

Looking for Love in Not Enough Places

One Solution to the U.S. Newspaper Industry's Business Model Challenge

In the United States, 50% or more of the city, county and state government reporting is done by newspaper companies.

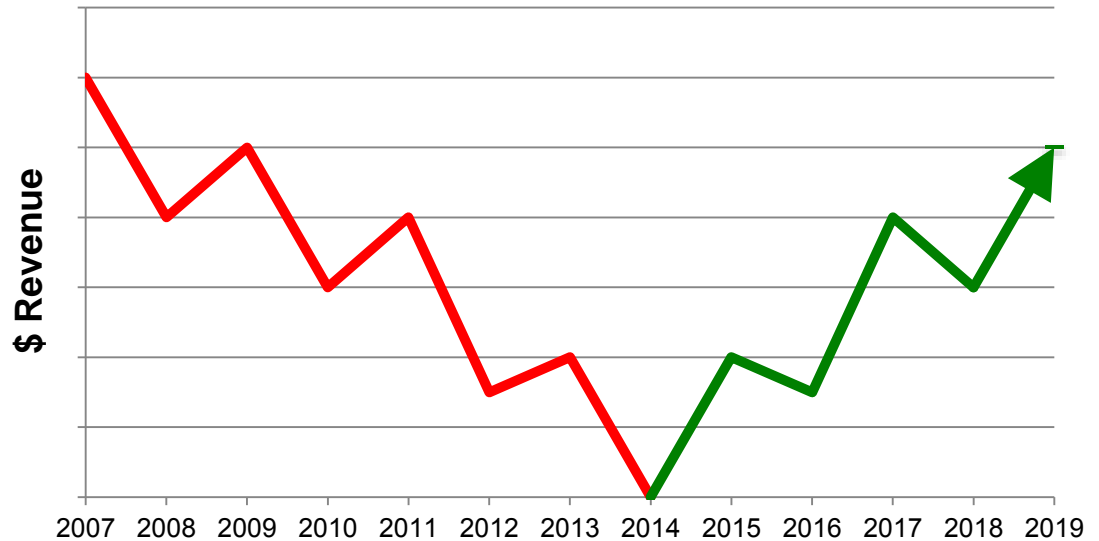
If we go away, so does this reporting.

The Problem



Industry revenues related to paid print edition volumes are declining faster than the industry can replace them with revenues from digital advertising and digital-only subscriptions.

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:*

We must restart
revenue growth
and discontinue
cutting our way to
profitability.



What not to do...

Your most valuable asset is your brand:

- Strength and stability
- Attracts customers and business partners
- Is critical to diversifying your sources of revenue



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

Diminish you print edition and:

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



When your CFO shows you the spreadsheet that “demonstrates” how you can be more profitable by discontinuing home delivery on certain days, ask this question:

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



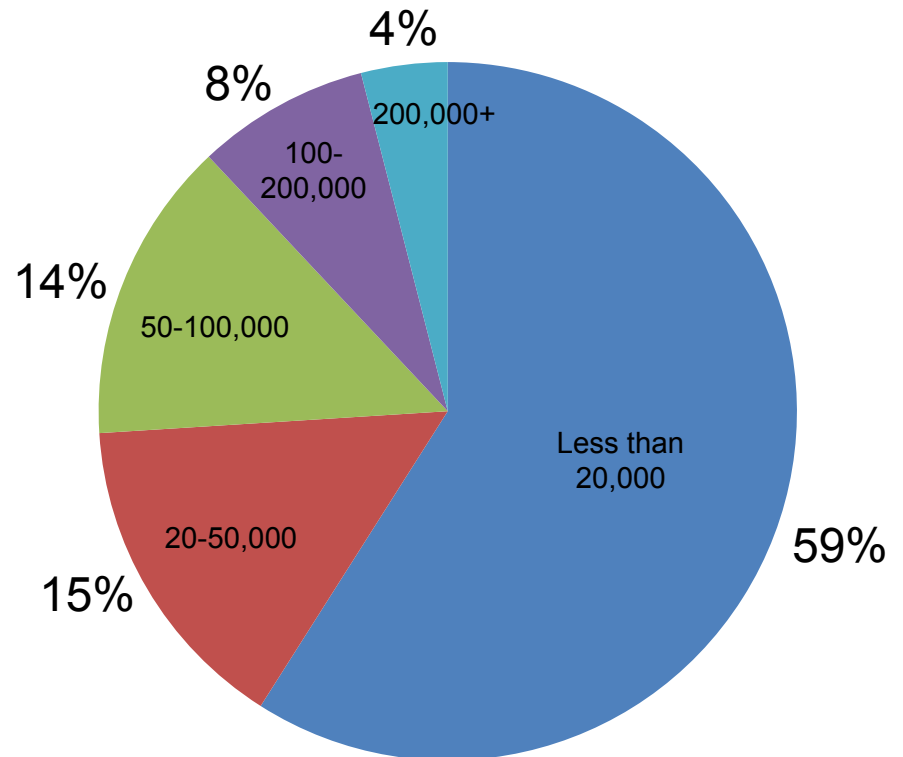
“We do not believe that success will come from cutting either the news content or frequency of publication.”

– *Warren Buffett*

The Research

112 newspapers
responded to the
survey.

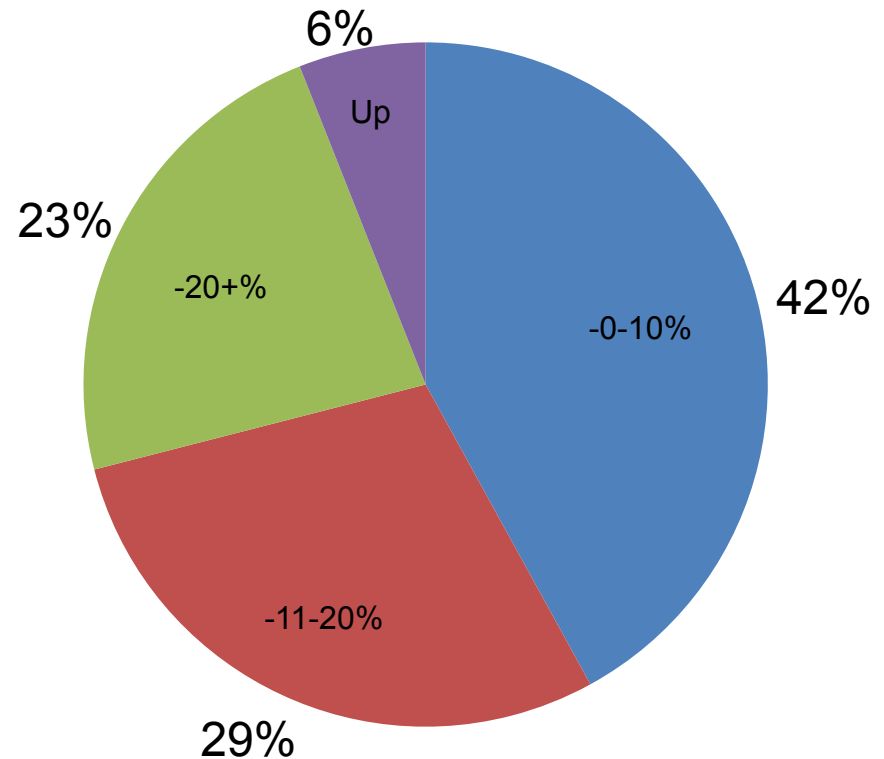
Circulation composition of responding newspapers



***Paid print volumes
are in decline.***

94% of responding
newspapers print
circulation volume
from 9/30/08 –
9/30/14.

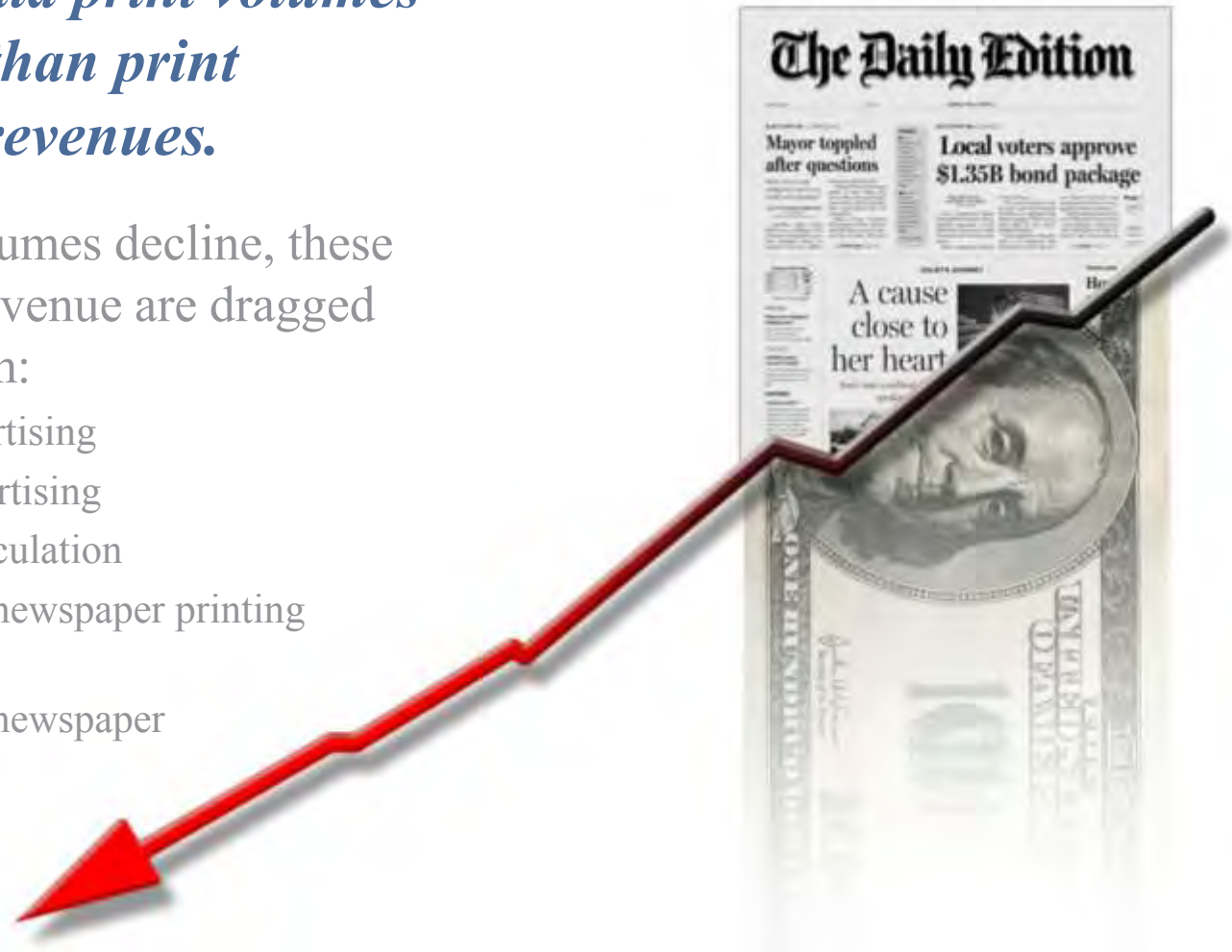
**Distribution in decline of paid
print volumes 2008-2014**



Declining paid print volumes effect more than print advertising revenues.

When print volumes decline, these categories of revenue are dragged down with them:

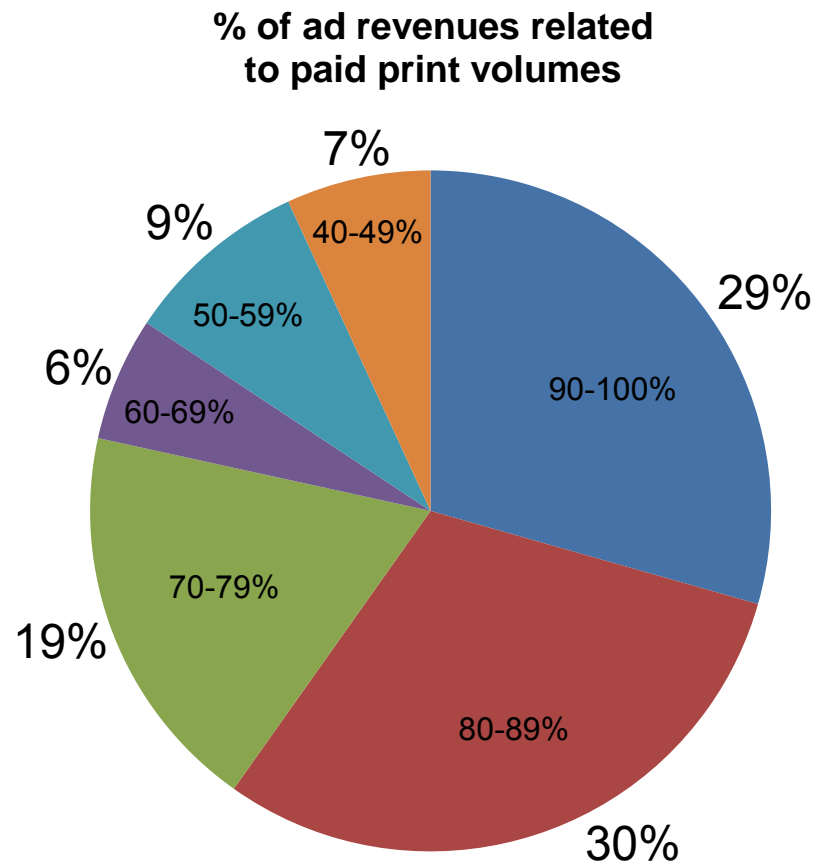
- Display advertising
- Preprint advertising
- Paid print circulation
- Commercial newspaper printing accounts
- Commercial newspaper distribution accounts



Print volumes still drive advertising revenues.

80% of respondents said 70% or more of their advertising revenue is related to paid print volumes.

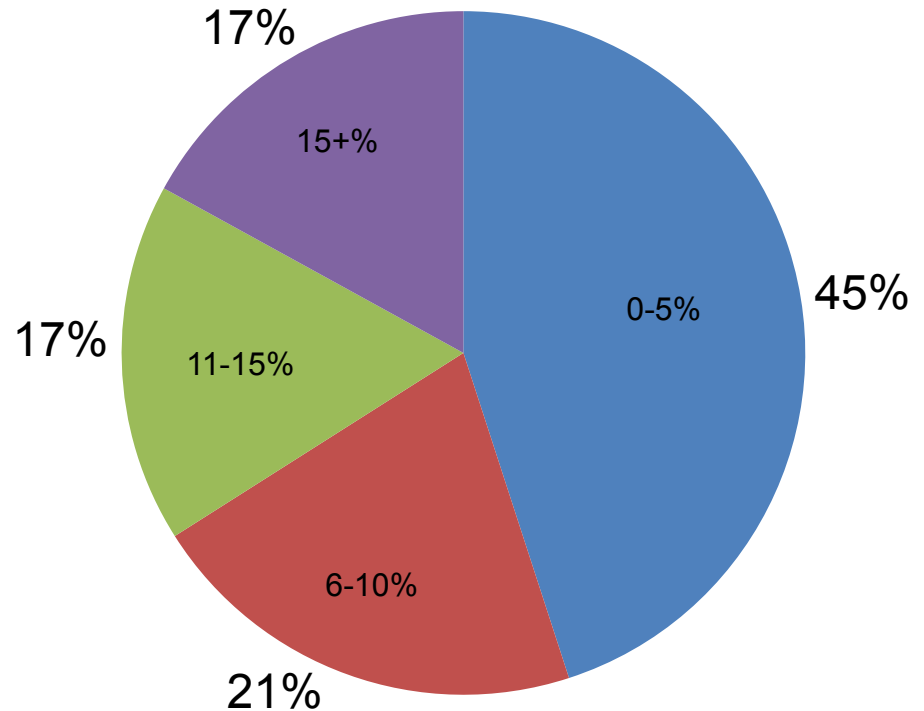
What can you do?



*Digital advertising
alone is not the
antidote.*

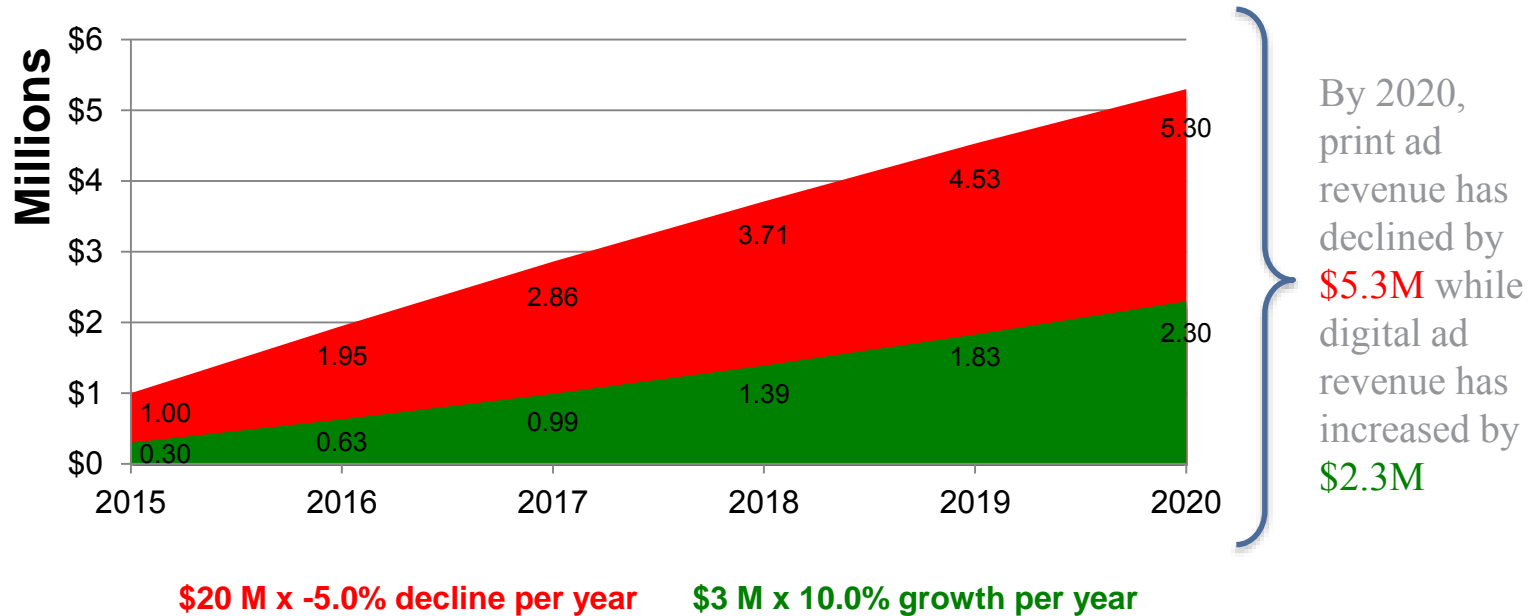
83% of respondents
derive 15% or less of
their total advertising
revenue from digital
advertising.

What percent of your advertising
revenue is digital advertising?



The “big number – small number” problem:

\$20 M in print advertising: 85%
\$3 M in digital advertising: 15%



After 6 years, total revenue declined by \$3.0 M or -13%.



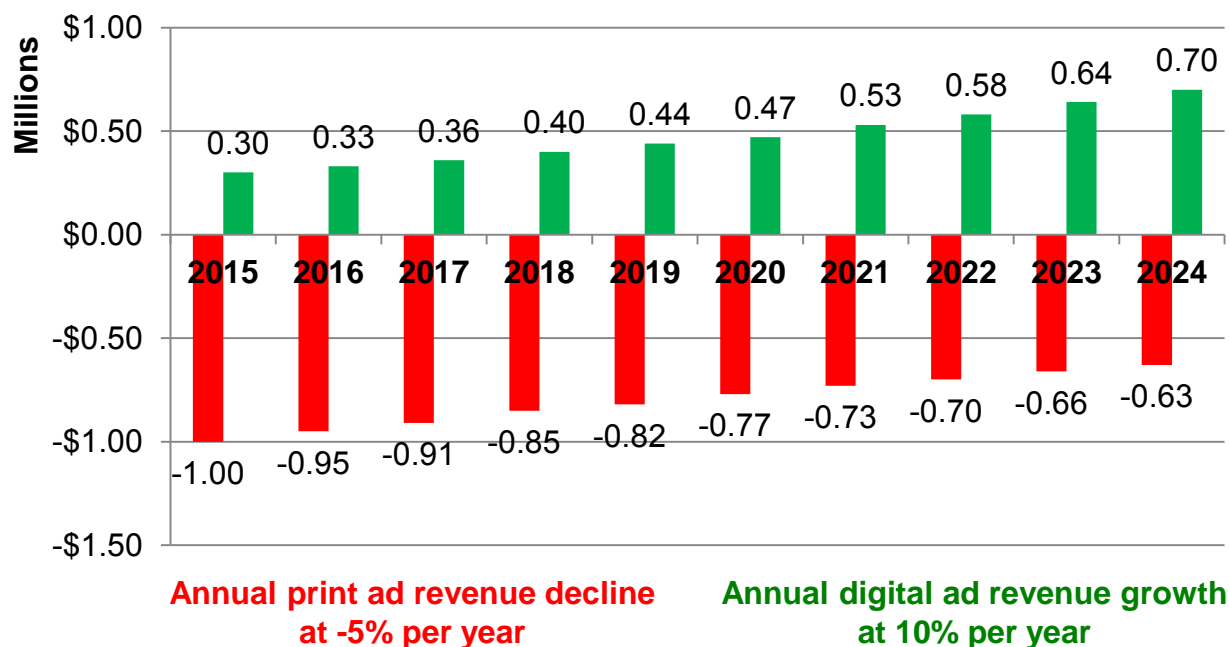
In the sixth year or 2020, the decline print ad revenue still exceeded digital ad revenue.



Digital ad revenue growth finally exceeds print ad revenue decline in 2024...
10 years later!

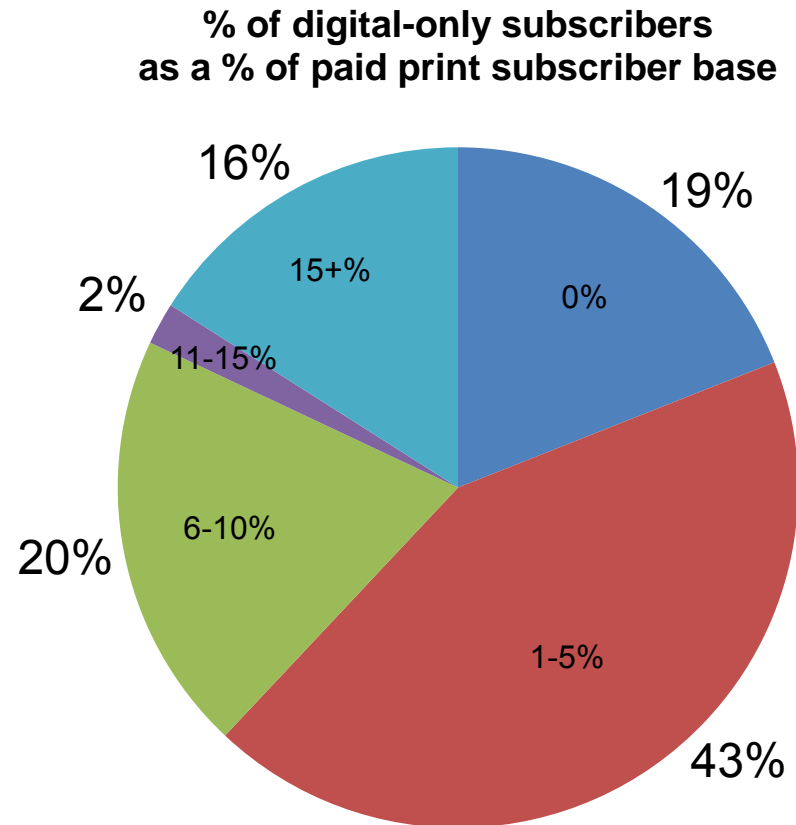
By 2023, total print advertising revenue has *declined by \$8.0 million or -40%.*

Total ad revenue has *declined by \$4.75 million or -20.6%.*



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

According to our respondents, 84% had a base of digital-only subscribers that was 15% or less of their paid print subscriber base.



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

- 250,000 paid print subscribers
- Charge \$9.99/month to 15% of the subscriber base
- 37,500 digital-only subscribers
\$9.99/month
12 months
= \$4.5 million/year
- That's 5.5% of *The Dallas Morning News*' annual print circulation revenues.



Hold on!

Mobile advertising
revenue.

Mobile audiences
are growing like
wildfire.

*That's going to be
the answer.*



The good news:

Look at these
growth
percentages!

	Ad Revenue vs. Pr Yr Qtr	Ad Imp vs. Pr Yr Qtr	Sell Through	Paid CPM	Paid CPM vs. Pr Yr Qtr
Q4 2013	+91%	+67%	+76%	\$2.90	+1%
Q1 2014	+43%	+35%	+80%	\$2.80	+7%
Q2 2014	+42%	+19%	+81%	\$2.98	+18%
Q3 2014	+50%	+38%	+76%	\$3.44	+8%

The bad news:

*Look at these
CPMs!!*

Mobile Reality Check

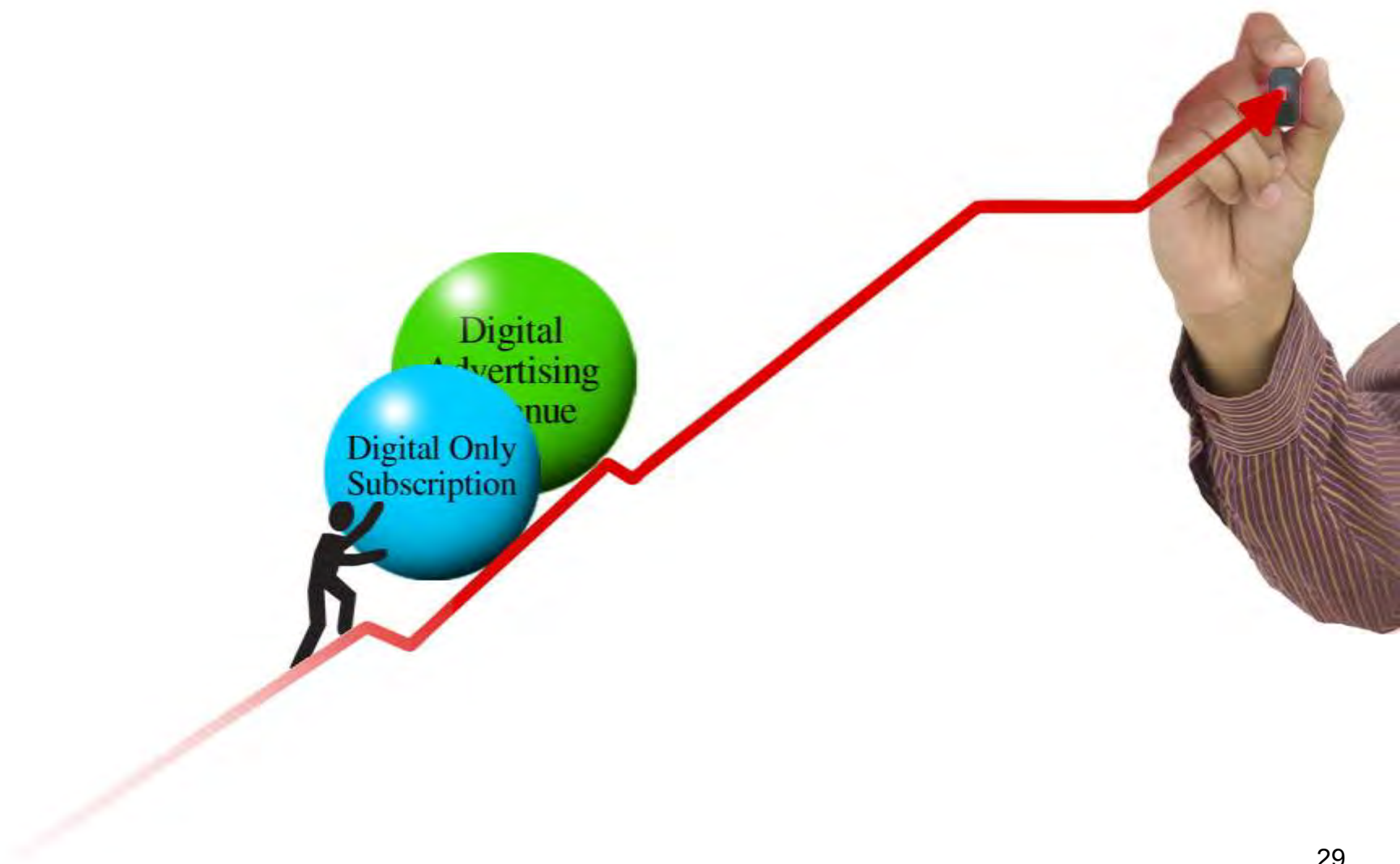
- Page views per month: 100,000,000
 - Ads per page: 1
 - Sell thru: 100%
 - CPM: \$3
- Annual Revenue: *\$3.6 Million*

“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:

- Our brand and our resources can be leveraged to build and acquire new sources of revenue.
- It is easier to upsell a current customer than to acquire a new one (can I offer you fries with that shake?).
- Marketing is, and will continue to be increasingly, a multi-channel discipline.

Step One:

Establish a process for “sustaining innovation.”

This is not “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

Newspaper



Sustaining Innovation



Sustaining Innovation



Sustaining Innovation



Sustaining Innovation



Sustaining Innovation



Sustaining Innovation



Sustaining Innovation



Composition of Revenue in 2014

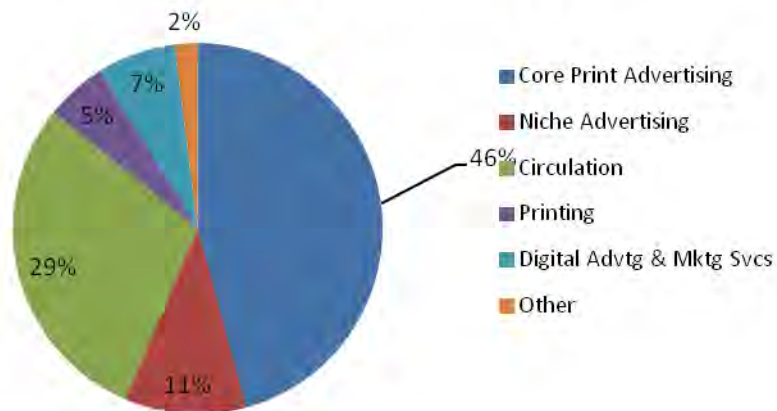


Diversification of Sources of Revenue in 2015

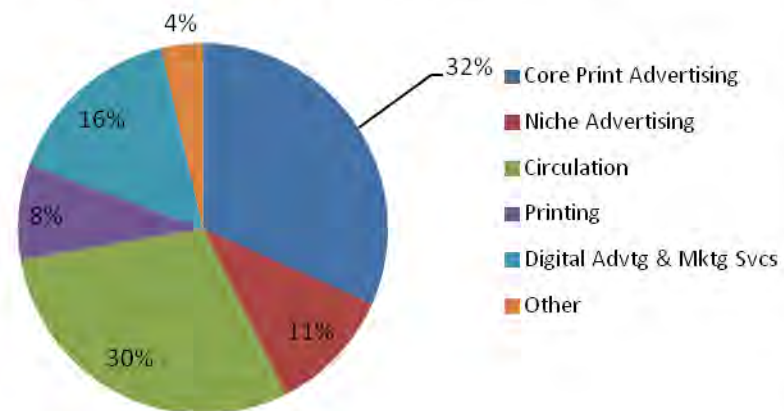


Diversification of Sources of Revenue 2010 to 2015

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%	11%	
Circulation	29%	30%	
Commercial Print and Distribution	5%	8%	
Miscellaneous	2%	2%	
Total	47%	51%	
<u>Growth</u>			
Digital Advertising + Marketing Services	7%	17%	
Total	7%	17%	
Total Revenue	100%	91%	CAGR -1.8%

Step Two:

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

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

Essential Components of Acquisitions:

1. Acquire businesses that give you more ways to market to consumers. *It's a multi-channel 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 their 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 he leaves

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 salesforce is successful.*
5. Sell audiences – not products. *Audiences are the common denominator that bind together cross-channel marketing campaigns.*
6. Provide targeting, measurement and attribution.
7. Demonstrate ROI. *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)
- Out-of-home (digital boards, wallscapes, kiosks)
- Hispanic media
- Video production

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?”

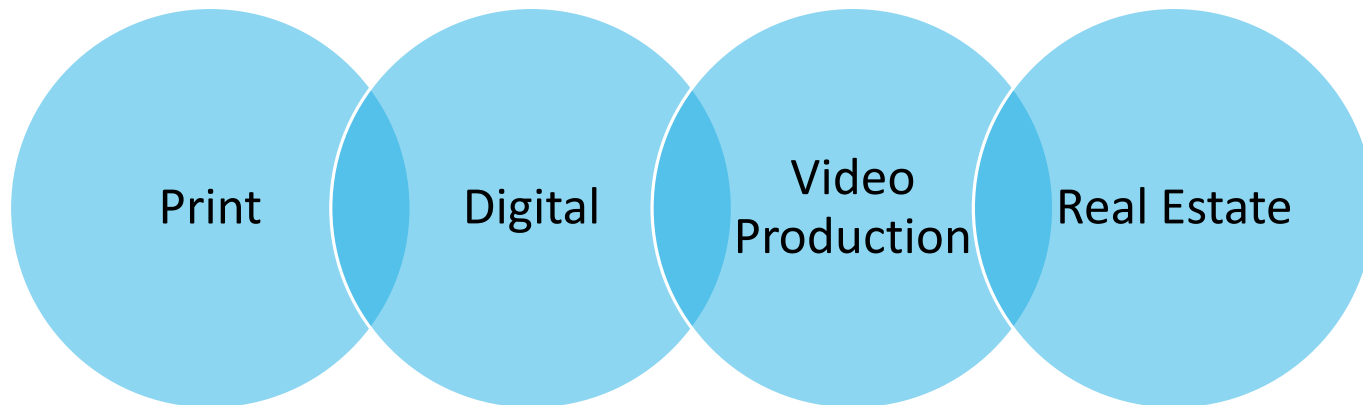


“The same
thing we do
every day,
Mike. Save
Democracy.”



Local Media Reimagined

Calkins Media Revenue Diversification: Print Division





THE UNION OF A MEDIA & REAL
ESTATE FRANCHISE

The Opportunity

In 2012, Uniontown Newspapers had virtually no real estate lineage in any of their print or digital products. NO REAL ESTATE MARKETPLACE EXISTED.

Brokers in Southwestern PA relied solely on marketing their listings through a FREE monthly magazine along with Zillow and Realtor.com.

The perception among brokers was that newspapers didn't sell homes nor could they effectively market or brand their agencies.

The Creation

SWC Properties is an independent LLC under the Uniontown Newspaper, Inc. umbrella.

Pennsylvania allows a media company to own a real estate company as long as you have a licensed broker.

SWC was named after Stanley Willis Calkins, Founder of Calkins Media.

SWC Properties opened on March 1, 2013.

The Goals

Market homes better than any other agency by utilizing Uniontown Newspaper's entire portfolio of products and services.

Brand SWC agents better than any other agency to aid in recruiting and retaining the best agents in the market.

Strengthen the entire franchise via continual development of synergies between Uniontown Newspapers and SWC Properties.

The Synergies



www.swcproperties.com



www.housetohomeshow.com

[m](http://www.housetohomeshow.com)

Year 1 Results

SWC Performance

10% market share in sales volume; 5% operating margin

100% startup debt paid in full

Six full time agents; three finished in the Top 10 of all Fayette Co. agents

Uniontown Newspaper Performance

Launched real estate marketplace

24% increase in total real estate classified revenue

Digital Growth, including video (SWCProperties.com & housetohomeshow.com)

Year 2 Results

SWC Performance

16% real estate market share in sales volume

20% operating margin

Four of eight full time agents finished the year in the Top 10 of all Fayette Co. agents. SWC produced Fayette County's Rookie Agent of the Year

Uniontown Newspaper Performance

Increased real estate classified revenue (33% increase since 2012)

Digital growth (SWCProperties.com & housetohomeshow.com)

Retail growth (SWC Marketing Folder - \$27,000)

Video

*The Art of out
TV-stationing
the TV stations*

The Concept

Create a myriad of interesting, entertaining and credible shows with a hyper-local focus

Develop multi-platform presence

Audience growth

New revenue stream

The Catch

Invest in market research

Invest in digital development

Invest in your newsroom

Invest in an expert

The Progress

3 Daily Newscasts

4 Weekly Shows

3 Monthly Shows

Dozens of daily reporter
clips

The Platforms

Web

Mobile web

Mobile app

Roku

Fire TV

The Results

Year 1: Six-figure top-line growth from pre-roll sponsorship

Year 2: 146% increase in revenue

Year 3 (projected): 80% growth as compared to Year 2; 340% growth since inception

Video views have increased 110% between 2013 and 2014