

# **The 1998 World Forum on Newspaper Strategy**

## **Taking the business forward**

A summary of presentations and comments from workshops hosted by the Newspaper Management  
and Marketing Bureau of  
the World Association of Newspapers

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## Summary

The World Forum for Newspaper Strategy was designed to give senior newspaper editors and publishers an opportunity to gather among a relatively small number of peers and share thoughts on a topic close to their hearts: the health, wealth and future of newspapers. This year, the topic of the three-day event was the strategies being implemented in four core aspects of the modern information company: content, marketing, technology and integration. Seven speakers were on hand to relate their personal experiences, which then served as a platform for extensive debate and discussion in the workshops.

While disagreements occurred, there was consensus on several issues. Some of these include:

- Newspapers need to pay greater attention to evolving reader needs. Today, readers want newspapers to provide information that will help them better fulfill their many roles, from parent to employee, from spouse to concerned citizen.
- Newspapers must make difficult investment decisions, particularly in people. They must balance short-term profit needs with long-term objectives.
- Local, local, local. A local competency is what makes most newspapers the brands they are, and this is where the bulk of resources should be devoted.

- As media companies become more integrated, journalists must learn to collect information with multiple media use in mind. Moreover, they must learn to pool their resources across media to provide more comprehensive coverage.
- Newspapers must gather, keep and structure all information so that it can be used to better target customers and develop new lines of business.
- Technology is no longer a barrier to creating sophisticated databases and warehousing tools, to decentralised printing, to inserting or to online publishing. Culture, however, hasn't quite kept up, and newspapers implementing new technology often have a steep learning curve to climb.
- Newspapers have to make themselves more attractive to advertisers and media buyers alike — not only by simplifying the process but by offering a wider range of value-added services.

## **Content: A key corporate asset (when it's the right stuff)**

"We have presided over and tolerated — maybe even not noticed — a decline in the content of our newspapers. Journalism is better, fairer, more accurate and tough-minded than before. But is it the right stuff?" asks Ralph Langer, Executive Vice President and Editor of the Dallas Morning News.

Content is what creates the revenue, he continues. Indeed, the mix of news found in a daily newspaper is its most valuable corporate asset. "Many of us don't know that the Wall Street Journal and the Journal of Commerce were once similar in size. The Wall Street Journal grew by figuring out what business readers wanted. They found the right mix," he explains.

The Arkansas Democrat, for its part, was trailing behind the competition when it decided to double its staff and the size of its news hole. Its competitor began defending itself in other ways — with a bumper sticker promotion, for example. The Democrat then retaliated with a campaign which went 'They give you bumper stickers, we give you news.' The Arkansas Democrat went on to bigger gains; "it was a great comeback story," he says.

Though Langer evoked several other such examples, he added that too many newspapers are still not offering the mix of content that meets the evolving needs of readers. "We are making the same content decisions as we did 10 years ago," he says.

Perhaps newspapers have not paid enough attention to how these needs have changed over the years. When Langer moved from Ohio to Alaska a few years ago, he worked on a newspaper which had defined its target group several years earlier as some 250,000 transient people, mostly young, single or newly married. "Then, we commissioned extra research which showed that these people had stayed, bought houses and had kids. So the newspaper had been serving one group of people really well, but they were people who weren't there anymore," he recalls.

Not only have many newspapers not evolved in tandem with their readership, they have not connected with readers in new ways. "Journalism has been good at identifying problems, but what we haven't done well is to get solution-oriented," he says. "We need to be part of communities, not just as observers. We can do that without sacrificing our objectivity."

Langer suggests there are several ways of achieving these goals. One is, simply, talking to readers. "We've been trying to get people who are not community leaders to come in and talk to us about the paper. They're suspicious. We have reporters listen. It's very informal, not for a study," he explains.

Another is to work more closely between editorial and marketing, something the Dallas Morning News has done for years. "We have a full meeting of executives, including circulation, advertising sales, marketing and journalists, every day," says Langer. The meeting is the forum where problems are anticipated and where editors can have conversations with ad representatives on trends in merchandising. Of course, though salespeople would never dictate which stories ran in the paper's pages, "they can alert us to stories, act as unpaid eyes and ears," he says.

One of the more critical — and difficult — things newspapers must do today is invest in personnel training. "Most newspapers don't have enough people, and the people they do have are not trained enough," he maintains. "We need to balance short-term profit needs against investments we need to make in people and training, and it's hard to do. The short-term balance sheet has enormous influence on newspapers."

"It's been 16 years since (my company) went public and it's very difficult to balance the two, even in a company where the CEO says it (he puts journalism first), believes it and often puts his money where his mouth is," he continues. "I'm afraid we'll keep our profit margins too high, for too long, until it's too late. I'm afraid that we will focus the debate on delivery systems and we won't make the investments we have to make to be where we need to be in 20 years." After all, he continues, the real long-term issue is what we will deliver, not how.

Witness the paper's decision to publish its scoop on Timothy McVeigh (perpetrator of the Oklahoma City bombing) on the Internet before it ran in print. "When the Timothy McVeigh confession came our way prior to the trial, one, we elected to report it, and two, we elected to put it on the Internet first because we weren't printing for another 11 hours," explains Langer. "The question wasn't so much which technology to use; it was the credibility of our newspaper. Credibility and content is our salvation."

"On the Internet, you can find all sorts of information, much of it not credible. There will be a move towards credible sources, and we're already there," he adds.

In fact, the huge choice and lack of credibility of information found on the Internet is an opportunity for newspapers because they should be able to guide users to what's

really important, he maintains. Moreover, Langer says this credibility and lead position must not be undermined when it comes to partnerships with Internet providers and other technology companies. "We're in a better position with regards to partnerships than we think. Technology companies must be laughing at some of the things we've done, because they need us more than we need them, and we've been acting as if it's been vice-versa," he maintains. He gives an example: if the Ford Motor Co. offered to be paid for its truck leasing services on a revenue share basis, "we'd throw them out," he says flatly.

"We're in the content business. We're going to license the best delivery system available — but not as partners. We must look at (the Internet) like a printing press or a truck leasing company. There may be instances where a closer collaboration is a good idea but we need to start from the position that we have the content," he stresses.

"There is a common perception that news is a commodity, but it's expensive to produce so we need to optimize," he continues. Just duplicating a small city staff requires significant investment and even the likes of Microsoft are pulling back. Langer insists that newspapers need to be very careful about the partnership agreements they develop with technology providers.

Nonetheless, there are partnerships newspapers could be looking at to develop both readership and revenues, and Langer supplies several examples. The Dallas Morning News has linked with the newspapers of the three largest cities in Texas to create a master site. The paper is also exploring the possibility of using its Web site as a gateway to the Dallas Cowboys' Web site. Other services the paper could offer include help with ticket sales (which would generate small transaction fees) and Web site design. The object, he says, is to create a partnership that is mutually beneficial.

## **A few suggestions for improving newspaper content**

**A**re newspapers doing the 'right thing'? The answer is: 'Not really', says Jan Wifstrand, Editor-in-Chief of the Swedish newspaper Sydsvenska Dagbladet. "Never mind what language they're published in, never mind their structures: essentially, the general character of a newspaper is the same," he says.

As Editor of a newspaper which has enjoyed 10 years of unbroken circulation increases — not to mention profit margins that have gone from 0 to 20% — Wifstrand gave his opinion of what works and what doesn't in today's newspapers.

"Editors have a serious disease: Do more of everything. We forget our obligation to do less," he says. After all, "readers still want some kind of compiled reality. So when the editor says 'we need more sections, more supplements', remember to ask, 'what are we going to do less?'"

Wifstrand went on to make suggestions for every section found in any typical paper. He started with editorials. Newspapers, he says, need more local, intelligent debate, more leading editorials on local subjects and less passive repetition of facts and figures, particularly of international and national issues. Moreover, any editorial benefits from a strong opinion, not just a summary of what's going on. "Readers are interested in distinct, clear-cut opinion," he says. Yet, "opinion is often lost in the text."

General national news, he says, is focused far too much on politics. "We need much more on the results and effects of politics, but less on the tactics," Wifstrand says. This section should also cover more personal and social issues.

With respect to the foreign news section, Wifstrand asks: "Why, in the age of the Internet, do we work with correspondents who spend half their time rewriting stories from local newspapers and TV?" This section is in need of stories on how people live; it needs country-to-country comparisons, as well as stories on cultural patterns, living standards, even religious trends. "Again, we need less distant, passive reporting," he says.

"Art, literature, 'culture': Why are so few articles in these sections not written in the last two hours?" he asks. Here, "we need more human beings, and more articles written just before deadline to convey a sense of something happening." He also objects to writers and subjects who seem to belong to mutual admiration societies.

The 'Entertainment' section requires a similar approach, with "fewer press conference reports and less infantile admiration. We need more analysis of the whole industry...We also need entertainment writers who know something about economics — that will get you more exclusive news," Wifstrand says.

As for the business section,"it could do with a lot less corporate nonsense," he maintains. He says newspapers need to investigate production issues a lot more, and do much more research at middle management levels — rather than just with top management — if they want better stories.

The local news section is where many European newspapers are doing badly, in particular because they've limited investigative reporting resources to national issues, "when good stories are just outside the door," he says. (Wifstrand also suggests newspapers get rid of the expression 'investigative reporting', which is simply what he calls 'let's find out for ourselves' reporting.)

For its part, the lifestyle section requires fewer articles about new products and more on family, moral and ethical issues, as well as on the small but big events in personal lives like birthdays and weddings. "These are probably the worse-run departments in newspapers," he says, which is too bad because by cutting back a bit on big birthday articles, "there's a lot of good journalism to be done in the family pages."

Wifstrand says the sports section has a lot in common with the business section. "Here we find the parallel to corporate nonsense. Why do people always quote team managers and coaches? They never say anything interesting. If they do have some interesting tactics, they won't tell you," he maintains. What the sports pages need instead are sports reporters who understand business. After all, business dominates sports, he says, and sports writers need to be trained to better understand the issues.

"Photography: how often have you seen the photo of players (arms in the air) shouting for joy," he asks. It proves only one thing, he adds: "That the photographer was too late! Show us what really went on, not what happened afterward!"

Another pet peeve is lack of opinion from readers. "Why is so little space devoted to opinion from readers when so many are interested in sharing their viewpoint?" he asks. He points out that the Sydsvenska Dagbladet gets some 1000 letters per month from 15-year-olds ("those who supposedly never read newspapers,"), and publishes a monthly

supplement devoted to these letters. After all, if newspapers are a function of democracy, why not "prove it: give readers a voice," he says.

Though Wifstrand's purpose was to focus on content, he did have a few words to say about advertising. "We talk so much about our fear of losing the classifieds, but we present them in the same manner. Where is the product development in terms of design?" The section could do with a little innovation, he suggests.

He also talked about newspaper marketing, which also needs to reach readers in different ways. The *Sydsvenska Dagbladet*, for instance, recently featured its prize-winning photography in a gallery setting — a high-visibility campaign which reflected its core values. Another promotional 'coup' was its publishing of the full transcript of the previous night's television report — which fit, in its entirety, the front page. This move, designed to show the depth of content the newspaper offered in relation to TV, upset some, but it put *Sydsvenska Dagbladet* in the news.

Above all, says Wifstrand, involve your readers. "Readers can promote the paper better than anyone else. That's why content is such a critical competitive factor," he says.

## **Content: Some Comments from the workshops**

### ***Core strengths of newspapers:***

Any newspaper's core strength is its competence in local news, so know everything about the community and talk about it. The local brand is thus a source of long-term credibility and trust. Moreover, content is not a commodity: it has character. Newspapers mustn't lose that, especially when expanding into new product lines. Finally, it is worth remembering that readers do read newspapers for ads (about 60% of readers in the U.S.).

### ***Journalists and cultural change:***

The challenge of cultural change is enormous for journalists. Traditionally, they've wanted to go after big stories; the small stories that may interest readers do not necessarily interest them. There definitely needs to be active dialogue between schools of journalism and the newspaper industry.

What skills do journalists need today? Does the way we organise our newsrooms have any effect on this? Given that different media have different inherent qualities what is the impact in the integrated media company? Even their experience — newsbites versus features — is different. If one newsroom per media, more depth. Readers are also expecting more interactivity with the people who write the articles they read. Here's food for thought: What percentage of readers' names should appear in the paper every year?

***Cultural change and readers:***

Has there really been a change in the age newspaper readers become readers? Or is it simply that they're not coming in anymore? \*

Electronic media enables multi-tasking: you can talk on the phone, cook dinner and watch TV, all at the same time. Print, however, requires concentration. That's a limitation, but it's a possibility, as well, because you can read anywhere.

***Technology can drive content developments:***

New technologies can be used to develop content in few forms. Take, for example, an article on new cars which appears in the newspaper. With the newspaper's database, you may know what kind of cars your readers have, which may allow for a promotion with car dealers. In the financial pages, we can alert readers to when certain stocks go up or down.

***Content and the Internet:***

Can you outsource the packaging of your information for the Internet? Bringing it inside can be cheaper than doing out it outside. Is a newspaper Web site a new product or just a packaging issue? Must it necessarily be a profit center, or can it be considered as one part of a whole, just as the sports section is? After all, does a newspaper cut the sports section because it doesn't carry much advertising? No. Perhaps this is the approach newspapers should take to the Internet.

Finally, despite all these major companies coming in, we have the resources, archives and knowledge-base to be very competitive on the Internet. There is much value not only in our dynamic content, but in our static information.

***Pooling resources for better content:***

Good newspapers need critical mass. A few small local newspapers in Switzerland have gotten together and pooled resources to produce essentially the same paper. Quality has gone up and so has circulation.

One possible area for partnerships is to spin off an area of your newspaper which is not a key strength, and create a partnership with something new that can become the strongest possible brand. Four Belgian newspapers got together to publish a job recruitment section that would compete against the market leader. Such a partnership may give the impression newspapers are giving something away, but they're not. The revenue sharing models are not evident, though. Which criteria to consider for such partnerships? Complementary geography and image. However, we need to find ways to ensure the reader doesn't get the new product three times.

## Knowing the market with integrated data

Thomson Newspapers North America, the parent company to 68 local newspapers across the continent, is preparing for a future that will make it not only more recession proof, but widen its revenue base and stabilise its readership.

" At Thompson Newspapers, it costs us \$9 million just to stand still (in terms of circulation)," says Warwick Brindle, Senior Vice President of Thompson in the U.S.. "In small newspapers (half of the company's newspapers), the churn is over 50%. In some markets, the churn is 124%! The average reader cancels time and time again. We have our very own 'Churnobyl', which causes massive fall-out with expensive consequences."

At the same time,"in the total market, we attract only 10% of businesses at any given time," he continues. "The automotive, real estate, employment and retail categories are dominators in design and position, but in all of our markets, these are only 10% of businesses." Unfortunately, ad sales people have the bad habit of going back to the same people over and over again. "They don't like knocking on doors," he sighs.

Given this context, Brindle says his company is trying to stop the churn, revitalise its core publications and create new products. This latter category even must contribute 25% of the group's revenues by 2001.

"To do that, we need to know our market, so we've developed a marketing tool called Access Connections Live," says Brindle. Its purpose? Finding new methods and

practices that will allow the company to attract new customers, build new business categories and develop new distribution methods.

Essentially, Access Connections Live is an Internet-based, black box of integrated information that contains all the data that drives the business. The data is of three basic types. The first is data on households: who lives where, what type of people they are and so on. The second category is data on businesses: types of businesses in the market, what types are growing, what types are declining, where they are located, etc. Finally, there is market data: what the consumer spend is, what the retail spend is and so on. "All this data is bought externally," explains Brindle.

"We then take all this information and put it all in one 'black box'. Next, we add subscription and advertising information into the box. We put all our internal information in — accounting, circulation — plus all the proprietary research," he continues. Subscriber data is updated monthly, advertising data, every 90 days, and by January next year, it will be live, he adds.

"How do we analyse all this? One of the greatest challenges we have is understanding the data and getting it out in a logical fashion. We wanted a bird's eye view of the market, so we turned to the Internet to transmit this data to employees," he says.

The result is a complete, Internet-based information and mapping solution that is transportable, manageable and easily accessed by everyone in the company, not just a few marketing executives. Moreover, by putting it on the Internet, the data is both real-time and easier to use. "Third-party data is not always customised in the way we'd like it to be," he says.

Brindle shows the audience a map of the U.S. marked by purple 'grapes', which represent clusters of subscribers, and green ones, which are clusters of non-subscribers. By superimposing the two, Thomson users can identify where the potential growth is.

Brindle can then switch on expenditure in the marketplace and drill down to standard industry codes to see how much is being spent and where. Of course, Thomson can also determine the total spend and see what share it's getting of it.

The software also allows Thomson users to know a lot more about those people in the 'green grapes'. The paper can call up, per zip code, some 700 demographic variables such as 'likely to read news', 'where they buy gold jewelry', or 'how many people in the household', to cite only a few. It can also drill down to individual addresses. "Here we're likely to know the size of their mortgage, how many cars they have, the number of children in the household and so on," he says.

The same approach can be taken to business data, only instead of grapes, there are stars to identify current advertisers and triangles for non-advertisers. By clicking on triangles, Thomson users can learn who the company is, what its sales revenues are, where they advertise, how many employees it has, who the contact person is, whether the company is advertising elsewhere, the size of their ad in the Yellow Pages and so on.

Loaded with such information, the ad sales force can then clearly demonstrate to non-advertisers that they are located in an area where people read a lot of newspapers (or buy gold jewelry etc.), he says.

"We can also decide whether this is a good market for us. We have to accept that some people are not good customers; they don't pay, they don't spend money with advertisers. It allows us to be selective about building our circulation market," Brindle explains. Of course, better targeting should help reduce churn.

The Access Connections Live project is still in its initial stages. "This is only stage one for us. We'll be putting the location of our racks and boxes on the map to see if they're in the right places," he says. "Then, we'll look at distribution routing systems: are these efficient? We will also be able to call up sales territories by sales person." Other areas for further development include identifying how many stories per area are being covered by Thomson papers — information which could help crystallise a decision on whether to editionalise — and putting classified advertisers on the map.

What were the costs and logistics of implementing such a sophisticated tool? "Software development, the data mapping and getting information in for 68 sites in 19 divisions cost us \$700,000 in Year 1 and \$200,000 in Year 2," says Brindle. "The upfront investment is for software development. We also spent \$300,000 for external data." Moreover, incrementals such as sales territory software costs only \$15,000 for all our areas. "It's incredibly inexpensive."

It was quick, too. By partnering with a data management company with links to an Internet company, the project took only five months to get up and running.

As for training, one trainer presented the software to 30 people from all divisions in April. These people then acted as 'disciples' within their divisions, where a further 20 people were trained per division. "It takes a person about one half hour to learn to navigate through the system. The second part of the training is how to use this data," Brindle explains.

As for security, Brindle says there is no problem because users get a password, which Thomson manages and can destroy if necessary. "In some ways, it's more secure than paper, CD Rom, floppy disk, which can leave building without us knowing," he assures.

Finally, one of the benefits of using this technology is that it can be used to build customer models — "for Sears, for example. We can take out information that isn't relevant, and build their information into it. It would take us three to four weeks, and then about one week for other customers after that," he says.

## **The effects of media buying processes on the newspaper industry**

**M**edia investment is the single largest investment advertisers make apart from their raw materials. Yet two critical factors are making it difficult for newspapers to get their rightful share of this pie: an increasingly consolidated media buying process and a more complex media market, says Roy Jeans, Managing Director of Initiative Media in London.

Consolidation in the media buying process is being driven by advertisers, says Jeans. "As big global advertisers move into developing markets — the Baltics, Russia, Africa — they require that the people who service their businesses in their core markets open offices to follow them," he explains. Often, this means that larger media buying companies are buying up smaller outfits to extend their networks.

Concurrently, the media marketplace is becoming more complex. As customers increasingly look to Europe as a single market, more and more decisions are being made on a regional basis — a factor which sometimes clouds where the decisions are actually being made. As a result, the media buying process is more time-consuming, so the cost of media buying goes up.

Media buying itself is relatively new to many parts of the world. Long a European phenomenon, where 75% of ad volume is bought through specialists, the trend is now exploding in the US: since 1992, sales have gone from less than \$1 billion to over \$6 billion.

Today, three quarters of media buying is in the hands of specialists, and in particular, in the hands of Omnicom, WPP and Interpublic (the parent company of Initiative Media). Billings in 1997 for Omnicom alone reached \$33 billion, mostly through a combination of organic growth and acquisitions.

According to Jeans, the irony of consolidation is that as a handful of media specialists consolidate volume, all have buying power. Moreover, "most of our relations are fee-based rather than commission, which allows us to recommend the best method without being constrained by loss of income," says Jeans. Finally, talent is spread, and the skills that once were 'make or break' for a media specialist — being very good at buying and getting great prices — can be found amongst virtually all companies.

"The key advantage is no longer getting prices, but other ways of leveraging competitiveness for advertisers," Jeans explains. As a result, the trading aspect of media buying is being devalued at the expense of the capacity to offer strategic media advice.

Media specialists are therefore trying to move their services up the value chain, which, in fact, may be fortuitous because, technology will soon reduce the number of people required to buy TV ad time — an activity which occupies about one third of Initiative Media's staff — from 60 to 15 people, who will then be aided by software running under framework agreement. However, if media specialists are to become full-blown consultants, that opens the door to the likes of KPMG (consultancy companies) to move in on the business.

Perhaps this is why media buying specialists have been seeking a greater variety of services from newspapers. "You have to provide added value: create new ad sites and offer more creativity in formats. Reader panels: can we get involved? We could ask your readers if they like our product. Joint promotional activity: win our product as a prize," Jeans says by way of example. Above all, though, provide research: "the newspaper business is very under-researched compared to other media. The problem is, it costs lots of money and you don't get an immediate benefit," he says.

"For instance, in television, there is a direct relation between the amount of money invested in a program and the audience it delivers. Has some of this same analysis been done on the relationship between investment in newspaper editorial and readership?" he asks.

Jeans says his company is currently jointly funding research with one of its major clients. "If a full page is two and a half times the price of a quarter page, does it give advertisers two and a half times the value? Right hand vs left hand: what is the difference worth? Colour vs. mono? In the U.K., the advertising market is a £3 to 4 billion business, yet no one knows these answers. If we know the answers, that's an advantage for us," he says. Given the size of the media budget, even a one percent saving can mean big money.

One thing that particularly bothers Jeans is that "research does not allow us to look at readership per section," he says — a real handicap given the number of new sections launched by newspapers recently. Is it in the newspaper's interest to fund such extra research? Given the demand for rates according to section readership, such a move could prove dangerous.

For the moment, Jeans believes that newspaper advertising rates are too high and inflexible. "Stiff rate cards are a barrier to getting advertisers into newspapers," he maintains. "There will be a drive for different prices for different days of the week. We have daily ABC's (circulation figures) for all national papers."

In addition to more research and more flexible and lower prices, Jeans also suggests that newspapers widen the focus of their sales efforts and be present when the strategic media planning—which decides which media is to be used—is being undertaken.

"Sales efforts have been concentrated on when the trading has been taking place, not when strategy is being made," says Jeans. "Your newspaper market share will diminish by just concentrating on this trading part of the equation."

Jeans believes other market trends will also negatively affect newspapers and the share of ad revenues they get. "Branded advertisers have built the retailers up. Now, retailers are preparing their own labels, and they don't need to advertise, so the retail spend will go down," he says.

The lack of cross-media packages that simplify the buying process and offer a package of services is also an issue. He cites the recent pan-European Time Warner package his agency negotiated for a key client as an example. It offers magazine advertising, TV and Internet advertising plus other services.

Finally, the demand for online information is increasing all the time. Twenty percent of US web-users download news, and Dell sells 20% of its computers online. Airline tickets are being bought on the net, which also has an impact on advertisers. "These people don't need to advertise, so what can newspapers offer retailers that they can't get

by going direct?" he asks. After all, these retailers have sophisticated databases themselves and are cutting out intermediaries. In this context, "leveraging advantages becomes harder; that's why research is so critical," Jeans says.

## **Marketing: Some Comments from the workshops**

### ***How do we optimise our data?***

Are we collecting information from all our people? Carriers, ad sales people, reporters all gather information; is there anyone collecting this information in a structured way? If so, how do we use this information? Is it the type of data big advertisers want from us?. After all, retailers can draw up their own databases, and they know more about their consumers than we do. They also invest a lot more.

### ***Industry-wide marketing and partnerships:***

Newspapers need a central body to have a dialogue with national advertisers. In the U.K., the Newspaper Society levied a tax on individual newspapers and then hired people at very senior levels to develop a relationship. These people are made accountable: they have to deliver and show results. One presentation is not enough .

GDA in South America is another example of a network of family-owned newspapers, who initially got together solely for editorial purposes, enabling free access to reports from a single reporter in Russia, for example. They then discovered they had big potential in offering advertising packages. GDA has an editorial committee, an advertising committee and now a general management committee, which will undertake benchmarking studies.

Such associations do beg the question: are newspapers getting new money, particularly from other media? Big papers are already getting some national advertising money and they don't want to lose it. Nonetheless, it is important to build partnerships and offer multimedia packages to local advertisers.

For the advertiser, it's still easier to pay one large bill instead of a lot of little bills. The one order, one bill system is a necessity for national advertisers.

***What kind of research do advertisers want?***

What advertisers want from a newspaper is information on how people read the newspaper. Eye-movement studies are interesting, but only a small part of it. What about peripheral vision? If you're reading editorial, are you picking up on ad copy?

***The problem with research:***

We have a lot of secrets we don't want to tell. "I know of one paper that did research and discovered that 30% of subscribers who got the huge weekend paper never even opened the paper. Of the 70% who did, 35% couldn't remember a thing, and 35% could." said on participant. These are scary figures. It's like TV, they have huge audiences but how many watch the ads?

With respect to research on readership according to section, newspapers are afraid that by demonstrating worth/value, advertisers will want to pay less. They're forgetting about the demand in the market. So wouldn't research per page increase the complexity of buying newspapers?

Also, what defines a reader? How often do you have to read a paper to be labelled a newspaper reader? Every day? Every two days? Two days per week? We don't get standard answers from newspapers, and that's why many media specialists are funding research themselves.

In many countries, there are no official circulation figures. Even in the U.K., there is big concern about value of the market, with bulk sales not being read. No one says anything about it because everyone is doing it.

Who pays for research? Why should newspapers pay for research that may be used against them?

***Newspapers vs. Television:***

Advertisers as a whole still like to buy huge chunks of audience. Advertisers have not taken advantage of cable TV's fragmentation possibilities. There is a big issue now about TV research. Some cable stations have very small audiences, and some research study samples are too small to cover the cable audiences properly.

***Changes in the corporate landscape:***

Car advertising is moving away from being local advertising to being regional and national, pan-European and international. In fact, 'national' advertising in Europe may well soon mean pan-European.

***Database marketing:***

Database marketing is really helpful in creating a customer focus, but newspapers need to be careful about data laws. Database marketing can also make it possible to target the newspaper more carefully, including sections in some areas but not in others. Production is less of an issue here, but distribution is.

As for data protection, laws may differ but we can assume that names will be increasingly protected. This may actually lead to a renaissance in display ads.

***Getting new business and new readers:***

Newspapers should create task forces on new business; many businesses in the local community are never contacted. This requires training of sales staff.

It may also be worthwhile to create the position of Market Manager. This person, who is neither journalist or ad sales rep, would look at developing business in a specific market.

As long as we're product centric, we will decline. If we're customer-centric, we can leverage our assets — while we still have them — to better service our customers.

What's the point of communicating our value to young readers? We refuse to recognise that we are not offering value to youngsters.

Share of consumer, not share of market. We're not so much losing share to other media, but to other things in peoples' lives.

***The brand:***

Newspapers can become a gatekeeper of products (ie, wine, financial products). However, there is some concern that doing so could damage the brand. Moreover, a brand is credible within a certain sphere of influence, but if a newspaper were to come out with a motorcycle, it just wouldn't be credible. Newspapers must pre-establish their expertise if they are to provide spin-off products.

In the U.K., we offer cheap holidays abroad. We send a staff member with them. Here, you have to ensure quality and low prices. It's an opportunity to create a community. With respect to reader clubs, it is sometimes difficult to offer rebates and

advantages due to legislative hurdles. Why should my newspaper offer me rebates in car rental? Perhaps we can play this role with the Internet: helping people get onto the Internet and making it user-friendly is an activity where our brand credibility is very applicable.

## **Smart Data will help newspaper publishers in the future**

**T**echnology has greatly affected the newspaper industry, yet most papers haven't changed their work flows with respect to gathering news, photos and advertisements. The solution, says Alan Marshall, Group Technology Director for Associated Newspapers Limited in the U.K., lies in the Internet and in the technologies that will take the medium into the 21st century.

Already, the Internet is a tremendous opportunity for newspaper publishers, particularly in its Intranet form. "Intranets use the same protocols and the same network infrastructure as the Internet. Consequently, many communications — faxes, emails, stories and remote access to computers in different locations — can be achieved for the price of a local phone call," he explains. Journalists, for instance, can browse through archives and call up photos from afar to complete on an urgent story. The journalist could then file the completed article by using the same process, but in reverse.

Moreover, this is only the beginning. "Today, we haven't changed the methodology, we've just put in the computer. We haven't used the computer to perform new processes, which is what the future is all about," he says. Documents are still produced with the implicit belief that a human being will process the end product. With the Web and the ever-increasing number of digital documents being generated, "the ability to have computers that are able to process the data and make sense of it (without human intervention) will become a key technology for the future." Only then will computers be able to perform new tasks, he adds.

"The key to all this taking place will be adding structure and meta-data to all documents, not just Web documents," Marshall explains. This is why standards such as XML (Extensible mark-up language) and PGML (Precision Graphics Markup Language) will be very important for newspaper publishers. These standards use Web protocols to speak to each other about metadata, which is essentially information about information, ie. information on the size, font and measurement of the headline, for example. Today's proprietary systems such as Atex, SII and Quark, which are used by most publishing groups, throw away most key data information such as starts and ends of paragraphs, styles, heading information and so on. 'Smart data', however, will stay in the system throughout the whole life of the process.

"XML proponents claim it will cure everything that is wrong with HTML and enable the seamless exchange of data between different applications and operating systems," Marshall continues. "By separating content and structure from presentation, the same XML source document can be written once, then displayed in a variety of ways," for computer monitors, cell phones and TV set-top boxes, for example.

XML can also enrich large amounts of information. With this standard, users can click on, say, a restaurant in a geomapping software tool (such as the one previously described by Warwick Brindle) and look at the menu. Indeed, XML offers great data mining possibilities.

XML, now a formal specification of the World Wide Web Consortium (W3C), is the subject of a number of industry-wide initiatives. Among them is the Newspaper Association of America's Classified Ad Standards Task Force. This group's mission is to establish standards that permit advertisers to provide, and newspapers to share and

aggregate, advertising data which may be published in media independent formats. The XML standard was chosen because of its ability to provide a mechanism to mark individual data items, provide hierarchical structure, be supported by commercially available software tools, be database friendly, and adapt well to multiple target media.

For its part, the ICE (Information and Content Exchange) open protocol for business to business electronic asset exchange among networked businesses is another initiative. Companies such as Adobe, Firefly, Hollinger, Tribune Media Services and, Ziff Davis are pushing for ICE as the industry standard for site-to-site information and content exchange specification.

Finally, a third initiative is SVG (Scalable Vector Graphics), which will be to photos what XML will be to text. "Right now, images are transformed into bitmaps, which are not smart entities in which to encode data," Marshall says. The industry is looking at two options: PGML, which is Postscript expressed in XML (and which is being pushed by Adobe, Sun, Netscape et al.); and VML (championed by Microsoft).

As for Associated Newspapers Limited, it has itself adopted an approach to smart data — not surprising, given the company's leadership on technology. The Evening Standard, for instance, was one of the first newspapers to be entirely digital (Dec. 1988); the company's other major titles went digital just two years later.

Today, "the last remnants of proprietary terminals and mainframe systems are being phased out. We are totally digital and our information can be used many times, cost-effectively, for syndication, TV, audiotex, fax and new media products," says Marshall.

Associated Newspapers had been using SII for editorial and PCS for advertising proprietary systems since the late 1980's, but two years ago, the company embarked on designing its own editorial system, based on Lotus Notes and linked to a Quark/QPS-based pagination system. The system is an open, workgroup solution with a browser interface to the AN library and its phone book. The next 12 months will be spent on making the system totally browser-based. The company is also moving towards a work group-based solution for its advertising systems.

Marshall highlighted several projects which are XML-compliant. For example, AN's London Web site, which has been running for about a year, is based on an Oracle database, which has not yet being fully exploited. When it is, users will not only be able to see which theaters are in the vicinity of the restaurant they are going to, but also book tickets.

Another of the company's initiatives is its ICEMI software, which performs functions that will later be undertaken by XML-enabled computers. "Today, pages are taken from our print sites, distilled into PDF files and passed electronically to the online site where ICENI software separates stories, captions, headlines. Eventually, the XML-based editorial system will do away with the need for the ICENI application," he explains.

The company is also in the third of its six-phase MAPS (Management of Advertising production) project, which allows advertisers, ad managers and production editors to browse through the production process of a specific ad.

"It allows us to know what data is sent in, what is processed and what comes out. This is very important in colour management, especially if you're using contract printing," Marshall says. Since the system has been implemented, Associated Newspapers has

reduced its compensation costs from £1 million a year to less than £5000 per month, he adds.

For its part, MIPS (Management of image production system) is a related project that scans films and electronically files the images, complete with metadata. Finally, the company is working on a page pairing and production control system that will enable it to become a 100% PDF production environment. This will allow everyone involved in the process to "interrogate the system throughout the process, look at what's being produced, compare it to what was sent out to the 16 print sites," he said.

## Technology and the newspaper production process

**B**efore investing in any new press equipment, Mike Fairhead, Group Technical Director of Nation Media Group in Kenya, advises publishers to ask themselves the following questions: "Why do you want to invest? What are you going to achieve? Can you make money at it? Is there a better investment option to achieve the same objective? Finally, can you make it pay?"

After all, "we in the heavy end of manufacturing can do anything you want. You, as publishers, have only to decide what it is you want and we'll do it for you," he says.

Presses are now able to do a number of things. They cut waste; improve consistency and quality; cut power consumption and personnel costs; increase speed and the availability of machine hours; and cut the unit cost of production. "Few of us think about the unit cost of production. Many plants can't answer this question. This is not the case in the automotive industry!," he adds.

Of course, there have been a number of significant trends in printing over the last few years. Most visible, certainly, has been the widespread use of four-high colour towers. In a 1995 survey of presses installed in the last two years, all were entirely colour towers. The result is that newspapers can now print colour anywhere in the paper.

Secondly, presses are now shaftless. "The press doesn't have a drive shaft. Instead, it has a motor on each element of the press," says Fairhead. These motors make it

possible to change the relative angles between the different rollers — an important factor because "as printing speeds up, you need to change those angles to stay in register."

Thirdly, today's printing presses have very low wastage. "In Nairobi, where I am now, we're running at 5% gross paper printed waste. You should get 3 1/2% on equivalent presses in Europe," he says. Also, with this design, newspapers can also add a second cylinder that allows them to change a plate without stopping the press.

Computer-to-plate is a more recent trend that is having significant impact. The process, whereby a plate rather than a negative goes straight onto the press, allows newspapers to save six minutes for each negative that would have been produced, as well as their cost.

More exciting still is another 'CTP'— computer-to-press — whereby elements can be imaged directly onto the plate cylinder. "You then save all the time and expenses of making plates. We'll be seeing beta testing of such machines in 2000 - 2005," he continues.

If printing presses are core to the industry, technological developments in related processes are also affecting newspapers. "In terms of circulation systems, the objective today is to be able to accept customer orders until as late as possible. For example, if the press runs at 10 p.m., it would be nice if we could take orders till 9h45," he says. These new systems do simple things like ensure that there are the right number of copies in the correct vans. "If you're doing contract distribution, it ensures you have the right number of vans for distributing these third-party products," he adds. Other tasks include pre-sorting according to postal areas.

Ink-jet labelling technology is another time-saver since newspapers no longer have to pre-print labels and attach them to newspapers: they can simply print labels directly from the computer to the newsprint copy. "With all this, orders can come in just before the end of the run," Fairhead says.

Inserting machines are now running at full press speed (70,000 copies per hour), making the process much smoother. However, because the machine grips the taller edge of the page, newspapers need one taller edge to allow the inserter to open the pages and drop in the insert.

Communication bandwidth seems to be infinite for all practical purposes, says Fairhead, so newspapers can save time with distributed printing. However, he warns, if newspapers have more sites, they will need more distribution vans, which may actually cost much more. "So, look carefully when you're looking at distributed sites," he says, as there may well be a conflict between costs and time of delivery.

According to Fairhead, one possible way out of this is the neighbourhood printer. These printers, which are being developed, rely on ink jet technology rather than offset. They print in four colour at 1000 linear feet per minute, totaling some 30,000 copies per hour. The machines, which will cost about £400,000, are being demonstrated with A4 paper — not big enough for newspapers, though they are expected to be able to take on larger sizes in the near future.

"A big plant costs \$40 million, so you get 25 to 100 small presses instead of one plant," says Fairhead. Of course, such a technology opens the door to new challenges. For instance, "newspapers would have to agree on a standard size," he says. However, if those challenges could be overcome, newspapers printed through neighbourhood

printers could offer a parallel to CNN. "Journalists could write up the story in the newsroom, send it down the wire and have it printed in 20 minutes — roughly the same as TV. It could enable newspapers to compete timewise with broadcast media."

Ultimately, he continues, such printers could enable individuals to download their own custom-designed newspapers right in their homes. With a \$5000 printer, it would cost about \$1 to download a thick newspaper. "The question is, 'would you want to do it?', asks Fairhead. It would certainly turn the business model on its head. "Of course, this vision makes it very hard for any advertising at all," he admits.

## **Technology: Some Comments from the workshops**

### ***Technology as a management issue:***

Technology breeds new products which breed new markets, which in turn, drive us in a new direction. There's more involved than changing market trends: thinking digital is a mindset. Technology allows more products and greater customisation.

Optimising technology is a top management task, so top management has to understand what technology can bring to the company. Using technology as a tactical asset to reduce costs is easy enough to do. Using it as a strategic asset to generate revenues — this is the leap of faith. Where does technology sit in your management structure? Is it just sitting there, or contributing to strategic growth?

The line between technology and marketing is blurring. The real issue with technology is how to reeducate people to use it.

### ***When to invest in technology?***

Never invest in a new technology; wait for someone else to try it first, says one participant. But people do have to learn to use technology, they have to go on that learning curve, says another. Not using new technology could be a very dangerous approach. Perhaps there is a happy medium. One participant says her company did buy technology that never made it beyond the "beta" tests, and they got stuck with it for 20 years. Now, they look carefully at other companies of the same size to see what they're doing. The trick is not to wait too long.

If we put our classifieds on line, we need to gather more information. If you decide your information is going to be medium-neutral, it will impact the technology you buy and the information you gather.

***Technologies on the horizon:***

Digital cameras are a must: you can receive photos just 20 minutes before going to print, and they will get even faster. Voice recognition, whereby you dictate texts directly to plate, may not materialise for a while, but the technology is there. As for pre-publishing systems, these will be able to produce more than one product.

Computer-to-plate and the upcoming computer-to-press offer better quality at faster rates. Computer-to-plate was a major change in the cost structure of newspapers. Personalised inserting: again, the technology is there, but it is a distribution issue.

Neighbourhood presses may be a solution for zoned editions. The 'Daily Me' may be more appropriate for the Web.

Finally, a participant, speaking from his own experience, recommended that newspapers avoid proprietary systems whenever possible.

***Costs associated with technology:***

Initial training costs included in the cost of a new press tends to be only one tenth of what the supplier eventually provides. Using a new press involves a steep learning curve, and newspapers can count on devoting 15 to 20% of the press cost to training.

## Integration: The Value Multiplier

Though changes in media markets and technology will transform our industry and products, a more integrated management approach will help us both strengthen our conventional newspapers and migrate from mass-marketing of single products to niche marketing of several, says Jim Shaffer, President and CEO of Guy Gannett Communications in the U.S. However, such an approach is only possible if companies transform themselves from being product-centric to customer-focused.

Shaffer comes to this conclusion through experience. Over the last several years, the company he runs has undergone a thorough organisational and cultural change based on integration. Guy Gannett, until very recently a family-owned, diversified media business in Maine, is the owner of seven TV stations, three daily newspapers and a host of other businesses.

"It was a fun challenge. It forced us to wrestle with new management models, one of them which has been called 'integration'," he recalls. This model applies to two levels: within the medium to produce a more competitive and more contemporary conventional newspaper; and across media, to transform and adapt as new forms of media emerge.

"We thought we'd be owned by a family trust until 2020, so our objective was to position the company for long-term health, to make it adaptive and opportunistic," he explains. However, for unforeseen family reasons, Guy Gannett was put on the market. "We attracted investors who saw value in our strategy, and paid a price higher than most analysts would have expected," he says. Nonetheless, Shaffer explains that the

bulk of the transformation had been implemented, and that he expects the new owners to continue on the same path.

The change started in 1992, when the company reengineered its functions and processes within divisions. This continued until 1995, when it applied its principles across divisions as well. "Of the two, the second is a much more powerful concept," says Shaffer, because it involves both changes in technology and relationships.

The success of such an approach depends on how thoroughly it penetrates all levels of the company. Integration must come from the lower to mid-levels rather than be imposed from the top. Nonetheless, "it's an all-consuming strategy that requires leadership from the top or it won't happen," he says.

Of course, adopting an integrated approach implies that newspapers are currently disintegrated. "How have we become disintegrated? We've been following an industrial-age model, where one product was mass-produced and marketed," Shaffer explains. Applied to newspapers, this means that separate units were responsible for producing content for specific media, that some people specialised in selling advertising and others in marketing.

However, "we didn't learn to innovate. Who needs it when customers are still buying?" he asks. Customers, though, aren't buying like they used to — a clear indication that newspapers have no choice but to change, especially in light of new information technology.

"1998 will be seen as the crude early days of a new revolution. Internet technology is crude. It's still slow, not yet user-friendly and it's hard to find a decent mechanic," he

continues. Nonetheless, technology-driven change will alter market-supported newspapers.

The result is that all our products will be highly customisable bits, he says, and the customer, not the manufacturer, will dictate what the product is. He maintains that the newspaper industry will face a decline unless it is willing to embrace product fragmentation and adapt its offerings to the emerging realities of the marketplace.

To compete successfully, newspapers will need to use their inherent advantages: their advertising sales force, the print edition as a promotional vehicle, and the core strength of gathering and editing information. Shaffer says they will have to leverage these strengths to do whatever needs to be done to provide value to the customer.

That is what an integrated approach is all about. It starts with customers and requires that you develop products to serve those needs. "If the business is 'ink on paper', the newspapers will have a long life cycle, but eventually, the product will decline," says Shaffer. "But if the business is serving needs for news and information and customers who want news and information, then the business will keep adapting its products and developing new ones as the customers change."

With this philosophy as foundation, Guy Gannett defined its transformation objectives. It wanted to go from a product-centric organisation to a marketing organisation; develop new products from existing resources; follow its customers as they change; and create more customer and shareholder value through collaboration within and between units.

Achieving these objectives required that the company change in eight specific areas. It sought to transform: internal competition into collaboration; separate divisions into a

matrix organisation; a product focus into a market/customer focus; traditional media into transformed media; cost centres into profit centres; stand alone technology into networked technology; static growth into more dynamic growth; and finally, a culture of compliance into one of empowerment and complicity.

Culture, says Shaffer, was by far the most critical of all factors because without it, none of the others were possible. "Culture is the unwritten rules and assumptions of how things are done in a company," he says. "We moved from a culture of compliance to one of commitment to shared values and priorities. The idea was not to supplant traditional measures of performance (cash flow, circulation, market share, etc.) but to enhance them by adding a second dimension, one based on innovation, initiative, teamwork and customer focus."

This required regular communication of strategic and financial information — including to unions, who were given access to the company's financial statements and became engaged in the process. Indeed, the president of the Newspaper Guild, the union that represents journalists, participated on a task force to design employee performance measures. The union also agreed to wage increases tied to business results.

Changing the culture also involved cross divisional collaboration. For example, employee teams were created to solve business problems — including employee parking! Other such examples include the alliances between newspaper journalists and journalists from other media to more effectively cover stories. These cross-media partnerships were so successful that the Pew Foundation gave Guy Gannett grants to further develop these journalistic techniques. Moreover, now that the Guy Gannett newspaper and TV assets have been sold to separate businesses, the journalists themselves have indicated that they'd like to maintain these new relationships.

Of course, this new empowerment led to a changed role for management. "Power is like love: you can give it and still have it," Shaffer says. With the changes, executives now molded the processes where employees made decisions.

A third part of this transformation was an integrated sales and marketing group which gave customers a single contact point within the company, instead of one per media. "We started by creating an integrated group just for major accounts. We began with cocktail parties so that sales forces that once competed with each other could start to know one another as friends," says Shaffer. The process then moved to integrated rate cards and volume discounts, then to incentive plans and market research.

This integrated group was quick to bear results. Indeed, it spawned a dramatic market share shift. "Within six months of the creation of the group, we had documented \$600,000 in revenues we would not have had without this group," says Shaffer. "Our profit on this business was over three times the cost of the integrated sales function." The group was also well on the way to reducing duplicated costs, such as accounting and market research, when the company was sold.

Using IT as a strategic asset was also high on the transformation objectives. "We had a cross media team study best practices," he explains. "From this, they designed a data warehouse to integrate data collection and use." This central repository classified data according to individual, not household. It also maintained files on community clubs, churches and non-profit organisations. "We found we were throwing away a lot of valuable information that had been collected for a single purpose, but which could be used for multiple purposes," he continues. For instance, readers regularly post wedding announcements in newspapers. "Many advertisers would have loved to have a list of

recently married people." This data warehousing project cost Guy Gannett \$700,000, but Shaffer says the payback should take less than two years.

Finally, Guy Gannett reorganised its structure, from product line to market-centred. All media executives — newspaper, TV, new media — now reported to a single market manager rather than to, say, newspaper managers to the president of the newspaper division. "We adopted a flatter organisation chart, with centers of expertise rather than authority. We referred to it as the pepperoni pizza organisation chart," he says. Without this reorganisation in late 1996, Gannett's transformation project might have failed. "Our organisational structure was fighting our new culture. We made progress when we started to organise around markets."

Of course, there were costs associated to all these efforts — in training, consulting, an additional executive and technology infrastructure. In all, the transformation cost 1% of total payroll expenses, or \$650 per employee. There was also considerable turnover of managers: "approximately 30% of managers at department head level and up turned over in four years," he continues. Perhaps the most difficult cost to measure was simply the loss of specialised efficiency. "I wish I had a dollar, or a euro, for every time I listened to a complaint about 'too many meetings'," he sighs.

Nonetheless, these costs were offset by significant benefits. The company improved profitability and increased cash flow by 23%. As a direct result of employees taking charge of their own safety environment, it saw an 88% reduction in injuries and days lost, and a \$350,000 savings in insurance premiums. Its cross-divisional teams also led to cost reductions and service improvements. One team, for example, reduced adjustment and make goods by 50%.

To conclude, Shaffer suggested that publishers about to embark on similar projects ask themselves the following questions: Do you have a long-term strategy? Are you willing to invest in the short-term to transform and thrive over the long-term? Do you have time to implement culture change? Do you have commitment from the top? As this is never done entirely from within, is there outside expertise available?

Shaffer then offered some final words of advice: "Study best practices elsewhere. Use outside expertise. Establish a steering committee with top management. And check management egos at the door."

## **Integration: Some Comments from the workshops**

### ***Changing the culture:***

Many newspapers are still product-focused and are struggling to discover what it means to be customer-focused. Urgency, however, breeds change. The use of an outside catalyst is critical.

Incentives are needed to change culture, but it's not necessarily money (ie. giving money saved from waste to the people who save, though this can work as well). Trust is an incentive, so is being allowed to fail. The potential lies in the middle level of the business.

Management has to set the objectives: how those objectives are implemented is up to employees.

There might be a copyright problem with respect to using resources across media: in some countries, you can't use journalists' work to produce another product.

### ***The integrated database:***

An integrated database only works if all agree to input the information they have.

How does the fact that we can outsource so many functions affect our access to data? Networks are very important here: with EDI networks, you can outsource and still maintain this access.

An integrated database helps us understand the quantities and qualities of our market to grow the business. We can also see where the threats are coming from, and then turn that knowledge into direction and into new lines of business.

***Organising around the customer:***

Integration is important to optimise your assets around your customer. Newspapers are run by managers who are passionate about their product, but the structure must follow customers: this is a key issue. We can centralise non-branded content, and specialise branded content to maintain its character, which doesn't mean it can be used elsewhere. Also, we can't be obsessed with character at expense of the customer.

Perhaps we could have sector managers responsible for giving customers — readers and advertisers — what they want. These people would have to be marketers, not journalists or ad sales people. It's all about multiple media solutions.

Let's keep in mind that only key accounts will buy into multiple media. Most others will buy just one of our product lines. We should encourage flexible structures so that if a customer grows, the ad sales person can suggest someone else go in and see him. Our service to customers should be vertical, not horizontal. This involves not just selling the ad, but designing it, handling the coupon, research and tracking.

***Why integration is important:***

We need to add to long-term growth rather than to short-term profit. We need to exploit our content advantages and leverage core competencies into new products.

We'd have lots of people in R&D if we were a manufacturer. Our dilemma is that we're dealing with 3 types of management: product management, marketing management and function management. The danger is that we put too much emphasis on one.