

## Newspaper executives: Priorities and perspectives

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### Executive Summary

As part of its ongoing monitoring of the U.S. newspaper industry, the Readership Institute surveyed executives about the most pressing challenges they face and what practices are in most urgent need of improvement or change.

Most have a positive outlook about the direction of the industry as a whole and of their particular organization. But the nature and extent of change they need to make is large. They say that in the short-term, the integration of print and online is foremost, followed by product innovation and improvement and culture change.

Reaching a younger audience continues to bedevil publishers. Two-thirds think online products are the best vehicle; half see a need for understanding the motivations of young people and for more effective marketing to them.

Some publishers believe there is still room for cost-cutting without damaging the quality of the newspaper. While half of respondents said there was less than five per cent potential for reducing costs without harming quality, another 44% put the potential for cost reduction at between six and 10 per cent.

Data were gathered from the Readership Institute's [100 Impact papers](#) (a representative sample of the daily newspaper industry) via a Web-based survey in late 2006. Executives from 51 newspapers responded.

#### Highlights:

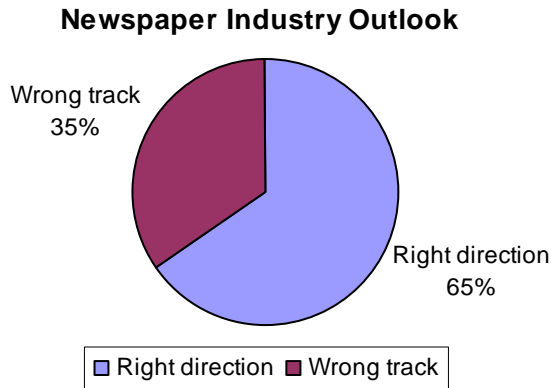
- Almost two-thirds think the U.S. newspaper industry is generally going in the right direction. Over three-fourths are moderately or very satisfied with the way things are going at their own paper. Results did not vary significantly by circulation size.
- Almost two-thirds saw the Internet and other technologies as their biggest competition in the next five years.
- When asked about the single most important change they need to make at their organizations in the short-term, a plurality of newspaper executives say it is integrating print and online. Other common responses include changes to culture, marketing and advertising, and product development.

- In the mid-term (five years), executives rate Web site(s) spending as most important, followed closely by product innovation and improvement, marketing and workforce development. Smaller newspapers tended to rate market awareness and responsiveness more strongly than did mid- to large newspapers.
- Asked about the most effective responses to declining readership among young people, most newspaper executives believe they should create non-print products for young people. About half also think there's a need to better market to young people and create an understanding of what motivates young people.
- Most executives expect that between 11% and 30% of revenue will come from sources other than the traditional printed newspaper over the next five years, a result that did not vary by circulation size.
- Half think that there is less than five percent room for reducing costs without damaging their newspaper's quality; 44% say that reductions of between six and 10 per cent will cause quality to suffer; the balance say the tipping point is at 11 to 20 per cent.
- We compared our data with [data collected](#) by Dr. Erik Wilberg, a senior management consultant to the newspaper industry in Scandinavia, in four Nordic countries and found that free print editorial products are seen as a huge challenge for Nordic executives, but are not on the radar of U.S. executives.
- Nordic executives are more open to cost reduction – a majority (94%) say costs can be cut up to 20% without compromising the quality of the product.
- Nordic executives believe that overall improvements to the paper can be effective in combating declining youth readership, whereas their U.S. counterparts focus more on better marketing to youth.

## Detailed findings

### General outlook

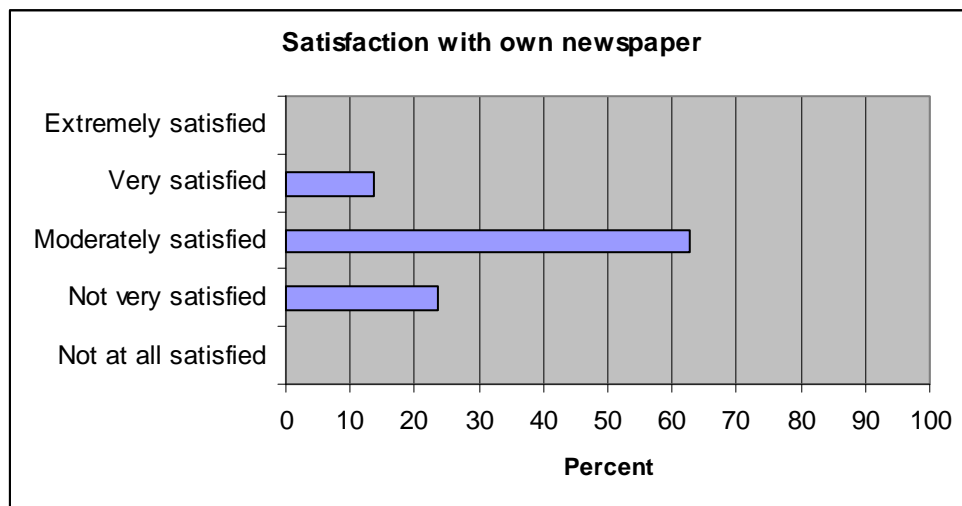
Most newspaper executives report that they think the industry as a whole is going in the right direction, but more than a third think that it is seriously off on the wrong track.



“Thinking about the newspaper industry in your country today, do you think it is generally going in the right direction or do you feel things are seriously off on the wrong track?”

There were no significant differences in the newspaper industry outlook by circulation level.

For the most part, executives are also content with how things are going for them: More than three quarters said they are “moderately satisfied” or “very satisfied” with the way things are going at their own newspaper.



“All in all, are you satisfied or dissatisfied with the way things are going for your newspaper today?”

The 51 newspapers participating in this survey are categorized by their average daily circulation levels (see Appendix) and further analysis shows that the size of the paper is not a factor in how satisfied executives are – we found no significant differences by circulation level.

We did find, however, a weak, non-significant relationship with whether the executives believe the industry is headed in the right direction or on the wrong track. This weak relationship shows those most satisfied at their own paper are more likely to think the industry is generally going in the right direction ( $p=.057$ ).

### Most important short-term change

We asked executives to identify the single most important change they think needs to be implemented in their newspaper over the next year, and coded their responses. The Internet and its integration with the print product is at the top of the list (42%), followed by changes to culture (18%).

Most important change to be implemented	N	Percent
Integration of print-online-multiplatform	21	42.0
Culture	9	18.0
Marketing and advertising	6	12.0
Product development	6	12.0
Other	4	8.0
Audience focus	2	4.0
Cost reduction	2	4.0
Total	50	100.0

“What is the single most important change that has to be implemented in your newspaper over the next year?”

Examples of some of the responses newspaper executives gave in their own words include:

- Customer care culture. We're currently departmentalized. We're implementing a customer care concept that should change our customer service procedures and culture (Culture)
- Non-traditional thinking and planning (Culture)
- Community based journalism in print and online and in English and Spanish (Audience focus)
- Move to multiple information platforms (Integration of print-online-multiplatform)
- Changing the news product to help/serve/attract more working women with children (Product development)

There are no significant differences in the response to this question based on the papers' circulation level or whether the newspapers' executives thought the industry is headed in the right direction or on the wrong track.

### Competition over the next five years

We asked executives an open-ended question about how they understand their biggest competition, and coded their responses into ten categories. Almost two-thirds responded that the Internet and other technologies are the largest competition in the next five years.

<b>Biggest competition</b>	<b>N</b>	<b>Percent</b>
Internet	25	52.0
Changes in consumer habits	8	17.0
Other media products (ed and ad)	7	15.0
Other digital technologies	5	10.0
Organizational culture	3	6.3
Total	48	100.0

“What do you see as your biggest competition in the next five years?”

Most of the open-ended responses are short and easily coded into one of the ten above categories. Below are examples of some of the longer responses:

- Readers' choices of how to spend their time (Changes in consumer habits)
- Consumer desire for more multitasking (Changes in consumer habits)
- Ourselves. We need to become more relevant to our readers or we will continue to lose them (Organizational culture)
- The ever-evolving digital communication options (Other digital technologies)
- Cell phone related information products (Other digital technologies)
- Loss of major advertisers to the Web (Internet)

There are no significant differences in the response to this question based on the papers' circulation level or whether the newspapers' executives thought the industry is headed in the right direction or on the wrong track.

### Mid-term areas of improvement

Newspaper executives say that developing new products in marketing and advertising, and to a lesser degree, in editorial are the most important areas for improvement in order to secure the health of their paper in the next five years. Top customer service and stable and reliable distribution also rank highly.

Executives were asked to rate the importance of 26 potential areas of improvement for the health of their own newspaper over the next five years on a scale from 1 (not at all important) to 5 (extremely important). We then factored these items into five categories to get a more robust set of priorities:

### **1. Web investment**

This component focuses on the newspaper's Web site, and consists of one item:

- Spend more money on Web site(s)

### **2. Product innovation and improvement**

This component focuses on internal development of the newspapers' staff, cooperation between departments, and reacting to change, and consists of seven items (Alpha = .714):

- Internal communication
- Continual re-organization
- Rapid implementation of changes
- Product development – editorial
- Product development - market and advertising
- Technical standardization
- Improve integration between different media platforms in your company

### **3. Marketing**

This component focuses on marketing and customer service and consists of five items (Alpha = .801):

- Increase marketing budgets
- Development of the newspaper brand
- Market research
- Better use of market research
- Top customer service

### **4. Workforce development**

This component focuses on the culture and capabilities of the organization, and consists of seven items (Alpha = .773):

- Develop employee competencies
- Employee motivation
- Recruit more young people
- Develop a good working environment
- Encourage employees to have a better understanding of the newspaper as a whole

- Increase overall competence in the organization
- Management development

### 5. Business / Financial

This component focuses on financial imperatives and business considerations, and consists of six items (Alpha = .423):

- Flexible pricing of advertising
- Focus on profitability in all parts of the organization
- Everyday cost-cutting
- Reduction in number of employees
- Stable and reliable distribution
- Improve cooperation between newspapers on content

The table below shows how newspaper executives rank the importance of these categories:

Area of improvement	N	Importance rating (1-5 scale)	Std. Deviation
Web investment	48	4.31	.69
Product innovation and improvement	51	4.26	.48
Workforce development	51	4.21	.45
Marketing	51	4.21	.55
Business / Financial	51	3.80	.42

The Web site component is rank as most important area of improvement. It also has the greatest variation in response, in part because it is based on a single question while the other areas are based on five to seven questions. Business / financial is seen as the least important area of improvement, although it is still rated as important.

Papers with a circulation of 25,000 to 49,999 perceive Product innovation and improvement as more important than those at papers with other circulation levels ( $p=.042$ ). There are no significant differences on the improvement areas between those thinking the newspaper industry is on the right direction compared to the wrong track.

A complete list of all 26 items is included in the table below with the item perceived most important at the top and the least important at the bottom.

Potential areas of improvement	Total		1	2	3	4	5
	N	Mean	Not at all important	Not very important	Moderately important	Very important	Extremely important
			%	%	%	%	%
Product development - marketing and advertising	51	4.75	0.0%	0.0%	2.0%	21.6%	76.5%
Top customer service	49	4.73	0.0%	0.0%	4.1%	18.4%	77.6%
Product development – editorial	51	4.57	0.0%	0.0%	5.9%	31.4%	62.7%
Stable and reliable distribution	50	4.50	0.0%	0.0%	4.0%	42.0%	54.0%
Improve integration between different media platforms in your company	49	4.49	0.0%	2.0%	8.2%	28.6%	61.2%
Employee motivation	51	4.47	0.0%	2.0%	3.9%	39.2%	54.9%
Focus on profitability in all parts of the organization	51	4.43	0.0%	0.0%	9.8%	37.3%	52.9%
Internal communication	51	4.43	0.0%	2.0%	7.8%	35.3%	54.9%
Increase overall competence in the organization	51	4.41	0.0%	2.0%	0.0%	52.9%	45.1%
Develop employee competencies	51	4.37	0.0%	2.0%	5.9%	45.1%	47.1%
Better use of market research	51	4.33	0.0%	0.0%	11.8%	43.1%	45.1%
Rapid implementation of changes	51	4.33	0.0%	2.0%	13.7%	33.3%	51.0%
Develop a good working environment	51	4.31	0.0%	0.0%	11.8%	45.1%	43.1%
Spend more money on Web site(s)	48	4.31	0.0%	0.0%	12.5%	43.8%	43.8%
Management development	50	4.28	0.0%	0.0%	16.0%	40.0%	44.0%
Development of the newspaper brand	50	4.18	0.0%	6.0%	10.0%	44.0%	40.0%
Encourage employees to have a better understanding of the newspaper as a whole	51	4.12	0.0%	2.0%	17.6%	47.1%	33.3%
Market research	50	4.08	0.0%	0.0%	26.0%	40.0%	34.0%
Flexible pricing of advertising	51	3.84	0.0%	7.8%	29.4%	33.3%	29.4%
Increase marketing budgets	50	3.74	0.0%	6.0%	36.0%	36.0%	22.0%
Improve cooperation between newspapers on content	48	3.73	2.1%	6.3%	22.9%	54.2%	14.6%
Continual re-organization	50	3.70	0.0%	8.0%	36.0%	34.0%	22.0%
Everyday cost-cutting	51	3.57	0.0%	5.9%	45.1%	35.3%	13.7%
Technical standardization	51	3.53	0.0%	11.8%	37.3%	37.3%	13.7%
Recruit more young people	50	3.50	0.0%	6.0%	46.0%	40.0%	8.0%
Reduction in number of employees	50	2.76	10.0%	34.0%	32.0%	18.0%	6.0%

“The following is a list of potential areas for improvement. How important do you think each of these is for the health of YOUR newspaper over the next five years? Please rate on a scale of 1-5, where 1=not at all important and 5=extremely important.”

The importance of these items does not vary significantly by the level of a newspapers' circulation except for two items. "Continual re-organization" is rated as significantly more important among papers with a circulation of 25,000 to 49,999 ( $p=.002$ ) and "increase overall competence in the organization" is seen as significantly more important by papers with a circulation of 100,000 or more ( $p=.014$ ).

Executives believing the newspaper industry is generally going in the right direction didn't answer the above improvement questions differently from those believing it is on the wrong track except for three items. "Focus on profitability in all parts of the organization" ( $p=.006$ ) and "Everyday cost-cutting" ( $p=.031$ ) are seen as significantly more important among those seeing the newspaper industry going in the right direction. "Increase in marketing budgets" is seen as significantly more important among those seeing the industry on the wrong track ( $p=.032$ ).

### What to do about youth readership

We also asked executives to name the three most effective responses to declining readership among young people.

The percent of executives naming a response as a "top three response" are listed below. Since each individual is asked for three responses, the percentages below don't add to 100%.

<b>Effective responses to declining readership among young people</b>	<b>N</b>	<b>Percent</b>
Creating non-print products for young people	34	66.7
Marketing to young people	25	49.0
Creating an understanding of what motivates young people	25	49.0
Adding special print products aimed at young people	16	31.4
Improving the core product	14	27.5
Newspaper-in-Education programs	9	17.6
Hiring more young people	8	15.7
Improving the overall quality of the newspaper	8	15.7
Establishing or increasing the use of youth advisory boards	4	7.8
Other	4	7.8
Communicating to the work force that young people are a priority	3	5.9
Disseminating data about young people to the work force	0	0.0

"One of the industry's greatest threats is a decline in readership among young people. Below is a list of potential solutions to address this. What do you think are the THREE most effective responses to declining readership among young people?"

The "Other" responses included:

- Need to educate the young readers on what the mission and purpose of newspaper and the part we play in the community.

- Grow our successful internet-paper community
- NIE programs that use Web based products as well as print products
- Provide news/information/advertising products that consumers want. 2. Devote more resources to provide adequate marketing support for these products. 3. Hire and develop more competitive sales staff.

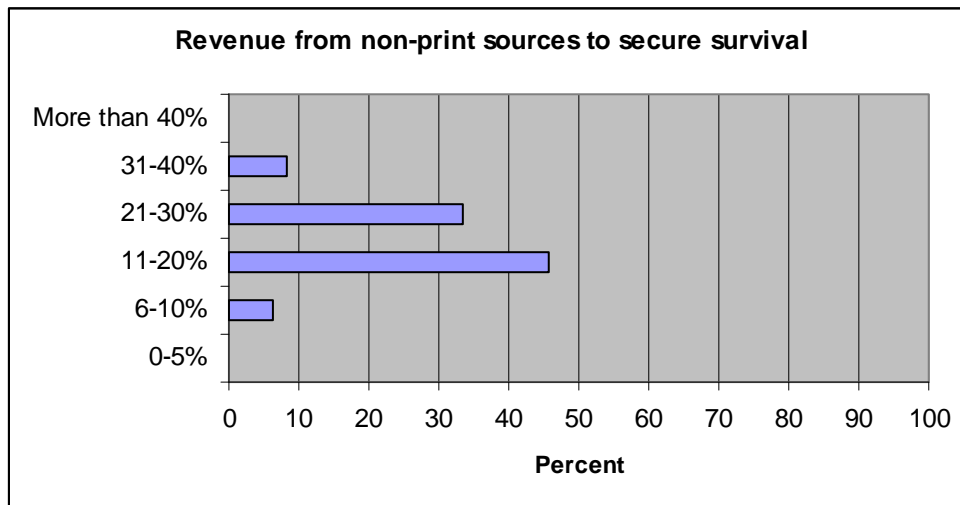
The likelihood of naming one of the above items does not vary by the papers' circulation level with the exception of two items. Papers with a circulation below 25,000 and those between 50,000 and 99,999 are more likely to have named "Marketing to young people" ( $p=.016$ ). While "Hiring more young people" is not a very popular response, those at papers with circulations of 25,000 to 50,000 and those over 99,999 are more likely to name this response ( $p=.045$ ).

There are no significant differences in the responses to this question between those thinking the newspaper industry is headed in the right direction and those thinking it is on the wrong track.

### Financial outlook

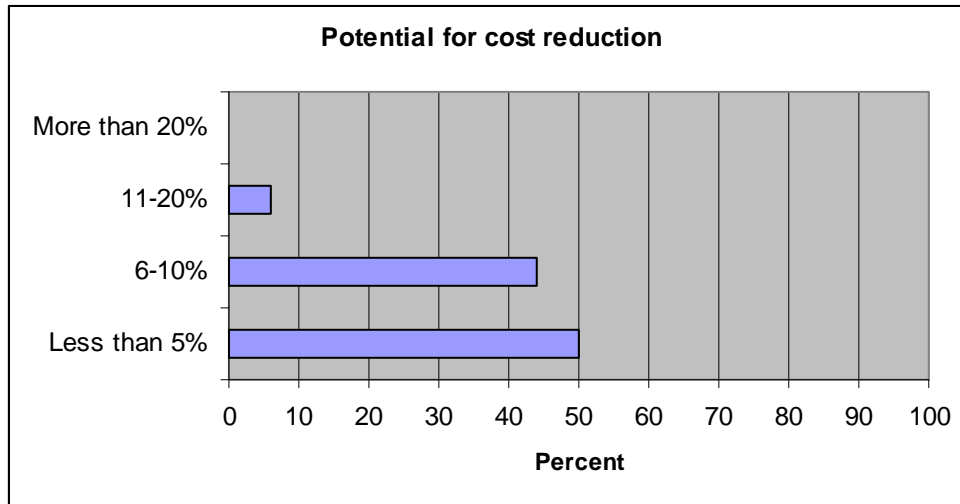
We asked executives about the percent of revenue they expect will come from non-traditional print paper and what the potential for cost reduction in their paper is.

On average, executive report that they expect about 20% of their revenue over the next five years to come from sources other than traditional print newspaper. A small number of executives (about 8%) say that between 31-40% of the revenue will come from non-print.



“What part of the total income/revenue of your newspaper company will have to come from sources other than the traditional printed newspaper over the next five years - to secure survival?”

Half of the newspaper executives say that only 5% of the cost can be reduced before it affects quality. Fewer believe that cost can be reduced as much as 20% before quality is compromised (6%).



“What potential for cost reduction is there in your newspaper, based on today's cost level, and without reducing the quality of the newspaper?”

While circulation level or general outlook about the industry’s direction did not make a difference for the non-print revenue question, we do see a pattern for the cost reduction question: Smaller papers are more prepared for cost reductions than larger papers: Executives at papers with circulation under 25,000 think that larger cost reductions are possible than those with circulations 25,000 or higher. There are no differences between those thinking the newspaper industry is on the right track compared to the wrong track.

### Additional questions

This survey reveals that marketing, product innovation and improvement, and the development of organizational capacity are considered high priorities for newspapers. But what sorts of resources are being devoted to them?

We asked about the percent of the budget that is allocated to three specific areas: marketing, research and development, and training. On average, these three areas receive a very small proportion of the budget, as reported by the newspaper executives:

Budget allocation	Average %
Marketing	4.2
Research & development	2.1
Training	2.7

“Approximately how much of your budget is allocated to each of the following?”

There are no significant differences in the response to this question based on the papers' circulation level or whether the newspapers' executives thought the industry is headed in the right direction or on the wrong track.

We also asked whether formal succession plans are in place for different managerial levels. In general, the higher the position, the more likely it is that there is a succession plan. The group least likely to have a plan for their succession is entry level managers.

<b>Level of succession plan</b>	<b>% Yes</b>
Department, division head	37.3
Assistant department, division head	17.6
Middle management	17.6
Entry level management	9.8

"Do you have formal succession plans for managers at the following levels?"

Generally papers with larger circulation levels are more likely than those with lower circulation levels to have succession plans. This is not statistically significant for department and division heads, but it is significant for assistant department, division heads ( $p=.001$ ), middle management ( $p<.001$ ), and entry level management ( $p=.008$ ).

There are no differences between those thinking the newspaper industry is on the right track compared to the wrong track.

### **Comparison with Nordic survey**

In 2006 and again in 2007, a similar survey was conducted by Dr. Erik Wilberg among newspaper executives in four Nordic countries: Sweden, Norway, Denmark and Finland (total 146 respondents in 2007). The results of the 2006 and 2007 Nordic studies are remarkably similar

As a point of comparison, here are some of the differences between 2007 U.S. and Nordic newspaper executives in terms of their perceptions and priorities:

#### **General outlook**

Executives are satisfied with the way things are going for their own newspapers in both regions, but more so in Nordic countries where only about 12% said they are not satisfied, compared with about 24% among U.S. respondents.

#### **Competition over the next five years**

Internet and other new technologies are seen as the biggest competition in both the U.S. and Nordic countries.

In the Nordic survey, where executives were presented with a list of choices, free newspapers with editorial content are a close second. In the U.S., where we let executives tell us what they see as the challenges (this was an open-ended question), this issue has not come up at all.

### **Mid-term areas of improvement**

Almost all improvements were seen as important in both the U.S. and Nordic surveys (i.e., rated higher than 3 in a 1-5 scale). Respondents in both countries rated product development (marketing, advertising, and editorial) and stable and reliable distribution among highly important improvements, and reduction in the number of employees as the least important.

However, in general U.S. executives place relatively more value than Nordic executives on many areas of improvement – that is, there is a gap in how important executives rate improvements in the U.S. compared with Nordic countries, most notably: spending more money on the Web site(s) (4.31 and 3.90, respectively), internal communication (4.43 and 4.01, respectively) and top customer service (4.73 and 4.26, respectively). Continual re-organization is the area with the largest gap in favor of the Nordic survey (3.90 compared with 3.70 in the U.S. survey).

### **What to do about youth readership**

To attract younger people to the newspaper, U.S. and Nordic respondents say that creating non-print products for young people (66.7% and 54.5%, respectively) and creating an understanding of what motivates them (49.0% and 46.9%, respectively) are among the most effective responses.

They diverge, however, in that Nordic respondents say that improving the overall quality of the paper (40.0%, compared with 15.7% in the U.S.) and improving the core of the paper would be effective (38.6%, compared with 27.5% in the U.S.), whereas their U.S. counterparts say that marketing to young people (49.0%, compared with 12.4% in Nordic countries) would be an effective response to declining readership among youth.

### **Financial outlook**

Nordic executives are more open to cost reduction – 66% say they can cut costs up to 10%, about a quarter (28%) say 11-20%, 5% say 21-30% and 1% even said 30% or more. In the U.S., 94% say costs can be reduced no more than 10% without hurting the quality of the product.

Countries are similar in their expectation of where the revenue will come from to secure survival – about 20% from sources other than the traditional printed newspaper.

## Appendix

The papers included in this study represent a wide range of circulation levels, as seen in the table below:

<b>Circulation Level</b>	<b>Percent</b>
< 24,999	35.3
25,000-49,999	21.6
50,000-99,999	21.6
100,000+	21.5

Almost three fourths of the executives responding to the survey hold administrative positions.

<b>Job Area</b>	<b>Percent</b>
Editorial	3.9
Administrative	72.5
Both	17.6
Other	5.9

About two-thirds are local papers and about a third regional.

<b>Paper Type</b>	<b>Percent</b>
Local	68.6
Regional	31.4

Almost all papers publish seven days a week.

<b>Days Published</b>	<b>Percent</b>
Six days a week	10.0
Seven days a week	90.0

The distribution of the number of employees at each paper is shown below.

<b>Number of employees</b>	<b>Percent</b>
< 50	2.0
50-149	31.4
150-299	23.5
300-449	15.7
450-599	9.8
750+	17.6