

Mather Economics
Symposium – Opening Session
November 3rd, 2014

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Symposium – Differences from a typical conference

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- Invitation only
- No sponsors or vendors
- It is about you, not us
- Sharing of good ideas
- Cross-industry attendance
- Implementation focus

Symposium – Why are we hosting it?

- To facilitate industry transformation
- To share good ideas and best practices
- To promote thought leadership from inside and outside the industry

Symposium – Who is here?

- **U.S. News Media companies:** Cox, Gannett, McClatchy, MediaNews Group, Tribune, GateHouse, Advance, Wehco, BH Media, CNHI, Sandusky, Swift, Belo, Harris, Kruger, Southern Community Newspapers
- **International News Media companies:** Axel Springer, Norran, Otavamedia, Sanoma
- **Independent Media companies:** Toronto Star, San Diego Union Tribune, Columbus Dispatch, North Jersey Media Group, Milwaukee Journal Sentinel, Seattle Times, Spokesman Review, Albuquerque Journal, Newsday, Erie Times, Tyler Morning Telegraph, Bangor Daily News
- **Industry Associations:** Newspaper Association of America, Inland Press Association
- **Non-news media companies:** Meredith Magazines, IHG, ESPN, Linemakers, Global Mobile, Moblico, The Atlantic

Symposium – What will be presented?

Monday

- Embracing change – Transitioning to new business models
- Leveraging customer data to drive business strategy
- Best practices in growing subscription bases
- Programmatic advertising – Separating fact from fiction
- Customer loyalty programs and targeted offers
- Customer lifetime value (CLV)
- Content strategies and programming
- Revenue budgeting and forecasting

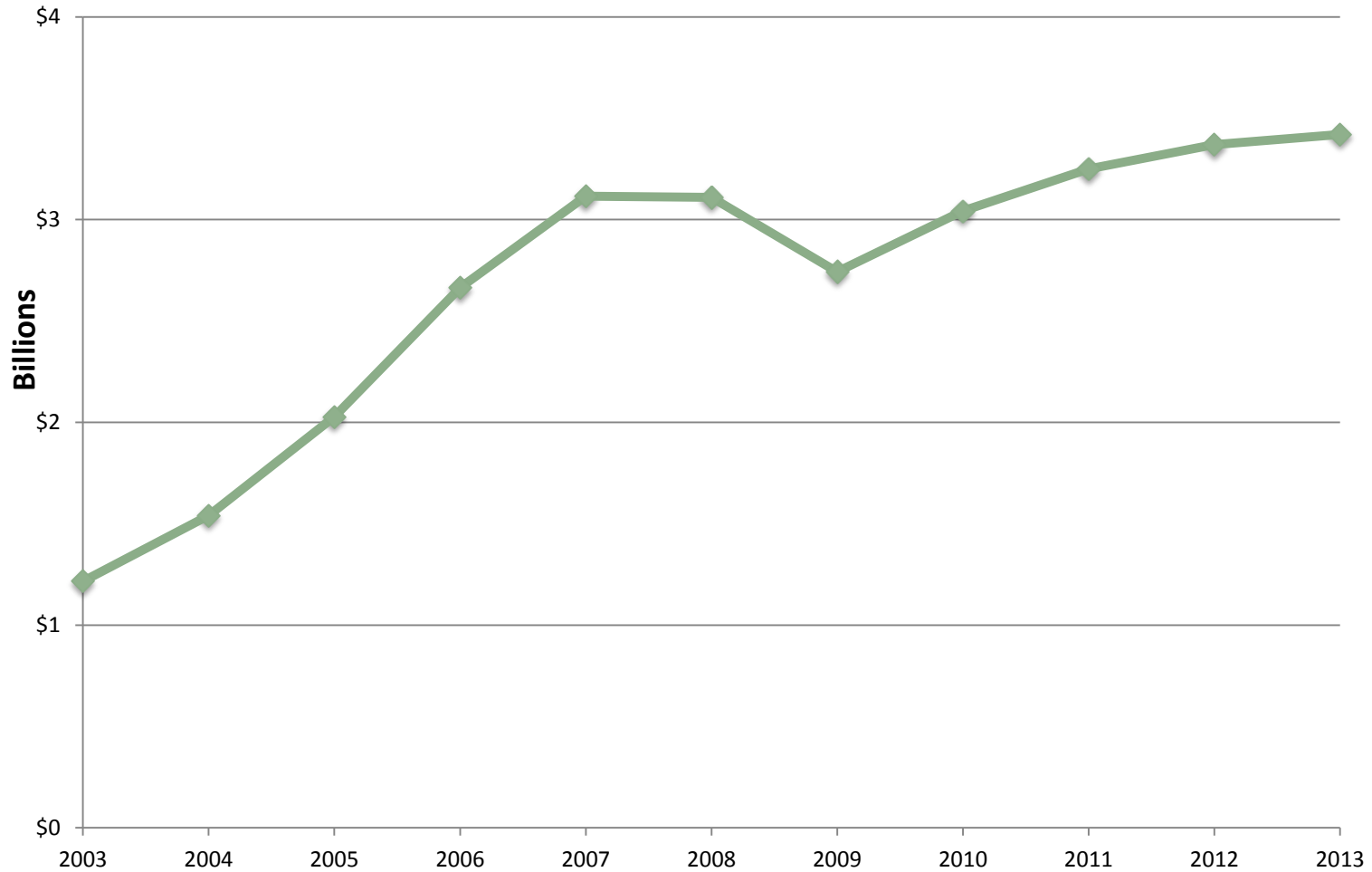
Symposium – What will be presented?

Tuesday

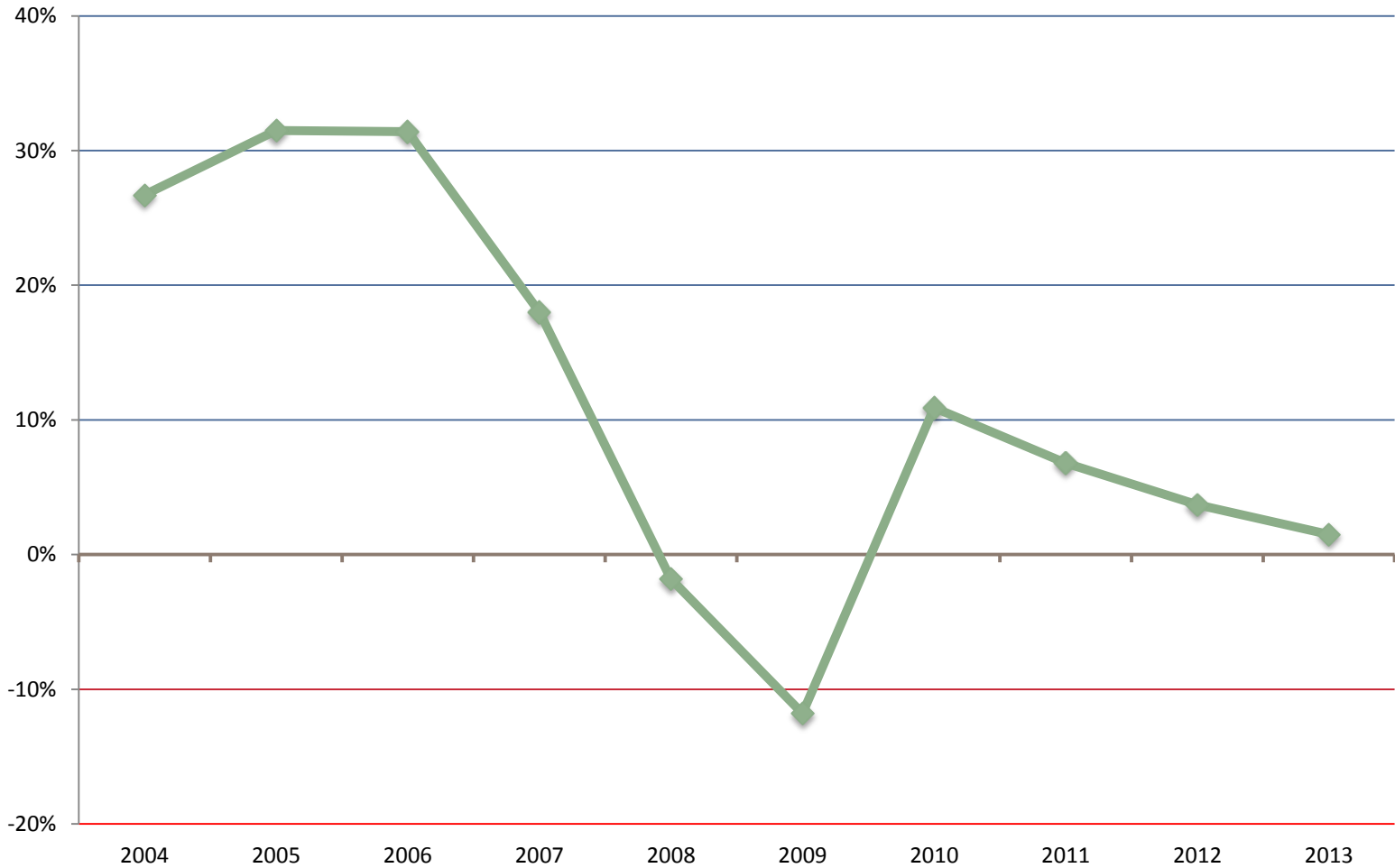
- Bundling and packaging of content to maximize revenue
- Driving digital strategies using customer behavior and demographic data
- Key metrics in benchmarking
- New ideas and best practices to maximize revenue streams

The Challenge Ahead

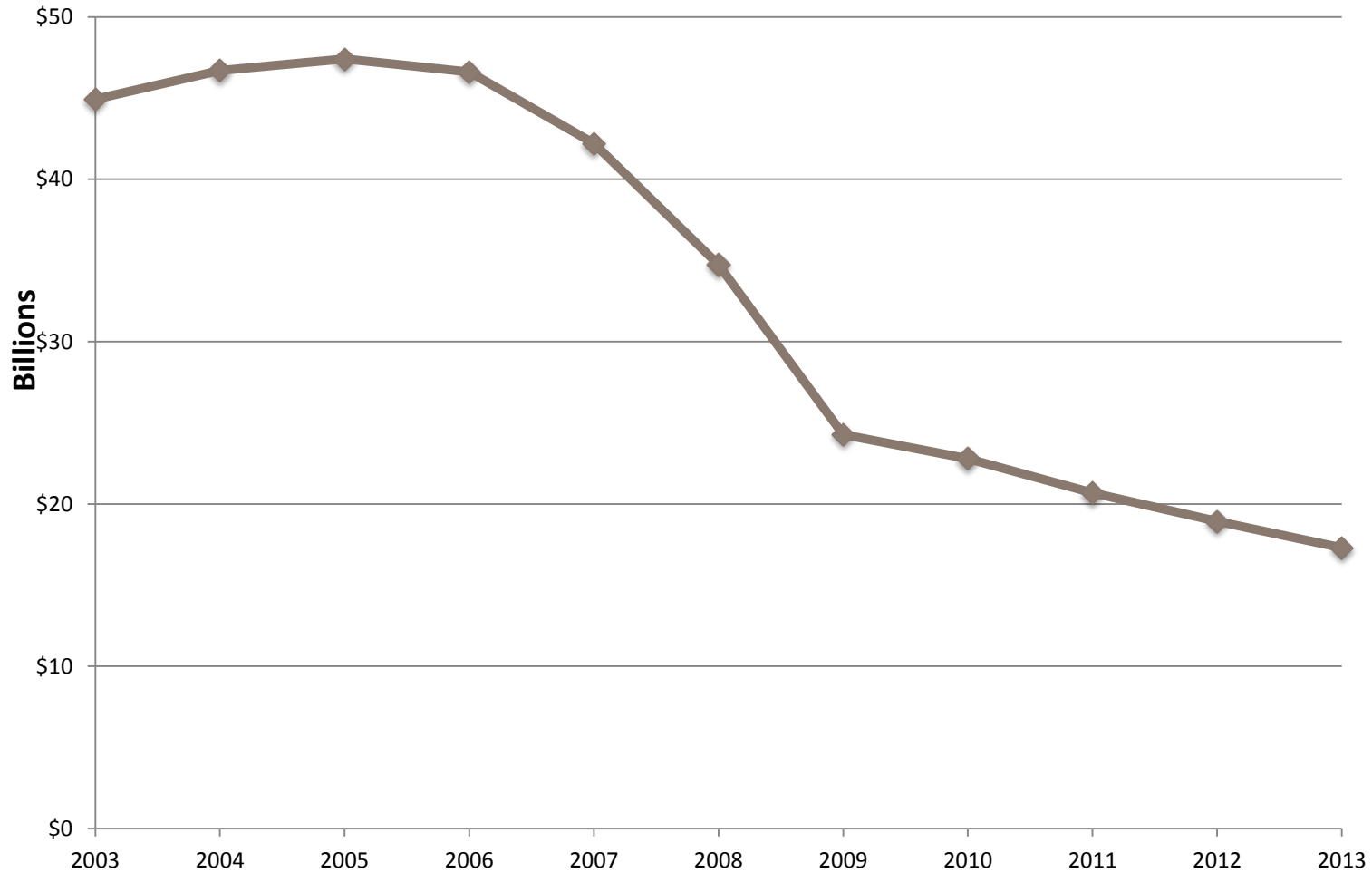
Newspaper Association of America (NAA) data: Industry's digital advertising revenue by year 2003 to 2013



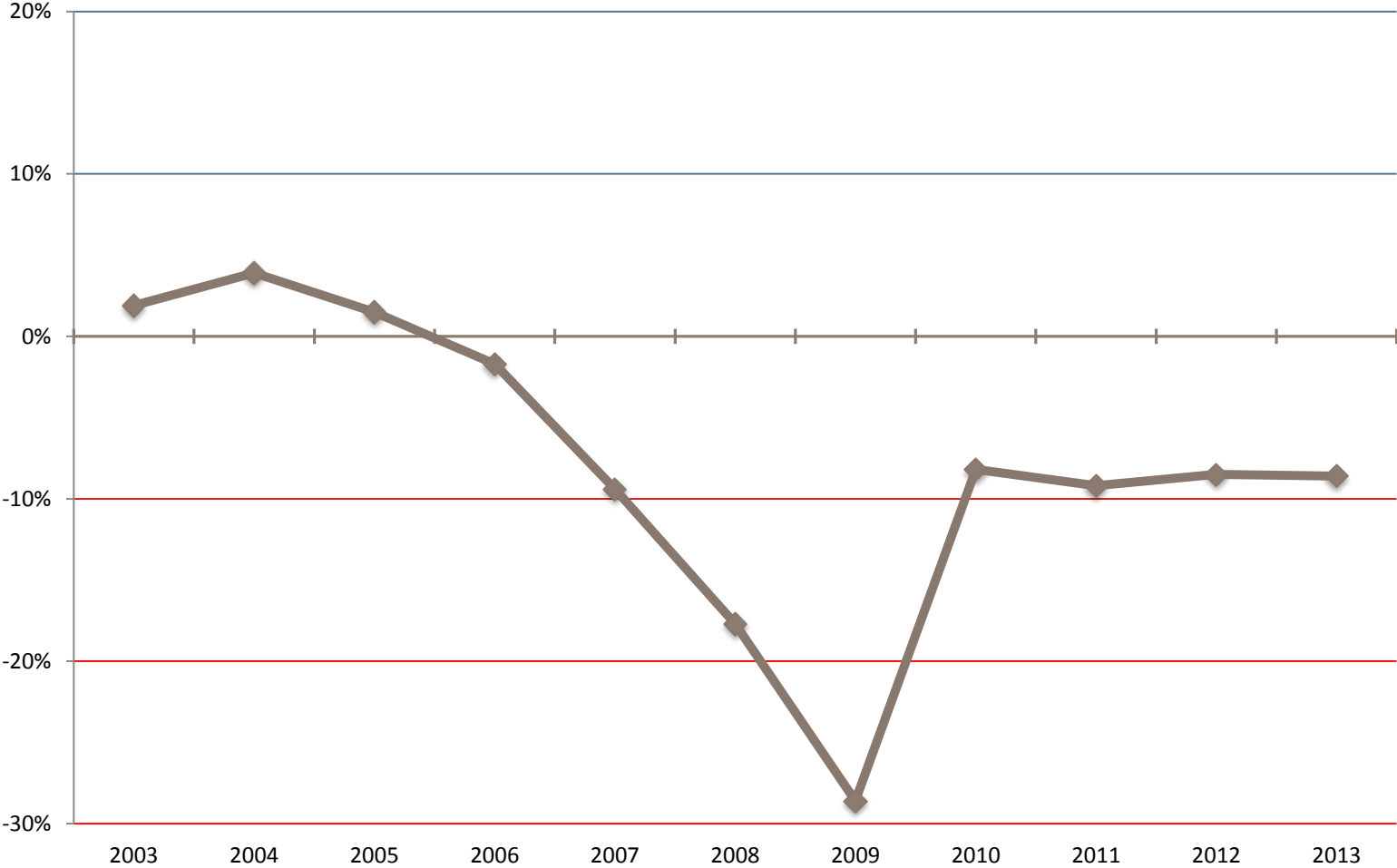
Newspaper Association of America (NAA) data: Percentage change in Industry's digital advertising revenue by year 2003 to 2013



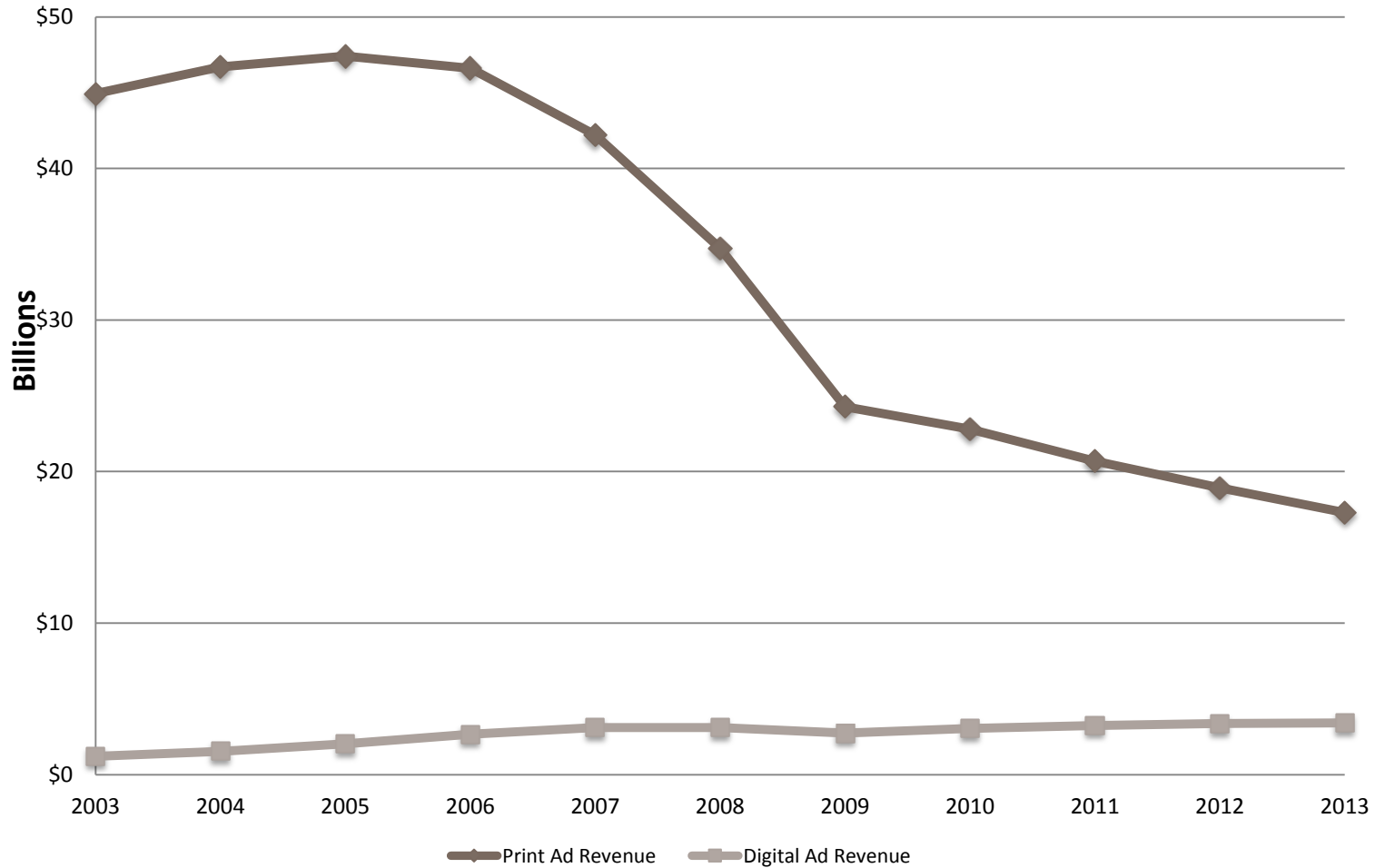
NAA: U.S. Newspaper industry print advertising revenues 2003 – 2012 ¹⁰



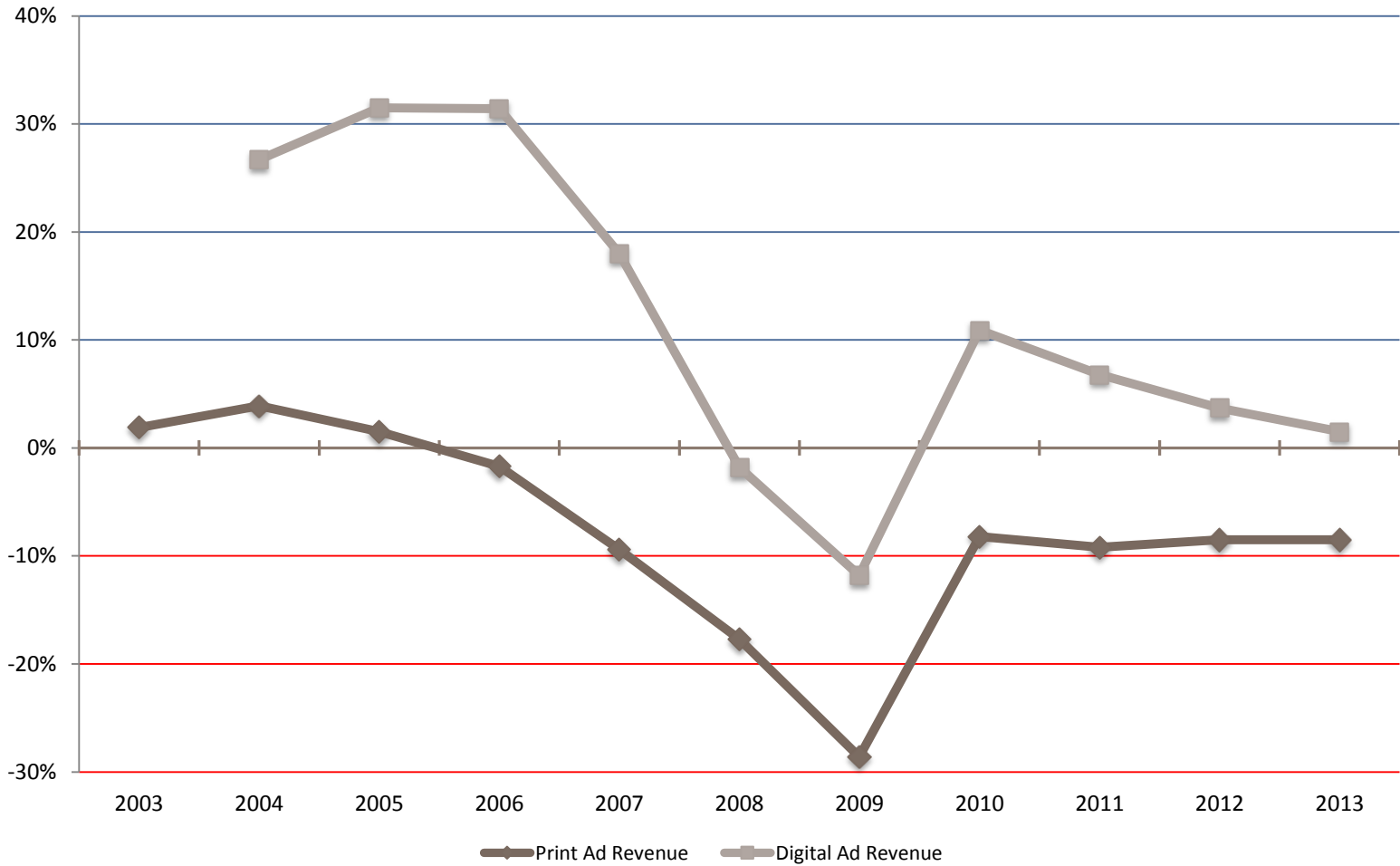
Print advertising revenue data represented in percentage changes



Print and digital advertising revenue by year 2003 to 2013



Advertising revenue data represented as percentage change by year 13



U.S. Newspaper Industry Revenue by Category in 2013

2013 Revenues	\$ Billions	% Change
Total Revenue	\$37.59	-2.60%
Advertising Revenue	\$23.57	-6.50%
Newspaper Print	\$17.30	-8.60%
Digital Advertising	\$3.42	1.50%
Direct Marketing	\$1.40	2.40%
Niche/Non-Daily	\$1.45	-5.80%
Circulation Revenue	\$10.87	3.70%
New/Other Revenue	\$3.15	5.00%
Source: NAA		

Print advertising revenue is only one source of print related revenue experiencing downward pressure

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- Pre-print insert and Total Market Coverage (TMC) revenue
- Print home delivery revenue
- Print single-copy revenue
- Niche print product revenue
- Commercial printing revenue
- Commercial distribution revenue

Key Question:

Can growth in digital advertising (including mobile) and digital-only subscription growth offset declining print-related revenue loss?

- Diversify sources of revenue while the print economics support transition to the new business model
- Per Jim Moroney at Dallas Morning News:

“We will accomplish this goal by further diversifying our sources of revenue in two ways:

- Organically through a dedicated, staffed and funded sustaining innovation process.
- Through acquisition by having a dedicated, staffed and funded business development process.”

Sustaining Innovation Process

Newspaper



Sustaining Innovation Process



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Sustaining Innovation Process



Sustaining Innovation Process



 Proven Performance Media
Proof of Performance

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 Proven Performance Media
Proof of Performance

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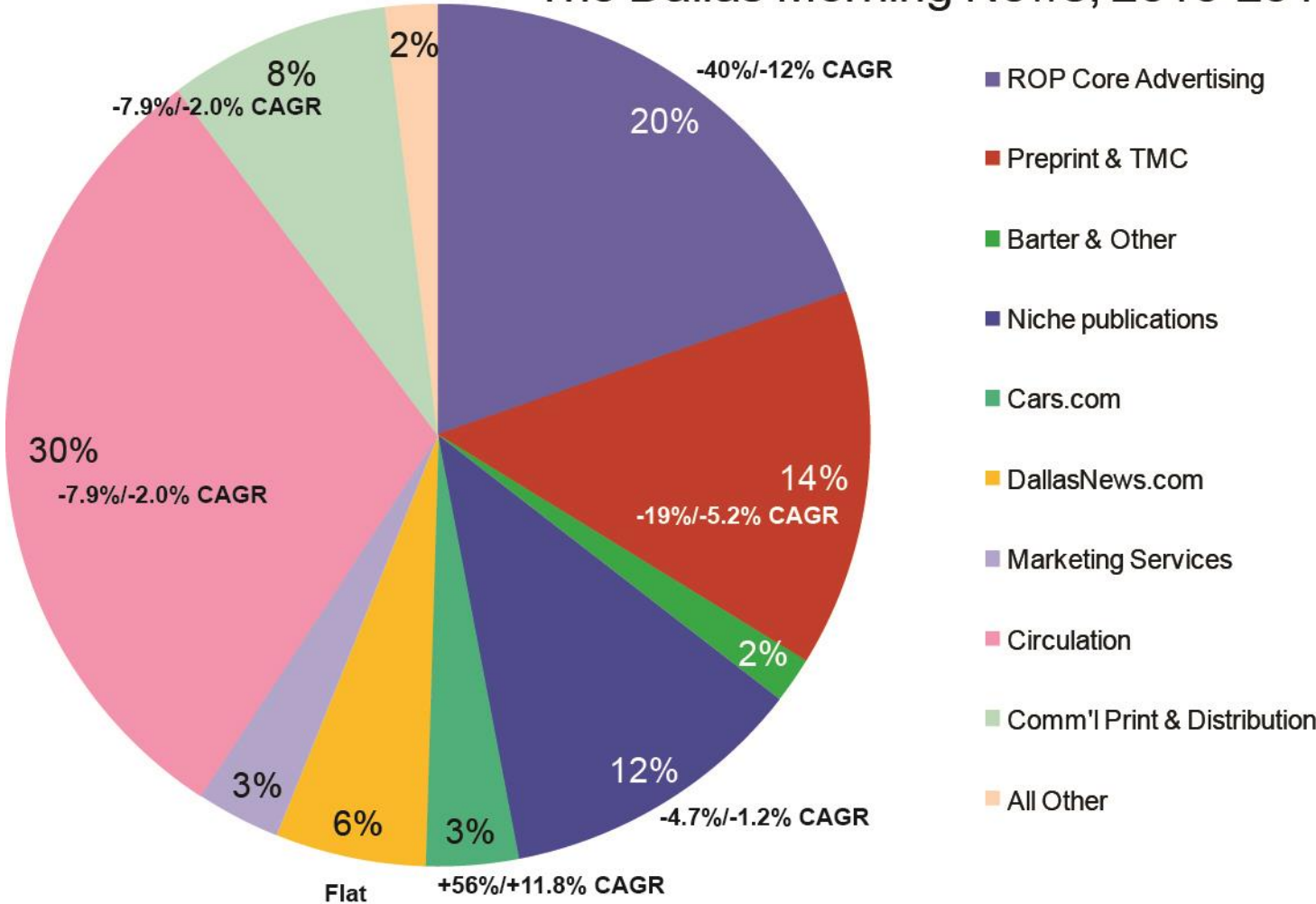
Sustaining Innovation Process



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Dallas Morning News Composition of Revenue in 2014

The Dallas Morning News, 2010-2014F



Composition of Revenue in 2014 – Dallas Morning News

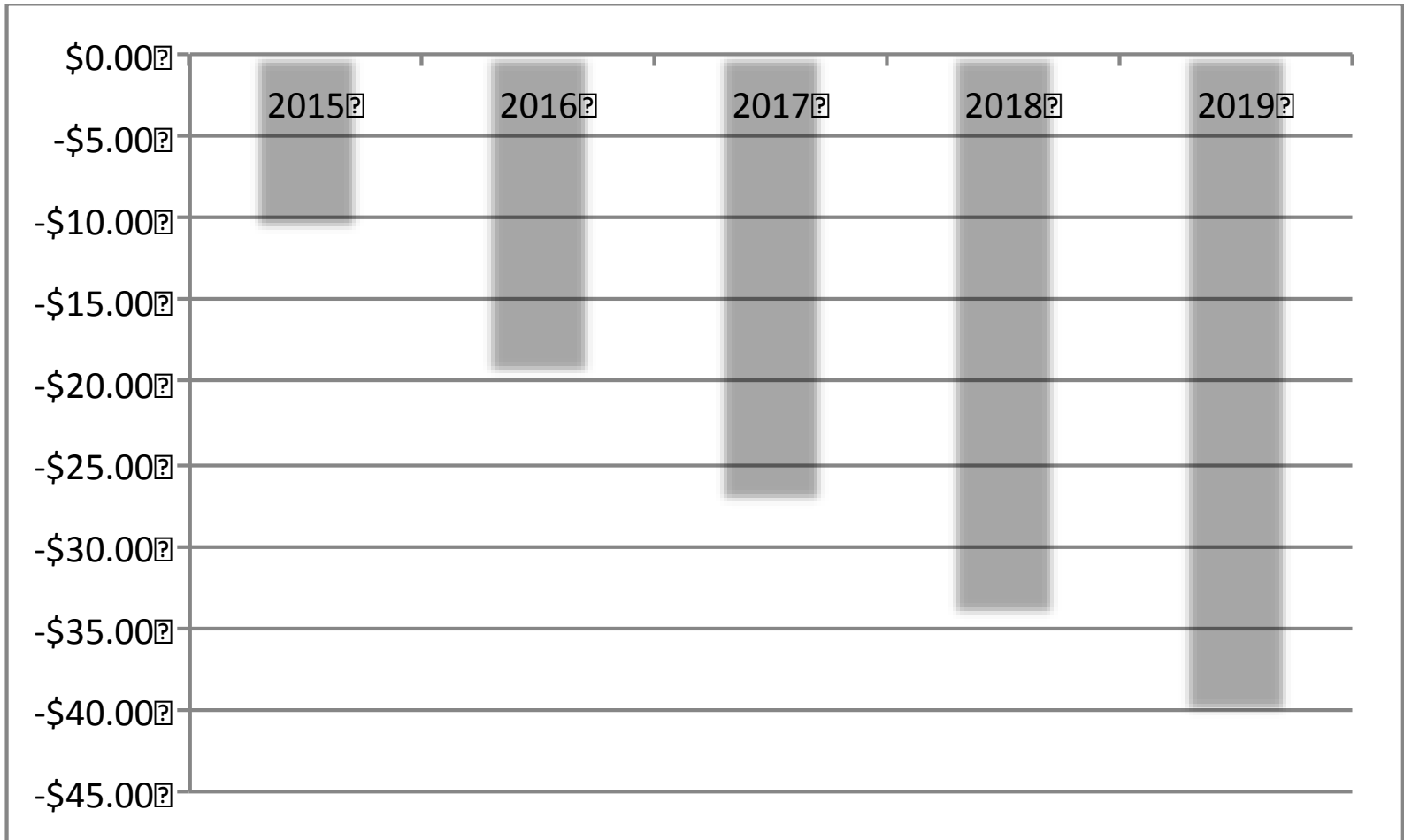
	%	CAGR
<u>Declining</u>		
ROP/Print	20.0%	(12.0%)
Preprint and TMC	14.0%	(5.2%)
Total	34.0%	(8.2%)
<u>Sustaining</u>		
Niche Publications	12.0%	(1.2%)
Circulation	30.0%	(2.2%)
Commercial Print and Distribution	8.0%	(2.0%)
Total	50.0%	(1.9%)
<u>Growth</u>		
Cars.com	3.0%	11.8%
Dallasnews.com	6.0%	1.0%
Marketing Services	3.0%	5.0%
Total	12.0%	Growth

Revenue Gap – 5 Year Projection, \$39.5 Million

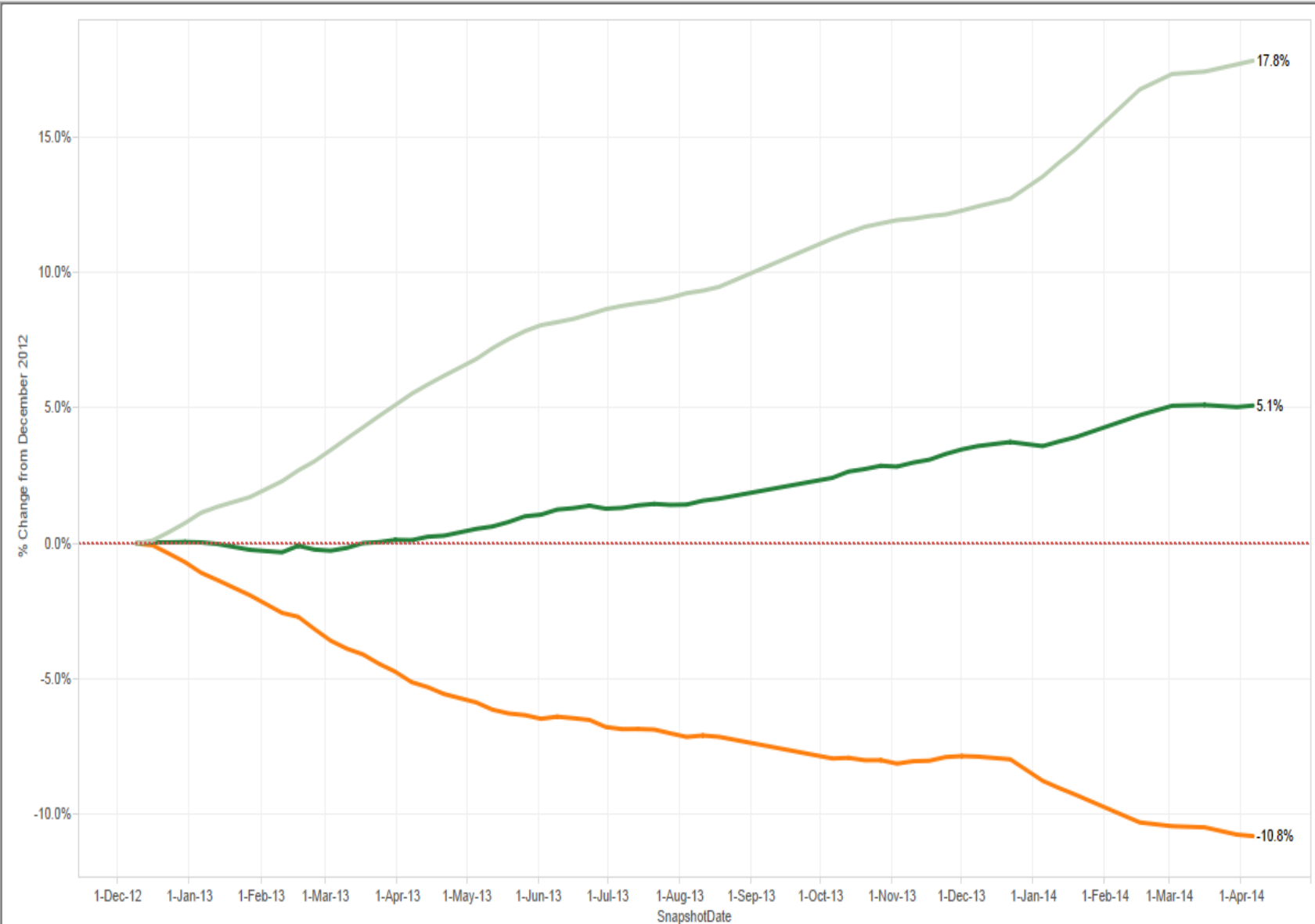
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	%	CAGR	2014	2015	2016	2017	2018	2019
Declining								
ROP Print	20.0%	(12.0%)	\$56.47	\$49.69	\$43.73	\$38.48	\$33.87	\$29.80
Preprint and TMC	14.0%	(5.2%)	\$39.53	\$37.47	\$35.53	\$33.68	\$31.93	\$30.27
Total	34.0%	(8.2%)						
Sustaining								
Niche Publications	12.0%	(1.2%)	\$33.88	\$33.48	\$33.07	\$32.68	\$32.29	\$31.90
Circulation	30.0%	(2.2%)	\$84.71	\$82.84	\$81.02	\$79.24	\$77.49	\$75.79
Commercial Print and Distribution	8.0%	(2.0%)	\$22.59	\$22.14	\$21.69	\$21.26	\$20.83	\$20.42
Total	50.0%	(1.9%)						
Growth								
Cars.com	3.0%	11.8%	\$8.47	\$9.47	\$10.59	\$11.84	\$13.23	\$14.80
Dallasnews.com	6.0%	1.0%	\$16.94	\$17.11	\$17.28	\$17.45	\$17.63	\$17.81
Marketing Services	3.0%	5.0%	\$8.47	\$8.89	\$9.34	\$9.81	\$10.30	\$10.81
Total	12.0%	Growth	\$271.06	\$261.10	\$252.25	\$244.43	\$237.56	\$231.58
				-\$9.96	-\$18.81	-\$26.63	-\$33.49	-\$39.47

Case study – Revenue gap in 5 year projection



- First-party targeted digital advertising inventory
- Time-based digital advertising
- Geo-targeted mobile advertising
- Syndication of content; white-labeling of content
- Targeted product development
- Digital advertising yield management



Measure Names

- % Difference in AverageR.
- % Difference in PotentialM.
- % Difference in SubCount

ProductID

(All)

FoD

- 2D
- 3D
- 4D
- 5D
- 6D
- 7D
- Digital-only

TenureClass

- (All)
- Core
- Marginal

Tenure

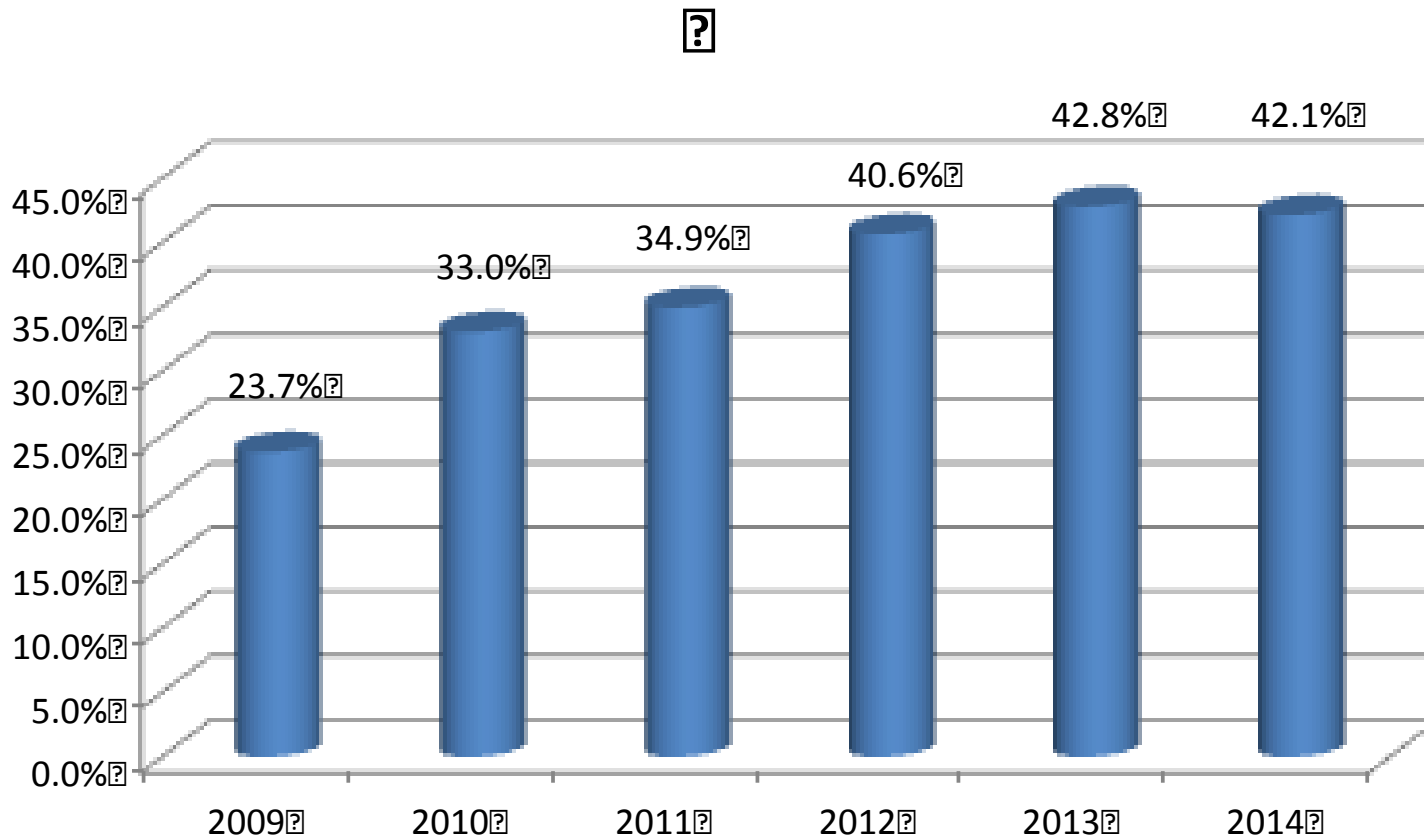
- Null
- Year 1
- Year 2
- Year 3
- Year 4 - 6
- Year 7+

GetsPaper

(All)

Contribution margin from circulation operations 2009 – 2014 reflect focus on operating margins and customer profitability

Circulation Contribution Margin 2009-2014



Conclusions from industry overview

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- New media companies have advantages: Brands, Newsroom, Distribution networks, Community relationships
- Diversity revenue leveraging your brand, community, 'halo effect' from quality journalism
- Utilize economics from existing business models and products during transition

Takeaways from the symposium

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- Implementable, innovative ideas – “one good idea will more than pay for the trip”
- Share the good, the bad, and the ugly
- We will not post slides or share information that is not for public consumption
- Mather is in a unique position in the industry
 - We are grateful for your trust
 - We will collaborate on innovation and implementation
 - We are invested in your success

Introduction of Key Note Session

- Amy Glennon, Publisher, Atlanta Journal Constitution
- Bruce Fike, President, Linanne Enterprises LLC