

# NEWSPAPERS & TECHNOLOGY

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## Print City: Value- Added of newspapers can pump up bottom line

### Innovative newspaper products generate revenue, readership

*Editor's note: PrintCity in October released the results of research examining how newspapers can maximize their revenues and increase their differentiation. In the next few issues, Newspapers & Technology is printing excerpts of the group's conclusions, the Special Report on Value-Added Printing of Newspapers.*

While some parts of the global newspaper industry are morosely focusing on cost reduction, others are taking a more innovative approach to industry opportunities to generate new readers and revenue.

Delegates attending the recent Australian PANPA and IfraExpo Amsterdam conferences reflected this more optimistic outlook. One of the highlights of Ifra was the launch of a unique cross-industry project from PrintCity, dubbed Value-Added Printing of Newspapers, which focuses on both the technical and business opportunities available to newspaper printers and publishers. The project's goals are to share knowledge from a technical and economic analysis to assist both investment planning and identify opportunities for increased revenue and differentiation.

The strong growth of interest in VAPoN is driven by three related challenges:

- Media and revenue competition: Responses to the post-Internet media landscape?
- Changes in industry structure: Newspaper production as profit centers or commercial entities?
- Technology change: What can be done now and in the future?

### Different than traditional

VAPoN is a newspaper product with a clearly visible difference to standard coldset that is recognized by readers and advertisers. It is capable of attracting higher revenues to the newspaper and/or adding to its differentiation. To that end, VAPoN products include:



Photo: PrintCity

This ad for Audi, printed in a European newspaper, shows that newspapers can produce high-quality work.

- Newspaper covers with high point-of sale impact and without marking.
- Sections for premium double-page and cover advertising.
- Giant pull-out posters.
- High impact ROP advertising pages.
- ROP "inline" advertising supplements.
- Editorial magazines and supplements.

These phenomena are not new. Indeed, a few publishers and printers have been using this approach in different parts of the world for the last two decades — mostly concentrated on single-width presses. What is new is the significant increase in value-added printing among larger publishers who have cloaked their double-wide presses with dryers within the last year.

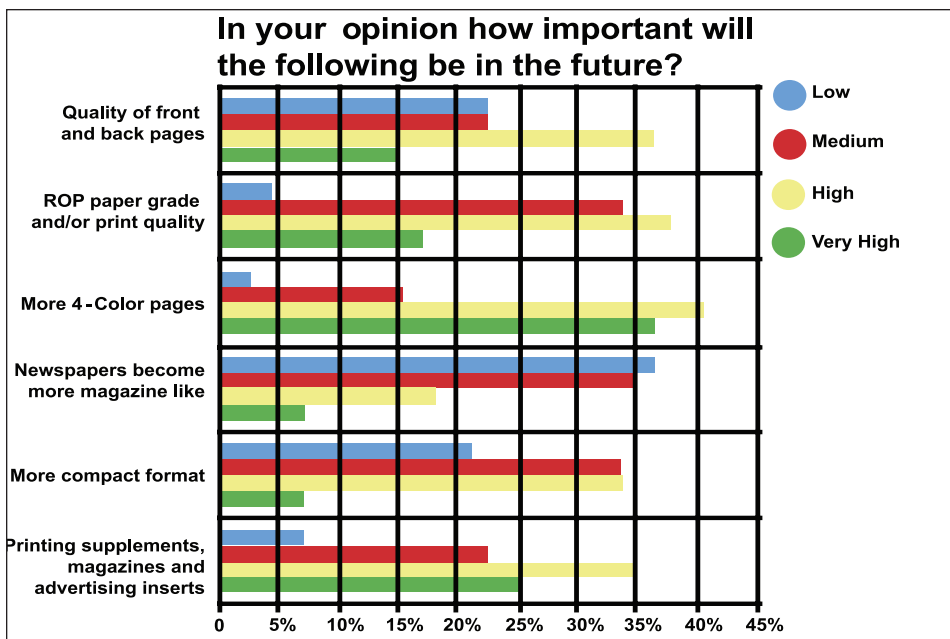
### Australian pioneers

Australia has led the world in producing differentiated newspaper products for many years. For example,

almost all households in most cities receive one or more free weekly local newspapers — there is even one free daily — The Manly Daily, which runs a folio of between 48 and 96 pages and also includes a weekend magazine. In Melbourne and Sydney, the format, print process and paper grade of these papers are strictly determined by the economic profile of the area in which they are distributed. Lower economic profiles receive coldset on newsprint, median areas hybrid heatset-coldset and the highest economic areas have complete heatset production on coated paper. Case in point: the Wentworth Courier, a 300-page newspaper that's printed heatset on coated stock and is saddle-bound.

Many regional titles use similar hybrid heatset-coldset combinations. This is now being extended to daily newspapers by two publishers that will use a unique combination of coldest double-width and heatset single-width configurations developed by MAN Roland — the first of which is currently

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Respondents said they believe 4-color pages and magazine-like quality are important attributes for newspapers.

starting up at APN in Queensland. The second press will start-up next year at the metropolitan daily newspaper The West Australian.

### European efforts multiplying

Meantime, national Austrian daily Osterreich launched Sept. 1 as a heatset-coldset combination. Another Austrian printer, Herold, will be installing the world's first inert UV dryer in a double-width MAN Roland ColorMAN next year that will add further momentum to this market evolution.

In Belgium, the dynamic multimedia Roularta Media Group (RMG) is an established user of hybrid presses. The publishing and printing company has more than 3,000 employees producing a wide range of publications including daily and weekend newspapers, magazines and advertising inserts. In the last decade RMG has launched many free papers and niche magazines, and has jointly launched new TV channels. Growth in publishing is based on innovation — one example is a 588,000-circ free daily with 14 editions that is distributed through bakeries. RMG also publishes free city magazines with interactive Web sites to complement the printed editions. To ensure quality, RMG is installing a ColorMAN press with each of its four towers equipped with a hot air dryer.

Other examples of printing newspaper-related products on hybrid double-width newspaper presses

include Axel Springer in Germany, which is producing an advertising magazine supplement with a heatset cover and coldset text in a bid to bring back classifieds to print from the Internet; and Helsingin Sanomat in Finland, which is producing a real estate newspaper insert with advertisements adapted to Internet style and connected to its Internet site.

### Free newspapers

Despite falling subscriber numbers in the United States, overall newspaper readership and advertising are increasing, thanks to free newspapers. According to the World Association of Newspapers, 550 new free papers have been launched in the past five years. These publications are extremely eclectic, ranging from quality dailies to niche papers covering specific target markets.

The trend to VAPoN-type products should not be surprising and is validated by research that indicates that continuous product enhancement will open up multiple opportunities. Many of these are related to value-added printing (\*):

- Brand name leadership, improved design
- More flexibility, topicality, target group orientation\*
- Special interest supplements and magazines\*
- Preprinted advertising inserts\*
- More regional editions and distributed printing
- Cross-media promotion and serv-

- ices using the Internet
- Better readability\*
- More and better color\*
- Upgraded paper\*
- Multiple versions of same newspaper\*
- Reader-market profile drives format, binding, paper & process\*

There is also an emerging school of thought that a newspaper will no longer be a single product but a series of electronic and printed versions targeted to different reader segments.

### Supplements and advertising inserts

Preprinted advertising and editorial sections inserted into the newspaper jacket provide many publishers with their strongest growth. Preprinted advertising revenue of U.S. daily and Sunday newspapers outstripped ROP advertising in 2001 and is expected to grow another 10 percent to 12 percent each year, compared to ROP's rather flat growth rate.

A major problem for publishers is that they generally only retain 40 percent to 60 percent of insert revenue because external printers produce most FSIs. According to WAN's "Innovations in Newspapers 2005," the best defense that newspapers have is to bring their own print quality closer to the standards of commercial printers. Potential newspaper revenues related to VAPoN techniques include:

- Increasing share of insert revenue by producing more preprints in-house.
- Increasing share of advertising from other carriers (direct mail or private distribution systems). Laws restricting junk mail are an opportunity for newspapers to increase share because advertising material is more acceptable when bundled into the newspaper.
- Bringing in-house formerly outsourced magazine and supplement printing. A significant proportion of preprinted advertising and editorial supplements can be produced on correctly equipped and operated newspaper presses. VAPoN's greatest market application is in this area, where print output is adequate and strong pressure exists to minimize cost. However, jobs of high quality, on heavy papers, or with unusual folds, will remain the domain of commercial heatset printing.

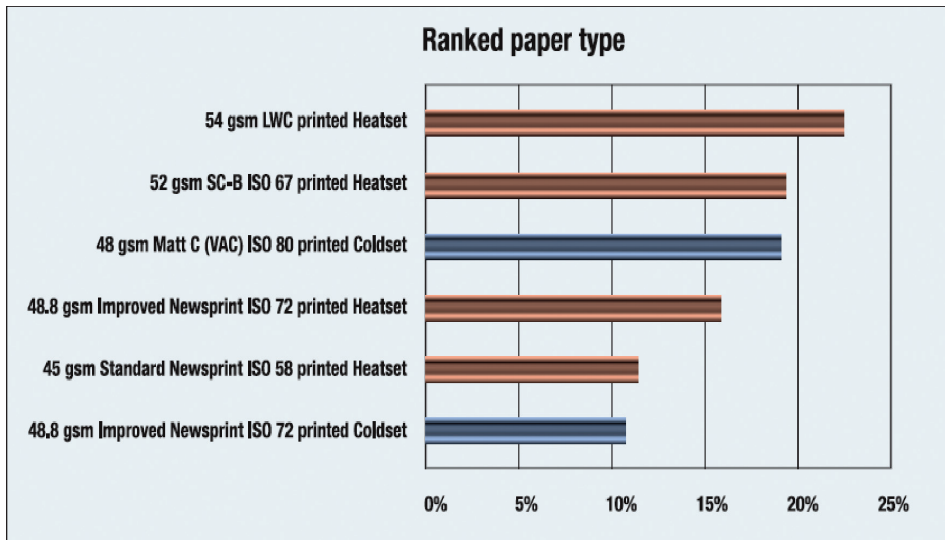


Photo: PrintCity

Research conducted by PrintCity found that materials printed on higher-grade paper and heatset presses scored higher among consumers.

What is clear is that what was once a series of relatively isolated publishing innovators is now becoming an important trend. Probably the single most important success factor is an entrepreneurial business strategy with effective sales and marketing implementation. Delivering a technical solution to fit the business strategy is comparatively simple and predictable process providing it is correctly analyzed.

### VAPoN research

A key part of this project has been to initiate an industry discussion on the value of differentiated newspaper products. Improved quality must be related to what revenue or competitive advantage can be generated from them to build a business case for their deployment. PrintCity conducted an international quality and value assessment to identify the range of increased advertising revenue and other business opportunities related to differentiated paper-print qualities. Dr. Tim Claypole of WCPC, Swansea University, independently analyzed the survey data.

Survey participants identified the relative importance of a number of trends in their market over the next three years by ranking them from low through medium and high to very high. These show that:

- The most important development will be more 4-color pages, which was rated by more than 80 percent as high or very high.
- Improving ROP paper grade and/or print quality is seen as a

high priority.

- Almost equally important is improved quality of front and back pages from either better paper, printing or higher gloss, and elimination of marking.
- Many respondents believe printing of magazines and advertising inserts to be important.
- Changing to a more compact format is a medium to high priority.

The potential trend to newspapers becoming more like magazines is seen as a low to moderate goal for 75 percent, with 25 percent identifying this as important. This is a very significant proportion of respondents who identify this trend as being increasingly important over the next three years.

### Quality, value assessment

Next, a series of seven editions of the same newspaper were printed on different papers by different print processes. These were assessed by newspaper staff around the world to determine their perceived quality ranking and their potential revenue premiums. Respondents were selected from all newspaper publishing departments, ranging from editorial to marketing and production. The type of publications produced by the respondents' companies are predominantly daily newspapers, although most also produce other types of publications. (Ifra worked with PrintCity to test print VAPoN samples as part of an Ifra project to investigate the need for a specific standard for semi-commercial printing.)

Respondents were asked to rank the printed samples in ascending order of quality, with the base reference printed coldset on standard newsprint. The two newspaper products with the highest perceived values were both printed heatset: on 54 gsm LWC and 52 gsm SC-B (ISO 67 paper brightness). In third place, the 48 gsm Matt C (VAC) ISO 80 printed coldset was rated better than Improved Newsprint printed heatset.

### Value assessment

Respondents were asked to assess the premium a newspaper could earn by running ROP on different qualities of newspaper samples, with newsprint printed coldset established as the reference price point. Unsurprisingly, the

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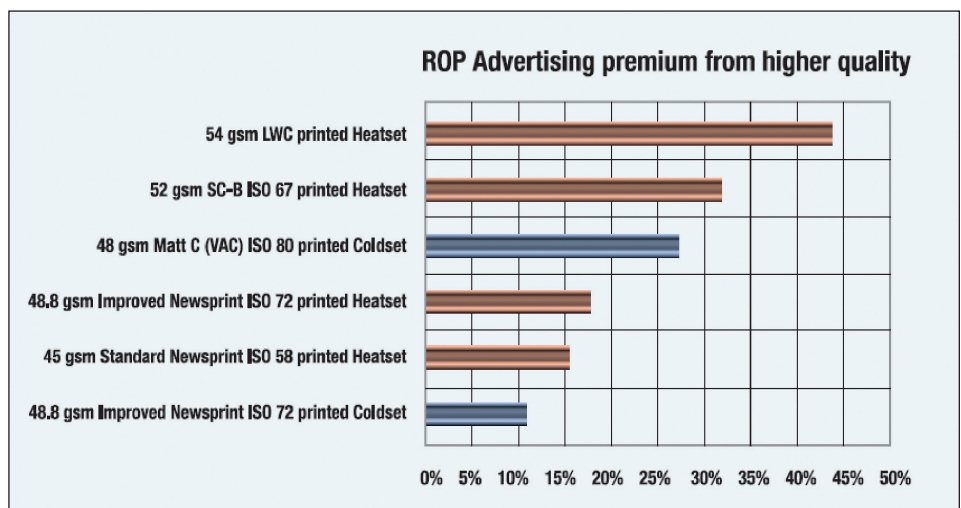


Photo: PrintCity

Newspapers can collect more than a 40 percent premium for advertisements printed on higher-quality paper, according to PrintCity research.

better the quality the higher the premium with the top three premiums ranging from 27 percent to 44 percent.

### Some business conclusions

A key question for publishers is what additional profits and revenues can be generated by VAPoN products and their related technologies? The answer can be found by two related calculations.

- 1: Semi-commercial printing business is a relatively simple viability calculation of production cost:  
External cost less in-house cost = profit?
- 2: VAPoN is a more complex calculation:  
Additional advertising revenue less extra production costs = Profit?

As an example, take a newspaper where 70 percent of its revenue comes from advertising and 30 per-

cent comes from paid sales. If the advertising revenue premium from a VAPoN product is 35 percent higher than a standard newsprint product, then the advertising revenue gain is an increase of 25 percent. If production costs are 35 percent of total publishing costs, then a 35 percent increase in production costs from VAPoN products increases total publishing costs by 12 percent.

Therefore, VAPoN products in this example can generate 13 percent extra total revenue. (The industry survey assessed the advertising premium of printing supercalender paper by heatset as being 35 percent higher than if printed coldest on standard newsprint.)

VAPoN is an approach to create new business and production models that respond to the changing media dynamic. Its objective is to both revitalize existing newspaper products and create new ones that compete more effectively for revenue share with direct mail and advertising inserts, magazine and Internet advertising. ▲

*This article is an extract from PrintCity's Special Report on Value Added Printing of Newspapers (VAPoN). This is a unique cross-industry project that combines expertise across the production and business chain. It includes an analysis of technical and economic factors to assist informed investment planning, combined with identifying emerging business opportunities to increase publishing revenue and differentiation.*

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