

Market Intelligence: The First Step to Becoming Smart Newspapers

by BARBARA COHEN AND CRAIG KACZOROWSKI

Many articles in this magazine and in other industry publications, have stressed the need for newspapers to become more customer-driven. Many newspaper advertisers and agencies we have spoken with have also said the same thing.

Being more “customer-driven” means forming a better — and more complete — understanding of customers and the marketplace. Collecting market intelligence has to become part of the fabric of a media company. Newspapers need to listen to and really understand the needs of their customers and readers, as well as the environment in which they compete.

BEING CUSTOMER-DRIVEN MEANS HAVING EXCEPTIONAL MARKET INSIGHT

Why is being customer-driven — knowing who our customers are and what they want — so vital to success? Most believe that for newspapers to succeed and grow revenues, they will need to offer multiple products to both advertisers and consumers. Newspapers will need to promote and market these products. Some will be branded separate from the newspaper, like Metromix in Chicago; others will maintain a strong linkage to the newspaper.

From a marketing perspective then, newspapers will need a detailed understanding of customers and competitors to bring these products to market effectively. As the need for newspapers’ marketing sophistication grows, so does the need to have strong capabilities to collect, analyse, and convert market intelligence to action.

New competitive threats to newspapers like eBay have built their very business systems



to collect consumer information on an ongoing basis. When eBay built its core platform, it created a customer database. Therefore, eBay is using the power of technology to monitor and track customer behaviour in real time. In turn, company executives closely watch this information. Since they have intimate knowledge of what the customer wants, they can react to customer desires quickly.

eBay identified opportunities to grow the auction business by listening to its community and mining the database it built. For example, eBay Motors was launched in 1999 after the company noticed significant car sales on its site and created a separate category. In 2001, eBay Motors hosted 300,000 used vehicle auctions, making it one of the largest used-car sellers in the United States, selling almost US\$1.5 billion in vehicles and vehicle parts.

NEWSPAPERS AND MARKET INTELLIGENCE TODAY

To begin a dialogue on the question of the current state of newspapers’ marketing capabilities, INMA and Kannon Consulting have embarked on a three-year initiative called the “Smart Newspapers Initiative” (see sidebar,

page 13). Under the leadership of Paula Rattray, vice president/strategic marketing of The Atlanta Journal-Constitution, and the new international vice president of INMA, we have taken the first steps to benchmark the current capabilities of newspapers and how they collect market intelligence.

The majority of newspapers today charge their market research departments with the responsibility of collecting market intelligence. Therefore, a detailed Internet survey was developed and completed by 172 newspaper research and general management professionals from around the world to serve as a starting point to understand current capabilities. The newspapers surveyed represent a wide variety of geographies and circulation sizes (see Exhibit A on page 5).

The survey was structured around such key questions as: How do newspapers view their market intelligence resources? How effective has this been? How can newspapers gather market intelligence *smarter*?

This article summarises where newspapers are today and, based upon the survey results, where they need to be in terms of collecting market intelligence.

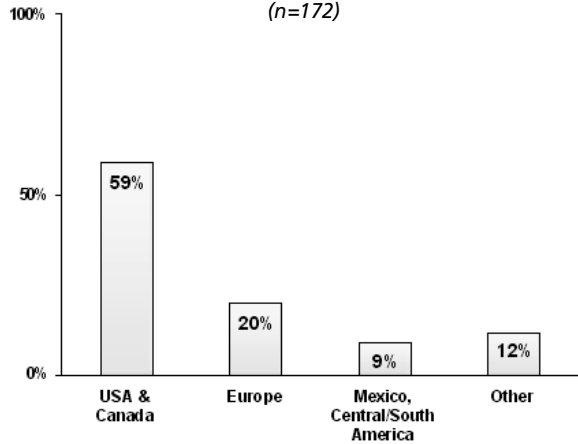
MORE OF TODAY’S RESOURCES ARE INVESTED IN ADVERTISING THAN CIRCULATION, YET ONE DOES NOT EXIST WITHOUT THE OTHER

As shown in Exhibit B, the market research department supports all major newspaper departments. However, the advertising department receives a disproportionate share of money spent. Nearly all research professionals surveyed provided services for the advertising sales department; moreover,

EXHIBIT A

GEOGRAPHY OF SURVEY RESPONDENTS

(n=172)



DAILY CIRCULATION OF SURVEY RESPONDENTS

(n=172)

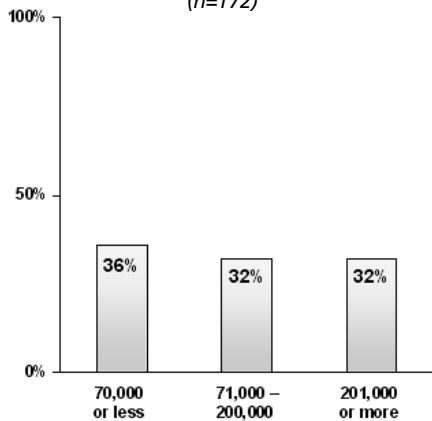
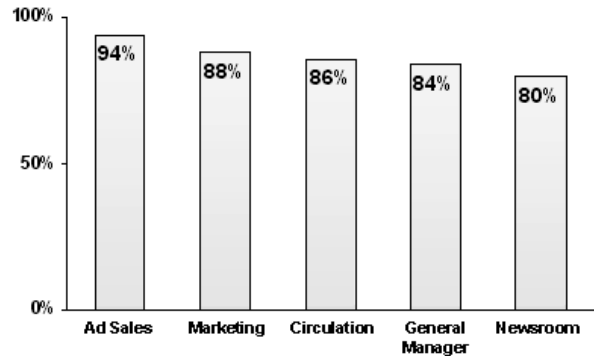


EXHIBIT B

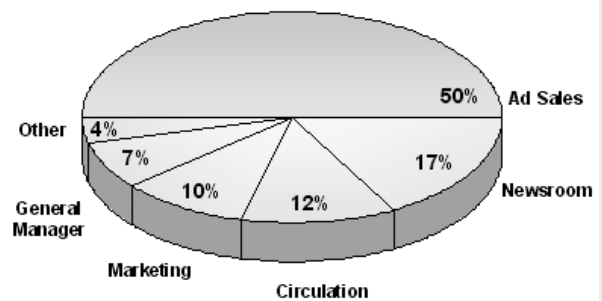
DEPARTMENTS PROVIDED RESEARCH IN PAST YEAR

(n=172)



HOW EXTERNAL RESOURCES ARE ALLOCATED ACROSS THOSE DEPARTMENTS

(n=172)



half of all external research expenditures were allocated to the advertising department. Yet only 12 percent of spending was allocated to circulation.

When we looked at research departments' allocation of time, it was important to learn that 25 percent of the staff's time is spent writing sales presentations. Building persuasive and fact-based sales presentations is a critically important function. But it is not a market intelligence function. Many of the analytical skills are similar, but the actual job of writing the presentation — recutting syndicated data or proprietary data — is really a marketing or sales support function.

Newspapers are urged to consider moving the sales presentation function out of market research departments and into its own separate department that is closely aligned with marketing as an advertising sales support department. This department will need professionals trained in research, but with an

equal if not greater skill in communicating the benefits and value of the newspaper. This may not make sense in *all* newspapers, but it is worth consideration so the research function can focus on its mission to gather and apply market intelligence.

Newspapers whose economics are driven by advertising might think the ad sales department is still being under-supported, despite the data described above. However, to sell advertising to marketers, newspapers must deliver readers and shoppers. A newspaper's ability to understand that side of the marketplace is as important as understanding advertisers and their needs.

REALLOCATION AND GREATER INVESTMENT ARE NEEDED

The investment of time and resources should not be a zero/sum tradeoff across competing departments. In fact, the data suggests that newspapers should invest more

in the market intelligence function.

Newspapers in the survey reported spending 0.2 percent (two-tenths of 1 percent) of their revenues in research. INMA's 2002 Benchmark Study suggested the spending level was at 0.3 percent of revenues. This investment in research is far below consumer goods firms, which invest more than twice that level, as reported by the American Marketing Association.

Newspapers also spend these research dollars differently than the consumer goods marketers. As shown in Exhibit C (page 6), newspapers allocate only 38 percent to custom quantitative studies, versus almost half of the research budgets of consumer goods firms that are spent on these proprietary studies.

While syndicated data is certainly strong, reliable information, newspapers may not want to be fully dependent on it to understand their markets. Custom quantitative research can be used to augment purchased data to fill in the

EXHIBIT C

BUDGET ALLOCATION BY STUDY TYPE

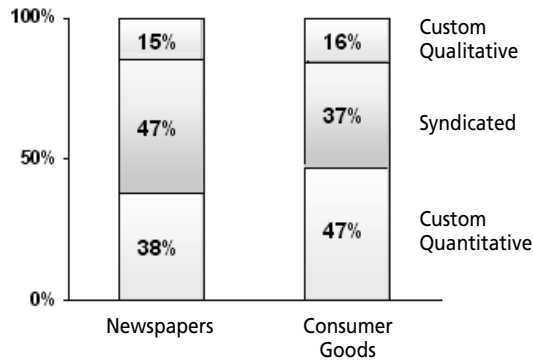


EXHIBIT D

VALUE OF RESEARCH FUNCTION TO NEWSPAPER'S OVERALL MARKET SUCCESS
(On a nine-point scale)

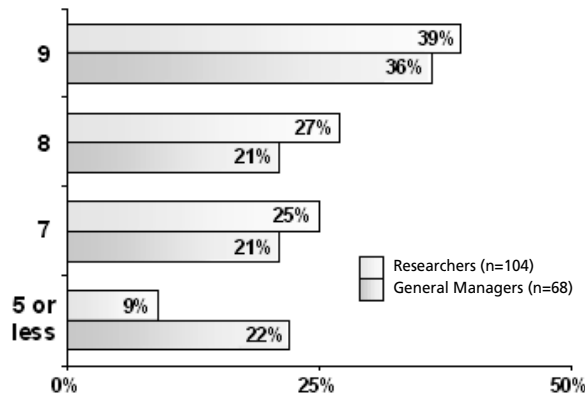


EXHIBIT E

EDUCATION LEVEL OF PROFESSIONAL RESEARCHERS

| | Newspaper Researcher | Consumer Goods Researcher |
|--------------------------|----------------------|---------------------------|
| High School/Some College | 9% | — |
| Bachelor's Degree | 41% | 22% |
| Master's Degree | 43% | 70% |
| Doctorate/PhD | 5% | 8% |
| Other | 2% | — |

OR

EDUCATION LEVEL OF PROFESSIONAL RESEARCHERS

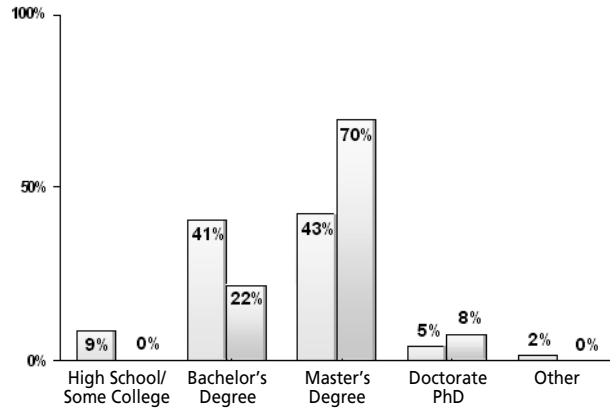
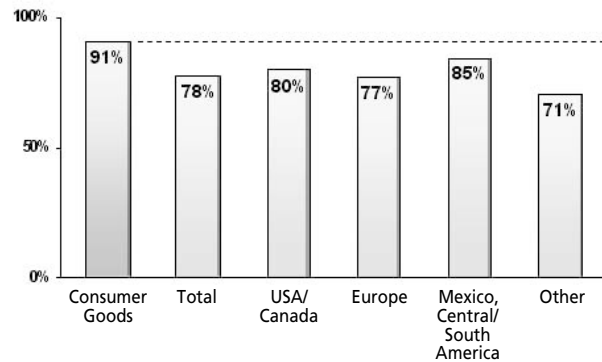


EXHIBIT F

PERCEIVED VALUE AMONG END USERS
(Top Three Box)



gaps in understanding. Qualitative research, such as focus groups and one-on-one interviews with advertisers and readers, can build a newspaper's insight into drivers of change in the marketplace and build stronger bridges to the community.

Unfortunately, even newspaper executives themselves do not appreciate how little is being spent on research. When asked about the obstacles to the department's success, only 57 percent cited sufficient budget as a problem. Years of budget cutbacks and reduced spending have beaten into submission the very departments that need to lead the way.

THE EFFECTIVENESS AND SATISFACTION GAP NEEDS TO BE CLOSED

Newspaper research professionals were asked to rate the value of the research function to their newspaper's overall market success. Ratings were based on a nine-point scale, where one was equal to "not at all valuable" and nine was equal to "extremely valuable."

On average, the researchers surveyed rated the value of the research function a 7.9, meaning that they thought the research conducted had a fairly high value in terms of

impact on the newspaper's market success. Looking at the Top Three Box in Exhibit F (those rating the research a 7, 8, or 9), about 78 percent of all who answered the question rated the value of the research high.

This can be compared with a comparable study undertaken by the Advertising Research Foundation in conjunction with the American Marketing Association in 1998. About 91 percent of packaged goods companies in that study rated the value of their research a 7, 8, or 9 on a similar nine-point scale. In other words, newspaper researchers are not in line with what fellow researchers at other consumer goods companies believe to be the value of the research conducted.

Newspaper general managers were also asked to rate the value of the research to the newspaper's overall market success. On average, general managers rated the value of the newspaper research a 7.6 on the same nine-point scale. Although this average rating is in line with the scores given by the researchers themselves, when we look at the actual range of ratings given, we can see that 22 percent of all general managers (as opposed to only 9 percent of researchers) gave the overall value of their newspaper's research a 5

or less on the scale, meaning about two out of 10 general managers found little or no value in it (see Exhibit D on page 6).

General managers were then asked how they rate the end usage of the research presented to them in the past year. Again a nine-point scale was used, with 1 equal to "research completely disregarded" and 9 equal to "research used very effectively."

On average, the general managers surveyed gave the end usage effectiveness of their newspaper's research a 6.5 on a nine-point scale. Only 20 percent of the general managers rated the effectiveness an 8 or 9, with about 20 percent rating the effectiveness a 5 or lower.

Looking across departments, general managers rated the end usage effectiveness of research conducted for advertising sales a 6.6. Recall that the advertising sales department was where about half of research budgets and time were being spent. So even for the internal customers most often served, the overall feeling among general managers was that the research was not being used as effectively as it should be.

ADDITIONAL EDUCATION AND TRAINING MAY BE NEEDED

Do newspapers have the right people in

THE SMART NEWSPAPERS INITIATIVE

Newspapers need a new cultural formula to grow business.

The quality of newspapers produced today is world-class, and the newspaper industry is achieving every creative goal it set for itself in years past. Unfortunately, the market is slowly reducing newspapers as part of its news and advertising diet. And business is trending negative as a result.

The Smart Newspapers Initiative is a three-year project launched by the INMA, in conjunction with Kannon Consulting, to empower senior newspaper executives with market-based management tools that will combat this negative trend and grow revenues, profits, and share faster.

The project aims to demonstrate that a management culture based on listening, analysing, evaluating, benchmarking, and communicating will return greater rewards to publishing companies than companies that do not employ such devices sufficient to market demands.

The project will involve surveys, primary and secondary research, focus groups, and other methodologies to quantify existing communications management at newspapers, compare practices and results with other industries, and recommend new benchmarks for publishers.

Over the next three years, the INMA project will elaborate on five steps based on the five core marketing capabilities companies should employ:

1. Market intelligence.
2. Intelligence analysis.

3. Business development.
4. Sales-driven brand development.
5. Customer communications.

Each step — to involve different methodologies — will be released publicly at INMA conferences and workshops in the next three years, culminating in a 2005 final report to the newspaper industry that ties together findings that INMA believes will identify:

- The level of research necessary to forecast and respond to marketplace changes.
- How to identify and analyse "early warning signals" that may later impact circulation and advertising numbers.
- How to manage, prioritise, and flow resources to various communications levers, and how to mobilise the company to move quickly as market wants and needs change.
- How to apply market knowledge to identify and pursue business prospects, and evaluate successes and failures.

Deliverables to the newspaper industry include benchmarks by circulation size and geography for spending and types of studies, the capabilities needed to field and analyse proprietary data and find secondary data, and recommendations on spending levels, local issues to be studied, minimum study frequency, and types of studies. It is expected that the findings will assist newspaper management in developing information for advertisers, circulation executives, and editors in their product development role. ■

the right jobs? Certainly education is not everything, but half of all researchers surveyed have a bachelor's degree or less. Compare that to typical researchers in consumer goods companies; only 22 percent have a bachelor's degree or less, with 78 percent having a master's degree or greater (see Exhibit E on page 6).

And newspaper researchers are typically not new to their jobs. About six out of 10 market researchers surveyed have spent 11 or more years in marketing or market research, with nearly four out of 10 respondents having spent 16 or more years in the business. Newspapers have market research departments made up of long-term research employees, not necessarily people who are well-educated or sophisticated in the research techniques that need to bring newspapers to the future.

EUROPEAN RESEARCHERS BEHAVE MORE LIKE CONSUMER GOODS FIRMS, BUT STILL SUFFER A GAP IN EFFECTIVENESS

Across geographies, European newspapers surveyed — perhaps not surprisingly, given their economic model — spent less time on sales presentations; in fact they spent half as much time as the North American newspapers surveyed. European researchers are also more circulation-oriented in the support they

provide and in the types of research projects initiated. Newspapers outside of North America also spent more on custom research rather than syndicated data.

While the research profile of Europeans looked more like consumer goods companies, all is not well there yet. About 21 percent of the general managers rated the value of the research function to the newspaper's overall success below 6, in line with the overall sample. And, as shown in Exhibit F, the perceived value of research is below consumer goods firms across geography.

Newspapers need to make certain that advertising sales are supported but should also make certain that they are not supporting them at the expense of other aspects of the business. Research budgets must grow to meet the needs of all departments in the newspaper. Newspapers may also need to be investing in different types of research than they have done in the past. Clearly, newspapers need to build more (and better) bridges to other departments so that the market intelligence gathered is meaningful and used effectively.

HOW CAN NEWSPAPERS GATHER MARKET INTELLIGENCE SMARTER?

We are just beginning down the road of

the Smart Newspapers project. There is much more to be mined from the survey — for example, specific types of studies that are and should be fielded, and the organization itself. A white paper and additional web and print summaries will be shared on the subject.

Newspapers are not only just beginning to understand the implications of all the data gathered in the survey, they are really just beginning to go down the road of how they really make the marketing and marketing strategy in their newspapers smarter. ■

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Smart Newspapers and Market Intelligence: What It All Means

by EARL J. WILKINSON



Now that the Smart Newspapers project's first step has been released, what does it all mean in the context of the initiative's core premise? Here is my perspective.

Marketing is going in only one direction:

► In the next decade, marketing levels will rise and the share of expenditures will shift from broadcast vehicles to narrowcast vehicles as mass markets break into smaller niches and marketers demand concrete returns on their investment. We are driven in this direction by market forces, nudged

by technological advances.

► Given these forces, marketing is moving away from imprecise communications vehicles aimed with minimal market knowledge at a mass audience and *toward* precise communications vehicles aimed creatively at as close to a one-to-one audience as technology allows.

► Marketing is increasingly being repositioned from the *end* of sales and product processes to the *center* of those same processes.

Most of these trends in the application of marketing are dramatically affecting companies worldwide — including many of our advertisers. This impact is not yet being realised in terms of how newspapers address their marketplace. We must fight through decades of institutional history to build an internal understanding that marketing is both an art and a science. Marketing's qualitative aspects (product positioning, brand campaigns, promotions) must be tied to its quantitative aspects (circulation growth, advertising growth, measurable results) in order for the marketing function at newspapers to gain further credibility.

Let's face facts: Newspaper chief executives love measurable results and will default to whomever in the room is delivering those results. If circulation rises 3 percent or a US\$1.5 million advertising contract is delivered, that impacts the newspaper's bottom line. When the chief marketing officer walks in with an image campaign that costs money, management's short-term view is that it negatively impacts the bottom line.

Ironically, the Smart Newspapers project is not about *defining* a "smart newspaper." We already know that. There is a clear point on the map that can be seen at any INMA conference or in any INMA publication. "Smart newspapers" are those that are active in customer segmentation, multiple product development, daily audience measurements, and projecting trends in consumer spending and advertising effectiveness. It is fair to say that no newspaper fits this entire description despite growing market pressure to employ such practices.

The question at the heart of the Smart Newspapers project is *at what speed your company is transitioning*. How can we expedite newspapers down this road?

Marketing will likely have its winners and losers in the coming years:

► **Winners:** Highly personalised e-mail communications, cookie-enabled web communications, high-value direct mail, clever messaging within opt-in products like digital archives, messaging linked to lifestyle and lifestyle products.

► **Losers:** E-mail spam, impersonal junk mail, telemarketing, television, radio, in-newspaper, billboards, events, messaging linked to mass-market products.

The "winners" are winners because they are trackable, targetable, and they

can't be done properly without extensive research and creative applications of research. The "losers" are losers because they aren't trackable, are difficult to target, and are aimed at a market without market knowledge.

In fairness, most of the "losers" can be turned into "winners" in the proper context — especially if it's augmented by strategies that are led by a one-to-one mentality. In-newspaper advertising, for example, is excellent for newspapers doing certain things like promoting next-day content. Radio can be beneficial for promoting same-day content. Television can work as a brand lever on the proper niche channel if the message is accompanied by an intelligent direct approach.

If you know how to operate in a converged world of databases, the web, and e-mail, your future is bright. If your skill sets are geared toward in-newspaper ads, television commercials, and junk mail, you will be marginalised.

A mountain of evidence exists showing that newspapers are in the "slow lane" of these uni-directional trends in marketing. The Smart Newspapers project aims to loudly identify the lane, and suggest how we can go faster.

The first step outlined in this month's "Special Report" — market intelligence — tells me three things I long suspected but could never prove:

- Newspapers are under-investing in research versus other industries.
- Newspapers are misallocating the limited research resources we have.
- And, even within our low expectations of research effectiveness, newspapers are under-delivering to senior management.

These are unlikely to be "headlines" for practitioners except that there are now numbers associated with theories and they now become your ammunition. Yet they likely *will* be headlines for senior managements — especially if we can begin to show returns on investment.

To illustrate the simplicity of the preliminary findings, consider how deep the consumer knowledge is at your newspaper. Most senior executives can talk at the category level of advertising (retail, grocery stores, recruitment) but are befuddled by the mass of consumer data. Marketers have to become more adept at understanding it, presenting it, and demanding more and better resources on the consumer side.

For those looking for all answers in this first of five steps, you will be disappointed. The "Market Intelligence" step sheds light on only 20 percent of what a "smart newspaper" should be doing — with the other four steps to be unveiled over the next two years. This is a process, and only at the process' conclusion in 2005 will we be able to look back and see a three-dimensional view of how to become a "smart newspaper."

Our next phase in this first step is to release a "Market Intelligence" white paper, which will be crucial to providing details that allow you to benchmark your company's research efforts, adapt INMA's conclusions to your unique market situation, and look into how and with whom to communicate the findings.

We suspect we know where marketing and media are heading, yet we want to shine a spotlight on it and provide a road map to get there. For those who find this map to be "news," the Smart Newspapers project couldn't have come along at a better time. For those who have "been there and done that," my challenge to you is this: What obstacles exist that prevent you from moving your company with all due speed toward being a "smart newspaper"?

I am confident that answers lie ahead. ■

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