

Strategic Planning at the Chronicle Gazette

Name

Institution

## **Introduction**

The Chronicle Gazette is a leading newspaper in the United States with a circulation of 225,000 customers. Over the past few years, it has been facing a decline in its customer base and revenues. This is mainly due to the increasing dominance of the Internet as a means of disseminating information and news. The newspaper publishing industry in the United States is going through a difficult phase with declining revenues. Both subscription revenues and advertising revenues have been steadily declining. One of the main causes for this downfall is that readers are using the Internet to get news content for free and are reluctant to pay. The global economic recession has cut down the advertising revenues for newspapers. Cost of publishing has increased and a majority of newspapers have increased prices. This has further distanced consumers from traditional newspapers and made online news websites more popular.

The main purpose of this report is to present measures for The Chronicle Gazette to boost its circulation and increase profits. The report will analyze the newspaper industry in the United States giving details of its present status and future position. It will also present facts on the factors that have led to the decline of the industry. The report will analyze the trends in the newspaper industry and the strategies adopted by leading companies in the industry. It will provide details on the measures adopted by companies in the publishing industry to overcome the losses. By taking into account the internal and external factors affecting the industry and the publishers, the report will present the measures to be adopted by The Chronicle Gazette to increase its advertising revenues and widen its readership base.

### **The United States Newspaper Publishing Industry**

The main products of the United States newspaper industry are daily, weekly, monthly and Sunday newspapers. The United States newspaper publishing industry consists of approximately 2,000 companies with total annual revenues of nearly \$30 billion. The main

sources of revenue for the industry are advertising and subscriptions. Advertising revenues constitute the majority of the newspaper industry's earnings. The leading companies operating in the industry include News Corporation, The New York Times Company, Gannett Company, Tribune Company, The Washington Post Company and Hearst Corporation. The total daily circulation of the newspaper industry in the United States is nearly 50 million (Hoover's Inc., 2010).

One of the main drivers of the US newspaper industry is the state of the national economy. The economy has a direct impact on both advertising and circulation. The majority of overhead costs incurred by companies in the industry are fixed. As a result, profitability is driven by sales and marketing. The marketing strategy of companies needs to be strategic and innovative to increase circulation and boost profits. The larger companies have the advantage of economies of scale and size by using shared resources in publishing a number of newspapers. Smaller publishers are better suited to serve smaller markets (Hoover's Inc., 2010).

Over the past few years, there has been a steady decline in the readership of newspapers. An increasing number of people are using the Internet to read and view news online for free. Due to the advancements in Internet, people have free access to news and information online twenty-four hours a day and seven days a week. The news content is available in real time and can be accessed anytime anywhere in the world. The majority of these online news providers do not levy a fee. As a result, the number of readers willing to pay for news content is reducing and this has a direct impact on the sales of newspapers.

There has been a significant reduction in the total number of newspaper copies circulated in the United States over a ten-year period. The total number of newspaper copies circulated (including daily and Sunday newspapers) in 2000 was 115,194,000. This number has significantly dipped to 97,712,000 in 2008. Simultaneously, advertising revenues have also gone

down steadily over the years. Advertising revenues has dipped from \$48,670 million in 2000 to \$24,821 million in 2009 (Newspaper Association of America, 2010). Over the past decade, there has been a consistent dip in revenues and profits for newspaper publishers. On an average, the reduction in circulation numbers was under 1%. With the Internet growing in importance and popularity, the readership base of newspapers have been affected. People are able to access news content online for free. Cost conscious readers have stopped buying newspapers and increasingly use the Internet for news and information. In addition to this paradigm shift, the global economic recession has added to the woes of the newspaper industry. The rate of decline in newspaper circulation was 2% in 2005. This increased further to 3% in 2007. At the end of 2008, the rate of decline in newspaper circulation in the United States stood at 4%. For the six months ended September 30, 2009, newspaper sales reduced by 10.6% for daily newspapers and by 7.5% for Sunday papers compared to last year (The New York Times Company, 2010).

During the period from April to September 2009, the circulation of daily newspapers in the United States reduced by 10.6% to 30.4 million copies compared to the same period in 2008. During the six months ended September 30, 2009, the circulation of Sunday papers fell by 7.5%. Advertising revenues have also reduced by 27.2% in 2009. Due to the sharp declines in subscription and advertising revenues, newspaper publishers across the United States have taken a number of measures to overcome the downturn. Almost all the major newspapers have started publishing their news content online and maintain independent websites. However, the newspaper publishers are finding it difficult to bring in more advertising revenues for their online content and are unable to negate the losses from print advertisements. Most of these newspapers, charge readers a certain fee for access to their websites. Many readers are reluctant to pay for newspaper websites as they have free access to other online sources (Los Angeles

Times, 2009). Major newspapers are undertaking cost-cutting measures by downsizing their staff and reducing the content. They have also increased the prices of single copy purchase. These measures have left many consumers moving away from buying newspapers and looking to the Internet for other free sources for their news and information needs (Los Angeles Times, 2009).

### **Status of Newspaper Leaders**

In the United States newspaper publishing industry, the three forerunners are The Wall Street Journal, USA Today and The New York Times. The Wall Street Journal is the largest selling daily newspaper in the United States. It is published by the Dow Jones & Company, which is owned by News Corporation. Apart from the US editions, the Wall Street Journal also has Asian and European Editions. For the six months ended March 31, 2010, the daily week day edition of Wall Street Journal has a circulation base of 2,092, 523 subscribers. For the same period, its weekend edition has a circulation base of 1,913,284 customers (Audit Bureau of Circulations, 2010). The Journal has also a strong e-subscription base. As of April 2010, the Wall Street Journal has the highest number of e-readers for its online newspaper editions with a subscriber base of 414, 025 customers (Audit Bureau of Circulations, 2010). The Wall Street Journal has recognized the importance of the Internet to the newspaper business and formulated their strategy accordingly. They publish their news content online but not all of it is for free. The Wall Street Journal has adopted a price model of free and paid access.

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A lot of the news coverage, including political news, opinions, sports news, and art and entertainment news is available for free to all online readers. It charges its readers a fee for certain niche business and financial news. The subscribers are willing to pay for this content as they may not get it anywhere else. The online edition of the paper has been able to attract significant traffic on its website as a majority of the news content is available to everyone. This

has helped in bringing in more advertising revenues. The Wall Street Journal has been successful in adopting a publishing model that offers both free and paid content. It has been able to attract more traffic for its web editions by publishing popular content for free. The Journal has been able to attract readers to its websites and charge for reading niche news content.

USA Today is a major daily newspaper in the United States owned by Gannett Company. It was established on September 15, 1982. The newspaper also has an international edition. During the six months ended March 31, 2010, USA Today had a circulation of 1,826,622 (Audit Bureau of Circulations, 2010). During this period, the circulation of USA Today fell by 13.6% and the number of subscribers reduced to less than two million.

The New York Times is another major daily newspaper in the United States. It is founded and published in New York City. The paper is owned by the New York Times Company. During the six months ended March 31, 2010, The New York Times had a circulation of 951,063 for its daily newspaper. Its weekend edition had a circulation of 1,376,230 during the same period (Audit Bureau of Circulations, 2010). The circulation of the New York Times fell by 8.5% for its weekday edition to approximately 950,000 copies. The Sunday edition of the New York Times faced a decline of 5.2% to approximately 1.4 million copies (The New Times Company, 2010).

### **Reasons for Declining Circulation and Revenue**

The emergence of the Internet and its increased use by people for all their news and information needs have had a dramatic impact on the newspaper industry's fortunes. There has been a paradigm shift in the readership base of newspapers in the United States. The global economic recession and slowdown has added to the woes of the newspaper publishers. As a result, circulation figures are at an all time low. This has affected the other major source of income for the publishers, which is advertising revenues. Businesses are looking at advertising space on the web as a more viable option than print advertising due to its visibility and cheaper

costs. To overcome the losses from the decline in readership and advertisements, newspaper companies have increased their newsstand and subscription price. Some publishers have also restricted the supply of their newspapers to only profitable areas. They have cut down on circulation to remote and far flung places as the revenues do not justify the cost of delivery. The newspaper industry in the United States is highly concentrated. Even though publication takes place at the local levels in various cities and towns, the ownership and governance of the newspapers is centralized and controlled in the major cities. The top 50 companies control approximately 80% of the market (Hoover's, Inc., 2010). There is increased ownership of newspapers by chains. Newspaper chains have grown both in numbers and size over the years. There is reduced competition among the newspapers especially in smaller towns. There has been a change in the policy of the government and political parties towards the newspaper publishing industry.

Political parties do not extend the kind of support to newspapers that they once did. Even they are spending more time and money on online campaigns and promotions to increase their reach at minimum cost. Advertisers are also very choosy in budget outlays for print advertising. Due to the economic recession, the budget allocation for advertising is restricted. As a result, businesses are willing to advertise only in the newspapers with large circulations. The smaller papers suffer losses due to this and eventually have to shut down operations (Potter, 2005). A major demographic factor for the decline in the readership base of newspapers is that the younger people have deserted the printed paper for numerous online sources of news. A number of free news content is available on the Internet for meeting their news and information needs.

The news content can be accessed in real time coupled with video coverage. Online news content can be viewed anytime from anywhere in the world. According to Pulizzi and Barrett (2009,

p.13) “studies show that the average age of a newspaper reader today is 60, which is not the ideal demographic for most organizations.” The newspapers are not able to increase their circulation figures as they are unable to increase their readership base by attracting younger customers.

There has been a decline in the percentage of adults who read newspapers on a daily basis in the United States. In 1990, 62.4% of people said that they read a daily paper. This reduced significantly to 56.9% in 1999 and 55.1% in 2000. Similarly for Sunday newspapers, the total readership was 65.1% in 2000, down from 66.9% in 1999 and 72.6% in 1995 (Rayport, 2003).

There has been a shift in the readership of newspapers among critical market segments, such as women. The percentage of women reading a daily newspaper has reduced over the past decade. The newspaper industry must analyze this important demographic of the market and formulate strategies to attract more women readers. They could introduce special women sections in the newspaper covering topics, such as health, careers, family and children.

Technological advancements have changed the way news is received, reported and delivered to the consumers. The increasing use of the Internet and mobile technology has changed the way business is run. These technological factors have influenced the newspaper industry in the United States to adopt newer business models. Many newspapers have digitized their news through their own websites. There are more than 900 websites run by newspapers in the United States. A majority of these websites carry online advertisements. At the same time, there are also strengthening their print news divisions to increase circulation.

The competitive landscape has changed in the newspaper industry with the entry of new media, mobile devices, media platforms and concepts. Internet companies, such as Google, YouTube, Facebook and Twitter provide online, real time news coverage along with videos attracting younger audiences. They have been able to take readers away from the traditional printed media to the virtual content space. They attract a lot of traffic on their websites as a



majority of the content they offer are free to access. Due to the increased traffic, they have also been able to attract advertisers away from print advertising to online advertising. The cost of online advertising is cheaper when compared to print advertising. The cost of operating and maintaining websites is also less in comparison to printing newspapers. All of these factors have ensured that the new media companies have to been able to increase their customers, minimize the cost of operations and maximized profits. The traditional newspaper publishers have been struggling to adopt new technologies in their business and increase profits.

In this era of globalization, there is an increased emphasis on protecting the environment and sustaining it for future generations. Businesses now have increased social responsibility to function in a manner that protects and enhances the environment. The same applies to the newspaper publishing industry. In the past few years, newspapers have been more aware of protecting the environment and taking measures towards this. A majority of the newspapers are using recycled content to publish. They are encouraging newsprint manufacturers to use more recycled content and less virgin fiber for printing newspapers. A number of publishers are also taking steps to minimize their use of printing paper. They have taken measures to use resources judiciously and optimize utility. The Washington Post and The Los Angeles Times have decreased their widths to 50 inches to economize their use of newsprint (Honnold, 2000).

### **Porter's Model**

Porter's model is a strategic tool developed by Michael E. Porter in 1979. It is a tool that facilitates to assess and analyze the competitive forces in a market. It is developed on the basis that competitive strategy must be formulated taking into account the opportunities and threats in the industry. Porter has identified five forces that determine the competitive landscape of industries and markets. These five forces are competitive rivalry between suppliers, threat of new market entrants, bargaining power of buyers, power of suppliers and threat of substitute products.

The strategy of the business should be designed in a way to change these competitive forces to the advantage of the company (Chapman, 2010).

Applying the Porter's model to the newspaper industry, it can be seen that there is always a possibility of increased competition. New players could enter the market. They could adopt innovative methods to enter the market. For example, providing free copies for a trial period of 30 days. They could also provide a complementary copy with some other publication. With regard to the bargaining power of buyers, there could be changes in the demographic distribution of the readers. If the majority of the readers are old, then the newspaper should change its strategy to attract more youth in buying the paper. With the easy availability of free online news, readers are not willing to pay for news content. Newspaper publishers need to formulate a mixed strategy combining free and paid access. The more popular portions of the website could be made accessible to all to attract more traffic. Pay walls can be designed for niche news that targets specific readers. Suppliers could influence prices by quoting more price for manufacturing the newspaper. The threat of substitute products is in the form of television and the Internet. The newspaper industry is finding it difficult to tap the young adults market successfully as a majority of them look to television and new media, such as the Internet for their daily news. Publishers need to understand the specific needs of the youth and formulate their strategy accordingly. They can increase their readership base amongst the youth by providing increased web coverage in areas that interest them, such as business, sports, education, arts and entertainment.

### **Strategy Adopted by Companies in the Publishing Industry to cope with the Challenges**

The newspaper industry in the United States is faced with multiple challenges of reduced readership, increased costs and competition from new media companies, such as Google. A majority of the newspapers have online versions of their editions on websites. They have also

other measures to increase circulation and improve profitability. Newspapers have increased the prices for both the subscriptions and single buy purchase. They are also analyzing the markets they serve to understand the cost-benefit dynamic of each market. As a result, some newspapers have cut back on circulation to remote areas where the revenues earned are more than the cost of delivery.

The Wall Street Journal is one of the leading newspapers in the United States, which has changed its market strategy and business model to overcome the challenges in the publishing industry. Through its website, [www.wsj.com](http://www.wsj.com), the paper provides online access of its news content to readers. As of April 2010, the Wall Street Journal had 414,025 e-subscriptions. Though the website is available online, not all of the content is free. The Journal has formulated a mixed price strategy where it provides both free and paid content. The popular sections of the news content, such as politics, sports, arts and entertainment is free. Niche coverage such as editorials, opinions and articles on business and financial topics can be viewed only for a fee. In-depth coverage, analysis, opinions and reviews are available only to paid users (PricewaterhouseCoopers, 2010). By adopting this strategy of free and paid access, the Wall Street Journal has been able to increase its e-readership base. The free access to popular content attracts more traffic on its website. This brings in more advertising revenues and increases profitability. At the same time, it helps in building a relationship with new readers. They are aware of the useful content available on wsj.com and are willing to pay for more in-depth coverage and analysis.

Another important measure taken by the Wall Street Journal is embracing the digital revolution and becoming a part of it. The Wall Street Journal is available on Apple's iPad. This move helps the Journal to widen its market and tap younger readers who are technologically

savvy. As of June 2010, the Journal had sold more than 10,000 subscriptions and generated \$2.4 million in revenues from the iPad (Business Insider, Inc., 2010).

There are companies at the other end of the spectrum in the newspaper industry who have adopted drastic measures to cope with the challenges. The Seattle Post-Intelligencer was facing significant losses for a few years. In 2008, the paper's losses amounted to \$14 million. As a result, its owner The Hearst Corporation decided to shut down its print operations (Guardian News and Media Limited, 2010). The Company had to make the hard decision of stopping publication of the 146-year old newspaper. It stopped delivery to nearly 117,600 weekday readers (Hearst Seattle Media, LLC, 2010). In March 2009, the Seattle Post-Intelligencer rolled out its final print edition. It decided to publish only the online version, [www.seattlepi.com](http://www.seattlepi.com) of the paper. The paper reduced its staff headcount drastically from 165 to 20 (PricewaterhouseCoopers, 2010). Since the paper transformed into an entirely digital web format, its website, [www.seattlepi.com](http://www.seattlepi.com), has had 4 million visitors per month with 40 million page views. With a reduced headcount, the website covers major topics, such as politics, sports and local happenings by itself. It also sources stories through wire services and other news agencies. The website also makes use of 150 local bloggers for regional content (World Editors Forum, 2010).

### **Steps to be taken by The Chronicle Gazette for Revival**

The Chronicle Gazette needs to make some changes to its strategy and business model for improving its position. The Company needs to understand the markets it serves and change its offerings to attract customers and widen its subscription base. It has to study its cost structure and perform a cost-benefit analysis of its printing operations. The key measures that need to be considered by The Chronicle Gazette to increase its subscription and advertising revenues are presented below:

**Set up a Website and go online with News Content**

The Chronicle Gazette needs to move towards digitizing its news quickly by setting up its own website. Today's readers have access to multiple online sources of news such as, Google, Yahoo, MSN and YouTube. In this Internet era, people want to view news content online. Younger readers prefer to read news online (PricewaterhouseCoopers, 2010). The paper needs to understand that it is competing with these online sources for both reader attention and advertising. In this scenario, it is advisable for The Chronicle Gazette to have an online version of its paper in addition to the print edition. This move will ensure that the paper can connect with newer younger audiences. It will also help boost its image in the market as it will be perceived as in tune with the times and ready to open up to the needs of the readers. This will help in bringing in more advertising revenue for the company.

Once the website is set up and ready to be launched, the next key issue to be addressed is whether the content is free or paid. It is best suited for the company to have both free and paid news content on its website. Before making the decision, the newspaper needs to study its audience and understand which sections of the news covered is more popular. The website should be designed in such a way that the popular sections of the news are available for free and pay walls are in place for in-depth coverage and analysis. In the initial stages, making the popular sections of the news free attracts more visitors to the website. This will help the paper in connecting with the readers and establishing a relationship. It creates visibility for the website in cyberspace. When the visitor traffic on the website is more, the newspaper can attract more advertising revenues. Pay walls should be in place for articles on special coverage, opinions, reviews and specialized local content. Pay walls should target niche readers who are looking for in-depth coverage on specific topics. Regular visitors to the website are aware of the quality of the content available. They will be willing to pay for detailed coverage and analysis. The

Chronicle Gazette can source local and hyper local content through tie-ups with local news agencies and websites.

### **Minimizing Costs and Increasing Efficiency**

Due to the global recession and declining revenues, newspapers across the publishing industry in the United States are making efforts to cut costs and encourage optimum utilization of assets. The Chronicle Gazette should carefully study its cost structure. It should work towards cost reductions in the operations of its business. The cost reduction efforts must not be confined to a single function. It should be undertaken in all the functional units, including printing, advertising, editorial, production and distribution. The Chronicle Gazette should perform a cost benefit analysis of the various markets it serves. It could cut back on circulation to those areas where the revenue generated does not justify the cost involved. The newspaper should focus on maximizing the utilization of its assets.

The players in the newspaper publishing industry are reorganizing their production and distribution process to reduce costs (PricewaterhouseCoopers, 2010). The Chronicle Gazette should undertake measures to organize its production and distribution functions so as to reduce costs and increase efficiency. This could be in the form of outsourcing or coordinating with other players in the supply chain.

### **Leaner Organization Structure**

The Chronicle Gazette should study its organization structure and ensure that the human capital is being effectively used in the business. Editorial staff must contribute effectively towards content creation. Their roles must be well defined and their contributions must help in achieving the organizational goals. This step does not necessarily mean cutting down on editorial staff. It should be directed towards increasing the productivity and efficiency of the staff. The newspaper should understand that journalists' contribution is very important for the success of

the company. It should focus its efforts on providing enough opportunities for the staff and utilizing them effectively.

### **Embrace Digital Platforms**

All the major newspapers in the industry are exploring new business models and looking to be part of the digital revolution. The Chronicle Gazette should explore new media platforms and technologies to distribute its content. It should look at attracting newer and younger readers by digitizing its content through websites and mobile devices. It could explore the possibility of distributing news content through smart devices like Apple's iPhone and iPad.

### **Conclusion**

The Chronicle Gazette has to understand that there is always a demand for good quality news content. Even though subscription and advertising revenues are down, there is a constant demand for quality and unbiased news and information. The Chronicle Gazette needs to focus on its core competencies by eliminating unprofitable areas of operation. It should focus on content creation that meets the needs of the majority of its readers. An increasing number of readers are demanding specific and relevant news coverage and analysis. This could be in the areas of politics, sports, arts, entertainment or local news. The Chronicle Gazette should cater to this audience and not just focus on general news. The Chronicle Gazette needs to take action quickly and swiftly to revive its fortunes. It should take measures to be part of the digital bandwagon by distributing its content through websites and mobile devices. The Chronicle Gazette has to take cost reduction measures and improve the efficiency of operations. It should aim to utilize its employees and assets to maximize returns. It should re-engineer its production and distribution processes to be able to deliver news content across various media platforms. These measures will

ensure that The Chronicle Gazette focuses on its core strengths and builds on it to bring in more subscription and advertising revenues.

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