

kubas**PRIMEDIA**

Improving Newspapers' Value Proposition
Revitalize Print Revenues to Fund Your Digital Future

webinar prepared for

SNA **Suburban Newspapers of America**
Local news. Engaged audience. In print and online.

presented by
Len Kubas, Chair
KubasPrimedia

08 September 2011

Hello: About KubasPrimedia

- **Advisors to newspaper managers**
 - Increase ad revenues with better pricing, packaging, selling
 - Publishing strategies
- **2011 – our 34th year**
- **Global in scope**
- **We help fix the revenue pains that newspaper managers feel**
 - Print advertising
 - Digital advertising
 - Business models

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

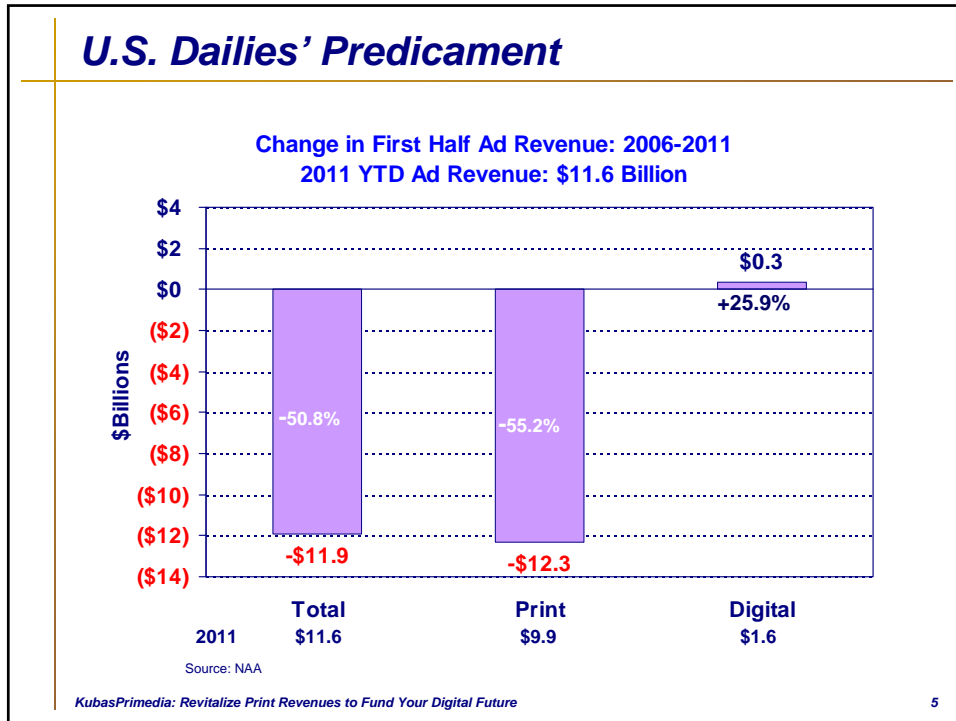
2

**Why Newspapers Must
Sell More Advertising**

Digital Is Not Enough

- Digital revenues are essential for newspapers' future
- But digital advertising alone is not enough to replace declines in print
- Based on recent U.S. experience:
 - Growth of digital advertising slowing
 - Declines in print advertising continue
- The result - a mathematical impossibility

20 Consecutive Quarters!

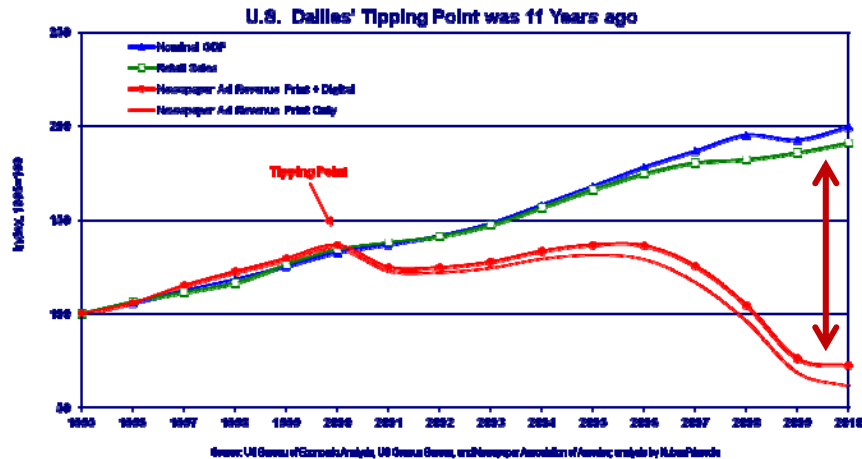


A Mathematical Impossibility

For every \$100 lost in print, Newspapers gain \$2.⁷⁰ in digital.

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

Current Model: Out of Gas?



- Latest News: Band-aids won't stop the bleeding – major surgery required!

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

7

Broad-Based Industry Reactions

- Intensify cost cutting
- Outsource, centralize
- Reduce product/ content and publishing frequency
- Increase prices to readers
- More deals and discounts
 - Loss of control = declining yields and reduced margins
- More frenetic activity
 - Chasing what's hot
- Wide-spread resignation – print is doomed
- Yet, some papers are adopting smarter ways to go to market
 - KubasPrimedia has never been busier
- We trust that your newspaper(s) can handle new advertising sales models
 - *Your future depends on it!*

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

8

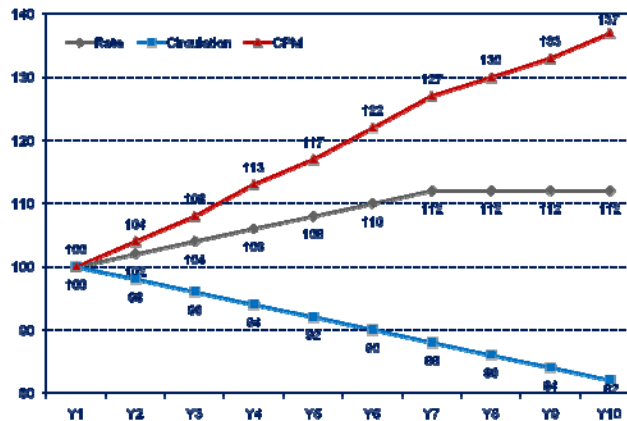
3 Challenges Facing Newspapers

1. Improve Value Proposition
2. Get Rates Right – Standardize and Simplify
3. Restore Pricing Integrity

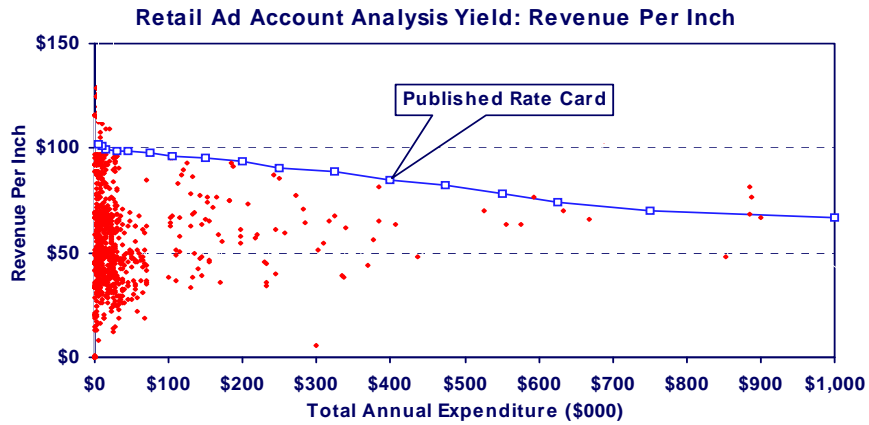
- Kirk Davis, COO, GateHouse Media
 Keynote to SNA Revenue Conference, Chicago (May 19, 2011)

#1 Improve Eroding Value Proposition

$$\text{VALUE} = \frac{\text{RESULTS}}{\text{COST}}$$



#2 Get Rates Right! – Standardize, Simplify



KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

11

#3 – Restore Pricing Integrity



Reset Pricing

Audience Based Selling

“Impact, Not Inches/Lines”

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

12

Critical Question

**What's holding back
your newspapers' ad revenues
that you can fix?**

Newspapers' Disconnect

**The way that newspapers
price and sell advertising
is not aligned with the way that
advertisers buy media today –
both print and digital.**

Newspapers' Challenge

**Newspapers cannot expect digital advertising
alone to pull them into the future,
when 85%+ of ad revenue and workflow
processes are based on legacy sales practices**

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

15

A Few of Many Legacy Practices...

- **Contracts and paperwork**
- **Selling lines and inches, not page impact**
- **Selling single insertions**
- **People-intensive workflows and sales practices**
- **Focusing on rate while driving out volume and revenue**
- **And many, many, many more...**

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

16

Are you satisfied with today's results?

- What has been advertisers' response?
- What are competitors telling your customers?
- Do you agree that newspapers may be running out of time?

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

17

Do We Continue Our Legacy Practices?



KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

18

Or, Do We Drive Our Business Forward?



KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

19

Start Now, to Determine

- Your Key Performance Metrics
- Where you want to go
- How to get there -- Create a more Efficient Sales Process

***Integrate Entire Product Portfolio
Focus on audience and ROI***

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

20

Newspaper Pricing Past

How much do you have to spend today?
Sales Rep

\$100
Advertiser

How about an 9.5 inch ad for \$99.75?
Sales Rep

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future 21

Newspaper Pricing Present

I want a 10 inch ad
Advertiser

That will be \$105.00
Sales Rep

I can only spend \$40
Advertiser

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future 22

Delivering Tomorrow's Pricing Today

KubasPrimedia Advertising Sales Solutions
provide a road map to strategic pricing

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future 25

Analytics – For Fact-Based Decisions

Color Premium Curves
Color Pricing
Frequency Rates & Special Contracts
Retail Pick-Up Discounts
Rate Card Analysis

Edition Performance
Category Performance
Revenue, Volume by Publication
The Big Picture

Frequency Recommendations
Frequency Usage
Ad Size Recommendations
Classified Auto: Ad Size Analysis
Retail Ad Size Analysis

Retail Overview
Retail Metrics II
Retail Metrics I

Day-of-Week Recommendations
Day-of-Week Circulation
Classified RE: Day-of-Week Summary
Classified Auto: Day-of-Week Summary
Retail: Day-of-Week Summary

Zone Yields
Color Analyses
Multi-Pub Buys: Usage & Yields
Retail Flat-Rating
Discount Usage, Frequency

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future 26

Benefits of Analytics

- Identify performance strengths and weaknesses
- Impart critical insight into customer behavior
- Provide directional guidance for further analysis
- Supply benchmarks for determining effective yields
- Deliver quantitative data to make informed decisions
- Identify patterns and opportunities to improve pricing strategy
- Set the stage to improve selling effectiveness

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future 27

Delivering Tomorrow's Pricing Today

KubasPrimedia Advertising Sales Solutions provide a road map to strategic pricing

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future 28

Pricing Strategy: Replace Ad Hoc with Order

- Spending Based Pricing (SBP) – to increase ROI across all products
- Dynamic Discount – Improving advertising relationships
- Modular Ad Units Reduce Clutter and Costs; Simplify buying/selling process
- Visual Impact Pricing (VIP) = larger ads, more revenue
- Day-of-Week Pricing – based on demand + circulation
- Implement Frequency Programs – “The Guts of Our Business”
- Variable Price Color – more affordable, easier to buy
- Category Pricing – Transparent and Equitable
- New Model for Preprint Distribution
- Integrate Print and Digital Platforms based on Audience and ROI

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

29

Spending Based Pricing 101

- Why Spending Based Pricing (SBP)?
 - #1 reason: to increase total advertiser investment
- Additional benefits
 - Standard Pricing and Discounting
 - Pricing and sales simplicity
 - Reward advertisers on total spending
 - One contract is all you need
 - Increased ROI for spending across all products
 - Flexible for advertiser
 - Easiest way to package different products

DISCOUNTS & BIDDING
The following discounts apply to advertisements placed in accordance with the agreement for a specific Dollar Volume Contract (DVC).

ANNUAL REVENUE COMMITMENT (ARC) LEVELS			COMMITMENT LEVEL	% DISCOUNT OFF BASE RATE
COMMITMENT LEVEL	CURRENT % BIDDING OFF BASE RATE	NEW % BIDDING OFF BASE RATE		
\$0.00	1.45%	1.50%	\$2,500	10.00%
\$1,000	2.91%	3.00%	\$3,500	11.00%
\$2,500	4.36%	3.00%	\$4,500	12.00%
\$5,000	5.82%	4.50%	\$5,500	13.00%
\$6,000	6.90%	5.50%	\$7,000	14.00%
\$7,200	7.25%	6.00%	\$10,100	15.00%
\$8,500	7.59%	6.25%	\$13,400	16.00%
\$10,400	8.11%	6.50%	\$17,700	17.00%
\$12,400	8.49%	10.25%	\$23,400	18.00%
\$14,900	8.9		\$30,500	19.00%
\$17,900	9.3		\$40,000	20.00%
\$21,400	9.7		\$54,000	21.00%
\$25,800	10		\$62,000	21.50%
\$31,000	10		\$72,000	22.00%
\$37,200	10			23.00%
\$44,000	11			24.00%
\$53,000	11			25.00%
\$64,200	12			26.00%
\$77,000	12			27.00%
\$92,400	13			28.00%
\$111,000	13			29.00%
\$133,000	13			30.00%
\$160,000	14			31.00%
\$192,000	14			32.00%
\$230,000	14			33.00%
				34.00%
				35.00%
				36.00%
				37.00%
				38.00%
				39.00%
				40.00%
				41.00%
				42.00%
				43.00%
				44.00%
				45.00%
				46.00%
				47.00%
				48.00%
				49.00%
				50.00%

D DETERMINE YOUR ANNUAL SPENDING LEVEL

Commitment Level % Discount off Base Rate

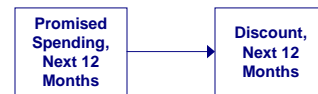
KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

30

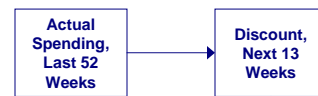
The Next Evolution: Dynamic Discount

- **Dynamic Discount, the “uncontract”**
 - Alternative to a contract
 - Based on actual past spend, not future forecast
 - No contract – just apply the rate card
 - Use Spending Based Discount
- **How it works:**
 - Past 52 weeks spending sets advertiser discount
 - Discount is fixed for 13 weeks (one quarter)
 - After 13 weeks, recalculate spending and reset discount
- **Features**
 - No contract, negotiations, no off-rate-card deals
 - No short rates and rebates – it’s a “no fault” system
 - Advertisers can still negotiate a contract at any time
 - Fair, transparent, and objective
- **Advertisers have to:**
 - Keep up spending to keep discount, or ...
 - Increase spending to increase discount
- **Dynamic Discount – A New Sales Engine**
 - Proactive selling vs. passive order taking

Conventional Annual Advertising Contract



Dynamic Discount Option



Roll-Over Every 13 Weeks

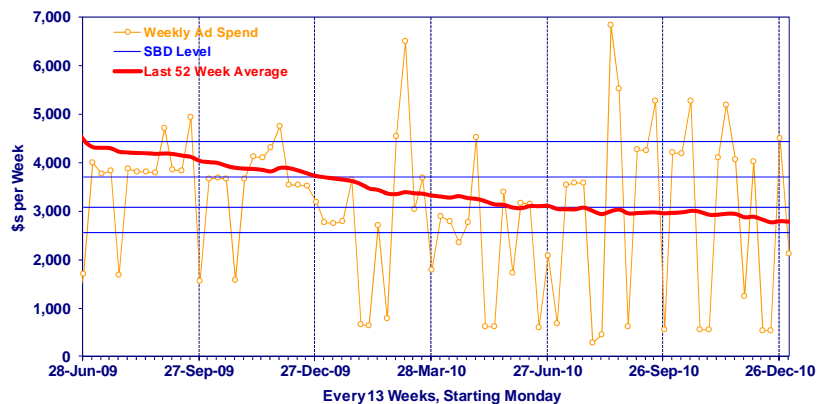
There's always a good reason to keep your spending up!

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

31

Dynamic Discount: Auto Dealer

Auto Dealer Weekly Spending and 52-Week Running Average



- **The underlying 52-week trend tells the story**
 - Can easily see where the trend crosses – or is in danger of crossing – a spending level for Dynamic Discount
 - Sales rep now has actionable intelligence

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

32

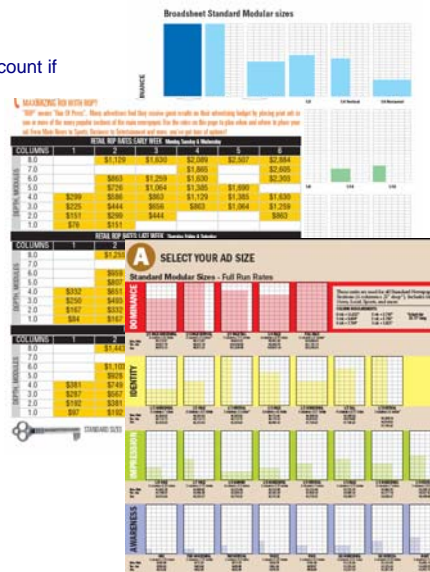
What Does Page Impact or Modular Mean?

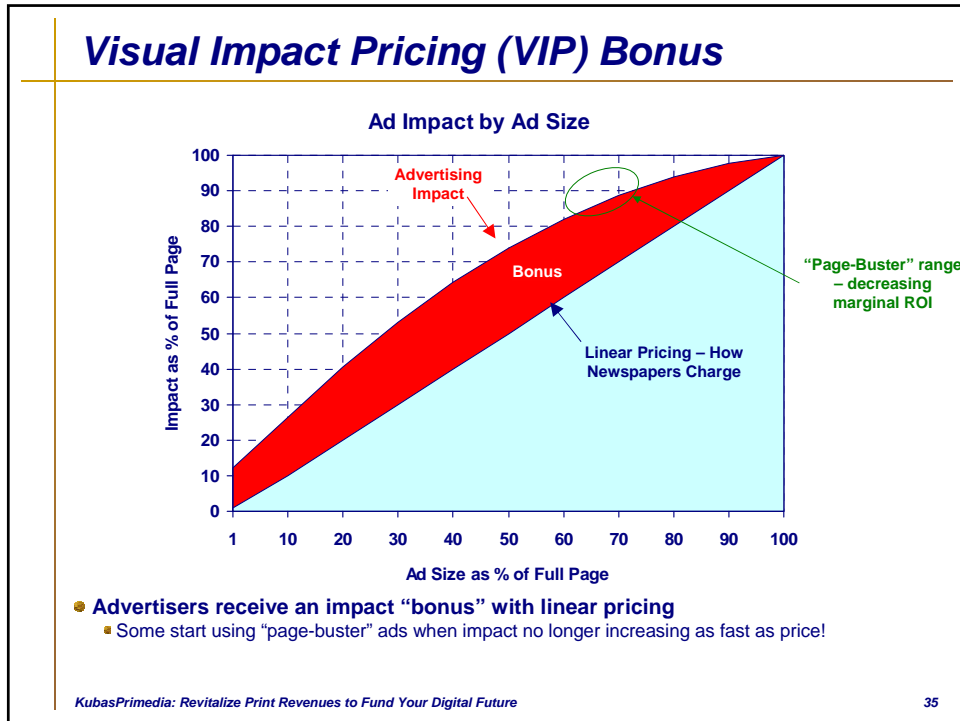
- **Packaging ad units in logical, standardized sizes**
 - Based on page and portions of a page
- **Modular units correspond to how advertisers currently buy**
- **Detailed ad size analysis – by category and classification**
- **Simplify the Ad Purchasing and Ad Sales Process**
- **Align Ad Sales with what customers want to buy**

Sell Impact – Not Inches or Lines

Modular 101: Why Page Impact/Modular?

- **#1 reason: to increase total ad revenue**
 - By increasing average ad size
 - Would you give an advertiser an extra 5% discount if they increased their ad size by 10%
- **You can still offer any ad size**
 - Modular and non-modular is easily managed through pricing
- **Advertisers are familiar with modular**
 - Practically all other advertising they buy is modular or standard sizes
- **Additional benefits**
 - Pricing and sales simplicity
 - Better page make up
 - Fewer house ads
 - Process simplification
 - Easier transition to online self-serve ad sales
 - Revenue protection for format reduction
 - Format portability potential
 - Backed up by industry research





- ### VIP Benefits
- Larger ad sizes
 - Higher yields per page
 - Lower production costs
 - More pricing leverage
 - Increased revenues and operating profits
 - Many publications currently use some form of VIP – but not consistently
- KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future 36

Benefits of Integrated Pricing Strategy

- **Reset Rates to Represent Today's Reality**
- **Generate increased revenue and improve operating performance**
- **Provide a simpler, more standardized sales strategy**
- **Customized pricing solutions for your organization**
- **Handle product, pricing, and campaign planning complexity**
- **Encourage advertiser investment growth**
- **Make it easier for sales reps to sell**
- **Provide better results for advertisers**
- **Helps you to become a stronger, more profitable organization**
- **Combine with Ad Cost Calculator for greatest success**

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

37

Building Effective Sales for

The Palm Beach Post

Kubas Pricing Strategies Solve Palm Beach Post's Biggest Sales Problems, Results in Larger Ads, Higher Frequency, and Less Flat-Rating

- **Client**
 - The Palm Beach Post, 120,000+ circulation daily
- **Challenges**
 - Implement strategic pricing program
 - Apply universal spending based discounts
 - Introduce Modular Units and Visual Impact Pricing
 - Increase average ad size and frequency
 - Reduce flat-rating, streamline incentive programs
- **Approach**
 - Conduct detailed analysis to assess current situation
 - Use results to develop integrated pricing model
- **Solution: Kubas Pricing Program**
 - Solution-based and proven effective
 - Features Annual Revenue Commitments, standard ad sizes with VIP, proactive frequency programs
- **Result**
 - National advertising results:
 - ↓ 54% flat rating
 - ↑ 78% multiple-insertion ads
 - ↑ 7% average ad size
 - ↓ 26% number of ad sizes
 - Retail advertising generated similar results

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

38

The Palm Beach Post – Systematic!

Incentive Programs

Remember, our new Visual Impact Pricing plan is designed to maximize your advertising dollars. The larger part of a page you buy, the better the value. (See back for examples.) We offer incentives for:

- Annual Revenue Commitment Levels
- Frequency Incentives
- Multi-Zone Incentives
- Day of the Week Incentives

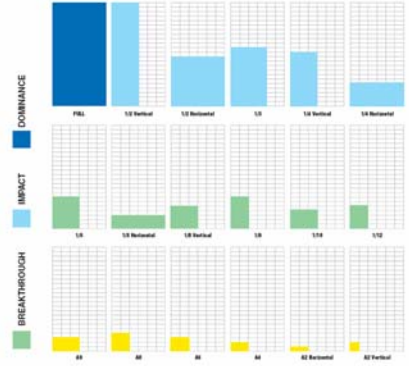
Upgrade to full color for just 25% more!

ANNUAL REVENUE COMMITMENT (ARC) LEVELS			FREQUENCY INCENTIVES	
SPENDING LEVEL	DISCOUNT % (BASED ON 1ST YEAR RATE)	ARC % INCREMENT (OFF BASE RATE)	FREQUENCY	% INCREMENT
\$500	1.45%	1.50%	1x	0.00%
\$1,000	2.91%	3.00%	2x	25.00%
\$2,500	4.36%	5.00%	3x	50.00%
\$5,000	5.82%	8.50%	4x	75.00%
\$8,000	6.28%	7.25%	5-6x	25.00%
\$12,000	7.74%	9.00%	7x	40.00%
\$8,000	7.60%	8.75%		
\$10,400	8.11%	9.50%		
\$12,400	8.49%	10.25%		
\$14,800	8.96%	11.00%		
\$17,800	9.39%	11.75%		
\$21,500	9.79%	12.50%		
\$25,800	10.10%	13.25%		
\$31,000	10.51%	14.00%		
\$37,200	10.91%	14.75%		
\$44,400	11.30%	15.50%		
\$53,500	11.71%	16.25%		
\$64,200	12.10%	17.00%		
\$77,000	12.50%	17.75%		
\$92,400	12.90%	18.50%		
\$111,000	13.31%	19.25%		
\$133,000	13.70%	20.00%		
\$160,000	14.11%	20.75%		
\$192,000	14.51%	21.50%		
\$230,000	14.90%	22.25%		

MULTI-ZONE INCENTIVES	
ZONES PER PAGE	% INCREMENT
2	5.00%
3	10.00%
4-5	15.00%

DAY OF THE WEEK INCENTIVES	
Run on Monday, Tuesday and Wednesday at 95% off Sunday rates!	
Run on Thursday-Saturday at 30% off Sunday rates!	

Broadsheet Standard Modular sizes

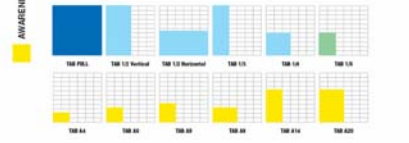


Standardized ad sizes make the paper easier to read and more visually attractive – readers are more engaged with both content and advertising.

Modular ad sizes are most popular – 87% of advertisers already use them.

Repetition works, increasing the odds that your message will be remembered.

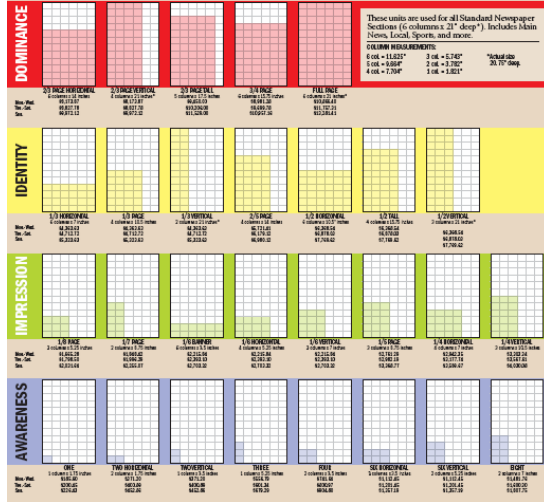
Tab Standard Modular sizes



Sarasota Herald-Tribune – Simple as A-B-C!

A SELECT YOUR AD SIZE

Standard Modular Sizes - Full Run Rates



These units are used for all Standard Newspaper Sections (6 columns x 27" deep). Includes Main News, Local, Sports, and more.

COLUMN REQUIREMENTS:
 6 col = 14.50" 3 col = 7.25"
 4 col = 9.38" 2 col = 4.75"
 4 col = 7.25" 2 col = 3.63"

B DETERMINE YOUR ANNUAL SPENDING LEVEL

Commitment Level	% Discount off Base Rate
\$1,000	10.00%
\$1,500	11.50%
\$2,100	13.00%
\$2,800	14.50%
\$4,500	16.00%
\$6,500	17.50%
\$9,000	19.00%
\$13,000	20.50%
\$18,500	22.00%
\$27,500	24.50%
\$42,000	26.00%
\$67,000	27.50%
\$95,000	29.00%
\$140,000	30.50%
\$205,000	32.00%
\$300,000	34.50%
\$450,000	36.00%
\$650,000	37.50%

C FREQUENCY PER WEEK

Frequency	% Discount
1x	0%
2x	20%
3x	25%
4x	30%
5x	35%
6x	40%
7x	45%

Delivering Tomorrow's Pricing Today

KubasPrimedia Advertising Sales Solutions provide a road map to strategic pricing



KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

41

Ad Cost Calculator

The Anytown Herald
AD COST CALCULATOR powered by KubasPRIMEDIA

Account Name: _____ Account Number: _____ View Order Add to Order Clear

Start Date: The Oct 29, 2010 Ad Category: Retail Classified Ad Size: Non-Mod Colour

Complement Level: ROP Identity Dominance Impressions Awareness Special Ad Sizes Full Page - 10x21" Call Inch Premium Full Colour Black & White

Special Program: 2011 - New ROP Name: _____ Description: _____

Publications						
	Thu Oct 29	Fri Oct 29	Sat Oct 30	Mon Nov 01	Tue Nov 02	Wed Nov 03
Daily A						
EMC 1						
Daily B						
EMC 2						
Daily C						
EMC 3						
Daily D						
EMC 4						
EMC 5						

Pricing Summary					
	TOTAL	Dailies	EMC	Weeklies	Tabloids
Order	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
New VIP	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
VIP discount %	0.0%	0.0%	0.0%	0.0%	0.0%
New SBD	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
New SIF Fee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Req. discount %	0.0%	0.0%	0.0%	0.0%	0.0%
add. Colour	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subtotal	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Press Ops	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Grand Total	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
152 Week Cost	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Avg Cost per Ad	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Tabloid Publications	
Tabloid Ad Size	
Full Page (3 x 11")	
TAB 1	Page 29
TAB 2	Page 29
TAB 3	Page 29
TAB 4	Page 17
TAB 5	Page 54

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

42

Benefits of the Ad Cost Calculator

- Simplify and standardize the process of buying and selling all advertising
- Integrate all product offerings, including digital advertising
- Improve sales force productivity and sales call efficiency
- Accelerate learning and training with sales staff
- Quickly price different scenarios and allow reps to plan campaigns ahead of time
- Improve accuracy and consistency in ad pricing, with fewer calculation errors
- Encourage and facilitate cross-selling and multi-product buys
- Provide more control of the sales process
- Demonstrate value to your customers by highlighting discounts and savings
- Make a positive impression on advertisers, demonstrate progressiveness/ leadership

- More information available on request

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

43

Building Effective Sales for *Naples Daily News*

Kubas Ad Cost Calculator Unlocks Sales Potential for Naples Daily News, Earns \$1 Million Incremental Revenue Within First Four Months

- **Client**
 - Naples News Media Group, including Naples Daily News, multiple weeklies, shoppers, and magazines.
- **Challenges**
 - Boost cross-selling among NNMG products
 - Increase insertion frequency within and across publications
 - Simplify and standardize pricing policy and sales practices
 - Severe market factors in the Florida economy
- **Approach**
 - Assess customer purchasing patterns, analyze current pricing programs
 - Utilize findings to develop custom pricing solutions
 - Design Ad Cost Calculator to incorporate all pricing solutions
- **Solution: Kubas Ad Cost Calculator**
 - Highly customized, fully integrated
 - Facilitates cross-selling and incremental sales
 - Features standard ad size grids, common spending contracts, proactive frequency programs, innovative color pricing
 - Available in Excel and Web-enabled versions
- **Result**
 - \$1 million in incremental revenue within four months of Ad Cost Calculator launch

KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

44

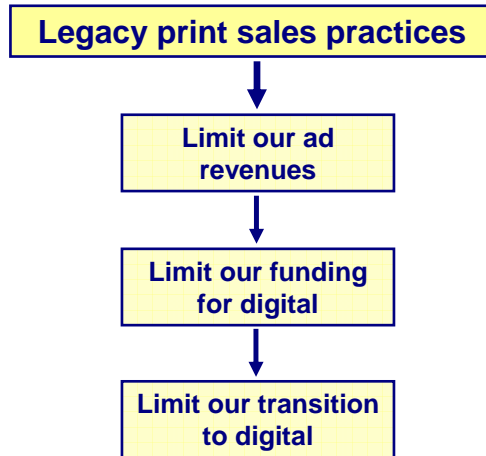
More Ways to Boost Your Value Proposition

- **Focus on selling what your customers want – *Think Like Customers (TLC)***
- **Make it easier to buy and sell advertising**
 - A Website for Advertisers
 - Simple, systematic rate structures
- **Deliver added value that solves customers' problems**
 - Minimize arbitrary discounts and deals
- **Harness technology like Ad Cost Calculator**
- **Research the results (ROI) that your newspaper's platforms deliver**
 - Porter Airlines example
- **Provide Actionable Retail Marketing Intelligence**
- **Introduce a more productive Insert Distribution Strategy -- ZipPoint**
- **Rethink the long-term benefits of format change – *compact is the future!***
- ***Be Proud -- You can't sell with confidence without conviction in your product***

In Conclusion

To Summarize

- **Generate more profitable revenue by replacing legacy sales practices**



KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

47

What You Can Do

- **Grow, don't harvest, your core print business**
- **First...produce revenues and profits**
- **Where will they come from? Print!**
 - The numbers prove this
- **Then invest profits in digital**

- **Starving print while investing in digital is no way to ride**



KubasPrimedia: Revitalize Print Revenues to Fund Your Digital Future

48

Prescription for Success: Act Now!

- **Become a “Champion for Change”**
- **Break your Goldfish Bowl**
- **Act now!**

Law of Diminishing Intent

***The longer you wait
to act on a new goal,
the less likely it
will ever be realized***

Contact

**Len Kubas, Chair
KubasPrimedia**

len@kubas.com

www.kubas.com/nrc

Thank You
Questions?