Shaping the Future of the Newspaper
ANALYSING STRATEGIC DEVELOPMENTS AND OPPORTUNITIES IN THE PRESS INDUSTRY

STRATEGY REPORT
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7.3

Investing in Newspapers

Wall Street demands and changing market conditions are motivating newspapers to innovate and expand with promising merger & acquisition and research & development strategies

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Executive summary

Newspaper advertising expenditures will continue to grow now and in the foreseeable future, according to global research firms PricewaterhouseCoopers and Zenith Optimedia. Every region of the world is expected to see at least single-digit growth increases for newspapers, and double-digit Internet advertising increases in the coming years.

However, slowing economies and the surge of Internet advertising are causing both Western Europe and the United States to experience slower than average growth and declining market share in newspaper advertising revenues. U.S. newspapers are the hardest hit by recessionary economic trends and competitive market forces, and are regrouping to appease Wall Street investors.

Meanwhile, many newspaper markets are tracking impressive ad revenue growth, particularly in Central and Eastern Europe, India, the Middle East, South Africa and parts of Latin America and the Asia Pacific region; however, their market shares are simultaneously falling due to surging Internet advertising gains.

Newspapers worldwide, and the United States in particular, have adopted aggressive growth strategies to reverse their declining stock prices. Mergers and acquisitions for media companies have hit an all-time high, with Internet company acquisitions leading the list of newspaper investments. Newspaper sales forces around the globe are being trained to sell multimedia and to sell more aggressively, and the efforts are paying off on the bottom line. Research and development efforts at newspaper companies are paying dividends with clever and profitable print and digital product development. Cost-cutting measures are shaving millions of dollars off bulging budgets. Newspapers are getting back to their local roots with content and revenue strategies.

Despite the heroic efforts, U.S. newspaper companies have lost market value on Wall Street, mainly because print advertising revenues are dropping faster than Internet revenues can replace them.

Analysts say the downturn in the U.S. newspaper industry is not an anomaly, and will likely be exported to some newspaper markets around the world, much like other positive and negative trends have been transported in the past. This report offers strategies and solutions to avoid the pitfalls American newspapers are currently experiencing.

This report establishes the facts about the changing newspaper industry economy in the United States, chronicles Wall Street analysts' views on how to reverse the industry's fortunes and details dozens of tactics on how to safeguard your company against the prevailing trends.

"My belief is that newspapers have significant competitive advantages in today's media landscape, levers that I believe they can better exploit, and which should allow them to make a successful leap into the digital future. The list of key competitive advantages as I see them: the best local media brand, by far the most significant source of local content and information, a significant number of sales feet on the street," said Paul Ginocchio, analyst with Deutsche Bank, San Francisco.

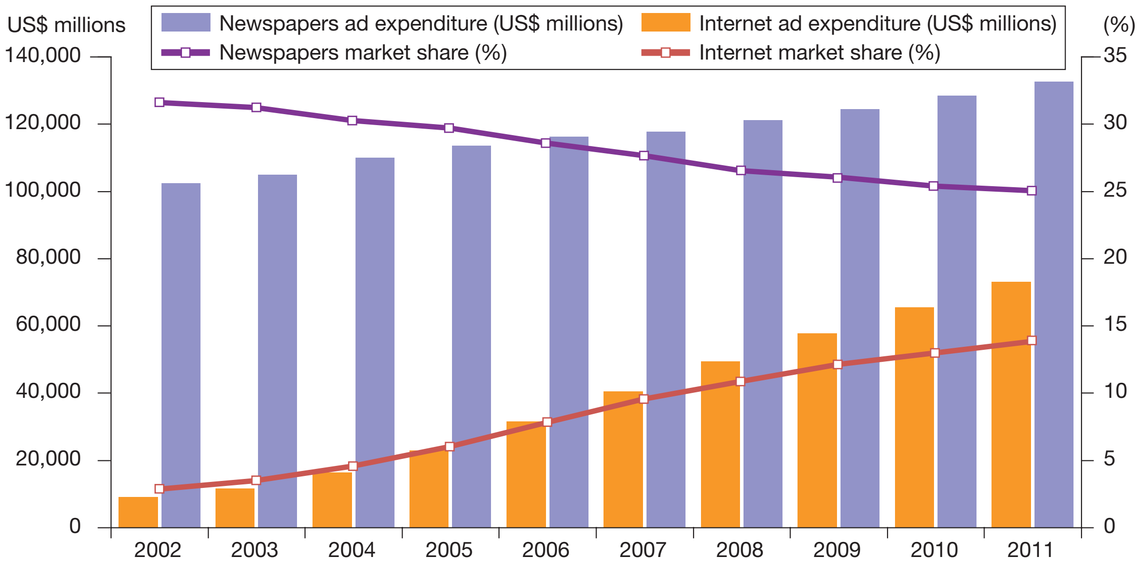
The Shaping the Future of the Newspaper project team attended the annual UBS Media Week conference in New York in December 2007, and in this report analyses the investor presentations from nine American newspaper companies, including the New York Times Co. and the Washington Post Co.

The analyses include overall revenues for each company, revenue mixes among companies' business units, details about cost-cutting and revenue-making strategies, mergers and acquisition tactics and digital strategies. The body of case studies underscore the significant efforts made by some of the most profitable newspapers in the world, despite the stock price declines.

The report responds to Wall Street's call to reinvent newspapers, by chronicling details of dozens of key mergers and acquisitions from newspaper enterprises worldwide, as a part of individual growth strategies. Many of the acquisitions are digital businesses, which make up the lion's share of merger and acquisitions in the media industry today.

Finally, the report offers details of research and development strategies from several news enterprises, including News Corporation, Scripps, Reuters and the American Press Institute's NewspaperNext programme, which represents thousands of American newspapers.

Global Advertising Spending and Market Share: Internet and Newspapers



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Introduction: Investing in Newspapers The Enduring Power of Print

**by Gavin O'Reilly,
President of the World Association
of Newspapers**

For an industry billed as the "Fourth Estate," with a proud legacy stretching back over 400 years, I am often struck by how incredibly unsophisticated the commentary is on our industry these days, and specifically how and where the newspaper sits in the media matrix.

Virtually every brokerage report from the investment banks appears to support a new conventional wisdom that newspapers are soon to be some relic of the past, and that newspaper companies are not up for the challenge – or indeed, the many opportunities – that the digital world offers. What a profound mistake these commentators are making.

All of us in the industry know the big strategic issues and challenges at play in the fast evolving digital world, and that the really successful publishers are those who recognise and capitalise on the newspaper's relative position in the busy media matrix. Happily, those were the majority of publishers in 2007.

The fact is that newspapers are winning well in a world of heightened digital fragmentation. In properly assessing the performance of newspapers, one needs to calmly analyse the underlying audience trends for our industry – the quantum of our readership and the quality demographic that we deliver, coupled with the incremental and growing audience that we garner from online – and the conclusion is that our industry is extremely well-positioned at weathering the storm that is media fragmentation, guaranteeing as we do sizeable, reliable and relatively stable audiences.

And let's not lose sight of the facts: We are in an industry that connects with 1.6 billion people of all ages, all creeds, all races each and every day. We produce strongly branded products of different shapes and sizes, of varying quality, of different political hues, and deliver those products in various guises, but primarily in both print and online. Last year, global sales of paid-for newspapers actually grew (and not just in India and China) by 2.6

percent, online advertising for publishers is growing dramatically; and more critically, our $190 billion industry is expected to grow its advertising by 17 percent over the next five years, or at a faster rate than the preceding five years.

There are good reasons for that: Successful publishers know that the future of their newspapers will be built upon their content. And do I mean user-generated content? Well, that will clearly have its place. But I'm really talking about unique comment and analysis, well-crafted and well-edited content that has faced the rigours of a well-honed editorial process. To me, that is the USP of the newspaper of the future, built upon journalistic skills that are learned and earned. This base provides a worthy investment strategy, built on the belief that established and trustworthy journalism will become even more relevant, even more vital in this digital age, where people are being bombarded daily with information-overload.

And importantly, publishers today are no longer prisoners of history, nor are they wanton revisionists. Instead, over the past several years, publishers have radically restructured their internal work flows. They have prioritised and emboldened content generation in-house and have outsourced legacy practices like sub-editing, advertising make-up, telesales, finance and administration and page prepress, and as a result have built better and stronger business platforms. At the same time, publishers have judiciously invested in more efficient systems, in enhanced production values and in more targeted brand support. Or as Rupert Murdoch observes, "Properly executed, great news brands will expand, not contract."

But beyond eking out cost efficiencies, publishers are constantly looking at new routes to market, new ways to engage with that promiscuous consumer, whether that be via print, online, and/or broadcast, or more likely, a combination of all three. And indeed, publishers today believe the consumer expects all these routes to market, and does not wish to be tied down to one specific delivery platform.

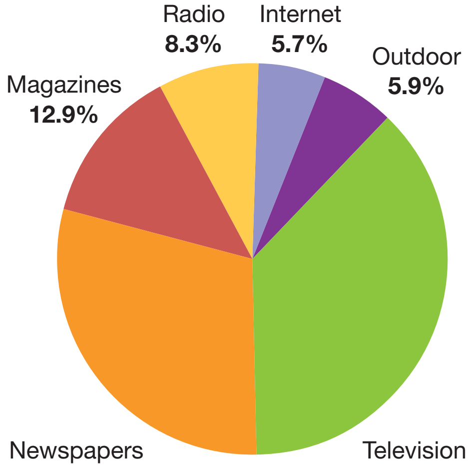
To use the parlance of the moment, I see newspapers as the ultimate browser where, in essence, someone else has done the hard work for you, delivering the serendipity of life to the consumer in a concise, colourful and portable way, and all for half the price of a cup of coffee.

Newspapers are a vibrant, relevant and commercial proposition for readers and advertisers alike. For investors, the investment in new technology and the delivery of new audiences produces an unrivalled cocktail of success – strong, definable demographics coupled with strong margins, delivering consistent returns.

Global Advertising Share

2006

US$425 billion



Source: Zenith Optimedia, World Press Trends 2007

1. Analysts Visions for Newspapers' Future

The title of this report, Investing in Newspapers, is a double entendre. On one hand, this report is literally about Wall Street investments in the press industry, On the other hand, the report is about mergers, acquisitions and innovative investments among newspapers themselves.

The publicly held newspaper landscape has never been so challenging. The investment community around the world has migrated from a long-term investment mindset to a short-term, hedge fund outlook. More than ever, public newspaper companies are expected to deliver solid results each quarter, meanwhile trying to execute strategies in order to satisfy fragmented audiences and outstrip scores of new competitors.

The new investor dynamic is forcing dramatic changes among newspapers in the United States, where most major newspaper chains switched from privately held to publicly held companies in the 1970s. Now newspapers are reverting back to private mostly because of Wall Street profit demands. The most recent example is the Tribune Company, now owned by real estate magnate Sam Zell, who bought the company for US$8.2 billion and took the company private in late 2007.

The new investment and media ecosystems collided in 2006 and 2007 in the United States, and the fallout has changed the American newspaper industry forever.
Consider:

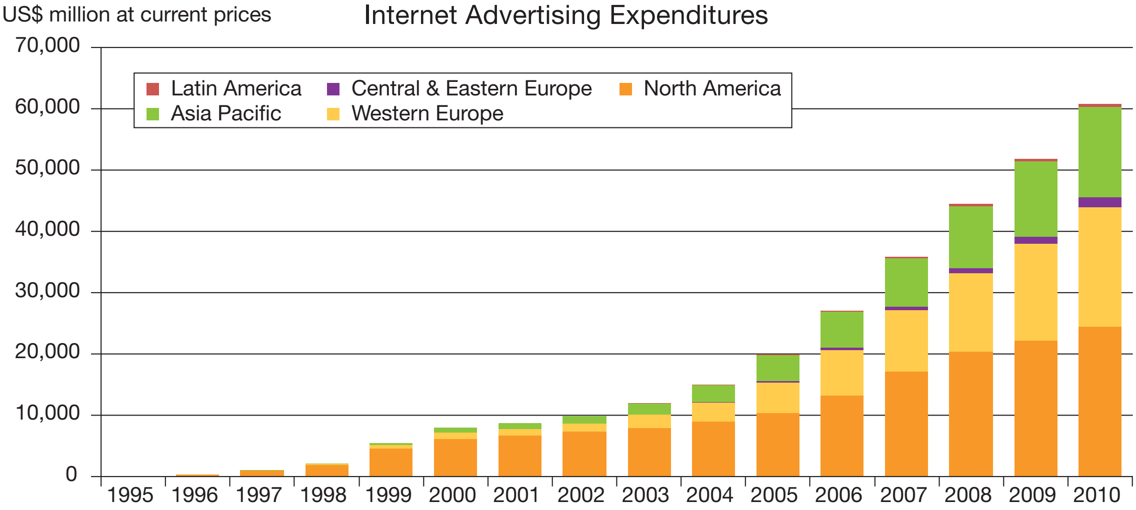
• Knight Ridder, the third-largest newspaper company in the U.S. in 2006, was dismantled in 2007 due to pressure from investors, unhappy with shrinking profits.

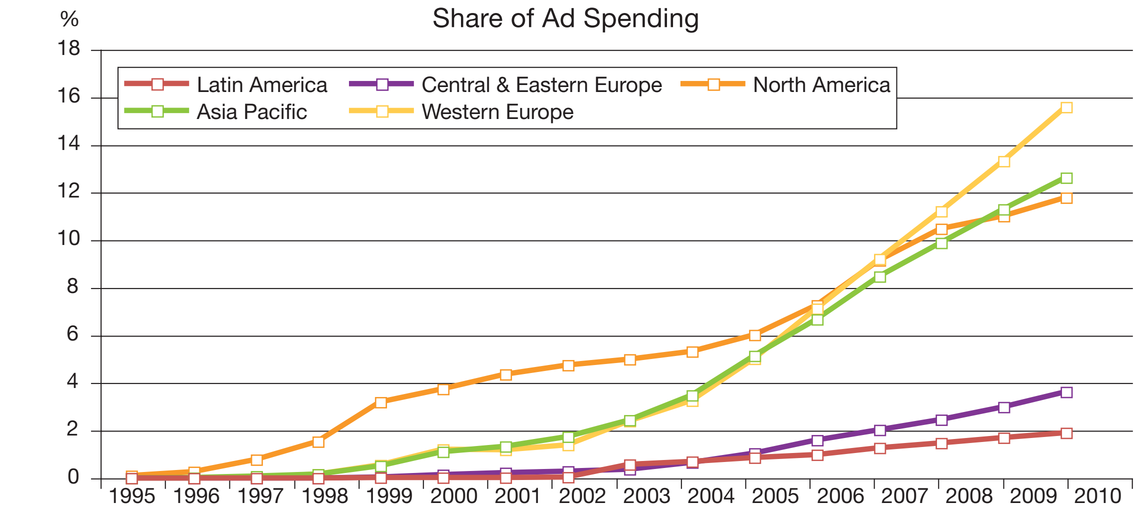
• Dow Jones and its Wall Street Journal flagship was purchased by Rupert Murdoch in late 2007 for US$5.6 billion.

• Belo Corp. and E.W. Scripps announced in 2007 that they would each split their newspaper and television divisions, ostensibly to sell off the less profitable newspaper divisions, each which may go private.

Morgan Stanley Investment Management in London sold its long-time holding of 10 million shares, or some 7.3 percent, in the New York Times Company in October 2007 for a

Internet Advertising Expenditure vs. Share of Ad Spending by Continent, 1995-2010





Source: ZenithOptimedia

low US$18.25 per share, after its chief investor gave up his two-year quest to change the company's one-tier stock scheme to a double-tier structure. As NYT stock sunk below US$17 as of January 2008, newspaper analysts say bids to take the company private may become more likely.

What's more, analysts believe many trends in the newspaper industry that start in the United States – both challenging and opportunistic trends – are frequently exported in some form to the rest of the world's newspaper markets. This chapter seeks to outline the public company challenge, and offers strategies that address the significant pressures that are felt by public newspaper companies around the world.

U.S. NewspaperCompany Stock Prices, 2006-2007

Company	12/31/06 price	12/31/07 price	% change
Washington Post Co.	750	791.5	+5%
Belo	18	17.5	-3%
E.W. Scripps	50	45	-10%
New York Times	24.5	17.5	-29%
Journal Communications	13	9	-31%
Gannett	60	39	-35%
Media General	38	21	-35%
Gatehouse	18	8.75	-51%
Lee	30	14.5	-52%
McClatchy	42.5	12.5	-71%
Journal Register	7	1.75	-75%

Source: Yahoo Finance, year-end stock prices

Necessity is the mother of invention

According to Plato's sage words in his *Republic*, necessity is the mother of invention. Newspaper publishers around the world are feeling the pressure from investors to make significant changes in their strategies, creating new products and acquiring new businesses to complement their core competencies. In some cases, some public companies are transitioning from public to private in order to make strategic business decisions without the scrutiny of investors.

Newspaper investment analysts have recognised the significant efforts that public and private newspapers have made since the introduction of the Internet, but also have seen company valuations slide, particularly from 2006 to 2007. A common refrain from newspaper analysts is that the newspaper industry needs to "reinvent itself" in the revenue-making realm in this increasingly digital era.

Several investment analysts specialising in media were interviewed about their concrete recommendations on how to improve the value of public newspapers. Among the recommendations to be explored in more detail in Chapter 3 include:

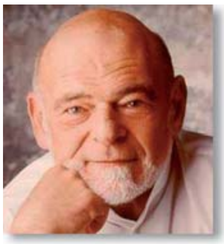
- Internet and mobile acquisitions and monetisation
- National partnerships
- More aggressive advertising sales forces
- New product development
- Portfolio diversification
- Customer focus, both advertiser and consumer

Chapter 2 will detail how the strategies of several public companies address the new investment landscape, as presented at the UBS Media Week conference in New York in December 2007. Among the companies to detail their strategies are the New York Times Co.,Washington Post Co., E.W. Scripps Co., Belo Corp., McClatchy Co. Journal Communications, Inc., Media General Inc., and Gannett Company, Inc.

"The market doesn't look at where you are today, they look on a forward-looking basis and a backward-looking basis. Yes, the profit margins may be at 19 or 20 percent today, but they were in the mid 20s just a few years ago, and the trajectory is downward into the teens. Earning a Pulitzer Prize for excellent journalism doesn't translate into sales of newspapers in this environment. If newspapers were going to be at 20 percent (profit margins) going forward, you wouldn't have pressure from shareholders. But revenues are declining. On the positive side, the costs of newsprint are going down next year. But circulation will probably continue to decline at one-percent plus per year going forward. That's why it's key for newspapers to reinvent themselves in terms of sources of revenue."

John Janedis, Senior Media Analyst, Wachovia Securities
From Time Magazine's "Future of Newspapers" report, 2007

"I think the newspaper industry has stood there and watched while other media enterprises have taken our bacon and run with it… It's too much complacency… [The industry has been] standing there and letting this happen while Rome is burning."



Sam Zell, new owner of the Tribune Company
Inland Press Association meeting, 2007

"*I would say to survive and to grow, the first thing newspapers might need to do is invest so heavily that it does hurt your short-term profits. Understand that the stock prices will go down, but really look long term to what you think you can be going forward and what consumers really want from you. Ultimately you need to listen more to the consumer. It doesn't mean that you have to go tabloid. It doesn't mean you have to become an entertainment newspaper and put Britney Spears on the cover. But it does mean that you need to be more in tune with what the* *consumer wants and find a more creative way to give them what they don't want but you think they should get. There are ways to do that. There's ways to engage consumers in a dialogue, and I think you can use the Internet very forcefully to do that. ..."*

"If you look at the media landscape today, a lot of the growth is in television or radio or even print where there is attitude, where there's satire, where there's comedy, where there's point of view, where there are people yelling. Is that the media landscape we're in now? That's what people want? I think that's what a portion of the population wants. There's obviously other people who would prefer to just have the news and nothing but the news. And the question is, can you satisfy all those different constituents?"

Lauren Rich Fine, former longtime analyst, Merrill Lynch
Interview with Frontline, Public Broadcast Corporation, 2006

SFN Q&A with Investment Analysts

Shaping the Future of the Newspaper Director Martha Stone interviewed James Rutherfurd, executive vice president and managing director of Veronis Suhler Stevenson, and Paul Ginocchio, senior analyst with Deutsche Bank, about how investment analysts value newspaper companies, and how newspapers can improve their valuation in the eyes of analysts.

VSS is a private equity firm that invests buyout and structured capital funds in the media, communications, information and education industries in North America and Europe. Deutsche Bank is an investment firm covering multiple sectors, including newspaper, yellow page, magazine, advertising agency and marketing services segments within the media sector.

SFN: What specific actions do public newspapers need to take in order to upgrade their investor ratings from *neutral* or *sell* or *buy*?

Paul Ginocchio: Newspapers in the U.S. need to demonstrate a clear path to stabilising the revenue base and grow profits again. Profits are what grow stock price. That's a long, complicated procedure…the stocks in this case will be a lagging indicator. Typically they are a leading indicator. The market can, I think, stomach low to single-digit declines, but high single-digit declines are pretty scary. It might be a couple more years when revenue may grow (See Ginocchio's essay later in this chapter.) Print may grow when the inflection point [happens]… I think the inflection point is 2012… when cash flows, when operating profits start to grow again. We are just looking at print revenue declines and circulation revenue declines and when they are offset by Internet revenue growth. We project this will stabilise in 2011, which [will] lead to profit growth 2012.

James Rutherfurd: Our primary business is we're primary private equity buyers for the U.S., Canada and Europe. For 20 years we have done research on every segment of the industry. To varying degrees around the world, the newspaper industry's fundamental secular trends are not at all favourable. The overall trend line in the U.S. is that circulation is down, advertising is flattening, and in the long-term, declines are steeper. Our forecasts show that in 2011, the Internet will overtake newspapers as the largest medium in the U.S. In terms of time spent with media, in 2007, the Internet surpassed newspapers, with 178 per year for newspapers, for consumer media for personal reasons is 3,600 hours per year, and 10 hours a day, including reading the newspaper, surfing, driving by billboards, listening to an iPod and more. In 2006, newspaper and Internet consumption is almost identical, with 177 hours per year. Part of the answer is, there is a fundamental non-cyclical shift going on, which is hard to get out of the way of.

The answer is making more money on the Internet. The dollars aren't yet big enough, but we think the dollars will grow significantly. According to our statistics, newspaper Internet spending will grow to $9 billion in 2011 in the U.S., meantime, print advertising drops more than that.

You have to have a differentiated product, with differing political views, age angles and content. The Tribune's Red Eye, for example, is very edgy, and they have quite a following. You have to decide what business you are in, for example, should you be owned by a charity like Poynter Institute, which is endowed forever? Are you a mass medium, or do you take the New York Times and charge $5 a copy or however people want to pay for it?

SFN: What criteria do analysts use to make their analyses?

PG: It's a lot more art than science. Stocks are all based on expectations. Analyst earnings forecast and market sentiment; if investors thinks it is worth more than expectations, that's how people look at stocks.

JR: Long-term growth as expressed in short-term movement on a long-term continuum. If you're supposed to be growing 10 percent over time, not all in one year, but rather progress steadily forward along a predictable growth curve that is higher than GDP, higher than if they invested in treasury bonds. Analysts consider what the business could be sold for in a merger and acquisition transaction, and what's the chance this company will be taken out in the short term, medium term and long term, and what's the value, and then pay them the control premium. They look at and comment on management. They are not going to value a great journalist, but at the end of the day, if the newspaper's management is not good at managing growth, that will cost the company in its stock price.

SFN: Newspapers in the United States have traditionally made enormous profit margins, compared with many other industries. Despite their dipping profit margins, they still maintain higher than average margins in the United States (they've always been much lower in other parts of the world). At what point do analysts get nervous about dropping margins, and do they compare these with other industries when analysing industries?

PG: It doesn't matter what the margin is, but it is not as profitable as years ago. A one-percent margin business can be a horrible business or a fantastic business. Opportunities to rise is better than falling. The industry got addicted to high margins, and were collectively afraid to invest when they should have in the 1990s. The 1990s will turn out to be an aberration in the history of the business. There were one-newspaper towns. They raised prices because they were the only game in town, so margins spiked up. Newspaper enterprises on the whole were benign and had rising margins. It was easier to grow margins than revenues. Now it's come back to bite them, because they can't grow revenue. They can't invest now (in digital media), but they have to, so margins go down doubly.

SFN: What exactly do newspapers need to do in the short term in order to be successful in the long term?

PG: They need to acquire much more aggressive sales forces, and work together more as an industry. They need to cut rates for advertising, particularly on the national side. They need to work together nationally and make a national print buy, because there are potentially more national dollars – like what Yahoo is doing on the national side. They need to continue to invest online, listen to their readers – pay attention to what the readers want.

JR: Margins, growth and multiples have to relate one to the other. You can have great margins, but if your multiple isn't, that is not good growth prospects. You still have to look at growth prospect. It's fine if the earnings are high today, but if it's not high for tomorrow's projection, the trick is how do you get them higher. The margins are more likely to go down than up, and earnings are therefore more likely to go down than up.

You may be doing a great job today, but what about tomorrow? Investors would rather buy a company with 10 percent profit margins going to 30 rather than a 30 going to 10. The Internet is the growth engine. Newspapers should sell ads (aggressively) on the Internet. Also growing are free circulation products, college products, which will get more revenue. Newspapers have to invest in new products and marketing. But the investment mode is more of a drag on margins.

SFN: What are some of the most common mistakes publishers make that diminish their businesses in the eyes of analysts?

JR: Many publishers are trying hard to deal with this challenge... It's hard to say what the analysts want… I think the public market analysts, they want to see investment in the Internet, but (too much investment) would probably be criticised, because investors don't want to see investments come out of today's earnings in order to make tomorrow's earnings. It's a terrible position that public companies are in… the hope is it will pay off in the long term, but in the short term it will be pretty painful.

PG: It's focus more on margins than revenue growth. For a long time they thought Wall Street was focused on margins. But Wall Street cares more about profit growth, not margin expansion. I think the market knows now that you can't cut your way to profitability. It's not a cost issue, it's a revenue issue. Growth takes an investment.

SFN: Do you think public newspapers should go private like the Tribune, in this era of Wall Street scrutiny? Why or why not?

PG: I don't think the public model is broken. There's always going to be a master. Is it going to be a private equity firm, or the public? Each has its detriments. I am not sure what the right model is, perhaps you find enough rich people to [build] a non-profit, like the Poynter Institute [which owns the St. Petersburg Times] and the Scott Trust [which owns the Guardian Media Group in the UK]. What always shocks me about newspapers, is that the government treats them like a normal business, with no tax breaks.

JR: How they get there and stay there is another issue. Private is a better idea right now for the newspaper industry. That takes time and patience. The public market is very impatient.

SFN: Should newspapers diversify their portfolios? If so, what businesses should they invest in? Any examples?

PG: Diversification of distribution I believe in – as long as you stick to that, distribution of original content. Your job is to aggregate audiences, where you distribute it is important. Just because a company diversifies, doesn't mean the newspaper will survive. Investors like to invest in pure play operations, because if they want to invest in other units they will invest in pure plays; there's more money in it.

JR: The industry needs to keep working on products around its core competencies and working them better. To me, the best way to diversify is to do it in a way that your management can handle. Better to have self-standing businesses, not integrated like AOL Time Warner. Those models have worked the best. Scripps has done it well…now their cable network business is propping up their newspapers. Some newspapers should consider investing in cable, which is faster growing and has more advertising opportunities, or ADVO (direct mail) or other advertising businesses.

SFN: Newspapers face a host of new competitors. How can newspapers compete with or beat the likes of Google or Craigslist?

JR: It's hard because Google represents technology innovation, and newspapers aren't set up for this, and don't have this entrepreneurial spirit, to be at the cutting edge of innovation. Craigslist is a problem because they have underpriced their (classifieds) product. They have cut their price of classifieds to a fraction of what it is in newspapers. That's hard to compete with. The answer I'll leave to MBA professors, when the model is broken down, do you say I'm going to match your price to maintain your market share. If you look at the iTunes example, maybe there's a lesson in there for the newspaper. They will never recover the $15 for a CD, they don't sell like before. Perhaps the classfieds pricing model should change.

PG: Craigslist is a content company, it offers user-generated content. Google just aggregates content. Newspapers need to continue to create unique content that can't be found elsewhere.

The Future of Newspapers – A Roadmap for Transition

Reprinted with permission from the Newspaper Association of America's Future of Newspaper blog

By Paul Ginocchio

Covering the newspaper industry since 2003 from my perch on Wall Street, I've witnessed a fascinating case study in creative destruction, as the Internet appears to relentlessly supplant all the "old" media in its path. Most of Wall Street believes they've already seen the movie and know how it ends - thus the continued decline in newspaper stock prices. But I think the movie may have a surprise ending - most newspapers still generate a substantial amount of profit, and thus have the resources and ability to invest, transform and survive the transition from print to multimedia.

My belief is that newspapers ("news enterprises" is a more accurate phrasing in this new media era) have significant competitive advantages in today's media landscape, levers that I believe they can better exploit, and which should allow them to make a successful leap into the digital future.

The list of key competitive advantages as I see them: the best local media brand, by far the most significant source of local content and information, a significant number of sales feet on the street. On the other side of the ledger though, I see both the printing press and the physical distribution capability as merely short-term competitive advantages that over time will become major disadvantages.

Brand

No one disputes that newspapers have excellent local brands. Any given daily paper is very likely to own the best known local brand in any given market. This fact typically has made the newspaper's Web site the most trafficked local Web site, but I think more can be done.

In general newspapers have been sheepish about marketing like a consumer product company, even though the newspaper is a consumer product. Some newspapers now employ brand managers, and I believe that is the type of attitude needed to extract the full value from the brand. I also believe in a dedicated marketing budget to project the importance of the brand in the local market, which is now more important than ever due to the multi-media portfolio that news enterprises manage.

Local Content

There is no comparison between the quality, breadth and depth of news content created by the newspapers and that generated by the local TV, radio and Internet competition. As all local news media converge to compete in the digital sphere, I think it will be much easier for the newspaper sites to do what TV does (i.e., video and live feeds) than it will be for broadcast Web sites to replicate what the newspaper sites do well, simply because newspapers are the only media institution capable of generating so much good content.

In light of the overwhelming percentage of original news content that is created by newspapers, it seems strikingly odd that the entire U.S. newspaper industry ("newspaper.com") only captures about one fifth of the monthly page views that Yahoo! generates, and only about half of what Google registers. I believe every individual consumer would benefit by using the newspaper's content many times a week, and yet many do not, so my view is that newspapers are leaving a lot of ad impressions on the table.

In the Web era, I think journalists will need to be more tuned in to their audience. Soon every journalist will have their own blast e-mail list and repurposed beat-branded Web site. To effectively "compete" in the news marketplace, they will have to understand what their audience wants and is willing to pay for with their time and attention. If only a small audience exists for a particular beat, perhaps that beat will be "outsourced" to a citizen journalist. If news enterprises fully and efficiently engage their community via superior news, local information and services, I believe the community will likely reciprocate by providing sources and leads for more efficiently delivered "watchdog" journalism.

Sales

Newspapers typically have one of the larger local sales forces in a market. While the newspaper sales force should be a great competitive advantage, too often it is not. A common refrain I hear from new industry executives and consultants (and often from executives who have left the industry and feel freer to talk about it) is that newspaper sales forces lack aggressiveness. As one executive recently told me, his salesforce "aggressively waits for the phone to ring." This complacency likely gained its roots as the second daily closed in most markets, and was exacerbated by unions' historical resistance to evolve.

Recently I've heard good news regarding sales force trends, with several examples of increased hiring and a new focus on growing accounts (particularly long-neglected smaller accounts). Overall, "local feet on the street" should be an advantage over most pure online companies. The news enterprises ability to cover the high cost of sales via the print product, should over time allow news enterprises' to penetrate the local ad base with its online, mobile and other (lower priced) niche products.

In my view, collaboration with Google and Yahoo! is a smart move for the newspapers, as those Internet giants mostly have sales platforms that are complementary with rather than directly competitive with the newspapers. Google offers more than half a million self-service advertisers, while Yahoo! has a best-in-class national sales force – the newspapers really don't do well with either of those slices of the advertiser pool. Any overlap will likely be far exceeded by the incremental gain from the additional sales channels. Why not use Google/Yahoo!'s strengths to get incremental ad dollars, so long as you retain final say on ad acceptance and price?

Printing & Distribution

Currently, most industry people view printing/distribution as a key competitive advantage, as the ability to get a print product into the hands of any consumer in the market allows newspapers to generate some of the highest CPMs in a local market. But I see this capability as a fleeting advantage, and as household penetration continues to decline, the operational leverage on both of these high fixed cost base services will really start to work against the news enterprise. I am a big advocate of outsourcing these functions, or partnering to reduce their cost, so that a major fixed cost can be variablised.

We've seen two watershed events in this regard in the last year – Hearst outsourcing its printing presses in San Francisco, and the Chicago Sun-Times outsourcing of distribution to the Chicago Tribune. I think we'll see more of this kind of thing over the next few years. I continue to be surprised by newspapers that want to hang onto their physical production and distribution assets.

It is very easy to frame the problems faced by the newspaper industry, but much harder to offer concrete solutions to those problems. I acknowledge that even the best minds in America have struggled to find the right path to a successful future for the old media companies. But an inventory of the industry's formidable competitive advantages leads me to believe that whether I can clearly see that path right now, I think the odds are stacked in the newspapers' favor over the long-term (though nothing is inevitable). My guiding principles would be to focus on maintaining and building the brand, the content, and the sales force, and find a way to outsource the rest.

Paul Ginocchio *is an analyst with Deutsche Bank and initiated coverage of the Advertising & Publishing sector for the firm. He now covers the U.S. newspaper, yellow page, magazine, advertising agency and marketing services segments within the media sector.*

2. U.S. Newspaper Companies' Investment Presentations

Shaping the Future of the Newspaper attended the 35th UBS Media Week Conference in New York in December 2007, an event featuring dozens of media company financial presentations to investors and investment analysts. The following vignettes profile nine of America's largest public newspaper companies, their financial performance for 2007 and their projections for 2008.

The New York Times Company

The New York Times Company, which owns the New York Times, Boston Globe, International Herald Tribune and About.com, has faced the same dramatic challenges as other American publishers in the past few years, including watching its stock price drop 30 percent from 2005 to 2007. The stock reached its highest price in January 2006, when it traded at $26.90, but by January 2008, it had plummeted to $15.12.

However, between January and September 2007, the company reported a 9.2 percent increase in operating profits before depreciation and amortization, mostly due to new product launches, new assets acquired and through cost reduction measures. Its efforts include:

New product launches

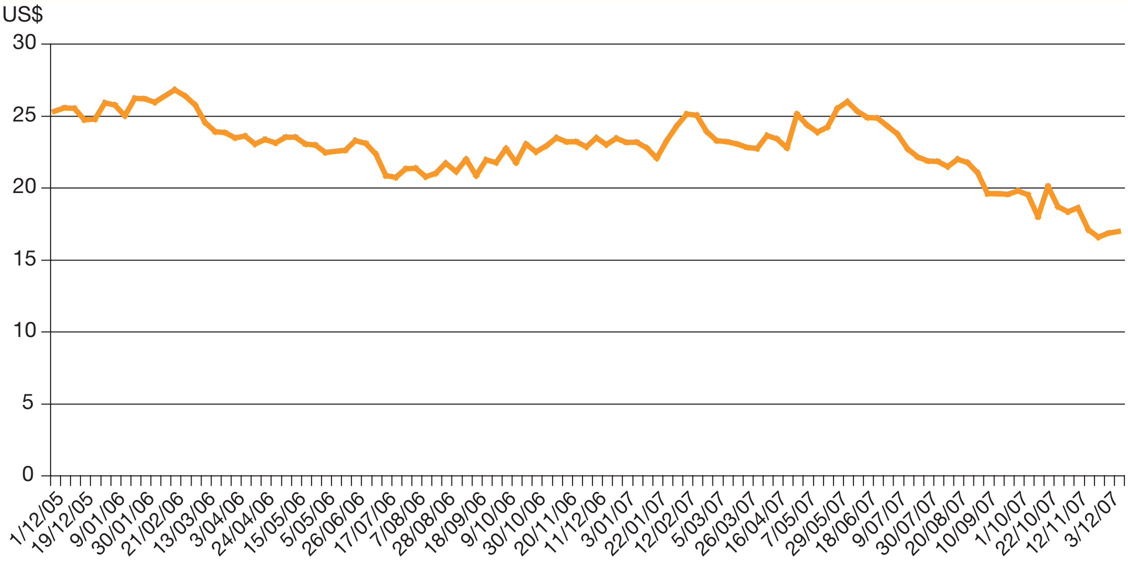
In 2007 the company targeted new products aimed at specific customers to both combat print products losses and to expand its product

The New York Times Company

Type	Public (NYSE: NYT)
Founded	1851
Headquarters	New York, NY, USA
Key people	Arthur Ochs Sulzberger Jr., publisher
Products	The New York Times, The Boston Globe, 24 other newspapers across the United States; one radio station, WQXR-FM in the New York area
Revenue	US$3.3 billion (2006)
Full Time Employees	11,585
Website	www.nytco.com

Source: Yahoo! Finance/Wikipedia/The New York Times Company Annual Report

The New York Times Company Stock Price



Source: Yahoo! Finance

2007 Finances at the Times Company

- Online revenues up 24%
- Circulation revenues up 2%
- Costs decrease almost 1%
- Asset sales total $615 million
- Acquisitions equal $35 million
- Dividend increases 31%

Source: The New York Times Company

lines, including online and offline products. Under the New York Times portfolio, the company launched the style-savvy "Capital T" Magazine in both print and online, as well as the Caucus blog for politics fans and the Carpetbagger blog for Oscar Awards fans. At The Boston Globe, the company launched the magazine "Lola," aimed at women in Boston.

Online presence reinforcement

As the only newspaper publisher on the list of top 10 U.S. companies with most unique visitors in October, the company's online flagship product, NYTimes.com, had strong growth in 2007: 17.5 million unique visitors were reported in October, and the site remained the top U.S. newspaper Web site.

In order to maintain its online competitiveness, the New York Times has been working to maximize online revenue in recent years, including acquiring more assets and making content more localised. The company acquired About.com in 2005, which saw revenues grow 25 percent from January to October 2007, and generated more than 1.7 million searchable articles in its database. It also acquired new assets including consumer review site ConsumerSearch.com and healthcare provider site UcompareHealthcare.com, a branch of About.com's health section. It also redesigned the Boston.com Web site and reinforced its local search function.

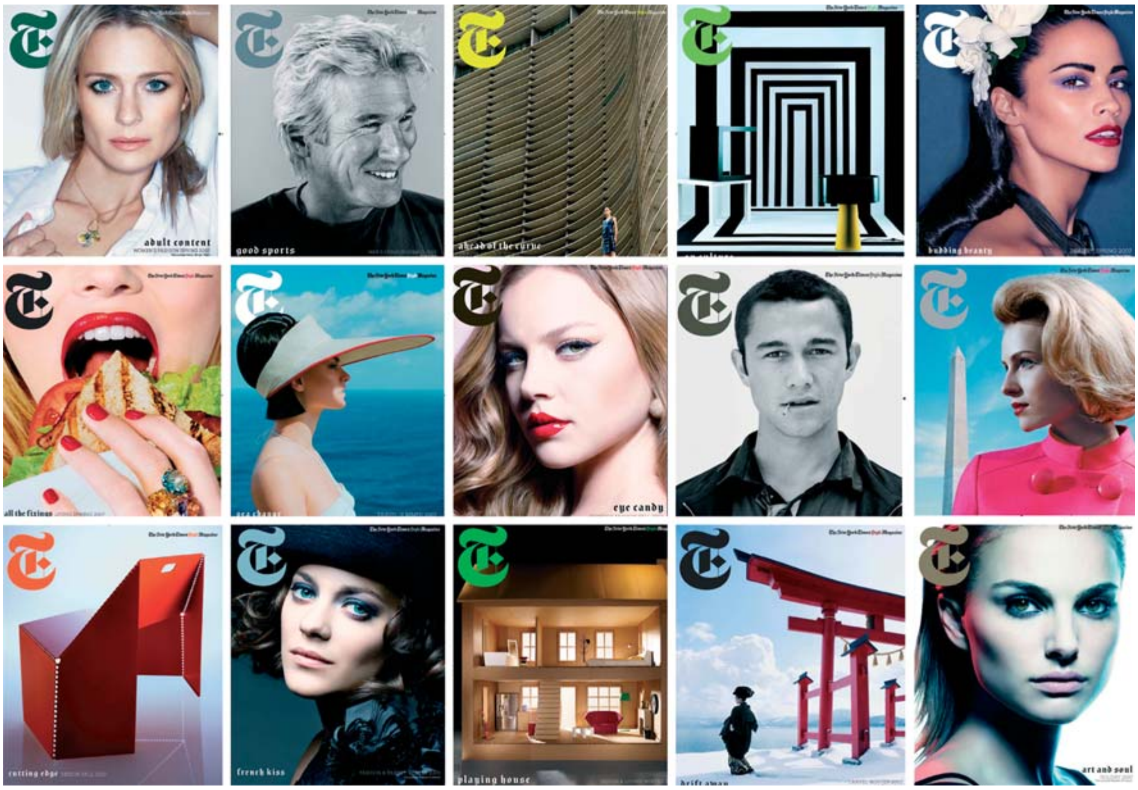
The company's Internet revenue as the percentage of total company revenue rose from four percent in 2004 to 10 percent in 2007. As of October 2007, almost half of the digital revenue base (46 percent) was from display, while another 23 percent came from classified. Search accounted for 15 percent.

Cost reduction

In search of greater efficiency and productivity, the New York Times Company achieved acost reduction of $65 to $75 million in the first nine months of 2007. Efforts include New York-area printing plant consolidation, staff shifting to lower cost locations, reducing printed page size of both the New York Times and the Boston Globe, SAP technology application and a headcount cut of eight percent since December 2005. All of these tactics have helped the company reduce costs by one percent in 2007.

However, not every industry analyst was satisfied with the accomplishments. Merrill Lynch downgraded the company on September 2007, after it dropped to 52-week lows. Moody's also downgraded the stock because of

"Capital T" Magazine



Source: The New York Times Company © World Association of Newspapers 2007-2008

"the increased pressure on the company's retail and classified advertising from cross-media competition and the downturn in the housing market." According to Bear Stearns, the real estate market declines seriously impacted the New York Times, and said the situation will get worse because the company does not have television stations to offset revenue losses. Forbes, however, did appreciated the company's online efforts, stating that "glimmers of hope came from the Internet."

The Washington Post Company

Most famous for its flagship publications, The Washington Post and Newsweek, the Washington Post Company is one of the very few that marked a stock price gain in the last two years. Its stock price has grown from a two-year low of $701.28 in September 2006 to more than $800, and once reached a record high of $823.5 in November 2007.

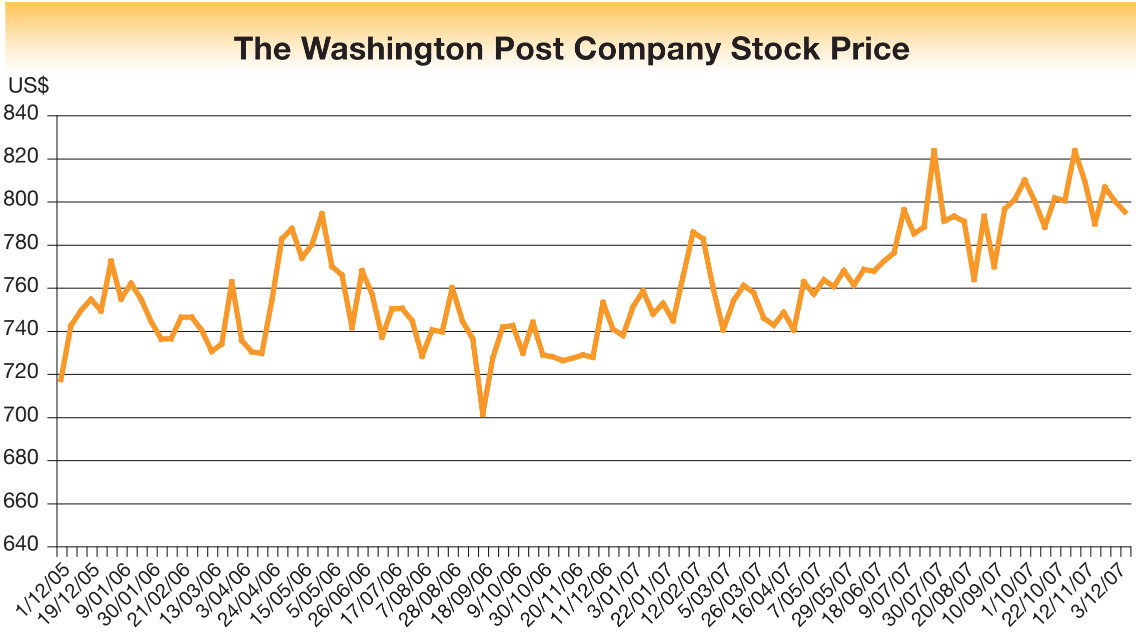
The company's array of revenue sources has shifted over the years. In 1991, the company's media business accounted for 94 percent of its total revenues, of which nearly 47 percent came from newspapers.

By 2001, the company's newspaper section had shrunk to 35 percent, and its education business, which includes test preparation and education advancement group Kaplan, Inc., boosted its share of the pie to more than 20 percent. During the first nine months in 2007, the newspaper section continued to slip to 21.5 percent, followed by cable's 15 percent.

The Washington Post Company

Type	Public (NYSE: WPO)
Founded	1947 (Washington Post founded in 1877)
Headquarters	Washington, D.C., USA
Key people	Donald Graham, Chairman & CEO
Products	Newspapers Magazines Television Educational Services
Revenue	US$3.9 billion (2006)
Full Time Employees	17,100
Website	www.washpostco.com

Source: Yahoo! Finance/Wikipedia/ The Washington Post Company Annual Report



Source: Yahoo! Finance

The educational services section, however, made up 49 percent, nearly half the company's overall revenues.

According to its Chairman and CEO Donald E. Graham, the Washington Post Company has gone from being purely a “media company” to a “media and education company.” Revenues from Kaplan exceeded 50 percent for the first time in the third quarter, while newspapers and cable businesses are still the key for the company.

Kaplan

Revenue (in US$ millions)

	Jan-Sep 2006	Jan-Sep 2007	Growth
Kaplan	1238.8	1493.9	21%
Cable ONE	418.6	461.1	10%
Newspaper Division	714.7	657.2	-8%

Source: The Washington Post Company

In 2007, Kaplan’s revenues grew much faster than its reported profits. The group reported $1.5 billion revenues in nine months, which was up 21 percent, but operating income was down 12 percent to $109.4 million. This was due to loss from franchised tutoring service Score!, weakness in Kaplan Professional, most notably in the real estate business, and the stock compensation charge through the first three quarters. However, Kaplan Higher Education was one of the best businesses within Kaplan, and saw a 20 percent growth in both operating income and revenue during the first three quarters of 2007.

On the other hand, Kaplan’s 21 percent revenue growth resulted from four acquisitions within the last two years. However, even without the acquisitions, revenue still grew 12 percent, mostly due to the online Kaplan University.

Cable ONE

Cable ONE, the Washington Post Company's cable division, grew revenues 10 percent, but its operating income was down four percent in the first nine months of 2007.

Cable ONE’s high-speed data customers and telephony subscribers grew much more aggressively than basic and digital subscribers in the first nine months of 2007.

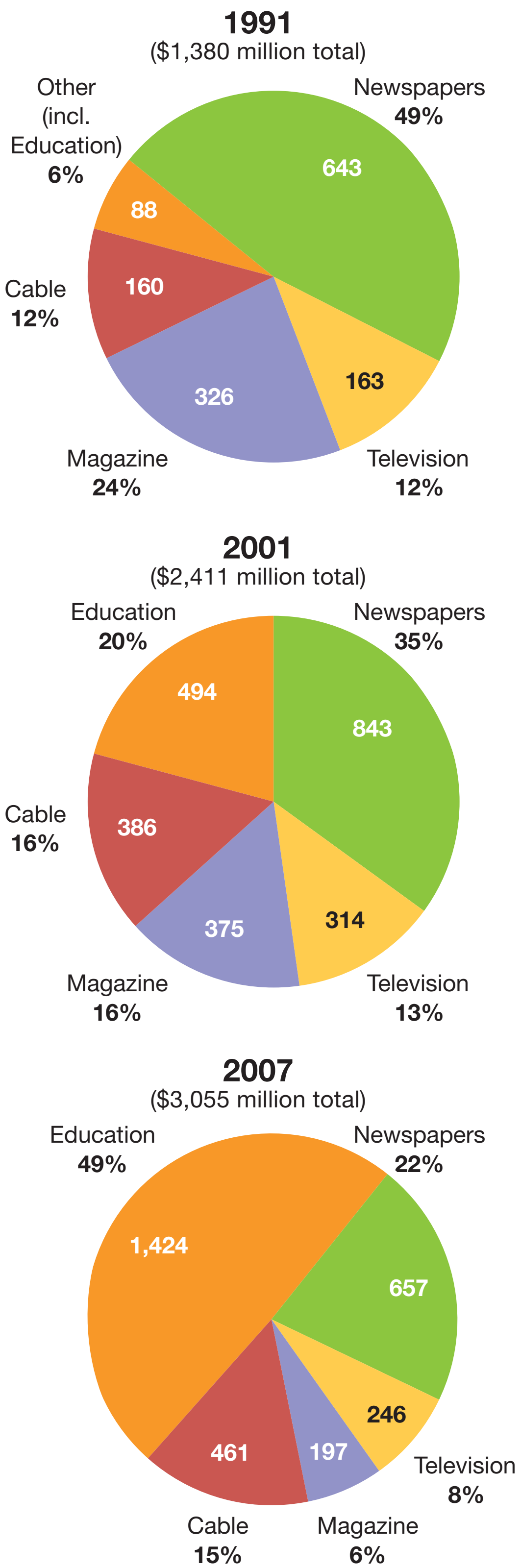
Newspapers

Newspaper division revenue went down eight percent and, according to ABC FAS-FAX, its flagship The Washington Post saw circulation drop 3.2 percent in September 2007, compared with one year prior.

Like other newspaper publishers, the Washington Post Company focused on cost reduction and new media investments. “While we have been and will continue to be cutting expenses at the newspaper, shareholders should understand that our aims include a lot

The Washington Post Company Operating Revenue Combination 1991, 2001, and 2007

(in US$ million)



Source: The Washington Post Company

of offense as well as a lot of defense," Chairman Graham said at the UBS conference.

The Washington Post Company stands out from most other publishing competitors as one of the only two American publishing companies seeing its stock price up. Analysts attribute the stock growth to the aggressive diversification into education markets.

Journal Communications, Inc.

Journal Communications is a media group with operations in publishing, broadcasting, interactive media in mid-sized markets in the United States, and has an especially strong presence in Wisconsin, Nebraska, Idaho and Arizona. Its stock price stumbled in the last two years, reaching $13.71 in May 2007, but plunging to its lowest in two years, to $8.24 in November 2007.

In the first nine months of 2007, Journal Communications' revenue composition did not

JOURNAL COMMUNICATIONS

Type	Public (NYSE: JRN)
Founded	1882
Headquarters	Milwaukee, WI, USA
Key people	Mr. Steven J. Smith, Chairman & Chief Exec. Officer
Operating Revenue	US$671.9 million (2006)
Full Time Employees	3,800
Website	www.jc.com

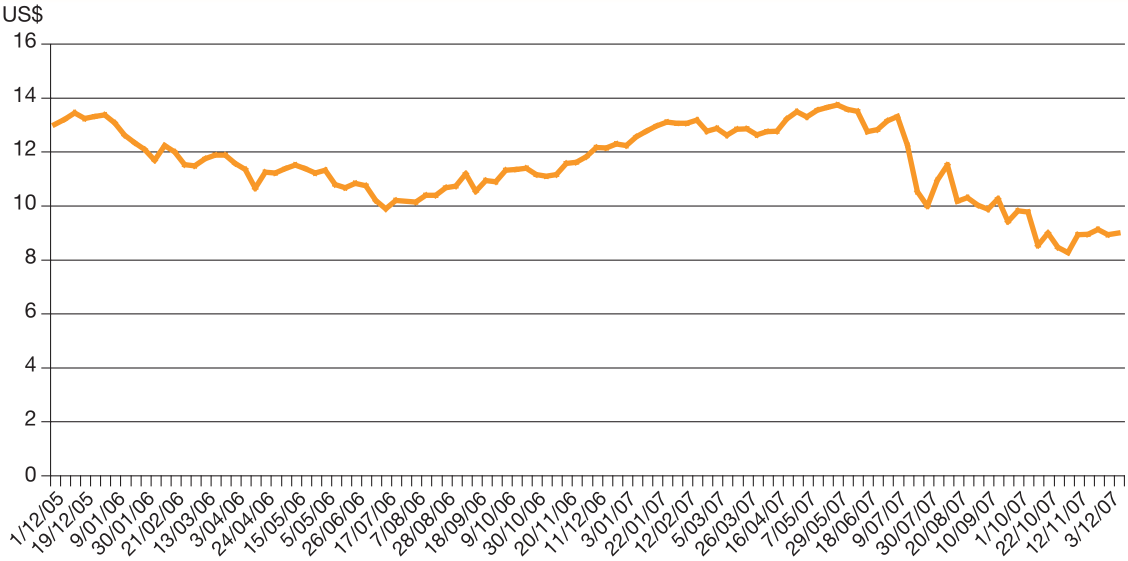
Source: Yahoo! Finance

Percent to total revenue and operating earnings

Revenue	**FY 2006**	**First 9 months of 2007**
Publishing	45%	46%
Broadcasting	38%	37%
Printing Services	11%	12%
Other	6%	6%
Operating Earnings	**FY 2006**	**First 9 months of 2007**
Publishing	33%	41%
Broadcasting	63%	51%
Printing Services	3%	7%
Other	1%	1%

Source: Journal Communications

Journal Communications, Inc. Stock Price



Source: Yahoo! Finance

Broadcasting Group of Communications

Jan – Oct 2007 Developmental revenue
- Radio +24.7%
- Television +17.2%

Interactive revenue
- 2006: $0.4 million
- Jan – Oct 2007: $2.3 million

Publishing Group of Communications

Journal Sentinel Diversified Revenues, Jan – Oct 2007

- Total advertising revenue: $133.4 million
- Online revenues: up 41%. Accounting for 8.3% of total advertising revenue
- Non-traditional revenues +15.6%
- Non-traditional revenues are 20.1% of total revenues, up from 10.6% in 2002

Source: Journal Communications

change much compared with changes in fiscal year 2006. However, in terms of operating earnings, the publishing group gained eight percent, providing 41 percent of all operating earnings for the company, while its broadcasting group shrunk 12 percent. However, broadcasting remained the largest operating source, bringing in 51 percent of operating earnings.

Broadcast Group

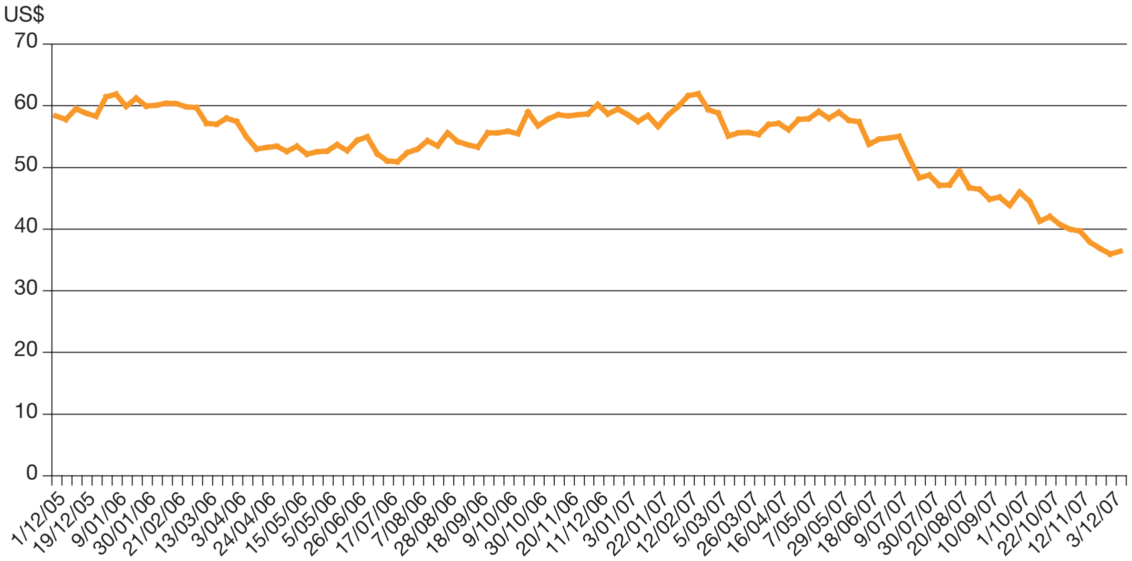
Journal Communications' Broadcast Group has grown revenue in both its radio and television businesses. However, with the threat from digital media, its Broadcasting Group focused on cost control in recent years. It divested assets such as NorthStar Print Group and Norlight, in order to focus on its core media business, and also has integrated three new TV stations. In addition, it executed expansion plans to prop up broadcasting in some markets, including WFTX-TV in Ft. Myers/Naples, Fla., KGUN-TV in Tucson, Ariz. and KMTV-TV in Omaha, Neb.

Publishing Group

Just like its Broadcasting Group, the Publishing Group also reduced costs and diversified traditional revenue streams with new acquisitions.

The Milwaukee Journal Sentinel, the group's flagship publication, has made extensive cuts, such as distribution centre consolidation, job cuts and a 48-inch newsprint Web reduction. About $4 million was saved from job reductions, and another $1.5 million from newsprint reductions. Besides cutting costs, it also tried to expand its interactive assets, including leveraging its Milwaukee "deep offering" portfolio and enhancing its core digital infrastructure. It also plans some online acquisitions in the future.

Gannett Co., Inc. Stock Price



Source: Yahoo! Finance

Gannett Co., Inc.

As the publisher of the well-known USA TODAY, Gannett is also considered the largest newspaper publisher in the United States, as measured by total daily circulation.

During the last 2-year period, Gannett's stock price was in the decline, especially after the second half of 2007. The company's stock price hit its two-year high of $61.83 in February 2007, but continued to wane to less than $32 in January 2008.

Type	Public (NYSE: GCI)
Founded	1906
Headquarters	McLean, VA, USA
Key people	Craig A. Dubow, Chairman, President & CEO
Products	Newspapers
Revenue	US$8.03 billion (2006)
Full Time Employees	49,675
Website	www.gannett.com

Source: Yahoo! Finance

Revenue vs. Operating Cash Flow, Gannett Co., Inc.

	2006	2007E
Revenue (from continuing operations)	$7.9 billion	$7.6 billion
Operating Cash Flow (from continuing operations)	$2.2 billion	$2.1 billion

Source: Gannett Co., Inc.

Broadcasting Division

2007 New Business, Gannett Broadcasting Division

	1st half	2nd half	Full year
2007 vs. 2006	12.1%	18.8%	15.4%
2007 vs. 2005	50.9%	38.2%	44.1%

Source: Gannett Co., Inc.

Gannett Broadcasting Division, including Captivate, reported 2007 net revenues at $790 million, down 10 percent compared with the previous year. However, its new businesses have grown in the past two years, as stations allocate more time and resources on non-traditional business development. New businesses earned $68 million in 2007, up 15 percent and 44 percent compared with the year 2006 and 2005, respectively. The digital business revenues, particularly Internet, mobile and multicast, rose by 23 percent in 2007.

With some new initiatives, such as MetroMix and Highschoolsports.net, Gannett leveraged digital and traditional broadcast assets and brought in additional revenue to current offerings.

Newspaper Division

The biggest change in the Newspaper Division in 2007 was the launch of the Information

Center in all Gannett's locations. This action transformed Gannett into a 24/7 multi-platform news and information provider, with content available via print, online, telephone and mobile.

In 2007 Gannett also trained staff to be multi-platform reporters. For example, 600 newly trained videographers produced more than 1.4 million video streams in November 2007 compared with 3,700 video steams in March 2006. In the first ten months of 2007, Gannett's Web site views were up 32 percent from 26 million in 2006. Time spent on sites was also up 32 percent, to 24.5 minutes. Gannett also worked on attracting targeted audiences and localising content – Moms.com and AZCentral.com are two prominent examples.

USA TODAY

After four consecutive years of positive print ad revenue gains, USA TODAY reported a seven percent print ad spending drop in 2007. Meanwhile, new ad accounts in 2007 brought in $25 million in new print ad revenues.

Gannett has announced a six percent rate increase for 2008, which is expected to yield in the four percent range.

Network Journalism, a virtual global network of journalists, educators and lay people, launched in March 2007 as one of USA TODAY's biggest projects. In October 2007, 238,000 comments were posted and viewed by 2.4 million readers. Gannett also reports 120,000 new registered customers. The registration questionnaire allows Gannett to create sophisticated profiles on their customers, so they can target them with relevant ads.

In terms of reducing costs, Gannett expects to cut down on staff numbers in the low single digits at USA TODAY's U.S. newspaper division, and also Newsquest, its UK operation.

According to industry analyst Bear Stearns, the declines in real estate did negatively impact Gannett. Fortunately, the company's broadcasting group can help compensate revenue losses, and Bear Stearns has still rated the company "outperform."

Lee Enterprises, Inc.

Lee Enterprises Inc. is the fourth largest newspaper group in the United States and the largest newspaper "pure player."

LEE ENTERPRISES

Type	Public (NYSE: LEE)
Founded	1890
Headquarters	Davenport, IA , USA
Key people	Ms. Mary E. Junck, Chairman, Chief Exec. Officer,
Operating Revenue	US$1.13 billion (2006)
Full Time Employees	6,950
Website	http://www.lee.net

Source: Yahoo! Finance

Lee's stock price, like other newspaper companies in the United States, plunged to less than half of its stock price in one year. The stock price hit $34.98 at the end of 2005, and exceeded $34 again in Feb 2007. By January 2008, however, the price plunged to a new low of $10.41.

Lee Enterprises Inc. Financial Highlights (in US$ 000)

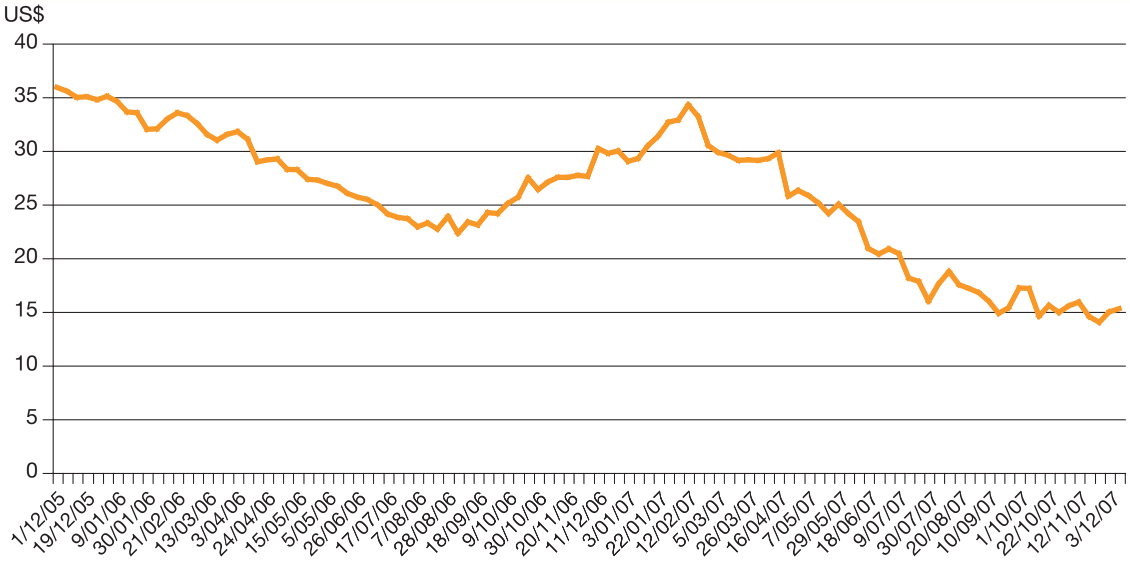
	2007	2006	2005
Operating Revenue	1,127,661	1,128,648	818,890
Operating Income	198,872	204,029	158,314
Net Income	80,999	70,832	76,878

Source: Lee Enterprises

In 2007, Lee reported a positive gain in net income. It reached $80 million, growing from $70.8 million in 2006.

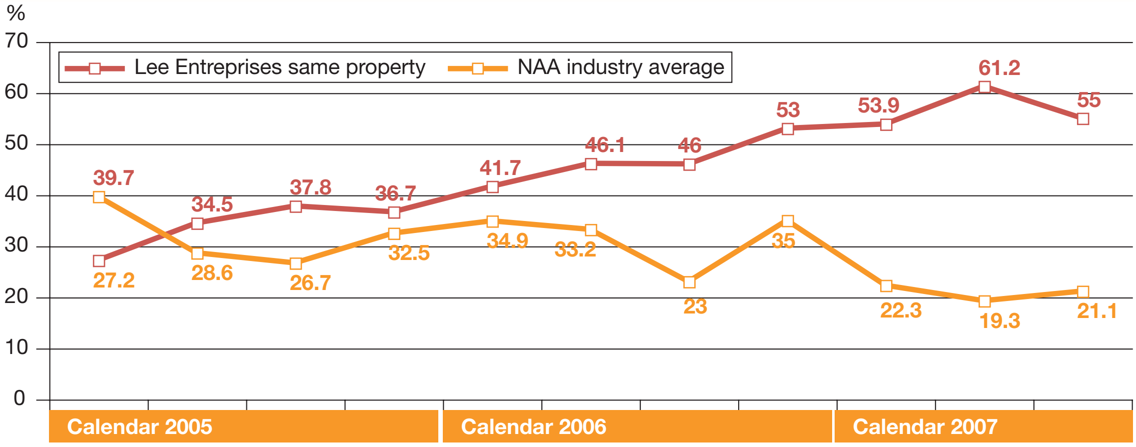
Publishing about 60 dailies in 54 local markets and more than 300 weeklies and specialty publications in United States, Lee claims its overall U.S. adult reach is the highest in the country, growing from 67 percent in 2006 to 70 percent in 2007. The company also reported circulation declines that were lower than the industry average. In 2007, its Sunday and daily circulation decline were at 0.7 percent and 1.7 percent, respectively, compared with the industry average of 3.5 percent and 2.6 percent, respectively.

Lee Enterprises Inc. Stock Price



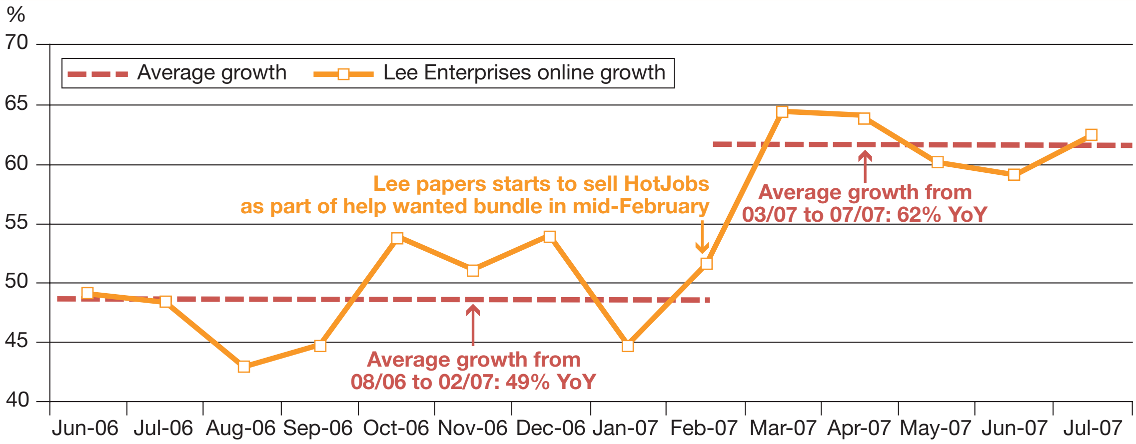
Source: Yahoo! Finance

Lees Online Ad Revenue Growth vs. Industry Average



Sources: Lee Enterprises Inc.

Lee's Online Growth Before and After HotJobs Launch



Sources: Deutsche Bank estimates/Lee Enterprises Inc.

Lee's online revenue out-performs most other newspaper companies in recent years. In 2007, its online ad revenue growth reached 61 percent, while the industry average shrunk to around 20 percent.

Lee is the only press company Deutsche Bank ranked as "Buy" in September 2007. This is mostly attributed to Lee's participation in the Yahoo Consortium starting in February 2007. The company launched Yahoo! HotJobs within two months after signing on with the partnership, and helped lead newspaper consortium negotiations in many areas, such as real estate, private party and auto.

Other efforts in 2007 included transforming its newsrooms from monomedia to multimedia, and providing training programmes through Lee Online University. News and sales employees learn new industry skills and culture shifts.

Belo Corp.

Belo Corp., the Dallas-based media company, has announced it will split its newspaper and television divisions, ostensibly to sell off the newspaper division. Belo's stock price fluctuated over the past two years, reaching $21 in January 2006 and June 2007, and dropping to $14.90 in January 2008.

Belo announced in October 2007 it would spin off its newspaper assets, to be completed in the first quarter of 2008. According to the company, this move will attract discrete investors from each group, enabling both groups to more nimbly allocate capital and resources. Some questioned the collaboration after the spin-off, while Belo claims the collaboration will be maintained through virtual cross-ownership.

BELO

Type	Public: (NYSE: BLC)
Founded	1926
Headquarters	Dallas, TX, USA
Key people	Robert Decherd, chairman and CEO
Products	Television networks Newspapers Cable news television Online presence
Revenue	US$1.59 billion (2006)
Full Time Employees	6,200
Website	www.belo.com

Source: Belo Corp. stock price

Television Group (Belo Corp. after the spin-off is completed)

Financial Highlights
Belo's Television Group

First nine months of 2007
- Revenue up 2.2%
- Local and national spot revenue up 2.7% and 1.8%
- Internet revenue up 40%, representing 3.5% of total TV ad revenue, versus 2.6% in 2006

Source: Belo Corp.

Within the first nine months of 2007, Belo's Television Group revenues rose 2.2 percent, while Internet revenue was up 40 percent.

After the spin-off is complete, Belo Corp., the original Belo's Television Group, will be one of the largest pure-play public TV companies in the United States, owning 20 TV stations and their subsidiary Web sites in 15 markets, with an estimated annual revenue of more than $750 million.

With its strong local presence in Texas, Arizona, and the Northwest and Mid-Atlantic regions of the United States, the Television Group will continue focusing on local, community news, and will pursue digital revenue growth. Maximising revenues from political campaigns is also a key strategy in 2008.

Newspaper Group (A.H. Belo Corp. after the spin-off is completed)

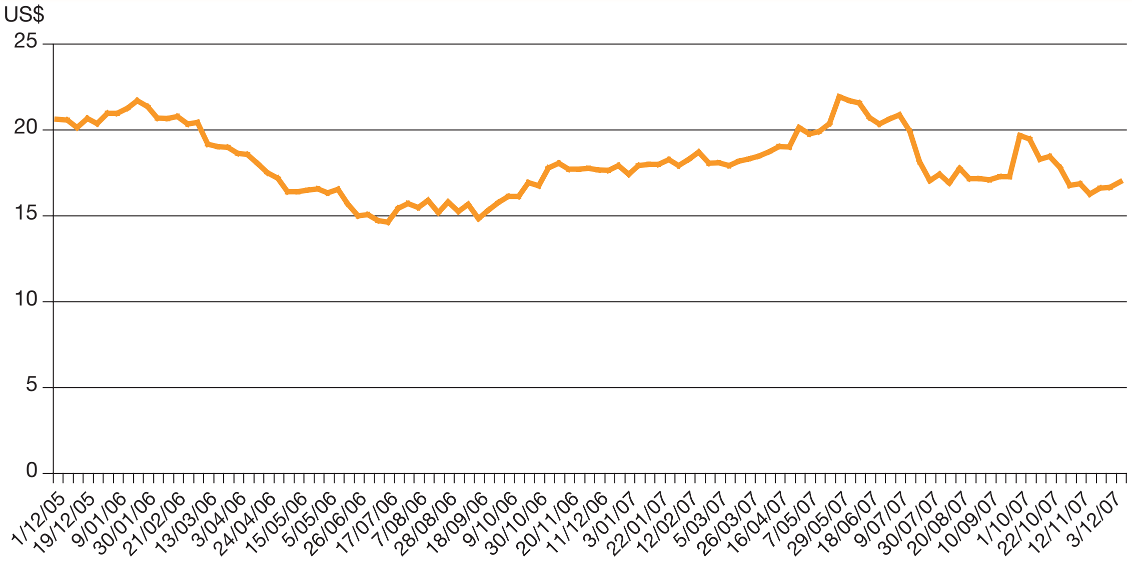
Belo's Newspaper Group has experienced a successful gain in online revenue, up 21 percent, representing 8.9 percent of total newspaper ad revenue, up from 6.6 percent in

Financial Highlights
Belo's Television Group

First nine months of 2007
- Internet revenue up 21%, representing 8.9% of total newspaper ad revenue, versus 6.6% in 2006
- EBITDA at The Dallas Morning News up 26%
- EBITDA at The Dallas Morning News grows at double-digit in each quarter in 2007

Source: Belo Corp.

Belo Corp. Stock Price



Source: Yahoo! Finance

2006. Its flagship publication, The Dallas Morning News, had an EBITDA gain of 26 percent in the first nine months of 2007.

After the spin-off completes, The Newspaper Group will be separated into another company, A. H. Belo Corp. In addition to The Dallas Morning news, the group publishes The Providence (R.I.) Journal, The Press-Enterprise in Riverside, Calif., and the Denton (Texas) Record-Chronicle, and has approximately $750 million in annual revenue.

A. H. Belo Corp. will focus on connecting its core newspaper business with local and niche demographics, deriving maximum revenue and EBITDA and capitalising on an Internet-centric multi-platform environment.

Media General, Inc.

Media General	
Type	Public (NYSE: MEG)
Founded	1879
Headquarters	Richmond, VA , USA
Key people	Mr. Marshall N. Morton, Vice Chairman & Chief Exec. Officer
Operating Revenue	US$983.2 million (2006)
Full Time Employees	7,200
Website	http://www.media-general.com

Source: Yahoo! Finance/Media General Inc. Annual Report

Media General, a newspaper and television media group in the southeast United States, has experienced hard times within the past two years. Its stock price hit about $50 two years ago, and spiraled down to around $15.75 in January 2008.

Broadcast Division

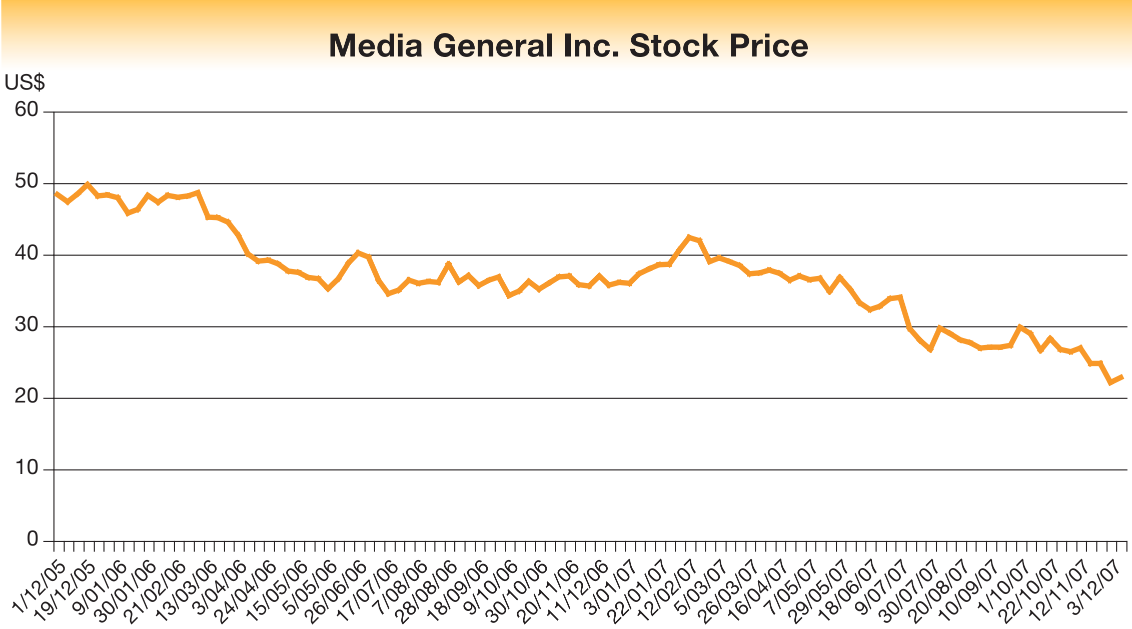
Media General's Broadcasting Division – 2007 Highlights

- At the Q3, total operating costs down 4.6% from last year.
- Conversion to digital television
- Centralisation of broadcast operations

Source: Media General Inc.

In 2007, the Broadcast Division reported its operating costs were down 4.6 percent in the third quarter, and it also completed its transition to the digital television standard. Now, five stations are broadcasting local news in high definition format. The division also centralised several functions, and created a new central graphics operation for all its stations, which cut labour costs.

With the growth potential brought by political campaigns and the Olympic Games in 2008, Media General predicts its Broadcast Division will have double digit growth in terms of total sales, and an increase in expenses by around six percent.



Source: Yahoo! Finance

Publishing Division

The two biggest accomplishments in 2007 for Media General's Publishing Division were the launch of its Web-First approach and its partnership with Yahoo!. Web-First is a tactic aimed to reassign staff, introduce new scheduling and provide tools and training to create local Web content, which is hoped will draw more readers and advertisers. The Yahoo! partnership boosted exposure of Media General news content on Yahoo!'s HotJobs platform, which brought in more traffic.

In the first ten months of 2007, the division's online ad revenues rose 43 percent, while Internet national ad revenue increased 50 percent.

However, the weakness of classified ads, especially in the division's key Tampa market, is expected to continue in 2008. Retail ads are expected to grow modestly, thanks to the new products and national revenues.

The company is expected to see huge growth in 2008 from interactive media, about 40 percent in terms of total revenue growth. Adver-gaming revenue, which nearly tripled in the first ten months of 2007, is expected to continue its growth in 2008.

Media General's Publishing Division – 2007 Highlights

- The launch of "Web-First" approach
- Yahoo! HotJobs partnership
- Online local ad up 43%, national up 50%

Source: Media General Inc.

The McClatchy Company

McClatchy owns 32 daily newspapers in 29 markets and is the second largest newspaper company in the United States. In the last two years, McClatchy's stock price dropped from $58 in the end of 2005 to $10.31 in January 2008.

2007 was a tough year for McClatchy. In the first ten months of the year, its advertising revenues declined 8.5 percent and total

THE McCLATCHY COMPANY

Type	Public (NYSE:MNI)
Founded	1857
Headquarters	Sacramento, CA, USA
Key people	James McClatchy, founder of the Sacramento Bee
Products	Newspapers
Revenue	US$1.68 billion (2006)
Full Time Employees	15,250
Website	www.mcclatchy.com

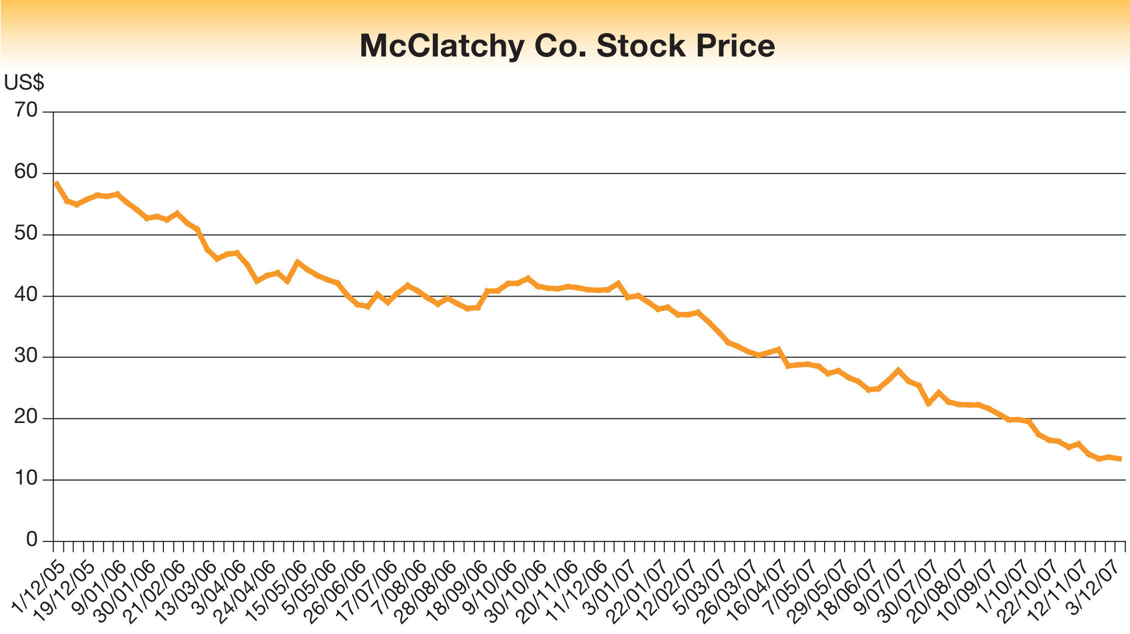
Source: Yahoo! Finance

McClatchy's Ad Revenue

Jan – Oct 2007

Total advertising	-8.5%
CA/FL advertising	-15.7%
Other regions advertising	-4.2%

Source: McClatchy Co.



Source: Yahoo! Finance

revenues dropped nearly eight percent. Moreover, the real estate downturn in California and Florida hit the company hard. The ad revenue in the two states plummeted 15.7 percent in 2007, and altogether they represent 33 percent of the company's total revenues and 69 percent of the total revenue decline. Fortunately, Wall Street analysts have called the real estate recession "cyclical", and the revenues are expected to bounce back.

McClatchy also made efforts to conquer another secular challenge. In order to migrate print audiences to online and expand the online return, McClatchy increased its online sales pressure. It reconstructed its commission and incentive packages to better compensate staff for online sales and focused on classified advertising and retail, its biggest advantage compared to other players. The partnership with Yahoo! is also an important area McClatchy is focused on.

In the first ten months of 2007, its online ad revenues reached $140 million, up 0.8 percent from the previous year, and unique visitors reached 21.1 million, up 23 percent from 17.2 million in 2006.

McClatchy's Financial Highlight

Nine months ending Sept. 2007

• Operating cash expenses	-9.1%
• Operating cash flow	-2.3%
• Operating cash flow margin	24.6%

Source: McClatchy Co.

Besides this, McClatchy also has focused on reducing cost structure. The company reduced its vertical integration through outsourcing, centralisation, and compensation cuts. However, it expanded its horizontal integration through news source sharing. It also reduced its Web-width, which will save an estimated $8 million for the company each year.

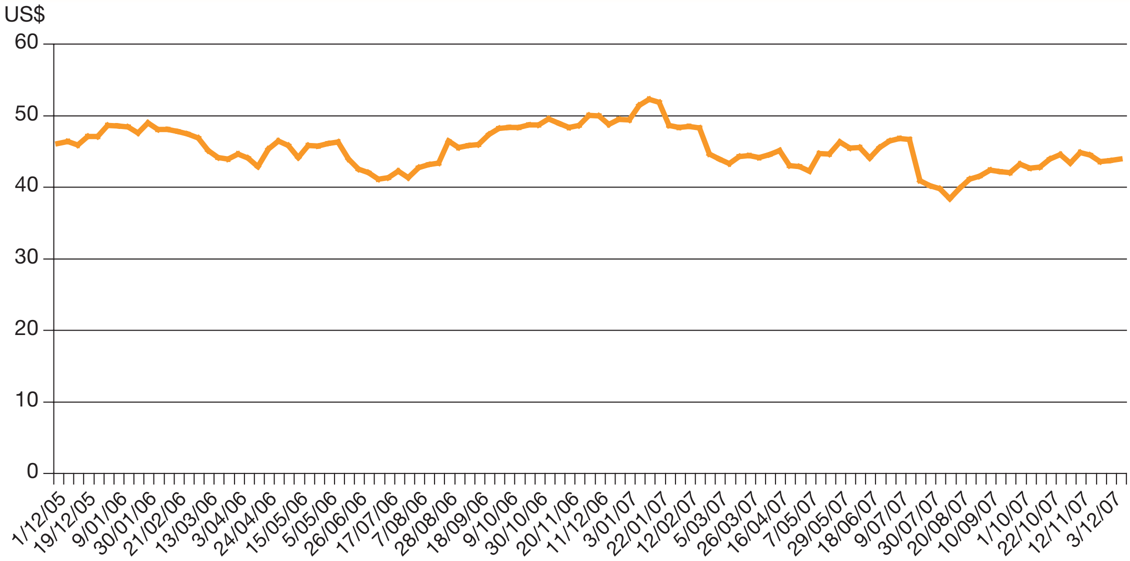
In terms of the outlook for the year 2008, McClatchy will continue its efforts on cost controls and revenue improvement. Yet, some analysts are not optimistic about the company. Goldman Sachs analysts lowered McClatchy's rating from "Hold" to "Sell" in July 2007. Lehman Brothers maintains an "Underweight," or "Sell" rating on the stocks, and Deutsche Bank has rated it as "Hold" since the end of 2005.

E.W. Scripps Company

Within the past two years, E.W. Scripps Co.'s stock price did not fluctuate as much as other media companies. It lingered around $40 and $50, and once hit $52 as its highest. In January 2008, its price dropped to $37.89.

In October 2007, Scripps announced its spin-off plan for Scripps Network Interactive, which consists of cable networks and Internet properties. Following the transaction, the company will own newspapers and broadcast TV stations. The deal is expected to be completed at the end of June 2008. It is

EW Scripps Co. Stock Price



Source: Yahoo! Finance

Type	Public (NYSE: SSP)
Founded	1878 (Originally as The Cleveland Penny Press)
Headquarters	Cincinnati, Ohio, USA
Key people	Edward W. Scripps (1854-1926), Founder Kenneth W. Lowe, President & CEO
Products	Broadcast Television Cable Television News Publication Community Educational Services Interactive Media
Operating Revenue	US$2.9 billion (2006)
Full-Time Employees	9,000
Website	www.scripps.com

Source: Yahoo! Finance/EW Scripps Co. Annual Report

believed the split will better shape the strategic focus, refine the capital allocation and attract investors with more specific interests.

Scripps Networks Interactive

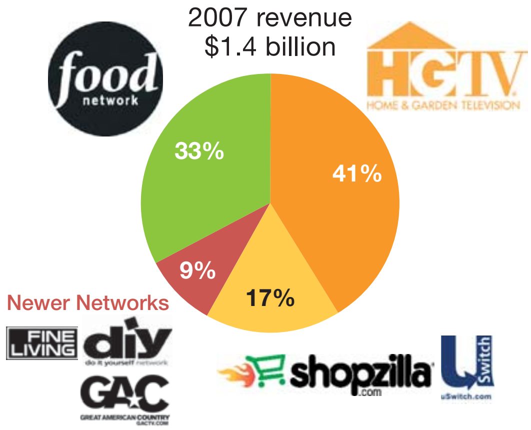
Scripps Networks Interactive is estimated to bring in $1.4 billion in revenue in 2007, nearly 75 percent of which comes from its two leading channels, HGTV and Food Network. The interactive media section, including shopzilla.com, will bring in 17 percent of its revenue.

Besides the two well-known television brands, Scripps Network Interactive is also trying to carve out other market potentials, such as Fine Living, diy, and GAC, each with specific niche target markets.

The priorities for the cable networks this year will include strengthening the strong brands, HGTV and Food Network, and seek the ratings success of Fine Living, while also maximising online revenue streams.

The online business is keeping good record as well – with a YOY revenue growth about 26 percent. Recently it acquired RecipeZaar and Pickle.com into its portfolio and work on increasing the user-generated content.

Scripps Networks Interactive (Post-Transaction)

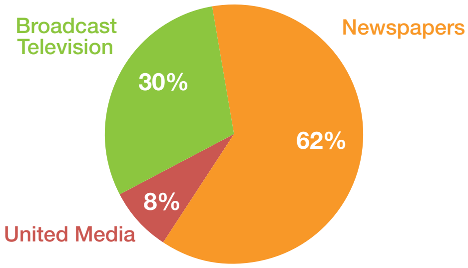


Source: E.W. Scripps Co.

E.W. Scripps Company

E.W. Scripps Company (Post-Transaction)

2007 revenue
$1.1 billion



Source: E.W. Scripps Co. © World Association of Newspapers 2007-2008

E.W. Scripps Company brought in an estimated $1.1 billion in revenue in 2007, with more than 60 percent coming from newspapers and 30 percent from broadcast TV.

Scripps' newspapers will focus on content, cost control and online exploration for 2008. The newspaper division will examine back office, distribution and production operations, as well as reducing Web-width, migrating print content to online, and cutting down on some vertical integration to share expenses. The online platform for Scripps' newspapers has continued to grow revenue since 2003. Scripps' newspapers also will create more outlets to reach more readers and share the cost. As of December 2007, Scripps hosted 81 citizen blogs, 145 staff blogs and had more than 1,000 YourHub.com contributors.

With U.S. political campaigns and the 2008 Olympics Games ahead, Scripps Television Station Group is expecting to grow ad revenue this year. Besides this growth, the group is also working towards online integration and creating more online affiliate sites targeting niche demographics to draw in more advertisers.

In 2008, Scripps expects a revenue gain from its businesses, especially the broadcast TV sector. Interactive Media can also bring in an estimated $60 million profit. The Newspaper Group, due to the industry recession and the continuing advertising market downturn, expects a single-digit drop.

E.W. Scripps Co. 2008 Outlook

Scripps Networks	
Total revenue:	up 8 to 10%
Total expenses:	up 8 to 10%
Interactive Media	
Segment profit:	$55 to $65 million
Newspapers	
Total revenue & expenses:	down low single digits
Television Station Group	
Total revenue:	up 15 to 20%
Total expenses:	up mid single digits

Source: E.W. Scripps Co. © World Association of Newspapers 2007-2008

3. Transforming Newspapers with Mergers & Acquisitions, and Research & Development

American newspaper publishers are transforming their companies for the multimedia era. Mergers and acquisitions, and research and development are moving formerly newspaper-only companies into multimedia revenue engines poised for success in the 21st Century.

The Wall Street crisis plaguing public newspapers in the United States has only accelerated the thrust toward greater profitability in digital revenue making and potentially lucrative investments. This chapter maps out strategies of newspaper companies worldwide focused on bolstering the bottom line. The chapter will deal with two key tactics:

- Research & Development
- Mergers & Acquisitions

In the past few years, many newspaper companies have ramped up their research and development efforts, including Schibsted in Scandinavia, Scripps in the United States, Reuters in the United Kingdom and the American Press Institute, which represents thousands of newspapers in the United States.

Schibsted's digital business developments

Schibsted reportedly earns half its revenues from digital businesses, including its digital classifieds network, FINN.no, and newspaper Web sites, such as Aftonbladet.se and VG.no.

“Schibsted's main focus in the years to come will be on becoming even better at further developing its products and constantly creating new ones. We have a demanding ambition to increase our revenues by seven percent each year. Few major companies manage to do so over time. We believe we have a good chance of success. Our established media houses are unique platforms for further growth – on the Internet, mobile phones and TV,” the company's Web site states.

“Scandinavia is a laboratory for future media developments, especially in relation to the Internet and mobile telephony. Being in the forefront in Scandinavia gives us unique opportunities to export concepts and expertise to other markets in and outside Europe.”

Reuters Labs Development

During a December 2007 World Association of Newspapers study tour, Andrew Lister, head of Reuters Labs Development, said the news agency's R&D lab was built to innovate new interactive businesses.

"We innovate by taking risks.... our motto is: test early, test often," Lister said.

The four-person staff fields ideas from an "innovation pipeline" from partners, media, Reuters groups and third parties. A steering committee of seven people look at ideas to pursue in terms of scope, scalability, innovation, resources, partnership and branding potential. The decision-makers consider the ideas with the following questions in mind:
• Will the idea resonate with what our users expect from our brand?
• Will the technology work?
• Will the audience get it?
• Will it make money?

After the idea is approved, it enters the laboratory for development and release. After development, idea is graduated out of the labs and turned over to an "owner" at Reuters. Some of the lab's graduates include video podcasting, audio podcasting, the Reuters Second Life News Bureau, Reuters Video Player, News and Quotes widget, mobile phone Web site and stock screener. Current projects include a mobile journalism Web site joint venture with Nokia, and the Reuters news quiz.

Scripps Entrepreneur Fund

Scripps newspaper company in the United States launched a $1.5 million digital media innovation investment fund in 2005 in order to achieve its objectives of developing digital media at the company. Newspaper employees in the Scripps network can request funding for ideas to the Entrepreneur Fund board, which meets quarterly. Three senior newspaper division executives, one senior executive from Scripps Networks, a former Intel and Clinton Administration official and a Freshwater investment fund executive are on the board.

"The fund invests in great ideas in our local markets," said Bob Benz, executive vice president of Scripps Networks at the WAN Digital Conference in October 2006.

"Our charter is to encourage disruptive and innovative growth businesses to help us grow audience and advertising share into the green space. In five years we hope that ideas we have funded add 20 to 30 percent to the newspaper division's bottom line (US$75-US$100 million)," Benz said.

The process starts with an idea resume. Among the ideas that have been developed include JavaPlum.com, a local search engine and marketplace in Florida; Knoxille520, an entertainment Web site in Tennessee; and Spend, a local shopping site in Tennessee.

Idea Resume

Our idea is …

Our foothold customers will be:

The jobs these customers need to get done are:

Customers currently get these jobs done by:

Relative to competitive offerings, customers will give up:

We'll make money by:

We'll keep costs low by:

We'll need to partner with:

We'll beat competitors because:

Scripps employees are encouraged to sumit ideas to the entrepreneur fund with an "idea resume." An idea that is approved in the first phase gets $500 for an individual and $1,500 for the group. If the idea moves to Phase 2, the individual receives $1,500 and the group receives $3,000. "Plus, your name is attached to the product and you get a chance to help drive the project forward. We've found this is very effective," Benz said.

American Press Institute's NewspaperNext Project

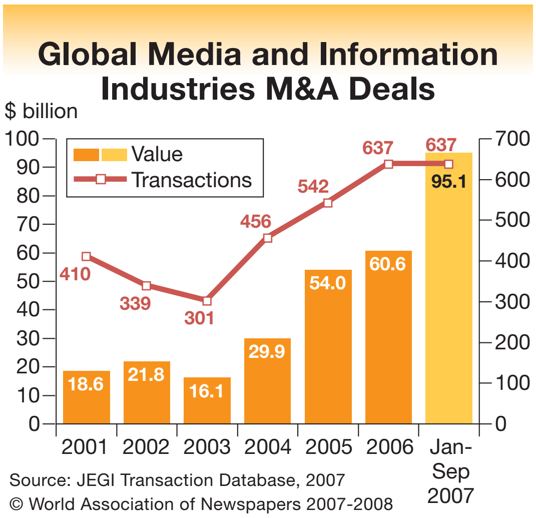
The American Press Institute launched the NewspaperNext project in 2006, a US$2 million research project into new business models for the newspaper industry. The project provides tools for newspapers to see opportunities, affects growth and refocus news organisations for innovation.

The project is led by Stephen Gray, former general manager of the Christian Science Monitor, and is based on research and consulting by Dr. Clayton Christensen, a Harvard professor, and author of the best-selling business strategy tomes, "The Innovator's Dilemma," and "The Innovator's Solution."

"A powerful wave of disruption is sweeping the newspaper industry, but it doesn't have to be a disaster. There are at least as many growth opportunities as threats, and companies that learn to think and act like disruptors can not only survive but prosper. The Newspaper Next approach gives them the tools they need." – Dr. Clayton Christensen

Mergers & Acquisitions

The media and information industry marked a record year in merger and acquisition activity. During the first three quarters in 2007, 637 deals worth more than US$95 billion were announced.



Online media is the sector with most merger and acquisition transactions – 232 deals worth more than US$8 billion were announced during the first nine months of 2007. Meanwhile, marketing and interactive services came in second place, recording 182 deals, worth more than US$27 billion.

Compared with the same period in 2006, merger and acquisition activities in the media and information industry grew 23 percent based on the number of deals, with a 110.6 percent growth in value. Educational and professional publishing and online media are the two sectors with more than 50 percent growth in number of deals, while consumer magazines, and marketing & interactive services both have grown more than 50 percent in value.

Regarding the newspaper publishing sector, though the number of deals decreased more than 50 percent, from 68 to merely 31 in the first nine months of 2007, the transaction value grew more than 35 percent, from US$9.8 billion to US$13.4 billion. Key transactions included Dow Jones, Tribune, and Les Echos deals, and the mergers of MingPao, Sin Chew and Nanyang.

Research & Development

The emergence of research and development laboratories and the adoption of the concept across newspaper company chains is a clear sign that companies are infusing new ideas into their traditional media mindsets.

One of the biggest spenders in M&A is News Corporation, led by Chairman and Chief Executive Officer Rupert Murdoch. Between 2005 and 2007, Murdoch spent billions of dollars on interactive media, including social networking giant Myspace.com for US$580 million in 2005. In addition to its famous US$5.6 billion Dow Jones acquisition, including its flagship newspaper the Wall Street Journal and profitable digital properties such as WSJ.com and MarketWatch.com in December 2007, News Corp.'s other recent digital acquisitions include:

- IGN, a video game and movies portal
- Scout, a sports Web site
- Ksolo, a karaoke Web site
- Photobucket, a video and photo storage site
- Beliefnet, a religious and spirituality-based social network

But Murdoch isn't expected to stop there. Forbes.com, in a December 2007 article, speculated News Corp. would also gobble up some of following Web sites:
- Digg, the social news Web site that allows users to submit favourite articles, which are then ranked by users
- Flixster or Rotten Tomatoes, both film-oriented social networking sites
- Linked-In, a career and networking site

Murdoch's seminal speech to the American Society for Newspaper Editors illuminates his strategy behind the multi-billion dollar investments in digital:

"The threat of losing print advertising dollars to online media is very real. In fact, it's already happening, particularly in classifieds. No one in this room is oblivious to it. Television and radio and the yellow pages are

in the same spot. In the same way we need to be relevant to our readers, the Internet provides the opportunity for us to be more relevant to our advertisers. Plainly, the Internet allows us to be more granular in our advertising, targeting potential consumers based on where they've surfed and what products they've bought. The ability to more precisely target customers using technology-powered forms of advertising represents a great opportunity for us to maintain and even grow market share and is clearly the future of advertising." – Rupert Murdoch, April 2005, American Society for Newspaper Editors.

Media and Information Industry M&A Activity: Jan – Sep 2007 vs. 2006

	2007 January-September		2006 January-September		% Change	
Industry Sector	**No. of deals**	**Value ($MM)**	**No. of deals**	**Value ($MM)**	**No. of deals**	**Value**
Business-to-Business Magazines	31	3,129	30	3,717	3.3	(15.8)
Consumer Books	8	220	8	1,086	0.0	(79.7)
Consumer Magazines	46	3,271	37	1,798	24.3	81.9
Database (Business) Information Services	22	21,287	35	1,503	(37.1)	NM
Directory & Reference Publishing	10	2,747	14	4,753	(28.6)	(42.2)
Educational & Professional Publishing	20	14,239	11	387	81.8	NM
Exhibitions & Conferences	51	733	35	636	45.7	15.3
Marketing & Interactive Services	182	27,580	123	15,626	48.0	76.5
Newsletter Publishing	4	139	20	103	(80.0)	35.0
Newspaper Publishing	31	13,358	68	9,758	(54.4)	36.4
Online Media	232	8,350	136	5,777	70.6	44.5
Total	**637**	**95,053**	**517**	**45,144**	**23.2**	**110.6**

Source: JEGI Transaction Database, 2007

Here is a breakdown of mergers and acquisitions since the beginning of 2007:

Deal	Date
News Digital buys travel search site Bezurk	Jan. 15,2008
Reuters and Thomson predict Q2 close for the US$17 billion merger	Jan. 14, 2008
Pearson buys Money-Media	Jan. 3, 2008
Pearson sells Les Echos to LVMH	Dec. 28, 2007
Sam Zell buys Tribune for US$8.2 billion and made it private	Dec. 20, 2007
News Corp. takes over Dow Jones for US$5.6 billion; Murdoch states he plans to make WSJ.com free	Dec. 13, 2007
Trinity Mirror buys Globespan Media	Nov. 29, 2007
Dow Jones in negotiations to acquire Financial News for £27 million	Nov. 4, 2007
Hearst buys MediaNews stake for US$317 million	Oct. 23, 2007
Gannett buys Schedule Star	Oct. 17, 2007
Scripps buys Recipezaar for about US$25 million	July 19, 2007
Fast Search buys AgentArts	July 3, 2007
Thomson sells NewsEdge	June 26, 2007
Axel Springer, PubliGroupe buy Zanox.de	May 22, 2007
Ilse Media buys Rosetta	May 21, 2007
Trinity Mirror buys TotallyLegal.com for £11.8 million	May 8, 2007
Fairfax Media and Rural Press completes merger	May 2007
Tamedia and Espace Media Groupe merge for 205 million Swiss Francs in cash and 600,000 Tamedia shares	May 2007
Mecom buys Wegener for €805.7 million	May 2007
Ming Pao, Sin Chew and Nanyang merge	April 24, 2007
Daily Mail Group buys majority in Croatian jobs site and Slovakian motors site	Mar. 15, 2007
Axel Springer's finance group acquires wallstreet:online group	Mar. 13, 2007
Canadian CanWest acquires The New Republic magazine	Feb. 27, 2007
Swedish publisher Bonnier acquires Time Inc.'s Time4Media for estimated US$210-240 million	Jan. 25, 2007
Australia's Fairfax Digital acquires parenting Web site Essential Baby for US$3.15 million	Jan. 23, 2007
South Africa's Naspers acquires 30 percent of Russian portal Mail.ru for US$165 million	Jan. 23, 2007

News Digital buys travel search site Bezurk

Jan. 15, 2008

News Digital Media purchased a minority stake in Asia-Pacific travel search site Bezurk.com on Jan. 15, 2008.

The Singapore-based search engine is the first investment News Digital Media, the digital branch of Australia's News Limited (part of News Corp.), has made outside Australia. Bezurk focuses on travel for New Zealand, Singapore, Malaysia and Thailand, and also collects information from about 80 other partner travel Web sites.

In a separate transaction concurrent with News Digital Media's investment, Singapore-based OWW Capital Partners also acquired a minority stake in Bezurk.

Reuters and Thomson predict Q2 close for the US$17 billion merger

Jan. 14, 2008

Reuters and Thomson said in a joint statement that their US$17 billion merger deal should receive regulatory clearance early in Q2 this year, a bit of delay from the planned mid-of-Q1 clearance.

The U.S. Department of Justice had agreed to give its decision on the deal “on or about the date” that the European Commission makes its decision, to align the clearances by March 10.

ABN Amro analysts said they were optimistic about the deal winning regulatory approval, but questioned why investors would want to be bullish on Thomson-Reuters: “Nearly all of Reuters’ revenue and 60 percent of Thomson-Reuters’ revenue derive from the market data industry. The revenue model has moved away from a simple ‘bums on seats’ subscription model, but Reuters’ destiny is nevertheless closely tied to the fortunes of the banking industry.”

Pearson buys Money-Media

Jan. 3, 2008

Financial Times publisher Pearson bought U.S. global fund management news and commentary site Money-Media.com, its second online acquisition in the past three months, for an undisclosed sum.

New York City-based Money-Media.com, which raked in revenue of US$16 million in 2007, offers premium-priced news and analysis Web sites to mutual fund directors, company executives and institutional and high-net-worth money management professionals. It also runs online properties JobBlast, Ignites, Fundfire, BoardIQ and Agenda, and runs conference provider ODX.

Using Money-Media's online properties, the site will help Pearson expand the Financial Times' appeal, specifically using content in conjunction with its launch of Ftfm, a fund management supplement to the newspaper, in the United States.

Pearson sells Les Echos to LVMH

Dec. 28, 2007

French luxury goods manufacturer LVMH finished its deal to buy French business daily Les Echos from British company Pearson Plc in Dec 2007, in spite of fierce opposition from the paper's staff.

The Les Echos journalists' union has protested against the deal several times, concerned that the buyout will end in a loss of their editorial independence. LVMH, however, stated measures will be set in place to ensure editorial independence for Les Echos journalists.

LVMH also signed a separate agreement to sell the paper La Tribune to Alain Weill, who owns the BFM business news radio station. However, due to the anti-trust regulations, LVMH must ensure La Tribune can compete against Les Echos for several years.

Sam Zell buys Tribune for US$8.2 billion and takes company private

Dec. 20, 2007

Real estate magnate Sam Zell completed his US$8.2 billion buyout of the Tribune Company in order to take the media group private. Chicago businessman Zell is the new chairman of the board and CEO, replacing Dennis FitzSimons. The company will operate under the Tribune Employee Stock Ownership Plan.

Zell added another US$65 million his initial $250 million investment. However, analysts and bankers still have concerns over the company's ability to shoulder the amount of debt involved in the deal.

On Dec. 21, 2007, Tribune and local television announced plans to collaborate on the formation of a "broadcast management company." Details have not yet been disclosed.

News Corp. takes over Dow Jones for US$ 5.6 billion; Murdoch states he plans to make WSJ.com free

Dec. 13, 2007

In August 2007, Dow Jones agreed to be taken over by News Corp. The deal was completed on Dec. 13, 2007, worth US$5 billion, or US$60 a share, and ended its 105-year ownership by the Bancroft family.

The deal took Murdoch's media empire News Corp. into the financial publication area. News Corp. already owns the Fox broadcast network, Fox News Channel, Twentieth Century Fox, MySpace, and many publications and satellite TV broadcasters.

Beginning in November 2007, Murdoch expressed his plans to make the online edition of Dow Jones' flagship, the Wall Street Journal, free. He said making the paid site free would take WSJ.com from its current one million subscribers to 10 to 15 million readers around the world. However, this move would require a 12-fold increase in traffic growth in order to offset lost subscription revenues, according to industry analysts.

Murdoch also said earlier that News Corp. was likely to sell the community newspapers owned by Dow Jones.

Trinity Mirror buys Globespan Media

Nov. 29, 2007

British newspaper group Trinity Mirror Plc announced in November 2007 it would buy Globespan Media Ltd. for about £5.9 million – an initial £0.9 million and a deferred amount of up to £5 million, on the condition of reaching specified operating profits during the next 30 months.

Trinity Mirror expects Globespan's revenues to hit at least £4 million in the first year of ownership. After the deal, Globespan will be integrated with Trinity Mirror's Smart Media Services, a Web property business.

"Globespan strengthens our regional network of over 80 local property sites and enables us to achieve faster growth of market share in the online property sector," Trinity Mirror Chief Executive Sly Bailey stated.

Dow Jones to acquire Financial News for £27 million

Nov. 4, 2007

U.S. financial publisher Dow Jones advanced in its negotiations to buy the UK investment banking newspaper Financial News for about £27 million.

The business and financial daily and has a real-time Web site with more than 40,000 subscribers. Its reach is high in London, and also among Europe's top investment bankers and investors.

The sale of Financial News, handled by NM Rothschild, is likely to rake in a significant amount of cash from some of the founders, who are still shareholders. Angus MacDonald, chief executive of Financial News, controls of 25 percent of the company. He is expected to step down, but remain an adviser.

Hearst buys MediaNews stake for US$317 million

Oct. 23, 2007

Hearst Corp. bought a 31 percent stake in MediaNews for US$317 million in October 2007. According to the terms of the deal, MediaNews would take over newspapers that Hearst acquired from McClatchy Co. as an exchange for Hearst's interest in MediaNews's operations outside the San Francisco area.

Hearst publishes the San Francisco Chronicle, while MediaNews owns the San Jose Mercury News, the Contra Costa Times and other papers in the Alameda Newspaper Group.

The Mercury News and the Times were owned by Knight Ridder Inc., which was bought by McClatchy last year. McClatchy later sold several newspapers to different buyers.

Gannett buys Schedule Star

Oct. 17, 2007

Gannett continued to build up its digital assets by taking a controlling stake in the owner of athletic community site's HighSchoolSports.net, Schedule Star, for an undisclosed sum.

Bridgeport, Ohio-based Schedule Star claims to have more than 6,500 schools subscribing to its athletic management system, which updates event information and team statistics.

Gannett plans to use the system in its local newspapers, Web sites and television stations to increase readership, user numbers and ad revenue.

Scripps buys Recipezaar for about $25 million

July 19, 2007

Scripps Networks bought the Seattle-based Recipezaar, a user-generated community recipe site that lists more than 230,000 recipes. Although pricing was not disclosed, the Seattle Post-Intelligencer's Venture Blog, written by John Cook, stated the transaction was woth about US$25 million.

Recipezaar will operate separately from FoodNetwork.com, as a stand-alone brand within Scripps.

Earlier in 2007, Time Inc. launched MyRecipes.com. In 2006, AllRecipes.com was bought by Readers Digest for US$66 million, and French food site Art Culinaire was bought by CNET.

Fast Search buys AgentArts

July 3, 2007

Norway-based B2B search firm Fast Search & Transfer bought U.S.-based AgentArts for an undisclosed sum.

The site's technology can track and help to better understand online and mobile user habits with its recommendation and personalisation engine. It can recommend content and promotions based on these user habits, and has been used on mobile. Its clients include Telstra Big Pond and Infospace Mobile.

AgentArts launched in Australia in 1999, but is now based in San Francisco.

Thomson sells NewsEdge

June 26, 2007

Thomson has sold NewsEdge, its subscription news aggregator, to digital content syndication company Acquire Media for an undisclosed sum.

NewsEdge's service operations will be merged with the operations at Acquire Media, which is based in Roseland, New Jersey. The services and products of NewsEdge, as well as its technical centre in Massachusetts, will be retained and enhanced.

Thomson bought NewsEdge for about US$43 million in 2001.

Axel Springer, PubliGroupe buy Zanox.de

May 22, 2007

Axel Springer AG and PubliGroupe AG made a joint acquisition of the online marketing and ad technology firm Zanox.de AG for €214.9 million, plus an earn out.

Zanox.de, based in Berlin, will be split geographically between Berlin-based Axel Springer and Lausanne, Switzerland-based PubliGroupe. Axel Springer is covering 60 percent of the cost, while PubliGroupe is paying 40 percent, and each buyer is holding a majority interest in one and a minority interest in the other.

The deal is subject to authorities in Germany, Switzerland and Austria, and would be retroactive to Jan. 1, 2007.

Ilse Media buys Rosetta

May 21, 2007

Dutch publisher Ilse Media has bought Rosetta, which operates a social network for schoolmates, SchoolBank.nl, for undisclosed financial terms

The five-year-old social network claims to have 3.2 million registered users in the Netherlands, as well as 1.1 million unique users monthly and 2006 sales of €3.1 million.

The site offers premium features to users for €1 per month, connects former schoolmates and teachers, and claims 100,000 daily visitors. Ilse Media, the digital arm of Sanoma Uitgevers, consists of about 96 sites.

Trinity Mirror buys TotallyLegal.com for £11.8 million in cash

May 8, 2007

Publisher Trinity Mirror bought online jobs site TotallyLegal.com for £11.8 million in cash.

The recruitment site lists UK legal profession careers, and also runs a sister site that serves financial career-seekers and recruiters, TotallyFinancial.com.

Each year for the past couple of years, Trinity Mirror has bought classifieds and recruitment sites, an attempt to strengthen its bottom line against the print advertising downturn.

Fairfax Media and Rural Press completes merger

May 2007

Fairfax Media, one of the largest media companies in Australia, and Rural Press Limited completed their merger in May 2007. The deal brought in more assets to Fairfax, including The Canberra Times, several regional newspapers, radio stations, Web sites and some agricultural publications.

Fairfax Media announced that its merger with Rural Press will secure AU$22 million in cost synergies for the fiscal year 2008. Merger benefits are expected to be higher than originally promised, climbing to AU$45 million in 2009, according to the company.

In November 2007, Fairfax Media acquired some assets of Australia's cross-media company Southern Cross Broadcasting Limited, such as radio stations in Sydney, Melbourne, Brisbane, and Perth, the Southern Star television production and distribution business and Satellite Music Australia.

Tamedia and Espace Media Groupe merge for 205 million Swiss Francs in cash and 600,000 Tamedia's shares

May 2007

The Swiss media houses Tamedia (Tages Anzeiger, 20 Minuten among others) and Espace Media Groupe (Berner Zeitung, der Bund) merged in May 2007.

In the deal, Tamedia acquired the majority of Espace Media Groupe shares, while the existing majority owners of Espace Media, the families of Erwin Reinhardt-Scherz and Charles von Graffenried, acquired an interest in Tamedia. The transaction is valued 205 million Swiss Francs in cash, in addition to the 600,000 Tamedia shares issued as part of a capital increase.

The merger can help the company leverage synergies and launch joint new media projects.

Espace Media Groupe and Tamedia have been affiliated with each other for many years. Tamedia has held a 49 percent stake in the main subsidiary of Espace Media Groupe since the 1990s. Berner Zeitung has owned a 15 percent share of SonntagsZeitung since 1987, and also hold a 17.5 percent stake in the commuter newspaper 20 Minuten. In recent years, both companies have transformed from pure printing operations into multimedia businesses.

Mecom buys Wegener for €805.7 million

May 2007

European media group Mecom acquired Wegener, the Netherlands' largest regional newspaper group, for €805.7 million in May 2007.

Mecom acquired 23.7 percent of Wegener's depositary receipts, equivalent to 20 percent of its shares, in March 2007 from the Telegraaf group. The rest of the offer was worth €17.7 in cash, or €18 in Mecom shares.

In the past few years, Mecom acquired Norwegian newspaper group Orkla for £650 million and a 90 percent stake in German newspaper group Berliner Verlag for more than £100 million in order to build up a pan-European newspaper and media group.

Ming Pao, Sin Chew and Nanyang merge

April 24, 2007

Ming Pao Enterprise Corp. Ltd in Hong Kong, Sin Chew Media Group and Nanyang Press Holdings in Malaysia announced a merger deal in April 24, 2007. The deal brings a total market capitalisation of US$292 million to the post-transaction company, making it the largest Chinese-language media group outside mainland China and Taiwan.

The merger will help the company to build up a Chinese-language media platform, expand into new markets and improve its financial strengths.

The deal is expected to be complete in February 2008. Sin Chew Media Group and Nanyang Press Holdings were delisted on the Hong Kong stock market, and will be delisted on the Malaysian stock market in the future.

Daily Mail Group buys majority stake in Croatian jobs site and Slovakian motors site

Mar. 15, 2007

Northcliffe International, a division of the Daily Mail & General Trust in the United Kingdom, made two small acquisitions with total value of less than US$10 million.

It bought a 60 percent share in the Croatian job search site MojPosao. The portal has an 85 percent market share for online job searches in the country. It also acquired a motors Web site in Slovakia.

Northcliffe, with its main operations in Hungary, publishes newspapers, advertising titles and Web sites across Europe.

Axel Springer's finance group acquires wallstreet:online group

Mar. 13, 2007

Axel Springer Finanzen Verlag, the financial media subsidiary of German media giant Axel Springer, acquired a majority share in two related finance/media businesses. It bought a 50.1 percent stake in wallstreet:online AG (WOA) and a 75.1 percent interest in wallstreet:online capital (WOC). Both companies are Berlin-based and listed on the stock exchange.

WOA owns the finance site wallstreet-online.de, Germany's second-largest independent financial news and information portal. WOC is one of Germany's leading online independent fund brokers.

Canadian CanWest acquires The New Republic magazine

Feb. 27, 2007

CanWest Global Communications, originally the majority stake holder of The New Republic magazine, has become the sole owner.

The Canadian media company purchased the majority of the shares from managers Roger Hertog and Michael Steinhardt, who had gained their shares from editor Marty Peretz in 2002. Peretz, who no longer owns any part of the magazine, will remain as editor-in-chief.

The 93-year-old New Republic magazine, a centre-left weekly, and its Web site will undergo an overhaul.

Swedish publisher Bonnier acquires Time Inc.'s Time4Media for estimated $210-240 million

Jan. 25, 2007

Swedish publisher Bonnier Magazine Group acquired Time Inc.'s Time4Media. Financial terms were around US$210-240 million.

Bonnier and its U.S. publishing partner World Publications said it will make them one of the largest U.S. consumer magazine publishers, with 40 titles and revenues over $350 million. World Publications CEO, Terry Snow, said the deal provides the companies with "the potential to be the leading multimedia resource in our new and existing special-interest areas." Time4Media's titles include Parenting, Popular Science, Field & Stream and SKI.

Time Inc. announced plans to sell the special-interest titles in September 2006, in order to focus on mass audiences and the followed considerable bidder interest.

Australia's Fairfax Digital acquires parenting Web site Essential Baby for US$3.15 million

Jan. 23, 2007

Fairfax Digital, the digital arm of Australian media giant Fairfax, has bought parenting Web site Essential Baby. The deal is valued at about US$3.15 million.

Fairfax Digital expected the move to bring in "strong cross-promotional growth for Essential Baby through Fairfax Digital's news and classified sites."

The Essential Baby Web site has 99,500 current members, 69,500 unique viewers each month and more than 6.6 million page impressions. The acquisition is aimed at attracting female readers.

South Africa's Naspers acquires 30 percent of Russian portal Mail.ru for $165 million

Jan. 23, 2007

South African media giant Naspers bought 30 percent stake in Russian online portal Mail.ru for $165 million.

The shares were acquired from Digital Sky Technologies and Tiger Global Management, which are still shareholders of the company.

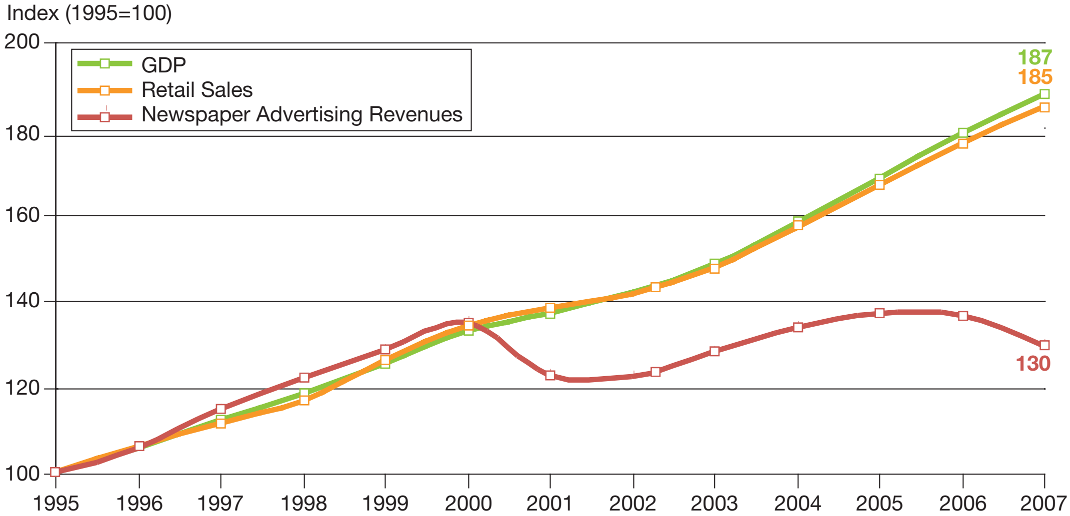
Mail.ru, the biggest e-mail provider in Russia, has 24 million unique monthly visitors, and nearly two billion page views per month.

Navigating Newspapers to a Brighter Future

By Len Kubas

U.S. Newspapers' Tipping Point: Q2 2000

Indices: Annual GDP, Retail Sales, Newspaper Advertising Revenue



Sources: Newspaper Association of America, Kubas

I earnestly believe that the current trend lines for printed newspapers are not immutable, nor are they preordained by destiny. Newspaper owners and operators do have the ability to shape a healthy future for their newspapers, and still be able to generate sufficient funds for investing in digital and/or online and rewarding their investors. Whether daily newspapers continue to prosper or are relegated to the museums of ancient linotypes and stereotyping equipment will depend on how they are managed in the next few years.

Setting Course for the Future

Most media, communications and advertising in the future will incorporate digital as a primary element. The future of media and communications in the next few decades will not be "either/ or" (either digital or analogue), but rather some combination of both, along a continuum.

In the next 10 to 20 years, digital will most likely not fully supplant analog, just as jet airplanes have not totally eliminated propeller-driven airplanes in aviation during the last 50 years.

This essay deals primarily with newspapers published in North America. There are developments taking place in newspaper publishing in other parts of the world that run counter to the current trends in North America, such as the burgeoning growth of paid newspapers in India, China, Latin America and Asia.

Are Newspapers Losing Altitude?

U.S. newspapers appear to have reached a tipping point in terms of revenue generation in early 2000. The following chart shows that for many years, newspaper ad revenues paralleled the nation's economic performance, as measured by Gross Domestic Product (GDP) or Retail Sales. But, in the second quarter of 2000, newspapers' ad revenue dropped precipitously, and since then daily newspapers' growth rate has seriously lagged economic performance, even during strong expansionary periods in auto sales and real estate markets.

The advent of the Internet, combined with cyclical downturns in auto sales and real estate markets, has exacerbated the gap between newspapers' ad revenue performance and economic growth trends. What will the future hold?

Are newspapers' current business practices capable of turning around the industry's fortunes in tomorrow's increasingly uncertain economy? What is the best way for newspapers to tackle intensifying competition from the Internet with its Google, Yahoo!, Monster, Facebook and other audience and revenue attractions?

Managing by Margin

Since the early 1990s, publicly traded newspaper companies have increased their average operating margins to the 20 percent range and above. Analysts and investors seem to have accepted newspapers' above-average operating margins as a substitute for real revenue growth.

But even above-average operating margins may no longer be sufficient to support high valuations or maintain stock prices indefinitely, as demonstrated by the current steep declines in newspaper companies' share prices and market value.

Managing by margin becomes more challenging when the principal way to create operating margins is by cutting costs. This sets into play a spiral of doom of sorts, where revenue shortfalls result in both higher prices and reduced volume, leading to cutbacks in marketing, product quality and expense reduction, mainly through fewer staff.

Over time, this downward spiral can become a self-fulfilling prophecy, which in turn becomes increasingly difficult to disengage.

There are at least three inherent dangers in newspapers' margin management philosophy:

• First, it places an enormous strain on any organisation striving to manage decline, especially newspapers, with their high fixed cost structure. By its nature, decline is very difficult to manage and control, because declining companies or industries often lose important pricing leverage or bargaining power in the eyes of their customers.

• The second danger is the apparent lack of confidence by the industry's owners and operators in being able to introduce new practices. In early January 2008, management at newspaper publisher Lee Enterprises decided that investing some $30 million to buy back stock and improve earnings per share was the best use of available funds, even though Lee's revenues were trending down.

The president and chief marketing officer of Macy's corporate marketing told assembled newspaper executives that "To win our ad dollars, [newspapers] have to be winning in the marketplace. But that is not the case."

When one of the largest newspaper advertisers in America tells senior newspaper industry executives that it's time to start winning, it really is time for newspaper executives to do something different. And that includes regaining collective confidence in the core product.

• The third potential danger with margin management practices is that they tend to work better when revenue grows. Financially savvy managers will say that you can't bank margins, nor can you shrink your way to prosperity. They may well be right.

Going Digital

Almost every newspaper industry manager recognises that digital revenue growth will be needed to counter declines in print revenues. But, considering recent developments, it appears less likely that newspapers' current online growth projections will be sufficient to recover sustained declines in print revenues.

For 2007, it's estimated that for U.S. newspapers collectively, online revenues represented about 8 percent to 9 percent of total newspaper ad revenues. It is this percentage that highlights the crux of the problem for newspapers.

For the next few years, the newspaper industry will require about a minimum 10 percent increase in online revenues just to offset each 1 percent decline in print revenues. If print ad revenues decline annually by 3 percent, then online revenues will have to increase by about 30 percent, just to keep total revenues flat. Unfortunately, newspapers' online revenue growth rates are now slipping, at the very time that print revenue declines are accelerating.

The solution, for both the short term and longer term, is to boost print ad revenues as well as to grow online revenues. Remember, it's not an either/or decision. Also, it's not just any print revenue, but revenue that brings with it a reasonable profit.

Creating Tomorrow's Winning Newspaper Company

Newspapers can regain momentum by applying innovative practices that harness the powers of the core print products along with enhanced capabilities of online and digital. Tomorrow's newspapers will require champions with a vision of growth.

Rekindle Confidence, Start Winning!

Jack and Suzy Welch, in their Aug. 6, 2007 Business Week feature TheWelchWay, state that "the only choice for any organisation, be it a company or a country, that wants to repair a damaged reputation...[is to] start winning!"

North American newspapers' current round of revenue losses and continuing declines in volume, market share and employment, along with the negative headlines they generate, are tarnishing newspapers' reputations and may be eroding our ability to compete.

The message that all stakeholders will want to hear from newspaper industry leaders is one of confidence in the core products, a pledge to grow print revenues and volume, and a solid plan for integrating digital.

Henry Ford was quoted as saying: "Whether you believe you can, or you can't... You are absolutely right!"

It's time for newspaper publishers to "believe they can" by revitalising their belief in the powers of the press and by planning to win in both print and digital. Our definition of winning for newspapers involves growing profitable revenues and volume, rather than sustaining artificially high operating margins with cost cutting.

Focus on New Performance Measures

About 45 years ago, Sam Walton changed retail history by opening the first Wal-Mart store. The principle of his success was based on charging slightly smaller markups than most competitors, which created higher sales volume.

The example of Wal-Mart accepting lower operating margins to produce higher sales volume is one that should resonate with most newspaper owners and operators. High prices inevitably constrain volume and revenues.

The rules of media businesses are being rewritten daily by new competitors, sharper buyers and empowered consumers. Google Print Ads is fundamentally changing the ad buying process. Newspapers must adopt smarter ways to package, price and sell advertising or risk being marginalised by the very advertisers they once relied on.

Reinforce The Value of Newspapers

Value is a relative measure that is determined by the buyer rather than by the seller. Not all readers, eyeballs and advertising space are equivalent for advertisers. Newspapers must reinforce their real value to customers by:

• Moving away from commodity pricing, where the focus is mainly on rate

• Improving niche pricing and segmentation techniques

• Producing compelling research to support the benefits that newspapers deliver

• Using technology to make it easier to buy and sell advertising

• Becoming more flexible and accommodating: give advertisers what they want

Expand Newspapers' Horizons

Although it's a myth that the growth of a goldfish is ultimately constrained by the physical dimensions of its bowl, could it be true for newspapers? Is the growth of a newspaper stunted when it is limited to certain platforms?

Consider just a few examples to expand newspapers' horizons:

• Free Newspapers
The rapid expansion of free newspapers worldwide - dailies, weeklies and specialised publications - signals growing interest in this new business model.

Another approach is for free newspapers to focus on specific content like finance or sports and/or target discrete audiences, such as mothers.

Home delivery of free daily newspapers is a variation of the free business model that offers advertisers a different way of reaching specific audiences.

• Compact Newspapers
Compact formats are more likely to appeal to younger and female readers than conventional broadsheet newspapers. The preference for compact formats is no longer mere speculation, because it has been validated by reputable research and actual results around the world.

• Modular Ad Units
Newspapers may be the only medium in the world that accepts virtually all sizes and shapes of advertising. Modular sizing is an innovation that can improve both revenues and operating costs, especially when combined with other ad pricing elements.

• More and Better Color
It seems that many newspapers still price color as if it were 1967, when color was indeed difficult, complicated and expensive. Today, properly priced color can be a formidable competitive weapon that makes the newspaper more interesting and gives the advertising more impact.

• 'Lite' Papers
In Europe, many publishers are repurposing editorial content from the main newspaper to create a smaller, compact and lower priced version designed for a younger reader demographic.

• Other Niche Publications
The growing roster of targeted or niche publications that are published by daily newspaper companies includes alternative newspapers, ethnic newspapers, community newspapers and specialty publications covering topics such as parenting, food, décor, etc.

Print publishing is clearly one of newspapers' real competitive advantages in the marketplace that should be exploited more aggressively.

Navigating To A Brighter Future

So what do newspapers have to do to ensure a safe and profitable journey to the future? Doing more of the same will almost certainly not produce the desired results. What follows is our vision of one path that newspapers can follow to future success and prosperity.

More Than One Paper Per Market

To date, American daily newspapers have tended to share a number of common operating practices. One such practice is that of publishing one daily newspaper per market. There are relatively few markets in America where there are multiple daily newspapers. Most daily newspapers operate in quasi-monopolistic isolation in their chosen market.

However, one homogeneous daily newspaper may no longer be sufficient, even for smaller markets. The competition is no longer the other daily in town, but niche publications, the Internet, community newspapers, other publications and other media operations. The real competition is for readers' time and attention.

We recommend publishing more, and different types of newspapers in each market.

Smarter Advertising Practices

Newspapers, large and small, need profitable advertising to survive and grow. Advertising support depends on delivering the right audience and suitable exposure in order to produce measurable results for advertisers at a reasonable cost.

Advertisers are demanding simpler and less complex pricing, more transparency, recognition for all their spending with the newspaper, and demonstrably better results or improved ROI.

Meeting these demands requires change, but the resulting benefits are worth it.

Regain Pricing Leverage

It appears that newspapers are in danger of losing their pricing leverage or negotiating power.

When producing ad revenue becomes a function of having to accept a take it or leave it, low-ball offer or bid from advertisers or agents like Google and Yahoo!, then newspapers may find themselves on a slippery slope. The end result is a devastating loss of bargaining power with less ability for newspapers to control their destiny - in print or online.

Our newspaper of the future will operate with more disciplined pricing practices. The World Association of Newspapers (WAN) Shaping the Future of the Newspaper Report 6.3 - Advertising Best Practices - states that "the time when newspaper publishers really need strong controls of pricing policy is when under pressure (real or perceived)." We agree.

Paid Circulation And Controlled Distribution

In the near future, conventional paid daily newspapers will have to coexist with emerging controlled distribution (free) newspapers. These new newspapers will be precisely targeted to defined audiences, specific households, sub-postal codes or even to unique offices or commercial complexes.

Newspapers must become more receptive to composite paid and controlled distribution models because:

• The cost of a daily's paid circulation operations (acquisition, delivery, customer service, verification, etc.) has been increasing faster than net paid circulation revenues. Today, the cost of running a paid daily's circulation department may be greater than all of the net circulation revenue collected, and that's just to keep paid circulation from declining too dramatically.

• Today's conventional paid circulation model may not be delivering enough of the right kinds of readers. The audience of most paid newspapers is aging faster than the population, with relatively fewer young families among a paid daily's readership base. Free distribution may provide a better opportunity to deliver desired audience characteristics.

• In North America today, preprint distribution revenues represent about half of all retail advertising revenues, and are almost equivalent to the net circulation revenues produced at some newspapers.

Most preprint advertisers are interested in reaching productive households - those in growing markets with a high concentration of younger families. Could newspapers generate more revenues by delivering more preprints to more desirable households with highly targeted distribution strategies?

Our newspaper of the future will probably incorporate a combination of paid and free copies. Desirable households and audiences will receive a complimentary copy, sometimes by request, while other households can pay, if they wish.

The Role of Research

Research will definitely play a larger role in tomorrow's newspapers. New research techniques will be required to measure and aggregate audiences across different platforms and channels. It will become more important for newspapers to demonstrate the results of advertising in print, since the instantaneous tracking of mouse clicks doesn't work for the print platform.

Newspapers in Europe, and now increasingly in North America, are relying on online reader panels to measure readership of editorial and advertising content, as well as to obtain qualitative measures of this content.

As newspapers move to multiple platforms such as printed dailies plus online, mobile, video, local paid search and niche or targeted publications, they will have to use innovative research to capture, verify and package aggregated audience data.

The biggest challenge for research will be managing the transition from circulation data to standardised audience measurement systems.

Compact Formats and Modular Units

Newspapers must start planning now for smaller physical dimensions. Readers universally prefer smaller, compact formats.

Our newspapers of the future, with some notable exceptions, will no longer be broadsheets. Conventional broadsheets are increasingly being converted to compact formats, or are being reduced to as narrow as 11 inches (approx. 31 cm) in width. Reducing page width for broadsheets is really just an interim step to converting to a more compact format, based on modular units. We expect many North American newspapers will convert to the compact format within five years.

Offering modular ad units with compact formats can improve revenues because the page becomes the standard ad unit. Newspapers could then sell modular advertising based on a page and portions-of-a-page units, rather than by inches, scc, mm or agate lines. Experience has shown that advertisers generally welcome modular ad units, especially when combined with lower costs, because advertisers are really buying impact, and not inches or discrete space.

Owning What Matters

Outsourcing certain operations will become more prevalent for tomorrow's newspapers. During the previous century, daily newspapers developed a management philosophy that was based on owning as much of the total publishing process as possible. This included a trophy building, massive production equipment and presses, a large contingent of employees and equipment in all departments, including trucking and delivery, and in some cases even investing in newsprint manufacturing.

Tomorrow's newspapers will own only what really matters - the editorial, technical and sales talent that is needed to develop and market competitive products and services. Demand for better quality printing and reproduction will encourage more outsourcing of production such as what The San Francisco Chronicle, Montreal's La Presse and The Globe and Mail have opted for.

Some major newspapers are already outsourcing their circulation delivery and ad makeup, while preprint distribution to non-subscribers is been contracted to many suppliers, including American Color and USPS.

We believe that in the future, more newspapers will be operating with a Metro newspaper mentality (“rent what you don't have to own”), rather than with the traditional daily newspapers' full 'ownership of resources' philosophy. The cost of entry for publishing a newspaper has become more affordable to a greater number of potential publishers. In the future, resourcefulness matters more than resources.

Another important development is the dismantling of publicly-traded newspaper companies and larger private groups. The Tribune Company going private may be the leading edge of a new trend in newspaper ownership

Beyond Daily

There will be more, different print newspapers published, but not necessarily on every day of the week. Newspaper companies will produce different publications and offer digital platforms for special interests, for specific geographies, or targeted at particular lifestyles and activities on different days of the week. The era of just one newspaper serving all sectors of a community every day is fast fading. As the Internet becomes a real-time news and information portal, fixed daily print and delivery schedules won't be as important.

Metro dailies will start transforming their extensive zone editions that are printed and distributed as part of the regular run of press operations to free-standing publications that reach a larger, targeted audience and capture more and different advertisers than those that are currently being served by the paid daily.

Digital First

Digital, the final issue we discuss for our newspaper of the future, is probably the most important. Digital will become the driving force for tomorrow's newspaper content, operations and revenues.

Going digital reminds me of an old adage, “says easy, does hard.” For the newspaper industry, this means that while most newspaper executives will agree that digital and online are crucial to newspapers' future success, there is little consensus as to how to make digital work in the short term, while managing the transition in revenue streams over time.

Overlaying this difficult transition is the ongoing slippery slope of high yield print revenues, which is only partially being replaced with lower yield digital revenues.

Transforming the newspaper business model involves changing behaviours and beliefs as well as successfully implementing new strategies and tactics. According to Matt Asay (InfoWorld, Nov. 26, 2006), “business model innovation is essentially a human problem. People don't like change, particularly when the old ways have yielded so much success in the past.”

In becoming digital-first operations, newspapers can learn from industry leaders. There are a number of examples of newspaper companies that have adapted very well to the online world while setting an example for others. They include Schibsted in Norway, Asahi Shimbun in Japan, Guardian News & Media in the United Kingdom and Dow Jones/The Wall Street Journal, Cox Enterprises and The Tampa Tribune/TBO.com/WFLA in the United States. There are many more newspaper companies making progress by introducing digital into their operations.

The goal is not necessarily to duplicate the operations and practices of these and other industry-leading companies, but to understand and then emulate how they think about the future and how they manage change.

Schibsted's Chief Executive, Kjell Aamot, describes his company's approach: "Publishing houses should be content providers to consumers and advertisers - reinvesting the value from traditional media into new media segments for growth."

The key phrase in Aamot's description is "growth."

Burn the Boats?

The major challenge for companies or industries wanting to reinvent their business models in the face of disruptive change is that in order to move forward, most will have to abandon any hope of retreating to what worked so well before. This is because the profits from the new way of doing business may not be as great as those generated by previous strategies or business models.

In 1518, Spanish explorer Hernán Cortés decided to burn his boats after arriving on the shores of Mexico. While that may have been the right solution at the time, my vision for tomorrow's newspapers does not foresee abandoning print.

Newspaper company managers must become more courageous and more innovative about making their printed newspapers better and more resilient, starting today. This is the only sure way to produce the necessary funding needed for newspapers' digital future.

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Conclusion

While newspapers continue to grow and prosper, fetching more than US$425 billion in advertising revenues worldwide in 2006, newspapers are shifting from a print-only revenue stream to multiple channel revenue streams. Wall Street analysts estimate the period of time it will take for digital revenues to supplant print revenues at between 10 and 20 years, depending on the part of the world and the type of assets the newspaper enterprise owns.

In order to bridge the revenue gap between declining, high-yield print revenues and surging but low-yield Internet revenues, newspaper companies need to face the multimedia era with an aggressive, multi-faceted plan of attack that includes:

• Portfolio expansion with mergers and acquisitions

• Newspaper sales forces that are trained to sell multimedia and to sell more aggressively

• Research and development efforts to deliver profitable print and digital products

• Cost-cutting measures to shave millions of dollars off bulging budgets

• Revival of the local strategy in order to expand local content and revenue

• Joining and building advertising and content networks on regional, national and international levels

Newspaper companies are starting to meet the challenge and show signs of success:

• 550 newspapers in America have joined the Yahoo! Newspaper Consortium, which is projected to boost Internet revenues for each company by several percentage points next year.

• Newspaper companies have built their own advertising and content networks on national scales, partnering with former competitors. Some examples include classified networks like News47 in Japan, FINN.no in Norway, Blocket.se in Sweden, ClassifiedVentures and Careerbuilder in the United States and Fish4 in the United Kingdom.

• Internet advertising and local Internet advertising for newspapers will grow in the double-digits each year from 2005 to 2010, according to Price WaterhouseCoopers and Zenith Optimedia.

• Most American newspaper companies, including Media General, Morris Newspapers, Cox Newspapers, Scripps Newspapers, New York Times and more, have invested in sales staff training, to teach sales staff to be more knowledgeable about digital products, and to be more proactive sales people.

• Most American newspaper companies are slashing budgets to save millions of dollars, particularly in the editorial ranks. Hundreds of journalists were fired from a variety of American and Western European newspapers in 2007.

• Many newspaper companies are diversifying, which offers a hedge against declining businesses. The Washington Post Company purchased educational services company Kaplan in 1984, and now the investment accounts for 50 cents of every dollar of profit for the company. Washington Post was the only large public newspaper company in America to grow its stock price from 2006 to 2007 because of Kaplan's contribution.

• Mergers and acquisitions, and research and development tactics were the most dramatic of the actions taken by newspapers worldwide in the past years. Most acquisitions were Web sites with a revenue component, such as shopping or advertising-based sites. Some acquisitions include:

– Social networking site Myspace.com was purchased by News Corporation for US$580 million in 2005.

– News Corp. also purchased Dow Jones in 2007 for US$5.6 billion, including the Wall Street Journal and its profitable digital properties WSJ.com and MarketWatch.com.

– News Corp.'s other acquisitions include IGN, a video game and movies portal; Scout, a sports Web site; Ksolo, a karaoke website; Photobucket, a video and photo storage site; and Beliefnet, a religious and spirituality-based social network.

– Scripps purchased Shopzilla in 2005 for US$525 million, and Recipezaar in 2007 for a reported US$25 million.

– New York Times acquired About.com in 2005, which has proven to be its fastest growing revenue generator.

– Gannett purchased rich media advertising company PointRoll in 2005 for an estimated US$100 million, while Media General bought Blockdot, an Internet "advergaming" agency, in 2005, for an undisclosed amount.

Newspaper enterprises also are investing more in research and development. Particularly impressive are R&D labs springing up at Scripps, Reuters and American Press Institute, where millions of dollars are invested to explore new business models, and new ways to compete in the new media marketplace.

Newspaper companies are ramping up their strategies to meet the new challenges of 21st Century publishing, playing on their strengths of local content and advertising "feet on the street," and building formidable new digital businesses that compete with top players in the marketplace. They serve as an inspiration to thousands of the world's newspapers, which may soon face a fate similar to what American newspapers are experiencing today.

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Shaping the Future of the Newspaper

A World Association of Newspapers project supported by four strategic business partners