

\$85.⁰⁰

Build Profitable Ad Revenues with New Ideas for Newspapers

A Collection of 13 Published Articles



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Table of Contents

Topic: Why Change How You Price Ads?

Solved! The Case of the Missing Rate Increase.....	1
Navigating Uncharted Advertising Waters	3

Topic: How to Grow Your Ad Revenues

Are Newspapers Ready to Make Money by Managing Their Revenues?	5
A Formula to Multiply Your Advertising Revenues.....	7
You Can Lead Advertisers to Water, But Can You Make Them Drink?	9

Topic: More Profitable Ad Sales

Putting A Price on the Costs to Serve Advertisers	11
---	----

Topic: New Metrics, Or the Numbers to Watch

Better Newspaper Metrics Mean Better Management	13
Undo the Tourniquet of Transient Rates	15

Topic: Specific Techniques that Make More Money

Frequency Is the Guts of Our Business (FITGOOB)	17
The Merits of Selling Modular Ads	19
Visual Impact Pricing™ for Profit	21

Topic: The Internet and Other Important Ideas

“...Who Has Got This Internet Thing Figured Out?...”	25
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Conclusion

The Rate Card of the Future	29
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Bonus Article: What Do You Do Next?	31
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About Kubas Consultants and Our Services for Newspapers	33
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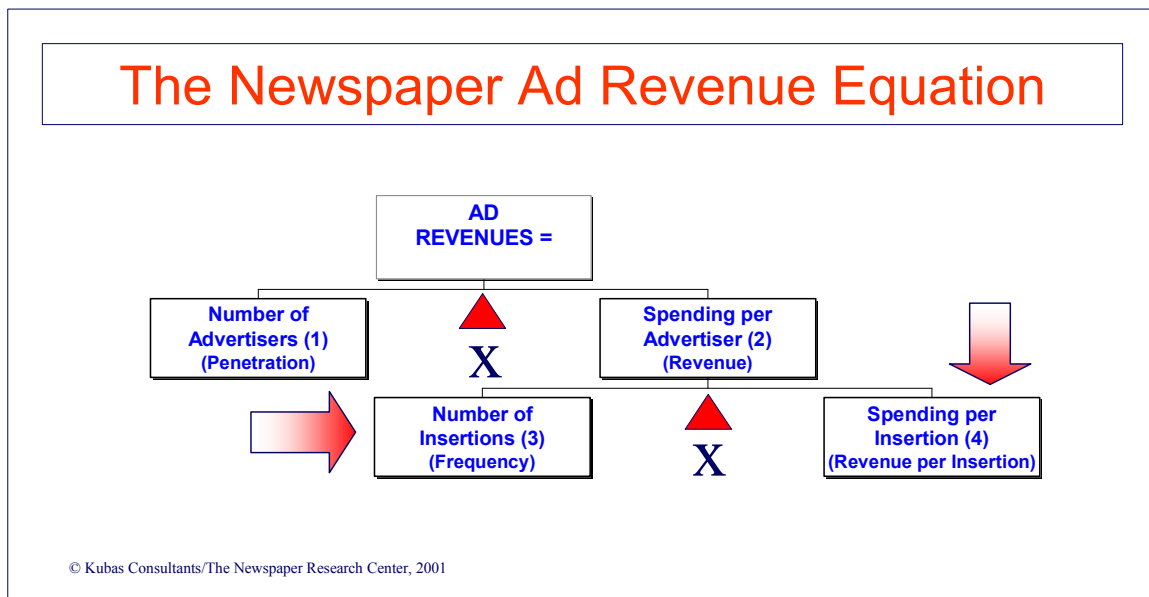
A Formula to Multiply Your Advertising Revenues

By Len Kubas and Chris Kubas

March, 2001

Ask any newspaper's advertising manager the question: **"Do you have enough advertisers?"** and you will receive the same answer: **"No! Of course not!"** Most newspaper executives believe that the solution to their problems is to have more advertisers in the newspaper. Based upon our consulting experience, we believe that the answer is more complex. At its core, the answer pertains to how newspapers generate revenues from advertisers. [CONTINUE RIGHT] →

There are really only two basic ways that newspapers, like most businesses, can grow their revenues, as shown in the diagram below. The first way is to increase the number of advertisers or customers. The second way is to increase the amount that each advertiser or customer spends. Total advertising revenues are a function of how many advertisers there are (1) multiplied by the amount, on average, that each advertiser spends (2). [CONTINUE LEFT BELOW]



We believe that most newspapers' share of potential advertisers in a market is significant, and that most of them appear in the newspaper, at least once during the course of a year. In other words, when it comes to the number of advertisers, most newspapers likely have sufficient penetration (1).

If some newspapers truly do not have enough advertisers, one approach would be to increase their number by marketing more effectively. To address low penetration of

advertisers, it is necessary to attract new advertisers by increasing awareness of the newspaper's products - i.e., marketing or promotion, and by encouraging trial - i.e., sampling, special offers, etc.

Problems associated with chasing new advertisers include the cost of acquiring new customers and the uncertainty that these new advertisers can be converted into repeat, frequent advertisers.



However, the real problem for many newspaper advertising managers is that many of their existing advertisers are not spending enough dollars with the newspaper, and they are not spending frequently enough.

In our diagram, the newspaper advertising revenue equation places equal weight on the “spending per advertiser” component (2). Spending per advertiser is a function of how many times an advertiser appears in the newspaper (3) multiplied by the amount, on average, that each advertiser spends per insertion, or appearance (4).

We are convinced that the major challenge to build advertising revenues involves increasing the investment from each advertiser over time. This requires better information about advertisers' spending patterns with the newspaper. Unfortunately, many newspapers do not, or cannot, track total spending by advertiser, much less by each insertion.

Newspapers must do a better job of tracking and monitoring customer spending. This is a major undertaking, but certainly worth it in terms of potential incremental revenues. Our experience indicates that few newspapers accurately report how often an individual advertiser runs in the newspaper (i.e., frequency) or how much that advertiser spends on each insertion - with details broken out to segregate charges such as position and color. As a result, it is often difficult for a newspaper to determine the extent of a low spending problem - or to identify potential opportunities based upon spending patterns.

Once newspapers acknowledge that the issue of low spending among existing customers is holding back revenue growth, the task is to encourage current advertisers to spend more.

This involves three elements:

1. Increase insertion frequency;
2. Increase average ad size; and
3. Encourage use of premium services – color, position, etc.

Smart marketers generally recognize that it is easier, and costs less, to encourage existing customers to spend more, than to convince non-customers to try their product. This definitely applies to newspapers, where securing and servicing a new account is expensive and time-consuming.

Once newspapers can identify the spending patterns of each customer, it is relatively easy to set specific programs to increase frequency and spending per insertion. The result is more spending per customer, and more revenues for the newspaper.

While newspapers must continue to attract new advertisers, the big payback will come from growing current customers' spending through programs that increase the number of insertions and the spending per insertion.

Len Kubas is President and Chris Kubas is Vice-President of Kubas Consultants of Toronto, a firm specializing in pricing newspaper advertising, growing revenues, and publishing strategy.

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