

The Next Newspaper Ad Sales Model

By Ed Strapagiel

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Time For A Change

The media world is much different today, but newspaper advertising is still being sold in much the same way as 10 years ago, and even 50 years ago. Time for a change? There may be little choice.

- Every newspaper department has to do more with less these days, including ad sales. This can only be accomplished through increased efficiency and productivity.
- The local advertising market is slipping through newspapers' fingers, and new approaches are needed to stop the erosion.
- What the next ad sales model might look like is not too difficult to figure out. It's being used by very competitors who are taking ad dollars away from newspapers currently.

The next generation newspaper ad sales model is likely to require significant change however, right down to the roots. It's not about how to play the old tune better – it's about getting a new piano.

“We’ve Always Done It This Way”

At most newspapers, the ad sales function is organized by product and advertiser type, a setup that has been place for decades. For practically everyone in newspaper ad sales today, it's a case of “we've always done it this way.”

Silo Selling

The old, conventional way is “silo selling”. Each sales department operates within the walls of its assigned area. But the shortcomings of silo selling are becoming more apparent and increasingly problematic.

- Advertising is now a multi-mode game. Selling bits and pieces one at a time doesn't fit, and it cuts off up-selling and cross-selling potential
- Silo selling betrays a legacy attitude, but there's a whole new generation of advertiser out there who wants to run things and has little patience for the newspaper's way of doing business.
- Ad sales silos are really a collection of sub-departments, each of which needs independent maintenance. Each silo also tends to develop its own tactics, rates, deals, discounts, rules, and procedures, which further entrenches the inflexibility of the sales organization.

Now look at it from the advertiser's point of view. Rules and procedures can vary from product to product. This is compounded across newspapers, which also vary in physical format. No wonder advertisers feel that buying newspaper is complicated.

Personal Selling

A related aspect of the current newspaper ad sales model is personal selling, whether it's by sales reps or call center operators. Here too, the limitations are becoming more evident.

- The fact of the matter is that personal selling is the most expensive way to sell, and it simply may not be financially sustainable going forward.
- Newspapers believe that their "feet on the street" is a competitive advantage, but this is being challenged by new competitors who can sell locally at very low cost.
- Up-and-coming advertisers have been raised on online search and Google Adwords, and they see personal selling as outdated and inefficient.

Even worse, how newspapers do personal selling is particularly costly. Many companies who rely on personal selling organize their sales force on a territorial basis, and expect the reps to handle all their business in the area. But newspapers have to send one rep per silo into each area.

Personal selling could still be viable if it produced the results it should, like maintaining advertiser loyalty or supporting a premium price. For newspapers however, this just isn't working anymore.

Low Tech And No Tech

A consequence of the current newspaper ad sales model is the poor use of basic technology and automation in the sales process.

Technology has been upgraded in some areas, like the call center, but most ad revenue is handled by sales reps. When the rep shows up at the advertiser's office, he or she pulls out a rate card, pen, paper, and a hand calculator. Indeed, the battery powered hand calculator, which came out in the mid 1970s, represents the last great technological leap forward in newspaper ad sales.

Lack of technology in newspaper ad sales is in large measure due to the specificity of the silos and the custom nature of personal selling. It doesn't lend itself to computer programming. Yet, newspapers are losing out to online operators whose success is built on automated sales models, all enabled by hi tech and the Internet. The wolf is already in the back door, armed with ten 500 GB network servers. The newspaper reaches for its holster and pulls out ... a hand calculator.

Scorecard: Internet And Newspaper Ad Sales

In these times, one would think that newspapers would want to make it as easy as possible for advertisers to spend their money. There's also this great new sales and marketing tool called the Internet. So how are newspapers doing?

The scorecard isn't very flattering.

- Perhaps only half of newspapers make their rate cards available online. These are sometimes in HTML format and not downloadable. Even when rate cards are available online, the link for "Advertising" can be difficult to find from among the hundred or so other links on the web page. Very few newspapers have a separate website just for advertisers.
- Most newspapers provide little or no promotional information or help for advertisers on their websites. Not one newspaper I'm aware of offers their rate card or market data in Excel or a similar format, that advertisers can download to copy and paste numbers for their own analyses.
- There's only a handful of newspapers that offer any online ad cost calculation tool for advertisers' use. Even to run an online only ad on many newspaper websites, you still have to contact a sales rep, because there is no online system to book an online ad.
- At many newspapers, one cannot fully complete a classified liner print ad transaction online. Even where facilities exist, the last screen may say something like "a representative will call". Almost no newspapers have any way for an advertiser to buy a print display ad online, and almost no newspapers offer an online print ad creation tool for display.

- Almost no newspapers offer web based billing, or are even capable of sending invoices out by email. In fact, most newspapers do not have a central file of advertisers' names and email addresses, which means no newsletter or other regular communications of any kind, one of the cheapest and simplest ways online is used for marketing.

While there are exceptions, newspapers don't properly support even their current ad sales model with the most basic online tools. This responsibility has been abdicated to a collection of technologically unsophisticated sales silos, which are irrevocably preoccupied with personal selling. So it doesn't happen.

There is also a general observation worth noting: overall, the editorial side of newspapers is well ahead of the ad sales end when it comes to online.

Do It Like Google

Despite the grim assessment, the fortunate part is that the concepts of a new ad sales model are already out there, well developed, proven in battle, and accepted by advertisers. But newspapers are going to need an open mind to appreciate it.

With 2007 sales of nearly \$17 billion, Google is arguably the most successful seller of advertising in the history of the universe. And it's not just Google – there's also MSN, Yahoo, Craigslist, Monster, and many others, all of whom are using new sales models to divert ad dollars away from old media like newspapers. The newspaper industry is well advised to take a long look at what's going on.

How Google Does It

- Google has no silos, and all advertising activity goes through one portal, AdWords. It handles all flavors of online advertising as well as all of Google's offline ad media, including radio, TV, and print. One AdWords account is all you need. What Google has done is to put its full portfolio of advertising services on one plate.
- Google has no sales reps and is entirely geared to self-serve. One can "chat live" over the Internet or send an inquiry by email, but there is no phone number to call. There's extensive online help and information, and a host of free tools, but it's technology that does the work. There's no one there to "take your order".
- Actually, the above is not entirely true. If you spend enough, you can be assigned a human account rep from Google. They just don't publicize it.
- The payment system is pre-authorized draws on a credit card, which is set up when creating an AdWords account. Google mails no invoices, does not have a collections department, and does not require advertisers to fill out a draconian credit application form. Advertisers who want a statement can get it online and print it themselves.
- Another aspect of the Google model is the democratization of advertising buying. Joe's Corner Hardware pays exactly as much for the same ad as Home Depot. This inherent fairness is both appealing on principle and unassailable by advertisers.

The Google way is almost opposite to how newspapers currently sell advertising. But it should not be dismissed because it's so different, or because "we're not Google", or because "we sell print". The fact of the matter is that:

- The Google way *works*, and tons of advertisers *like* it.

These are the advertisers of the present and the future, who have been raised on AdWords and its cousins. Newspapers can ignore all this only at their peril.

Besides, Google has already figured out how to sell newspaper advertising.

Google Print Ads

The AdWords component for selling newspaper advertising is called Print Ads. Over 750 U.S. newspapers were on the program at last count. See google.com/adwords/printads/index.html for more information.

What Google has done is to build its own newspaper ad sales model with a whiteboard approach that pretty much ignores conventional wisdom and focuses on making it easy for the advertiser. In fact, Google's model is positioned against the shortcomings of current newspaper industry ad sales practices. There are many features of the Print Ads program that carry out its mission.

- One can indeed easily run ads in multiple newspapers, and in some cases even target specific newspaper sections or block-select packages of publications. Just click "Add".
- While newspapers are cleverly offshoring ad production to Asia, Google's solution is even better, namely, downloading it to the advertiser, where it belongs. Google provides a free online Print Ad Creation Tool that works.
- Advertisers can also produce their own ads and upload them as PDF files. For the more creatively challenged, or advertisers who want higher production values, Google lists the websites of several "Ad Creation Specialists", firms who will do the job for \$25 to \$800, including two revisions.
- Google has introduced 2D Quick Response barcodes for print ads which can be scanned by newspaper readers. It's not just "nifty" – it's a potential breakthrough in tracking print ad performance, and way ahead of anything that newspapers have to offer.
- Advertisers can bid on what they want to pay the newspaper to run the ad. This is done through the "Bidding Bar" which is a simple slider control. You grab the pointer on the bar with your mouse and slide it left or right to set your bid.
- Google specifically encourages ad volume. Among their "Tips for Creating Effective Print Campaigns" are "minimum frequency of 3 ads per week for 2 weeks", "15 inches (1/8 of page) or larger", and "use color whenever possible". They'd make a good newspaper sales rep.
- Google provides extensive online help on the benefits of newspaper advertising, how to create ads, how often to run, how to select papers to run in, how to track performance, and so on. Indeed, Google does a better job of promoting print ad sales and providing advertiser information and support than most newspapers.
- Google is not just targeting the occasional tech-savvy local advertiser. It's going after everybody, including the top of the heap, ad agencies. There is an agency program for Print Ads that claims "suddenly newspaper is not so traditional anymore".

There probably isn't a newspaper anywhere who wouldn't want to have an automated ad sales generation machine along the lines of Google's system. The reality however is that newspapers will remain far away from achieving this as long as they cling to their current ad sales model.

- It's not just about throwing technology at what's there – it's the "what's there" part that needs to change first, before the technology will do any good.

Despite ad revenue losses, most North American newspapers remain profitable. Staff reductions are periodically used to keep the mercury in the fear and pain thermometer below the boiling point. But there's another area of development that is turning up the heat.

Feet On The Street, Watch Your Toes

Last year, newspaper consultant Mike Blinder wrote an article on "Our Core Competency: Feet on the Street". His thesis was that the human sales force is one of the newspaper's best competitive assets. Newspapers should strive to own the relationship with the local advertiser, and increase sales pressure through their core competency of feet on the street.

Somebody at Google must have read the article:

- Google is now recruiting it's own feet on the street, under its Local Business Referrals (LBR) program.

People sign themselves up to be an LBR rep, and their duties are to visit local businesses, get basic information like address and hours, take a few photos, and help get the business on Google Maps. And also "to discuss Google products" and drop off a \$25 coupon for AdWords. LBR is not all that distinguishable from "LBS" – local business sales.

There's more:

- In April of this year, a US-based outfit called Yodle signed an agreement to become a Google AdWords authorized reseller, the first of its kind in the Western world.

AdWords doesn't need an authorized reseller, but what Yodle does is to facilitate online sales promotion for local service businesses, like the hairdressers, accountants, dentists, plumbers, and restaurants in your neighborhood. These are among the "most local" of local businesses. And Yodle has the direct sales representation that Google lacks.

Google is insinuating itself into the local advertising space in other ways. For example, It has recently revamped some features of its search results display to give more prominence to local businesses. There is almost certainly more of this to come.

Electrons On The Street – How Do You Compete With Free?

One no longer needs physical feet on the street to bring in local ads. There are many home town businesses who are quite comfortable using online for their advertising and other needs. As their numbers grow, those who need to see a sales rep in the flesh dwindle.

Craigslist is prominent in local online classified. But in "Anytown", there's also a slew of others, with names like myanytown.com, anytownreseller.com, and so on. Some of these offer local businesses a free basic listing but charge for a premium top-of-page position. And they also often earn revenue from being an AdSense website – yes, it's that darn Google again.

Exasperated newspaper executives ask "How do you compete with free?" And the answer is:

- Use the same technology and tactics that allow Craigslist et al to do free.

If the market price for the product is zero, the only way to compete is to do it as cheaply as possible, namely, online, and maybe sell some website advertising on the side. It certainly means no feet on the street. It even means no hands on the phone at the call center either. It all comes back to the newspaper ad sales model, which doesn't have a silo for this one.

Core competency sometimes turns out to be a ball and chain.

The Next Newspaper Ad Sales Model

The next newspaper ad sales model will involve countering the shortcomings of current sales practices, while using tactics that work with advertisers and in the competitive environment that newspapers now find themselves in. The big three critical concepts are:

- Portfolio selling instead of silo selling;
- Self-serve instead of we-serve;
- Hi tech instead of low tech.

If one were to weave a sentence out of the big three concepts, it would come out like this:

- Use technology to sell the whole ad product portfolio on a self-serve basis.

This is not necessarily a recommendation. It's more of an analytical extrapolation based on market trends, advertiser developments, competitive forces, and available tactics. The big three concepts are what newspapers may be forced to do out of financial necessity, to improve sales efficiency and productivity, and to protect home turf from capable, low cost competitors.

Furthermore, it's important to realize that the Google example is just a guideline. Principles and procedures need to be adapted for newspaper advertising, and what Google does is constantly evolving. Despite having the world's most sophisticated online self-serve print ad sales system, Google is growing its own feet on the street and does have its own account reps.

- So don't fire your sales reps just yet – the new model is likely to be a hybrid.

The big three concepts are fundamental, deep and interlocked. They are not just three separate band-aids. The next newspaper ad sales model is going to require major surgery.

Tear Down The Silos

The place to start is with dismantling newspapers' sales silos. This will be tough, because "we've always done it this way". Here's what would have to happen.

- A common, standardized system for ad pricing, buying programs, and sales procedures will have to be introduced across the board. Getting rid of silo pricing and sales practices is a prerequisite to getting rid of the silos.
- Sales reps will have to be retrained to sell everything, not just one thing. Standardizing pricing and selling systems are key and can be put into an Ad Cost Calculator program on a laptop PC that reps can take with them when seeing advertisers.
- The sales organization will have to be redeployed as territorial teams. Each team's mission will be to extract the maximum ad dollars from the advertisers located in its territory.

Develop Self-Serve

Self-serve means allowing advertisers who wish to do so to fully create and book their own ads online. Fewer sales reps and call center operators will be needed, and cost of sales will decrease. This is not going to happen overnight, so it will have to be developed in stages.

- Move print and online classified liner ad sales to self-serve e-commerce as soon as possible.
- Develop a 24/7 online ad ordering and credit card pre-payment system for private party classified ads. Try to move all this business online – and out of the call center.
- Extend the above to business advertisers, classified display, ROP, and all other products.

But beware of the bidding model for ad pricing. For a variety of reasons, it may not be the best solution for newspapers.

Apply Technology

Reorganizing the sales force and deploying self-serve ad buying systems will require lots of hi tech. There's more that can be done.

- Create and maintain a database of advertiser names, addresses, etc., and communicate with them on a regular basis via email and newsletters.
- Consider scrapping the internal credit department, and going instead to credit card payment or services like Paypal.
- Provide copious amounts of advertiser help, support and advice online, on a dedicated website.

These are basic initiatives that aren't even "hi tech" anymore. They're just "everyday tech".

Avoiding “Death By Conventional Wisdom”

The epitaph for the industry may well read “Death by Conventional Wisdom”, if newspapers don’t find new and better ways of doing business. The challenges are huge – doing more with less, applying effective sales and marketing technology, and defending home turf against new competitors.

The solutions may seem even more ominous. Even if there’s some understanding of “how to”, what really has to change is the newspaper sales culture. But then, all real change is ultimately cultural.

In any event, market developments and the financial statement may force the reinvention of the newspaper ad sales model. Perhaps the only real option newspapers have is whether they will proceed proactively or reactively.

Ed Strapagiel (eds@kubas.com) is Executive Vice President of Kubas Consultants, a firm specializing in newspaper pricing structures, revenue management and publishing strategy. For more information, visit www.kubas.com.

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Epilogue: A Visit With The Wall Street Journal

The Wall Street Journal has a high profile in business and investor news, and is a leader in online development among newspapers. Suppose you’re a home builder thinking about advertising, and you go to wsj.com looking for information.

- At the bottom of the page, among much other stuff, there is in fact a link for “Advertising”, but it will take you to dowjonesonline.com, which only has information on online options. If you click the link for “Rates”, you get “Please contact your sales representative for the latest rates.” There isn’t even a phone number or email address.
- Back to wsj.com. At the top on the right is a menu item for “Classifieds”, and under that a link for “Homes”. If you go there, you will find a search page for finding a home for sale. But you won’t find a link for advertising a home for sale.
- Back to wsj.com. If you go way down the left hand side, just above “Crossword Puzzle”, you’ll find a graphic for “Real Estate”. Clicking that will get you to a different Real Estate page, and on the right is a link for “Agents and Owners, List Your Property with WSJ”. Have we found it at last?
- The above takes you to a page where you can buy an “Online Only” ad, or a “Print & Online” package, which includes a “Featured Listing” in print. But you *can’t* buy a print ad only, although the system is obviously capable of handling it. This is still the online sales silo, as it turns out, and they’re not interested in selling you print only.
- There is in fact a Wall Street Journal website for print advertising. You can find it from wsj.com by accident and persistence. That it exists at all is commendable, except that now it’s for print only, as if the online world ceased to exist. Under Rates, Classified, Real Estate - Residential, there is no mention of the “Featured Listing” ad or the “Print & Online” package seen before. You’re in a print sales silo now, and they’re not interested in selling you online.

While it may be a leading light among newspapers in online, The Wall Street Journal is still trapped in the old newspaper ad sales model.