

50 Shades of Pay

The case for revenue diversification beyond digital
advertising and digital subscriptions

50%

The Problem

“Fully two-thirds of the print advertising at the nation’s newspapers has dried up since hitting a record high of \$47.4 billion in 2005.”

– *Alan D. Mutter*
Reflections of a Newsroom

Digital Advertising

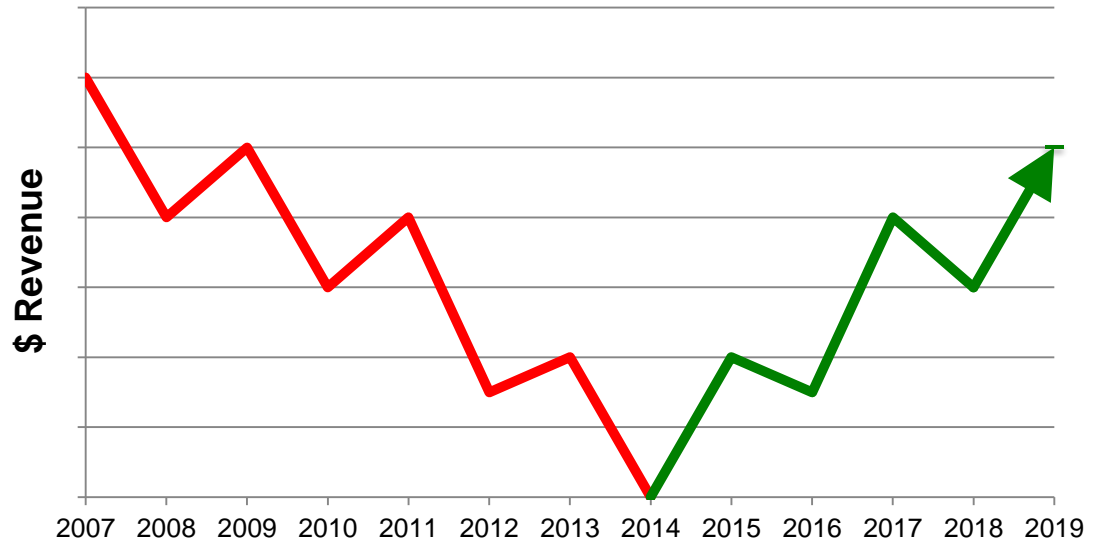
+

Digital-Only
Subscriptions



Not enough!

The solution to the U.S. newspaper industry business model problem is easy:
Restart sustainable year-over-year revenue growth.



HOW to restart sustainable revenue growth is the industry conundrum.



This much we know:

You cannot cut your
way to *sustainable*
profitability.



What not to do...

*At present, your
print edition is the
essential component
of your brand.*

Diminish your print edition
and:

- You diminish your brand
- You affirm the “death-of-newspaper” narrative

The Catholic
Telegraph

News-Sun

NAVAJO TIMES

Denton Record-Chronicle

BH MEDIA GROUP
A Berkshire Hathaway Company

Shaw Media

Post-Bulletin American Press

The Post and Courier

The Seattle Times

★ StarTribune

granite
publications

Ask your CFO:

*“Where is the value of my
brand calculated on that
spreadsheet?”*

The Catholic
Telegraph

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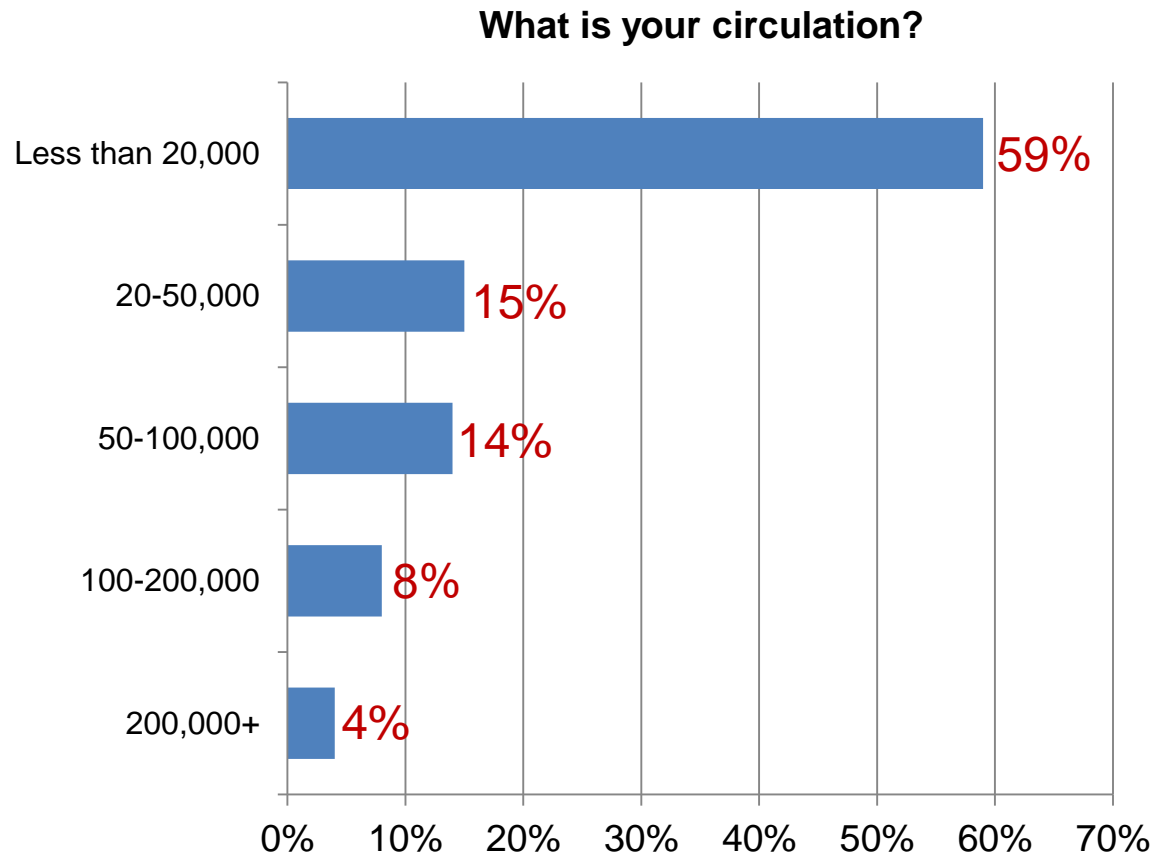
granite
publications

“We do not believe that success will come from cutting either the news content or frequency of publication.”

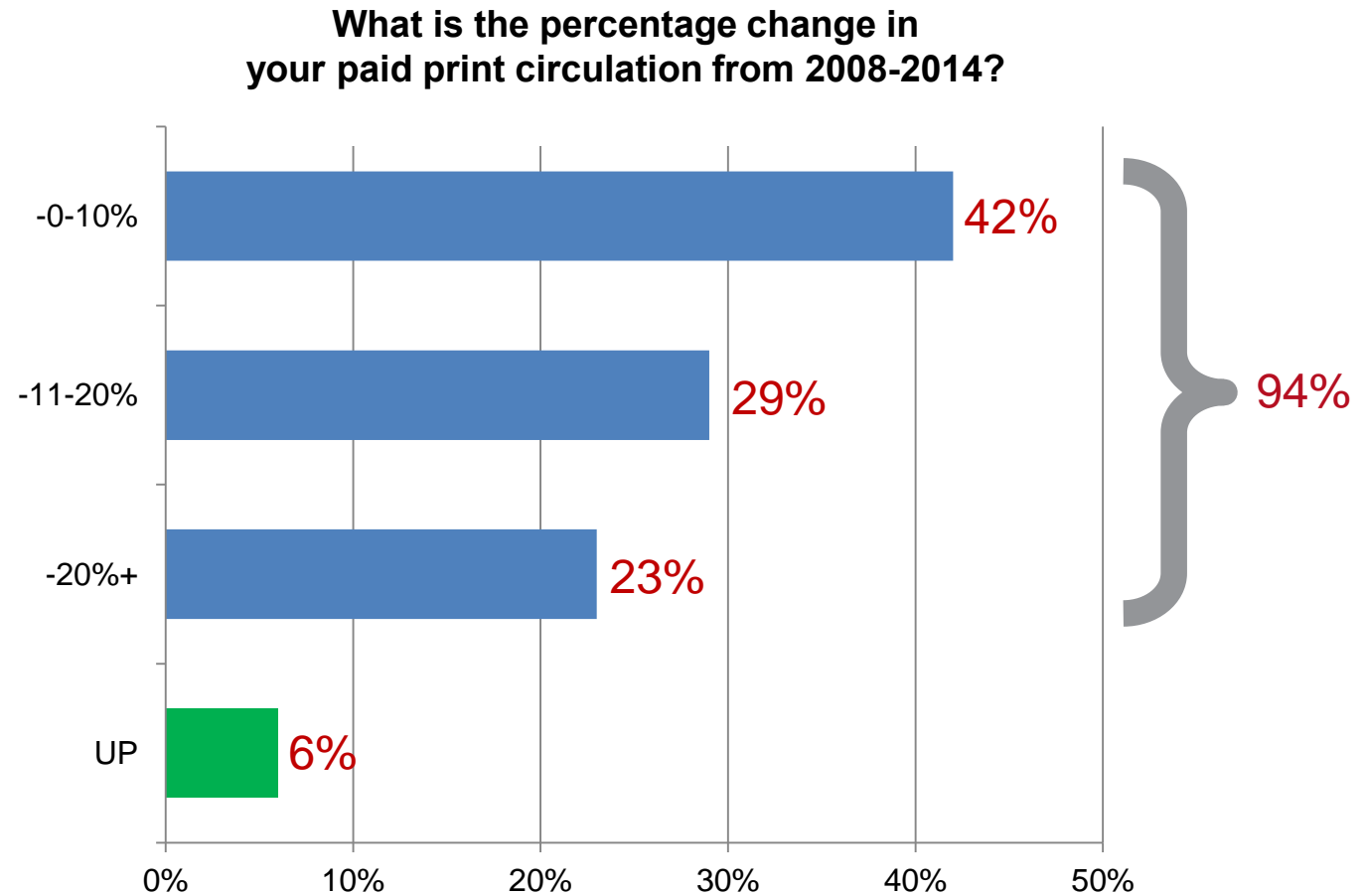
– *Warren Buffett*

The Research

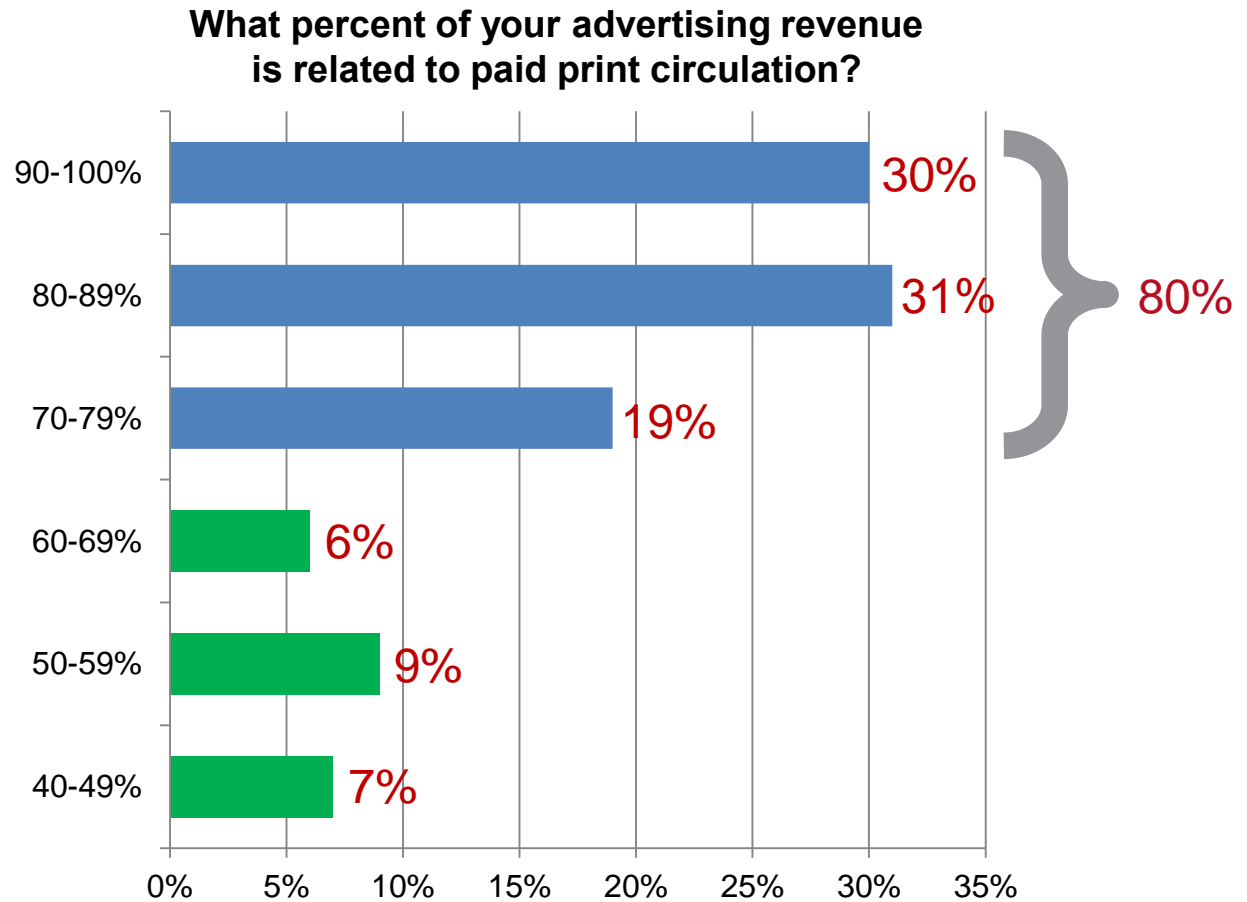
112 newspapers
responded to
the survey.



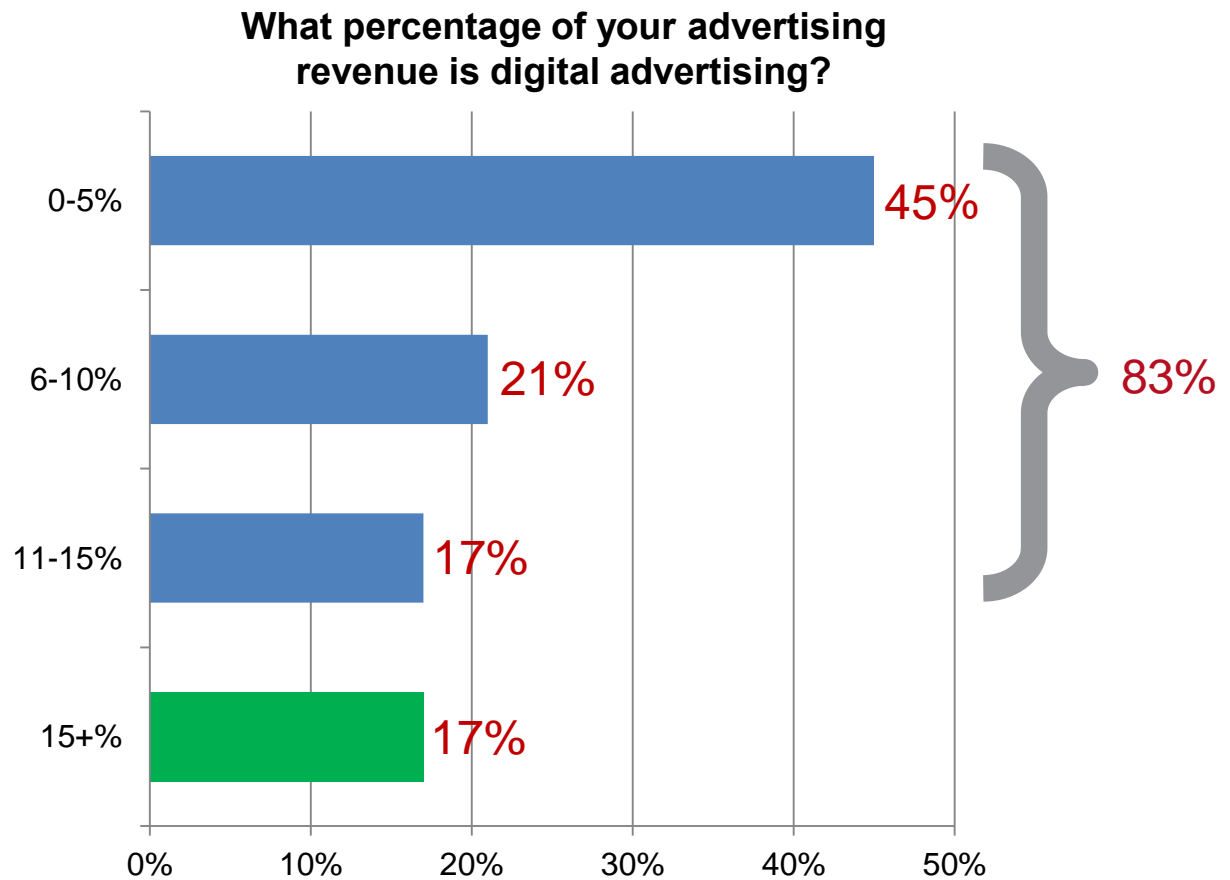
*Paid print
circulation
is in
decline.*



*Paid print
circulation
still drives
advertising
revenue.*



Digital advertising alone is not the antidote.



“Many publishers’ digital revenues have been on an upward swing in recent years – but not enough to fill the gaps left by print.”

– *Justin Ellis*
*What’s Actually Working
in Digital Advertising*

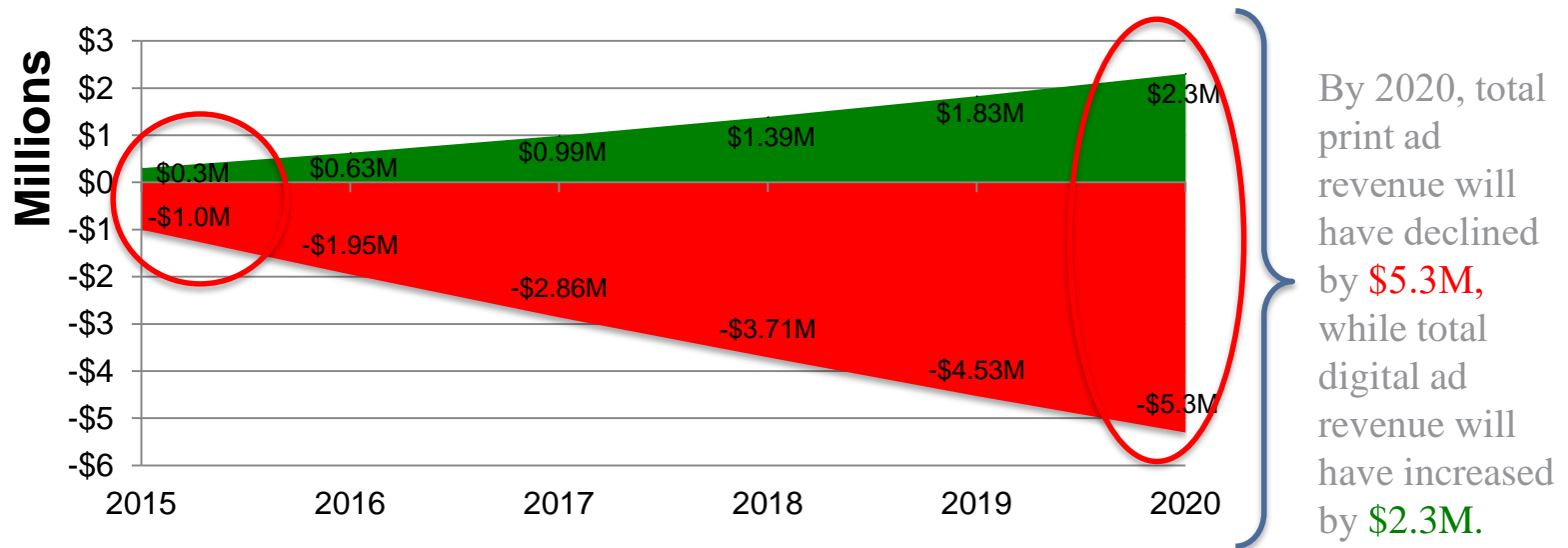
More challenges:

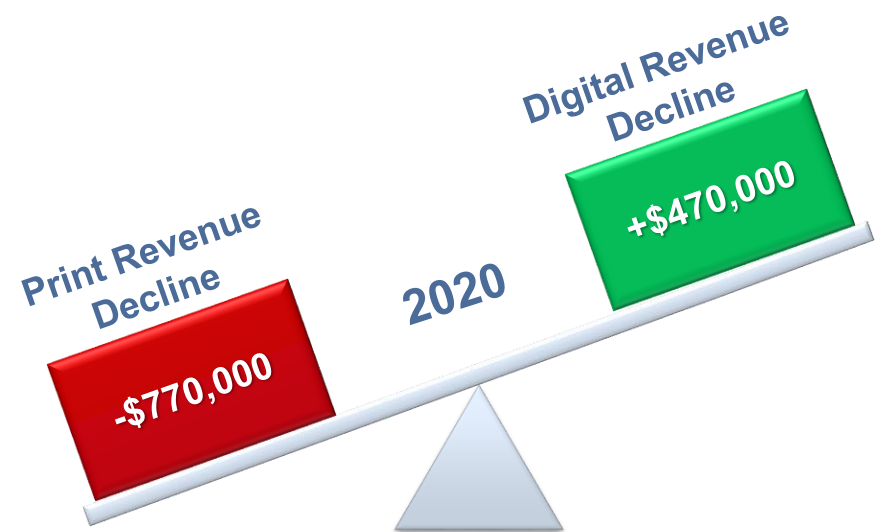
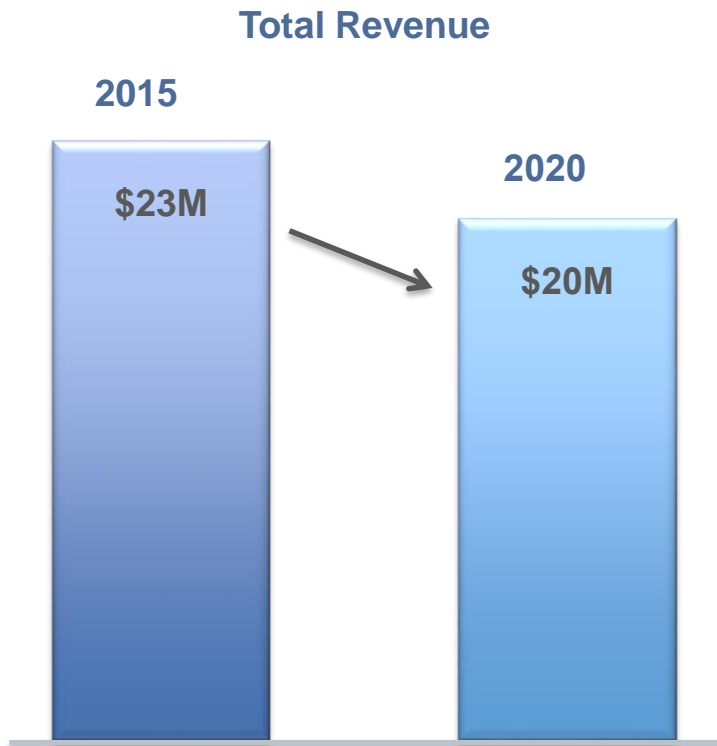
- *Viewability*
- *Ad Blocking*
- *Bot traffic fraud*

The “big number – small number” problem:

\$3M in digital advertising = 15%: **+10% growth per year**

\$20M in print advertising = 85%: **-5.0% decline per year**





10 years later!

Annual Digital ad revenue growth exceeds
annual print ad revenue decline ...

Your total ad revenue (**digital growth** - **print decline**)
will be 20% lower.

Digital Growth/Print Decline Break-Even Analysis

Print/Digital @ 85%/15%		Digital Ad Revenue CAGR			
		5%	10%	15%	20%
Print Ad Revenue CAGR	-5%	Year 18	Year 12	Year 10	Year 8
	-6%	Year 16	Year 12	Year 9	Year 8
	-7%	Year 15	Year 11	Year 9	Year 7
	-8%	Year 14	Year 10	Year 8	Year 7
	-9%	Year 13	Year 10	Year 8	Year 7
	-10%	Year 12	Year 9	Year 8	Year 7
	-11%	Year 11	Year 9	Year 7	Year 6
	-12%	Year 10	Year 8	Year 7	Year 6
	-13%	Year 10	Year 8	Year 7	Year 6
	-14%	Year 9	Year 8	Year 6	Year 6
	-15%	Year 9	Year 7	Year 6	Year 6

Digital Growth/Print Decline Break-Even Analysis

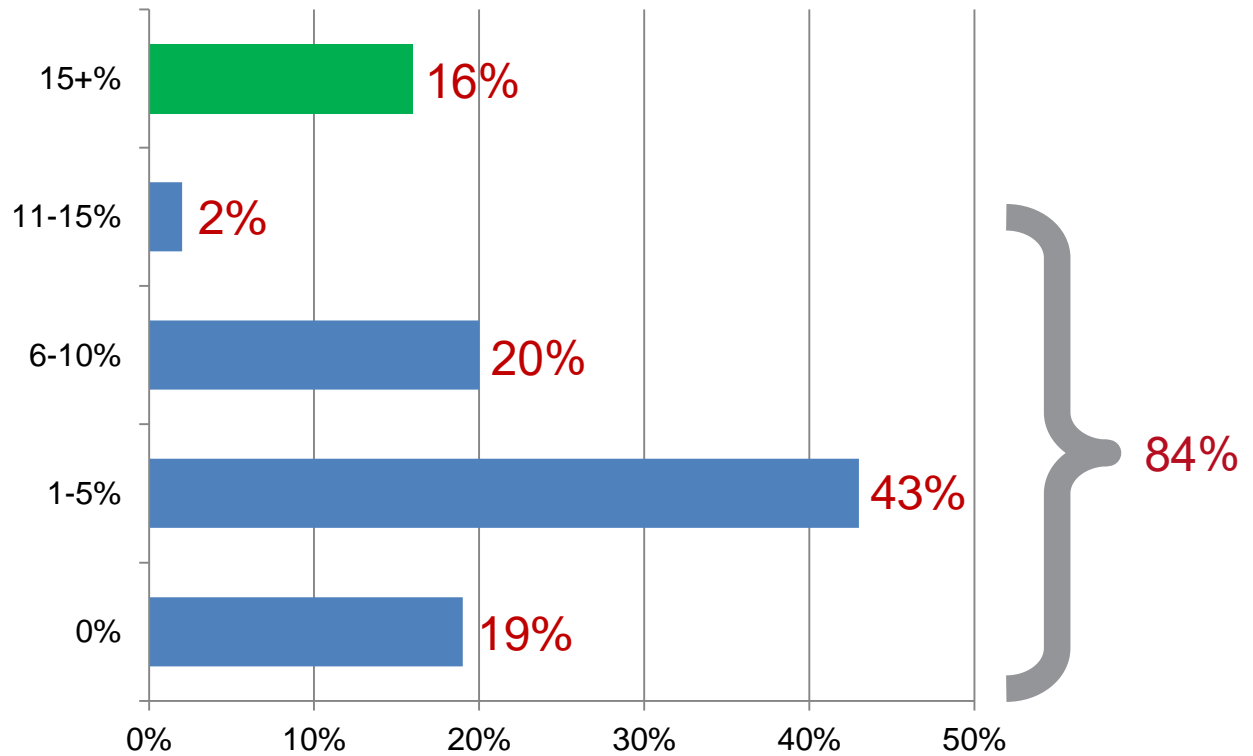
Print/Digital @ 90%/10%		Digital Ad Revenue CAGR			
		5%	10%	15%	20%
Print Ad Revenue CAGR	-5%	Year 22	Year 15	Year 12	Year 10
	-6%	Year 20	Year 14	Year 11	Year 8
	-7%	Year 19	Year 14	Year 11	Year 8
	-8%	Year 17	Year 13	Year 10	Year 8
	-9%	Year 16	Year 12	Year 10	Year 8
	-10%	Year 15	Year 11	Year 9	Year 8
	-11%	Year 14	Year 11	Year 9	Year 8
	-12%	Year 12	Year 10	Year 9	Year 8
	-13%	Year 12	Year 10	Year 8	Year 7
	-14%	Year 12	Year 9	Year 8	Year 7
	-15%	Year 11	Year 9	Year 8	Year 7

Digital Growth/Print Decline Break-Even Analysis

Print/Digital @ 95%/5%		Digital Ad Revenue CAGR			
		5%	10%	15%	20%
Print Ad Revenue CAGR	-5%	> 25 Years	Year 21	Year 16	Year 13
	-6%	> 25 Years	Year 19	Year 15	Year 13
	-7%	Year 25	Year 18	Year 14	Year 12
	-8%	Year 23	Year 17	Year 14	Year 12
	-9%	Year 21	Year 16	Year 13	Year 11
	-10%	Year 20	Year 15	Year 13	Year 11
	-11%	Year 18	Year 14	Year 12	Year 10
	-12%	Year 17	Year 14	Year 12	Year 10
	-13%	Year 16	Year 13	Year 11	Year 9
	-14%	Year 15	Year 12	Year 11	Year 9
	-15%	Year 14	Year 12	Year 10	Year 9

Digital-only subscriptions do not appear to be a sufficient answer either.

What is the number of your digital-only subscribers as a percentage of paid print subscriber base?



Let's use The Dallas Morning News to do the math on digital-only subscriptions:

- 200,000 paid print subscribers
- Charge \$9.99/month to 15% of print base
- 30,000 digital-only subscribers \$9.99/month 12 months = \$3.6 million/year
- That's 4.5% of *The Dallas Morning News*' annual print circulation revenues.



Mobile audiences
are growing like
wildfire.

*That's going to
be the answer.*



The good news:
Look at these
growth
percentages!

The bad news:
Look at these
CPMs!!

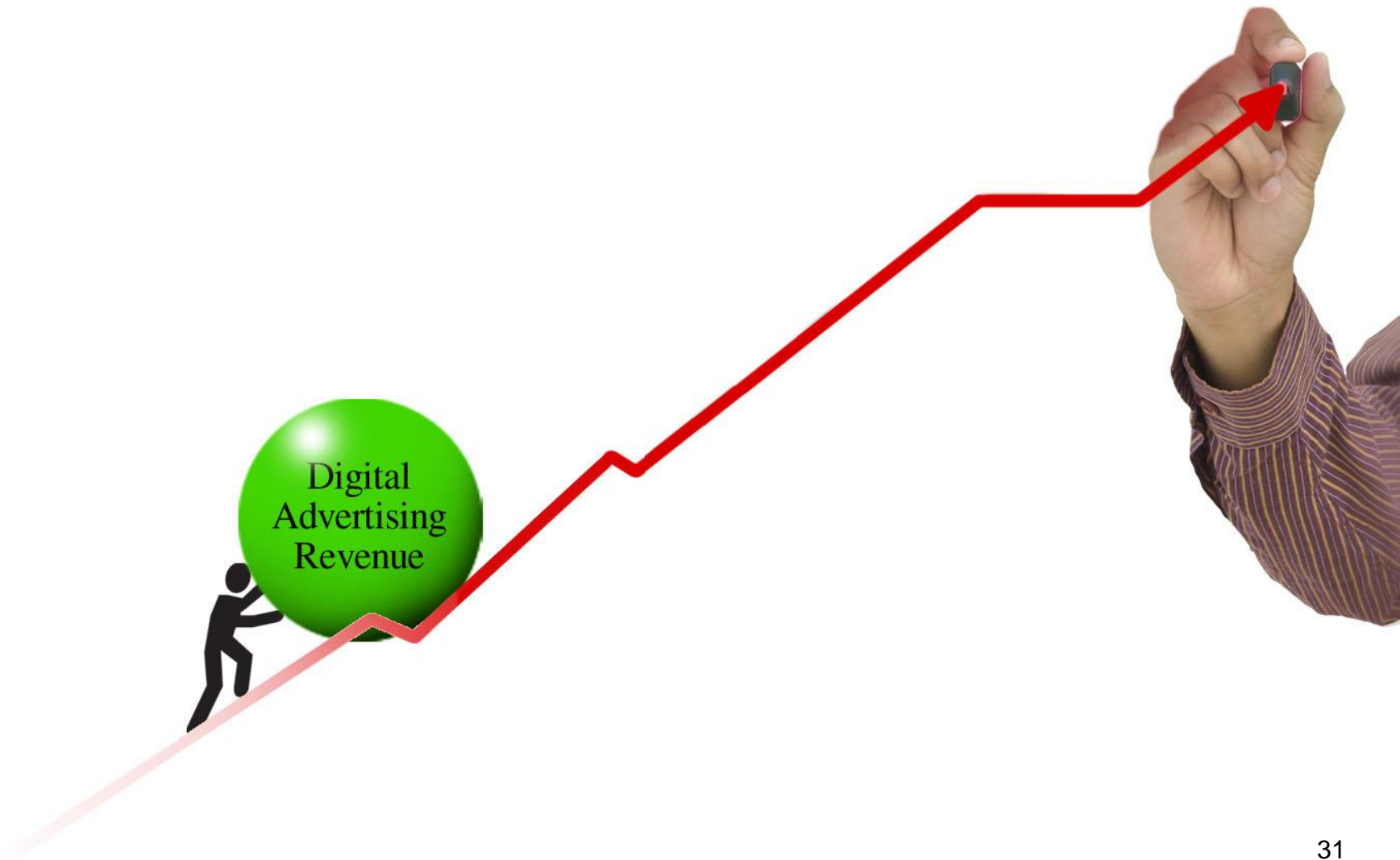
Mobile Phone Display Advertising					
	Ad Revenue vs. Pr Yr Qtr	Ad Imp vs. Pr Yr Qtr	Sell Through	Paid CPM	Paid CPM vs. Pr Yr Qtr
Q2 2014	168%	20%	83%	\$2.61	35%
Q3 2014	56%	37%	78%	\$3.05	6%
Q4 2014	42%	31%	73%	\$3.80	9%
Q1 2015	45%	40%	73%	\$2.84	8%
Q2 2015	45%	53%	73%	\$3.01	4%
Q3 2015	44%	48%	72%	\$3.21	5%
Q4 2015	59%	18%	70%	\$3.67	35%

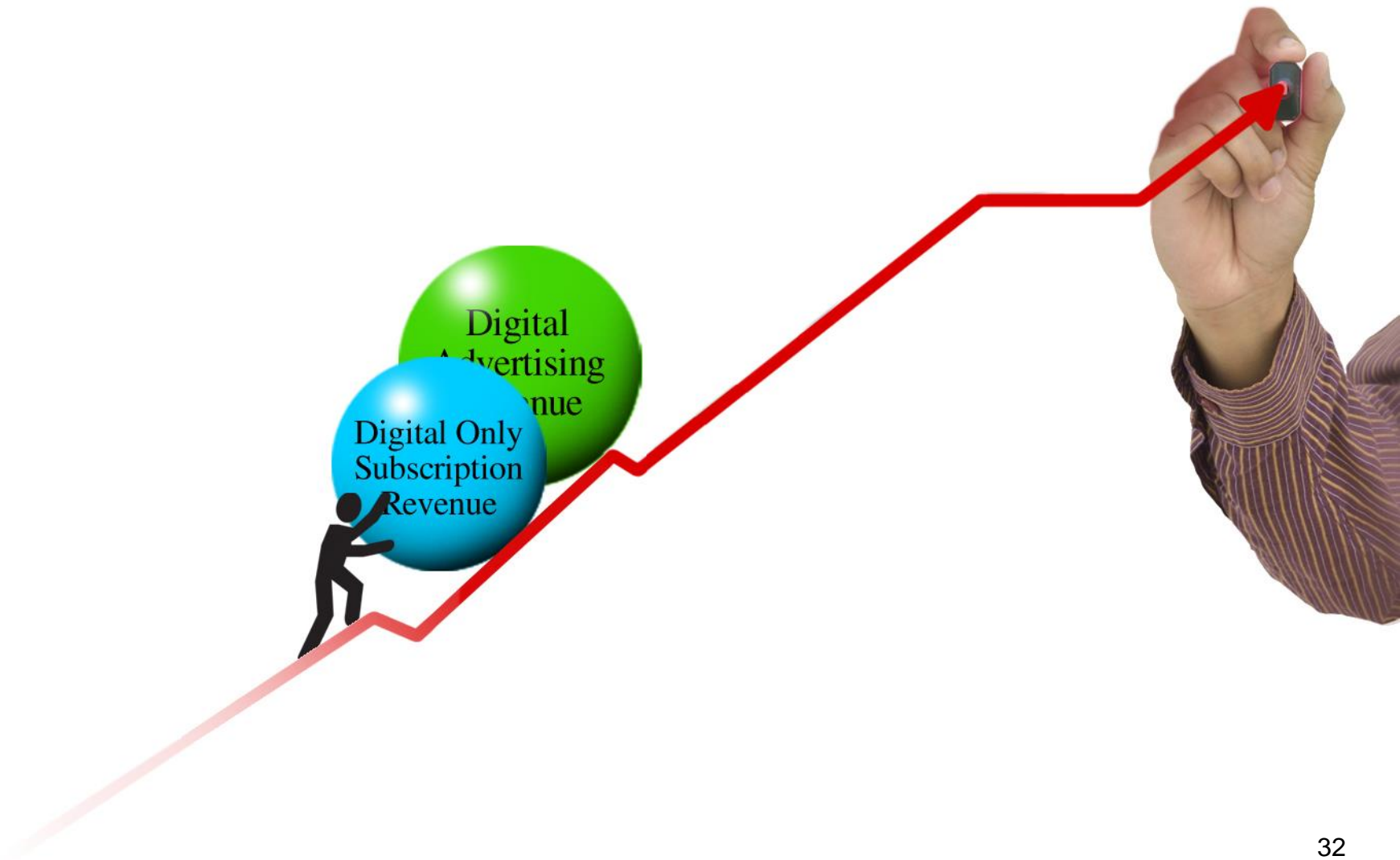
Mobile Reality Check

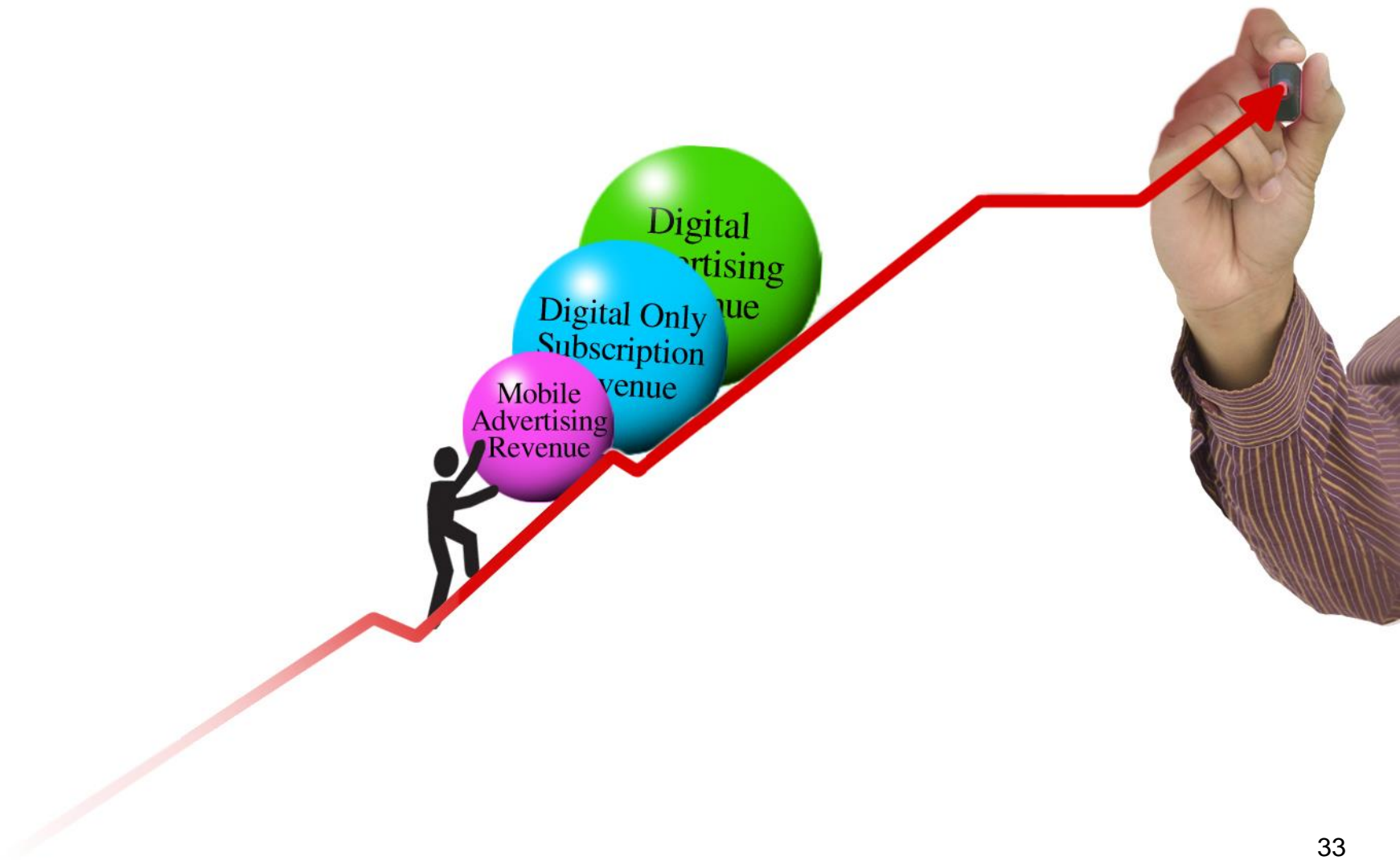
- Digital ad impressions served per month: 100,000,000
 - Sell thru: 100%
 - CPM: \$3
- Annual Revenue: *\$3.6 million*

“We’re living in a world of infinite inventory.
In that world, prices always trend toward
zero, and that is our challenge.”

– *Tony Haile*
Founder/CEO, Chartbeat









Goal:

Attain consistent year-over-year growth in total revenue by 2017

Strategy:

Accomplish this goal in two ways:

- Through a dedicated sustaining innovation process (build)
- Through a dedicated business development process (buy)

At *The Dallas Morning News*, our revenue growth strategy is based on these assumptions:

- We can leverage our brand and our resources to build and acquire new sources of revenue.
- It is easier to upsell a current customer than to acquire a new one.
- Marketing is, and will continue to increasingly be, a multichannel discipline.

Step One:

Establish a process for “sustaining innovation.”

This is different from “disruptive innovation.”

“Sustaining innovation” is the practice of improving or extending current products or launching new products you build yourself for the purpose of creating incremental revenues.

Sustaining Innovation

Event Marketing

CROWDSOURCE

Content Marketing



Programmatic



connect

Apps



Newspaper



Niche Products



Magazines



Proof of Performance

PROVEN
PERFORMANCE
MEDIA
YOUR BLUEPRINT TO MEASURED SUCCESS



UT
San Diego

The Seattle Times

ajc

The Atlanta
Journal-Constitution

Austin American-Statesman

THE OKLAHOMAN

The Washington Post

Web



CrowdSource

- One Day University: 11 events in 2015
- Untapped Beer Festivals: Dallas, Fort Worth, Houston, Austin and San Antonio
- Savor: Wine and Food Festival weekend event
- The Reunion: Outdoor Concert
- Aurora: Arts District, art, technology and music event

Average Paid Attendance
250
6,500
6,000
8,500
50,000 (free)

Total Revenue for 2015: **more than \$4 million**

Speakeasy

- Content Marketing Agency
- 30% owned by Slingshot, a full-service agency
- Started in September, 2012 and first profitable month was December, 2013
- 37 active accounts
- 15 were TDMN clients first

Total Revenue for 2015: \$5.0 million

Step Two:

Establish a permanently staffed and funded **business development unit** to make acquisitions of additional channels of marketing.

It is not certain that you can outrun the pace of revenue decline related to paid print volumes by only implementing a sustaining innovation strategy.

Business Development



Event Marketing

CROWDSOURCE

Niche Products



Content Marketing



Programmatic



connect

Newspaper



Magazines



Apps



Web



Promotions

MARKETINGfx

Proof of Performance

PROVEN
PERFORMANCE
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YOUR BLUEPRINT TO MEASURED SUCCESS



UT The Washington Post
San Diego The Seattle Times
Austin American-Statesman
ajc The Atlanta Journal-Constitution
THE OKLAHOMAN

Essential Components of Acquisitions:

1. Acquire businesses that give you more ways to market to consumers. *It's a multichannel marketing world.*
2. Select businesses for which you can leverage your brand and your resources to provide a competitive advantage in your market: Your larger sales force, your larger base of customers, your marketing muscle, etc. *Improve the trajectory of the acquired company's revenue growth.*
3. Select successful businesses which have owners who:
 - Want to continue to run the business for at least three years
 - Retain at least a 20% ownership stake
 - Will agree to a three-year non-compete when departing*Learn the business from them.*

Essential Components of Acquisitions:

4. Organize, hire and train a sales force that can efficiently sell cross-channel marketing campaigns. *You will only be as successful as your sales force is successful.*
5. Sell audiences – not products. *Audiences are the common denominator that bind together cross-channel marketing campaigns.*
6. Demonstrate ROI: Provide targeting, measurement and attribution. *Change the conversation from one about expense to one about investment.*

Acquisition Target Categories

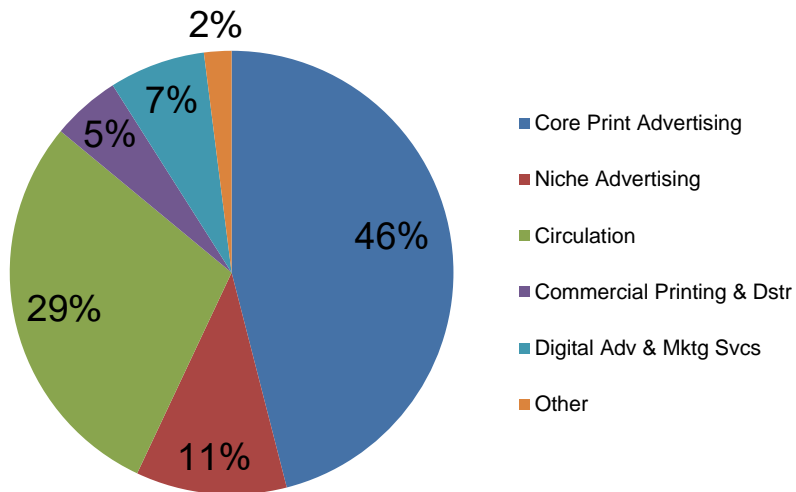
- Marketing automation platforms
- Data analytics
- Mobile Web/app development
- Direct mail (variable digital printing and ink jet web)
- Out-of-home (digital boards, wallscapes, kiosks)
- Hispanic media
- Video production

DMV in 2015

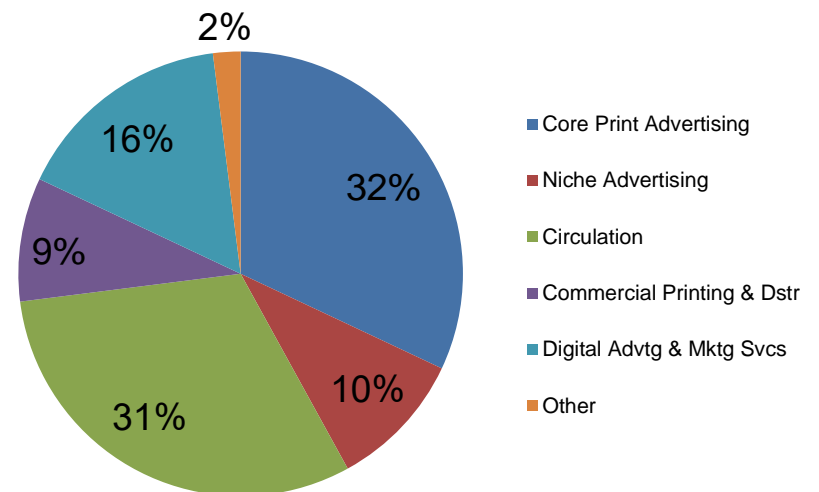
	<u>2015</u>
Accounts sold by TDMN into DMV	187
Revenue from Accounts	\$1.3 million
TDMN AEs selling into TDMN	61%

Diversification of Revenue Sources 2010 to 2015

Distribution of Revenue 2010



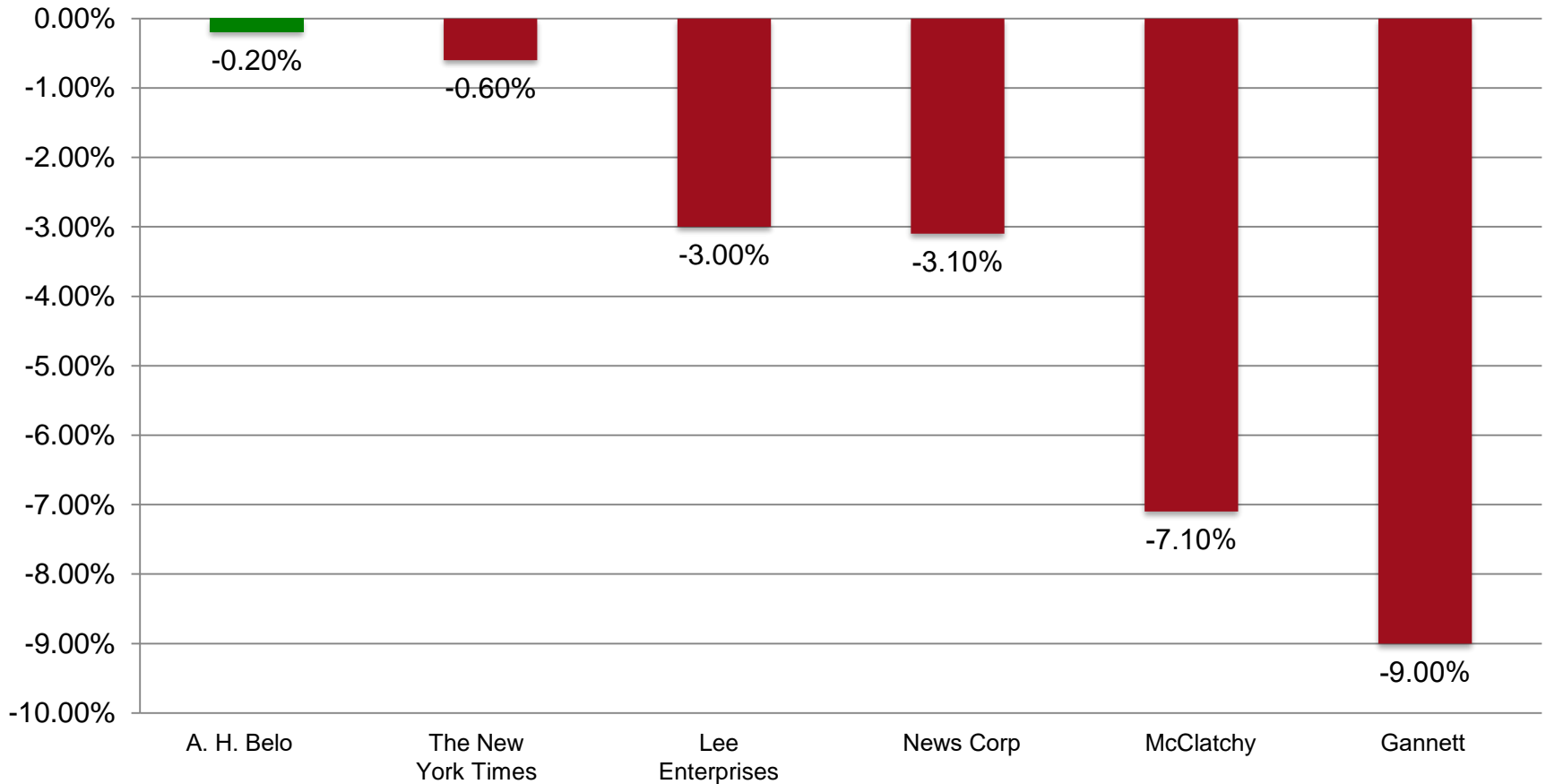
Distribution of Revenue 2015



Composition of Revenue in 2010 and 2015

	2010 % of total	2015 % of total	
<u>Declining</u>			
Core Print Advertising	46%	32%	
Total	46%	32%	
<u>Sustaining (sort of)</u>			
Niche Publications	11%	10%	
Circulation	29%	31%	
Commercial Print and Distribution	5%	9%	
Miscellaneous	2%	2%	
Total	47%	52%	
<u>Growth</u>			
Digital Advertising + Marketing Services	7%	16%	
Total	7%	16%	
Total Revenue	100%	88%	CAGR -2.5%

Full Year 2015 Total Revenue % Change versus Prior Year



Become the company in your market that businesses go to first to invest their marketing dollars in order to profitably sell more of their goods and services.

Do this by becoming the undisputed leader in your market in providing the most owned cross-channel marketing capabilities supported by targeting, measurement and attribution.

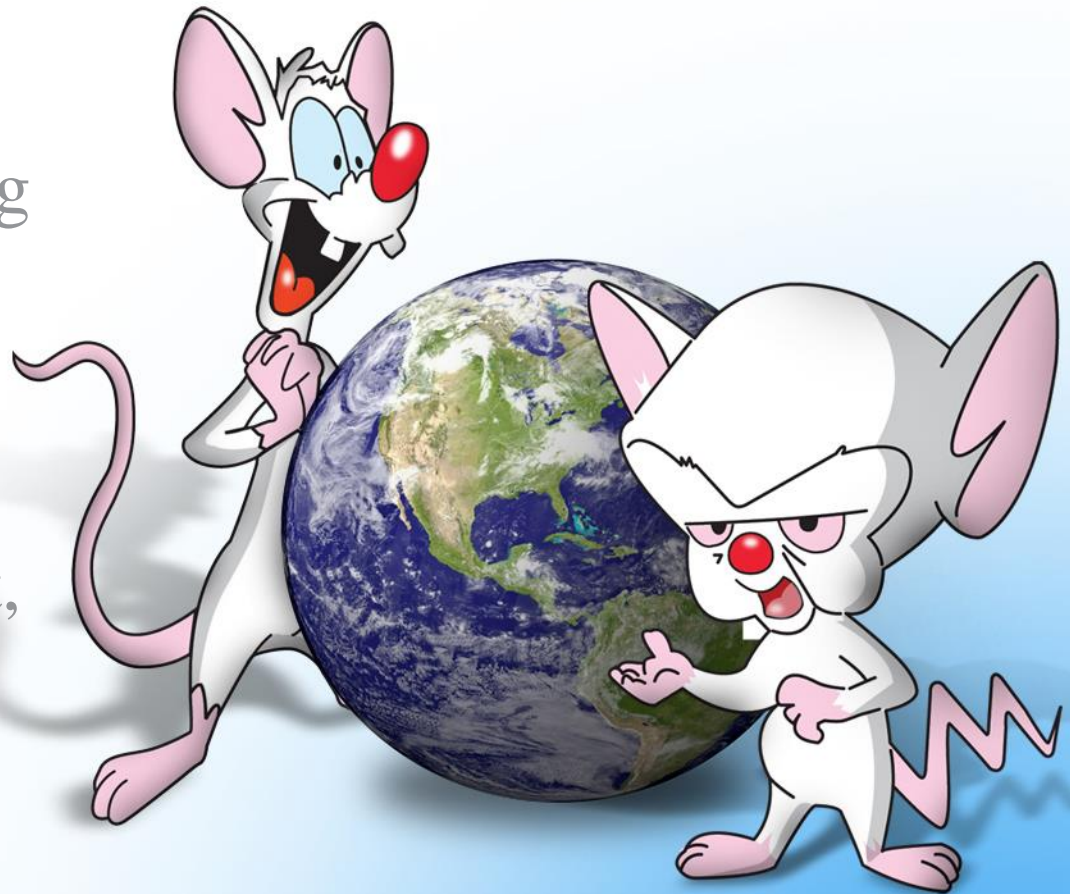
Pinky:

“Gee Brain.

What are we going to do tonight?”

Brain:

“The same thing we do every night, Pinky, try to take over the world.”



“Gee Jim.
What are
we going
to do
today?”



“The same
thing we do
every day,
Mike. Save
Democracy.
”