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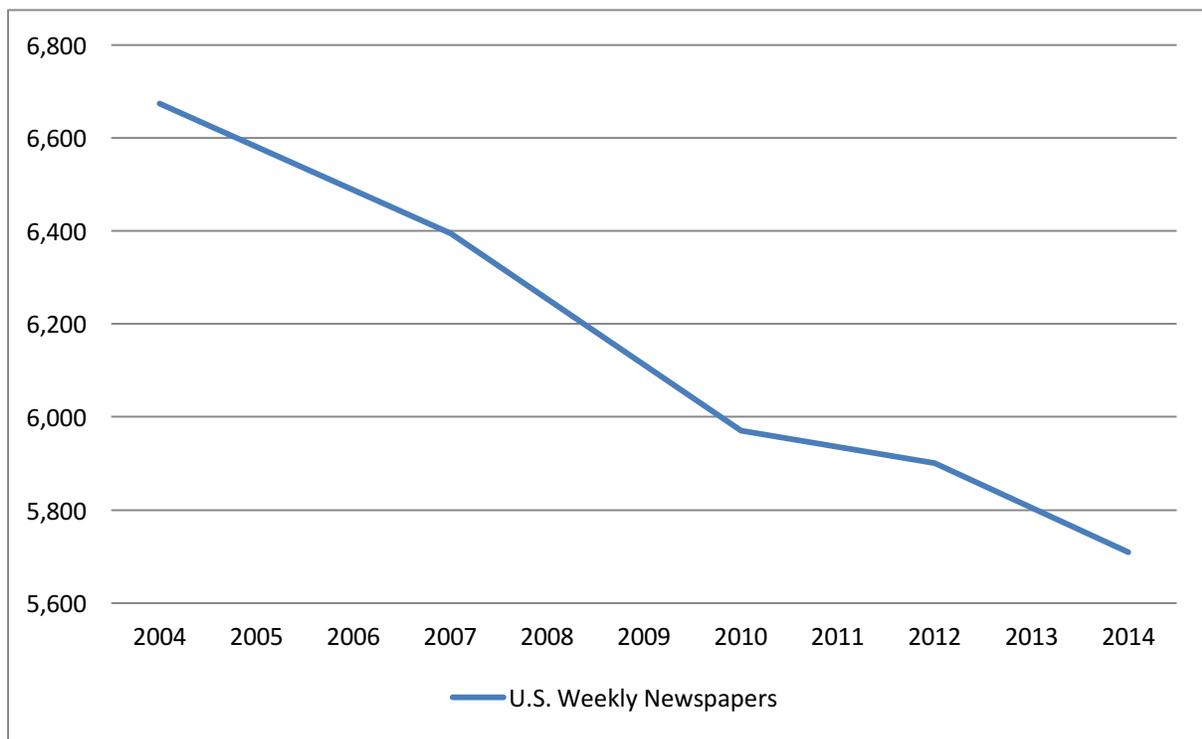
In-House Digital Ad Agencies in Community Newspapers:

An Adaptive Approach to a
Changing Business Environment

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The problem has been articulated ad nauseam: Print readership has declined, print advertising revenue has subsequently decreased, and digital advertising has failed to offset the loss. The once-thriving newspaper industry, one that had previously enjoyed profit margins of twenty to forty percent (Meyer, 2004), is in the midst of a crisis (Siles & Boczkowski, 2012). While scholars have responded in droves, dissecting it from a multitude of angles, most have diagnosed the crisis (Siles & Boczkowski, 2012) without providing practical solutions for revenue generation.

Chart 1. Number of Weekly Community Newspapers in the United States - 2004 to 2014



Source: *International Newspaper Data Book*, Editor & Publisher

This paper builds upon previous discussions of sustainable newspaper business models (Abernathy, 2014; Meyer, 2004; Levy & Nielsen, 2010) and suggests that community newspapers are not doomed for failure, and that in fact, they are uniquely positioned to take advantage of the evolving media landscape. Using the Abernathy (2014) definition of

community newspapers – “newspapers that serve specific geographic, ethnic or cultural communities” – this group could include “a 6,000 circulation weekly in eastern Kentucky or a 150,000 circulation Spanish-language weekly in the heart of Chicago.” All of these newspapers call themselves “community newspapers” and all face similarly challenging economic issues. The Inland Press and Foundation estimates this group of 11,000 community newspapers represents 99.2% of all circulated newspapers in the United States. According to data gathered from *Editor & Publisher*, between 2004 and 2014, the number of weekly U.S. community newspapers decreased by over 14% (See Chart 1: Number of Weekly Community Newspapers in the United States - 2004 to 2014).

Advertising revenue for community newspapers has typically comprised two-third to three-quarters of overall revenue for community newspaper. Since 2000, print advertising revenue has fallen so dramatically that it is below the level recorded in 1950 – the first year it was tracked (Mark Perry, 2012). In 2015, print advertising fell another 10 percent (Pew Research Center, 2016). While digital advertising remains about 15% of overall advertising revenue, it does not begin to make up for lost print advertising revenue (Pew Research Center, 2013). The Pew Research Center’s 2013 Annual Report on American Journalism reports that “the 2012 ratio was 15 print ad dollars lost for every digital ad dollar gained.”

Continuing to survive and ultimately thrive requires a strategic pivot by community newspapers. While nearly all community newspapers are working on new or revised forms of content, very little is being done to add value for advertisers and restructure the organization to best support the new proposition. As media economics expert Robert Picard noted, “The biggest problem of media business models today is not that the revenue model is diminishing in effectiveness, but that most media companies are trying to sell nineteenth and twentieth century

products in the twenty-first century (2010).” Additionally, as McDowell (2011) noted, “value creation fights commoditization.”

One possible path to take advantage of the evolving media landscape and shift to a local media company may be found in the community newspaper’s advertising department. There are three reasons for this possibility. First, as newspapers were struggling with print advertising losses, advertisers were entering a new era of brand building and marketing using tools such as search engine optimization (SEO), search engine marketing (SEM), websites, mobile, display advertising, and social media to target and reach customers and to build customer relationships. Second, during this same time period, while digital marketing agencies catered to the needs of the country’s larger firms, most small businesses did not invest in the infrastructure or expertise necessary to fully understand, leverage and optimize their marketing spending in this new media landscape. And third, despite an increased array of marketing options and a desire by small-business owners to invest in new advertising tactics, about 38% of these businesses have not invested in any form of digital or online marketing for their businesses (Frederick, Crosett, Shawgo, and Smith, 2014).

The arguments and findings in this study emerged from a long-term project designed to evaluate the feasibility of transforming the advertising sales department of a community newspaper selling print advertising into a digital marketing agency selling a suite of digital services to generate higher average revenue per sales representative. We present a case illustration of *The News Reporter*, a community newspaper in Whiteville, N.C., and its transformation while evaluating the economic and organizational impact of such efforts on the health of the paper.

BACKGROUND

The discussion around sustainability of community journalism has recently been re-ignited by journalism practitioners and scholars (Abernathy, 2014) who have observed the link between increased political and civic engagement and healthy community newspapers. Many media prognosticators claim a two-sided business model is no longer sustainable in local communities because Google and other platforms have garnered approximately 40% of all local advertising dollars (Rosenstiel, 2015). But there is a resounding and prevalent noble purpose to support the local newspaper as the “community’s common denominator” and to enable “social cohesion” (Joyner 2011; Yamamoto, 2011). These findings suggest that the disappearance of the community newspaper could trigger a less-engaged and uninterested public and a loosely connected community structure.

When determining the changes necessary to ensure future success of community journalism, scholars and practitioners have proposed numerous content tactics, including increasing the breadth and depth of micro-content publications (Gray, 2015; Nelson, 2015), adopting micropayments and digital paywalls for investigative or exclusive content, and crowdsourcing user-generated content and citizen journalism (Kaye & Quinn, 2010). With the exception of well-designed and well-executed micro-content publications, most of the remaining approaches have done little to offset declining print subscriptions and decreased advertising revenue. For example, paywalls have been successful at some larger news organizations but are not typically appropriate for community newspapers, since display advertising (typically banner ads and videos) is priced based on overall traffic to that newspaper’s website. Restricting the content that users consume for free can greatly reduce the number of times an ad is viewed. Consequently, few viewers means less money that an advertiser is willing to pay (McDowell,

2011). And even when a newspaper does offer digital marketing opportunities, research conducted by Morris Communications suggests that less than 1% of a newspaper's digital revenue comes from the local market (Gray, 2015).

THEORETICAL FRAMEWORK

Aside from innovation in content, which is primarily focused on meeting changing needs (and behaviors) of the consumer audience, most community newspapers have not strategically adapted their marketing mix to fit the needs of advertisers, the largest revenue producer of the dual-sided business model. The “resource-based view” (RBV) is a strategic management theory that “builds on the assumption that each firm is a collection of unique resources that enable it to conceive and implement strategies” (Albarran, Chan-Olmsted, & Wirth, 2006, p. 42). The RBV model provides a framework to evaluate existing organizational resources and reapply these advantages to excel in new and promising ventures. The resource-based view emerged from the discipline of strategic management and “assumes that each firm is a collection of unique resources that provide the foundation for its strategy and lead to the differences in each firm's performance” (Albarran et al., 2006, p. 164). Within the current discussion of community newspapers, resources can be viewed as any number of items – distinguished reporters, renowned brands, innovative technologies or novel management techniques.

Specific resources, subsequently, can provide a firm with a competitive advantage in its industry or market. In his seminal work on firm resources and competitive advantage, Barney (1991, p. 102) argued that “a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or

potential competitors. ...” For a resource to provide its company with a competitive advantage, it “must have four attributes: a) it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm’s environment, b) it must be rare among a firm’s current and potential competition, c) it must be imperfectly imitable (i.e. not easily imitated), and d) there cannot be strategically equivalent substitutes for this resource that are valuable but neither rare or imperfectly imitable” (Barney, 1991, p. 105).

Strategic management scholars have suggested that “an RBV approach begins with identifying and assessing a firm’s resources and capabilities, locating an attractive industry in which the firm’s resources and capabilities can be exploited, and finally selecting a strategy that best utilizes the firm’s resources and capabilities relative to opportunities in that industry” (Albarran et al., 2006, p. 164). Using Barney’s suggested four-part theoretical model (i.e. value, rareness, imperfect imitability, substitutability) and previous industry and academic research, it is possible to conceptualize the community newspaper advertising department as a resource specifically positioned to contribute to a sustained competitive advantage.

Value

The value of the advertising department to a community newspaper seems clear. -. Despite sharp decreases over the past ten years, for example, newspapers still generate twice the revenue with print and online advertising as they do with print subscriptions and digital paywalls (Holcomb & Mitchell, 2014). Recent data, furthermore, suggests that the potential client (advertiser) base of community newspapers is increasing. Overall, total annual advertising spending by small businesses has been slowly increasing since 2009 (Frederick et al., 2014); planned spending is also expected to rise. Forty percent of small-business owners who spend at least \$1,200 on annual advertising reported that they would spend more on advertising in 2015,

including increased emphasis on direct mail, display banner ads, online video, mobile advertising and advertising in community newspapers (Frederick et al., 2014). Furthermore, eighty percent of small businesses already active on social media reported that they would maintain or increase their marketing on social networks in 2015 (Oney, 2014). The advertising departments at these newspapers, therefore, are strategically positioned to reverse the trend of recent advertising revenue declines, capitalizing on a client base eager to increase their overall spending on digital marketing.

Rareness

Advertising departments in community newspapers are often the only advertising-related entity that can speak with an eager segment of businesses. Larger advertising agencies, for example, often do not have the resources to penetrate smaller markets, such as those served by community newspapers. This lack of help from agencies has resulted in unsophisticated and inefficient marketing campaigns for local businesses. Interestingly, a “sizable majority of advertisers in small daily newspaper markets are not knowledgeable about the advertising options available to them” (Smith, 1995). Nearly a third of small businesses still do not have a website, while less than ten percent are using online or mobile video (Oney, 2014). Moreover, nearly ninety percent of small businesses agreed with the statement, “If you don’t know my business, you can’t know which advertising is right for my business” (Oney, 2013).

Imperfect Imitability (Difficult to Imitate)

The advertising departments at community newspapers are uniquely positioned to capitalize on this burgeoning advertising market, specifically due to their association with the newspaper brand and the role that newspaper plays in the community. Despite a proliferation of

media choices over the last few decades, newspapers still retain the unique role of serving as a community bond. Abernathy (2014) found that “an overwhelming majority of readers (eighty percent or more in many markets)” perceived their paper to be “the most credible and comprehensive source of news and information they care about.” Abernathy’s research, furthermore, suggests that these newspapers demonstrate a “unique historical condition,” a condition that, according to Barney (1991), could help distinguish an “imperfectly imitable” resource: “Whether setting the agenda for debate on public-policy issues, fostering economic growth, or nurturing a sense of geographic community, newspapers – unique among other businesses and enterprises – have historically been the ‘glue that binds’ a community together” (Abernathy, 2014). An advertising department within a community newspaper, therefore, may be imperfectly imitable because it is unequivocally linked with the newspaper.

Substitutability

Previous research has shown that local businesses perceive that there’s no good substitute for community newspaper advertising. The association with the newspaper overall, the proximity to the local businesses, and the knowledge of the local community all contribute to the unique value of the department. Abernathy (2014), for example, found that local businesses not only have a “reservoir of goodwill for and loyalty to their community newspapers,” but these businesses also tend to “‘trust’ newspaper sales people, more than those with television stations or digital outlets who live out-of-town.” A regional advertising agency could spring up and discuss advertising with the local businesses, but it will not have ties to the community newspaper. A larger national agency could do the same, but it would lack the knowledge of the local community. This convergence of factors, then, means there’s no substitute for the newspapers’ advertising departments.

If a firm's "heterogeneous resources are the foremost factors influencing performance and sustainable competitive advantage" (Albarran et al., 2006, p. 164) and if a community newspaper's advertising department can be a source of sustained competitive advantage using the elements from Barney's four-part model, it should follow that community newspapers would benefit by filling market gaps in current advertiser needs, as well as capitalizing on community trends, by positioning advertising sales departments as digital agencies within a local media company.

Some newspapers have already taken this approach. In 2011, the *Santa Rosa Press Democrat* – "a mid-size paper with a circulation of about 53,000 based in well-heeled Northern California wine country" (Jurkowitz & Mitchell, 2013) – unveiled the Press Democrat Media Lab, an extension of the paper that would function as "digital marketing consultants, helping merchants with everything from website building to e-commerce." According to its website, the Media Lab offered several digital-based services to its clients, including web design, search engine optimization, social media packages and mobile website development (Pdmedialab.com, 2014). But despite the modest success reported by Santa Rosa and the revelation that many community newspapers are "trying some form of nontraditional revenue generation," (Rosenstiel, Jurkowitz, & Ji, 2012a) numerous industry studies suggest that even if these digital agencies do exist, advertising departments at most community newspapers are still relying heavily on display and classified advertising rather than more sophisticated digital-marketing packages.

Why? One answer could be organizational inertia. Pew's study revealed that "the shift to replace losses in print ad revenue with new digital revenue is taking longer and proving more difficult than executives want," due to, among other things, cultural inertia among "people

trained in the ways of a mature and monopolistic industry” (Rosenstiel, Jurkowitz, & Ji, 2012b). Ryfe (2012) found similar pushback in his qualitative longitudinal study of newspapers struggling to find new sustainable revenue models. Bruce Kyse, the executive in charge of the Santa Rosa project, on the other hand, suggested that when developing a digital agency, “you can’t stick a toe in. You’ve got to throw yourself in the pool” (Jurkowitz & Mitchell, 2013).

The authors of this study (Jurkowitz & Mitchell, 2013) were fortunate to partner with an award-winning daily newspaper, located near Silicon Valley, in a digital agency feasibility study. What this study proposes, instead, is the first project designed to measure the feasibility of developing an in-house, comprehensive digital agency within a community newspaper. Conceptually, it expands our understanding of the advertising department as a valuable newspaper resource; empirically, it allows us, for the first time, to explore the origin, creation and functioning of in-house digital agencies at community newspapers, even those in low-income communities. The two major objectives of this study were to (1) determine the appropriate scope of services and resources needed for *The News Reporter* digital agency and (2) evaluate the economic, organizational and marketing impact of an internal digital agency in a community with challenging economic headwinds.

METHODOLOGY

A comprehensive feasibility study was conducted within the advertising department of Whiteville, North Carolina's *The News Reporter*. This feasibility study involved a core cross-functional team that worked together for the entirety of the six-phase project. The project began with a situational assessment of the community, business climate, and marketing needs, the results of which helped uncover organizational resources and capabilities, identify market opportunities and draft the structure of the agency. After training sessions with the key managers and sales staff, packages, partners, and pricing were proposed. Then the core advertising team was prepared for the in-market test. The in-market test phase lasted twelve weeks and was the culmination of all the previous phases to collect data and compare against project goals. Finally, an external team conducted in-depth interviews with digital agency clients, as well as internal team members, and subsequently presented final evaluations and recommendations to *The News Reporter* leadership. A more detailed summary of each phase follows.

Phase I – Situation Assessment

The situational assessment consisted of two parts. Part one involved a comprehensive review and documentation of *The News Reporter* clients, revenues and media, as well as a group discussion with the advertising sales staff, publisher and manager, moderated by one of this paper's authors. The purpose of the employee group discussion was to explore and understand perceptions of current and prospective advertising clients in *The News Reporter* market area. Part two of the situation assessment involved eight in-depth interviews conducted with current advertising customers and two in-depth interviews with prospective advertising customers of *The News Reporter* to explore and understand their marketing and advertising practices, wants,

needs, perceptions, and behaviors. All interviews were scheduled at the interviewee convenience, audiotaped and conducted either at the client location or at *The News Reporter*.

Phase II – Digital Agency Structure

The second phase of the feasibility study established the digital agency structure, during which the core team held a strategy and whiteboard session to create and define the structure of the new digital agency, define roles and responsibilities for the advertising staff, as well as determine which digital agency offerings to try first and which clients to approach first.

Phase III/IV – Digital Agency Toolkit

During phase III and IV, leadership and advertising sales teams were trained on digital services for small businesses, including social media, email marketing, native advertising, search engine marketing (SEM), search engine optimization (SEO), website creation and Google analytics, social media monitoring, podcasts, and display advertising. Consisting of two day-long sessions, the course was designed to help the teams feel comfortable discussing the services with clients while allowing the management to understand what digital products are currently on the market and, very likely, already being presented to their existing customers by competitors. The training consisted of not only lecture and examples, but also a variety of simulations and role-playing activities designed to (1) teach participants the nomenclature and application of digital marketing services, (2) address potential objections typically presented by advertisers, and (3) provide discussion guides for most typical advertiser problems and digital solutions.

Phase V – Digital Value Proposition

The previous phases enabled the design of the digital value proposition for *The News Reporter*. Specifically created were the proposed digital agency partners, service packages, and pricing– the final pieces of the puzzle before launching the agency’s test market.

Phase VI – In-Market Test, Evaluation and Recommendations

The final phase of the feasibility study was the in-market test of *The News Reporter* digital agency model (NR Digital Media). During the 12-week test, the sales staff visited customers and prospects to sell phase I digital agency services. At the conclusion of the test, the core team evaluated the success of the digital agency based on three broad criteria: (1) economics, (2) marketing, and (3) organization. The economic goal was to sell one dozen or more digital agency engagements during the in-market test. The marketing goals were to earn positive perceptions of NR Digital Media performance and willingness of clients to use digital agency services again. The organization goals were to evaluate employee enthusiasm and commitment to NR Digital Media. To evaluate the success of these goals, an external team conducted interviews with digital agency clients of NR Digital Media as well as interviews with *The News Reporter* employees. A final review session with leadership and key stakeholders from *The News Reporter* was held to report these findings and discuss a recommendation to proceed.

MARKET CONDITIONS

Understanding The News Reporter

Founded in 1896, *The News Reporter* has a long tradition of journalism excellence. It won a Pulitzer Prize in 1953 for its reporting on the Ku Klux Klan. The newspaper has

collaborated with previous researchers (Abernathy, 2014) in an effort to innovate its business model and currently maintains a growing digital presence. It is therefore well-situated to participate in a feasibility study of transforming its advertising department into a full-fledged digital agency. As a family-owned newspaper, the organization offered unlimited access to an existing and renowned paper and the opportunity to immediately try new ideas.

The News Reporter continues to remain innovative in content and product orientation. Through the work of its 39 employees, the paper remains the main source for local news, providing exemplary journalism, and is perceived as highly respected, trusted, and dependable by the community (Abernathy, 2014). Published two days a week (Monday and Thursday) with a circulation of 10,000, *The News Reporter* remains one of the few family-owned papers remaining in the state. Similar to industry trends, in 2014, year-over-year print circulation at *The News Reporter* continued to decline (-9%), as did year-over-year overall revenue (-6%).

Understanding the Local Market

Columbus County, of which Whiteville is the largest city and county seat, is considered a Tier 1 County by the North Carolina Department of Commerce – meaning that, unlike the community in which the Santa Rosa Democrat launched and operated its digital agency, Columbus County is one of the most economically distressed counties in the state (N.C. Department of Commerce). In 2013, there were 1,011 total nongovernmental businesses in Columbus County, employing 11,496 people – both the lowest totals since 2005, the first year the data was available (U.S. Census Bureau, County Business Patterns – Columbus County, North Carolina). Since 2005, the number of businesses has declined by 10.7% while the number of employees has decreased by 16%. Due in part to the grim economic conditions, 25% of Columbus County residents live below the poverty line (U.S. Census Bureau – Columbus

County QuickFacts). Thus, if a digital agency within a community newspaper can thrive in Columbus County, it is reasonable to think that one is likely to thrive in areas where the economy is stronger.

FINDINGS

Paul Graham, partner and founder of the Silicon Valley venture firm Y Combinator, has funded dozens of successful start-ups, including Reddit, believes great marketing, regardless of industry, is based on one universal truth: “Make something people want.” To create a digital agency that advertisers in Columbus County, North Carolina, would want, we embraced the classical marketing mix business tool (Borden, 1964). The marketing mix was crucial to help us determine the optimal service bundle for our digital agency, and thus we used our six phases of research to guide and inform our market offering. The findings from our research are summarized into Booms and Bitner’s seven P’s of service marketing (1981) below.

Product

For a digital agency, the first of the seven P’s (“product”) is generally developed by “blueprinting,” or defining the services that will be delivered. Our depth interviews with current and potential advertisers in Columbus County supported both the need and phased digital product design for the digital agency through three organizing insights: (1) Advertisers believe they were already participating in many digital marketing activities – but, in reality, were not doing nearly what they thought; (2) advertisers know and can easily articulate the solutions that a digital marketing agency should provide; and (3) advertisers have limited knowledge of digital services but are keen to be innovative. It was through the lens of these organizing insights that the final list of digital services was determined (please see Exhibit A: Digital Agency Services).

Each insight is described in more detail below.

Interviewees Believe They Are Already “Doing” Digital

The rampant confusion – between what digital marketing activities the interviewees thought they were doing and what they were actually doing – was surprising. Almost all interviewees claimed that they were using some digital marketing service, primarily website, social media and display advertising. When asked how those services were performing, interviewees said that they believed the results were adequate, with room for improvement. While all the interviewees acknowledged that they had websites, in actuality, several did not. One respondent claimed that he had a “website, but it needs an update” (Personal communication, August 27, 2014). However, when visiting what he said was his website, the content was in Japanese – touting the benefits of a video production company in Osaka, Japan. Additionally, several respondents who stated that they had websites actually had Facebook pages (set up as an individual page and not a business page).

Reported use of social media for their businesses was equally as problematic. Nearly all the interviewees claimed they were using social media to promote their business, but for most, the Facebook and Twitter feeds either no longer existed or were abandoned by the advertiser. One advertiser launched a Facebook page in early 2014, posted a few photos over the subsequent four days, and then abandoned it (Personal communication, August 19, 2014). Interviewees explained that they often abandon social media because there is “no one on staff to initiate and maintain”– even though these pages still feature prominently in search engine results (Personal communication, August 26, 2014). Facebook, the overwhelming choice among those interviewees claiming to participate in social media, was mainly used to share photos of products or pictures of staff at work. Updates often occurred infrequently, with little interaction to

encourage or facilitate discussions. The majority of businesses often left the entire digital marketing process in the hands of family members, without any specific campaign goals or performance metrics to achieve (Personal communication, September 3, 2014).

While interviewees were well aware that taking their digital marketing tactics beyond websites, social media, and display advertising would be beneficial, most were unclear what else was available and how to implement more complex tactics. The primary barrier of interviewees to adopt digital marketing could best be described as “one-person syndrome.” Most interviewees are small-business owners who are responsible for every facet of the business, ranging from payroll to inventory. Advertising and marketing, while obviously important, often take a backseat to these other priorities. One interviewee shared that the benefit of most offline advertising (e.g., print, billboards, radio, television, and event sponsorship) is that it is currently all managed and executed by the newspaper, station or media representative. However, for smaller businesses in smaller markets, digital marketing has placed the tools into the hands of the advertiser, which can be both positive and negative. Most agreed that they are unable to add another responsibility, particularly one that involves some technical expertise, into their already overloaded schedule. Virtually all respondents stated that the primary reason they were not participating in more digital marketing was that there are no personnel to manage it.

Interviewees Know What a Digital Agency Should Provide

When advertisers were asked what they would like to have in a digital marketing resource, almost all wanted personal service from a knowledgeable, trustworthy adviser that would allow them to communicate better with their customers. Specifically, interviewees wanted successful solutions from a *local* provider that were: (1) affordable, (2) simple to understand, (3) trackable, (4) unified (across channels, platforms), and (5) targeted (to specific audiences).

Unequivocally, all interviewees wanted hands-on, local service and support to free them from the burden of having to learn and implement something new. The owner of a chain of convenience stores summed up the consensus among respondents by expressing a desire to receive “support, training, and an understanding of technology available at a price that a small, independent business could afford” (Personal communication, August 21, 2014).

Advertisers Have Limited Digital Services Knowledge but Want to be Innovative

Even though advertisers had a low level of digital knowledge and experience, another surprising insight was that most wanted to be on the cutting edge of digital services (Personal communication, September 3, 2014). When asked how they would like to be informed of and participate in newer forms of digital marketing, all the interviewees shared that if they had a hands-on, local, supportive, and trustworthy representative who would slowly educate them about digital so that they could gradually become more experienced, they would be more inclined to invest in digital services.

The need by advertisers for a more gradual, supportive, educational sale led to the design of a phased approach for *The News Reporter* digital agency services offering. In terms of what specific digital services, nearly all interviewees placed greatest importance on “being found” by their target audiences online. Thus, the team designed phase I digital marketing services: search engine marketing, social media management, display advertising, and basic website design. Some additional content marketing, in the form of native advertising and/or video production, wouldn’t be actively promoted in marketing materials or on the website to the extent of the main core of digital products, primarily due to time and fulfillment obligations. The team also designed the preliminary phase II blueprint for expanded digital services to be offered by *The News Reporter* when the digital agency reached 30% of print revenues. Those services will

include email marketing, content marketing (all forms), custom website design, SEO, display advertising retargeting, mobile advertising, and custom mobile applications.

Price

Once the phase I digital services were determined, prices for stand-alone and combination packages were created by using a market-oriented pricing strategy. The research that was incorporated into the market-oriented pricing of the phase I digital services included competitive benchmarks (e.g., other digital agencies selling in Columbus County, North Carolina), industry market research, advertiser interviews, and internal reviews with the advertising sales team. The final step in pricing the digital services for *The News Reporter* was to have external, third-party reviewers Bruce Kyse, former publisher of *The Santa Rosa Press Democrat* (California) and Catherine Nelson, former executive with Lee Enterprises and retired CEO for the *Rutland Herald* and *Times Argus* (Vermont), evaluate the recommended pricing and packages. The team subsequently made final pricing adjustments based on the evaluations from the expert reviewers.

Place

The team, together with leadership, unanimously determined that *The News Reporter's* digital agency services would be sold by the existing advertising sales team plus a new position – digital strategist. This unusual approach (i.e., using existing traditional print advertising sales team to sell a new suite of digital agency services) was possible due to the knowledge and trust bestowed on the advertising sales team by advertisers, coupled with the sales team's commitment to help make *The News Reporter* digital agency succeed. The digital strategist was added to supplement the technical knowledge of the sales representatives and advertisers. By design and to ease the sales process, the digital strategist position is on a reporting line with the advertising

sales manager and is physically located within the advertising sales department. Upon achieving 20 percent of print revenues in annual billings, a project manager, reporting to the digital strategist, will be added to manage digital services, trafficking and order fulfillment.

Using the results of the situational assessment interviews and focused discussion, the team created a decision-tree framework based on a potential advertising client's revenue, digital complexity and scope to determine which digital agency services would be sold directly by advertising sales representatives during regular calls and which would be "tag-team" sales with the digital strategist and a sales representative. Therefore, those opportunities with lower revenue, less complexity and narrow scope (e.g., a simple Google AdWords campaign) would be sold directly by existing sales representatives on regular calls, while the higher-revenue, more complex and broad/multi-channel scope (e.g., an integrated website, social media marketing and search engine marketing campaign) digital opportunities would involve both the advertising sales representative and the digital strategist.

While the decision-tree framework helped provide clearly defined roles and responsibilities, there was still a gap in determining how the digital strategist would facilitate more complex digital sales. The Digital Advertising and Marketing Framework, developed by JoAnn Sciarrino, was transformed into a prospect workbook to help the digital strategist diagnose and provide guidance on the digital channels and tactics that should be recommended to solve an advertisers' marketing challenge, based on a given set of situational and target audience factors. The framework is a proven, polygonal five-phase tool, used for more than a dozen years by the author at BBDO, to help guide digital marketing solutions for advertisers.

It's worth noting that this multifaceted, dynamic framework, which put the advertiser's customer at the center of the selling conversation, was quite different from the approach *The*

News Reporter had used for selling print advertising. Defined loosely as “order taking” – *The News Reporter*’s highly respected and well-liked sales staff visited businesses that they had spent years developing close relationships with, asked if they wanted to advertise in the paper, and took an order. The new, customer-centric approach is closer to “consultative selling.” For example, if the advertiser’s challenge was awareness, the applicable digital services and overall campaign would certainly be different than a challenge with building loyalty and repeat business.

Finally, to make direct sales easier, prospect lists were created to identify clients as either “direct” digital services or “complex/strategic” digital services clients. The two prospect lists were then ranked from greatest likelihood of close to least. The sales team was responsible for managing their prioritized lists, while the digital strategist and the authors took each of the “complex/strategic” targeted prospects and used the Digital Advertising and Marketing Framework to organize potential digital solutions, which would subsequently be shared with the advertiser in a joint sales call by the sales representative and the digital strategist.

Promotion

Once the phase I digital agency suite of services was determined and priced, the core team created a name and designed the supporting marketing materials. A series of brainstorming sessions yielded the digital agency name: NR Digital Media. The initial marketing materials subsequently created for NR Digital Media included a website link and services explanation pages, samples and tear sheets, rate card, advertiser testimonials and social media handles. All promotional materials emphasized the local, hands-on, trusted *News Reporter* brand and were designed to communicate the simplicity, trackability and affordability of these digital services, which were key needs, shared by advertisers during situation assessment depth interviews. The final promotional element identified by leadership and the sales team was a series of small,

educational seminars hosted by *The News Reporter* on digital services that would be offered to customers and prospects by the advertising sales team.

People

In his best-selling book, *Good to Great*, Jim Collins discovered the most important factor applied by the best companies was that they "got the right people on the bus and the wrong people off the bus." Fortunately, at *The News Reporter*, the combination of a visionary, supportive, and digital-oriented leader has helped create a culture of optimistic, willing, change agents, so we were exempt from having to get the "wrong people off the bus" for the feasibility study. Perhaps due to the work the organization had previously done with Abernathy (2014), change appeared normal to both leadership and sales staff. The collaborative, open culture of *The News Reporter* was buoyed by the noble purpose of their sustainability. Perhaps most indicative of the attitudes permeating the culture, one of the sales representatives exclaimed after learning the digital agency toolkit (feasibility study, phase III), "I don't need to learn that much more about digital; I just want to get out and sell" (Personal communication, November 7, 2014).

Process

While the Place and People components of the marketing mix helped provide clearly defined roles and responsibilities for directly selling digital agency services, there was still a gap in identifying the process by which NR Digital Media would fulfill the digital services. For each of the phase I digital services (e.g., search engine optimization, social media marketing, website design and display advertising), a fulfillment process was mapped. Through a variety of partners, including The University of North Carolina at Chapel Hill, vendors like Google, Facebook, Wix, and Hootsuite, and interns from local community colleges and universities, NR Digital Media

had access to the knowledge and technological services necessary to provide its phase I digital marketing solutions.

Physical Evidence

At the start of the feasibility study, leadership began creating a prominent, contemporary meeting space for clients of the digital agency within the community newspaper offices. Although the digital agency meeting space was not finished during the feasibility study, when it is complete, it will be equipped with the latest audio-visual and digital technology so that customers and prospects will experience the digital prowess of NR Digital Media for any sales presentations and for digital education. This very public commitment provided a powerful example of leadership's commitment to the digital agency and the future of NR Digital Media.

RESULTS

Economic

NR Digital Media sold a variety of digital services to small businesses in Columbus County during the feasibility test phase. About a dozen engagements were completed, and a number of commitments were solidified for later in the year. NR Digital Media has set a reasonably attainable digital goal of generating at least 20 percent of total advertising revenue within eighteen months. With booked revenues to date, it is already on a path to achieve that goal.

Marketing

From the follow-up digital agency client interviews, NR Digital Media sales representatives have stellar reputations and are habitually described using terms like "honest, enthusiastic, flexible, knowledgeable, professional, and reliable" (Personal communication, June

1, 2015). Most interviewees focused on the convenience of working with NR Digital Media, with one interviewee stating that “when I have questions, they are quick to give me an answer. They return calls immediately and anticipate needs that I can’t even articulate. They are just easy people to work with” (Personal communication, May 18, 2015). Overall, interviewees were pleased with the performance of their digital marketing campaigns and were willing to use NR Digital Media for future digital marketing services. Similarly, all interviewees stated they would recommend NR Digital Media to other area businesses.

However, the biggest challenge uncovered during the feasibility study was the price. Unlike other local media organizations in more economically prosperous service areas, NR Digital Media is unable to sell websites for more than \$600, which is often less than it takes to execute the project. Moreover, because of the way that Columbus County businesses spend advertising dollars, big-ticket items may need to be billed over a series of months, rather than billed up-front and all at once. Creating and testing new digital services prices (at varying levels of service and time series), especially for websites and other higher priced digital services, are currently underway at NR Digital Media.

Organizational

Throughout the entire process, the sales staff and digital strategist embraced the transformation, stayed committed to the digital agency, and worked together to reach goals. From an organizational goal standpoint, the employees began the project with little trepidation and continued to embrace the change occurring at *The News Reporter*. One sales representative mentioned that the entire process helped “bring the team closer together” as they were working toward the common goal of proving they could succeed in a new sales capacity (Personal

communication, May 13, 2015). This esprit de corps could also be traced to leadership's commitment, belief in agency success, and renewed hope for the future.

While the teams have all embraced the transformation, leadership has been challenged sourcing and staffing digital media fulfillment requests in an economically feasible fashion. While the feasibility study recommended the addition of a full-time digital strategist to both support sales staff and do the work, it has been challenging for NR Digital Media to find qualified talent willing to accept the salary and location, while also balancing the sales support and fulfillment demands. As such, NR Digital Media is considering outsourcing opportunities that may be more economically feasible.

DISCUSSION

Despite this early success, there are a number of lessons learned that not only will drive increased market adoption for NR Digital Media, but also may be considered by other community newspapers attempting to launch digital agencies that will shorten the adoption and launch process: (1) adopt a digital-first mindset, (2) delete print-only rates, (3) align commission structure, (4) create an "everyone sells digital" culture, (5) offer selected pro-bono services, and (6) develop sales reps into sales consultants.

1. Adopt a Digital-First Mindset

Since its conception, NR Digital Media was intended to be essential to *The News Reporter*. Leadership created space for a digital strategy room, implemented website improvements, hired a digital strategist, and made financial commitments to fund the digital agency. While we were aware that changing any business model requires content, marketing, and organizational support, the daily leadership involvement to nurture a digital-first mindset in each

department became paramount. After the in-market test, the owner/editor hired an additional editor, which allowed him to work hands-on with the digital agency, devoting daily time and effort to support a digital-first mindset across all departments.

2. Delete Print-Only Rates

Ultimately, any talented sales people will revert to selling a “cash cow” product versus a “question mark” product (Henderson, 1973), especially when the commission structure is more lucrative for the “cash cow.” By having a talented, successful and experienced sales team that sold print for many years, the first inclination was to sell a traditional print-only ad. As one salesperson explained, “I can sell a \$270 print ad in a couple of minutes, but it is going to take a lot longer than that to sell \$270 worth of digital advertising” (Personal communication, April 9, 2015). On two occasions during the in-market test, sales staff left digital-centric meetings with orders for twelve print-only ad packages – among the most expensive advertising options offered. One such customer had spent more money on this print package than on all other newspaper advertising over the past five years – but then claimed that it could not then afford digital. Removal of the print-only rates from the published rate cards (or commissioned) will support the digital-first mindset and challenge sales representatives to solve client advertising and marketing problems more holistically. When print-only rates are removed from the rate card, bundled advertising packages (i.e., print plus digital services) billed on a monthly basis should be created for varying levels of service to overcome price barriers and encourage digital adoption by advertisers.

3. Align Commission Structure

It was not long into the in-market test before leadership discovered that compensation, specifically the commission structure that was designed during phase V, needed to be reworked

to align with a digital-first mindset. Utilizing consultative data and benchmarking from other digital agencies, a proposal was presented to reward digital-first sales and significantly discount any print-only sales, while preventing monetary loss from reasonable sales productivity. Other community newspapers considering a digital agency should align commission structure before launch to ensure reps are fully motivated to sell digital services AND will not encounter monetary loss for doing so.

4. Create an “Everyone Sells Digital” Culture

During the in-market test, the sales team began to gradually default to the digital specialist to sell digital services. This inadvertent action by the sales team was not the agreed-upon organizational structure, but was ostensibly due to the above-mentioned misalignment between digital-first mindset, commissions, and print-only published rates. The sales team was fully trained on basic digital tools, customer journey, common customer problems, and digital solution packages. Yet they would set up separate digital appointments with prospects and/or customers and then bring the digital specialist along to sell. This approach was not only inefficient but also undermined the digital-first mindset. To course-correct, the publisher for NR Digital Media has introduced a four-pronged approach that also may be helpful to other community newspapers as they contemplate launching a digital agency: (1) continuous versus intermittent digital sales training and role-playing with leadership; (2) Services summary sheets for prospects and customers; (3) revised weekly sales activity reporting with an emphasis on digital-first active accounts; and (4) twice-monthly “ride-alongs” by the publisher with sales reps.

5. Offer Influential Prospects/Customers Limited Pro-Bono Digital Services

Early in the in-market test phase, when approaching prospects and regardless of familiarity with digital marketing, the sales staff was repeatedly asked for local testimonials from NR Digital Media. While this could be expected with the start-up NR Digital Media, what was unexpected were the nearly one-third of prospects that claimed the residents of Columbus County would not respond to digital marketing because they are “not as tech-savvy as other areas” (Personal communication, February 12, 2015). To counter these perceptions, we learned that a predetermined group of key or influential prospects and/or customers can and should be offered pro-bono digital services (determined by the publisher) to generate testimonials and build faster digital sales momentum. Unlike print advertising, which is expensive to print and distribute, a sample digital campaign, like Google AdWords, can be funded for little more than the time necessary to create and launch it, which is a small investment to potentially gain a testimonial and earn a digital client.

6. Develop Sales Reps Into Sales Consultants

The second-largest barrier to adopting digital marketing for small businesses is the overall lack of understanding digital (Frederick et al., 2014). Interviewees indicated that they needed help understanding how digital marketing could work for their businesses. While it may seem that almost everyone has a grasp of how Google AdWords or Facebook works, many small businesses in Columbus County stated they don’t have a website and don’t believe they need it. Once sales staff explained how a website could help, businesses began to see the value, especially with someone else managing the technical aspects and weekly updates.

These sales consultation issues did partly dissuade sales staff from recommending digital. With a print-only sale, they simply walk into a prospect or current customer, ask if the owner would like to advertise in the paper, and leave with a sale in a matter of minutes. As the sales

staff likens selling print advertising to a numbers game, where a salesperson can make more sales simply by visiting more businesses – the consultative approach of digital can be both a burden and financial limitation. Adopting the changes suggested earlier in the findings section should help assuage the sales staff and encourage a consultative selling approach that is more beneficial for customers and NR Digital Media. Additionally, consultative selling forces sales representatives to help set up performance tracking of digital campaigns in advance, based on the original problem the digital approach is meant to solve, so that results can be easily gleaned before, during and after the campaign.

CONCLUSION

Despite the challenges, launching a digital agency within a community newspaper is not only achievable; it is viable even in an economically disadvantaged geography such as Columbus County, North Carolina. This study may provide a template for other community newspapers to launch an internal digital agency so that they too may benefit from leveraging the technical, consumer and advertising revenue changes that have swept the industry. As we have addressed the most-pressing pitfalls and challenges when implementing a digital agency within a community newspaper, it is still necessary to reiterate the importance of the marketing mix and organizational alignment. Without having a long-term commitment to digital agency in the strategic plan, as well as total buy-in from leadership and key stakeholders, progress and innovation will be hindered, ultimately ensuring the digital agency does not reach its full potential.

This research puts forth the hypothesis that traditional print advertising sales departments at community newspapers need to be reconceptualized as important strategic resources capable of lifting these papers out of their current “crisis.” The authors maintain that through their value, rareness, imperfect imitability and lack of substitutability, these advertising sales departments are well-positioned to take advantage of a changing marketplace where spending from local businesses has expanded and clients increasingly want and need digital marketing tools to reach their customers.

The feasibility study with *The News Reporter*, detailed in this paper’s findings, provided evidence to support the larger project’s hypothesis and conceptual model of a community newspaper’s advertising department as a potential sustained competitive advantage. This advantage would be leveraged by creating an in-house digital agency, capable of serving local clients with their digital marketing needs. But this is only the beginning. While one cannot dismiss the fact that each newspaper’s situation and community is different, the authors also understand that the larger themes supporting the primary arguments from the study – the unique position of the advertising department within the newspaper and the increase in digital marketing spending, wants and needs among small businesses – are relatively common throughout the industry. It is believed, then, that learnings from this feasibility study may benefit not just *The News Reporter*, but other community newspapers as well.

EXHIBIT A: NR DIGITAL MEDIA FEASIBILITY STUDY DIGITAL SERVICES

Phase I Services:

- Landing-Page/Single-Page Websites
- Google AdWords Search Engine Marketing
- Social Media Management
 - Facebook
 - Twitter
 - Pinterest
 - YouTube
 - Instagram
 - Google My Business
- Display Advertising
- Email Marketing (using a CRM like Salesforce.com)
- Native Advertising
- Content Marketing (i.e. video, blogs, podcasts)

Phase II Services:

- Retargeting Services
- Google Analytics
- Moderate Website Design
- Search Engine Optimization
- Search Engine Marketing (beyond Google AdWords)
- Additional Social Media Services
 - Snapchat
 - Tumblr
 - LinkedIn
 - Vine
- Google AdSense

Phase III Services:

- Mobile Applications
- Complex Website Design
- Data Management and Audience Targeting
- Mobile Messaging
- Personalization

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