

# Executive summary

As competition escalates for share of advertising spend, it is clear that newspapers need to optimise their advertising operations for greater profitability and effectiveness. Executing best practices in advertising can make the difference between exceeding the target and failing.

The options for the advertising department are: win or lose, hit the target or fail. The most effective advertising departments in the world not only measure financial and advertising volume performance, they also measure activity – everything from the number of client contacts and conversions to the growth or decline in the number of advertisers. Like no other department in the newspaper, advertising team performance is completely measurable.

Against this backdrop of measurability, the World Association of Newspapers' Shaping the Future of the Newspaper project published a report in June 2006 called Advertising Science, which covered the gamut of advertising department performance and activity.

In this report, we will explore three crucial topics in newspaper company advertising

today. The takeaways from these chapters will constitute a roadmap for newspaper companies wishing to optimise their advertising performance.

- Yield and price management practices
- Advertising effectiveness research
- Digital revenue-making

Why focus on these three topics in particular? The answer is simple: because they point to key strategic issues that are facing the newspaper industry.

At the heart of the yield and pricing issue is a fundamental change in the newspaper business. The Digital Revolution has caused a seismic shift in the media landscape, and has challenged newspapers to rethink their entire advertising strategy. How do we change pricing as we incorporate digital product offerings? How do we make money from digital?

For many to challenge the perceived wisdom of the 'digisphere', that is the world revolving around the Internet and all things facing fundamental change, or even death as a result

of the digital explosion, is not an option. Whether it's true or not is immaterial. Despite the many challenges to the perceived wisdom of launching digital advertising strategies for some newspaper companies, the momentum of digital revenue-making circa 2007 is too strong to resist.

Many newspapers believe they face an immediate challenge, that of turning their newspaper businesses into multimedia news businesses at the heart of which will be advertising revenues. Therein lies the problem, as newspapers' digital business only fetch a fraction of what a newspaper advertisement could command, and worldwide, garner far less than 10 percent of all revenues of a newspaper company, with notable exceptions discussed in this report.

### Comparing newspaper and online attributes

Online advertising	Print advertising
High volume	High volume
Comparatively low revenue	High revenue
Comparatively low cost	High cost
Low yield	High yield

Source: SFN 2007

The challenge newspapers face is to seize the digital opportunity while still selling the high-volume, high-yield newspaper advertising. The appetite for newspapers is not diminishing. According to 2006 World Press Trends, more daily newspapers are printed than ever before, now exceeding 10,000 titles, a 3 percent increase from 2005. WAN has identified more than US\$6 billion in newsprint technology invested during 2006.

Managing the revenues across the channels is a powerful approach to balancing print and digital businesses together. The key to managing revenue is the fundamental understanding of advertising yield.

Another important best practice is the sales teams' understanding and communication of the power and value of newspaper advertising to advertisers. Newspapers deliver large numbers of high quality audiences, daily. Newspaper advertising works, by moving people to the point of sale and as a major way to build brands.

Newspapers are developing innovative new titles, new sections, more colour and more advertising formats. Moreover, newspapers are also the perfect partner in any media campaign as studies in this report show. Adding the newspaper to a multimedia schedule will increase its success beyond the use of a single channel such as television.

This report therefore will highlight some of the latest research that celebrates the ability of newspapers to build brands, improve share and sell goods and services.

## Yield management

A young newspaper salesperson asked his then-boss, "Which of these is my priority, volume, revenue or yield?"

Surprised at the naiveté of the question, the Managing Director replied, "Clearly, I want all three and that's a basic requirement."

Yield knowledge and execution are fundamental requirements in every newspaper sales person's toolbox. This report highlights some of the best practices at the tactical level.

Fundamental to achieving the business plan is an understanding of the revenue mix and the impact of price on profit. Some categories of advertising allow automatic ad-system control of the price, while other categories allow 'negotiating wiggle room,' that is, the ability of the sales people to negotiate price in order to secure volume or frequency or sometimes just the ad sale.

It is this ability inbuilt in many market cultures to vary the price that makes yield a vital tool for building profit. The impact of even a small variation of price can have dramatic results on the business.

The yield chapter highlights:

- The need to educate the sales teams on the impact of yield variance
- The control of yields
- The opportunities to segment the rate card to identify new, potential high-yield categories
- How to focus sales teams on high-yield business
- How to weed out, or at least be aware of, advertisers that are costing you money by paying less than would equal a positive net contribution

## Advertising effectiveness

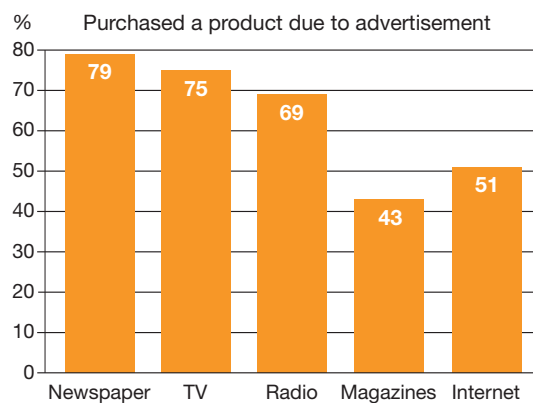
Newspaper advertising effectiveness research is an arrow in the quiver of every successful salesperson. The ability of newspaper advertising sales people to communicate the power of newspaper advertising, by referencing research, is among one of the most important components of a successful advertising sales pitch.

Several new newspaper ad effectiveness research studies have been published in 2006. The new studies point to the intimate relationship advertisers have with newspapers, the effect of newspaper advertising on the reader, and the impact of newspaper advertising on building brands.

The NAA report from the U.S., the ‘Newspaper Engagement Study’, highlights how the reader interacts with the newspaper.

### Newspapers lead other media in post-ad purchases

Evidence indicates that a **minimum of three exposures** to the ad in a **seven-day period** is the minimum required to produce a positive return on investment.



A new study from the Newspaper Marketing Agency of the UK, shows that the most powerful and effective way for advertisers to build brands is to combine newspaper and TV advertising in a campaign. The research demonstrates newspapers connect powerfully with readers emotions, developing a close affinity with the content, including advertising.

The research used a tried-and-tested technique of ‘Brain Fingerprinting,’ by measuring brain wave impulses, in order to determine the impact of the brand on the consumer. The results detailed in this report show a massive increase in the impact of the advertising on the consumer.

One of the failings of advertising effectiveness research in the past has been not in the quality of the research or its findings, but in the way the findings are communicated. Getting the attention of the advertising community – both agencies and brand managers/clients – has proven difficult in the past. Usually the launch of a piece of research involves press releases and presentations whose effects are short-lived. However, in the case of ad effectiveness research produced by the Irish National Newspaper Association, a significant effort was made to distribute the data. The ‘Press Builds Brands’ study involved the advertising agencies of Ireland, the clients and the newspapers in a close relationship.

The study integrated newspaper advertising campaign contests as part of the methodology. The NNI invited food and drink companies in Ireland to compete for the chance to win a high-priced newspaper campaign, and invited Irish ad agencies to compete to create the best campaigns for the products. The results were a success: all of the brands achieved major increases in sales and brand awareness.

This research demonstrated that not only is it a requirement of newspapers to demonstrate results, but it’s also vital to communicate the results in a powerful and effective way that will change the perceptions of advertisers and agencies.

## Digital Revenue-Making

Most businesses are not compelled to change unless they must. For many media companies, that time has come. As these global statistical projections show, newspaper revenues are expected to rise from US\$119 billion to US\$135 billion between 2005 and 2009.

### Advertising spending worldwide, by media, 2005-2009 (US\$ millions)

	2005	2006	2007	2008	2009
Television	151,187	160,391	167,149	176,671	184,502
Newspapers	119,178	123,460	127,125	131,179	135,228
Magazines	52,993	54,807	57,021	59,450	62,078
Radio	34,348	35,443	36,543	37,821	39,548
Outdoor	21,769	23,473	25,190	27,054	29,126
Internet	18,712	24,454	31,344	36,926	42,685
Cinema	1,697	1,812	1,938	2,087	2,272
<b>Total</b>	<b>399,883</b>	<b>423,839</b>	<b>446,310</b>	<b>471,189</b>	<b>495,438</b>

ZenithOptimedia, December 2006

Meanwhile, worldwide Internet revenues are set to more than double by 2009, from US\$18.7 billion in 2005, to US\$42.7 billion in 2009, according to Zenith Optimedia. The slippage in print revenues and solid growth in Internet revenues are phenomena happening in most countries.

The trend is forcing a dynamic change in the way newspaper companies are structured, and the way advertising is being sold at these companies.

As advertisers embrace online and mobile advertising, online newspapers are ramping up their online advertising sales operations to go beyond the classified advertising “upsell.” Research from Borrell Associates, PriceWaterhouse Coopers and the Interactive Advertising Bureau report that display, search and video advertising are among the fastest-growing forms of online advertising today.

Most online newspapers earn the majority of their revenues – an estimated 75 percent – with classified advertising, but some, profiled in this report, are reporting success in display and video advertising in particular, and to a lesser extent, search advertising. Search advertising has been the ballywick of the likes of Google and Yahoo!, although newspapers on each continent are

developing their own search advertising platforms in order to compete with the Internet “pure plays,” which are directly competing with newspapers by focusing their efforts on local advertising.

Media companies worldwide are tapping into this steadily-growing revenue stream by developing online, video and mobile advertising strategies. Multiple-media companies profiled in this report, which are most securely situated for the future share three common traits:

- An aggressive digital revenue strategy driven by top management
- A new organizational structure in the business department to develop new multiple-media products quickly, as the trends emerge
- A focus on customers, both news consumers and advertisers

Three key strategies will improve the profitability and long-term growth for newspapers: Yield and price management, implementation of advertising effectiveness techniques, and the development of a digital revenues strategy. The advertising landscape has changed inexorably. The successful implementation of these three principles will provide the newspaper industry a catapult into a profitable and vibrant 21<sup>st</sup> Century.