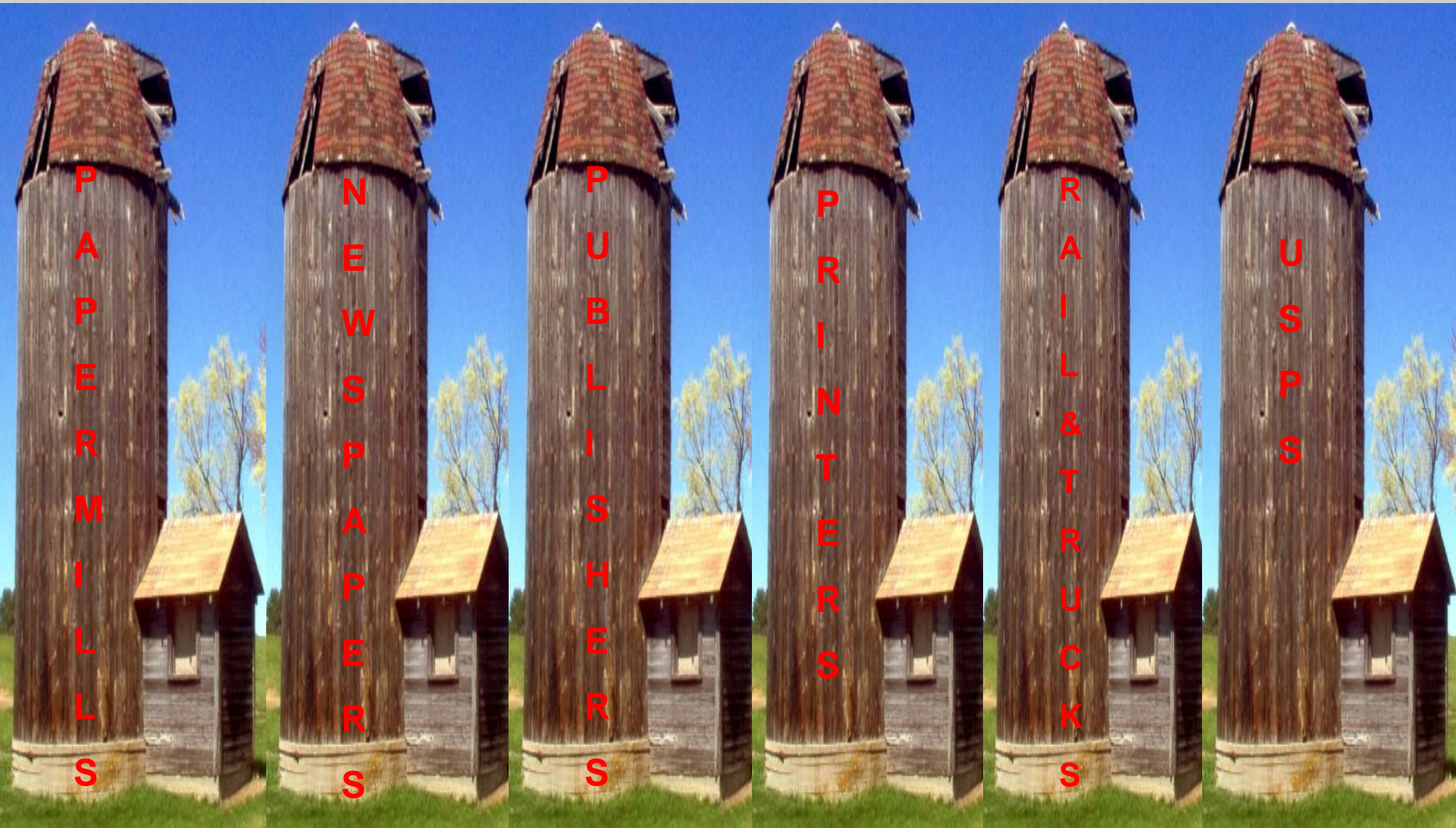


# The Future of Print Advertising

Can We Change?

# Print Industry Silos



**Collaboration to meet the customers needs & wants?**

# Print Advertising

Your company & your future tied to:



+



=

????

Consumers



# Newspaper Business



- \$ 59 Billion revenue
- 2000 Newspapers in US and Canada
- Big three advertisers; Automobiles, Homes & Jobs
- 2008 Weighted average operating profit 11.3%
  - 100 million adults read newspaper daily
  - 115 million on Sunday – Scarborough Research
  - Readership decline 6% in top 50 markets (5 yrs)
  - Compare to 10% decline in prime time TV
  - 62% of 18-24 year olds & 25-34 year olds read a newspaper in an average week
  - If you offered consumers a newspaper without advertising, 90% would not take it- John Kimball NAA Sr. Vice President, Study by Yankelovich Partners.

# Can Newspapers Innovate & Collaborate ?

- Sharing delivery systems
- Sharing content, reporting, and editorial functions
- Sharing presses
- Partnerships with Yahoo, Monster, Advo, & Google
- Cutting costs, merging operations, forming partnerships & reducing staff



# United States Postal Service



- Offering cost incentives to major advertisers to increase use of Postal System
- Postal Service asked DMA to get the word out on the “Summer Sale”-Jerry Cerasale VP DMA
- Rationale is to grow volume
- Innovation at USPS-Can this be possible?

# Retail Publishers



- Linens & Things, Mervyn's and other announced the "Going out of Business Sale"
  - Others reduced print advertising
- JCPenney
  - New products exceeded projections
  - Controlled inventory
  - Limited store expansions
  - Integrated online, in-store & catalog channels
  - Multi channel marketing
  - Reduced costs
    - \$ 400K Paper Claims

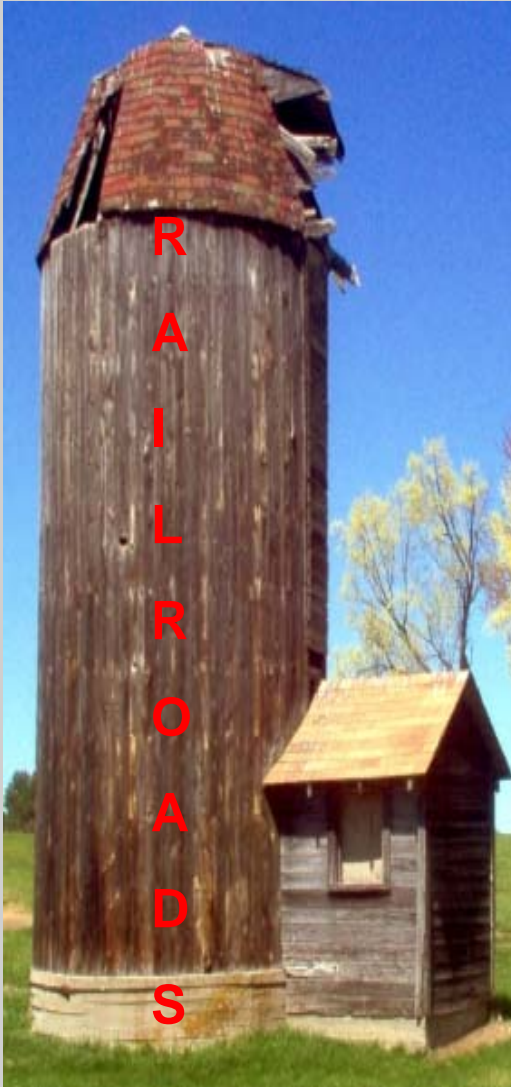
# Printers



- Quebecor filed for bankruptcy January 2008
- Annual Commercial Printer Revenue > \$30MM
- 2008 Profits down more than 80%
- 40+ % Newspaper Inserts, catalogs, direct mail
- 40+ % Book & Magazine publishing
- Plants Shut Down
- Printing Volumes Reduced
- Estimated Sales decline -3 to 5% vs 2007



# Railroads



- Pulp, paper, & allied products rail freight down 20.7% in week ending 4/4 RISI Pulp & Paper Week
- Lumber & wood products down 32.9% year to date
- Total rail freight down 17.1% year to date – RISI
- Farm products only category higher by 5.8% -RISI

# Trucking Co's



- Should be a leading indicator of a recover
- Looks like a recovery is still a ways off
- Truck Tonnage; -9.2 February, -10.8 January, -12.5 December- American Trucking Association
- Trucking industry in a multi year recession
- Lower fuel prices a lifeline ?
- Billions of newspaper inserts, direct mail, and catalogs moved from printers to US Postal & Newspapers by Trucking companies.
  - Reduced print advertising impact the trucking recovery!

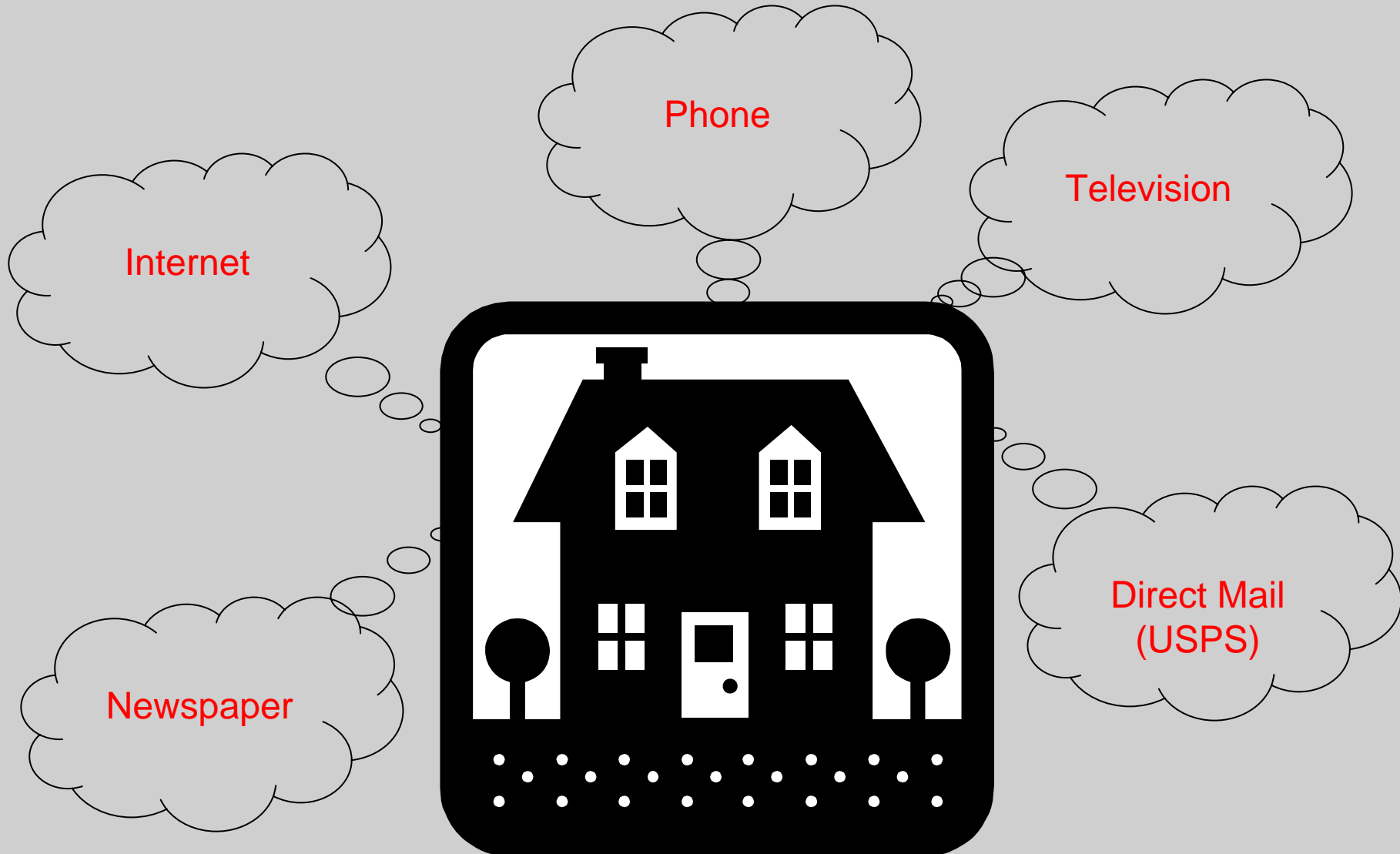
# Paper Mills



- Abitibi Bowater files for Bankruptcy
- Permanent Machine Closures
- Temporary machine shut downs
- Profitability Problems
- Biofuel usage and development
- Integrated Forest Products Companies Extinct
- New Owners are Private Equity Companies with a focus on results
- Ownership of US forest lands sold to TIMO's
- Forest Products and their impact on climate change

# Consumer Advertising

Advertising Media – Choices?



# No More Finger Pointing!

Printer

Publishers

Paper Mills



Railroads

Trucking Co's



Instead we need a Collaborative Approach to promote future growth in the Print & Paper industry.



# CREDITS

- Prepared by Andrew Christian, Direct Mail Paper Buyer JCPenney & Kim Nagele, Sr. Sourcing Manager- Publication Papers
- Sources;
  - RISI
  - National Association of Newspapers