

A Blueprint for Data-Driven Circulation Growth

Prepared by



BACKGROUND

Newspaper circulation is in decline.

This is not a short-term variance or a blip in the data – it is an indisputable global trend. The International Newspaper Marketing Association, for example, estimates that newspapers in mature Western democracies have experienced declines in circulation of seven percent in the past decade.

Yes, there are publications that have managed to buck this trend, thanks largely to rapidly growing markets or a short-term boost in third-party, NIE or sponsored sales. Unfortunately, even those newspapers that have maintained sales in high-growth markets are losing penetration. And one problem with third-party sales is that while the volume may be maintained, growth typically cannot.

Complicating the situation is the fact that newspaper marketers, particularly in the USA, have seen their primary source of new orders, telemarketing, seriously compromised by legislation and consumer backlash.

Clearly, the publishing industry is facing a time of unparalleled change. This challenging environment stems from difficult economic conditions and a fragmented consumer marketplace. It is an environment in which circulation sales productivity is paramount as budgets are slashed in order to sustain profit margins that are under pressure from the gradual erosion of advertising market share.

The bottom-line is this: The newspaper industry is in need of a new model for circulation marketing – a model that is driven by timely, meaningful, actionable information. Critical to the optimization of consumer sales and marketing initiatives is the implementation of multi-channel, data-driven marketing strategies and techniques that leverage each newspaper's unique customer data and relationships.

STEP 1: STRATEGIZE & PRIORITIZE

The need to rethink and reengineer the economics of newspapering has never been more pronounced. Nor has the opportunity to do so.

Certainly, there is an overwhelming mandate to stem the erosion of paid circulation. The near- and long-term implications for circulation marketing strategy are considerable.

Ultimately, that strategy must support objectives that include:

- **Improving the productivity of reader development processes.** Simply stated, this implies that newspapers must improve the return on their marketing investments. Fortunately, the context in which newspapers have tracked productivity has evolved. Much of the unwavering focus on “new starts” in years past stemmed from an inability to measure anything else. No longer are such “efficiency” metrics as *cost per order* relevant unless they are augmented by measures of “effectiveness”, such as *cost per unit of circulation*, *ROI* and *lifetime value*.
- **Start source diversification.** While telemarketing has long been a primary source of new starts, these orders have become increasingly expensive. Moreover, telemarketing has been subjected to severe legislative scrutiny and it is conceivable that it will lose its viability entirely within the next few years.
- **Increasing subscriber retention.** Retention begins with acquisition. That is, new starts based on relevance and value will be more enduring than those based on a discount. Substantial improvements in retention translate to fewer dollars that must be spent on acquisition.

A critical element of the strategies and tactics that will support such objectives is a competency in data-driven marketing. That is, publishers must:

- Maintain and manage data gained through interactions with customers and prospects;
- Invest in the resources essential to the transformation of that data into knowledge; and
- Leverage technology in the migration from a “project-driven” marketing environment into one that is “process-driven” – an environment of continuous improvement in which feedback to marketing initiatives is constant and campaigns are refined and implemented accordingly.

Put the Proper Metrics in Place

As Peter Drucker famously said, “If you can’t measure it, you can’t manage it.”

The newspaper industry has long been deficient in its ability to quantify such critical metrics as cost per unit, retention by start source, return on investment and lifetime value. This deficiency has been attributable not to a lack of desire, but to the limitations of the business systems that manage billing and distribution. Those systems have been inherently incapable of providing relevant marketing metrics.

As a result of these shortcomings, circulation managers have focused on the one or two metrics for which they could get reliable numbers – new starts and cost per order. Certainly, these are useful measures, but the total absorption with these numbers has manifested itself in the excessive churn confronting industry marketers today.

In 1999, ASTECH InterMedia introduced R-Logic, a retention measurement and management system that applies relevant business rules to transaction data in order to accurately quantify metrics that allow marketers to optimally allocate resources. These include retention by start source, cost per unit, ROI, and several more. Today, more than 130 newspapers use R-Logic to provide the essential measures required to effectively manage their acquisition and retention initiatives.

Define Specific, Quantifiable Goals

Like any well-designed blueprint for success, this one must begin at the end. The plan must focus on the achievement of tangible, measurable performance parameters. For example, these might include:

- Improve subscriber retention by 10%
 - Increase direct mail orders by 30%
 - Reduce the discount budget by 25%
 - Increase direct debit payment to 50%

- Improve circulation profitability by 15%
 - Reduce subscribers with multiple starts by 20%
 - Decrease new orders by 5%
 - Reduce telemarketing share of new starts by 10%

- Improve telemarketing productivity by 20%
 - Manage dispositions to eliminate unproductive calls
 - Target 25% of calls as “data-driven” to improve conversion rates
 - Customize scripts based on prospect characteristics, transaction history



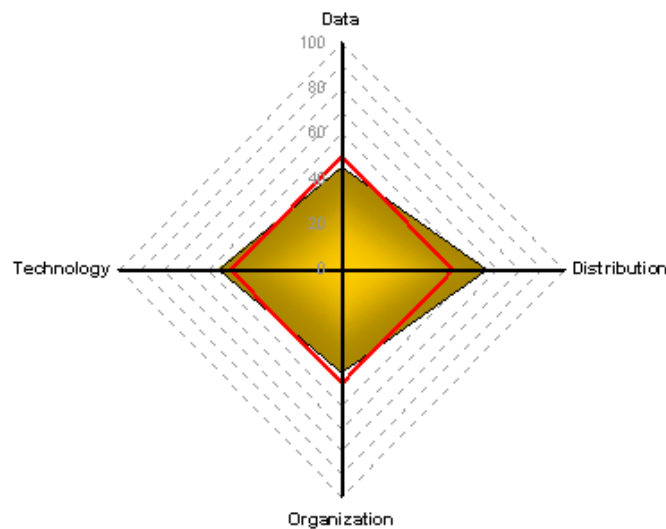
These are illustrative of the types of strategic objectives that can be effectively supported through the development of a data-driven marketing competency. Whatever the goals, they must be measurable.

STEP 2: ASSESS YOUR COMPETENCIES

Once the business objectives have been quantified, the organization must take a hard look at its ability to execute the initiatives required to satisfy those objectives.

ASTECH InterMedia has identified four critical success factors in the fulfillment of strategic, data-driven marketing initiatives.

- **Organizational Preparedness.** Organizational preparedness is partially a function of human resource proficiency (expertise and experience), quantity (level of dedicated resource) and structure (roles and responsibilities). But it more so a function of *culture*. Culture reflects the enthusiasm with which a newspaper recognizes and embraces the challenges and opportunities of a highly volatile media environment.
- **Data Assets.** Newspaper companies typically engage customers and prospects at multiple “touch points” – each of which provides an opportunity to increase market intelligence about a consumer unit. Often, processes are not in place to ensure the capture and integrity of this intelligence. The more evolved these processes, the better prepared the organization to leverage data-driven marketing techniques that improve productivity. In addition, external demographic and/or behavioral data can often be purchased to enhance marketing applications.



- **Technology Resources.** The transformation of data into knowledge, knowledge into meaningful marketing applications requires the ability to analyze that data and execute initiatives based on the analysis. The marketing systems and software that facilitate these abilities are significantly different than those that manage business operations. Some organizations recognize that these systems are equally as important as the operational systems that produce invoices and route manifests, and are making the investments to ensure that they are prepared for the competitive environment in which they operate.
- **Distribution Capabilities.** This success factor will vary with individual perspective. To the advertising executive, distribution effectiveness is largely based on the newspaper's ability to efficiently integrate multiple media channels in the distribution of marketing communications. To the product marketing or circulation executive, this factor is more aligned with the ability to distribute news and information in a variety of formats based on individual consumer preference.

To achieve desired goals and objectives, these factors must not only be addressed individually, but collectively as well. That is, they must also exist in proper alignment. For example, it is unlikely that a significant investment in technology will result in an optimal return unless that technology is accompanied by organizational competencies that allow it to be fully leveraged.

The ASTECH InterMedia Assessment represents a blueprint for the development and implementation of a competency in strategic, data-driven marketing – a blueprint designed specifically to evaluate business objectives, assess the competencies required to achieve those objectives, and quantify the organizational performance gaps across these four critical dimensions. The result is a customized, comprehensive plan for bridging those gaps and establishing the competencies required to meet and exceed the company's business objectives.

STEP 3: PROJECT TO PROCESS

Whether trying to acquire a new subscriber or retain an existing one, relevance and value are crucial. The more we know about individual customers and prospects, the more capable we are of positioning our product to convey value.

Underlying the ability to nurture, communicate and deliver value to the consumer is a market segmentation strategy that drives the circulation marketing *process*.

The concept of moving the marketing function beyond a series of individual and often unrelated projects to a process of seamless execution and continuous improvement is a compelling one.

And while individual newspaper companies have made significant progress in migrating from a *project* to a *process* environment, much of the industry remains mired in an inefficient, unproductive operational mode. These are often organizations that score well below industry norms in the cultural and technology dimensions discussed above.

Companies that have yet to develop a true competency in data-driven marketing typically operate on a project-to-project basis. The following characteristics are symptomatic of a project environment:

- Short-term focus - This is simply the absolute necessity to meet near-term revenue, profitability or performance goals, often at the expense of future opportunities.
- Heavy dependence on the Information Technology organization - The primary focus of most IT departments is to manage the operational systems that run the business, not to support the marketing function. Marketing support often takes a backseat to production and billing.
- Intermediate-term implementation - Short-term goals are necessary, but unless marketing decision-makers have access to relevant data and analytical tools without IT intervention, short-term programs often turn into intermediate-term implementation. Unfortunately, the business problem often changes or the opportunity passes before the marketer can respond.
- Limited feedback and learning - A marketing initiative can only fail if nothing is learned. Without the ability to measure, evaluate and recalibrate, those initiatives will never be optimized.

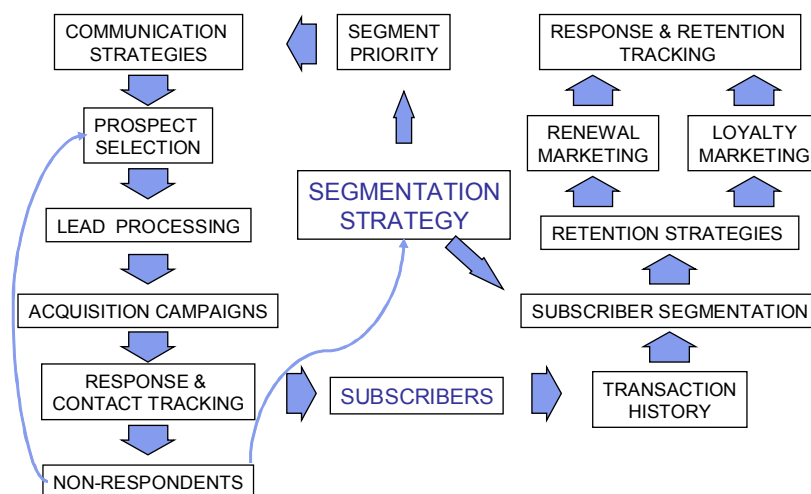
Moreover, each individual project typically has associated fixed costs that eat into its ultimate profitability. These costs can include list rentals, data processing, and analysis, much of which must be outsourced until the skills and tool sets become a core competency – that is, until they become part of a *process*.

Data-driven marketing is most productive and rewarding when conducted in a “process” environment. Once the tools and processes have been implemented, multiple projects and campaigns can be managed simultaneously, fixed costs are minimized, and economies of scale contribute to significant improvements in profitability.

Segmentation Drives Process

The diagram below offers one example of an integrated subscriber marketing process. The ultimate objective is a customized, data-driven subscriber acquisition and retention process based on customer behavior and value that is measurable and repeatable.

A Data-Driven Subscriber Marketing Process



At the heart of this process is a market segmentation strategy that identifies and quantifies targetable consumer segments, establishes segment priorities, and improves tactical execution within those segments.

The segmentation scheme should leverage all relevant data available to the organization, including customer transaction history, web registrations, external demographic and psychographic information, etc. Consequently, segment definitions can get quite complex and encompass several hundred cells.

Each segment is associated with an implied communication strategy. That strategy comprises the offer (product/pricing/term/incentives), the creative (positioning/scripting) and the channel (telephone/mail/e-mail/other).

Obviously, defining dozens - if not hundreds - of targetable segments and the communication strategies associated with each is a potentially daunting task, requiring analytical and campaign management capabilities that are uniquely powerful and flexible. Such capabilities are not yet ubiquitous in the newspaper industry, but they must become so to ensure its long-term viability and prosperity.

Specifically, the industry must introduce and cultivate marketing automation solutions that:

- Effectively integrate multiple sources of relevant data that drive strategic segmentation;
- Provide robust segmentation capabilities that allow for the creation and management of highly complex schemes involving hundreds of cells;
- Deliver powerful campaign management functionality to design, execute, evaluate and refine communications with hundreds of segments across multiple channels; and
- Offer decision-makers effortless access to mission critical data in a timely manner.

ASTECH InterMedia has been the leading provider of data-driven marketing automation and analysis solutions to the newspaper industry for more than 13 years. The company's recent introduction of the MAA^X™ Solution Suite represents a monumental leap forward in marketing automation, providing unmatched functionality, ease of use and affordability.

CONCLUSION

Market segmentation and marketing automation have garnered a great deal of attention in recent years – and deservedly so. The need to diversify subscriber acquisition activities while simultaneously improving customer value through better retention clearly makes the adoption of a data-driven marketing competency a priority.

It is essential to understand, however, that such a competency encompasses more than technology. For many organizations, it requires a fundamental shift in philosophy – recognition that today’s competitive media environment has evolved dramatically in the past decade and that “business as usual” is a certain path to irrelevance and obsolescence.

The ASTECH INTERMEDIA Advantage

ASTECH InterMedia’s value proposition includes the following benefits:

Time to Market – ASTECH InterMedia’s experience implementing data-driven marketing strategies ensures that clients will not spend time or money spinning wheels trying to get started. Our turnkey application solutions enable rapid implementation and ensure a speedy return on investment.

Future Growth – Clients have the flexibility to implement turnkey applications or expand the sophistication of applications without changing technologies. MAAAX represents the industry’s most powerful marketing technology – one that ASTECH InterMedia has customized to meet the unique needs of the newspaper industry.

Marketplace Knowledge and Expertise – ASTECH InterMedia’s 160 newspaper clients include market leaders from which to learn and industry best practices to replicate.

Newspaper Experience – ASTECH InterMedia’s consultants have years of experience quickly and successfully implementing data-driven solutions that have cut expenses and increased revenues.

For more information about ASTECH InterMedia and its data-driven marketing solutions, contact Tom Ratkovich at 303.296.9966 or ter@astech-intermedia.com.