TRANSFORMING OUR BUSINESS MODELS

How local media companies can survive and thrive

Steve Gray

Oct. 6, 2015

The big change

- From newspaper companies to local media companies

What is a "local media company"?

- A local media company uses <u>all effective media</u> to reach <u>virtually everyone</u> with <u>an abundance of information</u> they <u>use in their lives every day</u>.

- A local media company serves <u>a huge number of local businesses</u> with <u>a full suite of media solutions</u>, reaching <u>a full range of audiences</u> to bring local buyers through the door.
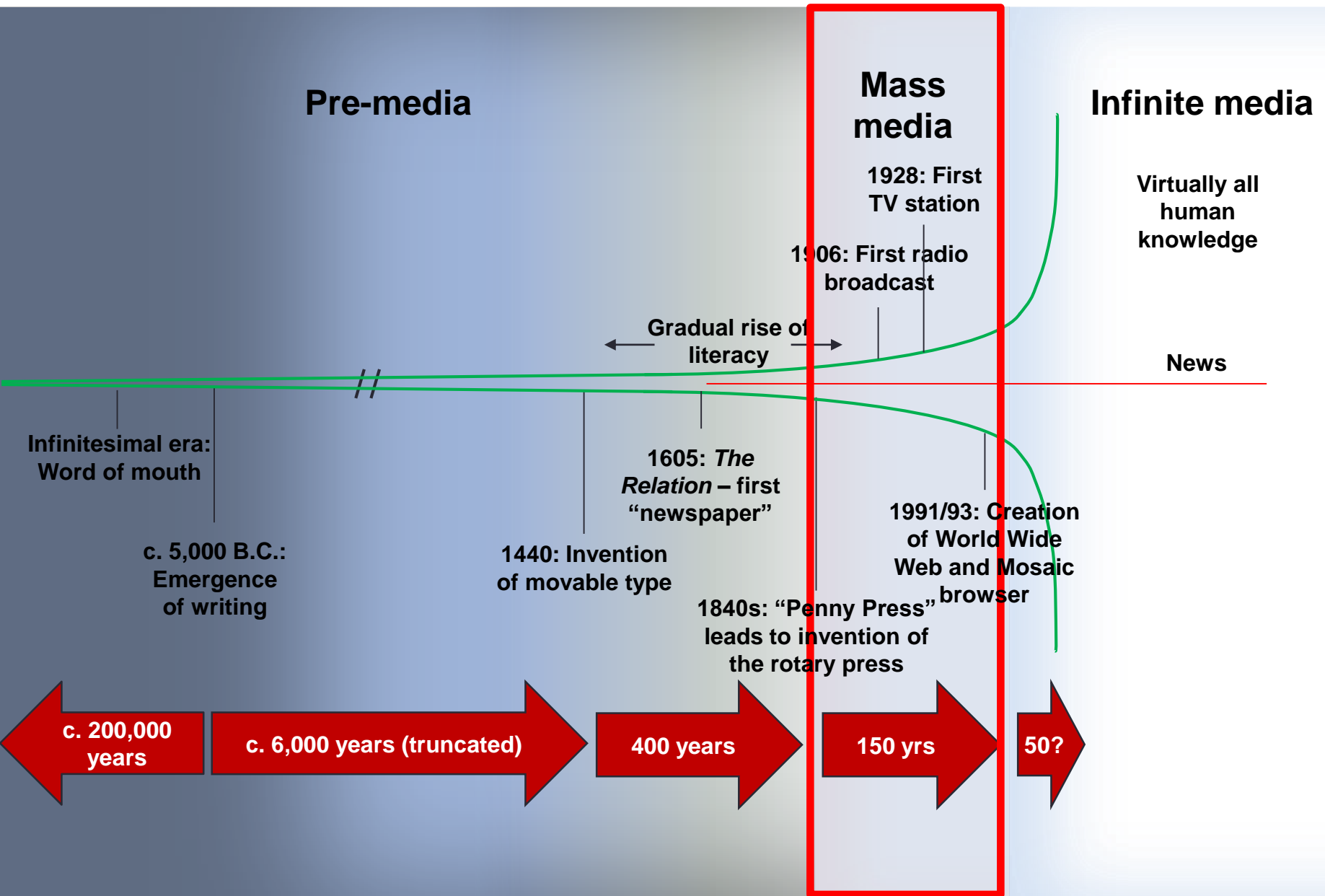
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We need to reframe our situation

Seeing the big picture

A change of epic scale

Pre-media

Mass media

Infinite media

1928: First TV station

1906: First radio broadcast

Virtually all human knowledge

Gradual rise of literacy

News

Infinitesimal era: Word of mouth

1605: *The Relation* – first "newspaper"

c. 5,000 B.C.: Emergence of writing

1440: Invention of movable type

1991/93: Creation of World Wide Web and Mosaic browser

1840s: "Penny Press" leads to invention of the rotary press

c. 200,000 years

c. 6,000 years (truncated)

400 years

150 yrs

50?

What's happening to our business model?

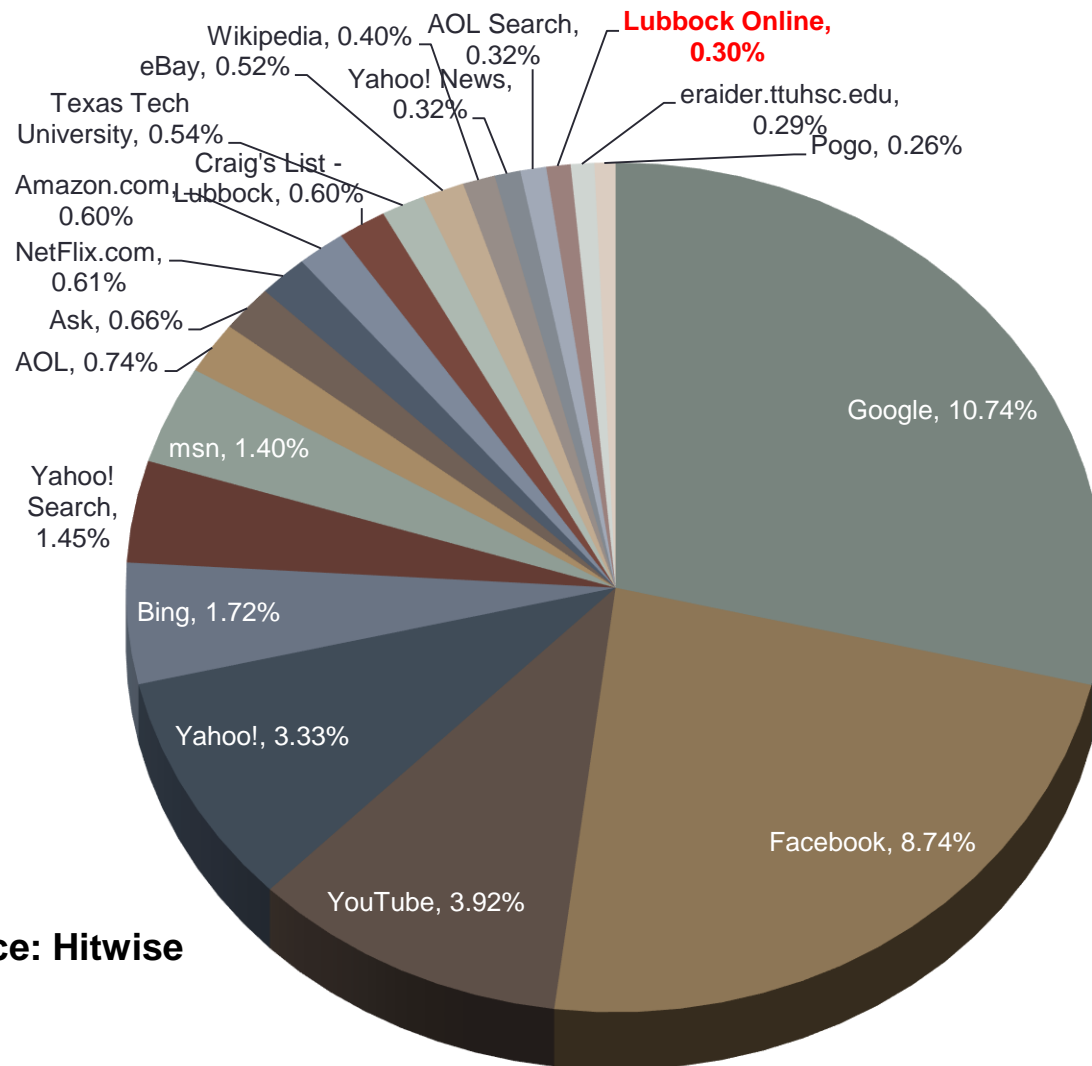**Let's break it down:**

- **AUDIENCE**

- **ADVERTISING**

Audience -- THEN

- News = 90%+ penetration of local audience

- Advertisers pay us big bucks to reach the audience

- We make lots of money

Audience -- NOW

- Print penetrations < 25% on weekdays, < 35% on Sundays

- Digital penetration – much smaller than we think

- Smaller penetrations = smaller ad revenues

Digital audience – Our real share

Websites	Segmented Visits 10/05/2013
Google	10.74%
Facebook	8.74%
YouTube	3.92%
Yahoo!	3.33%
Bing	1.72%
Yahoo! Search	1.45%
msn	1.40%
AOL	0.74%
Ask	0.66%
NetFlix.com	0.61%
Amazon.com	0.60%
Craig's List - Lubbock	0.60%
Texas Tech University	0.54%
eBay	0.52%
Wikipedia	0.40%
Yahoo! News	0.32%
AOL Search	0.32%
Lubbock Online	0.30%
eraider.ttuhsc.edu	0.29%
Pogo	0.26%

Source: Hitwise

Most popular websites in Lubbock DMA ranked by visits from within DMA
12 weeks ending Oct. 5, 2013

Today's mobile audience – same story

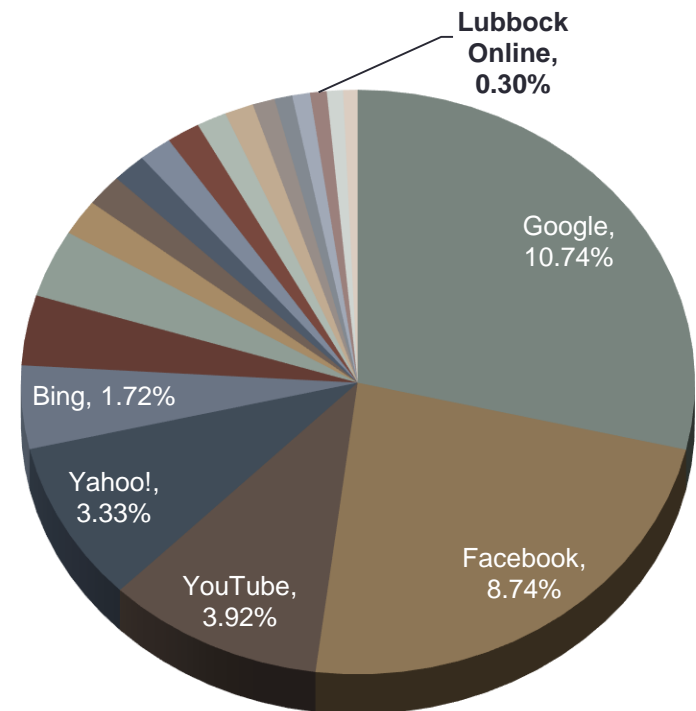Source: comScore Global Mobile Report
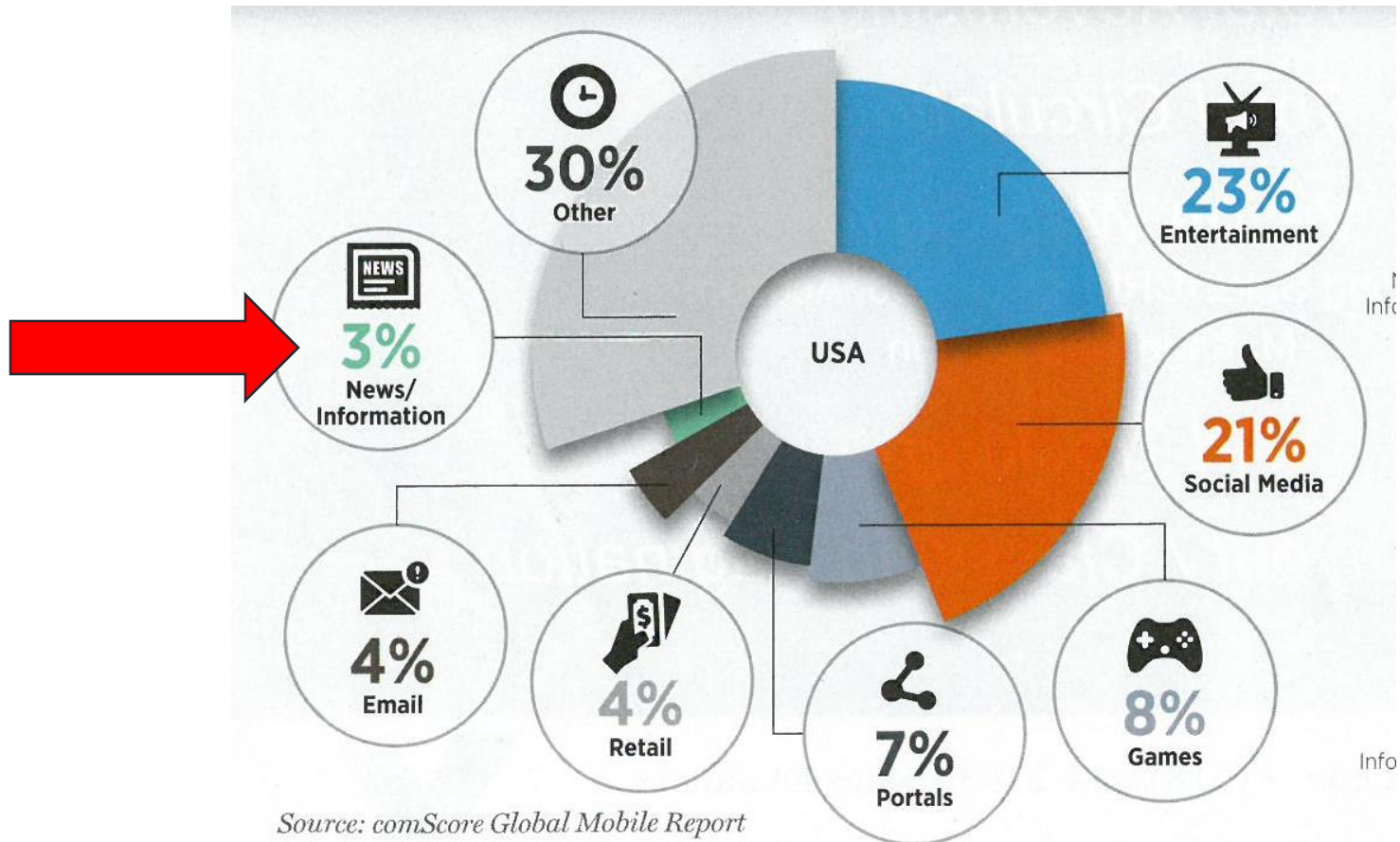
Mobile users – share of time spent per information category

The sobering conclusion:

Local news won't get us enough local audience

- Why is that?
  - The Internet is "about me"
  - With infinite information, you go for what's relevant to you
- Our news is in head-to-head competition with the whole Web
- Millennials rarely come to our sites
  (API study – "How Millennials Get News")
- We're winning only .3% of the time

Pie chart labels:
- Lubbock Online, 0.30%
- Google, 10.74%
- Facebook, 8.74%
- YouTube, 3.92%
- Yahoo!, 3.33%
- Bing, 1.72%

What can we do about it?

- Do a better job with the news – break out of "routine"

- Add volumes of person-centered content that people will crave every day

- From my one-sheet, "21st-century local news":

  - **What's going to affect ME?**

  - **What might be good opportunities for ME?**

  - **What do I need to watch out for?**

  - **What are other people talking/laughing about?**

  - **What are the cool, interesting people doing?**

  - **What are the knuckleheads and oddballs doing?**

But let's get real....

Double or triple our digital audience? Still not enough.

- The blunt truth: We will never lead in digital audience share, and our print share is dropping fast.

- But local businesses still need to reach the people we aren't reaching.

How to change our audience model:

- Do all we can to expand our local audience/information franchise through new, more personal content.

- Sell advertisers into OPA (Other People's Audiences) as well as our own.

- Sell digital marketing solutions that go direct to audiences.

The disruption of advertising

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The next wave: going direct to customers

c. 200,000 years

c. 6,000 years (truncated)

400 years

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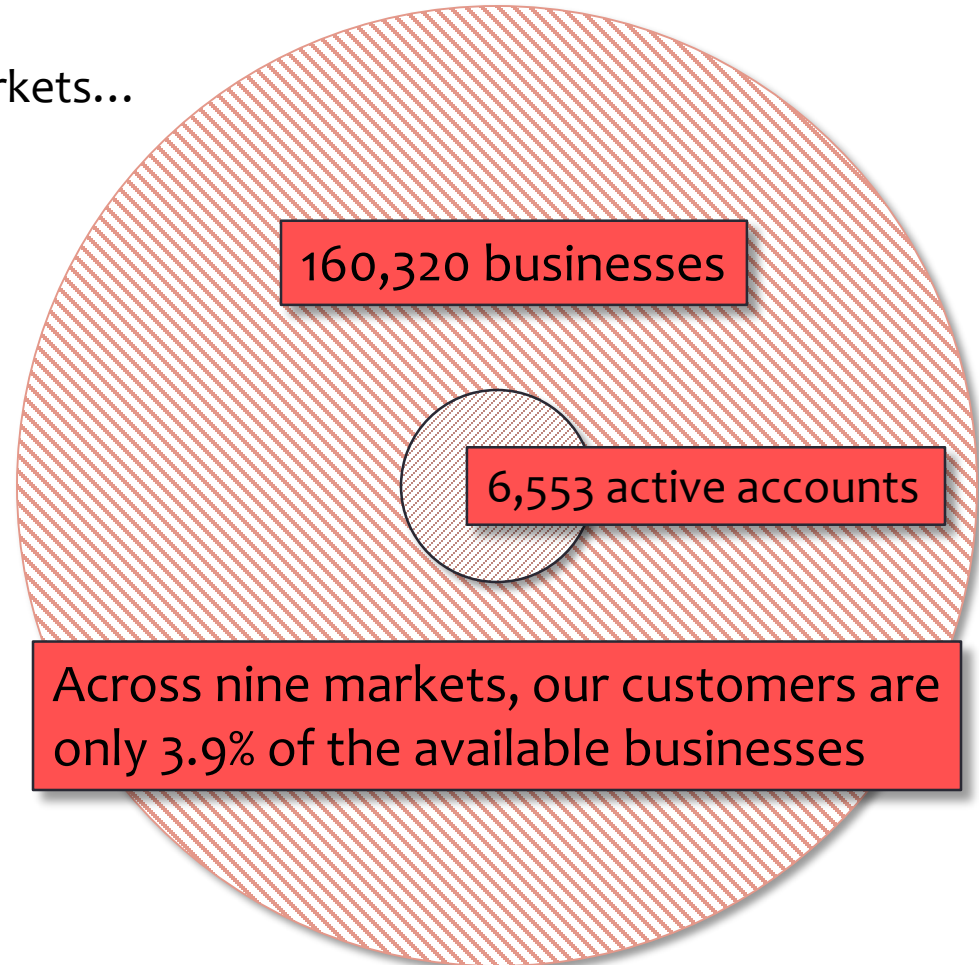# Four advertising challenges we face:

1. Our "owned" media channels no longer reach enough of the local population

2. Big digital pureplays, like Google, Facebook and Autotrader, are sucking up a huge share of local digital ad dollars

Borrell's figures:

Local digital ad spending

- $34B in 2014
- $89B in 2018
- 160% growth

Newspapers' share

- 7.1% in 2013
- 3.3% in 2018

FIGURE 8.3: LOCAL ONLINE VS. OFFLINE ADVERTISING: LINES CROSS IN 2017 ($ IN BILLIONS)

Offline Ad Spending: $70.9, $73.0, $73.4, $72.6, $71.5, $71.3
Online Ad Spending: $24.0, $34.2, $49.4, $67.8, $81.2, $88.9
2013(E), 2014F, 2015F, 2016F, 2017F, 2018F
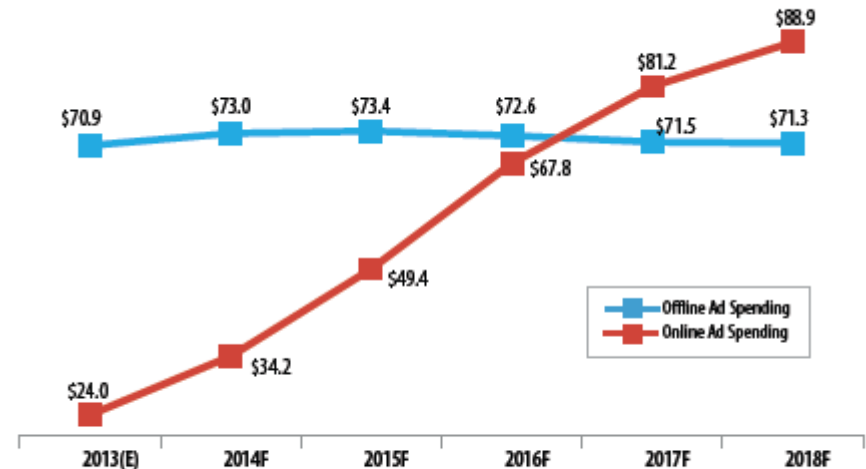
Source: Borrell, 2013.
© 2014 Borrell

FIGURE 8.4: THE PAC-MAN COMETH: PUREPLAYS CONTROL 88% BY 2018

Pure Play Cos. 88.1%
Newspapers 3.3%
Broadcast TV 1.7%
Cable/Satellite 0.8%
Radio 0.4%
Directories 2.4%
Other Print 3.3%
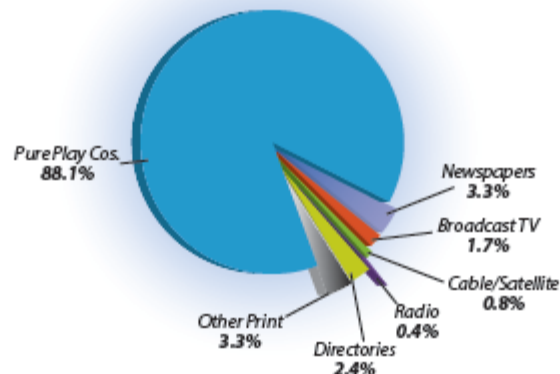
Source: Borrell, 2013.
© 2014 Borrell

Borrell's verdict:

"Digital ad sales overall are increasing faster than legacy media can sell it."

The good news:

There's a huge amount of revenue for those who really go after it.

Four challenges we face (cont.):

1. Our "owned" media channels no longer reach enough of the local population

2. Big digital pureplays, like Google, Facebook and Autotrader, are sucking up a huge share of local digital ad dollars

3. Our sales teams are drastically undersized to win our share of the growth – and handicapped by the need to sell print

4. Our product sets need to keep expanding fast to help local businesses connect with customers. Print and banner ads aren't nearly enough!

See the size of the opportunity

In the nine largest Morris markets…

- **Tiny market share**

- **Huge opportunity**

160,320 businesses

6,553 active accounts

Across nine markets, our customers are only 3.9% of the available businesses

A local media company would...

1. Make growth in active accounts a top company-wide goal

2. Monitor relentlessly – daily, weekly and monthly reports sent to EVERYBODY!

3. Set goals for reps, managers, publishers and markets; build them into the comp plans

4. Track results and celebrate successes

What gets measured gets done

Daily emails

Monthly market share reports

We're getting results

Variance to Previous Year

Redefining ourselves

To be a local media company:

1. Reverse the slide in active accounts – get in front of every potential customer

2. Present these customers with a full menu of today's best advertising/marketing solutions – leading with digital

3. Add more and more digital sales specialists

4. Sell other people's digital audiences

5. Push into the exploding realm of digital and non-digital marketing solutions – it's a direct-access world now

   - Web pages
   - Engaging content
   - SEO & SEM
   - Targeting
   - Social media presence
   - Email lists & campaigns
   - Blogs
   - Videos

The local marketing agency

Digital marketing solutions
- Websites, SEM, SEO, targeting, reputation management, email marketing, social media management, etc.

Content marketing
- Develop compelling content for direct customer engagement (project fees)
- Provide distribution – social, native, email, directories, etc. (CPM, CPA, etc.)

E-commerce
- Local marketplace (transaction fees)
- E-commerce service/support (fees/mo.)

Business systems
- Point-of-sale/CRM platform (fees/mo.)
- Digital marketing to customer base

Data services
- Customer behavior analysis (service fees)
- Customer cloning (service fees)
- Customer/non-customer marketing
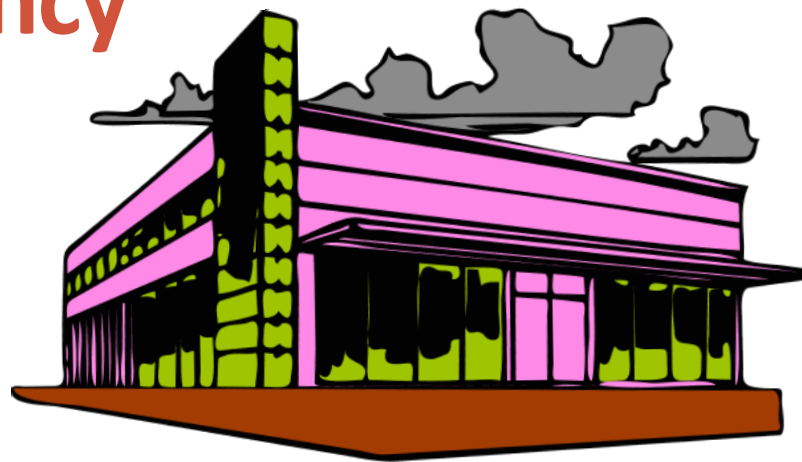
Beacon solutions
- Provide the tech platform
- Provide marketing based on the data

Promotions & events
- In-store events, contests, loyalty programs, celebrity appearances, etc. (project fees)
- Marketing campaigns to drive traffic

Recruitment services
- Employer brand campaigns
- Social media recruiting
- Pre-qualified leads in your inbox

Recapping....

IT'S UP TO US – will we change ourselves from newspaper companies into local media companies?

AUDIENCE

- Will we use all effective media to provide virtually everyone with an abundance of information they will use in their lives every day?

ADVERTISING

- Will we serve a huge number of local businesses with a full suite of media solutions, reaching a full range of audiences, to bring local buyers through the door?

Contact me:

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APPENDIX

1. One-sheet on person-centered news

2. Sample account-growth email

3. Sample monthly market-share report

What do I want to know today?
The 21st-century definition of local news

Local, time-sensitive, person-centered information. Such as:

What's going to affect me?
For instance:
- Events
- Crime
- Weather
- Safety and welfare hazards
- Traffic on my routes
- New businesses near me
- Changes in key services (e.g., trash collection, cable service, fire protection, water service)

What might be good opportunities for me?
For instance:
- Things to do
- Events
- Seasonal activities
- Cool bargains
- Free stuff
- Family stuff
- New restaurants
- Big hiring opportunities

What will people be talking about? (What do I need to know to avoid looking stupid?)
For instance:
- Funny, odd, horrible or great things that happened
- Local gossip and scandal
- Major civic squabbles and controversies
- "Gee whiz" local news (and very big non-local)
- Big sports developments affecting local favorite teams
- Anything causing people to say, "Did you hear?" or "Did you know?"
- Local buzz on social networks

What are the cool, interesting, important or smart people in our community talking about and doing?
For instance:
- What's on their Facebook pages?
- What are they tweeting about?
- What things from the lists above are getting their attention?
- What's keeping them up at night?

What are the local knuckleheads, sociopaths and oddballs doing?
For instance:
- Crime news and criminals
- Interesting/odd police reports
- Oddities that local people are doing or involved in

What do I need to defend myself against?
For instance:
- Pending civic decisions that might affect me
- Rate hikes
- Traffic problems
- Rezoning hearings near me
- School policy changes

What discussions might I want to see or join?
For instance:
- Facebook, Google+, Twitter
- News discussion threads
- Athenstalks.com

The best way to get much of this would be the "crowd" – local people. Which calls for a new kind of reporting in which we wire ourselves into networks of local people – on Facebook, Twitter, Instagram, etc. – and see what's getting their attention. And we draw on them to help us get the information we share with our audiences.

Every day -- emails to sales reps & managers

MPG - Daily New Business & Active Account Trackers - 9/9 - Message (HTML)

File   Message

From: Wendt, Stefanie
Sent: Wed 9/10/2014 7:22 AM
To: Simpson, Les; Brown, Cindy L.; Griggs, Co...; Ashley; ... ; ...; ...; Morrissey, Scot; Magness, Jordan; Traylor, Tracy; Catoe, Ashley; Murphy, Christa; Wages, Jena; Fuller, Jessica; Jackson, Laura; Bennewitz, Thomas; Harrell, Windy; Traylor, Tracy; Atkins, Dana; Edwards, Nate; Gordon, Ryan; Miller, Brett; Edwards, Nate; Jones, Shatara; Burkhart, Frank; Abraham, Jennifer; Gordon, Jessica; Starrette, Melissa; Corley, Robert; Bielinski, Sean; Richardson, Shaquana; Ross, Whitney; Gordon, Ryan; Sanders, Sherry; Iaco, Joseph; Goodman, Katie; Krysevig, Angela; Poventud, Natalie; James, Sarah; Ginter, William; Williams, Meagan; Ahrens, Zachary; Willbanks, Betsey; May, Molly; Allen, Sarah; Mallett, Tara; Ahrens, Zachary; Lane, Mark; May, Derek; McKenzie, Deedie; Gilbert, Robert; Romaner, Michael; Griffin, Dana;

Cc:

Subject: MPG - Daily New Business & Active Account Trackers - 9/9

Message   MPG - Daily Close Report - 9_9.xls (200 KB)   Active Acct ...

Report for Sept. 9

Attached is your daily close report for new, infrequent and los...lapsed b...

Here is a summary of this week so far:

Market	Daily Sales Goal	Mon 8-Sep			Tue 9-Sep		
		#	% to Goal	AVO	#	% to Goal	AVO
Amarillo	2	0	0%	$ -	0	0%	$ -
Athens	1	1	100%	$ 55	2	200%	$ 107
Augusta	1	2	200%	$ 245	1	100%	$ 1,500
Bluffton	1	1	100%	$ 208	1	100%	$ 250
Conway	1	0	0%	$ -	0	0%	$ -
Jacksonville	2.8	2	71%	$ 761	6	214%	$ 971
Juneau	1	0	0%	$ -	0	0%	$ -
Lubbock	2	1	50%	$ 1,014	4	200%	$ 149
Savannah	1	0	0%	$ -	0	0%	$ -
St. Augustine	1	5	500%	$ 255	0	0%	$ -
Topeka	2.4	1	42%	$ 287	2	83%	$ 121
Totals	16.2	13	80%	$ 378	16	99%	$ 616

Closed Won Opportunities in Sugar - New, In...

New accounts closed yesterday
(New / inactive 90 days; min. 3-month orders)
- Daily sales goal – the number of new business closes needed each day
- Number of sales for the day, by market
- Average value of the orders, by market
- Totals across the whole company

Here is our daily *Active Account tracker* for **September** that shows how each market is pacing toward their goal.

September 2014 as of 9/10	Current Month Booked	Goal for Month (LY Actuals or adjusted)	% to Goal	Difference to Previous Day	# of Accts. to add per Day to make Goal	Aug 2014 Actuals
Bluffton	306	345	88.70%	8	7	348
Jacksonville	755	1,003	75.27%	22	17	1,085
St. Augustine	326	450	72.44%	23	6	438
Savannah	486	740	65.68%	15	13	673
Amarillo	529	815	64.91%	18	18	811
Augusta	676	1,092	61.90%	32	28	977
Topeka	427	716	59.64%	23	17	639
Athens	218	400	54.50%	16	14	368
Lubbock	370	685	54.01%	9	20	678
Newspaper Division	*4,093*	*6,246*	*65.53%*	*166*	*139*	*6,017*
MSD	236	285	82.81%	-	3	263
MPG Total	*4,329*	*6,531*	*66.28%*	*166*	*143*	*6,280*

There are **15** business days left in the month to make goal (including today).

Daily pacing report for the month
- Total accounts on the books to date
- Goal for the month
- Percent to goal
- Total booked accounts needed each day
- Previous month's actual totals

Wendt, Stefanie

Monthly market-share report – to all publishers and VPs of sales

MPG Local Revenue & Active Account Comparison - August 2014

Includes Local Retail, Recruitment, Real Estate, Automotive and Digital Services

(does not include Major Retail, National, Classified Legals, Classified Other)

Market share – dollars

Market share – accounts

Total	Revenue					# of Accounts					Average Spend		
	TY	LY	% Var	Potential*	Market Share	TY	LY	% Var	Potential	Market Share	TY	LY	% Var
##########	##########	##########	0.7%	##########	17.5%	811	891	-9.0%	11,989	6.8%	$ 834	$ 754	10.6%
##########	##########	##########	-13.3%	##########	12.0%	368	439	-16.2%	8,321	4.4%	$ 699	$ 676	3.5%
##########	##########	##########	-3.9%	##########	10.5%	977	1,170	-16.5%	20,449	4.8%	$ 841	$ 732	15.0%
##########	##########	##########	7.6%	##########	5.5%	348	363	-4.1%	7,759	4.5%	$ 500	$ 445	12.2%
##########	##########	##########	-1.5%	##########	6.1%	1,085	1,065	1.9%	71,172	1.5%	$1,398	$1,446	-3.3%
##########	##########	##########	-17.9%	##########	14.0%	678	785	-13.6%	15,355	4.4%	$ 897	$ 944	-4.9%
##########	##########	##########	-3.0%	##########	9.9%	673	596	12.9%	16,090	4.2%	$ 880	$1,024	-14.1%
##########	##########	##########	20.8%	##########	15.0%	438	386	13.5%	9,966	4.4%	$ 620	$ 583	6.5%
##########	##########	##########	-5.2%	##########	10.6%	639	659	-3.0%	9,185	7.0%	$ 774	$ 792	-2.3%
Newspaper Division	##########	##########	**-3.7%**	##########	**9.5%**	**6,017**	**6,354**	**-5.3%**	**160,320**	**3.8%**	**$ 900**	**$ 885**	**1.7%**
Main Street Digital	##########	##########	23.2%	##########		264	199	32.7%			$ 561	$ 604	-7.2%
MPG Total			**-3.2%**		**9.8%**	**6,281**	**6,553**	**-4.2%**	**160,320**	**3.9%**	**$ 886**	**$ 877**	**1.0%**