



Newspaper Next 2.0

Making the Leap Beyond 'Newspaper Companies'

February 2008



American Press Institute

N²2.0

PRINCIPAL AUTHOR AND EDITOR

Stephen T. Gray

Managing Director, Newspaper Next

Steve Gray was appointed managing director of Newspaper Next at its inception in September 2005, and led the project team during the original development phase. Upon completion of the project's original report and recommendations in September 2006, he taught the N² approach in dozens of workshops and presentations in the U.S., Canada and overseas, and worked with large and small newspaper companies as they adopted N².

Prior to joining the API project, he was managing publisher of The Christian Science Monitor in Boston for seven years, leading implementation of numerous new online, syndication, partnership and multi-media strategies that introduced the Monitor to millions of new readers, viewers and listeners.

Previously he was president and CEO of the family-owned Monroe Publishing Co. in Monroe, Mich., and editor of The Monroe Evening News. He led the company's conversion to employee ownership and the creation of an award-winning culture of open management and employee involvement. He also led the diversification of the company's business model through numerous new publications, products and services, and won awards for reporting, editorials and columns, including the Morgan O'Leary Award for Excellence in Political Reporting.

He is a former president of Inland Press Association, the Michigan Press Association and the Michigan Associated Press Editorial Association. He holds a bachelor's degree in journalism from Northwestern University's Medill School of Journalism.

CONTENTS

INTRODUCTION AND EXECUTIVE SUMMARY..... 1

SECTION 1: WHAT CAN NEWSPAPER COMPANIES BECOME?..... 4

1. What's happening now..... 4
2. Seeing beyond newspaper companies..... 6
3. Pursuing mega-jobs..... 10

SECTION 2: THE N² CASEBOOK..... 20

Part 1: The new products 21

- Key takeaways..... 22
- Summing up..... 26

Case Studies:

- 1) 209Vibe.com – music and entertainment Web site..... 27
- 2) 513Moms.com/937Moms.com – mom community Web sites..... 29
- 3) *The Beachcomber* – free summer beachfront daily..... 31
- 4) *Cape Cod Dining* – annual dining guide and Web site..... 33
- 5) *Dayton B2B* – business magazine, Web site, emails..... 35
- 6) DeliveringQC.com – coupon and gift certificate Web site..... 37
- 7) *Enjoy* – in-paper weekly women's magazine..... 40
- 8) *The Gateway* – free weekly/shopper for fringe markets..... 42
- 9) *Huntsville R&D Report* – Magazine for high-tech engineers..... 44
- 10) Idahoiz.com – Bi-annual newcomer guide and Web site..... 46
- 11) MainePets.com – pet-owners Web site..... 48
- 12) MonroeTalks.com – community discussion Web site..... 49
- 13) MyCape.com – hyperlocal Web sites for 16 communities..... 51
- 14) *Orange* – upscale regional magazine..... 54
- 15) *Oregon Outdoors* – outdoors magazine, Web site, weekly insert..... 56
- 16) *Padres* – parenting magazine for Latinos..... 58
- 17) *Pocono Record* – newsroom transformation project..... 60
- 18) Quality Consignments – One-stop resale service and store..... 64
- 19) RaisingMaine.com – parents' Web site and magazine..... 66
- 20) SeacoastParentsConnect.com – parents' community Web site..... 68
- 21) *Southcoast247.com PRINT* – reverse-published entertainment guide..... 70
- 22) Swocol.com – Web site for Dayton-area college students..... 72
- 23) *TribLocal* – hyperlocal community sites and weeklies..... 74
- 24) Varsity845.com – regional high school sports Web site..... 76

Part 2: How companies are making innovation happen 78

- Key takeaways..... 78
- 1) Blethen Maine Newspapers..... 80
- 2) Cape Cod Media Group..... 81
- 3) Chicago Tribune..... 83
- 4) Cox Ohio Publishing..... 85
- 5) Ottaway Newspapers, Inc..... 87
- 6) Seacoast Media Group..... 88
- 7) Seattle Times..... 90

SECTION 3: MAXIMIZING ONLINE REVENUE..... 92

1. The trends and the implications..... 92
2. Sales and revenue expectations..... 99
3. Selected 'plays' for online initiatives..... 99

INTRODUCTION AND EXECUTIVE SUMMARY

As 2008 begins, newspaper companies continue to strive for solutions that will reverse continuing declines in circulation, readership, advertising, profits and, for publicly-held companies, share prices. Inside and outside the industry, the question reverberates: What is the future of newspapers and newspaper companies?

In this report, the American Press Institute's Newspaper Next project builds on its original work, offering additional strategic concepts and practical guidance to help the industry make the leap beyond "newspaper companies" to a brighter future.

API launched Newspaper Next in September 2005 as a year-long research project to discover pragmatic and practicable ways for newspaper companies to create new growth. In September 2006, the N² project delivered its findings to the industry – an innovation toolkit titled *Blueprint for Transformation*.

In the year that followed, Newspaper Next went on the road, conducting scores of public and private workshops to train newspaper executives and managers in using the N² tools, concepts and processes. More than 4,000 individuals representing hundreds of newspaper companies attended all-day N² workshops, and thousands more attended press association presentations or downloaded the free N² report from www.newspapernext.org. Newspaper companies across North America and beyond began using the N² approach to create new products and improve existing ones.

By all signs, Newspaper Next itself was successful. However, in summer 2007 we considered a more important question: How much progress was the industry making?

Based on the continued distress of the industry and the visible metrics of circulation, advertising revenue and profit margins, the answer was clear: Not enough. Newspaper companies were making progress at the process of innovation, but the results needed to be bigger and come faster for the sake of all concerned.

The next question was obvious: What else could Newspaper Next do to help?

This report was the result.

Shaped by N²'s first year in the field working with newspaper companies and by ongoing observation of trends among consumers, businesses, the media and newspapers' competitors, this report offers additional guidance to newspaper companies striving to create a brighter future.

Its three sections address three of the industry's greatest needs to accelerate the pace of progress beyond today's incremental growth.

SECTION 1 addresses the need for a new vision of what a newspaper company can and must become. With the old model eroding, and with intense competition from other contenders, leaders in this industry need new models they can both see and articulate as they guide and inspire change in their organizations.

The best news is that opportunities in newspaper markets abound. But to capitalize on them, a newspaper company must reach far beyond the limits of newspapers and news, becoming what this report describes as a **"local information and connection utility."** Hence the title of this report: *Making the Leap Beyond "Newspaper Companies"*.

Section 1 introduces several key ideas:

- The **"whole-market"** concept, in which a newspaper company strives to touch and connect every consumer and serve every business – not just the consumers who read news and the businesses that want and can afford mass-reach advertising.
- The **jobs we want to own** in each market: For consumers, the industry should strive to fulfill the job of "Help me know or do whatever it takes to live here." For businesses, the goal is to fulfill the job of "Help me connect with anyone who lives here."
- The strategic pursuit of **"mega-jobs"** among consumers and businesses. These are jobs that virtually every consumer, regardless of demographic, wants to get done, and jobs that virtually every business, regardless of size, sector or customer group, struggles to accomplish. Creating solutions that fulfill mega-jobs can lead to faster progress toward "whole-market" penetration. Section 1 offers a number of examples.

Section 1 attempts to draw a vivid picture of the possibilities that lie beyond the boundaries of traditional newspaper companies. It concludes by describing how such a "former newspaper company" might look several years in the future, in the eyes of the consumers and businesses it aims to serve:

To consumers:

A daily-life enabler for everyone who lives here ("How did I ever manage without this?"):

- The source I try first whenever I'm dealing with a local want, need or problem
- The source I use most often to know what's going on here
- The best source of facts, knowledge and wisdom about this place
- A source available in the times, places and circumstances in which I need it
- The town square and connective tissue of community life here
- The place I go to be part of the fabric of life here

INTRODUCTION AND EXECUTIVE SUMMARY

To businesses:

All kinds of solutions for all kinds of needs (“They help me with whatever I’m trying to do.”):

- Big, comprehensive solutions for reaching people
- Narrow, targeted solutions for reaching people
- Small, low-cost ways to reach people
- Ways to reach specific target groups, niches, interests
- Ways to create one-to-one customer relationships and build loyalty
- Ways to build my image or brand
- Ways to reach people when they are most likely to buy
- Solutions for many other problems in my business
- A creative, flexible, multi-dimensional organization

SECTION 2 responds to the questions most often asked by newspaper people about Newspaper Next:

- What products have other companies created with N², and how did they do it?
- What’s working and what’s not?
- How did they organize, manage and fund their innovation efforts?

In a casebook format, Section 2 provides 24 case studies of new products launched in the last year by companies using the N² approach. Each case describes the product, its main features, the target consumer and business customers, the research process, funding, staffing, key metrics and lessons learned.

Section 2 also provides seven organizational case studies describing how companies organized, staffed, funded and oversaw their product development efforts.

The section notes several exceptional success stories among the 24 cases: www.DeliveringQC.com, Quality Consignments, www.MonroeTalks.com, and the newsroom transformation at the *Pocono* (Pa.) *Record*. It also offers commentary on each of the cases and on the patterns emerging among the cases.

Most of the new products are meeting or exceeding their early sales and audience goals; although new, they appear to be on the road to success. However, in aggregate, the 24 products also show several patterns that appear to be endemic in the industry today:

- Companies are moving faster to create new offerings for consumers than to discover new models to serve businesses – but new business models are desperately needed to generate new revenues.
- Many new products rely at least partially on print, because companies are finding it easier to monetize – i.e., sell advertising in – print products than Web products.

- Companies are relying heavily on existing sales staffs to sell even their most innovative new products, limiting their success.
- Progress in developing ways to open the vast “low end” of the business market – small and medium-sized enterprises – is agonizingly slow. Although this segment represents the largest growth opportunity in local markets, newspaper companies continue to use traditional ad offerings and sales structures in their attempts to reach them, with only moderate success. Better answers are needed.

SECTION 3 addresses what may be the most urgent question on the minds of newspaper executives today: How can we monetize the Web?

To answer that question with practical guidance and useful market data, the American Press Institute engaged Borrell Associates, Inc., leaders in monitoring online advertising spending and trends in local markets.

In Section 3, Borrell Associates analyzes current trends in local markets, where online advertising spending is projected to rise by a whopping 48 percent in 2008. They highlight the dizzying numbers for the fastest-growing sectors – search, email and video. They also point out the sobering fact that newspaper companies, for the most part, are not yet gaining their share of these sectors. They offer guidance on how to improve sales strategies, performance and offerings.

This report also includes as separate online resources five major sets of data from Borrell Associates to enable newspaper executives to learn more about sales trends affecting their markets. Dividing U.S. Designated Market Areas, or DMAs, into five quintiles according to size, these data show trends in overall online spending, trends in national and local online spending, trends by advertiser category and many other parameters. Although individual newspaper market data were beyond the scope of this report, these quintile and DMA data will give many publishers more information about online spending patterns for markets their size than they have seen before.

Also included among the online resources are a vendor list for search, email and video services and a selection of job descriptions and job competencies for key online staff positions.

BUILDING ON THE ORIGINAL N² WORK

This report is intended to build on the original Newspaper Next tools, concepts and processes. The original report is not included here, but is available as a free download at www.newspapernext.org.

The original N² report and workshops consisted of three main components, all still relevant and still needed by newspaper companies attempting to create new growth:

INTRODUCTION AND EXECUTIVE SUMMARY

1. A newspaper industry situation analysis derived from the groundbreaking work of Harvard Business School professor Clayton Christensen, explaining how “disruptive innovation” is undermining the newspaper industry’s traditional business model. The disruption continues today, following the same patterns.
2. A four-step product development process called the N² Innovation Method. Also adapted from Christensen’s work, this practical, repeatable process and its tools enable newspaper companies to see and capitalize on new opportunities. This process, reducing the cost and risk of innovation, continues to be our recommended approach for the imperative work of creating successful new products to achieve growth.
3. A strategic framework called the N² Game Plan to guide product-development efforts. The Game Plan’s four areas are still the industry’s leading opportunities and challenges today:
 - Area 1 – maximizing the core business model
 - Area 2 – building new audiences by fulfilling “jobs” beyond news
 - Area 3 – using new business models to fulfill “jobs” of current and new business customers
 - Area 4 – creating innovation structures and enablers within the company

This report’s Section 1 places a larger strategic framework around the original N² Game Plan, urging companies to pursue growth in the Game Plan’s four strategic areas in the context of bigger growth objectives. Section 2 provides, in case study form, real-world examples of the N² process in action, fulfilling all four areas of the Game Plan. And Section 3 provides market data and monetization strategies to help companies make money with their innovation efforts.

SUMMING UP

We developed this report fully aware that Newspaper Next does not have all the answers for newspaper companies navigating today’s white-water media environment. But rather than attempting to know the unknowable, we reminded ourselves of a key principle of the N² process: “good enough.”

The goal for this report was not perfection, but to provide, based on what is known, a practical, useful set of ideas, examples and strategies that could help newspaper people and their companies move ahead.

In that spirit, we offer *Newspaper Next 2.0: Making the Leap Beyond “Newspaper Companies”*.

SECTION I

WHAT CAN NEWSPAPER COMPANIES BECOME?

With each passing month, it becomes more clear that being a newspaper company is no longer enough to secure a bright future. The industry's decline has been dramatic and relentless for at least three years, reflected in steadily sliding key metrics: circulation, readership, ad revenues and profit margins. And the trends show no signs of stopping.

Why? Because consumers are migrating away from print newspapers to digital sources of news, information, social connection and entertainment, and because new competitors are offering digital solutions that draw away more newspaper advertising dollars every month.

The mass audience is dissipating, and with it the mass-reach business model that made newspaper companies so successful for so long. It's imperative for newspaper companies to find a new model, and quickly.

It's time to make the leap beyond newspaper companies.

But what should newspaper companies become? Across the industry, many people are trying to answer that question.

Based on the trends emerging in local markets and in consumer and business behaviors, this section describes the emerging shape of a new model. It looks at the industry's transition so far, outlines a new, larger vision for what the newspaper company could become, and identifies some of the opportunities it would pursue under that vision.

1. WHAT'S HAPPENING NOW

Recognizing the need for change, newspapers today are racing to create new products and revenue streams. Many of them are using the Newspaper Next tools and processes developed by the American Press Institute; the Casebook section of this report provides 24 examples. And these are only a handful of the hundreds of new offerings launched or currently in development across the industry, with and without N².

In this historically slow-moving industry, today's pace of change is unprecedented. But will it be enough?

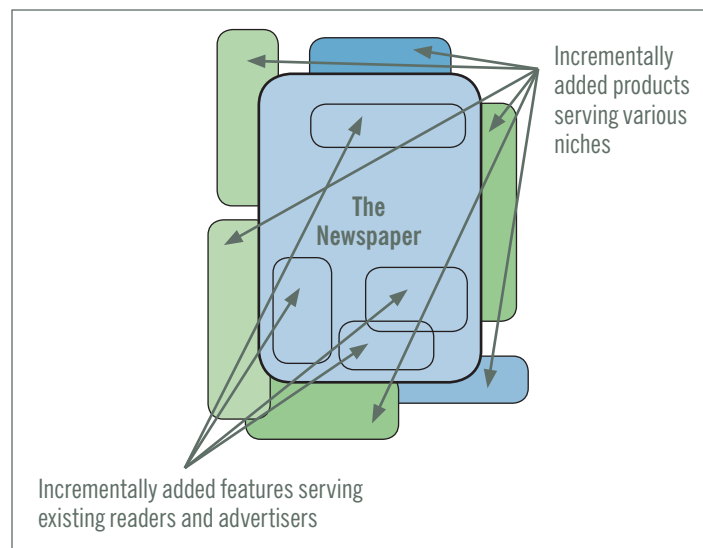
All the indicators tell us the answer is no.

What's happening is a start, but the vast majority of the new crop of innovations are very close to the core and lean entirely on traditional revenue models.

Many of the industry's recent innovations are features added to the core products – news, newspapers and news Web sites – that don't target new consumers. For example, adding videos to a news Web site may appeal to some of the current visitors, but it will usually engage only the half of the public that already reads news.

Even when today's innovation efforts do target new audiences – as most N² products do – many are still fairly small and incremental. Progress must come more quickly.

EXHIBIT 1 – Newspaper innovations tend to be in or close to the core



On the business side, too, innovation must happen faster because core revenues are declining steadily. But even when launching new products for consumers, companies are mostly sticking to existing business models – niche and alternative print publications and Web sites, sold by existing staffs offering the traditional solutions of print ads and banner ads. They're not tapping the fastest-growing local revenue streams in most markets, which are in other forms of online advertising.

Even so, these efforts are good "first" next steps. Many of them are financially successful, and they represent necessary early efforts to "invest a little, learn a lot." But they don't capitalize on the vast realms of online opportunity that exist today in local markets, and they don't make enough money without these additional revenue opportunities to offset the continuing declines in the core business.

Meanwhile, outside the newspaper industry, big and small competitors are moving much faster. They're racing to deploy digital technologies to create new ways of attracting and engaging audiences, often using very different approaches to news, information, social connection and entertainment. They're implementing a wide variety of new online revenue models to let businesses reach their target consumers more effectively. And they're partnering, merging and acquiring companies to leverage additional technologies and skill sets.

Take it all together and it looks like a perfect storm for newspapers. But storms pass, and this one probably won't. The newspaper – both product and business model – was perfectly suited for the 19th and 20th centuries, but it is being overtaken by better solutions in the 21st, and the business climate will only become more harsh.

SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

In its heyday, the daily newspaper was the highest-bandwidth “information pipeline” a consumer could get. There was no substitute, so it was indispensable in virtually every household. This made it a superbly efficient channel for businesses to reach consumers. It was a perfect business model for the times.

Its dominance began to weaken with the advent of radio and television. Now, with the emergence of digital media and the Internet, audiences and revenues are shrinking steadily, and it will continue. The 21st century is no time to be a traditional newspaper company.

But this is not a death knell – it’s a call to action. This is a time of huge opportunity in local markets – a time when the new local audiences and business models of the 21st century are being formed or soon will be. It’s a time to leap beyond the limitations of newspaper companies and become something much more. The opportunities are large, and the rewards will be substantial.

What are the opportunities?

To see the opportunities, we have to shift the focus from the troubles of newspapers and newspaper companies to the people, businesses and communities we hope to serve.

What will they want and expect in the 21st century?

- **People** will want – and will get from somewhere – exactly the information, solution, contact or connection they seek, for whatever circumstance arises in their lives, whenever they want it, wherever they happen to be. Because their lives are local, much of it will be local. And they will use any convenient channel to get it. Some of it will be news, but the vast bulk of it will be on topics more directly pertinent to their own lives, work, interests, circumstances, families, communities.
- **Businesses** large and small will want – and will get from somewhere – the ability to reach precisely and measurably the kind of people they seek in local markets, with messages that will engage them, delivered in the most effective formats and channels, at prices that fit all levels of ability to pay.
- **Communities** will want – and will get from somewhere – ways to interact, share knowledge and experiences, ask questions, give answers, debate issues, form networks and stay in touch. These will be not just geographic communities, but communities of shared interests.

It’s not difficult to predict these wants and needs, because they aren’t new; they’re as old as civilization. What changes over time are the technologies available to fulfill them and the forms, functions and business models of the solutions created.

Now digital technologies are opening the door to a new, dramatically better set of solutions, so new digital products and business models are emerging and evolving at incredible speed. By comparison, a newspaper can fulfill most of these needs only poorly and some not at all.

A question of purpose

This raises a big question: Are we newspaper companies? If so – if we define our companies and our mission by our core product – these coming digital solutions look threatening, even catastrophic. A newspaper company will instinctively fight to preserve and defend its product and business model. At most, it will cram a few new offerings in around the edges of the old model, as long as they don’t threaten the core.

This is the typical defensive reaction of legacy organizations and industries in the face of disruptive innovation, described vividly by Clayton Christensen in his best-selling books *The Innovator’s Dilemma*¹ and *The Innovator’s Solution*². As his research in more than 60 industries showed, it’s also a formula for failure.

To avoid that outcome, this industry needs a major mindshift: It must stop defining itself by its technology. We are not newspaper companies. Rather, we have always been companies whose mission and business model was meeting the human needs for information, knowledge, solutions, social connection, choice-making, buying and selling that arise in a given locale. Until recently, the newspaper was simply the best available tactical solution to fulfill that mission.

Today, there are better tactical solutions. So, just as enthusiastically as our companies adopted the printing press, they should be grabbing the new digital technologies and using them to create the products and services that local consumers, businesses and communities want in a digital age.

This is a mind-shift, but it is not a change of purpose. In reality, it is an opportunity to fulfill our time-honored core purpose even better. It’s a chance to meet more needs for more people across a wider range of situations and circumstances than ever before, resulting in better lives and better community connections. The very values that drove us to become newspaper companies now compel us to expand far beyond that model.

What would such a company become? There’s no handy term for it, but in concept it could become a new kind of **local information and connection utility**. As such, it would serve a wide range of local information and connection needs for consumers and businesses, using a wide range of products, technologies and platforms. It would be part multimedia news, information and knowledge provider, part community connection and interaction platform, part commerce enabler, part multimedia marketing communications company.

This company might keep producing newspapers well into the future, but that would not be its core purpose – just one way of many ways to fulfill it.

And what about news? It’s one of the most prevalent information needs in every community, and it will remain critically important to the information and connection utility because it engages and serves fully half of the population. Therefore progress must continue on expanding the forms and channels in which we deliver news.

SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

But news is only a tiny percentage of the local information the average person wants and needs. A large majority of people are already well satisfied with their options for news, and they aren't looking for more. The big new opportunity space that's opening in local markets is not in providing news, but in providing the many other kinds of local information and connection that people seek. The Internet makes this possible.

In setting out to become an information and connection utility, a newspaper company must sustain a strong news franchise, but the far bigger job is adding the people, skills and technologies needed to serve the average consumer's much broader range of information and connection needs. And, in tandem, it must also add the people, skills and technologies needed to connect businesses with customers via the Internet, where marketing spending is rising fast.

The race for local markets

The potential in local markets is huge, but the new digital solutions to tap these opportunities have barely begun to appear. A host of new information and connection products, services and solutions will emerge in the coming months and years, targeting local audiences and the rich flow of local marketing spending.

Who will provide these solutions? It's a frantic race with a crowded field. Competitors include local newspaper companies, broadcast television, cable and radio operators, yellow pages companies, national mainstream media companies and countless national Internet players including the very biggest, as well as local entrepreneurs and college kids writing software in garages.

This points to a sobering fact for newspaper companies: In the digital era, there's absolutely no guarantee that any single company will emerge – as newspaper companies once did – as the dominant provider of news, information and social connection in a local market. The advantages of owning a press or broadcast license are shrinking, because even small local companies, not to mention national companies, can write software, create Web sites and use the Internet for distribution.

Given these market forces, the most likely outcome is that traditional local media power will erode in a wave of decentralization. Many new competitors, local and non-local, will try to claim pieces of the local pie.

So what should a newspaper company do? Regardless of the odds, it should strive to become the preferred local provider – the local information and connection utility. It should build on its very significant strengths of local staff power, community knowledge, journalistic resources, marketing channels and brand strength in an all-out effort to provide the broadest and most attractive suite of digital information and connection solutions for local consumers and businesses.

2. SEEING BEYOND NEWSPAPER COMPANIES

Making the leap beyond newspaper companies requires a clear vision of what the company intends to become. In executing the transformation from newspaper companies to the new model, that vision will be indispensable in guiding a company's short- and long-term strategic and tactical choices.

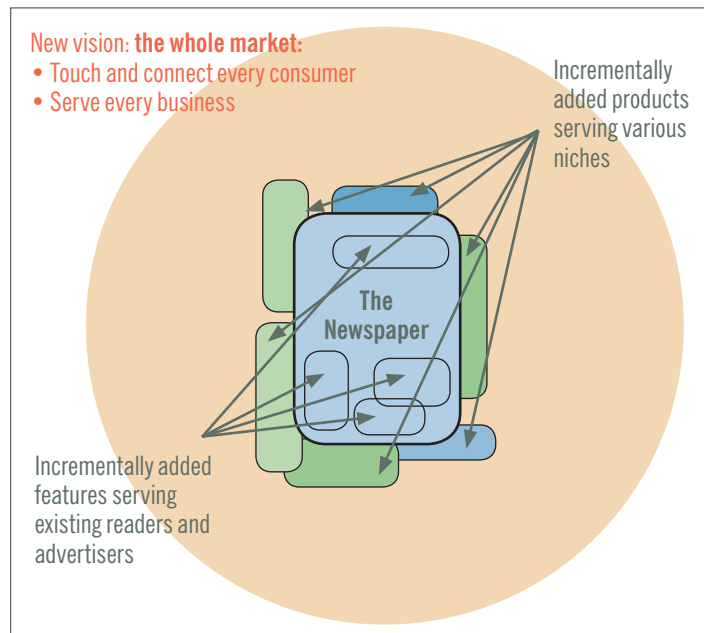
Guided by this emerging vision, the industry has a clear mandate to increase its pace of innovation. We must develop products and services that are smarter, broader and more strategic, moving as quickly as possible toward the new companies we need to become.

What's the vision? Let's start with the market.

Seeing the whole market

Newspaper companies tend to visualize their markets in terms of news readers and advertisers. But in most markets, less than half the local consumers are frequent newspaper readers and as little as one-fourth or less of the businesses are advertisers.

EXHIBIT 2



The new "information/connection utility" looks beyond the core product and a few close niches. It visualizes the whole market as its natural territory – every consumer and every business.

SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

The new information/connection utility company broadens this vision radically. Its intent is to try to serve **the whole market** – every consumer and every business. Because it sees every consumer and every business as a must-have customer, it relentlessly pursues non-customers.

It aspires to be the information and connection provider that every consumer and business considers first and uses most often. By building an aggregate audience that includes every consumer, it aims to enable every business to connect with any potential customer it needs to reach.

This “whole-market” vision – the aspiration to touch and serve all consumers and businesses – influences every strategic decision about what consumer audiences to target and what business segments to pursue, what new products to create, what technologies to use and what audience and business growth targets to set.

This company doesn’t stop at adding improvements to the newspaper and news Web site to make current readers and users happier and maybe attract a few more. It sets out on a long-term plan to add nonconsuming audiences and businesses to its customer base until it reaches essentially the whole consumer market and serves virtually all businesses.

The jobs we want to ‘own’

To become a “whole market” company, the information and connection utility has to “own” many more jobs among consumers and businesses than the newspaper company did.

Not so long ago, a newspaper company simply intended to own the job of providing news for local residents and the job of selling print newspaper advertising to businesses.

Lately, seeing readership and advertising in decline, some newspaper companies have broadened that goal a bit. Now they aspire to own the jobs of providing news *and information* to consumers and selling print *and online* advertising to businesses.

To the emerging information/connection utility, formerly known as a newspaper company, those goals are only a small piece of the larger vision.

For consumers, the company draws a much bigger circle than just news, which attracts only about half of the public audience. The circle is much bigger even than “news and information.” A company that intends to serve the whole market can’t be satisfied with adding a few more information offerings to the basic news package.

Rather, it wants to fulfill so many of the local information and connection jobs that arise in everyday living that it becomes everyone’s first choice to “help me know or do whatever it takes to live here.”

It sets out to learn what jobs are most frequent and frustrating among consumers, and it gradually builds a suite of products and services to fulfill those many jobs, using such elements as databases, social networking and discussion software, user content-sharing tools, calendars, shopping support functions, knowledge repositories and more.

Step by step, the company moves toward its goal of helping consumers with whatever they need to live in their community, becoming their local information and connection utility.

As the Casebook section of this report shows, many newspaper companies are beginning to make progress on the consumer side of this effort. They are using the N² product development method to discover consumer jobs beyond news, and they are developing new products and solutions to get them done. That’s a major mind-shift for newspaper companies.

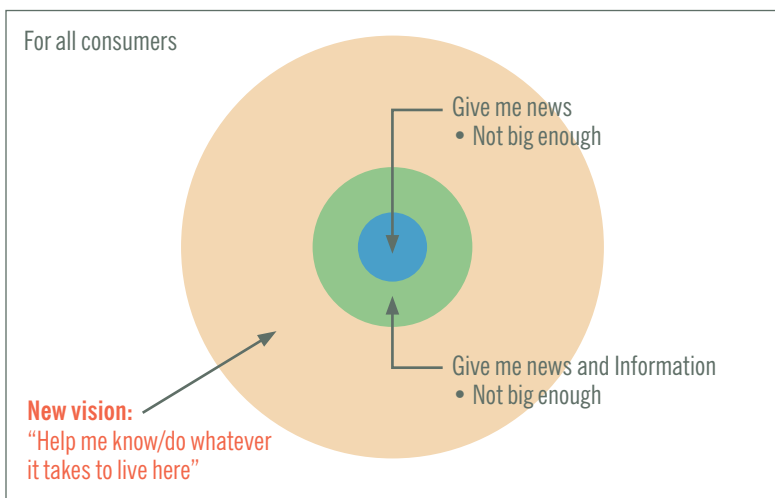
Radical change needed

But an even more radical shift in perspective is still required on the business side. Newspaper companies have moved slightly beyond the old job of selling print ads; now they sell online ads, too. But they’re stuck, for the most part, on the online model of 10 years ago – banner ads and classified upsells.

This is where the failure to move beyond the traditional newspaper mindset is hurting the industry the most. When newspaper companies desperately need new revenue, it is serious cause for alarm.

Many newspaper companies need to move faster to tap known and fast-growing local online revenue opportunities, such as email, search, video and online promotions. And beyond those, the industry needs to discover and deploy as-yet-unknown solutions for the vast number of small, non-advertising businesses and to develop effective, low-cost sales methods to reach them.

EXHIBIT 3



The local information/connection utility aims to be the consumer’s first choice for all kinds of local information and connection jobs.

SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

As an unscientific sample of the industry's efforts, the products in this report's Casebook illustrate the problem. Among them are 16 new online products targeting new audiences, but almost all of these focus exclusively on banner ads for revenue – the same solution they've been selling for years. Only one – DeliveringQC.com – has created a successful new model to serve small businesses.

So, even though we're creating new audiences, we're tapping only a fraction of the new revenue potential from our current and new Web sites.

Why is this happening?

It has to do with mindsets and comfort zones. Progress is faster on the consumer side because every newspaper employee and manager *is* a consumer. Once they break out of the newspaper mindset, they can readily see new local information and connection jobs to be done for consumers.

But most newspaper people draw a blank when they try to imagine unmet jobs that frustrate businesses. They know the frustrations of their own business, but not those of healthcare providers, small retailers and service businesses, dentists, lawyers, restaurants, real estate brokers, etc. They don't realize that new Web revenue models like email and search marketing are gaining exactly because they get frustrating jobs done that a print ad or a banner ad can't do. And because these new revenue models aren't familiar and don't look like the single blockbuster solution the industry is seeking, most newspaper people haven't learned how to create them or how to sell their benefits.

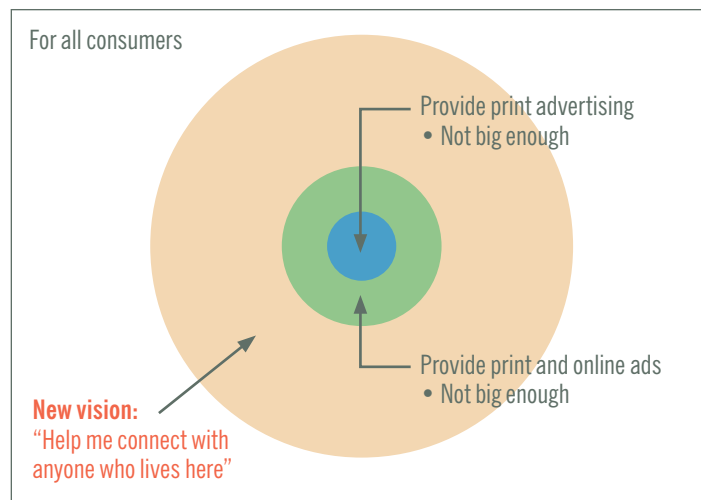
An information and connection utility would work hard to break out of these old mindsets. It would do the necessary research to learn the frustrations of unserved business types, sizes and sectors, and it would create an expanding range of new offerings to address them.

It would gradually build a suite of effective local advertising, communication and business support tools, sales channels, payment plans and packages in a wide range of price points to help every local business deal with a variety of frustrating needs, wants and problems. Email advertising, video advertising, search advertising and the suddenly fast-growing category of online promotions would only be the start.

As the utility makes progress, this effort would combine with its gains on the consumer side, so it could fulfill the job among local businesses of "Help me connect with anyone who lives here, in the most effective possible way."

Underlying these strategies is an important realization: To engage more consumers and win more business customers, we can't just sell the old products harder. We have to identify new jobs among consumers and businesses, and create the products required to fulfill them. That's the key to creating new revenue streams.

EXHIBIT 4



The local information/connection utility aims to be the first choice of businesses trying to connect with any consumer in the market.

Impossible goals?

Admittedly, these consumer and business goals – bringing *all* consumers into the aggregate audience and serving every local business with effective solutions – are extremely ambitious. They're what James Collins and Jerry Porras call BHAGs – "Big, Hairy, Audacious Goals" – a term they use to describe a long-range goal with the power to mobilize a company over a 10- to 30-year period:

"A true BHAG is clear and compelling, serves as a unifying focal point of effort, and acts as a clear catalyst for team spirit. It has a clear finish line, so the organization can know when it has achieved the goal; people like to shoot for finish lines."³

With its vision set on 100 percent audience and business penetration, the information/connection utility can determine metric milestones for each year and general goals for three, five and 10 years out. Then, day by day and month by month, it can benchmark its strategies and results against these short- and long-term goals.

To achieve these goals, companies will want to choose strategies that move them as far and as fast as possible toward the "whole market" vision. The fierce competition to provide digital solutions in local markets will demand it.

The Newspaper Next tools, concepts and processes outlined in the 2006 report, "Blueprint for Transformation" are ideally suited to developing the necessary products and services. The N² Innovation Method provides a clear, practical product development process, and the original N² "Game Plan" (see Exhibit 5) identifies four areas of focus that offer the greatest possibilities:

SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

- Area 1 – Maximize the core business model
- Area 2 – Build new audiences by fulfilling consumer jobs beyond news
- Area 3 – Use new models to fulfill jobs of current and new advertisers
- Area 4 – Create organizational structures and enablers for innovation

The “whole market” vision introduced in this report places these target zones in a larger frame. The company is not simply attempting to create some new products and services that will bring in some new money. It is also pursuing the ambitious goal of becoming the leading information and connection utility in its locale, serving every consumer and business. This is growth on a wider scale than newspaper companies have historically pursued.

The Casebook section of this report illustrates a number of strategies that can expand a newspaper company's footprint and make money, and there are many others. But a company striving to become the leading local information and connection utility would be most attracted to the strategies that can move it most rapidly toward serving the whole market.

Seeing the new company

What would this information and connection utility – and former newspaper company – look like? No one can say definitively yet, because the needs and solutions that will shape them are still emerging. This company will become whatever it takes to meet those needs and provide those solutions. But some of the dimensions are becoming clearer.

For consumers: Rather than merely pursuing one consumer niche after another, the company would be trying to identify and develop broad strategic offerings that had the power to attract larger audiences by spanning multiple jobs, demographics or niches. It would still be interested in pursuing niche audiences, but would prioritize those according to how large they were and how important they were to a sizable group of businesses.

Over time, it would develop a large and expanding suite of information services including but not limited to daily, weekly and monthly printed products (paid and free); numerous Internet vehicles for news, information, social networking, community dialogues and user self-publishing; a wide array of consumer and business databases; local wikis and other searchable user-knowledge repositories; an assortment of buy-sell services; a range of services via email, mobile phone and other channels, using a variety of text, audio and video media, and whatever else it takes to meet important, unsatisfied consumer “jobs to be done.”

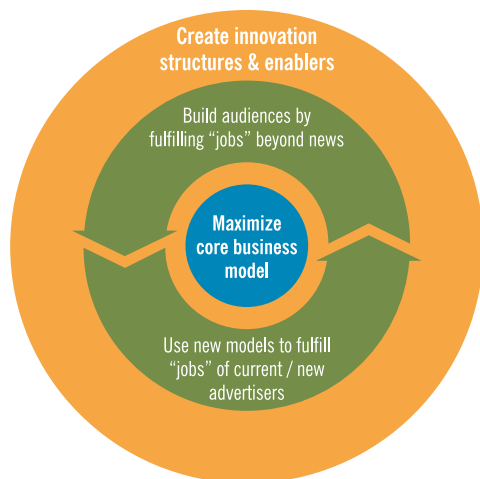
For businesses: Rather than trying to monetize new products only through traditional advertising models, the company would be working to implement the fastest-growing existing revenue and service models that had the broadest appeal to businesses in multiple sectors or verticals. It would also be trying to find new models that could achieve broad reach among large numbers of non-customers. At the same time it would be pursuing narrower verticals or business sectors, prioritized by size and revenue potential.

Over time, it would develop numerous print and Internet business solutions to reach general and niche audiences; a broad and growing assortment of digital and online marketing solutions including but not limited to targeting, lead generation, promotions, email, paid search, self-serve ad creation, Web site optimization, video, audio, mobile and other emerging technologies and media; a range of other services, including customer loyalty programs, back-office tools and platforms, transactional services, product delivery services, public events and other business-support services, and whatever else will meet important, unsatisfied business “jobs to be done.”

In an ideal world, the best products, services and revenue models to fulfill these strategies would already be known. Companies could simply copy them in their own markets and enjoy new growth.

In five to 10 years, that may be the situation. Today, however, creative entrepreneurs are racing forward in the effort to discover the winning products and strategies and gain the new consumer and business customers they will attract. Newspaper companies face a choice: start leading the charge now, or risk forever being left behind by new and old competitors.

EXHIBIT 5 – The original Newspaper Next Game Plan



SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

3. PURSUING MEGA-JOBS

In the absence of tested and proven winning products, what can a company do? One effective strategic approach is to find and fulfill local “mega-jobs” among consumers and businesses.

In the N² product development process, companies often choose a certain group of non-customers (e.g., moms, Spanish-speakers, young adults) and look for their most urgent and frustrating “jobs to be done.” Then they develop a product designed to enable the niche group to get those jobs done better than any other solution. This can produce excellent products.

But a company pursuing the “whole-market” vision also needs a more “macro” approach. It should try to find jobs to be done that are important, frequent and frustrating to *everyone*, or to very large segments of the population or business community, rather than just niches or subgroups. If a successful product can be developed to do *those* jobs, the potential payoff may be considerably greater than with a niche product.

These near-universal needs and wants are “mega-jobs.” At this stage of local market development there’s no pre-packaged master list; discovering them will require a combination of research and insight in the coming months and years. But many of them can be discerned, at least in broad terms, by looking at normal patterns of human behavior.

Mega-jobs among consumers

What kinds of jobs are important, frequent and frustrating to wide range of consumers, regardless of age, education, income, ethnicity or other factors?

Here are a few examples:

■ “Help me make good spending decisions.”

Everybody spends money, and everybody wants to make good decisions about it. And regardless of what you’re buying, many jobs are involved: Help me figure out what I need, help me know what my choices are, help me know which product is best, help me know who is the best seller or provider, help me know where they are, help me save money, and so on. A newspaper by itself barely scratches the surface of these jobs compared to Web tools like databases, user reviews, e-commerce and mapping.

As with most local mega-jobs, no single digital solution dominates the category yet. But many players are trying. The fastest-growing concept seems to be the combination of a comprehensive local business directory (help me know what my choices are) with user reviews (help me know which product/seller/provider is best) and mapping. It’s the yellow pages of the 21st century.

The race is on. AngiesList.com is a national offering operating in about 100 U.S. cities, with a no-ads, subscription-fee business model. Kudzu.com, created by Cox Communications in Atlanta, is a free, ad-supported model

EXHIBIT 6 – angieslist.com



EXHIBIT 7 – kudzu.com



that is now spreading to about 200 U.S. cities. Marchex, Inc., has launched template-based Web sites with zip code URLs (for example, www.20191.com) serving a claimed 95 percent of the U.S. population, by aggregating business directory data and user reviews from other Web sites. Yelp.com is another national offering spreading into many markets. Examples among newspaper companies include recent startups PalmettoBizBuzz.com (*The Post and Courier*, Charleston, S.C.) and HudsonValley.com (*The Times Herald-Record*, Middletown, N.Y.).

Some observers think these sites will be unable to attract advertisers, because businesses will fear showing up next to negative reviews. But Kudzu.com proves it can be done. Their advertisers obviously see value in showing up at exactly the moment when a consumer is choosing a business.

SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

So far, the Kudzu/Angieslist model appears to be the strongest strategy to target the local mega-job surrounding shopping and buying, especially for services. Others surely will emerge over time, perhaps including one-stop online purchasing and other features.

With national companies racing to capture the local mega-job of shopping and buying, this opportunity is in jeopardy right now for newspaper companies. If it slips away, it will put a huge dent in any newspaper company's plans to become the local information and connection utility. Helping consumers make spending decisions is a mega-job that every "former newspaper company" should want to own.

■ "Help me connect, talk and share with others"

This mega-job has been a fundamental instinct since *homo sapiens* learned to talk, and it's the basic fabric of community life. But, as documented by Robert Putnam⁴, all traditional forms of community behavior – club membership, volunteering, having dinner with friends, etc. – have been in decline for decades. They're under pressure from television, long commutes and other time-crunching factors.

Where and when could today's busy people find the time and opportunity to engage with others? The signs say it will be online, in the comfort of their own homes – and right now.

At the national and global level, community-platform solutions like MySpace.com and Facebook.com have seen huge growth. The phenomenon is called "social networking," and it's perceived as mostly for young people.

But what about local cities and towns? If people still crave the conversations that used to happen on the front porch, at the club meeting or at the bar, there may be a huge mega-job in the offing. The local information and connection utility could fulfill it by providing the *local* online discussion and social networking platforms people need.

Some newspaper companies are exploring this strategy, and they are discovering that this form of user-generated content can be an extremely powerful attractor of new online audiences. But these successes have been mostly with niche audiences, such as moms, pet owners and sports nuts (see www.indymoms.com for an example).

The opportunity may be far larger than that – a true mega-job. One of the Newspaper Next case studies – www.MonroeTalks.com, Page 49 – shows that community discussion can reach across an entire local community, attracting people from many niches to discuss a wide range of general and special-interest topics.

Created by a newspaper of about 20,000 daily circulation, the site reached a million pageviews a month in its sixth month, with 65,000 posts on 2,800 topics. That growth rate far outstripped all the other online community efforts in this report.

EXHIBIT 8 - monroetalks.com



So far, most newspaper companies are missing or falling short of this opportunity. If they create discussion forums on their news sites, usually they are limited to discussion of news stories. If they create forums on non-news Web sites, often they are hard to find. In both cases, the discussions are often monitored more rigidly than necessary.

Many papers are exploring citizen photo- and video-sharing and some are experimenting with citizen journalism and public blogging. These are straightforward first steps, but none of them taps the simple human instinct to talk, argue, ask questions, offer answers, and generally shoot the breeze as well as discussion platforms do.

This mega-job of helping people to connect, talk and share with others is one of the reasons this report describes the former newspaper company as an "information and *connection* utility." Discussion and social networking are an important beginning, and this job promises to expand in many further dimensions over time.

A company that intends to be the primary local information and connection utility sees the mega-job of community connection as a huge opportunity. It sets out to be the platform and create the destinations that local people instinctively choose when they feel the urge to connect with others.

■ "Help me find/choose things to do"

In every local market, just about everyone has free time and looks for ways to fill it. This mega-job spans a huge demographic range and includes a vast variety of activities, events and interests – seeing what's on TV, finding bands and clubs, identifying fun things to do with the kids, choosing classes to take and much, much more.

This mega-job is nothing new to newspapers; they've been doing events calendars for decades. And many newspapers have placed these calendars online in various forms, usually within their news Web sites.

SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

But in the online era, consumers expect much more than the static, cryptic lists of events, times and places that newspapers offer. They want comprehensive lists with more details. They want interactivity and mapping. They want user reviews where possible. And they will want convenient features like personal online calendars, one-stop booking and purchasing solutions and other functionalities that will emerge over time.

Adding these functions to a calendar within a news Web site is a start, but this mega-job isn't limited to people who read news. An information and connection utility will want to showcase its calendar offering where even non-news consumers can find and use it.

A number of newspaper companies have already created next-wave products for this mega-job. Some of these aren't quite mega-solutions, because they target specific niche

audiences – young adults, moms, and so on. Examples include the Chicago Tribune's www.metromix.com and the Stockton (Calif.) Record's www.209Vibe.com, both of which focus on the kinds of entertainment that appeal to young adults.

Others take a “whole market” approach, targeting the entire population's mega-job of finding many kinds of things to do. Examples include the Dallas Morning News' www.GuideLive.com and the Daily Herald's www.beeppcentral.com in the Chicago suburbs.

Quite a few companies are offering calendars that invite users to add their own events, and are getting far more events than in the past. Taking that concept a step further is the Personal Online Planner (www.pop.yorkregion.com), developed with the N² process by the York Region Media Group, a unit of Torstar's Metroland division in Ontario, Canada. POP invites users to customize the calendar so it shows only their preferred types of events, by categories such as price, type and distance from home, with emails notifying them of matching events. (Suburban Newspapers of America – www.suburban-news.org – provides a case study of POP titled “Mark the Date” in its Great Ideas section.)

As a company gears up to become the go-to solution for all kinds of local consumer information jobs, “finding things to do” belongs high on its list. The company may want to consider both a mega-solution for everyone and niche solutions for subgroups, which can be provided out of one properly constructed calendar software platform.

■ “Help me get answers about this place”

How did my street get its name? What Native American tribes lived here? What does that company on Third Street do? What's the worst flooding we've ever had here? Who's the mayor and what's her background?

No matter where you live, questions about the place pop up now and then. Somebody knows the answers, but there's no handy way to get them. Some of the questions may even have been answered in the local newspaper in the past, but probably not in today's paper.

If the question is important enough, you ask friends or co-workers or call the library or the newspaper hoping to get an answer. But there's no convenient source – no local encyclopedia or almanac – covering most of the local miscellanea a person might want to know.

This may be a mega-job waiting for a solution, and the local information and connection utility might want to be the provider.

This is speculation, because there are not yet any local success stories to tell. If anyone has created this kind of public, wide-ranging, local user-knowledge repository, it hasn't surfaced in the Newspaper Next project.

EXHIBIT 9 - guidelive.com



EXHIBIT 10 - POP.yorkregion.com



SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

EXHIBIT 11 - wikipedia.com



But an excellent global model exists: www.wikipedia.com. In less than seven years, this free, user-generated, user-edited online encyclopedia has grown to more than 2 million articles in English, and more than 9 million articles in 252 languages. Drawing on volunteer contributors around the globe, it has become the go-to source for anyone looking for quick answers about virtually any subject.

Why not a local wikipedia on the same model – a “localpedia”?

By letting local people share what they know, a localpedia could, in just a few years, become an unparalleled local knowledge repository. Every community has local experts who know more than reporters, editors and librarians do about history, railroads, businesses, schools, geography, weather and many other topics. And every day, the newspaper contains basic local information that belongs in a knowledge repository. If all this knowledge could be captured and made searchable, it could create a community resource used by school children, community leaders, businesspeople and everybody else.

There would be complications, just as with wikipedia.com. User-created entries can be inaccurate or even false. Wikipedia co-founder Jimmy Wales talks about these issues openly, and many are discussed in Wikipedia’s entry about itself: (<http://en.wikipedia.org/wiki/Wikipedia>)

But Wikipedia proves that these problems don’t destroy its value. Users know the information may not be perfect. And it shows that user editing, user commentary, contributor guidelines and site transparency are powerful agents in making it work.

As a localpedia gained a significant user base, it also could become a good advertising vehicle. Wikipedia was created as a non-profit and doesn’t accept advertising, but there’s no reason why a local version couldn’t.

This mega-job in local markets remains wide open – a natural fit for the local information and connection utility.

■ “Help me know about last-minute changes”

Many local mega-jobs are still waiting to be discovered. Just recently, a team at the *Cadillac (Mich.) News* came up with this one.

Let’s say you belong to a Cadillac-area choral group, recreational sports team or service club, or you have children in local schools. A snowstorm hits, and you need to know if today’s rehearsal, team practice, lunch meeting or classes are canceled. Or some unscheduled emergency arises that affects only your group, and the organization needs to let you know.

You can expect an email in your inbox and a text message on your cellphone, courtesy of your local information and connection utility. You may know them by a more familiar name – the *Cadillac News*.

In mid-November, the company had almost completed the software platform for this and was preparing to launch. The platform will include registration for group leaders, registration for group members who want to receive the emergency notices, and a Web form that group leaders can use to write and send notices and emergency messages to their members, participants or parents.

This is a good example of a mega-job that spans many subgroups and can be fulfilled with a single solution. If enough organizations become users of the service, the provider – now becoming more than a newspaper – has moved into a new role with a large segment of additional consumers, regardless of whether they are interested in reading the newspaper or using the news Web site.

It also creates new email and text channels into which the company can sell local business advertising or sponsorships. Some of these could be highly targeted to a business opportunity – for example, a daycare center sponsoring text and email notices of a school cancellation.

A consumer mega-jobs portal?

Once again, these five mega-jobs are not an exhaustive or definitive list. They are just a few indicative examples of the opportunities available once a newspaper company decides to make the leap and become a local information and connection utility. As part of the transformation of this industry, we need to discover many more.

Notice, though, that these mega-jobs – most mega-jobs, in fact – don’t have anything to do with reading the news. They arise just as often among people who don’t read the newspaper or news Web site as among those who do.

So creating good solutions and cramming them into the already-crowded space of the main news Web site – where few non-news readers go – doesn’t make sense. Still, a newspaper company might rationalize it by saying, “We want to get these non-readers to start reading the news.”

SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

EXHIBIT 12



An unlaunched information portal site prototype

In reality, these mega-job solutions should be seen as the beginning of a new suite of offerings to help all consumers with important and frustrating jobs that arise for everyone. The goal should be to present these solutions to the broadest possible range of local residents in the most convenient form – easy to find and easy to use.

This suggests another mega-strategy: creating a new, one-stop information/community portal Web site that showcases all of these mega-job solutions under one easy-to-remember URL. The entry page would be designed as a group of modules, each presenting a different mega-job that users could get done there.

News, naturally, would be one module, where clicking headlines would take readers into the news Web site. And, from the mega-job ideas above, other modules could include:

- Shopping/directory/consumer choices
- Talking/connecting/sharing with others
- Finding things to do
- Getting answers/Localpedia
- Getting emergency notices

Several other consumer mega-jobs belong on this site, too. Newspapers have historically considered them to be “advertising verticals” and treated them as such. But to a consumer, they are important and frustrating jobs, for which they want help:

- Finding a job
- Buying or selling a house or finding an apartment
- Buying or selling a car

Modules for each of these could be provided on the information portal page, taking users into the company’s employment, real estate and auto sites – all of which should be designed with the consumer’s jobs in mind. Certainly they would include advertising, because when consumers face these jobs, ads are part of their desired solution.

Putting all of above mega-jobs into a single, multi-solution portal Web site with an easy-to-remember URL would make it easy for consumers to find them. It would also make it easy for the company to market it as a one-stop solution for “everything you need to live in (market name).”

The result would be a new consumer-facing role and identity for a former newspaper company, now well on its way to becoming a local information and connection utility.

Mega-jobs among businesses

There are mega-jobs galore among the businesses in any community, market or region. However, a typical newspaper company’s products and services leave most of them untouched.

That’s where the new gold mine is – fulfilling new jobs for business customers, many of whom are not newspaper advertisers today. When a newspaper company sets out to become a “whole market” information and connection utility, it begins to target businesses it doesn’t yet serve, looking for important business jobs for which it can create solutions.

Newspapers (and most news Web sites, so far) currently fulfill the job of reaching a mass audience with a one-way message. It’s a big, important job to many businesses – usually sizable ones that draw customers from a wide geographic area, sell products or services that appeal to everyone and can afford the cost.

But a large majority of businesses in every market rarely or never face that job or can’t afford it, so they rarely do business with newspaper companies. These businesses are too small, too targeted, sell to businesses rather than consumers, manufacture but don’t sell at retail, serve only a neighborhood, and so on. They are plagued by jobs that are important and frustrating, but a traditional newspaper’s solutions don’t address them.

Even businesses that *do* use newspapers also spend money on jobs a newspaper company doesn’t currently do, using traditional solutions like broadcast media, direct mail, telemarketing, yellow pages, customer loyalty programs, in-store events and their own Web sites.

SECTION I

WHAT CAN NEWSPAPER COMPANIES BECOME?

However, the explosive growth in local spending is online, where double-digit annual increases have been the norm. Online solutions are winning dollars away from traditional advertising channels, mainly by fulfilling some important jobs better than traditional media do.

There are exceptions in the industry, but too many newspaper companies are still missing the party. They're selling banner ads and classified upsells because those are extensions of their traditional strengths. They are unable to counter competitors that are scoring big gains in online categories such as search, email, video advertising and online promotions. Yet these and other digital revenue vehicles are expected to grow fast in the coming years, while banner ads are expected to sag.

No time to waste

To capitalize on this growth, newspaper companies must leap beyond their current boundaries into this large and growing opportunity space. They must strive to become the leading providers of digital solutions to local businesses, and they must do it now, or they will be doomed to play catch-up.

Section 3 of this report, authored by Borrell Associates, deals in detail with this challenge and opportunity. It shows the large and growing scale of local online spending, identifies today's fastest-growing digital categories, and provides practical guidance on how to be successful.

But it's important to realize that nobody has all the answers. Digital advertising and marketing media are barely 10 years old and are developing fast. At the national level, new technologies, strategies and business models are appearing almost daily.

Solutions geared to local markets, while much slower to develop, are taking off in certain categories. However, as on the consumer side, we're seeing only the beginning. For many important local business jobs, local-level digital solutions have yet to be created. It's a time of discovery and development, and the prize is billions of dollars in potential local business spending.

Today's newspaper companies face a triple challenge in capitalizing on this huge opportunity:

- They must quickly become expert in providing and selling today's known and fast-growing online revenue vehicles and in providing online solutions for key verticals, as described in Section 3. These opportunities are already under attack by competitors.
- At the same time, they must be doing original research and development work among local businesses to learn about important and frustrating jobs for which they can devise new solutions, digital or otherwise.
- They must find or create efficient, low-cost sales channels suited to these new solutions. The industry's current single sales channel – professional ad reps making in-person calls – is expensive, cumbersome and in many instances relatively ineffective.

Start with the business customer's jobs to be done

In all of this, it's critical to remember that success begins not with the technology—email, video, search, etc. – but with the business customer's job to be done. Owen Youngman, senior vice president for strategy and development at the *Chicago Tribune*, puts it this way: "We try to move our people in every conversation from 'What are we able to do?' to 'What do our customers need?'"

When you understand the customer's need – the job to be done – you're better equipped to package attractive solutions using existing models and to develop compelling new models.

Some of the most urgent revenue opportunities focus on key verticals – business niches such as employment, real estate, autos and healthcare. Newspaper companies must move quickly to fulfill the key jobs for these niches.

But at the same time, they need to be looking for mega-jobs – those needs or problems that frustrate large numbers of businesses, spanning many business categories, types and sizes. Developing solutions for mega-jobs can lead to faster growth in a former newspaper company's customer base and revenues.

Just as with consumers, there's no pre-packaged master list of local business mega-jobs and solutions. Discovering them will require a combination of research and insight in the coming months and years. But many of them can be discerned, at least in broad terms, by looking at normal patterns of business behavior.

To illustrate mega-jobs and jobs-based thinking, here are some examples. These are jobs that the local information and connection utility wants to own in its market. In each case, the solutions mentioned are only a few of the possibilities that exist now or might be developed:

- **"Help me reach exactly the type of customer I need to reach."**

Businesses of all types and sizes wish they had some way to reach exactly the type of customers they want. The advertising industry calls this targeting.

Newspapers, as a mass medium, can't do this very well, aside from placing ads in the sports section or zoning preprints. But in every market, a large percentage of local businesses want precision targeting.

The consumers they want to reach vary from business to business, but the job is the same across all categories. Pet care businesses want pet owners, B2B vendors and services want purchasing managers, real estate agents want people who want to buy or sell homes, micro-local businesses want people who live in the neighborhood.

Solutions for targeting can range from niche publications (e.g., high-demographic homes magazines) to niche Web sites (pet owners, moms, young adults) to software-based solutions like geographic, contextual and behavioral target-

SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

ing and paid search advertising. Some solutions, like niche publications and Web sites, can only serve one niche per product. Others, like paid search and behavioral targeting, are more mega-job oriented; they can be used by many kinds of businesses to reach many different niches.

Targeting is a rising demand among countless businesses, and competitors are racing to develop digital solutions. Any company hoping to compete in local markets must be able to get this job done effectively in a variety of ways.

- ***“Help me get considered when a customer is about to make a choice.”***

This is the job yellow pages advertising tries to do. In theory, when a customer is about to call or visit a business to make a purchase, s/he looks up the category in the phone book and looks at the ads before making a choice. This is a very important job for most businesses, so yellow pages directories pull millions of marketing dollars out of local markets. For many small businesses, it's the only kind of advertising they buy.

Providing a better solution for both consumers and businesses could enable the local information and connection utility to tap that huge revenue stream.

Other solutions may yet emerge, but one that's gaining ground right now is the online business directory with user reviews – the kudzu.com or angieslist.com model described earlier in this section. It looks promising because it combines the consumer's mega-job of “help me make good spending decisions” with the businesses' job of “help me reach a customer who is about to make a choice.”

- ***“Help me show people the quality of my product/service/ user experience.”***

“It's fun to shop in our store, and a print ad can't show that,” an advertising manager for a large retail chain told Newspaper Next. “That's why we use television.”

The high-end restaurant wants to show the grace and sophistication of the dining experience. The high-fashion hair salon wants to show its trendy cuts and styles. The home decorating center wants to show the style and quality of the furnishings and décor choices it offers. Builders and real estate agents want to show the quality, comfort and style of the homes they sell. And so on.

A business can't do these things very well in a newspaper ad. It *can* do them in video, and that's what drives television advertising.

But television advertising is expensive and hard to target, so only a small percentage of businesses can use it. That's why online video advertising is growing fast. It can establish

a business' brand and image and show the customer experience for a fraction of the cost of television.

The newspaper company could use video to upsell existing large advertisers. But the local information and connection utility would also use it to open the low end of the market, serving small businesses that can't afford television.

- ***“Help me build and maintain customer loyalty.”***
- ***“Help me create one-to-one relationships with customers.”***
- ***“Help me monetize my customer list.”***

Most local businesses have a big list of past customers, but no way to make use of it. They know past customers might become repeat customers, but they're not in communication with them so they can't take advantage of that opportunity, or track it.

That's what drives larger and more sophisticated businesses to create customer loyalty programs, email newsletters and member rewards programs. They're trying to monetize their past customer lists.

Direct mail was the old solution, but it's too complicated and expensive for many local businesses. Email is a powerful, fast and low-cost alternative. It can be used to reward past customers with discounts, to show them new products or services with still images or video, to boost attendance at sales events, and to create viral marketing offers (“Forward this coupon to your friends!”).

No wonder it's one of the fastest-growing categories of local online spending; almost every type and size of business has frustrating jobs that email could solve. The local information and connection utility wants to become the go-to provider to get those jobs done for large and small businesses.

- ***“Make advertising simple and cheap enough that I can actually do it.”***

The biggest group of non-customers for newspaper advertising is small businesses. They can't afford it, don't know how to do it effectively, and can't take the time to think about it. Even modest-sized markets have thousands of small businesses that don't advertise in the paper at all.

Opening this low end of the business market could be hugely lucrative, if newspaper companies could create solutions that were simple and affordable.

Google's AdWords – a self-service ad program – is the poster child for this mega-job. It gives even the smallest businesses a simple, cheap way to advertise on the Web. Its huge revenue stream is one of the main reasons Google has become a \$100 billion-plus company.

Solutions for this mega-job in local markets could take many forms. Self-serve ads might be part of it, like AdWords or Kudzu.com's self-serve directory listings, but that's only the beginning. The businesses are there, waiting for solutions,

SECTION I WHAT CAN NEWSPAPER COMPANIES BECOME?

and the online technologies are there, waiting for business models. Lots of entrepreneurs – not just newspaper companies – are trying to discover winning formulas. The local newspaper industry – or rather, the information and connection industry – needs to lead the charge.

One new model, profiled on [Page 37](#) of this report, is the *Moline (Ill.) Dispatch's* www.DeliveringQC.com. It shows that price isn't always the only obstacle. In this solution, small businesses buy ads – in the form of downloadable coupons – and pay for them with store gift certificates. The *Dispatch* converts the gift certificates to cash by selling them to consumers at a discount through the Value Vault area of the site. Small businesses are flocking in, drawn by the fact that they don't have to take cash out of the till to pay the bill.

■ “Help me with the customer transaction.”

A newspaper ad is just ink on paper. It can't take a customer's order and process the payment. So newspaper companies haven't gotten involved with their advertisers' customer transactions.

On the Internet, that barrier is gone. The information and connection utility doesn't have to stop at delivering the advertising message to the customer; it could also handle the e-commerce transaction. Then it could pass the order and the payment to retailer, minus a percentage or transaction fee.

In other words, it could become the Amazon.com of the local market. It could provide a turnkey solution for small, local businesses that don't have the money, time or expertise to set up their own online sales and e-commerce solutions.

■ “Help me use the Internet effectively to grow my business.”

When interviewed about their frustrating jobs to be done, many local businesses say they wish they knew how to use the Internet more effectively.

On the whole, local businesses have been slow to capitalize on the potential of the Web. But more and more are waking up, and they're looking for help in figuring out what to do. There are enough of them now that helping them use the Internet to grow their business is becoming a mega-job.

Some are focused on the job of making their own Web presence more effective. The local information and connection utility could be their go-to choice for increasing traffic to their sites via search-engine marketing, search-engine optimization and Web site design. A few newspaper companies are already offering these solutions, with some success.

That could be the beginning of a much bigger and more radical strategy – becoming the local all-purpose Internet marketing agency for local businesses. In this role, the information and connection utility would use any effective channel to help local businesses reach their target customers – not just their own Web sites, but also other Web sites as well as Google, Yahoo!, Facebook, MySpace and any others that connect with hard-to-reach local consumers. (See sidebar [page 18](#).)

When a client needs to connect with a specific local audience, using any effective channel makes sense. The information and connection utility wants to be the go-to solution that makes it happen – the same way a national agency designs and executes media plans to help national clients reach their target consumers. However, a newspaper company would hate the idea, because it would mean sharing revenue with other local companies and some feared national competitors.

Newspaper companies may not like it, but local businesses will soon be using other local and national online competitors anyway, if they're not already. And those competitors are gaining more and more consumer users in local markets. (In Dayton, Ohio, for example, Facebook's Wright State University network has 16,000 members.) The place for a former newspaper company to be is in the lead, providing indispensable help for every local business that needs to reach a target audience.

■ “Help me deal with all the headaches of my business.”

Newspaper people have historically assumed the only job plaguing business owners is, “Help me grow my business.” But there's a long list of other problems to keep every business owner or manager up at night.

To name just a few: hiring, firing, and personnel problems; legal issues; payroll and accounting; benefits management; vendor disputes; governmental regulations; customer relations; collections; facility maintenance, inventory control and debt.

Jobs to be done interviews with business owners reveal all of these and more. It turns out a huge number of business leaders wish they could spend more time running the business they love, and a lot less time on tangential issues they hate.

Newspaper companies may see no opportunity there. But an information and connection utility might be interested in tackling any problem for which it can help local businesses and make money.

In his best-seller, *The World is Flat*⁵, Thomas L. Friedman tells a parallel story about UPS and Toshiba. The electronics company asked if UPS could somehow shorten the round-trip shipping time for customer laptop repairs. The shipper came up with a solution: Using UPS employees, it would set up a Toshiba-authorized repair center at its Memphis shipping hub, so laptops would only have to travel to Memphis and back to be fixed. UPS was willing to go into the laptop repair business, as long as it helped a customer and made money.

There may be ways that a newspaper company's business expertise could be turned into a new line of business

SECTION I

WHAT CAN NEWSPAPER COMPANIES BECOME?

HEY, LET'S ORDER A PIZZA

Here's a hypothetical example:

The local information and connection utility in a mid-size U.S. market sets out to become a local online marketing agency, enabling local businesses to reach local audiences through every effective online channel.

Already expert on reaching local consumers through its own Web sites and print products, it learns the ropes for marketing via national sites like Google, Yahoo!, Facebook and MySpace. It also forms a local online network with other local Web site publishers to expand its local Web reach.

It offers not just the old standard solutions, like email, video and paid search, but also new and emerging solutions like mobile, widgets, new targeting strategies through the national sites, and other emerging tools and approaches.

Then it puts together a proposal for a local pizza restaurant that includes:

- Banners, paid search ads, directory listings and video on the utility's own sites, including the one targeting music and entertainment for young adults and the Kudzu-style business directory.
- Ads on several other local sites that appeal to young adults and that are members of the utility's local online network.
- Ads on Facebook, targeting the thousands of college students who belong to its local college and university networks.
- Local pizza search terms and text ads on Google and Yahoo!.
- A widget – to be featured in all these ads – that anyone can install on his/her computer desktop, so s/he can place a pizza order with the restaurant without picking up the phone.
- Coupons, downloadable or delivered by mobile phone.

This package fulfills just about every business mega-job on the list above – especially targeting, visibility at purchase time, one-to-one connection/customer loyalty, help with the transaction, and using the Internet effectively. It reaches thousands of potential new customers in the most promising target groups and hard-wires them to the pizza restaurant.

How does the utility bill the client? Like any publisher, it charges for its own ads in the package. It also captures a majority revenue share of the sales it makes via the local online network. And, like any agency, it marks up the cost of the buys it makes from the national Web sites.

For the pizza restaurant, it's a one-stop, no-hassle program that penetrates the local target audience as newspaper ads and news Web site banners alone could ever do.

services for local companies. Or a newspaper company might consider representing a line of solutions for back-office business problems that extend well beyond advertising. (One vendor with roots in the newspaper industry – Centric CRM – www.centriccrm.com – offers a package for that purpose.)

As part of its goal of connecting the community, a former newspaper company might also create an online discussion community where business owners and managers could draw on each other's knowledge, experience and expertise. That forum could also become an important part of any B2B solution the company developed for local businesses.

SUMMING UP

With the clock ticking on newspaper companies, it's imperative for this industry to create a new future for itself. The purpose of this section is to draw a picture of such a future in the minds of newspaper people, enabling them to see a vast range of new possibilities beyond the boundaries of the old model.

Today's newspaper companies have tremendous assets, including local staff power, community knowledge, journalistic resources, marketing channels and brand strength. If combined with the right leadership vision and strategies, these resources could enable them to become the dominant players in tomorrow's drastically changed local media landscapes.

However, achieving this outcome in a fiercely competitive and fast-changing environment will require speed, intensity and focus. To transform itself in the next three to five years, the newspaper industry needs a high sense of urgency, an exponentially expanded sense of the available opportunities, and a clear sense of the larger social and business purposes it can now fulfill.

The concepts introduced in this section are intended to support that transformation:

- **The company:** An “**information and connection utility**” whose core purpose is not merely producing news or newspapers, but meeting the human needs for information, knowledge, solutions, social connection, choice-making, buying and selling that arise in a given locale, using whatever technologies, media and channels are required.
- **The market:** The goal of serving “**the whole market**” – every consumer and every business – rather than merely adding incremental products and services around the traditional newspaper.
- **The jobs we want to own:** For consumers: “Help me know or do whatever it takes to live here.” For businesses: “Help me connect with anyone who lives here, in the most effective possible way.”

SECTION I

WHAT CAN NEWSPAPER COMPANIES BECOME?

- **The product strategies:** Begin with jobs to be done research among consumers and businesses. Identify “mega-jobs” and create solutions that span the broadest possible ranges of consumers and businesses. Also identify high-potential consumer and business niches and create solutions that meet their specific needs.

This section has concentrated on describing how such a company would look to those who are striving to create it. How might that successful company look, several years in the future, to the consumers and businesses it serves?

To consumers

A life-enabler for everyone who lives here (“How did I ever live without this?”):

- The source I try first when I’m dealing with a local want, need or problem
- The source I use most often to know what’s going on here
- The best source of facts, knowledge and wisdom about this place
- A source available in the times, places and circumstances when I need it most
- The town square and connective tissue of community life here
- The place I go to be part of the fabric of life here

To businesses:

All kinds of solutions for all kinds of needs (“They help me with whatever I’m trying to do.”)

- Big, comprehensive solutions for reaching people
- Narrow, targeted solutions for reaching people
- Small, low-cost ways to reach people
- Ways to reach specific target groups, niches, interests
- Ways to create 1-to-1 customer relationships and build loyalty
- Ways to build my image or brand
- Ways to reach people when they are most likely to buy
- Solutions for many other problems in my business
- A creative, flexible, multi-dimensional organization

A company that achieves this vision, or even a significant share of it, will have expanded far beyond the boundaries of a newspaper company, and it will have drastically increased its chances of long-term success. **N**

¹ Harvard Business School Press, 1997

² Harvard Business School Press, 2003

³ “Building Your Company’s Vision,” Collins and Porras, 1996

⁴ *Bowling Alone: The Collapse and Revival of American Community* (Simon & Schuster, 2000)

⁵ Farrar, Straus and Giroux, 2005

SECTION 2

NEWSPAPER NEXT CASEBOOK

PART 1

Case studies of 24 new products shaped by Newspaper Next

1	209Vibe.com	Music and entertainment Web site	27
2	513Moms.com/937Moms.com	Mom community Web sites	29
3	<i>The Beachcomber</i>	Free summer beachfront daily	31
4	<i>Cape Cod Dining</i>	Annual dining guide and Web site	33
5	<i>Dayton B2B</i>	Business magazine, Web site, emails	35
6	DeliveringQC.com	Coupon and gift certificate Web site	37
7	<i>Enjoy!</i>	In-paper weekly women's magazine	40
8	<i>The Gateway</i>	Free weekly/shopper for fringe markets	42
9	<i>Huntsville R&D Report</i>	Magazine for high-tech engineers	44
10	Idahoiz.com	Bi-annual newcomer guide and Web site	46
11	MainePets.com	Pet-owners Web site	48
12	MonroeTalks.com	Community discussion Web site	49
13	MyCape.com	Hyperlocal Web sites for 16 communities	51
14	<i>Orange</i>	Upscale regional magazine	54
15	<i>Oregon Outdoors</i>	Outdoor magazine, Web site, weekly insert	56
16	<i>Padres</i>	Parenting magazine for Latinos	58
17	<i>Pocono Record</i>	Newsroom transformation project	60
18	Quality Consignments	One-stop resale service and store	64
19	RaisingMaine.com	Parents' Web site and magazine	66
20	SeacoastParentsConnect.com	Parents' community Web site	68
21	<i>Southcoast247.com PRINT</i>	Reverse-published entertainment guide	70
22	<i>Swocol.com</i>	Web site for Dayton-area college students	72
23	<i>TribLocal</i>	Hyperlocal community sites and weeklies	74
24	Varsity845.com	Regional high school sports Web site	76

PART 2

How seven companies are making innovation happen

	Introduction	78
1	Blethen Maine Newspapers	80
2	Cape Cod Media Group	81
3	Chicago Tribune	83
4	Cox Ohio Publishing	85
5	Ottaway Newspapers, Inc.	87
6	Seacoast Media Group	88
7	Seattle Times	90

SECTION 2

NEWSPAPER NEXT CASEBOOK

THE FIRST WAVE OF N² PRODUCTS AND HOW THEY WERE CREATED

Since Newspaper Next's introduction in September 2006, two questions have been asked over and over: "What are other newspapers doing?" and "What's working and what isn't?"

To provide practical answers, this section contains case studies of 24 new products created with the N² Innovation Method (product development process) and seven profiles describing how companies created structures and enablers to support their product development work. It also draws on each of these case studies to offer specific observations and conclusions to help innovators make the most of the lessons learned.

The original Newspaper Next Game Plan – a strategic framework for diversifying newspaper companies – identified four areas that demand action in the quest to create new growth:

- Area 1 – Maximizing the core business
- Area 2 – Building new audiences by fulfilling consumer jobs beyond news
- Area 3 – Using new revenue models to fulfill jobs of current and new business customers
- Area 4 – Creating organizational structures and enablers for innovation

The product profiles in Part 1 of this section show how companies used the N² approach to develop 24 new products targeting Areas 1, 2 and 3. The company profiles in Part 2 show how seven companies tackled the organizational challenges of Area 4.

PART 1 – THE NEW PRODUCTS

Among the 24 products are print, Web, email and combination products; niche and hyperlocal products; products targeting moms, parents, Latinos, young adults, upscale demographic groups, newcomers and businesses of various kinds, and one newsroom transformation project.

They're all very new – from mere weeks to a year old – so it's too early to reach definitive conclusions about which may become big successes. Most of these projects followed the N² principle of "invest a little, learn a lot," creating fairly simple, first-generation products that are being tweaked and improved as the companies learn what needs to be re-vectored.

Amid all this progress, however, it's apparent that newspaper companies are moving much faster in building new audiences (Game Plan Area 2) than in creating much-needed new revenue models (Game Plan Area 3), or even in adopting models that are already known. The large majority of these 24 new products are monetized the old-fashioned way – through print and/or online banner ads, sold by existing ad staffs.

Still, early results indicate that all are at least modestly successful and many are solidly so. Several are already proven winners.

Two of these winning products/services – www.DeliveringQC.com and Quality Consignments – embody brand-new business models that have excellent revenue potential in many other newspaper markets.

A third winner – www.MonroeTalks.com – yielded explosive Web audience growth with a very simple approach that could be applied to many other Web offerings, including several in this report.

A fourth success story isn't a product at all – it's a wide-ranging, N²-based newsroom transformation at the *Pocono Record* in Stroudsburg, Pa. Driven by consumer wants and needs, this process is realigning the newsroom structure, changing the content it produces and adding new channels and formats of distribution, with measurable early results.

But there's no silver bullet here – no single broad-scale success that will erase the newspaper industry's woes. Nor does it appear likely that such magical solutions will emerge. Building growth in local markets will require creating a variety of new products, adopting a range of new business models, and searching continuously for the next new opportunity. These cases show a number of the possibilities.

How they were chosen

The 24 cases and seven organization profiles were gathered among companies that were the earliest adopters of N². Each of these 11 companies brought the American Press Institute in for a day-long N² training workshop between November 2006 and March 2007, and then went to work with the N² tools, concepts and processes. The one exception – www.DeliveringQC.com – was created by a circulation director who attended a public day-long N² workshop in November 2006.

So these cases weren't chosen as "best-practice" examples, nor as a punch list of the smartest or most successful opportunities that exist in the industry. Those will emerge over time, but it's too early to identify them yet.

Rather, these products and organizational profiles are a cross-section of the N² products that were first out of the gate. They are pioneering examples of the N² approach, which involves identifying noncustomers, researching their wants and needs and developing products that address their most important, frequent and frustrating "jobs to be done."

As such, they illustrate many good practices and smart strategies that can be applied by other companies. They also highlight some of the difficulties that can hamper progress. These takeaways are highlighted in an "N² Comment" section at the end of each case study and organization profile, written by N² Managing Director Stephen T. Gray.

Several broader patterns emerged as well; these are summarized below, as "Key Takeaways."

In addition to the 24 products covered here, most of these companies had launched or were developing anywhere from two to 11 additional products. It was evident that they had

SECTION 2 NEWSPAPER NEXT CASEBOOK

made dramatic progress in creating “innovation pipelines” within their organizations, and that they were gaining important new knowledge at every stage.

Alert readers will notice that the Ottaway Newspapers group is heavily represented in this report. That’s because their companywide N² initiative succeeded in producing a large number of new products at their properties in just a few months – the result of firm corporate commitment, a million-dollar corporate innovation fund and energetic leadership by their publishers.

The products in this report are only the tip of the iceberg, representing only a small fraction of the innovation work happening today. In the 12 months after N²’s debut, at least 4,000 newspaper people attended day-long N² workshops. More than 40 newspaper companies, divisions or clusters representing hundreds of newspapers held extended N² training sessions for their staffs. How many new products they have launched or are now developing is still unknown. One of the highest priorities for N² in 2008 is to gather and disseminate additional case studies, sharing the lessons learned and the opportunities identified.

KEY TAKEAWAYS

Observing the industry’s baby steps in customer-driven innovation, there’s much to say. A lot of it is good news, beginning with the number and range of new products in this first wave of N² innovations. They range from familiar models close to the core business – such as dailies, weeklies and magazines – to blue-sky ventures far outside the core. There’s a lot of creativity and courage here.

But in typical N² fashion, these first-generation efforts also teach a lot of lessons about what can be done better. Drawing on what they’ve achieved, it becomes much easier to see what needs to be done next.

The observations below are drawn from the 24 product case studies. A similar set of observations precedes the seven organization profiles, beginning on [Page 78](#).

SALES AND REVENUE MODELS

The greatest need evident among these 24 cases is the dual imperative of finding new revenue models and developing more effective ways to sell them.

Among the 24 products profiled in this section, the need for new approaches to monetization was universally and vividly apparent.

(Section III of this report, [Page 92](#), explores a number of fast-growing online revenue models and how newspaper companies can implement them.)

Three overarching and often overlapping revenue issues emerged:

1. The tendency to rely on print products to drive quick revenue
2. The tendency to use existing sales staffs to sell new, innovative products
3. The need for new offerings to businesses

1. Relying on print

Print is a comfort zone for newspaper companies. We know how to produce, sell and make money with print products, and the pressure to make more money continues to be fierce. No wonder, then, that two-thirds of these 24 products include print components.

This could be dangerous, if it means we’re turning our backs on new-media opportunities. But that is not happening among these companies; two-thirds of these products include important online components.

Only a handful of the 24 products are print-only or online-only. And in almost all cases, the companies’ format choices – print, combo, or online-only – clearly made sense. So there’s strong evidence that these companies are doing sound thinking about when customers need print solutions, when they need online solutions, and when they need both.

The big bonus of print or combo products – clearly evident in the case studies – is that they usually make money sooner, and more of it, than online-only products do. Most of the print and combo products were profitable immediately.

But why is that? It’s partly market conditions – print advertising sells for more money than online advertising, and a lot of local businesses are still more comfortable buying print than online (“A product they can hold in their hands,” as one newspaper executive said).

But it’s also because of an endemic weakness in this industry’s sales efforts: Virtually all of these companies relied mostly on their print staffs to sell their new products, both print and online. And most of those ad reps know and understand print much better than online (See 2, below).

The bottom line is this: For now, a print/online combo – if it’s right for the target audience and the target businesses – can be a good way to drive a quick, solid revenue stream. But where there’s a good opportunity that ought to be online-only, newspaper companies should proceed courageously, and they shouldn’t try to force print into the mix.

Meanwhile, the entire industry needs to move quickly to adopt revenue models and create sales structures that will give our new online products – in combos or not – a better chance to grow.

SECTION 2 NEWSPAPER NEXT CASEBOOK

2. Relying on existing sales staffs

Case after case, on the question, “How are you monetizing the new product?” the answer was the same: “It’s being sold by our existing staff.” Sometimes that staff included one, two or a few “online specialists;” sometimes it didn’t.

For a few print-centric products – magazines like *Enjoy!*, *Padres*, *Orange*, and *Oregon Outdoors*, for example – using the print sales staff was the right choice. But in too many other cases, it appeared that the sales channel probably was limiting the sales results.

This is partly a management and training issue. Newspaper companies vary widely in how well they train their print staffs to sell online, and in how effectively they are able to direct print reps’ attention toward online sales. But the fact is, not many companies are doing this well, and very few have created enough online sales positions to maximize revenue.

Existing staffs historically have been set up mainly to do one thing: Sell a large-reach product (newspaper and more recently news Web site) to a sizable business that wants the reach and can afford the cost. In addition, most existing staffs have been asked to sell countless related products – special sections, TV books, TMCs, niche publications, inserts, and various special promotions. Salespeople now have little or no extra capacity, and they usually don’t get very excited about small-scale products designed for special audience or business niches.

What’s more, it makes poor business sense to pull them away from their high-dollar existing accounts to go cold-calling on low-dollar prospects or to invest time in specialty products with low rates. They need to stay on task, delivering the large revenue numbers that our core products demand and that their compensation structures usually reward.

For many of this report’s 24 products, a different selling model would help: special-purpose, non-traditional sales reps. That is, people who sell only the niche product and know it well, who focus on its non-traditional target customers, and who perhaps are compensated in a non-traditional way.

Most of the Web sites and a few of the print products would be natural candidates for this, including, for example, www.209Vibe.com, targeting young adults and the businesses who cater to them; www.Swocol.com, targeting the small businesses that cater to Dayton’s 66,000 college students; www.MyCape.com, with 16 hyperlocal community Web sites targeting small, hyperlocal businesses; and the several moms’ and parents’ Web sites among the group.

For each, picture a few non-traditional reps from the target consumer group – young adults for 209Vibe and Swocol, local residents in the hyperlocal communities of Cape Cod, and moms for the mom and parents’ sites. They could, in fact, be part-timers, maybe on 100 percent commission. These would be reps who understand and relate to the product, who concentrate on it 100 percent of the time, and whose own success depends on selling it alone. If a startup

company created these products, that’s probably the way they would sell them.

Southcoast247 PRINT, a reverse-published monthly print tab for a young-adult entertainment Web site, was about to try this approach (on a straight 30 percent commission) after several years of experience with a more traditional model.

There’s nothing dangerous about this if done on commission only; it’s a low-risk, low-cost solution. And existing staffs could still sell the new products, as long as they focused on their traditional customers. At least 14 of the 24 cases offer a good opportunity to try this approach.

Other low-cost sales approaches, such as telemarketing, email marketing and online self-service ad sales, need more attention, too. The industry needs to develop expertise in lower-cost sales channels so it can sell lower-priced advertising options profitably to thousands of small businesses that can’t afford regular newspaper advertising.

But developing low-cost sales channels is only part of the puzzle. An important question remains: What are we selling?

3. The need for new offerings to businesses

When asked what revenue models they were using, almost every company gave the same answers: Display ads for print, banners and buttons for Web sites. In print, a couple of products offered classified ads. Online, rarely were any other models even mentioned. Even companies that had done research on jobs to be done among their target businesses rarely came up with any other solutions.

A couple of print exceptions, while still in the traditional mode overall, deserve mention:

- *The Beachcomber*, a five-day, summer-only free daily tabloid targeting vacationers and hyperlocal resort businesses in Hampton Beach, N.H., was built on an extremely potent, low-cost revenue model. By limiting ad changes, they were able to sell a summer-long contract for a five-day, quarter-page ad for one affordable flat rate. Businesses found it difficult to say no.
- *The Gateway*, a free weekly/shopper targeting a fringe area near New Bedford, Mass., discovered that businesses wanted to reach not just the target community but also the neighboring one, so they expanded the footprint. They also kept costs so low that they could offer print ads at rates too good to refuse.

For online products, exceptions to the “banners and buttons” answer were rare. A few companies said they are selling, trying to sell or planning to sell site-wide sponsorships, email sponsorships, and video advertising. One was exploring lead generation; another was developing an online self-service module to enable businesses to create and purchase their own ads, and two companies offered coupon advertising.

In Section III of this report, Borrell Associates provides hard data proving that banners and buttons are only the begin-

SECTION 2 NEWSPAPER NEXT CASEBOOK

ning of online revenue opportunities in local markets. Across local markets in the United States, local online spending is rising fast in email, search and video advertising, in the key verticals of employment, automobiles and real estate, and in online promotions. According to Borrell's research, too many newspaper companies are moving slowly or not at all in these areas and are in danger of being left behind.

These 24 cases support that. To the degree that they're representative, they show that the newspaper industry is doing much better so far at creating new audiences than at adopting new strategies to meet business needs – the key to new revenue streams. And besides the proven strategies covered in Section III, it's also evident that the industry needs new breakthrough ideas for opening the low end of the business market.

For starters, we need lower-cost solutions that small businesses can afford. Most forms of newspaper advertising overshoot the budgets of millions of small businesses. This is a frontier of opportunity this industry has barely begun to explore; we urgently need to develop a wider range of solutions and lower-cost sales channels to sell them in order to serve the low-end businesses in every market.

Can this industry come up with such models? One example in this report – www.DeliveringQC.com on Page 37 – shows it can be done. The *Moline Dispatch* found a way to let small businesses buy advertising without cash – a scarce resource for many small businesses. Instead, advertisers on www.DeliveringQC.com pay in gift certificates, which the newspaper liquidates quickly online by selling them to consumers at a discount. The sales rep (who works by phone, from the circulation department) has landed 150 advertisers, and he says these are the easiest sales he's ever made.

The other dramatically new revenue model in this section – Quality Consignments – doesn't target businesses or advertising at all. Instead, it extends the basic classified model by giving consumers a complete, turnkey solution for selling unwanted quality items through a newspaper-owned consignment store.

And, still much further from traditional newspaper territory, there's an entirely different plane of advertising opportunity: the ad solutions offered by huge players like Google, Yahoo!, MySpace and Facebook, which enable businesses to reach their vast audiences with ever more targeted tools. These online giants are achieving huge reach in many local markets. Newspaper companies could become the leading local online ad agencies, able to create multi-platform advertising packages for local businesses using their own products as well as those of these and other big online players. The offerings would not just be ads, but also widgets, targeting, paid search and much more. This is an enormous opportunity for newspapers to offer complete solutions for local business customers. If we don't, it won't be long before our competitors or the businesses themselves figure it out.

In sum, to make the most of our industry's new successes in creating new audiences, we must move quickly to adopt

known revenue models, develop new ones, and create effective sales channels for both small and large businesses.

QUALITY OF PRODUCTS AND EXECUTION

The 24 products in this report range from small-scale, quick-turnaround ideas executed by a single person to large-scale efforts involving many departments and dozens of people. But each, in its own way, is a major triumph and a great new product.

They're great, not because they were big or hugely profitable at the start, although some were. They're great because they were created in an entirely new spirit, based on the principles of "invest a little, learn a lot" and "good enough." Most kept their initial costs very low, kept the development process short, and launched with the expectation of re-vectoring based on customer responses.

As a result, each of these pioneering efforts is now attracting new audiences and generating new revenue. They are on their way, and the experimentation is continuing.

Meanwhile, what lessons can be drawn from what they've accomplished?

The power of discussion

At least 13 of these new products set out to create new audiences by developing online user communities. The target audiences varied, but the community theme was the same – they wanted to bring together consumers who shared a common interest and get them engaged. The target groups included moms, pet owners, outdoor recreation enthusiasts, business owners, hyperlocal communities, young adults, high school sports fans and more.

Among these 13 efforts, several showed good success even at this early stage. But one of them produced explosive audience and traffic growth that far outstripped the rest: www.MonroeTalks.com, a general community discussion and sharing site created by *The Monroe Evening News*, circulation 20,000. [Disclosure: The author of this report was editor and publisher of *The Monroe Evening News* until 1997, and continues to serve on the company's board of directors.]

Just four months after launch, it reached almost 1 million pageviews a month, rivaling the paper's main news site. By its sixth month, it had more than 65,000 posts on 2,800 topics. This far exceeded the growth of the other discussion forums in this report.

The case study discusses what makes this site different, but there's an important and larger conclusion here: Newspaper people seem to be missing a very important piece of the user-generated content (UGC) opportunity that www.MonroeTalks.com gets right.

Given our journalism training, maybe it was inevitable that we would think UGC means citizens writing news articles and uploading photos. A couple of hyperlocal offerings in this

SECTION 2 NEWSPAPER NEXT CASEBOOK

report are doing pretty well in those departments. But discussion per se is a basic human behavior that is the lifeblood of every community. And discussion in online communities appears to have as much or more engagement power than staff-written content, citizen journalism, photo-sharing, blogs, calendars and other features.

In other words, any newspaper organization thinking of trying to create an online community should consider putting a discussion forum front and center on the homepage and giving the community the freedom to discuss just about anything. Yes, there can be taste and conduct issues, but conduct guidelines and a little bit of judicious intervention can keep those under control.

Any newspaper company striving to become the local information and connection utility, as described in Section 1 of this report, will need to master a variety of community and social networking tools, configuring them to enable discussions and interchanges of opinions, information and knowledge.

The power of databases

Another key toolset for any company attempting to become the chief local information and connection utility is online database software. Many of the key features among the online products in these case studies are built on databases.

It's not that consumers want databases – many of them would barely recognize the term. It's that they want answers. They want many kinds of local and non-local information, and they want it to be easily accessible and searchable. When consumers want calendar listings, sports scores, business directories, dining guides, crime statistics, or any of a thousand other types of information, what's under the hood powering the solution is a database.

The case studies in this report mention databases of many kinds – calendar listings, business directories, etc. – but there are many other examples springing up among newspaper companies. Almost any project that begins with consumer jobs-to-be-done interviews will discover that people want handy, interactive information resources that are tailored for quick, easy use.

Databases are so important that an upcoming API/N² report, scheduled for release in Spring 2008, will explore the topic in greater depth. It will feature more than 60 examples and provide pointers and suggestions for getting started in meeting consumer and business needs with databases, and for monetizing these efforts.

Critical mass, testing and marketing

Steps 3 and 4 of the N² product development process urge companies to look for possible “deal-killers” that might cause their new product to fail, and to find ways to test them.

For Web-based products, the top deal-killer is usually achieving “critical mass” in the number of users. If a Web site can't attract enough users, then a second potent deal-killer kicks in – failure to attract enough business customers and revenue. The same is true for print products. If you can't get the readers, you're not likely to win and retain the advertisers.

This argues strongly for pre-launch testing, to see if the intended users understand the product, like it and feel they would use it. And it argues for testing among businesses, to determine whether they feel the business offerings would meet their urgent marketing needs.

The teams that worked on the products in this casebook appear to have spent a lot of time on Steps 1 and 2 of the product development process – researching the important, frequent and frustrating jobs to be done among their target consumer and business groups, and translating those into product ideas. But, reflective of an industry not yet adept at rapid new product development, several may not have taken enough time to test their product prototypes sufficiently with their intended customers.

For a Web site, pre-launch user testing is critical. It's amazing how often the designers and planners of a Web site assume that a site's functions will be obvious to users, only to discover much later that people didn't see or didn't understand some of the site's key features. Even small design choices matter, and if a user can't easily see what the site will do for him or her, achieving critical mass will be difficult. In a couple of cases – the print magazine *Enjoy!* and the community discussion site www.MonroeTalks.com – the teams took care to put the products in front of potential users before launch, resulting in important pre-launch improvements.

More typically in our industry, ads overpower the prime space “above the fold” and there isn't much in the visible content space to engage attention, or some of the most important jobs a site intends to fulfill aren't easily visible, aren't instantly recognizable or aren't explained. A key reason for testing is to verify that the key jobs a site is intended to fulfill for its users leap off the entry page at first glance.

Another factor in achieving critical mass is marketing. Whatever the product, it's important to develop an appropriate marketing strategy and budget – another thing our industry is still learning how to do – so the intended users learn that it exists and are motivated to give it a try. Depending on who is the target, that can require some ingenuity.

Several companies remarked that developing the products didn't cost much money – it was the marketing that took cash. Marketing budgets varied from a few thousand dollars to \$150,000 or more.

SECTION 2

NEWSPAPER NEXT CASEBOOK

Strategies varied. Just about every product was marketed in the daily newspaper, and most were marketed on the news Web site and in other print and online channels owned by the newspaper. But products designed to attract non-users of the newspaper require different strategies.

For some target audiences, it takes spending in other media. For others, it takes non-traditional tactics and viral approaches. The case studies show a variety of creative solutions. For example:

- *The Beachcomber*, a free beachfront daily, was marketed on the July 4th weekend with aerial banners and was distributed by female hawkers on roller skates.
- www.MyCape.com, consisting of 16 hyperlocal community Web sites, hired six “MCs” – local part-timers who attended town events, spoke to organizations and groups, shot and posted photos and generally encouraged residents to check out the sites and start sharing their news, photos and calendar items.
- At www.209Vibe.com, aimed at young-adult music fans and musicians, the project leader recruited a “street team” of young people who attended concerts, distributed giveaways and promotion cards, promoted contests, wore logo T-shirts at events and generally talked up the site at every opportunity.

Other notes on quality and execution:

- Products ranged from one-person, quick-hit projects (e.g., Cape Cod Dining) to substantial development efforts (e.g., Idahoiz and www.Varsity845.com). In several cases, the goal was to get a product out quickly and see what happened. All are valid approaches.
- Pre-product market research is still a growing capability in our industry, and the research efforts behind these products varied widely. Some teams did barely any external research at all, relying on internal discussions, team leaders’ intuitions, and perhaps a handful of informal discussions with consumers or businesses. Many other teams did great interviews and focus groups, sometimes with scores of consumers and businesses, to learn about the jobs to be done. In general, better research up front translated more consistently into well-conceived products.
- Occasionally it takes a big intuitive leap to go from identified consumer and business jobs to a killer solution. The problem is, users can’t always articulate what the product should be. In a few of the cases, a brilliant leap of insight resulted in great job-fulfilling products that no consumer or business specifically requested. That’s true of three of the biggest success stories – Quality Consignments, www.DeliveringQC.com and www.MonroeTalks.com.
- Staffing for these 24 products ranged from none to several positions, but many were staffed by a single person. Some were staffed with part-timers or contract employees. Most of the products borrow production, technical and other skills from existing positions. Several products make heavy use of freelancers and speak highly of the results.

- Many projects were creative in applying the concepts of “good enough” and “invest a little, learn a lot.” *Padres* magazine, for example, began as a in-paper bi-monthly to test the market, then upgraded to monthly, and may soon expand beyond in-paper distribution to reach a broader audience. Other “invest a little” tactics among the projects included part-timers, contract employees, contract Web site developers, outsourced magazine layout, low-cost piggybacked TMC distribution, annual contracts sold in short-term sales blitzes, and many more. And, here and there, a project admitted that it had overshot the “good enough” standard – it made the quality better than required, resulting in longer development times and higher costs.
- A few print projects seemed to struggle developing a jobs-focused distribution strategy – for example, products designed to engage non-newspaper readers wound up being distributed through the newspaper. In some cases, they said it was a temporary startup strategy. In others, it appeared to result from an instinct to sustain the core or save money.

SUMMING UP

It’s important to remember that these 24 cases are a cross-section of the earliest new products developed with the N² approach. As such, they offer a huge serving of ideas, processes, strategies and product concepts from which the industry can draw.

Among these pioneering efforts, every one may be worth pursuing in other markets. But they are not necessarily “plug and play” models to be copied by rote. They’re first-generation efforts, and few of their creators would claim they’re fully formed. The products will be revectoring over time based on lessons learned from their own experiences and perhaps from other companies attempting similar products.

Anyone undertaking one of these models should do it by starting the N² Innovation Method from the beginning and following its four product development steps. They can borrow from the good work presented here, but they also should do jobs to be done research with consumers and businesses in their own markets and do their own thinking about the ideal products and their own testing of prototypes.

Note, too, that these 24 examples constitute just a tiny sample of the many product opportunities newspaper companies should be exploring. Others as good or better remain to be discovered. Some of those may be able to reach and engage broader audiences (as described in Section 1 of this report) than the mostly niche-targeted products in this section.

The newspaper industry is only beginning to explore the new frontiers of service to local audiences and local businesses that are possible with today’s technologies. This report is a starting point, intended to help guide and inspire the newspaper industry to “invest a little, learn a lot” as they venture into these new frontiers of opportunity in local markets.

SECTION 2 NEWSPAPER NEXT CASEBOOK

1) www.209Vibe.com and 209Vibe.com tab

The Record, Stockton, Calif.; weekday circulation 58,670 (Ottaway Newspapers, Inc.)

Sources: Roger Coover, publisher; Ian Hill, 209Vibe editor

Product

www.209Vibe.com is a Web site focusing on the growing music and entertainment scene in the Stockton/Modesto area, and the bands and fans that thrive on it. *209Vibe.com* also is a reverse-published tab, initially planned as a one-time promotional effort for the Web site, with 10,000 copies distributed at more than 100 locations including bars, coffeehouses and other youth- and entertainment-oriented businesses. Business response was so strong that the tab went monthly beginning in December. Neither product carries a branding tie to the *Record*.

The local music scene has been growing largely because the City of Stockton is redeveloping the downtown area with a new ballpark, an arena and a renovated theater, and has changed regulations to encourage restaurants and clubs to offer music and entertainment.

The idea for 209Vibe sprouted organically at the *Record*, first pitched in 2005 by a reporter who covered the entertainment scene – Ian Hill, who eventually became 209Vibe editor. 209Vibe was one of the first product ideas to go into their Newspaper Next innovation pipeline.

The project involved three teams: a cross-departmental project team, which did the research and the development work to create the products; an external “street team” of young adult volunteers and unpaid interns, which does guerrilla marketing for the products and generates some content, and an internal print team, working to refine the print product.

Launches: Web site on Aug. 25, 2007; tab on Sept. 20, 2007

Targeted consumers/nonconsumers

Mostly young people, ages 21-35, who are interested in, or involved in, the growing music and entertainment scene – an interest group that doesn’t connect with the daily paper.

Main job to be done:

Initially, “Help me be part of the music scene.” Expanding to entertainment, movies, sports and other things to do.

Targeted businesses

Initially they identified about 50 target businesses involved in local music and entertainment, then many other businesses that want to reach the young adult audience, including car dealers, the City of Stockton, the renovated theater, apartment complexes and others.

Main job to be done:

Help me reach young adults effectively in our market (a job not met by the *Record*).



How they did JTBD research

Several one-on-one discussions and several internal focus groups. Hill did informal interviews with musicians and fans for over a year while covering his beat, then the 209Vibe project team did individual interviews and focus groups for development of the site and tab. Many of the young adults said, “We need a place to connect.” The team asked those people to help them build up the Web site, providing artist and venue data.

Main components, features, attractions

Database of bands and venues with self-entry, calendar of entertainment events with self-entry, band profile pages (more than 100 bands and musicians created profiles in the first few weeks), blogs, venue profiles with maps, user polls to choose bands to be featured on the entry page, blog-like “wanted” postings (“Hookup”), user-contributed photos, music player offering samples by local artists, “Telephone Pole” page featuring jpegs of concert flyers.

How it's monetized

Web site: Banner and button ads, with video ads coming soon. Initial Web sales were on flat-rate pricing for the first 60 days because the traffic was unknown. Plans call for changing to a pageview model when traffic builds. The spaces were priced to sell and were sold by the existing ad staff, targeting 50 advertisers identified by Hill. Space sold out quickly.

Tab: Print ads and combinations of print and Web. Coover said the tab was initially designed to promote the site, but it will go monthly in December, giving advertisers a Web-print combination including something they can see and hold in their hands.

SECTION 2 NEWSPAPER NEXT CASEBOOK

Both products are sold primarily by the existing sales staff, which sells the *Record's* full line of core products and its news Web site, and an online specialist. A second online position is being added.

Marketing

209Vibe's initial marketing was non-traditional, including MySpace.com postings, sponsored kickoff concerts on the first several weekends (total cost \$500) and live blogging from sponsored events. The street team was heavily involved, and T-shirt-wearing team members passed out postcard-sized cards at other entertainment events and college campuses. 209Vibe.com T-shirts are tossed into the audience at the sponsored events. Mainstream marketing efforts were to begin in November, with advertising boards at the local hockey and arena football venues, bus wraps and T-shirt giveaways at events.

Coover said, "We had no budget – we just spent what we needed." The 2008 marketing budget will be \$40,000 to \$50,000, not counting house ads.

Staffing

One fulltime editor – Hill – is in charge of the site and tab and content for both. He also oversees the street team. Ads are sold by existing staff, with prospect suggestions from Hill. Street team members are unpaid volunteers. Hill writes much of the content, with some to be written by members of the project team, freelancers or *Record* reporters. Hill reports to the *Record's* editor, who oversaw the innovation project, although they are considering moving the position elsewhere in the organization so it will be clear he's no longer a reporter.

Key metrics

Site traffic and ad revenue. Coover: "Our goal was to create a brand and an audience. We said as long as we break even, we're happy – I didn't set a deadline. For 2008, I don't expect to make money because we'll be spending a lot on marketing and building the brand. But we were able to sell [the Web site] out faster than our traditional Web sites."

After its Aug. 25 launch, the site logged about 36,000 pageviews in its first month. Traditional marketing efforts were to begin late in the fall.

Lessons learned (Roger Coover)

- You need a monomaniac – someone with a focus and tons of energy, who talks, lives, eats, breathes and does everything it takes to make it successful. Otherwise there are so many other things that will push it aside. We're now looking into other free publications, and one of my requirements is that it has to have staff of its own or it will be shuffled into the background.

- Part of it is being smart enough to say, "Take it and run with it." I've mostly stayed out of it – I allowed them to design the product and decide what's best for it. We've also tried hard to make sure the structure, history and mindset of the traditional newspaper and the company don't restrict the innovation in this project or any other.
- We're trying to do our marketing as inexpensively as possible, like the volunteers on the street. Viral marketing is very important with that group, and we know we have to spend money up front to build a brand.
- Even if you don't follow the Newspaper Next approach 100 percent, it's great to have the process laid out, so you can make it your own. Newspaper Next has been good for us.

Comments

Stockton, California – a vibrant music scene? If you doubt it, www.209Vibe.com will make you a believer. And, as an outside-the-box innovation effort by a newspaper company, there's a lot to like about this project.

The site, even in its first few weeks, had a tremendous wealth of band and venue information – more than 160 band profiles and more than 30 venue profiles. New features were being added steadily after the launch – a music player, "best band" polls and more.

The site's roots in the local music community are exceptional, thanks to Hill's background as a local music reporter and his almost fanatical dedication to making the site a vibrant, well-connected platform for local music fans and artists. This gives the site a unique approach, as compared to other music and entertainment sites like www.Metromix.com (*Chicago Tribune*), www.BeepCentral.com (*Daily Herald*, Arlington, Ill.) and www.Indy.com (*Indianapolis Star*).

As Publisher Coover says, having a devoted champion for a new and radically different product is a tremendously important factor. Without Hill, the site probably wouldn't exist at all, let alone become a thriving mecca for fans and bands. And, like Hill, a project champion should have a sharp focus on both groups of target users – consumers and businesses – and a drive to succeed with both. Hill's input on the ad sales effort and his creation of a volunteer "street team" for guerrilla marketing are key aspects of the 209Vibe.com effort.

The combination of Web and print – a pattern occurring fairly often in N² projects – seems to be working well here, since both the target audience of young adults and the target business client base are likely to see value in both.

On the sales side, Coover shows commendable patience for growth as they develop the sales model. It may be that relying on the existing staff will work. But the "street team" of committed marketing volunteers hints at a possible added or alternative sales model – recruiting some of these young enthusiasts as commission-only sales people, to call on the non-advertising businesses that thrive on young adult customers.

SECTION 2 NEWSPAPER NEXT CASEBOOK

2) www.513Moms.com, www.937Moms.com

Cox Ohio Publishing: Four dailies (*Dayton Daily News*, weekday circ. 116,474; *Springfield News-Sun*, 25,060; *Hamilton Journal-News*, 19,843; *Middletown Journal*, 17,546) and six weeklies.

Source: Edwina Blackwell Clark, senior vice president for audience

Product

A pair of regional Web sites for moms in the 513 and 937 area codes, providing places for moms to connect with each other, learn about events for families and children, and find other helpful mom resources.

Moms were identified by the Cox Ohio new product committee as one of several strategically important audiences that were not reached well by the group's daily papers. (For Cox Ohio's innovation structure, See [Page 85](#).)

The nine-county footprint of Cox Ohio Publishing's newspapers covers most of these two area codes. The two sites are separate, but they operate from the same platform and offer the same features.

Launch: March/April, 2007

Targeted consumers/nonconsumers

Moms of pre-school and school-age children. The initial concept was moms in the 25-35 age range, but when they sized the market, they found that range was too narrow.

Main job to be done:

Give me helpful resources, help me connect with other moms, and help me find out about things to do.

Targeted businesses

Businesses that want to connect with moms – the primary consumer decision-makers for their families. Target businesses are both large and small and span categories including retail, real estate, healthcare, the arts, spas, fitness and many more.

Main job to be done:

Help me connect my business with these busy consumers.

How they did JTBD research

The first step was an internal focus group of moms convened by the Cox Ohio new product team. Then, prior to launch, the team sent an email to all employees asking them to use the site and provide feedback – a first-time effort that resulted in useful new input. After launch they convened a mom panel for several weeks for discussions and feedback.

Main components, features, attractions

Articles (staff-written, expert-written, freelance, tips, advice), blog, calendar, polls, photo and video uploads, discussion forums, coupons, private messaging.



How monetized

Banner ads, sponsorships, coupons. These and other niche sites (pets, college students) are sold along with the main newspaper Web sites by Cox Ohio's dedicated online reps. They also can be sold by all print reps, who are being trained to sell multimedia. The online sales director drives sales for these sites. Combo packages also are offered, combining online advertising with print ads in women-friendly sections of the *Daily News*. Under consideration: creating combo packages using both the mom sites and direct mail to target the mom audience.

Marketing

Before launch, they asked employees to forward the site to friends and family and invite them to use it, to seed the site with user content. At launch, stories ran in the Cox Ohio newspapers and press releases were sent to other media. Various event and viral marketing strategies are used – giving away premiums, walking in parades, participating in summer festivals and fairs. They targeted about 300 daycares with a "mom pack" – a cooler pack with Web site logo cups, a growth chart, business cards, magnets and notepads – and ran a contest on the site. House ads are continuing in Cox Ohio products and Web sites. The company's first-ever "women and families expo" was held in October, sponsored by 937Moms.com and the *Dayton Daily News*.

SECTION 2 NEWSPAPER NEXT CASEBOOK

Staffing

Site research and development was done by the Cox Ohio new product team. Upon launch, responsibility for the site was transferred to *The Daily News* online content team, with one person temporarily designated as primary overseer. Now they are hiring a full-time “niche editor” to oversee the mom sites, pet-owner sites and other niche sites. Content for the site comes from freelancers, partnerships (museum, hospital), and repurposed newspaper content.

Key metrics

Target numbers were set for pageviews, unique visitors, time spent on the site, ad revenue. In late fall, the sites were on track to make their combined 2007 monthly target of 90,000 pageviews. The target for 2008 is 120,000. (The next iteration of the sites will split tracking so the sites can be measured independently.) The revenue targets are proving more difficult than the traffic targets.

Lessons learned (Edwina Blackwell Clark)

- We're still discussing how to achieve a more effective sales focus for the niche sites. Instead of trying to sell them through the entire online and print sales staffs, we're thinking maybe we should have dedicated niche-site sales reps.
- After developing the site through the new-product team, we're still determining who should be its long-term owner and where that person should reside in the organization – in the online team, or maybe in the newspaper features department. In future new-product launches, we'll want to determine that farther in advance.

Comments

These are solid sites that have a lot of useful content for moms, but the good stuff could be more visible on first glimpse. To see the wealth of content requires scrolling down, which doesn't help to give busy moms the instant impression that this site is just what they need.

The sites could increase their stickiness factor by showcasing their discussion forums on the entry page rather than offering just a link. Forums are proving on other mom sites to be an extremely potent offering. The events calendar and shared photos, too, are sticky elements that deserve space above the fold.

Still, the sites are an excellent start with a promising audience, and they are building traffic.

But revenue isn't coming as easily as they had hoped – a familiar story. That issue plagues just about every newspaper that's tried to launch a niche Web site. Cox Ohio is trying to figure out how to structure an effective sales force for online-only products.

There are three major challenges: 1) putting enough sales pressure behind new niche offerings when existing staffs are fully loaded; 2) calling on the legions of small, non-advertising businesses that tend to be invisible to the regular sales staff; and 3) filling out the portfolio of business offerings with other opportunities besides banners and buttons, such as email, search and video.

Let's change the scene. Suppose the startup were created by an independent entrepreneur in the community.

For her it would be a life-or-death situation, and she and/or her sales reps would know that if they couldn't sell the site, their jobs would go away. So they would hit businesses by the hundreds, unrestrained by the lack of previous sales relationships, and they would talk about nothing else but their wonderful new startup and the great things it could do for every customer's business.

How can newspaper companies emulate that? One way would be to hire sales reps from the very niche audiences we're trying to serve – e.g., moms, young adults, pet owners – who think the new offering is exactly what the world needs. Keep them separate from the main staff, put them on straight commission, give them enough training, and send them out the door. That's what the *Standard Times* in New Bedford, Mass., is doing with its young-adult entertainment site and magazine, www.Southcoast247.com, profiled elsewhere in this section.

Making money with new local Web sites is hard work, and right now in our industry its potential is still dwarfed by our core business. But it represents a key element of our future, and we would urge newspaper organizations to start behaving – and organizing, and hiring, and training – as if our lives depended on it.

SECTION 2 NEWSPAPER NEXT CASEBOOK

3) *The Beachcomber*

Portsmouth (N.H.) Herald, weekday circ. 12,326 (Ottaway Newspapers, Inc.)

Source: John Tabor, publisher

Product

The Beachcomber is a seasonal free daily distributed June through Labor Day in Hampton Beach, N.H.

When the *Portsmouth Herald's* Growth Council scanned the daily's market area for nonconsumers, the hordes of summer visitors to nearby Hampton Beach caught its attention. Coming in for summer getaways of a day, a weekend or a week or two, these visitors had little interest in the local daily.

Using the N² process, the project team explored jobs to be done among beach visitors and businesses. (See Seacoast Media organization profile, [Page 88](#)) They came up with an unconventional concept for a free daily: 36 tab pages Tuesday through Saturday, 3,000 circulation via bulk drops in beach businesses, and shockingly low ad rates. In effect, it was a hyperlocal daily focused on things to do at the beach.

The project began in April, and the product was launched the second week of June. It continued through Labor Day and ran a 28 percent profit margin for the summer, including its startup marketing expenses.

Launch: June, 2007

Targeted consumers/nonconsumers

Thousands of summer weekend visitors and short-term renters in Hampton Beach – as many as 120,000 people on peak weekends.

Main job to be done:

Help me have fun at the beach. Tabor: "It's like the GPS in your car, but with a cheeky attitude and jokes, and you wonder how you ever got along without it."

Targeted businesses

All the resort businesses up and down the beach, including T-shirt shops, arcades, restaurants, the grocery store. Tabor: "We lost them from the daily a long time ago."

Main job to be done:

Connect me with short-term visitors at a price I can afford. By the second week, Tabor said businesses were reporting that people were being drawn into their stores by the ads in paper.

How they did JTBD research

An innovation team focusing on tourism first came up with a more elaborate solution centered on a Web site and print publication. Then they stripped it down to print alone, and the company's Growth Council explored the free daily concept by talking to about 10 beach businesses about their needs. The tourism team talked to beach visitors, who said they wanted two things: way-finding and to know where to eat.



Main components, features, attractions:

Events calendar, restaurants, beach gossip, Red Sox reports, celebrity news and the ads themselves – an important part of the content for readers. The daily contains very little of the conventional news and civic content found in a normal daily paper.

How monetized

Display ads and classifieds, mainly rentals (sold by the *Herald's* phone staff). Display ads were sold by the *Herald's* print staff in a two-day sales blitz, going door-to-door from one end of the beach to the other. They had only one plan to sell: Run all five days of the week with free color and no changes, and a heavy emphasis on season-long contracts. With the small press run and few changes, pricing was extremely low. A quarter page with color cost just \$125 a week, or about \$1,200 for the whole summer. The average rate was just \$2 an inch, but the profit margin in July and August was 38 percent.

Marketing

The main marketing goal was to attract attention, so they hired female hawkers on roller skates to distribute the product at launch. They also hired an aerial banner for the July 4th weekend, produced rack cards and bought some radio spots.

SECTION 2 NEWSPAPER NEXT CASEBOOK

Staffing

One editor/reporter “borrowed” from a neighboring Portsmouth-owned weekly, one summer-only photographer, one summer-only paginator, and a summer advertising intern to handle account maintenance.

Key metrics

Regular draw checks to see if copies are being picked up, with adjustments as needed; weekly ad sales. They created a separate monthly P&L for the product. It grossed \$60,000 for the season. Including \$11,000 in promotion costs, it made about a \$17,000 profit, or about 28 percent.

Lessons learned (John Tabor)

- Sometimes you start ‘em fast and see what happens. In late April, we said let’s try it. So we did the jobs to be done research, worked out the product concept, planned the kickoff and got it on the street in four weeks. It was energizing.
- We started the rates low to make it too good to refuse, partly because there was an entrenched weekly competitor. We can always raise rates later.
- I think we got the news formula and the fun factor right.
- It needed more continuing sales pressure during the season, from either a seasonal or a dedicated sales rep.

Comments

This is a great – even daring – example of how to use the N² process: Sniff out a nonconsuming audience and an overshot group of businesses, do quick jobs to be done research to spot their needs, lash up a cleverly “good enough” first-generation product and launch. And it was a solid success, turning a good, old-fashioned daily newspaper profit margin of 28 percent. Definitely a great first-year start.

What was so daring about it? Doing it so fast, making it daily instead of weekly, making it seasonal, using content that’s far different from a conventional daily, selling it with a two-day blitz, adopting the “good enough” policy of week-long ad runs without changes to keep costs low, and pricing it at a “can’t-refuse” level. And, of course, the hawkers on roller skates.

A hidden but important factor is that every employee at the *Herald* has been trained in the N² approach, and more than half of their employees have been involved in N² product development teams. See the Seacoast Media organizational profile on [page 88](#) for more details.

SECTION 2 NEWSPAPER NEXT CASEBOOK

4) *Cape Cod Dining* and www.CapeCodDining.com

Cape Cod Times, weekday circ. 44,173 (Ottaway Newspapers, Inc.)

Source: Peter Meyer, publisher

Product

A comprehensive annual area restaurant directory in print and online.

Cape Cod is one of New England's leading summer vacation destinations, and it is dotted with high-end restaurants along its entire 60-mile length. On peak summer weekends, the population reaches roughly 750,000, about a third of them year-round residents, a third summer residents and a third weekend visitors.

The *Cape Cod Dining* project – a guide in booklet and Web site form to 100 of the leading restaurants – was conceived just a few weeks before the 2007 summer season began and executed quickly by just one person. *Cape Cod Dining* is a glossy, 52-page, pocket-sized annual publication in full color, and www.CapeCodDining.com, rebuilt for the project, offers the same information and additional enhancements online.

The project was conceived as a one-shot effort and a first-year start. The booklet was distributed through high-end Cape hotels and resorts (7,000 copies) and by mail to paid subscribers of *Cape Cod View* (4,000 copies), a high-end lifestyle magazine published eight times a year by the *Times*.

(For the Cape Cod Times' innovation structure, See [Page 81](#).)

Launch: Spring, 2007

Targeted consumers/nonconsumers

Upper-demographic Cape residents and visitors.

Main job to be done:

Help me find a great restaurant, even when I'm on the go.

Targeted businesses

A selected list of 100 high-end restaurants, few of which advertise in the daily; businesses looking for an attractive alternative to a multitude of smaller, less attractive restaurant guides that proliferate in the region.

Main job to be done:

Help me reach my ideal target consumer with a beautiful presentation of my business in a high-quality setting.

How they did JTBD research

Five restaurant owners were interviewed by the project's creator, Marcus Liuzzi, art director for *Cape Cod View* magazine.



Main components, features, attractions

Booklet: Beautiful color photography featuring the restaurant, the chef and the food. Profiles of 100 restaurants with independent commentary. Recipes from the chefs. A map, segmenting the restaurants by region.

Web site: Same content, plus a number of videos of chefs preparing signature dishes. Primary emphasis of the project was the booklet, with the Web site intentionally limited to a "good enough" first-year iteration, to be improved for 2008.

SECTION 2 NEWSPAPER NEXT CASEBOOK

How monetized

Print ads, online ads, video. Basic listings in the directory were free for the selected restaurants, and the sales effort focused on upselling them on enhanced listings with gorgeous photography, recipes and video. Liuzzi sold all the ads, and the selling cycle was so short that only 16 of the restaurants could be contacted, but 13 were closed. Most bought the print/online combination at \$1,450 (book = only was \$1,000; online = only was \$700). Pricing will be changed for 2008, and sales will be moved to the retail sales staff.

Marketing

Marketing was limited primarily to the print daily and the lifestyle magazine.

Staffing

The project was intended as a quick, one-shot effort. Liuzzi sold it and designed it in addition to his regular job, with some support from the magazine staff. Restaurant profiles and reviews were repurposed from the lifestyle magazine, and one sales manager helped with sales. Liuzzi produced the videos for restaurants that wanted them.

Key metrics

For the booklet, ad revenue. For the Web site, revenue and pageviews. Ad revenue totaled about \$15,000. Meyer: "Ad revenue was fair, and the project was profitable, and the key is where to take it from there." The Web site has not been promoted, and traffic – while higher than before the project – has been modest.

Lessons learned (Peter Meyer)

- In a perfect world, we would have talked to more restaurants and consumers about their jobs to be done, and we would have created a more elaborate sales effort. The question was, is it better to go to market with a perfect solution or quickly do the best you can with what you have? We did the latter, and we got it done in time for the summer season. Marcus' effort was huge, but it turned out to be a pretty good product, and the advertisers were pleased.
- On smaller projects such as this, the right individual with an entrepreneurial spirit can really make things happen. But the constant crunch on resources makes it difficult to do things like this.
- We want to make the Web site better, talk to more restaurants and consumers about their jobs to be done, and find out what applications and features we should offer on the Web site. We've now seen that we can make it work. We'll do it again next year, building on what we've done.

Comments

This quick, one-person project is a case study in "good enough" and "invest a little, learn a lot."

With the summer season coming on fast – and with little time for sales, let alone research among consumers and restaurant owners – the *Times* group identified a couple of important jobs to be done: for consumers, "help me choose a fine dining experience;" for businesses, "help me reach exactly the right consumers all summer long in a setting as high-quality as my business."

The booklet, the Web site and the sales effort were all designed to be "good enough" to get those jobs done within the limited time and staffing available to carry out the project. The sales effort, while very limited, succeeding in closing 80 percent of the restaurants, making a little money and proving that the model works and can be expanded.

The beautiful booklet delivers the necessary style and quality, and while the Web primarily reinforces the booklet, that was good enough for the first year.

As an online dining guide, the site is attractive, although basic and fairly static. Its primary strength is that there are 100 restaurant profiles. And some of them – the ones that bought the package – have enhancements like food photos, recipes and videos. The site is good enough to provide a significant online resource for diners all year round and a way for restaurants to be discovered by people who haven't seen the printed dining guide.

The *Cape Cod Dining* project met its objectives – and, in the true spirit of Newspaper Next, it started small, achieved a decent first-time success, and is now positioned to improve and grow.

SECTION 2 NEWSPAPER NEXT CASEBOOK

5) Dayton B2B and www.DaytonB2B.com

Cox Ohio Publishing: Four dailies (*Dayton Daily News*, weekday circ. 116,474; *Springfield News-Sun*, 25,060; *Hamilton Journal-News*, 19,843; *Middletown Journal*, 17,546) and six weeklies.

Source: Edwina Blackwell Clark, senior vice president for audience

Product

Three-pronged business-to-business offering – *Dayton B2B* glossy monthly magazine, www.DaytonB2B.com and daily email newsletter.

The Cox Ohio new-product team saw a sizable business-to-business opportunity among the 49,000 businesses in the nine-county Cox Ohio combined market. The market had no high-quality direct-targeting vehicle to enable businesses to advertise to other businesses. (For Cox Ohio's innovation structure, See [Page 85](#).)

Their research among the target businesses – both potential readers and advertisers – showed that the solution should be a single brand with print, Web and email channels.

The *Dayton B2B* effort was combined with a repositioning of the daily and Sunday business sections of the *Dayton Daily News* emphasizing business-to-business content.

Launch: Nov. 1, 2007



Targeted consumers/nonconsumers

Local business decision-makers – from small business owners to CEOs and top executives of major companies.

Main job to be done:

Help me learn about ways to make my business more successful, and help me stay well informed about what's happening in the local business community.

Targeted businesses

Companies and organizations that sell to local businesses – from equipment and service providers to commercial real estate, healthcare providers and high tech.

Main job to be done:

Help me put my business in front of top company decision-makers, from small business owners to CEOs and VPs.



How they did JTBD research

Four formal focus groups, two consisting of target readers and two consisting of target advertisers. Also informal discussions with potential advertising clients about what they needed. The focus groups were initiated through the project team and were directed by Cox Ohio's research director. The B2B project leader and research director both were members of the Cox Ohio new product team.

Main components, features, attractions

The Web site and daily email both focus on doing the “local business news” job for their users, with headlines and breaking business news. The Web site also offers articles designed to help users grow their businesses and a user-generated business directory. The magazine also targets the “grow my business” job and provides broader coverage of local business subjects – business profiles, interviews with executives, stories on growth industries, trend stories, economy stories. At the same time, the newspaper's Sunday business section and daily business pages were retooled to focus on B2B topics and issues.

SECTION 2 NEWSPAPER NEXT CASEBOOK

How monetized

Four primary offerings: Content sponsorships, banner ads, email sponsorships and traditional display and classified advertising in the magazine (and classified ads on the Web site). Advertisers can buy any single channel or combination packages; sales emphasis is on 12-month contracts. The initial sales push was handled by the entire sales organization including print and online reps, with one existing rep assigned to the launch part-time. Plans called for hiring a dedicated Dayton B2B sales manager and a dedicated ad rep by year-end.

Marketing

Major launch efforts included several B2B mailings to target groups of potential advertisers and readers and a September by-invitation-only launch event at the Dayton Dragons minor-league baseball arena for 60 business leaders. Staff also marketed the launch at several B2B events such as chamber of commerce “after hours” gatherings. House ads ran in the newspaper, primarily targeting potential advertisers. The marketing message stresses that Dayton B2B offers a total solution – a suite of products to help your business grow.

Staffing

A new B2B editor position was created. The position reports to the *Dayton Daily News* business editor, and the two positions share responsibility for the three Dayton B2B products. Most of the content is produced by the daily’s business staff, in line with refocusing of daily and Sunday business coverage toward B2B issues. Community contributors are also being recruited, such as the chair of the Dayton Area Advertising Review Council and the regional director of the Ohio Small Business Development Center.

Key metrics

Audience and revenue. Audience targets were set and were included in Cox Ohio’s overall 2008 online audience goals. Key measures are pageviews and time on site; the pageview goal is to reach 200,000 a month by the end of 2008. Aggressive revenue targets were set for the launch, and the sales effort achieved 90 percent of the goal for the first edition. Clark: “We were very pleased, because it was a very aggressive goal.”

Lessons learned (Edwina Blackwell Clark)

- When you’re launching something brand new, in an area – like a glossy business magazine – where you aren’t known for expertise, there’s a lot of “wait and see” from the potential advertisers. We were successful in the initial sales effort partly because of good relationships with existing advertisers in the daily paper.

Comments

Quite a few newspaper companies are identifying their local business communities as a promising target group and running a business as the source of many important, frequent and frustrating jobs to be done. The overall job is, “Help me deal with the many issues and problems that arise in my business.” “Help me grow my business” is one of those jobs.

The Cox Ohio team identified and sized this promising group effectively, did methodical jobs research, and developed a three-pronged solution to suit both target groups – business readers and business-to-business advertisers. And the launch was a marked financial success.

The new venture’s success in the first round of sales matches an emerging pattern: Where there’s a glossy magazine in the mix, sales reps from a newspaper’s print staff can be very successful – typically much more so than when selling Web-only products. The product is tangible, and its metrics (primarily print circulation) are familiar. It’s also easy for print reps to get excited about selling a glossy product with an upscale target audience.

Still, the Cox Ohio team was wise to plan on spinning the sales effort out to a dedicated two-person team after the initial sales effort. The Web site and email product are distinct enough to deserve the attention of a specialized sales staff, and all three products will need a sales force that’s focused full-time on making them succeed.

Rather than creating a new reporting structure, the paper chose to anchor the editorial staff among the *Dayton Daily News* business news staff. Since the paper’s business pages are being repositioned, the strategy may help to maintain consistency of content. But given the demands of producing a daily paper, vigilance may be needed to make sure the new products get the attention they need.

The magazine sets out to establish a new brand in the business community, but that branding isn’t reinforced on the Web site. The www.DaytonB2B.com URL redirects to the business section of the daily’s main site, which carries a large *Dayton Daily News* header and a smaller Dayton B2B logo. This raises a question about which brand should be emphasized with this target audience. Similar brand strategy questions come up frequently when newspaper organizations develop standalone products aimed at distinct audiences quite separate from the newspaper.

The site has a section on how to network, to which a discussion forum would be a great addition. Trying to cover myriad business issues and problems with staff-created content is difficult and expensive, but a discussion forum would create a virtual business roundtable where business people could ask each other questions, get answers, discuss issues, get ideas and share what they know, unlocking “user knowledge” among businesses as a great resource.

SECTION 2 NEWSPAPER NEXT CASEBOOK

6) **www.DeliveringQC.com and Value Vault**

The Dispatch, Moline, Ill., weekday circ. 43,000 (Small Newspapers, Inc.)

Source: John Newby, circulation director (now publisher of *The Daily Times*, Ottawa, Ill.)

Product

DeliveringQC.com is a subscriber retention and rewards Web site offering coupons and gift certificates from local businesses. And Value Vault, one of its components, is a truly innovative business model that shatters the cost barrier for many small advertisers.

Moline Circulation Director John Newby attended a public, one-day Newspaper Next workshop in November 2006, and went home inspired to come up with a new, disruptive product as fast as possible.

The Web site they created is a sustaining innovation on the consumer side, adding value to a *Dispatch* subscription by giving subscribers online access to scores of free, money-saving coupons from local businesses.

At the same time, it's a clever disruptive innovation on the business side because it enables businesses to buy coupon advertising without paying a dime. Instead, they pay the newspaper in gift certificates, which the newspaper resells at a discount to consumers through the Web site.

As a result, Value Vault removes a cost barrier that keeps millions of small businesses from advertising. So it's much more than a customer retention effort – it's an entirely new business model and a profitable new line of business for the *Moline Dispatch*.

Soft launch: December 2006; promoted launch, January 2007

Targeted consumers/nonconsumers

Primarily subscribers to the *Dispatch*, although non-subscribers can use the Value Vault to buy discounted gift certificates.

Main job to be done:

Help me save money at local businesses (and at the same time, make my newspaper subscription more valuable).

Targeted businesses

At first, smaller local businesses that couldn't afford newspaper advertising. But as the site has become popular, larger businesses are coming on board, including major advertisers in the daily paper.

Main job to be done:

Help me bring customers into my store with no out-of-pocket expense.



How they did JTBD research

No JTBD research was done. Newby: "The parts of Newspaper Next that resonated with me were, go fast and do it cheap. I did think about the jobs to be done, but we didn't do any formal research." Their focus was mainly on the newspaper's own job to be done – keep people subscribing to the *Dispatch*. But Newby's intuitions about consumer and business jobs to be done resulted in an insightful solution.

Main components, features, attractions

For consumers, three main attractions:

1. A big selection of coupons for deals and discounts at local businesses, downloadable only by *Dispatch* subscribers. By fall of 2007, the site had more than 150 coupons. A subscriber registers on the site by entering his/her phone number (checked against the circulation database) and setting up a password.
2. Value Vault: a big section of the site where anyone – not just subscribers – can purchase gift certificates, usually at 50 percent of face value, redeemable at local businesses. Newby: "If somebody's paying us, I don't care whether he's a subscriber or not."
3. Periodic reverse auctions where anyone can bid on gift certificates (e.g., a "getaway package" including certificates from a bed-and-breakfast, a fancy restaurant and a movie theater).
4. An opt-in email newsletter that announces new coupons and gift certificates. It had 2,500 subscribers by October.

SECTION 2 NEWSPAPER NEXT CASEBOOK

How monetized

DeliveringQC.com generates thousands of dollars in new revenue without ever collecting a cent from its participating businesses.

The key is that a participating business doesn't pay for its coupon advertising in dollars – it pays in gift certificates redeemable at the business. Business participants can choose from three one-year packages, priced at \$900, \$1,800 and \$3,600, paying in certificates of smaller denominations (usually \$25 or \$50).

That's where Value Vault comes in. It's a friction-free online liquidation channel where the site sells the certificates to consumers for about 50 percent of face value. Consumers love them, and that's how the site gets paid. (One woman buys about \$250 worth every month, Newby says.)

In reality, it's a barter business model, allowing businesses to buy coupon advertising in trade rather than cash – a huge attraction to the many small businesses for which cash is a scarce resource. And each redeemed certificate brings into the store a customer who may spend more than the certificate's value.

For a lot of small businesses, this seems to be the deal they've been waiting for. They can advertise now, draw customers to the store, and pay later – in kind rather than in cash. The sales rep says, "The customers love me!"

Fulfilling the coupon advertising costs the site almost nothing, since it's all done electronically.

Marketing

Initially, house ads in the paper and on the main news Web site. That generated steady growth, but Newby says they expected more. So they created the reverse auctions to generate more excitement. And they started experimenting with introductory \$5 gift certificates of their own, which visitors could use to make purchases in the Value Vault. First they tried them in-house, distributing them with paychecks. When that worked, they began distributing them at circulation sales kiosks and in other customer contacts. Next they plan to try inserting them in the daily paper.

Staffing

The site was built largely by in-house staff, customizing purchased software.

Sales began with one full-time salesperson – in the circulation department – paid a fairly low salary plus commissions. At first he made in-person sales calls, but as the site became better known that became less necessary. Now he makes most sales by phone or email and spends half his time on other assignments. He says when businesses hear the proposition, they can't wait to sign up.

Key metrics

Site traffic, coupon downloads, sales of gift certificates.

Traffic has risen gradually to about 70,000 page views a month. Newby: "We watch carefully how much time they spend on the site, and where – how many pages they look at, how many coupons they download, how many get redeemed." They have experimented with a variety of features on the site, using traffic metrics to determine what works and what doesn't.

Many more coupons are downloaded than are redeemed at stores, but advertisers have been uniformly thrilled with the response. After the first six months, virtually all the advertisers renewed their contracts.

The site has about 150 advertisers, most of them on the \$1,800 package. Revenue from sales of gift certificates has risen along with site traffic and was running about \$5,000 to \$7,000 a month this fall.

Additionally, the circulation department now uses store gift certificates as subscription premiums, erasing about \$100,000 in expenses.

Between sales and savings, Newby estimated that the site's total cash flow benefit to the company would be \$200,000 by year end.

Lessons learned (John Newby)

- Don't be afraid to change your vision. If something isn't working, scrap it and move on to something else. When you look at the site today, you're seeing the things that made it, but there were a lot of things we tried and killed.
- We're seeing new possibilities. One advertiser asked if we could do anything with his inactive customer list. We bounced it off our circulation database to identify all the nonsubscribers, and we proposed to him that we send each of them a direct mail offer to subscribe to the *Dispatch* and get a free \$25 gift certificate from his business. He loves the idea.
- If I had my way, the coupons would be open to everybody, not just subscribers. Only half of our market subscribes, so we eliminated half of the potential audience by limiting it to subscribers. You would give up the customer retention aspect of it, but I think the added revenue would more than make up for it. The more you open it up, the more sales you would see.
- We have offered the platform for this site to other newspapers at very little cost, but most of them don't get it. They hear the word "barter," and their ears close.
- Some fraud probably happens – nonsubscribers borrowing passwords and downloading coupons – but I don't care. As long as the coupons get downloaded and redeemed, and as long as the gift certificates sell, I'm happy.

SECTION 2 NEWSPAPER NEXT CASEBOOK

Comments

DeliveringQC.com is built on an ingenious business model innovation.

In every market, there are thousands of businesses who don't buy advertising because they can't come up with the cash. Newby's solution lets them pay with something that doesn't hurt as much – the products or services they sell every day.

Gift certificates are a great vehicle for this. They get more popular with consumers every year, so people rightly recognize half-price certificates as a great bargain. The site is successfully converting them to cash, while landing new business advertisers every week.

It's too bad that Newby finds most newspaper people lose interest when they realize it's basically a barter arrangement. They need to pay closer attention – this isn't about trading ads for butter. It's about using the Internet as a liquidity channel. DeliveringQC.com proves this can be done, and that it's an easy sell to a new customer base. Now we should be trying to figure out how big we can make this. The more gift certificates we can liquidate, the more new advertising we can accept, until either the liquidation channel or the advertiser demand maxes out.

As Newby notes, there's no reason this concept needs to be limited to a subscriber-retention strategy. If the site were open to everybody and promoted as such, it could liquidate more gift certificates, enabling it to accept more ads. Ultimately, perhaps newspapers could start offering this payment model for any type of advertising, including ROP newspaper ads and inserts.

Realistically, there surely are limits to this model. But it's one of the few strategies to emerge in the last year that enables newspaper companies to make money in an entirely different way.

SECTION 2 NEWSPAPER NEXT CASEBOOK

7) Enjoy!

The Huntsville (Ala.) Times, weekday circ. 52,852 (Advance Publications, Inc.)
Sources: Bob Ludwig, publisher; Maryann Swanstrom, *Enjoy!* editor

Product

Enjoy! magazine is a Sunday in-paper section in the *The Huntsville Times* aimed at busy women.

Believing that the *Times* Sunday edition wasn't meeting women's needs – on the one day when many women have time to read – the *Times* set out to find out what women wanted and to create a solution.

As a result, the *Times* redesigned its Sunday front page (magazine-style design, more graphics, more stories appealing to women) and launched *Enjoy!*, a 12-page tab magazine-style Sunday section.

The content has a distinctive, intimate flavor, and covers an unusually user-responsive range of topics, thanks to the *Times*' jobs-to-be-done research. The section (and an *Enjoy!*-branded email) also attempts to create a user community by inviting reader interactions of many kinds, including polls, reader tips and articles, reader photos and more. The *Enjoy!* section of the *Times*' Web site (www.al.com/enjoy) offers the section's content and provides the platform for reader polls and photo uploads.

These efforts are designed to “maximize the core” by increasing the Sunday paper's appeal to a crucial target audience and increasing its effectiveness for businesses trying to reach women.

Launch: April, 2007

Targeted consumers/nonconsumers

Primarily women ages 25 to 45, but the section is attracting women of all ages.

Main jobs to be done:

Help women with many jobs that constantly concern them. These include fixing quick and nutritious meals, dealing with money and finances, keeping themselves and their families healthy, maintaining relationships, finding fun things to do, and maintaining and improving their homes. The cover's tag line says, “Enjoy ... life ... relationships ... fashion ... health ... family ... your home ... eating.”

Targeted businesses

Businesses trying to connect with the thousands of busy, hard-to-reach women who make the majority of consumer decisions in their households.

Main jobs to be done:

Help me reach women more effectively and make them aware of my business.



How they did JTBD research

Three focus groups of women were conducted using the N² jobs to be done questions. First was an internal focus group of women from all departments; then a focus group of women Realtors, who were asked about both their business and consumer jobs to be done; and finally, a large discussion group of about 50 women from the editor's network of friends, sources and acquaintances, recruited with mail invitations.

Swanstrom: “We invited them to come in and talk about what was going on in their lives, what would serve them. It was amazing how all the answers stacked up – it was all about balancing work and home.” She also used the meetings to test the magazine's prototype, placing copies and pens at each seat. She invited participants to jot their comments and suggestions on the prototype. “It was very helpful,” she said.

Main components, features, attractions

Print section: Always one or more women on the cover; “Chat” – two pages of small items with lots of entry points such as freebies, last week's contest winner, reader mail/email, user-submitted photos, the weekly poll question, column by the editor; “Food” page with quick, low-fat, nutritious and delicious meals; a work and money page with a column on the best bargains in that day's Sunday inserts; “Relationships” page, designed to include children, parents, spouse, and friends; color center spread devoted to the cover story; “Homes” page on décor, maintenance, gardening, DIY projects; “Soul” page with commentary, recommended books, a cartoon; “Enjoy City Life” page with happenings, social notes and a column; “Daybook” page, with three to five can't-miss local events appealing to women; “Body” page on fitness and health; “Style” page on clothes, hair, skin, accessories.

SECTION 2

NEWSPAPER NEXT CASEBOOK

Web site: Content from the section is uploaded to the *Enjoy!* section of the *Times*' Web site, where *Enjoy!* readers can also sign up for the email, vote in the polls, and upload photos. The pages also link to other "women-friendly" sections of the site.

Email: The magazine's contests and polls invite readers to sign up for the weekly *Enjoy!* email – a chatty, 500-word offering containing such things as best bets for the weekend, reader tips on local bargains, teasers for the weekly poll questions, and teasers for items in the upcoming Sunday section. About 600 readers subscribe.

Reader ideas, contributions, questions and suggestions are invited in every issue and email, and they are often shared in print.

How monetized

Display ads, often sold in rate combos with the daily, and email sponsorships. Rates were set low initially to attract the first wave of advertisers. All are sold by the daily's print staff.

Marketing

For the first eight weeks, 1,000 copies were hand-distributed where moms gather, such as school parking lots at pickup time. House ads during the week tease the upcoming Sunday section. From June to October, the editor did a weekly five-minute discussion segment on a local radio station through an advertising trade-out deal.

Staffing

One fulltime editor position. Swanstrom writes some of the content, commissions a couple of stories a week from a network of a dozen stringers, and uses wire and syndicated content.

Key metrics

Ad revenue and Sunday circulation sales. Ad sales have been getting stronger, and the section topped its full-year revenue projections in the first four months. Also, Ludwig believes the new section and the women-friendly P1 revisions were a big factor in minimizing damage from a July 1 Sunday price increase (from \$1.25 to \$1.50). Total Sunday circulation sales had been up since the April launch of *Enjoy!*, and fell only 5 percent after the increase. In the top 100 single-copy locations, Sunday sales were up 4 percent. Meanwhile, another nearby daily imposed the same Sunday price increase and saw a 28 percent drop in single-copy sales.

Lessons learned

Bob Ludwig:

- We learned a lot about how to do focus groups ourselves. By starting with an internal group, we got comfortable with how to do it, and then we were to handle the outside groups ourselves. We learned that you can really test things on the cheap.

Maryann Swanstrom:

- When you're planning a launch, don't short-change the information-gathering about what people want. You need to make sure they will feel ownership. And pick readers' brains as often as possible. I'm constantly asking readers to help with information for stories and give us ideas for topics they want to see us cover.
- I wish it could be more interactive. We get a fair amount of feedback, and we're proud of what we've done. But I wish we could use the Web site to enable more dialogue – to fulfill the sense of community we want to create.

Comments

Enjoy! magazine is an in-paper tab – a sustaining innovation designed to strengthen the Sunday paper. It's not an Internet-driven "green-line" innovation pursuing a totally new audience and new advertisers.

But sustaining the core product is a critical part of every newspaper company's needs, and *Enjoy!* magazine is working. It's driving increased ad revenue, it appears to have increased Sunday sales, and it seems to have minimized the losses of a price increase.

Enjoy! was conceived and shaped in a very different way from most newspaper sections, by asking women what they want and need. As a result, the content decisions were very sure-footed, resulting in a section that has a personal, chatty feel and covers a range of subjects that connects squarely with the lives of women. And it's trying hard to be interactive despite the limits of the print product, through emails, online polls and user-generated photos and content.

Even though *Enjoy!* is a print product, anyone considering the creation of a "moms" Web site would be smart to look at the excellent list of jobs to be done the *Enjoy!* team identified in its research, and at the rich content being provided to fulfill those jobs. These are relevant to any product targeting women, whether print or Web.

As Swanstrom noted, an important next step for *Enjoy!* is to get a discussion forum up on the Web site to increase readers' engagement. Judging by many of the "mom" Web sites already up and running, the opportunity to talk, network and share experiences and information is a basic need and want for many busy women.

If women who buy the *Times* want *Enjoy!*, no doubt many other women in Huntsville would want it, too. That suggests an opportunity to reach beyond the daily.

One approach that would preserve the section's benefit to the Sunday paper would be to leave it in the Sunday edition and distribute an overrun in rack-and-stack locations a couple of days later. If it added, say, 25 to 40 percent more circulation, it should permit higher ad rates and its page count should go up. In short, the product is so well targeted on women's needs that it may have some untapped upside potential.

SECTION 2 NEWSPAPER NEXT CASEBOOK

8) The Gateway

The Standard Times, New Bedford, Mass., weekday circ. 31,893 (Ottaway Newspapers, Inc.)

Source: Mary Harrington, new product development director

Product

The Gateway is a free weekly/shopper with about 25 percent editorial content, targeting Wareham, Mass., and three neighboring communities called the “Tri-Town” area, where daily *Standard Times* penetration is low.

The quarter-folded, magazine-shaped product (8 x 10¾) is printed on bright-white paper and usually runs 40 to 68 pages. Normal distribution is 7,000, inserted in local copies of the *Standard Times* and bulk-dropped in locations in the target communities. However, when an advertiser in the *Standard Times*’ direct-mail TMC product requests coverage of the target area (about twice a month), the weekly piggybacks with the TMC at low postal cost to reach 20,000 households, driving substantially higher ad sales.

The target communities are a crossroads where no single daily dominates, where malls are going in, and where there’s competition from entrenched traditional weeklies. After considering one business plan after another with costs too high to succeed, the *Standard Times* applied the N² process.

Harrington: “We decided that ‘good enough’ was not a daily or a full weekly, but a solution that would go in underneath the competitors.”

Launch: April, 2007

Targeted consumers/nonconsumers

Wareham and Tri-Town people who want free access to a little local news and a lot of local commercial information.

Main job to be done:

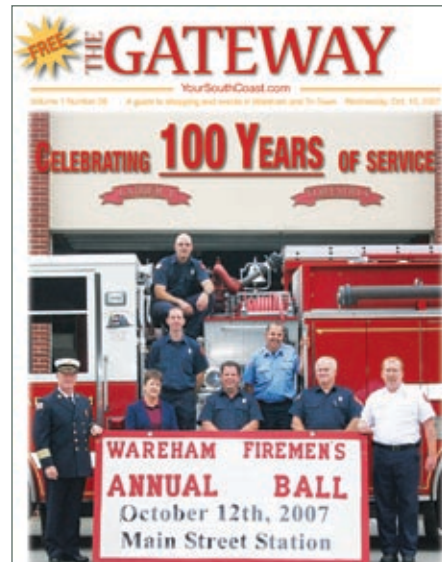
Help me know about very local businesses and what they offer – landscaping, handyman, pet food, restaurant menus, coupons, specials at the fish store.

Targeted businesses

Edge-of-market non-advertisers, small local retailers and service businesses, larger retailers in the core market who want to reach that area, and retailers in each of the two target communities who want to reach consumers in both communities (a job revealed in JTBD interviews with local businesses).

Main job to be done:

Help me grow my customer base in these hard-to-reach markets at very low cost.



How they did JTBD research

The daily’s ad director interviewed local business owners to learn what they needed. The results altered their strategy: The initial plan had targeted Wareham only, but the interviews revealed that Wareham businesses wanted to reach Tri-Town too, and businesses in Tri-Town wanted to reach Wareham. The plan was expanded to cover both communities.

Main components, features, attractions

Small features, a column talking to readers, press releases, tide charts, little bits of local news, little items about upcoming events, and, the biggest element, a local calendar of events derived from the daily’s calendar. No traditional local government or sports news.

How monetized

Print display ads, service business directory, a little help-wanted and private-party classified. Upsells on weeks when the product piggybacks with the TMC for saturation coverage. No added sales staff; the product is sold by a full-time *Standard Times* rep who serves that region, by reps for the daily’s other weeklies in nearby communities and by the daily’s classified phone staff.

SECTION 2 NEWSPAPER NEXT CASEBOOK

Marketing

The first two issues of *The Gateway* were mailed to the entire target area, and it was promoted on the insert wrapper in the daily's Sunday edition. To build readership, a "find the anchor" contest with prizes was conducted for the first three months. Harrington: "In post-launch JTBD interviews, I was amazed at how quickly people knew about the product and the contest."

Staffing

A half-time editor and no additional sales staff.

Key metrics

Revenue and costs; distribution and pickup rates. Harrington: "We planned it conservatively, projecting that it would break even at first and then show a small profit. It's now beating our projections, and the trend line looks good. We should beat the plan by year end (2007)."

Lessons learned (Mary Harrington)

- Really look at "good enough" and what that means. It turned out that undershooting the competition was the right plan for businesses, and minimal editorial content – combined with ads – was sufficient for consumers
- Really look at the competition and what they're doing and compare it to what you're hearing from your target businesses.
- Take a close look at how the aspects of your existing structure and products can help you, such as tagging onto the TMC when possible and using parts of the calendar from the daily. The more you can do that sort of thing, the more successful you can be.

Comments

Who says innovation has to be high-tech? Or dramatically different from the core business? It doesn't, as the Newspaper Next Game Plan stresses in Area 1 – "Maximizing the Core."

The Gateway shows that there are still innovation opportunities that use a printed product and print ad reps to get important jobs done for consumers and businesses. Sliding a new printed advertising vehicle under the competition can be a formula for success.

The Gateway also shows how important it is to use "jobs to be done" research and "good enough" solutions to determine the right strategy. The interviews showed that businesses wanted a larger footprint than the *Standard Times* team had thought. And it turned out a "good enough" approach to content and distribution reduced costs enough to make the product successful while still appealing to the target consumers.

One of the brightest spots in the model is its synergy with the daily's TMC product, permitting total market penetration at modest expense and driving higher ad volumes in those issues. This kind of creative thinking about leveraging core strengths can give a new product an additional competitive advantage.

SECTION 2 NEWSPAPER NEXT CASEBOOK

9) Huntsville R&D Report

The Huntsville (Ala.) Times, daily circ. 52,852 (Advance Publications, Inc.)

Sources: Jim Steele, *Huntsville R&D Report* editor; Bob Ludwig, publisher

Product

Huntsville R&D Report is a free, glossy magazine targeting the large aerospace engineering and high-tech sector in Huntsville.

It is published in January, May and September, with distribution of 20,000 through three channels: rack-and-stack locations at local high-tech companies, the NASA installation and the U.S. Army Redstone Arsenal; direct mail to local high-tech business leaders and decision-makers; and bulk shipments to the top 10 U.S. engineering schools for distribution to students.

Launch: First issue November 2007

Targeted consumers/nonconsumers

Three groups: 1) Engineers and scientists roughly ages 25-40 who are moving up in their careers. 2) Top decision-makers in Huntsville engineering and tech organizations. 3) Engineering students looking for their first jobs.

Main jobs to be done:

Groups 1 and 2 – Help me stay up with what's new and cool in engineering and research organizations in Huntsville. Group 3 – Help me find a good job in a place where there's a lot of interesting work being done.

Targeted businesses

Three groups: 1) Local businesses catering to upper-income professionals. 2) Companies that thrive on serving high-tech organizations with everything from office supplies and janitorial services to training and recruitment. 3) High-tech employers facing a brain drain as an estimated 10,000 engineers will be needed in the next three years.

Main jobs to be done:

Group 1 – Help me connect with thousands of well-paid professionals who may want to use my business as they shop, eat, live and play. Group 2 – Help me put my business in front of the key decision-makers at local high-tech companies. Group 3 – Help me recruit talented young engineers and bring them to Huntsville.

How they did JTBD research

No formal JTBD interviews, but the publisher and ad director talked to a number of business leaders in the high-tech community, including the board at a major research park. On the content side, the choices are based more on intuition and general knowledge of engineers and research people in the community than on formal research.



Main components, features, attractions

Regular content topics include what's going on at the local high-tech companies – big ideas being hatched, hot products being launched, company news, career advice, local success stories about entrepreneurs. "Concept" feature covers a big idea; "Career" is a profile of a successful local engineer; "Eats" covers hotspots for lunch.

How monetized

Display ads, sold primarily in two-year contracts; minimum is a year.

Marketing

The print daily's ad staff is selling the advertising, but as the *Times* launches this and other magazines, the sales staff structure is evolving toward a dedicated magazine sales force. Steele: "The ad department struggled at first for a simple description of the product that would make sense to advertisers, but once they realized it was a channel for access to high-end professionals, it went great."

Staffing

The full-time specialty publications editor divides his time among *Huntsville R&D Report*, four other magazines and 56 newspaper special sections. He delegates stories to six freelance writers. A newsroom designer handles cover and page designs. The editor reports to the advertising management.

SECTION 2

NEWSPAPER NEXT CASEBOOK

Key metrics

Ad sales. The break-even point for the first issue was 14 pages. Six weeks before the launch, 32 pages had been sold. The initial plan called for just one issue per year, but the sales went so well that the schedule was quickly expanded to three issues a year.

Lessons learned (Jim Steele)

- In launching a new magazine, make sure you have enough lead time – and then realize it can never be enough.
- Give freelancers enough time and expect them to be late.
- Be clear on who you want as target consumers and how you're going to reach them, and be clear on who you're going to target as an advertiser.
- Establishing a dialogue with the users of the magazine will be crucial; we need to get the first one out and then start re-vectoring.

Comments

Some newspaper markets have large groups of non-customers whose interests lie outside the usual content of the daily paper. Often the daily has only a marginal connection with these people and may have given up on them long ago.

The important insight in Huntsville was that high-tech engineers are a large, affluent and highly desirable audience for many local businesses, and therefore a great opportunity for a highly targeted new product. This is why the magazine's early ad sales went so well.

The magazine's business model is unusual – and ambitious – because it targets three distinct sets of consumers and three distinct sets of business customers, each with different jobs to be done. But even if the offering fails to click with one or two of the groups, success with the others still could produce a winner.

More JTBD research about the interests of the target audiences is an obvious next step. While the intuitions about content seem reasonable, follow-up interviews after the launch would assure that the content is on track with readers' jobs to be done. These interviews also could explore whether the distribution plan is succeeding in getting the product into their hands. There would have been time for some re-vectoring, if necessary, before the January issue.

SECTION 2 NEWSPAPER NEXT CASEBOOK

10) Idahoiz.com and *Idahoiz.com*

Idaho Press-Tribune, Nampa, Idaho, daily circ. 20,000 (Pioneer Newspapers, Inc.)

Source: Stephanie Pressly, former publisher (now publisher of *Bozeman* (Mont.) *Chronicle*)

Product

Idahoiz.com – a Web-based community resource offering “everything you need to know about living in the Treasure Valley,” reverse-published twice a year as a printed *Idahoiz.com* community guide.

The *Press-Tribune* team, scanning for key groups of non-consumers in their market, identified the area’s 500 new move-ins a month as an important audience.

The print edition’s 30,000 copies were distributed in-paper (20,000) and through chambers of commerce and community events. Press run for the October edition was 26,000.

Launch: April 2007

Targeted consumers/nonconsumers

New move-ins in the Treasure Valley as well as long-time residents.

Main job to be done:

Help me get answers about the many things I need to know to live here: shopping, schools, utilities, parks, local government, services, entertainment and more.

Targeted businesses

Local businesses that don’t normally advertise, as well as traditional and dormant advertisers.

Main job to be done:

Help introduce me to newcomers and get them to come to my business.

How they did JTBD research

The project committee did jobs to be done interviews mainly by talking with internal employees who were newcomers, and some team members were newcomers themselves.

Main components, features, attractions

Large business directory with self-entry; maps; events calendar; hundreds of content pages covering scores of categories including town descriptions and histories, governmental units and officials, schools, transportation, recreation, sports, charities, support groups and much more.



How monetized

Online banner ads, online directory upsells beyond the free business listings, print ads in bi-annual printed guide. Web and print ads were sold as a forced combination including Web banners and tiles and print ads in both print issues. Online-only ads are sold between print issues. Sold initially by the print sales staff; subsequently an online sales manager position was created to make sales calls and coordinate the print staff’s online sales efforts. Many four-legged calls.

SECTION 2 NEWSPAPER NEXT CASEBOOK

Marketing

The launch was marketed with billboards, television, radio, bus advertising and ads in the newspaper. To tease on launch day, staff members wore sandwich boards and passed out promotion pieces. A small contest on the site offers users a \$50 prize.

Staffing

No additional staff. Work began in October for the April launch, using existing staff. Several people in the newsroom wrote content and existing print sales reps sold the advertising. An ad agency was hired to design the logo.

Key metrics

Ad sales, site traffic. The combined sales for the Web site launch and spring print edition were \$107,000. The new combination replaced a previous annual print product that generated \$40,000 in sales in 2006, so the new product yielded a 150% increase in revenue. After the launch, online-only sales were modest. Site traffic also has been modest, with about 10,000 pageviews a month.

Lessons learned (Stephanie Pressly)

- Keep it simple. I think we tried to make it the be-all and end-all of information sources and wound up getting bogged down in what to get and where to get it. We ended up doing a good job, but some of those meetings were painful.
- We had some debate about whether we should list every restaurant or go sell them all; we decided to make the list comprehensive and go for upsells.
- Dividing people's time is difficult. For example, our IT director was a big part of the project, and he was excited about it, but it pulled him away from other things.
- Every time I've hired an outside design agency, I've been happy with it. I thought the logo was really important, and they came up with a striking design.

Comments

The project was an immediate financial success, thanks to the combination of Web and print. That's a common pattern in newspaper company product innovations, as it is often easier to win advertisers to a new product when there's a print component. Where the target audience's jobs to be done call for both Web and print, launching both versions at once often helps ad sales.

The Idahoiz.com Web site is packed with a wealth of information – roughly three times what's in the print edition. It's impressive, but as Pressly notes, it may have overshot “good enough.” The same site with considerably less content – still a lot – might generate roughly the same traffic levels.

Some pre-launch testing on that question might have saved a lot of work. By finding a handful of newcomers and showing them a few prototype pages and a list of the possible content categories, the team might have been able to concentrate effort on the topics with the strongest responses.

The modest traffic to the site may be one reason that Web-only sales have been modest. A user discussion forum might help make the site a more active place, bringing users back more often. Newcomers could ask questions and get answers and connect with other people who are having the same experience. Even a simple approach like www.MonroeTalks.com (see [page 49](#)), if prominently featured on the entry page, might substantially change the site's user dynamics.

SECTION 2 NEWSPAPER NEXT CASEBOOK

11) www.MainePets.com

Blethen Maine Newspapers, Inc. (largest daily: *Portland Press Herald*, weekday circ. 67,516)
Source: Dan Dinsmore, portfolio diversification manager

Product

MainePets.com is a Web site for Maine pet owners – a site where they can find all the resources and information they need and connect with other pet owners.

In conducting several hundred jobs to be done interviews among Maine consumers, the Blethen new-product team found many pet owners with many jobs to be done relating to their animals. They also found more than 1,000 small businesses serving pet owners, few of which ever advertised in the daily newspaper.

(For Blethen Maine's innovation structure, See [Page 80](#).)

Anticipated launch: December, 2007 (not launched when this case study was written in November 2007)

Targeted consumers/nonconsumers

Pet owners across Maine.

Main job to be done:

Help me find whatever I need to be a good pet owner, such as finding a dog park or a good nutrition plan, and help me connect with other pet owners. In JTBD interviews, many owners had issues they wanted to discuss with other owners; they wanted to ask questions, get answers, share knowledge and opinions.

Targeted businesses

The new-product team found more than 1,000 small businesses devoted to pets, almost none of which advertised in the newspapers or on the news Web sites.

Main job to be done:

Help me connect with pet owners with effective marketing solutions that I can afford.

How they did JTBD research

A six-person Portland team did more than 120 interviews in three weeks, half with pet owners and half with business owners.

Main components, features, attractions

Heavy with pet resources – content the staff will create or pull together, with information on a wide range of pet issues, easily accessible and searchable; social networking – a place where pet owners can connect; photo-sharing and discussion of photos; contests (“Do I look like my dog or cat?”); polls; rankings.

How monetized

Primarily banner ads. An initial sales blitz is planned among the identified pet businesses. The team also plans to develop synergies with an online business directory (another project currently in development). Ads will be sold by the dedicated online staff and possibly the print newspaper staff.

Marketing

The project had a marketing budget, but specific launch plans were still in development.

Staffing

One part-time Web producer (three shifts per week). Existing sales staff.

Key metrics

Pageviews, unique visitors, registrations – how large is the community and how fast is it growing? They hope to get 10-12 advertisers in the first three months, build site traffic and then pursue advertisers more broadly.

Lessons learned (Dan Dinsmore)

Too early to say. “We want to see if we can put up this very simple site and get it to grow.”

Comments

Blethen Maine hadn't launched its pet site yet when this report was written, but it will be interesting to see how the site reflects the results of their exceptionally large number of JTBD interviews. And the development approach is soundly rooted in “invest a little, learn a lot.”

Meanwhile, other local pet sites are popping up. For example, see Cox Ohio's www.513Pets.com and www.937Pets.com and the Indianapolis Star's snazzy www.IndyPaws.com.

As with most Web-only products, the No. 1 potential deal-killer for this pet-owner site is achieving critical mass – a large enough group of users to create a lively community. So the marketing plan will be extremely important.

Deal-killer No. 2 for Web-only products is monetization. With more than 1,000 businesses in the target region – most of them small – the biggest challenge is likely to be finding revenue models and sales approaches that close the sales with minimal costs of selling. Prices will need to be low to attract these businesses, so solutions like self-serve directories with upsells and make-your-own-online-ad offerings may be needed to open up “long tail” revenues.

SECTION 2 NEWSPAPER NEXT CASEBOOK

12) www.MonroeTalks.com

Monroe (Mich.) Evening News, weekday circ. 20,328 (independent, employee-owned)
Source: Dan Shaw, managing editor

Product

MonroeTalks.com is a simple community discussion, calendar and photo-sharing site with the tag line, “Join the conversation!” It has seen explosive growth, doubling the company’s local Web footprint in just a few short months.

This site demonstrates the tremendous power of local discussion, showing what’s possible for virtually any local Web site that sets out to create a community of users.

On the entry page, discussion is showcased front-and-center. The implementation is uncluttered, and the site gives users the latitude to create their own topics and – within certain broad limits – to say what they wish.

By the site’s fourth month, it had grown to nearly a million pageviews a month, rivaling the paper’s long-established news Web site.

Launch: June 19, 2007

Targeted consumers/nonconsumers

Anyone in the Monroe County area who wants to connect with others to talk, discuss, argue, debate, ask questions or give answers on any subject.

Main job to be done:

Give me an easy way to be an active member of a lively local community.

Targeted businesses

Businesses who want to drive traffic to their own Web sites; businesses who want to reach a general audience of local consumers at low cost.

Main job to be done:

Help me reach local consumers at a price I can afford.

How they did JTBD research

After an initial N² workshop, the company launched a broad new-product initiative in which several task forces interviewed 36 local consumers. The teams identified several opportunities, including what they believed to be a big gap – the lack of any form of local social networking.

Shaw: “Nobody said, ‘Do a social networking site.’ But a lot of people told us they were turning to the Internet for information of all kinds, and we wanted to be the ones who created the online discussion community, rather than wait for somebody else to do it.”



Several rounds of discussion and testing with users followed as they developed the product. They recruited 25 non-staff bloggers from their active blogging site (www.BlogsMonroe.com) and frequent users of their earlier-generation discussion forums to review prototypes and help shape the new site.

The team also interviewed businesses. Shaw: “The business discussions went more along the lines of what they wanted to achieve with their own Web sites. They wanted pageviews, and they wanted some way to get that. We found so much naiveté about the Internet in our market – none were satisfied with their own Web presence and they all wanted ways to make them more effective.”

Main components, features, attractions

Three elements: a discussion forum, a calendar with user input, and a photo-sharing gallery. The calendar is shared with the main news site. The site also links to the company’s extensive blogging site, which already existed.

How monetized

Banner ads. They held three business lunches to introduce MonroeTalks.com, resulting in several initial sales. Sales since then, handled by the already heavily loaded print sales staff, have been modest. The company has no online-only sales reps.

Marketing

The rollout plan included radio spots, many house ads in the daily paper and the news Web site, tent cards and coasters at restaurants and guerrilla marketing with business cards. Budget was less than \$10,000.

SECTION 2 NEWSPAPER NEXT CASEBOOK

Staffing

No additional staff. The managing editor has primary responsibility for the Web sites, although work is shared across the newsroom. MonroeTalks.com takes very little maintenance – mainly reviewing troublesome postings flagged by site users. Posts are filtered for offensive language but not staff-reviewed in advance.

The site runs on open-source software.

Key metrics

Pageviews, postings and ad revenue. Traffic on MonroeTalks.com grew so fast initially that the team switched to a more conservative tracking tool. The site had 486,000 pageviews in July, its first full month, and topped that 800,000 in both August and September, rivaling the main news site's 1 million views.

The discussion forums draw 80 percent of the traffic. By its sixth month, the forums had more than 65,000 posts on more than 2,800 topics.

The calendar draws about 10 percent of the traffic. User contributions were growing steadily and adding substantially to the daily's print calendar. Photo-sharing was growing more slowly but at a steady rate.

On the revenue side, the explosive user growth has raced ahead of ad sales efforts. Sales have been less than \$2,000 a month.

Lessons learned (Dan Shaw)

- It's very hard for department heads to take time away from their core duties. I was able to carve out some time for new media because the managing editor position was newly created when I was hired.
- We set the tone for the forums, which is "anything goes, but keep it civil." I think we limited our problems that way.
- One of the biggest lessons is that you have to let the site run itself. You need to let people say what they want and not get too nervous about it. Some of our conservative editors have now come around to that point of view, which is a hard thing for serious journalists. It's a different medium, and you just have to deal with that. I've heard some horror stories from editors elsewhere, but I think it's often just their own thin skins, rather than what people were saying. We delete only two or three posts a month.

Comments

[Disclosure: the author of this report was editor and publisher of *The Monroe Evening News* until 1997, and still serves on the company's board of directors.]

This site's traffic numbers are the kind of success story the whole newspaper industry is seeking.

The Evening News is not a large paper, and it has less

than 100,000 population in its core area, which makes the MonroeTalks numbers staggering. In just four months, the site reached traffic levels it took the news site 10 years to achieve.

Few local discussion forums have seen growth like this. What makes MonroeTalks.com different?

First, it's not a niche site. The potential audience is large, because it targets a consumer job that includes everybody in the community: "Help me connect and interact with the other people who live here."

Second, the site is very simple – there's no confusion about what it offers. The entry page showcases the three things you can do – talk, see photos and use the calendar. The discussion module's title and tag line state its purpose with unmistakable clarity – "Your Talk: Whatever's on your mind, from world peace to the best pizza." A good tagline like that is important for a key site feature because it answers the perennial user question, "What's in it for me?" And the module displays enough text from new posts to catch your attention.

Third, the site really belongs to the users. MonroeTalks.com lets users create their own topics and intervenes only rarely on postings or discussions.

The Evening News was far more cautious in its earlier discussion forums, but they've learned that a community forum is not a newspaper – it's more like the back fence or the town square, where citizens should be able to talk about whatever they please. Thorny issues do arise, but Shaw says they're manageable.

The site's traffic growth took the sales staff by surprise. Like many small papers, *The Evening News* is trying to get print reps to sell everything, including the Web sites. Now that the company's Web sites have more than 2 million page views a month, they can start really selling them. A "good enough" next step might be to create a commission-only sales position dedicated to the Web sites.

In the big picture, the MonroeTalks story suggests that every community may have a huge audience-growth opportunity that has nothing to do with news. It's the opportunity to enable people to talk with each other – social networking in its simplest, most local form. Newspaper companies everywhere are the logical entities to create and own this space.

Many newspapers are attempting community, hyperlocal and niche sites, often with only moderate success. Often these sites don't offer discussion forums or may make them too hard to find, and the result is very low participation. These sites need active discussion forums to create a genuine sense of community. The MonroeTalks model suggests that simplicity, clarity, user freedom and top-level showcasing are the keys to success.

The "discussion" job that all humans share appears to be one of the most powerful new opportunities in building local online audiences.

SECTION 2 NEWSPAPER NEXT CASEBOOK

13) www.MyCape.com

Cape Cod Times, Hyannis, Mass., weekday circ. 44,173 (Ottaway Newspapers, Inc.)

Source: Peter Meyer, publisher; Kate McMahon, Internet director

Product

MyCape.com is the umbrella name for hyperlocal, town-based community Web sites serving 16 towns on Cape Cod. The sites' tag line is, "Locals talking local."

The *Times* media group launched its first hyperlocal site for Falmouth, Mass., on March 22, 2007, with the intention of rolling out 15 additional sites gradually, extending into 2008. But community response was so enthusiastic that the timetable was drastically accelerated, and all 16 sites were launched by Memorial Day weekend in 2007.

With a heavy emphasis on user-generated content, the sites rely on a small staff of part-timers to nurture participation and spread the word at the grassroots level in the target communities.

All the sites operate on the same software platform and page templates.

(For the Cape Cod Times' innovation structure, See [Page 81](#).)

Launches: March 22 – May 28, 2007

Targeted consumers/nonconsumers

The team identified three primary target users: busy parents who want to stay informed on town issues; "town advocates" who want to share their community views and stay connected, and "piners" for whom Cape Cod is a summer vacation spot or second home.

Main job to be done:

Help me stay connected with my community and its happenings, even if I'm not there now.

Targeted businesses

Smaller, hyperlocal businesses looking for a low-cost way to reach consumers in a narrow geographic area. The team found that small businesses were looking for this kind of solution, while larger businesses preferred a broader reach.

Main job to be done:

Help me reach the people in my town at a price I can afford.

How they did JTBD research

Little organized research was done, as much of the project work preceded the company's adoption of the N² approach. Pre-launch discussions with business owners indicated that most small business owners liked the concept, but most of the site's specific consumer and business jobs were identified through internal project group discussions.



Main components, features, attractions

Essential town information; town-specific news; user-generated articles, photos and calendar listings; aggregated local content from other sites; village Web cams; enough local articles, between content from the *Times* and aggregated content from elsewhere, to keep the sites fresh.

How monetized

Display ads, local search ads. Banner ads are sold by the daily group's 16 ad reps, who sell all of the group's products. The sales group includes Internet and magazine specialists who have been embedded in the sales teams, along with print sales reps and designers, in a "sales convergence" program.

Marketing

The sites are promoted in a prominent widget on the entry page of the main news site, www.CapeCodOnline.com, and in the daily paper, but the primary marketing strategy was a grassroots plan using community-level representatives.

For the first launch, the *Times* group created a 30-hour part-time "MC" position, as in "master of ceremonies." Her job was to spread the word and encourage participation in Falmouth, the town of the first launch, by talking with community groups, chamber of commerce, nonprofits and governmental units, and by attending and participating in community events. She was equipped with a camera to shoot and upload local photos, a cellphone and an email address.

SECTION 2 NEWSPAPER NEXT CASEBOOK

She became the “lead MC” when, in accelerating the other 15 launches, the company hired five more temporary MCs at 20 hours a week to do the same work. Each MC handles at least two communities. The MCs also shoot many photos and write stories for the sites.

The sites run promotions, contests and giveaways (including digital cameras) to encourage use of site and submission of content.

Staffing

Six part-time MCs as detailed above. The lead MC – the first hire – is a continuing position. She leads the MC team, approves user-submitted content for all 16 sites and is responsible for two towns. The other five positions, costing \$67,000 for 2007, were funded by an allocation from Ottaway’s corporate innovation fund. They may renew these positions in 2008 with local money. The MCs report to the Internet director.

Sales reps (no new positions) report matrix-style to both the Internet director and the ad department’s sales managers.

Community-related coverage from the *Times* is automatically fed into the appropriate site via RSS feeds.

Key metrics

Pageviews and site activity, tracked separately for each site and growing at different rates. The bulk of the traffic is to photos and articles. Total pageviews started at 90,000 in April and rose dramatically in May and June, peaking in July at 412,000, about 7 percent of overall traffic for the *Times* group’s Web sites. Pageviews sagged slightly in August and more in September, to 334,000, as the summer tourism season ended. Since launch, 3,564 photos have been posted and 1,074 user-submitted articles have been published.

Ad revenue: The sites are exceeding their first-year sales targets, although much of it is attributable to the decision to accelerate the launches in 2007 from four to 16.

Lessons learned (Peter Meyer and Kate McMahon)

- Relying on outside contractors for technology can be time-consuming and frustrating during implementation, and it limits the ability to respond to user suggestions for improvements.
- Continual dialogue with site users is critical.
- We started building over a year ago, and a lot has changed in the online world since then. It’s important not to be married to your original business plan. We had strong ideas about how it would go, but we’ve modified those plans quite a few times in response to what we’ve learned.
- The MCs have been very important because we couldn’t use conventional marketing. We had to reach audiences we were not reaching through other channels.

- Just because you think it’s a cool concept and should sell to advertisers doesn’t mean it will. We’re ahead of target, but it’s still frustrating that these sites aren’t sold out. We probably aren’t calling on these smaller advertisers as much as we should. We need an easier, less expensive way to close small-dollar business. We’re still using the old model, with a first call, a spec ad, another call, and so on, taking several visits to close. The advertisers like the sites, but a lot of them are waiting it out.

Comments

There’s a lot of interest in the newspaper industry in targeting hyperlocal community needs, at levels too local to be served by a daily paper or in fringe areas no daily serves well. Quite a few companies are experimenting in this space.

Some are trying print solutions like paid or free weeklies (see *The Gateway* elsewhere in this section). Some are trying Web-only solutions, like the *Cape Cod Times*’ www.MyCape.com and the *Washington Post*’s www.LoudonExtra.com. Others are trying combined web and print solutions, like www.TribLocal.com and *Trib Local* (profiled elsewhere in this section). They’re all pursuing the same goal: entering the substratum of information, news and interaction at the small-community level, where dailies rarely reach.

MyCape.com has made excellent progress in its first year, and the site is being retooled in several ways based on what the team has learned. However, as all of the companies pursuing the hyperlocal opportunity can attest, the strategy poses several tough challenges:

Content: The big question is, can user-generated and hyperlocal content make a site hum with traffic and user activity? And what’s a “good enough” approach to attract or create it affordably? MyCape.com is seeing good growth in traffic to user-submitted photos and story pages, and a fair number of user-generated articles. It’s still early in their development, but they’d like to see more.

One component of a thriving community that’s weak in MyCape and missing entirely from some other newspaper-created hyperlocal solutions is community discussion. Community sites that showcase simple, user-friendly discussion forums find they can drive rapid participation growth (see www.MonroeTalks.com in this section). Cape Cod has a forum, but it’s hard to find, and the team is planning to redo it.

Marketing: Traditional marketing approaches usually don’t reach a hyperlocal audience very well. Cape Cod has come up with an excellent idea in hiring low-cost part-time MCs to wage a grassroots “get-acquainted” campaign.

Revenue: This is the biggest challenge. Publisher Meyer states what many publishers are learning: The traditional sales structure costs too much and usually can’t generate enough sales pressure for niche and hyperlocal Web sites.

SECTION 2

NEWSPAPER NEXT CASEBOOK

How can we step outside our traditional sales model and find solutions that fit the small businesses we need to serve?

One possibility is hiring sales reps in the same “good enough” mold as Cape Cod’s MCs. That is, part-time reps who live in the target communities and would like to make a few bucks on commission by helping local businesses advertise online.

Another possibility that could fit that model is putting self-serve online “ad stores” on these new sites, where small local businesses can create and pay for ads on the site without help. These may also need a different kind of salesperson to evangelize the opportunity among small businesses, on a different incentive plan, or they may require a different marketing plan altogether.

And then there’s the www.DeliveringQC.com approach (profiled elsewhere in this section) that gives small businesses a cash-free way to pay for advertising.

Overall, there probably isn’t just one silver-bullet solution for hyperlocal. The elements the industry needs to develop are a “good enough” way to provide engaging, low-cost content, a “good enough” approach to marketing, and a “good enough” (i.e., affordable and effective) approach to sales.

SECTION 2 NEWSPAPER NEXT CASEBOOK

14) Orange

Times Herald Record, Middletown, N.Y., weekday circ. 80,148 (Ottaway Newspapers, Inc.)
Source: Molly Evans, advertising director

Product

Orange magazine is a free, bi-monthly regional magazine, glossy and perfect-bound, covering Orange County – the people and the place. (Premier issue: French gatefold.) Printing: 30,000. Distribution: 12,000 by mail to households over \$150,000 income and the remainder at about 100 selected locations, including hotels, high-end retailers, restaurants.

Evans: “Many people feel Orange County lacks identity and a sense of pride and place for both residents and visitors.” The magazine aims to help fill that gap.

Existing magazines in the market cover larger areas, or overlap only with parts of Orange County.

Launch: Nov. 15, 2007

Targeted consumers/nonconsumers

High-income residents and the many new move-ins (often high-income commuters to New York) who have urban tastes and may not read the local newspaper. Orange County gets a steady influx of these upper-income residents who are moving away from Manhattan.

The magazine also targets “not-so-high-end” residents through free local distribution.

Main job to be done:

Help me be in the know about how to enjoy life in Orange County – what to do and where to go: The little-known restaurant, the deluxe day spa, where to hold a wedding on a beautiful farm, fabulous local chefs and their restaurants.

Targeted businesses

Businesses out-of-market who want to reach this audience; there's a lot of interest from New York City. Also roughly a 50-50 mix of local daily newspaper advertisers and non-advertisers, including art galleries, day spas, health categories, high-end retailers, home décor. The daily has seen an erosion of ROP because these advertisers want premium reproduction quality.

Main job to be done:

Help me reach the high-end consumer in a high-quality setting with top-quality reproduction.



How they did JTBD research

No formal jobs to be done research was conducted in advance; the project was rushed amid rumors that a competitor might be coming in. However, as the first issue was in preparation, a survey was sent to the direct mail list put together for the magazine, exploring what subjects people wanted to know more about. Evans: “The feedback won't be here in time for the first issue. We hope we've got it right, but if we're wrong, we'll tweak going forward.”

Main components, features, attractions

The first issue's lead story is how to start an art collection locally at reasonable cost. Standing features include homes (remodeling, decorating, reconstruction), events calendar, reader photos of people and places in Orange County, a “foodie” component (e.g., local chefs' favorite recipes), an ex-patriot interview, what's happening in Manhattan, travel, wine, gadgets, humor, puzzles, astrology, movies and DVDs.

How monetized

Display ads. The magazine is free. Evans: “I found in previous local magazine startups that paid circulation is more trouble than it's worth. Most of the revenue goes to distributors and administrative costs, and it's very hard to build paid circulation.” Ad pricing is competitive with other magazines in the region and is sold in packages from one time to seven times (November premier issue plus all of 2008). Page rates are roughly comparable to the daily paper, which has almost three times the magazine's circulation.

The ad director, the magazine's ad manager (a contract position) and the 17 daily reps are the sales force. Evans: “The reps have done a darn good job despite having very full plates. They know how their customers will react to a glossy, high-quality ad reaching affluent homes and newcomers.”

SECTION 2 NEWSPAPER NEXT CASEBOOK

Reps are asked to identify prospects they want to close; after their deadline, the magazine's ad manager takes over those not closed. However, the ad manager's primary mission is calling on non-advertisers in and out-of-market.

Marketing

The launch was marketed to target households through the survey mailing, which included a contest. A Web site (www.OrangeMagazineNY.com) was launched in advance, mainly to promote the magazine and to provide advertising information and contacts. Six weeks before launch, upcoming marketing plans included radio ads, advertiser-sponsored launch parties at a bookstore, a restaurant and other locations. Photos for the first issue were solicited through the daily paper. Marketing to businesses was mainly through sales calls, which began in mid-July to put the magazine on advertisers' budgets for 2008.

Staffing

Evans was the project sponsor. An ad manager and an editor (who works from home) were hired on contract, both essentially full-time. An ad agency was contracted on a per-page rate to handle design and production work, serving as art director and production director. Printing is outsourced to a vendor where the company already does business.

Key metrics

For sales: revenue, ad count, types of ads. Evans: "We want a good mix of different categories, because ads are important reading material in a magazine." For readership: pickup rates, reader feedback, and advertiser feedback about effectiveness of ads.

Lessons learned (Molly Evans)

- Don't start with a big staff – do it small. I learned from doing other magazines in other newspaper markets that you have to keep it small, and it really doesn't require that much staff.
- Make sure you have the right people on content, who recognize how magazine planning works and who realize that magazine content – unlike newspapers – is coordinated with seasonal advertising.
- Advertisers will give you a lot of "wait and see" answers. So the first issue tends to be sort of a prototype, proving the concept, with fewer pages than later issues.
- Try to time your launch toward the end of the year, so you don't have to print several issues before you can get into advertisers' budgets for the next year.

Comments

Publishing local magazines can be a lucrative and fairly comfortable expansion of the traditional newspaper model, and many papers are doing it successfully. Many of these efforts aim at the upper end of the market – high-income consumers and the high-end businesses who want to reach them

Middletown's execution of *Orange* illustrates good strategic thinking on several important points:

- Target a space not already taken – both among consumers and businesses. Especially on the business side, it's important to identify a sizable number of non-advertisers, inside or outside the market or both, who can add to your company's revenue and customer base.
- "Good enough" – when you're targeting high-end consumers and businesses – demands top-quality reproduction, design and content. But these can be achieved at reasonable cost, and with a very small staff.
- It's possible to leverage the resources of the existing sales staff if – as with *Orange* magazine – the new product is one they understand clearly and will want to present. They may be eager to offer it to their current customers.
- Still, an additional sales effort is needed to make calls on the many non-newspaper advertisers this type of product is designed to serve.

SECTION 2 NEWSPAPER NEXT CASEBOOK

15) *Oregon Outdoors* and *OregonOutdoors.com*

The Mail Tribune, Medford, Ore.; weekday circulation 30,877 (Ottaway Newspapers, Inc.)
Source: Grady Singletary, publisher

Product

Oregon Outdoors is a suite of products: a weekly newspaper section, a monthly magazine and a Web site (www.OregonOutdoors.com), all under the “*Oregon Outdoors*” brand.

Thousands of residents in southwest Oregon are active outdoors enthusiasts, and the *Oregon Outdoors* products aims to meet their information needs.

The six-page broadsheet section appears in the newspaper on Thursdays. The free glossy magazine, launching in fall 2007, began with a 20,000 press run, distributed by direct mail and racks. The Web site gives the brand an online presence, primarily through repurposed content from the print publications, and content for all three channels flows through the editorial front-end system.

Launches: Web site and in-paper section launched Sept. 27, 2007; magazine launch set for Nov. 12, 2007.

Targeted consumers/nonconsumers

Thousands of active outdoor recreation participants in Jackson and Josephine Counties, where fishing, kayaking, hiking, climbing, biking, skiing, camping, hunting and many other outdoor sports are widespread, both summer and winter.

Main job to be done:

Help me get the information I need to take advantage of the outdoor opportunities in our region, and help me hear about what other people are doing.

Targeted businesses

Businesses that focus on or serve the outdoor enthusiast, from equipment dealers, instructors and guide services to hotels and restaurants. Also core newspaper advertisers who want to reach this large and active audience.

Main job to be done:

Help me make outdoor enthusiasts aware of my business and what it offers.

How they did JTBD research

The reporting staff did 172 jobs to be done interviews with consumers of many kinds, in which people often talked about their outdoor activities and the need for more and better local and regional outdoor recreation information. JTBD interviews with businesses helped the *Mail Tribune* team realize that businesses wanted to reach a broader and often more targeted audience than just newspaper readers.



SECTION 2 NEWSPAPER NEXT CASEBOOK

Main components, features, attractions

All three channels – newspaper section, magazine and Web site – focus on seasonal outdoor recreation opportunities (e.g., prepping for skiing, winter kayaking, winter fishing) and a multitude of specific recreation niches. There's a "My adventure" feature, soliciting user stories about their best trips and outings; a "Trail of the Week" feature; columns; blogs; high-tech gear information; regular hunting and fishing reports; aggregated daily stories and wire news on outdoors topics.

How monetized

Print ads, Web banners and buttons. Packages enable businesses to advertise in one, two or all three of the outdoors products. Three packages include premium positions. In early selling, two of the premium packages were sold at \$3,000 to \$5,000. Sales efforts were under way in October for the magazine, with a goal of \$30,000 in sales.

One sales management position is responsible for sales to non-traditional advertisers with a focus on the *Mail Tribune's* magazines, including *Oregon Outdoors*. That manager helps the daily's sales reps sell into these channels, makes dual calls and developing training and marketing materials. The online sales staff also sells the Web site.

Singletary: "We'll be in the black from Issue No. 1."

Marketing

Radio spots are planned before the magazine launch. The launch of the in-paper section and the Web site were promoted with a house ad campaign in the daily, the TMC product and the news Web site. The new *OregonOutdoors.com* site promoted the upcoming launch of the magazine.

Staffing

Oregon Outdoors content is produced by a new Features Content division in the newsroom. In the coming months, this group will also take over content creation for three other existing magazines from the paper's Product Innovations (PI) division, which had been a separate group handling content, sales and production support for the magazines. A content editor position was created to lead the new Features Content group, and a newsroom writer and a PI writer were moved into it. When the transition is complete, the newsroom Features Content group will provide the content for all the magazines while the PI group will provide production support and sales.

Key metrics

Ad sales in all three channels as well as magazine distribution and Web traffic. The weekly print section (sold in one-month to six-month packages) sold out for its first issue.

Lessons learned (Grady Singletary):

- This is the first innovation effort where the newsroom has been heavily involved. You have to realize that long-term planning for a magazine will be a sea change for your newsroom.
- Creating the bridge between the separate Product Innovations group and the newsroom raises some delicate issues, including quality levels and blending of freelance and newsroom work. This is the only case where a features editor reports to both the publisher and the editor. It's a dual reporting structure, and we manage by a team – the PI director, the editor, the features editor and the publisher working in a collaborative fashion.
- The reorganization for this product will become a pathfinder. We intend to learn from the *Oregon Outdoors* product so we can use the same organizational structure and delivery mechanism for the existing magazines and future new products.

Comments

The *Oregon Outdoors* project targets a good opportunity in a large regional niche that the daily newspaper alone can't fully satisfy. The launch is impressive because it involves creating three new products simultaneously. This required substantial staffing and reorganization of several positions.

A more typical N² approach might be to choose one of the three channels as the pilot product and launch a "good enough" first-generation product to test the concept. The other products could follow once the concept had been proven.

The *Mail Tribune's* approach makes the stakes higher. But the two print products will reach the entire target audience and should be fairly easy for the print staff to sell. As a result, the whole project becomes more profitable sooner.

On a more granular level: The amount and variety of content on the Web site (mainly repurposed from other channels) are impressive. An easy next move for the site is social networking – a community discussion forum on the entry page so recreation enthusiasts could share knowledge, ask each other questions and discuss any topic that interests them. The users would generate the content, and the dialogue would draw people back to the site. A good example of implementation can be found at www.MonroeTalks.com, profiled elsewhere in this section.

SECTION 2 NEWSPAPER NEXT CASEBOOK

16) *Padres*

Chicago Tribune, weekday circ. 566,827 (Tribune Co.)

Source: Owen Youngman, senior vice president for strategy and development

Product

Initially a free bi-monthly tabloid magazine for Hispanic parents, distributed with *Chicago Hoy*, the *Tribune's* free daily Hispanic newspaper. Based on advertiser requests, it became monthly in December 2007.

Printed on brighter newsprint on a narrow web (50 inches), the magazine's in-paper distribution gives it a circulation of 160,000.

The idea for a parents' product was hatched in the *Tribune's* development department, which adopted the N² approach to product development late in 2006. Youngman: "We had nothing in our portfolio for parents, and I challenged my folks to come up with ideas." (For the *Tribune's* innovation structure, See [Page 83](#).)

Julian Posada, general manager of *Hoy*, proposed a parents' magazine targeting the many strong families in the Chicago-area Hispanic community. It was launched in just eight weeks.

Youngman: "It's a huge audience, and there's nothing serving it. We did it fast, and we didn't over-model it. Our feeling was, 'Let's just see how it does.'"

It has been a big hit with advertisers, many of whom requested the monthly frequency. Higher page counts and wider distribution also are under consideration.

Launch: August 2007

Targeted consumers/nonconsumers

Spanish-speaking parents of children from birth through high-school age.

Main job to be done:

Give me resources and ideas for raising, entertaining, educating and supporting my kids that I can understand and use over and over.

Targeted businesses

Local retailers and service businesses located in Spanish-speaking communities.

Main job to be done:

Help me connect with Spanish-speaking parents without having to reach the entire market, so I can offer them products and services that will help them fulfill their parenting jobs.



How they did JTBD research

The *Hoy* staff conducted a handful of interviews with advertisers to gauge their interest in reaching Spanish-speaking parents, as opposed to the general audience of *Hoy*. They also held conversations with several community groups about what kinds of advice and information parents needed and weren't getting. Earlier *Tribune* research on the overall parenting category also was used.

Main components, features, attractions

Articles; calendar items; advice targeted at parents. Lots of "how-to" boxes and other quick-read resources. Content is organized in sections according to children's age groups (zero to 5, 6 to 12, and 13 to 17) and marked with colored tabs.

How monetized

Print advertising sold at premium rates by the *Chicago Hoy* sales staff.

Marketing

In the pages of *Hoy*, in a limited amount of bartered television with *Hoy's* Spanish-language partner, and with *Hoy* rack cards and leave-behinds at advertisers' businesses. Participation in community events is planned, and a parenting fair and PR campaign are in the works.

Staffing

No additional staffing; content is produced by the *Hoy* editorial staff, and *Hoy* ad reps handle sales.

SECTION 2 NEWSPAPER NEXT CASEBOOK

Key metrics

Ad revenue. No consumer metrics so far. The product has been profitable from the first issue.

With strong ad sales, the product grew from 16 pages in the first issue to 20 in the second and 24 in the third. Many advertisers requested monthly publication and signed contracts to support it, so the magazine went monthly in December. Distribution outside of *Hoy* also was being explored, to provide increased penetration and support higher ad rates.

Lessons learned (Owen Youngman)

- The advertiser appetite for reaching this target audience appears to be unlimited.
- Content needed to be segmented and labeled according to the ages of children for the convenience of its users.

Comments

This is a great instant success story – just eight weeks from concept to launch, profitable from the first issue, and growing in page count, frequency and probably distribution.

It began with the inkling that parents might be a promising target audience for the *Chicago Tribune*. But while English-speaking parents might be an attractive group, they have a pretty fair range of parenting information and resources available if they want them.

However, when the *Hoy* team thought about their Spanish-speaking audience, the idea took off. The combination of family-centric cultural traditions and the relative dearth of other parent-support resources made *Padres* look like a winner.

The *Padres* project is a great example of moving quickly, gathering just enough jobs to be done information to launch a “good enough” first-generation product, and getting it out there without delay. And they added no staff; they figured that if it worked, that could come later.

Launching it as a bi-monthly within the daily *Hoy* was a big part of the “good enough” strategy. They could do it without much expense or fanfare, and if it turned out the advertisers liked it, they could always boost the page count, raise the frequency, and spin it into independent distribution. And it looks as though all three are likely to happen.

It was an excellent combination of strategic market selection and an “invest a little, learn a lot” approach. Many new-product innovations don’t hit pay dirt so quickly, but examples like *Padres* prove that it can happen.

SECTION 2 NEWSPAPER NEXT CASEBOOK

17) *Pocono Record* – newsroom transformation

Pocono Record, Stroudsburg, Pa., weekday circ. 19,350 (Ottaway Newspapers, Inc.)

Sources: Jim Maxwell, publisher; Bill Watson, editor

Product

Not a product, but a wide-ranging newsroom transformation resulting in extensive changes in the existing products (newspaper and Web site), as well as new content, new products, new services and new advertising opportunities.

The process began with more than 100 consumer interviews by newsroom staff, using a Newspaper Next questionnaire to learn what kinds of information people wanted and needed.

Publisher Jim Maxwell: “We used ‘jobs to be done’ to set new criteria for newsgathering and to determine our news-gathering goals. It has resulted in a complete refocusing and restructuring of the newsroom.

“We’re focusing on what we can do better than anyone else can. We’re devoting less space in print and online for major national and regional stories because we found out we were the fourth choice among our readers for those content areas. This resulted in increased local coverage by 40 to 50 percent.”

Editor Bill Watson: “Newspaper Next and its questionnaires were a departure point. We’re trying to examine what people do and figure out how we can supply information to help them do that.

“We’ve restructured the workflow and jobs around the idea of creating new communities and content centered on the kinds of information people want and need.”

Both described an extensive and continuing reorganization of the news staff and rapid rollouts of new or expanded content in a number of subject areas, often using new formats and new channels.

Following is an overview of what they had done by mid-October.

How they did JTBD research

They began in February, after the Ottaway group adopted Newspaper Next to drive innovation efforts companywide.

Watson: It was pretty simple – just people going out with questionnaires for free-wheeling interviews about how people spend their time, what their interests and concerns are. About 12 of the newsroom’s 30 people participated, completing more than 100 interviews. The results confirmed that there were underserved niches. For example, outdoors people were not getting enough, and many others weren’t either.

We’re still periodically doing more interviews. We need to stay up with the seasons, and we’re checking to see how people like what we’re doing.

Maxwell: It was a great education for the newsroom folks; we had made assumptions for years about what readers wanted. It was fascinating to see the patterns that developed from the JTBD responses. The survey results identified several areas of major interest in our market – things like education, the outdoors, crime, development and growth, traffic and infrastructure.

The restructuring

Maxwell: We’re migrating away from reporters to content managers who manage the content for a given subject area for both print and online. Several reporting positions have morphed into content manager positions and several more are in the planning stages.

There was some apprehension at first, but we identified some leaders in the newsroom – our education reporter, for example. We have a number of people who are really excited about owning a content area rather than just covering a beat, and being able to focus on the multimedia aspects of providing the information to consumers. And we’re seeing the outcome in positive feedback from both readers and staff.

Watson: The goal was to reduce the number of steps and people between consumers and news, and to spread online skills around the newsroom. Reporters are being asked to leverage their skills, taking over responsibility for specific areas of content. It’s more than a beat – you have stringers, you decide for yourself what stories are important, you monitor your Web traffic to see what people are reacting to, you generate emails to readers about new material on the site. You have a mission statement for your area of content and you figure out what to do with it. It gets them thinking entrepreneurially.



SECTION 2 NEWSPAPER NEXT CASEBOOK



After several months, it's working. We still have staff members who want to do the actual reporting, but other people are natural for this – they don't care whether they're doing the reporting and telling or directing others who do it. There has to be a change in job expectations and pay. For example, the whole newsroom is on a \$50-a-month incentive program if the newsroom makes its online traffic goals. [Web traffic is up more than 50 percent over the prior year.]

The outcomes

Watson: If we can identify a body of content of interest to a group of people we weren't serving before, we can create a new community around online and print. For example, golf. It was hardly in the paper before; now there's a section online and in the Monday paper. It's the hole of the week, a feature on somebody from golf, local league news and pro golf from the weekend.

Pretty soon [as of October 2007] we'll replace it with skiing – another subject we found underserved. There are hundreds of instructors, thousands of local skiers and tens of thousands of people who come from outside the area to ski.

For education, we launched a local schools page on Wednesdays. On Tuesdays, we have a "smart consumer" page that's heavily local. We're rebuilding entertainment to launch in November – *Sharp* will be a new free publication; we're fooling around online to help us shape it. [The magazine launched in November.] There are videos of local bands, and one of the reporters started talking to clubs and others on the music scene, resulting in a whole new content stream. Bands are getting exposure, and we're getting stuff for a whole new audience.

A Friday hodgepodge section in the paper will become family entertainment.

We replaced the Sunday arts and leisure section with section on outdoors. There's a new home and garden section.

Sometimes we just go ahead and do it. With outdoors, home and garden and local schools, we post new content online

in between the weekly print sections. Each subject has its own online forum. We have a newsletter list in development, so you can sign up for notices when new material goes up in your area of interest.

Next on our list is a separate online section for commuter news and traffic reports (available via cellphone text alerts), because we have a lot of commuters here. Other reorganizations and refocusing are going on, too. Our lifestyles pages were fuzzy – now it's not just "consumer," it's "local consumer." We do forums with every story we do, and we'll start to build separate pages.

Maxwell: They're doing it all with approximately the same staffing level. But they've changed the tasks, replacing lower-value tasks with higher-value tasks. For example, we used to spend a lot of reporter time attending meetings. Now we use stringers for township and municipality meetings. And rather than focusing our coverage on what happened, we spend more time on what's going to happen, looking into the future.

Education is a good example of how things are changing. We



SECTION 2 NEWSPAPER NEXT CASEBOOK

have four school districts in our area, and the Web landing page has pages for all four. Wednesday's Lifestyle section in the *Record* has changed from a food focus. It is now dedicated to education, including profiles, taxes, testing, and the good things that students and faculty are doing in the community. This is a content area our consumers wanted more information on. What we've done in education is the benchmark for establishing other areas of focus. We've restructured the Lifestyles section every day to cover areas consumers said they wanted to know about. Food has moved to Sundays, the day of the week when many working people plan their food purchases for the following week.

Measurable results

Maxwell: The increase in Web traffic (50 percent over last year) has led to significantly increased online revenue. We're up close to 50% year over year and approaching \$1 million in total online revenue.

Advertisers are seeing a high level of value in our online offerings. We're selling targeted areas, with higher pricing on areas receiving higher traffic levels. We're launching a local search product in the next two weeks, and we've already logged more than \$100,000 in presales.

We now have 4,000 to 5,000 subscribers to our text alerts for traffic and breaking news. Traffic is a problem here, and text messaging has enabled us to attract people who aren't readers of the newspaper. Our editor was the one who suggested we sell advertising on text alerts – the process has broken down some of the walls between news, online and advertising.

Meanwhile, daily and Sunday paid circulation are also rising.

I'm seeing excitement. People are stepping up and doing things differently. We're creating a new stand-alone entertainment product in November [*Sharp* was launched on schedule], targeting ages 18 to 35. Based on jobs to be done and market analysis, we saw a new opportunity in the market. *Sharp* will consist of a free weekly print product and a dynamic Web site. A reporter is stepping up to lead it. We've identified roughly \$750,000 in new revenue available out there, and we're shooting for 60% of that in the first year.

Watson: We've whupped our online traffic goals – made our goal every month since April. We did 2.9 million pageviews through August of this year compared to 1.8 million last year. Daily unique visitors for August were up 61%, and uniques YTD were up 74.9 percent.

Promoting the changes

Maxwell: We're using a multimedia approach – radio and outdoor and our own print and online products to promote our changes and new look. The feedback is overwhelmingly positive. We're not using slogans – we've just focused on telling people about the changes as they have rolled out. The news department created some of the promotional ads. Several have won state advertising awards. We have a marketing budget of \$375,000, and about half of that has been spent promoting the N²-driven changes.

Lessons learned

Maxwell: The biggest lesson we have learned is that paradigms can change. We've always heard, "We don't have enough resources to do what we've always done, let alone take on new tasks." The biggest lesson is that we don't necessarily have to do everything we've always done. There are high-value and lower-value areas. Utilizing information from jobs to be done, you can focus on the higher-value areas, and deliver information on topics that your readers really care about.

We've taken some big steps, but we've been fluid and flexible. [Editor] Bill [Watson] is not a black-and-white kind of guy – he likes to try new things, and he has the ability to get his team behind him.

Also, we couldn't have done it without Newspaper Next. In my first year here, I spent a lot of time looking at our culture and our organization. Then, when we got our hands on Newspaper Next last December, it gave us a framework to try new things.

Our motto is, "No fear...don't be afraid."

Watson: Do it in small chunks. Make sure you've thought through how you will define success. Look at the drawbacks in advance and be willing to pay the price.

It helped that the company was willing to put some modest amounts into incentives – it shows it's important to the company, so people can take it seriously.

People may not think newsletters are worth building, but they are – when we send out a breaking news alert, we can see the spike in traffic on the Web site. And all those people start telling other people.

When you do have a big story, you need to go with it all day long, but also tell people how they can sign up for the alerts at the end of every story. Every time we've had a big story, our traffic has never gone back down to the previous levels again. The viral word spreads.

SECTION 2

NEWSPAPER NEXT CASEBOOK

Comments

The *Pocono Record's* dramatic newsroom makeover – still in progress – provides an important example of what can happen when you rethink news coverage based on what's happening in consumers' lives.

They started right, by interviewing a large number of consumers to discover their jobs to be done – the information needs that weren't being met in their lives. To build coverage on those topics, they named individuals as topic champions and empowered them to use a variety of resources and channels to create and deliver the coverage required in the forms consumers need. And they are retooling the newspaper and the Web site at virtually every step.

They've moved at astonishing speed compared to the pace of change in many newsrooms, because they aren't trying to perfect every new initiative before launch – they're making change happen and re-vectoring as needed, based on the results.

Even at this early stage, the metrics suggest their efforts are paying off. Web traffic is up more than 50 percent, and circulation sales have been up in recent months. *The Pocono Record*, in its various forms, is trying hard to help with the information jobs they discovered in their market, and people are responding.

This is not a miracle. To reverse the downward trend lines in the newspaper industry, it makes perfect sense to begin with existing consumers and to rebuild our organizations and products on the fly to meet the information needs arising in their lives.

We need to be more indispensable to more people, and Pocono's example shows it can be done. If this approach were adopted widely in the industry, the newspaper would have a brighter future than many people believe.

SECTION 2 NEWSPAPER NEXT CASEBOOK

18) Quality Consignments

Ogden (Utah) *Standard-Examiner*, weekday circ. 61,956 (Sandusky Newspapers, Inc.)

Sources: Lee Carter, publisher; Vaughn Jacobsen, business manager; Brad Roghaar, director of sales, and Mark Shenefelt, online general manager

Product

"Quality Consignments" is a complete, one-stop solution for consumers who want to turn quality used items into cash – a retail consignment store housed in 3,200 square feet of warehouse space.

Many consumers have quality items they want to sell, but they can't take the time, don't want the hassle, or don't want strangers in the house. Quality Consignments fills that gap, which neither print nor online classified ads can do.

Sellers sign up for a six-week consignment, set the asking price, and pay a 25 percent fee upon sale. They also must agree to a 10 percent weekly price reduction. Pickup service is provided at cost if needed.

The store is open from 10 a.m. to 2 p.m. Wednesday through Saturday, providing clean, attractive display space, sales staff and extensive marketing support, mostly through the newspaper and other *Standard-Examiner* publications.

For sellers, it's a hassle-free solution to monetize unwanted items. For shoppers, it's a chance to shop among a fast-changing selection of high-quality used items at ever-lower prices.

The empty store opened on Sept. 5. Two months later, it was full to bursting, drawing enthusiastic shoppers and setting new sales records week after week.

The management team's goal was to reignite its private-party advertising and find a way to compete with craigslist.com and a local television station's free classifieds. "They don't provide help to handle the merchandise and the sale, and we do," Publisher Lee Carter said, so people are happy to pay for the extra service.

"It's a natural extension of our business," Carter said, because it fills a gap left by print and online classified ads.

Launch: Sept. 5, 2007

Targeted consumers/nonconsumers

Two consumer targets: 1) Consumers who want an easy, turn-key solution for selling unwanted items because they are unwilling or unable to handle the sales themselves; and 2) consumers who want bargains on high-quality used consumer items.

Main job to be done:

Take my item(s) off my hands and turn them into cash, with minimal effort on my part.



Targeted businesses

None at the moment. Future possibilities include retail businesses that have scratched, dented or unsold inventory they want to consign outside their own stores, and delinquent retail advertisers willing to consign merchandise to pay their bills.

SECTION 2 NEWSPAPER NEXT CASEBOOK

How they did JTBD research

After attending a Newspaper Next workshop, a team of newspaper managers conducted 77 consumer interviews and identified a range of jobs to be done. No consumer specifically mentioned the idea of a resale consignment shop, but the team pieced the idea together from a number of comments in the interviews.

Main components, features, attractions

Clean, new-condition 3,200-foot, warehouse-style retail store; part-time sales staff; extensive and constant advertising to drive traffic and inventory; outsourced pickup and delivery service for customers provided at cost; simple Web site (www.QualityConsignments.net) where shoppers can see photos and listings of all items for sale, although they must come to the store to make the purchase.

How monetized

Consignment fee: 25 percent of retail selling price.

Marketing

The store and resale service are marketed extensively through schedules and remnant space in the many channels owned by the newspaper – the daily paper, shopper, TMC, Spanish-language publication, military base newspaper and banners and video on their Web sites, as well as advertising wraps on newspaper trucks. Some television and radio ads are planned.

Staffing

Initially it was staffed by rotating members of the newspaper's classified phone staff into the store for one four-hour shift per week. It became clear that continuity was needed, so a part-time store position was created to work in tandem with the rotating classified staff. The store's computer is on the classified front-end system, so staff can handle inbound classified calls during slow periods. Because of the store's limited hours, total staffing is still less than one full-time employee. Pickups and deliveries are outsourced to a small, low-cost moving service.

Key metrics

Number and quality of items consigned; sales volume; revenues and profits (tracked in a separate P&L).

Prior to launch, a 12-month pro forma was developed. Based on a modest turn on inventory, the projections indicated the store could produce a 23.8% margin on an all-new revenue stream.

After the first five weeks, the store was meeting its profit projections and volume was tracking strongly upward. Carter: "In the second week, we did more gross sales in one day than in the whole first week. In the third week, we did more gross sales in one day than in the first two weeks combined. And it followed the same pattern in the next week. Eventually it will plateau, but the growth has been great."

Lessons from the management team

- Dare to try. In hindsight it's clear that this is a natural extension of the core business, but it didn't look so obvious before the launch. Carter: "I stood there the day before it opened, thinking, 'God, I hope we get something.' And then we opened, and very shortly we filled the first room, and the second, and the third."
- Keep an open mind. They started getting a lot of exercise equipment – suddenly it filled a whole bay in the warehouse, and they were worried. And then it started to sell. Now they're thinking maybe they should run ads to get more of it.
- To keep inventory desirable and fast-moving, manage what you accept. Early on, for example, they decided they would accept bedsteads but didn't want to be in the business of reselling used mattresses. They accept only quality items.
- The staff needs to manage sellers' expectations on pricing to avoid overpriced and unsold inventory.
- Initially they tried to do pickups with circulation trucks and staff. In the first week, it became clear that they needed insured professionals who could do it without damage. They outsourced it to a "two-men-and-a-truck" operation.
- Running a retail store is a different kind of business, and it raises issues such as legal work (consignment contracts), accounting (inventory, cash management) and other things unfamiliar to the newspaper business. Carter: "The things we didn't know, we found out in a hurry, but I didn't see that as a deterrent."

Comments

Although hardly high-tech or futuristic, this is one of the smartest new product concepts to emerge from the Newspaper Next process so far. It's a new business model for newspaper companies that should work in many markets.

It perceptively targets a frequent, important and frustrating job shared by many people – how to liquidate good unwanted items easily and get a fair return. The solution neatly fills the gap between craigslist.com and traditional classifieds on one hand and garage sales on the other hand because it takes care of all the hassles associated with selling used items.

It's exciting, too, because it extends and broadens the newspaper classified model and leverages its existing marketing channels to help it succeed. Most competitors would find it impossibly expensive to match the marketing push that the *Standard-Examiner* has mounted, at modest cost, to drive the new business.

SECTION 2 NEWSPAPER NEXT CASEBOOK

19) RaisingMaine.com and *Raising Maine*

Blethen Maine Newspapers, Inc. (largest daily: *Portland Press Herald*, weekday circ. 67,516)

Source: Dan Dinsmore, portfolio diversification manager

Product

Parents' Web site and monthly magazine full of resources and information for time-starved Maine moms and dads – a place where they can learn, share and connect with others.

As part of a 10-week N² product-development blitz, Blethen Maine's product development team conducted hundreds of jobs to be done interviews with consumers and businesses. (For Blethen Maine's innovation structure, See [Page 80](#).)

One of the most promising groups they discovered was busy mothers. The vehicles they used to meet their needs were a Web site and a monthly magazine, targeted to both moms and dads.

Launch: Soft launch in December 2007; full launch in January 2008. (Not yet launched when this report was written.)

Targeted consumers/nonconsumers

Primary target: Mothers of children from newborns to high-school age.

Main job to be done:

Help me solve my parenting problems, and give me something that entertains and engages me – resources, information and a community. JTBD interviews revealed that moms are extremely busy, but also bored and need a way to connect with others.

Targeted businesses

Large and small businesses that want to reach busy moms, the primary consumer decision-makers in most households. Includes major businesses such as department stores, supermarkets and home-improvement stores as well as businesses – often small – that cater to children's needs, such as daycare and healthcare.

Main job to be done:

Help my business connect with busy moms.

How they did JTBD research

A six-person Portland team did 175 to 200 individual mom interviews in May and June 2007. Each team member did them in his/her own way – at soccer games, going door-to-door, at the mall. Results were summarized in "interview overview" sheets. Then the team brainstormed together to compile overall results. They also created an in-house "moms focus group" for further consultation during product development.

Main components, features, attractions

A resource center for anything/everything to make life easier for a mom, from listings of pediatricians to contact information for the person in charge of youth sports signups in her town; a discussion forum where moms can interact – can be moms and be women; blogs on mom topics, from pediatrics to relationships; weekly meal planner – photos, recipes, grocery lists; email offerings on topics of interest to moms.

How monetized

Web and magazine advertising; print and banner ads and sponsorships. Sales training was under way, with sales beginning in mid-October through online reps and print sales staff, including four-legged calls. Hoping to partner with supermarkets. Working to develop email ad opportunities. Considering a membership card with coupons and discounts.

Marketing

As with all niche Web sites, the need to achieve critical mass is paramount. A grassroots approach is planned, with a first-year marketing budget of \$75,000. Strategies include postcards to mailing lists, incentives to log on and sign up, and a gift blitz during first month after hard launch. Looking for store sponsors, perhaps in-store events.

Staffing

They are hiring a full-time "moms champion" as producer/writer for the site and editor for the magazine. They are assigning current writers to the magazine on a part-time basis of two shifts a week. Four bloggers are being recruited; the magazine will pay them a flat monthly rate. Ad sales are handled by existing online reps and print reps.

Key metrics

Traffic and pageviews, and a strong focus on registrations. Goal: Several thousand registered members by mid-summer 2008. Online ad sales, print ad sales. First ad sales started in mid-October 2007. The magazine is seen as a key driver of the project's revenue.

Lessons learned (Dan Dinsmore)

A surprise was that moms tended to be very open to this. We were afraid they would say they don't have time. But they definitely want something. They're busy, but they're also bored.

SECTION 2

NEWSPAPER NEXT CASEBOOK

Comments

“Mom sites” are no longer unexplored territory these days; there are more and more examples. And the need/desire among moms is acute. Because this site had not yet launched when this report was written, many details on Blethen Maine mom’s site are still being firmed up. But their JTBD research effort was uncommonly deep, something from which their execution stands to benefit.

Key Metric No. 1 is critical mass – building a large enough group of users to create a lively community – so the marketing plan is extremely important.

A prominently featured discussion forum tends to be the heart and soul of a successful moms site – the thing that brings moms back over and over again. It’s important for moms to be able to create their own topics and take discussions wherever they want to go. Established sites like Indymoms.com have maximized the exposure of their discussion forums, which in some instances now number tens of thousands of active topics and hundreds of thousands of posts – so building an active community can be done.

Key Metric No. 2 is monetization. The familiar territory of online sponsorships and banners is important, and a print component can help – if the target consumers want it – because it tends to be easier to sell to local advertisers and drive larger revenues.

But many other opportunities are available. Registrations are the gateway to permission-based email marketing, and requested email newsletters and RSS feeds create additional advertising channels for local businesses. Smaller businesses also need low-cost solutions for online advertising, which require lower-cost sales structures than print. Solutions like self-serve directories with upsells and make-your-own-online-ad offerings may have additional power to open this “low-end” market among local businesses.

SECTION 2 NEWSPAPER NEXT CASEBOOK

20) SeacoastParentsConnect.com

Portsmouth (N.H.) *Herald*, weekday circ. 12,326 (Ottaway Newspapers, Inc.)
Source: John Tabor, publisher

Product

SeacoastParentsConnect.com is a Web site for parents in the New Hampshire seacoast region, providing social networking and a wide range of content on parenting issues.

In initial N² strategy sessions, the *Herald's* Growth Council identified parents as one of 10 target groups of nonconsuming audiences and businesses and formed a project team to conduct jobs to be done research and develop a plan. (For the Seacoast Media Group's innovation structure, see [Page 88](#).)

While other newspaper companies have targeted moms, a subset of this group who have many of the same jobs to be done, the Portsmouth team decided that both moms and dads were the right target.

Launch: October 15, 2007

Targeted consumers/nonconsumers

Local parents with children of any age.

Main job to be done:

Help me get the information I need to be a parent, and help me connect with other parents.

Targeted businesses

Children's merchandise retailers, children's service providers and everyone who sells to parents or kids.

Main job to be done:

Help me connect with parents through effective and affordable advertising solutions.

How they did JTBD research

The parenting project team conducted 36 interviews with parents and people related to parenting, such as agencies, clinics and schools.

Main components, features, attractions

Resource articles on parenting, both original and repurposed; parenting blogs; daily emails; events calendar with user contributions; useful links to schools, agencies and many other resources; a "Go and Do" feature every day; a crawl with events happening today; social networking through discussion forums.

How monetized

Banner ads (projected at \$20,000 a year); marketplace with lead generation; email advertising sponsorships (first experimental use of both). All are being sold by the existing ad staff, which includes an online sales manager and a banner ad specialist.



Marketing

The site and its launch are being promoted on radio, with postcards to a mail list of parents, by viral marketing through links in existing parent sites, through ads in the newspaper and its other publications and Web sites, and through flyers being distributed by employees to places frequented by parents.

Staffing

One part-time project manager/site administrator, 10 to 20 hours a week (a former AOL employee), plus help from members of the original parents team. Content is generated by the newspaper's editorial staff and recruited bloggers.

Key metrics

User registrations (goal is 1,500 by end of Q1 2008) and ad sales, tracking against pre-launch targets.

Lessons learned (John Tabor)

- Getting the user interface to reflect the jobs to be done is difficult. You have to persevere at that, and you have to spend money to do the development work. The tendency is to understaff for Internet development, assigning it to people with 100 other things to do.
- It's important to pay somebody to be the site champion – you can't task someone with it who already has a full-time job.

Comments

Many newspapers are developing mom or parent Web sites. *The Portsmouth Herald* is one of the smallest organizations to tackle this subject so far, and their goal is to make the site “good enough” to get a wide range of key jobs done for parents while also keeping the staffing and content requirements modest.

As in several of their other product launches, the Portsmouth group has been very creative in using off-staff talent on a cost-effective basis, a model that can be adapted easily in many other markets.

The site has a discussion forum, but it should be more visible. A forum’s fresh, topical content, showcased on the entry page, creates a key point of engagement and gives people reasons to come back frequently.

SECTION 2 NEWSPAPER NEXT CASEBOOK

21) Southcoast247.com PRINT

The Standard Times, New Bedford, Mass., weekday circ. 31,893 (Ottaway Newspapers, Inc.)

Source: Mary Harrington, new product development director

Product

Southcoast247.com PRINT – A free, reverse-published monthly music and entertainment magazine targeting young adults ages 21 to 35.

The Standard Times launched its young adult music and entertainment site, www.Southcoast247.com, in 2004. Three years later, the brand was well established and the user base had grown to 17,000 unique visitors a month.

In 2007, the product development team at *The Standard Times* felt the site had reached critical mass and deserved a print product. They used the N² approach to develop it – an 8½ x 11 magazine, folded for purse or pocket.

The first issue's 5,000 copies flew off the counters in 200 locations, so the print order for October was raised to 6,000.

Launch: Sept. 1, 2007

Targeted consumers/nonconsumers

Adults ages 21-35 in the daily paper's circulation area and beyond.

Main job to be done:

Social networking and knowledge-sharing: Help me know what's going on, what's cool, where to go and how to connect with others, especially regarding music and entertainment.

Targeted businesses

The many businesses that thrive on the young adult trade and can't reach them through the newspaper – cellphone, computer and new and used car dealers, bars, tattoo parlors, colleges, etc.

Main job to be done:

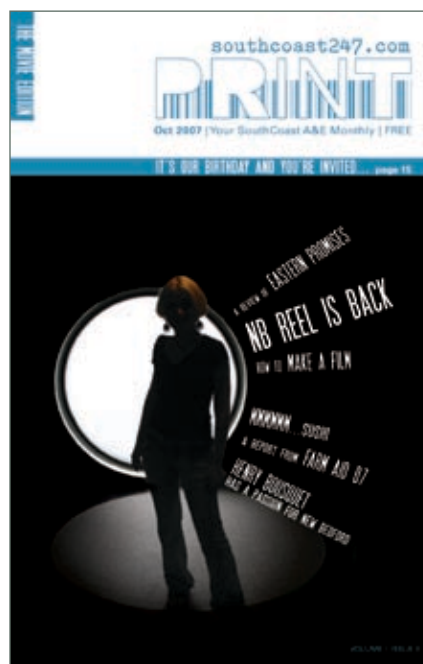
Help me connect with my target customers, with ads I can see and hold in my hand, at a price I can afford.

How they did JTBD research

The project team talked to both advertisers and consumers in a fairly informal process. Businesses said, "This (a print version of the Web product) is what we've been waiting for."

Main components, features, attractions

Music coverage, reviews of bands, fashion, sex advice, restaurant reviews, events calendar, bartender profile, beer reviews and more, all reverse-published from the Web site.



How monetized

Print ads, heavily upsold to advertisers on the Web site. Interviews with the target businesses revealed that they know their customers are online but are skittish about online-only advertising and wanted a print component. Print ad rates are well below the daily at about \$6 an inch.

Ad sales had been handled for several years by an Internet sales specialist who also handled the company's other Web offerings. Now, however, a non-traditional sales team is being created by recruiting 20-somethings who love the product, training them to sell both online and print, and paying them commission only (30 percent).

Marketing

The original Web site was marketed heavily from the start and has achieved a high level of brand recognition with the target audience. The print launch was promoted heavily on the Web site and in all other *Standard Times* products and Web sites, including the daily's entertainment magazine. A *Southcoast247.com PRINT* launch party is planned.

SECTION 2 NEWSPAPER NEXT CASEBOOK

Staffing

The whole operation strove for minimum costs. The Web site was staffed by an independent contractor paid a flat fee, with a network of freelancers to generate the content. With the print launch, the contractor's position has been increased to full-time; she now designs print covers and pages and designs and places ads. The position's cost is divided between the site and the magazine. The production system is being automated to save time moving Web content to print.

Key metrics

Distribution, ad count, revenue, fan mail. Circulation reported that the copies flew off the racks and suggested adding 1,000 copies – an early sign of success. Meanwhile, two key people left the company – the Internet manager and the Internet sales specialist. As a result, Harrington said, “our plan was too aggressive, and we aren’t making the sales numbers yet. It may take a couple of months to get the necessary foothold. But I anticipate it will go into the next year very strong.”

Lessons learned (Mary Harrington)

- The key to the print product's success is that the Web site had been heavily promoted for three years and had established a strong brand and a sizable audience.
- Because the content costs are rolled up in the online product, the print product has almost no incremental costs except printing and distribution and small personnel costs.
- You have to have the right people selling the product – people who love and understand it. You can't have them selling 59 other products, and you shouldn't rely on just one rep. With the Internet rep's departure, they are re-vectoring to try young, commission-only “believers” in the product.
- Make yourself and the team go through the formal pieces of the N² process. Sometimes it's very difficult to get them to write down the interviews. “We didn't do that on this one, and I think that requiring at least note-taking would have helped to pin them down.”

Comments

Kudos to the *The Standard Times* for beating the newspaper industry's innovation curve by creating a strong young-adult Web product in 2004 and continuing the promotion needed to build the brand and the audience. Most newspaper companies still have a gaping void with that important audience and no product to serve them.

Based on the success of that site, the reverse-publishing strategy makes good sense. And despite the slow start on the revenue side, it seems a sure bet that the print product will become a good revenue performer. Jobs to be done interviews in many markets indicate that local businesses are more comfortable with – and more willing to spend money on – a print product than an online-only product.

The Standard Times team also appears to be making a smart move in re-vectoring on the sales side, shifting to a less traditional strategy that suits the product better. A young, enthusiastic, commission-only sales team may bring some management challenges, but it seems likely to out-perform their previous structure. It's a strategy that many other similar products can emulate.

SECTION 2 NEWSPAPER NEXT CASEBOOK

22) www.Swocol.com

Cox Ohio Publishing: Four dailies (*Dayton Daily News*, weekday circ. 116,474; *Springfield News-Sun*, 25,060; *Hamilton Journal-News*, 19,843; *Middletown Journal*, 17,546) and six weeklies.

Source: Edwina Blackwell Clark, senior vice president for audience

Product

Swocol.com (short for “Southwest Ohio Colleges”), a Web site focused on the 66,000 young adult students at the four largest colleges in the Dayton area.

The Cox Ohio team had been thinking for some time about a product for this large audience, few of whom read the *Daily News*, before coming up with the concept for Swocol.com. (For Cox Ohio’s innovation structure, see [Page 85](#)).

“The idea got started before our Newspaper Next workshop (Jan. 22, 2007), but we were floundering until we applied the Newspaper Next approach,” said Edwina Blackwell Clark, senior vice president for audience.

Launch: Aug. 8, 2007

Targeted consumers/nonconsumers

The 66,000 young-adult students at Miami University in Oxford, the University of Dayton, Wright State University and Sinclair Community College.

Main job to be done:

Help me find the fun, save money, get free stuff, and buy and sell things for free.

Targeted businesses

Businesses that thrive on the college trade – especially small businesses near the campuses. Also major businesses like auto dealers, employers and apartment complexes as well as certain classified advertisers who want to reach this demographic.

Main job to be done:

Help me reach these 66,000 potential customers I can’t reach through the *Daily News*.

How they did JTBD research

Before adopting the Newspaper Next process, the Cox group had considered launching a print entertainment product or retooling the entertainment content in the daily. Early focus groups didn’t turn up a need for a general product, although students said they needed a way to buy and sell furnishings for their apartments.

After the N² workshop, they conducted several additional focus groups on campuses to hear about unmet jobs. The product team included some of the Cox group’s brightest recent college grads; they visited the campuses and interacted with students, testing names and logos. The content decisions reflected in the site resulted from the formal JTBD focus groups and much informal interaction with students.



The loudest message in the JTBD research was “free and cheap,” which shaped the offerings on the site.

Main components, features, attractions

“Get Out” events calendar (with user sourcing), “Free & Cheap Stuff,” original articles; best/worst polls (e.g., beer, dining halls); questions for comment (“What do you think of Halo 3?”); guides (Halloween events guide); free Buy/Sell/Trade online classifieds; user-submitted photos; movie listings for 18 theater locations near the campuses.

How monetized

Banner ads, sponsorships, coupons. The site is sold – along with other niche sites (moms, pets) – by Cox Ohio’s online reps, who also sell the main newspaper Web sites. The niche sites also can be sold by all print reps, who are being trained to sell multimedia. The online sales director drives sales for these sites. Some three to six-month sponsorships have been sold to small businesses around the campuses, but volume has been small, and the site hasn’t yet solidified any sales to major advertisers. Clark: “The response has been that we have to attract a bigger audience first.”

Marketing

Major emphasis has been on event partnerships and sponsorships (several at no dollar expense) and giveaways at college campuses, and on cross-promotion with other Web sites such as www.ISleptThroughClass.com and links on college sites.

Members of the project team also created accounts and Swocol pages on Facebook.com and MySpace.com to build networks of friends.

SECTION 2

NEWSPAPER NEXT CASEBOOK

Staffing

The site has a part-time producer (about 30 hours a week) who is a recent grad from one of the colleges. The position is part of the *Daily News* online content team. She monitors the site and keeps content fresh and is developing a campus free-lance network. Some content streams are automated feeds from print or other online channels, such as the calendar, movie listings and classified.

Key metrics

Unique visitors, pageviews, time on site, revenue from small advertisers and majors. In its first full month (September), the site logged about 1,931 unique visitors; goal is 3,200 a month, or 5 percent of the student population. Pageviews in September were 8,232, and more than 9,000 in the first two weeks of October. Goal is 10 to 12 pageviews per week per unique visitor. Time on sight per unique visitor in September was 6.63 minutes; goal is 10 to 12 minutes. On the revenue side, early results have been modest; the team leader and product development team are still considering how to structure the sales effort to make it a financial success and a sustainable operation.

Lessons learned (Edwina Blackwell Clark)

- For this site, it was critical to keep talking to college students, because our original concept wouldn't have succeeded. In the last couple of focus groups, showing them what we had developed, it helped us realize we were getting it right.
- For all the niche sites (including 937Moms.com, 513Moms.com, 937Pets.com, 513Pets.com): We're still discussing how to achieve a more effective sales focus for the niches sites. Instead of trying to sell them through the entire online and print sales staffs, we're thinking maybe we should have dedicated niche-site sales reps. For our direct-mail division, we've created a separate sales staff. Maybe we should do that with the niche sites, too.

Comments

The site has a vibrant look and feel that seems to be a great fit with the target audience – the payoff of using the N² jobs-to-be-done approach to identify the jobs and test the prototype.

The combination of top offerings that emerged from the JTBD research was somewhat surprising. The top wants were coupons for “free and cheap stuff” and information about free events, plus free classifieds to buy and sell things like apartment furniture.

The message about free classified was so strong that the project team didn't even build in a paid upsell offering for *Daily News* classifieds. However, when a swocol user searches the classifieds, the automated system delivers relevant *Daily News* ads as well as swocol-only ads in the results.

With online social networking so big among college-age kids, discussion boards might seem like a natural element for swocol.com. But the message in the focus groups was strong – kids said they used the national boards, like MySpace.com and Facebook.com, and didn't need a local offering.

Nonetheless, it seems possible that a swocol-based discussion forum (maybe even a separate forum for each campus) might get some local discussion jobs done better than Facebook and Myspace – such as talking about campus events, campus issues, teachers, classes, and local music and entertainment. It might be worth testing with a simple initial offering, just to see if it takes off.

Swocol's challenge is to solve the revenue riddle. Here, as with Cox Ohio's 513Moms.com and 937Moms.com sites (see profile in this section) – and many other Web-only niche sites being created by newspaper companies – a part-time, commission-only team might help. For swocol.com, it could easily consist of college students who use and like the site.

SECTION 2 NEWSPAPER NEXT CASEBOOK

23) www.TribLocal.com and *TribLocal*

Chicago Tribune, weekday circ. 566,827 (Tribune Co.)

Source: Owen Youngman, senior vice president for strategy and development

Product

The *TribLocal* project has two components: Individual hyperlocal news and information Web sites for eight suburban communities, and free, reverse-published community weeklies distributed in local copies of the *Tribune*.

Every major metropolitan newspaper is surrounded by a sea of nonconsumers when it comes to serving the very local news and information needs of people in suburban cities and towns, and when it comes to meeting the limited geographic advertising needs of town-level businesses.

After Owen Youngman served on the Newspaper Next industry task force in 2005 and 2006, he and the *Trib*'s development team applied the N² concepts in creating the *TribLocal* combination of web and print solutions to target those needs. (For the Tribune's innovation structure, see [Page 83](#).)

They set out to develop a "good enough" solution with a minimal cost structure, using a mix of staff- and user-generated content. The plan was to keep costs low while experimenting in two clusters of communities. Then, if they could make the model work, they would expand it to additional communities.

Launches: Web sites, April 2007; print weeklies, August 2007

Targeted consumers/nonconsumers

Consumers – whether or not they read the *Tribune* – who want hyperlocal news and information that the *Trib* can't provide

Main job to be done:

Help me stay in touch with what's happening in my town.

Targeted businesses

Businesses too small and local to advertise in the *Tribune*.

Main job to be done:

Help me reach potential customers in my town, at a price I can afford.

How they did JTBD research

Interviews with a couple of dozen consumers and advertisers, conducted by Youngman's Chicagoland Publishing staff and by an independent research company using jobs-to-be-done questions supplied by the staff.

Main components, features, attractions

Staff-written articles; press releases; user-generated articles; user-contributed photos and calendar items entered through the Web front end for both the Web sites and the print editions. The sites' three most prominent buttons say, "share stories," "post photos" and "post events."



How monetized

Banner ads and print ads. Each cluster of Web sites and print weekly is sold by one local ad rep and by regional *Tribune* sale reps. A Web self-service module is in development to enable advertisers to create and buy their own ads.

Marketing

To consumers: via the *Tribune*, at local fairs and carnivals, on train station billboards, on community bulletin boards, on *Tribune* Web sites and by email. To businesses: via direct mail and telemarketing and by in-person sales calls.

SECTION 2 NEWSPAPER NEXT CASEBOOK

Staffing

The *TribLocal* group has one supervising editor, and each cluster has two editorial staffers and one salesperson. The editorial people solicit community content, write stories, select user-contributed articles for featured treatment on the Web or in print, and serve as *TribLocal* ambassadors in the communities they serve. The front-end system was tailored to help automate the flow of Web copy into the print publications.

TribLocal reports to Chicagoland Publishing, the *Tribune's* business development group, which oversees a variety of small advertising and consumer publications. Individual editorial and advertising staffers also report matrix-style to *Tribune* managers in the suburbs, to make sure maximum coordination and support are in place.

Key metrics

Pageviews, unique visitors and registered users; the number of user-submitted photos, articles and calendar items; advertising revenue.

For hyperlocal sites, Youngman says, “[University of Maryland] J-Lab Executive Director Jan Schaffer says she believes 25% reach (counting all uniques) is a laudable, aggressive goal for the time being. *TribLocal's* 15,000 uniques last month would equal 14% reach across the two clusters, so that’s not bad for a startup.”

Pageviews and unique visitors grew about 50 percent a month from the April launch until October, when they grew by 20 to 30 percent. As of Oct. 31, the sites contained about 3,000 stories, almost 1,000 photos and nearly 1,000 calendar events.

After its first quarter of print publication, the project was meeting its revenue targets.

Lessons learned (Owen Youngman)

- We’ve found that three things drive user-generated content: the print publication, contests and public appearances by the staff.
- The most effective promotional vehicle appears to be the print weekly itself, followed by email.
- The initial advertising sale to a local business succeeds on the concept alone, but success in follow-up calls depends on the results generated by the ad. These small businesses don’t pay much attention to CPM (cost per thousand), because they can track the results in terms of traffic into their stores.

Comments

The print/Web *TribLocal* project is one of many experiments among newspapers targeting the hyperlocal opportunity, and one of three in this report. (See *The Gateway*, a print-only solution in the form of a free weekly, and www.MyCape.com, a web-only solution in the form of 16 hyperlocal Web sites. The Comment section of *MyCape.com* discusses the challenges of making hyperlocal products successful.)

The *TribLocal* project, like most in this report, is still too young to yield firm conclusions, but the combination of print and Web seems to be well received by both audiences and advertisers, and the early metrics look good.

Why is print important? Because, so far, newspaper companies are finding print products much easier to sell than on-line-only products. It’s partly because newspaper companies are better at selling print, but it’s also because many local businesses don’t yet see the value of local Internet advertising. So the sales barriers tend to be lower for a combination like *TribLocal*. And the *Trib's* decision to have dedicated local ad reps instead of relying on overloaded existing reps helps them maximize this opportunity.

But their initial decision to distribute the print weeklies only through the *Trib* raises a question – why not reach nonconsumers of the *Trib*, too, by distributing it separately? Their answer is pure N²: In-paper distribution was the cheapest way to get the product out quickly and gauge demand, and broader distribution can always come later. Based on the success so far, they’re now considering several other distribution models.

And the online product is important because it’s the best way to create a truly interactive community venue and a platform for community-generated content. Like most hyperlocal community sites, *TribLocal.com* is banking on attracting lots of user-generated content in the form of articles and photos. But if user-generated content turns out not to be enough to make the sites and weeklies compelling, other “good enough” approaches are possible, including local freelancers or part-timers.

And, as has been mentioned before, there’s early evidence that discussion forums, something that could easily be added to the *TribLocal* sites, might greatly increase traffic and participation. (See the www.MonroeTalks.com profile in this section.)

There’s still a lot to learn about how to do successful hyperlocal community products. But as Owen Youngman says, the potential upside is huge if we can learn how to make them work well. The *Trib's* effort, launched very much in the spirit of “invest a little, learn a lot,” gives them a strong platform for ongoing experimentation.

SECTION 2 NEWSPAPER NEXT CASEBOOK

24) Varsity845.com

The Times Herald-Record, Middletown, N.Y., weekday circ. 80,148 (Ottaway Newspapers, Inc.)

Sources: Matt Pepin, sports editor; Joe Vanderhoof, publisher

Product

Varsity 845.com – A Web site designed to be THE destination for high school sports news, stats, calendars and discussion for the Hudson Valley's 39 school systems.

Sports Editor Matt Pepin was determined to create the go-to high-school sports Web site for the *The Times Herald-Record's* coverage area before anyone else did. He told his staff, "We are going to become a new-media sports department."

In addition to planning, design and content creation, the project entailed building a software platform to automate as many data entry and record-keeping functions as possible for both Web and print publication.

Launch: Aug. 28, 2007, in time for football season.

Targeted consumers/nonconsumers

Primary target: Young adults – high school athletes and high school students. Secondary targets: High-school parents and all fans of high school sports.

Main job to be done:

Give me an easy, fun, and comprehensive place to go for everything I want to know about my favorite high-school sports team, sport or school.

Targeted businesses

Businesses that cater to young adults and individual local markets and can't reach them effectively through *The Times Herald-Record*.

Main job to be done:

Two levels: "Help me reach young adults and sports fans all over the Hudson Valley" (site sponsorships and run-of-site advertising), and "Help me reach young adults and sports fans within my local school district" (low-cost banner ads in individual school sections).

How they did JTBD research

No formal interviews, but Sports Editor Pepin did personal field research beginning with staff discussions about what they thought users would want. Then he talked to sports fans, athletic directors, coaches, athletes, parents and friends about what they would want from a comprehensive high school sports source. A number of the site's features were directly derived from these conversations.



Main components, features, attractions

Large volume of sports stories from the daily paper, tweaked for the Web and organized by school as well as by sport; video clips of games, cheerleaders, bands; schedules and results calendars, created through homebuilt sports database module – "the launchpad for everything else," Pepin said. (Staffers enter games into the database, and they are automatically posted to the right school and sport pages; when results are entered, they are automatically posted to the schools involved, standings are tabulated and posted, and statistics are compiled and posted. Work on the software platform continued after launch to automate reverse-publishing of online stats in the print newspaper.) Also directions to games, past champions, sports histories of the schools – all in the database, displayed automatically on the site; votes on featured players; user picks for upcoming games; five-minute weekly football video program called "Varsity845 – The Show" including staff picks for big upcoming games, posted Wednesdays at 6 p.m. in football season; cellphone alerts; fan discussion forums; staff blogs with user comments; discussion forums by school, sport or story.

How monetized

Site sponsorship (one available). Run-of-site banner ads and banner ads targeted to individual schools or sports. Sold by two-person Internet sales staff and print staff. School pages provide 68 ad locations, a third of which were sold on one-year contracts in just three weeks of selling. Rates are cheap, to meet needs of small, local businesses – as little as \$130 a week. Publisher Vanderhoof: "At this rate, we could easily have a quarter-million dollar revenue stream for the first year."

SECTION 2 NEWSPAPER NEXT CASEBOOK

Marketing

Advance teaser campaign in print publications; giveaways of free Varsity845.com T-shirts and wristbands; negotiating a tradeout with a radio station for promotional airtime. Series of onsite promotions planned at homecoming football games, passing out promotional items and cards.

Staffing

The site's content is produced and posted by the existing sports staff. Pepin: "We took some things off the table to make time for this, but everyone has new responsibilities. The buy-in has been great." The team spent April to August developing the standing content, while the paper's Internet staff developed the software platform/database. Sports staff does all the entry and posting of content. Ad sales have been handled by existing Internet and print sales reps.

Key metrics

Site traffic – pageviews and unique visitors. Compared to web sports page stats the previous year, traffic was up 50 percent in the first week and 80 percent in the second week. Total pageviews for October were nearly 800,000. The videos are always among the top 10 on the newspaper's Web sites, and the best videos are generating an average of 2,000 hits a day, compared to about 200 hits for top videos last year.

In sales, the overall site sponsorship was under negotiation in October, and as noted, a third of 68 ad locations in the pages were sold in the first three weeks of selling.

Pepin: "The site is meeting our expectations. Everybody wants the bracelets, and I've gotten a lot of really positive comments. People like being able to immediately get the information they want."

Lessons learned (Matt Pepin)

- You have to think everything through. Building the database took a lot of thought about what we would want, how we would want to use the data – especially the scores system, because we wanted that to do so much.
- There's only so much you can demand from one person in a 40-hour week! And I've learned that you can teach an old dog new tricks – all ages on the staff are on board with this.

Comments

This site is VERY good – lots of data, lots of engaging content and participation opportunities. It taps into a promising space for newspaper companies – the huge, underserved demand for high-school sports information and discussion in every community that exceeds what any newspaper can reasonably supply in print.

Pepin says producing the weekly video is an enormous amount of work. Is that necessary for success? Usage stats will answer the question over time. But the goal of becoming a go-to destination for young adults – and creating an ad vehicle for small businesses all over the Hudson Valley – definitely requires a significant quality level.

The quality level of Varsity845.com will easily fend off national competitors like www.HighSchoolSports.net, which creates automated local sports sites centering on a schedule engine. The far richer local offerings here would make it any fan's first choice.

The site re-vectored slightly in October, following an N² suggestion: They added a teaser panel in the center of the entry page for the hard-to-find discussion forum. Forum traffic almost tripled, from 55,000 to 156,000 page views. Sports fans crave the chance to sound off – argue, ask questions, praise favorite players, question officiating and coaching decisions – so discussion forums give them a reason to come back day after day even when there are no new game stories or stats. It's like sports talk radio on the Web.

On the ad side, they've started opening up opportunities for small, local businesses. Additional revenue streams might include creating opportunities in email or cellphone alerts and installing a self-serve ad-buying component so small businesses can create and purchase their own ads without the help of a sales rep.

SECTION 2 NEWSPAPER NEXT CASEBOOK

PART 2 – HOW COMPANIES ARE MAKING INNOVATION HAPPEN

Turning newspaper companies into engines of innovation is no easy matter. After more than a century of success with one primary product and business model, most of them have no tradition of innovation, no innovation budgets, no product development processes and no experience in seeking out new customer needs. They're virtually starting from scratch.

How, then, can a newspaper company get started at innovation? How can it create an innovation process that's manageable, consistent and sustainable?

Newspaper Next Game Plan Area 4 in the original N² report focused on how newspaper companies could begin to create structures and enablers for innovation. It identified four crucial aspects of the challenge and offered some initial guidance on how to approach them:

- Build a common language in the organization
- Dedicate resources to innovation
- Develop an innovation process suited to your organization
- Create jobs to be done channels to discover customer needs

The guidelines were necessarily general, because every company is different. Creating the right innovation architecture for a company requires specific knowledge of its structure, resources and people, and it involves many decisions about how to adapt or change the organization. As a result, although N²'s guidelines can be helpful, each organization has to make its own path.

Since N²'s release in the fall of 2006, many companies have asked, "How are the other companies doing this?" This section provides answers from seven companies that were early adopters of the N² process.

These seven profiles provide a range of answers to the questions every company must answer in creating innovation structures. These questions include:

- Who will take ownership of the innovation process?
- What are our goals, and how fast do we want to move?
- Who will make key strategic decisions?
- What's our approval process?
- Who will do the actual product development work?
- Where will the money come from?

The profiles show that a variety of approaches can work. These seven companies include small, medium and large organizations as well as individual newspaper units, clusters and corporate groups. The building blocks used to create innovation systems are similar from company to company, but the deployments differ widely.

Some companies carefully outlined their processes and goals; others took a more ad-hoc approach. Some hired fulltime innovation managers; others used teams of current employees. Some were able to draw on corporate innovation funding; others had to carve funds out of existing budgets.

Key takeaways

Based on these seven examples and other companies observed in the last year, certain common issues and challenges emerge.

Full or part-time people?

Every company drew heavily on current employees, borrowing them from their regular jobs for greater or lesser amounts of time to play a variety of roles. Top executives often served as project sponsors. Company operating committees, or subsets of those committees, often took on key oversight functions; sometimes they also played operational roles in product teams. Product team members were generally drawn on a part-time basis from elsewhere in the organization, although one company – Blethen Maine – used a creative approach; it pulled five people out of their jobs for 10 weeks to form the team that developed the company's first wave of product proposals.

In several companies, a full-time management position was created to head the innovation effort. Some added the position later after discovering that the innovation process needed more continuity. Some innovation managers did almost everything – research, Idea Resumes, product testing, launch planning and more. Others played more of an oversight role, keeping project teams on track, helping them solve problems, and reporting to upper management.

Borrowing busy people from their jobs is difficult, and all these companies would testify that it's not ideal. It can slow things down, trigger conflicts with core duties and create additional oversight burdens.

And yet every company had to do it. Borrowing time from existing jobs was a "good enough" first-generation solution to get them started at innovation, and it worked. Every company succeeded in launching new products with that approach. However, as they move into the second and third wave, they are likely to find they need more permanent structures.

Strategic vs. operational roles

The N² product development process involves both strategic decisions and operational functions. Companies vary in where they draw the dividing lines.

One of the most crucial strategic decisions is a matter of setting priorities: Who are the most important or promising groups of consumers and businesses to be targeted for the first new products?

In many companies both large and small, a senior management team makes these choices. Then they appoint product teams to do the research and formulate product proposals.

SECTION 2

NEWSPAPER NEXT CASEBOOK

In other cases, the top management team appoints a senior innovation team. That group is charged with developing strategic recommendations about target groups and with overseeing the process and teams that will research and develop the actual products.

Companies vary, too, in where they position the research work – the interviews and focus groups to determine jobs to be done. In some companies, senior managers do it. In others, the innovation team does it. In still others, each product team does it. In larger companies, a marketing manager or department may play a key role as well.

All of these approaches appeared to work reasonably well. The choices appear to depend on the company's existing structure and management culture.

However, some companies encountered rough spots during the handoff from product development teams to implementation and launch. It's important to maintain continuity from one stage to the next, so the insights of the original research are not forgotten in designing, testing, marketing and launching the product.

Training and participation

All seven of the companies profiled here went to considerable lengths to introduce the N² concepts and processes to a large number of their employees. Most held on-site workshops to train 80 to 100 people in the entire N² approach. Several also developed shorter presentations to introduce still more people to the language and concepts of N². (API now offers a training DVD and guide for this purpose.)

As a result, they were able to draw ideas and participation from many departments and levels of the company. Several said this enabled them to discover and involve creative thinkers and develop their abilities.

The most dramatic example was the small Seacoast Media Group, centering on the 10,000-circulation *Portsmouth Herald*. Publisher John Tabor virtually emptied the building to include everyone in a day-long N² workshop off-site, and then invited employees to volunteer to participate in the innovation process. Of roughly 100 employees, more than 60 signed up. They became the company's 10 product development teams, doing jobs to be done interviews and drafting Idea Resumes in a well-organized project sequence. The company also excelled at using outsourced talent for team facilitation, project management and technology development.

Finding the money

How do you fund the development of new products? Based on these seven examples and other companies using the N² approach, there's no magical answer, but there are several recurring patterns.

One common thread is that in each case, the key leader – publisher, group CEO or division head – has decided that developing new products and revenue streams is crucial. Therefore he or she finds ways to make the necessary dollars available. The structures can be formal or informal – annual budgets, innovation set-asides, or simply pulling dollars from here and there on an ad-hoc basis.

Two examples deserve special mention. One is Ottaway Newspapers, Inc., which created a \$1 million fund at the corporate level and invited its publishers to submit proposals. These corporate allocations fueled the development, launches and marketing of more than 25 products.

Another is Blethen Maine Newspapers, which created a \$500,000 innovation fund among its four divisions. In that case the fund was created by asking each division to contribute its share from its existing budget, or from savings on newsprint or other expenses. The money was allocated according to project merit.

The more prevalent pattern among all companies, though, was ad-hoc funding on a step-by-step basis, using money pulled from wherever it could be found. In a few cases, companies had budgeted in 2006 for specific 2007 product development projects, but that was the exception. As Cape Cod Times Publisher Peter Meyer said, "We didn't have a special funding mechanism, but a commitment from me to fund these things and make them happen."

Ultimately, any company setting out to build a new capacity for innovation will have to make its own choices. The following seven profiles give them a variety of approaches to consider as they develop structures and processes that will work for them.

SECTION 2 NEWSPAPER NEXT CASEBOOK

1) Blethen Maine Newspapers

Portland, Maine
Chuck Cochrane, publisher and CEO

Blethen Maine Newspapers, owned by the Seattle Times Co., has four divisions: Portland, publishing the *Portland Press Herald* (weekday circ. 78,000); Central Maine, publishing the *Kennebec Journal* in Augusta (weekday circ. 15,000) and *Morning Sentinel* in Waterville (weekday circ. 20,000), a division comprising several weeklies and specialty publications, and an Internet division publishing MaineToday.com.

What's happening

Eleven new products are in various stages of development. Several were scheduled for launch in Q4 2007. Two of the products are profiled in this report: www.MainePets.com (page 48) and www.RaisingMaine.com (page 66).

The process

- The organization hosted an API Newspaper Next workshop on Jan. 31, 2007, to teach the Newspaper Next approach to 80 senior and middle managers from the company's four divisions.
- They created a full-time Portfolio Diversification Manager position to lead the innovation process, working with all four divisions, and promoted Dan Dinsmore to fill it (Dan is a former *Press Herald* assistant managing editor for sports, with a strong background in Web/newsroom convergence).
- For the Portland division, they created a dedicated five-person N² team plus Dinsmore, placing them on a 10-week leave from their jobs and providing a special workspace. The team reviewed strategic opportunities in the Portland area, identified high-potential groups of consumers and businesses and conducted several hundred jobs to be done interviews with those target groups.
- Simultaneously, two teams from the Central Maine division – working with Dinsmore on a part-time basis while remaining in their regular jobs – followed a similar process.
- The three teams developed 14 project ideas. These, including pro formas and “loosely defined business plans,” were presented to the company's Executive Council, consisting of Publisher Cochrane and the four division heads. Eleven product ideas were approved and assigned to specific units of the organization for further development. The original ad-hoc teams were disbanded.
- Approved product ideas are now in various stages of development by individual product teams, working with Dinsmore. As of October 2007, several were scheduled for launch in Q4 2007 and Q1 2008.

Oversight structure

Dinsmore meets with the Executive Council monthly. The council helps to resolve conflicts, makes decisions about needed resources, and sets overall direction. Dinsmore meets with division heads and project teams on a continuing basis to help them get the development work done.

Funding mechanisms

The Executive Committee created a central fund of more than \$500,000 by asking each division to contribute money from its existing budget (for example, dailies were permitted to set aside savings resulting from lower-than-expected newsprint costs). Set-asides were proportional to division sizes, but the funds are allocated by Executive Committee according to project merit. All expenses for N² projects come from the fund, including payroll and marketing.

Who did JTBD research and how?

The initial ad-hoc teams did several hundred JTBD interviews with numerous target groups of businesses and consumers.

Lessons learned (Chuck Cochrane)

- It's important to communicate with people all around the organization about what you're doing and what it means. For example, that “good enough” does not mean reducing our high standards of journalistic excellence. We took specific steps to communicate and encouraged the members to talk with their departments.
- After the initial development work, the ad-hoc teams went back to their departments energized. One of the people on the team, a young journalist, told me, “I was wondering whether this was a business I wanted to stay in, but having served on this N² team really energized me and gave me hope for the future.”

Comments

Blethen Maine's structural decisions gave their innovation effort a big head start on the path to success.

Senior management's commitment was apparent from the beginning. It was reinforced by creating an innovation funding pool of more than half a million dollars. This wasn't free money; the divisions had to find a way to carve it out of their budgets. But it assured that the funding was available for innovation.

However, the most unusual feature of Blethen Maine's innovation approach was on the staffing side. Not only did the company create a new position to head the innovation process; it also put five people on a 10-week sabbatical to jump-start the action. The team poured its full-time effort into the all-important work of identifying promising opportunities, interviewing hundreds of nonconsuming individuals and businesses, developing Idea Resumes and working up basic business plans.

SECTION 2 NEWSPAPER NEXT CASEBOOK

This is a creative answer to a perennial question: Can you divide people's time between innovation and the core? Putting 20 percent of a person's time into innovation the usual way – a couple of hours a day, or one day a week – is difficult to sustain. But by carving out that 20 percent in the form of 10 solid weeks of full-time effort, Blethen Maine made the part-time approach work.

And it appears to have worked well. With 11 projects moving quickly toward launch, the organization has made a huge first step toward creating an innovation pipeline for years to come.

2) Cape Cod Media Group

Hyannis, Mass.
Peter Meyer, publisher

Cape Cod Media Group consists of the daily *Cape Cod Times* (weekday circ. 44,173), the weekly *Barnstable Patriot*, several Web sites including www.CapeCodOnline.com, an entertainment weekly and two monthly magazines. The group is owned by Ottaway Newspapers, Inc.

What's happening

In 2006, the Cape Cod Group had been pursuing innovation strategies for some time, drawing on a variety of sources. When the Newspaper Next report came out in the fall, Publisher Peter Meyer saw it as reinforcing their strategies of improving the core business while innovating quickly with new products and services.

"I began preaching Newspaper Next in October and November last year," Meyer said.

Meyer developed an innovation plan outlining how the company would implement the N² tools, concept and processes. He emphasized three primary initiatives: 1) Using the N² Innovation Method to develop products; 2) Creating innovation structures and enablers to manage and monitor the process, and 3) Communicating the strategies to engage everyone in the company.

In a year of using the N² approach, the company has launched two new products (see *Cape Cod Dining* and www.MyCape.com in this report, page 51), and a major newsroom transformation is under way. Meanwhile, several other products are in development, including a product targeting the local Brazilian population and a project exploring zoning issues. Other product ideas have been explored and shelved.

Meanwhile, the company's new innovation coordinator is working to develop overarching strategies for real estate and employment by interviewing target customer groups about their needs, which may result in new products or realignment of existing ones.

The process

- To begin communicating N² throughout the company, they sent 27 people to an all-day N² workshop at Boston University on Feb. 23.
- In March, Meyer rolled out the N² implementation plan, describing how the product development process, innovation structure and communication program would be organized.
- The company created a two-hour in-house N² training program presented to 16 managers and a one-hour version presented to a total of 130 employees, which is still being used to train new hires. New product ideas are invited periodically from throughout the company.

SECTION 2 NEWSPAPER NEXT CASEBOOK

- The controller, Dave Hundt, was named as the company's "chief innovation officer" to coach and guide project leaders through the product development process. He developed additional tools, including a business plan outline, JTBD interview tips, a financial analysis model and an electronic Idea Resume.
- Project teams are formed in various ways. Sometimes there's a passionate volunteer who leads the project; other times a leader and team members are recruited.
- Meyer created a project tracking chart to monitor all development projects, consisting of four phases:
 1. Discovery – Spotting opportunities, doing jobs to be done research, drafting Idea Resumes. The project team then submits a proposal, including JTBD interview summaries, to the senior management team for review.
 2. Assess and Test – Identifying and testing critical assumptions. Results go to the senior management team for review.
 3. Business Plan – The project team develops capital requirements, a launch timetable and a financial plan or budget, sometimes not very complex. These go to the senior management team for final review.
 4. Launch
- The new innovation coordinator position was created to handle much of the initial legwork of innovation.

Oversight structure

Each project team is assigned an operations champion – a member of the senior management team who helps them clear hurdles and stay on track, and who represents the project at the senior management level.

The senior management team reviews each project at each of the four steps in the project tracking tool, resulting in approval, requests for further development or, occasionally, a decision to shelve a project.

The controller/chief innovation officer provides process guidance to the project teams as they move through the four stages of product development.

Funding mechanisms

During budgeting for 2007, some projects were already in the planning stages and received allocations. In other cases, Meyer said, "We didn't have a special funding mechanism, but a commitment from me to fund these things and make them happen." The largest was the MyCape.com project, which was budgeted to launch in five communities by the end of 2007, but was accelerated to launch all 16 communities by Memorial Day. Costs approached \$100,000.

The company applied for and received funding for some projects from Ottaway's \$1 million corporate innovation fund. (MyCape.com received \$67,000 from the corporate fund to

pay a team of five part-time "MCs" who provided in-person promotion and liaison for the target communities.)

Who does JTBD research and how?

Each project team does its own jobs to be done research, with training and coaching from the chief innovation officer.

Lessons learned (Peter Meyer):

- The most important thing is that this process has shifted our thinking, so we focus on the customer. It sounds basic, but a lot of things distracted us before. Today, we constantly step back and say, "What does the customer want here, and how are we going to deliver it, and make money?"
- Early on, the Idea Resume is very helpful. But it seems you also need a general hypothesis about what the customer wants. So we do a situation analysis that includes an objective and a hypothesis, and then we do jobs to be done research to discover what the jobs are.
- We ran into this need for a broader situation analysis in trying to find a far-reaching solution for employment. We knew we weren't providing an effective solution, but we found we needed to do a competitive analysis: where are they turning today, and what are their needs today?

Comments

Cape Cod's example illustrates many of the key elements needed to address the challenges of turning an existing organization into an engine of innovation: Commitment at the top, clear and widespread communication and education, and quickly implementing structures and processes to make innovation happen.

Commitment at the top: Before discovering N², Publisher Meyer already was moving his organization toward innovation. Upon deciding that N² could help, he distilled its messages into three key initiatives and communicated them clearly to the organization:

1. Using the N² Innovation Method as their product-development process
2. Creating the structures needed to support and sustain the product-development process
3. Communicating the key N² concepts and process to virtually everyone

Communication and education: Meyer's message to the management team in March, emphasizing those three initiatives, came in tandem with a broad-scale education process in which 27 key managers attended a full-day workshop from which summary presentations were developed for internal use, reaching 80 percent of the company's workforce. That helped move the entire company toward a culture of innovation, and primed a large number of people for possible participation on project teams.

SECTION 2 NEWSPAPER NEXT CASEBOOK

Structures and processes: The company quickly shaped a well-defined innovation structure within its existing framework. In other words, they decided who would do what, and who would provide oversight for the key parts of the process. The controller became the company's "chief innovation officer," to guide teams doing product development. The company's Operating Committee – the senior managers – became the clearinghouse for reviews and approvals, and committee members individually took on "champion" roles for the product teams. A project tracking tool was developed, and an innovation coordinator was hired to do initial strategic development for initiatives targeting key opportunities.

There's no one right way to do these things; every organization must find its own solutions, or innovation is likely to stall. Cape Cod's approach excels in its thoroughness, its broad reach across the company, and its attention to providing support at key stages of product development.

3) Chicago Tribune

Owen Youngman, senior VP for strategy and development

The *Chicago Tribune*, with weekday circulation of nearly 600,000 and weekly readership of more than 1.6 million, is one of the largest metropolitan dailies in the United States. It is owned by the Tribune Co., which operates 13 daily newspapers, 23 television stations and numerous other media enterprises, and owns the Chicago Cubs baseball team.

What's happening

Within the *Chicago Tribune's* large organizational structure, a small handful of people has worked for a number of years to develop new products targeting audiences beyond the readers of the *Trib*. Notable examples include *RedEye*, a free daily targeting young adult readers, and *Chicago Hoy*, a Spanish-language daily.

Owen Youngman heads the *Tribune's* product development work and was a member of the Newspaper Next industry task force in 2005 and 2006.

This year – even as the Tribune Co. looked for a buyer, announced a sale and then awaited its completion – Youngman incorporated the N² tools, concepts and processes into his group's product development work. Because of the company's circumstances, it was necessary to do this without the benefit of organizational changes, new structures or funding pools.

Even so, the work was successful. The development group launched www.TribLocal.com and free *TribLocal* hyperlocal weeklies targeting suburban communities, *Padres*, a monthly magazine for Spanish-speaking parents, an expansion of the daily *Hoy* into the Chicago suburbs and a weekend edition of *RedEye*.

TribLocal and *Padres* are profiled in product section this report ([pages 74](#) and [58](#), respectively).

The process

- The organization hosted a one-day API N² workshop in November 2006, for about 85 Tribune managers, including core-product people, product development people, managers of the Tribune's existing development businesses, and promising individuals from various positions in the company.
- They incorporated N² methods into the day-to-day development work, within the existing structure and staffing. Youngman: "Frankly, we haven't taken any further organizational steps. Our proposed R&D and development budget got deleted last year, so I haven't made the changes I would have wanted. I've continued to work within the structure and the budget we have. We've made it work by identifying customer needs and moving existing dollars around to address them."

SECTION 2

NEWSPAPER NEXT CASEBOOK

- The three people in Youngman's department lead, conduct or support the development projects, mostly carried out within the staffs of the developing businesses, such as *RedEye* and *Hoy*. For example, one member of the development group was inserted into the *Hoy* staff for two and a half months to help them create *Padres* magazine. She helped them get the help they needed from the research department, the pressroom and other departments.
- Youngman: "My staff supplies the N² orientation. They can all quote it. Pretty much everybody senior at the *Tribune* – management level or above – knows how to ask the jobs to be done questions – from the newsroom, to interactive, to the marketing department. We are relentlessly asking, 'What are the jobs to be done for this?' and using the Idea Resume. We try to frame the questions that way, to move people in every conversation from 'What are we able to do?' to 'What do our customers need?'"
- Product ideas often come from customers. Youngman: "You sense a market need, or the general managers say, 'Our sales people say they need X,' or your readers email you and say, 'Why can't I get *RedEye* on the weekend?'" These ideas lead to more formal research, including focus groups to determine the jobs that consumers and advertisers want to get done.
- Development work often takes place within the other new businesses that report to Youngman, with help from Youngman's staff. Youngman: "The *RedEye* audience was telling us they wanted a paper on the weekend, and we were able to fund it because preprint advertisers wanted to reach the *RedEye* demographic at home on the weekend. So we created a free, home-delivered weekend edition that delivers preprints to this desirable demographic in key zip codes." The *RedEye* staff was the development team, so it didn't take additional staffing or budget to make it happen. The product saves money by taking some of the *Trib*'s TMC product out of the mail, and it has added to the product's cash flow while creating new insert and ROP opportunities.

Oversight structure

The "development businesses" – including *RedEye*, *Hoy*, *Padres*, *TribLocal* and others – report to Youngman. Meanwhile, his own small department oversees or leads new initiatives to launch additional businesses.

Youngman: "I find the money for the development work, because of where I sit in the organization. It's not a perfect world, because I have all of the existing development businesses reporting to me, too. But when we need it, I can help to create a skunkworks somewhere, on a small, under-the-radar basis."

Funding mechanisms

Development funds are scraped from various places within the development staff and the developing businesses. The development team's salaries and the staffs of the developing

businesses are in the budget, but other development expenses typically are not.

Youngman: "When you can do something that's additive to cash flow, there's no issue, but you have to cobble resources together from wherever you can to get it done.

"In the case of *TribLocal*, I got permission to lose a little money because of the large upside potential if we can make it work. The concept of 'invest a little, learn a lot' makes it possible."

Who does JTBD research and how?

The development group's small research staff uses an outside agency to conduct focus groups and interviews. The development team works on the discussion guides with the research people to make sure they succeed in identifying the jobs to be done among the target groups of consumers or businesses.

Lessons learned (Owen Youngman)

- We still need to be more rigorous about some parts of the process. We sometimes get ahead of ourselves in our enthusiasm to move quickly. Slowing down to ask the right questions may be the hardest thing to do when you're in a hurry to break a few eggs and make an omelet.
- The Idea Resume is a really good tool. It's simple – it doesn't take a 100-page book or a lot of modeling. And there are other things like that in the N² toolkit. Use it all, but if you can identify some part of it that will resonate with some part of your employee group, use it to death. What's working for us are jobs to be done and the Idea Resume. They resonate well here.
- Our orientation is to do things quickly and see what happens. "Invest a little, learn a lot" and "good enough" are very popular in this context.
- We really try to be open to what's the right solution.

Comments

In a year of great uncertainty at the *Tribune*, the small product development group has made a lot of exciting things happen, and the N² tools have been an integral part of the process.

The *Trib* team could have benefited from some added funds and staff power and some organizational restructuring. But those simply weren't possible, given the company's circumstances. Even within the existing resources and structure, some of N²'s simplest tools – "jobs to be done" research and the Idea Resume – helped them create "good enough" solutions and move quickly from concepts to launches.

As the *Tribune* example shows, innovation often takes ingenuity, improvisation and an ad-hoc approach. This is true for both large newspaper companies and small ones. Even so, it's still possible – and crucial – to drive the process by beginning with customer needs, as the *Tribune* has done. This helps innovators stay focused on what matters most to the success of the product, coming up with solutions that are "good enough" to get the key jobs done.

SECTION 2 NEWSPAPER NEXT CASEBOOK

4) Cox Ohio Publishing

Dayton, Ohio

Edwina Blackwell Clark, senior vice president for audience

Cox Ohio Publishing, a division of Cox Enterprises, Inc., publishes four dailies (*Dayton Daily News*, weekday circ. 116,474; *Springfield News-Sun*, 25,060; *Hamilton Journal-News*, 19,843; *Middletown Journal*, 17,546) and six weeklies, as well as niche publications and Web sites. The group's products serve a nine-county area in Southwest Ohio.

What's happening

In 2006, Cox Ohio reorganized its senior executive structure to foster development of new products to attract new audiences and create new revenue streams. The new position of senior vice president for audience was created, and a new product development committee was appointed, including key vice presidents and several creative individuals from around the organization.

Clark: "Our role was to develop a list of key product ideas and audiences that the company should pursue. We also set out to invest in the necessary resources so our team would know more about our market area than any of us did at the time."

Early in 2007, the group adopted the Newspaper Next approach to product development. During 2007, they launched two pet owners' Web sites (www.513Pets.com and www.937Pets.com), two "moms" Web sites (www.513Moms.com and www.937Moms.com), a site targeting Dayton college students (www.swocol.com), and *Dayton B2B* magazine, www.DaytonB2B.com, and a daily email service.

The process

- They hosted an all-day API Newspaper Next workshop in February to train about 65 of their managers and key people in using the N² tools, concepts and processes.
- They gave a two-hour Newspaper Next presentation to 200 company managers and supervisors at the company's annual communications meeting, and divided the audience into small groups to brainstorm about some of the specific audiences the new-product team had identified.
- New product development committee members attended departmental staff meetings to talk about jobs to be done and the N² approach, distributing JTBD interview questionnaires so people could talk to others about their jobs to be done.
- Over a six-month period, about 120 product ideas came from all over the company. The new product committee chose 10 of the best and assigned them to product teams to explore the possibilities, do research and develop product proposals. The new product committee then ranked the proposals according to their potential and green-lighted several for implementation.

- As the new product committee selected teams to develop the product proposals, they looked for leaders who had project management experience and who could lead diverse groups of people in developing a concept and a business plan. They drew team members from around the organization. Clark: "We wanted to give people a learning opportunity and involve them in a huge company strategic initiative. We got to tap a lot of people who otherwise wouldn't be involved."
- Most teams met once a week for about two hours, working their way through the N² product development process. The project teams explored the consumer and business needs and used the N² Idea Resume to outline their product ideas. The company's research department helped with market data and internal and external focus groups to explore jobs to be done among consumers and businesses.

Oversight structure

Clark and the new product committee provide oversight for the various product development teams. The product teams research the consumer and business target groups and their jobs to be done and prepare an Idea Resume and a basic business plan for the new product. Those go to the new product committee for review.

After approval, in some cases the product team continues the development work and takes the product all the way to launch. In other cases, the project is handed off to a new group to take the product to launch.

In the product development phase, the team leaders (part-time, in addition to their regular jobs) and Clark keep the projects on track. The teams work with the necessary departments, usually including the online creative team and the marketing department. The company's marketing team develops a marketing plan for each product launch.

Funding mechanisms

The company budgeted \$150,000 in 2007 for product development. The uses were unspecified – whether for development costs, marketing costs, initial operating losses. The research department also had a line item for new-product research. Clark: "We said if we needed resources to launch them, we would put the costs in the P&L for the product and plan for the revenues to cover them."

The continuing cost structures for the new products have been small to non-existent; only two have required hiring.

Who does JTBD research and how?

The research department does most of it, although members of each product team also have done at least some informal interviewing. For example, the [swocol.com](http://www.swocol.com) team went to college campuses and talked to students. Another team is talking to active senior citizens. The research department organized and conducted the focus groups.

SECTION 2

NEWSPAPER NEXT CASEBOOK

Lessons learned (Edwina Blackwell Clark)

- We have really felt the organization's natural pull against creating new products, and its demand for new revenues. Sometimes it's easier to manage through it than others. You really need commitment from the folks at the top of the organization, saying, "This is important."
- Borrowing people part-time from their jobs to develop products, we got some pushback from the departments that wanted their people's time back. Using product team leaders who aren't full-time has worked, but it's not ideal; it's not clear whether this will work over the long haul.
- Whoever leads the process has to work constantly to position it so it's not a question of preserving the core vs. doing something new. You have to do both. But when you're working with fewer resources and having to make more choices, it can be difficult.
- We're still new at this, but it seems to be easier to find new audiences than new revenue sources. And when you're in a declining market and the overall organization is trying to make budget on the revenue side, it's sometimes difficult to get buy-in from the advertising department for the time, effort and strategic thought to go after new advertisers.
- Some of our initiatives are long-term and strategic, and it's hard to balance them against short-term needs given the economic times now. Yes, we've launched five Web sites that have long-term strategic potential. Will they generate lots of money right now? No. In the near term, they won't return the margins we expect on print core products.

Comments

Cox Ohio, with a sizable organization spread across multiple units in a nine-county area, made a top-level strategic decision in 2006 to pursue new growth by creating new products to serve new audiences and advertisers.

They followed up with a well-balanced plan of attack addressing key issues: internal communications and organizational structure.

The communications effort involved broadcasting the N² concepts of innovation throughout the organization. They used workshops, brainstorming sessions and departmental discussions to spread the word, and they invited ideas from all over the organization.

To create an innovation structure, they created a new position at the senior vice-president level and appointed a high-level new product committee to take ownership of the process. That team was the central clearinghouse for new product ideas and it appointed project teams to develop proposals for the best ideas. They also oversaw those teams, and then – in some cases – created new teams to carry the projects to launch.

The structure has worked well, bringing five products to market in barely six months. Predictably, however, relying on part-time leadership has occasionally been difficult. Also, they found the handoffs from the product teams to the long-term operators of the new products weren't always smooth. The part-time approach clearly was a "good enough" solution to get the innovation pipeline running, but it may not suffice for over the long haul.

Overall, the Cox Ohio first-year effort has been very successful, thanks to top-level commitment, good communications and a well-planned organizational structure.

In the bigger picture, however, Clark is accurate in her observation that audiences are easier to create than new revenue sources. The same pattern can be seen all over the industry.

Part of the pattern is that newspaper companies, with rare exceptions, hand their new products to their existing sales staffs and hope the sales will happen. Where the new products include print – like the *Dayton B2B* combination – that works fairly well. But with Web-only products, it often doesn't.

Even with companies that have online sales specialists, the results tend to be disappointing. That's because these specialists usually find it easier – and more rewarding – to sell the established Web sites than new, fledgling sites with small niche audiences and unfamiliar potential advertisers.

Here, a "good enough" solution might be to hire niche specialists, even if they're part-timers on 100 percent commission. Any startup needs salespeople who will sell as if their lives depended on it.

Still, many Web startups won't be easy to sell. That's a fact of life. But they need sales structures that will give them the best possible chance of success.

SECTION 2 NEWSPAPER NEXT CASEBOOK

5) Ottaway Newspapers, Inc.

Campbell Hall, N.Y.

Zeke Fleet, vice president/operations and advertising

Ottaway Newspapers is a group of eight daily newspapers ranging in weekday circulation from 13,000 to 80,000, 14 weeklies and a number of niche and alternative publications, plus related Web sites. Ottaway is the local media division of Dow Jones & Co.

What's happening

Ottaway adopted the Newspaper Next tools, concepts and processes in March 2007 in a companywide program christened Ottaway Next. By October 2007, its media groups had launched or were about to launch 25 new products, including magazines, weeklies, numerous niche Web sites and a free daily. (See product profiles from individual Ottaway sites elsewhere in this report.)

The process

- Most Ottaway publishers and several corporate executives had attended public one-day N² workshops by February 2007. Ottaway then arranged an "advanced" API N² workshop in February for publishers and corporate leadership, to explore implementation strategies in greater depth.
- In March, Ottaway's corporate leadership officially launched Ottaway Next, a companywide initiative to improve core products and launch new ones using the N² approach. A \$1 million fund was created at the corporate level to help incubate innovation projects, and all publishers were invited to conduct local jobs to be done research, develop product proposals and submit them for corporate funding. At the same time, the company initiated Advertising Next, News Next and Circulation Next to apply the N² approach to improve core operations.
- In May 2007, publishers submitted their Ottaway Next proposals to corporate, and a Webinar was conducted in which the submitted proposals were shared with the publishers and the corporate team.
- A three-person corporate team reviewed the proposals and funded 17 of them. Two additional projects were funded at the corporate level – a research project to learn more about how and why consumers and businesses use various media, and a project focusing on the real estate vertical. Funding for the 19 projects totaled \$995,000.
- Funding covered many aspects of the projects, including research, staffing, marketing, promotion and hiring for new innovation positions.

Oversight structure

Publishers make progress reports to corporate headquarters on a continuing basis.

Lessons learned (Zeke Fleet)

- At the corporate headquarters we strive to monitor the timelines, expenses and anticipated revenue, but we find this is difficult in some cases; some launches have been delayed, other problems have arisen, and so on. In some cases, people and time keep getting sucked into the core, delaying the projects. With continual concerns about our core revenue, it's important to keep focusing there, too.
- On the other hand, some that have launched already are meeting their projections, and some are generating good revenue. Others that haven't launched yet are already meeting and exceeding projections with pre-launch sales.
- Some of the Web-only products are more iffy in terms of quick revenue or accurate revenue projections.

Comments

Despite the ever-present delays and the pull of the core – factors afflicting every newspaper company – Ottaway's overall innovation initiative was extremely impressive. Among the 12 companies represented in this N² Casebook, Ottaway demonstrated the most progress in the most locations.

The six units receiving corporate funding all moved quickly and most had launched two or more new products by October, with other products headed for launches in Q4 or Q1 of 2008.

Two factors drove this speed to market. One was the clear message of enthusiasm and support from senior leadership, emphasizing the opportunity for innovation. But an even bigger factor was the million-dollar innovation fund. Ottaway publishers surged forward with N² to develop product proposals and apply for a share of corporate funding. The corporate funds became a major enabling factor at each of the newspapers. Clearly, this "innovation fund" model, first implemented by Scripps Newspapers and emulated by several other companies, has power.

Many of the Ottaway products were print or a combination of print and online. A clear pattern emerging at Ottaway and elsewhere is that print products make it much easier to deliver revenue and profits quickly. Online-only products, as would be expected, tended to start small and take longer to gain traction with local businesses, although several of the Ottaway online-only products showed promising early results.

The company's strong commitment to innovation, its steps to marshal publisher involvement and its continuing support were important driving factors, and the innovation-fund model to finance startups was a strong enabler. The amounts spent on each individual product tended to be fairly small. The products, staffing and marketing plans definitely reflected the principle of "good enough," but there was enough funding to give the product development process and the launches what they needed.

SECTION 2 NEWSPAPER NEXT CASEBOOK

6) Seacoast Media Group

Portsmouth, N.H.
John Tabor, publisher

Seacoast Media Group consists of the daily *Portsmouth Herald* (weekday circ. 12,326), five weekly or twice-weekly newspapers (combined circ. 28,000) and several Web sites. The group is owned by Ottaway Newspapers, Inc.

What's happening

Seacoast Media Group is the smallest organization covered in this report, but also one of the most innovative. Its steps to involve the entire company in the innovation process and its creative use of outside contractors are just two of their many ingenious and original approaches.

More than 60 of the company's 100-plus employees participated in 10 product development teams during 2007. Three products had been launched by Nov. 1: a photo reprint site, a parenting site (www.SeacoastParentsConnect.com; see product profile, [Page 68](#)) and a free beach daily (*The Beachcomber*; see product profile [Page 31](#)). Several others were in various stages of development, heading toward launches in 2008.

The process

- In mid-2006 Seacoast created an internal Growth Council, comprising the publisher, editor, and directors of advertising, circulation, marketing, new media, finance and operations. The focus was how to launch new products and generate new revenue. Tabor: "We recognized that newspapers were probably going into a long-term decline and we saw the need to get going and figure out new sources of revenue."
- When the Newspaper Next report was issued that fall, Tabor and *Herald* Editor Howard Altschiller attended the second public workshop on Nov. 3. Tabor: "We saw N² as providing the structure and the process we could use to create new products. We realized it was as simple as going out and talking to customers – we didn't need PhDs to do it."
- Tabor arranged to have an API N² workshop presented to Seacoast employees on Jan. 5, teaching N² tools, concepts and processes to 100 people – about 80 percent of the employees. At the close, Tabor invited anyone who wanted to take part in the company's innovation process to sign a clipboard on the way out. Sixty-nine people volunteered.
- The Growth Council identified the 10 richest niches of consumer and business nonconsumption they saw in their market area, created 10 project teams and invited the 69 volunteers to sign up for any group that interested them.

- They adapted the "study circles" approach – a civic discussion method (www.StudyCircles.org) – to the N² process. This involved assigning the 10 teams to hold a series of four meetings each, with specific outcomes expected by specific dates. Through this process, each group would conduct jobs to be done interviews, discuss results, brainstorm about solutions and develop Idea Resumes for "good enough" new products. Seacoast contracted with outside organizational development facilitators to help the teams hold effective meetings and stay on track.
- On June 25, they held an Innovation Report-Out Day. All Seacoast employees watched as each team reported its findings on its target group, their jobs to be done and the resulting product idea.
- The product ideas were passed to the Growth Council, which reviewed their potential, likely cost and practicality and created a priority list. Tabor: "On a few, we said, 'Let's go right now.' Others we put on a slower train, to go in 2008."
- A champion was found to lead each project and a Growth Council member was assigned as project sponsor. Some champions were on staff, some were new hires and some were contractors only for the project development period. The projects follow a defined project management process, with a plan, a budget, a manager and a kickoff. Tabor: "It's been a revelation to us that we can go out and hire contract project managers. The cost is \$500 or \$1,000 a week, for a six to eight-week period. It's not a lot of money." (For example, one project manager is a former AOL employee with a marketing background.)
- Each project manager works with an ongoing project team, consisting mostly of members from the initial niche teams. Tabor: "The fierce commitment of these employees, once they're heard what the customer says, is like a dog with a bone."

Oversight structure

Each project's Growth Council sponsor works with the project manager during the product development process.

Also, Tabor says, "We use the N² Dashboard, and we do it monthly." They particularly watch the audience numbers, the percent of revenue from new products, the number of new products and the percent of time spent on innovation. All are climbing.

"And that sparks further discussion," Tabor says. "Percent of revenue from nontraditional sources, for example, is pushing us to use our registration lists to sell leads. And the outside brains we hired are saying, 'What are you doing with all your lists and your emails?' These guys don't think banner ads – they think, 'Get 'em on the site, get them into registration, capture the data, harvest the leads.' They're saying, 'I smell the money.'"

SECTION 2 NEWSPAPER NEXT CASEBOOK

Funding mechanisms

A large source of funding was Ottawa's \$1 million innovation fund. All Ottawa publishers were invited to apply for funding from this pool for N²-driven product development projects. (See Ottawa Newspapers profile in this section.)

Seacoast's \$105,000 in corporate funding enabled them to add some key elements to the process. The outside facilitators for the 40 meetings of the 10 project teams, for example, cost \$26,000. "It really helped them get a lot done – I would do it again in a heartbeat," Tabor said.

Meanwhile, by October, the three 2007 launches were on track to contribute \$74,000 in new revenue for the year.

Who did JTBD research and how?

Each of the 10 project teams was tasked with completing at least nine interviews with members of its target group, and most team members did at least two interviews. Management provided initial coaching on how to conduct the interviews.

Lessons learned (John Tabor)

- Outsourcing project management is a great approach – it taps new talent and doesn't cost a lot of money.
- Use the N² Dashboard, do it monthly, and involve not just the publisher but the whole management team.
- Hire outside brains on contract for things you don't know how to do, like Internet marketing, interactive design, project management and organizational development.
- Since May 2006, we've gone from 187 to 159 FTEs. We're wringing the efficiencies out. That's part of what motivates the teams – they want to be part of the way forward.
- It's gonna cost real money. You can't start new products without marketing. We have a two-person marketing department that has grown even as we're cutting staff. We're going to spend \$100,000 on marketing next year (2008) – half a point of our revenue. When you realize that circulation is going down no matter what you do, and you move some of the marketing money to new products, the circulation department figures out other ways to get starts.
- It's hard. Sometimes you go home drained because you have to bend your mind around growing the Internet audience and selling things that don't have any print component at all. It's a constant struggle to stay one chapter ahead of the class.

Comments

Everywhere you look, Seacoast's story provides examples of organizational, strategic and operational creativity.

After saturating the company with N²'s language and concepts, Publisher Tabor made innovation a companywide activity by inviting all interested employees to join the effort. The high volunteer rate speaks volumes about the company's culture.

With the 69 volunteers, they created 10 employee teams and adapted a civic engagement process to structure their product development work, while hiring outside facilitators to help them succeed. This investment assured that the inexperienced teams could complete the work, even as it created a large new base of knowledge and experience among employees for future innovation leadership.

From the crop of 10 product ideas, the Growth Council grabbed a few for quick action. One of those – a summer-only beach daily (*The Beachcomber*, profiled elsewhere in this report, [Page 31](#)) provided a daring and energizing early win.

The company also broke new ground in the way it hired project managers to take the product ideas to fulfillment. Hiring outside contractors for limited periods – often people from outside the industry with valuable skills and experience the company lacked – kept the projects out of the undertow of the core business and brought in new perspectives. A big collateral benefit is that the "outside brains" are spurring Seacoast quickly toward new revenue models on the Internet, far ahead of many newspapers – even much larger ones.

Seacoast's core business faces the same pressures as the rest of the newspaper industry, but the organization has made tremendous progress toward a new future.

SECTION 2 NEWSPAPER NEXT CASEBOOK

7) The Seattle Times

Source: Cyndi Nash, director of content development

The Seattle Times, weekday circ. 219,722, is the largest newspaper in Washington state and the flagship paper of the independent, family-owned Seattle Times Co. It is a member of a joint operating agreement with the *Seattle Post-Intelligencer*. The Seattle Times Co. owns six other daily newspapers in Washington and in Maine (Blethen Maine Newspapers), as well as news, information and advertising Web sites, and printing and distribution subsidiaries.

What's happening

Several possible new products are in various stages of development, targeting three desirable audiences: young adults, high-end consumers and condominium dwellers and purchasers. The first launch is tentatively set for Q1 2008.

The process

- An all-day API Newspaper Next workshop was conducted on Feb. 6, 2007, to teach the Newspaper Next approach to 85 senior and middle managers.
- A mini-N² training program was developed from the N² materials, and training sessions were conducted for virtually all managers.
- The existing Product Portfolio Team (PPT), consisting mostly of senior managers, had already been charged with creating new products to expand the *Times*' portfolio, and had several projects in progress. The team decided to adopt the Newspaper Next approach. Nash: "We've made N² an organic part of our product-development process. We've also used N² to hone projects that were already under way, to enrich and improve them."
- The PPT did the initial strategic thinking to identify desirable nonconsuming groups to be targeted for product development. They settled on young adults, high-end consumers and condominium dwellers and purchasers.
- The PPT decided to structure the process by creating a cross-functional team for each target group, usually with four or five members. They asked for volunteers and assigned them to the teams, with front-line, mid-level and upper managers participating. The PPT tried to help them find the time required to do the project work.
- The project teams did research on the target groups, developed product ideas and brought them back to the PPT for review. Nash: "We've had tremendous positive feedback. They found it very energizing."
- Based on JTBD interviews with consumers and businesses, each team developed two to five possible product ideas, which completed their charge. The PPT reviewed the proposals, looking for those that appeared to have a

relatively quick turnaround and payback. They narrowed each team's list to one or two ideas for further development, which was ongoing at the time of this report.

- As projects progressed toward launch and the need for continuity and handling details became apparent, the company placed an assistant managing editor on a six-month, full-time assignment to serve as project manager.
- Meanwhile, a number of other new products in or close to the core are also in various stages of development and have been influenced by the N² concepts and processes.

Oversight structure

The Product Portfolio Team, which oversees the product development work, is led by Alayne Fardella, senior vice president of business operations, who also leads the company's strategic operating council. She reports progress to the top leadership of the organization.

The PPT oversees the product teams, and it assigns one of its members as the sponsor for each team. The sponsor doesn't necessarily attend the meetings, but stays in touch and helps to clear obstacles for the team.

Funding mechanisms

The PPT authorized small budgets of a few thousand dollars for the product development teams, which they didn't come close to spending. Nash: "The development work didn't take a lot of money – it took time."

In the 2008 budget, the company has estimated the costs of staffing and launching the planned new products and set revenue projections.

Who did JTBD research and how?

Each product development team did its own JTBD interviews and focus groups with consumers and businesses, with advice, counsel, training and coaching from the research department.

Lessons learned (Cyndi Nash)

- We said we would pull people away from their regular jobs, but that's really not how it worked out. They just added the N² work to everything else. In some cases – where the participants were especially passionate about their assignment – that still worked pretty well. But I wouldn't recommend it.
- Completely freeing someone's time (our assistant managing editor) to lead all the launch work has turned out to be essential. There are levels of detail no one anticipated – programming ad systems; creating new layout systems for magazine page sizes; figuring out new ad sizes; creating new rates; etc. – and we would not have been able to move so quickly without someone focused on this.

SECTION 2

NEWSPAPER NEXT CASEBOOK

- Even so, launching several new products in a six-month timeframe is a huge stress on the organization – it's necessary, worthwhile, and even fun at times, but it's also exhausting.
- It's fine to say you're going to do "good enough" analysis to decide what to do. But you're going to end up doing most, if not all, of the detail work after the fact that you might have done in the beginning. I'm inclined to think "good enough" analysis is still the better way, though, because it saves you from working out details for things that won't be approved anyway.
- The process was entirely energizing to the people who participated. It was a great interdepartmental exercise. People wished they'd really been freed up, but even without that, they all said it made them feel great about the company.

Comments

At the *Seattle Times*, as in many companies, the N² approach was incorporated into an existing product development structure. The existing Product Portfolio Team adopted the N² process and used it as they added further structure to their own product-development process.

At the *Times*, the PPT did the initial strategic thinking about which audiences to pursue, mirroring a tendency for this important strategic thinking to reside high in a company's hierarchy. It often involves deciding what audiences constitute the most important strategic gaps in the existing product portfolio, and which of those audiences present clear revenue opportunities on the business side. It also often involves seeking out available research to size the potential market, among both consumers and businesses.

The next stage of the process is exploring the needs of the target consumers and businesses. The *Times* PPT considered doing that work itself, but decided instead to delegate it to cross-departmental teams of volunteers. Either choice will have benefits and drawbacks. The most difficult issue is time, since most companies staff these teams with busy people who already have full-time jobs.

The *Times* initially did not create a full-time project management position, but as they entered the product creation and launch phases, the need became apparent. They borrowed a newsroom manager for six months to fill that role.

Most other companies, including much smaller ones, have found a full-time innovation manager to be a necessity for the long term, as Seattle also may. That individual becomes the glue that holds the processes together where part-timers have trouble. And over time, he or she learns valuable lessons that provide the continuity to sustain a first round of product development into the second round and beyond.

Most companies following the N² path would agree with Cyndi Nash – it's stressful and exhausting, but it's also fun, and it's energizing for those involved. It can be an important factor in recruitment and retention, and overall it's much more rewarding than standing still. **N**

SECTION 3 MAXIMIZING ONLINE REVENUE

The good news: Local online advertising spending will skyrocket in the next five years. The bad news: Traditional media will be hit hard. To capture their share of the explosive growth, newspaper companies must push aggressively into new sales structures and ad technologies and new online solutions for key verticals.

In this section, Borrell Associates presents the hard data and outlines practical strategies and tactics to help newspaper companies make the leap.

FIGURE 1 – Understanding the trends: “targeted media” (cable, direct mail, Internet) are the only ones gaining share

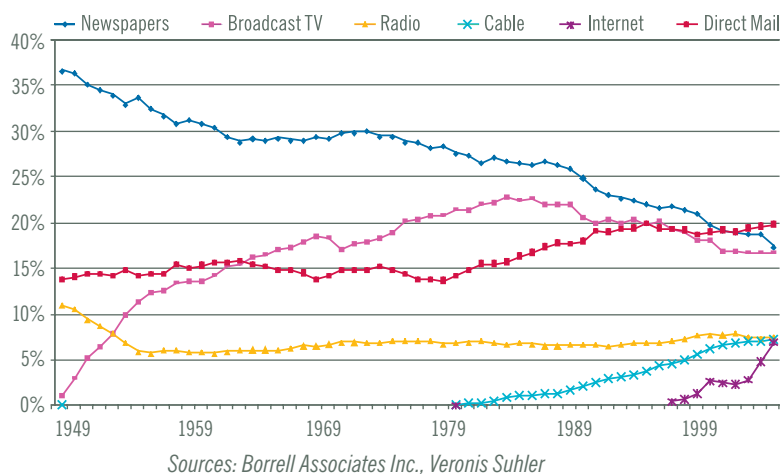
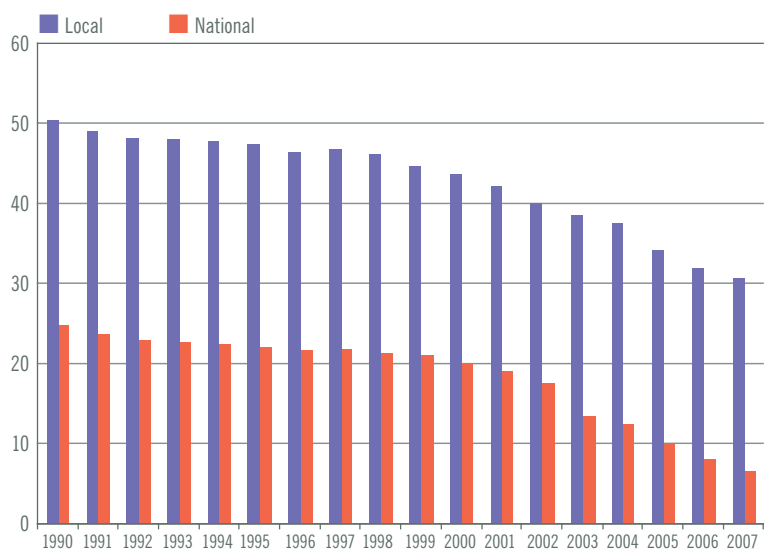


FIGURE 2 – Understanding the trends: Newspaper ad share losses have steepened in the past three years



Describing the fantastic digital future can be alluring. Finding a way to make a business out of it is another thing altogether. The hype of blogs, podcasting, user-generated content, video newscasts and email news alerts has swept many newspapers onto the “bleeding edge” when, in fact, few of these features generate any ad dollars.

The fuel for this online transformation is revenue. The intent of this section is to sort the reality from the hype and answer the question, “Where’s the money?”

1. THE TRENDS AND THE IMPLICATIONS

First, let’s discuss the urgency. Many publishers, looking inward, may feel that minor bailing will keep them afloat. Some may believe that recruitment, automotive and real estate advertising is in a down cycle at the moment and will return shortly. However, the data completely contradict that view.

The trend lines aren’t good, and there’s proof that longstanding ad-sales cycles around slowdowns in employment, car sales and home sales are broken – at least when it comes to print sales rebounding when the market cycles back. Taking a longer-term view, newspapers have been losing advertising market share for more than half a century. The chart below shows ad-share trends for the past six decades. Note that the only media that continue to grow market share are more “targeted” than “mass” – direct mail, cable and the Internet.

Over the past 17 years, ad spending in local markets has been subtly reshaped. Newspapers, while occasionally seeing increases in ad revenues, especially in the latter 1990s, have actually been losing market share of both national and local advertising.

Research by Borrell Associates on advertiser spending plans clearly shows that over the next five years, the change will be less subtle as advertisers accelerate their longstanding love affair with targeted advertising. The Internet – not to mention targeted publications, addressable cable advertising, and direct mail – have all provided them with lower-priced alternatives to reach their specific customer base.

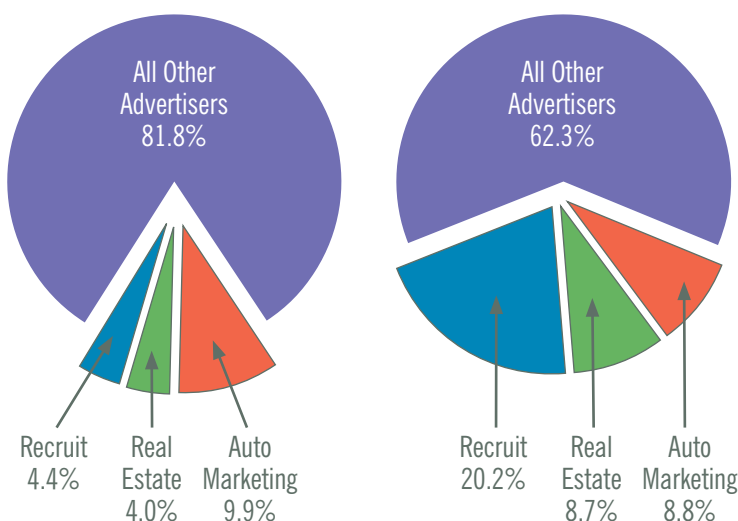
Online ad spending is expected to rise strongly, and “mass” advertising approaches (i.e., banner ads on general-interest pages) will give way to other forms such as search, email and video. All forms of newspaper advertising will be affected, but traditional newspaper verticals (recruitment, auto, homes) will be hit hardest. As indicated in Fig. 3, advertisers from these three verticals comprise more than one-third of all online ad spending.

The planning reality for newspapers is painfully simple: Over the next five years, it appears inevitable that print advertising will continue to decline. The difference won’t be made up on the online side. The evidence of this is stark: Despite strong growth over the years in online advertising for companies such as Gannett, Tribune, Media General, Belo and others, total revenues (print and online combined) are down.

SECTION 3 MAXIMIZING ONLINE REVENUE

There is another reason to pursue online media aggressively: Profitability. Because of the cost structure – no ink, paper, printing press, or delivery costs – Web sites appear to be running on margins similar to that of TV or radio stations. Most sites have margins in the 35% to 45% range and are contributing heavily to the bottom lines of their companies.

FIGURE 3 – “Big Three” classified categories have migrated more heavily to online



Source: Borrell Associates Inc, 2007. Dollars in millions.

The upward trends may seem to bode well for newspaper Web sites, but there is trouble inside those numbers. Local online advertising (Fig. 4, below) is expected to increase from \$8.8 billion this year to more than \$15 billion by 2012. But the shape of that spending will be very different from what it is today. Online video is projected to increase more than tenfold, from \$400 million to \$4.3 billion. It will go from less than 5% of local online advertising to 28% in five years. Other exploding categories are email, going from an almost insignificant \$233 million to \$1.3 billion, and paid search, from \$2.3 billion to almost \$4.3 billion.

Meanwhile, spending on banners will actually decline. The implications are clear: Newspaper Web sites that rely on banners and classified listings will be nibbling at a smaller and smaller slice of the pie. Today's smallest categories – email, video and paid search – are the future.

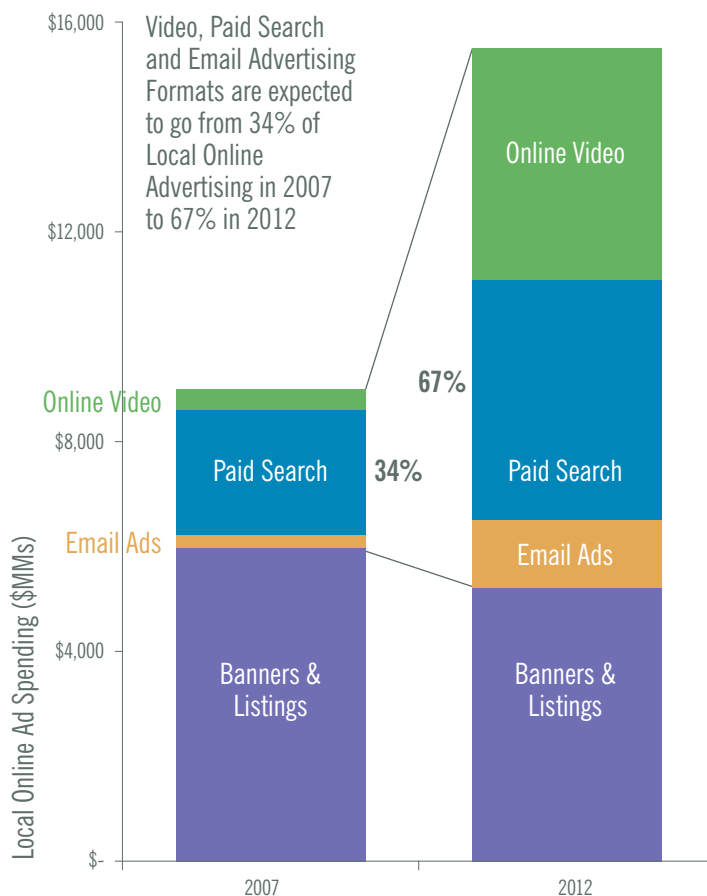
The focus in this section is therefore on how to tap these increasingly important initiatives. They are relevant to any newspaper and there are sufficient data to enable benchmarking and proper business planning. We will also set out some strategies for the “three pillars” of classified advertising. As these migrate to the Internet, newspapers risk getting lost in the dust.

FIGURE 4 – Growth in local online segments, 2007-2012

	2007p	2012f
Local Banners	\$5,818	\$5,038
Local Email	\$233	\$1,301
Local Video	\$401	\$4,296
Local Search	\$2,320	\$4,461
Total Local	\$8,772	\$15,096

Source: Borrell Associates Inc, 2007. Dollars in millions.

FIGURE 5 – Video, paid search and email advertising rule within five years



SECTION 3 MAXIMIZING ONLINE REVENUE

In the competition for local ad dollars on the Web, a newspaper typically attracts only a small slice with two-thirds of local advertising going elsewhere.

The chart below shows where online advertisers are spending their money. The challenges for newspapers are:

- To create attractive and affordable online opportunities for these businesses.
- To win as much as possible of the huge growth in search, email and video before the pure-plays do.

To respond effectively, newspaper companies must push aggressively beyond their traditional boundaries. They must anticipate these challenges by developing the ability to sell and deliver these fast-rising forms of online advertising across all categories, and by providing the solutions needed to serve advertisers in key verticals. Successful newspaper companies are pursuing three main strategies:

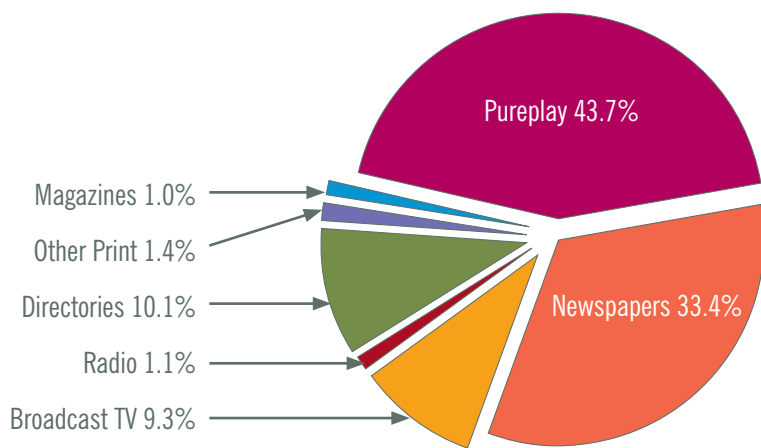
- **Protecting the existing sources of revenue.**
- **Developing new sources of revenue.** The classified verticals are important, but the “online” section of the pie chart in Fig. 3 above can be read inversely: Nearly two-thirds of online advertising is not from the Big Three classified categories.
- **Reaching the SMEs (small and medium enterprises).** Through technology, sales channels and pricing, newspapers must reach the large numbers of businesses they currently do not serve.

This section of this report is designed to provide practical guidance for newspaper executives in making this leap. Its purpose is to help executives with two urgent jobs that face newspaper companies:

1. “Help me know which moves to make first, based on revenue potential and return on investment.”
2. “Help me know how to execute those most promising plays and make them profitable as soon as possible.”

To fulfill the first of these objectives, this report focuses primarily on a “shortlist” of six local online opportunities. Although these are just a few of the many emerging local revenue models, they were chosen because they are the fastest-growing, the most urgently competitive, and offer the best proven returns on investment. To fulfill the second objective, this report provides strategic and tactical guidance on how to implement them.

FIGURE 6 – Media recipients of \$8.5 billion in local online advertising



Online advertising expenditures generated by businesses with local presence, targeted to market-local households.

FIGURE 7 – Pure-plays dominate paid search category, while newspapers dominate standard online ads

Media Choice	Online Ads	Paid Search	Streaming Audio/Video	Market Totals	Share
Newspapers	\$2,587.00	\$84.53	\$120.74	\$2,792.28	33.4%
Broadcast TV	\$741.14	\$9.49	\$29.03	\$779.66	9.3%
Radio	\$85.74	\$0.89	\$1.82	\$88.45	1.1%
Directories	\$813.86	\$10.26	\$15.70	\$839.81	10.1%
Other Print	\$110.20	\$2.30	\$6.25	\$118.74	1.4%
Magazines	\$79.27	\$1.03	\$4.18	\$84.48	1.0%
Pureplay	\$1,212.92	\$2,211.82	\$224.06	\$3,648.80	43.7%
Market Totals	\$5,630.13	\$2,320.31	\$401.79	\$8,352.23	100%
Share	67.4%	27.8%	4.8%	100%	

*Online advertising expenditures generated by businesses with local presence, targeted to market-local households.
Source: Borrell Associates Inc, 2007. Dollars in millions*

SECTION 3 MAXIMIZING ONLINE REVENUE

Three of these six opportunities are the fast-growing ad formats identified above: search, email and video advertising. The other three are the most-threatened traditional classified advertising verticals – real estate, employment and automobiles. Building on what currently works and is threatened by competitors is easier and more profitable than trying to carve out new markets.

Part 2 of this section provides charts to enable a media property to see whether it is reaching its potential in the key online revenue sectors. Additional comprehensive data sets are provided online in conjunction with this report, to enable a publisher or executive to see trends, opportunities and challenges in his or her market.

Part 3 of this section provides practical strategic and operational guidance on how to pursue these six areas of opportunity. It discusses such issues as key strategies, sales approaches, revenue models, vendors and job competencies for key positions.

Winning in these opportunity spaces is a tall order. It will require a great deal of internal discussion and planning. It will also require data tools to help in targeting advertisers and gauging potential. So we've developed those tools, too, specifically for this project. (See sidebar.)

For example, one of these is the "Future Tool." It lists top local advertisers by category, and it shows how much they are spending online and how much they are projected to spend five years from now.

Using this tool, operators will see that the biggest piece of the pie consists of the smallest spenders, and that the migration to online is coming from Yellow Pages and direct mail. This is clearly an opportunity rather than a threat for newspapers, but it requires prompt and appropriate action to capitalize on that opportunity.

This report's data tools can also be used to refine sales strategies and to determine what not to pursue. In certain markets, for instance, restaurants might be among the Top 10 categories of ad spenders, but a glimpse of the ad spending per location will show that they typically spend less than \$500 per year on online advertising. Creating an online restaurant guide and dining reviews may be interesting, but is a \$500-per-year sale worth the efforts of your sales force?

In another online resource of this report, we provide links to actual online spending data for each of the 210 designated television market areas in the United States, so a publisher can look up a specific market and see which business categories are generating the most advertiser spending.

More resources available online

In addition to the information contained in this section, this report provides a large volume of advertising spending data, projections and other resources separately online.

These resources, including spreadsheets, job descriptions and vendor lists, are to be used in conjunction with this report and are referenced throughout this section. They can be found at www.newspapernext.org.

2. SALES AND REVENUE EXPECTATIONS

Empowering a print sales force to go forth and sell online advertising may seem like a good idea at the outset. After all, they're already on the payroll, they know how to sell advertising, and online advertising certainly continues to grow. How could they fail?

It's true that newspaper reps will almost always sell *some* online advertising. But success is likely to be limited, and large growth opportunities are almost sure to be missed – one important definition of failure.

By using market data on online advertising, it is possible to determine a realistic range of sales expectations for any given newspaper, taking account of differences in local markets.

A separate and dedicated online sales force almost always delivers better results than relying exclusively on print reps. Online involves many different products, technologies, pricing mechanisms and price points that have proven distracting to print reps and have tended to slow down their print sales while they learn the lingo and devote more time to lengthy online-only sales calls.

Other problems with relying only on print reps are that they often don't understand online advertising very well, tend to prefer the tangibility of print, already have too many other things to sell, are under pressure from management to sell print, and earn higher commissions on print. Print reps can be effective on upsells, although they tend to focus on little else. Meanwhile, the rich non-upsell opportunities – consisting of online-only sales to new customers – tend to be neglected.

Although sales expectations from print reps can usually be set with a reasonable degree of accuracy, this is less easy with online sales. As a rule, though:

- Experience usually results in increasing levels of online sales, as reps become more proficient and build up new customer bases.
- 40% - 60% of total online revenue is online-only and so is unlikely to be generated without online-only reps (i.e., it's not upsold from a print base).

SECTION 3 MAXIMIZING ONLINE REVENUE

- Even for the smaller media company, an online-only sales rep will generate upwards of \$100,000 a year in completely new revenue and more than double that when online upsell revenue is included.
- New sales can usually be budgeted at a minimum of \$350,000 per rep, after the initial training. This may be slightly lower for a small site and moderately higher for a large site.
- Hiring new sales reps is a revenue expense, not a capital investment, and the business case for such hiring requires a straightforward projection of costs and anticipated revenue.
- Even if a new rep makes no sales for the first three months, the rep should be cash-flow positive at the end of the first six months.

Hiring sales reps with the right skills and attributes is critical for success. Sample descriptions of online sales positions and competencies are available as part of this report at www.newspapernext.org.

Revenue metrics: So how are you doing?

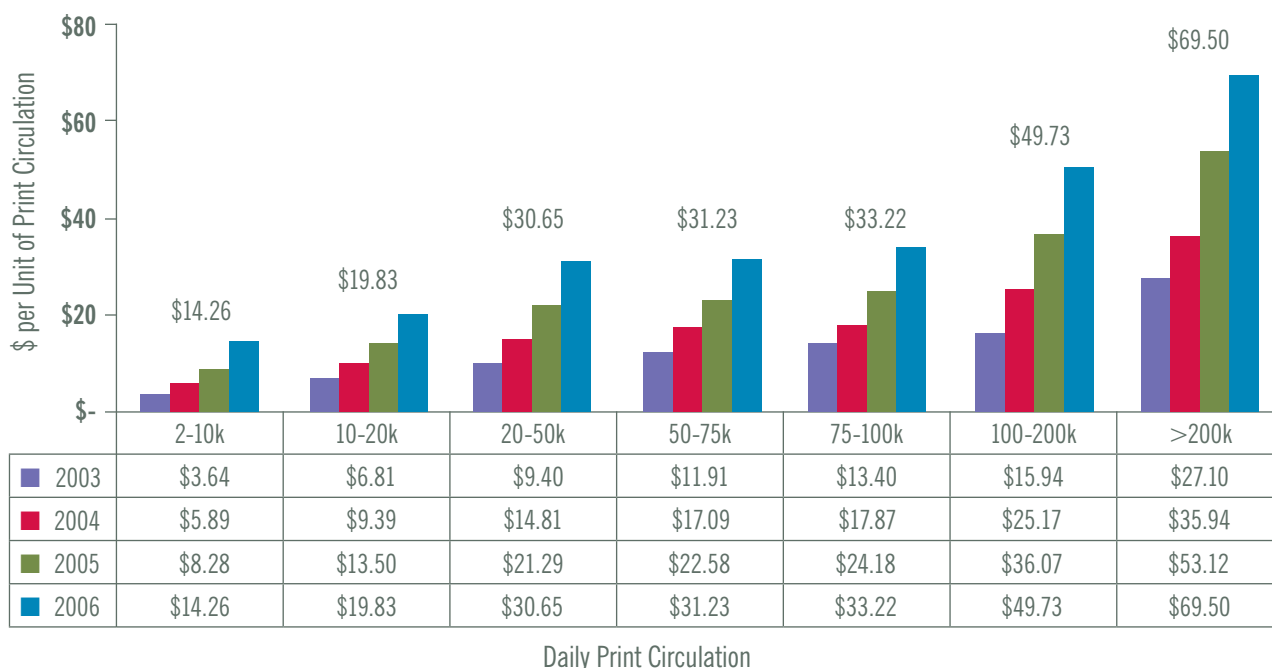
One metric benchmark is online revenue per unit of print circulation. This is somewhat illogical – the success of an online sales strategy shouldn't be shaped by how many papers are printed – and it is not precise. But it does permit comparisons against other papers of similar size.

For example, for a paper of 100,000 circulation in 2006, multiplying \$33.22 by circulation of 100,000 would yield \$3,322,000 as the rough average of online advertising revenue for its size category. If that 100,000 circulation daily's revenue were significantly below the average, it might signal an ineffective online sales effort.

Another, often more useful benchmark is market share of local online advertising dollars. Fig. 9 shows that newspapers average a 15.1% share of all locally spent online advertising within their DMAs². Note, though, that the gap between low and high performers is huge. Some newspapers are making far more money than others in similar-size markets.

The biggest market share is held by a newspaper in a larger market, generating more than \$20 million in online revenue for its company on expenses of approximately \$13 million. If that newspaper were performing at the "average" among its peers, it would be generating only about \$6 million in revenue.

FIGURE 8 – Online revenue per unit of print circulation, 2003-2006



Online advertising expenditures generated by businesses with local presence, targeted to market-local households.
Source: Borrell Associates Inc, 2007. Dollars in millions.

SECTION 3

MAXIMIZING ONLINE REVENUE

ONLINE PLANNING — HOW ONE COMPANY DOES IT

Each media company has its own planning and budgeting processes, but the key issues are (or should be) broadly the same. One of the executives interviewed for this document is Kim Peters, formerly vice president for online classifieds at CanWest MediaWorks, the largest newspaper publisher in Canada, with almost 30% of the daily market, as well as a substantial TV and radio operation.

Q: What are the key elements of planning a new online revenue initiative?

A: Starting a new online revenue initiative is starting a new business. Key questions are:

- How will it make money?
- What costs are involved to support that revenue?
- How soon does it need to break even?
- What is the purpose—revenue driving, cost reduction, brand extension, competitive response?
- Who are the competitors? How are they doing?
- Is it a growth market?
- Is it strategic to the company's existing business?

Q: How do you decide on technology solutions and partners?

A: There are various ways to approach this:

- You have to define your product, being as specific about the functionality as you can. Typically this can be done by screen-shotting elements on other sites that you want in your product, and providing written descriptions of how they are to work.
- Do you want to work with a company that provides this solution to other customers as well (and benefit from ongoing development at minimal cost) or do you want someone to build it for you, which means you will be in charge of defining future requirements? In the former, your site may be less differentiated from others. In the latter, you have the burden of ongoing development. Your business plan will determine which approach makes most sense.
- Then, send the product specification out as an RFP. Check references. You may prefer a supplier who offers a revenue-share model, as opposed to flat fees.

Q: How important is it to have online-only sales reps? Does this depend on the vertical or product?

A: This probably depends on the organization and its philosophy, and on the business opportunity and its complexity. For example:

- Can the product be packaged in combination with a print buy, or as a simple upsell?
- Is there an opportunity to make substantial sales by doing so?
- Does the traditional sales team talk to the entire market you want to target? If not, you will likely want an online-only sales force so you're not leaving money on the table.
- Does your product's success depend upon listings volume? If so, you may want to consider a robust self-serve application, and even a free-listings business model.

Q: How important is training?

A: Training will be based on:

- The business case
- The product
- The gap between today's skills and the skills required to make the product successful.

If specific skills are essential for the product to be successful, and your people don't have them, then either:

- Find the budget to train them
- Don't launch!

Q: What is the relationship between target revenue and number of initial sales hires?

A: The relationship is between the number of transactions that must be made to hit the target revenue, and the sales cycle to do so. For example, if it takes, on average three face-to-face sales calls and an elapsed time of three months to close a sale, you will need more sales reps than if you can close every third phone call and sell the product through telemarketing.

Q: Are larger companies open to new but probably small revenue opportunities?

A: Typically there is a balance between:

- Revenue and EBITDA¹ opportunity
- Resources required to execute the opportunity

Even a large company has limited available resources. Investing much time and energy in something with a small potential for return means that there is a large opportunity cost though perhaps missing the chance to execute a plan with a much larger potential return.

SECTION 3

MAXIMIZING ONLINE REVENUE

FIGURE 9 – Average and high/low share of local online advertising for newspapers

DMA Market Size	Avg. Share of Local Online Advertising	Lowest	Highest
Markets 1-20	12.7%	<1.0%	43.1%
Markets 21-50	15.6%	<1.0%	62.7%
Markets 51-210	19.5%	1.1%	56.0%
Average/Range	15.1%	<1.0%	62.7%

© 2006 Borrell Associates Inc.

In a somewhat smaller market, a 160,000-circulation newspaper is making \$11 million in 2007, for a 56% share of its local market. If it were operating at average levels, it would be making only about \$4 million.

The stories go on and on. Several 20,000-circulation newspapers will make more than \$1 million this year in Web sales, when the average for their peer group is one-third that level.

This shows that it's possible to do a lot better than average. Some newspaper Web operators "get it" and pursue new business models and innovative sales approaches, while others languish with old models that rely on print reps to extract more and more money from an existing customer base. In truth, "average" is a very mediocre target, and as more newspaper companies "get it," the averages for the industry will move much higher.

Staffing issues: how many people?

Based on performance data from several hundred media companies, the picture is very clear: Almost all newspapers need to add sales staff to achieve their markets' potential sales. Organizational models are equally important. Hiring new staff and having them report to a legacy department is likely to make them adhere too stringently to the goals of the core product to preserve and protect the empire.

Each online sales category or format described in Part 3 below requires specific Web resources. These can be fully outsourced, partially outsourced or built in-house, or developed and managed substantially or entirely in-house. This includes technology and, to some degree, sales.

It is difficult to make generalizations about what various companies and sites should do. Much depends on the internal environment, the company's ability to invest, ROI, and the market sales potential. However, the best course is to be as aggressive as the market opportunity allows, and some basic principles apply:

- Hiring a full-time Web manager is a must. (See sidebar for a list of key responsibilities for a job posting or description.) This should not be outsourced.

WEB MANAGER

Key responsibilities

- Increase Web site traffic through development and execution of a strategic plan
- Integrate search engine optimization strategies
- Manage and implement design of the Web sites
- Design and produce multimedia-enriched portal using embedded streaming technologies and content download services
- Conceptualize, design and implement inspired Web-based multimedia
- Manage/develop content with strong written and visual components
- Manage the content of the Web site on an ongoing basis, ensure Web site content is up-to-date, informative and consistent with overall brand messaging and strategy

Qualifications (examples only):

- Completion of related post-secondary training in multimedia design and programming or equivalent work experience
- 3-5 years experience in a creative, digital media, Web-development environment, including at least three years as a Web designer/Web developer in a small but complex environment
- Excellent understanding of Web site/application development; knowledgeable in best-practices site architecture, user-interface specification, functionality specification, and interactive design, possession of necessary technical skills to perform all aspects of Web site design/development and maintenance work
- Excellent written/oral communication skills, able to work within a dynamic, creative and diverse group and document the processes and techniques of a system
- Working knowledge of media content production tools such as Sony Vegas, Sound Forge, Adobe Audition
- Excellent knowledge of HTML, XML and XHTML, Flash, ASP, JavaScript and CSS
- Good knowledge of MS-SQL and MySQL
- Expert in Web authoring tools such as Dreamweaver, InDesign and Photoshop
- Good understanding of streaming technologies such as Windows Media Service, Shoutcast, Flash Server and popular content management systems, user interface and navigation
- Strong problem solving and analytical skills with proven ability to analyze and understand the source code and configuration of an existing system

Compiled by Borrell Associates Inc, 2007

SECTION 3 MAXIMIZING ONLINE REVENUE

- Working with outsourced programming is usually better than building your own. Off-the-shelf programming is abundant, and generally good enough. This isn't to say that there's no room for innovation, but if there is something on the market that works, it will almost certainly be easier, quicker and cheaper to buy or license it than to build your own. Customization and enhancement can always follow.
- The majority of newspapers – even the larger groups – lean toward acquiring applications developed by external vendors. This is mainly because software development is not a core competency for the industry.
- An online-only sales force gets newspapers to the next level. Print reps can certainly upsell their customers, but eventually run out of upselling opportunities. A good rule of thumb is to hire one sales rep per \$350,000 in revenue you think your site can make in total gross sales (including upsells). For instance, if your site is capable of making \$5 million, you'll eventually need 14 reps. (Yes, 14.) Larger sites tend to have a higher metric – along the lines of \$500,000 per rep, sometimes higher, especially for the largest sites – mainly because they tend to get more national advertising and often have higher ad rates. And the research shows that good reps usually see increases in their annual sales as they become more experienced and grow their client base.
- The entire Web site operation should report to a senior executive – preferably the publisher instead of a sales manager, editor or other operational manager. This is essential for three reasons – to make recommendations and decisions relating to sales and (usually) content, to set budgets and direct staff, and to research new opportunities and develop business cases.

3. SELECTED ONLINE INITIATIVES

This section describes in more detail the six types of revenue generation we have identified as the top opportunities in most newspaper markets.

Three of these – email, video and search – are advertising formats that can be offered to any advertiser or category of advertiser, and each is grounded in the underlying technology. The remaining three – autos, real estate and recruitment – are crucial customer categories in which various formats and technologies may be needed to meet customer needs.

This section also discusses a different kind of opportunity – the fast-rising phenomenon of online promotion.

FORMAT: Email marketing

What it is

Newspapers make money from email by creating customer lists – typically through offerings for such things as email newsletters, weather alerts, or sports updates – and selling display ads embedded within the email. Email most commonly boils down to:

- Emailing articles within which one can embed paid advertising
- Emailing offers directly on behalf of third parties

Even though email advertising has grown to multibillion-dollar levels, most of this is either spam or email advertisements or promotions that are sent directly by the businesses themselves to their own opt-in customer lists. Several companies, however, have been tackling the email opportunity with aplomb. Belo's newspapers and TV stations operate My Specials Direct, a successful email program that sends advertising via email to consumers who opt into the list. Belo claims to have more than 2.7 million opt-in emails across its network of newspapers and TV sites and sells both national and local advertising into the email program. Such programs can be successful in smaller markets, too. GoErie.com, operated by the *Erie (Pa.) Times-News*, sends "Inside Erie" to a weekly list of subscribers and sells banner advertising in the email. Packet Publications, which operates a group of small weeklies, including the Princeton Packet, in Central New Jersey, compiles a weekly email of advertising and news summaries and uses it as additional distribution for its Web site advertisers.

There are privacy issues in using email for advertising, in that many jurisdictions require opt-in by the consumer. This can be secured either directly, i.e. by asking for permission at registration, or more passively by stating clearly that certain online activity will constitute permission for the site owner to harvest the email address and use it for advertising purposes. An unsubscribe option and contact information including a street address must also be offered.

SECTION 3

MAXIMIZING ONLINE REVENUE

How to do it

Email works for both retail and service businesses and for classified customers of almost infinite variety. Examples of good target businesses might be furniture stores, auto dealers, lawn care services, travel agencies and jewelry stores. Some customers may wish to advertise in your newspaper's outbound emails, while others may want to build customer connection and loyalty through their own branded email newsletters, created and sent by your organization.

Use your site registration system to assemble the data needed to segment a list of emails based on age, gender, zip code, hobbies, occupation and whatever other data have been captured. Create a variety of email offerings, by topic, that your Web site users can sign up to receive. Your system must be able to track open rates and click-throughs, and to re-email to subsections of lists that show high interest. Even large media companies usually use vendors for email rather than trying to tackle this complex technology exercise themselves.

Study direct-mail use in your market and target advertisers that are using it. Email marketing can return 3- or 4-percent response rates on unsorted lists, whereas direct mail marketing typically returns only 0.5 to 2.0 percent and at four or five times the cost per piece. Email is therefore much more efficient.

However, email is also more complex than typical display packages. If it is to be a significant revenue source, selling should be done by a specialist who understands how it is done.

Schedule enough time for the process of segmenting the list, writing and editing the piece, and moving through the production process. Take time to analyze the results so you can improve targeting and execution in the next email campaign that you manage for a client.

Timing is important. Don't send when your targets won't be there or will be swamped. The best times are mid-morning and mid-afternoon on Tuesday, Wednesday and Thursday.

Developing an e-mail product isn't for the impatient or for the faint of heart. It takes time to build up an email list to a point where it may be economically viable to sell advertising into it. It's also too easy to underestimate the amount of time and care it takes to maintain the list, insert the ads and analyze the results. This is where a database manager or marketing manager for consumer promotions comes in very handy. See job description right.

Marketing manager, consumer promotions, with responsibility for email:

- Initiate, recommend and plan strategic marketing plans to support growth, maximize traffic and drive user engagement for all online brands.
- Display vision, creativity and initiative in pursuing opportunities and solving problems.
- Develop and manage database marketing, list management and communication plans, to acquire new users, retain membership and support sales.
- Develop a strategic plan and process for online promotions and customer communications in accordance with all legal and privacy requirements and policies.
- Research best practices in direct marketing and promotional programs to maximize revenue and traffic opportunities.
- Explore external partnerships to deliver programs and campaigns on time, on budget.
- Nurture collaborative working relationships with all internal stakeholders and with various levels within the organization to achieve traffic and revenue objectives.
- Provide consulting services to internal clients in the design, delivery and adherence to efficient processes and policies for email marketing and promotions.
- Develop ROI model and campaign analysis for marketing and email programs; effectively manage marketing spend to control cost of acquisition across all programs.
- Manage all outbound communication with Web site registrants via contact management strategy and calendar.
- Oversee all day-to-day activities of creative, promotional and/or interactive agencies and other partners and vendors.
- Supervise and coach one or more marketing coordinators or analysts; manage and develop direct reports to ensure top performance and to support their career and skills development.

SECTION 3 MAXIMIZING ONLINE REVENUE

Revenue model

Email marketing is typically sold on a cost per email address. Local media outlets usually charge 5 to 15 cents per name. The rate increases as much as 50 percent when targeting layers are applied. These include such things as gender, age, geographic location, interest and/or profession. Larger lists with 50,000 or more emails might sell insertions for \$100 or higher CPM, depending on size of ad, placement, or whether it's a "marriage mail" type of ad (i.e., appearing along with other advertisements in the email) or a "solo mail" sent exclusively.

For vendor information, see www.newspapernext.org

FORMAT: Video advertising

The projected growth in local video advertising is phenomenal: from \$400 million to almost \$4.3 billion by 2012. It should therefore be a high priority for newspapers that want to survive and prosper in the new digital world. Many newspapers are already pursuing it and in fact are beating their local TV competitors to the punch.

Advertising that includes video and rich media (i.e., ads with sound and/or animation) is projected to have the highest growth over the next five years. The longer-form "infomercial" format garners higher CPMs than 10- to 15-second pre-roll commercials, which are not the biggest drivers of online video advertising. Long-form spots generally run one to two minutes and are similar to infomercials about an advertiser's product or service. It is this portion of video advertising that will grow the most and is most accessible for local online salespeople. It is already used in the real estate industry to provide video walk-through tours of homes for sale.

Key strategies

These videos are being sold successfully in the "classified" categories of real estate, automotive and recruitment advertising. They typically are sold at a flat monthly rate of \$250 to \$500 per 60-second commercial. Some sites have sold more than 100 individual advertisers on these programs and are generating more than \$250,000 in annual revenue. Many of these low-priced video commercials are not videos at all. They are "flash animations" that include a progression of photographs and graphics with a voiceover.

Any business category that needs to show the quality or result of its products, work or customer experience may also be a good prospect for video. For example, in health care, WorldNow (www.worldnow.com) works mainly with TV stations, offering a highly successful program that combines broadcast TV advertising with an "on-demand" online video. The most popular categories are elective surgical procedures such as Lasik, Botox, electrolysis, liposuction, breast and hair implants, etc. This type of video programming typically fetches higher rates since it involves more sophisticated production and true video streaming, which costs more to serve

than a flash-animated advertisement. Rates are usually in the range of \$1,500 to \$2,500 per month for the online-only portion of the program.

Not surprisingly, newspapers have tapped the classified verticals for video advertising the most. Two of the most attractive opportunities build on existing business in real estate and auto.

Real estate is an \$11 billion advertising category that has shifted heavily toward the Web. Agents are looking to the Internet as a less expensive way to reach buyers and to market themselves. This can be seen through the declines in print advertising and the continuing growth in online advertising, which is expected to surpass print by 2011. Newspapers have just 18.5% of that online market, and unless they can drive it up significantly, the industry faces a shortfall in this key vertical of as much as \$1.5 billion annually by 2011.

Real estate agents have been investing heavily in their own Web services and databases. These need traffic to be successful. Newspaper companies can provide that traffic. Video is an attractive offering to buyers and therefore a good offering to agents.

Automotive, a \$26 billion advertising category, also is in flux. Manufacturers, dealer associations and local dealers have been adjusting their marketing dials in the past several years, trying to determine the appropriate mix of TV, radio, print, direct mail and online. While broadcasters have seen some shakiness in their automotive numbers, newspapers have been hit hard. Automotive classified revenue is down 24 percent over the past two years. Local broadcasters may be in for the same as their keystone advertisers – dealer associations – begin receiving more ad campaigns from the manufacturers that include interactive video placement on local Web sites.

Many TV sites now feature a 15-second pre-roll for a local auto dealer on their streaming video newscasts and weather reports, which point to long-form test-drive videos elsewhere on the site. WITN-TV's Web site in Greenville, N.C., sells dealers into its "Carolina Wheels Used-Car Showcase" featuring a one-minute video in which the dealer walks around the lot and describes his hottest deals. The videos are also featured in a half-hour TV segment that airs Sundays. NBC6.net, the NBC-owned station in Miami, offers a 60-second test-drive video for a local Harley-Davidson dealership. And Vehix.com, an automotive Web site that manages listings for 1,500 dealers on behalf of 60 local cable operators, has developed a video guide profiling 250 vehicles in a series of 30-minute reports that allow viewers to skip through "chapters."

Automotive video continues to become more interactive as carmakers show more interest in *engaging* potential drivers and less in merely stimulating interest with TV spots. Honda, for instance, launched a campaign for the Accord Hybrid on Vehix.com and NADA.com using "clickable video" technology that let viewers click on certain areas of the video as it played to delve deeper into the features. Toyota, Ford and others are

SECTION 3 MAXIMIZING ONLINE REVENUE

developing similar campaigns, while undoubtedly searching for local automotive sites on which to place them. This too is an opportunity for newspapers, as another way to recoup some of the lost print auto advertising in a vertical that they traditionally dominated.

Pre-roll availabilities also can draw significant revenue. While usually not as attractive to local advertisers as long-form video, these TiVo-proof ads are growing in popularity and offer a tantalizing opportunity to national advertisers. Some observers suspect they may become the new “spot TV” advertising. The numbers are already impressive, and networks of local video sites have started to develop.

The Associated Press has partnered with MSN to sell 15-second pre-roll commercials across its member sites, which currently serve more than 75 million unique visitors, and WorldNow has begun selling spots across its local media network of about 16 million video streams.

In fall 2006, Yahoo! teamed up with 16 CBS-owned stations to offer up to 20 news videos per day to Yahoo! users. The deal allows Yahoo! to place national pre-roll on those videos, sharing the revenue with CBS. Yahoo! has been aggressively pursuing alliances with other local media, including newspapers, and is striking out on its own with its recently launched “You Witness News,” a site allowing anyone to submit their own videos of news events.

Amid all this action, newspaper companies risk losing not only more print advertising, but also losing out online as well. Local broadcast sites are seen as the more natural home for video within this vertical. Newspaper companies must move quickly to establish themselves as an attractive alternative for these advertisers.

Other areas where increased use of video is likely:

- In the health care verticals to explain medical procedures. (A TV station in Texas is getting \$50,000 per year for the online portion of 90-second health care vignettes that are aired on the evening news and archived on their site.)
- Retail home improvement stores will use video to provide “how-to” support. Many of these videos are provided by product manufacturers.
- Restaurants, hotels and other tourist-oriented businesses are prospects as well. (See Delta Airlines’ SiteSeer TravelCast, for example.)
- Local high school and Little League sports, with video provided by citizens, attracts enthusiastic audiences and local sponsors in many markets. See <http://www.modbee.com/hsfootball/>.

How to do it

Production is typically outsourced to companies such as Houston-based Digital Media Communications (www.digitalmediacommunications.com), which can produce a 60-second video for less than \$100. But this is flash-animated “video,” not full-motion. Idearc, formerly Verizon Superpages, sells its Yellow Pages customers a 60-second video for \$1,000, sending a contract videographer to the place of business.

Locally produced video can be syndicated to other sites through third-party vendors. See the vendor list for details of this and other suppliers. Sales reps must have the training and expertise to include video as part of the package. The creative and production aspects are common to all uses of video.

FORMAT: Local search

What it is

Local search advertising can most easily be defined as yellow pages on the Internet. In its simplest form, local search advertising can be seen by going to Google and typing in “real estate in Peoria.” The ads from local agents in Peoria appear as text ads at the top or along the side, under “Sponsored Links.” Clicking on them causes the advertiser to be charged anywhere from 5 cents to \$10 or even \$20, depending on how much the advertiser is bidding for that spot. We also define “local search” as display or text ads that might appear at the top of a directory like www.superpages.com or www.switchboard.com when someone types in a search term such as drycleaners in Zip code 23703.

Integral to local search is a search engine that generally imposes a specific geographic focus on searching. The search will combine keywords that specify the subject of the inquiry (by product name, description, business category, etc.) and where it is. With a local search, this may be determined by how the search is actually implemented by the search engine, although it can be included in the keywords by the person making the search.

There are three principal ways to make money in this category:

1. Creating your own online directory, topped by a search engine, and selling advertiser placement in the directory.
2. Participating in the Google AdSense program or Yahoo!’s Publisher program or similar programs offered by other national search engines such as Ask.com.
3. Partnering with a turnkey directory provider such as LocalLookup.com or LocaLaunch.com, which will not only provide the directory but also sell advertising into it and share the revenues.

Newspapers make money from paid search by sharing the advertising revenue that is generated from the search technology provided by companies like Google and Yahoo!. There are alternatives to this: Some search companies will license

SECTION 3 MAXIMIZING ONLINE REVENUE

their software to newspaper companies, and any advertising revenue generated through searching newspaper sites is then the paper's to keep.

Locally placed search advertising, non-existent just a few years ago, is projected to exceed \$2.3 billion this year. Borrell Associates expects it to more than double next year. When advertisers think of search, they usually think of Google or Yahoo!. This poses a challenge for local media groups wanting to get into the search advertising business.

Don't expect an instant revenue jolt from a search advertising program. Massive volume is what makes search products viable, and that can take time. Google launched its product in 1997 and operated for three years before it began selling ads – starting at 5 cents per click. A viable way for a local media outlet to enter the search advertising market is through the creation of directories. Advertising on online directories is satisfying local business's thirst for search advertising because those businesses perceive that customers are “searching” for them online. Some examples of locally created directories can be seen in Middletown, N.Y. (www.hudsonvalley.com), Charleston, S.C. (www.palmettobizbuzz.com), and in El Paso (www.elpasodirectory.org).

Key strategies

The strongest advice to local Web publishers is to become the Google of your local market – not by offering a tiny toolbar on an existing Web site, but through a new and separately branded site. A local search tool is for everyone, not just readers of news. Note that the examples given above contain no branding for their local newspaper sponsors. This is about new products and services, not extensions of old products whose brands carry old connotations. (Case in point: Coca-Cola, despite having a universally known brand, used a different brand – Dasani – for its bottled water product.)

Start thinking less about *your* content and more about *all* content. The biggest success stories (eBay, Yahoo!, Google) on the Internet came from a simple strategy: Create a friendly doorway, and let everyone else be your content providers.

To prepare for this strategy, we recommend:

- Become a search engine advertiser.
- Set up an account on Google or Yahoo! and start experimenting with keywords to drive traffic to your Web site.
- Use Google's keyword tool to find the most popular search terms associated with your market and the bids advertisers are placing on those words. (The goal here is to learn, not to drive traffic to your Web site, though that may be a side benefit.)
- Set up appointments to talk to search-engine vendors. They can greatly speed your educational process and help you develop a strategy. (See separate vendor list.)

- Sign up for Google's AdSense or Yahoo!'s Publisher Network. There's no use in allowing ALL the paid search dollars slip through your fingers. (Note: Sign no long-term agreements, and keep an eye on the ads that appear on your pages. Some may be from competitors, which you may want to block.)
- Add local business listings to your site through a partnership with an interactive yellow pages company or a private-label solution wrapped in your brand. Be sure the sales staff has the ability to sell enhanced listings.
- Create a shopping channel or local online marketplace. Think of it as a localized version of Amazon.com.

In preparation for serving contextual ads, increase the amount of site content. More content means more relevance for the ads – which can mean more money. Some suggestions:

- Expand the newsroom's sense of deadlines; post articles to the Web in pieces throughout the day. More and shorter articles will result a larger collection of material to search.
- Add community-generated content in any way you can. It's free and highly niched. Consider reviews (particularly for businesses), comment sections after each article, blogs, message boards, and photo or video submissions.

Putting traditional news and advertising models onto the Web bought time for newspaper and broadcast Web sites, but the clock is ticking on this strategy. Future growth will come not from up-selling existing clients but from aggregating local business information beyond what is provided by online yellow pages. Media operations must therefore organize the most information in their communities into a compelling interactive Web medium, as described in Section 1 of this report.

As the line between search and directories is blurring, a newspaper company wanting to compete in local search must invest in building local content that is unique to its area. Some examples of local search portals being created by newspaper companies and TV stations:

The Atlanta Journal's initiative:
<http://www.kudzu.com>

WKRN's initiative (Young Broadcasting, Nashville):
www.nashville411.com

The Raleigh News & Observer's initiative:
www.triangle.com

The competing WRAL-TV initiative:
www.triangle411.com

The Cedar Rapids Gazette initiative:
www.iowa.com

SECTION 3 MAXIMIZING ONLINE REVENUE

Revenue model

Typically local directories are sold on flat-rate annual contracts ranging from \$1,000 to \$15,000. As mentioned above, another way to tap into search-engine advertising is to sign up for the Google AdSense program (www.adsense.com) or Yahoo!'s search program (<http://searchmarketing.yahoo.com/srch/net-work.php>). Each allows Web publishers to display contextual advertisements on their pages from the Google or Yahoo! customer base. For instance, if a local media site had a page that discussed the latest Maria Carey CD, a Google or Yahoo! text ad for a music store or for iPods might appear on the page. Google or Yahoo! would pay a local company a portion of the fee charged whenever someone clicked on that advertisement.

For vendor lists, see www.newspapernext.org

NEW CATEGORY: Online promotions

One of the more interesting phenomena in marketing is the movement of business spending from the "advertising" column to the "promotions" column. This trend is driven in large part by advertisers' belief that traditional ad formats are losing reach and effectiveness. Businesses thus become more creative and place their advertisements directly in the hands of the actors, on baseball caps, or on changing billboards behind home plate.

Online is seeing a particularly strong movement toward promotional spending because of its interactivity and because of the "direct to consumer" contact it affords for businesses. Sales promotions are marketing activities that provide incentives designed to create short-term spikes in sales. Examples include:

- Discounts, coupons, rebates
- Sampling, premiums
- Contests, sweepstakes

The opportunities are limited only by the creativity of your sales staff, or even your content staff. Many businesses yearn for a way to interact with their potential customers and are willing to offer rebates or coupons or generate excitement through contests. Responding to a nursing home's desire to promote the fact that it was a fun place to live, WNEM-TV in Flint, Mich., produced a senior citizen talent show and placed it on its Web site, inviting people to vote for their favorite senior performers. The promotion resulted in huge traffic and awareness for the nursing home.

As shown in Fig. 10, the total value of online promotion spending is projected to increase from \$8.4 billion this year to more than \$18 billion by 2012.

FIGURE 10 – Online promotions spending forecast: 2007 – 2012

All forecasts in \$ billions						
	2007	2008	2009	2010	2011	2012
Online Discounts/Rebates	\$3.561	\$5.245	\$6.259	\$6.654	\$6.633	\$6.795
Couponing	\$1.488	\$1.755	\$1.837	\$1.933	\$1.966	\$2.071
Games, Contests	\$0.904	\$1.627	\$2.441	\$3.418	\$4.614	\$4.998
Sponsorships	\$0.612	\$0.567	\$0.484	\$0.438	\$0.400	\$0.342
Promotional Product Downloads	\$1.082	\$1.438	\$1.569	\$1.563	\$1.461	\$1.278
Online Loyalty Programs	\$0.956	\$1.405	\$1.672	\$1.785	\$1.801	\$1.914
Online Events	\$0.005	\$0.011	\$0.028	\$0.054	\$0.117	\$0.173
Total	\$8.608	\$12.049	\$14.289	\$15.845	\$16.992	\$17.572
Forecast Spending Share						
Online Discounts/Rebates	41.4%	43.5%	43.8%	42.0%	39.0%	38.7%
Couponing	17.3%	14.6%	12.9%	12.2%	11.6%	11.8%
Games, Contests	10.5%	13.5%	17.1%	21.6%	27.2%	28.4%
Sponsorships	7.1%	4.7%	3.4%	2.8%	2.4%	1.9%
Promotional Product Downloads	12.6%	11.9%	11.0%	9.9%	8.6%	7.3%
Online Loyalty Programs	11.1%	11.7%	11.7%	11.3%	10.6%	10.9%
Online Events	0.1%	0.1%	0.2%	0.3%	0.7%	1.0%
	100%	100%	100%	100%	100%	100%

Source: Borrell Associates Inc, 2007

SECTION 3 MAXIMIZING ONLINE REVENUE

A study conducted by *Promo* magazine among more than 1,500 subscribers found that almost half planned to increase their online promotions budgets in 2007. Among these, 15 percent reported that they would fund these increases by reducing budgets for conventional media (TV and print), while 9 percent indicated shifts from traditional “offline” promotions spending.

Fig. 10 also shows that online promotions spending will be substantially reallocated over the next five years. Spending for online discounts and rebates (for example, reduced ticket prices offered by some airlines) will shrink in share, while spending for online games and contests will grow. If these projections hold true, by 2012 online promotions will total almost half of all online marketing expenditures.

One of the more successful programs is run by a company called NeoFill. The program lets media companies promote half-price gift certificates and drives consumers to go to their Web sites to make the purchase. The media company keeps 100% of the money, and the merchant gets the promotion and the store traffic. An example is a \$50 gift certificate to Tony's Italian Restaurant that sells for \$25. These programs generate \$100,000 to \$300,000 per year for some Web sites and are tremendously popular with consumers. (A similar model was created by the Moline Dispatch in its www.DeliveringQC.com Web site; see case study in Section 2 of this report.)

Other challengers

Challenges to newspapers in the print and online arenas come from new and sometimes unconventional competitors. Here, we outline who some of them are, and what newspapers can do to protect their turf.

- **Yellow pages/directories:** When it comes to online directories, many newspapers got the strategy right a decade ago, but they got the timing wrong: They launched online directories immediately through a company called Zip2. Several newspaper companies invested in Zip2 and immediately began trying to sell listings to small businesses. The business failed quickly because the traffic wasn't there yet. However, in 2007, the Internet is two years beyond critical mass in household penetration, and Yellow Pages companies such as Idearc, R.H. Donnelley and others are becoming highly skilled at converting their print customer base to online advertisers.

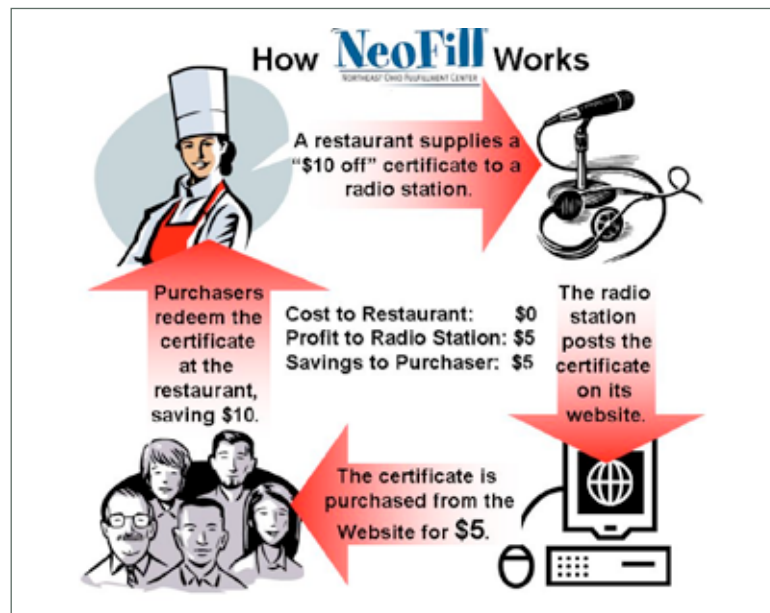
Online directories are gaining significant traction with a handful of newspapers across the country. Ottaway's newspapers have launched directories in Middletown, N.Y., Stroudsburg, Pa., and Stockton, Calif., and Evening Post Publishing Co. has launched one in Charleston, S.C. These separately branded, stand-alone products do not carry the newspaper brand name, nor are they sold by print reps. Examples are www.hudsonvalley.com and www.palmettobizbuzz.com. To meet the challenges, newspapers are creating their own directories by purchasing business listings and licensing a search engine, or taking a more turn-key approach by signing up with companies such as PlanetDiscover (owned by Gannett) or Local.com.

- **craigslist:** The craigslist phenomenon underscores the long-term trend that “information wants to be free.” So do classifieds, as evidenced by the fact that some of the largest listings sites – Realtor.com and craigslist included – contain listings that appear without a transaction taking place first. With the consumer doing the work of entering the advertisement, and the fact that distribution costs on the Internet are negligible compared to ink, paper and delivery trucks, it makes sense that these classified listings can be free.

There are several ways to compete with craigslist. The most radical is to understand the end game – that the site with the most listings wins – and to flip the print business model. Craigslist, with only two dozen employees, is able to generate in excess of \$100 million by a) generating “critical mass” that attracts consistent eyeballs and b) cherry-picking categories from which to derive revenue – help-wanted and real estate. Can a newspaper create the same model – “free” classifieds, except for some categories?

The other approach is to understand the vulnerability of craigslist. Despite being a multimillion-dollar, high-margin operation, it has not changed its basic design

FIGURE 11 – How one successful promotion program uses the Web for fulfillment



SECTION 3 MAXIMIZING ONLINE REVENUE

nor improved on some of its user-unfriendliness. The anarchy of craigslist turns off some advertisers who don't want to join what is essentially a village bulletin board with areas of uncontrolled activity. Craigslist also doesn't provide any listing-management tools (i.e., résumé filtering or traffic reporting). Alternative offerings that provide superior functionality for serious advertisers might be able to succeed. We don't recommend that turning your back on craigslist merely because the site doesn't appear to be professionally designed or managed. A dose of humility is in order for a site that has more listings (and in a few cases more revenue) than newspapers, despite the fact that newspapers have decades of experience managing the "classifieds" business.

The Big Three verticals

Last year the Big Three (auto, recruitment and real estate) delivered 30% of newspaper print advertising revenues. This was down 5 percentage points from 2000. Over the past six years, newspapers have lost approximately \$500 million per year in print classifieds from the Big Three categories.³

The hemorrhaging in print has spurred a mad scramble to make up the difference online. It appears to be working, but at the detriment of focusing online operations too heavily on just three advertising verticals. Online, newspapers are receiving approximately 71% of their total revenue from the Big Three categories.

The good news is that, since 2000, newspapers have made approximately \$5.8 billion from online classifieds, while in print they have lost \$3 billion in annualized revenue, for a net gain of \$2.8 billion.⁴ The bad news is that while newspaper companies have focused on the Big Three categories, they

have generally been missing opportunities in other advertising categories. Put another way, newspapers derive 71% of their online revenues from a 38% slice of the online advertising pie.

In these three verticals, there is no simple answer to the question, "What can newspapers do to protect their market share?" In fact, newspaper companies would be better off asking a different question: "What can we do to expand and diversify all revenue streams?" It's the better question because a variety of developments is combining to create the perfect storm for a medium that has enjoyed steady growth for decades. Circulation is falling, readership is declining fast in the "youth" sector and advertisers are following consumers online.

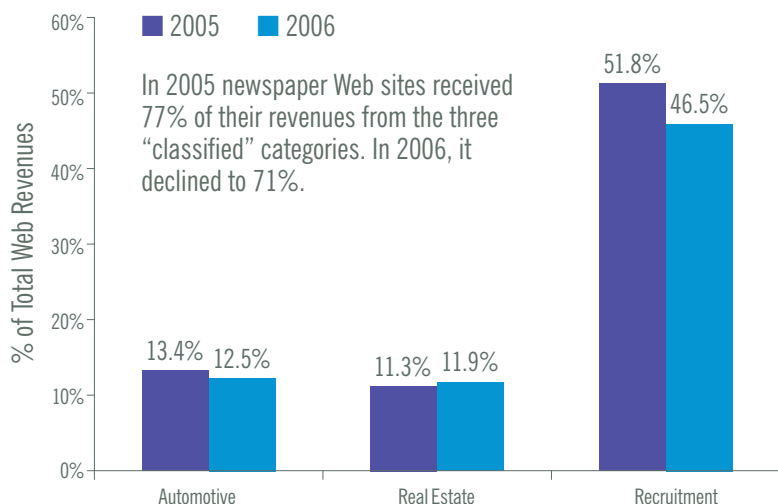
The online era lays to rest A.J. Liebling's adage, "Freedom of the press belongs to those who own one." The barriers to entry are much lower than they are to launching newspapers. This means upstarts can siphon off advertising that only a few years ago had nowhere to go but to newspapers.

And the Internet can empower the advertiser, making it possible to disintermediate media and "go direct" to the consumer. For instance, real estate agents and brokers spent \$15.7 billion on their own Web sites and databases in 2007 – more than they spent on all forms of advertising. They want the ability to deal directly with sellers and buyers, as do car manufacturers and employment recruiters. For new cars, the purchasing processes can be conducted entirely online, with sites that showcase current models, let you "build" your dream car and submit the specs to a dealer along with a financing request. And employers use their own sites to advertise vacancies and accept résumés online. In all cases the goal is, as far as possible, to create a direct relationship between advertiser and customer.

If not bleak, the future is certainly threatening for newspapers. There are, nonetheless, a few strategies that can help newspapers as they adapt to a rapidly changing world:

- Not everyone who reads a newspaper has a computer, and not everyone who has a computer has broadband access. By late 2007, approximately 30% of all households were not online at all, and of those who do have Internet access, approximately 40% were still on dial-up. In both cases the qualifier is "yet," but there is a certainly a demographic that continues to rely on newspapers. Find out how many of them there are and their value to advertisers.
- Set aggressive targets for online growth and make the necessary investment. This may involve some infrastructure investment, but most of the required spending will be centered on personnel. There is a high correlation between the number of sales reps and online revenues. Hiring staff is not a capital investment; it is a revenue expense. If managed properly, these costs will quickly be surpassed by the resulting new revenues.

FIGURE 12 – Good news/bad news: Newspapers' over-reliance on Big Three classifieds is declining



SECTION 3

MAXIMIZING ONLINE REVENUE

- The upsell model is not the key to survival. It will provide initial incremental revenue but it almost always fails to acknowledge the true value of the online portion, it relies on reps who may not understand online, and it suffers from the fatal defect that it tries to build on a print advertising base that is declining.
- To compete with the pureplays, a newspaper must recast itself as a media company. This doesn't mean abandoning the newspaper, but it does mean recognizing that there are multiple ways to win advertising dollars. In addition to print, and print plus online, there has to be *online only*. And the online only usually can't get very far unless (a) it is branded independently and (b) it has a different content strategy, which might actually be no or only minimal content. Ask why people come to a site, and if it's just for the advertising, then that and not great editorial content has to be the focus.

The logical next step – and really the only next step – is to separate the sales operations. Print reps, as we explained earlier, are rarely the best people to sell online opportunities. If a newspaper launches online-only businesses, it has to be managed separately from the newspaper. Yes, it may be competing for the same dollars, but if you don't do it to yourself, someone else will do it to you, and scoop your local advertising.

BENCHMARKING SALES PERFORMANCE

A rough method to assess your company's sales performance in a specific market is to use Figure 8 and determine what your total online revenue should be based on circulation.

According to the most recent Borrell projections, newspaper Web sites get 71% of their revenue from the "Big Three":

- Auto – 12.5%
- Real estate – 11.9%
- Recruitment – 46.5%

Do your online revenues in these categories track these averages? Does your total online revenue at or above the average for your size group?

If not, then a detailed plan to address the deficits is needed, together with a review of site design and functionality.

This is a difficult concept to grasp and to implement. The print people will not like it, and will likely resist. From 2003 to 2005, companies such as Cox Newspapers, Belo, Knight Ridder and Tribune dissolved their independent online divisions and backed what remained of them into the print operations, reporting to print managers. As outlined in the "Newspaper Next" project, separate staffs tend to generate greater innovation. And as shown by Borrell Associates' research, newspaper sites with separate sales forces generate up to five times more revenue than those that rely solely on print reps.

Understand the cost structure and recognize that it will change, alongside a very different profit picture. By way of analogy, look at what happened with law publishing, a very different business but one that had to, and did, adapt to new technologies. Less than 15 years ago the traditional model had publishers cranking out print texts, looseleaf services and reference works. Lawyers paid substantial sums of money to keep libraries current. Research showed that most of these publications were never opened. For the publishers it was a truly wonderful business model – ongoing subscription business to wealthy professionals, often with most of the money paid in advance. Profit margins were spectacular.

Today the model has been inverted. Facing the near-elimination of barriers to entry for new online competitors, these same publishers now manage huge databases, with a range of subscription arrangements that mostly operate on a "just in time" as opposed to the old "just in case" basis. They have eliminated all of the costs of printing and distribution. Their revenues have declined somewhat, but with drastically lower costs, once they'd figured out how to run an online business, investment and working capital are down, and margins are up. Law books do still get printed, but the owners of these companies saw what was happening, and made the changes needed to survive. There is no reason newspaper companies cannot reinvent themselves as media companies, and operate multiple business streams to capture a wide swath of advertising.

All of this can be applied practically to a Big Three survival strategy. The key elements are:

- Acknowledge that focusing only on classified verticals leaves money on the table; other opportunities and other verticals also must be aggressively pursued.
- Widen the scope of local business categories that might spend money with you, including those that may not have been particularly successful on the print side. Some examples are health care, legal, travel and entertainment.
- Identify the features that attract businesses to online pureplays, and replicate them.
- Accept that print and online may compete. It is far better to retain a former print advertiser in an online vehicle you own than to lose that business to an online competitor.

SECTION 3 MAXIMIZING ONLINE REVENUE

- Develop a sales strategy that maximizes profits rather than revenues. Mature online operations are now generating net margins of 40% to 60% which is more than double the profitability of print.
- Go for the low-hanging fruit of upsell, but project well beyond that into the online-only territory, which is where the real money will be found.
- Assign online-only selling to a separate sales force that is properly trained and is not accountable to print managers.
- In small markets especially, know your customers, find out what they want, and give it to them – these are the people most likely to appreciate the benefits of local media.

Within the Big Three there are some operational “must-do” elements:

- Implement sites for each vertical, with as much functionality as possible. The greatest growth will be on sites that create a powerful and interactive user experience. This is critical for any online operation that wishes to go beyond upsells. It is what the pureplays are doing, and it is where advertisers will go if they can't get what they want from newspaper companies. Examples include organizational features to help people find what they want, by price, location, make/model, job function, and so on, depending obviously on the vertical. A site that is simply an online repeat of the print listings will not suffice and will limit you to modest upsell revenue only.
- If it isn't practical from a technological standpoint to develop your own site – and for a small independent paper, it won't be – then work with vendors and contract for an application service provider solution. Sometimes these can be customized, allowing only the most-needed features to be licensed.
- Explore the consortium approach – do you need to run your own site, or can you be part of something bigger? There are category killers in each vertical – CareerBuilder, Monster.com, Realtor.com, Cars.com, Autotrader.com. Aligning with one of these may make more sense, depending on volume of advertising, costs and rates.
- Determine if content will help draw people to the site. For instance, most recruitment sites include articles on HR and employment law topics, résumé-building tools, advice on interview techniques, and so on. Likewise, auto sites should feature road test reports; real estate sites will need articles on local markets, mortgage rates, mortgage affordability tools, legal advice, etc. Ensure that you are carrying compelling current content.

- Brand these vertical sites distinctively, acknowledging that Internet users will remember a distinctly branded “go-to” site more readily than they will a news portal where they'll have to click on links to find the specific site. Possibilities include variants of the newspaper's name, or maybe something catchier that reflects the different business model as between online and print. Make sure that the sites are easily accessible, whether people arrive via the newspaper.com route or through the online brand name.
- Hire a great Web designer and producer. The sites must look good, they must be easy to navigate and they must work. When people arrive, you want to keep them – and nothing turns users away faster than a bad online experience. Broken links, complex navigation, dead ends (pages that don't offer a continuing route through the site or at least the option to return to an earlier page), pages that are too slow to load – all of those work against customer satisfaction, reduce site stickiness, lower your potential pageviews and click-throughs, and risk sending dissatisfied users to competitor sites. **N**

¹ Earnings before income taxes, depreciation and amortization.

² Designated Market Area, as defined by Nielsen Research.

³ Real estate, automotive and recruitment print revenues peaked at \$16.9 billion in 2000 and fell to \$13.9 billion in 2006, an average annual loss of \$500 million.

⁴ Sources: NAA, Borrell Associates annual local Web site revenue surveys.