

## MARKETING THREATS AND OPPORTUNITIES

### Publishers' And CEOs' Perspectives On The Newspaper Industry

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Marketing departments of the nation's newspapers stand at a peculiar crossroads. In a recent survey of publishers and CEOs of American daily newspapers, top executives give marketing departments among the lowest ratings of any newspaper department. When signaling where they will spend their training dollars in the near future, top executives are not, however, looking to shore up this perceived weakness.

Now, here's the rub. When publishers and CEOs list the threats to their industry in general, and the challenges their newspapers face specifically, marketing issues surge to the top of the list. This is seemingly inconsistent. The marketing function is highly valued. The perceived ability of marketing departments as they are currently staffed is not. This situation presents critical choices to marketing executives – choices that will determine the future of your marketing departments and the people who run them.

These are some of the findings from a survey of publishers and CEOs recently released by the American Press Institute, a leading training and management development center for the newspaper industry, located in Reston, Virginia. Almost 300 top executives responded to the mailed survey which addressed the current state of the industry, the outlook for the future, the evaluation of newspaper operations, and the vision for how newspapers will meet changing demands and challenges. You can read an explanation of how the study was conducted at the end of the article.

My firm conducted the study for the American Press Institute. You can read more about my firm at the end of the article.

INMA asked me write to about what the findings of this survey mean for marketing departments, and I must say, this survey contains much good news. This is what makes the crossroads peculiar. Conditions seem ripe for increased reliance on marketing know-how and savvy. For some, these findings may portend great expansion into new ventures, with the marketing department leading the charge. However, we sense that for most of you, the future is murky at best, and quite possibly troublesome. There are no "problems," it is said, just "opportunities." In that vein, let me summarize the findings from this survey, and lay out the luscious opportunities for marketing executives.

### OVERALL OUTLOOK

In perhaps the sunniest finding in this study, top newspaper executives see a promising future for the industry. When asked to assess the ability of the newspaper industry to successfully confront current and emerging challenges, by a margin of greater than four-to-one, publishers and CEOs say their view of the newspaper business is more optimistic than pessimistic. Eighty-two percent (82%) say this is their stance, compared to just 18% who see a greater chance for gloom than for glory in coming years.

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## CRITICAL NEEDS

Top executives express an urgent need for marketing savvy at their newspapers. Publishers and CEOs recognize that a key critical need rests with better marketing. The second most commonly voiced need is for understanding broad marketing principles and market forces affecting their newspaper or corporation. Half of all publishers and CEOs select this from a list of nine management areas. The top concern, with 55% naming it, involves efficient use of current technological resources. Top executives indicate they are dissatisfied with the competence employees demonstrate with existing technology resources. They are nearly as concerned with their understanding of and preparation for new technologies (49%). As a theme, worries about technology take a lead role in top executives' depiction of the problems the newspaper industry faces.

The other major concern top executives list is for cross-departmental training (50%). Solutions to major problems require a big-picture understanding of the newspaper business. I sense top management has lived through a succession of radical new programs designed by and carried out by individual departments that had unforeseen consequences for the entire newspaper. When department heads better understand the consequences of changes in their own department strategies on the rest of the newspaper, wiser courses of action will be charted.

## MAJOR THREATS TO THE INDUSTRY

Competition, on all fronts, is the most immediate and most troubling threat to newspapers, say top executives.

Competition for readers' time. Readers choose from increasing options for news, entertainment, and general interest information. Therefore, top executives worry about competition with other media for readers' time (78%).

Competition for advertising dollars. Advertisers are bombarded by new opportunities to more finely target their efforts, or to expand into larger markets. Therefore, top executives worry about competition from traditional media for advertising dollars (58%).

Competition from new media. Both readers' and advertisers' media habits change with the introduction of new media, some of which are passing fads (like audiotext) and some of which are here to stay (like online information systems). Therefore, top executives worry about media bypass through emerging, non-traditional competitors (56%). Traditional media competitions can be seen or heard; we can easily figure out how successful radio or television stations or direct mail competitors are just by paying attention to what we hear, see, or find in our own mailboxes. We can also get information about ratings and advertising revenues from published sources to help track the competition. Non-traditional competitors link directly to the customer and are therefore harder to detect, let alone monitor on a regular basis.

We did not ask publishers directly about how they intend to meet these challenges; however, my sense is that these are all threats that marketing expertise can address. Marketing can help quantify and help test new strategies to combat encroachment into newspapers' traditional strongholds. Marketing can help identify cutting edge consumer trends to help the newspaper develop new products that will enable them to fight on the frontline of change, rather than on the rearguard. And, further, marketing brings a perspective that encompasses the total marketplace in which the newspaper is positioned – from both a product and an advertising standpoint.

In short, publishers and CEOs perceive their newspapers to be engaged in a fight for both markets they serve – readers and advertisers. Their optimism for the industry suggests resolve to win on both fronts.

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## DEPARTMENT EVALUATIONS

The victory charge, it seems, will not be led by the marketing department, at least in many newspapers. Asked to rate the capabilities of personnel in a number of newspaper departments, marketing and information services fall to the bottom of the list, with the majority of top executives giving these two departments just fair or poor ratings (55% for marketing, 54% for information services). The irony here is that the two departments that deal with the most critical needs newspapers have and could help address the most ominous threats – marketing and information services – are the lowest rated departments.

Perhaps not surprisingly, publishers and CEOs express highest confidence in their own administrative positions. Four other departments earn strong ratings: editorial (84% excellent or good ratings), finance (84%), production (75%), and pre-press operations (74%). Among these, the finance department stands out. It receives virtually as many excellent ratings (27%) as top administrative officers (publisher, CEO, or general manager at 26%).

The middle tier, with a majority of excellent or good ratings, includes advertising (72%), distribution (66%), human resources (66%), and circulation (57%).

## TRAINING DECISIONS

If the marketing function is so highly valued, and marketing personnel so low rated, one might expect top executives to push professional development for marketing staff to the top of their list of priorities. This is not the case. Rather, advertising, circulation, and editorial rank first when publishers and CEOs name the three departments most in need of training.

Marketing ranks fourth, ahead of pre-press, information services, and other departments. Significantly, finance ranks low. Just 8% of top executives signal they consider this department in need of training.

When asked what types of training would be most valuable, two familiar themes arise: marketing and technology. For each department, publishers and CEOs identify at least one of these two major areas as deserving of specialized training. In advertising and circulation, marketing training takes precedence over skill-based training. Even in the finance department, training in economic forecasting and market analysis is widely sought. The point to notice is the demand for marketing training within several newspaper departments, not just for the marketing department.

## PUTTING IT TOGETHER

In summary, here is what publishers and CEOs seem to be saying.

- To survive and thrive in the near future, newspapers must become more knowledgeable about the marketplace.
- Marketing expertise is needed in several departments of the newspaper.
- Strategic marketing training will take priority over tactical skills training.
- Marketing managers may be less likely to get this training than their counterparts in advertising and circulation.

Is this a threat? Or is this a luscious opportunity?

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On the one hand, these findings suggest the pendulum may be swinging away from consolidated marketing departments and toward marketing arms in several departments. Marketing may be seen as so important as to mandate marketing specialists within other departments in the newspaper. This decentralization could dramatically change the staffing of current marketing departments.

On the other hand, it creates conditions ripe for leadership. These data would not suggest publishers are in the mood to automatically turn to the marketing department to provide wise counsel. So, this might be a good time to take a look at those bootstraps and begin thinking about how to get a good grip for pulling yourself up.

Whether this situation is a threat or an opportunity depends on the mood of your own newspaper and the outlook of your own publisher or CEO. And, of course, the answer depends on the choices you make. Marketing department leaders who will succeed in this environment are those who can:

- Assess competition;
- Identify unmet customer needs;
- Analyze the economic environment;
- Generate financially viable new product ideas; and
- Test new products once they are in the marketplace.

Not every marketing department, however, is ready for this sort of role in a newspaper. My advice, on the basis of this survey, is to gear up. Some of these skills require little or no additional resource. Some of these skills will require additional personnel and larger budgets.

This American Press Institute survey provides some insight into how to best make the case for increases. One of my early bosses was quite direct in telling staff how to get things from him. “You have to show me,” he said, “how what you want would be to my advantage.” It was no small trick to learn to think that way; yet it was the most valuable lesson I ever learned.

These data suggest that publishers and CEOs want their newspapers to make a transition into a new role in the marketplace. Perhaps they look to the telecommunications industry – specifically to AT&T, a former monopoly that had to reinvent itself when competition forced a restructuring. There is no doubt top executives are optimistic they can and will restructure to be strong players in the changing media marketplace. What they need, they say, is superior technology, and superior understanding of how best to use it to serve readers and advertisers.

## **MAKING WISE CHOICES**

When I present findings from a research study to newspaper management, I always begin with an explanation of the three parts of the research process. First, we gather data. We ask questions of readers or advertisers – whoever our target audience might be. Second, we turn data into knowledge. We analyze the numbers (from surveys) or comments (from focus groups) and assess not just what the data say, but rather, what the data mean. Finally, we turn knowledge into wisdom. That part, I underscore, can only happen when those with the richest experience with the subject of the study (typically the newspaper managers I’m addressing) add what they know to the evidence presented in the research findings. Only then, can a newspaper make wise decisions about its future.

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The same holds for you and this survey of publishers and CEOs. The wise choices to be made depend on what is happening at your own newspaper. This survey provides insights into how top executives as a group are thinking about the newspaper industry. What is on the mind of your publisher or CEO may agree or disagree with this assessment. It is always a gamble to predict an individual response from aggregated data.

So, the wisest course of action is to analyze your own situation, attend to the need for your newspaper to become more marketing savvy, and be prepared to make the case for how you and your department can contribute to the newspaper's success.

## **ABOUT THE STUDY**

Early in 1996, the American Press Institute sent questionnaires to roughly 1,000 publishers and CEOs of newspapers with circulations of 10,000 or more. Two hundred and eighty-eight (288) completed questionnaires were mailed directly to the research firm where they were tabulated and analyzed.