

# Executive Summary

As economic challenges escalate for newspaper companies, many are seeking new ways to reduce costs, create efficiencies and earn new revenues. Newspaper companies have found that outsourcing various company functions can save an estimated 10 percent to 50 percent of in-house costs. If the outsourcing partnership is well-managed, it can produce as good or better results in quality and efficiency than if the functions remain in-house, according to publishers surveyed and interviewed for this report.

According to the 2009 World Association of Newspapers' Outsourcing Survey, most publishers focused on two main objectives when engaging in outsourcing: cost savings and their core competencies, typically defined as editorial and advertising. A popular theme resounded in the survey and follow-up interviews: Newspapers must focus on their core competencies of advertising and editorial in-house, and many of the rest of the company functions can be outsourced cost-effectively if these situations are managed well.

The "Core Competence" business model,

developed in 1990 by Gary Hamel and C.K. Prahalad, starts the strategic process at the centre of the company's core strengths, with a higher quality, at a lower cost and faster than their competitors.

In most categories, the 2009 survey findings mirrored the results of the 2005 WAN Outsourcing Survey, with circulation, IT and printing being the most popular departments to outsource either partially or fully in both surveys. Between 50 and 60 percent of the 2009 respondents said they fully or partially outsource these departments.

The least likely department to be outsourced is editorial, with 52.5 percent of the respondents saying they had no plans to outsource editorial functions, the same percentage as in 2005. But, as a slew of editorial and advertising outsourcing companies emerge both domestically and abroad, the world's newspaper companies are experimenting in outsourcing functions that do not fall under the all-important categories of gathering news and selling advertising.

These ancillary advertising and editorial

functions that are ripe for outsourcing and offshoring are typically administratively and technically focused, such as ad production and call centres for the ad departments, and page makeup, sub-editing, listings compilation and online forum moderation in the editorial departments.

While offshoring is by far less popular than domestic outsourcing, the editorial and advertising departments are the most likely functions to be offshored. According to the 2009 survey, respondents said 28.6 percent of their editorial outsourcing is offshored, while 27 percent of their advertising outsourcing was offshored.

This report details five of the most prominent offshoring companies for advertising and editorial, with production centres in India, the Philippines, Australia and the United States. These expanding businesses, many of which didn't exist in 2005, may be part of the reason for the uptick in outsourcing and offshoring in advertising and editorial departments. Respondents who had no plans to outsource advertising functions fell from 47 percent to 42.4 percent from 2005 to 2009.

Compared with the 2005 outsourcing survey, printing and IT continue to be among the most outsourced departments in responding newspaper companies, and growing. In 2005, 52 percent of the respondents partially or fully outsourced IT, or were planning to do so within two years, compared with 64.5 percent in 2009. Regarding printing, those respondents who either partially or fully outsourced printing rose from 52 percent to 56 percent from 2005 to 2009.

A variety of case studies are featured in the report, including the outsourcing practices of the Miami Herald in the United States (editorial), RCS Quotidiani S.p.A. in Italy (prepress, IT and printing) and News International's Newsprinters plant in the United Kingdom (printing), as well as a variety of outsourcing anecdotes from media companies that did not wish to be identified.

Among the objectives for outsourcing include the important goals to improve quality, efficiency, speed and know-how in the company.

Respondents report an interesting outsourcing theme: the domestic outsourcing of key departments within the company to wholly-

owned subsidiaries, designed to focus on excellence in each competency, but with separate budgets and with contractual ties to the mother ship. Subsidiaries that serve as outsourcers are particularly common among larger media companies and multi-national newspaper companies.

"The primary reason for outsourcing our activities was our company strategy with its focus on the core business. The other reasons were cost-related through better utilisation of the (parent) group resources, but also to enable better focus for the outsourced companies and development of core competencies, further on – more transparent structure and internal relations," said a respondent from a 100,000 circulation newspaper in Eastern Europe, which saves 20 percent of its total costs on outsourcing six of its key departments to companies owned by its parent company within its country's borders.

Sound advice from both outsourcing companies and the publishers that hire them is published in this report. Among the many tips are:

- Create a thorough analysis of each department's process and identify which functions would be appropriate to outsource.
- New roles must be created when adding outsourced functions to any company, including in-house project manager.
- Check references of the vendor, and thoroughly review a vendor's progress in the first months of the contract.
- Make sure the vendor offers business continuity. Do they have data backup? Will they still be able to operate and provide the service if a problem develops?
- Visit the facility. "You can tell the minute you walk in what you're going to get."
- Understand the company's finances. Find out who owns the company, and whether they are sustainable.
- Top management must buy into the outsourcing concept, and support those who are carrying out the outsourcing strategy.
- There must be clear benchmarks and a broad agreement on how the project will scale up.