

PRESS RELEASE

Calling all newspapers: A premium model is your best hope

Simon-Kucher & Partners study uncovers the importance of higher prices for the viability of the newspaper industry

Boston, August 7, 2012 – Price increases have grown circulation revenue for print newspapers, according to Simon-Kucher & Partners, a marketing and strategy consulting firm that specializes in pricing. In fact, Simon-Kucher’s study finds that consumers are very unlikely to react to print newspaper price increases, putting them in the same category as lifestyle drugs and albums from cult rock bands. Some notable examples¹ from the study include:

- *Washington Post* – Newsstand price from \$1.50 to \$2, circulation revenue +10 percent
- *Dallas Morning News* – Newsstand price from \$0.75 to \$1, circulation revenue +11 percent
- *Boston Globe* – Newsstand price from \$0.75 to \$1, circulation revenue +9 percent

Newspapers are in an unenviable, but not uncommon position: raising print prices may shrink their already anemic readership base, but may also be their best hope of staying afloat. While raising prices may hurt advertising revenue due to lower subscriber volumes, print advertising is becoming a smaller and smaller piece of newspapers’ revenue puzzle. The New York Times Company, for instance, now generates more revenue from circulation than from advertising.²

Andre Weber, a Partner in Simon-Kucher’s New York office, put these findings in context: “In declining markets facing technological disruption, it’s almost always prudent to raise prices,” he explains. “That’s because when a market starts to decline, the least loyal and most price sensitive customers are the first to leave.”

Raising prices generates the profits that can help companies invest in changing their business model, which is essential for a company’s future success. In the newspaper industry, Weber and colleague Kyle Poyar recommend investing in the digital side of the business, including

¹ Selected examples from 2009, with revenue realization in 2010 and reporting in 2011

² New York Times Company Q2 2012 results show circulation revenue of \$233 million and advertising revenue of \$220 million

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tablet apps and digital advertising solutions. “The print business isn’t your legacy; it’s your bank,” Poyar declares.

Before deciding whether to raise prices, Weber and Poyar caution that each company must assess whether newspaper price increases will more than offset potential losses in advertising. They must also investigate their value proposition relative to competitors as well as which of their segments are least price sensitive (e.g. newsstand vs. subscription), and act accordingly.

Still, Weber emphasizes that there’s a big upside to be had from raising prices: “The *New York Times* has implemented three separate price increases in the last four years, doubling the newsstand price from \$1.25 to \$2.50. Price increases, along with innovative subscription models like the Weekender and online paywall, have helped them turn around their news division, increasing operating profit almost 13 percent year-over-year in the second quarter.”

Andre Weber is a Partner in the New York office at worldwide strategy consultancy Simon-Kucher & Partners. He heads the firm’s U.S. Telecommunications & Media Competence Center.

Kyle Poyar is a Consultant in the Boston office at Simon-Kucher & Partners.

Simon-Kucher & Partners, Strategy & Marketing Consultants:

Simon-Kucher & Partners is a global consulting firm with 625 professionals in 23 offices worldwide focusing on Smart Profit GrowthSM. The company has over 25 years of experience providing strategy and marketing consulting, and is regarded as the world’s leading pricing advisor.

For further information, or to attain a copy of the full study, please contact: Kelly Moloney (Public Relations Manager US), Tel: 617 231 4504, E-Mail: Kelly.Moloney@simon-kucher.com

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