Revenue Initiatives 2009

Presented by ITZBelden
September 14, 2009
Reston,VA

Introduction and Methodology

The study:

API conducted research in partnership with Itz Publishing and Belden Interactive to understand **online revenue opportunities**, and **where the news industry is** and **where it is going**.

The methodology:

• 118 online interviews, based on questionnaires self-administered by industry executives at newspapers across the U.S. and Canada.

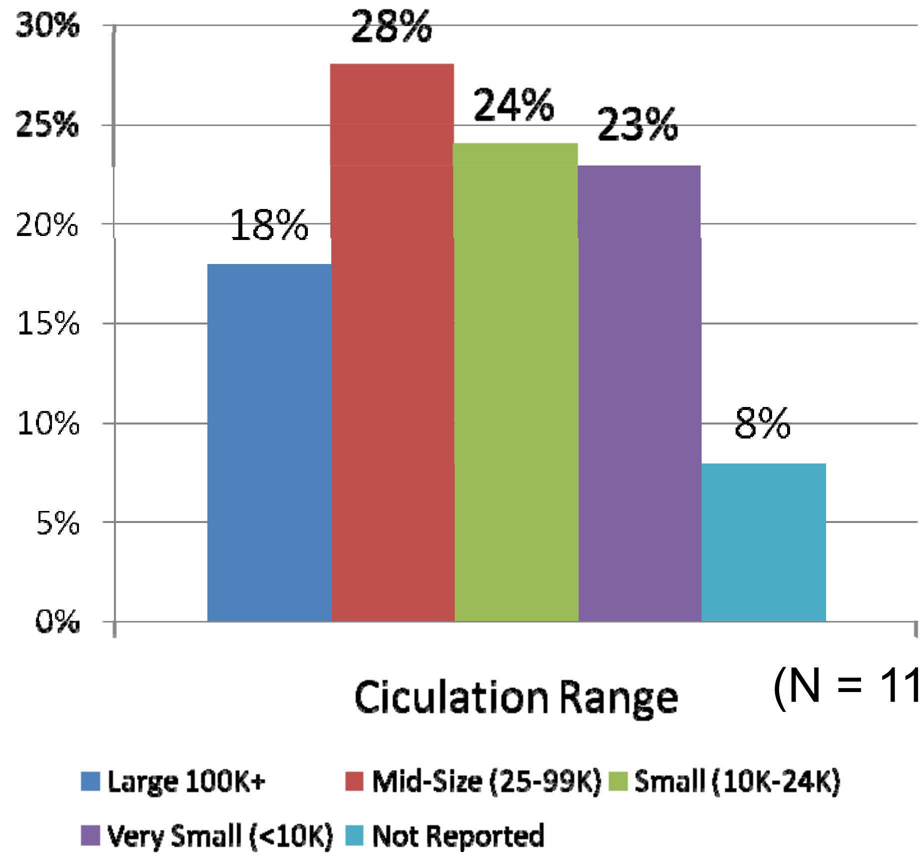
• 2,400 executives at 1,380 enterprises solicited using the API Partner email list.

• Study will be ongoing over at least the next year. It's not too late to submit your data!

Industry Participants

Sites from more than 30 corporate groups and 20 independents participated. No corporate group submitted for more than 7 sites; most submitted for 1-4 enterprises.

Position	%
Pres/Publisher	40%
GM	7%
VP/SVP	16%
New Media Dir/Mgr	11%
Editor	6%
Other Dir/Mgr	20%



(N = 118)

Today's Program

1. API industry survey results
   - ✓ **Provider** perspectives — What "we" think.
   - ✓ **Visitor** perspectives from Belden Interactive local market research — What "they" think.
2. Audience and Opportunity
3. Benchmarking data
4. Case studies

Provider Perspectives

What U.S. newspapers are thinking and doing regarding **revenue from paid access**:

- ✓ePapers
- ✓Paid access sites, live
- ✓Paid access, plans
- ✓Registrations
- ✓Log-ins
- ✓Perceptions of audience

American Press Institute

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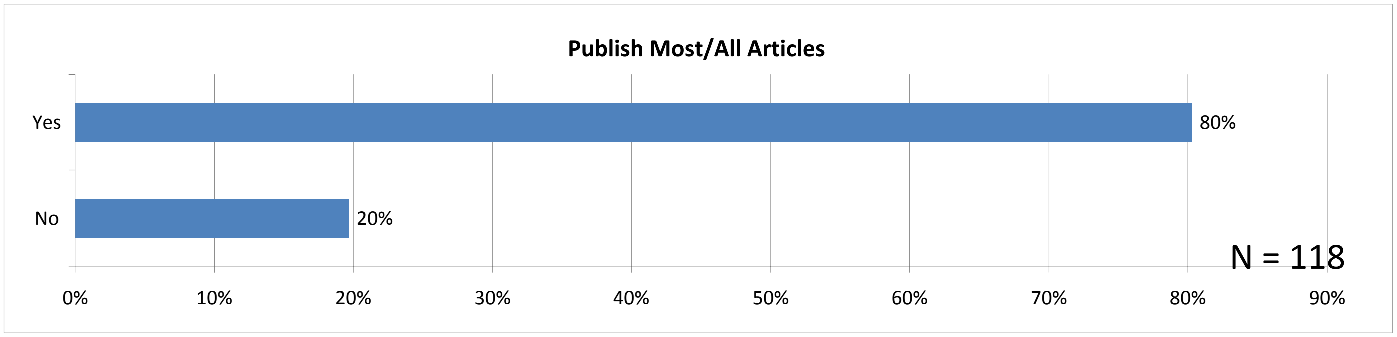
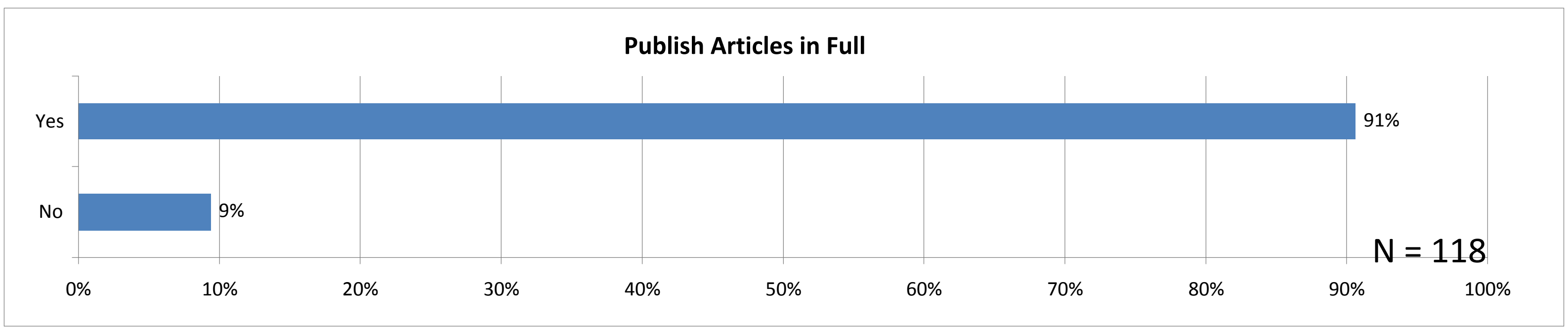
Re-publishing Content

10. Does your Website publish most or all print articles to the Web in some form?



11. Does your site publish print articles in full?



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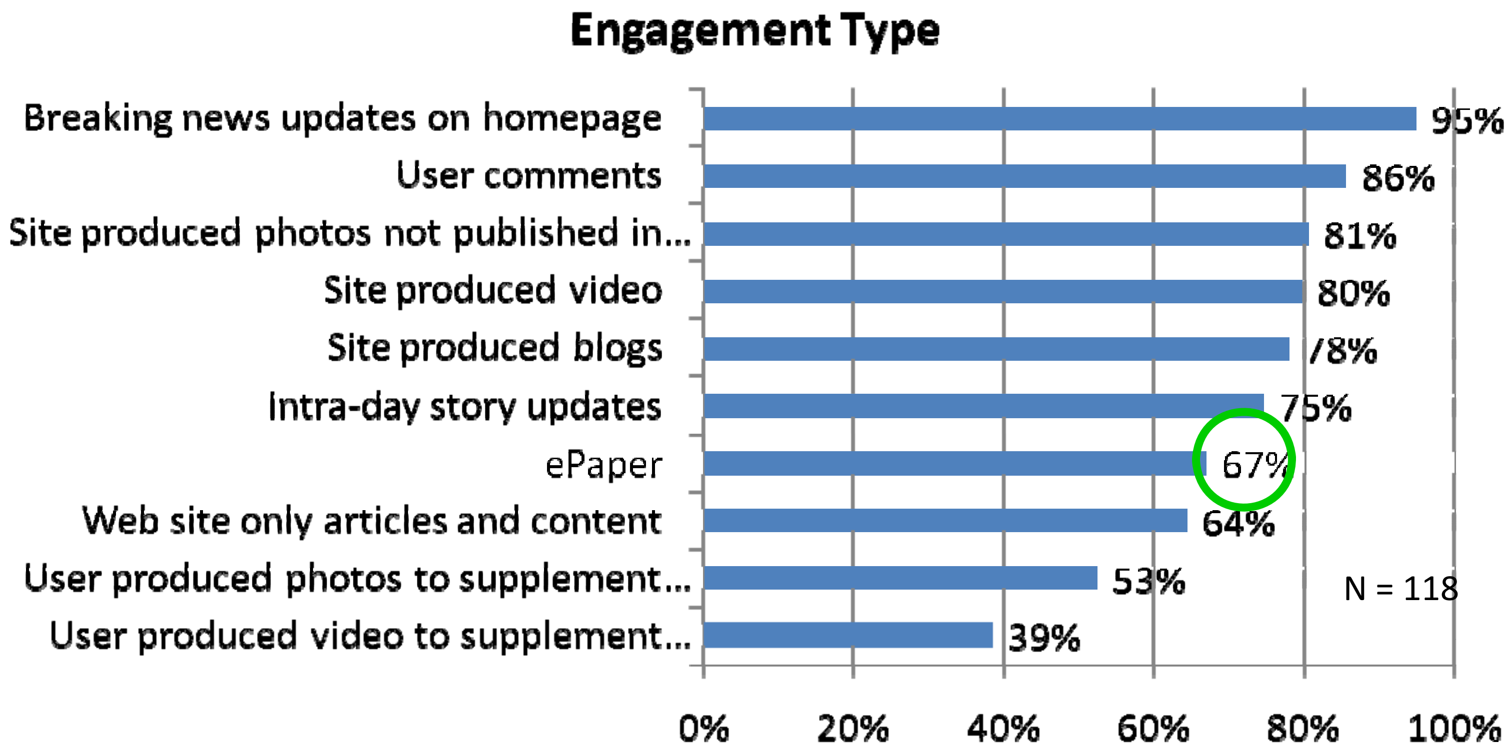
Adoption of selected best practices for end-user engagements

12. Which of the following content programs do you have on your site?

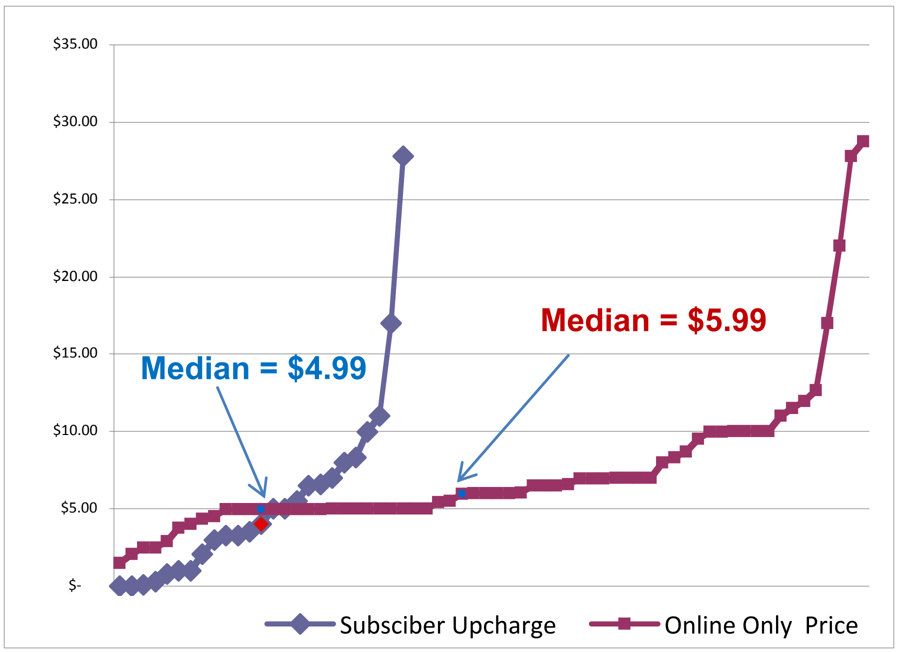


13. **E-paper issues:** Do you have an e-paper reproduction (Olive or other solution) available on your Website?

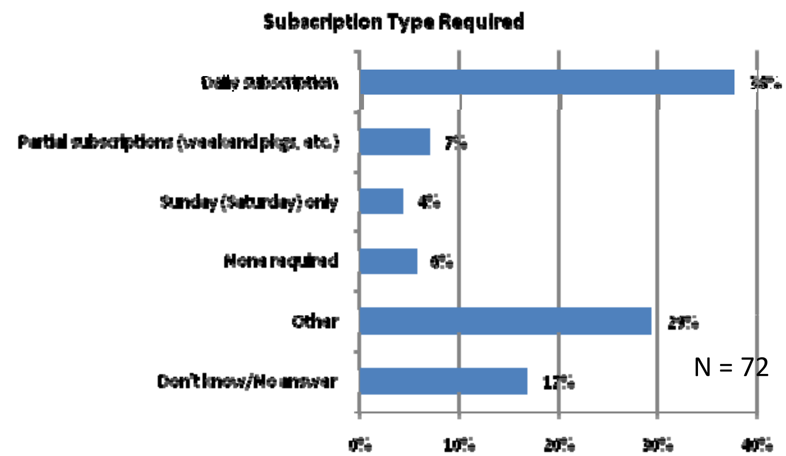
Subscription levels required for e-paper

16. If you have an additional charge for access to the e-paper, how much is it?

19. If yes, what is the charge for an online-only subscription?



- Subscriber up-charge price reported N=25
- Online-only charge price reported N=64



17. What **print** subscription level is required for free access to e-paper? [Select one.]

Range of online-only subscriptions varied based on a variety of factors.

Mean, users accessing: 3875
Mean, online-only: 706

Net: 18% “Web only” [55 sites reporting]

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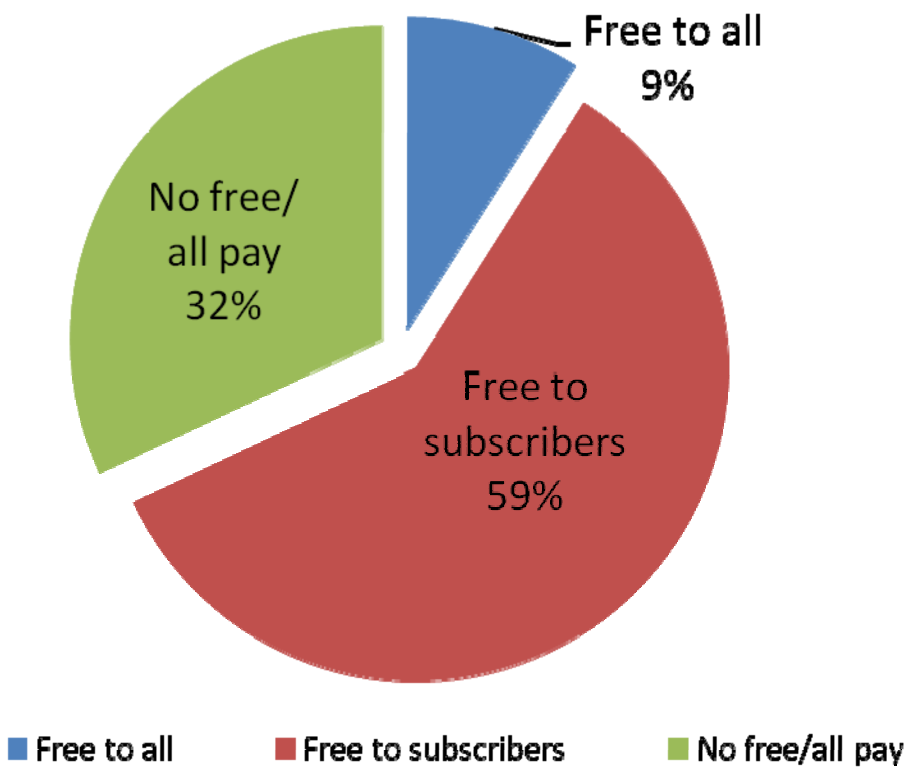
ePaper Revenue Use

14. Is access to your e-paper paid in any way? N = 79

15. Do current print subscribers have access to the e-paper without additional charge? N =72

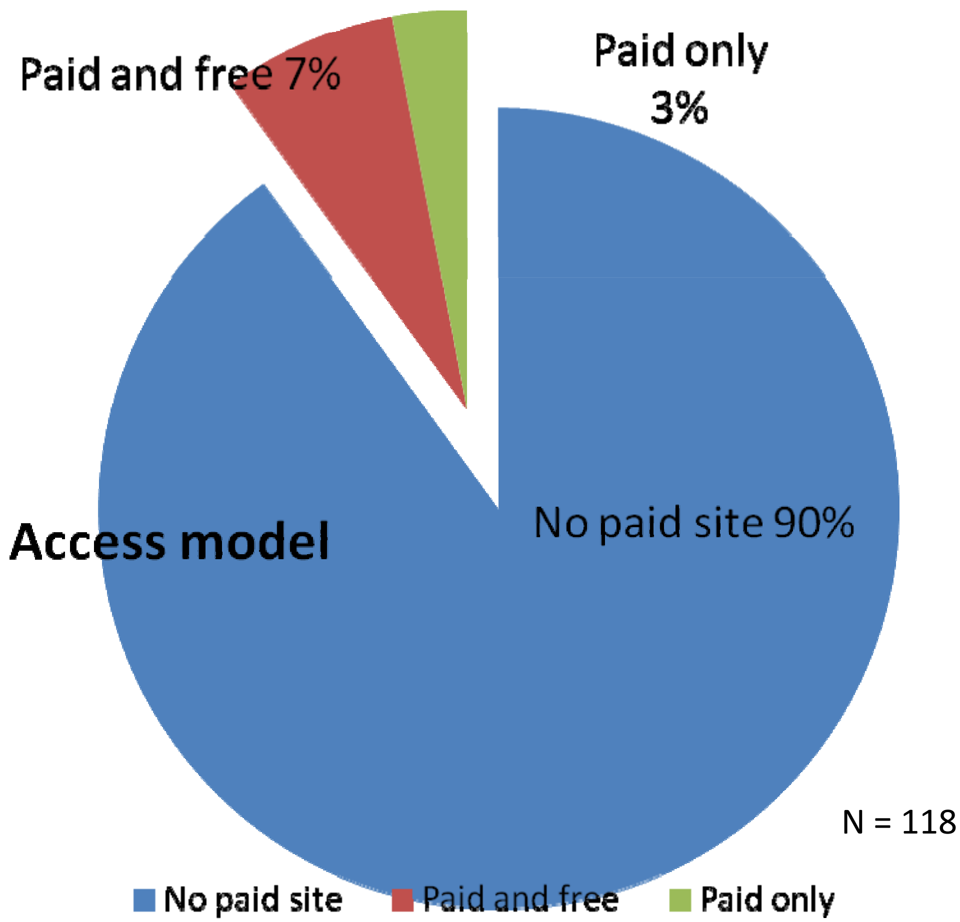


- Are not charging…or
- Not charging much…and
- As always, discounting convenience…

1 in 10 have paid sites; nearly all maintain some kind of free site

22. Does your enterprise maintain a paid-access Website that is not an e-paper?

23. (Those with a paid site:) Do you have BOTH a paid and an open/free site (or paid/free sections) for your main news and information content?



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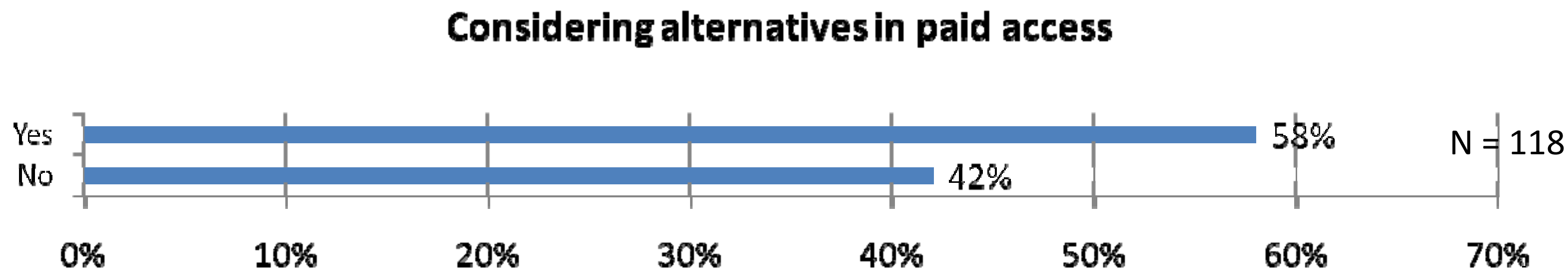
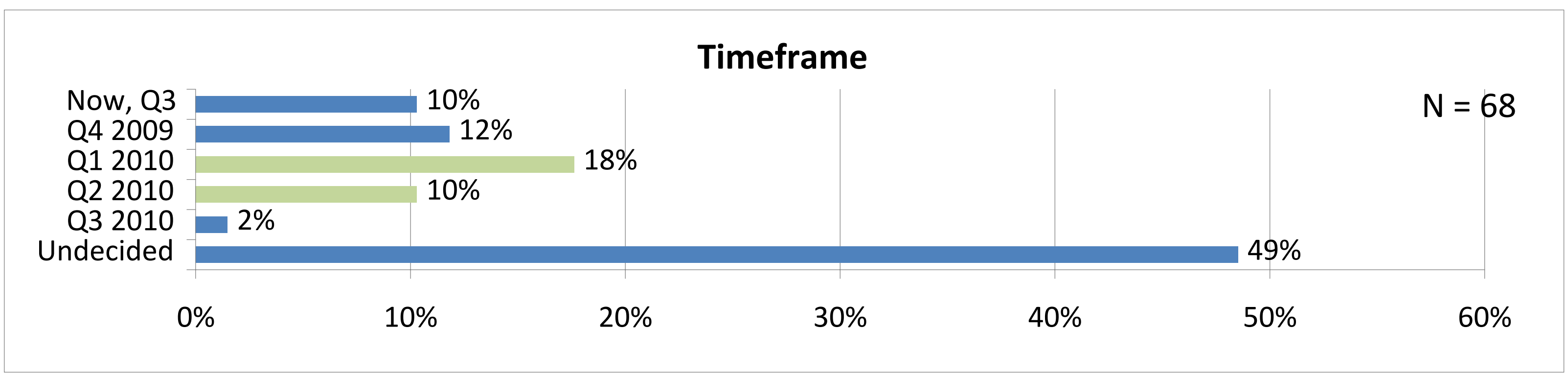
Six of 10 are considering paid access initiatives

36. Are you considering initiating paid access of any type to your main, currently open/free news and information content?



37. What is your expected timeframe for implementing any new paid strategies?



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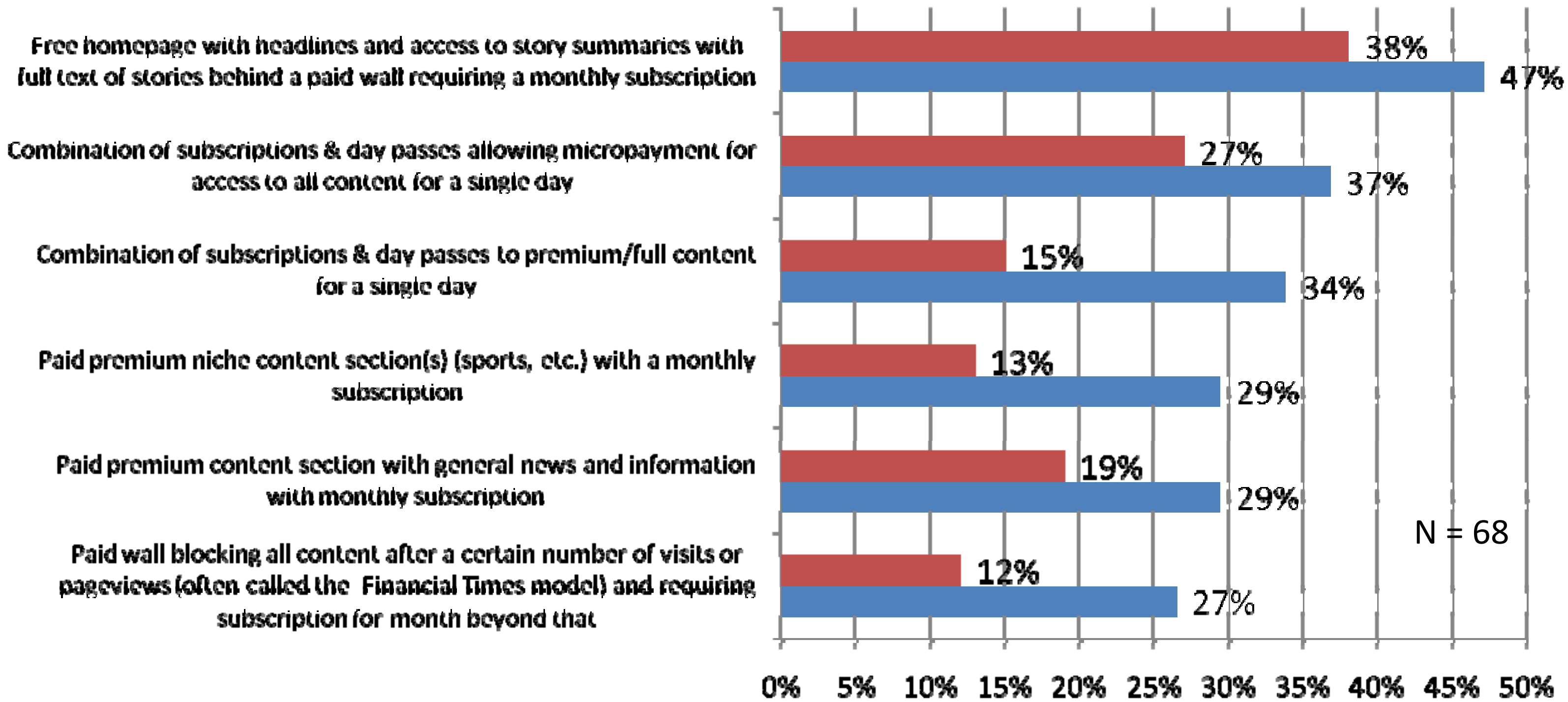
Various approaches being considered

(1 of 2)

[BLUE BARS] 38. Which of the following types of paid content for your currently open/free site are you actively considering? [Select all that apply.]

[RED BARS] 39. Which of the following do you think your enterprise is **most likely** to adopt? [Select all that apply.]



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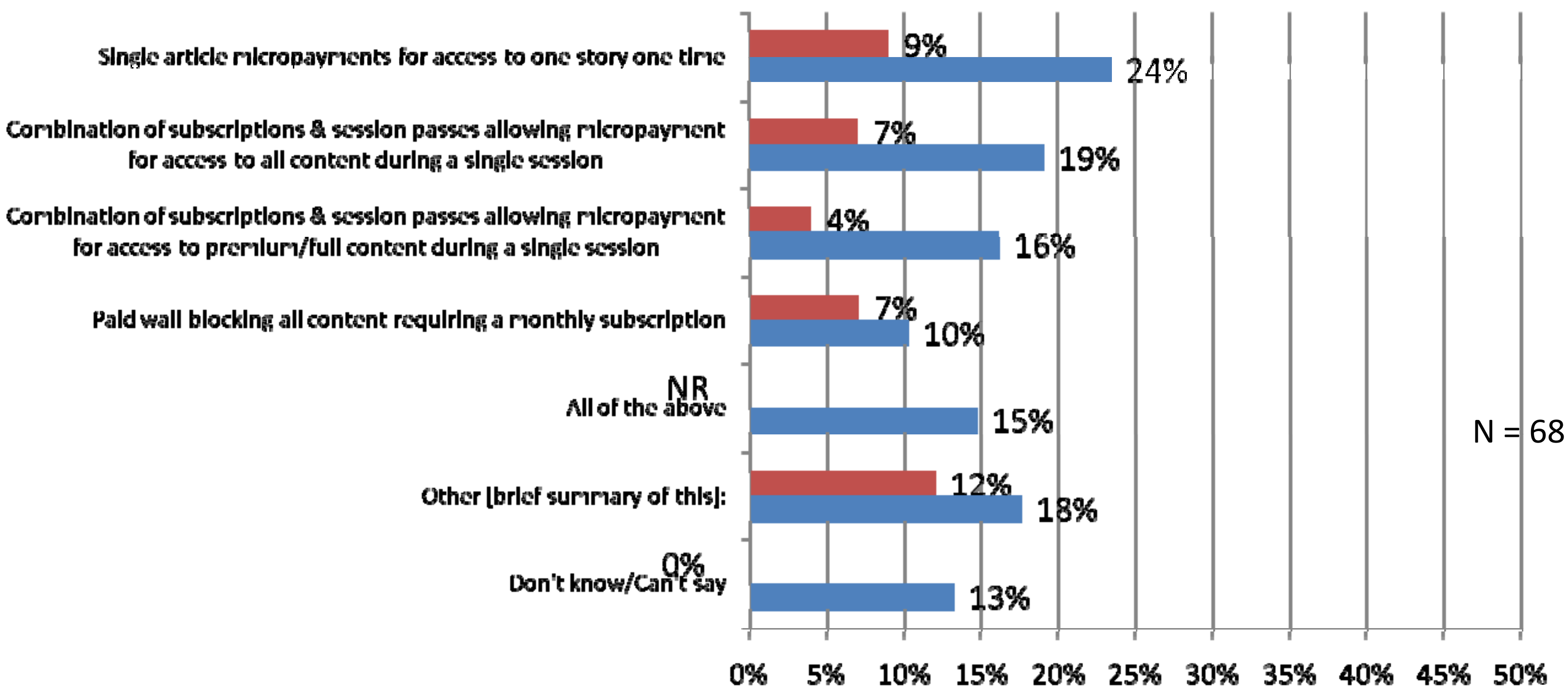
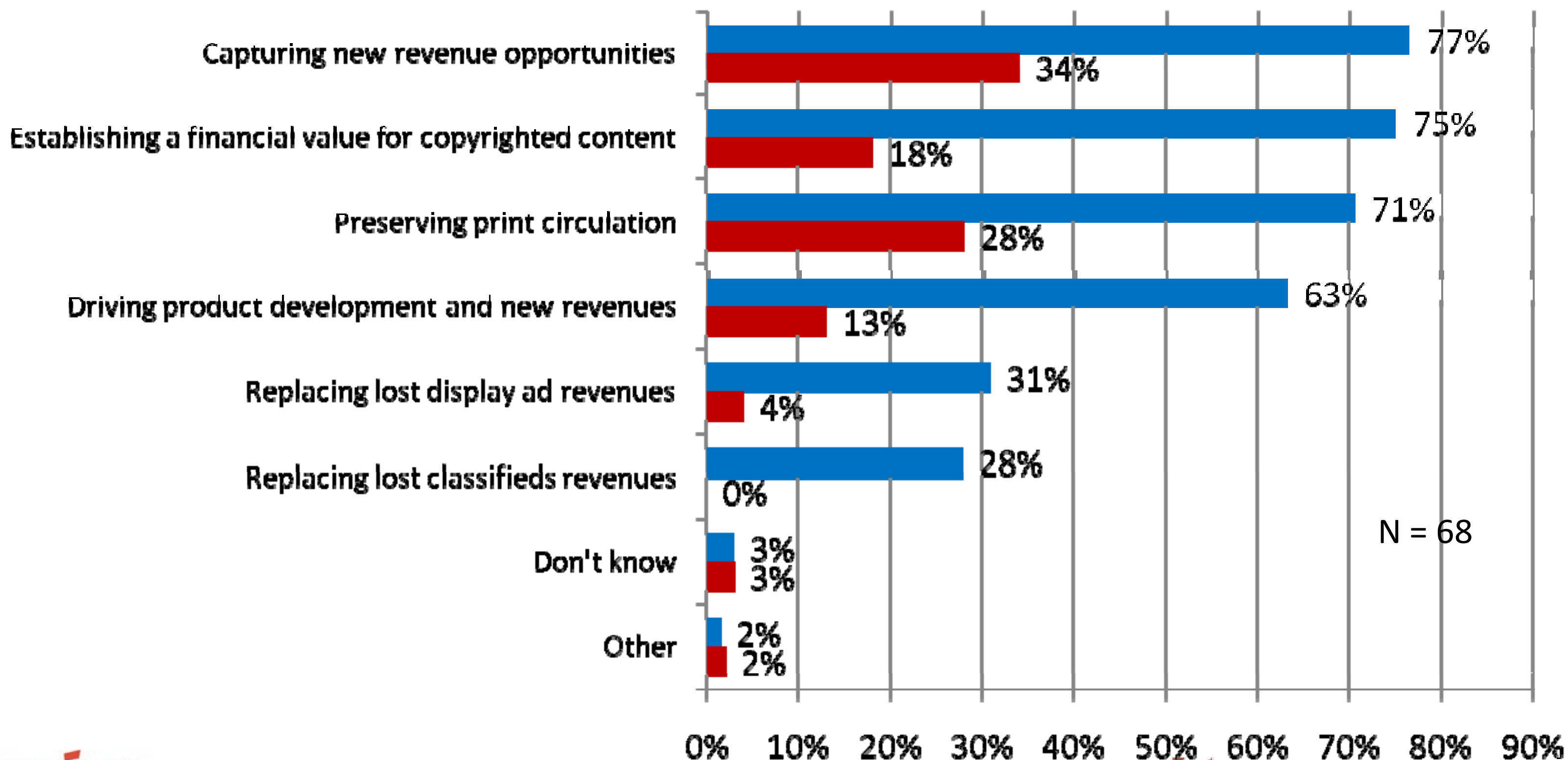


New revenue and preserving print are the primary drivers

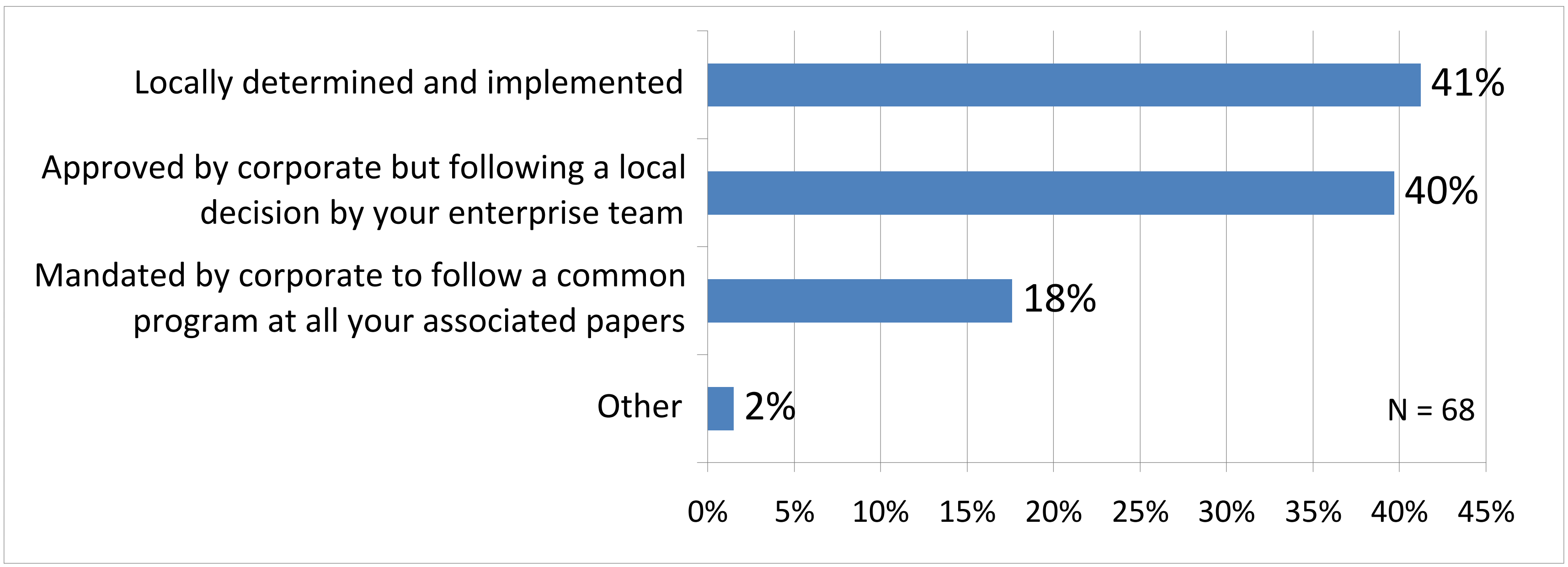
[BLUE BARS] 42. In considering introducing paid access to online content, which of the following are important strategic goals? [Select all that apply.]

[RED BARS] 43. Of the following goals, which do you think is or will be the most important factor in driving any final decision? [Select one only.]



Decision Location

44. Do you expect that decisions with respect to adopting a paid solution will be…



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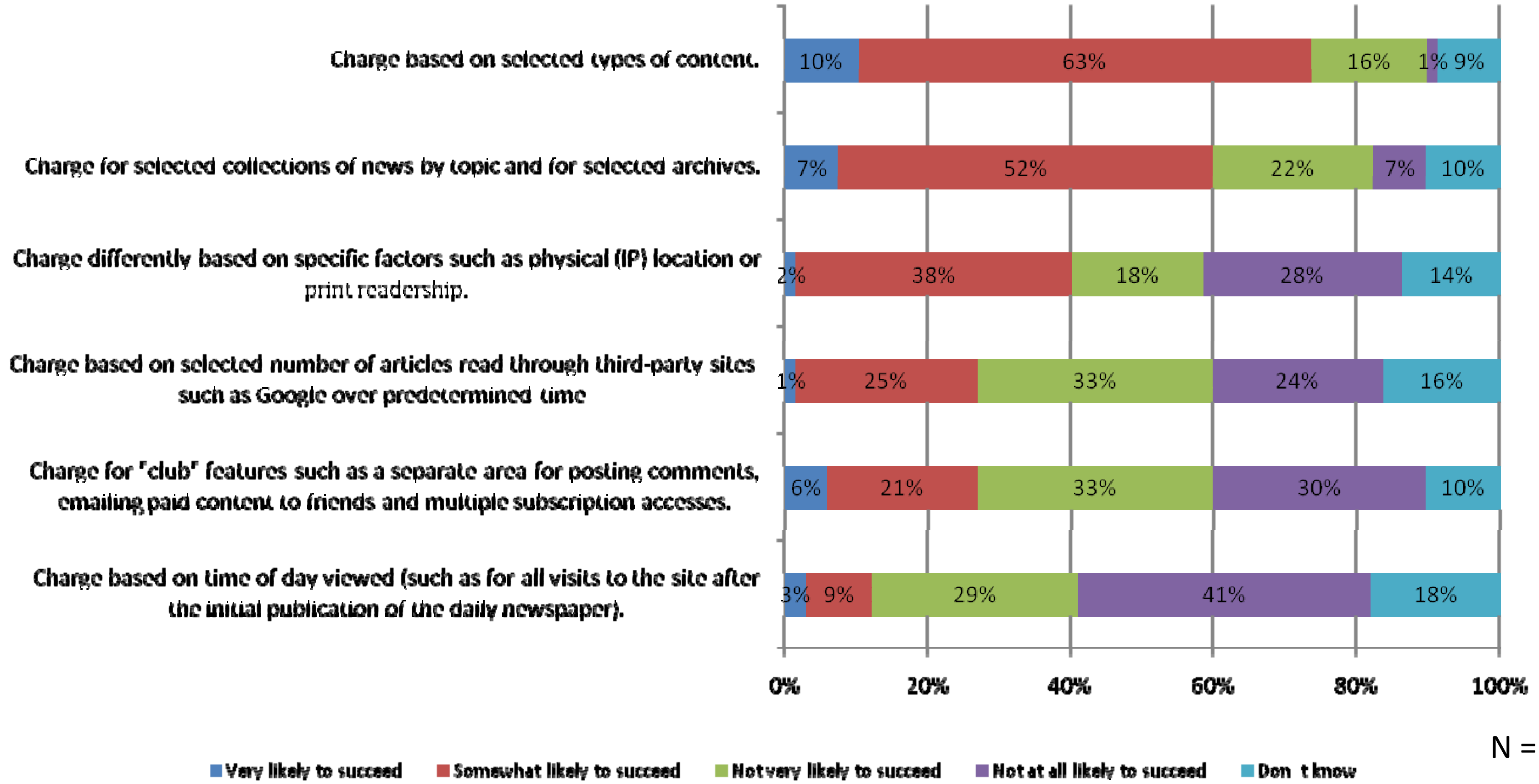
Prospects for Micropayments Models

40. There are many possible approaches to specific micropayments models that might be implemented for non-subscribers. How likely to succeed do you think any of these models might be?



N = 68

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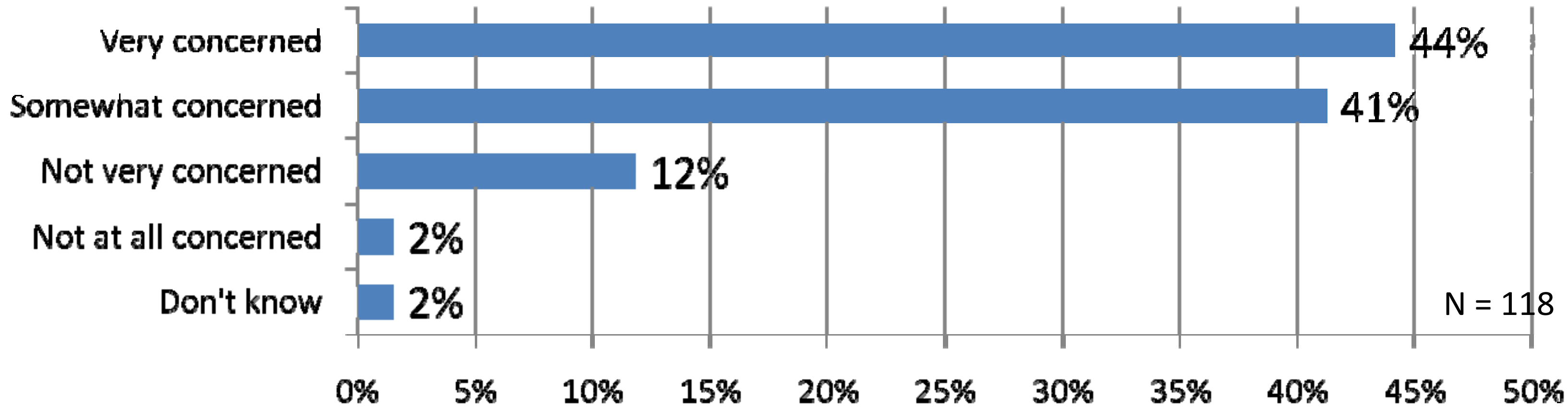
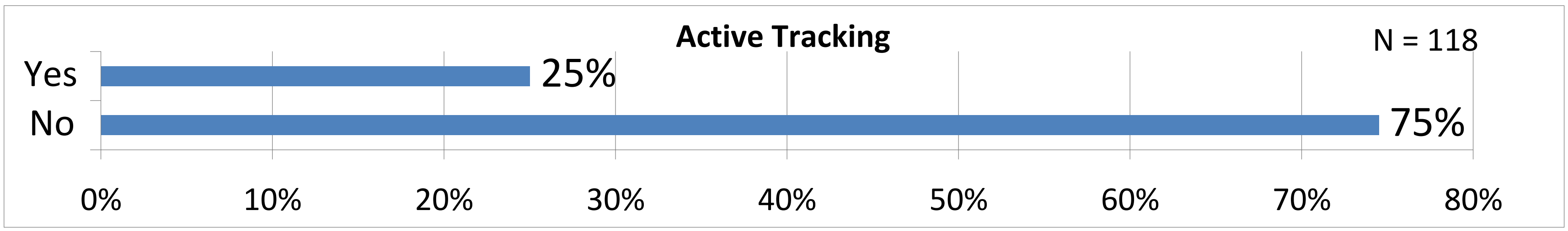
Some concern about content piracy, but little action

46. How concerned are you about unauthorized/ uncompensated use of your content?



47. Are you actively engaged in tracking unauthorized/ uncompensated use of your content across the Web?



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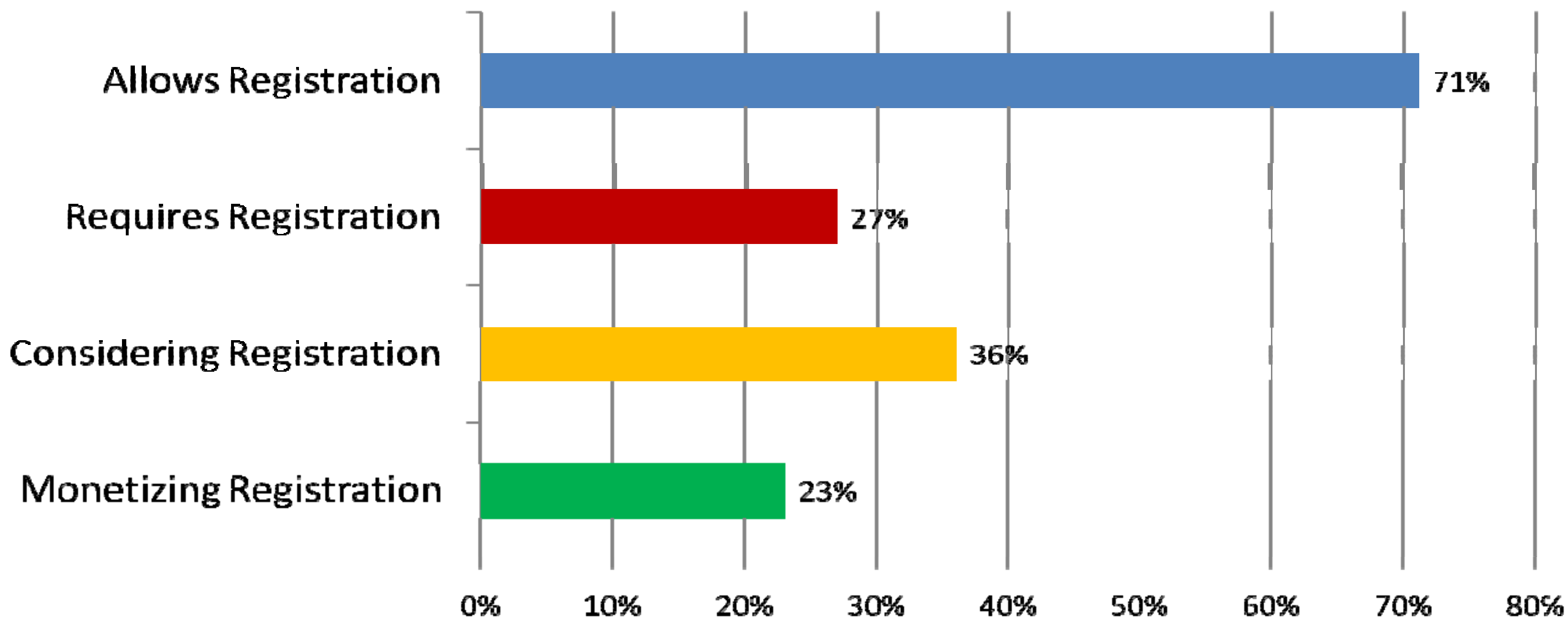
Registration — Most allow, few require, some considering, few monetizing

48. Does your site accept user registrations? N = 118
49. Does your Website require user registrations? N = 84
50. Is your enterprise considering some type of required registration as an alternative to paid access to content? N = 61
53. Does your site have a specific program or programs for monetizing registration information that is in active use now? N = 84/



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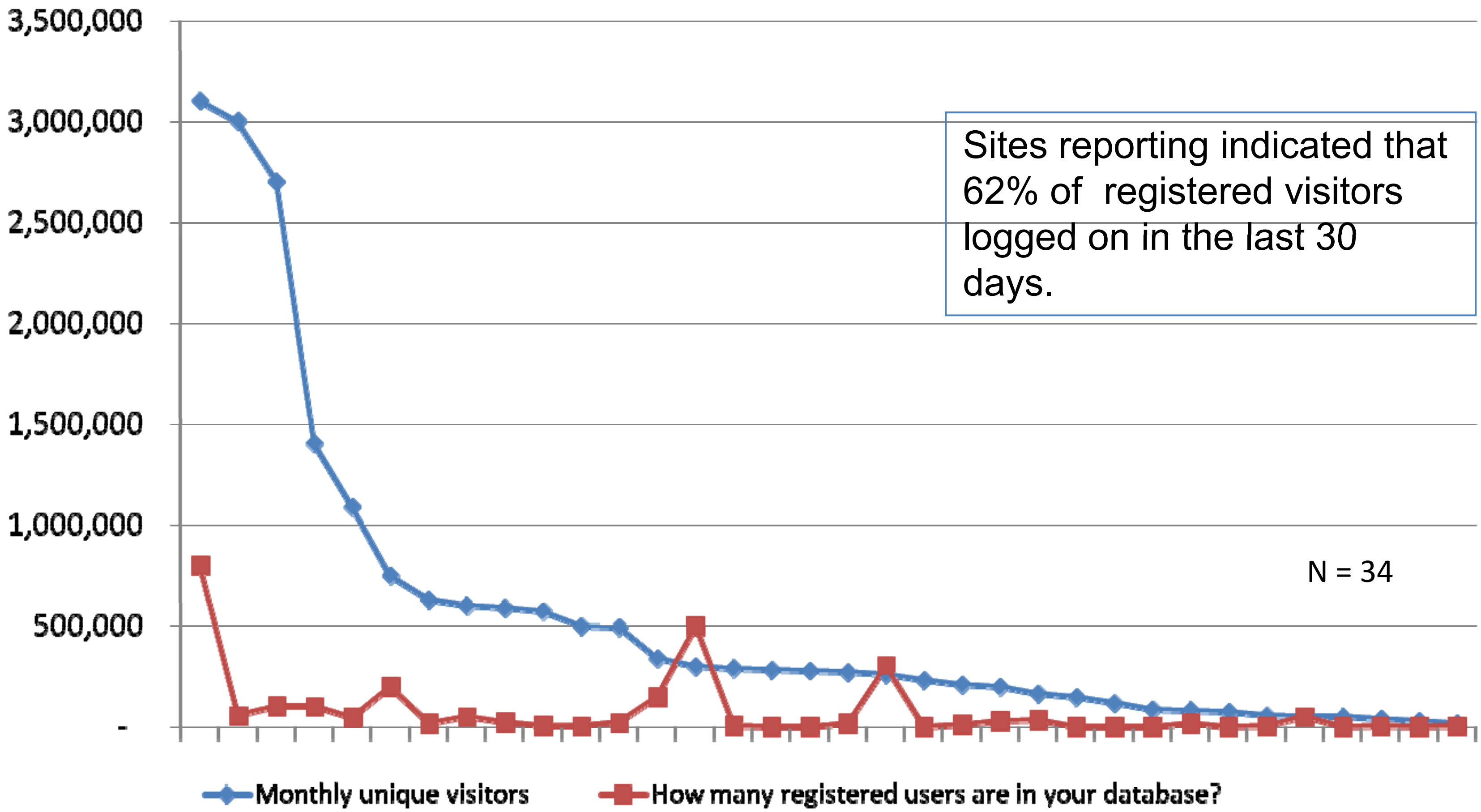
Registration — Of 34 sites reporting, average is 11% of UV count



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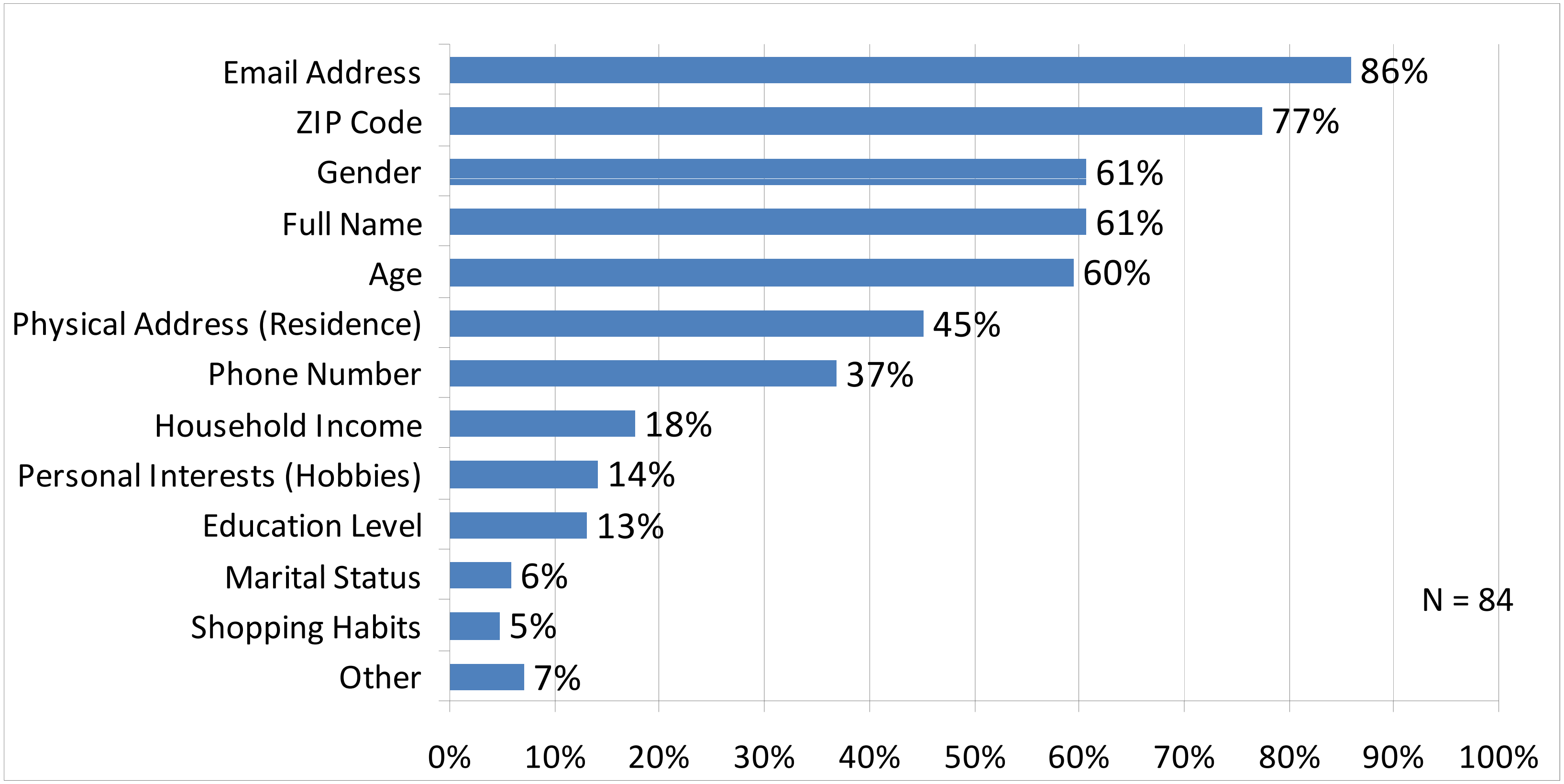
Registration Data Collected

55. Which of the following types of information do you include in your registration form?



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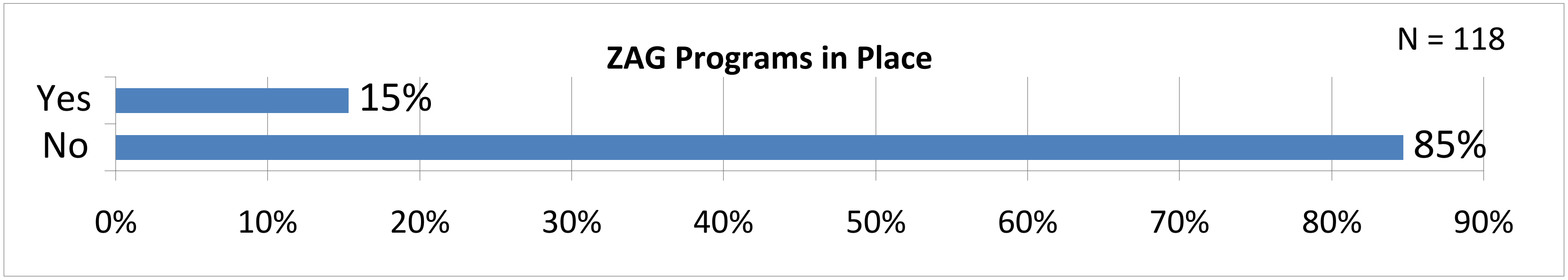
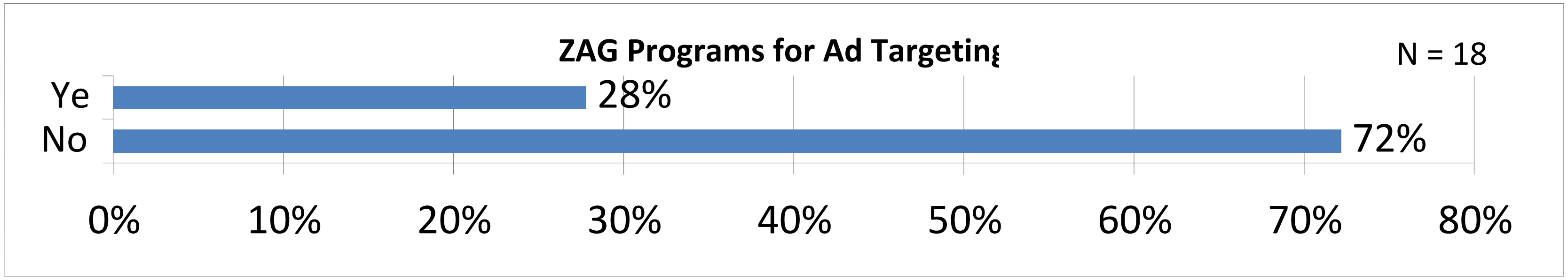
Log-in Programs

Few sites use ZAG, and just 1 in 4 who do use for ad targeting

57. Does your site use ZIP, Age, Gender (ZAG) log-ins?



58. Does your site use ZAG information for ad targeting?



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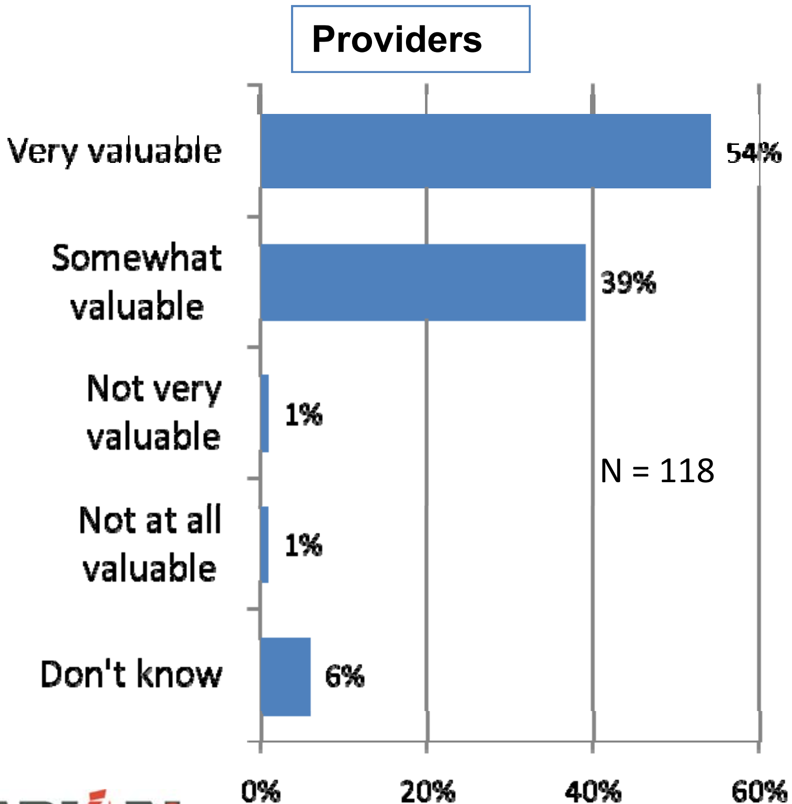
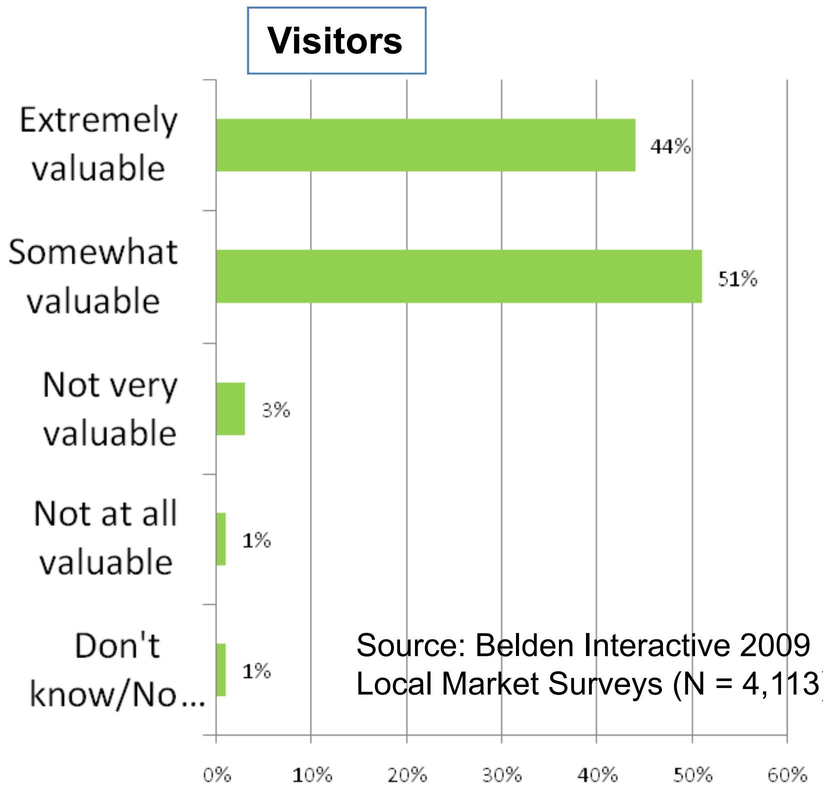
Providers vs. Visitors Perception: Value of site news and information

60. How would your users rate the news and information posted at your main news and information site?



25. In general, how valuable do you think the news and information posted at LOCALSITE.com is to you?



Source: Belden Interactive 2009 Local Market Surveys (N = 4,113)

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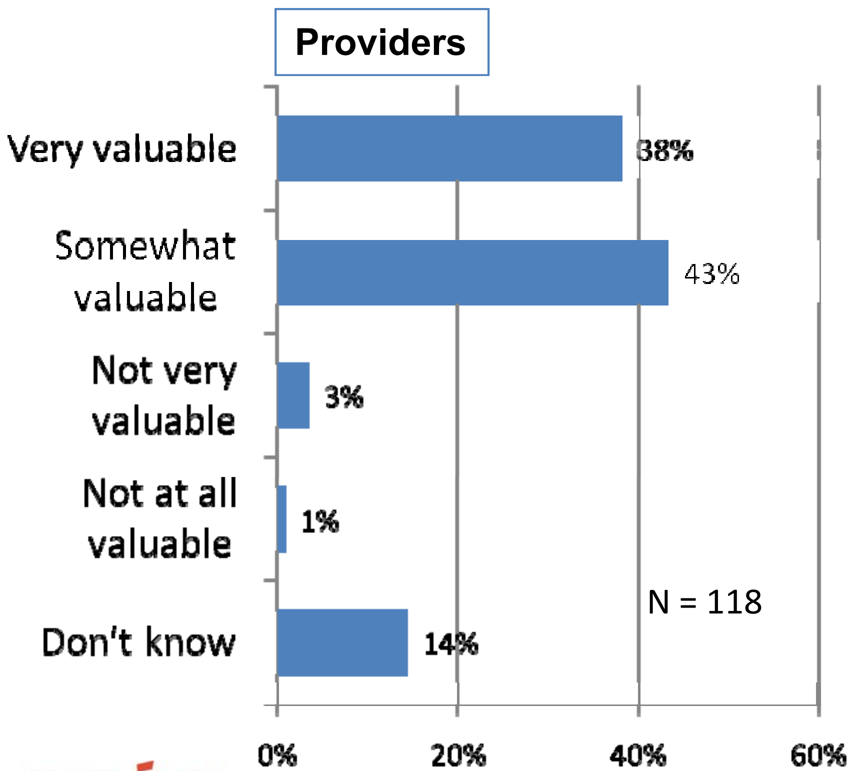
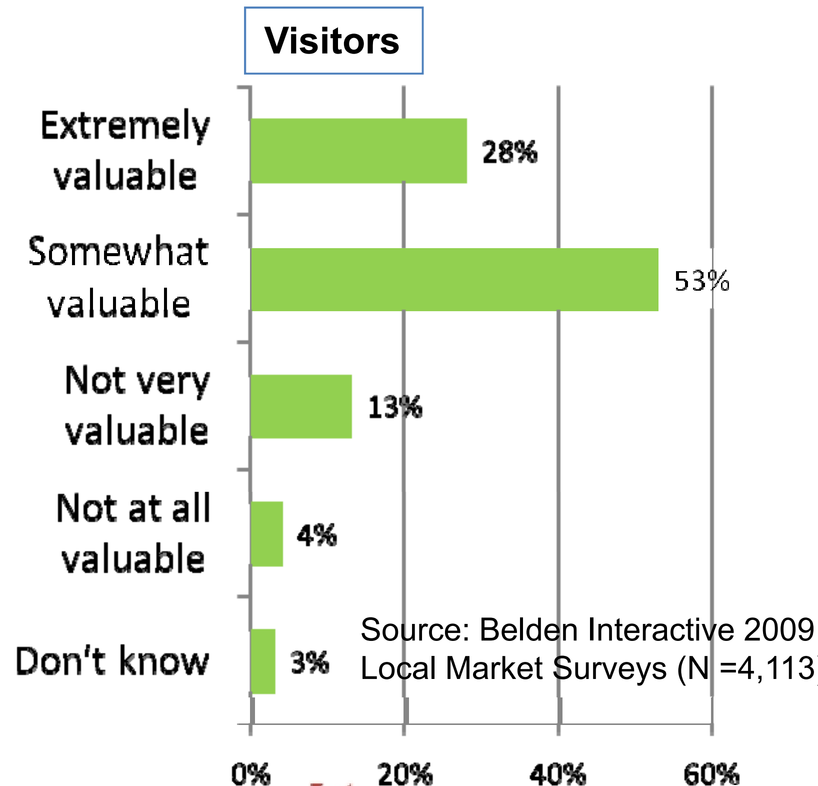
Providers vs. Visitors Perception: Value of print content on Website

61. How valuable is it for your users to be able to access all of your print content online at your main news and information site?



40. In general, how valuable is it to you to be able to access all of local daily news print content online at LOCALNEWS.com?



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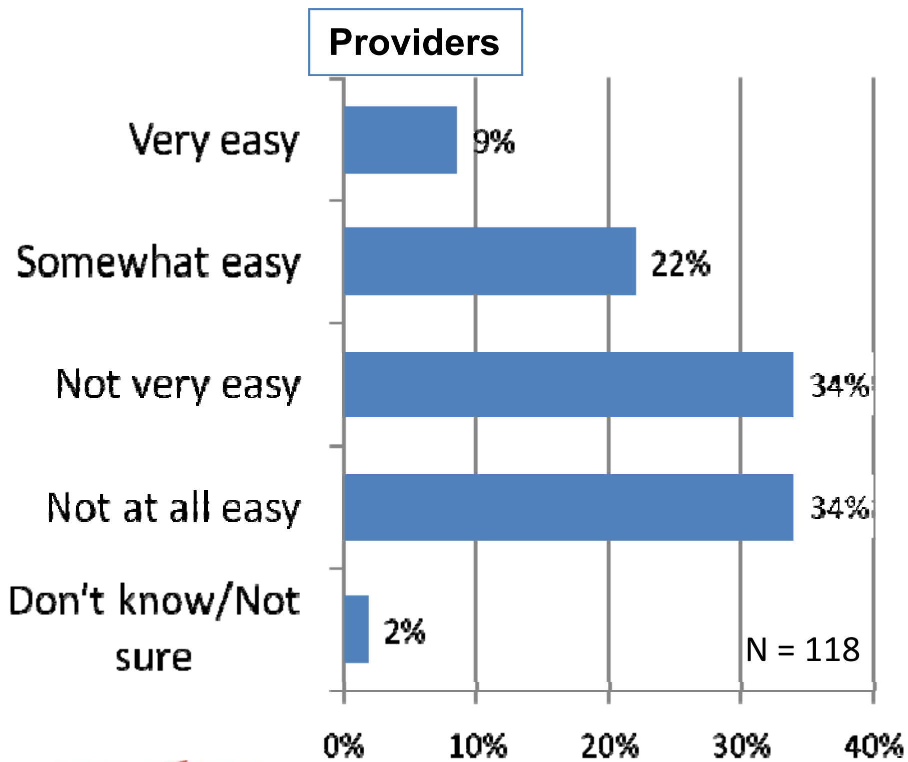
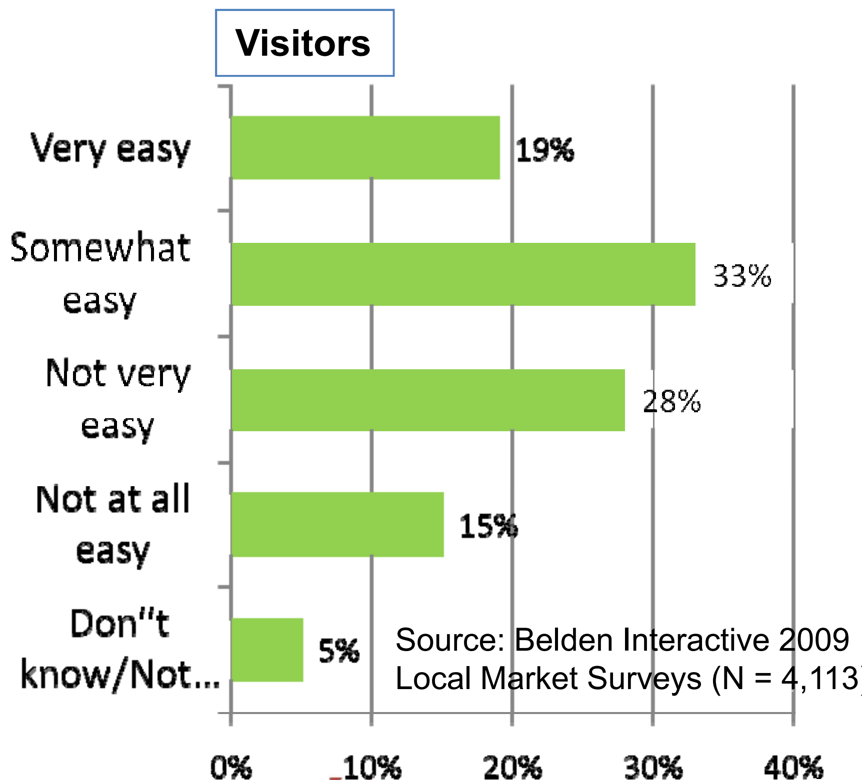
Providers vs. Visitors Perception: Difficulty of replacing site

62. If your main site stopped posting its news and information to the Web, how easy do you think it would be for your users to find a replacement for that news and information they are currently getting from your site?



26. If LOCALSITE.com stopped posting its news and information to the Web, how easy do you think it would be to find a replacement for that news and information you are currently getting from LOCALSITE.com?



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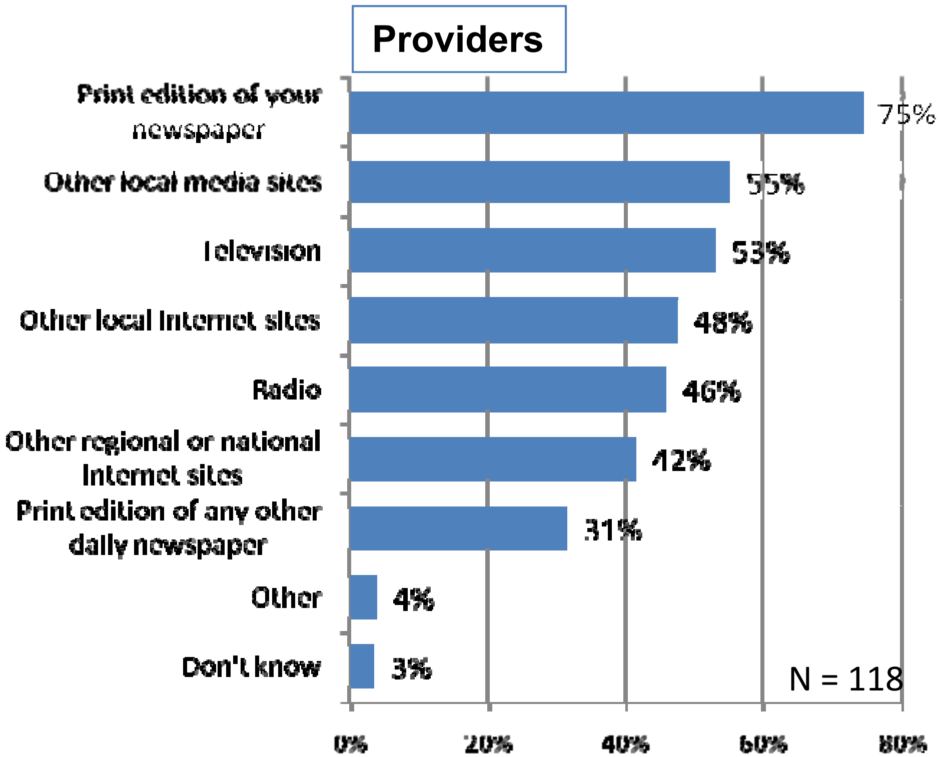
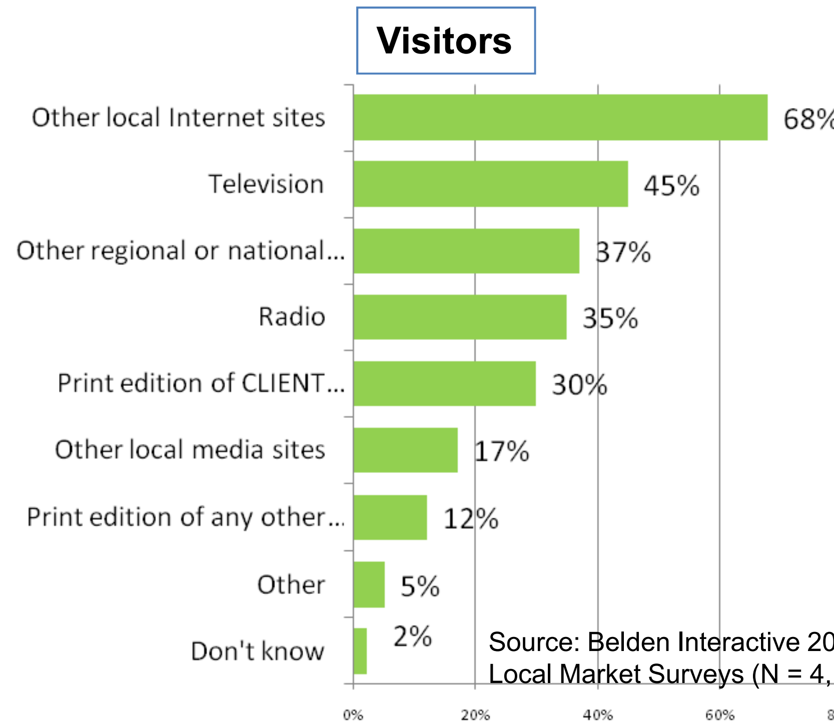
Providers vs. Visitors Perception: Market Options to Website

63. What other media/sources do you think your users would use if news and information from your main news and information site were no longer available? [Select all that apply.]



27. What other media/sources do you think you would use if news and information from LocalSite.com were no longer available? [Select all that apply.]



Source: Belden Interactive 2009 Local Market Surveys (N = 4,113)

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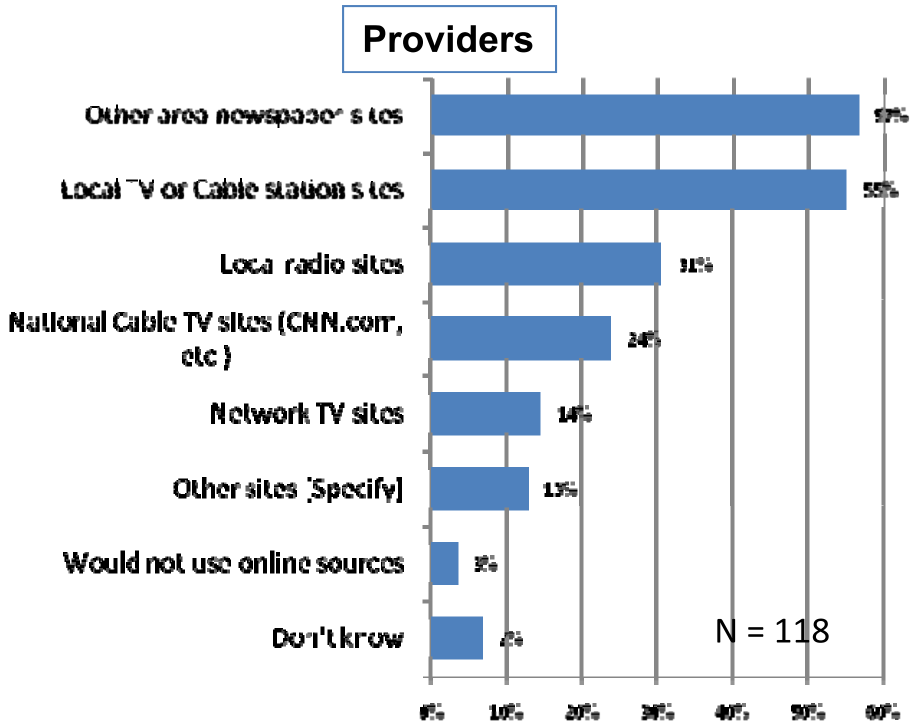
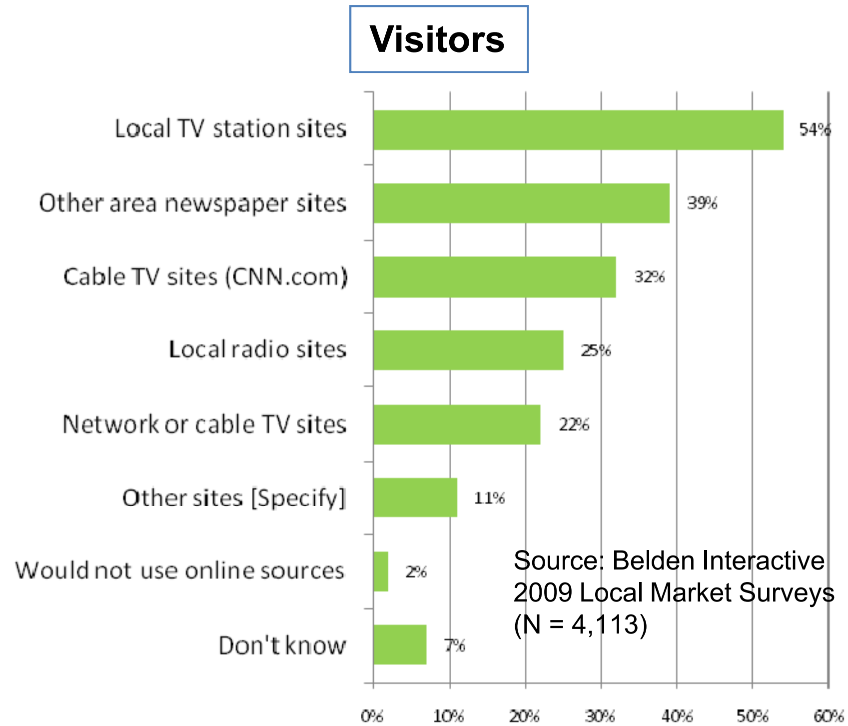
Belden Interactive

Providers vs. Visitors Perception: Online options to Website

64. Which, if any, online sources do YOU think YOUR USERS would be most likely to turn to if your main news and information site were no longer available? [Select all that apply.]

28. Which, if any, online sources would you be most likely to turn to if LOCALSITE.com were no longer available? [Select all that apply.]





Source: Belden Interactive 2009 Local Market Surveys (N = 4,113)

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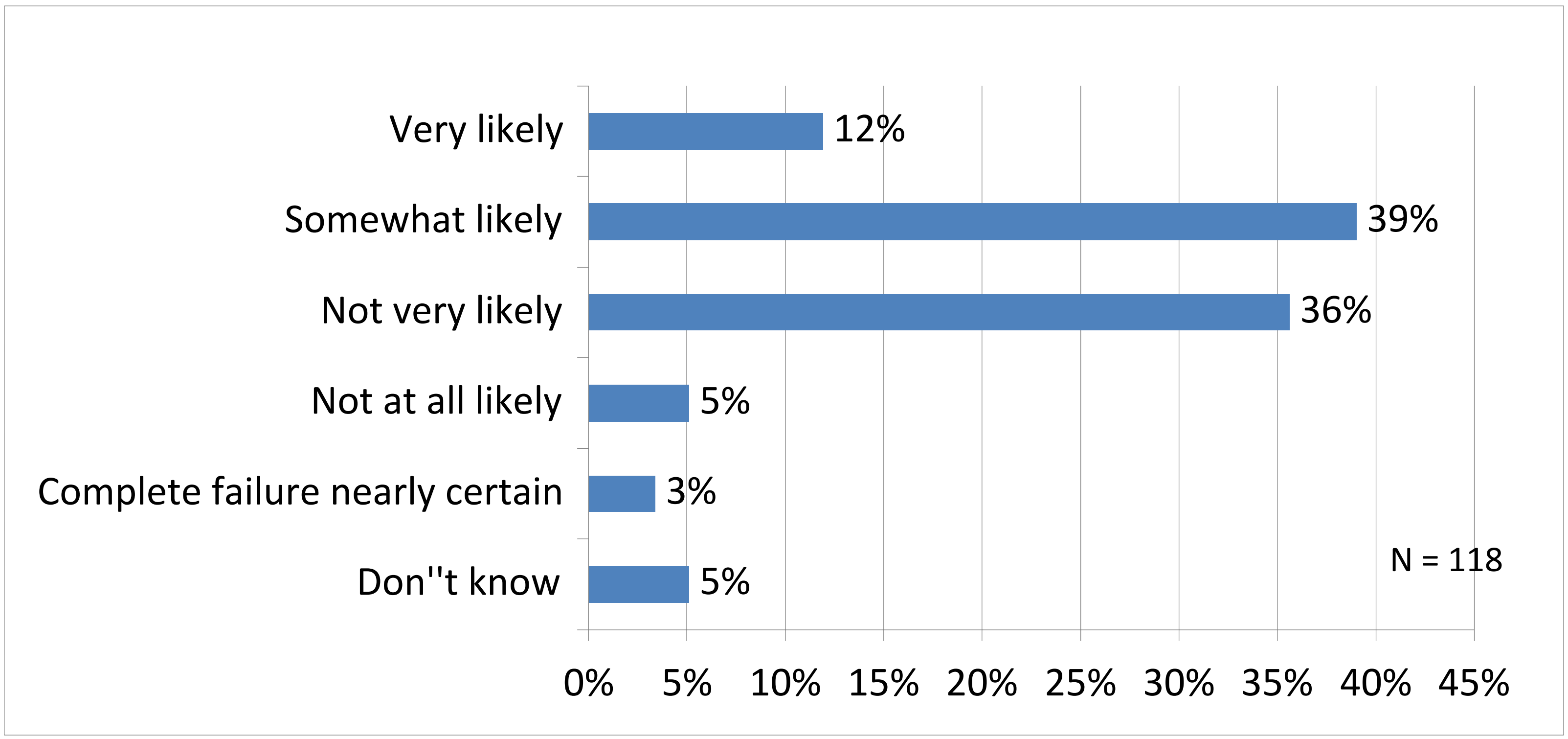
Paid Future — Silver Bullet?
No consensus

65. How likely do you think it is that newspapers will succeed in charging for content in such a way that these new revenues will significantly contribute to the future of newspapers?



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Challenge:
Audience and Opportunity

If we do not accurately understand
our audience we cannot calibrate…

- ✓ **Opportunity**
- ✓ **ROI**

- Any possibility of converting to paid content — or any other revenue opportunity — depends upon key variables:
  - ➢ Knowing **audience size**
  - ➢ Knowing **audience behaviors**
  - ➢ Knowing **user price points**
  - ➢ Articulating **user benefits** from their perspective

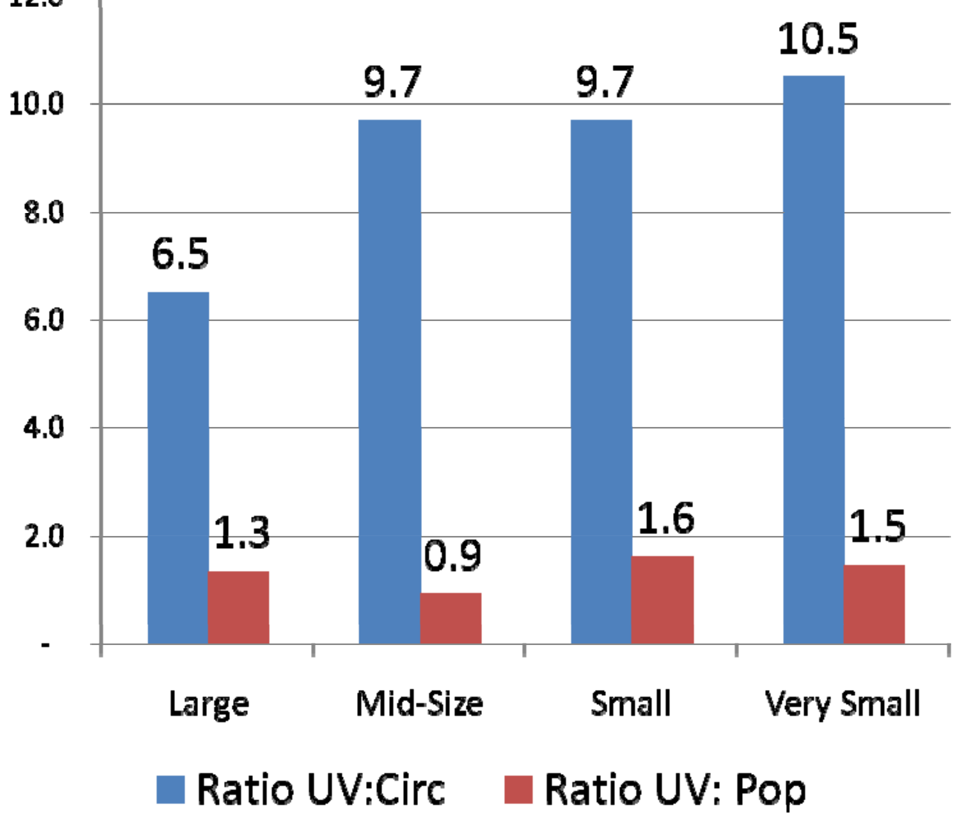
Omniture and Google Analytics

- Omniture and Google analytics' UV counts raise concerns, such as…
  - Unique Visitor counts equal to local population or more
  - Unique Visitors counts 10x circulation
  - Unique Visitors counts 2.5x visiting per month
  - Unique Visitors counts indicate mostly out of market

Let's look at what the Omniture data are telling us.

NOTE: Most sites say they do not believe Omniture UV but have no other source except Nielsen/Comscore, which have significant limits, notably the focus on top markets only.

UV counts are *10 times circulation* and 1.3 times greater than local populations



N = 99

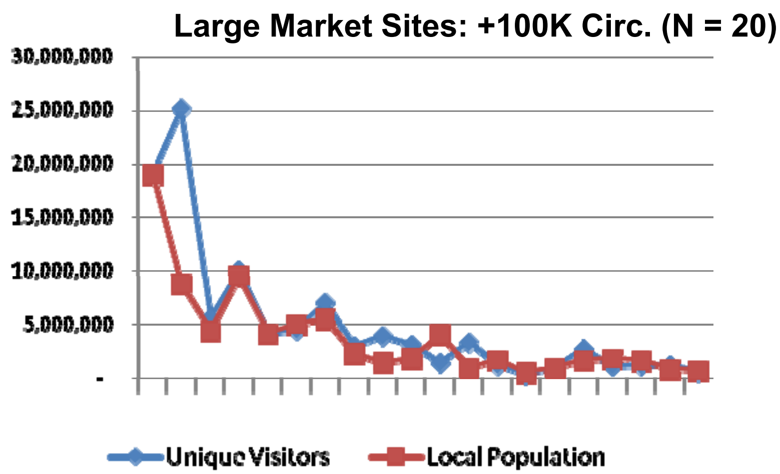
Average UV Count: 4,957,772
Average Market Pop: 3,828,973
UV reports were on average 133% of local population for <u>large markets.</u>

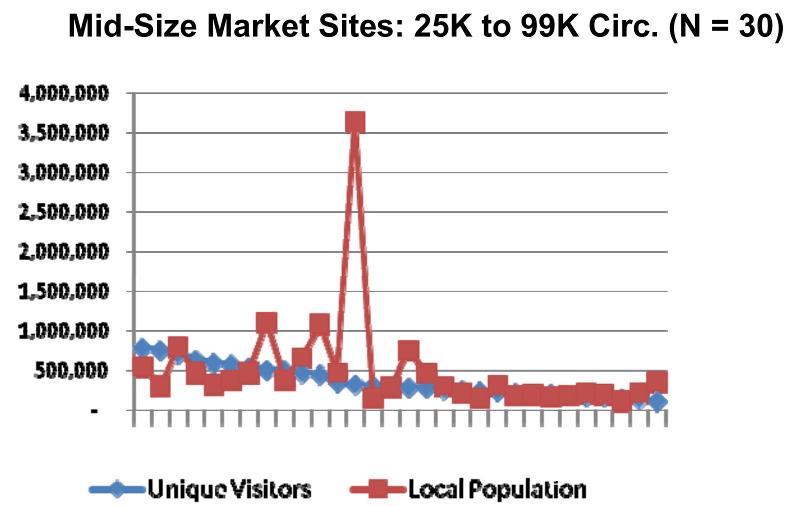
Average UV Count: 347,446
Average Market Pop: 375,997
UV reports were on average 92% of local population for <u>mid-sized markets.</u>

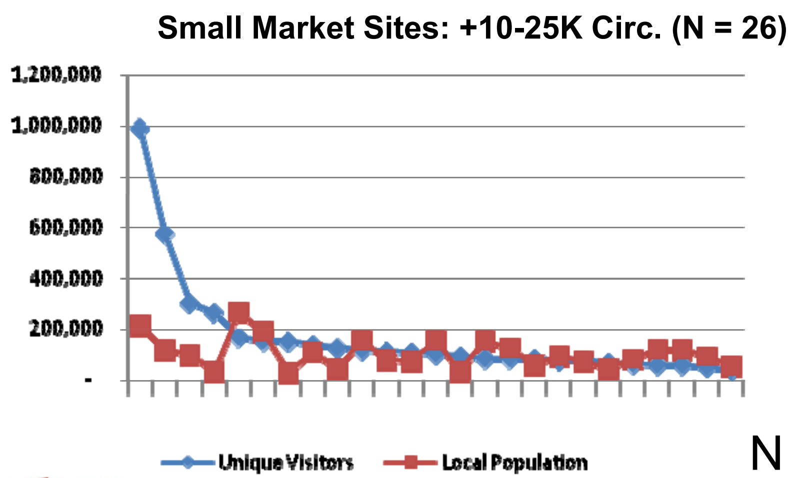
Average UV Count: 157,229
Average Market Pop: 97,474
UV reports were on average 161% of local population for <u>small markets.</u>

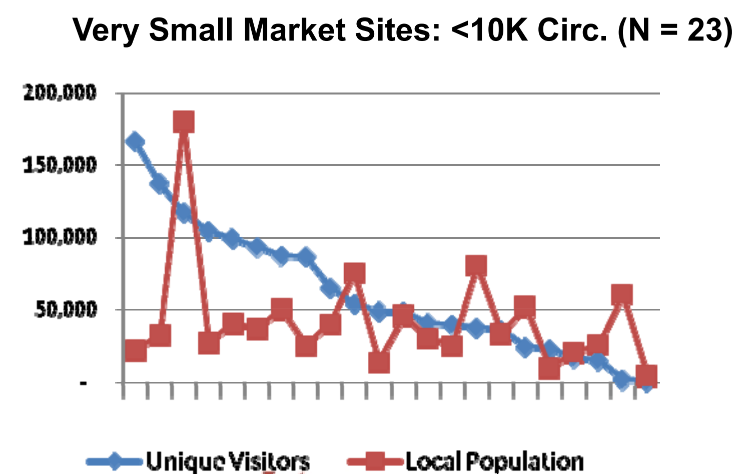
Average UV Count: 58,519
Average Market Pop: 40,285
UV reports were on average 145% of local population for <u>very small markets</u>.

Reported "Unique Visitors" exceed local populations in all market sizes









N = 99

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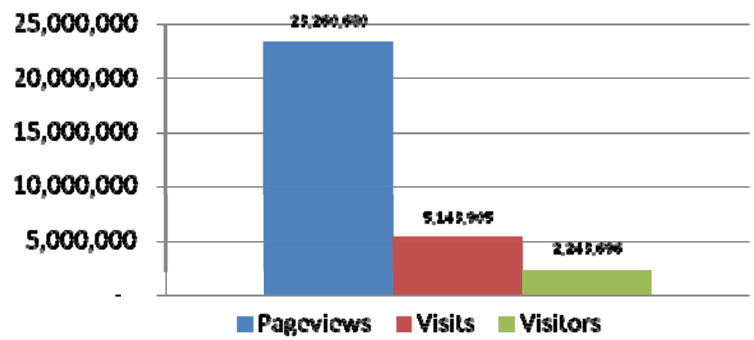
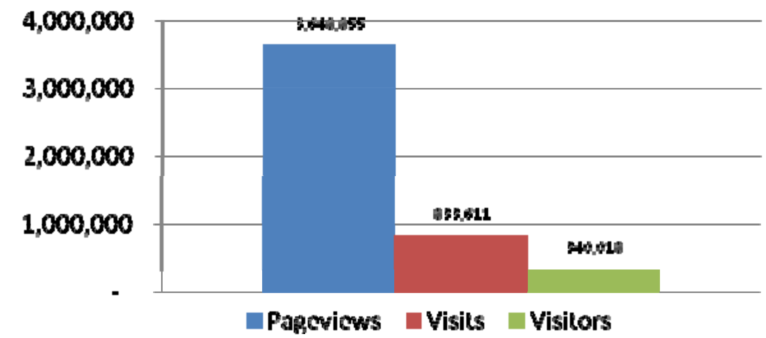
Overall Traffic Patterns – Nearly every market reports the same pattern of 10 PV : 2.5V : 1UV

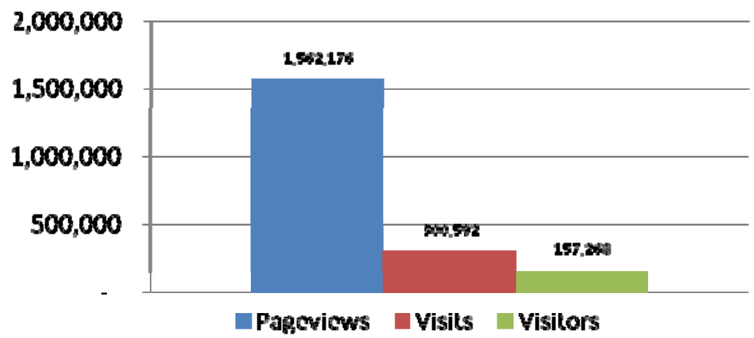
Large Market Sites: +100K Circ. (N = 15)



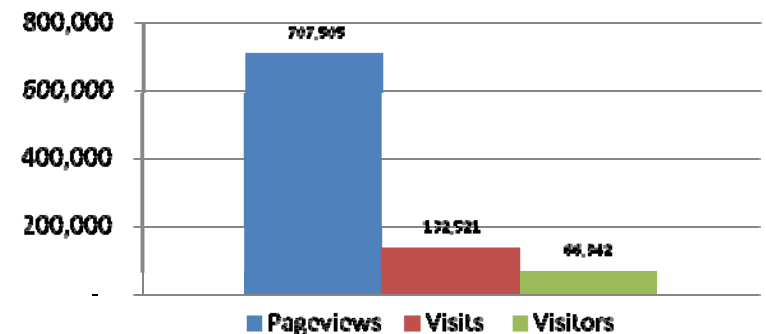
Mid-Size Market Sites: 25K to 99K Circ. (N = 27)



Small Market Sites: +10-25K Circ. (N = 26)



Very Small Market Sites: <10K Circ. (N = 16)



N = 84

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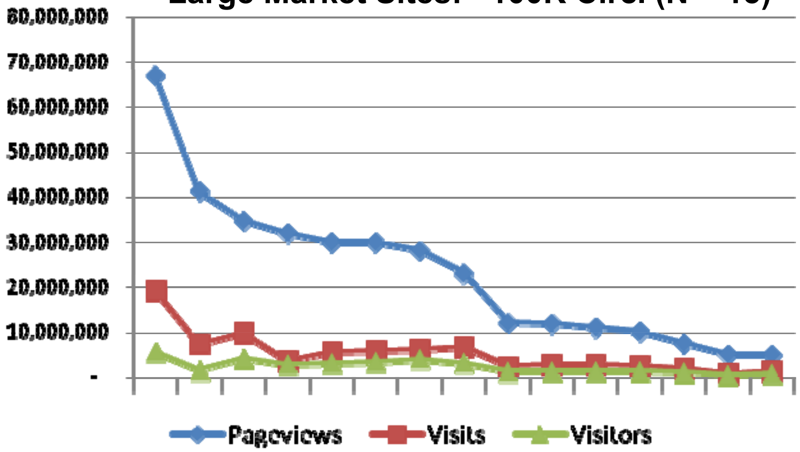

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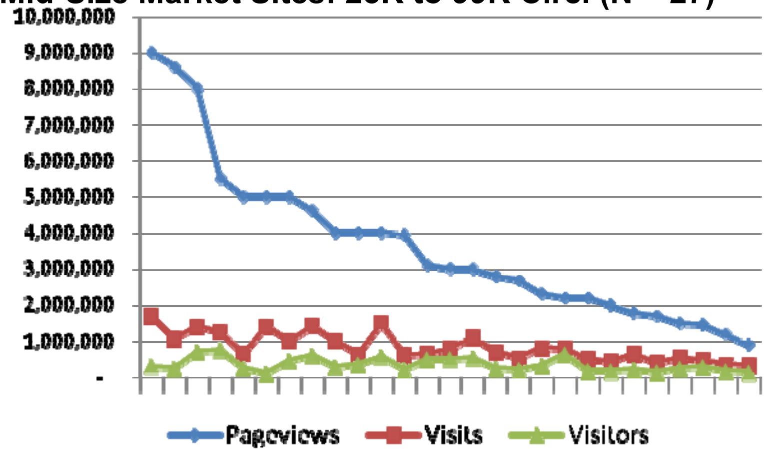

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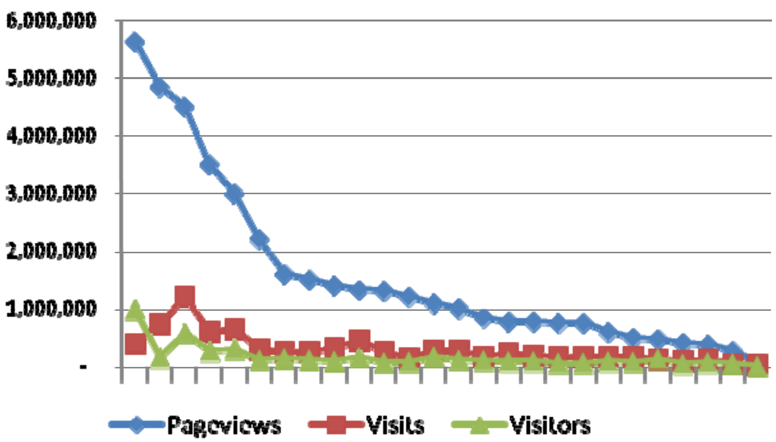

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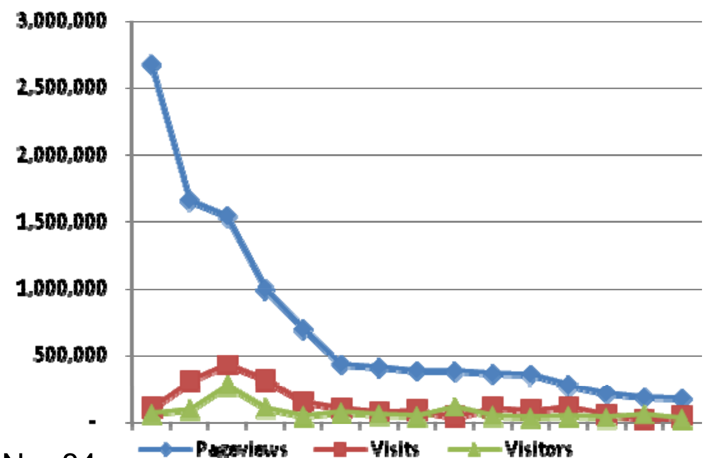
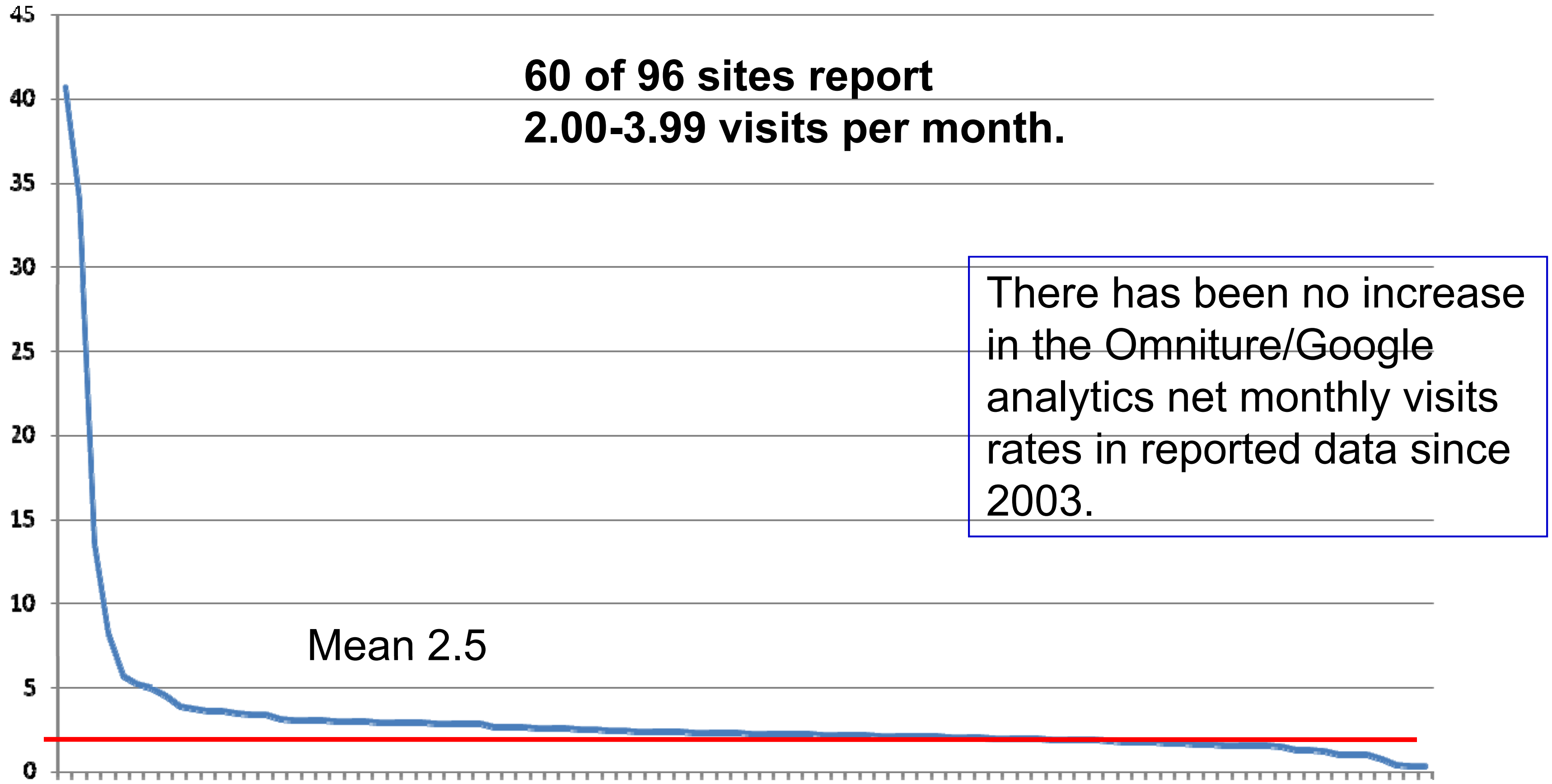


N = 84

API | N2
American Press Institute

ITZ PUBLISHING Belden Interactive

Visits Per Month – Excluding 3 outliers, the average site shows 2.5 visits per month



N = 96

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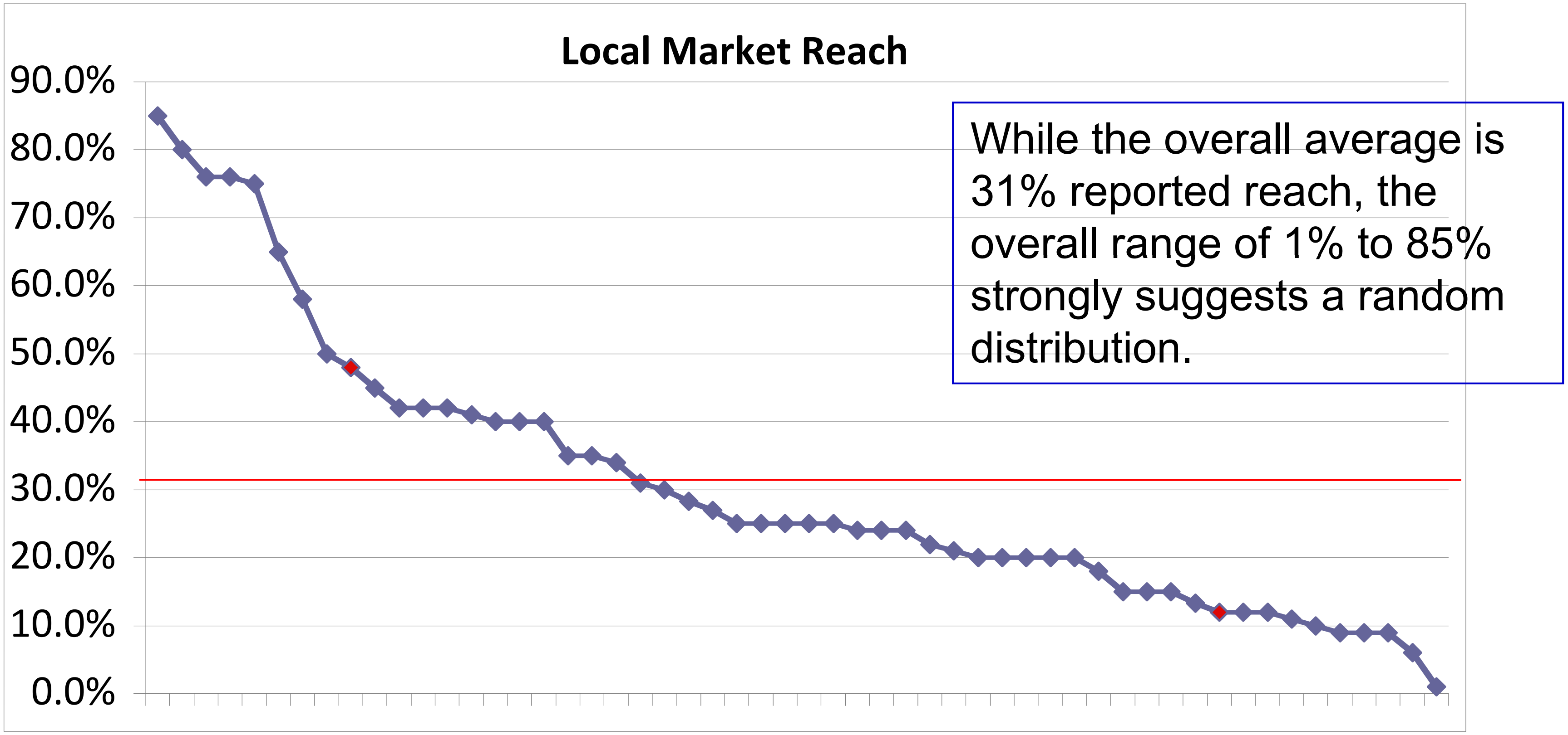
Local Market Reach: 54 Sites Reporting



N = 54

NOTE: Local market reach data are NOT typically reported from Omniture/GA data

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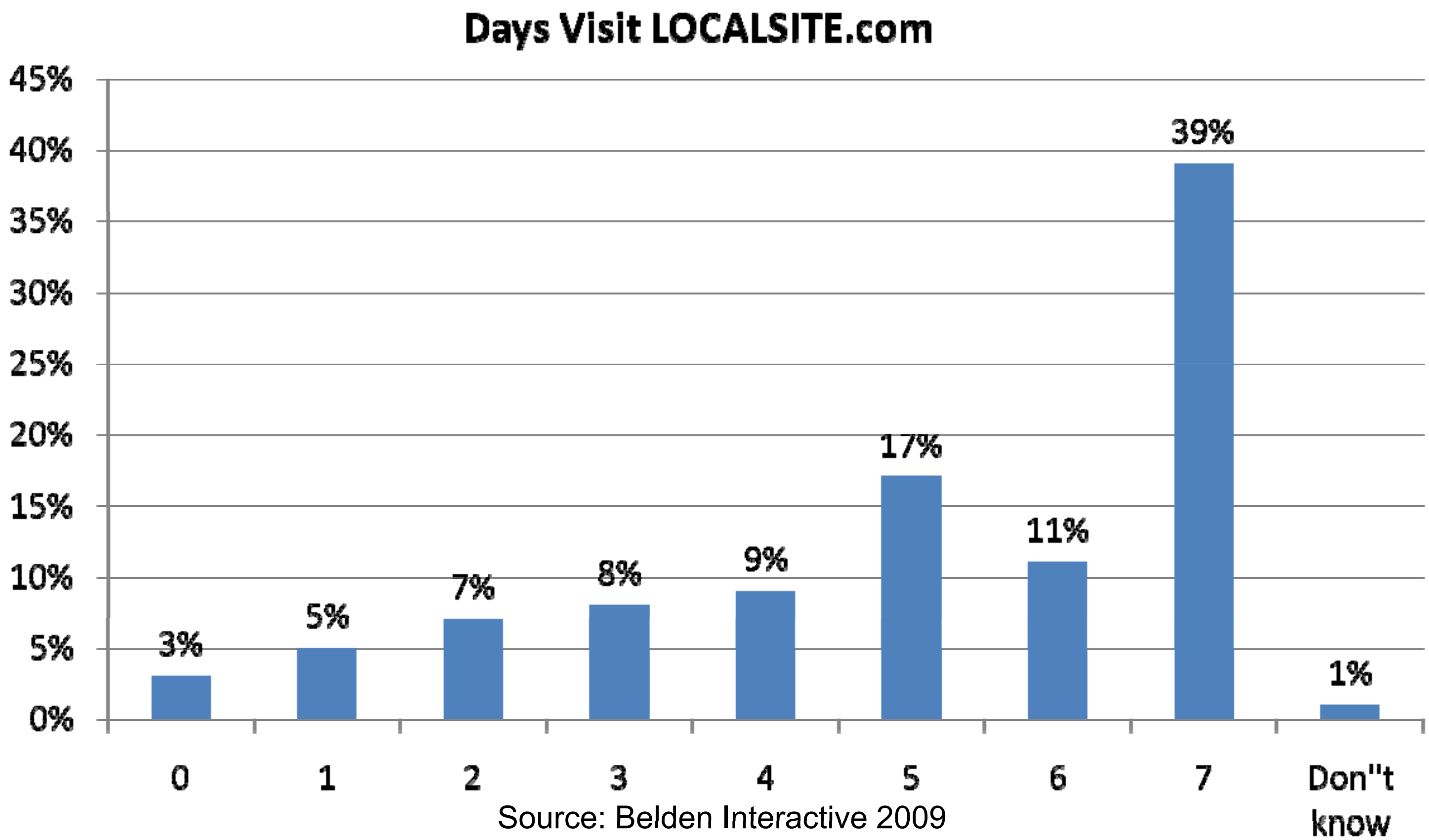
Why?

- Why is this pattern always the same?
  - 10 x circ?
  - 1.3 x local pop?
  - 2.5 x per month?
  - Large implied out of market

Regardless of market, circulation size, or seemingly anything…

Loyalist Audience Frequency

(Incidental and Core Visitors – excludes fly-bys)



Source: Belden Interactive 2009
Local Market Surveys (N = 4,113)

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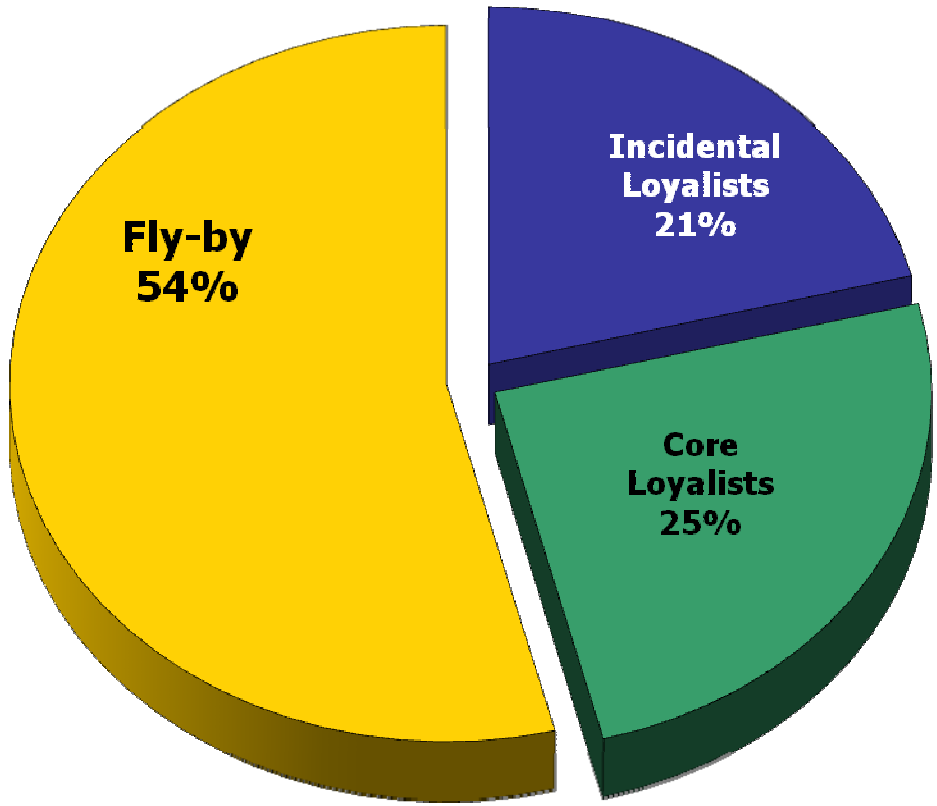
Newspaper Website Audiences Come in Three Flavors

Fly-by
•1 time per month
•Sourced from Search
•Wide variation in In- vs. Out-of-Market mix
•Varies between 25% & 80% of total people visiting in a month.

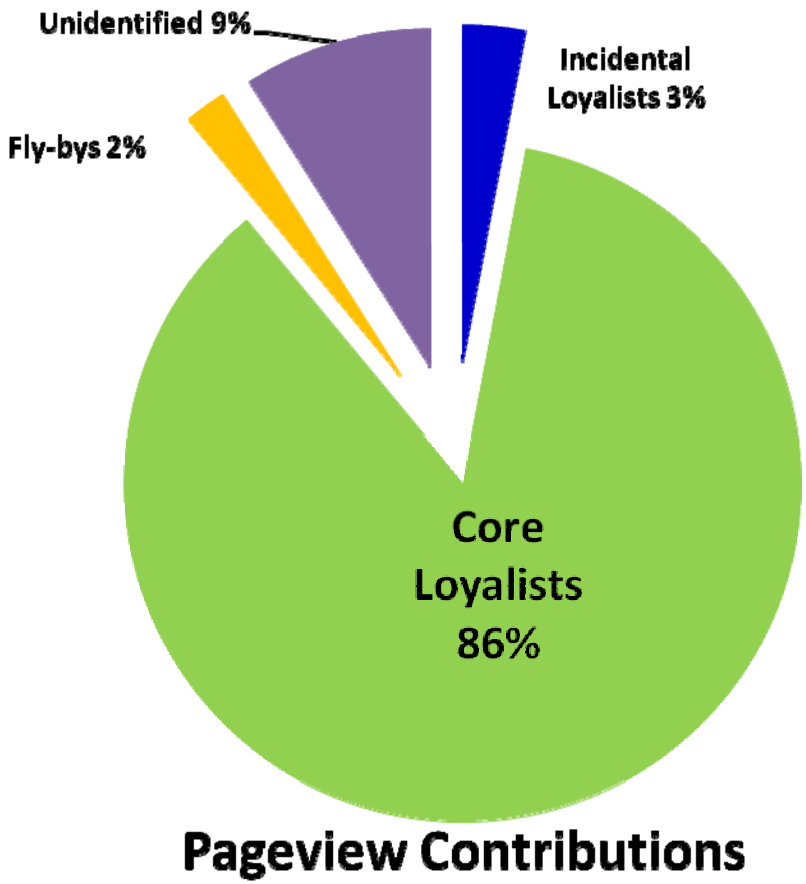
Incidental Loyalists
•1-3 days per month, 1-2 times on days visiting.
•Predominantly local.

Core Loyalists
•20 days per month, 2-3 times on days visiting
•Mostly to overwhelmingly local.



Local market definitions may vary.

Loyalists are the Base for Everything



Loyalists drive the vast majority of pageviews at all local newspaper Websites. As a group they have known characteristics:

- Vast majority of pageviews
- Vast majority of over-counting

How does this affect strategy?

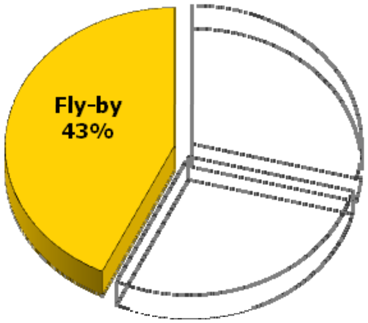
- Core audience has engagement.
- Higher engagement is higher opportunity.

The Friction Challenge

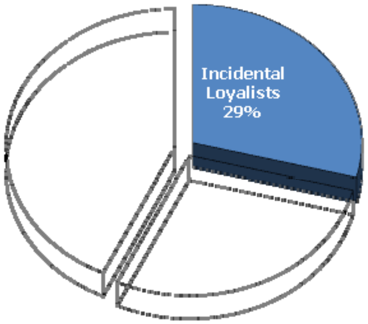
Saying “pay” is easy. Getting it is hard.

- **Single-story fees.** Likely to appeal only to fly-by visitors; large resistance can be expected.
- **Single-day pass.** Likely viable for all types; greatest total revenue opportunity and least resistance of all types.
- **Subscriptions**. Likely to appeal only to core loyalists; some resistance; capped revenues; most familiar, and easiest to implement.

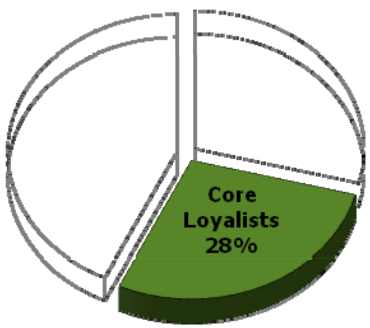
Paid Opportunity by Profile



Fly-by audience: Frequency 1 day per month, not returning. Typically driven by search or other reference to some specific story or content item. Best opportunity: Single-story fees?

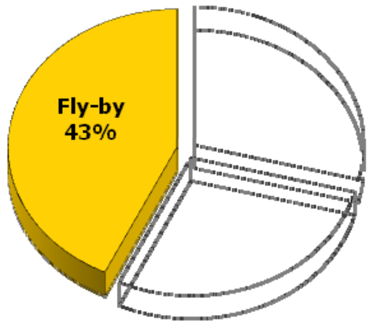


Incidental loyalist audience: Frequency 1-3 days per month, returns on a semi-regular basis. returning. Typically driven by desire to see some specific content for news, ads, classifieds, etc. Best opportunity: Single-story fees? Day passes?

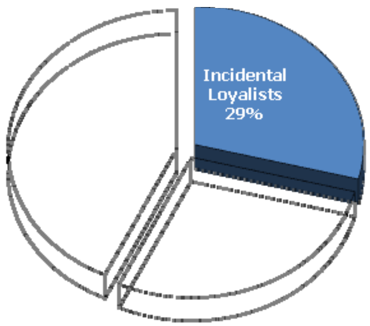


Core loyalist audience: Frequency 18+ days per month, 2-3 times per weekday. Typically driven local and breaking news. Best opportunity: Day pass? Subscriptions?

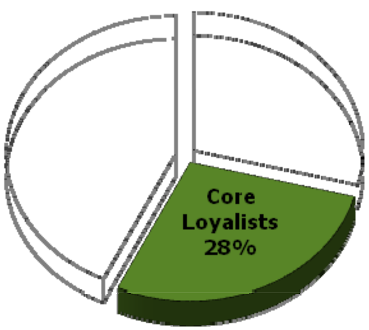
Revenue Strategy by Profile



Fly-by audience: Frequency 1 day per month, not returning. Leveraging the API



Incidental loyalist audience: Frequency 1-3 days per month, returns on a semi-regular basis. returning. Leveraging



Core loyalist audience: Frequency 18+ days per month, 2-3 times per weekday. API

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Digital Delivery: What you want, when you want, where you want

- Isaacson recommended iTunes or similar micropayments.
- Why iTunes and other online payments work — despite very strong initial resistance.

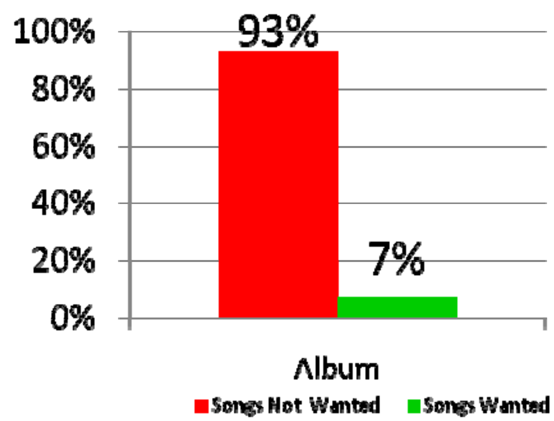
A Consumer Perspective - Music

This is the problem iTunes solves.

•You love one song on this album, “Treetop Flyer.” But it is not available as a single, you must buy the whole album of 14 songs for $14.99 to get the one you want.

•93% of purchase price “wasted.”

1 of 14 Songs Wanted

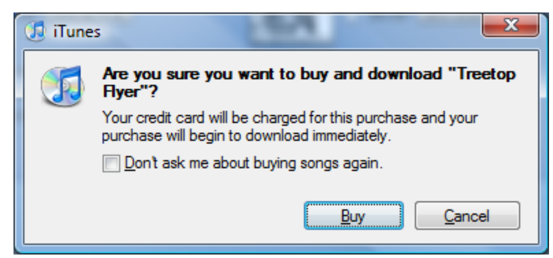


iTunes

•In iTunes you can go in and find the one song you want to add to your playlist and buy it for $0.99.

•100% of purchase price delivers what I want, when I want, and where I want.

1 of 1 Song Wanted

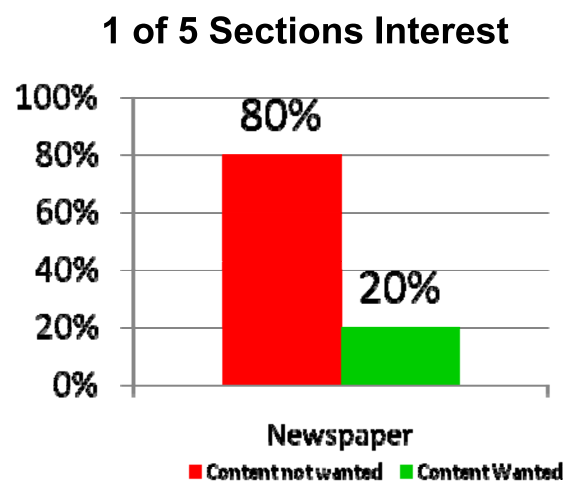


A Consumer Perspective: Subscriptions?

This is the problem with print.

•In subscribing to printed newspapers, people must buy all the content to get what they want — news, sports, ads, etc. No one wants all the content — perhaps only 1 of 5 sections on a regular basis.

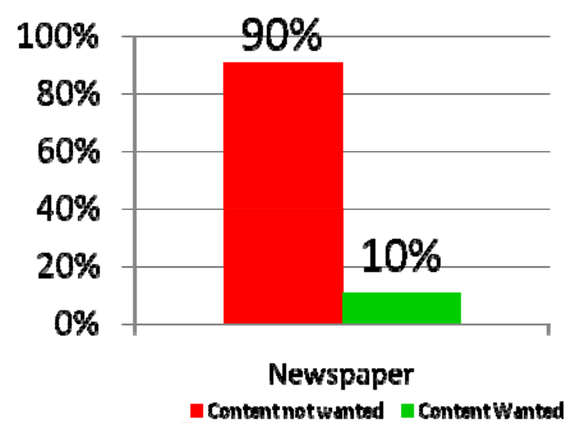
-75% of purchase price "wasted."



Problem is *worse* with online subscription.

An online subscription does not solve the problem if the same "buy all to get some" rule applies. People typically read 4 of perhaps 40 newly available online articles on any day.

•90% of purchase price "wasted."



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What do the data imply?

- **Missed opportunities for…**
  - ✓ ePaper
  - ✓ Interactivity
  - ✓ Registration

- **"Print" precepts still driving our thinking.**
  Comfort with words, not interactivity
  Obsession with "credibility" and professional
  Control of conversation– not trusting visitors
  Price to end user focused on advertising
  Cost to end user consistently discounted or free
  No focus on user benefits

- **Potentially deep disconnect between "us" and "them"** — content creators and end-users, our visitors.

- **Visitors' focus is on Internet and TV, not print.**

- **Little audience understanding of basic reach and behaviors.**

- **Faulty models likely in place for assessing opportunity and ROI.**

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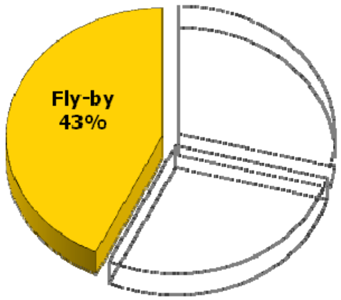
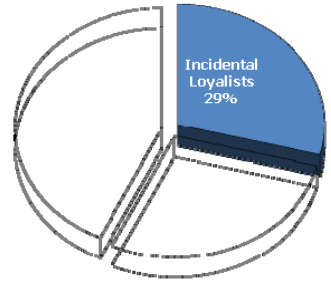
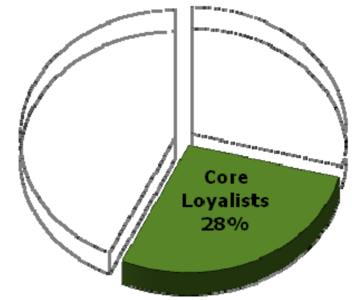
Hands-on

- How many people?
- How much opportunity for core?

- Subscription Opportunity
- Micropay Opportunity







Worksheet

Audience	Unique Visitors	X	Visits per month	X	Pages per visit	=	Page-views	Revenue Opportunity
Omniture		x		x		=		
Site Estimate								
Flavors:								
Fly-by		x	1.0	x		=		
Incidental		x		x		=		
Core		x		x		=		
Total								

Case Studies

Enterprise	Ownership	Site Link
Pittsburgh PA *Post-Gazette*	Independent	PGPlus
Newport RI	Independent	
Little Rock, AR *Arkansas Democrat-Gazette*	Independent	ArkansasOnline.com
Lima, OH *The Lima News*	Freedom Communications	LimaNews.com
Kankakee, IL *The Daily Journal*	Small Newspaper Group	
Manchester, CT	Independent	
Erie, PA *Erie Times-News*	Independent	GoEire.com

Experimental Matrix
Looking for Volunteers!

Pay Model	Test 1	Test 2	Pricing	Notes
Subscription Model	Allow Current Subs Free	All Pay	$6 to $10/month	We may consider that this has been done.
Day Pass 24 Hrs.	Allow Current Subs Free	All Pay	$1.00 to $1.50	Lower resistance, higher revenue. Allows to get some revs from Fly-bys & incidentals, though not much. Revs per visitor likely to be 2x subs model per + more participation.
Day Pass/Single Article	Allow Current Subs FreeWith Single Article	All Pay With Single Article	Day: $1.00 to $1.50 Single Article: $.50 to $.75	May want to introduce some flavor of FinTimes model on this, but not much, as there is no real solution for the cookie problem. Prompt at 2nd visit, for sure.

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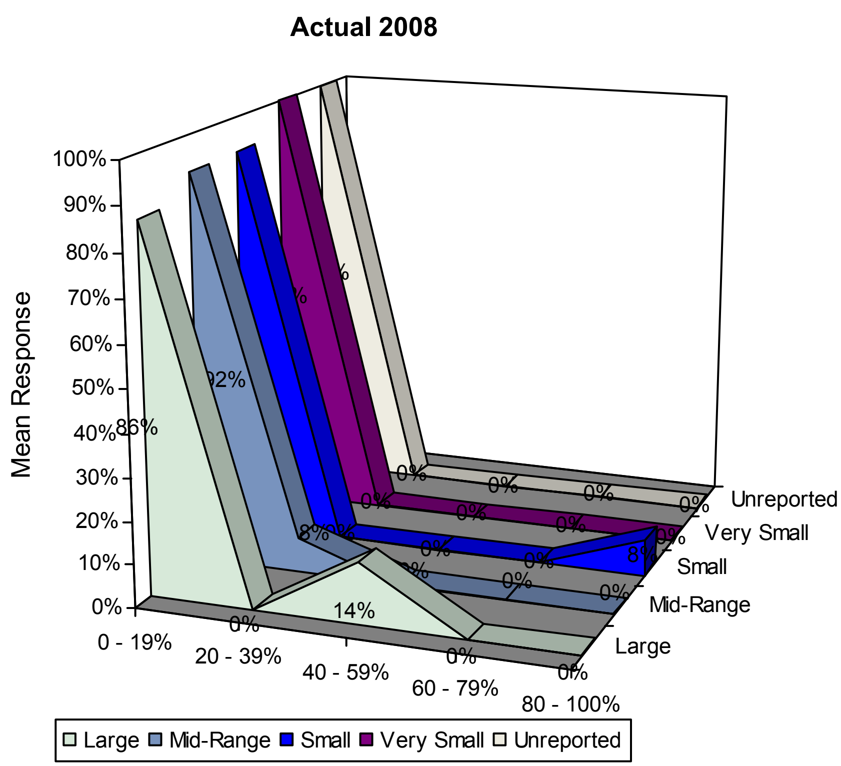
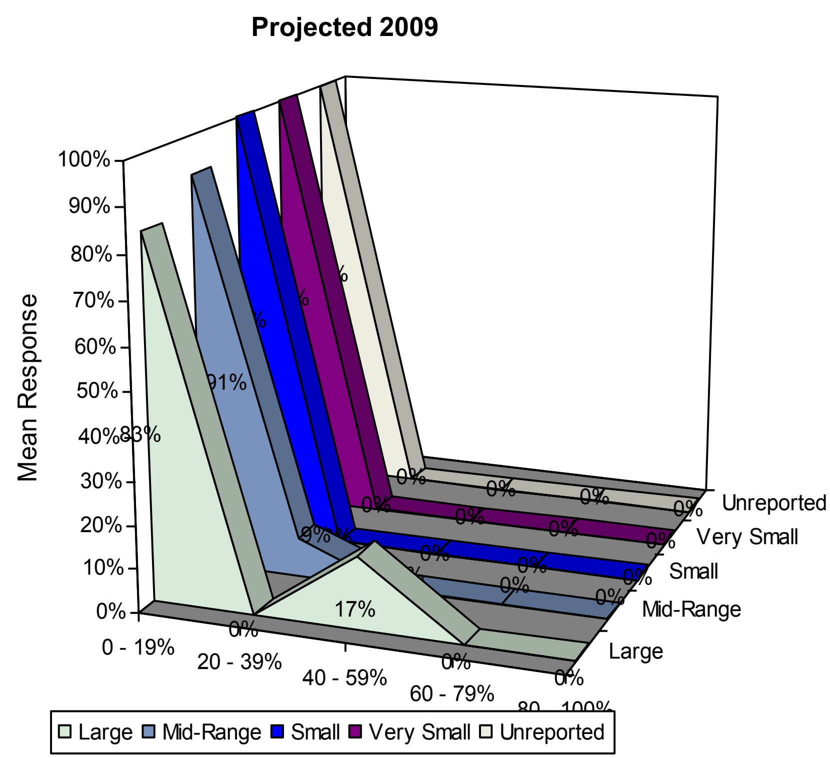
Revenue Initiatives 2009

Benchmarking print revenues

Contribution to print revenues from national retail

By enterprise scale





Sample Size = 42

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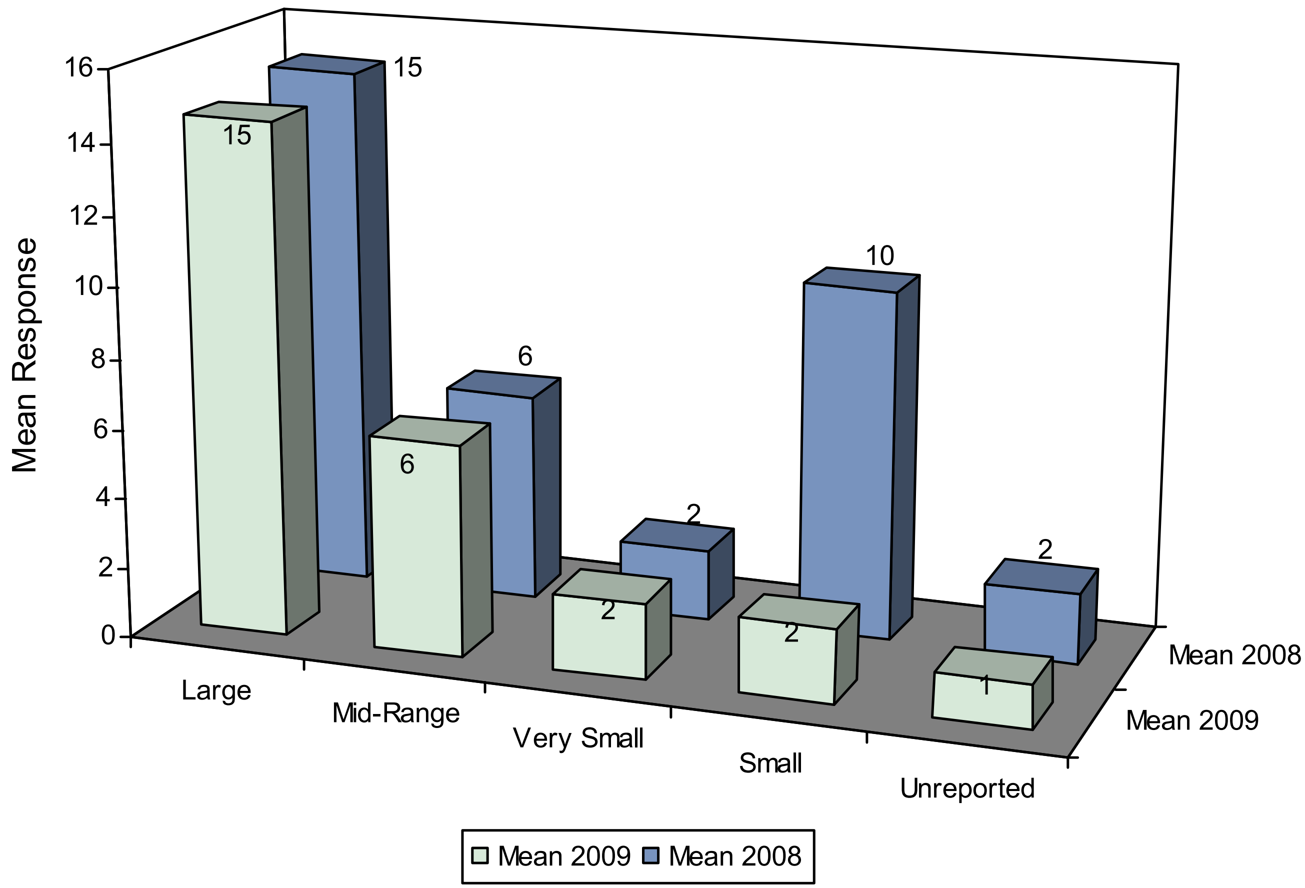
Percentage of total print revenue from national ads

by enterprise size



Sample Size = 40

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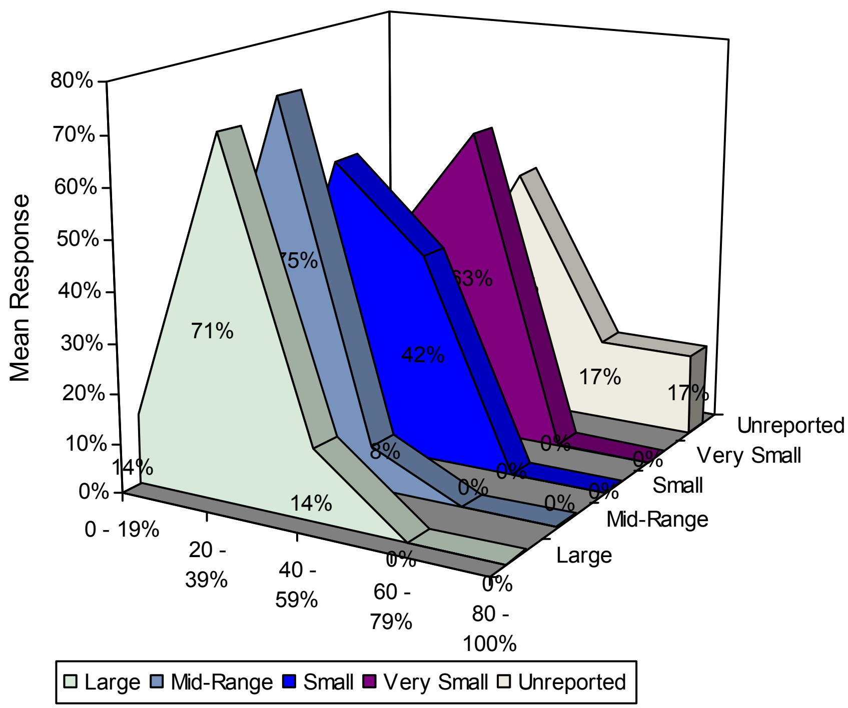
Belden Interactive

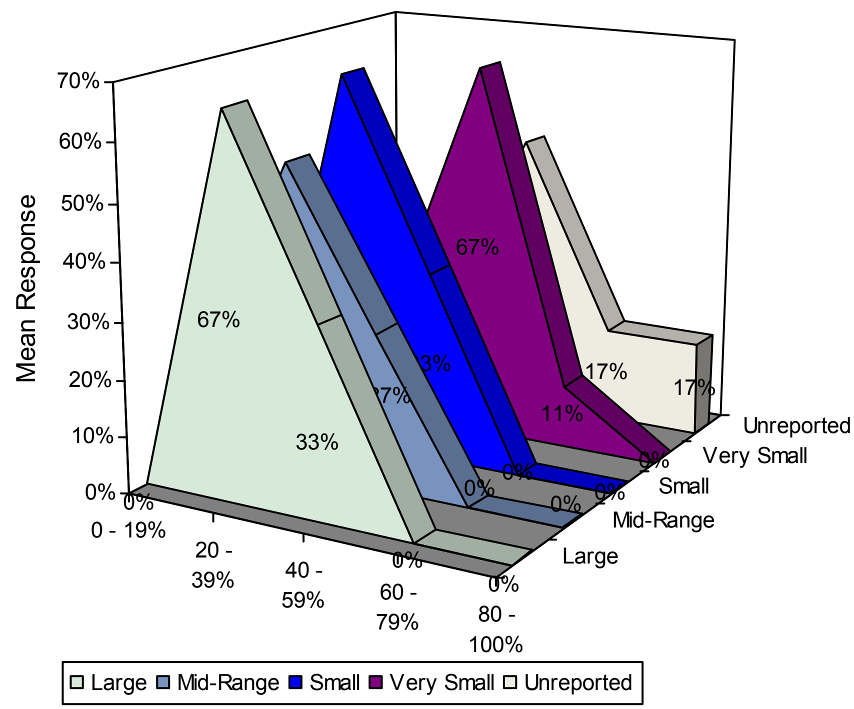
Contribution to print revenues from local retail

By enterprise scale

Actual 2008



Projected 2009



Sample Size = 44

American Press Institute

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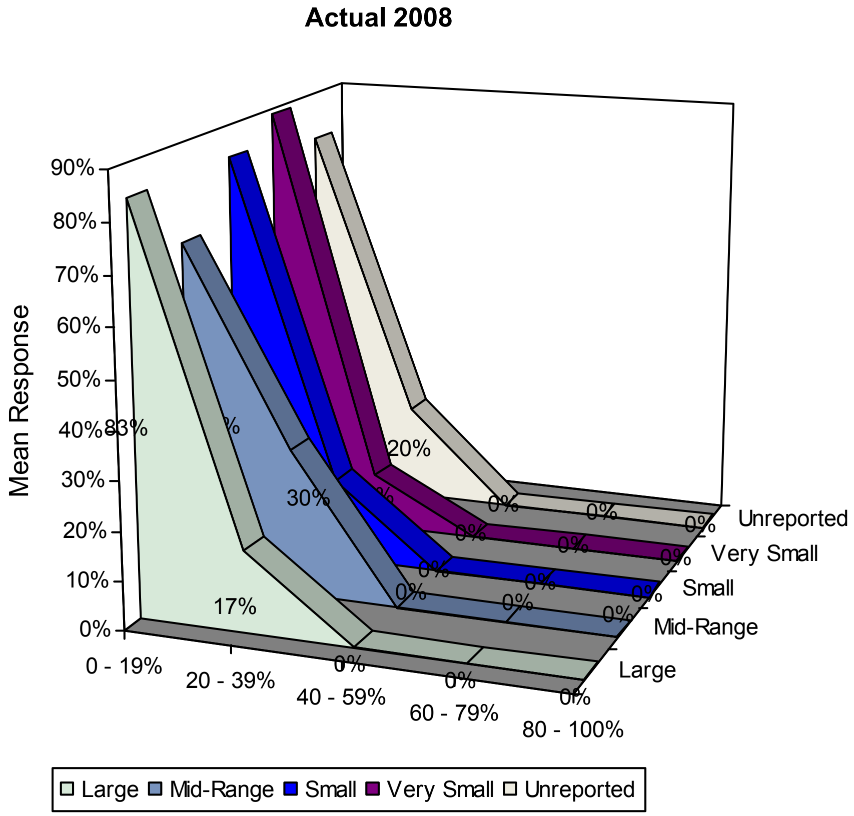
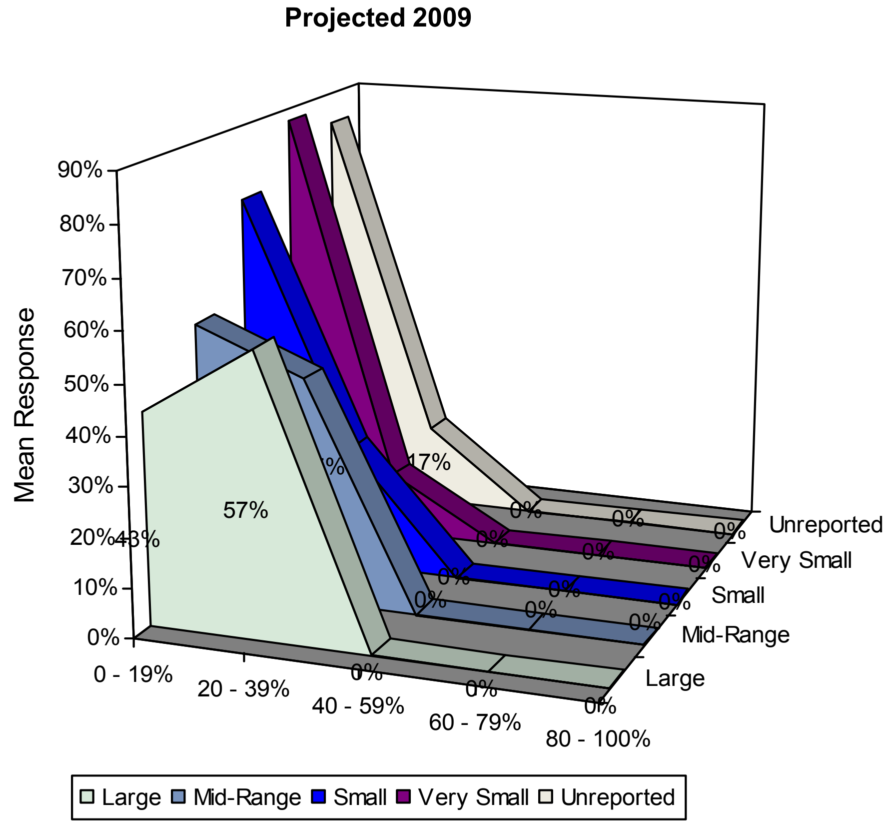
Contribution to print revenues from local Inserts

By enterprise scale





Sample Size = 42

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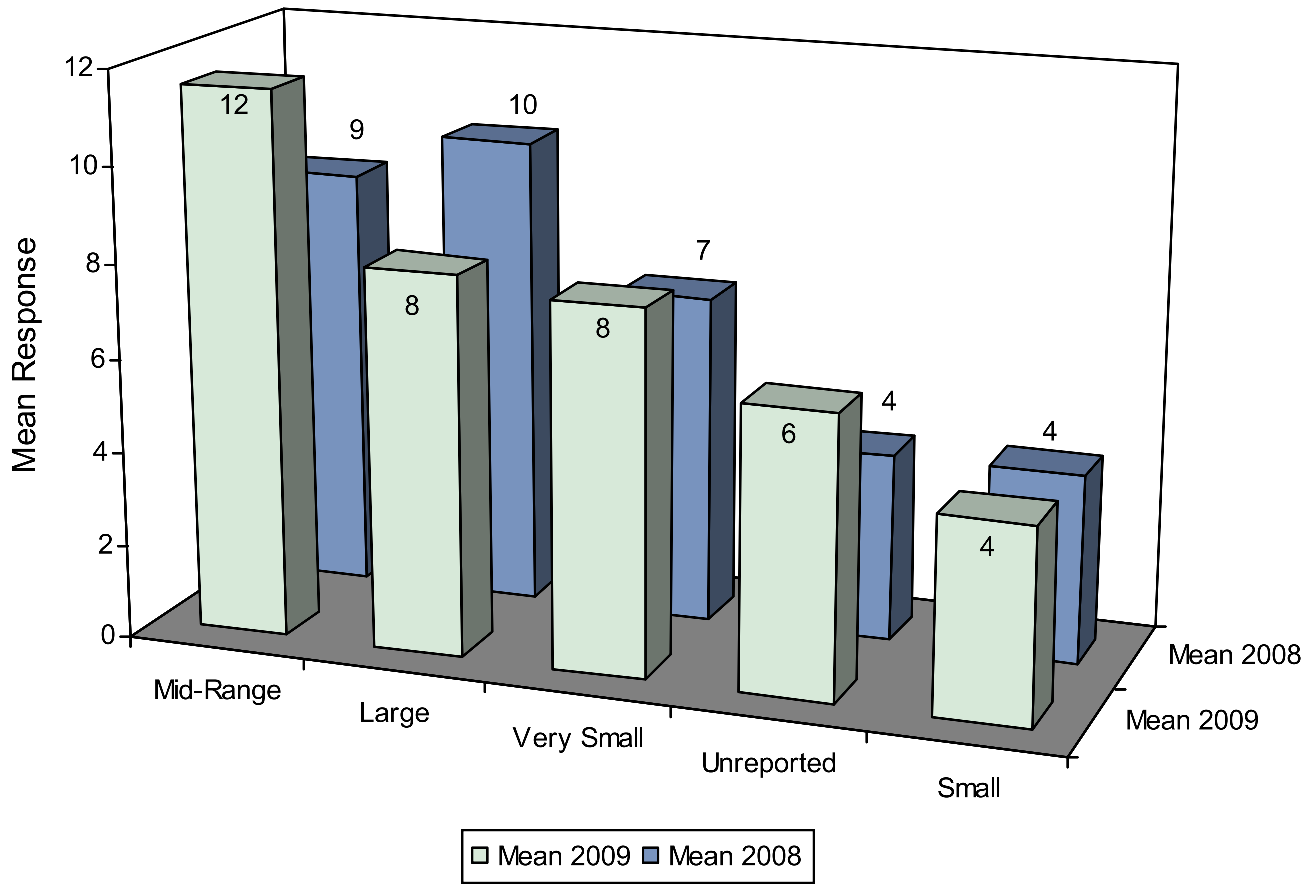
Percentage of total print revenue from national inserts

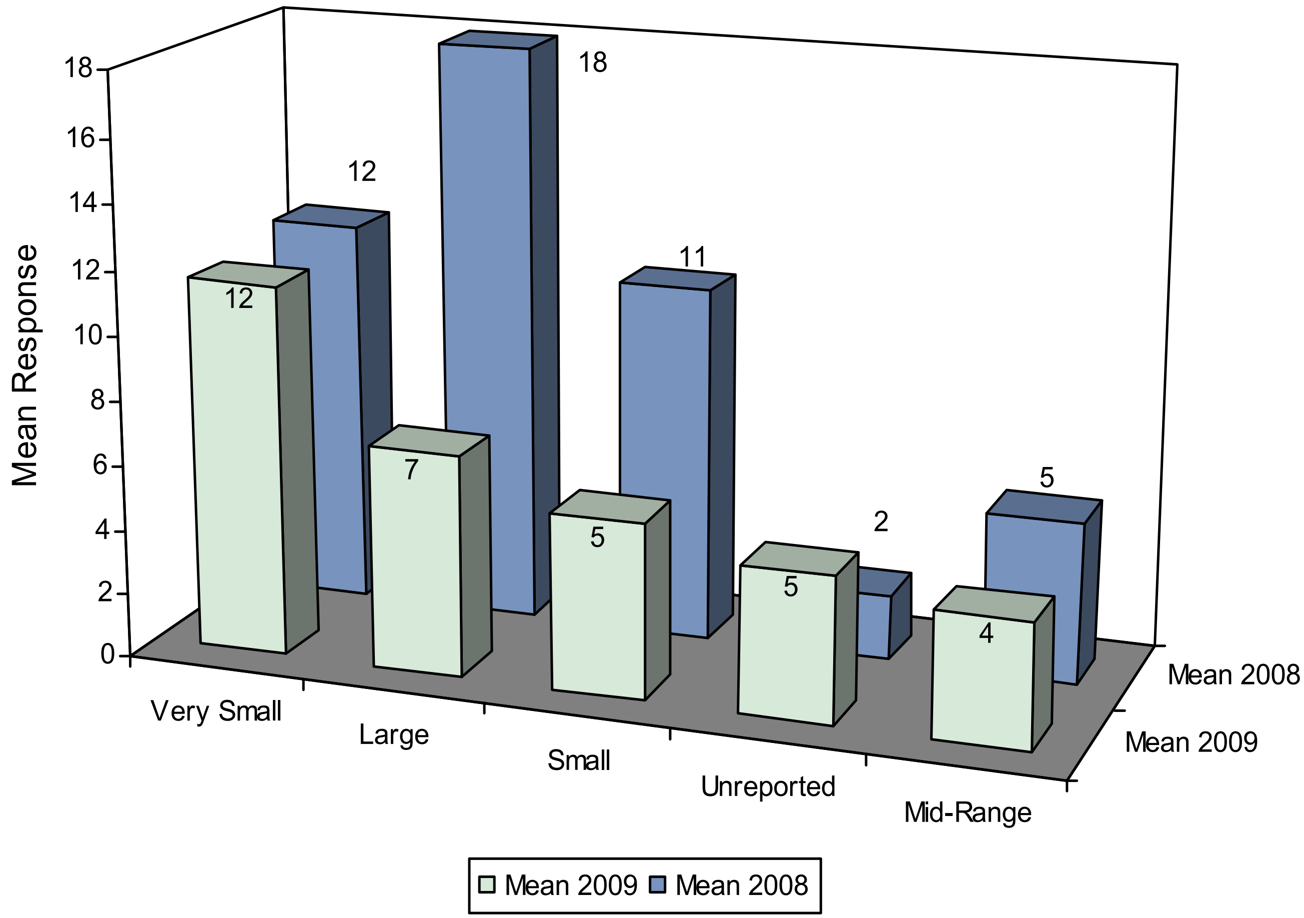


Sample Size = 36

American Press Institute

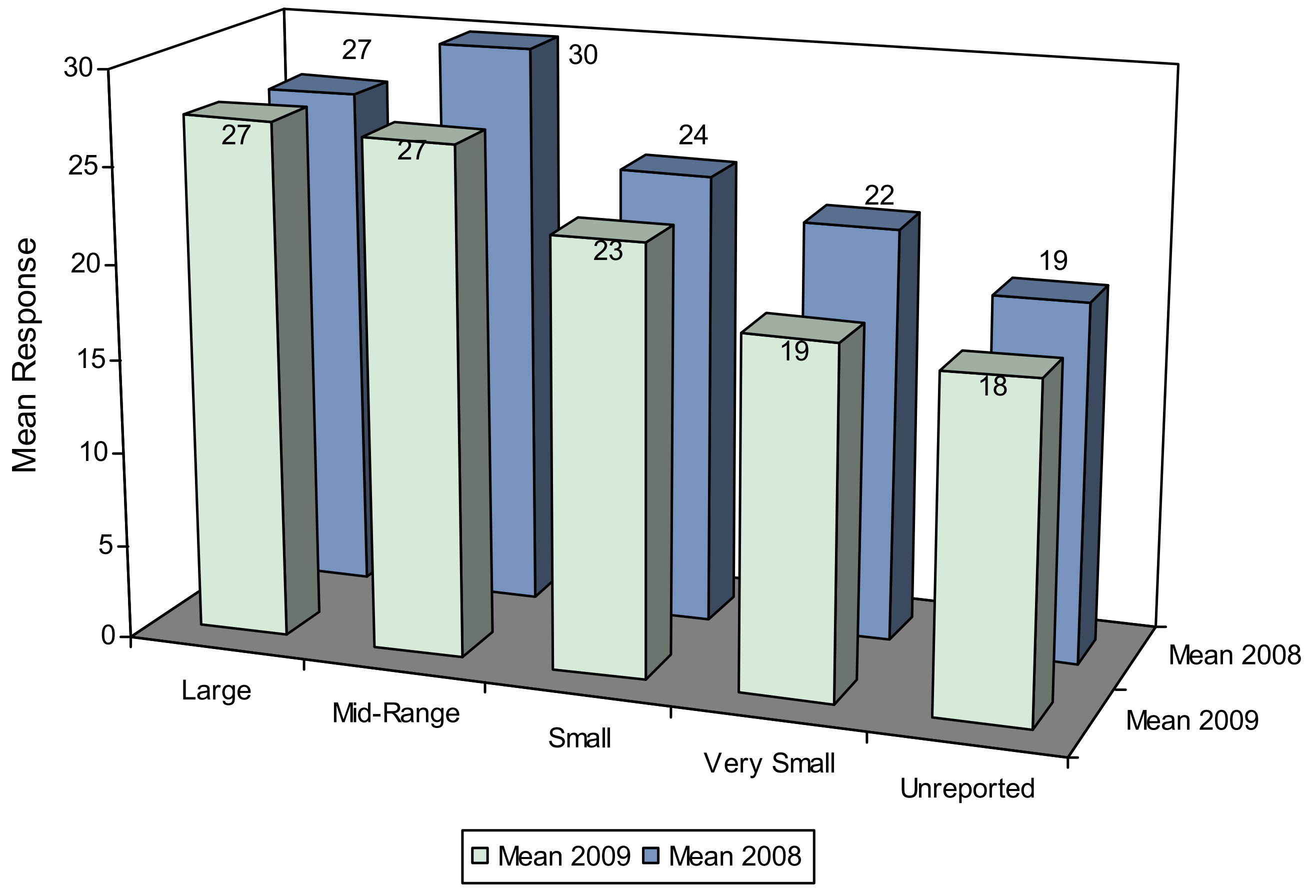
Belden Interactive

Percentage of total print revenue from niche pubs



Sample Size = 40

Percentage of total print revenue from classifieds



Sample Size = 44

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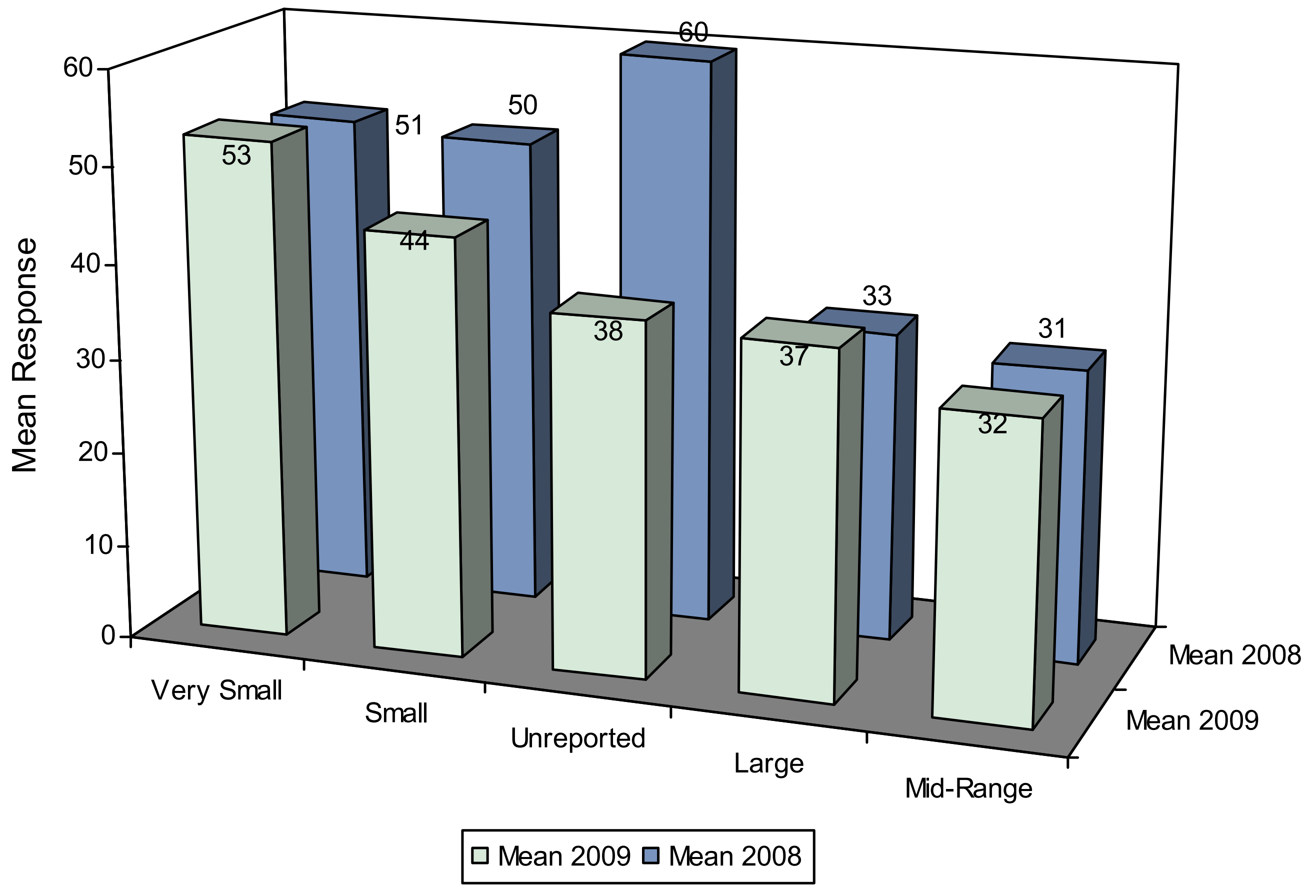
Revenue Initiatives 2009

Benchmarking online revenues

Percentage of total online revenue from display ads (ROS)



Sample Size = 45

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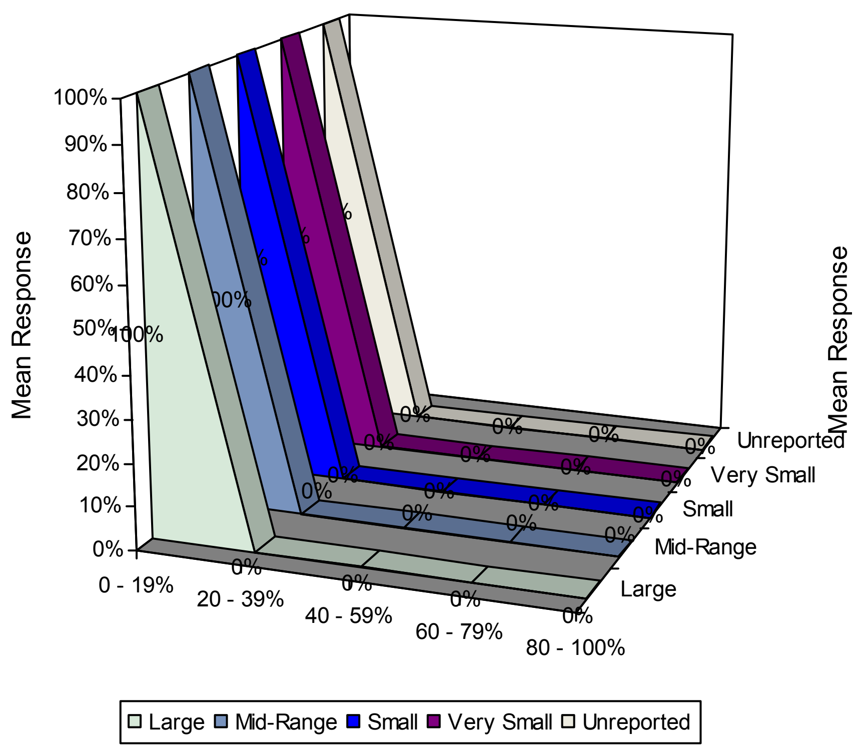
Contribution to online revenues from behavioral targeting

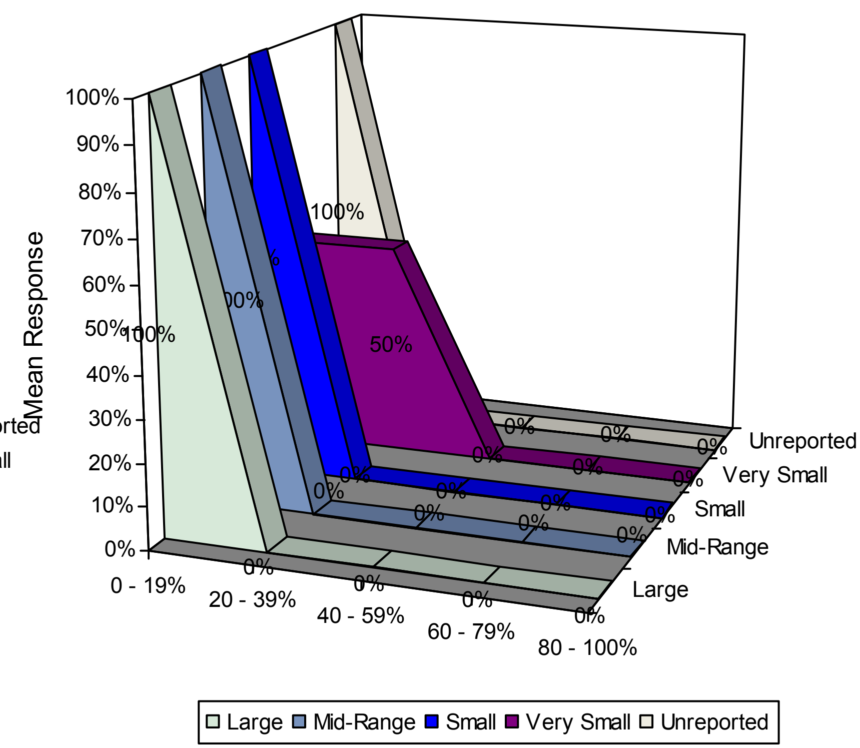
By enterprise scale

Actual 2008



Sample Size = 21

Projected 2009



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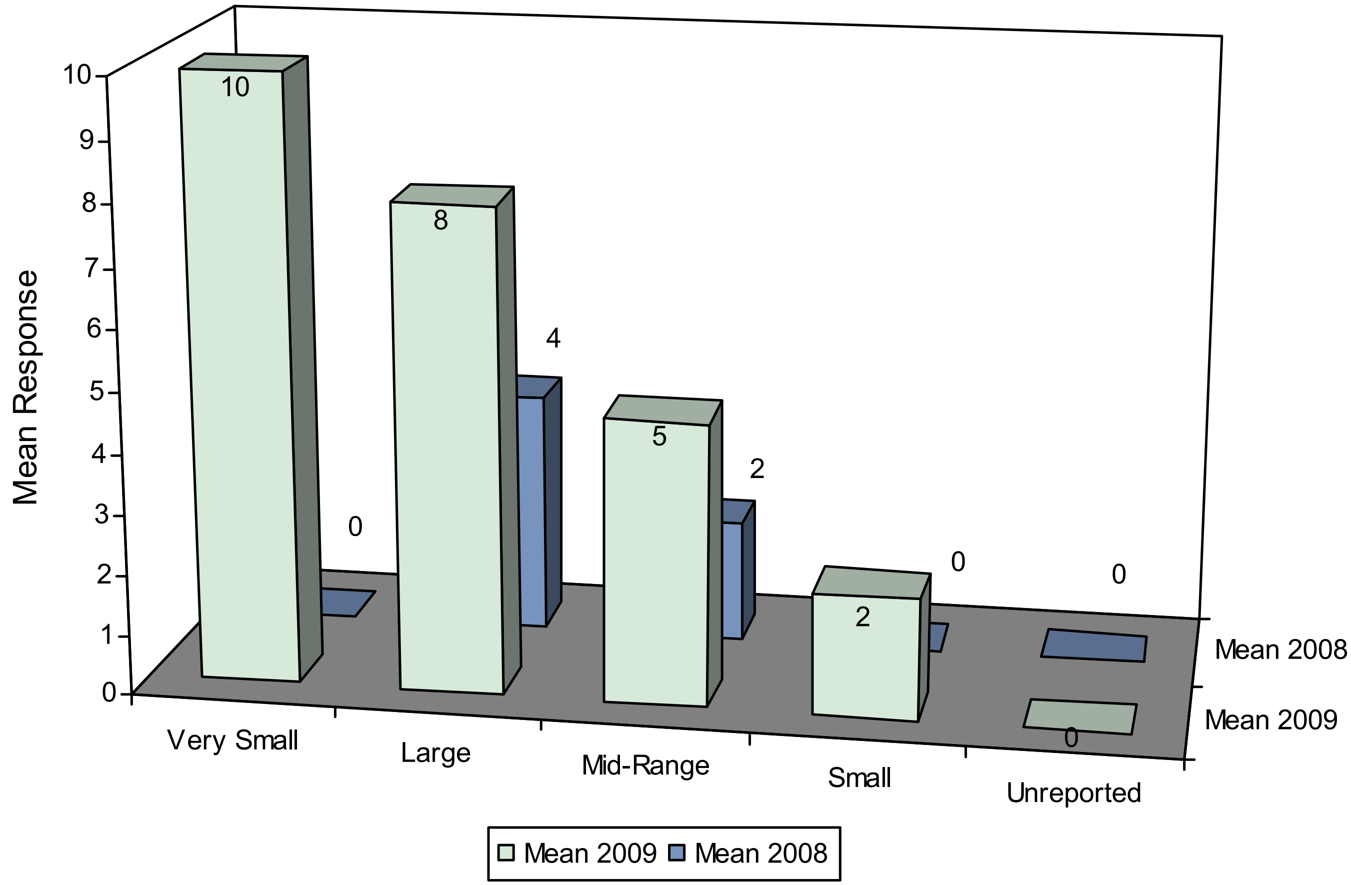
Percentage of total online revenue from behavioral targeting



Sample Size = 21

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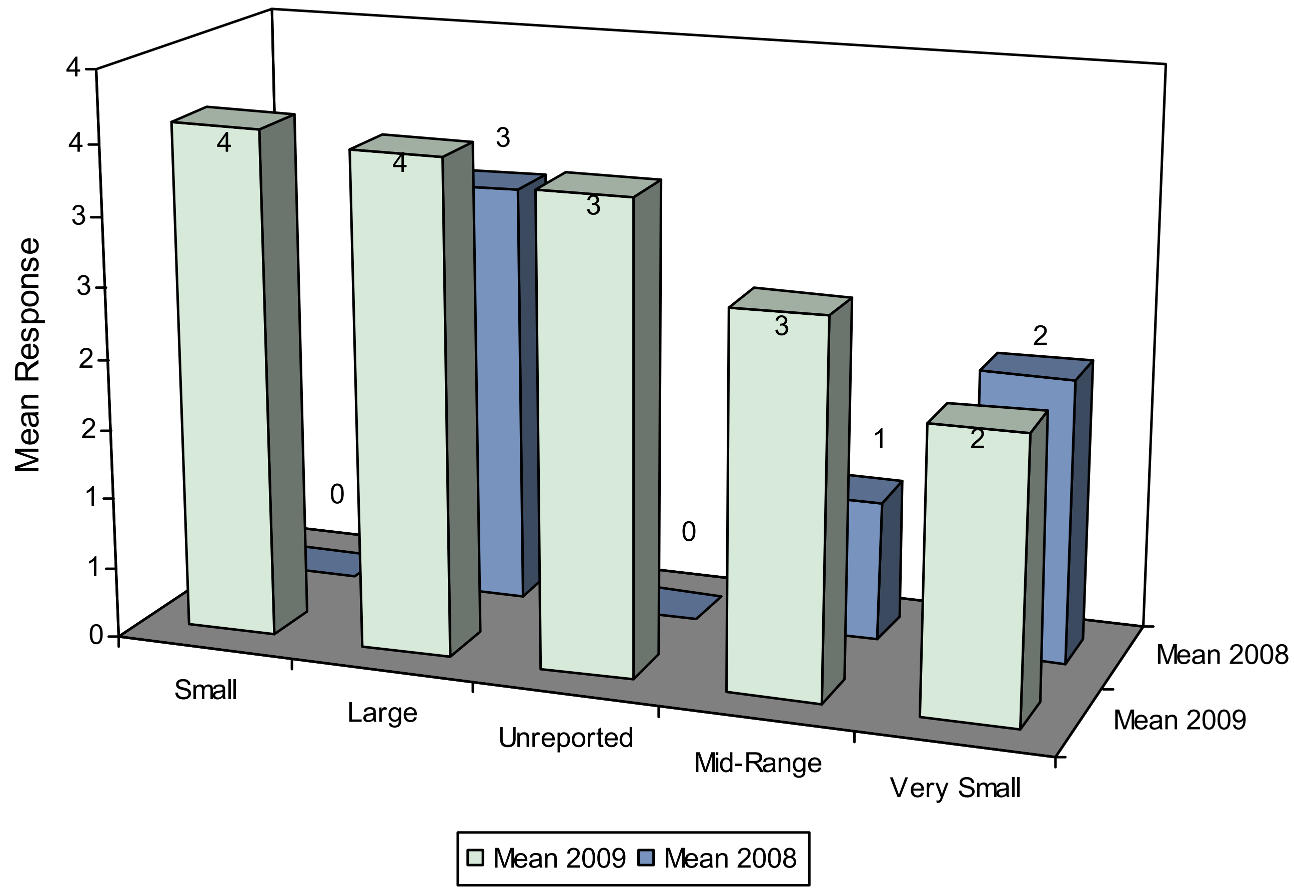
Percentage of total online revenue from local search

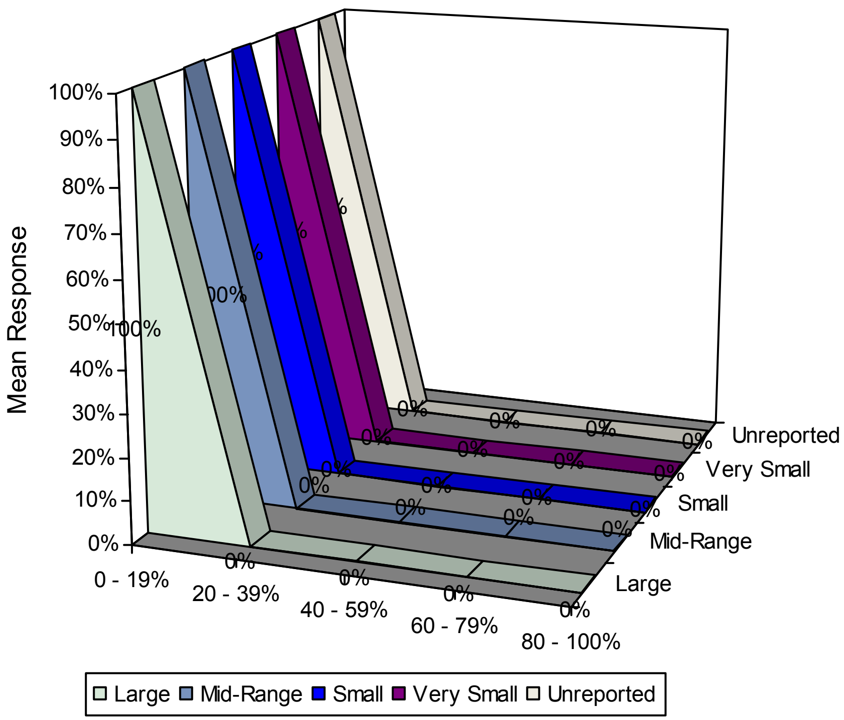


Sample Size = 23

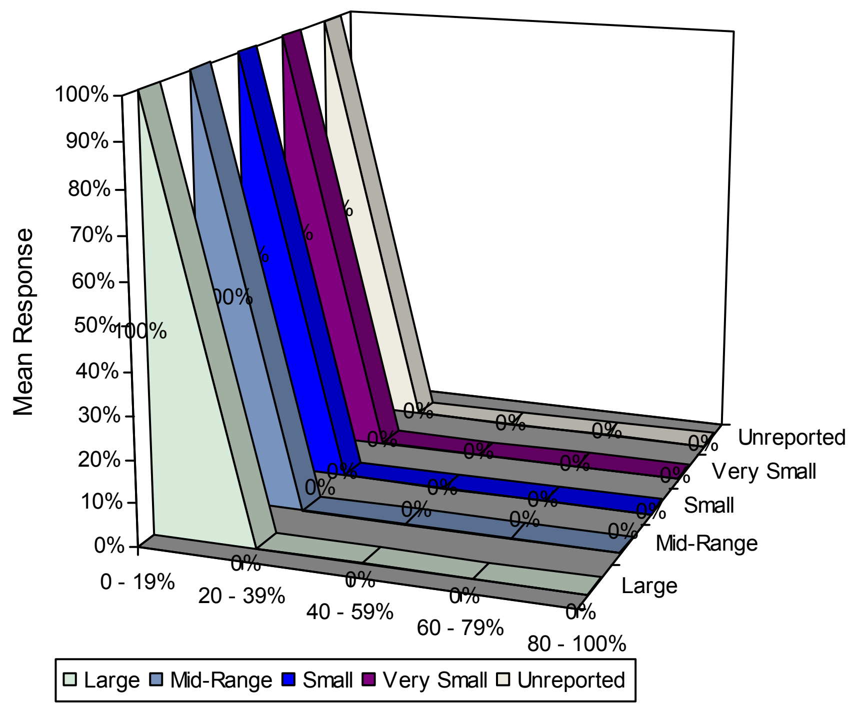
Contribution to online revenues from mobile

By enterprise scale

Actual 2008

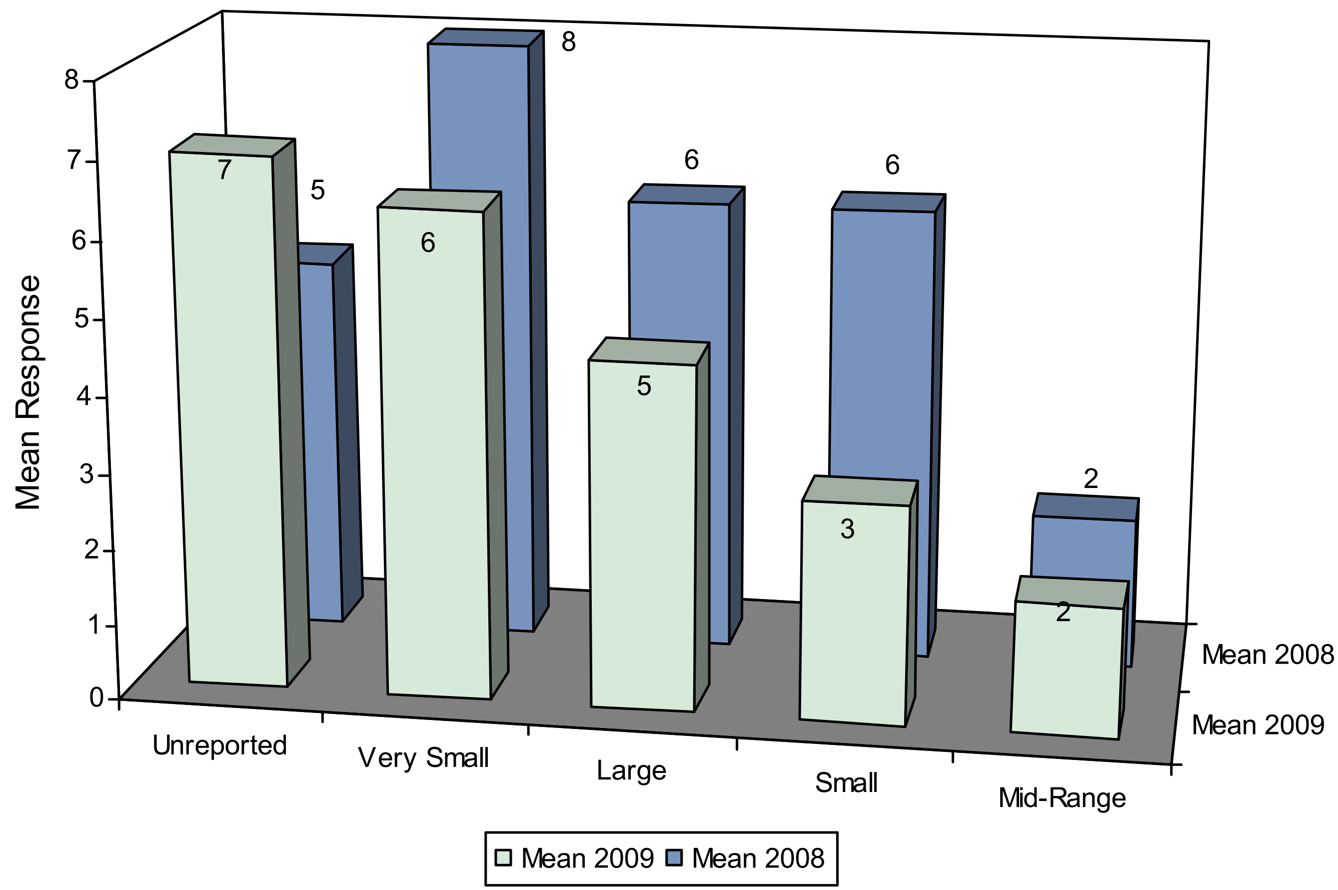


Projected 2009



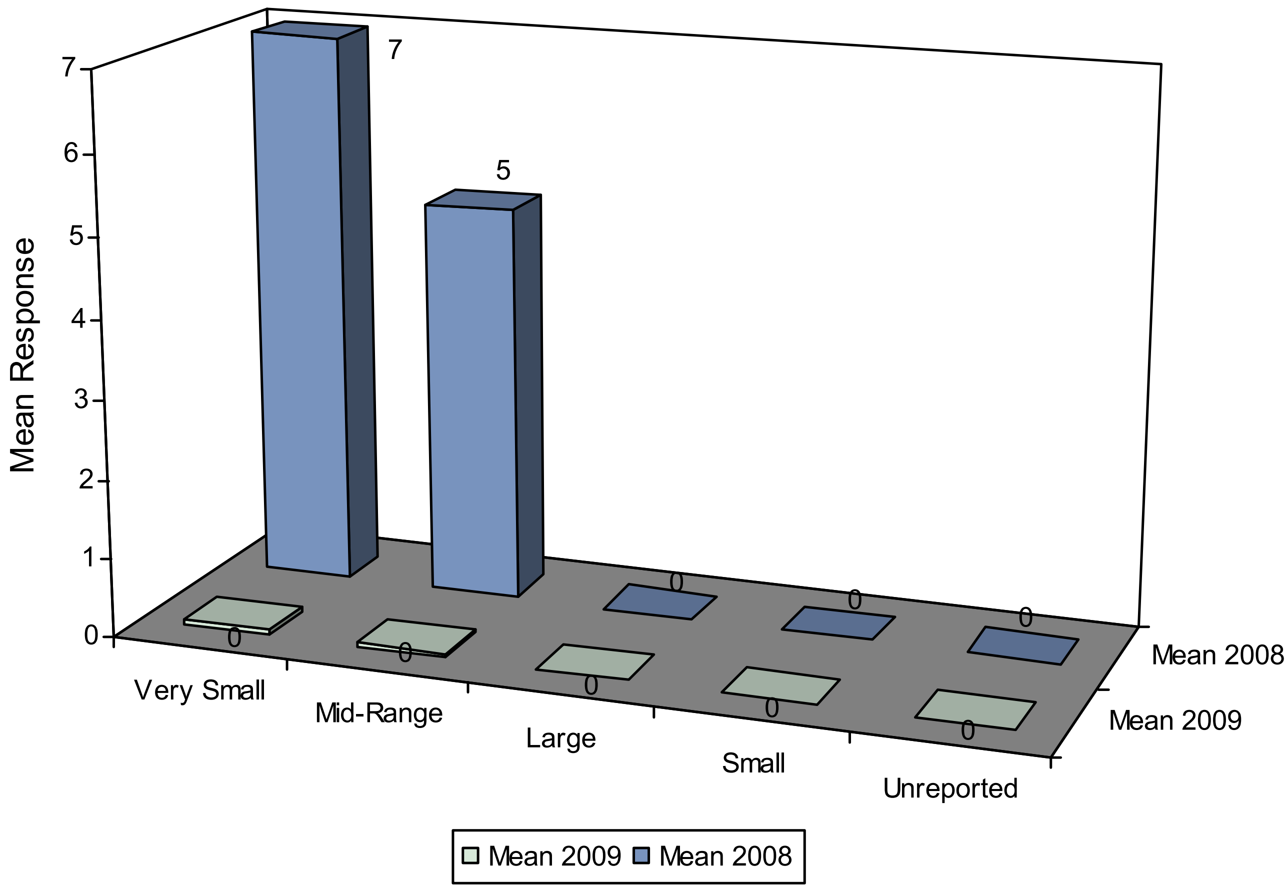
Sample Size = 18

Percentage of total online revenue from national or regional remnant



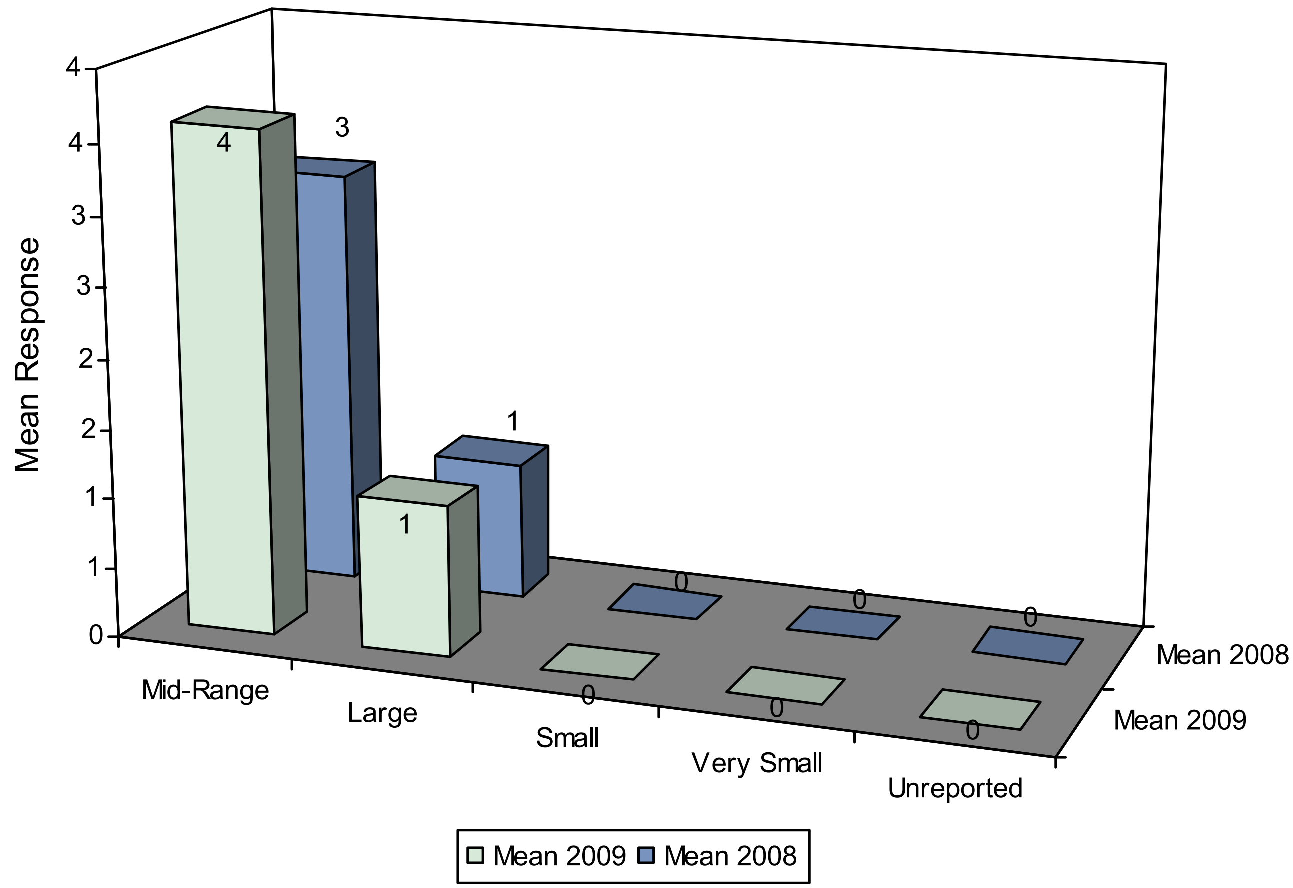
Sample Size = 28

Percentage of total online revenue from Search Engine Optimization



Sample Size = 19

Percentage of total online revenue from Search Engine Marketing



Sample Size = 18

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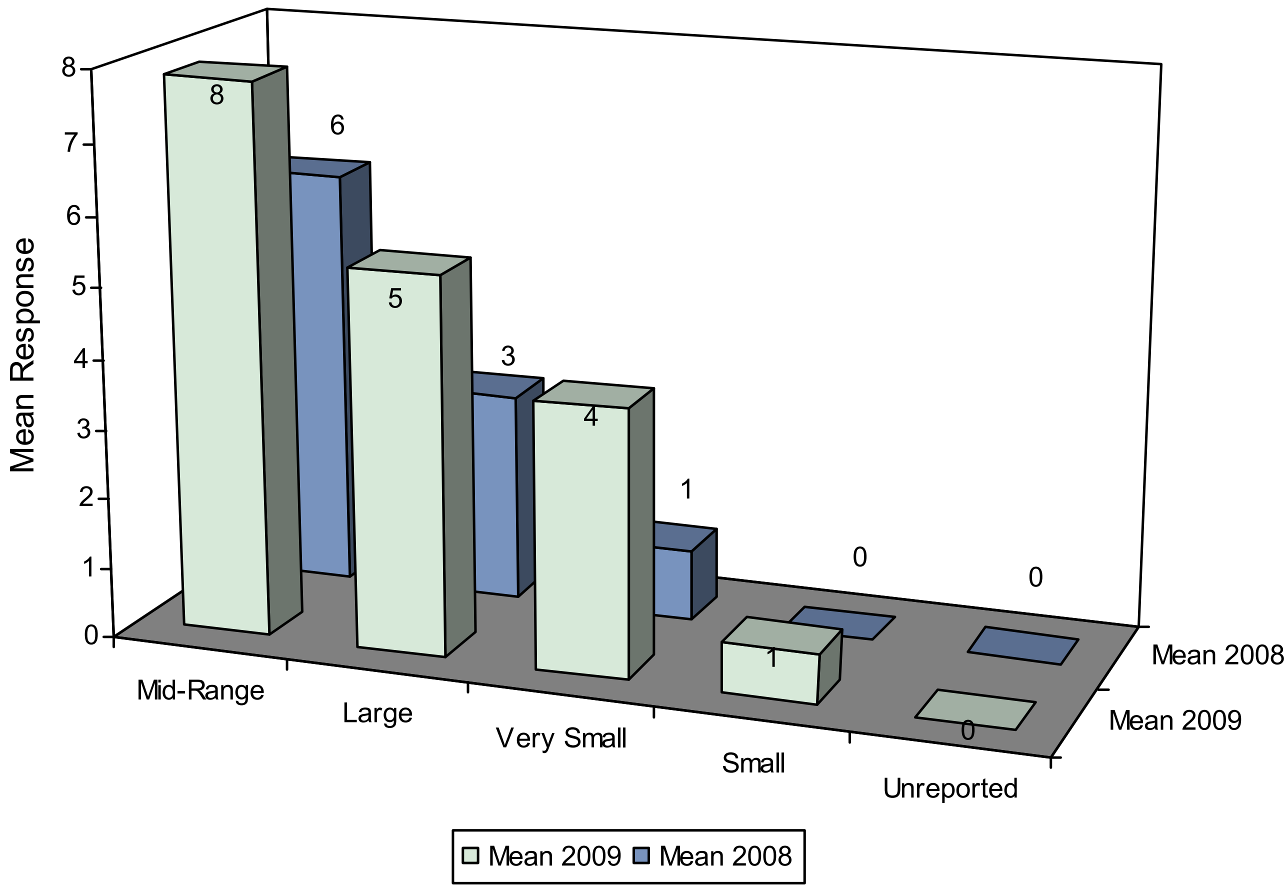
Percentage of total online revenue from Video Advertising



Sample Size = 28

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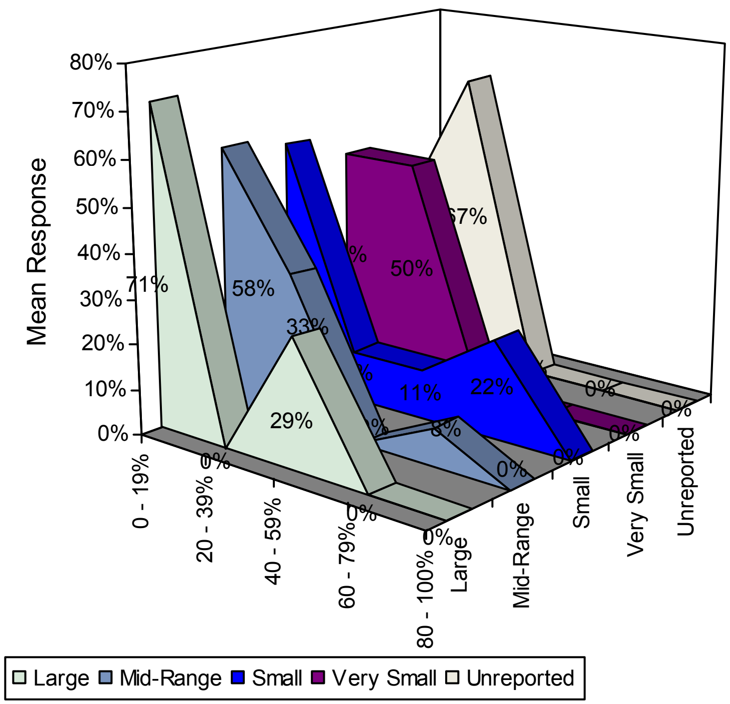
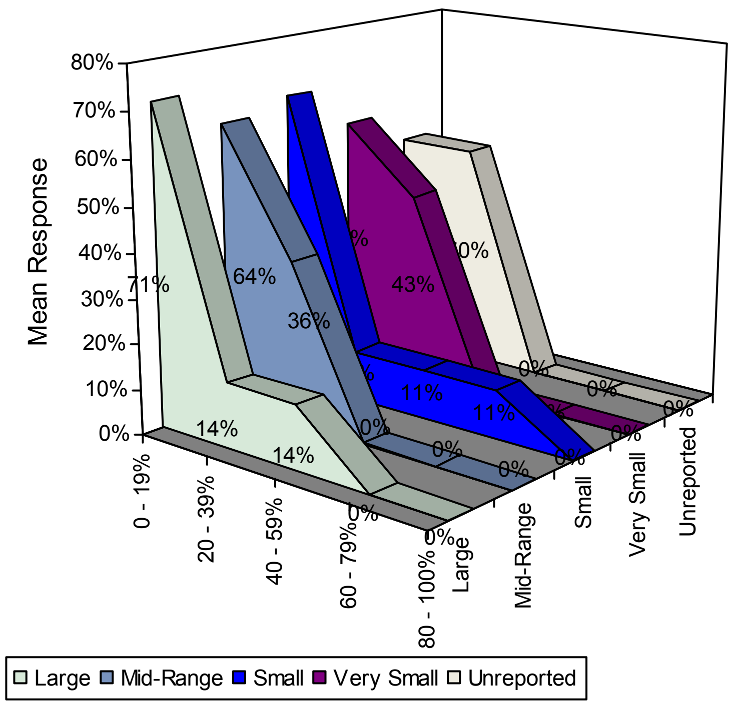
Contribution to online revenues from Classifieds Actual

By enterprise scale

Actual 2008



Projected 2009



Sample Size = 37

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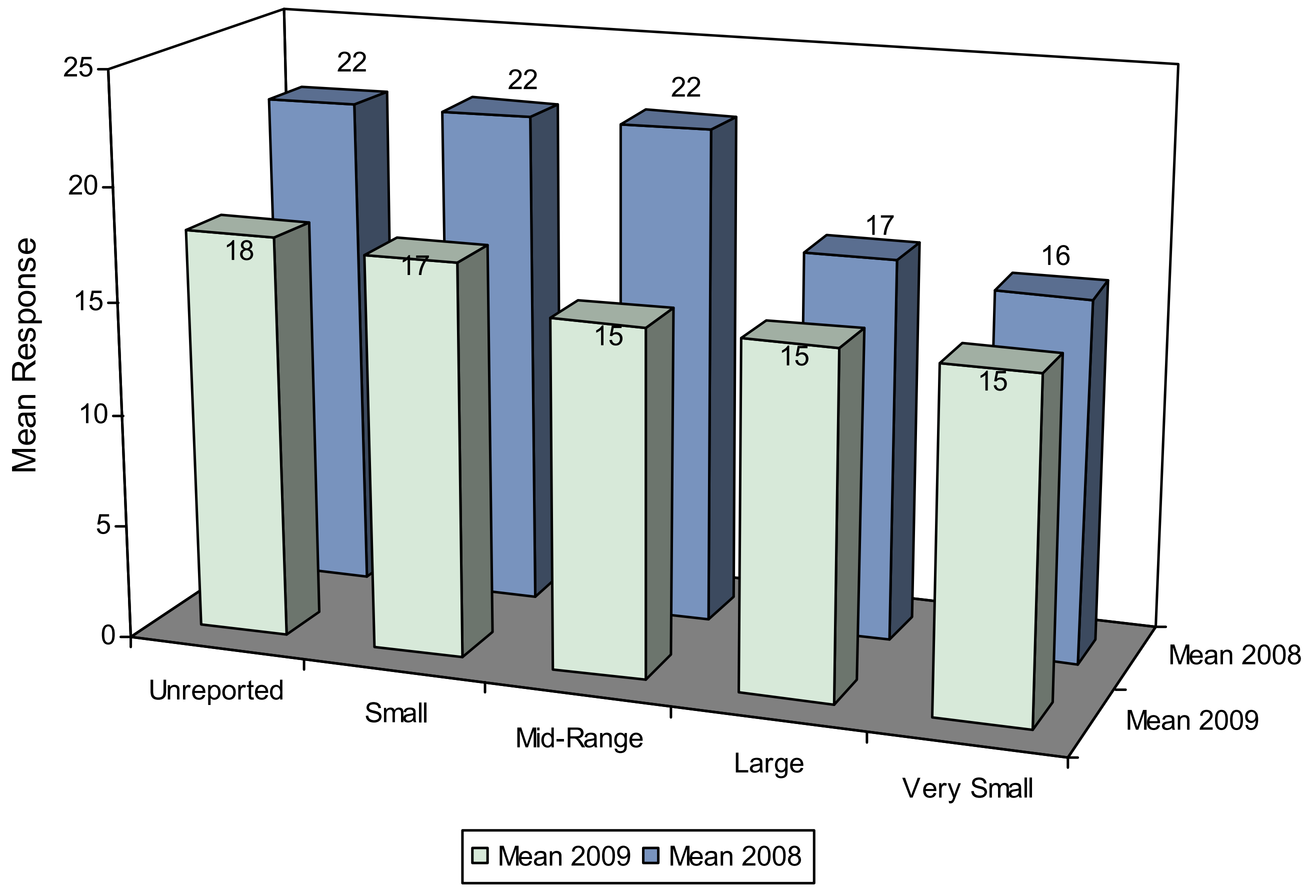
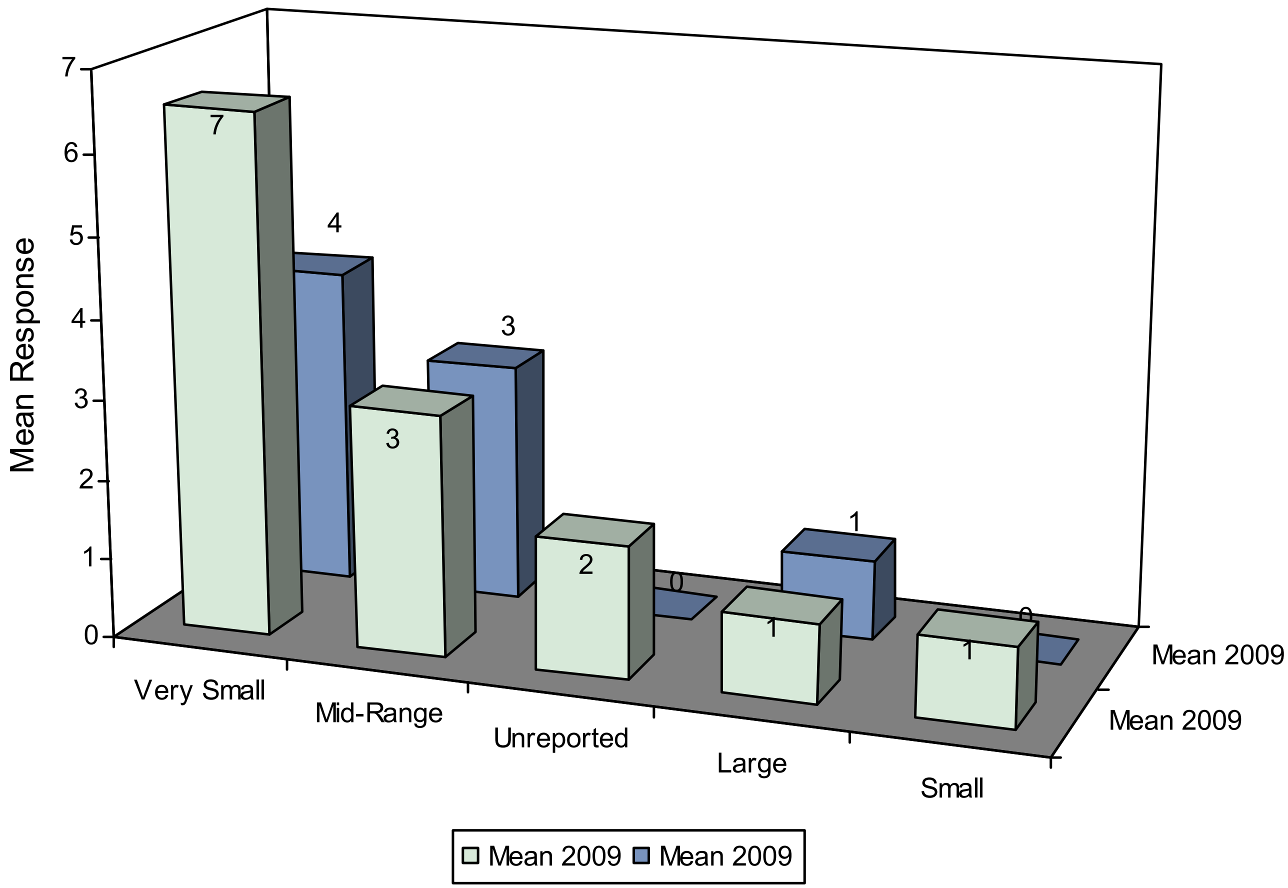
Percentage of total online revenue from classifieds



Sample Size = 38

Percentage of total online revenue from Sponsorships



Sample Size = 22

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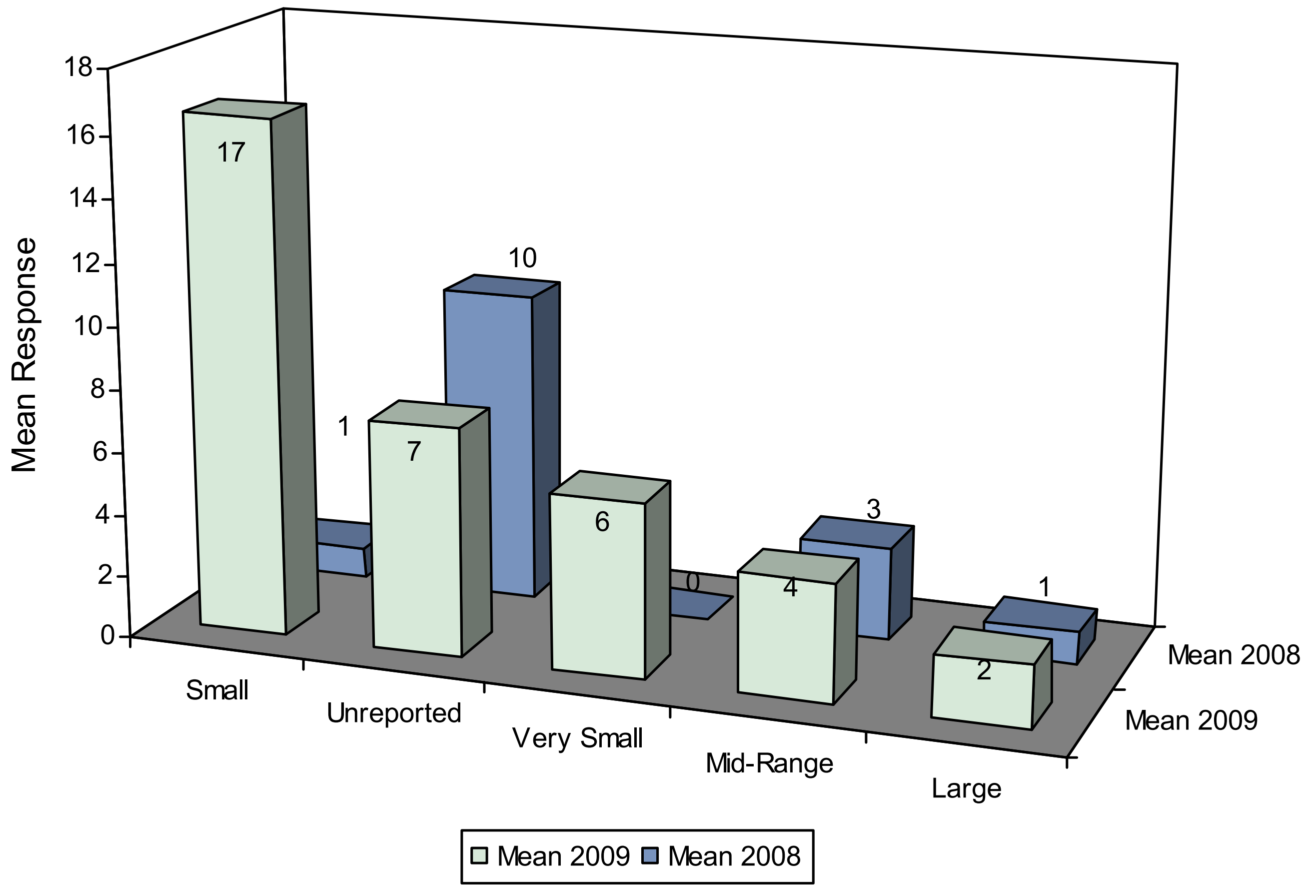
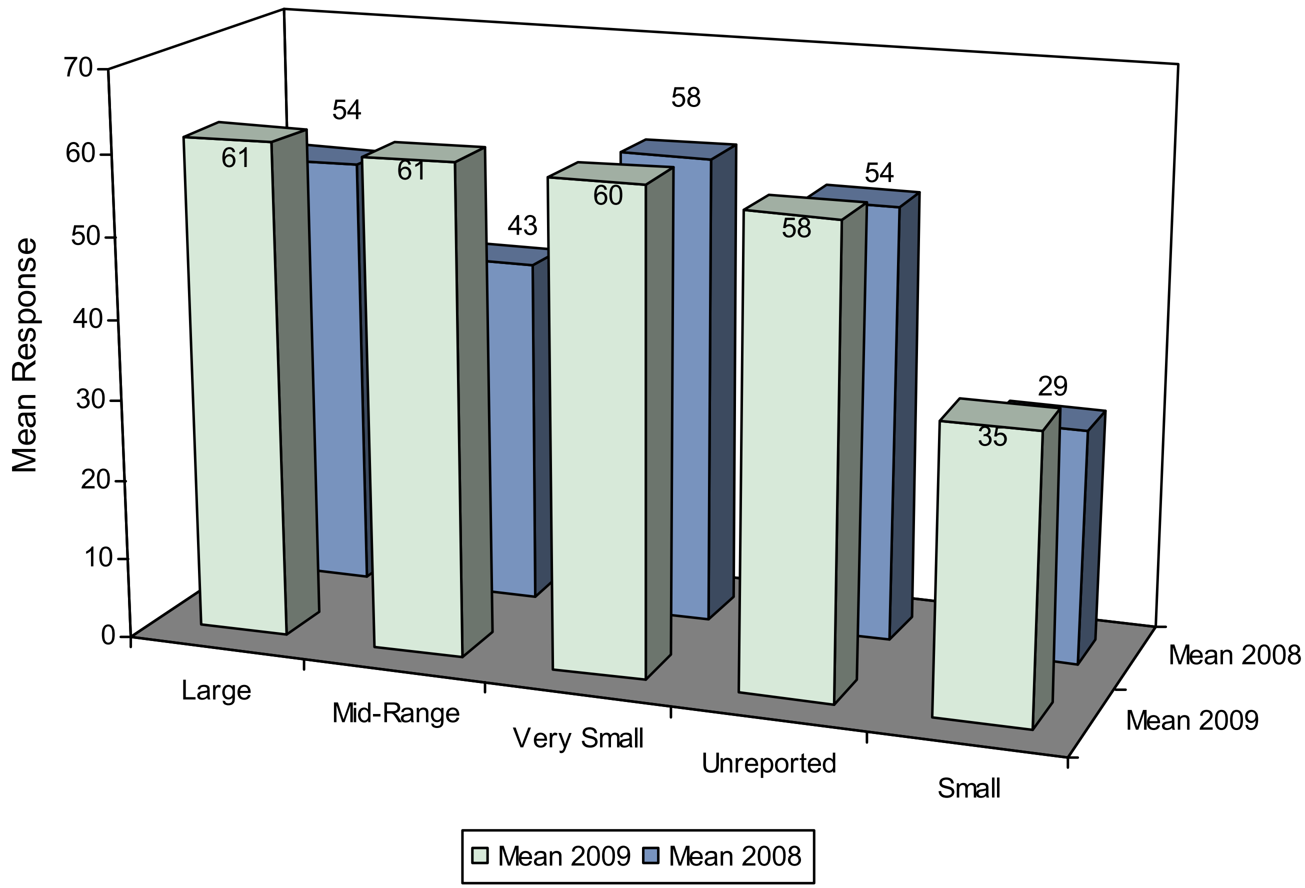
Percentage of total online revenue from business directories



Sample Size = 25

Average Sell-Through (% Inventory sold)



Sample Size = 44

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Case Studies

- PG Plus
- Newport RI
- Arkansas
- Lima OH
- Kankakee
- Manchester, CT
- GoErie

Appendices

Content Initiatives

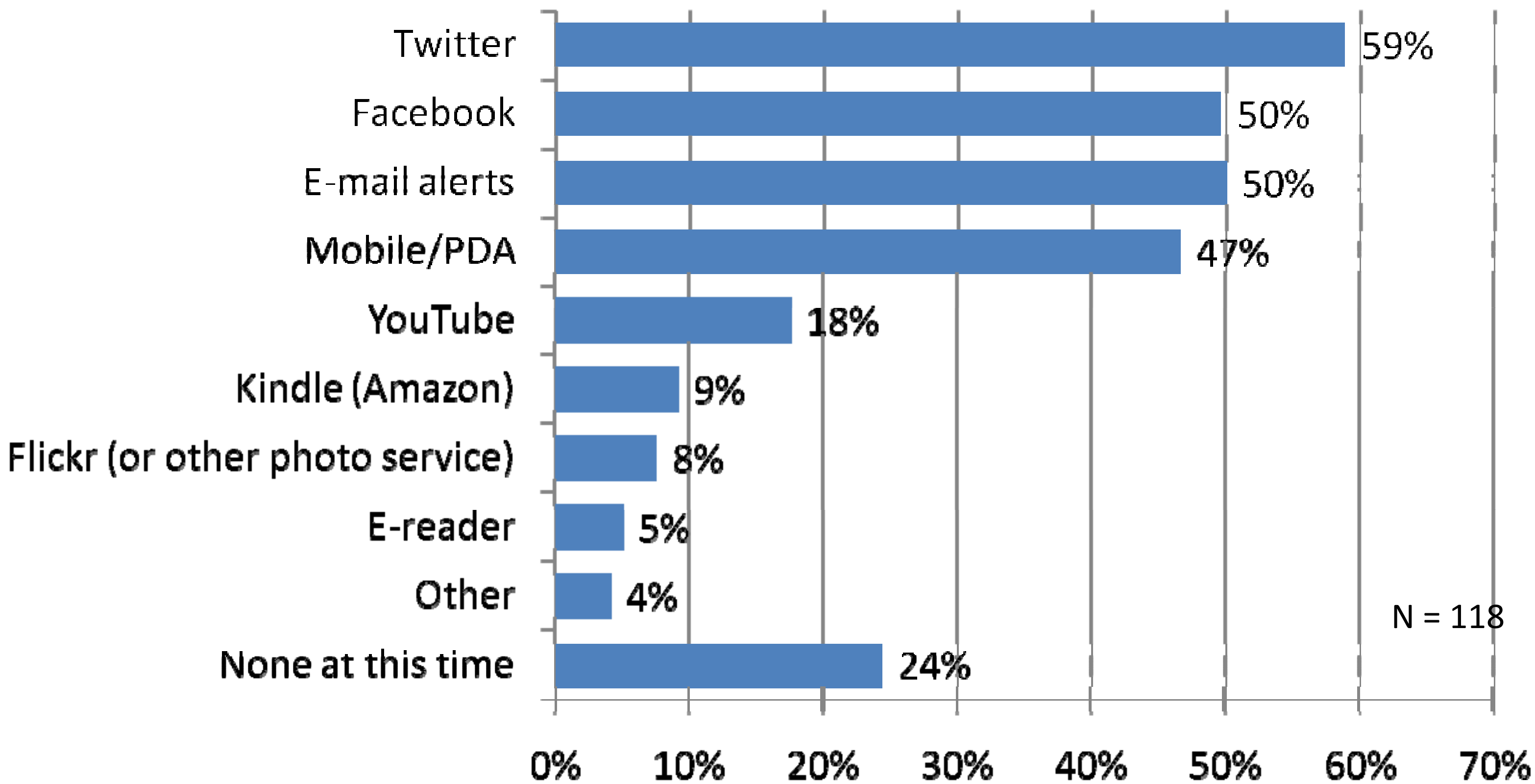
Social networks links/presence	86%
E-commerce storefronts	80%
Email subscriptions/alerts	70%
Niche sites (moms, gardens, etc.)	70%
Premium-content site/section	8%

N = 118

- Facebook (79%) and Twitter (80%) most-often cited social networks.
- Photos (75%) and paid archives (48%) most common ecommerce elements.
- 1 of 83 with email subscriptions with payment.
- 59 of 83 (71%) sold advertising into email subscription/alert programs.

Digital Delivery

35. Do you provide access to stories or information such as sports scores, headlines, stock quotes, etc., by any of these digital delivery platforms? [Select all that apply.]



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Current Registrations

59. Have you registered to receive emails, alerts or permission-based advertising at any of the following media or businesses? [Select all that apply.]