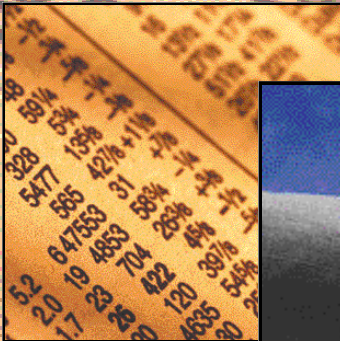
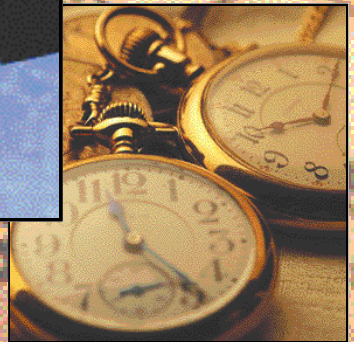


Strength in Numbers

the challenges for newspaper advertising



328	138%	42%	+11%
5477	585	31	58%
5.2	647583	704	26%
2.0	19	4853	4%
1.7	23	26	39%
		422	54%
		120	
		1635	



Strength in Numbers

The challenges for newspaper advertising

READY Report

This report is produced under the auspices of the World Association of Newspapers' READY project. One of the objectives of the READY initiative is to address aspects of competitiveness, innovation, productivity and technology to help newspapers increase their readership, market position and advertising revenue.

INTRODUCTION

For most people throughout the world, reading the newspaper is a natural part of their daily life. They look to the paper not only for international, regional or local news, but also for information on other essential components of their lives: shopping, finance, travel, and cultural events.

The long-term relationship readers have built up with their newspaper thus extends to the fact that they consider the advertising in it as informative and credible. Thus, advertising is viewed not only as a source of revenue, but often as useful content. However, the newspaper industry is losing market share to other media, especially television, and many other services, such as classifieds are migrating to the Internet.

How can newspapers remain competitive and maintain or even gain new advertising business? The following report outlines some case studies where newspapers have gone beyond their traditional role to work in partnership with their advertisers, listen to their needs and be proactive in offering solutions.

MARKET OVERVIEW

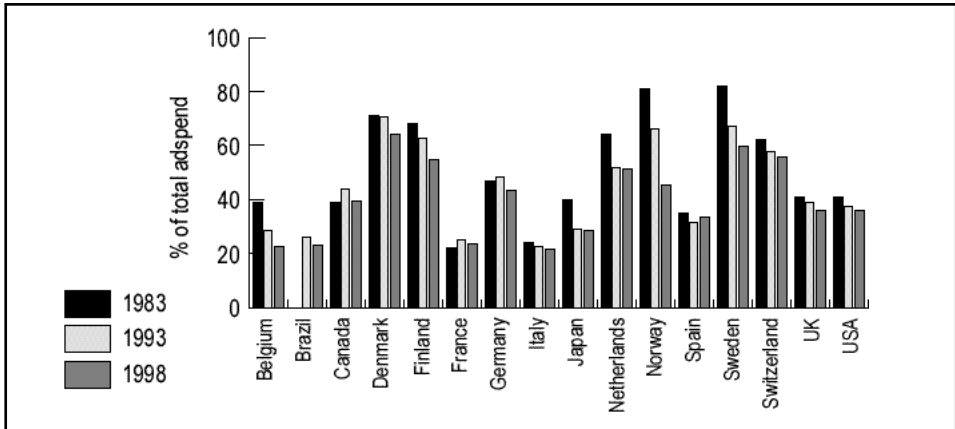
With the proliferation of media choices, the competition for advertising revenue has intensified and will certainly continue to do so. Analysts predict that although newspapers have seen a rise in ad revenues over the past couple of years, they will continue to lose share of ad expenditure vs. other media in the mature markets of North America and Western Europe. The World Association of Newspaper's World Press Trends shows that in 1985, 41% of ad spend in North America and 44% in Europe went to newspapers; by 1998, this had decreased to 37% and 38% respectively.

The picture is slightly more positive in Asia Pacific, where ad spend in newspapers has been increasing three to five percent over the past decade. Despite the recent currency crisis, the Asia Pacific region is enriching itself and therefore providing the market with more newspaper readers.

In Latin America, where the newspaper market has never been very strong, advertising share peaked at 22% in 1985. Steady rises in literacy and improvements in infrastructure may lead to a stable plateau of around 16%.

(see Newspaper Share of Adspend on next page)

Newspaper Share of Adspend - Key Countries



Source: WAN

Despite overall decreasing circulation in many countries, daily newspapers are still proven to be the medium to be used in order to reach a large and broad section of the general population. Even in some markets where TV is considered the true mass medium, studies have shown that a newspaper plus magazine or radio offer provides the most effective results.

If newspapers have proven high quality reach and are such an established media presence, why, then, do media planners often have an aversion to placing newspaper advertising?

There are multiple reasons for this:

- Time: Booking a campaign over many newspapers means going through numerous contacts and can be very time consuming
- Materials handling: Costs can add up when producing a set of films for each newspaper in the media plan. Also, although there is a concerted effort in certain countries to standardise graphic guidelines, this is still not the case throughout and the advertiser has to take the time to ensure the technical details and sizes are correct.
- Print quality: With advances in presses and heavy investments in four colour printing, this is becoming less and less of an issue. However, the time factor involved in producing a daily newspaper means that colour and paper quality will not equal that of magazines.

- Rating system: There are no set GRP-style rating systems in newspapers as in television. In TV, rates are set against specific target group reach and audience figures are quite precise. In the newspaper industry, papers with similar circulation figures and readership profiles can charge very different rates.
- A lack of convincing market research and performance data: Newspapers have too often rested on their laurels as part of the media establishment and have not carried out extensive research like television or radio. For example, many newspapers still charge the same for an ad, whether it appears on page 39 or on page 7, even though the former probably offers less reach. In the same vein, demographic research is not as thorough as in other media.

Roy Jeans, Managing Director of Initiative Media London, laments "traditionally, newspapers have been focused on trading. Only recently have press focused on added value. Newspapers must participate at the strategic planning stage in this changing global media environment."

Newspapers must work with their advertisers to establish rules and formulate desired results of the campaign. An interesting and perhaps revolutionary example is **Dagens Nyheter**, Sweden's leading quality daily, which guarantees the effectiveness of ads to a select number of large, key advertisers. In a similar vein, **Le Parisien**, the French capital's regional daily, has launched a media planning concept showing type of readership as well as guaranteed circulation against ad rates for every day of the week.

Size & Flexibility

Despite the high value of their message, newspapers have found themselves at a disadvantage because of their fragmentation. The UK alone, for example, has 1,500 regional titles sold through 26 sales houses. "If agencies want national coverage, they have to spend a lot of time, effort and money," admits Charles Ross, Newspaper Society National Development Manager. Related to this is the complexity of the buy: there are too many differences in rate policies, page sizes, colour premiums and so on. Furthermore, newspapers are often insular, traditional structures that are primarily interested in protecting their own market.

And, even though circulation figures are audited, there is often not enough research on readership and demographics to assist the media buyer in his or her choice. Mediapolis UK research director Peter Bowman, could not disguise his frustration in a Media Week interview: "We, the users, feel that the media owners have no desire to share certain data with their customers. They seem to be saying they'll look at changes as long as they don't see a decrease in their figures."

Media buyers therefore find it much easier to book huge chunks of audience, rather than toil away at a multiple newspaper buy. In effect, newspapers have lost share mainly to television, even though no one can be really sure how much of the television audience actually watches the advertising. Revealing research by the Newspaper Association of America has shown that 62% of adults leave the room or do something else when television ads come on.

One of the keys to solving this situation is the one-order, one-bill concept (OOOB), which is gathering speed throughout many countries and across borders. For example, a media planner wishing to cover a large swath of the population can book a multiple newspaper campaign through one sales contact and then receive one grouped bill in one currency, instead of lots of individual invoices.

Size and flexibility, are two concepts that, at first glance, do not necessarily complement each other. Where newspaper networks are concerned however, size and flexibility can lead to:

- strength, by grouping together resources
- improvement of quality, by sharing best practices
- technological leadership
- benchmarking studies
- better service
- better value
- increasing opportunities

Chris Manning, Managing Director of **Publicitas Promotion Network UK**, says "when thinking about publishing alliances, newspapers must ask themselves the following questions: Are the time and climate right for such packaging? Is there a real advertiser demand? And finally, are publishers prepared to come together to make things work?"

Another part of the solution is increasing value by making the medium understood. The **UK Newspaper Society** has commendably succeeded in raising the profile of the regional press by carrying out extensive presentations to national advertisers and agencies, direct mail, PR, research and training, as well as a generic ad campaign. "Research with Zenith showed that including regional press in a media schedule increased recall by 30% - and that's just by using the same ads," says Charles Ross.

With the globalisation in ad campaigns, newspapers must band together to offer an easier buy and encourage retention in print. For branding efforts, markets are not viewed on a country by country basis and geographical borders have become largely irrelevant. Increasingly 'local' markets are not seen as solely regional, local or even national markets. The result is a growing consolidation in advertising budgets. This

contributes even further to the migration of advertising to the mass medium of television, and if newspapers want to be able to compete, they need to work together.

In addition, advertisers are well versed in media choices and participate actively in the media process, whether buying through a media planner or not. Newspapers must take advantage of this situation by investing in building relationships directly with advertisers and by positioning themselves as a strategic marketing communications arm. They should also work more on providing the necessary tools, such as a comprehensive database of media information, to help advertisers in their media planning.

An example of this is **Cebuco**, the marketing arm of the Dutch Newspaper Association. Having noted that fast-moving consumer goods, the world's biggest marketing spenders, were virtually absent from their newspapers, they designed and launched a collective plan for winning their ad revenue. They approached Unilever as well as the largest dairy producer in the country, and developed a concept in partnership with them. This was then tested extensively in pre-release readership surveys and fine-tuned to respond to the advertisers' needs. The result was a full-page exclusive advertising and editorial product, offered on a one-order, one-bill basis, and carried by all Cebuco member papers. Entitled 'Good News', it featured a reader-friendly format with relevant editorial, small ads and coupons targeted at the elusive housewife market. According to Bert Niewold, Director, the page succeeded in getting an important -- and previously absent -- target to invest in newspaper advertising: "It offered a bridgehead into a new market". Today, the page is no longer carried by all Cebuco members, but it continues to attract FMCG advertisers into Dutch newspapers. More importantly, it convinced a non-traditional print advertiser to reconsider the medium.

Case Studies

The US is the world's biggest newspaper market, despite increasing fragmentation of the media landscape. Almost six out of 10 American adults read a daily newspaper on an average weekday.

In order to drive national advertising into newspapers and provide a one-stop shop, the Newspaper Association of America launched the **Newspaper National Network** in 1994. The NNN can place national advertising in any newspaper, regardless of circulation or affiliation. In order not to take away core business from individual titles, it also focuses on non-traditional newspaper advertisers: automotive, fast moving consumer goods, computers, and pharmaceuticals. It has enjoyed tremendous growth, with 1998 bookings totalling \$95,5 million, an increase of 14% over prior year (1997 had grown a full 40% over 1996).

The NNN is also proud of the fact that about half of its bookings to date have been sold

in papers with circulation of less than 50,000, proving that it is not heavily biased towards large titles and has been successful in generating new business.

In addition, the NNN provides media training to educate advertisers about the value of print, and helps develop customised marketing plans. It is the one point of contact for multi-market newspaper ads, handles all materials and provides one-order, one-bill capabilities through the Complete Newspaper Network (CNN).

In March 1999, it also announced a strategic alliance with the Hispanic and black minority networks, expanding their coverage to the ethnic market. "These agreements enable NNN to link to just about every newspaper that a national advertiser could use to reach its target audience," says Nicholas Cannistraro, NNN president and general manager.

One hurdle the NNN has had to face is the discrepancy between national rates and local, less expensive rate cards. This has led to some advertisers bypassing the network and negotiating directly with the newspapers. The NNN has attempted to get around this by being as flexible as possible in its discounts and by arguing that its mandate is to secure national advertising.

Grupo de Diarios America - The America Newspapers Group, was founded in 1991 by 11 major titles across the South American continent. With a total population of 500 million inhabitants and five of the largest cities in the world, Latin America has a growing newspaper market that is becoming increasingly competitive and technologically equipped. Advertising accounts for 70% of newspaper revenue, or \$15 billion. The member titles are the largest quality dailies in their markets and offer access to the decision makers and affluent consumers in the country.

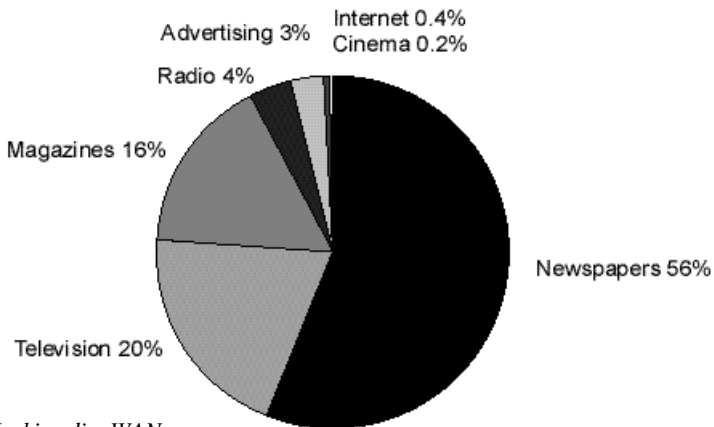
So, why did they come together? Originally, the alliance was editorially driven, with the sharing of articles, features and photo libraries. Then, further areas of cooperation developed, extending to the commercial and a common goal 'to strive for managerial excellence'. As they got to know each other, business departments got together to exchange best practices and search for new opportunities in production or new media. This led to a common website, and common advertising technical specifications (allowing for the same artwork to be produced for all newspapers). A package buy soon followed, offering size (10 million readers) and impact across the entire continent.

The results? Savings on the editorial side amounted to 200K\$ per title in 1998, thanks to the exchange of content and the creation of new features and products. This offered greater value to the reader as well as brand new advertising opportunities.

GDA-related revenue increased five-fold since 1996 by offering advertisers the ability to reach a vast quality audience, cutting technical costs and saving administration time by offering one bill in one currency. What's more, the newspapers have responded to the market demand and have recently switched from a 'buy all or nothing' concept to a totally flexible buy and tailor-made package.

Karkimedia is Finland's marketing alliance of 27 of the country's daily regional newspapers. Together, the newspapers have a circulation of 1,7 million and a readership of 4.3 million (the total population is 5.2 million). The Finns are indeed very attached to their newspaper, and are loyal subscribers, with newspapers attracting a full 56% of the total advertising spend in the country.

Advertising Share per Medium in Finland



source: Karkimedia, WAN

One would think that newspapers would rest on their laurels with such results, which makes the existence of Karkimedia all the more interesting.

Karkimedia was created to serve advertisers who wanted to advertise cost-effectively in more than one region and who wanted to build a nationwide brand. It offers a very flexible package, with anywhere from three to all 27 newspapers, as well as special theme packages for target groups (sports, travel, etc.). "By taking full advantage of Karkimedia's packages, you can obtain a reduction of over 60% in the rate card of a single newspaper," Juha Alanen, Marketing Director, points out. Digital artwork transmission is also a fundamental part of their ease-of-use concept.

The French national press has been going through declining circulation and lacklustre performance for the past few years. The sector is highly fragmented, with a relatively large number of titles. "National newspapers in France are widely recognised in readership studies as offering more complete and credible information and analysis," says Gerard Morax, Vice-President Communications, **Le Monde**. "Yet the national press has low penetration, reaching only 42.8% of all newspaper readers in Paris."

Due to high cost and better mass reach by television, advertising investment in print declined 7% between 1990 and 1996. Publishers started addressing this by first focusing on circulation, increasing home delivery, launching new editorial products and supplements, more colour, and clearer layout. In 1995, *Le Monde*, *Les Echos*, *L'Equipe*, *Le Figaro* and *Liberation* started talks on forming an advertising alliance. In the end, the first two created **Plein Cadre**, a collective advertising product, while the latter two joined with financial paper *La Tribune* and created a competing alliance.

Plein Cadre offers advertisers uniformity, effectiveness, simplicity, performance and cost savings, according to Morax. The three papers are leaders in their markets, with a combined circulation of 900,000: *Le Monde* in news, *Les Echos* in finance, and *L'Equipe* in sports. Advertisers buy a package of five insertions over two weeks, resulting in coverage of half of all French managers, similar to a television or poster campaign wave.

The new product was proven a success in only two months. **Plein Cadre** ads now represent 13% of sales revenue per title -- in 1996, the product generated six pages of advertising, by 1998, this figure had soared to 59, and generated revenues of \$68 million. Morax is confident that 1999 will see ad revenue grow to \$100 million. What's more, the success of this initiative has contributed to a recovery of the French national press. Print ad revenue increased from 12,8% in 1992 to 15,3% in 1998.

The 66 member publications of the **SPQR**, the French regional newspaper association, grouped together in 1990, following decreasing ad revenues and a marked absence of national advertising. In France, 2/3 of advertising is national, and none of it was going to the regional daily press. Together, they decided to improve the image of the regional daily press, which was perceived as poor quality and old-fashioned. René Pflimlin, President of *L'Alsace*, recalls "We had 66 negotiations, 66 rates, 66 insertion orders, 66 films and 66 contacts. We needed to narrow this 66 down to one."

First, they aligned CPM rates as a ratio of circulation, rather than the previous local, inconsistent rates. In order to be competitive with other media, they then offered a 50% discount on a group buy as compared to the sum of the individual rates, making regio-

nals an attractive buy for advertisers. The technical side was simplified as well, with clients only supplying one set of materials and the sales office reproducing it for all 66 papers. The group then created a product to compete against poster advertising, its main competition. Marketed under the name 66.3 (66 titles, three insertions), the product had a similar reach to an outdoor campaign wave.

The group has an annual budget of 8 million FF (\$1.4 million) promoting the group buy in the trade press and directly to national advertisers. Today, the awareness level for the regional press is 90% for ad agencies and 50% for clients, a huge leap from the start of the programme. From 0% of national advertising share, they've gone to 2%. Revenue in 1997 grew by 22% with another 5% increase in 1998, and a 30% increase projected for 1999. Since its inception in 1991, over 800 campaigns have been run on the group buy.

The association has not been without its teething pains. "With 66 printing plants and both major papers and small ones, quality of service is a problem that we face that poster advertising doesn't. After all, no one is going to check the quality of 5000 posters throughout the country," says Bruno Ricard, Marketing Director. They are working on improving consistency by setting up standards across their newspapers. Indeed, the competition for ad revenue in France is tough, with outdoor accounting for 12% and magazines another 23%. Also, in order to counter resistance to the full-buy, the association focuses on promoting the quality of the readership and nation-wide impact of a campaign by investing heavily in research.

Diversified media

Whilst newspaper networks are part of the solution to maintaining ad share, there is an increasing demand for a comprehensive multimedia package for a global campaign to reach the target audience. Campaigns that stretch across print into online, radio or television have proven to be especially effective in major branding or awareness exercises.

As media owners expand their operations worldwide through acquisitions, will they be able to offer advertisers global one-stop, multi-media deals? This is not as simple as it might sound, due to competition between each arm of the media business. The onus is on the media owner to get its various divisions to work together as a team towards the global interests of the company.

One example is **Dow Jones**, which specialises in financial information to the business community. The company has grown from its beginnings in 1882 to encompass various industry segments: print publishing (Wall Street Journal, WSJ Europe, Asian WSJ, SmartMoney, Barron's, Far Eastern Economic Review), electronic publishing (Newswires, djinteractive.com, wsj.com), community newspapers, and television (co-

owner of CNBC in Asia and Europe).

Dow Jones is also investing heavily in online publishing, and recently announced the launch of a vertical Internet portal, which will be the hub for its various media. It has been very proactive in selling advertising in both its print and online editions, and offers discounts on a bundled buy.

News Corp, which has diversified holdings in newspapers, magazines, television, cable and satellite, film, book publishing and sports events, set up a central coordination point for the over 35 companies in addition to each individual sales organisation. Headed by Kayne Lanahan, the central point is less about selling package deals and more about developing global marketing promotions. "We are not trying to compete with the divisions. Even if we initiate a global marketing deal, the commission will go back to them. It requires someone to tell the various companies that all our success in the future is dependent on working together," she stated in a Media & Marketing interview.

Publigroupe, the Swiss media representation company, has also expanded from its core operations of offering one-stop-shop facilities for advertisers looking to buy space in its extensive newspaper client base, to encompass online advertising through its recent acquisition of RealMedia. "Being able to offer advertisers both print and online editions of our newspapers makes our proposal a lot more dynamic and proactive," says Hans Peter Rohner, CEO of Europe, Asia and Latin America. "Because online advertising is relatively new, it gives us the opportunity to become closer to the advertiser and assist them in their communication strategy."

Promoting the pan-European press in France is the objective of **The Internationals**, whose members include the local representation of the Wall Street Journal, the International Herald Tribune, the Financial Times, Time, Newsweek, The Economist and BusinessWeek. Although they do not offer one-order one-bill facilities and often compete amongst each other for the same clients, the partnership has raised the profile of the pan-European press through various public relations events. The moral being, if you can't offer a group buy, you can at least work together.

Online & Classifieds

Online offers on the Internet are a relatively new phenomenon that have not only given advertisers even more choice, but have also allowed them, in many cases, to bypass the traditional publishers. Projections of explosive growth in the online audience have led some to an impending sense of doom for the future of print advertising. Newspapers are therefore part of the forefront to deliver a range of online ad possibilities.

Newspaper publishers in European countries, for example, have benefited from the US's experience to build up their web audiences by being much more aggressive than the big-name Internet brands. Traditional publishers sites are among the most visited in Europe, as opposed to the US, where new media brands are more popular.

Compare the top 10 Mediametrix US sites and the top 10 Italian sites:

US	ITALY
yahoo.com (portal)	virgilio.it (portal)
aol.com (ISP)	repubblica.it (national newspaper)
msn.com (portal)	gazzetta.it (national sport newspaper)
go.com (portal)	ilsole24ore.it (national financial newspaper)
geocities.com (community)	tin.it (ISP)
netscape.com (portal)	iol.it (ISP and portal)
excite.com (portal)	yahoo.it (portal)
lycos.com (portal)	lycos.it (portal)
microsoft.com (Software vendor)	microsoft.it (Software vendor)
tripod.com (community)	mondadori.it (multibrand publisher site)

If newspapers are to transfer their value to the web, they must focus on maintaining and building their brand to this new audience. Size, through networks, and flexibility, through constant renewal of the online offer, are essential.

Launched in 1996, **Online Marketing Services** (OMS) is a German national sales network which groups together 34 regional online publications from 24 publishing houses. With 15.7 million page impressions and 4.8 million visits per month, "it is the largest homogeneous content offering on the Web in Germany," says Managing Director Peter Schmandt. "The Internet is a great opportunity for strong brands and key to attracting new target groups such as young readers."

Regional newspapers, typically only known in their region, can reap many benefits from a national network. Technical start-up costs -- which can be a sizeable initial investment -- are shared, along with personnel and promotional budgets. Selling online advertising requires different skills than print, "so you need to act as consultants to your customers, especially since one-to-one marketing is not understood by smaller retailers," Schmandt says.

The alliance is attracting advertisers such as finance, insurance, IT and telecoms. Electronic commerce is set to becoming an important category and national classified brands for recruitment, automotive and real estate are being built. Schmandt believes turnover will double in 1999 and will continue to do so for several more years.

In the US, the online classified market is migrating very quickly to the web. The ease of use, searchability functions and wealth of information provided by the web are inevi-

tably eroding the traditional print market. American newspapers have launched a number of online classified networks, including **CareerPath** and **PowerAdz**.

Founded in 1996, PowerAdz.com has 700 local newspaper affiliates and markets its services to newspaper companies using the AdQuest, CarCast, AuctionHill, ThinkHomes and CareerGold Internet brands. CareerPath.com was co-founded in 1995 by the Boston Globe, Chicago Tribune, LA Times, New York Times, San Jose Mercury News and the Washington Post. Through its nearly 90 affiliated newspapers, it offers the largest and most current database of job listings across the US.

Recently, in order to counter competing aggregator websites, the Newspaper Association of America introduced the "Bona Fide Classified" brand mark, designed to authenticate online classified advertising as originating in an NAA-member newspaper's print or online product. "Our Internet competitors are spending millions of dollars to gain the classified assets newspapers have cultivated over the years," explained Tony Marsella, NAA vice president of classified advertising. "Consumers must understand that their newspaper maintains its value online and is the first and best choice for buying and selling products or seeking a job."

Conclusion - Key Success Criteria

These case studies all illustrate the various approaches to achieving size and flexibility. Many other examples abound, and with the rise of new media, newspapers are even more heeding the call to pool their resources and explore new areas of revenue growth.

Management commitment is obviously the primary success factor in offering OOOB facilities and creating networks. Once this has been established, there are a number of other key success criteria mentioned throughout the case studies in this report which can be summarised as follows:

Flexibility

While OOOB networks work, newspapers must also show flexibility to the advertisers' needs. The key is to pick newspapers and media offerings according to what the advertisers want and hope to achieve. What newspapers perceive to be a national buy could be considered by the advertiser as a local market. As a result, tailor-made packages are often better perceived than forced buys.

Marketing

Effective communication to advertisers and agencies is crucial to implementing an innovative and elaborate offer such as the one-order, one-bill facility. Training and general support ensure that the client fully understands and appreciates the new opportunities.

Rate card transparency

Advertisers today demand transparency in their space buying. In order to maintain their trust, newspapers must clarify their rate structure: whether local or national, including format differences, placement premiums and other charges.

Technological innovation

In order to enable the OOOB concept, newspapers must agree on standards for digital artwork transmission. This is key to saving time and reducing printing errors. Moreover, the advertising can then be transferred from one medium to the other, from print to online for example, with minimal re-working.

Colour consistency

Most newspapers in the developed world have upgraded to four-colour printing, and have seen the positive results. However, colour inconsistency is still a thorn in the side of many large advertisers who have specific colour references. Newspapers must therefore continue to focus on improving printing quality.

Newspapers enjoy a strong relationship with their readers. Much can be learned about readers' lifestyles and purchasing habits based on the content of the paper. When grouped together as a consolidated package, newspapers can therefore offer advertisers a very extensive or targeted reach. This can then be further simplified through the one-order, one-bill facility.

Choices for advertisers continue to abound. WAN's World Press Trends forecasts that global advertising spend will continue to grow in real terms for the next few years. It is up to newspapers to ensure that they keep a piece of that pie, by adapting to new market demands.

In a world of proliferating media choice, the media that help clients least will lose out.

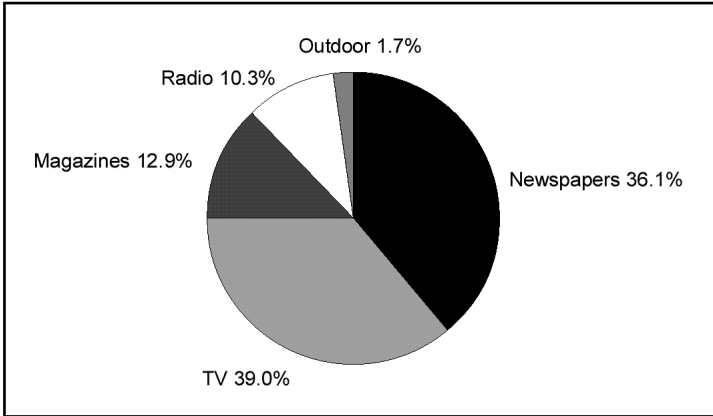
Annex

Advertising spending by medium

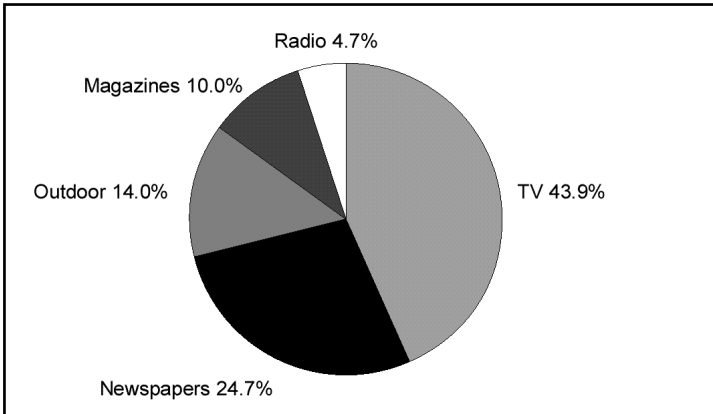
1998 Top 5 Global Markets

source: World Association of Newspapers, Zenith Media

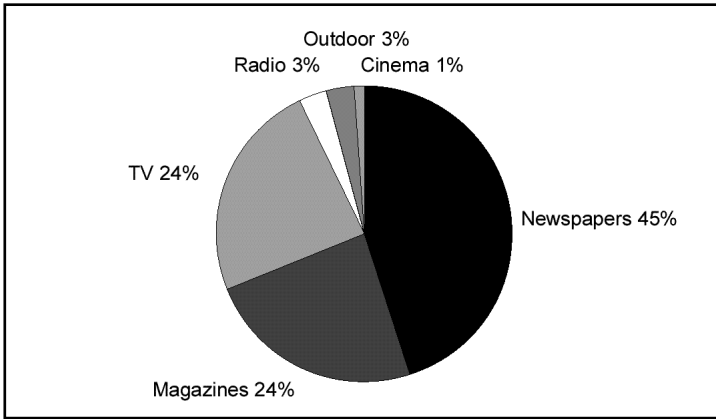
US



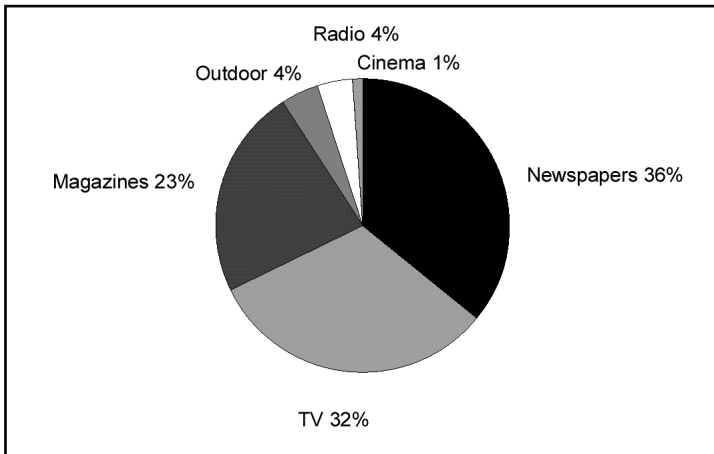
JAPAN



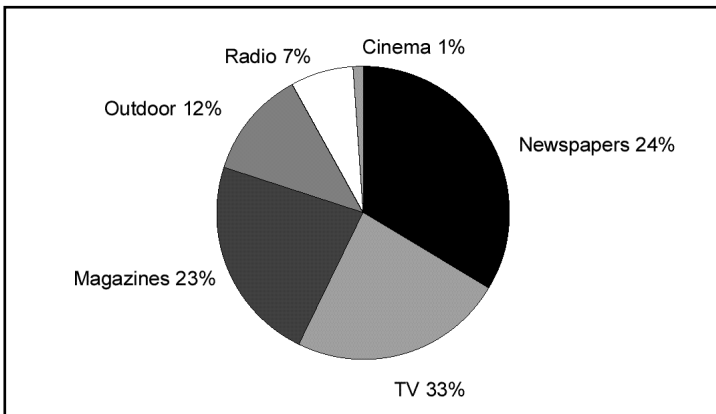
GERMANY



UK



FRANCE





World Association of Newspapers

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