



Economic Notes

Too Late to the Party?

The newspaper franchise is based on reader-desired content and a relationship with readers which advertisers seek. Today it is not enough to rely on the value of content, especially in a world where interlopers are creating local content to attract readers and new markets for local advertising.

The tools needed to maintain the franchise demand the same direct marketing insights that advertisers and media competitors are adopting. They begin with a database – more than a data warehouse, but a comprehensive information resource to support today’s competitive world where the household consumer is in control. This resource must contain more than the daily editorial record. It must include subscriber activity, reader activity, advertiser activity and the record of the interaction between the newspaper and its community. It should include operationalized research studies that support product and advertising development, along with both reader and advertiser support. It must support a knowledge base to help publishers serve their communities of readers, users, and advertisers better.

The Challenge

The critical nature of a marketing information resource has not been lost on advertisers, as they invest in their own data-mining capabilities. More are not merely focused on geographic programs, but on building models drawn from research. These models identify the best prospects to target with mail, catalogs, web positioning and electronic missives to communicate with potential and existing customers. This is not a new trend. It is practiced by magazine publishers, retailers and direct mailers attempting to shift dollars from competitors into their own pockets. This is evident in the recent 2005 advertising estimates from Bob Coen, SVP Forecasting with Universal McCann. Despite a drop in overall advertising share of GDP last year, direct mail grew 8.5 percent, cable television grew 15 percent, and inter-

net advertising (non-search) grew 15 percent. My own forecast has newspaper print growth up 2.2 percent.

Among most newspapers, data mining remains a concept that has yet to serve the consumer research needs of publishers. Editors need data modeling to help them understand local trends. Advertising executives need it to help them deliver household level solutions to their clients desiring door-step targeting or the right web-page. Circulation executives struggling to maintain existing levels of circulation need it to extend readership models to circulation execution.

It seems though, that despite the urgency to build readership, improve products and better serve advertising clients, interest in what advanced database research can offer is minimal.

Feared as Expensive

Data-mining model development is often feared as too expensive, as I have heard from more than one marketing executive. My response is always to agree, if the only intended use is warehousing. But if used to fuel marketing programs, data mining generates executable results.

In a recent project, we were able to target potential subscribers with a readership model that identified them at the household level. When shared with some executives, it was discovered that, despite the potential, the effort was considered either too expensive or unproven. Research dollars not directed towards executable ends is expensive at any cost. Research dollars directed towards nice-to-know, but not implemental represent a luxury that few can afford. To consider data-mining modeling unproven is to ignore what direct marketing competitors are already doing to take share from newspapers and broadcast media. What is too expensive and unproven is research focused on “business as usual.”

(Continued on page 2)



In this issue:

Impact of Ownership Concentration	1
Too Late to the Party?	1
Forecast Review	6
Forecast Table	8
About this Extract	3
About the Author	3

Special points of interest:

- 2006 weighted forecast for total newspaper advertising spending is 3.2%
- 2005 weighted forecast for print newspaper advertising spending growth is 1.9%
- Advertising revenue through November was up 2.0% and lineage down 1.9%

Party, cont'd

Publishers face intense cross-channel competition from direct marketing challengers using targeted publications, mail and the internet to develop relationships at the household and individual level. It is not the time to rely solely on traditional research, but to enlist market research practices drawn from other industries. These practices will better identify those who should be engaged with the newspaper via newsprint or web site, and leverage them with advertising customers who need the connection.

Any research design needs to support direct marketing techniques like data-mining, model development, data fusion and household-level segmentation. I coined this process some years ago as *operationalizing research* since it takes research from the inferentially strategic role usually designed to support strategy, while failing to define tactics that support strategy. Research must identify the potential for both readership and advertiser support at the household level (though arguably with the Internet, the individual may be the appropriate grain). This is applied consumer research.

Opportunity Evaluation

When discussing this with a media executives, I try to evaluate how marketing savvy they are. Many talk marketing, but do not budget for marketing. Many are interested in innovation, but want to see other newspapers move ahead first to prove the case. (Even this is not enough if it is not the “right” newspaper.) Regardless of interest, if their information strategy is inadequate, the opportunity for innovation is weak. I inquire about the household level database – does one exist that includes the entire market, or is the database relegated to what the circulation system supports in terms of current and former home delivery subscribers? This marketing database usually does not exist, but if it does, what information is included? How is it being used to understand the market better? How current is the transaction component? Where does the database responsibility reside within the organization? If the paper is a Scarborough Research subscriber, how many interviews are contained in each wave? Does the newspaper include the source of copy questions that enable the audience to be split between home-delivery and single-copy distribution? If there are alternative or additional research resources, is the respondent count high enough to efficiently support data-mining methodologies?

The answers usually disappoint, but the process helps me understand the potential, whether there is an opportunity to combine an existing marketing database with the research investment to create a marketing capability to support better circulation, advertising and product development efforts. The usual case is that the capability must be built from scratch and might be considered “next year.” Meanwhile, the industry worries about circulation losses, advertising share declines and increasing competition without providing modern consumer marketing basics.


Too Late to the Party

The past five years have been difficult, with missed expectations the norm. Despite this, industry leaders need to foster innovation in basic consumer marketing practices in order to reach potential readers and users. It is through the development of this public trust, in whatever channels needed to serve the community, that the will industry maintain its advertising franchise.

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This is an extract from the fourth issue of the sixth year of *Economic Notes*. The subscription rate is \$200 per year. This includes all issues and access to the *Notes* section of www.mgstrategicresearch.com. The site contains current issue of this newsletter, an archive of previous issues, industry presentations, papers, and forecast commentary.

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Thanks for reading!

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About the Author

Miles E. Groves has been involved with media economics since 1980. He is a trained economist and president of MG Strategic Research, Ltd., a strategic marketing practice focused on media economics. He meets with newspaper executives to discuss strategy, produces a quarterly newsletter, and is a regular contributor to the International Newspaper Marketing Association's *IDEAS Magazine* and Web site (www.inma.org).

Mr. Groves is a member of the Market Research Council of New York City, National Association of Business Economists, International Newspaper Marketing Association, Newspaper Association of America, and the American Association for Public Opinion Research. He is a regular participant on several newspaper industry committees. He has been quoted on media-related issues in newspapers throughout the world including *The New York Times*, *The Wall Street Journal*, *The Washington Post*, *The Chicago Tribune*, and *USA Today*.

His experience in media, economics, and research includes eight years as an economist for The New York Times Co., in its corporate strategic-planning department, two years as vice president of operations and analysis at the former Newspaper Advertising Bureau, and eight years with the Newspaper Association of America as vice president and chief economist. He has taught economics at New York University, Rutgers University, and the University of North Texas. He has published numerous articles in U.S. and international professional journals. In 2000 NAA recognized his contributions to the media industry with the Research Award of Merit for Lifetime Achievement in the area of newspaper media research.

Mr. Groves releases his media forecast with a focus on newspaper economics at the annual UBS Media Week conference held in December. Changes to his forecast are discussed in this newsletter, though more frequent industry analysis and commentary can be found in his monthly collaboration, the *Morton-Groves Newspaper Newsletter*.

About This Extract

This is a special edition of the regular issue that was published on January 10, 2005 and distributed to subscribers of this newsletter or the Morton-Groves Newspaper Newsletter. The original issue includes a discussion on the impact of ownership concentration as well as my current media advertising forecast. The full issue is available to subscribers on my web site, www.mgstrategicresearch.com.

If there any questions concerning this article or my forecast, please contact me. I can be reached via email at miles@milesgroves.com or by telephone at 202.256.5784.