

Scarce Resources: Allocating Assets for Audiences and Advertisers

“We have pulled back on circulation to save money. Have we gone far enough? Or is it too far for advertisers, especially in preprints?”

“We are raising prices to subscribers for the same content. How can we hold on to these readers without adding costs? What role should paid content play?”

These are just two issues about what to sell, to whom, and how that clients have discussed with us recently. In today’s demanding business environment, local media company executives need to make well-informed decisions when evaluating how to reduce costs, align resources, and identify potential revenue streams. This means new tools and approaches are necessary to be sure the organization is getting the highest return on limited sales, marketing, and product development resources.

Geography and Circulation Markets

Advertisers have become increasingly more sophisticated about their customers and are demanding greater accountability in distribution and precision in targeting. At the same time, newspapers have been pulling in their circulation markets and cutting consumer marketing investment. The two competing interests need to be reconciled.

It is imperative, therefore, for newspapers to identify where circulation, ad sales, and product development resources will obtain the best return. Resources should be targeted where the advertising demand and the likelihood of consumer acceptance are the highest. Products and pricing can then be aligned better with advertisers’ needs.

The analytical tools to address these issues need to be multi-functional as will the strategies that emerge. The resource allocation priorities of geographies or ZIP codes should be made based on the analyses of demographics, attractiveness to advertisers, newspaper performance, and competitive intensity, which may be done with readily available data.

For example, the geographies which are fundamentally attractive (e.g., size, growth, advertiser spending) and where the local media company is well positioned are candidates for resource investment in circulation marketing, delivery, ad sales attention, and incremental local coverage.

However, those geographies that advertisers find attractive but are not cost effective for newspaper circulation need to be addressed via new offerings. The Dallas Morning News’ Briefing and The Gannett Company’s Sunday Select are examples of distribution channels to reach specific consumers in selected neighborhoods. Briefing is a free broadsheet that delivers news and information, along with preprint advertising four days a week to non-subscriber households.

Sunday Select delivers preprint advertising once a week to opt-in subscriber households in targeted ZIP codes. Thus, advertising revenues are being protected as part of a strategic re-evaluation of the core print product distribution.

Adding Value for the Subscriber

Many newspapers are looking to rebalance their advertising-to-subscriber revenue ratio from the historical 80/20 percent revenue models of North American newspapers to 60/40 percent or even 50/50 percent. This represents an actual shift in strategy and not just the fall-out from advertising revenue declines.

As other newspapers head down this road, a new perspective must be adopted in the culture and new capabilities built. INMA members have several great examples of smart consumer marketing to subscribers. The Toronto Star, for example, recently developed a customer relationship-building venture, which combines e-mail marketing and consumer rewards. Providing special access to local sporting events, concerts, and other sold out events encouraged readers to share their e-mail addresses. The newspaper then built an extensive database and estimates the programme generates significant incremental profits.

The Toronto Star example should be viewed not just as a tactical plan but also as a symbolic vision — part of a broader strategy that effectively adds value to subscribers. In lieu of costly retention/loyalty programmes, the newspaper addressed churn more directly by leveraging its strong local presence to give subscribers greater access to popular local events while adding new revenues via the e-mail database.

Several media companies are exploring a range of pay-for-web content and other revenue generating strategies. While we cannot fully address the pay-for-content question here, we would advise newspapers to think strategically and analytically about it. The first issue is to determine the goal of the strategy. Is it to “protect” print subscription? Is it to leverage the investment in content creation to new revenue streams?

As industry leaders address these questions, we urge them to think broadly. New ways to leverage content and add value to subscribers may lead to product extensions earlier rejected as too small or “low margin,” and not just web solutions. For example, the German weekly Die Zeit sponsors local/regional tours conducted by popular columnists, and has offered a series of multi-volume cultural and world history books, of which the first volume was included free of charge with the newspaper.

Clearly, new perspectives, analytical frameworks, and well-monitored experiments are needed to make more informed decisions on difficult and crucial resource allocation questions that impact what to sell, to whom, and how. This is even more imperative now, as the marketplace is less forgiving than it used to be and mistakes are more costly to recover from.

About the Authors

Kannon is a strategy and marketing consulting firm helping clients identify growth opportunities in a changing marketplace. Kannon builds *Outside-In* frameworks for clients reflecting customers, competitors, channels and technology to create insight for winning strategies. Kannon is committed to working collaboratively with clients to ensure the actionability of recommendations and their ultimate impact in the market.

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