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Bad Public Relations or Is This a Real Crisis?: YES

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Newspapers are suffering financially and many question their fate. Is this a case of bad public relations or is this a real crisis? I would contend it is both. This report is intended to provide a current look at the financial status of the industry, mostly using data on the public companies as they are the ones for which financial data is available, while incorporating industry data when possible. In addition to a snapshot of the industry, I also share a variety of thoughts on what can be done to improve the economics of the industry.

There are currently nine actively traded public newspaper companies: AH Belo, Gannett, Journal Communications, Lee Enterprises, McClatchy Newspapers, Media General, New York Times, E.W. Scripps, and Washington Post; the less actively traded names are Gatehouse Media and Journal Register. There is still some public data for Tribune and Media News Group. The combined circulation of these companies is roundly 22.4 million daily and 24.8 million Sunday, or 44% & 48% of total U.S. circulation as measured by the Newspaper Association of America (NAA). While the data isn't complete, this group generated roundly 35% of US ad revenues, again based on NAA data.

A number of newspapers have filed for bankruptcy over the last few months, in many cases, due to excessive debt, typically related to acquisitions. Among them are Tribune, Philadelphia Newspaper Holdings, Chicago Sun-Times, and the Minneapolis Star-Tribune. Some newspapers have folded, for example the Rocky Mountain News. Others have gone online only or some combination of print and online, such as the Christian Science Monitor and the Detroit Free Press. It is a dicey time. While many newspapers still have a lot of debt, it is not something I plan to address as it is company specific and typically was related to an acquisition.

Revenues
Newspapers typically have two major revenue streams, advertising and circulation, which account for roughly 80% and 20% of revenues, respectively. Many newspapers offer commercial printing services, using their (increasingly) excess print capacity, and other related services such as custom publishing, direct marketing, etc.

Circulation: It would be easy to think that there are no newspaper readers left in the world if one were to read the popular press. While circulation trends are far from positive, there are still 50 million daily and Sunday newspaper readers in the United States (Table 1). Granted, they are aging, and unlike in past times, they are unlikely to be offset by new, younger readers. Younger people were never really newspaper readers, even historically, but typically, when a consumer bought their first house, they became a newspaper reader. That does not seem to be the case today.

Table 1: Newspaper Circulation Statistics *Source: Editor and Publisher International Yearbook*

Number of Daily Newspapers				Daily Circulation			Sunday	
Year	Morning	Evening	Total Newspapers	Morning (000)	Evening (000)	Total (000)	Total Newspapers	Total Circulation (000)
1940	380	1,498	1,878	16,114	25,018	41,132	525	32,371
1945	330	1,419	1,749	19,240	29,144	48,384	485	39,860
1946	334	1,429	1,763	20,546	30,382	50,928	497	43,665
1947	328	1,441	1,769	20,762	30,911	51,673	511	45,151
1948	328	1,453	1,781	21,082	31,203	52,285	530	46,308
1949	329	1,451	1,780	21,005	31,841	52,846	546	46,399
1950	322	1,450	1,772	21,266	32,563	53,829	549	46,582
1951	319	1,454	1,773	21,223	32,795	54,018	543	46,279
1952	327	1,459	1,786	21,160	32,791	53,951	545	46,210
1953	327	1,458	1,785	21,412	33,060	54,472	544	45,949
1954	317	1,448	1,765	21,705	33,367	55,072	544	46,176
1955	316	1,454	1,760	22,183	33,964	56,147	541	46,448
1956	314	1,454	1,761	22,492	34,610	57,102	546	47,162
1957	309	1,453	1,755	23,171	34,635	57,805	544	47,044
1958	307	1,456	1,751	23,161	34,258	57,418	556	46,955
1959	306	1,455	1,755	23,547	34,753	58,300	564	47,848
1960	312	1,459	1,763	24,029	34,853	58,882	563	47,699
1961	312	1,458	1,761	24,094	35,167	59,261	558	48,216
1962	318	1,451	1,760	24,563	35,286	59,849	558	48,888
1963	311	1,453	1,754	23,459	35,446	58,905	550	46,830
1964	323	1,452	1,763	24,365	36,048	60,412	561	48,383
1965	320	1,444	1,751	24,107	36,251	60,358	562	48,600
1966	324	1,444	1,754	24,806	36,592	61,397	578	49,282
1967	327	1,438	1,749	25,282	36,279	61,561	573	49,224
1968	328	1,443	1,752	25,838	36,697	62,535	578	49,693
1969	333	1,443	1,758	25,812	36,248	62,060	585	49,675
1970	334	1,429	1,748	25,934	36,174	62,108	586	49,217
1971	339	1,425	1,749	26,116	36,115	62,231	590	49,665
1972	337	1,441	1,761	26,078	36,432	62,510	605	50,001
1973	343	1,451	1,774	26,524	36,623	63,147	634	51,717
1974	340	1,449	1,768	26,145	35,732	61,877	641	51,679
1975	339	1,436	1,756	25,490	35,165	60,655	639	51,096
1976	346	1,435	1,762	25,858	35,119	60,977	650	51,565
1977	352	1,435	1,753	26,742	34,753	61,495	668	52,429
1978	355	1,419	1,756	27,657	34,333	61,990	696	53,990
1979	382	1,405	1,763	28,575	33,648	62,223	720	54,380
1980	387	1,388	1,745	29,414	32,787	62,202	736	54,676

1981	408	1,352	1,730		30,552	30,878	61,431		755	55,180
1982	434	1,310	1,711		33,174	29,313	62,487		768	56,261
1983	446	1,284	1,701		33,842	28,802	62,645		772	56,747
1984	458	1,257	1,688		35,683	27,657	63,340		783	57,574
1985	482	1,220	1,676		36,362	26,405	62,766		798	58,826
1986	499	1,188	1,657		37,441	25,061	62,502		802	58,925
1987	511	1,166	1,645		39,124	23,702	62,826		820	60,112
1988	529	1,141	1,642		40,453	22,242	62,695		840	61,474
1989	530	1,125	1,626		40,759	21,890	62,649		847	62,008
1990	559	1,084	1,611		41,311	21,017	62,328		863	62,635
1991	571	1,042	1,586		41,470	19,217	60,687		875	62,068
1992	596	996	1,570		42,388	17,777	60,164		891	62,160
1993	623	954	1,556		43,094	16,718	59,812		884	62,566
1994	635	935	1,548		43,382	15,924	59,305		886	62,295
1995	656	891	1,533		44,310	13,883	58,193		888	61,229
1996	686	846	1,520		44,785	12,198	56,983		890	60,798
1997	705	816	1,509		45,434	11,290	56,728		903	60,486
1998	721	781	1,489		45,643	10,539	56,182		898	60,066
1999	736	760	1,483		45,997	9,982	55,979		905	59,894
2000	766	727	1,480		46,772	9,000	55,773		917	59,421
2001	776	704	1,468		46,821	8,756	55,578		913	59,090
2002	777	692	1,457		46,617	8,568	55,186		913	58,780
2003	787	680	1,456		46,930	8,255	55,185		917	58,495
2004	814	653	1,457		46,887	7,738	54,626		915	57,754
2005	817	645	1,452		46,122	7,222	53,345		914	55,270
2006	833	614	1,437		45,441	6,888	52,329		907	53,179
2007	867	565	1,422		44,548	6,194	50,742		907	51,246

So, with 50 million readers, how could the industry be in trouble? Readers only contribute 20% of the revenues, that's why. Circulation has proven to be highly elastic, i.e. the cover price is raised, circulation volume goes down. Further, in the current environment, readers don't exactly need well honed observation skills to know they are getting less content each day.

While it is imperative that newspapers find a way to attract younger generations, it can't be a primary focus today as circulation promotions are costly. Further, from an economic point of view, circulation revenues are unlikely to ever save the day (Table 2).

Advertising: The real economic crisis is on the advertising side of the business. Newspaper advertising is typically divided into three buckets: retail, classified, and national (Table 3). Retail historically has been the largest category, but classified has always been the most profitable. In fact, at the peak of the last boom cycle, classifieds contributed a purported 70% of pre-tax profits.

Table 2: Newspaper Circulation Revenues			*Source: NAA*
Year	**Weekday**	**Sunday**	**Total**
1956	$961,507	$382,985	$1,344,492
1957	$989,574	$383,890	$1,373,464
1958	$1,064,760	$394,253	$1,459,013
1959	$1,131,744	$417,832	$1,549,576
1960	$1,168,627	$435,601	$1,604,228
1961	$1,233,592	$450,727	$1,684,319
1962	$1,350,763	$469,077	$1,819,840
1963	$1,418,540	$483,280	$1,901,820
1964	$1,486,318	$497,491	$1,983,809
1965	$1,501,332	$521,758	$2,023,090
1966	$1,580,811	$528,239	$2,109,050
1967	$1,643,068	$537,174	$2,180,242
1968	$1,732,427	$555,788	$2,288,215
1969	$1,799,116	$626,330	$2,425,446
1970	$1,921,404	$712,998	$2,634,402
1971	$2,088,520	$744,800	$2,833,320
1972	$2,138,653	$790,580	$2,929,233
1973	$2,206,430	$831,390	$3,037,820
1974	$2,641,020	$940,713	$3,581,733
1975	$2,886,978	$1,034,537	$3,921,515
1976	$2,973,894	$1,113,409	$4,087,303
1977	$3,129,901	$1,180,335	$4,310,236
1978	$3,289,526	$1,245,253	$4,534,779
1979	$3,519,008	$1,431,534	$4,950,542
1980	$3,863,822	$1,605,767	$5,469,589
1981	$4,359,244	$1,846,897	$6,206,141
1982	$4,689,837	$1,966,824	$6,656,661
1983	$4,895,936	$2,148,162	$7,044,098
1984	$5,093,394	$2,274,764	$7,368,158
1985	$5,233,661	$2,425,636	$7,659,297
1986	$5,410,949	$2,641,199	$8,052,148
1987	$5,561,670	$2,837,362	$8,399,032
1988	$4,869,613	$3,176,674	$8,046,287
1989	$5,005,078	$3,365,246	$8,370,324
1990	N/A	N/A	N/A
1991	$5,455,070	$3,242,609	$8,697,679
1992	$5,745,052	$3,418,482	$9,163,534
1993	$5,704,671	$3,489,132	$9,193,802
1994	$5,846,897	$3,596,320	$9,443,217
1995	$6,007,134	$3,713,052	$9,720,186
1996	$6,157,735	$3,811,504	$9,969,240
1997	$6,227,741	$3,837,902	$10,065,642
1998	$6,352,295	$3,914,660	$10,266,955
1999	$6,475,426	$3,996,868	$10,472,294
2000	$6,507,803	$4,032,840	$10,540,643
2001	$6,689,745	$4,093,333	$10,783,078
2002	$6,830,230	$4,195,666	$11,025,896
2003	$6,974,530	$4,249,832	$11,224,362
2004	$6,832,315	$4,156,336	$10,988,651

Table 3: Advertising Revenue Breakdown															*Source: NAA*	
	NATIONAL			RETAIL			CLASSIFIED			PRINT TOTAL		ONLINE TOTAL			PRINT AND ONLINE TOTAL	
Year	**$ Mill**	**% Change**	**% Total**	**$ Mill**	**% Change**	**% Total**	**$ Mill**	**% Change**	**% Total**	**$ Mill**	**% Change**	**$ Mill**	**% Change**	**% Total**	**$ Mill**	**% Change**
1950	$518	11.9%	25.0%	$1,175	6.3%	56.8%	$377	9.9%	18.2%	$2,070	8.3%				$2,070	
1951	$529	2.1%	23.5%	$1,259	7.1%	55.9%	$463	22.8%	20.6%	$2,251	8.7%				$2,251	8.7%
1952	$537	1.5%	21.8%	$1,411	12.1%	57.3%	$516	11.4%	20.9%	$2,464	9.5%				$2,464	9.5%
1953	$606	12.8%	23.0%	$1,455	3.1%	55.3%	$571	10.7%	21.7%	$2,632	6.8%				$2,632	6.8%
1954	$607	0.2%	22.6%	$1,539	5.8%	57.3%	$539	-5.6%	20.1%	$2,685	2.0%				$2,685	2.0%
1955	$712	17.3%	23.1%	$1,755	14.0%	57.0%	$610	13.2%	19.8%	$3,077	14.6%				$3,077	14.6%
1956	$768	5.9%	23.8%	$1,808	3.0%	56.1%	$661	8.4%	20.5%	$3,223	4.7%				$3,223	4.7%
1957	$738	0.8%	22.6%	$1,835	1.5%	56.2%	$665	0.6%	20.3%	$3,268	1.4%				$3,268	1.4%
1958	$724	-4.7%	22.8%	$1,802	-1.8%	56.7%	$650	-2.3%	20.5%	$3,176	-2.8%				$3,176	-2.8%
1959	$774	6.9%	22.0%	$2,014	11.8%	57.1%	$738	13.5%	20.9%	$3,526	11.0%				$3,526	11.0%
1960	$778	0.5%	21.1%	$2,100	4.3%	57.0%	$803	8.8%	21.8%	$3,681	4.4%				$3,681	4.4%
1961	$744	-4.4%	20.7%	$2,053	-2.2%	57.0%	$804	0.1%	22.3%	$3,601	-2.2%				$3,601	-2.2%
1962	$722	-3.0%	19.7%	$2,103	2.4%	57.5%	$834	3.7%	22.8%	$3,659	1.6%				$3,659	1.6%
1963	$702	-2.8%	18.6%	$2,211	5.1%	58.5%	$867	4.7%	22.9%	$3,780	3.3%				$3,780	3.3%
1964	$773	10.1%	18.8%	$2,344	6.0%	56.9%	$1,003	15.7%	24.3%	$4,120	9.0%				$4,120	9.0%
1965	$783	1.3%	17.7%	$2,429	3.6%	54.9%	$1,214	21.0%	27.4%	$4,426	7.4%				$4,426	7.4%
1966	$887	13.3%	18.2%	$2,645	8.9%	54.4%	$1,333	9.8%	27.4%	$4,865	9.9%				$4,865	9.9%
1967	$846	-4.6%	17.2%	$2,760	4.3%	56.2%	$1,304	-2.2%	26.6%	$4,910	0.9%				$4,910	0.9%
1968	$889	5.1%	17.0%	$2,919	5.8%	55.8%	$1,424	9.2%	27.2%	$5,232	6.6%				$5,232	6.6%
1969	$943	6.1%	16.5%	$3,166	8.5%	55.4%	$1,605	12.7%	28.1%	$5,714	9.2%				$5,714	9.2%
1970	$891	-5.5%	15.6%	$3,292	4.0%	57.7%	$1,521	-5.2%	26.7%	$5,704	-0.2%				$5,704	-0.2%
1971	$972	9.1%	15.8%	$3,565	8.3%	57.8%	$1,630	7.2%	26.4%	$6,167	8.1%				$6,167	8.1%
1972	$1,062	9.3%	15.3%	$3,964	11.2%	57.1%	$1,913	17.4%	27.6%	$6,939	12.5%				$6,939	12.5%
1973	$1,049	-1.2%	14.0%	$4,245	7.1%	56.7%	$2,187	14.3%	29.2%	$7,481	7.8%				$7,481	7.8%
1974	$1,105	5.3%	14.1%	$4,563	7.5%	58.2%	$2,174	-0.6%	27.7%	$7,842	4.8%				$7,842	4.8%
1975	$1,109	0.4%	13.5%	$4,966	8.8%	60.3%	$2,159	-0.7%	26.2%	$8,234	5.0%				$8,234	5.0%
1976	$1,342	21.0%	14.0%	$5,668	14.1%	58.9%	$2,608	20.8%	27.1%	$9,618	16.8%				$9,618	16.8%
1977	$1,472	9.7%	13.7%	$6,241	10.1%	58.1%	$3,038	16.5%	28.3%	$10,751	11.8%				$10,751	11.8%

1978	$1,541	4.7%	12.6%	$7,023	12.5%	57.5%	$3,649	20.1%	29.9%	$12,213	13.6%				$12,213	13.6%
1979	$1,770	14.9%	12.8%	$7,845	11.7%	56.6%	$4,248	16.4%	30.6%	$13,863	13.5%				$13,863	13.5%
1980	$1,963	10.9%	13.3%	$8,609	9.7%	58.2%	$4,222	-0.6%	28.5%	$14,794	6.7%				$14,794	6.7%
1981	$2,258	15.0%	13.7%	$9,686	12.5%	58.6%	$4,583	8.6%	27.7%	$16,527	11.7%				$16,527	11.7%
1982	$2,452	8.6%	13.9%	$10,390	7.3%	58.7%	$4,852	5.9%	27.4%	$17,694	7.1%				$17,694	7.1%
1983	$2,734	11.5%	13.3%	$11,841	14.0%	57.5%	$6,006	23.8%	29.2%	$20,581	16.3%				$20,581	16.3%
1984	$3,081	12.7%	13.1%	$12,784	8.0%	54.3%	$7,657	27.5%	32.6%	$23,522	14.3%				$23,522	14.3%
1985	$3,352	8.8%	13.3%	$13,443	5.2%	53.4%	$8,375	9.4%	33.3%	$25,170	7.0%				$25,170	7.0%
1986	$3,376	0.7%	12.5%	$14,311	6.5%	53.0%	$9,303	11.1%	34.5%	$26,990	7.2%				$26,990	7.2%
1987	$3,494	3.5%	11.9%	$15,227	6.4%	51.8%	$10,691	14.9%	36.3%	$29,412	9.0%				$29,412	9.0%
1988	$3,821	2.6%	12.2%	$15,790	4.0%	50.6%	$11,586	10.1%	37.1%	$31,197	6.1%				$31,197	6.1%
1989	$3,948	3.3%	12.2%	$16,504	4.5%	51.0%	$11,916	2.9%	36.8%	$32,368	3.8%				$32,368	3.8%
1990	$4,122	4.4%	12.8%	$16,652	0.9%	51.6%	$11,506	-3.5%	35.6%	$32,280	-0.3%				$32,280	-0.3%
1991	$3,924	-4.8%	12.9%	$15,839	-4.9%	52.2%	$10,587	-8.0%	34.9%	$30,349	-6.0%				$30,349	-6.0%
1992	$3,834	-2.3%	12.5%	$16,041	1.3%	52.4%	$10,764	1.7%	35.1%	$30,639	1.0%				$30,639	1.0%
1993	$3,853	0.5%	12.1%	$16,859	5.1%	52.9%	$11,157	3.7%	35.0%	$31,869	4.0%				$31,869	4.0%
1994	$4,149	7.7%	12.2%	$17,496	3.8%	51.3%	$12,464	11.7%	36.5%	$34,109	7.0%				$34,109	7.0%
1995	$4,251	2.5%	11.8%	$18,099	3.4%	50.1%	$13,742	10.3%	38.1%	$36,092	5.8%				$36,092	5.8%
1996	$4,667	9.8%	12.3%	$18,344	1.4%	48.2%	$15,065	9.6%	39.6%	$38,075	5.5%				$38,075	5.5%
1997	$5,315	13.9%	12.9%	$19,242	4.9%	46.6%	$16,773	11.3%	40.6%	$41,330	8.5%				$41,330	8.5%
1998	$5,721	7.7%	13.0%	$20,331	5.7%	46.3%	$17,873	6.6%	40.7%	$43,925	6.3%				$43,925	6.3%
1999	$6,732	17.7%	14.5%	$20,907	2.8%	45.2%	$18,650	4.3%	40.3%	$46,289	5.4%				$46,289	5.4%
2000	$7,653	13.7%	15.7%	$21,409	2.4%	44.0%	$19,608	5.1%	40.3%	$48,670	5.1%				$48,670	5.1%
2001	$7,004	-8.5%	15.8%	$20,679	-3.4%	46.7%	$16,622	-15.2%	37.5%	$44,305	-9.0%				$44,305	-9.0%
2002	$7,210	2.9%	16.3%	$20,994	1.5%	47.6%	$15,898	-4.3%	36.0%	$44,102	-0.5%				$44,102	-0.5%
2003	$7,797	8.1%	16.9%	$21,341	1.7%	46.2%	$15,801	-0.6%	34.2%	$44,939	1.9%	$1,216		2.6%	$46,156	4.7%
2004	$8,083	3.7%	16.8%	$22,012	3.1%	45.6%	$16,608	5.1%	34.4%	$46,703	3.9%	$1,541	26.7%	3.2%	$48,244	4.5%
2005	$7,910	-2.2%	16.0%	$22,187	0.8%	44.9%	$17,312	4.2%	35.0%	$47,408	1.5%	$2,027	31.5%	4.1%	$49,435	2.5%
2006	$7,505	-5.1%	15.2%	$22,121	-0.3%	44.9%	$16,986	-1.9%	34.5%	$46,611	-1.7%	$2,664	31.5%	5.4%	$49,275	-0.3%
2007	$7,005	-6.7%	15.4%	$21,018	-5.0%	46.3%	$14,186	-16.5%	31.3%	$42,209	-9.4%	$3,166	18.8%	7.0%	$45,375	-7.9%
2008	$5,996	-14.4%	15.8%	$18,769	-10.7%	49.6%	$9,975	-29.7%	26.4%	$34,740	-17.7%	$3,109	-1.8%	8.2%	$37,848	-16.6%

Classifieds: Classifieds (Table 4) typically move in conjunction with GDP as it would be hard to have economic growth without gains in real estate, auto and jobs. Classifieds, however, came under pressure in advance of the economic cycle as classified auto ads started to decline in 2004 and as overall classifieds started their descent in 2006. There are many explanations for this. The most obvious is that print classifieds have lost share to online classifieds, on newspaper sites and certainly elsewhere. The other is that newspapers lost pricing power due to the competitive pressures of online. The likely answer is both; newspapers, after having enjoyed a virtual monopoly in classifieds, lost both pricing power and market share.

It is hard to know whether newspapers could have done a better job of holding on to their dominant position in classifieds. If they had united earlier as an industry and offered category killers along the line of what monster.com has done in recruitment, it could have made a big difference. Certainly there were some such efforts, Classified Ventures, cars.com, apartments.com, etc. However, the beauty and curse of the Internet is that there are no real barriers to entry and as such, rampant competition exists in every sector. There has been a more coordinated effort of late as a number of newspapers have allied themselves with Yahoo but it is still likely a futile effort. Newspapers are still poised to lose pricing power and market share. What is really a shame is that the industry refused to acknowledge the obvious and did not take the likely decline seriously enough and start to aggressively cultivate other revenues. In fact, there are still publishers who expect classified to enjoy its typical cyclical upturn when the economy improves.

In reality, when forecasting the future of the newspaper industry, it would be wiser to forecast excluding any classified ad revenues and hope for positive surprises. At the peak, classified ads contributed close to 50% of ad revenues; in 2008, they contributed 30-35% of ad revenues. Bottom line, it is hard to influence the purchase of a classified ad. Given the number of free alternatives, pricing cannot be used as a competitive tool. More importantly, newspapers can't influence when someone needs a car, job, or house.

Retail: Retail advertising (Table 5) has been weak as well; retail has typically been the largest category hovering around 50% of the total. Retail's weakness began in advance of the current economic downturn due to rampant consolidation among department stores. A reduction in competition hurts both in terms of losing an advertiser as well as a softening in advertising by the remaining department store as they no longer have to spend against the competition. There is no question that the U.S. is over retailed based on studies of retail store square footage per consumer which is the likely reason we are starting to see bankruptcies and closures along the lines of Circuit City. Mall vacancy rates hit a 10 year high in the first quarter.

National: National advertising (Table 6) has historically been a challenge for the industry, in part due to the difficulty in placing a national buy. The formats of daily metropolitan newspapers vary as do their pricing. While companies have emerged that facilitate the process, either rep firms or brand versioning firms, it remains a challenging category as it isn't typically influenced at the local level. It is, however, a category that remains enticing as it is under penetrated by the industry. *The Wall Street Journal*, *The New York Times*, and *USA Today* are the three most recognized national newspapers in the U.S.

Online: Online advertising has become more difficult of late, in part as a good portion of online is classified related and still often sold as an upsell to print. While online classifieds were late to turn as the share gains helped offset declines in the category overall, the full impact of the economic cycle is now being felt. This category probably will improve with an economic recovery although the pricing is a fraction of the print counterpart and, as such, will not have the power to really drive a solid recovery for overall newspaper ad revenues.

Other Revenues: Newspapers have attempted to generate other revenue streams through the years, among them commercial printing, direct marketing, archive sales and other merchandise sales. Ultimately, newspapers are doing a decent job of monetizing each of their assets whether it is their printing presses, distribution or editorial. While a small portion of revenues for most companies, it is growing in most cases.

Table 4: Classified Advertising Expenditures, 1995-*2008*											*Source: NAA*
		AUTOMOTIVE		**REAL ESTATE**		**RECRUITMENT**		**OTHER**		**TOTAL**	
Year	**Quarter**	**Expenditures ($000)**	**Growth**	**Expenditures ($000)**	**Growth**	**Expenditures ($000)**	**Growth**	**Expenditures ($000)**	**Growth**	**Expenditures ($000)**	**Growth**
1995	1	$839,854		$536,328		$1,099,178		$471,497		$2,946,857	
	2	$935,026		$598,546		$1,164,738		$537,074		$3,235,384	
	3	$969,174		$690,324		$1,214,017		$527,094		$3,400,609	
	4	$1,185,243		$731,940		$1,542,896		$698,670		$4,158,749	
	Total 1995	**$3,929,297**		**$2,557,137**		**$5,020,829**		**$2,234,335**		**$13,741,599**	
1996	1	$826,396	-1.60%	$606,023	13.00%	$1,267,140	15.30%	$541,208	14.80%	$3,240,767	10.00%
	2	$947,870	1.40%	$670,964	12.10%	$1,363,228	17.00%	$568,012	5.80%	$3,550,074	9.70%
	3	$989,806	2.10%	$756,468	9.60%	$1,426,374	17.50%	$590,873	12.10%	$3,763,521	10.70%
	4	$1,271,890	7.30%	$775,763	6.00%	$1,718,404	11.40%	$744,191	6.50%	$4,510,248	8.50%
	Total 1996	**$4,035,961**	**2.70%**	**$2,809,218**	**9.90%**	**$5,775,147**	**15.00%**	**$2,444,284**	**9.40%**	**$15,064,610**	**9.60%**
1997	1	$923,543	11.80%	$644,332	6.30%	$1,492,703	17.80%	$519,045	-4.10%	$3,579,623	10.50%
	2	$1,022,759	7.90%	$695,156	3.60%	$1,657,988	21.60%	$619,248	9.00%	$3,995,151	12.50%
	3	$1,025,926	3.60%	$713,144	-5.70%	$1,784,944	25.10%	$646,417	9.40%	$4,170,431	10.80%
	4	$1,342,387	5.50%	$879,842	13.40%	$2,061,343	20.00%	$744,095	0.00%	$5,027,667	11.50%
	Total 1997	**$4,314,615**	**6.90%**	**$2,932,474**	**4.40%**	**$6,996,978**	**21.20%**	**$2,528,805**	**3.50%**	**$16,772,872**	**11.30%**
1998	1	$993,897	7.60%	$681,077	5.70%	$1,750,210	17.30%	$534,566	3.00%	$3,959,750	10.60%
	2	$1,051,683	2.80%	$701,122	0.90%	$1,868,233	12.70%	$654,095	5.60%	$4,275,133	7.00%
	3	$1,080,105	5.30%	$765,344	7.30%	$1,898,927	6.40%	$659,345	2.00%	$4,403,721	5.60%
	4	$1,379,611	2.80%	$946,744	7.60%	$2,184,748	6.00%	$723,781	-2.70%	$5,234,884	4.10%
	Total 1998	**$4,505,296**	**4.40%**	**$3,094,288**	**5.50%**	**$7,702,117**	**10.10%**	**$2,571,788**	**1.70%**	**$17,873,488**	**6.60%**
1999	1	$1,044,299	5.10%	$694,828	2.00%	$1,825,467	4.30%	$546,818	2.30%	$4,111,412	3.80%
	2	$1,137,617	8.17%	$721,852	2.96%	$1,912,532	2.37%	$671,965	2.73%	$4,443,966	3.95%
	3	$1,191,356	10.30%	$760,133	-0.70%	$1,985,975	4.60%	$662,642	0.50%	$4,600,105	4.50%
	4	$1,538,330.92	11.50%	$939,480.67	-0.77%	$2,302,002	5.37%	$714,225	-1.32%	$5,494,039	4.95%
	Total 1999	**$4,911,603**	**9.02%**	**$3,116,294**	**0.71%**	**$8,025,976**	**4.20%**	**$2,595,650**	**0.93%**	**$18,649,522**	**4.34%**
2000	1	$1,123,820	7.60%	$667,223	-4.00%	$2,039,888	11.70%	$555,949	1.70%	$4,386,880	6.70%
	2	$1,144.56	0.60%	$723.94	0.30%	$2,135.07	11.60%	$684.82	1.90%	$4,688.39	5.50%
	3	$1,203,270	1.00%	$781,748	2.80%	$2,141,909	7.90%	$692,144	4.50%	$4,819,071	4.80%
	4	$1,554,642	1.1%	$993,933	5.8%	$2,395,762	4.1%	$770,014	7.8%	$5,714,351	4.0%
	Total 2000	**$5,026,291**	**2.3%**	**$3,166,848**	**1.6%**	**$8,712,628**	**8.6%**	**$2,702,923**	**4.1%**	**$19,608,690**	**5.1%**
2001	1	$1,056,013	-6.00%	$744,727	11.60%	$1,695,562	-16.90%	$511,990	-7.90%	$4,008,292	-8.60%
	2	$1,104,324	-3.50%	$782,037	8.00%	$1,422,017	-33.40%	$651,822	-4.80%	$3,960,201	-15.50%
	3	$1,137,125	-5.50%	$929,055	18.80%	$1,305,594	-39.10%	$623,145	-10.00%	$3,994,918	-17.10%
	4	$1,591,991	2.40%	$1,056,005	6.25%	$1,281,519	-46.50%	$728,251	-5.40%	$4,657,767	-18.50%
	Total 2001	**$4,889,453**	**-2.70%**	**$3,511,824**	**10.90%**	**$5,704,692**	**-34.50%**	**$2,515,208**	**-6.90%**	**$16,621,178**	**-15.20%**
2002	1	$1,105,483	4.70%	$765,973	2.90%	$1,044,547	-38.40%	$545,957	6.60%	$3,461,960	-13.60%

	2	$1,173,572	6.30%	$829,090	6.00%	$1,124,956	-20.90%	$669,157	2.70%	$3,796,775	-4.10%
	3	$1,193,565	5.00%	$944,171	1.60%	$1,052,608	-19.40%	$687,523	10.30%	$3,877,867	-2.90%
	4	$1,683,371	5.70%	$1,129,199	6.90%	$1,165,383	-9.06%	$783,685	7.60%	$4,761,638	2.20%
	Total 2002	**$5,155,992**	**5.50%**	**$3,668,434**	**4.50%**	**$4,387,493**	**-23.10%**	**$2,686,322**	**6.80%**	**$15,898,240**	**-4.30%**
2003	1	$1,126,170	1.90%	$831,554	8.60%	$932,251	-10.80%	$564,471	3.40%	$3,454,447	-0.20%
	2	$1,193,884	1.70%	$903,816	9.00%	$956,213	-15.00%	$594,265	-11.20%	$3,648,177	-2.20%
	3	$1,219,628	2.20%	$1,014,621	7.50%	$939,704	-10.70%	$684,244	-0.50%	$3,858,199	-0.50%
	4	$1,652,727	-1.80%	$1,203,707	6.60%	$1,149,224	-1.40%	$834,856	6.50%	$4,840,513	1.70%
	Total 2003	**$5,192,409**	**0.70%**	**$3,953,698**	**7.80%**	**$3,977,392**	**-9.30%**	**$2,677,836**	**-0.30%**	**$15,801,336**	**-0.60%**
2004	1	$1,155,354	2.60%	$882,901	6.20%	$968,858	3.90%	$585,619	3.70%	$3,592,731	4.00%
	2	$1,157,865	-3.00%	$959,182	6.10%	$1,149,542	20.20%	$634,679	6.80%	$3,901,271	6.90%
	3	$1,151,002	-5.60%	$1,083,388	6.80%	$1,089,186	15.90%	$698,706	2.10%	$4,022,282	4.30%
	4	$1,550,621	-6.20%	$1,296,065	7.70%	$1,368,694	19.10%	$876,124	5.20%	$5,091,504	5.20%
	Total 2004	**$5,014,842**	**-3.20%**	**$4,221,536**	**6.80%**	**$4,576,280**	**15.10%**	**$2,795,128**	**4.40%**	**16,607,786**	**5.10%**
2005	1	$1,100,008	-4.80%	$879,829	-0.30%	$1,111,239	14.70%	$627,926	7.20%	$3,719,002	3.50%
	2	$1,096,276	-5.3%	$1,028,406	7.2%	$1,306,667	13.7%	$675,639	6.50%	$4,106,988	5.3%
	3	$1,095,945	-4.80%	$1,224,983	13.10%	$1,222,689	12.30%	$698,000	-0.10%	$4,241,617	5.50%
	4	$1,296,787	-16.37%	$1,506,172	16.21%	$1,485,926	8.57%	$954,461	8.94%	$5,243,346	2.98%
	Total 2005	**$4,589,016**	**-8.49%**	**$4,639,390**	**9.90%**	**$5,126,521**	**12.02%**	**$2,956,726**	**5.78%**	**$17,311,653**	**4.24%**
2006	1	$940,596	-14.50%	$1,111,119	26.30%	$1,138,293	2.40%	$702,877	11.90%	$3,892,887	4.70%
	2	$936,921	-14.50%	$1,218,504	18.50%	$1,221,335	-6.50%	$729,226	7.90%	$4,106,005	0.00%
	3	$968,220	-11.70%	$1,353,830	10.50%	$1,099,390	-10.10%	$694,530	-0.50%	$4,115,968	-3.00%
	4	$1,153,802	-11.00%	$1,472,074	-2.30%	$1,282,101	-13.70%	$962,699	0.90%	$4,870,676	-7.10%
	Total 2006	**$3,999,541**	**-12.80%**	**$5,155,522**	**11.10%**	**$4,741,139**	**-7.50%**	**$3,089,333**	**4.50%**	**$16,985,536**	**-1.9**
2007	1	$751,288	-20.10%	$952,994	-14.20%	$975,347	-14.30%	$699,287	-0.50%	$3,378,915	-13.20%
	2	$756,256	-19.30%	$966,790	-20.70%	$995,438	-18.50%	$716,071	-1.80%	$3,434,555	-16.40%
	3	$796,587	-17.70%	$1,024,124	-24.40%	$882,370	-19.70%	$713,333	2.70%	$3,416,415	-17.00%
	4	$961,881	-16.60%	$1,047,044	-28.90%	$951,397	-25.80%	$995,663	3.40%	$3,955,984	-18.80%
	Total 2007	**$3,266,012**	**-18.30%**	**$3,990,952**	**-22.60%**	**$3,804,551**	**-19.80%**	**$3,124,354**	**1.10%**	**$14,185,869**	**-0.165**
2008	1	$588,258	-21.70%	$618,778	-35.07%	$630,066	-35.40%	$700,263	0.14%	$2,537,367	-24.91%
	2	$579,646	-23.35%	$619,063	-35.97%	$600,025	-39.72%	$702,604	-1.88%	$2,501,339	-27.17%
	3	$563,854	-29.20%	$629,290	-38.60%	$497,489	-43.60%	$671,818	-5.80%	$2,362,451	-30.80%
	4	$584,717	-39.20%	$614,254	-41.30%	$458,770	-51.80%	$916,115	-8.00%	$2,573,856	-34.90%
	Total 2008	**$2,316,475**	**-29.10%**	**$2,481,385**	**-37.80%**	**$2,186,350**	**-42.50%**	**$2,990,800**	**-4.30%**	**$9,975,013**	**-29.7**

Costs

Turning to the cost side of the equation, newsprint, production and distribution are a major cost as is, of course, editorial. Labor constitutes about 50% of its segment costs, production and distribution 30% and other is 20%. Newsprint & ink represents about 12-13% of costs. Newsprint is a commodity; the paper industry has consolidated dramatically. Newspapers have very little control over pricing. Many newspapers have reduced their web width, i.e. size of the paper, in order to permanently reduce their newsprint consumption. Newspapers also manage the ratio of advertising and editorial as another method of expense control.

According to the site www.graphicdesignr.net/papercuts.com, buyouts and job eliminations reduced industry employment by 2,112 in the second half of 2007, 15,866 in 2008 and to date in 2009 by 8,097. Headcount reductions are a challenge in that the industry's obsession with itself leads to tremendous coverage and negative reactions to it, despite the fact that it is happening in every industry. Further, many papers have unions that make it more difficult than it otherwise might be to achieve the appropriate financial balance.

Newspapers have attempted to manage circulation to reduce costs by no longer distributing papers to outlying regions that advertisers don't value. They have promoted subscriptions v. single copy, thereby reducing the waste that typically ensues with single copy distribution. And, of course, papers are experimenting with online/print hybrids, online only publications and reducing home delivery.

Newspaper margins have compressed dramatically over the last few years. Based on the table below, it can be seen that industry margins peaked in the late 1990's at 29%; in 2008, the average was 13% with fairly sizable variances. The combination of a secular shift in classifieds combined with an economic downturn is proving devastating. Industry ad revenues have declined throughout 2006-2008 and are now back to where they were in 1996, including online ad revenues, or 1994 excluding them. The problem is that it is difficult to roll the costs back to that era.

Table 6: Cash Flow Margins of Selected Newspaper Companies (Newspaper Division Only), 1987-2008 *Source: Company SEC Filings*

Company	‘87	‘88	‘89	‘90	‘91	‘92	‘93	‘94	‘95	‘96	‘97	‘98	‘99	‘00	‘01	‘02	‘03	‘04	‘05	‘06	‘07	‘08
A.H. Belo	17%	13%	19%	18%	14%	19%	21%	24%	22%	26%	30%	29%	29%	29%	24%	27%	26%	18%	18%	13%	5%	-1%
Central Newspapers	16%	16%	17%	16%	16%	18%	20%	21%	20%	23%	27%	27%	28%									
Dow Jones / Community Pprs	27%	23%	22%	19%	17%	19%	19%	20%	17%	21%	22%	25%	31%	31%	29%	30%	30%	30%	27%	24%	N/A	N/A
Gannett	28%	27%	28%	27%	25%	26%	28%	28%	26%	27%	31%	31%	33%	34%	31%	32%	32%	31%	30%	27%	26%	20%
Gatehouse																				18%	18%	15%
Journal Communications															12%	14%	16%	18%	18%	16%	17%	11%
Journal Register						29%	32%	33%	33%	34%	37%	34%	34%	34%	29%	28%	27%	26%	24%	22%	20%	N/A
Knight-Ridder	22%	20%	21%	20%	18%	20%	20%	21%	21%	21%	23%	23%	25%	30%	27%	27%	24%					
Lee Enterprises						36%	34%	35%	32%	31%	35%	29%	30%	31%	27%	28%	27%	27%	27%	28%	27%	21%
McClatchy News	21%	20%	21%	20%	19%	22%	22%	24%	20%	22%	26%	28%	31%	30%	26%	30%	29%	29%	28%	27%	25%	19%
Media General						12%	13%	16%	14%	19%	26%	30%	33%	31%	28%	29%	27%	27%	26%	25%	22%	14%
New York Times	24%	21%	18%	16%	13%	12%	14%	17%	16%	20%	24%	25%	26%	27%	23%	24%	21%	20%	17%	15%	14%	10%
Pulitzer	14%	14%	11%	9%	10%	15%	14%	17%	16%	18%	22%	22%	24%	26%	21%	25%	25%					
E.W. Scripps	18%	18%	18%	18%	17%	16%	20%	26%	25%	26%	29%	30%	30%	28%	33%	34%	33%	35%	31%	28%	24%	14%
Times Mirror	23%	19%	19%	13%	12%	12%	13%	15%	15%	20%	24%	23%	23%									
Tribune	20%	21%	22%	16%	24%	26%	27%	28%	26%	27%	30%	31%	31%	28%	22%	26%	26%	25%	25%	24%	21%	N/A
Washington Post	25%	23%	26%	22%	17%	20%	20%	21%	18%	18%	23%	23%	22%	20%	15%	18%	19%	19%	17%	15%	12%	2%

What's the Industry to Do?
Put another way, industry revenues are down over $11 billion from the peak in 2005, predominately explained by the decline in classifieds. Even worse, there are relatively few direct costs associated with classified advertising, perhaps some minor commissions, making it difficult to react to the revenue decline.

Improve Revenues: Clearly, the obvious solution is to improve revenues. As ad revenues represent 75-80% of the total, it presents the biggest opportunity. I remain convinced of two things. Print classifieds will continue to go by the wayside and newspapers need to dramatically upgrade their ad sales departments. If I am right about classifieds, the industry could undergo another drop of $9 billion.

Aggressively Build Small Businesses Online Presence: I believe there is still the potential for a strong local online classified business. Newspapers have the ability to heavily promote their online classifieds. They could add a variety of related services and using the classifieds as content that drives page views, sell advertising around it. For example, on a local jobs site, they could link to the web sites of the potential employers so job seekers could investigate benefits, or corporate reputations. Perhaps links to MapQuest so a job seeker could evaluate their potential commute.

Local Online Listings: A strategy that the now bankrupt Chicago Sun-Times had employed struck me as the way to go and I am surprised more newspapers haven't tried it. In the early stages of the Internet, they offered a web site creation and hosting service for a nominal amount of money. The web sites were like brochure-ware but it was still the right strategy as it was a creative way to get smaller businesses online. Had it been aggressively pursued it could have created a comprehensive online local yellow pages business and would have been a natural way to drive online classifieds and display advertising.

Enter the Local Ad Network Business: No one has really cracked the local ad network code. This could still be a very healthy business over time as well and newspapers are well positioned, given their reach in the local market to achieve dominance. Newspapers could represent other mediums web sites as well.

Upgrade the Sales Department: Unfortunately, both the small business listing and local ad network businesses take strong sales forces. As an outside observer, and the daughter of a salesman, it is easy to be critical of newspapers' sales organizations. For years, they were order takers. Even when they started to get serious in the latter part of the 1990's and ventured into hiring commission only salespeople, they still weren't hungry or aggressive enough.

Perhaps due to the very thick wall between editorial and advertising, newspapers have never learned to sell their virtues or promote themselves, most likely for fear of being chastised. The radio industry always had the scrappiest, and most effective, salesforce followed by television. Their respective willingness to put themselves out there and really help sell their clients' goods was something newspapers almost sneered at and often admonished for having "crossed the line".

This is a very important point. The very fact that so much press was given recently to the LA Times decision to run an advertorial on the front page is indicative of a mindset that still exists. Newspaper managements still don't fully get that this is a battle for survival and that the values they revere are not necessarily shared, or even prized, by their own customers. In fact, newspapers could be much more effective, even while retaining their values.

Notwithstanding the likely cultural reason newspapers have had mediocre sales organizations, now would be a good time to change. There is more talent available than in a long time. Retailers need solutions and a creative organization with the print and online reach of a newspaper should be able to provide the solution.

Learn to Better Promote the Paper: Newspapers need to sell from strength; they are still mass market in terms of their local penetration. It is one of the few mediums where the advertising is welcome, unobtrusive, and often construed as content. Some newspaper companies have had more success than others being aggressive in their markets, in particular, Lee. The company does local blitzes where they really try to penetrate the retail market. Aggressive sales people and aggressive goals are necessary.

When I look at the changes that have been made in my local paper, it is downright exciting. The investment in local investigative journalism has people buzzing. Yet, it is hard to change old impressions. I just had lunch with a friend and asked if she read the paper. She said yes but that she didn't think it was very good and only read it because it was the local paper. I asked if she had read a number of specific stories. By the end of the inquisition, she acknowledged that, in fact, I was right, the paper had improved. When the paper reaches out to people on a one on one basis, they convert their readers to loyal subscribers. The local public radio station has a great reputation; they reach out often and aggressively. Newspapers need to do the same.

I would like to see papers do a better job of getting their reporters back into the community and make them minor celebrities, in essence another form of promotion. Columnists achieve this but reporters can as well. Readers enjoy meeting reporters and reporters do a better job when they get to know readers. When readers can relate to the paper, it does better.

Charge for Online Content?: A lot has been written about the potential for newspapers to charge for their content online. Given consumers' reluctance to pay for the print product, I am hard pressed to get too optimistic about the potential for online payments. Much is made of *The Wall Street Journal's* success charging for their online content. They are a targeted publication with an audience that needs information to do their job; it isn't a fair comparison to other newspapers. Newspapers could undoubtedly create premium or niche products for which consumers will pay but for all of the effort in this debate, the economic result is likely to be small judging by the fact that circulation revenues represent less than 20% of most newspaper's total revenues.

Asking Loyal Subscribers for More: Given that the average newspaper reader is still happy with the print product they receive, another novel (to be read sarcastically) approach might be to convince this constituency to pay more. Unfortunately, even if consumer's paid twice as much for the paper, it might, at best, offset the potential reduction in print classifieds if they do go away entirely as I fear. Raising the cover price or subscription price isn't really what I am recommending. Instead, I am imagining a door to door campaign throughout the footprint of the publication whereby trained individuals try to explain to the community what is at stake if the newspaper were to fold (more on this later), what the economic issues are, and then find out what they might be willing to pay. Incorporated into this approach could be asking for a charitable contribution. While there are plenty of readers who, despite the unquestionable value they receive each day in the pages of the paper, believe they are paying too much, I suspect many of them have already canceled and moved to the Internet for their news. I genuinely believe there is an untapped market either for charitable contributions to support investigative journalism as well as readers who if faced with the prospect of an online only publication or no publication at all would pay more for the convenience of print.

Charitable Contributions: As indicated above, I do believe there are sufficient numbers of individuals who would support their local paper through charitable contributions. There is a growing recognition that newspapers provide a watchdog function. However, while there seems to be increasing awareness that newspapers are struggling financially, most consumers probably aren't as versed in what is at stake if a paper folds. This message needs to be delivered more clearly and broadly. ProPublica is a great example of philanthropy supporting investigative journalism, but it needs to happen locally as well. Moving to become a not for profit will not solve the financial challenges of the industry but finding a way to accept charitable contributions could be fruitful as a new source of revenues.

More Focused Content: Newspapers can no longer try to be everything to everyone. They need to focus their dwindling resources. While many still bemoan the loss of overseas news bureaus and DC bureaus, the fact is that the Internet and plethora of new news organizations no longer make it necessary for each local paper to have a presence in so many places. Local papers should focus on local events and let consumers supplement the paper's news with other sources. Regional efforts such as ONO, the Ohio News Organization, should proliferate. There should be more sharing of regional arts critics. Newspapers should devote their resources to providing a local watchdog effort, i.e. local investigative journalism. The *Cleveland Plain Dealer* has done an excellent job in this regard.

Stop Trying to Attract all Readers: I do not think print papers should spend a lot of money trying to entice younger readers to the paper; however, I think they can engage younger readers by getting them to contribute content that could appear online and eventually get integrated into print. At the end of the day, everyone loves to see their name in the paper. As younger people have never been big consumers of newspapers, there is no reason to think they would be any more so today, especially with so many other ways to get news and information. However, this should not be confused with a lack of interest in news and information. Cultivating relationships with students who work on their school papers (high school or college), especially covering sports, and perhaps giving them some coverage in the city paper is a great way to get them to get involved and perhaps virally market the paper, electronic version, and/or website.

Cautious Move to Online Only Papers: Many newspapers are trying to eliminate costs by moving more towards an online only model. The challenge, near term, is that the core newspaper constituency skews older and prefers a print publication. By moving online to reduce costs, papers risk losing their core reader. By not moving online to reduce costs, newspapers risk the entire franchise. The middle ground, from my point of view, is to slowly migrate folks online. It can be done by section or by day or both. Certain days of the week are more profitable than others. Sunday is by far the most profitable, so at the very least the Sunday print paper should survive. The move to online can best be done with an electronic version. An electronic version replicates the print paper online. It has all the virtues of the paper as I see it: it is edited, content can be located consistently, it retains the serendipity of the paper, and perhaps most importantly, it retains all of the ads. Importantly, if a paper were to move to an online only or electronic version instead of print, I would hope they would reach deep into the community to explain the decision.

Electronic Version Better Than a Website: While web sites serve a real purpose, they aren't the same as reading a paper. They are useful for individuals seeking specific content and/or more "snackable" content. The issue is that only the pages viewed can be monetized. Newspapers historically could monetize their entire circulation base as well as the assumption that each reader turned every page. Thus, the concept that print dollars are being turned into digital cents is really one of the inefficiency, from the advertiser's perspective, of the print publication which is eliminated online, i.e. advertisers only pay for the ads that are actually viewed. An electronic version retains all of the ad positions.

So realistically, even if all of a paper's readers followed it online, it is very unlikely that they could generate close to the same revenues as they did in print. Online ad rates are much lower than print and it is unlikely, given a typical three ad impressions per page view, that a paper could ever generate enough page views to replicate the number of ads, albeit dwindling, that is in the paper.

Several months ago, I did a simplistic analysis to see what it would take for *The New York Times* to generate the same revenues online as in print, which was both encouraging and discouraging. Encouraging because it isn't out of the realm of possibilities that they could achieve the number of 1.3 billion monthly pages views it might take. Discouraging as the assumptions might not be fully realistic and that the exercise doesn't necessarily apply to a more local franchise. At the time, we knew that October ad revenues for the New York Times Media Group (essentially the *New York Times)*, were $113.9 million. We assumed the daily paper is about 100 pages a day and 200 on Sunday and that half the pages were advertising. On that basis, we backed into an ad rate cost per thousand (CPM) of $58. Based on ComScore data, nytimes.com had 173 million page views in October. At a $25 CPM, a premium to other sites due to the demographics, this would generate $13 million in ad revenues a month or $40 million in a quarter. In the third quarter, the New York Times Company generated $85 million in online revenues, of which almost $27 million was from About.com. Assuming that nytimes.com generated $40 million of the remaining $58 million is logical. So, on this basis, if nytimes.com could generate 1.3 billion (not too dissimilar from msnbc.com, Yahoo News or AOL News) at the time, it could generate $300 million a quarter, or what, at the time we were forecasting for the New York Times Media Group in the fourth quarter.

In Conclusion

So, in essence, I am recommending a variety of tactics. The business model for newspapers has changed dramatically by virtue of their near monopoly in print classifieds. At the peak, according to NAA statistics, it reached 40% of industry ad revenues in 1998 but perhaps more importantly it contributed close to 70% of pretax profits. I think it runs the risk of going pretty close to zero over time. On the other hand, I am highly critical of the newspaper industry on three fronts. They haven't learned how to promote themselves, both in terms of what they do to preserve our democracy, nor on how effective they are for marketers. They have never invested aggressively enough in their sales force and let them take risks. Finally, they haven't recognized that they can't produce the same breadth of editorial that was so nicely funded by classifieds through the years.

While newspapers stand for what is right about democracy and are fierce defenders of democracy, they were never asked to play that role. Interestingly, many readers will indicate that they don't read the paper because it is too negative or all bad news, or worse, yet, about things like war about which they don't want to read. Yet, there is still an expectation that newspapers will deliver after a major story, like 9/11, or will provide a watchdog function in the local community. The challenge is how to economically support the endeavor.

Newspapers need to view their brand as part public service and part consumer packaged good. The latter part tries to reach out and compel consumers to buy the paper, thus a front page that is enticing. The public service part of the paper is trying to create a common language for our society. Perhaps it doesn't matter how many people read the paper as long as the paper can continue to fund its watchdog function.

Bottom line, I think newspapers can survive but they are unlikely to be good investments. They are unlikely to be able to provide the breadth of coverage they do today. It would seem inevitable that they will have to adopt a hybrid strategy of print and online in order to reduce costs but ultimately, they need more revenues.