

Media Selling, 4th Edition

Chapter 19 - Newspapers

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The History of Newspapers

Newspapers have been a leading source of local advertising since April 26, 1704, when Postmaster John Campbell first published his weekly *Boston News Letter*. The paper's first advertisement was a real estate announcement that sought a buyer for an Oyster Bay, Long Island estate.

Surprisingly, the advent of newspaper advertising did not prompt a rapid spread of newspaper publishing in the United States. There were only 70 weekly newspapers in 1790. By 1820, that number of weekly newspapers grew to 422. The number of daily newspapers also rose during that period, increasing from 24 in 1800 to nearly 400 in 1860; however, the biggest push for newspapers came in 1833 when Benjamin Day published *The New York Sun*, the first successful penny newspaper in New York. In four years, circulation of *The Sun* reached 30,000, making it the world's largest newspaper. These penny newspapers were sold by newsboys for a penny instead of the customary six cents on street corners in major cities across the United States. Many of these papers relied on sensational articles to appeal to readers and stand out from the other papers being sold on the same street corner. By making the newspaper affordable, circulation began to grow as did the number of newspapers published.

Newspapers In the Age Of the Internet

In 2006, a total of 1,437 daily newspapers were published in the U.S.ⁱ Unlike television, which is dominated by four major networks, newspapers remain a local medium – an attribute that both helps and hinders advertising sales efforts. Advertisers like having the ability to target local markets, and in most cases, newspaper circulation covers the primary retail trading areas most important to retailers. Although dealing with over 1,400 newspapers is can be cumbersome for national advertisers, the Newspaper Association of America manages a Newspaper National Network (NNN) whose core strength is its ability to work with national advertisers and their agencies to find ways to make multi-market newspapers work in support of their marketing strategies. The NNN plans and places ads in over 9,000 newspapers – see www.nnnlp.com for details.

Half a century ago, daily newspapers were primarily published in the afternoon. Of 1,772 daily newspapers published in 1950, more than 80 percent (1,450) were published in the afternoon. In 2006 there were 1,437 newspapers with 614, 43 percent, published in the afternoon. The number of Sunday newspapers has grown from 549 in 1950 to 907 in 2006. While daily circulation of all U.S. newspapers declined from 53.8 million in 1950 to 52.6 million in 2006, Sunday circulation actually increased from 46.5 million to 53.1 million, respectively.ⁱⁱ Consumers spend \$10.9 billion annually to read daily newspapers, including the advertisements.ⁱⁱⁱ

Part of the decline in circulation can be attributed to the increased costs of subscribing to daily and Sunday newspapers in most cities, and to selective reductions in delivery to areas outside the paper's primary retail trading zone as part of cost-cutting

measures to increase profits. In addition, the merger of morning and afternoon newspapers in previously competitive markets has reduced both the number of newspapers published and total newspaper circulation. These mergers are typically in the form of joint operating agreements (JOAs). In 2007 fewer than 45 cities had more than one daily newspaper and 11 of those were operated under common ownership. In addition, 12 of the multi-newspaper cities operated under Joint Operating Agreements (JOA) made possible by the Newspaper Preservation Act of 1970.^{iv}

JOAs were created to preserve a diversity of editorial opinion in communities where the market no longer supported two competing daily newspapers. Under a JOA, editorial operations remain separate while advertising, printing, delivery, and business operations are combined. The elimination of competition in newspaper markets typically results in higher advertising and circulation rates. One reason for these increases is because duplication of newspaper readership in a market is reduced through consolidations and closings, which makes advertising more efficient in single newspaper markets, even though the single remaining newspaper’s rate might be higher.

Of course, a major reason for declines in newspaper circulation, readership, and advertising revenue is because of increased competition from weekly newspapers and, especially, the Internet.

There are thousands of weekly newspapers – paid and free – alternative weeklies, advertising shoppers, and local magazines and coupon packets competing for print advertising dollars. In the face of this competition, in order to offer advertisers increased market penetration, many daily newspapers publish Total Market Coverage (TMC) products that are distributed free to non-subscribers one or more days per week.

Newspaper executives and advertisers are concerned about the both the competition and the declining newspaper readership. Average weekday readership of daily newspapers in the top 50 markets has declined from 77.6 percent in 1970 to 48.4 percent in 2007 while Sunday readership has gone from 72.3 percent to 55.4 percent, in the same period.^v Exhibit 19.1 shows newspaper readership trends from 1998 to 2007.

Exhibit 19.1

Daily Weekly Readership 1998-2006
Average Weekday Readership
Adults (000)

Year	Total Adults	% of Adults	Men	% of Men	Women	% of Women
1998	79,046	58.6	40,442	62.2	38,624	55.2
1999	77,680	56.9	39,860	60.6	37,821	53.4
2000	76,596	55.1	39,330	58.8	37,267	51.7
2001	76,367	54.3	38,998	57.5	37,369	51.3
2002	79,638	55.4	40,318	58.2	39,321	52.8
2003	79,094	54.1	40,030	56.8	39,064	51.5
2004	78,285	52.8	39,727	55.5	38,558	50.2
2005	77,673	51.6	39,428	54.1	38,245	49.2
2006	76,088	49.9	38,693	52.3	37,395	47.6
2007	74,714	48.4	38,246	51.0	36,467	45.9

Source: Scarborough Research Top 50 Market Reports 1998-2007. Prepared by NAA Business Analysis & Research Dept. Used with permission.

Newspaper executives are also concerned about the industry's steady decline in total yearly newspaper advertising expenditures which have dropped from \$48.67 billion in 2000 to an estimated \$43.843 billion in 2007, a drop of 10 percent, as many advertisers switch their ad dollars to online media.

Rather than fight the competition from the Internet and the proliferation of news websites and blogs, newspapers have embraced the Web and are migrating their content to their own websites. Such robust websites as www.nytimes.com and www.washingtonpost.com attract many millions more readers than their printed versions do and bring in substantial revenue, although not yet nearly enough to make up for the loss of advertising revenue in their print editions. Exhibit 19.2 shows overall newspaper advertising revenue trends, including newspapers' websites' revenue.

Exhibit 19.2

Annual Advertising Expenditures 2003-2007

Year	Total Print \$ Millions	% Change	Total Online \$ Millions	% Change	Total of Print and Online \$ Millions	% Change
2003	44,393.12	1%	1,216.42	**	45,609.54	*
2004	46,702	5%	1,541.26	27%	48,243.26	6%
2005	47,408.08	2%	2,026.52	31%	49,434.60	4%
2006	46,601.34	- 2%	2,664.06	31%	49,265.40	- .3%
2007**	42,703.81	-8%	3,223.06	21%	45,926.87	- 7%

* Online was not calculated in 2002

** Author's estimates

Prepared by NAA Business Analysis & Research Dept. Used with permission.

Newspaper Content

Each of the 1,437 daily newspapers is unique in its content because newspapers generally serve different markets, readers, and advertisers. And, the newspapers are written, edited and produced by local news organizations. Newspapers are unique because they totally recreate their products every single day in print. Each day's newspaper is completely different from the one published the day before and from the one to be published the day after.

The content of individual newspapers varies based on the markets served and the size of the newspaper. National newspapers, such as *USA Today* and *The Wall Street Journal*, focus on major national and international news. Metropolitan newspapers like *The Chicago Tribune* and *The Los Angeles Times* offer very broad coverage with an emphasis on state and national news, politics, and college and professional sports, while de-emphasizing local, community news. Suburban and community newspapers offer highly localized content featuring news about local city and county governments, high school sports, civic group activities, and other information not available in the larger newspapers. Each newspaper offers its own version of business and entertainment news, and features geared to the broad national, metropolitan or local audiences they serve. In order to appeal to everyone in a household, newspaper editors produce a wide variety of

material beyond simply covering the news. For example, sports and financial pages are believed to have the most appeal to male readers, while lifestyle, social news, shopping columns, fashion, and food news are produced to attract female readers. Comic strips, school news, high school sports and entertainment news are produced to appeal to younger readers while also appealing to a much wider audience.

In the process of gathering and publishing the news, newspapers serve as a daily record of events. While other media may compete with national and metropolitan newspapers for major political or crime stories, mid-size and smaller newspapers almost exclusively cover the local city council meetings, public hearings, and other local events. The publication of this information contributes to an informed electorate which helps democracy work. And the presence of reporters in cities and towns across America provides a safeguard against political corruption and abuse. Newspapers present news of the preceding day and provide a record to that day's news, business, and sports activities. Newspapers also provide information on upcoming events and provide entertainment. Newspapers also carry strong opinions written by the newspaper's editorial writers or syndicated columnists. These opinions help establish a dialogue on important local, state or national issues and prompt responses from readers who submit letters to the editor, so their viewpoints can be published. This entire process helps unite communities, promote greater understanding, and inform the citizenry in ways that often move them to action.

The typical newspaper is divided into themed sections. While these sections vary from market to market, the most common include Main News, State/Local, National/International, Lifestyle, Business, Sports, and Entertainment. Specialized sections are also published on topics such as Home and Garden, Books, Theater, Movies, Music, Automotive, Real Estate, and Careers. These sections make it easier for the reader to work through a newspaper and provide targeted opportunities for advertisers.

The role of newspapers in society has changed very little since Harrie Davis wrote in 1905, "It is the vigilant sentinel of the masses, the guardian of their rights, the voice of their thoughts and the bulwark of their liberties. It binds the human race together with a link of friendship, tells men of their fellows, and records the progress of the world in the making."^{vi}

Today, newspapers are compiled and edited by trained reporters and editors who are charged with selecting and chronicling the day's most important, useful, or entertaining happenings. By doing this work for consumers, the newspaper then becomes a random-access database that offers readers easy, non-linear access to the world's events in a format that they can use at their own convenience. Unlike television, which is often viewed passively, a newspaper is an active medium, requiring a hands-on approach in order to read and use it. Also, television is linear, real time, non-random access, which means that television content (radio, too) comes in linear form, one piece after another, and you cannot skip ahead or skip back. You take the content in the order and in the time frame that is sent.

In order for a newspaper to be influential and successful, it must be trusted by its readers. As a result, newspapers traditionally operate with a strict code of ethics for its journalists. Policies regarding potential conflicts of interest, fairness, independence and objectivity are found in most newsrooms. In addition to avoiding conflicts brought about by close association with political action groups or acceptance of gifts from news sources, news personnel operate independently of the newspaper sales and marketing

departments. The separation is necessary in order to avoid being asked to provide favorable news coverage for the newspaper's top advertisers. While such a favorable article might offer a short-term benefit to the newspaper financially, it is commonly believed that such coverage would damage the editorial integrity, reputation, and credibility of the newspaper over the longer term. As a result, a higher premium is rightfully placed on the newspaper's credibility than its short-term financial needs. While advertising sales representatives are often asked by advertisers for special news treatment, the separation of church and state policy allows the sales representatives to remove themselves from any potential controversy surrounding advertisers and editors. And it best serves the needs of readers. See Chapter 3 for a more detailed discussion of media and sales ethics.

How Newspapers Are Sold

Newspapers are "sold" in two ways: to readers (consumers) and to advertisers (customers). Unlike broadcast television, which has only one revenue stream – advertising – and like cable, newspapers have two revenue streams: circulation revenue and advertising revenue, which includes revenue from inserts. Circulation revenue is further broken down into two types: subscription sales and single issue sales.

Circulation Revenue

Daily newspapers are sold to consumers either by subscription or on a single-issue basis. Subscribers receive their papers via home delivery, either through "little merchant" walking carriers or adult motor route carriers. Single issues are purchased out of vending machines or over the counter at various news outlets including, but not limited to, newsstands, vending machines, street hawkers, grocery stores, and so forth. A number of papers are also available to businesses, hotels and motels, and travelers on a bulk-purchase basis. Regardless of the how consumers receive a newspaper, an individual newspaper's circulation is the combined total of paid subscriptions, single copy sales, and bulk sales. Circulation revenue traditionally amounts of 20 – 25 percent of newspapers' total revenue.

Advertising Revenue

Unlike other media that base audience projections on sampling techniques, as described in Chapter 16, newspapers base their advertising rates on average weekly circulation and the size and placement of an ad.

Newspapers rely on outside circulation auditing firms to provide independent verification of their circulation numbers. Most daily newspapers are audited by the Audit Bureau of Circulation (ABC), which was established in 1914. The ABC has rules and requirements that all of its members must follow in order to obtain an acceptable audit. The standardization of the auditing process gives advertisers a high level of confidence in a newspaper's circulation claims. In addition, the audits provide advertisers with a consistent format that merges with their own customer databases for more convenient market analysis. Two other newspaper auditing firms, Certified Audit of Circulations, Inc. (CAC), and Verified Audit Circulation (VAC), are also recognized by most advertisers. These audit firms are used primarily by smaller newspapers and weekly publications. In addition to auditing paid circulation newspapers, CAC and VAC also

audit free newspapers and advertising publications. The purpose of the auditing process is to give advertisers a high degree of comfort with the numbers presented to them by newspaper sales representatives.

Audits not only provide average paid circulation figures but also record how many of the papers were purchased through discount programs and at regular price. Circulation data available for newspapers include the number of copies delivered by various methods – newspaper carriers, dealers or agents, street vendors, over-the-counter, and vending machine sales and by the U.S. Postal Service – for the newspaper’s city zone, retail trading zone (RTZ) and areas outside the RTZ. Audit reports typically report circulation by community and by zip code. An audit report will also provide advertisers with an estimate of occupied households within each of the newspaper’s circulation measurement areas to enable advertisers to easily calculate the newspaper’s household penetration in the communities or zip codes most important to an advertiser. Go to www.nytimes.whsites.net/mediakit/newspaper/circulation/index.php to check out the latest *New York Times* weekday and Sunday circulation.

Newspaper salespeople need to know and understand their newspaper’s circulation patterns in order to advise advertisers on how best to utilize their newspaper. Sales representatives should also know their competition’s coverage in their key zip codes and be able to talk about duplication of reach and readership.

Newspaper Readership

People with higher education and older people are more likely to read a newspaper. See Exhibit 19.3^{vii} for details.

Exhibit 19.3 Average Daily Newspaper Readership

<u>Year</u>	EDUCATION *			
	<u>Attended High School</u>	<u>Graduated High School</u>	<u>Attended College</u>	<u>Graduated College</u>
2007	36.6%	46.0%	49.6	53.6

<u>Year</u>	AGE *			
	<u>18-24</u>	<u>25-34</u>	<u>35-54</u>	<u>55+</u>
2007	33.9 %	33.7%	48.0%	63.7%

* Percent average daily readership by education and age demographics.

Source: Scarborough Research Top 50 Market Report, 1998 – 2007. Prepared by NAA Business Analysis & Research Dept. Used with permission.

Of course, newspaper readership varies from market to market and depends on the demographics of each market, literacy rates, ethnic composition of the market, and competitive alternatives. For that reason, most large and mid-size newspapers conduct their own readership studies on a periodic basis. These studies, conducted by independent research companies that follow established standards of measurement, provide individual newspapers with an excellent look at their readers, non-readers, and

users of competitive media including television, radio, weekly newspapers, shoppers and direct mail. The data collected in these studies is used internally by newspaper managers to identify areas for improvement in content, service, and sales. It is also used externally with both existing advertisers to reassure them of the value of newspaper advertising and with potential advertisers to demonstrate the size of the audience the advertiser is missing by not using the newspaper.

This readership research breaks down the market in ways that enable advertisers to analyze the newspaper's reach among various demographic groups. These ways include household income, age, sex, race, education, home ownership, marital status, and, probably most important, shopping preferences. The studies also track shopping patterns for various shopping centers and malls as well as for individual stores and services. By measuring these variables consistently on a periodic basis, newspapers help advertisers identify trends or market changes that may impact their businesses in positive or negative ways.

Most newspapers provide this proprietary readership data along with other syndicated market demographic information and census data to help advertisers better understand local market trends and conditions. By being a primary provider of this useful information, newspaper advertising representatives become an extension of the advertisers' marketing departments. This information allows the sales representatives to help advertisers develop successful programs that grow their businesses. Because a salesperson is involved in the planning and development of these programs, they often benefit by making sure their newspaper is a significant part of a new or expanded advertising programs.

One important finding that practically all market research studies find is that consumers read newspapers for both news and for advertising information. The fact that readers regularly, and habitually, look at newspapers to learn what is on sale at their favorite stores or what special item they can find in the newspaper's classified advertising section makes a compelling argument for newspaper advertising. Readers regularly shop the ads in newspapers whether they are looking for a new home, a new job, or a new stereo system in order to keep up with local price trends.

In many ways, readers look at newspaper advertising as a shopping mall of information and store news to help them decide where and when to shop.

Newspaper Advertising

Newspaper advertising comes in all shapes and sizes. An effective newspaper ad might consist of only three lines of carefully worded copy and placed in the Merchandise for Sale category in the classified section, or it could be a multi-page section printed behind the main news section. Newspapers are organized to accommodate all types of advertising from both big and small advertisers. Advertising in newspapers is typically divided into four categories – classified, classified display, display, and pre-printed inserts.

Classified Advertising

Even though classified advertising in newspapers has been hurt significantly by free Internet services such as Craig's List (www.craigslist.com) for general classifieds, Monster.com (www.monster.com) for jobs, and job-specific Internet services such as

HigherEdJobs.com (www.higheredjobs.com), and by individual sites by realtors, auto dealers, auto manufacturers and boards of realtors; classifieds is still an important source of ad revenue for newspapers. Classified advertisements, also called want ads, appear in small, type under indexed headings which identify the type of product or service advertised. Many newspapers also offer bold headlines, color type, and logos in classified to help improve the readership of individual ads. These small ads, often numbering more than one million per year for large metropolitan newspapers, provide strong newspaper readership and interactivity with readers. Classified ads are usually sold on a per-line basis and appear in the classified sections of the newspaper. Generally, these sections have 10 columns per page. Some papers have six, eight, or nine columns. These small ads inform readers where yard sales are being held, what used cars are for sale, and who is trying to sell their exercise equipment. A number of service businesses also use these classified ads because they can afford to advertise every day. This increased frequency enables consumers to know where to look for contact information when they are in need of someone to trim their trees, mow their lawns, or clean their gutters.

Classified Display Ads

Classified Display advertising differs from regular classified in several ways. The copy usually occupies more space. It is surrounded by a bold border and often features product illustrations, bold type and headlines, and/or company logos. The most common users of classified display advertising are automobile dealers, realtors, and employers or recruiters. By placing these similar advertisements in one section of the paper, newspapers make it easy for readers to comparison shop for services such as these. At the same time, the shopping environment works for advertisers because consumers know where to look for the market's most comprehensive compilation of ads of interest to them when they are in the market for a new or used car or truck, a new home or a new job. Research shows, for example, that new car buyers are very likely to read automotive ads in their newspaper before buying to get information on the models and prices that interest buyers most. These same buyers continue to read the automotive ads for several weeks after making their purchase just to make sure they got the best possible deal. Consumers have been trained through years of consistent advertising to rely on newspapers for such information. As a result, advertisers know they need to be represented in the newspaper marketplace on a consistent basis if they wish to be successful.

Display Ads

Display advertising (often called ROP – run of paper or run of press) is the term used to describe the bold advertisements found in sections of the newspaper other than the classified section. These display ads usually occupy fairly large spaces, but can vary in size from one column inch (one and 7/8s inches wide by one inch deep) to a 126 column-inch-page, six columns or 12 inches wide by 21.5 inches deep. Display ads are surrounded by bold or graphic borders and are not placed under specific headers, similar to the classified display ads. These display ads may be promotional, offering price and merchandise information, brand or image building, or a combination of these styles and formats. Advertisers like display ads because they can squeeze a lot of product and price information into each ad. This gives consumers more product options to consider. And,

it increases the likelihood that one or more of their advertised items will appeal to potential customers.

Display advertising is often divided into two major categories – local, also referred to as retail, and national, often referred to as general. Newspapers rely heavily on local retail advertising which is usually sold via bulk annual contracts at the paper's most attractive rates. Local display advertising is sold by the newspaper's sales representatives through direct sales calls on local store owners or managers or at regional and national chain store offices. In most cases, an advertiser is treated as a local account if it operates a retail or service outlet within the newspaper's market area. National display advertising has been a declining segment for newspapers. Much of the traditional national display advertising, which consisted of manufacturers' product coupons, has shifted away from display ads to coupon ads in the Sunday coupon supplements. These supplements are produced by national firms such as Valassis and News America. They are distributed primarily through Sunday newspapers across the U.S.

Newspaper Representative Firms

National ads are usually sold by newspaper representative firms. Newspapers charge higher rates for national advertising which typically comes from manufacturers, wholesalers, service organizations, or political action committees. Publishers justify the rate differentials by explaining that national advertising is usually commissionable to advertising agencies while local display ads are usually non-commissionable to advertising agencies. Also, national advertising representative firms usually take a percentage of each sale, which also increases the newspaper's costs for each national transaction. Furthermore, publishers feel they should reward local advertisers with the most attractive rates because of the consistency of their advertising programs with the newspaper and because most local advertisers do not serve as wide a geographical area as most national advertisers do, and, therefore, do not have as large a potential market. Many advertising executives believe the national rate differential has contributed significantly to the industry's loss of national advertising. However, newspapers that have reduced national rates individually have not typically seen an increase in volume from national accounts. It is more likely that a switch to television advertising by most national advertisers is the culprit and cause of this decline. Broadcast competitors generally do not charge different rates to local and national advertisers.

In addition to local display and national display, newspapers also offer category rates for market segments, such as movies and entertainment, electronics, automotive dealer associations, and so forth. To see an example of different rate categories, go to www.nytimes.whsites.net/mediakit/newspaper/rates/ad_rates.php to see the categories offered by *The New York Times*.

Newspaper Pricing

Unlike the broadcast and cable media, newspapers are not constrained by limitations on advertising inventory availability – they have what economists call elastic supply. Newspapers can usually add more pages or reduce the number of pages to deal with increases or decreases in advertising volume. While broadcasters sell spots at rates that reflect current market supply and demand economics because of their fixed-inventory constraints and what economists call inelastic supply, newspapers charge established

advertising rates that reward advertisers for contractual commitments based on frequency and/or volume (in advertising space or dollar investment).

Newspapers, unlike broadcasting and cable, want to encourage advertisers to buy more and more space because they can easily add inventory – pages. Newspaper advertising contracts are usually sold on an annual basis, although most newspapers reserve the right to adjust advertising rates with 30 days written notice.

A typical newspaper advertising rate card is designed to encourage advertisers to make significant commitments to run well-planned, consistent advertising programs with the newspaper by rewarding them with lower advertising rates based on increased levels of volume or frequency, see

www.nytimes.whsites.net/mediakit/newspaper/rates/ad_rates.php for an example. A newspaper rate card allows advertisers to know in advance what their advertising will cost every time they advertise during the life of the contract. This means that advertisers in the same business, running identical advertising schedules, can generally expect to pay the same rates and have similar opportunities for lower rates based on increases in advertising, although in recent years, because of declining revenue, newspapers are more willing to negotiate rates than in the past.

Advertisers also like knowing that their advertising rates are consistent throughout the year, unlike in television and radio. This way, they can better plan and budget their regular advertising and promotion programs. They do not have to worry about costs increasing during the advertiser’s most important seasons and can adjust the size and frequency of their ads to reflect current business trends and seasonal patterns. Larger advertisers negotiate aggressively for preferred positioning within the newspaper with back pages, color positions, and page three among the more popular positions.

A typical newspaper rate card will offer non-contract rates, Open Rates, for occasional advertisers, annual bulk rates and/or dollar volume contracts for larger advertisers, and various small space frequency contracts for smaller stores and services. Newspapers often offer special introductory rates to entice non-advertisers to try newspaper advertising. And, many newspapers offer special incentives to advertisers that agree to increase their total investment with the newspaper by significant amounts. Exhibit 19.4 shows a typical newspaper Annual Bulk Rate structure for display ads in a daily and Sunday newspaper with 65,000 circulation.

Exhibit 19.5

DISPLAY ADVERTISING ANNUAL BULK RATES

<u>Inches Per Year</u>	<u>Rate Per Column Inch</u>	<u>Minimum Annual Dollar Volume</u>
Non-Contract Open Rate	\$ 49.60	
126 Inches Per Year	\$ 35.40	\$ 4,460
200 Inches Per Year	\$ 32.70	\$ 6,540
500 Inches Per Year	\$ 30.90	\$ 15,450
1,000 Inches Per Year	\$ 30.10	\$ 30,100
2,000 Inches Per Year	\$ 29.70	\$ 59,400
4,000 Inches Per Year	\$ 29.30	\$ 117,200
6,500 Inches Per Year	\$ 28.90	\$ 187,850
9,000 Inches Per Year	\$ 28.40	\$ 255,600

12,000 Inches Per Year	\$ 28.00	\$ 336,000
15,000 Inches Per Year	\$ 27.60	\$ 414,000
20,000 Inches Per Year	\$ 27.20	\$ 544,000
25,000 Inches Per Year	\$ 26.60	\$ 665,000
30,000 Inches Per Year	\$ 26.20	\$ 786,000

As you can tell from the rate structure seen in 19.4, newspapers offer contract rates for small, mid-size, and large advertisers. To determine what rate an advertiser should be paying, a salesperson will need to know either the average ad size and frequency or the advertiser's annual budget. For example, an advertiser who wants to run a one-quarter page ad every week, fifty-two weeks a year, would be running 1,638 column inches per year. To determine the number of annual inches in this case, the salesperson would need to know that a full page ad is 126 column inches, 6 columns wide by 21 inches deep. Thus, a quarter page ad is 31.5 column inches, 3 columns by 10.5 inches. The salesperson would then multiply the ad size, 31.5 inches, times the number of weeks, 52, in a year to determine the minimum annual commitment. To be on the safe side, a sales rep could have the advertiser sign a 1,000-inch bulk rate contract which would earn the advertiser a contract rate of \$30.10 per column inch.

Newspaper salespeople will typically discuss special holiday programs or major sale events when an advertiser might want to increase ad size or frequency. As a result, a more aggressive approach would be to seek a 2,000-inch bulk contract which would earn an advertiser a contract rate of \$29.70 per column inch. By signing a larger contract, an advertiser earns a lower rate and gets the benefit of nearly 400 more column inches to help with major sales events. At the same time, the newspaper gets another \$10,000 in advertising revenue from this customer. In this way, the bulk contracts serve as a valuable sales tool to help salespeople increase the business they receive from advertisers by helping them earn lower rates through increased advertising volume.

Newspapers also offer discounts to encourage advertisers to repeat the same ads within a limited time frame. These pick-up rate discounts typically range from 20 percent to 50 percent off the regular price of the ad for increasing the frequency of the ad schedule. Newspapers establish rules for such repeat ads that limit the number of copy changes and the time frame to earn the discounts. Other discount programs encourage advertisers to run ads every day, every other day, weekly or in large multi-page units. Many newspapers also offer remnant or stand-by advertising rates. A limited number of remnant ads are sold at lower than normal rates and may be scheduled or not scheduled at the newspaper's convenience. Newspapers use these remnant ads to boost advertising on slower days, fill sections that need to be printed in advance of the main news sections, and balance out the mix of editorial and advertising in the paper's make-up on any given day. A newspaper advertising sales representative should be familiar with all the rate options in order to recommend the most effective program to advertisers.

Color Rates

Advertisers also have a variety of color and positioning options with newspapers. Color ads are available in one color plus black, called spot color; two colors plus black; and process color, or full color. Because the color ads consume more of the newspaper press capacity, newspapers have surcharges that are added to the cost of the advertising space to pay for the additional color ink and loss of press capacity. Because of the uncertainty

regarding the number of pages printed on any given day, newspapers usually do not guarantee advertising placement requests from advertisers unless the advertiser is willing to pay a premium rate or negotiates a prime position as part of a regular (usually very large) display advertising contract. Whenever possible, newspapers do try to accommodate positioning requests within the various sections of the paper.

Co-op Advertising

Co-op advertising is another source of revenue for newspapers. Each year national manufacturers set aside billions of dollars to pay for local promotion of their products. Retailers who meet the requirements of the individual co-op programs earn total or partial reimbursement of ad costs from the manufacturers, usually based on the value of the products retailers purchase from the manufacturers. Newspaper reps help retailers identify sources of co-op advertising dollars which can then be used by retailers to increase their advertising exposure without increasing their costs. Because manufacturers set aside the co-op advertising dollars when retailers buy their products, the retailers need to use the money they have already invested to increase their store traffic and turn more merchandise through the use of larger, more effective ads. Many newspapers have co-op specialists to assist salespeople in finding and capturing co-op dollars for retailers. Co-op advertising has changed in the past few years. Today many advertisers are taking co-op in the form of discounts on merchandise or in-store placement allowances instead of building up co-op media advertising dollars.

Newspaper Inserts

Newspaper pre-prints or inserts are advertising circulars that are not printed as part of the daily or Sunday newspaper but are distributed through the newspaper. Many advertisers, particularly national chain stores, use inserts because they can gain economies of scale by printing millions of copies at a time and shipping them in bulk to the newspapers they select to distribute their advertising messages. Preprints also provide advertisers with more options for running full color advertisements and for choosing higher grades of paper. Preprint advertisers can usually print and distribute more pages of advertising through this method. In addition, preprint advertising enables advertisers to zone their distribution to targeted areas, usually zip codes, around each of their stores or service areas. By maximizing the space available for product display and targeting the distribution, advertisers feel they can make their advertising investment more effective and more efficient. One weakness, however, is the lead time required for producing these preprinted inserts. For example, a typical display ad can be scheduled on Thursday for a Sunday newspaper, while a preprinted insert often must be designed, printed, and shipped weeks ahead of its distribution date. The loss of lead time can make it difficult for advertisers to respond to changing competitive environments. In addition, efforts to centralize and standardize these preprints in order to avoid printer charges for makeovers and changes often result in a loss of autonomy for individual stores or regions which may face different market pressures and preferences.

Newspaper pre-print rates typically charge advertisers based on size of the preprint, or number of papers; quantity distributed, or thousands of pieces to be delivered; and the annual frequency, or number of times advertisers plan to distribute preprints per year. These factors are calculated into a cost-per-thousand rate for each size preprint.

Elements of Effective Newspaper Advertising

Little has changed over the years since 1923 when Dr. Daniel Starch, a Harvard professor, noted that the “functions of an advertisement are fivefold: To attract attention (the advertisement must be seen); to arouse interest (the advertisement must be read); to create conviction (the advertisement must be believed); to produce a response (the advertisement must be acted upon); and to impress the memory (the advertisement in most cases must be remembered).”^{viii}

To make their advertising more effective, advertisers often need help with designing their advertising, especially in smaller and middle-size accounts. They need help from their newspaper sales representative to help them find better ways to promote their products and services more effectively. Salespeople should remember that their accounts are not usually experts in advertising. Thus, their job is to educate their customers so their advertisements produce better results. A salesperson’s number-one objective is to get results for their customers, as you learned in Chapter 2, and an important factor in generating more results from newspaper ads is finding ways to increase ad readership by using effective layouts and writing good copy.

A professional newspaper salesperson should understand the key elements of good ad copy and layout. Often a newspaper sales representative may eventually be the person responsible for writing the copy and laying out the ad, especially at smaller newspapers. At larger newspapers, a creative department usually produces the ads. Regardless, the salesperson needs to understand the fundamentals of good advertising copy and layout, so they can advise their clients and potential clients.

One good sales technique is to invest the time to produce a sample ad, or spec ad, which can demonstrate to the advertiser what the newspaper is capable of producing for them. Spec ads also show advertisers that the sales rep is interested in their business and is attempting to share expertise to help advertisers grow their business. While developing spec ads, either alone or with assistance from a creative services department, takes some time, it is usually very productive in terms of selling advertising campaigns with multiple insertions. If the spec ad helps make the sale, it can turn into months or even years of regular advertising. A number of new digital art and graphics services enable newspaper reps to create spec ads quickly by reviewing successful ads from other markets and accessing creative artwork that can be customized for their clients.

Each newspaper should offer training in copy and layout in general with specific procedures for processing advertising materials at that newspaper. For general information, the NAA 2007 Newspaper Advertising Planbook recommends the *AIDA Formula* for creating effective ads. This formula claims that good ads have four things in common: They create attention, interest, desire, and action—otherwise known as AIDA, as you learned in Chapter 17 and Exhibit 17.1.

- | | |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| A = Attention | Grab the reader’s attention with headlines, type, white space and visuals. |
| I = Interest | Make the copy interesting and benefit-oriented. |
| D = Desire | People read ad copy to find out how a product or service benefits them. So, make sure the copy answers this reader’s question: “What’s in it for me?” |
| A = Action | Urge the reader to act now – and make it easy to do so. |

These four elements translate into successful ad layouts and designs by using attention-grabbing headlines and key benefit statements, dominant illustrations or graphics, readable and complete copy, a compelling offer, and an attractive, recognizable company logo complete with store locations, hours, and telephone numbers. Such ads give consumers the information they need to make intelligent shopping decisions.

Establishing Advertising Budgets

Newspaper sales representatives who have earned the trust of their customers will often be asked to help customers develop their advertising budget. Whether helping prepare an actual budget or simply advising when, what, and how much to advertise, a salesperson needs to understand how to prepare and plan advertising. This planning is another process that takes time on the front end in working with clients, but it reduces the time a salesperson spends with that account on a regular basis, because ads and budgets are planned for the upcoming months.

The budget planning process begins with an overview of how advertisers' business has performed over the past 12 months and how they expect it will perform in the upcoming year. Wise advertisers should attempt to match their advertising investments with their monthly sales trends or expected sales. The newspaper industry publishes an annual *advertising planbook* that helps salespeople advise their clients on when and what to advertise and how much they should be investing each month based on that industry's sales patterns.

An advertiser and salesperson should record the monthly sales and identify what percent of the entire year's sales were made each month. In another column, the salesperson should record how much the advertiser invested in advertising each month and what percent of the entire year's advertising dollars were invested each month. Theoretically, those two items – sales and advertising – should be approximately the same percent of the year's totals for both categories. For example, an advertiser who receives eight percent of its sales in January should invest eight percent of its annual advertising in January as well.

This formula makes sure that advertisers have a consistent advertising presence in the market while also placing the heaviest advertising investment in the months with the greatest sales potential. In theory, it is similar to the notion of fishing when the fish are biting.

By establishing the budget amounts, a salesperson and an advertiser can work together to plan the best items to place in each ad, the days to run the ads, and how to track the results of each ad. A salesperson may also want to recommend setting aside some additional dollars for special promotions or opportunities. And a salesperson may want to advise an advertiser to increase spending ahead of the sales curve to build momentum before the biggest shopping seasons.

If newspaper salespeople can become involved in clients' planning and budgeting, they can actually become an extension of the client's marketing and advertising department. Such a relationship places the newspaper sales representative in the best possible position to help clients grow their business and to secure a fair share of clients' advertising for the salesperson's newspaper.

Newspaper Sales Organizations

Newspaper sales departments are organized to serve their different customers and represent their different products. These products include Classified, Classified Display, Local or Retail Display, National Display and Preprints. Because each sale involves a different pricing and marketing strategy, most newspapers are organized along these advertising product lines. Naturally, a larger newspaper will have more layers of senior executives and mid-level supervisors than a small paper will. The basic structure, though, will be similar in newspapers of all sizes. The key sub-departments in a typical advertising sales department include:

Advertising Director or Vice President of Advertising. This person is the top advertising executive at the newspaper – a position that usually reports either to the Publisher or General Manager. The Advertising Director directs all advertising sales, creative and customer service departments, usually including classified, national, and retail departments.

Retail Advertising Manager. The retail manager manages the local display advertising sales staff and sales, including hiring and supervising direct reports. The Retail Advertising Manager will plan local sales promotions, have input on key pricing decisions, coordinate special advertising sections, conduct training, and often handles many of the newspaper's major accounts. Depending on the size of the newspaper, retail managers may have local sales supervisors and co-op advertising coordinators reporting to them instead of the local sales reps. The retail manager also works with the advertising director to establish annual revenue and expense budgets and sales initiatives.

Classified Advertising Manager. The classified manager organizes and supervises the inside telephone sales staff, customer service functions in classified, and works with inside and outside salespeople selling and servicing existing display accounts and developing new business. Automotive, real estate, recruitment, commercial line ads, and private party ads usually fall under the supervision of the classified manager. At larger papers, there may be additional inside telephone sales managers, category specialists for recruitment, automotive and real estate, and supervisors for the outside sales teams for each category of classified display advertising. Classified managers recruit, hire, train, and supervise personnel for their departments. They also work with the Advertising Director to establish budgets, sales goals and quotas, and implement pricing and marketing programs.

Major Accounts Manager, National Advertising Manager, Co-op Advertising Manager are positions you find at larger newspapers. Major accounts managers direct a team of sales representatives that works with the newspaper's largest accounts, which often includes many national and regional retail chains. These accounts demand more attention and a higher level of professional service and sales pressure from newspapers. As a result, the major accounts department attempts to surround these accounts by presenting the newspaper's story and benefits to everyone involved in the advertiser's decision-making process. This intense coverage means calling on local store managers, district managers, regional advertising directors, and corporate officers, for example, to make sure everyone involved in recommending advertising purchases is aware of the newspaper's benefits and its position in its market. The national manager works with the newspaper's national sales representative firm. The co-op manager works with local

display salespeople and retailers in an effort to find co-op dollars so retailers can stretch their advertising.

The newspaper's sales structure provides the organizational support to care for each type of customer. It also provides excellent career opportunities for professionals who hire in at one level and progress through the ranks. Of all the media reps in the market, newspaper reps consistently spend the most time with retail clients and decision-makers. As a result, they have an excellent knowledge of what is happening in the local market and become a valuable source of information and ideas for all their clients. Generally, newspaper salespeople are the most knowledgeable marketing professionals in their markets.

Account Assignments

Newspaper sales managers have a variety of ways of assigning accounts to salespeople. Newspapers may assign account lists, account categories or geographic territories to outside sales representatives. Each method has its pluses and minuses. Account list assignments give outside salespeople freedom to cover the entire market prospecting for accounts. Once they make a sale, the account goes on their account list indefinitely. This method makes sure that someone is calling on the best potential accounts because commissioned salespeople aggressively pursue the biggest spenders. However, the account list method often results in duplication of effort as multiple salespeople are calling on the same accounts. In the process, many smaller accounts often get overlooked.

Category assignments make sense when special knowledge or expertise is necessary or where there is a common buying structure in place. Typical category salespeople would serve automotive, real estate, recruitment, entertainment, ad agencies, chain stores, department stores, and grocery stores, for example. The advantage of having category specialists is that salespeople develop a depth of category knowledge and expertise that serve advertisers well. Category specialists do not work as well with small local accounts because there are too many of them to effectively cover without wasting a lot of time driving around the market. That's where territorial salespeople come into the picture.

Territorial salespeople are assigned specific geographic areas and every account in their territory is theirs to sell, with the exception of any major or category-excluded accounts. The purpose of the territorial sales structure is to make it efficient for salespeople to park their cars and go door to door soliciting advertising and servicing clients. Because newspapers offer advertising programs for all size businesses and budgets, territorial salespeople consider practically every business in their area a prospect for advertising in the newspaper.

The purpose of all of the various sales structure options is to make sure the newspaper is surrounding as many of its potential advertisers as possible with the right amount and type of sales expertise necessary to properly sell and service each type of account. Because the needs of each advertiser vary for a multitude of reasons, most newspapers utilize a combination of the possible sales structures. Regardless of how a newspaper operates, it is a salesperson's job to seek more business from existing accounts, while at the same time increasing the number of active accounts by prospecting for and convincing businesses to begin advertising in their newspaper. With slightly

more than one-half of the typical newspaper salesperson's compensation based on commissions and bonuses, they have a strong incentive to increase revenues for their newspapers. Newspaper salespeople must also have incentives for signing new accounts since there is usually some turnover with smaller businesses.

The Future of Newspapers

With every major new entrant into the media landscape, many observers have predicted the eminent demise of the newspaper industry. First it was radio, then television, the direct mail, then audiotext and videotext, and now the Internet. All of these entrants were expected to replace newspapers because of the unique characteristics and competitive advantages these up-and-comers offered that newspapers could not –sight, sound, motion, instantaneous access, depth and breath of coverage. However, in spite of these threats, newspapers remain an important source for news and advertising information and the dominant source of local news and information.

In addition, newspaper executives are struggling with what to do about declining circulation and market penetration. Many are wondering if the traditional paid circulation model will remain in tact or if new measurements for audience penetration and readership might not be more appropriate in the quest to serve both readers and advertisers. These issues are especially sensitive as information becomes more commoditized with increasing amounts of news and information now available free from sources, especially the Internet, other than daily newspapers.

Newspaper executives are also searching for ways to make their popular Internet sites financially successful. Newspaper websites are among the most popular on the Internet and their rapidly increasing revenue are helping newspapers, but, unfortunately, not enough to stem a steady decline in overall newspaper profit margins.

In spite of these challenges, newspapers should remain a viable business and an important medium for the foreseeable future. The industry is learning how to reduce and control costs through consolidation, automation, out-sourcing, and resource-sharing. Newspapers are using technology to provide better and more efficient customer service. And, most important, newspapers remain the primary vehicle for local news and advertising information.

Test Yourself

1. What is the significance of penny newspapers?
2. How many daily and weekly newspapers are there in the United States?
3. What is a JOA and how are they usually organized?
4. In the newspaper industry, what do the following sets of initials stand for: ABC, CAC, VAC?
5. Which demographics read newspapers (1) the least and the (2) the most?
6. What are the two possible meanings of the term ROP?
7. In newspapers what are bulk rates?
8. Name four benefits of newspaper advertising.

Project

Imagine that you are the owner of a local furniture store that is preparing to open a new store. Your new store will be 50,000 square feet and you know that most furniture stores

located in neighborhood shopping centers generate an average sales per square foot of \$178.33 annually. You've learned that most household furniture stores invest 9.7 percent of sales in advertising and that sales in the fourth quarter typically make up 28.7 percent of the annual total with 8.6 percent of total sales in October, 9.5 percent in November, and 10.6 percent in December. Given that information, how much should you budget for newspaper advertising in the fourth quarter, assuming an average amount of sales per square foot? Prepare an advertising budget and then use the advertising rate card for display advertising annual bulk rates in Exhibit 19.4 to determine how many column inches of advertising and how many full-page ads, assume 126 column inches in a full page, you can purchase and stay within your proposed budget --- assume an annual dollar volume of \$336,000 on the rate card in Exhibit 19.4.

Resources

www.naa.org (The Newspaper Advertising Association)
www.nnnlp.com (The National Newspaper Network sales organization)
www.editorandpublisher.com (*Editor and Publisher* magazine)
www.snpa.org (Southern Newspaper Publishers Association)
www.inlandpress.org (Inland Press Association – for progressive newspapers)
www.readership.org (Northwestern University's Readership Institute research center)

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Endnotes

ⁱ <http://www.naa.org/TrendsandNumbers/Total-Paid-Circulation.aspx>. November 26, 2007.

ⁱⁱ Ibid.

ⁱⁱⁱ <http://www.naa.org/trendsandAnumbers/Circulation-Expenditures.aspx>. November 26, 2007.

^{iv} Editor & Publisher Yearbook. 2002. New York, NY.

^v http://www.naa.org/docs/Research/Daily_National_Top50_1998-2006.pdf. November 26, 2007.

^{vi} New York Press Club. 1906. *Journalism Illustrated*. New York.

^{vii} http://www.naa.org/docs/Research/Education_Daily_National_Top50_98-07.pdf. February, 2008.

^{viii} Starch, Daniel: *Principles of Advertising*. Chicago & New York: A.W. Shaw Company, 1926. p. 7.