

Mather Economics

Print Advertising

Revenue Analysis & Pricing Strategy

2012

mather:

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Mather Economics – Firm Overview

Mather Economics has advised over 150 newspapers in North America, including 27 of the top 100 newspapers and many of the largest newspaper holding companies at the corporate level.

Newspaper Holding Companies

- Cox (4 papers)
- Gannett (3)
- Knight Ridder (5)
- Lee Enterprises (30)
- McClatchy (4)
- Media News Group (25)
- Morris Communications (12)
- Freedom (20)
- Tribune (7)
- Advance (4)

Individual Newspapers

- Akron Beacon Journal
- Columbus Dispatch
- Dow Jones
- Kenosha News
- Minneapolis Star Tribune
- Montreal Gazette
- New York Times
- Roanoke Times
- San Diego Union Tribune
- Toronto Star
- St Petersburg Times
- Toronto Sun
- USA TODAY
- Pittsburgh Tribune
- Riverside Press-Enterprise

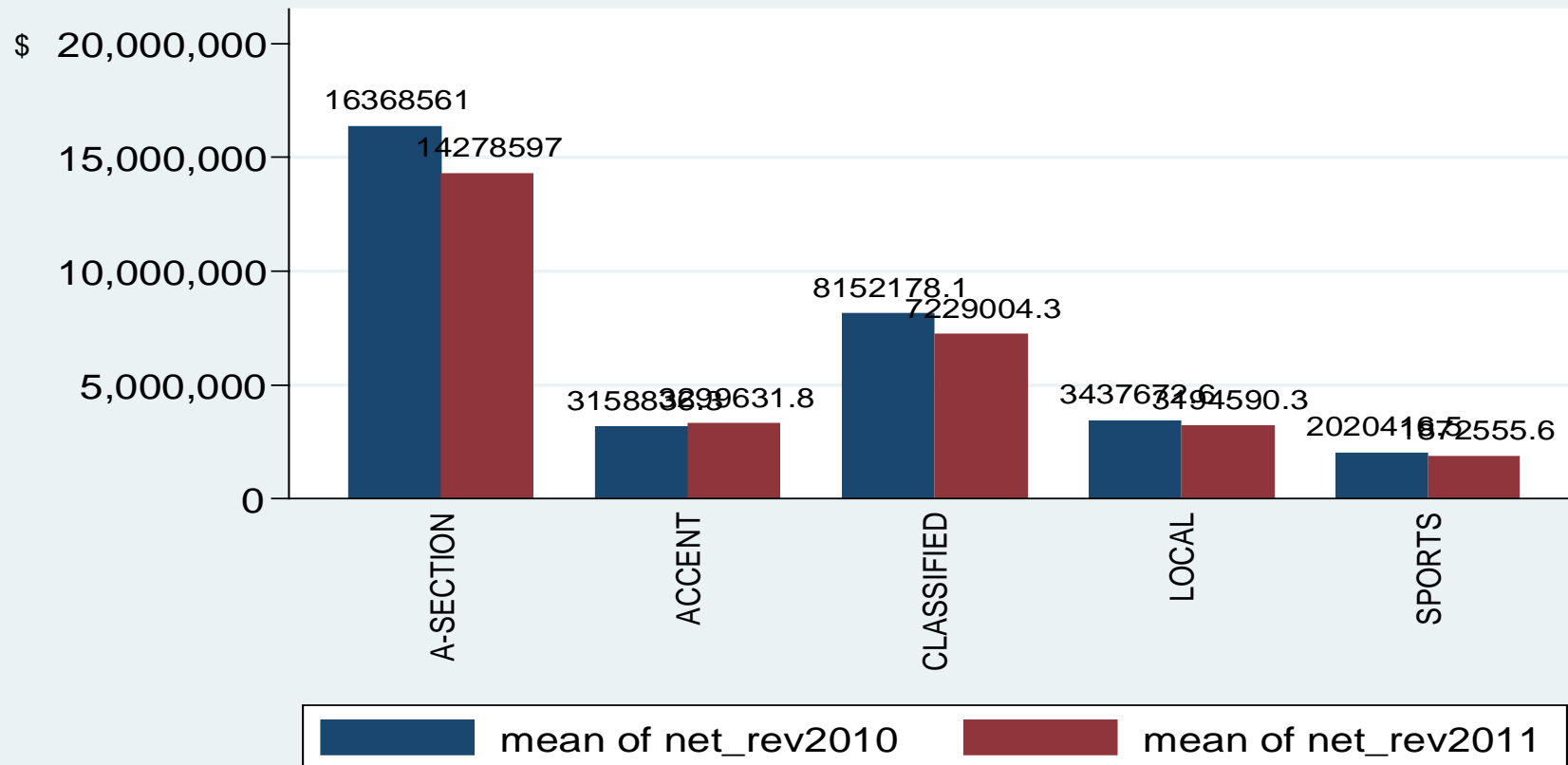
Locations of Current & Former Mather Clients



Print Advertising Analysis & Pricing Strategy

Sample Publication Total Net Revenue by Section Year Over Year (YOY): 2011 Saw Decrease in Advertising Revenue

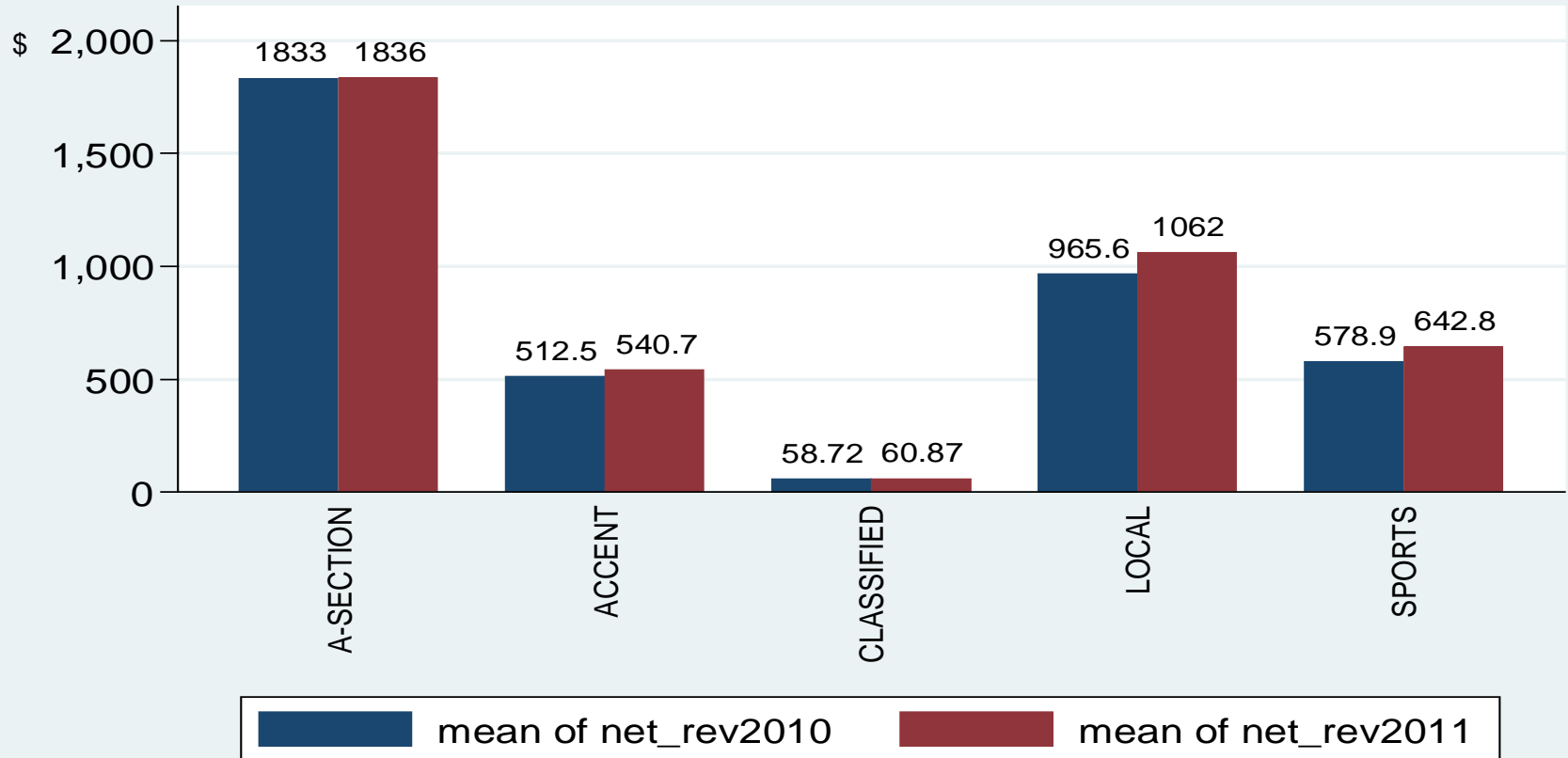
total net revenue
2010-2011



Mather Economics LLC 2011

Sample Publication Average Revenue by Section YOY - Averaged Across All Days Of The Week (DOW): Prices Increased YOY

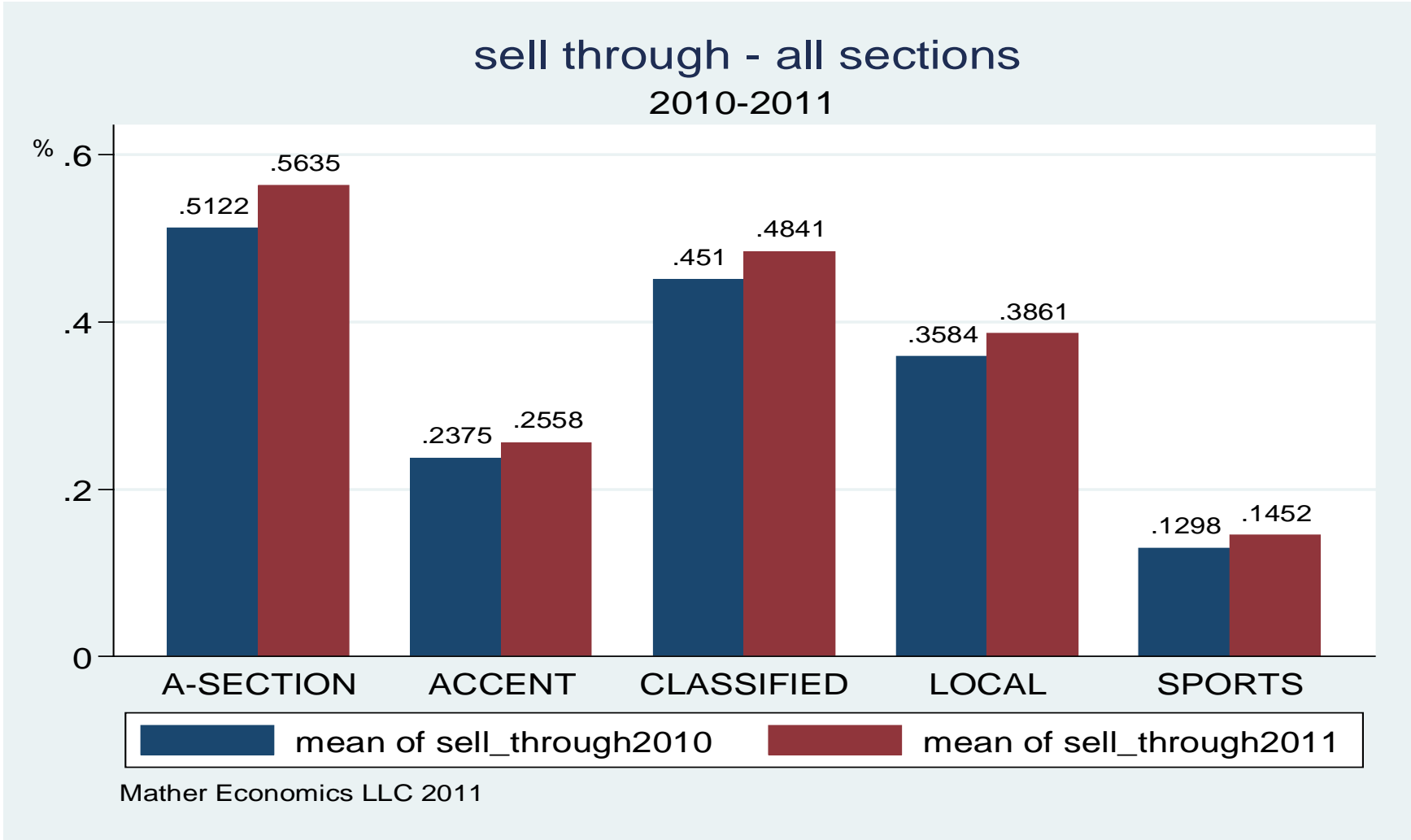
average revenue
2010-2011



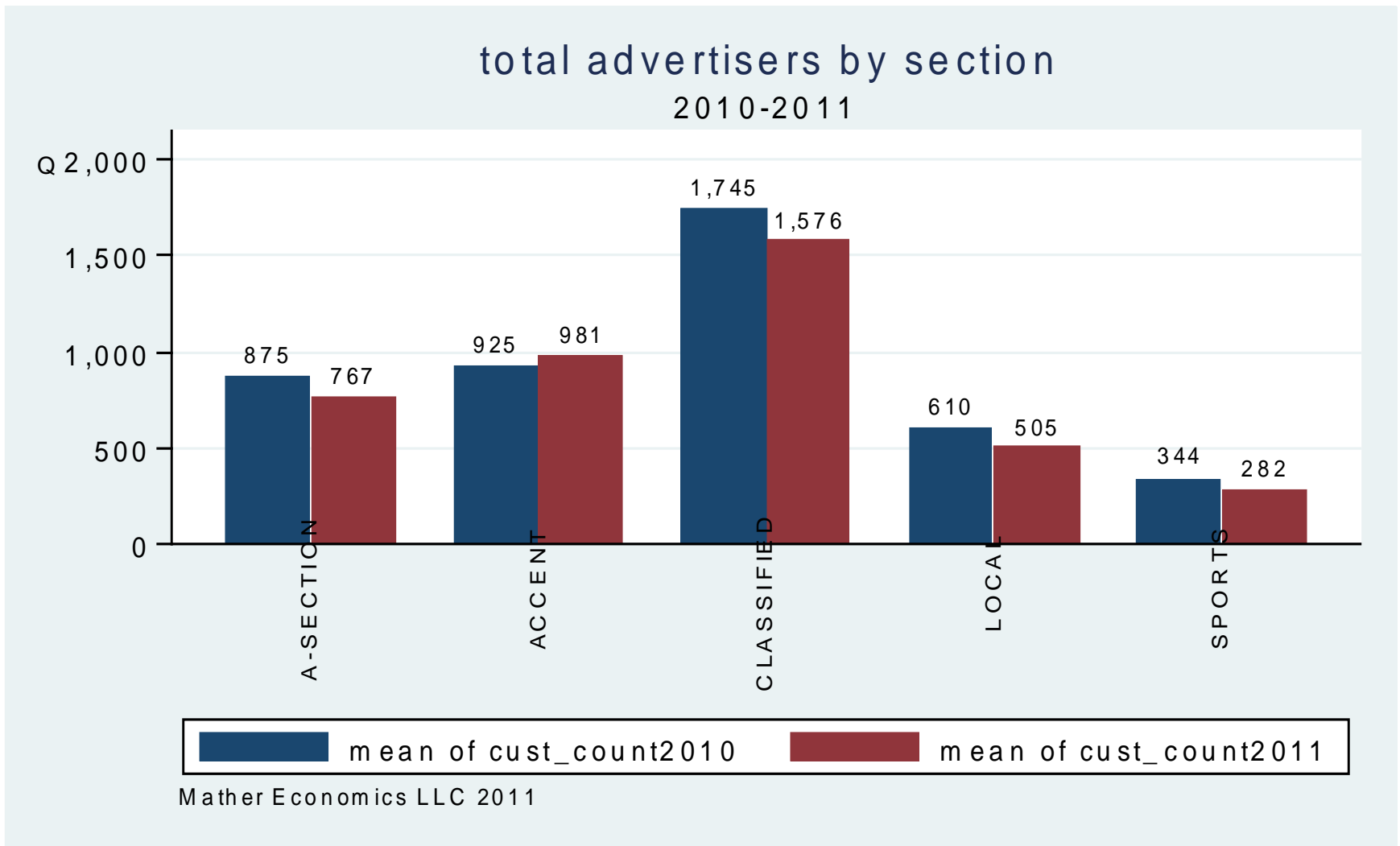
Mather Economics LLC 2011

Sample Publication Average Sell Through by Section YOY – 2011

Saw Increased Sell-Through in All Sections

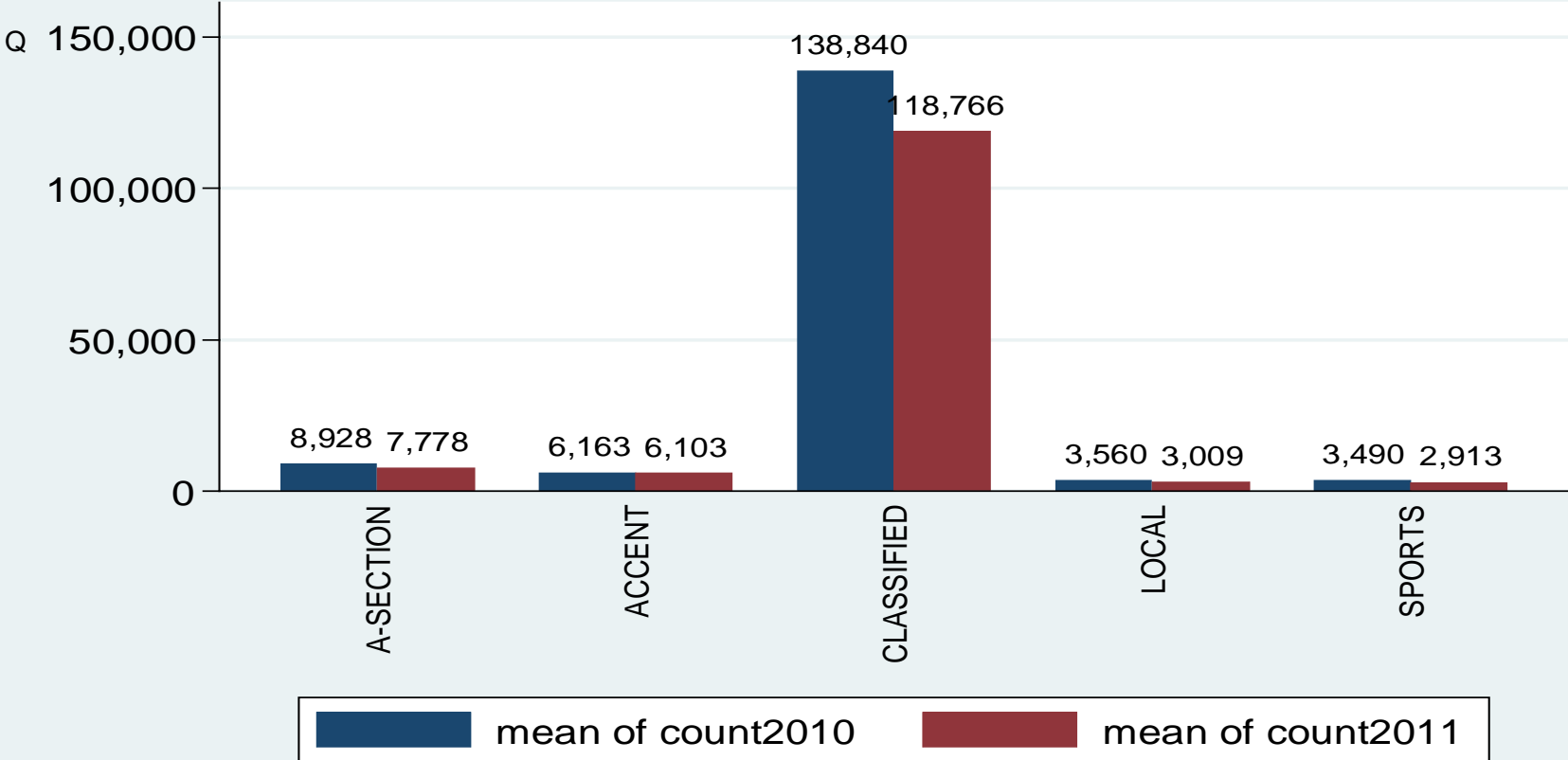


Sample Publication Total Advertisers by Section YOY – 2011 Saw Fewer Active Advertisers



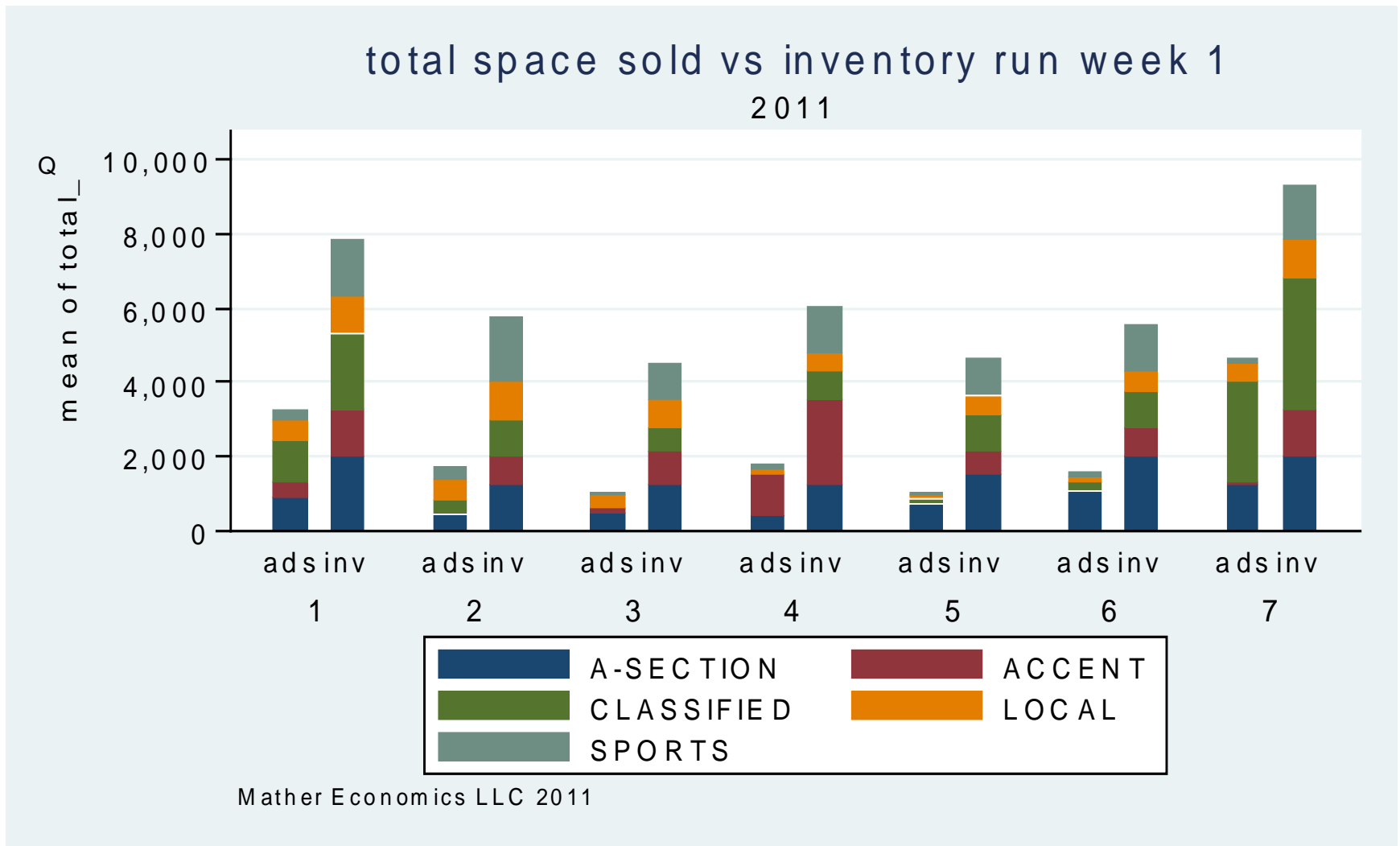
Sample Publication Total Advertisements by Section YOY – Fewer Ads Per Section in 2011

total ads by section
2010-2011



Mather Economics LLC 2011

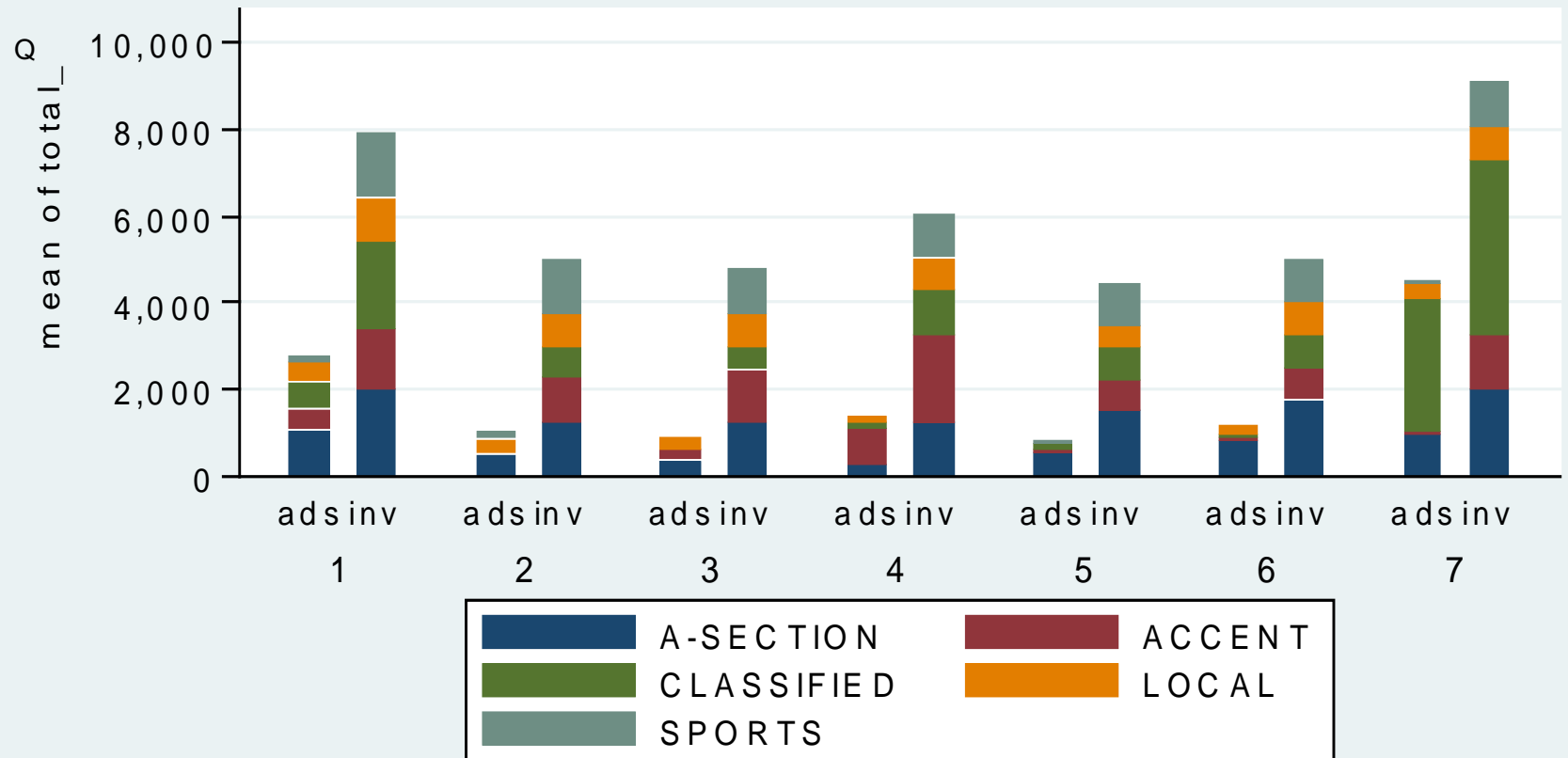
Sample Publication Ad Space Sold vs. Total Inventory (Inches) By Day Of The Week in Week 1 (Seasonal Market) 9



Sample Publication Ad Space Sold vs. Total Inventory (Inches) By Day Of The Week in Week 34 (Seasonal Market)

10

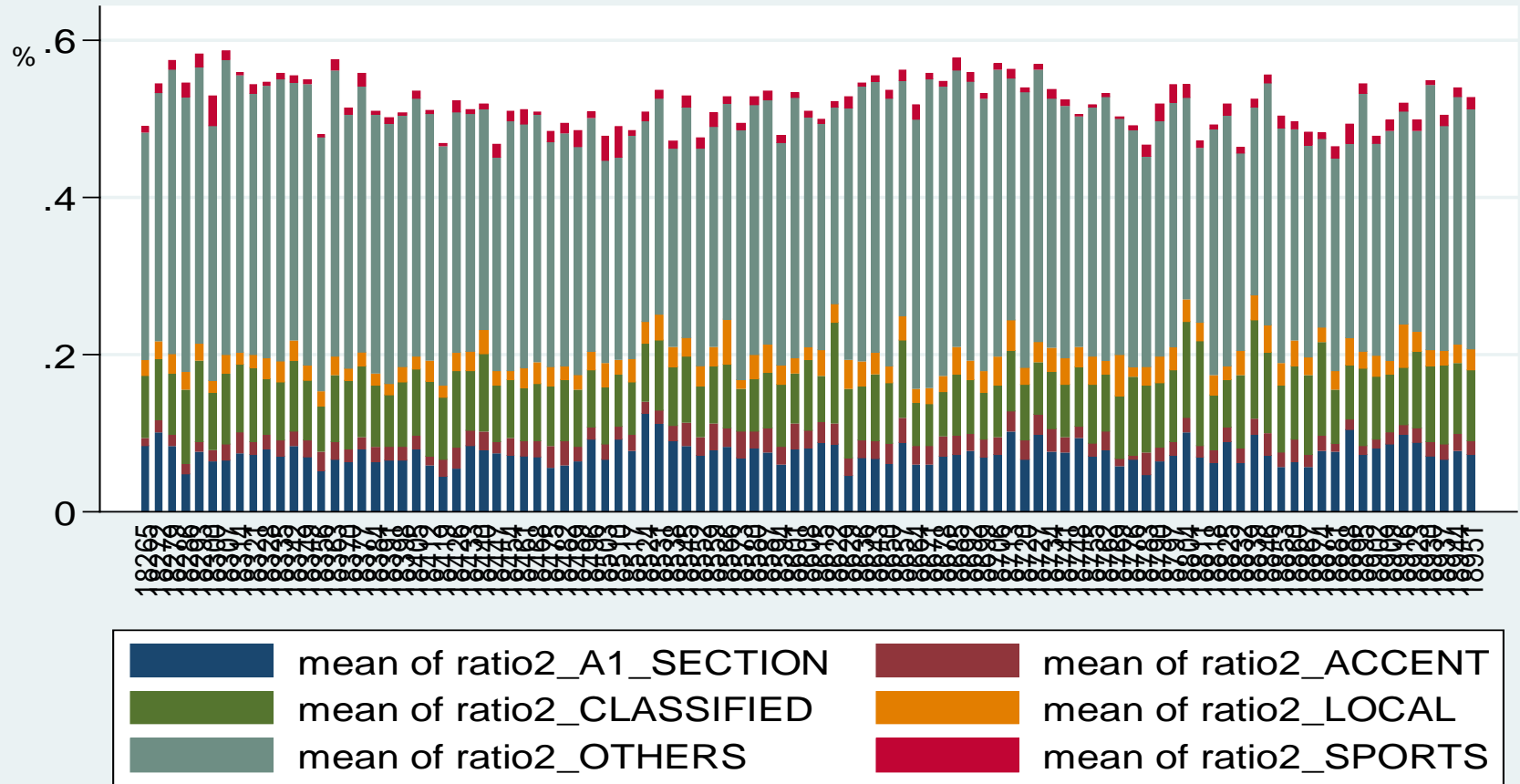
total space sold vs inventory run week 34
2011



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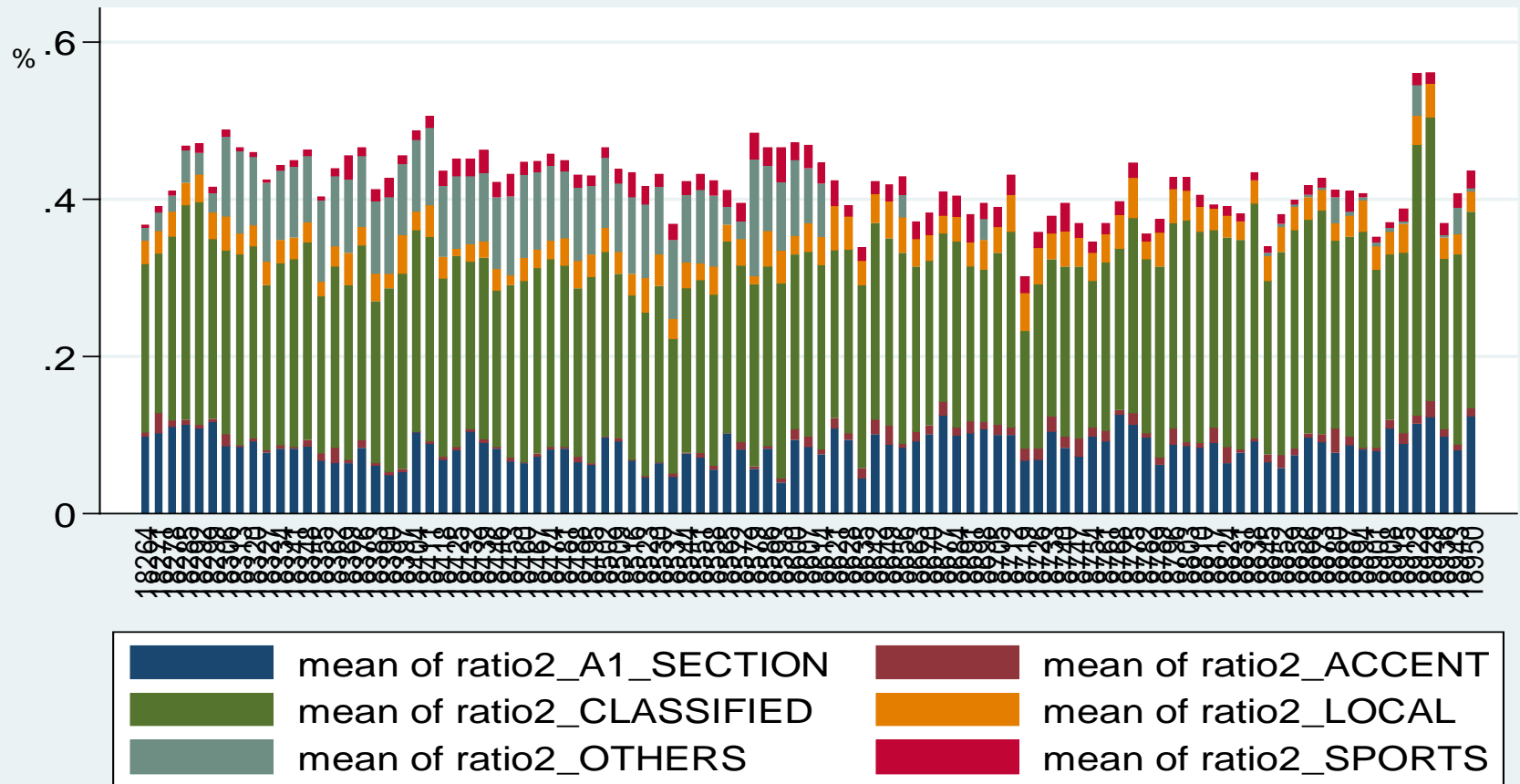
Sample Publication Makeup of Inventory - Sunday

Inventory Makeup DOW 0 2011



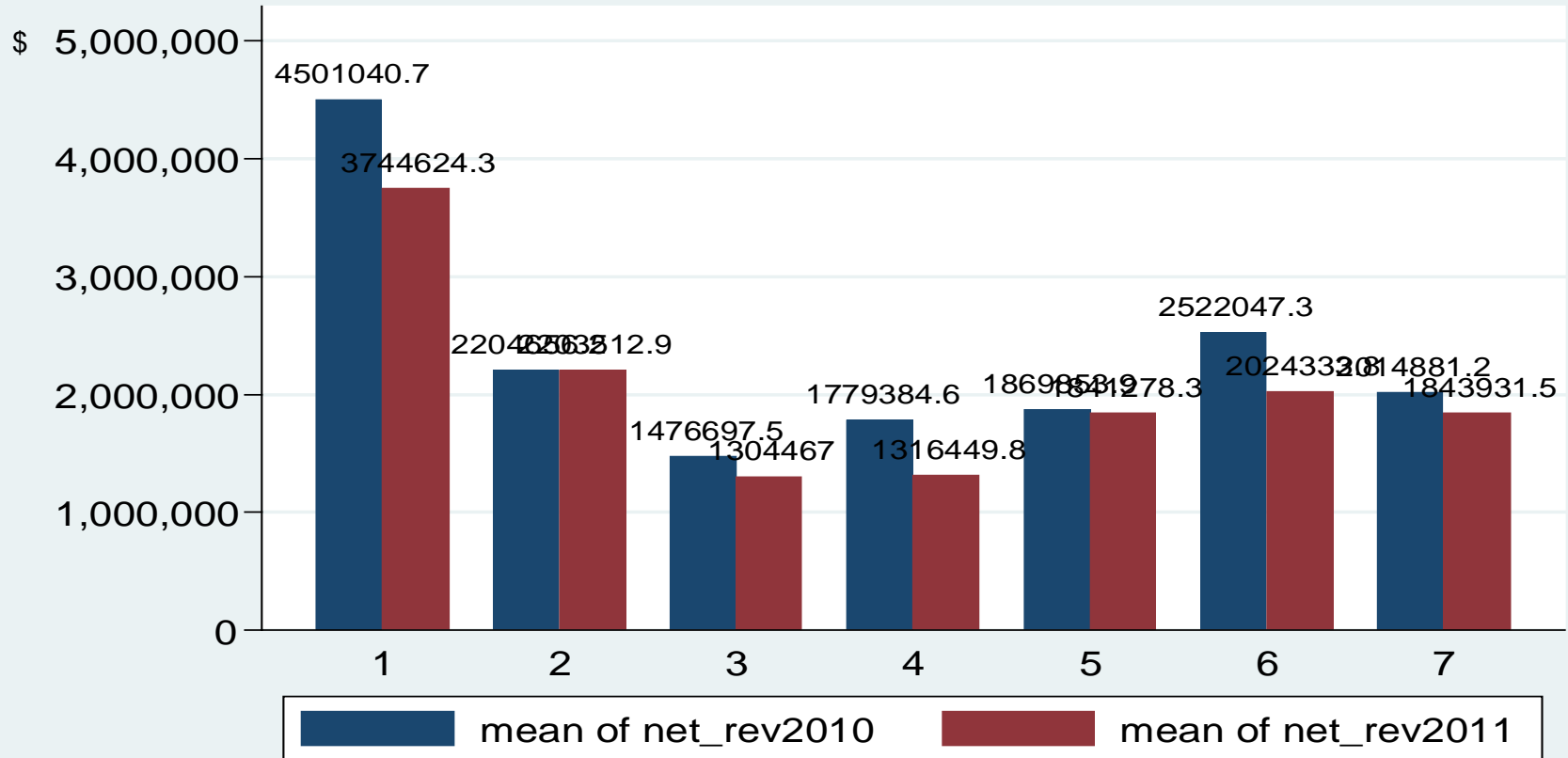
Sample Publication Makeup of Inventory - Friday

Inventory Makeup DOW 6 2011



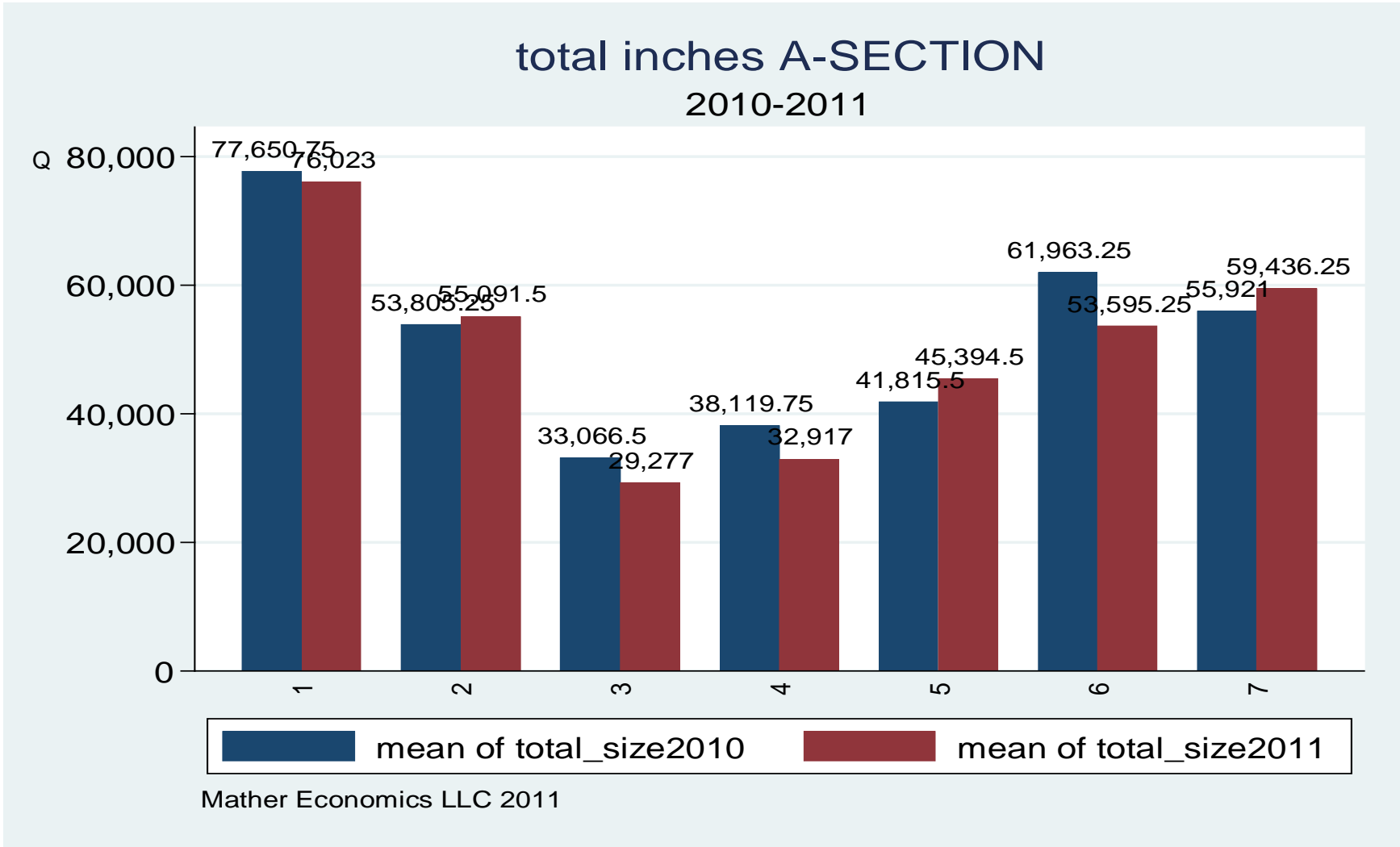
Sample Publication – Section A Total Revenue YOY: Despite Higher Rates, Total Revenue is Down ¹³

total revenue A-SECTION
2010-2011

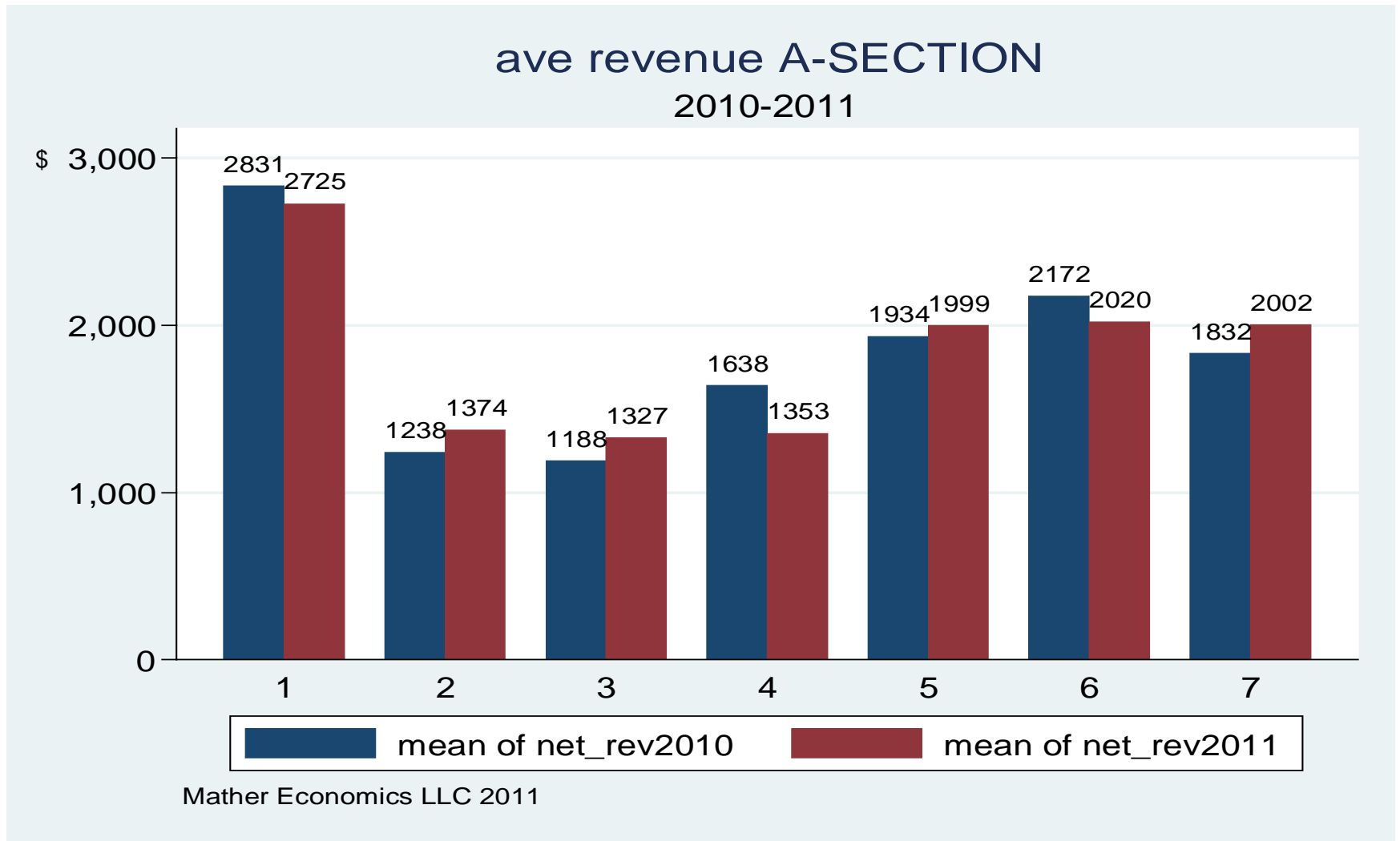


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Sample Publication – Section A Total Inches of Ad Space Sold by DOW: Ads Sold are Larger On Average 14

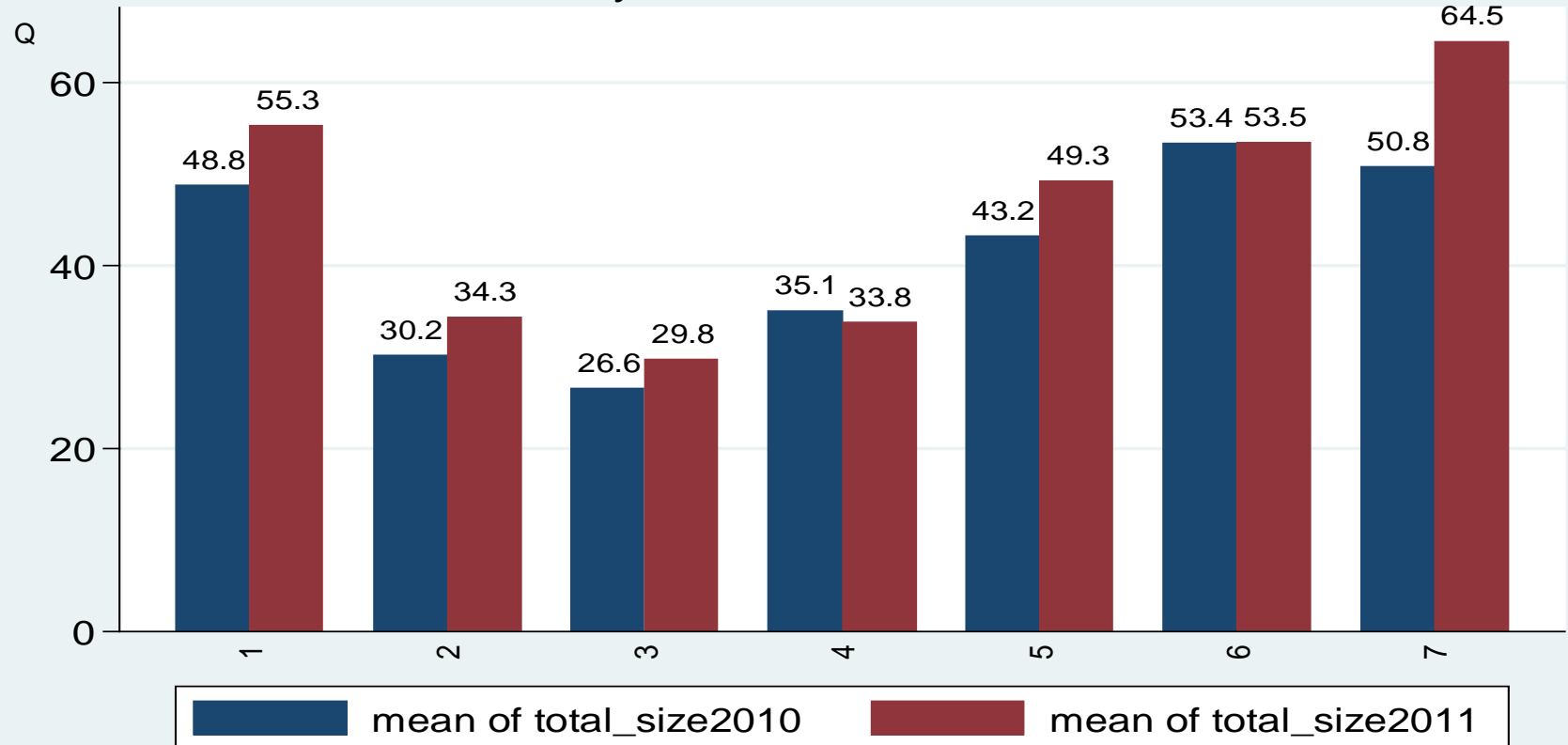


Sample Publication – Section A Average Revenue by DOW YOY: Mon, Tue, Thu, Sat Increased



Sample Publication – Section A Average Ad Size by DOW: 2011 Ads Are Larger On Average ¹⁶

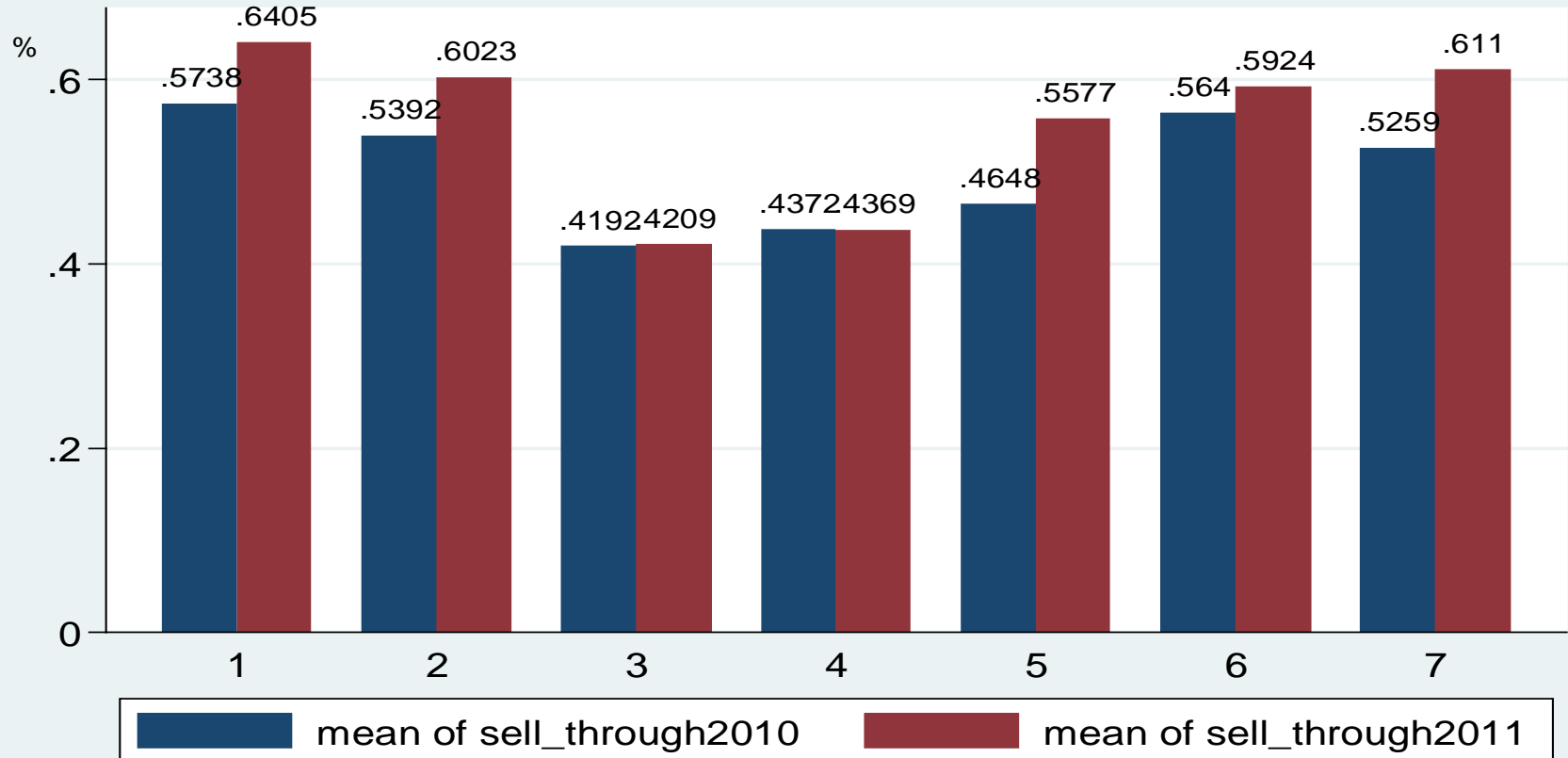
average inches A-SECTION
by run DOW 2010 - 2011



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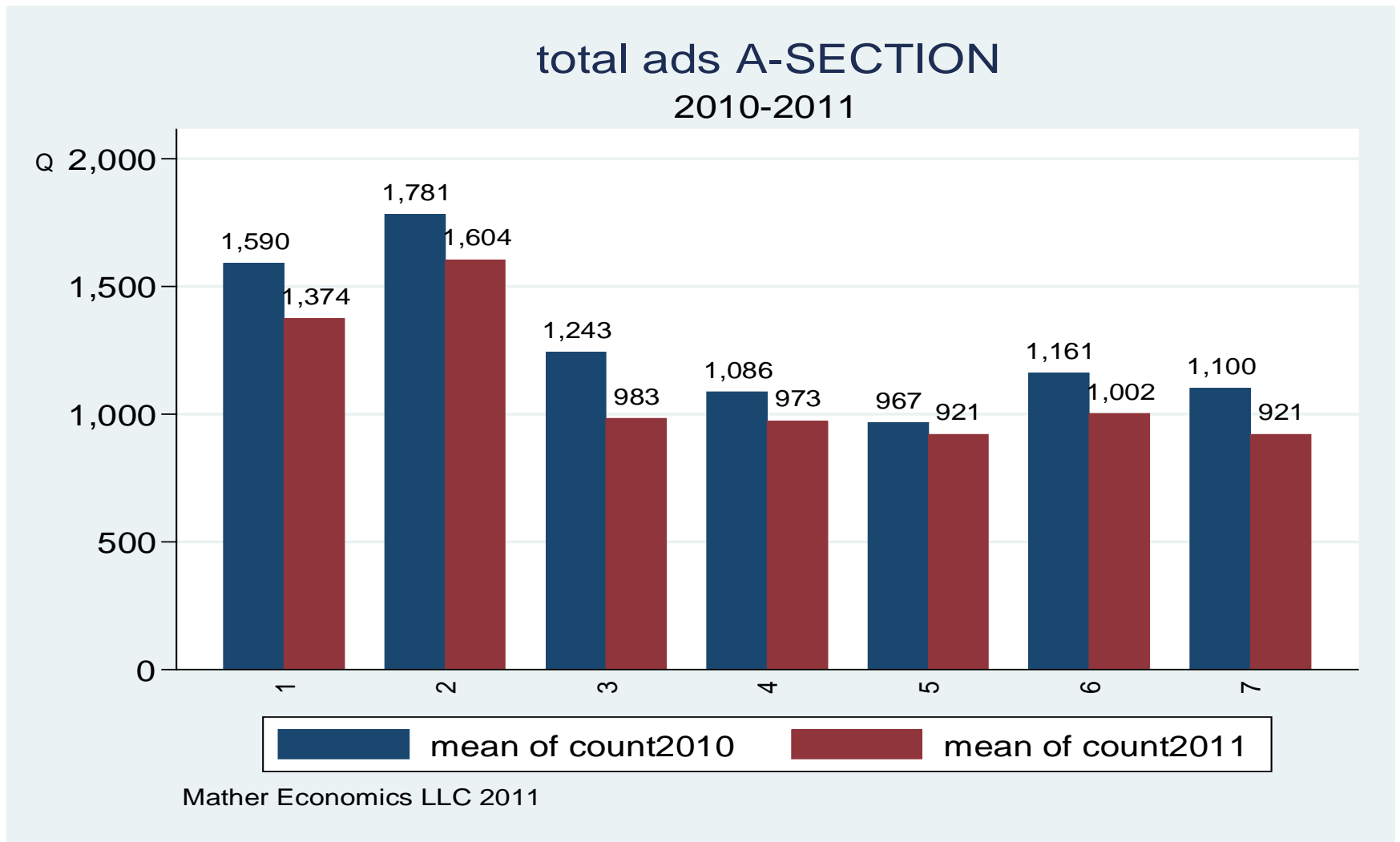
Sample Publication – Section A Average Sell Through by DOW: 2011 Had Higher Sell Through Rates

sell through A-SECTION 2010-2011

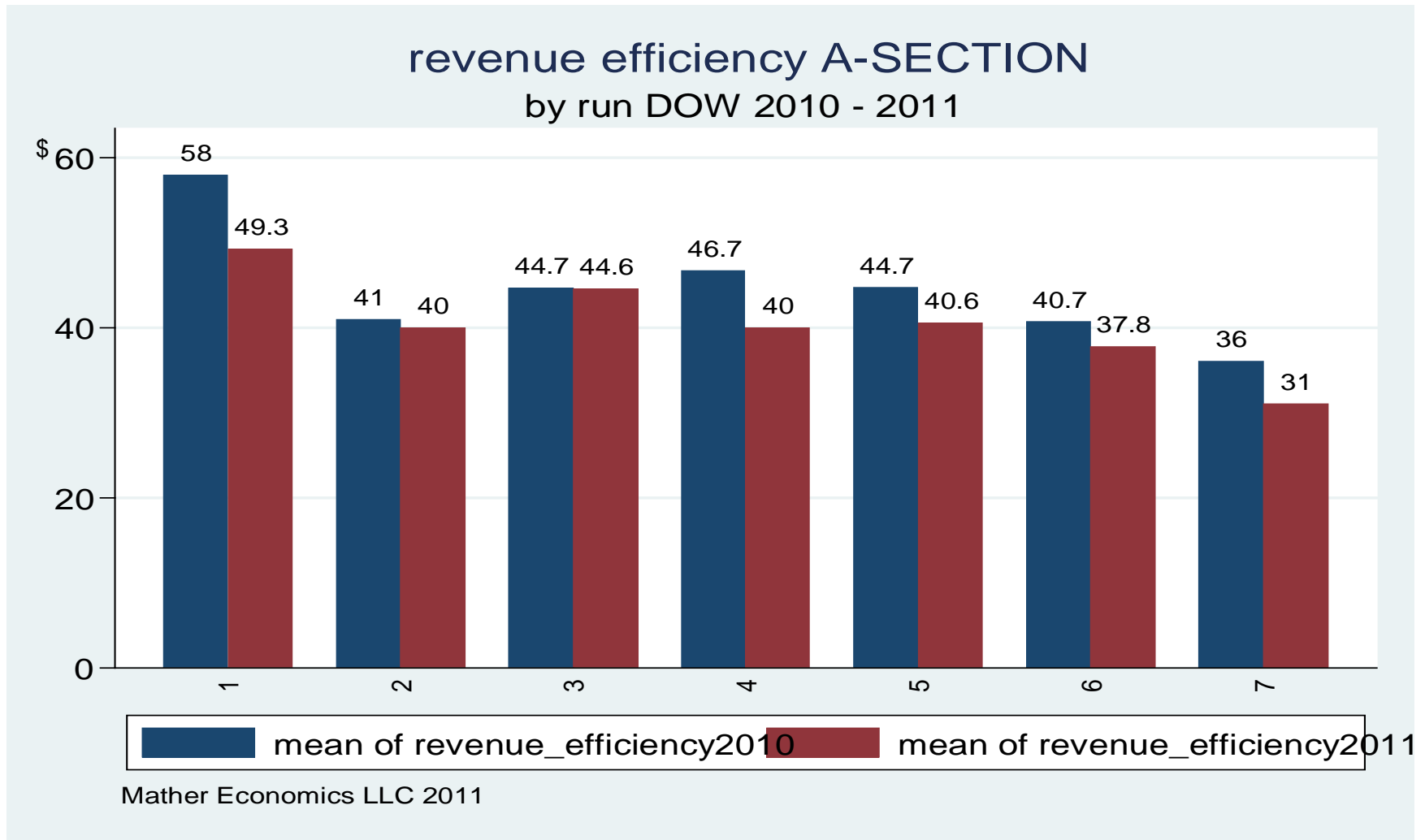


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Sample Publication – Section A Total Ads by DOW: Fewer Number of Ads Per Day in 2011



Sample Publication – Section A Revenue Efficiency by DOW: Revenue (\$) Per Inch Down in 2011



Knowledge Of Price Elasticity – Not As Hard As It Sounds & Offers Big ROI on Investment

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Price Elasticity Measurement (How Does Price Affect Volume)

- Elasticity = Sensitivity
- Knowledge of Elasticity Enables Better Pricing
- If the sell-through rate is high (remaining inventory low), elasticity will inform how much to increase prices
- Substantial differences exist in price elasticity across advertisers

Economic Modeling of Elasticity By Line Of Business

- “A-SECTION” Sunday Advertisers
- Total ads are predicted variable
- All figures are relative to a base value (-0.0421)
- Categories with larger negative (red) values are *more sensitive to changes in price*
- Positive (blue) values suggest relatively less price elastic categories

elasticity	lob
base	Adult Entertainment
-0.00856	Education
0.00418	Grocery
-0.0534	Local Financial
-0.00828	Local Health & Medica
-0.00619	National Event
0.00289	National/General
-0.0152	Non-Profit
-0.0263	Non-Profit Health
0.0222	Political
-0.0146	Real Estate Developer
-0.0196	Real Estate Realtor
-0.00437	Restaurant
0.035	Retail
-0.206	Telecommunications
-0.0313	Travel & Transportati

Application To Pricing: How To Use Knowledge of Elasticity 22

- Dynamically adjust premiums for Section, Day of Week, Line of Business, Color, Volume Discounts, Digital Bundles
- “Templatize” the paper to fix inventory by Section by Day of Week
- Use scarcity to your advantage: Reservation system (Advertising Inventory Management)
- Pricing tool prototype example
- Benefits of pricing discipline: Align Sales Incentives with Publication Incentives

Advertising Pricing Conclusions

- Advertising pricing is analogous to other inventory-management pricing optimization opportunities; once inventory “expires”, it is worthless
- Price elasticity differs by Line of Business, Sections, Day of Week, Volumes; Understanding elasticity critical to pricing success
- Reservation systems enable supply/demand balancing of advertising inventory via pricing process
- Dynamic pricing can yield incremental revenue & operating profits; Substantial ROI opportunity

Contact Information

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