

Trend Spotting

Future of newspapers rests on connecting with customers

One night at dinner several years ago, our then-19-year-old son said to me: "Gee, Dad, it must be a little depressing working for a newspaper company. Nobody reads newspapers anymore." There was no point in correcting that sweeping teen-age generalization by reciting NAA readership statistics, because what he was really saying was that newspapers simply had no place in his young adult life.

That was the fearful presence in the room at the NAA Future of Newspapers Conference in Orlando this past January. If young people have little or no contact with newspapers today, the very real fear is that with all the alternative news and information sources now available to them, they just might be able to get along without a daily paper for the rest of their lives.

But it is not just young people who are ignoring our product. That seems to be happening more often at all ages. According to nationwide consumer-spending surveys by the Bureau of Labor Statistics, fewer than half of U.S. households, 43 percent, reported buying a newspaper in 2001, compared with 1995 when nearly two-thirds, 63 percent, reported buying one or more.

During that six-year period, both the percentage of households that reported buying any paper and the amount purchasers reported spending declined for all age groups. The declines were the deepest among households under age 45, but even the age 65-plus segment, perhaps the most loyal subscribers, shrank their participation from 68 percent to 51 percent (see table, p. 33).

It's easy to put the blame on the obvious suspect, the Internet. But there are many factors at work that have nothing to do with the Internet. Demographic and lifestyle trends are changing what people need in terms of news and information, when they need it, and what they want from their local paper. The future of every newspaper



depends, in my view, not so much on Internet-usage trends, but on how well publishers can keep pace with their evolving customers.

DEMOGRAPHIC TRENDS

Newspapers in the past have been important in creating a sense of community for the geographic area they served. But increasingly fragmented consumer markets are making that more difficult. For example, the demographics of many metropolitan central cities are becoming younger and more heavily Hispanic, while surrounding suburbs are getting older and remain mostly nonminority readers in relatively isolated communities.

That geographic segmentation is occurring at the same time that the place and type of work are changing. Census 2000 found that over half of all workers traveled to a job in some kind of an office setting. The average commute is over 30 miles, and the workplace is likely to be in another city or county. But the census does not tell us which community—place of work or place of residence—is becoming more dominant in people's lives.

What the census did record was the rising educational attainment of women and a record number of women—over 20 million—working in professional or managerial occupations. What this means for newspapers is that women are spending more time at work and less time shopping locally or engaging in community-building activities such as volunteering.

Most professional or managerial workers have Internet access at work, and report using it to either obtain information about a product or actually shop for it. The impact of these work-life shifts on local retailers has yet to be quantified. There is little doubt, however, that the increased time at work and the rise of another purchasing channel has had an impact on those important newspaper advertisers.

Besides having more household members at work, another significant trend

by Peter Francese

The author, founder of American Demographics magazine and a widely recognized authority on consumer demographics, was a featured speaker at the NAA Future of Newspapers Conference, held Jan. 8-9 in Orlando. In this article, Francese expands on topics he discussed at the conference.

Who's Buying Newspapers ?

Trends in percentage of households reporting any spending for newspapers

Householder Age Group	1985	1995	2001	% point loss	
				'85-95	'95-01
25 to 34	63%	56%	33%	7%	23%
35 to 44	70	65	43	5	22
45 to 54	76	70	48	6	22
55 to 64	75	71	53	4	18
65 or older	69	68	51	1	17
All households	67	63	43	4	20

Source: Bureau of Labor Statistics Consumer Expenditure Surveys

among newspaper subscribing households is that fewer of them are at home on weekends or holidays. As the median age of household members approaches age 50—it is now 47—a larger proportion will be empty nesters who have a more travel-oriented lifestyle.

The 50-and-over members of any community have long been the most loyal subscribers. But as they increasingly purchase and visit a second home, they are less likely to be at home either to read their local paper or shop in the stores. In the Northeast and Midwest regions, there is also a rising number of older people who spend much of the winter in the South or West.

The point is that these lifestyle trends, where more people are at work and fewer people are at home, will probably have at least as great an impact on local newspaper readership as the increased usage of the Internet. That is not to minimize the effect of people spending more time online. The rising availability of broadband is likely to increase usage. But, up to now, most of the additional time spent online appears to be taken from the time spent watching TV.

One widespread demographic trend that may affect newspaper retail advertisers is the decline in households ages 35 to 44, which are expected to shrink on a nationwide basis by about 1 percent per year over the next decade. The loss of households in that age group will be higher in slower growing states such as New York and Pennsylvania.

This is important because half the households ages 35 to 44 consist of married couples with children. In most places, married couples with children make up only about a quarter of all households, but they are very important to retailers because this type of household spends much more than others in stores. According to the Bureau of Labor Statistics, married couples with children spend about 50 percent more than other households on retail goods such as clothing and food. In other words, two married-with-children households are worth as much to a typical retailer as three of any other kind of household. Any shrinkage in this household type will have a significant impact on retail sales.

IMPLICATIONS

Occasionally the comics are as enlightening as editorials. A case in point is the now legendary Pogo strip that read: "We have met the enemy, sir, and he is us."

For many decades it has been economically advantageous

to manufacture one newspaper product and deliver it seven days a week to most of the homes in a local market. Demographic and new-media trends no longer favor such a product. But the successful transition to a different business model will be all the more difficult because the old model has been working so well.

If each newspaper's future depends to a large extent on how well it keeps pace with its changing customers, then getting to know those customers a lot better should be the highest priority. This means making significant investments in customer databases and in keeping them up to date. It also means having more dialogue with more customers more often, and acting on what is learned.

All the trends suggest that keeping regular readers in the future is going to mean paying much closer attention to subscriber services and newspaper-delivery methods. Tossing the daily paper, for example, on a wet suburban driveway is a 19th century delivery method that is not compatible with 21st century lifestyles or the expectations of future customers.

A daily newspaper can be the voice of the community it serves, but that may be impossible when a shrinking minority of households buys it. Should the trend observed in the 1995-to-2001 period continue, it foretells a grim future if daily newspapers do not begin to more closely match their content and delivery methods to new customers' new needs. ■

The Importance of NIE

We all know that highly educated people read more. We also know that more high school graduates are going to college. And Bureau of Labor Statistics surveys tell us that college graduates spend about 1.8 times as much as high school graduates on newspaper subscriptions. So why has the number of newspaper subscribers been falling during a time of rising educational attainment?

Perhaps one reason is that young people rarely see any marketing messages for community newspapers and, as a result, are not introduced to the value proposition of our product. By the time an American teenager has become an adult, he has watched or heard thousands of advertisements for a vast array of consumer goods. But the brand that represents his community newspaper too often is missing from those marketing messages.

The Newspaper In Education program is a vehicle designed to introduce students to their local paper, as well as show them the value of reading it on a regular basis. But supporting NIE programs is a significant expense, and in these lean times it often is eliminated because short-term benefits may not be seen.

There probably is no immediate payback, but the long-term damage of not marketing our brand to young people is there for all to see. Recasting NIE programs as a combination print and Internet product can introduce young people not only to a paper, but also to a branded source of high-quality news and information that they can rely on all their lives.

—Peter Francese