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HOW TO PROFIT IN A DECLINING NEWSPAPER MARKET

By David Lightfoot

INCREMENTAL PROFITS ARE WELL WITHIN YOUR REACH

Newspapers are facing relentless competition from the internet, cable, satellite broadcasting, and alternative media. The result has been falling readership, page count, and advertising. Newspapers have responded by reducing web widths, converting to lighter basis weight paper, and postponing capital investments. In some cases ownership has changed, resulting in consolidations, closings, clustered printing, and other defensive strategies.

Yet, in the midst of an atmosphere of "doom and gloom," individual newspapers and newspaper contract printers are flourishing. As an example, Southern Lithoplate has reported that 100 analog customer partners converted to computer to plate (CtP) in 2004. In 2007 the same customer partners (now digital) purchased 45% more product than in 2004. While analog customer partners over the same period changed 3%. This fact is statistically significant, and raises an important question. In tandem with converting to CtP, what did the digital plate partners do to accomplish superior revenue growth, in addition to achieving forecasted ROI and cost reductions?

A survey was undertaken to answer this question. The writer interviewed selected industry leaders at the recent NEXPO exhibition, and a representative sample of end users to map the common strategies that have driven success. The following newspapers or commercial printers participated in the survey and their stories are outlined below:

Community Newspapers, Logansport, Indiana
Community Newspapers Holdings Inc.
Independent Newspapers, Dover, Delaware
Quality Web Printing, Elkton, Kentucky
News Tribune, Jefferson City, Missouri
San Francisco News Agency
Stuart Web, Stuart, Florida
The Papers, Milford, Indiana
Wick Communications, Sierra Vista, California
Wyoming Tribune Eagle, Cheyenne, Wyoming.

SUCCESSFUL CASE HISTORIES

Community Newspapers, Logansport, Indiana

This central production facility, part of the CNHI group, prints seven dailies and seven weekly newspapers in a 24x7 operation. The operation converted to CtP in November 2006. According to Randy Houle, Production Director, an immediate benefit was the improvement in the quality and consistency of reproduction. This was a consequence of the change from halftone to random dots, and improved registration. This benefit enabled the business to expand their commercial printing operations. Another key benefit was the faster press start up, which opened up the print “window” and provided savings in ink and water. Conversion to CtP eliminated a difficult problem in locating parts for aging legacy image-setting equipment.

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*Tom Shafer, Corporate Vice
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CNHI*

In a related interview, CRG spoke with Tom Shafer, Corporate Vice President of Production of CNHI. Tom indicated that 23 of their 94 properties had converted to CtP and he stated “we have reached every goal that we set for CtP in enough of our properties, including ROI and the ability to increase revenue by printing commercial work, to justify further investment in CTP”. Tom forecasted that CNHI would convert 70% of their 94 properties to CtP within the next three years. Tom also opined that the Government’s tax stimulus package would be instrumental in freeing up capital investment dollars in the industry this year.

Independent Newspapers, Dover, Delaware

Independent Newspapers of Delaware maintains a central print operation, using a hub and spoke model, and prints a variety of newspapers and commercial products. This operation converted to thermal CtP and Southern Litho plates in 2004. The conversion easily met their mandate for a 40 month payback. In 2006, the company installed a KBA Colora press

Tom Bugbee, General Manager, was emphatic about the economic benefits of printing in a digital environment. On switching to thermal CtP and staccato screening, they recorded an immediate reduction in the use of ink in the

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range of 8-13% per year. There was a noticeable improvement in color reproduction, and this had a ripple effect on revenue because their contract customers were able to sell more advertising. This meant that commercial work and associated revenue increased even more.

There were significant savings in production operations. Both plate remakes and start-up paper waste dropped significantly. There were labor savings in prepress, and equally important, the operation was able to deliver more printing without increasing the labor force. According to Tom, "the most important benefit was the ability to fill up the press and operate at the highest possible level of efficiency".

Quality Web Printing, Elkton, Kentucky

Quality Web Printing prints monthly, bi-weekly and weekly newspapers. The move to CtP was motivated by the need to streamline a labor intensive film processing and plate imaging operation to achieve growth. The result has been improved work flow that enabled the company to contract for additional work without increasing overheads. In fact, Mike Finch, Publisher, stated that "the most immediate benefit of CtP is that we were able to eliminate the darkroom and reduce our pre-press labor by two thirds

Mike Finch credits improved registration, less dot gain, and an overall improvement in print quality as the key factors in achieving successful revenue growth with CtP. " Over a five year period, Quality Web Printing has increased sales by a factor of five, from \$200,000 per year to over \$1,000,000 per year, and is continuing to grow.

The News Tribune Company, Jefferson, Missouri.

The News Tribune Company serves Missouri's capital city with three papers, and prints other daily and weekly products, commercial publication and insert work under contract. The Company converted to CtP in 2006 when they installed a Man Roland UNISSET 75 single width press.

The results of these technology investments have been impressive. The ability to provide more color with improved registration produced immediate results. The number of color ads has increased. Mike Vivion, General

Manager, told CRG "the advent of CtP and the new press has enabled our commercial printing work to almost triple." Cost savings have also been important, particularly in terms of paper waste. Mike Vivion estimates that these savings have been in the range of 3-4% per year.

Overall, a lively and healthy business enterprise, so much so that the WEHCO Media of Arkansas has signed a letter of intent to purchase the Jefferson City News Tribune and its sister newspapers.

San Francisco News Agency

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This commercial print operation currently operates under the name Southwest Offset. The San Francisco facility prints 13 daily newspapers and 22 weekly products. Using three press lines, they operate 3 shifts for 24 hours every day except Saturdays. This company converted to CtP printing 6 years ago using thermal plate technology. Their experience with CtP has been extremely successful. First, the ROI was better than expected, and the payback of the investment was recovered in two years. Second, the improvement in quality was stated to be "considerable" A major side benefit was the elimination of the need to properly dispose the toxic silver waste from the prior film operation.

The company indicated that the improved operational efficiencies enabled a prepress labor force to eliminate four positions with substantial savings. The advent of digital plates reduced the need for plate re-burns, and enabled much faster press startup and reduced start-up waste. This in turn opened up print "windows" that allowed the company to expand its commercial print activity with the same overhead structure. This was confirmed by Mr. Lloyd Jones, Production Manager who told CRG "the most significant benefits for us were the savings in time and improved quality, both of which combined to open up new business opportunities."

There were no press upgrades made during this period, and the favorable results can be ascribed to CtP, and the resulting operational efficiencies.

The Papers Inc, Milford, Indiana

The Papers is a thriving printing and publishing operation based in Northern

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Joyce Ford indicated that color ad revenue increased 5-10% for most of these operations although each individual installation was different.

Indiana. The Papers publish 19 weekly and monthly newspapers and magazines as well as numerous circulars, brochures and catalogs. Auto publications represent a part of this portfolio with the printing of over 600,000 copies a week with The Papers serving a seven state area in the Midwest.

Ron Baumgartner, Publisher and President, told CRG that the conversion to CtP helped eliminate bottlenecks, smoothed out the workflow, and facilitated expansion. The economic benefits were significant, and Ron referred to savings in paper waste as a result of setting the ink water balance more quickly. A reduction of six to seven workforce positions provided reduced labor costs.

Overall the conversion to digital has had other benefits and facilitated the creation of a web site. Ron Baumgartner stated that conversion to CtP was absolutely the right decision. The question he asks is "why didn't we do this before?"

Landmark Community Newspapers Inc. Kentucky

Landmark Community Newspapers (LCNI), a division of Landmark Communications, has 54 paid newspapers in 13 states, 40 free newspapers and shoppers, 16 commercial printing plants, and other specialized products. LCNI, is headquartered in Shelbyville, KY. The Sentinel News and four other titles are printed in Shelbyville as well as commercial printing.

CRG talked with Joyce Ford, Production Specialist at the News-Sentinel, who indicated that LCNI had converted three of their operations to CtP in 2005, 1 in 2007, and 1 in 2008. She indicated that color ad revenue increased 5-10% for most of these operations although each individual installation was different. There had been a corresponding improvement in deadline closing of approximately 30 minutes for the dailies. This time has either served to provide editorial with a later closing time, or strengthened the publications ability to maintain their deadline. Overall, CtP has provided labor savings and savings in ink mileage have been recorded at several installations.

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45 miles away.*

Stuart Web, Stuart, Florida

This commercial printer is equipped with twenty two units of DGM Web Press. The company prints tabloids, booklets and newspapers from 4-32 pages, as well as providing inserting and mailing services.

Joe Giambalvo, Production Manager, stated that the major benefits were savings in labor in prepress, and in paper waste which improved by 0.5%. Another advantage of CtP was improved color registration which was important in their work in commercial printing. This was a critical issue because of the large size plates (35" long) used in this operation.

Wick Communications, Sierra Vista, Arizona

Wick communications is a family owned community news company with 32 newspapers and 23 specialty publications in 13 states. Three locations have converted to CtP.

Scott Green, Production director told CRG that the CtP operation provided a faster, more nimble, pre-press environment. Remakes can be processed faster and the CtP plates gives improved registration, with less dot gain on press, than with film based technology. There were labor savings in prepress and a measurable advantage in the delivered cost of the CtP plate compared to the film based analog plate. Scott estimates the equipment investment was paid back within three years

Wyoming Tribune-Eagle

With a circulation of about 20,000 daily, the Wyoming Tribune Eagle is Wyoming's second largest daily newspaper and its largest locally owned newspaper. The newspaper's web site states "Each year we invest a great deal of time and money in keeping our facility on the front lines of technology, to produce the area's best up to date source of news and information." A good example is their conversion to CtP in late 2006.

Savings in materials and labor contributed to a payback of the investment

in approximately three years. The advent of CtP facilitated the incremental expansion of their commercial printing business.

According to Jim Thompson, Production Director, the biggest impact of the conversion to CtP was the ability to consolidate a sister paper, located approximately 45 miles away, into the Tribune Eagle's production operation. A truly strategic result.

COMMENTARY

The most significant finding was that these businesses were able to increase revenue.

The aforementioned cases represent the market segment serving local communities, as opposed to larger metropolitan and national newspapers. For Southern Lithoplate, however, both digital segments grew over the 2004 to 2007 time period, 45% and 13% respectively. The less than 50,000 circulation segment is characterized by the ability to make quick decisions, and they exhibit a positive attitude towards the challenges they face. Some authorities contend that the market for mass communication product is becoming increasingly difficult because of the trend towards fragmentation and specialized interests. These cases provide strong evidence supporting the fact that newsprint does thrive in spite of these trends.

What is clear is that the investment in CtP makes good business sense. In some cases it was a logical decision because of the need to replace aging legacy equipment. In other cases, it was a decision motivated by the need to achieve operational efficiency. In every case, the investment achieved or exceeded expectations for return on investment and payback.

The key driver for ROI was labor savings, coupled in many cases with savings in pre-press materials. Other savings were derived from lower startup paper waste and better ink mileage.

The most significant finding was that these businesses were able to increase revenue. This was a result of two factors. First, the improvements in workflow opened up "print windows" which could be filled with other products without increasing the size of the press crew. Second, the conversion to CtP was generally associated with a measurable improvement

in the quality of printing both color and black and white. These two factors enabled the businesses to accept, or expand, contract printing of other newspapers and commercial products.

In some cases, new press equipment had been installed. This fact amplified the benefits of CtP by providing additional savings through press automation, and flexibility in mounting multiple sized plates for commercial printing.

One industry leader pointed out that an additional investment opportunity occurred in the mailing operation. Significant advances in sorting and packaging equipment offers newspapers an investment path to further economies through operational efficiencies, as well as the ability to meet advertiser's needs for micro-zoned products.

The advent of the Governments tax stimulation package coupled with proven investment opportunities provide newspapers with a fine opportunity to take a giant leap forward. The timing is right for the industry to seize this initiative, begin its recovery as the pre-eminent source of our news and analysis, and become the key vehicle for reaching the marketplace at affordable costs.