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Newspapers Turning Ideas into Dollars

Four Revenue Success Stories

FOR FURTHER INFORMATION:

Amy Mitchell, Acting Director, Pew Research Center's Project for Excellence in Journalism

Mark Jurkowitz, Associate Director, Pew Research Center's Project for Excellence in Journalism

(202) 419-3650
1615 L St, N.W., Suite 700
Washington, D.C. 20036
www.journalism.org

Overview

In America's embattled newspaper industry, some business innovations are showing clear signs of success, according to a new report by the Pew Research Center. While many of these are occurring on the digital side, some papers are generating new print revenue—through circulation gains, niche products and even sales reorganization.

The report follows a year-long effort to identify newspaper successes in the search for new business models. This report analyzes four such dailies whose executives explained, in detail, the motivation and strategy behind their experiments and shared internal data about the results with the Pew Research Center's Project for Excellence in Journalism.



Their innovations—ranging from sales force restructuring to rebranding the print product to web consulting for local merchants—are generating significant new income.

One paper, contrary to a downward industry trend, has enjoyed an increase in overall revenue in both 2011 and 2012. Another has seen digital revenues average nearly 50% annual growth since 2010. A third has developed a fast-growing revenue stream outside of the core business while the fourth has seen the growth of digital revenue largely offset print losses.

All these organizations embarked on business-side experiments in the past two or three years after suffering major economic losses in the second half of the last decade. These success stories share some common characteristics such as risk-taking leadership, a commitment to remaking the internal culture and a push to improve the editorial product. Yet, they all introduced different innovations, tailored to the particulars of that market. What worked in a wired California wine community might be a poor choice in a Florida resort destination. Customizing the business model for the community, these newspaper executives say, is a key component of success.

The four news organizations profiled here are:

- **The Naples (Fla.) Daily News** (weekday circulation 44,876). After the publisher and his managerial team overhauled the composition of the sales force and its operating philosophy, the paper saw overall revenue growth in 2011 and 2012. In Naples, protecting print revenue proved to be a significant part of the success story.
- **The Santa Rosa (Calif.) Press Democrat** (circulation 53,292). As part of a revamped business plan, the paper developed the Media Lab, a sophisticated digital agency that provides a full range of online marketing services to merchants. In its first year, the lab accounted for roughly 25% of the paper's digital revenue and is expected to grow revenue by about 60% in 2013.
- **The (Salt Lake City) Deseret News** (circulation 91,638). Former Harvard Business professor Clark Gilbert engineered a major reorganization of the Deseret media properties, building a digital company, creating a new—and more narrowly focused—editorial identity for the newspaper

and unveiling a weekly national print edition. Digital revenue has been growing at over 40% a year since 2010 while daily and Sunday circulation jumped about 33% and 90% respectively from September 2011 to September 2012.

- **The Columbia (Tenn.) Daily Herald** (circulation 12,744). This small, but aggressive daily in an economically hard-hit Tennessee community rolled out more than a half dozen new revenue ideas in 2012 alone, some in print, but most in digital. The resultant growth in online revenues allowed the paper to keep overall annual revenue losses well below the national average—about 2% in 2012.

These case studies are the outgrowth of **“The Search for a New Business Model”** released by Pew Research Center in March 2012. Based on data provided by nearly 40 newspapers and interviews with executives at 13 newspaper companies, that study found that in general, the effort to replace losses in print ad revenue with new digital revenue was taking longer and proving more difficult than executives wanted. In the sample, for every \$1 newspapers were gaining in digital ad revenue, they were losing \$7 in print advertising. (By the end of 2012, the numbers were considerably grimmer for the sector as a whole—\$16 in print losses for every digital dollar gained.)

But there were a few signs of hope in that study. A half dozen outliers either managed to offset print losses with digital gains or came very close to doing so. Pew Research tracked those outliers and found, as a reminder of the fragility of the business, that in the course of several months, two had suffered significant revenue declines and three others were part of a company undergoing a major organizational restructuring that made it difficult to draw conclusions about their economic health. At that point, Pew Research sought to identify other papers that had valuable revenue success stories to tell.

One of the four papers included in this report, the Deseret News, had participated in the earlier survey and reported good results. The Santa Rosa Press Democrat also provided data, but was not one of the successful outliers at that time. The other papers were identified after multiple conversations with news executives and then preliminary interviews with the publishers at each paper. (The Naples Daily News came to the attention of the Pew Research Center when the E.W. Scripps Company issued a release trumpeting its revenue increase of about 10% in the first quarter of 2012.)

These papers are not alone in experimenting with new revenue streams—many dailies are working on business innovation in this difficult economic era out of necessity. But these four were selected for the degree to which their innovations had developed into essential components of their organization and culture, because their innovations showed tangible and positive revenue results and because their stories offered lessons worth sharing—ranging from leadership to market customization. Still, these innovations are works in progress and these papers remain vulnerable to the economic disruption that has wreaked havoc on the industry in the past half dozen years and that industry-wide, continues to worsen.

To produce these reports, Pew Research visited each of the four newspapers, gathered data and conducted lengthy on-the-record interviews with executives as well as other observers and analysts. Each case study details the nature of the newspaper’s market, how the innovations work, the challenges faced, the empirical evidence of success and the lessons learned. Some of the lessons include:

- **Manage the digital and legacy businesses separately (Deseret News).** Deseret News Publishing Co. CEO Clark Gilbert has a theory of media evolution. The legacy business is the crocodile, the prehistoric creature that will shrink, but can survive. The digital business is the mammal, the

new life form designed to dominate the future. And they need to be managed apart. So the company created Deseret Digital Media to capture future growth, shrunk the Deseret News newsroom and reoriented the paper's editorial mission.

- **Keep developing niche editorial products (Daily Herald).** In recent years, the Daily Herald management has rolled out a successful monthly health magazine and a new men's lifestyle magazine and plans to introduce a real estate product early in 2013—keeping many of the costs in-house. It seems an ambitious enterprise for a small operation with modest resources, but publisher Mark Palmer says the health magazine has been “very profitable” and initial results from the new publication are quite positive.
- **Decentralize decision-making power (Daily News).** Under the sales restructuring plan, ad directors and account executives now have far greater authority to negotiate contracts on their own and the bureaucracy is more streamlined. That may sound logical, but it's not easy, according to one ad director. “It takes an incredible amount of courage and trust from the head of your business,” he says. “So if someone is trying to replicate this and they don't have the courage and the trust to pass that along, it's not going to [happen.]”
- **Establish the digital agency as an independent business (Santa Rosa).** A key decision was to set up the Media Lab digital agency as a separate entity with a separate staff to operate it. While it traded on the Press Democrat's brand as a trusted news source in the community, the idea was to make the lab an incubator for innovation. In that vein, digital director Greg Retsinas says, it was absolutely crucial to the success of the Lab that it “have a start-up feel to it and not be swallowed by the older Press Democrat brand.”
- **Rebuild your editorial philosophy around what you do best (Deseret News).** The News, which is owned by the Mormon Church, made the crucial decision to shift its editorial mission from general interest to coverage of topic areas such as faith and family. It's not likely many newspapers would or could focus around those particular issues, but Gilbert believes diminished newsroom resources should be allocated to unique editorial strengths that offer added value. You “have to be differentiated,” he says. “Invest where you can be the best in the world...The failure to choose is a choice to be mediocre.”
- **Don't give up on print. (Daily News)** In Naples, where the print franchise is comparatively healthy, the publisher is bullish, saying “we are going to reinvent print” and envisioning a future where the print product could be customized for the individual consumer. At many dailies, where print revenues continue to plummet, that may seem overly optimistic. But the lesson from Naples is that in communities where conditions are favorable, a substantial bet on print can still pay off.

While these lessons vary, there are some basic shared characteristics that undergird the decisions taken at these papers.

One is strong, aggressive leadership or what media analyst Gordon Borrell describes as “clarity of vision.” The styles of leadership at these papers range from Deseret CEO Clark Gilbert's academically oriented theories about business disruption to Columbia Daily Herald publisher Mark Palmer's determined pursuit of every dollar lost to the economic downturn. But the leaders at these papers are risk takers who concluded that the biggest risk was not rethinking their business models.

Another is the ability and perseverance to get the buy-in necessary to change the internal cultures in an industry where that frequently proves difficult. Indeed, 10 of the 13 newspaper executives interviewed for Pew Research's March 2012 report identified internal tensions between the legacy and digital cultures as the biggest challenge to business success. Some of the executives profiled admitted that implementing cultural change was among their most daunting task—with plenty of early resistance, whether it was getting former competitors to work together in Salt Lake City or convincing account executives to embrace more autonomy in Naples.

A third is a commitment to improving the quality of the editorial product, even with reduced resources. In the case of the Deseret News, the response was not only to shift the focus of coverage from general interest to faith and family, but to dig deeper into those topics with more ambitious, enterprise reporting. At the small Columbia Daily Herald, it meant hiring an investigative reporter from Detroit. Several publishers spoke openly of the need to improve the news product and these organizations view quality as essential to “keeping the franchise” and building revenue.

The case studies also help illustrate the accelerating pace of change in the newspaper industry in the last few years. When Pew Research asked newspaper executives three years ago about trying to get news consumers to pay for digital content, 58% said their organizations had not begun a pay wall and another 22% said they had not yet considered such an option or had rejected it. Of the four papers included in the case studies, one instituted a paid digital subscription plan in 2012 and the other three are likely to do so in the near future.

Even so, one common theme that emerges from the publishers featured in this report is that there is still too much innate caution and ambivalence in an industry that must take significant risks to build a sustainable revenue model.

“We need to be fearless, and we need to operate in that mode,” says Naples Daily News publisher Dave Neill. “And we don’t.”

Santa Rosa Press Democrat— The Media Lab

The Santa Rosa Press Democrat is housed in a boxy, nondescript building in a section of downtown Santa Rosa, Calif. with a distinctly old-fashioned feel. But on the main floor of the newspaper, right off the lobby, visitors enter a modern space with large conference rooms, big plasma screens and sleek black furniture that would fit in at a trendy night spot. In large letters, framed against a bright red wall, is the word “mediaLAB.”

Unveiled in October 2011, the Press Democrat Media Lab is an outgrowth of the “digital agency,” concept. The digital agency is a new revenue model for newspapers that includes not just selling space to advertisers, but also functioning as digital marketing consultants, helping merchants with everything from website building to e-commerce.

So far, the industry verdict on the concept is mixed. In Pew Research’s March 2012 [report on newspaper economics](#) less than half of the papers reporting data said they had started a digital agency business, and in most cases, it was bringing in modest revenue—less than \$10,000 a quarter. The 13 executives individually interviewed for the report were split over whether they thought the digital agency represented a promising revenue stream or an unwise use of coveted resources. Still, while there is no reliable count on how many newspapers have implemented digital agency models, a number of major companies, including Hearst, McClatchy and Gannett, have launched some form of one.



BRUCE KYSE
PUBLISHER

“I am hearing more and more newspapers are developing their own agency. The thing I tell them [is] you can’t stick a toe in. You’ve got to throw yourself into the pool.”

In Santa Rosa, the agency was part of a broader digital revenue push after the paper lost 90% of its classified advertising dollars between 2005 and 2009. And at this paper, there is no such uncertainty about the wisdom of its creation. The lab, built under the leadership of publisher Bruce Kyse, advertises itself as “suave geek” and offers clients a package of options that range from web development to search engine optimization to video production. It is staffed by seven full-time employees, six of whom were hired from outside the paper, as well as a stable of freelance designers.

Currently, the lab serves about 65 clients, and according to Press Democrat digital director Greg Retsinas, the average customer signs up for two to three different services, meaning they are paying a minimum of \$1,000 a month. When the advertising dollars generated through the Media Lab are added in, the enterprise accounts for about one-quarter of the Press Democrat’s digital revenue and the publisher projects a healthy rate of growth for the next year of about 60%.

“Let’s say we are hitting our benchmarks,” says Kyse, who believes the core function of the Lab is to create relationships with clients that will evolve and become more profitable over time.

One thing Kyse preaches is that a successful digital agency program requires a major and unflinching commitment. “I am hearing more and more newspapers are developing their own agency,” he says. “The thing that I tell them [is] you can’t stick a toe in. You’ve got to throw yourself into the pool.”

The Paper and its Market

The Press Democrat, which traces its lineage to a four-page weekly that began in 1857, is a mid-sized paper with a circulation of about 53,000 based in Northern California wine country. Sonoma County, where Santa Rosa is located, is

Santa Rosa Press Democrat and Its Market



Santa Rosa Democrat

155 years old
Avg. weekday circulation: 53,292
225 full-time employees
Publisher: Bruce Kyse
Parent Company: Sonoma Media Investments



SANTA ROSA, CALIFORNIA

Population: 167,821
Median household income: \$60,850
Age of Residents
under 18: 23.4%
18-64: 63.1%
65+: 13.5%
Bachelor’s degree or higher: 29.4%

SOURCE: 2010 U.S. Census data
Pew Research Center

“very much a locally oriented shopping experience....Starbucks doesn’t do well here,” says digital director Greg Retsinas.

Santa Rosa is a relatively well-to-do community with an average household income of about \$61,000. And while he acknowledges that the area’s uniqueness and local shopping environment is a factor in the Media Lab’s success, Retsinas is confident about the fundamental soundness of the model. “We could have done this anywhere,” he says.

What the Media Lab Does

The Press Democrat Media Lab is not just a new revenue stream. It is also a physical space where merchants come to visit and to meet with lab personnel. Kyse says it’s a “showroom...it’s like walking in and seeing the Lexus cars in the dealership.”

Nick, a local insurance broker, won a visit to the lab during a silent auction at a community event. It is his first time at the facility and Deborah, a sales department specialist, is talking about his online marketing presence. “As a small company, I don’t have all the \$100,000 to invest in all these different systems,” Nick says. “I need to look good in every aspect.”

Deborah asks Nick about a “content plan” for his website and works with him to edit the site, suggesting how to better present customer testimonials. She tells him that on Facebook “people will un-like you if you’re pushing non-relevant material. The key...is shareable content.”

She walks him through an array of services the lab can provide from search engine optimization (SEO) to reputation management.



At one point, Nick, alluding to the economic turmoil in the newspaper industry in general, nervously asks Deborah, “So circulation’s good? You guys aren’t going out of business?” She reassures him and points out the paper’s reach, citing statistics such as more than 11 million desktop page views a month and the 315,000 North Bay residents who read it every week.

Later that day, three staffers are working with a lab client who sells beauty products online.

“The main thing I want is for the website to flow,” she says. Lab employees discuss the homepage of her site in detail, showing how they’ve redesigned it to more effectively feature her products. They negotiate over the wording of the site’s “privacy policy.” They explain that shipping rules require her to input both the weight and dimensions of the product to be shipped. They pull up the back-end operation and show the client what SEO keywords to input.

The Media Lab is designed to be one-stop shopping for digital marketing, with three main types of services, each with various levels of services—and price tags.

“Option one is we build you a better website,” says Retsinas. “Option two is we search engine optimize it [with] a lot of behind the scenes architectural coding...Option three is social media. And social media includes Facebook, Pinterest, Twitter, Yelp, brand management, reputation management.”

When the Media Lab discovers a negative review of one of its client’s businesses, for example, it contacts the reviewer, apologizes for the experience and offers to set up a one-on-one conversation between the customer and the manager of the business.

Within the Media Lab’s service categories, clients are offered a number of tiers of options.

- There are four basic **web development packages** that range from \$499 per month to a custom-made “Dominance” package that can be much more expensive. The low-end package includes building 10 web pages, 1,000 emails sent per month, one 30-minute site update per month and three content development sessions of up to an hour each. The “Dominance” package is created to the merchant’s specifications and the price and level of services are negotiated.
- The lab offers **additional website development options** such as custom logo design, password-protected content and landing pages (each \$110 per hour) as well as a mobile landing page (\$99 for a one-time set up). Customers are also given access to the Media Lab for testing and experimenting and offered content sessions that focus specifically on the merchant’s messaging and promotional language.
- There are a series of **a la carte website services** that include: e-commerce (starting with an \$1,800 one-time set up fee); blog technology (\$150 set up fee plus \$50 per month); email marketing (\$20 per 1,000 emails) and video production (\$250 to \$2,250).
- There are three basic **search engine optimization (SEO) packages**—\$599 a month, \$799 a month and \$999 a month—that include features ranging from tracking visitors using Google Analytics to keyword editing to writing press releases.

Along with Retsinas, the Press Democrat staffed the Media Lab with six full-time employees—two web developers, a team manager, a content writer, an SEO specialist and a customer service liaison—all hired from outside the paper and outside the newspaper industry.

While the lab functions as a separate unit of the paper apart from the core business, it is not isolated. The sales staff functions as what Retsinas calls “hunter gatherers,” helping sell the lab to local merchants. Once a client signs a contract with the Media Lab, sales staffers remain active in the process. “They get copied on every single email, they get copied on every single task associated with that project. So that way if there’s any hang up... they can stay involved,” says interim ad director Jennifer Williams. “The more they are involved in the process the more ownership they have of it.”

In addition, the sales team is augmented by several specialists whose job is to stay current on the latest developments in digital technology and to function as a support system for sales reps. While the specialists are consulted by the sales staff for traditional digital advertising, Retsinas says “their primary focus is to serve as expert liaison between the lab team, the sales reps and the clients.”

The time it takes to consummate a sale to a Media Lab client is generally longer—anywhere from two to five months—than it is with advertisers “because of the due diligence each business puts into selecting a web services provider,” Kyse says.

Signs of Success at the Media Lab

One of the key decisions the Press Democrat made about the Media Lab was to target merchants who had large enough businesses to afford a substantial digital marketing campaign.

“We said ‘What’s our bottom line here? Can we make money off a business that generates a million dollars in revenue?’” says Kyse. “So we sort of identified our sweet spot,” concluding that businesses need to gross at least \$1.5 million annually to be a potential customer at the Media Lab.

“For many clients and businesses...digital spending on websites and web services and SEO and social media is like a new category,” says Retsinas. “So if they can’t commit to spending 10K, 15k, 20k a year on it, they are probably not the right business. [We’re] talking five hundred a month for just the minimum, which is six thousand a year or so just to get a basic ten-page website.”

Established as its own business unit, the lab has a separate profit and loss statement and Kyse says it is profitable. The numbers offer some insight into the size of the business. Retsinas says the average client is paying for at least two different tiers of service, which means spending at least \$1,000 a month. He also says that many of the customers whose contracts have now come up for renewal are opting for more complex and expensive levels of service.

Currently, the revenue from lab services accounts for 14% of the paper’s digital dollars, a figure that rises significantly to about 25% when the additional advertising generated by the lab is counted. Press Democrat officials expect revenue to grow by about 60% in 2013—based largely on the deals with new clients that were in the pipeline in the fourth quarter of 2012—and think that the lab can eventually account for 40% of the overall digital revenue.

SIGNS OF SUCCESS

Press Democrat Media Lab

As of January 2013



Pew Research Center

That digital revenue is a growing component of the overall business at the Press Democrat. Kyse says that currently, digital ad revenue accounts for about 28% of the company’s total ad revenue and is growing annually by about 30%. The Press Democrat is not yet charging users for digital content, but a paid digital subscription plan is expected to be in place later this year.

Print revenue was down around 5% overall in 2012, Kyse estimates, but he expects it to hold its own in 2013, thanks largely to anticipated new advertising from a number of businesses opening up in the area, including a major casino and two new shopping centers.

Retsinas says one major reason for the success of the lab to date is customer service. “We’re very hands on, constantly reviewing data,” he says. “We stick with you.” That was a selling point for Keni Meyer, owner of the Sport Dog Center, a new Santa Rosa business that specializes in dog training.

Meyer interviewed a number of vendors about building her web site before choosing the lab. “I went back and forth because they’re generally higher priced,” she says. But “they offer a few things that other people didn’t. I like the fact that they’re there” to regularly consult with the client.

Meyer, a reader of the Press Democrat, has a basic package of services for now, but may add on in the future. “I could start basic and go from there if need be,” she adds.

Challenges in Starting the Media Lab

The impetus for the Media Lab grew out of major revenue problems that forced the Press Democrat to rethink its business model. That included the almost complete disappearance of classified ad revenue in the second half of the last decade. In 2011, Kyse, who had spent five years as vice president for new media and editorial development at the New York Times Co. group of regional papers, went to Times Co. executive Michael Golden. He asked for bottom line relief as well as time to map out a business strategy. (The Press Democrat has been sold twice in the past year, first from the Times Co. to Halifax Media and then from Halifax to a group of local investors.)

“I wasn’t going to cut another fifty people,” says Kyse. “We really rewrote our business model from top to bottom...The Media Lab was part of that plan. That was the biggest part of our investment.”

Several major steps were taken to initially help finance the lab as part of a broader digital transition at the company. For one thing, the Times Co. agreed to two years of budget relief for the Press Democrat, removing some of the immediate revenue pressure. But as Kyse noted, the paper also made the “difficult decision...to harvest some of the print opportunities faster in order to finance the digital transition.” That included raising some subscription rates—by as much as 45%—and eliminating the award-winning glossy wine magazine Savor.

Press Democrat officials say the paper’s reach and reputation in the community is a significant asset in selling the Media Lab. But they also say the biggest concern in setting up the Media Lab was making sure it could function independently from the core business.

“When you start a new business line that has connectivity to so many parts of the [company], it’s hard to get everybody to think of it as a separate business line,” says Kyse, who recalls having to fend off suggestions that lab services should be offered free to some advertisers. “It had to fly on its own...Our goal was to have a certain level of profit from every customer.”

To implement this new digital agency business, Kyse turned to news-side veteran Retsinas, a former New York Times reporter and city editor at the Tuscaloosa News. “I needed to manage this in a different way,” says Kyse. “We had to build the model separately from the ad department and needed someone who knows content.”

While Retsinas was an in-house employee, the Press Democrat decided to go outside for Media Lab staff, paying salaries “commensurate with the world of private marketing, public relations and advertising,” which generally exceed those paid in the newspaper world, according to Retsinas.

“We went locally and took people who had no media background,” says Retsinas. And when it came to web designers, the paper wanted a rotating roster of people with distinctly local ties. “My thought was, if we had one designer in house they would create the same design feel in everything they do.” By

cultivating designers with different styles “with each client we pitch, we can get examples from those different designers.”

For all the challenges involved in implementing the digital agency concept, including wringing a major budgetary concession from the corporate parent, the prospect of failure did not seem to weigh heavily on Press Democrat officials.

“We were always pretty confident going in,” says Kyse.

Lessons from the Media Lab

When the Press Democrat was devising the Media Lab concept, it talked to advertisers who were already spending money on web sites, SEO and social media messaging elsewhere in the digital marketplace—often with multiple vendors. What they learned led to some key decisions that were critical to the success, so far, of the Santa Rosa digital agency.

- **Establish the digital agency as an independent business.** A crucial decision was to set up the Media Lab as a separate entity with a separate staff to operate it. While it traded on the Press Democrat’s brand as a trusted news source in the community, the lab’s purpose was to be an incubator for innovation. In that vein, Retsinas says, it was absolutely crucial to the success of the lab that it “have a start-up feel to it and not be swallowed by the older Press Democrat brand.”
- **Make the investment to provide a wide range of products to clients.** When asked what advice he gives other papers thinking about a digital agency, Retsinas responds: “We say that they need not to be looking at this as a cheap ‘churn and burn’ option. We’re not trying to build web sites, we’re trying to build relationships... It takes more of an investment.”
- **Figure out where the agency fits in the market and target the right customer.** In the case of Santa Rosa, this meant developing a product aimed at merchants grossing \$1.5 million or more and charging them accordingly. “We did away with the bottom of the market, it was a conscious decision,” says Kyse. “We decided we were not going to be a low cost producer,” adds Retsinas.
- **Install customer service as a key component of the digital agency.** As new Media Lab client Keni Meyer indicated, the lab’s hands-on approach was a key factor in her signing on. The fact that the Press Democrat has created a physical space, a showroom that is designed for client visits and follow-up consultations, helps enhance that aspect of the digital agency service.
- **Select a content person to run the digital agency.** The decision to put a news-side employee, Retsinas, in charge of the lab may seem like an unconventional one. But Kyse says he was the right fit for understanding digital messaging and marketing. Retsinas built the “biggest local website in the county,” the publisher says, referring to pressdemocrat.com, which has between 1.2 million and 1.5 million unique visitors a month.

While it’s been around for barely more than a year, the current incarnation of the Media Lab is, in Kyse’s mind, a “transitional” step in an evolving relationship between the news outlet and the business community. “I think we are trying to find other things we can offer to add value back to advertisers, whether it’s on the marketing side or content side.”

As one example, a local visitor's bureau that already had a contract with the Media Lab for search engine optimization recently decided it wanted more content on its website. To meet that need, the lab went out and hired stringers to produce that content and now functions as the site editor for the visitor's bureau.

"Can we do more to expand out?" says Kyse. In his mind, that's a rhetorical question.

The Naples Daily News—Restructuring the Sales Operation

As news organizations respond to the economic challenges of the digital era, one such response has been to focus on sales teams that had long been steeped in a legacy culture. Among the papers surveyed for Pew Research's March 2012 report on "The Search for New Business Models," more than three-quarters reported working on retraining their sales staffs and changing the way they are compensated.

At the Naples Daily News, publisher Dave Neill and his team have gone considerably further. As part of a broad cultural change at the paper that began almost three years ago, the News overhauled its sales operation with a change in personnel, structure and operating philosophy that included rethinking the basic concept of how sales territories are configured and managed.

The results at the News, which serves a Florida Gulf Coast resort community, stand out in an industry where many dailies continue to suffer from declining ad revenue, particularly on the print side. While total newspaper industry ad revenue, print and online, dropped by more than 7% in 2011 and by about another 6% in the first three quarters of 2012, according to the Newspaper Association of America, revenue at the Daily News grew in 2011 and then was up every quarter in 2012 over the same period a year earlier. When parent company Scripps releases its quarterly financial results, there is often a section singling out the economic performance in Naples.

Much of the credit is given to Neill, an aggressive and innovative leader who says the key to success is "engineering your organization with the intent of dramatically increasing professionalism."

"He has the faith and the trust of those people that are working for him or with him," says one of the paper's ad directors who'd follow his boss "off a cliff."

Mark Contreras, a former Scripps Co. executive who appointed Neill as Daily News publisher, says he is "as close as a public company can have to having an entrepreneurial figure."

The Paper and the Market

Some of the success in Naples is related to the area's newspaper-friendly demographics—an older wealthier population that has helped the Daily News hold on to the print franchise better than most dailies. Collier County, which includes the paper's home community of North Naples, has a population of about 322,000 according to 2010 census data. While Daily News executives say residents are getting younger, 2010 census data indicate that 27% are 65 or older, 10 points higher than the state average. The median household income is about \$57,000 a year, about \$10,000 higher than the state average and the median value of an owner-occupied housing unit is \$317,000, almost twice the state average.

As a resort spot on Florida's West Coast, the Naples region sees significant seasonal population shifts that are reflected in newspaper readership. In winter, the paper's circulation can swell as high as 100,000. In summer, it can dip to one-third of that.

There are those in the news industry who say it is easier for a newspaper to succeed in a wealthy community like Naples. Neill responds that "any media organization needs to be customized for the market, the local community. My feeling is that seventy percent of our success points to the talented staff and thirty percent to the market. The retooling of our advertising is seventy percent of our success."

The Sales Transformation

Neill is not shy in discussing what he sees as excess timidity in the newspaper industry.

"There is too much fear," he says. "It seems many in our industry choose to spend much time, energy, and discussion trying to better manage business decline. Our industry has been having a fifteen-year discussion on how to fix itself. We've been in the weeds trying to look down a path that can only be seen at 10,000 feet. It's just my opinion, but I think industry solutions and customization will develop and flourish one market at a time."

Like Clark Gilbert at the Deseret News, Neill talks about restructuring the paper to compensate for a less robust business model in the wake of a significant economic downturn toward the end of the last decade. "Our business was bigger years ago than it is now," he says. "We had a larger staff, we had higher revenue...we have redesigned our business to fit the market [and] fit the world." By 2009, the publisher says, he began to work in earnest on changes in the "structure and culture" at the News.

The re-imagining of the Daily News sales operation involved several major steps—the most fundamental of which was replacing the old sales territories, based on geography, with jurisdictions built around business categories or "business units." That began by evaluating the Naples market, trying to figure out which business units to create. Part of that process included examining Daily News coverage of the community.

"The news component helped me assemble these business [units]," the publisher explains, adding that by seeing which industries were generating coverage and emerging as key local players, he could figure out "which of these business units are important to the community."

The goal, he says, was to "operate at a much higher level of sophistication" and to move the sales approach "away from generalist to specialist." The theory was that sales teams would function more effectively targeting the type of business rather than its location. That meant eliminating the routine in which an account executive had a 9 a.m. "appointment with the liquor store...at ten, they got an

Naples Daily News and Its Market



Naples Daily News

89 years old
Avg. weekday circulation: 44,876
250 full-time employees
Publisher: Dave Neill
Parent Company: E.W. Scripps Co.



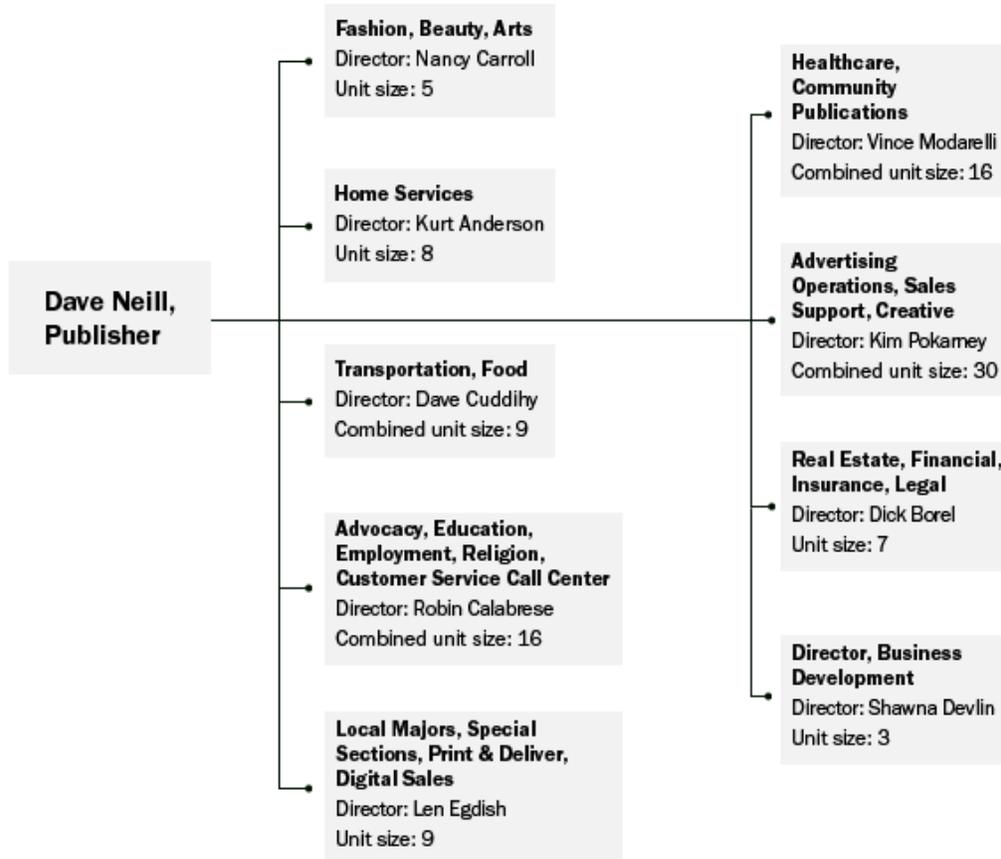
Population: 321,520
Median household income: \$56,876
Age of Residents
under 18: 19.2%
18-64: 53.6%
65+: 27.2%
Bachelor's degree or higher: 31.6%

Source: 2010 U.S. Census data
Pew Research Center

appointment with the nail salon, at eleven, they got an appointment with an ambulance chasing attorney and then maybe at three in the afternoon, they are meeting with the CEO of a hospital. Those days are gone.”

Restructured Sales Department

In 2012, the sales department restructured its operations into units based on business type, not location.



Pew Research Center

By having sales staffers assigned to specific industries “they’re able to share national industry trends, they’re able to share regional trends,” says one sales director. “They’re able to own that vertical, own that business unit and then it’s just proven exponentially successful.”

In late 2009, about one-third of the sales staff was assigned to new category-based business units and the results emerged quickly. “For the units assembled, we did see significant growth,” Neill says. “We saw a trend where business units were outperforming general” advertising sales. Neill and his top sales executives spent months on the evaluation before sharing the plan with the entire sales staff. In November 2012, the entire sales operation converted over to the business unit model.

Today, the roster of business units includes: a health and wellness team; a transportation team; a real estate and finance team; a fashion, beauty and arts team; a home services team that includes everything other than real estate; a food team; an advocacy and education team; and a community

publications team. Several other teams handle business development, advertising operations and special sections.

Home services advertising director Kurt Anderson says that before the creation of the business units, “it used to be just a free for all. There was no focus on any particular type of business unit [just] trying to stick to a geography and with no real focus on what they were going after, with the exception of this is my home [territory] here, I can go here and I can try to find some business.”

In creating the units, the Daily News tried to combine businesses that shared economic connections. For example, the transportation unit not only includes cars, but boats and marine transportation businesses as well as the ancillary businesses connected with automotive, such as detail shops, car washes and tire centers. The real estate unit was broadened not only to include the sale of property, but other businesses intertwined with that, such as banking and finance.

With the units in place, the sales staff needed to be re-organized. The Daily News has a sales staff that numbers 106, with about half working in direct sales and half in support services. While that is still a large staff, it is about 20% smaller than it was five years ago, when cost cutting kicked in. At one point, the paper operated with separate digital and print sales personnel, but has now switched to a system in which “everyone can sell everything,” although there are still digital experts who function as “closers.”

The sales restructuring remains a work in progress. Late in 2012, the paper embarked on a four-month evaluation of the business units that led to significant changes in both the sales units and the staff assignments. Home services, for example, was separated from the broader real estate category and additional resources went towards the growing health and wellness sector. According to Neill, about 33% of the sales staff was reassigned to different units as a result of this process.

The creation of the sales business units was also accompanied by a revamping of the sales management team with each unit headed by an “ad director.” (There had been what Neill calls a “major retooling of the entire sales management team” even before the transformation, the result being that only two of the top managers who were at the paper five years ago are still in a management role today.)

The goal was to change the operating culture, to break up old lines of authority and to filter substantially more decision making power down to the units, the directors and account executives.

While the current group of business unit directors (some of whom have work experience in the areas they oversee) report directly to Neill and meet with him every Thursday, they also have a good amount of autonomy and meet among themselves every Monday.

“What was here previously was a traditional environment,” says Neill. “People had their marching orders and they had the rate cards...and they went to market and said ‘here are the rates, advertise with us.’ I want to have a creative environment and part of that was empowering the account executive to make decisions in the marketplace...Right now they can negotiate a deal with the customer. In the past they weren’t allowed to do that without approval from three or four people.”

In the publisher’s parlance, the sales directors “own” their units. At the same time, though, the directors work together as a team. “[We] all have our own forte,” says one sales director. “Some of us are better at day-to-day tasks...one might have a specialty with online sales, but the biggest thing that we have in common is that we communicate to each other on a regular basis...Sometimes, collectively, we sit down together. We don’t have to come upstairs, take a half an hour out of Dave’s day and say ‘what do you think?’ You figure it out, get it done, hold yourselves accountable for the decision you make.”

That decentralization of authority has many manifestations. For a few years, the paper's biggest advertiser used to negotiate its annual contract directly with the publisher, something Neill characterizes as a "year-long battle." Now, that deal is cut directly with the ad director and Neill never has to pick up the telephone.

The Ad Club

As a sales incentive, the News created the Ad Club about three years ago. The highlight of belonging to the Ad Club is a quarterly awards ceremony for high performing sales staffers. Initially, membership was open to those who made 75% of their sales goal, but that bar has now been raised to 100%. Club members attend a catered party at a downtown spot and are honored with a trophy.

Neill insists the idea is a major motivator, even if the trophy is "cheap...The trophy, itself, costs like seven dollars. [But] it means a lot, it means a great deal for these people that earn it. They're formally invited to a party, they're recognized, they get this seven dollar trophy and they love it. "

"You have the competitiveness or pride in being a member of this club, and by the way, it's very cutthroat," he adds. "You don't make your numbers, you're not there. So, your peers are walking out the door to an after-hours party while you're sitting here, right?...If you were to walk through advertising right now, there are some that have all of their trophies lined up on their desk."

Signs of Success in Naples

Neill does not divulge detailed revenue information, but it is possible to get an overall picture of the financial health of the Daily News. The publisher says revenue has grown in both 2011 and 2012. For 2012, growth occurred in all four quarters compared with the previous year. Data from Scripps support signs of growth, showing revenue at the paper for the first quarter of 2012 up about 10% from the same period a year earlier.

While Neill does not provide a specific breakdown of print versus digital revenue at the paper, it is clear that in Naples print is quite healthy and brings in the overwhelming majority of income. Given widely vacillating numbers depending on the time of year, the paper has maintained or increased its circulation. In the most recent report for the six months ending in September 2012, average daily circulation (34,000) for just the print product without the digital editions was virtually identical to that for the same period in 2011. In the six months that ended in March 2012, however, average daily print circulation was about 54,000, up 20% from the same time a year earlier (45,000).

"Digital and print circulation growth is our top priority," Neill says.

There is also some evidence that the new ad unit structure is working. For one thing, Neill says that the new units have effectively captured much of the paper's advertising income, with only about 20% of ad revenue now coming from outside those business categories. He also says the overall number of advertisers or "business count"

SIGNS OF SUCCESS

Naples Daily News Revenue Growth

10%

Estimated gain after sales restructuring that began in late 2009.

Pew Research Center

has increased in both 2011 and 2012.

One specific area where Neill has seen improvement is the twice-yearly sales “blitzes”—one in late fall, the other in the summer—when reps approach new businesses or businesses that haven’t advertised and try to sign them up for a digital/print package slated for a specific date on the calendar. The lead ad manager on the blitz is director of business development Shawna Devlin and the publisher says that since the restructuring “we’ve refined [the blitz campaigns] and we’re very focused and we’re more organized. We have added an element of creativity and energy to this staff that didn’t exist before.”

Asked to estimate how much additional ad revenue the paper has generated as a result of the restructuring of the sales operation, Neill says “we’ve improved our business by at least ten percent,” which is enough to account for much of the revenue growth in the past two years.

Challenges to Sales and Culture Change in Naples

One thing the restructuring at the Daily News did not involve was significant new funding. “It was simply reorganization,” says Neill.

But it did lead to what the publisher calls “a moderate amount of turnover” among the sales staff. “We were upgrading. We were looking for talent and talent was coming to us. We were raising the bar and there were people on staff who weren’t interested in taking this ride.”

It also initially ruffled feathers among some advertisers who were concerned about losing an account executive with whom they had forged a relationship. “There were questions from some of the businesses who called me a directly and said ‘why the hell are you doing it?’” the publisher recalls.

And while his ad directors speak glowingly about empowerment and the decentralized lines of authority, it was not an easy concept to sell.

“It was hard at the beginning,” Neill says. “It took time [for] people to even envision an environment like that. You’re basically forcing people to start operating in a mode of decision making. That was a difficult transition [but] we’ve gotten really good at it here. Some people kind of misread that as us going off the reservation. But it’s not.”

Neill says he received much support from Scripps corporate headquarters about his reorganization plan, although “there were a lot of questions.” In talking with people in Naples, it is clear that Neill is widely admired by his staff, in part for his ability to “manage up,” which can allow for flexibility for the local market.

“I don’t know that he wins every fight,” says executive director of circulation Tom Heck, who gives “Dave almost all the credit for what I’ve seen since I’m here...Working here gives you a lot of flexibility to be able to say ‘we’re going to do what’s best for the business,’ even though, in the short term, it may not be from a profitability point of view.”

The effort to implement a cultural change that emphasizes “professionalism and customer service,” is not limited to the sales side.

One of those changes has meant an enlarged role for the circulation department, which is more involved in cross-departmental



DAVE NEILL
PUBLISHER

“It was hard at the beginning. It took time [for] people to even envision an environment like that. You’re basically forcing people to start operating in a mode of decision making.”

communication with advertising and editorial operations. Heck and circulation sales director Jorge Velasquez recall, not so fondly, the days when they had to punch in a code at the doorway to gain access to the newsroom.

“Circulation was something that happened at night and they were in this dark corner of the building and nobody really knew what was going on back there or who was running it,” Neill says.

On the editorial side, Neill believes the newsroom is now progressing on the transformation of the paper’s digital and print platforms.

As part of the effort to put the paper in the middle of a community conversation about the issues facing Naples, the News launched its Lighthouse Project in April 2012 with a 112-page special report that examined the history of the community from the earliest settlers to modern day residents. Managing editor Jeffrey Bruce says that half the newsroom was deployed for that effort, which was designed to “recapture the news agenda.”

“The Lighthouse Project was one where I wanted us to clearly take a leadership role in the community,” the publisher says, adding that “our plan is to better integrate this with our editorial content,” so that going forward, more stories will be published under the Lighthouse brand.

Lessons from Naples

A Detroit native, Neill exudes an energy and confidence that can be infectious. His former Scripps boss, Mark Contreras, calls him “one of the industry’s most inspirational leaders.”

Some of the key lessons from the Naples experience are related to the publisher’s leadership philosophy.

- **Operate in a culture of risk-taking.** Neill says that in selling the reorganization to his sales staff, the risk of not trying something different outweighed concerns about whether the new plan might work. Given the current economic realities, the publisher sees taking risks as a prerequisite for success. “We are afraid,” he says, referring to the industry. “We need to be fearless.”
- **Create an environment of greater “professionalism.”** One of the ideas in restructuring the sales units, was to, in effect, upgrade the status of account executives so they were not just selling, but becoming experts in various sectors of the local economy. “What I want to do is to... help develop the staff [so] that when they wake up in the morning and report to the office, they are part of a professional environment, working as professionals in their business units,” Neill explains.
- **Fundamentally rethink the structure of the sales department.** In Pew Research’s March 2012 report on the search for new revenue models, the idea of revamping aspects of the sales operation—from training to compensation—was popular with a strong majority of the papers that responded. In Naples, they have gone further, rethinking the basic concept of sales territories and restructuring sales management around these new business units.
- **Decentralize decision-making power.** Ad directors and account executives now have far greater authority to negotiate on their own and the bureaucracy is more streamlined. It’s not easy,

according to one ad director. “It takes an incredible amount of courage and trust from the head of your business,” he says. “So if someone is trying to replicate this and they don’t have the courage and the trust to pass that along, it’s not going to [happen.]”

- **Print is not dead.** In Naples, according to one observer, the moral of the story is “don’t give up on print.” The publisher is bullish, saying “we are going to reinvent print” and envisioning a future where the print product could be customized for the individual consumer. At many dailies, that may seem overly optimistic. But the lesson from Naples is that in communities where conditions are favorable, a substantial bet on print can still pay off.

If the Daily News publisher has gotten the reputation as someone who does things differently than some other properties within Scripps, he is quick to define the limits of his flexibility from corporate headquarters. “We receive regular corporate guidance and support, and don’t step outside these initiatives or expectations. We don’t do whatever we want...[but] I feel like we as a team, have confidence and produce great results in operating the way we do.”

He offers one reason for that confidence and the freedom it allows him: “Results.”

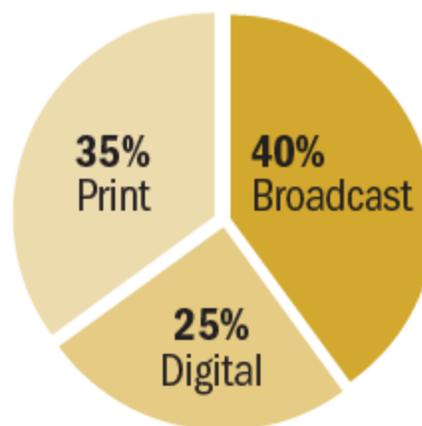
Deseret News—Changing Two Media Cultures

The innovations at the Deseret media properties are perhaps the most comprehensive of those studied here. The changes, begun with the arrival of CEO Clark Gilbert in 2009, included the birth of a new digital entity, re-branding the editorial product to broaden the company’s audience base and the development of a platform to bring citizens into the content creation process. The changes, taken together, were designed to holistically restructure the economic base of the company amidst large declines in print revenues.

The Deseret Management Corporation operates the 162-year-old Deseret News, Utah’s oldest continually published newspaper and local radio and television station KSL. The company itself is owned by The Church of Jesus Christ of Latter-day Saints and states as a part of its mission to “align our actions to honor the principles espoused by our owner,” already suggesting an atypical news brand.

The unique brand however, did not insulate the company from the economic downturn experienced by other media companies around the country. In only two years, from 2008 to 2010, the Deseret News saw a 30% decline in display advertising and a 70% plunge in classified revenues, pressures on the bottom line brought about by what is

Deseret Media Sources of Revenue
Percent of total revenue that comes from...



Pew Research Center

known in Salt Lake City as the “disruption.”

When Gilbert arrived at Deseret, his original mandate was to create a digital business plan. He ended up redeveloping the entire company, including the newspaper, for a new kind of existence in the digital era.

In January 2010, the company formed Deseret Digital Media, the business unit that includes the web sites for the legacy media operations—the Deseret News and TV and radio station KSL. Months later, it launched Deseret Connect, a content management system that became a vehicle for generating community-based content for both print and digital platforms and has thus far enlisted about 3,000 contributors.

Before the year was out, The Deseret News underwent a fundamental transformation. Painful layoffs slashed the staff by nearly half. The paper relocated to the same building as its corporate siblings. It rebranded itself with a focus on six key editorial areas connected to values and family—reinforcing the influence of its ownership and using it to build a stronger targeted product. In 2012, the company extended that brand, launching a weekly national print edition on Sunday. Now it is embarking on an effort to syndicate its content.

“We want to own faith and the family the way the Washington Post owns politics,” says Gilbert. A former Harvard Business School professor and colleague of innovative disruption guru Clay Christensen, Gilbert has become a leading digital transformation theorist. His fundamental task in Salt Lake City was to remake the corporate culture. “Sixty to seventy percent of my job is culture,” says Gilbert. “[But] I’m doing two different culture changes, I am not doing one.”

In Gilbert’s theory of media evolution, the Deseret News print product is the crocodile, a prehistoric creature that survives today, albeit as a smaller animal. He believes the News, which has already shrunk significantly, is not doomed to extinction if properly managed. Deseret Digital Media is the mammal, the new life form designed to dominate the future. Armed with graphics, charts and a whiteboard that looks like it belongs in an advanced physics class, Gilbert speaks with the zeal of the cultural transition evangelist he has become. He argues that the path ahead does not involve merging the crocodile and mammal cultures, but maintaining them separately.

“I need to build a culture that’s going to work when [large sums of money have] been pulled out of the [legacy] business. And I need to build a different culture that only sees the digital space,” he asserts. “I need to have someone who believes in traditional journalism and newspapers in their gut. And I need someone that thinks that’s the stupidest business you ever heard of.”

Thus far, the results seem encouraging. Gilbert estimates that Deseret Digital Media revenue has grown by an average of 44% each year and now accounts for 25% of company-wide revenue. On the Deseret News side there have been significant circulation increases in the daily paper (about 33%) and on Sunday (about 90%), the latter bolstered by the new Sunday national edition.

The Paper and the Market

The revenues that come from the Deseret media properties are divided into three large piles. The biggest chunk, roughly 40% according to Gilbert, comes from the broadcasting operations at KSL. The fastest growing part of the company is Deseret Digital Media, which now accounts for about one-quarter of company revenues. The third leg of the tripod is the Deseret News print product, which produces about 35% of the overall revenue.

In some ways, Salt Lake City is a classic city for a major metropolitan newspaper. (Two dailies, the Deseret News and Salt Lake Tribune, publish there under a joint operating agreement.) With a population of about 186,000, it is the largest city in Utah, the state capital and part of a metropolitan area with more than 1 million residents. It is also the headquarters of the LDS, or Mormon Church.

In the most recent publisher's statement submitted to the Alliance for Audited Media, the News had a daily circulation of about 92,000. But in reorienting the paper's editorial mission, Deseret has its eye on a readership that supersedes geographical boundaries. It is an audience, Gilbert believes, that is receptive to journalism that addresses values and family life. "This is over half the country

and no one is there," he says. "We are going to fill a gap that is just empty." While the rollout of the weekly national edition is the clearest evidence of the desire to fill that gap, the effort to syndicate more Deseret content is another significant step in that direction.

"We are now expanding the reach of Deseret News through syndication partners throughout the country...including Gatehouse newspapers, Worldnow TV sites and many others," he says. "The gap on family and faith is resonating with other publication partners. This will perhaps be our most compelling form of long-term reach."

The Mammal, the Crocodile and the "Exchange Team"

The Mammal

At Deseret, the first major step in reconfiguring the company was the creation of Deseret Digital Media. Although websites for both the print paper and the radio and television stations existed before Deseret Digital Media was started, they operated as separate businesses, often competitively, within the Deseret News and KSL brands. The creation of one digital business meant combining employees who had worked at the company's different digital properties, an initial group of about 30 that has since swelled to over 100. In addition, Gilbert hired about half of the DDM leadership team from outside the company, from companies like overstock.com, Yahoo and Ancestry.com.

The initial "fixed costs" involved in creating Deseret Digital Media were largely focused on those executive hires and getting additional office space. And the creation of the team—through the merging of staffs and the hiring of outsiders—required a great deal of care and feeding. In the first year of DDM, Gilbert says the new Deseret Digital staff met every week for 90 minutes "focused entirely on culture building. We read articles together, we talked about the research together...I think it took a full year before I felt like the graft was taking."

The Deseret News and Its Market



The Deseret News

162 years old

President: Clark Gilbert

Owner: The Church of Jesus Christ of Latter-day Saints



SALT LAKE CITY, UTAH

SOURCE: 2010 U.S. Census data
Pew Research Center

Population: 186,443

Median household income: \$44,501

Age of Residents

under 18: 22.5%

18-64: 68.1%

65+: 9.4%

Bachelor's degree or higher: 39.5%

Since Deseret Digital was established, Gilbert says, the web sites have undergone continual upgrades and both have had major redesigns. He estimates that unique visitors to the Deseret News site have grown by about 25% each year while page views have been increasing by about 20%.

On the revenue side at Deseret Digital Media, several key factors are driving the levels of annual growth. One was the development of new online products for “long tail” customers—smaller and medium-sized business that do not advertise in Deseret’s legacy media—that include online deals, travel and reservations products and the creation of a digital agency that provides merchants with search engine optimization and search engine marketing. Some of these digital agency services originate in house, but others are done in conjunction with outside partners—which is one significant way in which it differs from the Santa Rosa Press Democrat’s Media Lab venture.

The other crucial element was a decision to launch what Gilbert calls “digital only sales channels” using digital only sellers for clients who had been advertising in legacy products, but were too often overlooking the online platform.

“This is in great contrast to many newspaper organizations who believe their primary mechanism for selling digital revenue is to leverage existing print channels to sell digital revenue,” says Gilbert, who acknowledges the path toward figuring out how to build up digital ad revenue was littered with some unsuccessful experiments.

The Crocodile

As the company was reinventing its digital media business, it turned to the embattled legacy product and the question of “how do we save our newspaper?”

Gilbert is blunt about the economic damage done to the legacy newspaper business. In two years, the Deseret News lost almost one-third of its display advertising revenue and almost three-quarters of its classified business. He cites research showing that in terms of real dollars, the overall print newspaper industry in the U.S. has been knocked back to revenue levels of the 1950s, losing 60 years of growth.

In the “transformation age, you have to get a steep reduction in content cost,” says Gilbert, who worked on calculating the cost of a newspaper story as part of this process. To reduce that cost, in August 2010, the Deseret News announced a massive 43% cut in the workforce—57 full-time and 28 part-time employees. (Deseret officials do not release current editorial staffing numbers.)

Those cuts coincided with a major rethinking of the mission of a paper that had been functioning as a traditional general interest daily. That new mission was based on a core principle. At a time of shrinking resources and “in a world of the web when you are a click away from something better, you have to be differentiated...You can’t do everything,” Gilbert says. “So I am getting out of anything I’m not the best at.”

The result was the decision to focus Deseret News coverage around six key subject areas: the family, faith in the community, excellence in education, values in the media, financial responsibility and care for the poor. The target audience—identified in a consumer segmentation survey commissioned by the company—consists of the 56% of Americans characterized as “like-minded believers,” who express “high interest in consuming rigorous, relevant news and commentary from ‘trusted’ organizations that share their values.”

The new brand of the Deseret News is summarized by the slogan: “When your family needs to know more.” The company believes that message can reach a national audience and that theme was an integral part of the new Sunday national edition, which was launched on Jan. 1 2012.

In that first edition, Deseret News editor Paul Edwards penned a page-one note to readers talking about “an unmet gap in the national marketplace of ideas. Speaking personally as a parent, striving with my wife to share a legacy of faith with our four children, I have been disappointed by the indifference of national media to some of our families’ most cherished values,” he wrote.

Operating a news organization owned by a religious organization means Gilbert hears concerns that the paper has an underlying agenda. He says the mission is to produce quality enterprise journalism on a range of topics that he believes much of the media does not understand. The journalism has “to be rigorous,” he says. “It can’t be denominational. But it’s asking questions that people of faith and people who are family oriented would ask.”

The paper is particularly proud of its “War on Boys” series that ran in February 2012. It examined how young males are losing ground in the public education system, are suffering from a lack of male role models and are more susceptible to a range of pathologies from substance abuse to suicide. (“I would hold that up against the New York Times or the Washington Post on anything they have done on those kinds of topics,” says Gilbert.)

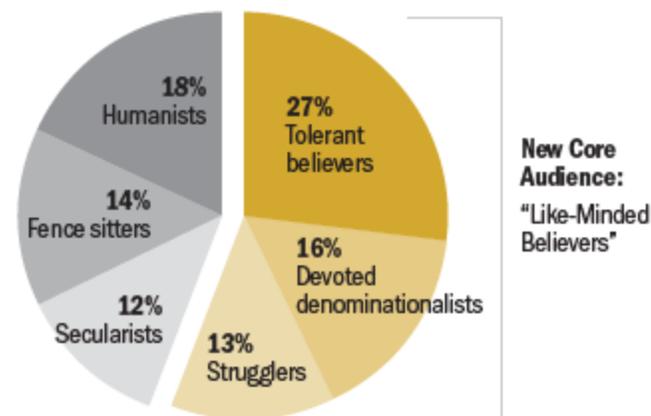
The Deseret Daily News editorial philosophy is evident from its front page. The day that Pew Research visited, that page included extensive coverage of the vice presidential debate, a story about a recent outbreak of pertussis in Utah that can be attributed to too many children not being vaccinated and a story about a local family who recently adopted five siblings from a foster home.

The Exchange Team

In Gilbert’s theory of media evolution, there is another entity positioned somewhere between the legacy and digital businesses. It is what he calls an “exchange team.” In 2010, the company created Deseret Connect, a web-based content management system (CMS) that curates stories written by citizen-writers and serves several significant functions. It helps fill the print reporting gaps left by the

Target Audience for the Rebranded *Deseret News*

Based on research, Deseret identified a target audience of “like-minded believers.”



SOURCE: DMC research panel, Cathy Chamberlain. Courtesy of *Deseret News*.
Pew Research Center

layoffs at the Deseret News, particularly in sports and lifestyle; it connects the newsroom to the community by becoming the vehicle for generating content from roughly 3,000 community-based contributors; and it also became a source of content not only for the print paper, but for the online news product. According to Deseret Connect editing manager Jacob Hancock, since its inception, Deseret Connect has generated more than 14,000 stories.

The costs involved are modest. The outside content is processed through about a dozen editors, most of whom had been at major newspaper outlets in the past, work remotely and are paid by the word. Only a handful of the community-based writers are paid, and Hancock estimates the company spends no more than a few thousand a month in writers' fees. While it costs little to sustain Deseret Connect, the platform does not produce a revenue stream, and Gilbert describes its function strictly as "a service organization to print and digital."

In recent months, the role of Deseret Connect has been expanded as the entire newsroom, not just outside contributors, has begun to funnel content through the Connect CMS. In some cases, the staffers are edited by the remote team, but usually their stories are handled by the News staff editors. And although it's not an independent revenue stream, the platform may play an increasing role in the development of one.

One of the advantages of Deseret Connect, says Edwards, is that "it is well designed [to facilitate] syndication," the sharing of Deseret content with other partners and media organizations. The company identifies that syndication effort as the most important innovation going on right now.

Signs of Success in Salt Lake City

When looking at the family of Deseret properties, the biggest piece of the revenue pie currently comes from the local broadcast holdings, followed by the Deseret News and then DDM. But the latter is the fastest growing component

"We are becoming a mature company at Deseret Digital Media," says Gilbert. He estimates digital revenue has grown by an average of 44% in each of the last three years, and anticipates that it will account for 50% of company revenues by 2016. In 2013, he continues, DDM will add as much in new revenue as it earned in its first year of existence.

Gilbert describes the progress of the digital agency revenue stream as "hyper-growth," projecting that it could eventually account for 20% of all Deseret Digital Media revenue. The company has not yet implemented a paid digital subscription plan, but it appears to be in the offing.

"We have been impressed by what different graduated paywalls look like," says Edwards. "We see it as a new revenue stream that seems to be working for many organizations."

SIGNS OF SUCCESS

Deseret Digital Media Growth

44%

Average annual rate of digital revenue growth since 2010.

Pew Research Center

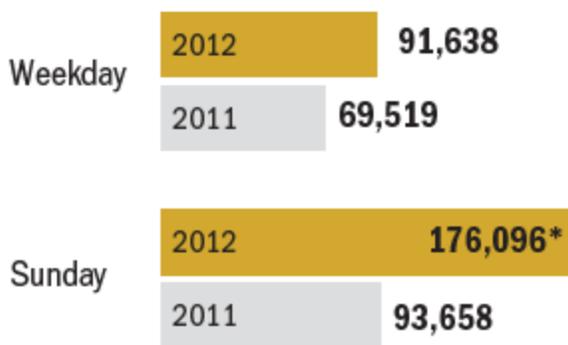
At the Deseret News, Gilbert estimates that overall print revenues dropped about 5% in 2012, but he is encouraged by positive results in circulation.

In the six-month period ending September 30, 2012, daily News circulation rose to just under 92,000, up substantially from about 70,000 a year earlier, with the big gains coming from digital editions. The Sunday circulation, dramatically bolstered by the new national edition, jumped to 176,000, up from about 94,000 a year earlier. About 70,000 of that gain came from the national edition. While Gilbert expects “the local edition to continue to grow at a modest rate in Utah, [we] expect [national edition] circulation to grow in the double digit range over the next two to three years.” Currently subscription dollars account for about 30% of overall print revenue at the Deseret News.

SIGNS OF SUCCESS

The Deseret News Circulation Growth

Average circulation for six-month period ending on September 30 each year



*Includes regular Sunday edition and new national Sunday edition
Pew Research Center

Gilbert doesn’t offer up precise numbers when asked how the revenue pie at Deseret will ultimately be divided between print, broadcast and digital. But he reiterates his confidence that the digital business will soon account for half of those dollars.

In keeping with his view of an industry transformation in which the legacy product will continue to shrink, the CEO projects “modest declines” for print revenue in the next few years, with growth in circulation revenue offsetting, to some degree, diminishing advertising dollars. “While many national publishers are forecasting five percent [print] declines over the next few years, we believe we will beat that number,” he says.

The Challenges of Changing Two Deseret Cultures

Asked if he was worried about risking the venerable print franchise during this digital transformation of the company, Gilbert says, “I believed it was already at risk, whether we did anything or didn’t.”

Nevertheless, the huge 43% cut in newsroom staffing—along with the replacement of the editor and publisher—were traumatic events that raised eyebrows in the media industry, where they became the subject of much debate.

Media analyst Alan Mutter described it as a “draconian effort to save some semblance of the News.” A story in the Salt Lake Tribune reported that “some observers worry [the cutbacks] could diminish the standards of news coverage Utahns have relied on for more than a century.” In the blogosphere, the paper was criticized for not having the resources to send a photographer to a Brigham Young University football game. Today, the paper still has reporters who follow breaking news in traditional beats, but they cover those beats through their new editorial focus.

Edwards acknowledges that there are sacrifices that come with a reinvention of the editorial mission. “It’s fair to say that our coverage is not as wide [as before],” he says. “We know we can’t cover everything that happens in the state legislature and we disappoint a number of state legislators when we don’t show up for what they think is an important issue.”

But as difficult as the newsroom cuts were, the most challenging task for an ex-Harvard professor suddenly running a major media company was selling culture change, and in fact multiple culture changes, to the staff.

“I think there was some distress [about] ‘what’s this guy doing? This is just an academic theory,’” Gilbert remembers. “But these people also understood that this industry is changing...they realized things were in trouble.”

Todd Handy, the vice president of Digital Business Development, recalls those uneasy meetings that first brought the television and print web teams together at the newly created DDM.

“We used to fight each other here because you have a newspaper website [and] KSL.com going head-to-head and all of a sudden you are putting them together,” he says. “There were a lot of cold stares at each other...It got resolved over spare ribs...Probably took almost the first year to really get people to adjust to that.”

“You have the culture change of bringing different businesses together that maybe would have been considered competitors in the past,” says Handy.

“You have a culture change of breaking off into a new digital group. And you...still have these legacy companies pulling at you at the same time on all sides.”



CLARK GILBERT
PRESIDENT

“Sixty to seventy percent of my job is culture...[But] I am doing two different culture changes, I’m not doing one.”

To illustrate what he characterizes as the continuing peril of falling “victim to the pull of the legacy organization,” Gilbert recalls his surprise last year when the company examined its 100 top advertising accounts and discovered that “nearly half of them had no digital revenue...That was startling and frankly embarrassing.”

That revelation was among several recent “trigger points” that forced Deseret to rethink its advertising strategy and move more legacy clients into the digital side of the sales operation. Gordon Borrell, the CEO of Borrell Associates and a leading media analyst, is a fan of what Gilbert is doing in Salt Lake City. But he doesn’t minimize the difficulties in implementing that model.

“What [Gilbert is] doing I think is absolutely the optimal way to evolve the newspaper organization,” Borrell says. “However, it is extremely difficult to accomplish it.” Gilbert “has a very deep knowledge of disruptive innovation and how organizations react to that...I am skeptical that a lot of papers will be able to navigate those waters and do what Deseret has done...Even really, really smart people running newspapers have difficulty wading through the politics and the change.”

The Lessons of Deseret

The operating environment for the Deseret News in Salt Lake City is not typical. The company is owned by the dominant religious institution in the region. And that institution decided to put an academic with expertise in economic disruption, rather than a news industry veteran, at the helm. (In December, Gilbert co-authored an article for the Harvard Business Review titled “Two Routes to Resilience: Rebuild Your Core While You Reinvent Your Business Model.”)

But Earl J. Wilkinson, executive director of the International News Media Association, believes there are important lessons that other news organizations can take from Deseret, including its decision to narrow its editorial mission.

“A lot of people say the Deseret News’ move to prioritize content development is easy for a Mormon newspaper to do. Fair enough,” says Wilkinson “But it at least provides the beginning point for a structure for general-interest newspapers where segmentation by big-umbrella topics like local, sports, business and entertainment is at least three decades behind how readers segment.”

“To my eye, the simple act of identifying the areas on which the Deseret News stand says something about the brand,” he adds. That editorial rebranding is one lesson, among others, that can be gleaned from the Salt Lake City experiment.

- **Rebuild your editorial philosophy around what you do best.** Many newspapers, which do not have a core audience of like-minded believers, would be unable to rebuild around topic areas such as faith and family. But diminished newsroom resources can be focused around unique editorial strengths that offer value added. Gilbert says newspapers “have to be differentiated. Invest where you can be the best in the world...The failure to choose is a choice to be mediocre.”
- **Manage the digital and legacy businesses separately.** This concept is by no means widely embraced in the industry and stands in contrast with the practices in Naples and Columbia. But it is central to Gilbert’s thinking. “Transformation A should reposition the core business, adapting its current business model to the altered market place,” he wrote in the Harvard Business Review. “Transformation B should create a separate, disruptive business to develop the innovations that will become the source of future growth.”
- **Reduced costs commensurate with significantly reduced legacy revenues.** This may be a controversial concept in an industry where many argue that reduced resources translate into reduced quality. But Gilbert says newspaper revenues are back to 1950’s levels and “in the transformation age you have to get a steep reduction in content cost.” He believes this idea can work as long as you wisely allocate remaining newsgathering resources.
- **Passion and Vision Count.** Gilbert combines the commitment of a true believer with an academic’s instinct for imparting ideas. It is something Borrell calls “clarity of vision.” Others might call it salesmanship, the gift of getting buy in on a big scale. The more Gilbert spoke about culture change, says Dale Darling, vice president of digital direct sales, “the more I started to realize I can hold on and resist the change or I can go with him and probably be a part of another business model.”

- **Bring in leadership from outside the media industry.** In recent years, as the newspaper industry's economic situation has grown grimmer, much discussion has focused on whether there needs to be an infusion of leadership from outside the business, people who can germinate fresh ideas and strategies. Gilbert's ascension in Salt Lake City seems to support that point of view. ("I was never even a real newspaper guy. I just studied this industry," he says.)

As passionate and confident as he is of what is happening in Salt Lake City, Gilbert knows the story there is far from written and that the theory of media evolution cannot succeed without the right execution. "If it's done right it is a game changer," he says. But "the risk of messing it up is very high. We believe we have a strong strategy for Deseret News and Deseret Digital. But strategy is never more than forty-nine percent of the solution. For us to get where we want to go will require execution at the highest levels."

Columbia Daily Herald—A Culture of Innovation

For a while, the 164-year-old Columbia Daily Herald—serving a small Tennessee city 50 miles south of Nashville—had been insulated from the worst of the economic ills that have battered larger daily newspapers.

But in recent years, the recession has hit the community of 35,000 hard and the paper has suffered. For publisher Mark Palmer—who knows, to the dollar, how much money the Herald has earned on virtually every revenue initiative—the mission is to compensate for \$300,000 in revenue that disappeared when a number of the paper's advertisers closed up shop.

Thus far, Palmer says the paper has made up about \$100,000 of those absent dollars, and "we continue to press after that [money] with everything that we know to do, all the time."

The Herald operates in a world of small numbers. It has a circulation of about 12,800, a 13-person newsroom and an eight-person sales staff that services about 720 business accounts. Revenue initiatives that bring in a few thousand dollars are valued. Within that universe, Palmer has instilled the mantra of "doing everything they know all the time." The paper is constantly searching for "winners," new revenue streams that will become a permanent part of an evolving business model—even as it seems that its limited resources are sometimes stretched to the breaking point.

In Palmer's view, the single biggest problem facing his industry has been "complacency...If there's any business in the world that is built around the excuse that 'it's always been done this way,' it is the newspaper."

In its quest to find new revenue streams, the Herald in 2012 alone introduced, among other things: a digital subscription program (a metered paywall); a digital agency that provides online marketing services to local merchants; a daily coupon program; an online ticket selling service; a program that puts advertisers on five different print and digital platforms; and a new male-oriented lifestyle magazine. At the same time, the company is working on plans to roll out a real estate publication, develop improved video technology, introduce an e-commerce retail mall on the website and unveil a database marketing project to identify new customers for its advertisers.

The results of these experiments can largely be seen in the growth of the digital revenue stream. At the beginning of 2011, before many of them launched, digital dollars were virtually non-existent at a paper that had been reliant on print revenue, accounting for only about 1% of the Herald's total revenue pie. They grew to about 6% by the end of 2012, and by the end of 2013, the goal is to raise that to 15%.

Revenue at the paper was only down about 2% in 2012 with digital gains helping cushion print revenue losses.

“We do very well in Columbia, says Michael Ferguson, the CEO of Herald parent company Stephens Media. The Herald “is more innovative than a typical paper of that size...and personif[ies] what I think has to happen at every paper...We need to be making transitional [moves] now.”

Palmer—who has spent more than 40 years in the newspaper industry and been a publisher at four different papers—may not look the part of an aggressive digital-age innovator. But Herald sales director Craig Duncan jokes that “for as old as he is, he’s a very progressive guy.” And one of Palmer’s fellow Stephens publishers calls him “the youngest old publisher he’s ever seen.”

The Paper and the Market

Columbia isn’t the kind of community that was an early adopter of digital technology. Asked to rate the digital expertise of the city’s merchants, Duncan says that on a scale of one to 10, “I’d say a three-and-a-half or four. Some are just absolutely dynamite. But it’s the exception, not the rule right now.”

“Some people don’t own a computer here,” adds Thomas Browne, the paper’s first (and currently only) digital ad rep.

Indeed, Columbia is the kind of city that has traditionally been somewhat kinder to print. The median household income of about \$38,000 is roughly \$6,000 under the state average and the poverty rate (21%) is four points higher. Fifteen percent of the residents have earned a bachelor’s or graduate degree, which is eight points lower than the state average.

The Naples Daily News and Columbia Daily Herald both serve communities that are relatively friendly to the print product, although they are very different demographically. But when hard times hit, it was the Daily Herald that focused on a more aggressive digital strategy, even in a place where that might have been a harder sell.

The Herald Dives into Digital

Until a few years ago, the Herald business story was a happy one. “We were rocking along, we were doing our thing,” says Palmer. “We didn’t have any really bad years, so we weren’t feeling the pressures a lot of papers were.”

But in 2009, Columbia and its newspaper were hit with a double whammy. The national recession drove the local unemployment rate up to the mid-teens and a key area business, the local General Motors

Columbia Daily Herald and Its Market



Columbia Daily Herald

164 years old
Avg. weekday circulation: 12,774
60 full-time employees
Publisher: Mark Palmer
Parent Company: Stephens Media



Population: 34,681
Median household income: \$37,685
Age of Residents
under 18: 24.7%
18-64: 61%
65+: 14.3%
Bachelor's degree or higher: 15.3%

SOURCE: 2010 U.S. Census data
Pew Research Center

plant, closed in 2009. (It was recently re-opened.) Those events had major ripple effects on smaller businesses.

“The moms and pops were closing by the dozens,” says Palmer, who counts about two dozen shuttered businesses since 2009. In the last four years, he says, only one new major retail business has opened in Columbia—a sporting goods store. The loss of advertisers left Palmer feeling like “I was losing control. I was in favor of just about anything I could do...We had to pick [the advertising] up somewhere else.”

In the last few years, that somewhere has largely been in the digital realm. Before he became a digital sales rep, Thomas Browne was the paper’s marketing director. One of his responsibilities was to research ideas that were working at other media companies and then brief department heads. After a while, this regularly became what Browne calls a digital “dog and pony show.”

One major digital initiative introduced in February 2012 was the plunge into paid digital content. The mandate for that move came from parent company Stephens, which Palmer credits for conceiving and supporting a number of revenue initiatives. But Daily Herald executives admit to feeling trepidation about charging for online content and concern about the potential impact on web traffic.

“I was scared to death,” recalls Duncan. “And Mr. Palmer said, ‘like it or not, we’re doing it.’”

The paper’s metered digital subscription plan allows visitors 15 free page views per month. A digital subscription costs the same as the print subscription—\$9.75 a month—and print subscribers can add it for \$1 extra.

As of now, the initiative—which has signed up a few hundred subscribers—is very much a work in progress. Palmer plans to reduce the number of free page views allowed under the program, first from 15 to 10 and then down to five “and pray to God we don’t lose any ad revenue out of it.” In

Columbia Daily News Average Monthly Web Traffic



Daily Herald executives attribute declining page views to online visitors’ reluctance to trigger the metered paywall plan.
Pew Research Center

The Columbia Daily Herald Paywall

As of January 2013



Pew Research Center

the past few years, the accelerating pace of digital transition at the Herald has also included:

- **A digital SWAT program** highlighted by a two-week sales push every January, traditionally the paper's slowest month for advertising. In those blitz weeks, each account representative is responsible for taking digital ad rep Browne to five or six meetings with advertisers in a half day.
- **The digital agency program** that began late in 2012 and helps merchants build and maintain websites and teaches them to use social media for marketing and branding purposes. Columbia sells the service and keeps the revenue, but corporate headquarters services the program—which is just getting off the ground.
- **Tiq IQ**, an online ticket sales program that allows customers to purchase tickets to shows, concerts and sporting events across the country, with the Herald taking a commission on each transaction. That program began late in 2012.
- **The proliferation of reader contests** on the website. The contests have thus far proven to be the biggest online revenue producer, according to Palmer. These have included contests for picking pro football games, a contest to pick the first snow day, A Mother's Day photo contest and a contest picking the winners of college basketball games, among others.
- **A Platinum Plus program** that allows merchants to advertise in a package of five platforms—three in print and two in digital, including on the paper's website and in an email blast. That initiative was implemented in the summer of 2012.
- **A new digital coupon program**, that began in the second half of 2012 and was designed initially to replace the paper's "Cool Deals" daily deal initiative. Because Cool Deals has had more staying power than anticipated, both products are now being sold.
- **A drive to accumulate email addresses**, now numbering more than 8,000, spearheaded by the paper's circulation manager. The Herald editorial staff delivers breaking news by email blasts as well as a daily morning briefing of top headlines found in the paper and on the web. In addition, the ad department uses about 800 email addresses to communicate with advertisers on a monthly basis.

But while pushing ahead on digital initiatives, the scramble for new revenue in Columbia also includes some major print-oriented efforts.

In December, the Herald rolled out the debut edition of The Man Magazine, a male lifestyle magazine that is distributed in two wealthier communities outside of Columbia, Franklin and Brentwood, and is produced through the staff of its weekly publication The Spring Hill Advertiser News. The content includes locally flavored stories about everything from best fishing spots to

There are several other major digital initiatives the paper is eager to start.

- **The Daily Herald Ad Mall**, which would not only provide a vehicle for displaying digital advertising, but would also link consumers directly to the client's website and inventory.
- **Refining the paper's video technology**, which Palmer deems unsatisfactory, for both editorial and sales purposes. The initial plan is for Herald advertisers to sponsor news videos.
- And in a further commitment to **moving more aggressively into digital revenue streams**, the paper is in the process of hiring its second digital sales person.

an interview with the athletic director at Middle Tennessee State University. Palmer is also the publisher of the Spring Hill weekly paper as well as the three monthly products.

One item on the to-do list is a long-awaited glossy real estate magazine, to be produced by the Herald's editorial staff, that is aimed at recapturing some of the vanishing real estate advertising market and will include an online and print newspaper ad component. (The paper also launched what Palmer calls a "very profitable" Living Healthy magazine in 2009.)

After some fits, starts and delays, the real estate magazine is now slated to debut in March. "The big next push will be the real estate magazine," Palmer insists.

Signs of Success in Columbia

Palmer, who is not quick to jump to conclusions about the success of a new initiative, particularly in digital, thinks the jury is out on the new paid content venture.

"We're not convinced today that it's working," the publisher says. Thus far, the Herald has generated about 400 new digital subscriptions at \$9.75 a month and converted about another 100 print subscribers to the plan, for \$1 extra a month.

In an attempt to generate more digital readers and eliminate some costs, the paper has undertaken an effort to switch roughly 500 customers who currently receive the paper by mail—the most expensive customer to serve—to digital subscriptions.

Success there could get the paper well down the road toward the 1,000 digital subscribers the publisher thinks it will take to be successful. And Duncan talks about one other less empirical sign of success. Initial complaints from readers about the conversion to paid digital content died down dramatically after two weeks.

Much of the concern in Columbia about charging for digital content revolved around the potential loss of traffic to the website, but Herald executives say that after a significant initial dip, traffic has rebounded, at least in some areas. A comparison of the monthly averages in 2012 compared with 2011 finds that while page views were down from 542,459 to 377,000, unique visitors rose from 49,783 to 65,299. The paper's executives say the diminishing number of page views reflect the desire of those visitors not to bump up against the paywall.

One initiative that has proven to be an unambiguous revenue success is the growth of the paper's online contests, which he says have generated \$124,000 from November 2011 to November 2012. These contests are sponsored by local merchants, who get an online and print advertisement as part of that sponsorship package. "I am amazed at the amount of money we can generate through contests and how much the community likes the

SIGNS OF SUCCESS

Columbia Daily Herald Digital Revenue Growth

15%

**2013 digital revenue goal as a percent of all revenue.
In January 2011, digital revenue accounted for one
percent of total revenue.**

Pew Research Center

contests,” says Palmer.

The so-called Digital Swat sales push has grown rapidly, the publisher says, more than doubling revenues from 2010 (about \$40,000) to 2012 (about \$85,000).

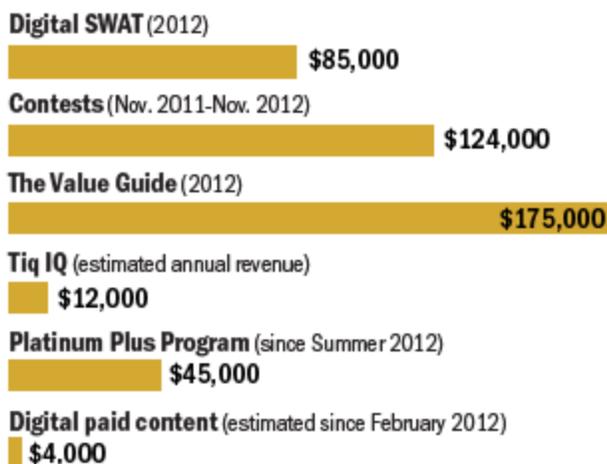
The Platinum Plus program, which was launched in summer 2012 and gives advertisers a platform on email and the website, has accounted for \$45,000 in revenue.

Tiq IQ, the new online ticket effort, is expected to bring in about \$1,000 a month.

The new digital coupons program, which started in 2012, is what Palmer calls a “mediocre success” so far.

New Columbia Daily News Revenue Streams

Revenue gained from each stream



Pew Research Center

The push for business innovation at the Herald has really accelerated in the past five years, according to Duncan, starting first on the print side but then migrating online.

“It was in 2008 that we started having a first discussion about not only protecting some of our print [revenue], but understanding that the traditional advertiser of running three ads a week is disappearing,” he recalls.

That led to the rollout that year of The Value Guide, a total market circulation product with some news content that is basically a wrapper for the paper’s insert advertising. In calendar year 2012, Palmer says, the Guide brought in about \$175,000 in revenue.

“Every year thereafter we’ve kind of invented a new product or a new thing, to try and just hold on to whatever we can,” Duncan adds. “Those first two years, ’08 and ’09 were non-digital, they were just other print products ... Since then, in 2010, we started a big internet push.”

The challenges to innovation at the Daily Herald

It is a point of pride for Palmer to say he had gone 42 years without a layoff, but there has been some attrition at a newspaper that has 60 full time employees across all departments. The publisher candidly acknowledges that the pace of innovation seems to sometimes outstrip the level of resources.

“We really were way over-stretched the first three or four months” of 2012, he says. “We were trying to struggle just getting enough people trained to sell” the new products.

And even with the innovations that were rolled out, other new revenue streams that the publisher wants have been delayed or moved back to the drawing board.

One of those is a database marketing program in which the Herald runs customer demographics for its advertisers, creates a deeper client profile base and reaches out to potential new shoppers with a direct marketing campaign. Past efforts to start one have been fruitless. “We’ve tried it four times, trying to get ourselves a winner,” says Palmer. Attempt No. five is currently in beta testing.

Two other delayed initiatives are a source of aggravation for the publisher. The long-awaited real estate magazine project was



MARK PALMER
PUBLISHER

“The single biggest problem facing this industry has been complacency...If there’s any business in the world that is built around the excuse that ‘it’s always been done this way,’ it is the newspaper.”

hampered by repeated foot dragging on the part of a vendor. The efforts to improve the quality of video production so that it can become a revenue generator have also been complicated by problems in the allocation of precious resources at a small paper.

“I keep rewriting the business plan...but I can’t figure out what to charge for it and I can’t figure out how we’re going to get it accomplished,” the publisher says. “Is it going to be a newsroom function? Do I have to hire somebody? Do I put my money in digital sales or do I put my money in someone carrying a camera around that only does three videos a month? I can’t afford that, so it’s got to be someone that’s a combination. Well, where do you find a videographer that can also sell?”

One department that has lost bodies to attrition is the 13-person newsroom, which also took a blow when a Florida paper poached three of its best reporters in recent years. Improving the editorial product is a major goal for Palmer, and the Herald recently hired a reporter with investigative experience who had worked at the Detroit News, an infinitely bigger market.

“We’re going to be doing a lot of stories that are in-depth stories that we’re not performing right now,” says editor Chris Fletcher.

Fletcher, who came to Columbia from a far bigger market—he was in the AP bureau in Houston—has become, somewhat by default, the paper’s social media expert. Every editorial employee is now posting on social media; one sports staffer has about 700 Twitter followers and the paper has over 5,000 Facebook followers. Still, Fletcher thinks the jury is out at a paper where every innovation is closely evaluated for its impact on revenue.

“I think there is real value” in social media, he says. “It’s clear that you can use this stuff to create an audience and build an audience, and you can even funnel some of them toward paid products...But it isn’t clear that we are yet seeing an acceptable return on investment for the time spent.”

Lessons from Columbia

Sitting in his modest office in Columbia, Palmer talks of the constant pursuit of the “winner,” a revenue stream that hits the jackpot. It keeps him up at night.

“You talk about things that I lose sleep over, it’s things like [the lost \$300,000 in advertising] that I lose sleep over. That and trying to generate more revenue streams which are sustainable.”

While insomnia may not be a good lesson to take away from Columbia, the paper’s drive and energy might be.

- **Foster a nimble culture of experimentation, even with modest resources.** Daily Herald executives use different words to describe their new revenue initiatives—they often refer to them as “products” or even as “gimmicks.” But even when resources are stretched, they see the ability to continually produce new projects as integral to the organizational DNA and central to the paper’s ability to survive at a time of harsh economic conditions.

- **Involve more people in generating revenue ideas.** In an era when there is increasing cross-departmental communication, the Herald relies on its newsroom to generate revenue ideas—whether it be ideas for contests or the special print pullout section on the 2012 election that earned the paper a quick \$8,000. “I do think a lot more about revenue for the paper than I ever did before, especially since the recession,” acknowledges the paper’s editor Chris Fletcher.
- **Implement a paid digital subscription plan** even in a community where online aptitude may not be that high. A verdict on the ultimate success of the paid digital experiment at the Daily Herald is still a way off, but given the need to generate additional revenue streams, it has to be part of the growing digital tool kit there. Browne, the paper’s digital sales staffer puts things bluntly when he calls the idea “a necessary evil.”
- **Keep developing niche editorial products.** In recent years, the Daily Herald team has rolled out a successful monthly health magazine and a new men’s lifestyle magazine and plans to introduce a real estate product early in 2013—keeping many of the costs in-house. It seems an ambitious enterprise for such a small operation, but Palmer says the health magazine has been “very profitable” and that initial results from the new men’s publication are positive.
- **Building editorial quality.** Building up the skills in the newsroom is now a priority at the Daily Herald, and the publisher clearly thinks there is room for improvement: “We cannot lose the news franchise, so therefore, we have to keep the editorial department stronger than it is now to be able to own the franchise for as long as we want to own it.” The newly hired investigative reporter could have a significant impact. And with the paper discontinuing its use of AP content, Palmer says the staff will be producing 25% to 30% more local content than before.

One quality at the Columbia Daily Herald may be hard to quantify, but it is central to the culture and mission of the newspaper. It is the idea that no financial setback, no revenue loss, is either acceptable or manageable.

“If we’re a dollar off, we’re upset and we’re going to try to solve the problem,” Palmer insists. “And you know, if we don’t get that dollar back, then it becomes unmanageable.”