kubasPRIMEDIA

Newspaper Preview 2012

A webinar from

LocalMedia association

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Introduction

Preview 2012 Background

- 6th annual *Preview* study from KubasPrimedia
- How done:
  - By invitation survey of newspaper executives and managers
  - All types of newspapers, US and Canada
  - Conducted online in November 2011
  - 429 respondents

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Agenda

- A look back at 2011
- Ad revenue expectations for 2012
- Going into 2012, by the numbers
- Strategic initiatives for operations
- Strategic initiatives for advertising
- Wrap Up

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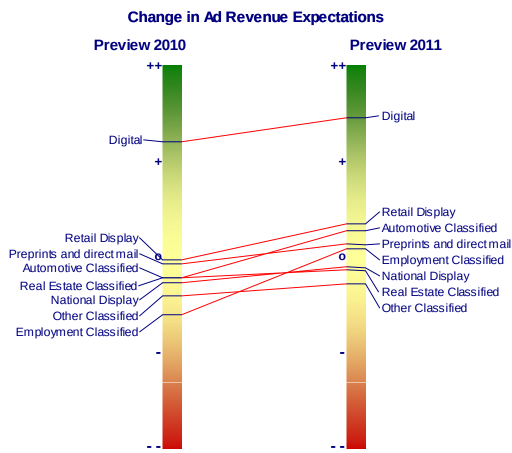
2011: What Happened?

2011 Ad Revenue Expectations

- **From last year's study …**
- **Everything was supposed to get better in 2011**
  - Or at least less bad
- **It didn't happen …**



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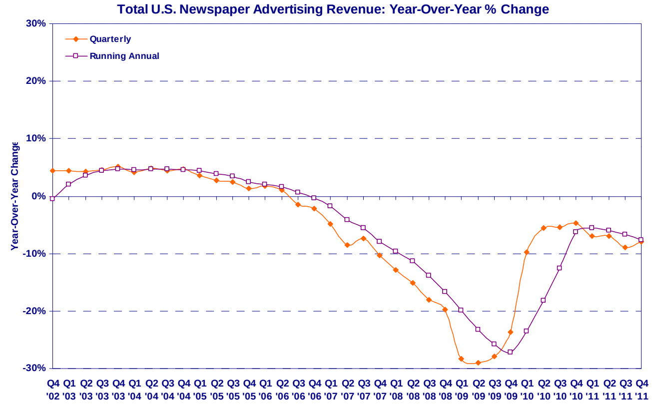
Ad Revenue Growth

Total U.S. Newspaper Advertising Revenue: Year-Over-Year % Change



Source: Newspaper Association of America and KubasPrimedia calculations

- **Positive trends in 2010**
- **… fizzled out in 2011**
- **2011 total ad revenue projected to be down 7.7%**
  - Versus -6.3% in 2010

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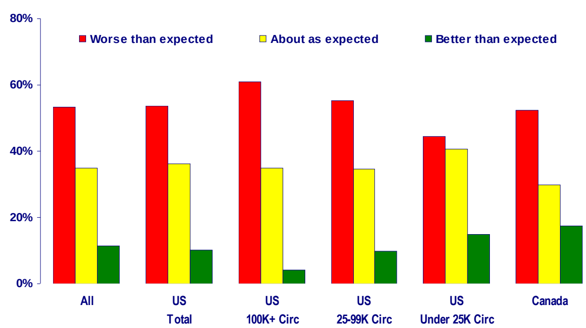
My 2011 Ad Revenue

2011 Ad Revenue



- **Mostly worse than expected**
  - 53% "worse" versus 12% "better"
- **Small US newspapers didn't do as badly**
  - But still 45% "worse" versus 15% "better"

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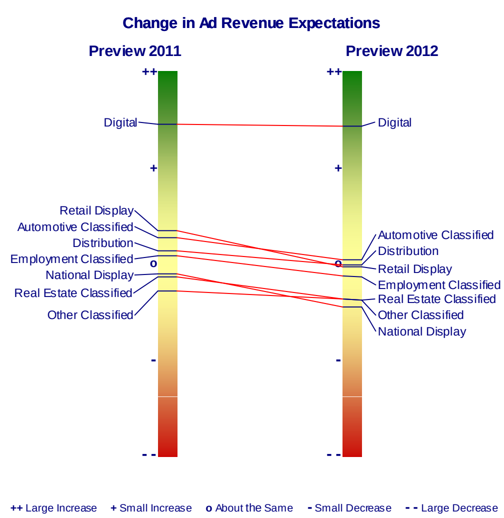
2012 Ad Revenue

2012 Ad Revenue Expectations

- **Digital: very good**
- **Everything else: worse**
- **Most in decline:**
  - National display
  - Retail display
- **One *slightly* positive print area:**
  - Automotive classified
- **Disappointment in 2011 leads to …**
- **Lowered expectations for 2012**



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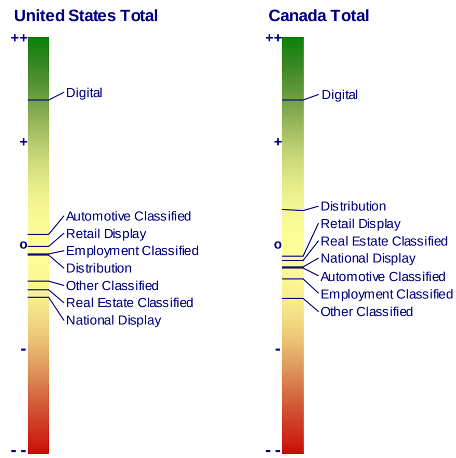
US and Canada About Same

- **High expectations for 2012 digital in both countries**
- **One positive other area each:**
  - Automotive classified in US
  - Distribution (inserts) in Canada
- **Everything else negative**
  - With varying details
- **Another tough year on both sides of the border**



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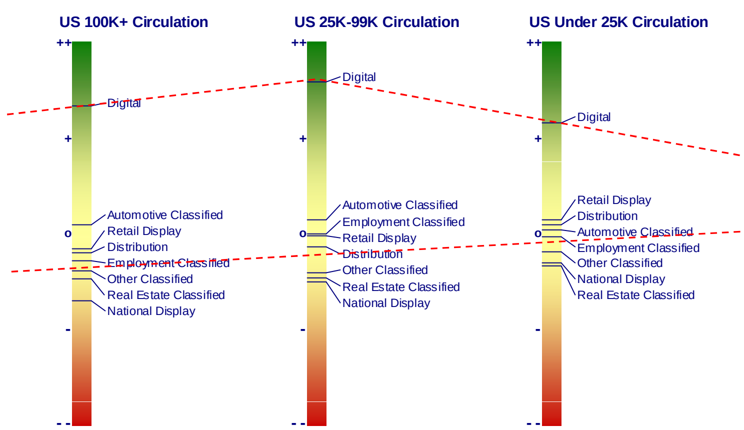
US Newspapers by Size



- **Digital high across the board**
- **Print slightly increases from large to small papers**

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Going into 2012, by the Numbers

Notes

- **Ad revenue data is from Newspaper Association of America (NAA)**
  - Refers to daily newspapers only
  - Latest data to Q3 2011; Q4 2011 projected by KubasPrimedia

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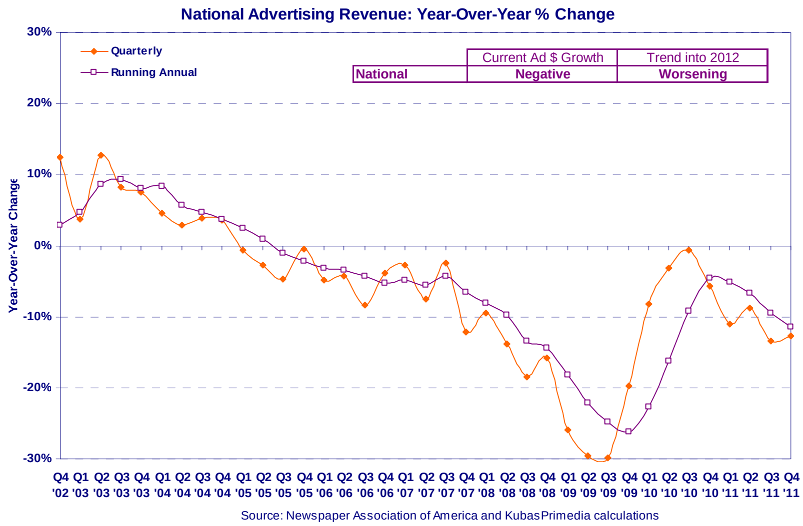
National



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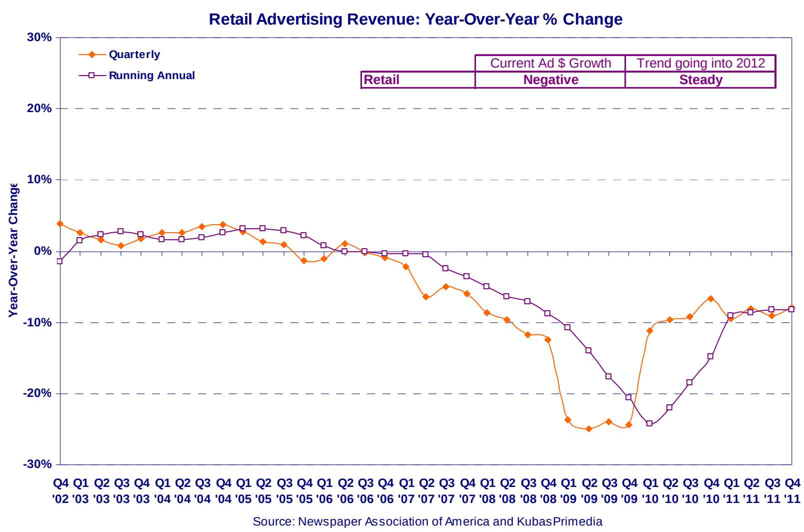
Retail



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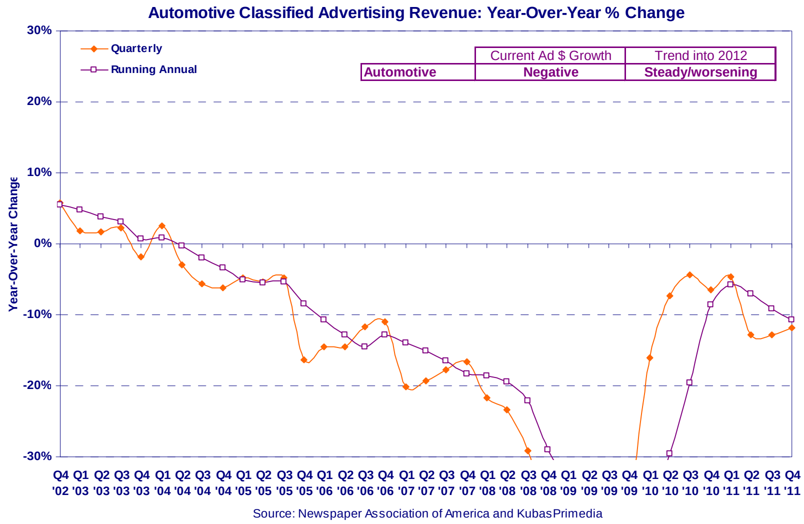
Automotive



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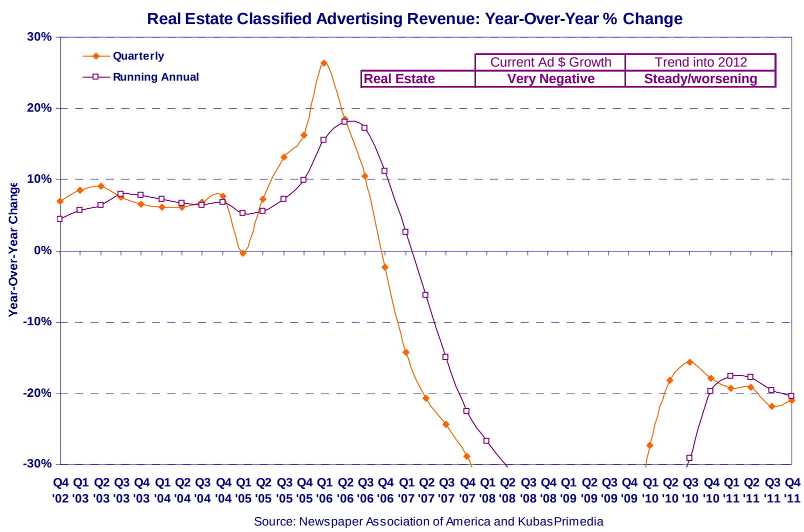
Real Estate



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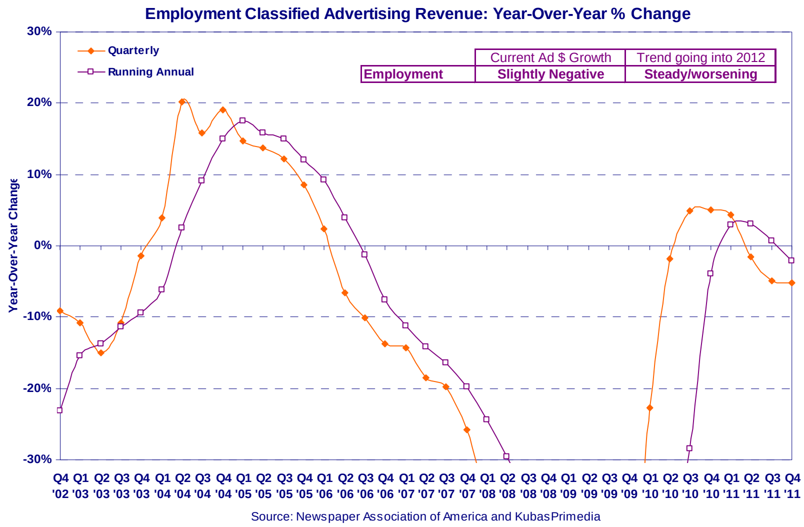
Employment



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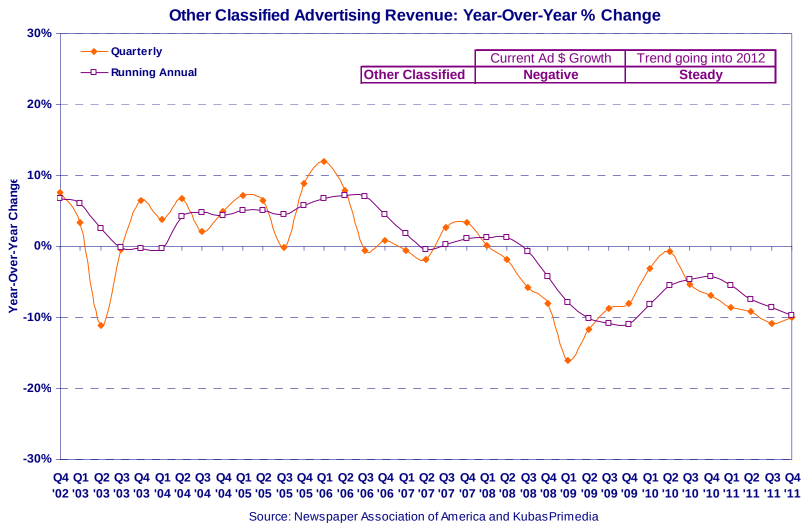
Other Classified



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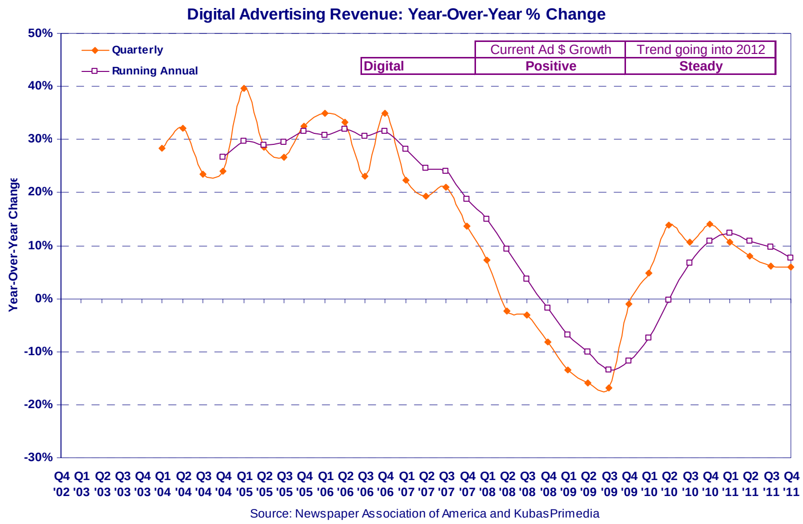
Digital



Summary: Going Into 2012

	Current Ad $ Growth	Trend 2012
National	Negative	Worsening
Retail	Negative	Steady
Automotive	Negative	Steady/worsening
Real Estate	Very Negative	Steady/worsening
Employment	Slightly Negative	Steady/worsening
Other Classified	Negative	Steady
Digital	Positive	Steady

- **State: Mostly negative**
  - Except digital
- **Trend: Mostly steady**
  - Some worsening
- **Your mileage may vary**

Preprints & Other Distribution

- No separate data

Our view:

- "Less bad"
- Preprints down, but not by as much as ROP
- Extra challenges: declining circulation, and flat or lower CPMs

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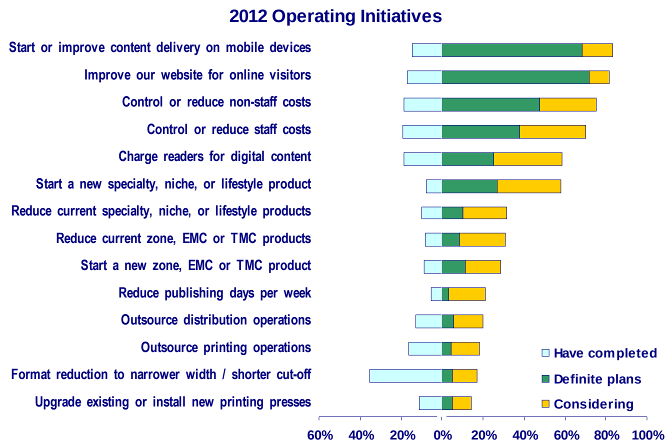
2012 Strategic Initiatives: Operations

Strategic Initiatives: Operations



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Operations Priorities

- **~70% definite plans: Digital**
  - Improve/start mobile content delivery
  - Improve website for visitors
- **~40% to 50% definite plans: Costs**
  - Control/reduce both staff and non-staff costs
- **~25% definite plans: Niche revenue**
  - Charging readers for digital content (plus 33% considering it)
  - New specialty or lifestyle products (starts to out-number stops by 2.5:1)
- **Small numbers only:**
  - Zone/TMC/EMC products
  - Press upgrades
  - Outsourcing printing or distribution
  - Reduce publishing days
  - Format reduction

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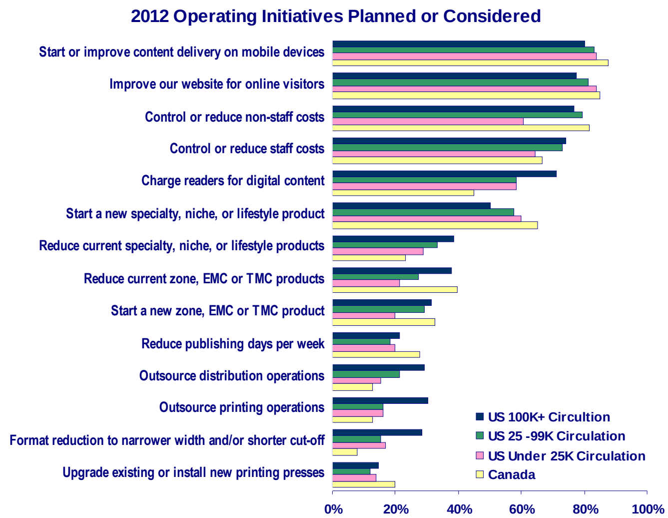
Operations Initiatives By Newspaper



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Differences By Newspaper

- **Large US newspapers (100K+ circulation)**
  - Higher: charge for digital content; outsourcing printing & distribution; format reduction
  - Lower: new specialty, niche or lifestyle products
- **Mid-Sized US newspapers (25 - 99K circulation)**
  - Average, no outstanding differences
- **Small US newspapers (under 25K circulation)**
  - Lower: controlling or reducing both staff and non-staff costs
- **Canadian newspapers**
  - Higher: new specialty, niche or lifestyle products; reduce publishing days; upgrade presses
  - Lower: charge for digital content; outsourcing printing & distribution; format reduction

Opposite!

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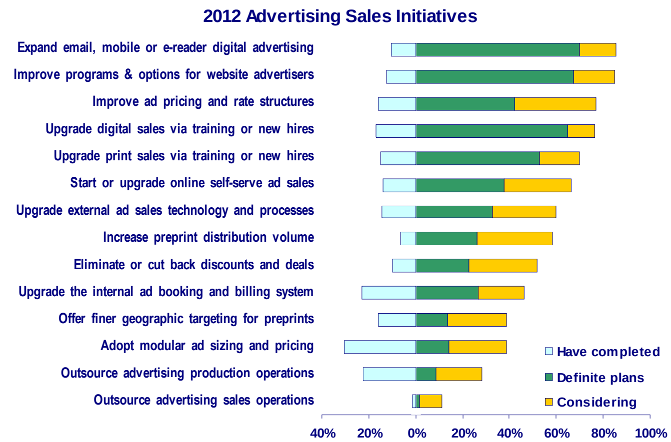
2012
Strategic Initiatives: Advertising Sales

Strategic Initiatives: Advertising



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Advertising Sales Priorities

- **65% to 70% definite plans: Digital**
  - Expand email, mobile or e-reader digital advertising
  - Improve programs & options for website advertisers
  - Upgrade digital sales via training or new hires
- **~ 40% to 50% definite plans: Print sales**
  - Improve ad pricing and rate structures (plus 35% considering)
  - Upgrade print sales via training or new hires
- **~25% to 40% definite plans: Technology efficiency**
  - Start or upgrade online self-serve ad sales
  - Upgrade external ad sales technology and processes
  - Upgrade the internal ad booking and billing system
- **Mostly just considering:**
  - Increase preprint distribution volume
  - Cut back discounts and deals
  - Finer geo-targeting for preprints
  - Adopt modular ad sizing and pricing
  - Outsource advertising production operations
- **Not on the radar**
  - Outsource ad sales

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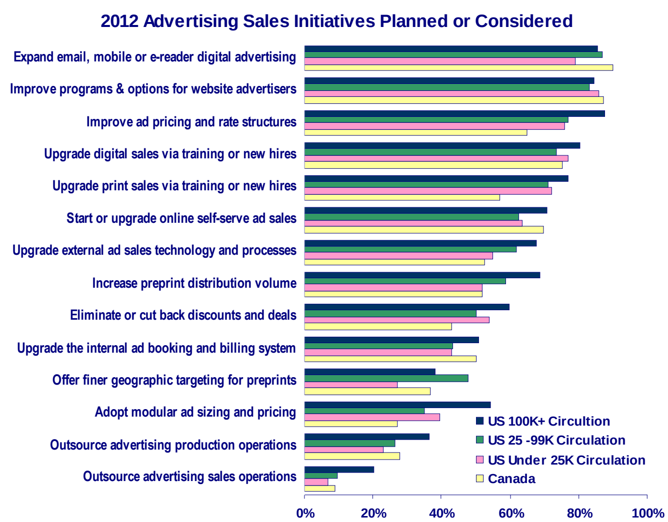
Advertising Initiatives By Newspaper



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Differences By Newspaper

- **Large US newspapers (100K+ circulation)**
  - Higher: improve ad pricing; increase preprints; adopt modular; outsource ad production
- **Mid-Sized US newspapers (25 - 99K circulation)**
  - Higher: finer geographical targeting for preprints
- **Small US newspapers (under 25K circulation)**
  - Lower: expand non-website digital; finer geographical targeting for preprints
- **Canadian newspapers**
  - Lower: improve ad pricing; upgrade print sales; adopt modular

The best-laid schemes o' mice an 'men gang aft agley

- Robbie Burns

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Wrap Up

2012 Strategic Landscape

1st Tier	Digital for Audience	Digital for Advertisers	
2nd Tier	Control Costs	Improve Efficiency	"Defend" Print
3rd Tier	Paywalls/ Payfences	New lifestyle products	

Less appetite for tougher solutions:

outsource printing, reduce publishing days, cut back ad deals & discounts

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On the Plus Side

- **Strong US corporate earnings and balance sheets**
- **US unemployment rate down to 8.5% in December 2011**
  - Lowest in almost 3 years
- **Consumer confidence recovering**
  - 8 month high in December 2011
- **Retail sales improving with YTD 5-year highs**
  - Food & Drug sector up 5.3% (year-to-date to Oct. 2011)
  - Store Merchandise sector up 4.5%
  - Auto dealers up 11.5%

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The End

- **For a copy of this presentation …**
  - Contact LMA or contact Ed Strapagiel of KubasPrimedia, eds@kubas.com
- **For the *Preview 2012* report and more from KubasPrimedia …**
  - Go to kubas.com/nrc/page5.html

Questions?

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