



Kubas Consultants

Harness the Power of Modular Advertising, Plus!

presented to

Ifra India 2007

presented by

Chris Kubas

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About Kubas Consultants

- **A group of advisors to newspapers**
- **Specialises in:**
 - Advertising pricing and revenue development
 - Publishing strategy
- **2007 our 30th year**
- **Based in Canada**
- **Global in scope:**
 - North America
 - Europe + UK
 - Latin America
 - Australia
- **Actively participate in:**
 - International newspaper associations
 - International conferences



Mr. J. L. (Len) Kubas
Our President and Founder
Father of Chris Kubas



Setting the Stage

Two Different Newspaper Worlds

Newspapers published in:

	Post-Industrialised World	Rapidly Growing World
Circulation	Declining	Rising
No. Titles	Consolidating	Many new
Readers	Fewer, older	More, younger
Revenues	Shrinking	Increasing
Workers	Fewer	More
Focus	Cutting costs	Expanding
Overall	Cautious, Defensive	Vibrant, Competitive

Yet, we can learn from each other



Ideas that Might Be of Interest

- **Smaller Pages and Compact Formats**
- **Modular Ad Units**
- **Modular, Plus!**
- **Visual Impact Pricing**
- **Recognising and Rewarding All Spending**
- **Improving Pricing Integrity and Transparency**
- **Other Elements**
- **Case Study**



***Smaller Pages and
Compact Formats***

Partial List of Size Changes

- **Broadsheets: Narrower page widths**
 - Australia: Sydney Morning Herald, Melbourne Age
 - Canada: Globe & Mail, Toronto Star
 - USA: Wall Street Journal, New York Times, may more: 44-inch web becoming the new standard
- **Broadsheets to Berliner format**
 - Dominican Republic: El Caribe
 - UK: The Guardian, The Observer
 - USA: The Lafayette Journal & Courier, The Reading Eagle
- **Broadsheets to Tabloid format**
 - Belgium: De Standaard, Gazet van Antwerpen
 - Malaysia: New Straits Times
 - Netherlands: Het Parool, Trouw
 - Sweden: Dagens Nyheter, Goteborgs-Posten
 - UK: Times of London, The Independent
 - USA: Jersey Journal
- **Tabloids to Micro/A4 format**
 - Switzerland: Blick

A growing trend worldwide



Why Smaller Sizes Matter

- **Advantages: more ad revenue per ton of newsprint, but...**
- **Smaller page sizes, compact formats mean less physical space to sell**
- **And, even if page size stays the same, there are opportunities to raise ad revenue per page...**

So, how to price advertising to maintain or increase revenue per page?



Why Modular Units Needed: USA

- The Pittsburgh Post-Gazette is a non-modular broadsheet daily in the USA
 - 6-column editorial
 - 6-column advertising, column inches
- Accepts any ad size
- The paper provides “filler ads” and/or white space as foundation for paid ads



Why Modular Units Needed: UK

- The Telegraph is a non-modular broadsheet daily in the UK
 - 8-column editorial
 - 8-column advertising, single column cm
- Accepts some ill-fitting ad sizes
 - 3 col. and 4 col. on an 8-col. grid
- The paper provides “odd” editorial blocks as foundation for paid ads



Why Modular is Good

- **#1 reason: to increase total ad revenue**
- **Plus some excellent secondary benefits**
- **International trend to modular**
- **Modular is essential to format change**
- **And for web width reduction where tabs are concerned**
- **Standard ad sizes: another approach, but somewhat different than modular**
 - Advertisers still choose from a menu of ad sizes, but...
 - Not all ad sizes fit together as they do with modular



Modular Mechanicals

- **Based upon a grid**
- **But, it's much more involved than just slapping together a grid**
- **A big challenge is: which ad sizes to offer?**
- **Another big challenge is seamless transition between editorial and advertising columns**
 - Tabloids, too!



Partial List of Modular Newspapers

North America and Central America



- The Register Guard, Eugene, OR, USA *
- The Record, Stockton, CA, USA *
- The Record-Eagle, Traverse City, MI, USA *
- The News, New Glasgow, NS, Canada *
- La Prensa, San Pedro Sula, Honduras *

Europe



- The Guardian and The Observer, London, UK
- Dagens Nyheter, Stockholm, Sweden
- Goteborgs-Posten, Gothenburg, Sweden
- Aftenposten, Oslo, Norway
- Blick, Zurich, Switzerland

Australia



- The Morning Herald, Sydney *
- The Age, Melbourne *

**Do any newspapers
in South Asia
use modular or standard
ad sizes?**



* Kubas Consultants' clients

Ifra India 2007: The Power of Modular, Plus! - Kubas Consultants

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Modular Benefits Potentially Everyone

- **Newspapers**
 - Increase total ad revenue
 - Potential for larger ad sizes, more revenue per page
 - When combined with Visual Impact Pricing
 - Lower production and page layout costs
 - Less unproductive newsprint
 - Easier to price and sell
- **Advertisers**
 - Reduced clutter, better ad visibility
 - More impact
 - Easier to buy and plan
- **Readers**
 - Easier to read editorial
 - Easier to read advertisements

***But Modular alone won't deliver all potential benefits.
Hence...Modular, Plus!***



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About Modular, Plus!

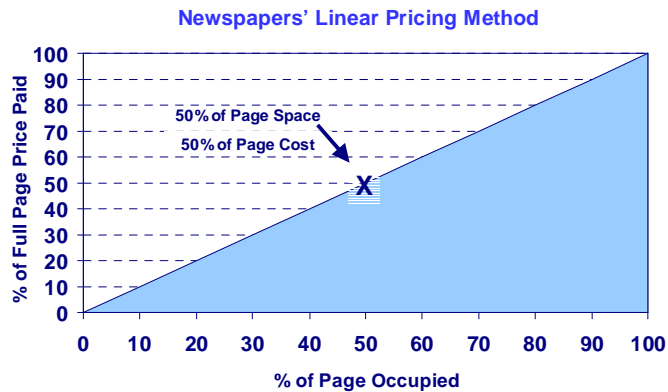
- **“Modular, Plus!”** is the name for Kubas Consultants’ ad pricing system. It includes:
 - **Visual Impact Pricing**
 - **Spending Based Discounts**
 - **Other Elements**
 - Recognising and Rewarding All Spending
 - Improving Pricing Integrity and Transparency
 - Multi-Insertion Programs
 - Day of week, section, and position pricing
 - Colour pricing
 - And more



Visual Impact Pricing

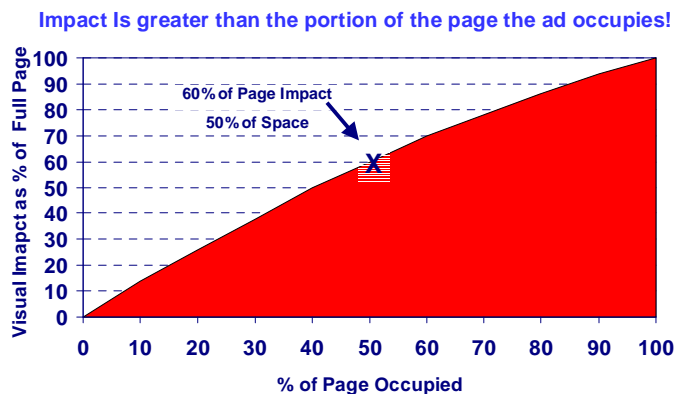
Sell Page Impact, Not Space

- Most newspapers worldwide sell ads on the smallest available space units
 - cm², mm, scc, column inches, etc.
- Most newspapers also sell advertising on a linear, or straight-line, basis
 - Rate per unit (cm², mm, scc, inch, etc.) X no. units



The Flaw with Linear Pricing

- Research proves that visual impact is curvilinear
- Linear pricing works against newspapers
 - Linear pricing reduces ad volume and ad sizes, with minimal effect on advertisers

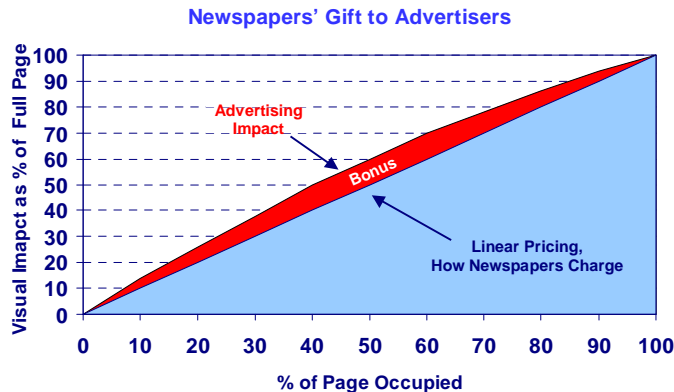


Source: Canadian Newspaper Association compendium of international ad size noting studies spanning from 1965 to 2004



Why Use Visual Impact Pricing?

- **Advertisers receive a free Visual Impact Bonus**
 - Disappearing full page ads replaced by "page killers"
 - No incentive to purchase larger ads; no disincentive when buying smaller ads
- **Visual Impact Pricing (VIP) is the progressive next step following modular units**



Benefits of Visual Impact Pricing

- **Newspapers would be using an approach that most buyers already accept**
- **With most other industries, smaller sizes usually cost more per unit**
- **Most other media use curvilinear or non-proportionate pricing**
 - TV, radio, magazines, etc.
- **VIP Features:**
 - Pricing based on impact
 - Modular units
 - Non-proportionate pricing
- **VIP Benefits:**
 - Larger ad sizes
 - Higher yields per page
 - Lower production costs
 - More pricing leverage
 - Increased revenues and operating profits - Double digit improvements
- **The mathematics of VIP/the VIP curve are the key to making it work properly**
- **VIP and modular work in any format**



Recognising and Rewarding All Spending

Universal Spending Recognition

- ◆ **Credit advertisers for *all* their spending**
- ◆ **Reward advertisers on *all* their spending**
 - There can be exceptions, naturally
- ◆ **It's like a loyalty program**

**Most newspapers' spending contracts
are counter-productive**



Spending Makes Everything Easier

- Advertisers budget in dollars
- Flexible for the advertiser
- Advertiser is always rewarded for spending
- Tracking dollars is the easiest way for you to manage
- With numerous other advantages for the newspaper, too
- Accomplished using Spending Based Contracts and Spending Based Discounts

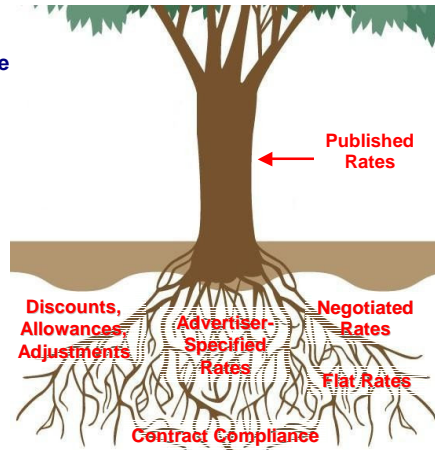
“It is always easy for you to buy more from us!”



***Improving
Pricing Integrity and
Transparency***

Most Ad Pricing Is A Tangled Mess

- Published advertising rates/ rate cards have problems, but...
- The real problems lay below the surface
 - Negotiated rates
 - Flat rates
 - Discounts and allowances
 - Non-standard contracts
 - Advertiser-specified rates
 - Contract compliance issues



Most newspapers experience these problems



Improve the Situation with SBCs, SBDs

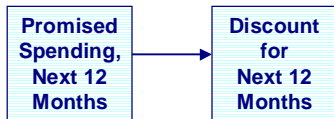
- Spending-Based Contracts (SBC) and Spending-Based Discounts (SBD)
- Must design a mathematically logical structure that rewards advertisers for increasing spending...This is key!
- Every paper's contract and discount structure will be unique
- SBCs, SBDs are separate topics on their own, especially the math
- Worth doing: Case studies prove success
- Present a clear, simple, compelling proposition to increase spending:

***"The More You Spend,
The More You Save"***



The Trouble with Traditional Contracts

Typical advertiser contracts:

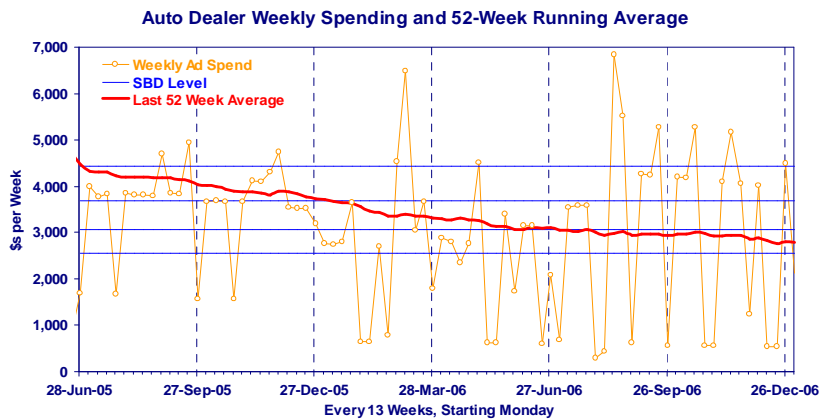


Many Problems:

- Discounts based upon future spending
- Spending commitments often not met
- Difficult for newspaper to recoup
 - "short-rates"



The Hidden Problem with Contracts

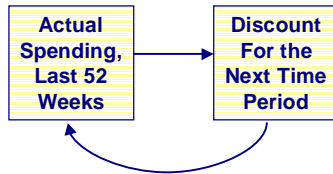


- **The underlying 52-week trend tells the story**
 - Can easily see where the trend crosses – or is in danger of crossing – a spending level for Dynamic Discount
 - The newspaper can take action sooner to adjust the relationship between spending and rate



Alternative: Kubas Dynamic Discount

The “Un-Contract”



Roll-Over for the Coming Period:
Every 4 weeks, 13 weeks...or any
other suitable time period

Fair

Transparent

Objective

How it Works:

- **Based on actual past spend, not future forecast or promises**
- **No contract needed**
- **Past 52 weeks spending sets advertiser’s discount for the coming period**
- **Advertisers must:**
 - **Maintain spending to keep their current discount, or...**
 - **Increase spending to increase discount**



Benefits of Improving Pricing Integrity

- **Makes it easier to buy and sell advertising**
- **Re-establishes the newspaper’s pricing model**
 - Cleans up the messy tangle hidden below the surface
 - Rebalances the relationship between advertisers and the newspaper
- **Brings published rates into line with reality**
 - Conduct detailed account and transaction analyses
 - Analyse advertisers’ buying (and selling) behaviour
 - Transition any extreme outliers over a period of time
- **The goal is to capture extra or forgone revenue**



Other Modular, Plus! Elements

- **Multi-insertion programs**
 - Sell one ad many times, not one ad at a time
 - Intensity: more ads per week (7 consecutive days)
 - Longevity: more weeks (same campaign of any number of ads)
 - Create and sell packages, schedules, "flight plans"
- **Pricing by day of week**
 - Advertiser demand and audience delivery
- **Pricing by position, section, and audience**
- **Modular unit colour pricing**
 - No flat charges / cost per colour
 - Can incorporate Visual Impact Pricing



Case Study: The Palm Beach Post

The Palm Beach Post's Goals

About The Newspaper:

- West Palm Beach, Florida, USA
- Daily circulation: 200,000 approx.
 - The 63rd largest newspaper in USA (by circulation)




- Clean up pricing model and implement a strategic pricing philosophy
 - Get handle on incentive programs, pick-up discounts, etc.
- Introduce Modular Units and Visual Impact Pricing
 - Reduce the number of available ad units
 - Increase the average ad unit size
 - Increase average frequency per ad unit
- Apply spending-based discounts and lock up additional revenues
- Sought assistance from Kubas Consultants



The Palm Beach Post: Before

- All the Usual Problems that Limit Ad Revenues:
- Linage-based contracts
- Linear-based pricing
- Pick-up / repeat discounts
- Inconsistent incentives

Before



The Palm Beach Post
PalmBeachPost.com

Rates

(561) 820-4300

Rates effective August 1, 2007

RETAIL RATE POLICY
 Advertisers selling space in our online system directly to consumers via a payment portal located outside our site following Florida consumer credit laws. Palm Beach Post, 151 Ave. NE, Suite 1000, Clearwater, Florida 34615. A 5% premium will be added for all advertising published in the state news sections of The Palm Beach Post.

COMMISSION AND TERMS OF PAYMENT

Agency Commissions
 Retail advertising is not commissionable.

Payment Terms
 All rates are cash with order unless credit has been approved. If your credit has been extended, payment may be payable on the terms of payment. Advertisers will be billed on a monthly basis. Accounts over 30 days past due shall bear interest at a rate of 1.5% per month (18% per year). Claims for errors in billing must be made within 30 days of date of invoice. Otherwise, claims will not be considered.

Annual ROP Contract Rates

LINE	MIN. ORDER	WEEK	BI-WEEK	MONTH
50	62.27	76.14	76.14	98.27
100	58.00	71.61	71.61	92.27
150	53.75	67.19	67.19	87.81
200	49.50	62.76	62.76	83.35
250	45.25	58.34	58.34	78.89
300	41.00	53.91	53.91	74.43
350	36.75	49.49	49.49	69.97
400	32.50	45.06	45.06	65.51
450	28.25	40.64	40.64	61.05
500	24.00	36.21	36.21	56.59
550	19.75	31.79	31.79	52.13
600	15.50	27.36	27.36	47.67
650	11.25	22.94	22.94	43.21
700	7.00	18.51	18.51	38.75
750	2.75	14.09	14.09	34.29
800	0.00	9.66	9.66	29.83
850	0.00	5.24	5.24	25.37
900	0.00	0.81	0.81	20.91
950	0.00	0.00	0.00	16.45
1000	0.00	0.00	0.00	11.99
Open	\$92.82	\$12.85	\$12.85	\$7.82

ROP Color Advertising Rates

MIN. ORDER	MIN. ORDER	WEEK	BI-WEEK	MONTH
1 color	1,800	2,304	2,482	2,943
2 colors	2,200	2,778	2,988	3,543

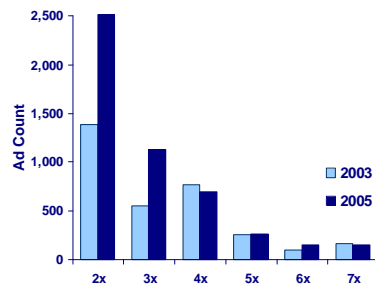


Palm Beach Post: Retail Display Results

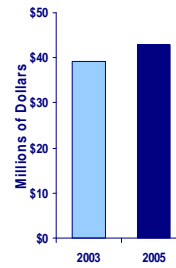
Number of Ads running between 2-times and 7-times increased by 52%

Revenue Under Contract increased by 10%

Number of Ads Per Frequency



Revenue Under Contract



The Palm Beach Post: A Success Story

The situation

“Within months of launching our modular pricing strategy our largest competitor made a full offensive attack on us and our market.

“They outspent us in marketing and promotions.

“They deployed new sales and news resources to our market.

“They introduced aggressive circulation offers to compel a “switch.”

“They aggressively pursued our advertisers, all of them, and peppered them with special deals.”

The outcome

“Because the very nature of the Kubas pricing strategy is to empower the advertiser, we were able to hold rate and grow revenues, despite the onslaught, by demonstrating to advertisers how they could most effectively buy our newspaper.

“We were able to shut down their price strategy without ever touching ours.”

**Mr. Robb Olson, Vice-President, Advertising
The Palm Beach Post**



In Conclusion

Key Points: Modular, Plus!

- 1. The reason to implement modular is to increase total ad revenue**
 - By increasing average ad size
 - Plus other benefits – process efficiency, cost savings, better product, fewer house ads, etc.
- 2. There is much more to modular than just making up ad sizes**
 - Pricing, stackability, selling impact not space, sales training, presenting to advertisers, etc.
- 3. Visual Impact Pricing is key to realising full benefits of modular**
- 4. Modular is part of a bigger picture: The Plus! Elements**
 - Includes other initiatives that produce the best results when they all work together
 - It is all about saying: "There's always a good reason to buy more from us!"
- 5. Modular, Plus! Works**
 - It's for real
 - Pricing systems designed by Kubas Consultants are being used and working right now around the world: North America, Central America, U.K., Australia



Estimated Returns from Modular, Plus!

Elements	Revenues	Profits
More Ad Revenue per Page	++	+
Larger Ad Sizes	++	+
More Ads/Frequency	++	+
Simpler, Easier to Buy & Sell	+	+
Process Improvements		++
Less Newsprint Waste		+
Overall	++++	+++

Results may vary, but they will all be positive



The Competitor's Creed



“Each morning when the sun comes up, the sambar awakes. It knows that it must outrun the fastest tiger or be eaten.

“When the sun comes up, the tiger also awakes. It knows that it must outrun the slowest sambar or go hungry.



“In the end it doesn't really matter whether you are a tiger or a sambar. When the sun comes up, you had better be running.”



Questions?

Contact

Mr. Chris Kubas
Vice-President

Kubas Consultants
P.O. Box 2449
2300 Yonge Street, Suite 2002
Toronto, Ontario
Canada



Thank you, Ifra India 2007!

Tel. 00 +1 416-487-7040, extension 112

E-mail: chris@kubas.com

Web site: www.kubas.com/nrc

