying habits and so on.

"The agency was in fact approached first, but it said no. It was the customer who established a separate budget," says Henderson. The package was approved, and a £100,000 budget was allocated.

**"It was the first time, anywhere in the world, that Ikea allowed someone who is not an agency to do creative work," says Henderson. Due to the campaign's success and the building societies' windfall, Ikea Gateshead was the top performing store in the UK for three months, during which time it generated record revenues. So, in spite of initial reticence, "I suggest you establish relationships with store managers of multinationals," Henderson says.**

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## THE BEST DEFENSE IS A GOOD OFFENSE

Norway is a strong newspaper country; in fact, its inhabitants read more newspapers per capita than any other country in the world. They're still big business, too: newspapers remain a major medium for advertising and are a source of substantial revenue growth. Yet the market is particularly competitive. Aftenposten, based in the Greater Oslo area, has thus taken the bull by the horns and granted itself a 'license to kill'.

Aftenposten enjoys a circulation of 283,000 and a readership of 810,000 for its broadsheet morning edition. (There is also a tabloid-sized afternoon edition.) Both have strong advertising market shares.

In 1996, these shares came under threat. Two new local papers were about to be launched, as was a local TV station. "We had to prepare and defend our franchise," recalls Pal Overby, the paper's Advertising Director.

Creating a new newspaper itself would have affected Aftenposten's quality profile. So instead, "we gave away 110,000 extra afternoon copies on Wednesday to extend our reach," says Overby. These copies were distributed in the city's main shopping area.

The 'attack' didn't stop there. Fully 61% of Aftenposten's revenues are from classifieds, so recruitment and real estate ads are particularly attractive to competitors. "So, we launched two new products: one for recruitment ads, the other for real estate ads," he explains. These purely advertising products, published weekly, were also distributed by the paper's carriers to non-subscribers in the Greater Oslo area.

Where did the ads come from? "All advertisements having appeared twice the past week were automatically put into the new products," says Overby. "We made an offer to

our customers to buy a second insert at a reduced price in our regular paper, including a place in the new products to non-subscribers."

The results of these initiatives were very positive for Aftenposten. The paper was now selling out its advertising spaces on Wednesdays. One of the planned publications was never launched, while the other was, but is losing money. The television station stayed alive all of five months. Moreover, "our two new papers are doing well and costs are covered by new ad revenues," he adds.

Another of Aftenposten's revenue-increasing initiatives was showing advertisers how to create bigger and better ads. Thanks to a trained sales force, in-house art and copy capabilities as well as educational leaflets, the average ad size in Aftenposten increased from 64 cm in 1995 to 116 cm in 1997 in real estate, and from 215 to 330 cm in recruitment.

Finally, Overby cites research as an excellent means of developing new advertising. Survey results can be used in presentations with customers' senior management and open doors to prospective advertisers. After all, "the advertiser doesn't care too much about your newspaper, but he loves his own business," he says. Studies conducted by Aftenposten include brand surveys which evaluated general public opinion of major brands against each other; a similar business-to-business brand image survey; a public opinion poll of about 100 large companies; and a public opinion poll about retail stores and shopping centers.

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## CREATIVITY IN ADDED VALUE

The regional press in the U.K. received 18% of the £12.1 billion that was spent on advertising in 1997, a market share that is second only to television. "The regional press is growing, but it remains behind the overall market growth," says Anne Marie Lavery, Group Account Manager for Total Media. Nonetheless, the outlook looks bright. "There has been a vast publisher investment in the regional press. We've seen improved print quality, better sales structures, pro-active marketing and added value products as well."

"Added value is not something for nothing. Adding value means increasing worth," she says. Moreover, everyone benefits. "Advertisers have enhanced communication with their readers, and publishers get a greater share of the revenue."

Other media have long been active in this area. Television is particularly good at providing its advertisers with comprehensive research data. It also provides sponsorship opportunities and helps with retail distribution through dedicated response lines. Radio offers production facilities, recording studios, event hosting, presenter mentions and programme sponsorship. For its part, the national press does advertorials, shares its databases and provides Web site opportunities as well as electronic editions. Finally, outdoor outlets offer illumination, sound, 3-D sites and shorter posting periods.

Clearly, the regional press is up against some tough competition, but a recent press campaign Lavery was involved with illustrates just how flexible the medium can be.

TK Maxx, a big U.S.-based retail chain, was a new client to the UK. This franchise sells quality fashions in a no-frills environment at prices that are 50 to 60% lower than in other

stores. "Our objectives were to raise awareness in town, get customers in to sample the new store and to devise innovative ideas to grab attention," says Lavery. Special challenges included low brand awareness and typical British cynicism about getting something for nothing.

Lavery proposed that TK Maxx use a broad range of media to meet its objectives. The campaign thus used posters, radio and door-to-door leaflet distribution.

The key to the campaign's success, however, was the regional press — and one publication in particular, whose readiness to innovate garnered it 65% of the regional press budget. "We discounted the cover price of one regional paper in order to illustrate the concept," Lavery explains. (TK Maxx paid the publisher the difference in price.) "We supported this with an 8-page fashion supplement, which explained the offer and provided details about the store. Run-ons of the supplement were supplied in-store." The special issue was also promoted on newspaper vendor boards.

The publisher was called on to provide services not usually provided to buyers of ad space. The paper helped with design and layout, "particularly for the front page and preceding teaser ad," Lavery says. It produced and printed the 8-page supplement; provided data for distribution purposes; and distributed the door-to-door leaflets.

The result? "We delighted the customer," she says, adding that the publisher was also pleased. The paper increased the print run 20% and sold out the issue. Circulation went up 17%. News agents, for their part, maintained their margins.

Fresh from this experience, Lavery compiled a list of value added services which regional publishers should offer advertisers. These include: design/layout; production; printing;

**sponsorship opportunities; planning advice; targeting data; value-added success stories; cross selling with other media; Internet facilities; database building and sharing; and different research, from combined media research to pre- and post-awareness tests.**

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advertising media, intermedia research, and page audiences in print media," he says.

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## WHAT DO ADVERTISERS WANT?

What do advertisers want? Above all, they want more value for their money, says Otto Meier, CEO of PubliMedia, the media planning arm of Switzerland's PubliGroupe. Meier arrived at his conclusion thanks to a survey his company conducted amongst 160 major Swiss advertisers in 1997.

"First of all, advertisers want fewer suppliers and partners, which means newspapers must adopt a key account approach to management," he says. Advertisers also want technology that will enable them to send ad dummies electronically. "This not only saves costs and time, but it improves the quality since dummies can then be adapted to different printing machines. Printing costs are also cut sharply," Meier continues.

Of course, advertisers want better rates and performances from newspapers. Meier's list of 'wants', established from his company's survey, included a host of preferences: lower contact costs; better flexibility in positions; shorter ad deadlines; information on advertising recall and results; and, in particular, concrete user figures, including the number of readers per ad page and per section.

Such information could serve as the basis for a more effective price structure. Indeed, Meier says there is increasing pressure in his country for changes in pricing. "The price for an advertisement is the same no matter what page it appears on," he says.

More research is also welcome, Meier continues. "Many advertisers are dissatisfied with what's available on the use of Internet, on the effective TV audience, the effectiveness of

### *What services are particularly appreciated?*

What kind of services can newspapers provide to satisfy these expectations? Obviously, field-led research is one attractive capability publishers can provide advertisers, who are always interested in seeing what effect their advertising is having on their brands. Meier says Swiss advertisers also appreciate individual advertising copytests, which give them the recognition and recall results of their ads.

Packages such as the Print Plus offer, which groups print and Internet advertising, are increasingly sought. "This allows customers to adopt an intermedia approach to this new media," he says. The SwissPool package, which brings together seven of the country's largest newspapers, "enables them to reduce the overall price of advertising in all of these newspapers. If an advertiser takes all seven newspapers, he gets a 12% discount," he explains. Finally, Meier says not to forget the simple things: sending newspapers to an advertiser's distributors and/or dealers, a listing of advertisers in the paper, reader competitions on the most popular advertiser — all are simple but effective methods of extending value to advertisers.

As media planners, PubliMedia has one overall goal: "We want to make print advertising as easy and as cost-effective as possible," says Meier. "Customers want to save time, anticipate market trends, optimize their advertising investment and have access to technology innovations. They also want one partner, one order and one bill system."

The company provides three key services: print media consulting; print handling (reservations, order processing, handling material, digital transmission, and invoicing on a one order, one bill basis); and market and media analysis, mostly through MediaMaster, its portfolio of computer tools for planning media campaigns. Other services it provides include colour management, management of license holders and dealers (for distributors and car importers), database marketing and advertising cost analysis.

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## TWO VERSIONS OF ONE PAPER: A NOVEL APPROACH TO NEW REVENUES

Seeking to differentiate one newspaper from others is not an easy task in the competitive Spanish market. El Periodico de Catalunya, backed by a leading Grupo Zeta press group and now leader in the Catalan daily press, adopted an approach that few other newspapers would undertake: it decided to publish a second version of its newspaper — in another language.

El Periodico took the drastic step for several reasons. For the past several years, the paper had successfully relied on a strong promotions policy to attract new readers. But "readers are now saturated with promotions, so they've become less appealing. It's also harder to come up with good ideas. The returns were diminishing for us," said Francisco Pretel, the paper's Advertising Director. So the paper was looking for a third way.

The paper operates in a particular political and social context. Catalunya is a bilingual region, where both Castilian Spanish and Catalan are spoken. "We thought of adding a Catalan version long ago, but we were not prepared," Pretel explains. Thanks to a combination of sociopolitical change and new translation technology — without which the project would not have been possible — the timing was now ripe.

After some initial research and tests, El Periodico decided that to increase its circulation sales — and consequently increase its advertising revenues — it would publish exactly the same newspaper, but in two languages rather than just one. "We wanted to increase our sales by 5%, which meant selling an extra 12,000 units," he says.

The project was large scale at all levels. It required an investment of 1.5 billion pesetas (10 million US\$), with break even planned for the end of year three. "We had to create a new style book and reorganize our working system to accommodate the flow of original documents and material," he recalls. Of course, El Periodico had to reconfigure its presses and set up a new system for distributing its papers to 5,000 points of sale. It also had to increase staffing levels: it hired 25 new editorial staff for the new version, including language specialists and editors.

Finally, the paper had to devise a new logotype that would clearly identify which version was which at first glance. The solution was to use different logo colours on the front page: traditional red for the established Castilian version, and a new blue for the Catalan one.

### *Selling the new initiative*

El Periodico undertook a major communications campaign to create awareness of the initiative and spur sales. "We wanted the paper to be seen as one paper, but with two versions," stresses Pretel. The campaign slogan, Tal Com Sum (As we are), expressed the spirit in which the new version was created.

Circulation, which stood at 211,00 just before the launch, rocketed to 318,800 on the day of the launch. The increase has since stabilized to an increase of 15,000 units. Post-launch studies have shown that 58% of El Periodico copies are sold in Castilian and 42% in Catalan, but it varies. The average, however, is around 60/40.

Just as this initiative provides readers with freedom of choice, advertisers can also choose to advertise in one language or both but they must advertise in both papers. "We leave it up

to the advertiser which language they want to communicate in," explains Pretel. "Some advertisers don't want to run in Catalan. The same goes for journalists. They can write in whichever language they want."

Of course, "we suggest to our advertisers that they use Catalan. We urge them to provide material in both languages. However, some 70 or 80% of our advertisers are outside of Catalunya, so it's hard for them to translate. That's why we have translation services," Pretel says. So far, more than 80% of classifieds are published in Catalan, while some 50% of display ads are published in both languages.

This freedom does not extend to using one edition or the other, though "When an advertiser signs on for a space, we don't differentiate. They can't run in one or the other," says Pretel.

The jury is still out on long-term effects of the initiative, but advertising revenues in January and February, just two months after the launch, were up 20 and 22%, respectively, over 1997. The publication has also increased its ad rates by 5% to correspond to the increased circulation.

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## INFORMATION AS A MEANS OF EXPANDING YOUR CUSTOMER BASE

Like many newspaper publishers worldwide, the Neue Westfalische Group of Germany has diversified. Its four newspapers have a total circulation of 270,000, garnering it a 64.9% share of the local newspaper market. Its flagship publication, the Neue Westfalische, sells some 166,000 copies. It also has a number of other products: two advertising sheets, a printing plant, inserting equipment, a smaller company that does direct mail, six radio stations as well as a more recent presence in electronic media and services.

This strength, however, is tested daily thanks to competition: there are seven subscription newspapers and one free sheet in the region, as well as several ad sheets. These were beginning to affect the Neue Westfalische. "Ad sales were stagnating, we were suffering from price competition and there was a major phenomenon in the substitution of papers. The risk wasn't just a drop in revenues but a threat to our strategic position, including a drop in market share and a loss of image amongst key partners," says Wolfgang Geese, Departmental Manager for Neue Westfalische Group.

His company's competitive response? An in-depth regional study. The reasons for choosing this option were many. "We wanted to stimulate our advertisers' image of our business as well as improve our competence as a partner and our profile as a provider of information and services," he says. The Neue Westfalische also wanted to clarify the ties advertisers had to specific regional areas to encourage them to advertise more. Finally, the paper wanted to contribute to the marketing efforts of the region as a whole.

The study began with interviews of 74 of the region's key decision makers, who were asked for their views on the region's

economic situation, employment market and social context. Next came 1806 personal interviews with individuals above the age of 16, during which they were asked for their assessment of the region, their purchasing behaviour — where they shop, what they buy, how much they spend and when— what they own and the way they use the media.

Results of these interviews were then assessed for the whole of region as well as for six communities and Bielefeld, the main city. Results were also broken down by sectors — consumer, home electronics, gardens, food, household goods, sports and leisure, finance, and so on — as well as for 84 key accounts.

Once the results were available, the paper was in a position to undertake its marketing action. "First, we presented all relevant results to regional VIPs at a well-attended meeting," he explains. They then went on to do six local forums for each community, at which key customers and community VIP's were invited. In all, there were seven events, at which 1000 people were personally informed. "People who couldn't go to meeting got a targeted mail piece. There were also reports in newspapers and trade press," he continues.

Of course, simply showing the study's results was not sufficient in itself to attract new advertisers. That's why the study was not mailed to customers. Rather, Geese and his sales force made presentations at key accounts and ad agencies. "With individual talks to customers, we learn more about them. It enables us to tailor specific solutions for our customers. However, the sales staff who present the results must be trained so that they will be seen as reliable partners," Geese says.

The study results are being used to guide the paper's sales force in the coming months. By the end of 1998, some 1200 customer presentations will have been made. "We predict an increase of 3 million DM (1,6 million US\$) due to this study," he concludes.

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## COMPETING AGAINST "BELOW-THE-LINE"

L'Alsace, the regional newspaper that serves the French region that goes by the same name, is a healthy, high-profile media group. Last year, its 932 employees generated some 125 MF in sales revenues; its daily, entitled L'Alsace in the region's north and center and Le Pays in the south, sells some 142,500 copies daily. The paper comes in 11 regular editions plus three bilingual (French/German) ones.

Fully 88% of the copies are sold by subscription, 79% of which are supplied through home delivery. "This is a penetration rate that is exceptional within the French context," explains Loïc Guinchard, the paper's Advertising Director. This home delivery is carried out by 950 delivery persons over 35 carrier routes.

Given the importance of distribution to the paper, L'Alsace very naturally chose to exploit this strength and gave itself an inserting capability in 1972. For starters, this new equipment made it possible to insert complementary publications — TV Hebdo, a woman's magazine entitled Femina — and thematic supplements inside the paper. "It's a guarantee for the advertiser that he's getting the full package in one unit. There is no risk the newsagent will forget to give supplements along with the paper," he says.

On a more tactical level, this inserting equipment also enabled the group to stave off the onslaught of competition coming from "below-the-line" (direct marketing, merchandising, promotions, etc.), which is the French regional press' key competitor for marketing francs.

The inserts are a particularly appealing opportunity for getting a greater share of market from major spenders in the food, gardening, travel and furniture categories.

Indeed, L'Alsace gets 8% of its sales revenues from inserts, for which it

guarantees delivery before 7 am. Big advertisers like Cora, a large distribution chain, devotes 55% of its budget for L'Alsace to print advertising, and 45% to flyers inserted into the paper. Leclerc, another big distributor, does 68% print advertising and 32% inserts. "This is a complete vehicle for advertisers. We're taking market share away from below-the-line budgets. Moreover, the value of this below-the-line activity is enhanced by its association with media," he continues.

Guinchard insists "there is no cannibalization of revenues because inserting has always been an option," adding that inserting is a cultural tradition in the region, and a widespread practice in Germany and Switzerland as well.

### *How it works*

There are three inserts for each of the 11 regular editions, which means a possible total of 33 inserts per day. To do this, L'Alsace has two Wifag printing presses, which print 30,000 papers per hour. Buffers are placed before the inserting equipment to offset the difference in rhythm between inserting and printing.

"Our inserts reach both readers and non-readers," says Guinchard, explaining that every edition has a complementary distribution to non-subscribers' mailboxes. For instance, "the Altkirch edition sells 12,500 copies, and there is a complementary distribution to 7,800 households," he explains. This particular distribution is guaranteed delivery within three days. There is, however, a small duplication — some 1200 units — on this mailbox complement as some non-subscribers buy their paper from the newsstand.

All told, studies carried out by L'Alsace show that the combination of subscriber distribution and complementary mailboxes give the paper a 94% coverage on its zone of distribution.

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"Our rates for inserts are a combination of the number of pages in the insert, its weight and the number of copies we distribute," says Guinchard, adding that the copies are highly targeted. "We go down to the village of an edition. Everything is pre-calculated," he explains. For instance, an advertiser who wants to reach just downtown Mulhouse with a 4-page insert that weighs 10 g will have to deliver 24,000 units (cost: 6700 FF) for the in-paper distribution, plus 26,000 additional units (cost: 14,225 FF) for the mailbox complement. Of course, L'Alsace makes a link between ROP (Run of Print) rates and inserts, which can be transferred to millimetres and accounted for within advertisers' yearly contracts.

The capacity to insert so many flyers and supplements is not without its constraints. Managing 950 delivery persons can be difficult and actually putting the inserts — which represent tons and tons of paper — in the insert machine can be a real feat. Moreover, the number of inserts varies daily, so the paper needs flexibility with regards to personnel. To maintain customer confidence, L'Alsace needs a contingent of inspectors to guarantee its penetration rate. Finally, there is the size of the newspaper to consider. "The insert cannot be larger or heavier than the paper itself, which excludes a certain part of the market," he says.

One final warning: "Readers are starting to have enough. They are still more willing to accept inserts when they come with their newspaper than when they are in the mailbox, but there are the beginnings of a rejection (to the medium)," he concludes.

*Loïc Guinchard*  
*Advertising Director*

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## DRIVING REVENUE GROWTH WITH NEW STRUCTURES AND NEW PRODUCTS

Thomson Newspapers North America has great ambitions. "Our objective is to be the best in the North American newspaper business," says Stuart Garner, President and CEO of the company which is the continent's third-largest publishing group in terms of the number of newspapers owned.

Part of Thomson Corporation, the \$8.6 billion global company which spans publishing, travel and cruise ships, Thomson Newspapers expects to generate some \$1.1 billion in revenue in 1998 as well as profits of more than \$200 million. "We had revenue growth of 18.3% last year, and an operating margin of over 20%," he says. Profit before interest, depreciation and taxes was 26%.

Thomson newspapers in North America have also received some 1800 awards; three of its executives were designated among the 20 best executives under 40; and circulation grew by .5% at a time when the industry average in the U.S. was down .5% (and 2.3% in Canada).

This growth has not come without effort. The company has launched a number of initiatives to boost its revenues and circulation in this market.

It completely reengineered its sales operations with what it called Project Harvester, which sought to improve the quality of the sales force through much more extensive training. "Our people are now better paid, better focused and happier because when you have a decent bonus plan and you're growing at 18%, they're doing pretty well, too," he says. Another initiative sought to kill off the traditional hostility between circulation and editorial by asking people to swap jobs for a while.

Above all, the group has put much effort into developing a more scientific approach to marketing to offer its customers total

solutions. As Garner explains it, this approach involves combining externally-available market information with a newspaper's own internal subscriber data to create a valuable database that is accessible by all of the paper's departments. Mapping possibilities are then overlaid on the data. All of this information can be put on a laptop and taken on sales calls, giving customers a more visual approach to potential solutions.

For instance, a Thomson newspaper using these tools was able to help its client, a chain of video stores, to better plan its media campaign thanks to targeted market information on the location its stores, the location of competitors, which ones advertised and which didn't, as well as how much they spent.

"We are trying to become business partners with those we deal with in our marketplaces, as well as being a newspaper publisher. To me, this is common sense, but it is not a matter of choice: we've got to do it," he stresses.

### *More revenues from new products*

Consider Garner's obligations. "We are expected to maintain an annual growth of at least 8% in a market of 2 1/2 to 3% growth," he says. Having banned circulation cover price increases, any new circulation revenues must come from a greater number of copies sold — a factor which puts a lot of pressure on advertising. Moreover, by the year 2000, 25% of total revenues must come from revenue streams that didn't exist in 1995.

Identifying these new revenue streams is particularly important to offset the revenue gap

that will result from two inexorable trends. "Classified advertising, which was a major driver from the 1960s to the 1990s, will lose much of its steam," he says. "Retail is also under threat. Retailing has become regional, not local. Decisions are made centrally, far away from where we do business."

To keep ahead of the game, Garner says Thomson had to re-examine its very identity. "What kind of business are we in? We are still a traditional newspaper publisher, but we're also a magazine publisher, a publisher of guidebooks, big time commercial printers. We provide electronic services of many kinds, including a very sophisticated classified Internet search engine. We're door-to-door distributors, database marketers, telemarketers and events marketers," he says.

"We believe we're a business, not a charity, nor are we a vehicle for saving the world from itself," he continues. "Some 70% of our revenues come from advertising. We think that if we lose 10% of our advertising, we would probably lose 50% of our profit. Newspapers are not cheap. Staff and equipment cost money. Without profit, how do we pay the bills?"

Of course, "we need more readers, better readers in the demographic sense, as a platform to give to our advertisers," he maintains.

### *Selling ads is not enough*

But above all, newspapers need a more global approach to marketing. "Most newspapers sell only one thing: ads. This is literally the last thing a customer wants. He wants to sell more goods, boost his image, or both. Our job is then to help him....sell more goods, boost his image, or both," Garner continues.

Moreover, newspapers departments — editorial, sales, printing, accounting, design and so on — can all contribute to the task.

"Take real estate as a customer category. Maybe they would be better served with a brochure that we write, design, print and then distribute in a targeted manner. Or, we could do this plus other media, including the Internet. The key point is we need to tailor our skills to our customers' real needs," says Garner.

This expanded role could even go much further. "Most customers tend to be small and newspapers tend to be big players. We have training departments, human resource departments, finance," he explains, adding that many customers might appreciate help with invoicing and debt collection. "It's a vertical approach to meeting customer needs. The goal is to make him more profitable."

Such a different approach necessitated significant restructuring on the part of Thomson North America. The company now has 68 dailies (down from 150 or so), all of them divided into regional strategic marketing groups. These clusters enable the company to hire real specialists and thus form marketing machines of considerable power.

Indeed, Thomson set off a trend in the U.S., where clustering is all the rage. "Now, publishers are trying to own regions with a network of newspapers. We're still in the process of this. We're trying to strengthen our position," he says.

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## GIVING CUSTOMERS GREATER CHOICE

The Iowa Gazette and its family of companies, based in Cedar Rapids in the agricultural heartland of the United States, is yet another publishing company diversifying its offering. With its \$170 million per year in sales revenues, the company's mission is now to offer a dynamic mix of media so that customers can make choices.

Happily, the company is able to do so. In addition to its flagship publication, the Gazette owns a TV station, a talk radio station, a direct marketing company, a travel magazine, a weekly farm publication, an Internet and audiotext company, a geomapping software company and a database architecture company. "We sell software architecture to the industry that allows them to be both mass and niche," says David Storey, Advertising and Marketing Director of the Iowa Gazette.

These diversification trends are good for the newspaper industry, which registered growth rates of between 7 to 15 % in 1997. (major newspaper companies are projecting 3 1/2 to 12% growth in 1998.) Operating profit margins are similarly higher than in 1996, with increases ranging from 3% to a whopping 45% over the previous year at the New York Times.

"We have changed, we're doing business better," says Storey, but "we've got to continue." Newsprint prices went up 68% in 1994 and 1995, and though they went down 20% in 1996 and 1997, they are expected to go back up 17% in 1998. Coupled with increased competition from other media, direct marketing and other "below the line" activities, newspapers need to continue consolidating and increasing their revenue gains.

For starters, Storey says, newspapers "must do a better job of branding our product to

our customers. We have to show them we are number one in consulting them on media." He uses the Houston Chronicle's Bright Ideas campaign to illustrate his point. This campaign, which targeted customers, prospects and agencies explained why the Chronicle was THE place to go for marketing solutions. The company got great response and will renew their efforts again this year.

### *Where to find new revenue streams?*

Storey went on to discuss specific areas which could bring supplementary revenues for newspaper companies. New media, he says, is critical. "Classified ads are very profitable and healthy now, but if we're not in the Internet business, it could erode quickly," he says. The Iowa Gazette's efforts in this area include Auto Net, for automotive classified; Prep Sports, for high school sports statistics; and CorridorCareers, which the paper established in conjunction with the Chamber of Commerce to help recruit people to Cedar Rapids. (Unemployment in Iowa is 3% and many skilled jobs are hard to fill.) The paper uses existing and dedicated staff to sell the ads, which it packages with ads in the newspaper itself.

The final online product is a Yellow Pages service, for which it works with Zip 2 (the online directory company) on a revenue-share basis: "we sell the advertising and they provide the database," says Storey. "We sell banner ads to restaurants, attorneys — all of them not typical newspaper advertisers."

The Gazette is also able to take advantage of the expertise it has gained in creating its Web sites. Recently, it helped the local university develop an Internet site for its athletics department. "We developed the content and

they handled the promotion," he says (hawkeye.sports.com). "We bring them lots of content, with guest columns and recent stories. We share revenues on advertising and they pay us to maintain the site."

Another source of potential revenue is direct marketing and database applications, an area the Gazette is involved in through its companies Gazette Technologies and Decision Market. "There are a lot of accounts with preferred customer lists, and they're going outside to keep them updated," explains Storey. "You can embellish this information with more than just name, address and telephone number. We have over 900,000 records on individuals in Cedar Rapids, and over 70,000 records on businesses."

Storey says these records can enrich advertiser databases and customer lists with valuable demographic information. They can also be used to offer services such as highly zoned marketing inserts — service coupons, grocery promotions — for which advertisers pay a premium.

Getting these records requires much effort and often, training. "You have to train staff so they come back with relevant information: who the main contact is, where their advertisement is scheduled to run, special needs from a marketing consulting standpoint," he says.

### *Taking advantage of events*

Event marketing is another area which has proved profitable for the Iowa Gazette. Supplements such as 'Parade of Homes', which showcases builders and their home designs, gets much support from support vendors such as realtors, furniture stores, interior designers, landscapers and building subcontractors. For their part, supplements such as 'Homemaker Schools' and Career/Job Fair supplements have been published to mark events such as the

Homemakers' Cooking show and the twice-yearly job fairs that the Gazette co-organizes with the city's Chamber of Commerce. All supplements have all brought substantial new revenue to the paper thanks to special advertising opportunities and ticket sales.

"We also publish a restaurant menu guide twice a year. This category is hard to get into the paper," says Storey. The supplement is packaged with the online yellow page service.

Vendors themselves can be the source of many event opportunities. "Many businesses are remodeling, having birthdays. They can sponsor a section to showcase the occasion," says Storey. His paper made \$300,000 last year on such opportunities, up from zero in 1993.

The Gazette also publishes supplements non-related to events: youth sections, specific sections for specific towns, and education, for example. Moreover, with printing capacities, newspapers can produce and sell niche and business to business publications.

Special positioning for advertisements usually carry a premium, so these are a revenue opportunity as well. Special wraps, island ads (in sports and finance pages) and post-it notes, which carriers stick on as they deliver the newspaper, are some of the examples used by the Gazette.

Finally, joining forces allows local newspapers to attract more national advertising, and importantly, sell against television. These networked sales brought \$650,000 revenues to the Iowa Gazette last year.

With such a wide variety of marketing solutions available to advertisers, newspapers must be able to bring it all together to provide a coherent service.

"We price the package according to the money they're going to spend with us, from ROP advertising to Internet," says Storey.

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## APPENDIX: COMMENTS FROM PARTICIPANT WORKSHOPS

*On direct marketing:* Is direct marketing a substitute or a complement to advertising? Of course, it depends on markets: Are there the resources and skills to take on such projects? The required logistics? What about the database itself? Many newspapers continue to reject the use of newspaper subscriber databases for direct marketing purposes. The European government, for its part, is regulating to what end addresses can be used. Of course, an address database is key to a newspaper's own marketing efforts. A good database can also be used to develop local publications to reach very targeted audiences.

*On the internet:* The internet was widely perceived as a separate product which should have a separate sales team. Rate structures based on number of clickthroughs are not seen as viable.

*On agency relations:* By offering a broader range of services, newspapers may be stepping on agencies' traditional territory. This isn't without risk.

*On research:* Newspapers need more research if they are to successfully cross-sell their product with other media. Magazines are much better at doing this kind of research. Advertisers also want information on readers per ad page, though undertaking such research would be difficult to do very frequently.

*On pricing models:* Should newspapers adopt payment on performance? Cost per useful impact is used a lot in TV and is now technologically possible. However, variable pricing poses a few challenges: performance is also a question of ad quality.

*On tomorrow's sales teams:* Tomorrow's sales teams will have to be more media

literate, multi-skilled, more specialized but have a broader culture. Their roles has changed considerably over the past few years; they have to sell campaigns, not centimeters. They must fully understand customer needs and be capable of offering a full range of options. However, newspapers must do more ongoing, continuing training. Communication between marketing and advertising sales must also be improved in order to better manage the relationship with the advertiser.

*On key issues for newspapers:* First, newspapers must identify new revenue streams that come from all points on the value chain. In order to do this, newspaper marketers must fully understand their core competencies. Secondly, there must be a shared realization that growing the business is vital. There are still too many divisions within companies. After all, press freedom is only guaranteed through successful business practices. Finally, newspaper marketers must take control of the change and growth within their companies. This requires taking a long-term view, not only meeting daily pressures. Newspapers must ask themselves — and their customers — the right questions in order to make this happen.