

Mather Economics
Print Audience Pricing Strategies
2012

mather:

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Strategic Pricing Overview

- 1985 American Airlines launched inventory control pricing system
 - **Revenue up 14.5%; Profit up 47.8%**
- ~1990 Marriott Hotels launched revenue management system
 - **\$200 million incremental revenue per year**

- 1994 National Rental Car launch Revenue Management system
 - **Saved National from Bankruptcy**
- 1998 United Parcel Service launched B2B Pricing Optimization
 - **\$100 million additional profit in year one**

- ~2000 Ford Motor Company launched Targeted Pricing by Geography
 - **\$3 billion in additional profits in first decade**
- ~2005 InterContinental Hotels Group (IHG) Enhanced Revenue Management
 - **Increased Revenue per Available Room (RevPAR) by 2.7%**

Newspapers Using Targeted Subscription Pricing – Close to 150 in the United States and Canada ⁶

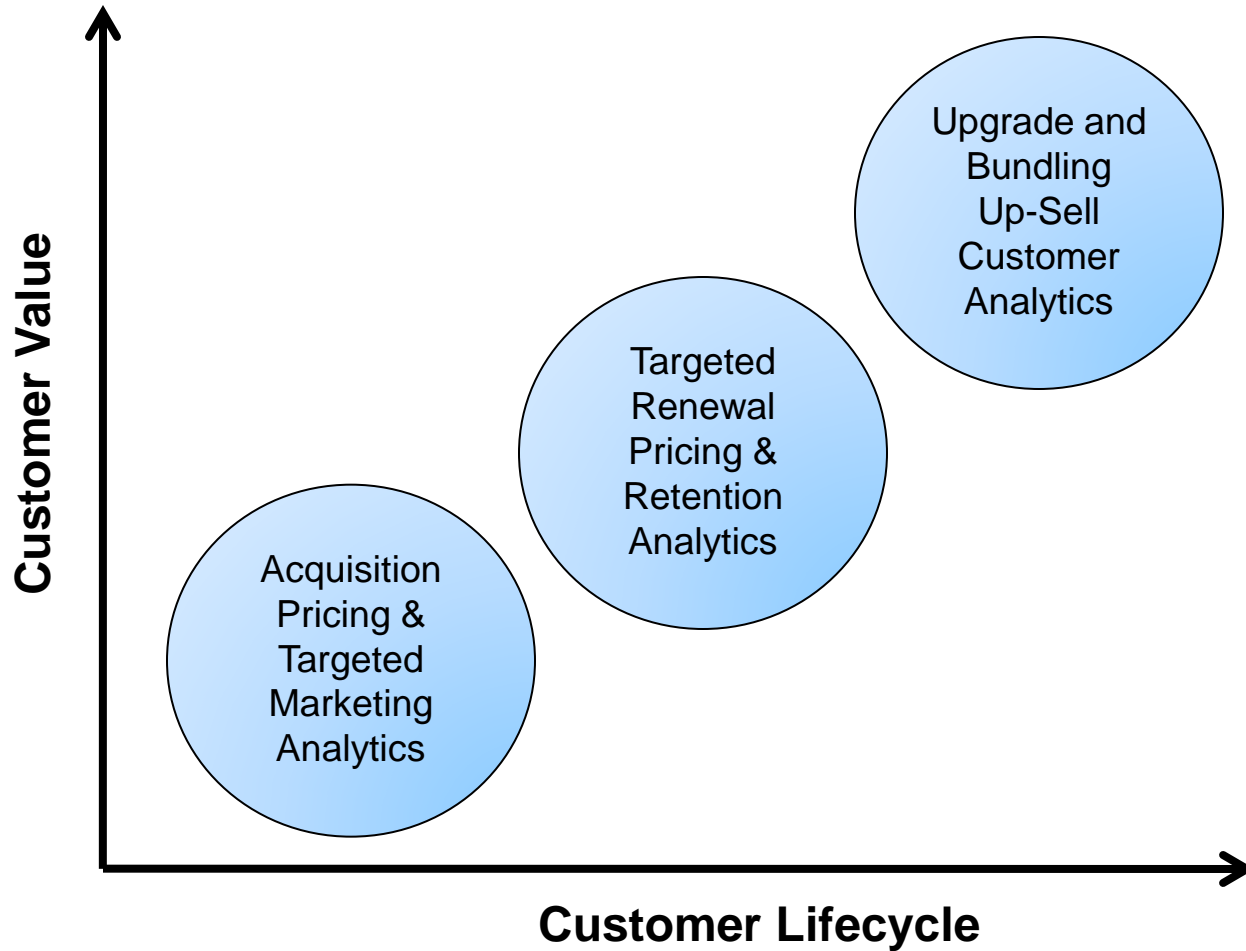


Revenue Management at Newspapers – Big Opportunity

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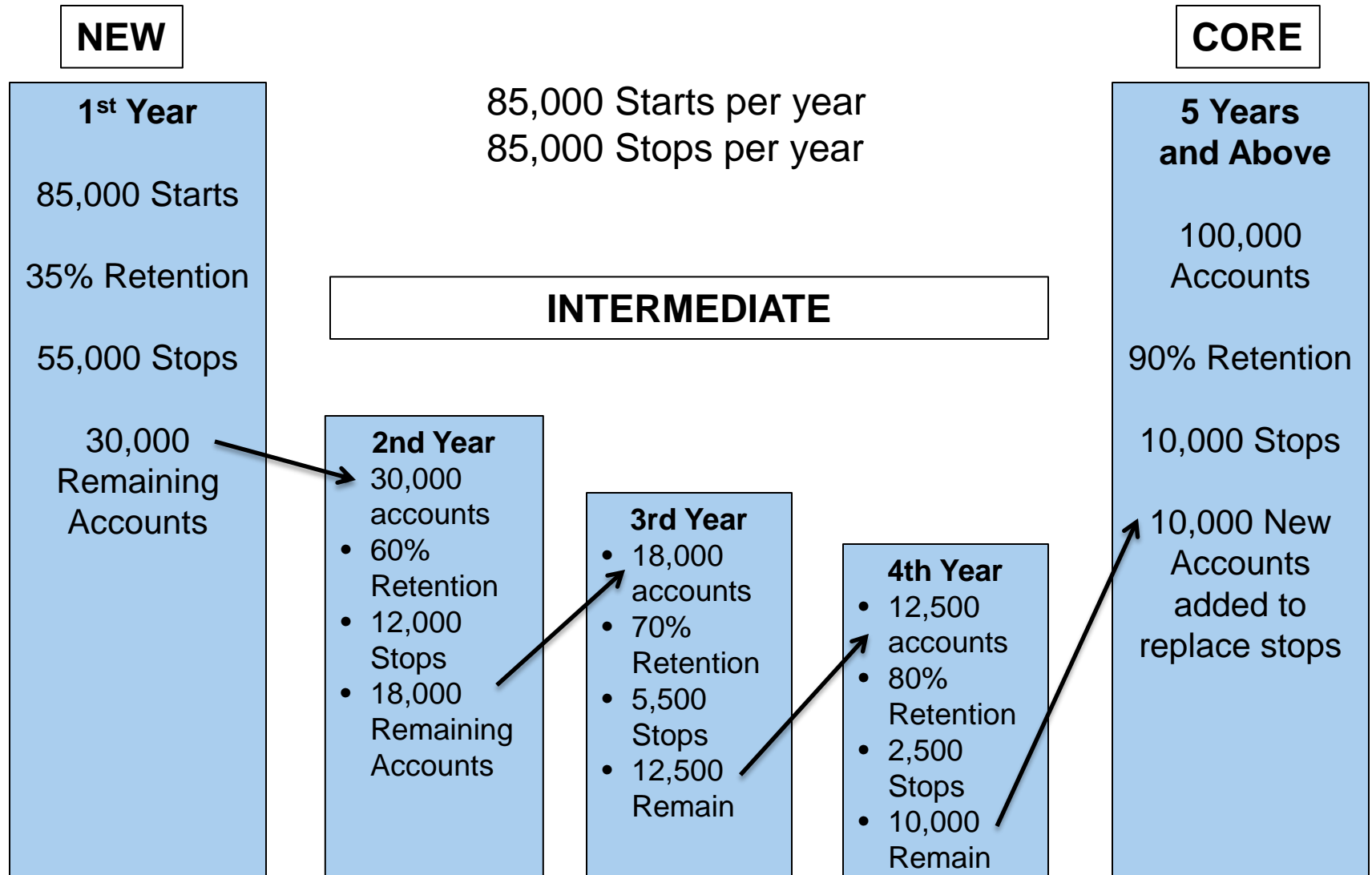
- **Targeted Subscriber Pricing – Both Print & Digital**
 - Acquisition
 - Renewal
- **Bundling of Print and Digital Products**
- **Targeted Upgrades**
- **Advertising Pricing – Both Print & Digital [Not Covered Today]**

Customer Analytics – The Progression

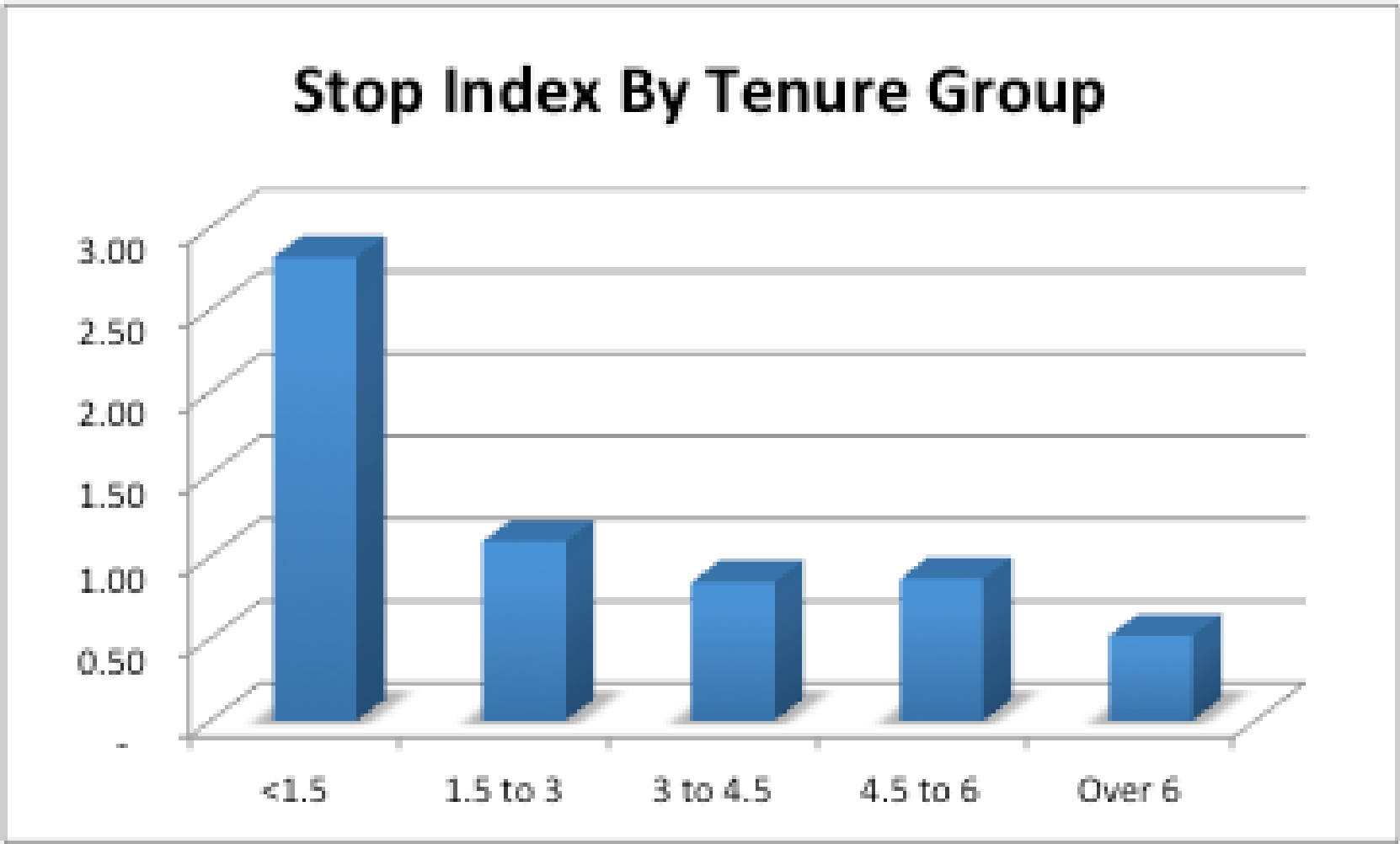


Renewal Pricing Optimization

Home Delivery Circulation Model – Sustaining HD Circulation 10



Traditional Price Increases Disproportionately Affect New Customers



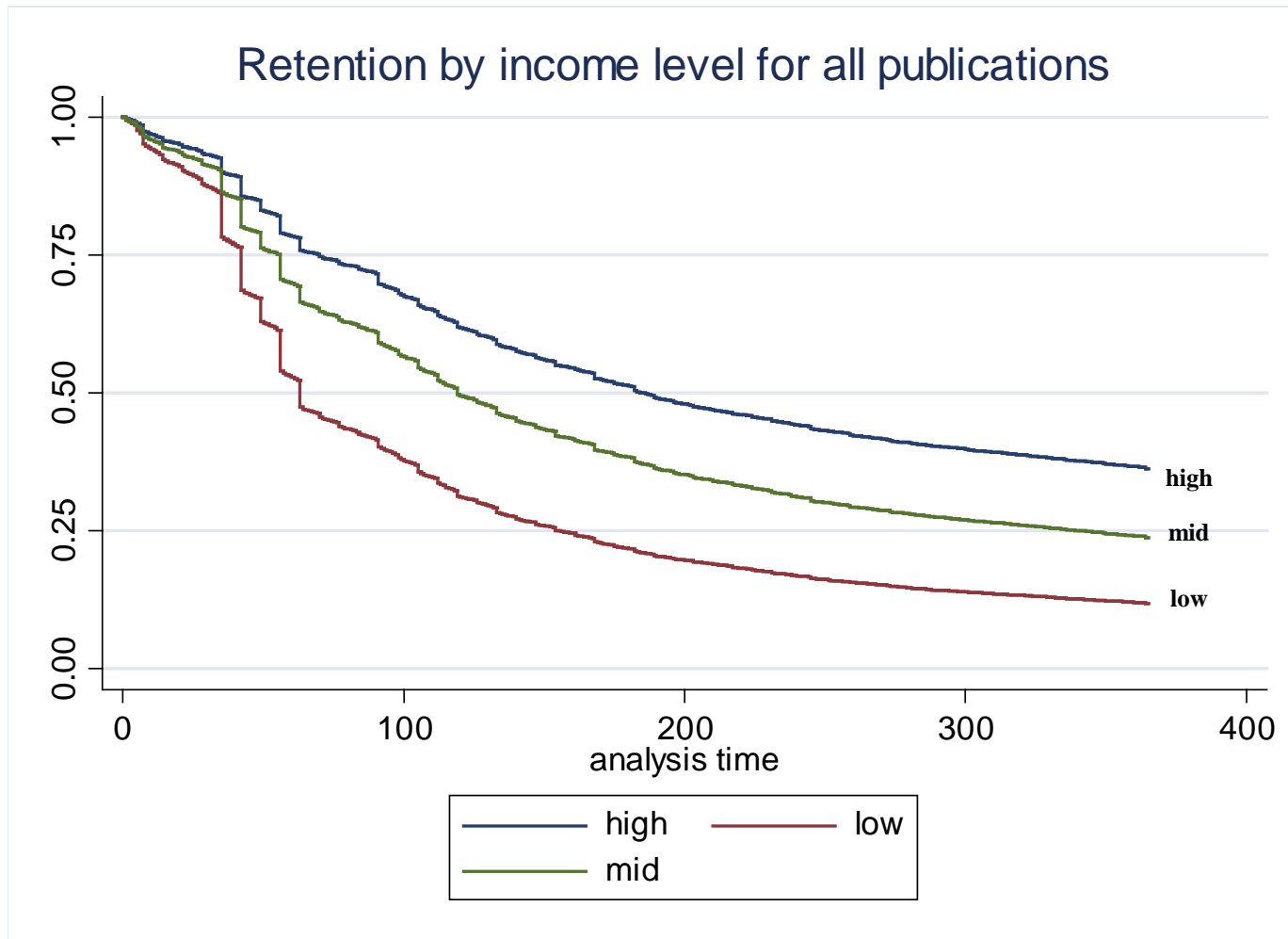
Revenue Management For Newspapers – Targeted Subscriber Renewal Pricing (Market Based Pricing)

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Market Based Pricing Overview:

- Market Based Pricing manages profitability on a subscriber level
- Each subscriber's renewal price is analyzed each time they renew
- Weekly or Monthly reports compare actual revenue and stops to predicted revenue and stops for test & control groups
- Market Based Pricing has been implemented at over 150 newspapers

Market Based Pricing Analysis – Retention Curves



Sample Customer Segmentation and Pricing Grid

Circulation percentages

	Young	Mid-Age	Mature	Older	Sum
Poor	1%	2%	2%	1%	6%
Downscale	2%	3%	3%	2%	10%
Lower-mid	4%	6%	7%	4%	21%
Midscale	4%	8%	9%	5%	26%
Upper-mid	2%	6%	7%	4%	19%
Upscale	1%	3%	4%	2%	10%
Wealthy	1%	2%	3%	2%	8%
Sum	15%	30%	35%	20%	

Simplified Example of Price Discrimination (Note: Tenure, Preprint revenue, Direct costs, EZpay, Service, Term effects not included)

Sample Customer Segmentation and Pricing Grid

Price elasticity index

	Young	Mid-Age	Mature	Older	Average
Poor	3.0	2.6	2.4	2.6	2.6
Downscale	2.5	2.2	1.5	2.0	2.0
Lower-mid	2.0	1.8	1.2	1.5	1.6
Midscale	1.5	1.0	1.0	1.0	1.1
Upper-mid	1.0	0.8	0.8	1.0	0.9
Upscale	0.8	0.6	0.6	0.8	0.7
Wealthy	0.6	0.5	0.5	0.6	0.5
Average	1.7	1.3	1.0	1.2	1.2

Simplified Example of Price Discrimination (Note: Tenure, Preprint revenue, Direct costs, EZpay, Service, Term effects not included)

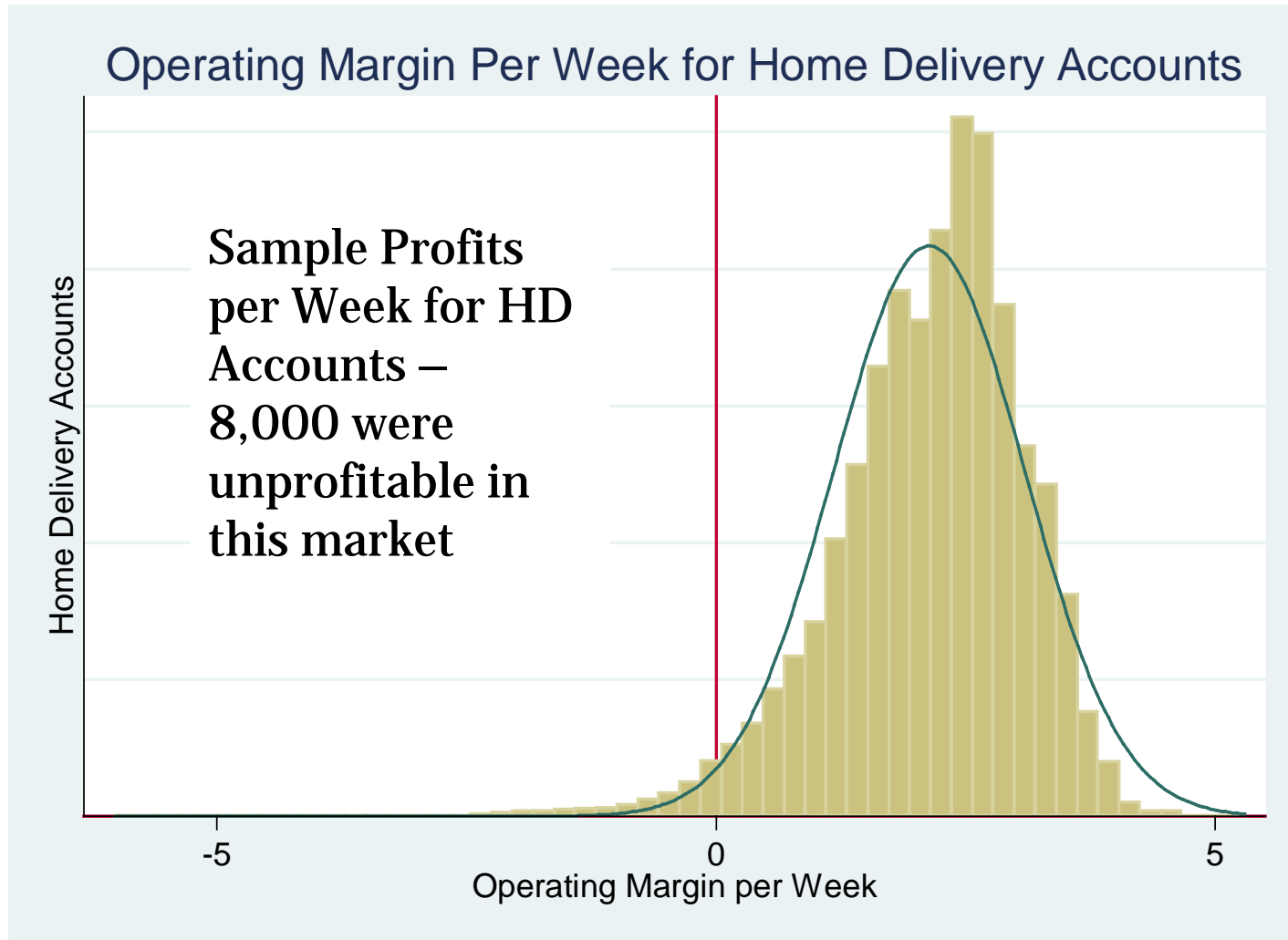
Sample Customer Segmentation and Pricing Grid

Average increase per week

	Young	Mid-Age	Mature	Older	Average
Poor	\$0.10	\$0.12	\$0.13	\$0.12	\$0.12
Downscale	\$0.12	\$0.14	\$0.20	\$0.15	\$0.15
Lower-mid	\$0.15	\$0.17	\$0.25	\$0.20	\$0.20
Midscale	\$0.20	\$0.30	\$0.30	\$0.30	\$0.28
Upper-mid	\$0.30	\$0.38	\$0.38	\$0.30	\$0.35
Upscale	\$0.38	\$0.50	\$0.50	\$0.38	\$0.46
Wealthy	\$0.50	\$0.60	\$0.60	\$0.50	\$0.56
Average	\$0.21	\$0.30	\$0.34	\$0.28	\$0.30

Simplified Example of Price Discrimination (Note: Tenure, Preprint revenue, Direct costs, EZpay, Service, Term effects not included)

Home Delivery Pricing Case Study – Operating Margin per Week by Account



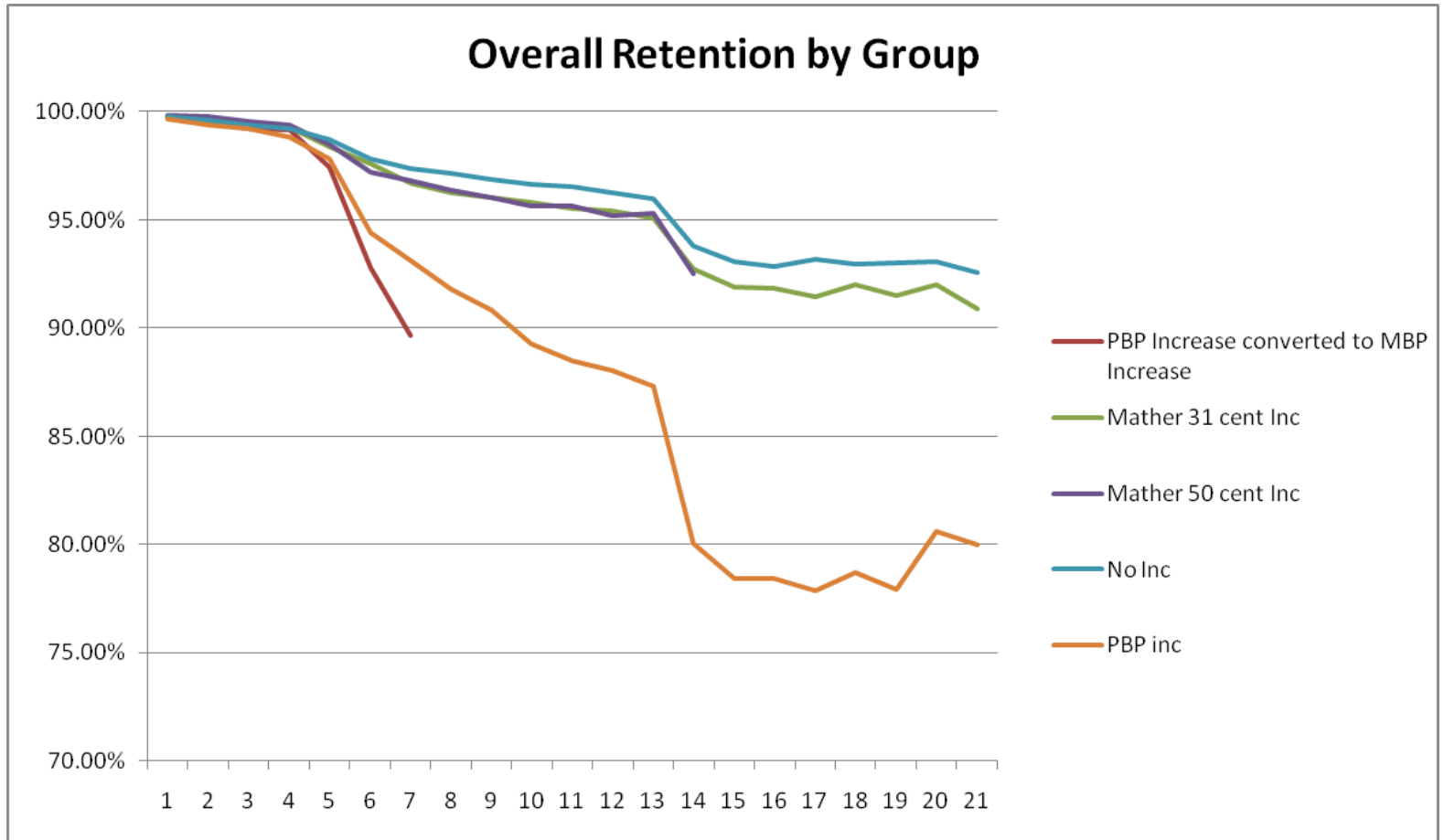
Demographic Groups – Reporting Price Effect with Target and Control Groups by Segment

POOR INCOME GRP		WEALTHY INCOME GRP	
Total Targets	6,091	Total Targets	5,896
Total Controls	120	Total Controls	147
Average Increase	\$0.13	Average Increase	\$1.30
Average Rate	\$2.94	Average Rate	\$3.45
Avg Target Stops	19.0%	Avg Target Stops	12.6%
Avg Control Stops	15.8%	Avg Control Stops	10.9%
Price Elasticity	-0.72	Price Elasticity	-0.05

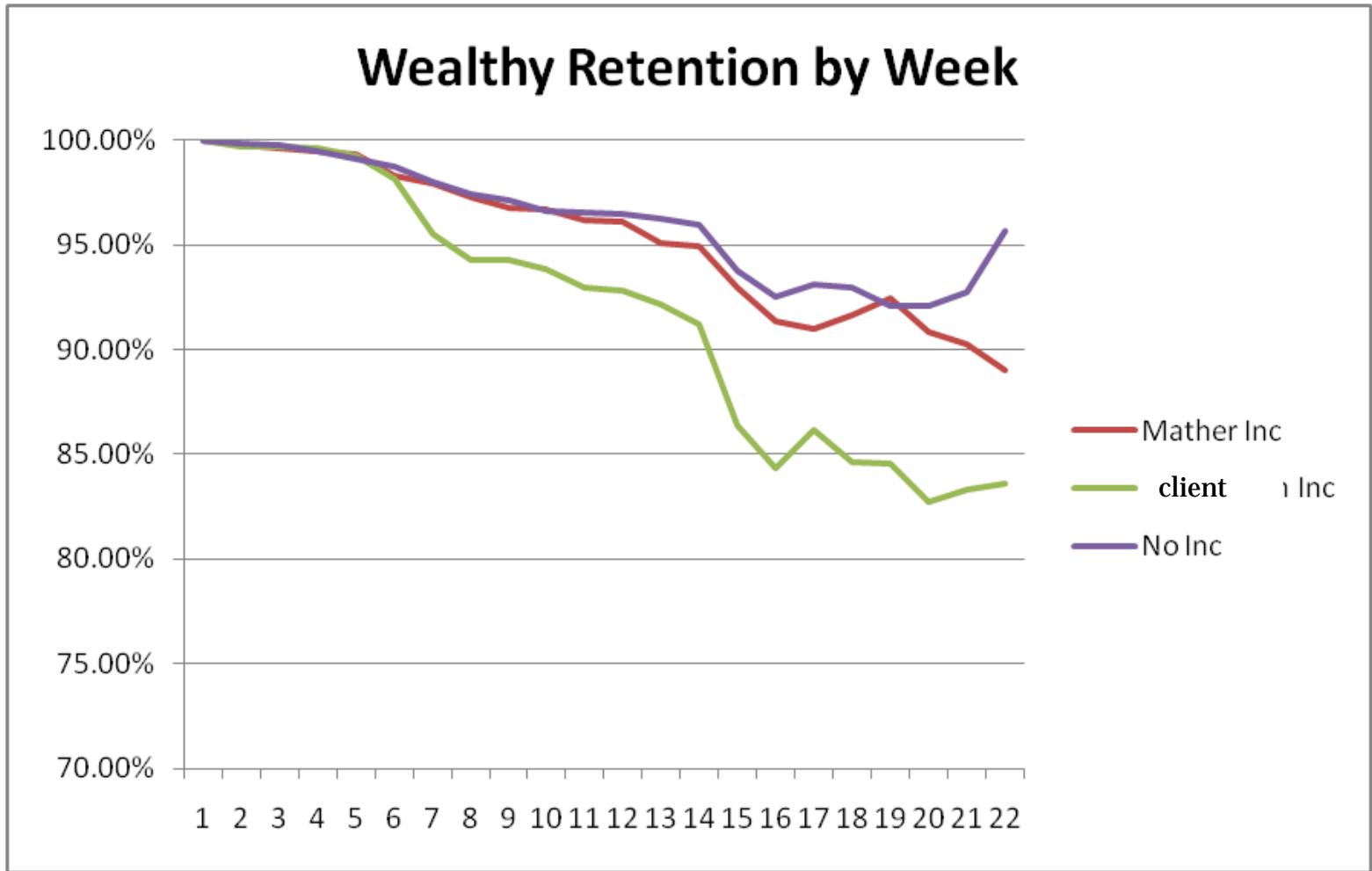
Case Study – Midsize U.S. Newspaper

Targets that have gone through expire & grace			
Target files: 5/31 - 7/19			
	Mather Targets	BAU Targets	No Increase
Targets	7,004	5,698	27,351
Paid	90.21%	63.53%	86.73%
Stops	8.25%	21.59%	6.92%
Stops but paid at least once	1.73%	2.90%	1.72%
Stops never paid	6.52%	18.69%	5.20%
On Mather rate & Paid	86.45%	0.00%	0.00%
On Mather rate & haven't Paid	1.84%	0.00%	0.00%
Upgrades	0.13%	0.91%	0.50%
Downgrades	0.21%	1.09%	0.99%
Decrease in rate	1.06%	1.68%	2.31%
Reverts	1.71%	12.62%	80.75%
Increase in rate	1.10%	62.11%	8.53%
Avg. Gross Increase	\$0.34	\$0.45	\$0.00
Avg. Net Increase	\$0.29	\$0.27	\$0.02
Ratio of Gross to Net	87.41%	60.37%	NA
Incremental Revenue To Date	\$26,632.71	\$18,586.29	\$1,445.79
Incremental Revenue per target	\$3.80	\$3.26	\$0.05

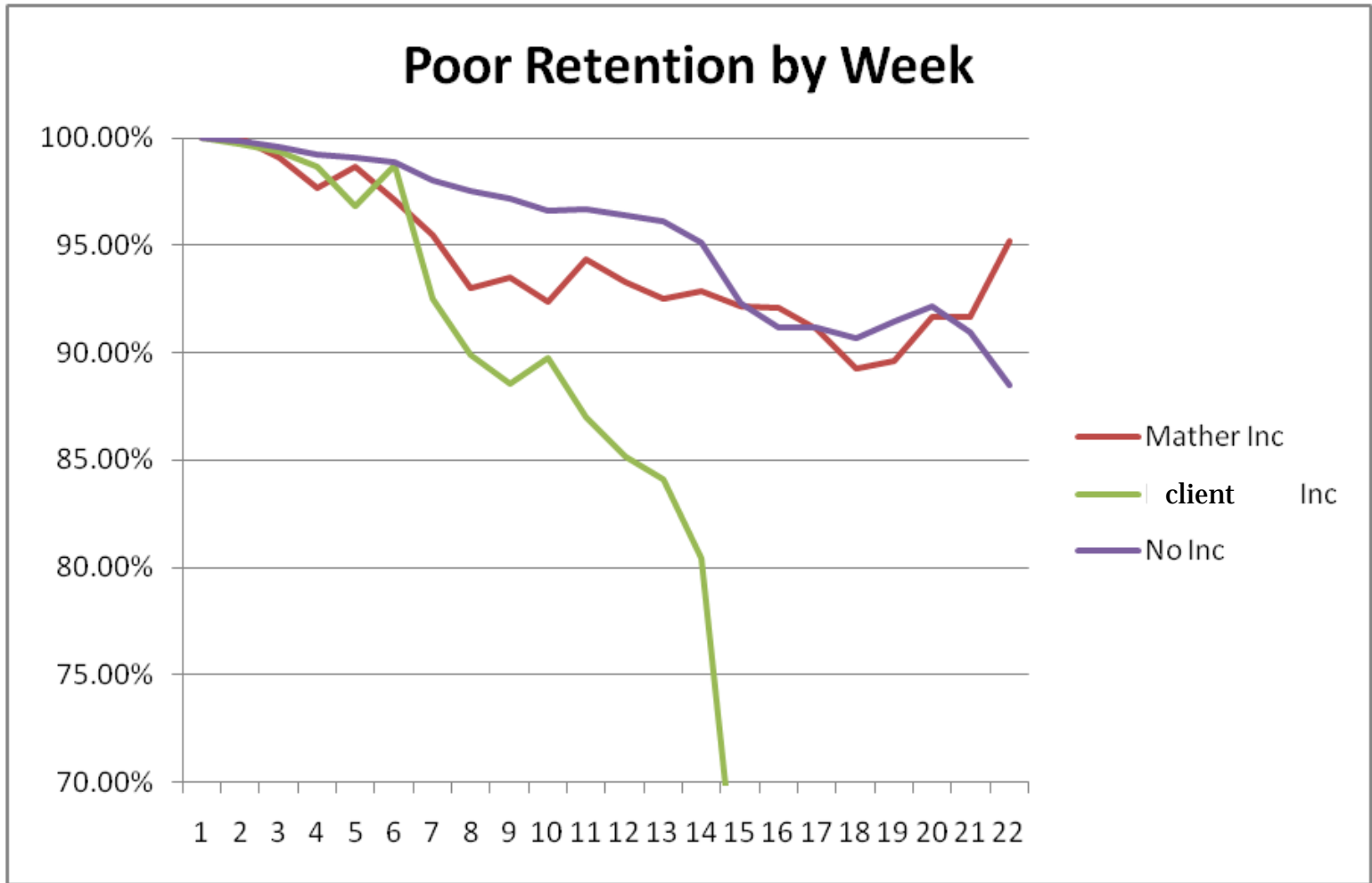
Case Study – Midsize U.S. Newspaper



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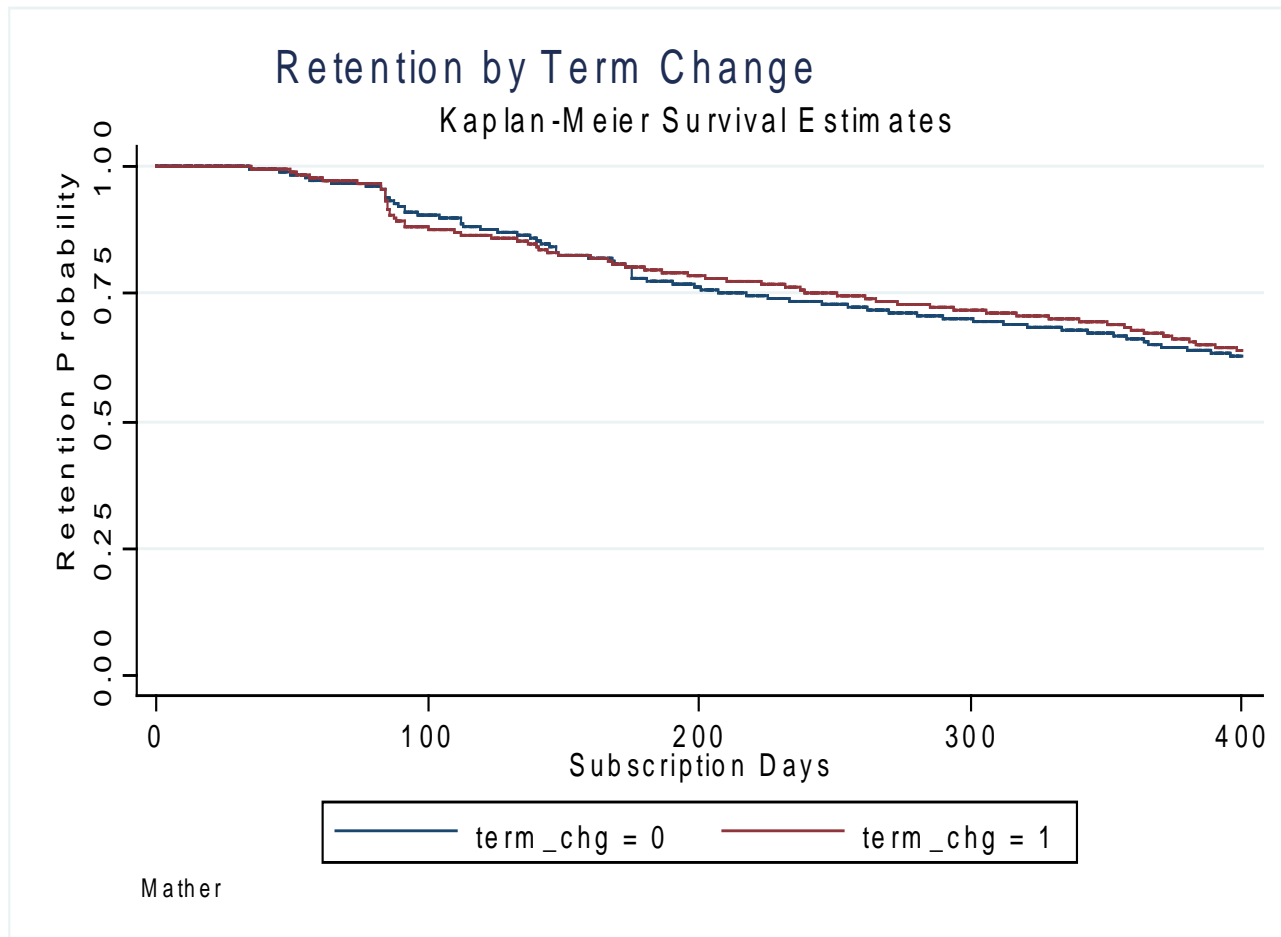


Case Study – Midsize U.S. Newspaper



Changing Term & Price Together To Keep Bill Amount Constant Is Another Pricing Tactic Used Successfully

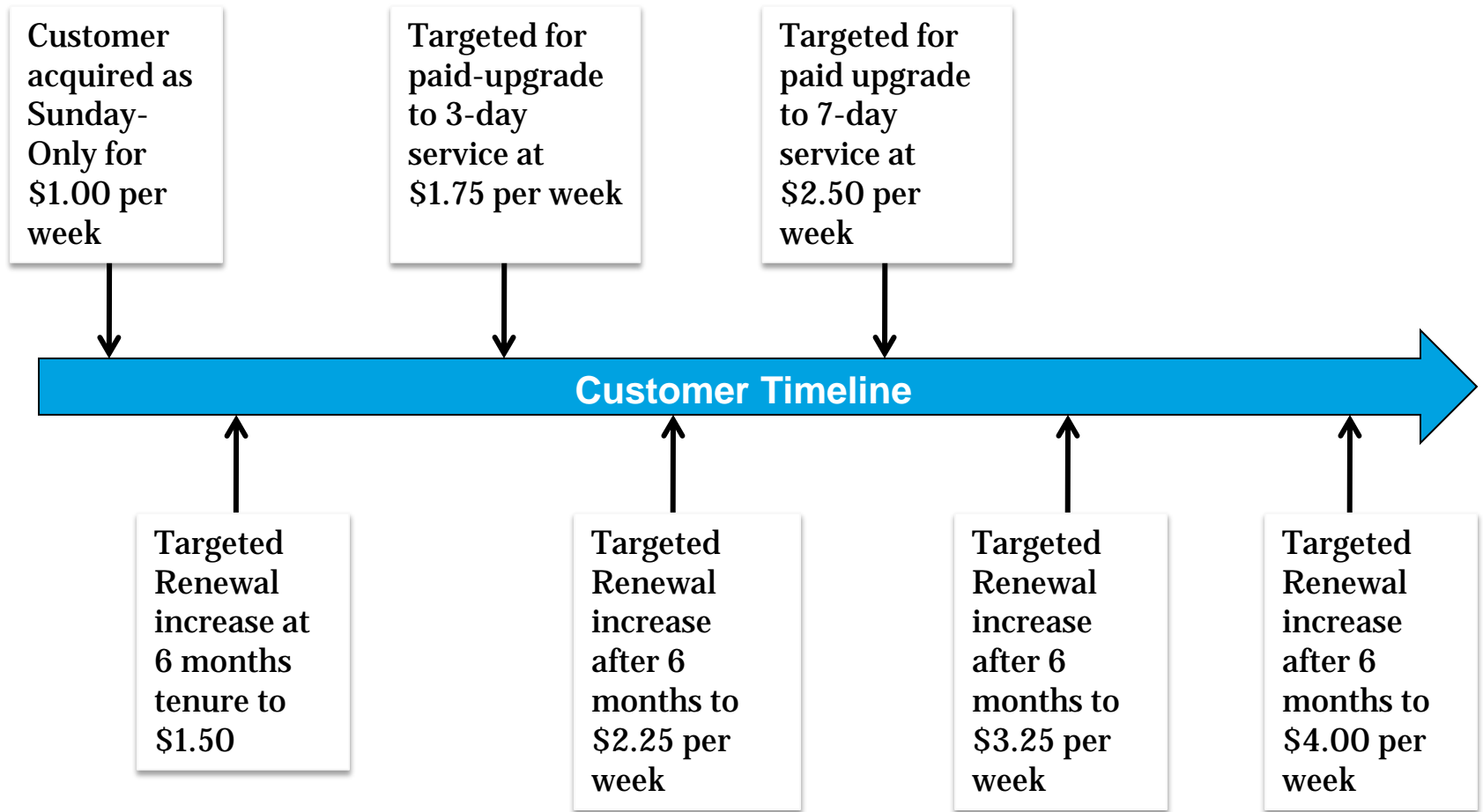
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- **Subscribers that had a term change had a price increase at the same time**
- **Subscribers with no term change also had no price increase**
- **Retention for both groups is the same**

Targeted Upgrades & Bundling

Targeted Upgrade and Up-sell Existing Customers



An Upgrade Report Follows the Performance of Upgraded HD Accounts – Enables Better Targeting of Upgrade Offers

Status as of 8/19/2011 of upgrades over the last 52 weeks

Total Upgrades	32,499	
Remain Active	27,830	85.63%
Stops	4,669	14.37%
Remain Upgraded	25,357	78.02%
Remain Upgraded (Same Rate)	19,061	58.65%
Remain Upgraded (Lower Rate)	2,835	8.72%
Remain Upgraded (Higher Rate)	3,461	10.65%
Reverted to Original Rate Code	1,110	3.42%
Change Service Again	1,363	4.19%
COS- Downgrades	839	2.58%
COS- Upgrades	237	0.73%
COS- Same Days	287	0.88%
Avg. Net Increase	\$0.01	
Current Revenue	\$3,136,013	
Revenue at upgrade	\$3,089,310	
Revenue prior to Upgrade	\$3,079,597	

Contact Information

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Mather Economics – Firm Overview

Mather Economics has advised over 150 newspapers in North America, including 13 of the top 25 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 (26)
- Morris Communications (12)
- Freedom (20)
- GateHouse (15)
- Journal Register Company (19)
- Tribune (7)
- Advance Newhouse (4)

Individual Newspapers

- | | |
|----------------------------|------------------------------|
| • Akron Beacon Journal | • Boston Globe |
| • Columbus Dispatch | • Toronto Sun |
| • Dow Jones | • USA TODAY |
| • Kenosha News | • Pittsburgh Tribune |
| • Minneapolis Star Tribune | • Riverside Press-Enterprise |
| • Montreal Gazette | • Toronto Star |
| • New York Times | • Tampa Bay Times |
| • Roanoke Times | |
| • San Diego Union Tribune | |

Locations of Current & Former Mather Clients

