

A Look Forward

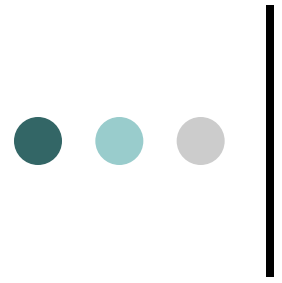
IAPA cost and revenue seminar in Panama City

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*“We don’t know who
invented water, but it
probably wasn’t fish”*

... Marshall McLuhan



*“The best way to predict
the future is to create it”*

... Peter Drucker



Industry Mindset in US

*“Less down is the new up
which replaced flat is the
new up”*



***“The Bottleneck is at
the top of the bottle”***

“Where are you likely to find people with the least diversity of experience, the largest investment in the past and the greatest reverence for industry dogma:

At the top!”

Gary Hamel



Current US Situation

- Newspapers continue to be poorly run
- Always trying to shoe horn the old model into new reality
- Failure to acknowledge reading had moved to web and the trend toward free news and information
- Newspapers feel insubstantial
- After 15 years of transition, 90% of a newspaper's revenue comes from print
- Digital business is neither large enough or fast growing enough
- Lower revenues = Lower expenses = Inability to invest and grow
- Most local advertising is bought not sold



US Newspaper Statistics

- US ad spending is up 5.4% in the Q1 of 2011, with newspapers losing share
- Q1, digital spending increased 23% to \$7.3 billion – the largest Q1 on record, with the top 10 ad selling organizations taking 70%
- Circulation continues to slide down 8.7% daily and 6.5% on Sunday. *6 months ending March 2011
- Q1 newspapers print down 9.5%, web up 10.6%=down 7%



Latin America

- Advertising fared better than any region of the world during recession
- Ad spending in Q1 2011 up 11%
- In 2010, internet access grew by 15%
- Mobile content services are growing as mobile access reaches saturation
- Circulation from 2005 – 2009 grew 5.1%
- Online ad spending will double from \$2 billion to \$4.2 billion in 2014



Latin America Attendees

YOUR GOAL TODAY

- Open your eyes, ears and mind to learn from US trends
- How will I improve my products and my users experience



Investment Goal

- Transform a traditional media asset into a 21st Century Media Company



Question:

- How do you make money in a new world of abundant competitors, limited advertising demand and consumer choice?



Answer:

- Adopt a new mindset and a new business model



A New Mindset

- All is not well in the US, trends remain negative and there needs to be a greater urgency to find a new model
- Systematically transform the company
- Staffing must be re-imagined from a blank slate and be sustainable
- Newsrooms must embrace a collaborative model
- Make media fragmentation a strength not a liability
- Rethink what a newspaper's relation with it's community could be?
- Advertising must add value, set lower ad capture costs, lower management costs and drive new sources of revenue
- Belief in brand, quality journalism and value across platforms



Assumption:

- We need to adjust the current media business model (we have a collapsing old business model and an un-constructed new model)



Mass Media Model

- Ads underwrite content
- Content delivers audience
- Audience receives marketing messages
- Patronize advertisers ... and so on



Unconstructed New Model

- Online ad problem – disequilibrium between supply and demand
- As fragmentation of context continues, the importance of traditional brand sections and home pages continue to wane
- At one point, only 2 or 3 sites asked for user participation, now millions of sites do
- Blogging has withered as a past time for younger adults
- Citizen journalism has stabilized with fewer than 1 in 10 web users saying they have created their own news or opinion piece



Goal:

- Brand position must convey value

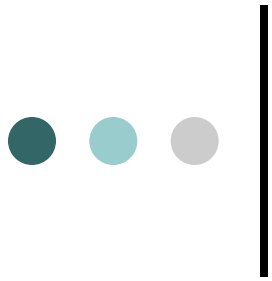
$$\text{Value} = \text{Benefits} - \text{Cost}$$

Value leads to differentiation



Insights Which Drive New Model

- The print edition needs fresh thinking and investment
- Establish a transformation process which would include a vision that is relatively easy to communicate
- Newspapers need to be valued members of a larger community
- Newsroom must be collaborative, networked, efficient and sustainable
- Company culture must be flexible, open and structured for endless experimentation



Elements of a New Model



Customer Value Proposition

- Engage readers/users by producing quality content, sophisticated products while selling integrated multi-platform marketing campaigns which are both creative and efficient



Profit System

- Maximize the consumer's willingness to pay
- A sophisticated approach to a paid circulation retention, focus on single copy displays, product positioning and promotion inside stores
- Sales staff must move from the perceptual position of a vendor to a partner
- Advertisers pay more for content adjacency, content integration and audience loyalty
- Sell creative solutions with greater accountability, performance analytics and tangible business value
- Develop strategies to leverage media fragmentation



Key Processes

- Deliver client value via ideas
- Include audience in news gathering, distribution and sharing
- Integrate innovation into day-to-day business realities
- Harness the output of social media to help build context into content packages
- Formalize a transformation process
- Revisit the art of story telling and engage readers/users through design on multiple platforms



Key Resources

- Selective technology investment
- An engaged workforce
- Build new capabilities to produce revenues



Five-year Projections:

- Media fragmentation will continue, which will lead to further audience fragmentation
- Historic news industry models will continue to weaken
- Media will be completely different than it is today
- The written word is alive and well and thriving
- New forms of journalism will continue to develop
- The trend toward free news and information is inexorable
- Marketing budgets will shift among media and the advertising portion will continue to decline



Typical US Newspaper Today

- Group ownership has short term focus, which limits competitiveness
- Unengaged workforce without the ability to innovate
- Lack of vision for transformation
- News content is filled with commodity news and lacks personal relevance
- Web platform is a Group template which offers little customization
- No mobile or tablet strategy
- Legacy structure is unsustainable with the current focus



AdvertisingAge[®]

Why Your Mission Matters

Reason to Believe: A Meaningful Brand Purpose Not Only Attracts Consumers, It Drives Marketers

Published: July 30, 2007

Companies for years have sought to define and communicate their brands' missions. Advertising agencies and brand consultancies, recruited to assist in this endeavor, have argued that the more meaningful the brand's purpose, the more it will appeal to consumers.



A New US Newspaper Company

- Build out a portfolio of products and opportunities which can be uniquely bundled
- A re-imagined daily newspaper which is distinctive, compelling and personally relevant
- A free tabloid, edited for a younger audience
- A web platform which becomes a local network of networks
- Open your technology and training to help communities gather, share, and make sense of the news that they need
- Invest in mobile apps, tablet apps, and disconnect our content from our platforms
- Develop new revenue from growing marketing silos like events, research, database and cause related initiatives



The Opportunity

- **To reinvent and re-imagine the newspaper business which offers a bright future of consumer empowerment, improved quality, creative and efficient marketing opportunities**



Additional advice to Latin America newspapers

- Shift to a growth mentality
- Opportunity attracts talent
- Develop a positive culture where everyone can make a difference and be part of something special
- Invest in mobile - it's the screen of the future
- As new platforms develop, keep control over your content
- Don't be seduced by ad networks
- Tighten copy write language
- Outsource everything except content, sales and marketing