

Top Ten for Tough Times in Newspaper Ad Sales

By Ed Strapagiel

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“What Should We Be Doing?”

These are tough times for newspaper ad revenues. For most industry veterans, current market conditions are the worst they've ever seen. Ad sales departments are under great pressure and are being forced into deals, discounts and other concessions, by advertisers who well know that the newspaper is desperate for dollars.

The additional bad news is that things are not going to improve much anytime soon, even with an economic recovery. Rates and terms have been beaten so far down that they will never return to where they used to be. This is the new reality. Get used to it.

We at Kubas Consultants are asked for advice by our newspaper clients in various ways, but it all ultimately boils down to one big question:

- *What should we be doing?*

Here is our best professional opinion.

Perspective

But first, it would be helpful to understand our point of view.

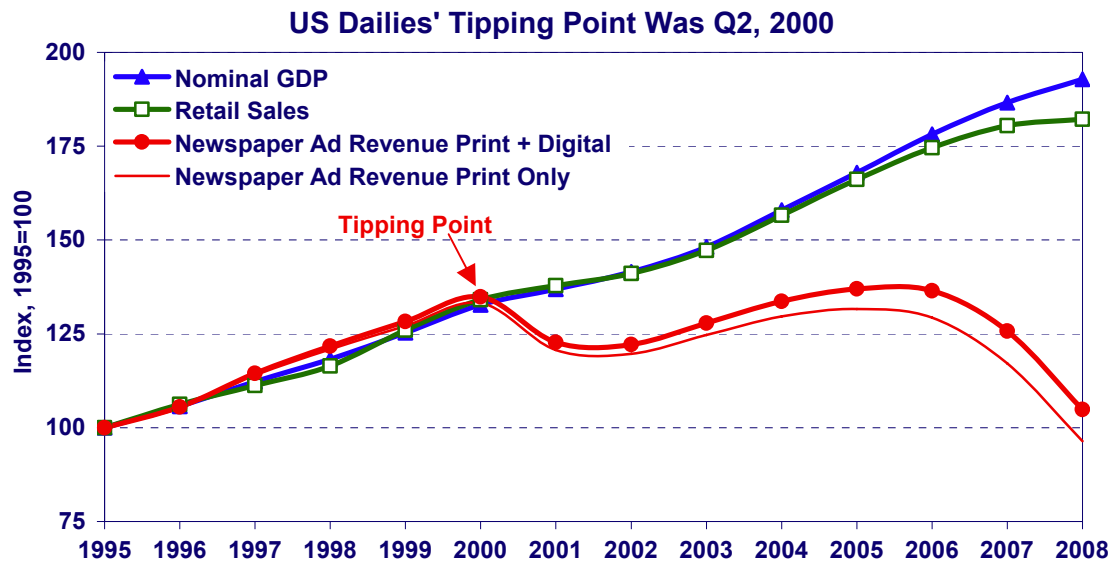
- There is no “magic bullet”. Progress is going to take time and hard work. Yes, there are plenty of schemes out there for ad sales promotions of all kinds. They have their role, and you may even want to try a few. But these are band-aides, not cures. Lasting gain will take fundamental change. If you were looking for 10 “get rich quick” tips, you're reading the wrong article.
- Newspapers have to really focus on increasing share of ad budget from current advertisers. Yes, that's a tall order. But when the pie is shrinking, the *only* way to eat as well is to increase the size of your slice. Repeat: the *only* way.
- Much greater effectiveness and efficiency in the sales department is needed. The newspaper business is shrinking, and all departments including ad sales have to do more with less. This means finding new and better ways of doing business.
- Even if we get past these bad times, significant damage will have been done. Newspapers will have to pursue new advertisers and rebuild relationships with existing ones. The best time to start on this was two years ago. If you missed that deadline, the next best time is today.

There is a need for measures to boost ad revenues in the short term, but also to do so in a fundamental, lasting way. There are some practical tools and tactics to help accomplish this. Other initiatives are going to take more time but are very important, and it's critical to get them underway despite the immediate pressures.

Is It Cyclical or Is It Structural? Yes.

Two important points to realize are that:

- The difficulties facing newspaper advertising sales currently are both cyclical and structural;
- Things started to fall apart nine years ago, and there is a lot of catching up to do.



Source: US Bureau of Economic Analysis, US Census Bureau, Newspaper Association of America; analysis by Kubas Consultants

The relationship between newspaper advertising revenues and the overall economy, as indicated by GDP and retail sales, went over a tipping point nine years ago, in about Q2 of 2000. There was some recovery after the recession ended in 2001, but newspaper ad revenues never returned to their previous economic level. In fact, the gap widened. That's structural change.

By 2006, cyclical factors came into play. This was led by weakness in the automotive and real estate markets, and then was exacerbated with the onset of another recession in 2008. This came on top of on-going structural decline.

Another factor that the above chart illustrates is that digital ad revenues won't save the newspaper business. While online makes a positive contribution, it's just too small to overcome the negative forces.

At present, the relative decline in newspaper ad revenues is split roughly 50:50 between cyclical and structural. The cyclical issues will eventually turnaround, for those who can hang on that long. By that time however, the structural problems will become even worse – and we're already nine years behind.

The issues facing newspapers certainly include circulation, readership, and other factors concerning content and audience. But the ad sales side of the business needs to become much more effective to deal with the challenges.

So what should we be doing?

Our Top Ten Recommendations

The following are not necessarily in order of priority. Some newspapers have already taken on some of these initiatives, but most haven't.

1: Use Smart Universal Spending Based Contracts

Many newspapers still use ad contracts based on lines and inches. Some have moved to more enlightened revenue contracts, but have not done a good job of it. For example, if an advertiser has to increase spend by 50% or 100% to get to the next best rate, it's just not going to happen, and what you really have is not an incentive but a barrier.

A universal spending based discount recognizes all of an advertiser's spending with the newspaper, whether it's ROP, color, an employment classified liner, or an online banner ad. A percentage discount is assigned per spending level based on "the more you spend, the more you save", with achievable steps. The discount belongs to the advertiser and can be applied on almost any product or publication, so that one contract is all you need.

Doing it this way, there is a high marginal return on investment (ROI) for moving up to the next spending level. Spending more at the newspaper now becomes a smart investment for the advertiser, and that's squarely aimed at increasing share of ad budget.

A spending based incentive program is also what's needed for "Dynamic Discount". This is an alternative to conventional annual ad contracts, which more and more advertisers are refusing to sign. Dynamic Discount is modern take on the old earned rate approach.

2: Go Modular

Let's dispel two misconceptions about modular advertising in newspapers right away. No, it's not just about full, half, quarter, and eighth pages like magazines. And, no, modular is not just about pretty page layouts or using paper more efficiently. Instead,

- Modular is about increasing ad revenue by increasing average ad size.

If you can't increase rates and you can't increase ad count, the last thing left is to increase ad size. It's the overlooked "third lever". Modular advertising combined with impact pricing is what makes it happen.

And if there's format reduction in your future, modular is how you can shrink the page but keep the revenue.

3: Really Push Multi-Insertion

Many newspapers' pickup programs are miserable underachievers. Even "pickup" is the wrong concept. A better approach is multi-insertion, with increasing discount for more ads. And it doesn't matter which ad came first. It's not just about discount, but also about flexibility, which is valuable to the advertiser but costs the newspaper nothing.

A more comprehensive approach is to cover off everything from a single ad to a full annual schedule. This is to provide a solution for whatever the advertiser wants to accomplish, to get them on a longer term advertising plan or campaign, and to commit more ad budget to your newspaper.

Multi-insertion is aimed at selling one ad many times, not one ad at a time, thus increasing ad count without having to find more advertisers. That can grow share of ad budget and improve sales force productivity at the same time.

4: Sell Color Smarter

Color is yet another underdeveloped newspaper ad revenue source. Published color rates are often exorbitant, so that smaller advertisers never even consider it. Many newspapers use color as a bargaining chip, by discounting it heavily or even giving it away for free.

Color is a perishable commodity, because the potential revenue is lost forever when a color position goes out unsold. The key to making money on color is to sell out the available inventory, without making more inventory available. This is a job for smart color pricing.

5: Streamline to Cross-Sell and Up-Sell

The first place to look for extra revenue is by selling more to current advertisers. Most newspapers have lots to sell, including the main paper, weeklies, themed sections, online, distribution, special positions, combo packages, and so on. Multi-insertion and color are types of up-sells. Porting an ad between Classified and ROP display is a cross-sell. Yet despite this product bonanza, 90%+ of sales orders at many newspapers are still for a single print ad.

The problem isn't lack of product, but lack of process. The underlying reason for this is silo selling, but newspapers can start by simplifying and standardizing pricing structures and discount programs across the board. In other words,

- Get rid of complex rates and deals, and make it easier *both* for reps to sell *and* for advertisers to buy *anything*.

There will still be a lot of products which can be combined in many ways. The next step is to accelerate the process by using ad sales technology.

6: Harness the Power of Automated Ad Costing

A typical newspaper ad sales rep goes out with a clutch of "cheat sheets" and a hand calculator. This is nowhere near adequate for the job of cross-selling and up-selling at all but the simplest of newspaper operations. Instead, you need technology.

One of Kubas Consultants' most successful products is our "Ad Cost Calculator". It's a tool for sales reps that runs on a laptop PC and uses standard software, but with programming that is customized to the newspaper and designed for ease of use. Its job is to present multiple products and options, and to cost them singly and as a package, in real time, with a mouse click. Cross-selling and up-selling starts with a question like "What would it cost if we did ___?", and that's what Ad Cost Calculator answers.

Our experience is that automated ad costing is an investment in sales productivity that earns huge returns. It can increase ad revenue per sales call, and sales calls per rep.

7: Really Do Competitive Targeting

If you want a bigger piece of the pie, you'll have to take it away from somebody else. Rather than trying to compete with all other players in the market at the same time, it is more effective to pick just one target and focus your competitive efforts against them.

Suitable targets will vary by category, such as retail, auto, telecom, and so on. Your largest competitor may make a good candidate because they have the most to lose. A weak competitor can be appropriate too, because they're easier to attack. Then identify specific advertisers to go after and what you need to do to get them to move their business to your newspaper.

You should research what else your advertisers are buying and why. We have found that simple but confidential online surveys, with sales reps and/or advertisers, can be very effective for this.

One more point: keep an eye out for competitors that have chosen *you* as their target.

8: Don't Forget Direct

Newspapers spend a lot of time and effort on online, but the direct distribution business in most cases is much more valuable, earning 2 to 5 times more revenue. As circulations decline and retailers cut back on inserts, this revenue stream is under threat and needs immediate attention.

Ways of increasing the direct business include up-selling local advertisers, expanding volume through TMC or EMC distribution, promoting Sunday circulation, and offering e-mail marketing services. There may be a chance to close the barn door before the horse has completely bolted.

9: Vastly Improve Online Self-Serve Ad Ordering

In this case, online ad ordering means using e-commerce to sell all advertising products, including print, online, and direct, on a self-serve basis. Some newspapers do some of this, but not very well.

Newspapers will also have to pursue small and medium sized businesses and other "non-traditional" advertisers to maintain ad revenues. Shoe leather sales reps are too expensive for tapping this market. Furthermore, many new and younger entrepreneurs, raised on online and Google Adwords, don't even want to see your sales rep. What's needed is online ad ordering.

Sales reps and call center operators will be around for some time, but the future of newspaper ad sales is online. You might say "we should have started this two years ago". What you don't want is to be saying the same thing in two years from now.

10: Use E-Marketing to Rebuild Advertiser Relationships

This is another case of "we should have started this two years ago". An important initiative is to manage and foster relationships with commercial advertisers, the newspaper's most important source of revenue. A basic need is an online "Advertiser Center", which could include rate cards, media kit, market data, marketing tips, advertising help, technical help, market conditions reports, business profiles, success stories, upcoming events, local business news, newsletters, bulletins, blogs, forums, photos, videos, etc. These days, this is "Marketing 101".

Putting information online also creates a resource for sales reps, and helps ensure that the newspaper is telling the same story to everyone. Advertiser registration should of course be required in order to capture email addresses, which can then be used for marketing. In these e-marketing times, this is just standard procedure.

A robust, helpful, and informative advertiser website is one of the most cost effective means of marketing in a B2B setting. Many of the newspaper websites we evaluate however are about 10 years behind the times. What you don't want is to be 12 years behind in two years from now.

Your Mileage May Vary

Our experience from working with many newspapers over the years is that there is no single "off the shelf" solution that works best in all cases. The initiatives presented here are meant to work together, but a different mix and balance is going to be required for your newspaper. This depends on local circumstances, such as market characteristics, competition, internal capabilities, pricing practices, and history with advertisers.

Although your mileage may vary, the important thing is to be headed in the right direction.

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