

Executive Summary

The relationship between newspaper companies and advertising agencies is changing. Advertising budgets are shifting away from newspapers and into digital media in many parts of the world, as agencies change their organisational structures, strategies and objectives. Newspaper companies and advertising agencies have had a yin-yang relationship for as long as agencies have been around, for more than 100 years. In Chinese philosophy, the yin-yang concept is characterised by two opposing forces that are intertwined and interdependent.

“What business is an advertising agency in? In the advertising creation and placement business. What business is the media in? The advertising delivery business,” according to “Media Selling: Broadcast, Cable, Print and Interactive,” by Charles Warner and Joseph Buchman.

The interdependency of these roles in the sale and distribution of advertising sometimes creates friction, differences of opinion and even inspires newspapers and agencies to jockey for a dominant position.

“Sometimes it feels like two warring parties are getting together,” says one print-buying advertising agency executive interviewed for this report.

Among the thousands of newspapers worldwide, each one depends on agencies for a certain percentage of advertising revenues. In the United Kingdom, national newspapers receive about 80 percent of their non-classified advertising revenues from ad agency clients, while regional newspapers receive just 20 percent. In the United States, national newspapers each receive about 90 percent of their non-classified ad revenue from agencies, while local newspapers receive roughly 10 percent. The remaining advertising revenue is earned from in-house sales departments and selling advertising to local clients.

This Shaping the Future of the Newspaper report, “Building Relationships with Advertising Agencies,” goes to the heart of matter, to help publishers and ad agencies understand one another's needs better, and ultimately, to build better relationships for the future. The report's main objective is to maximise newspapers' revenue-making potential with agencies.

The report chronicles numerous interviews with media buyers and planners and advertising agency executives about relationships with newspapers, and enumerates suggestions to publishers about practices, interactions and rate structures. The report also details interviews with publishers about their business relationships with agencies, and their efforts to improve their relationship through better communication, more transparency, fewer rate cards and more efficiencies in processes of buying newspaper advertising space.

Finally, the report analyses the current and future relationship improvements, factoring in recommendations and the impact of the seismic changes going on in media and agencies today.

The interviews with media-buying agency executives in New York, London, Paris, Tokyo, Zurich, New Delhi and beyond provide inspiration to improve relations between agencies and newspapers. Some of the observations of the agency executives include:

- "Buying newspaper advertising is complicated."*
- "You can't do one-stop shopping (across newspapers)."*
- "There are too many rate cards."*
- "Invoices are frequently wrong. Contract rates are not always in the newspapers' computer systems."*
- "Sales reps aren't always informed about rate card prices or why prices have inexplicably risen."*
- "Newspaper advertising prices haven't caught up with declining circulations."*
- "Sales reps don't understand our clients' needs."*
- "Cross-platform audience information is good, but I'm not sure how we'll use it."*
- "Newspaper usage data must be about now, not six months old."*
- "There are a lot of choices out there for media planners. Newspapers need to become more competitive with new pricing and new offers of value."*
- "Editorial rules the roost in decision making about whether innovative ads will run or not."*
- "It's hard to guarantee a position on a page."*
- "Invoices are frequently wrong, and it takes a long time to clear up the problem."*

Similarly, several newspaper advertising executives were interviewed about their business relationships with agencies. If newspapers could change how they work with agencies, they

would improve a variety of factors, including:

- "Some agencies collaborate with us. Others are just bullies."*
- "Some agencies are hard to deal with. They are only interested in price."*
- "Trading has become more of a negotiation which is more commoditised – a trading environment and not sales."*
- "Agencies don't trade on value. That's just gone, gone, gone. If we could trade on the true value of our brands, it would be a better scenario."*
- "Agencies ultimately need to discover a business model that works...agencies are terrified, they are doing more and more for less and less."*
- "We want more transparency about the client and its campaign objectives, and also about campaign performance so we can learn for the next campaign."*
- "We want agency and publisher to act on behalf of the customer."*
- "We want to get into the campaign during the request for proposal (RFP) process."*
- "We should make advertisers and agencies aware of our value."*
- "Based on the experiences working with agencies, they primarily think we are a newspaper. What we are doing is to build an understanding with them that we are much more than that."*

The report provides analysis and conclusions focused on improving the business relationship between newspapers and advertising, including:

- Improving transparency in decision-making and business practices among agencies and newspapers.
- Streamlining processes on both sides, including fewer rate cards, electronic billing and payment, and one-stop shopping on the national level.
- Allowing newspapers to be more influential in the media buying process, at an earlier stage.
- A better flow of information about newspapers' value propositions.
- A better and more scientific accountability to agencies about newspapers' reach, frequency and advertising campaign success.
- A mutual understanding of advertising client needs for each campaign.
- An expanded sense of newspapers as brands, with reach and frequency capabilities across their print and digital channels, rather than just circulation alone.