IMPROVING THE SALES SUCCESS AT AVUSA PUBLISHING EASTERN CAPE

ETTIENNE GERWEL

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PROMOTER: Prof. C.A. Arnolds

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DECLARATION

I, Ettienne Gerwel, hereby declare that:

- the work in this dissertation is my own original work;
- all sources used referred to have been documented and acknowledged; and
- this dissertation has not been previously submitted in full or partial fulfilment of the requirements for an equivalent or higher qualification at any other recognised educational institution.

__________________________
Ettienne Gerwel

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Date
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ABSTRACT

Avusa Publishing (East Cape) (APEC) publishes several of the oldest and best known newspaper products in the Eastern Cape. The Eastern Province Herald is currently the oldest daily morning newspaper in South Africa and the average daily circulation of the paper is 25 000. Its main distribution is in the Nelson Mandela Bay Metropolitan area, as well as the area up to the Garden Route and as far East as Port Alfred. APEC also publishes the Weekend Post.

According to the financial statements and circulation and advertisement figures of the company, the revenue generated by the company has not increased, but stayed stagnant. In addition to this, the daily circulation of the flagship publication, The Herald, has decreased from 29 000 in 2005 to 24 000 in 2008. As the company only generates revenue from two sources, namely advertising sales and the sale of newspapers, the above mentioned situation negatively affects the financial wellbeing of the company. The management dilemma that needed to be researched was how APEC's circulation and advertising income could be increased.

The primary objective of this study was therefore to improve APEC's sales success by investigating the determinants of such sales success. More specifically, the study investigated the influence of determinants such as newsworthiness, value proposition, brand awareness, customer service, customer loyalty, credibility and new media on sales success, as measured by increased circulation and advertising revenue.
Convenience sampling was used to select 287 employees working for the company. A mail survey was conducted among these 287 employees, but only 114 usable questionnaires were returned (a response rate of 40%).

The empirical results revealed that brand awareness, customer loyalty and the use of new media technologies exerted a significantly positive influence on the sales success of APEC. The results further showed that newsworthiness, editorial credibility, value proposition and customer service exerted no significant influence on the APEC’s sales success. Despite the latter findings, the results revealed that there was a high level of trust and loyalty in the editorial content of APEC, as well as the perception of good value for money among both readers and advertisers. The managerial implications of these findings are discussed and areas of future research are recommended.
TABLE OF CONTENT

DECLARATION .................................................................................................................. III
ACKNOWLEDGEMENTS ................................................................................................. IV
ABSTRACT ...................................................................................................................... V
TABLE OF CONTENT .................................................................................................. VII

CHAPTER 1

SCOPE OF THE STUDY

1.1 INTRODUCTION ................................................................................................. 1
1.2 BACKGROUND TO THE STUDY ...................................................................... 2
1.3 PROBLEM STATEMENT .................................................................................... 5
1.4 RESEARCH OBJECTIVES ............................................................................... 9
1.5 THE HYPOTHESESED MODEL ....................................................................... 11
1.6 METHODOLOGY OF THE STUDY ...................................................................... 12
1.6.1 The research paradigm ................................................................................ 13
1.6.2 The sample .................................................................................................... 14
1.6.3 The measuring instruments .......................................................................... 14
1.7 TERMINOLOGY USED IN THE STUDY .......................................................... 14
1.8 OUTLINE OF THE STUDY ............................................................................... 17
1.9 CHAPTER SUMMARY ....................................................................................... 18

CHAPTER 2

LITERATURE REVIEW ON THE NEWSPAPER AND MEDIA INDUSTRY

2.1 INTRODUCTION ................................................................................................. 19
2.2 EDITORIAL CONTENT ....................................................................................... 19
2.2.1 Editorial value chain ................................................................................... 20
2.2.2 Newspaper credibility ................................................................. 23
2.2.3 Access to editorial content .......................................................... 27
2.3 ADVERTISING CONTENT ................................................................. 27
2.3.1 Challenges facing advertising in the newspaper industry ............... 28
2.3.2 The measurement of advertising efficiency ....................................... 34
2.3.3 The newspaper as advertising medium ........................................... 35
2.3.4 The effect of circulation on advertising appeal ................................. 35
2.3.5 Customer centric communication model ....................................... 36
2.4 NEWSPAPER CIRCULATION .............................................................. 37
2.4.1 The challenges of newspaper circulation ......................................... 40
2.4.2 Strategies employed to increase circulation .................................... 40
2.4.2.1 Maximizing subscription through reader relationship management ... 40
2.4.2.2 Managing reader loyalty .......................................................... 43
2.4.2.3 Other strategies ........................................................................ 45
2.5 NEW INTERNET AND CELLULAR BASED MEDIA ............................. 49
2.5.1 The attraction of the Internet as a news medium ............................... 49
2.5.2 Characteristics of a good on-line newspaper .................................... 50
2.5.3 The needs of the on-line readers/consumers .................................... 50
2.5.4 Comparing the traditional print product and the on-line equivalent ...... 51
2.6 CHAPTER SUMMARY ....................................................................... 53

CHAPTER 3

A SITUATIONAL ANALYSIS OF APEC

3.1 INTRODUCTION .............................................................................. 54
3.2 ADVERTISING STRATEGIES ........................................................... 54
3.2.1 ROP advertising ......................................................................... 55
4.4.1 Gender ................................................................................................................... 77
4.4.2 Age ........................................................................................................................ 78
4.4.3 Education ............................................................................................................... 79
4.4.4 Years working at APEC (tenure) ........................................................................ 79
4.4.5 Years working in your current position (job experience) ................................. 80
4.5 THE MEASURING INSTRUMENTS ........................................................................... 81
4.6 THE PILOT STUDY ..................................................................................................... 82
4.7 THE RELIABILITY RESULTS OF THE FINAL STUDY ........................................... 83
4.7.1 Approaches to estimate reliability ...................................................................... 84
4.7.2 Increasing reliability ............................................................................................ 84
4.7.3 The reliability of the measuring instruments used in the final study ............... 85
4.8 VALIDITY OF THE MEASURING INSTRUMENTS ..................................................... 86
4.8.1 Types of validity ................................................................................................... 87
4.8.2.1 Content validity ............................................................................................. 87
4.8.2.2 Criterion validity ............................................................................................ 88
4.9 MULTIPLE REGRESSION ANALYSIS ..................................................................... 90
4.9.1 The influence of newsworthiness of the editorial content on sales success ...... 90
4.9.2 The influence of the credibility of news content on sales success ....................... 91
4.9.3 The influence of value proposition on sales success ........................................... 91
4.9.4 The influence of brand awareness on sales success .......................................... 92
4.9.5 The influence of customer loyalty on sales success ........................................... 92
4.9.6 The influence of new media on sales success .................................................... 93
4.9.7 The influence of customer service on sales success ......................................... 93
4.10 DESCRIPTIVE STATISTICS: INDUSTRY-RELATED PERCEPTIONS ............. 94
4.11 CHAPTER SUMMARY ............................................................................................. 107
CHAPTER 5

DISCUSSION OF THE RESULTS, MANAGERIAL IMPLICATIONS AND CONCLUSIONS

5.1 INTRODUCTION ............................................................................................................. 109
5.2 SUMMARY OF THE EMPIRICAL RESULTS ................................................................. 109
5.3 MANAGERIAL IMPLICATIONS...................................................................................... 110
5.3.1 New media ............................................................................................................... 110
5.3.2 Customer loyalty ..................................................................................................... 111
5.3.3 Brand awareness .................................................................................................... 112
5.3.4 Newsworthiness ..................................................................................................... 112
5.3.5 Credibility ............................................................................................................... 113
5.3.6 Value proposition .................................................................................................... 113
5.3.7 Customer service .................................................................................................... 114
5.4 THE EMPIRICAL RESULTS AS THEY RELATE TO THE SECONDARY RESEARCH OBJECTIVES .............................................................................................................. 114
5.5 FURTHER RESEARCH ................................................................................................. 116
5.6 SUMMARY .................................................................................................................... 116

LIST OF SOURCES ............................................................................................................ 118

APPENDIX 1: THE QUESTIONNAIRE COVERING LETTER............................................. 124
APPENDIX 2: THE MEASURING INSTRUMENTS .............................................................. 125
LIST OF FIGURES

FIGURE 1.1: GRAPHICAL ILLUSTRATION OF THE THREE FACTORS INFLUENCING NEWSPAPER PUBLISHING SUCCESS ................................................................. 3

FIGURE 1.2: ADVERTISING REVENUE GENERATED BY APEC .............................. 7

FIGURE 1.3: AVERAGE DAILY CIRCULATION OF APEC PRODUCT “THE HERALD” ........................................................................................................................ 8

FIGURE 1.4: TOTAL MONTHLY CIRCULATION REVENUE GENERATED BY APEC ......................................................................................................................... 9

FIGURE 1.5: NULL HYPOTHESES MODEL TO INCREASE CIRCULATION AND ADVERTISING SALES .......................................................................................... 12

FIGURE 2.1: THE EDITORIAL VALUE CHAIN .................................................... 21

FIGURE 2.2: SOCIETAL INFLUENCE MODEL .................................................... 24

FIGURE 2.3: CONFIDENCE IN THE PRESS 1970 - 2010 ........................................ 26

FIGURE 2.4: NEWSPAPER READERSHIP 1970 - 2010 ........................................ 26

FIGURE 2.5: TOTAL REVENUE GENERATED BY APEC .................................... 29

FIGURE 2.6: USES OF ON-LINE MEDIA ........................................................... 50

FIGURE 3.1: ADVERTISING MODEL OF APEC, SHOWING THE DIFFERENT SEGMENTS OF ADVERTISING ................................................................. 54

FIGURE 3.2: NATIONAL ADVERTISING REVENUE ........................................ 56

FIGURE 3.3: DIRECT ADVERTISING REVENUE ............................................ 57

FIGURE 3.4: CLASSIFIED ADVERTISING REVENUE ...................................... 58

FIGURE 3.5: ADVERTISING PRODUCTS OF APEC .......................................... 59
FIGURE 3.6: AVERAGE DAILY CIRCULATION FOR THE HERALD AND WEEKEND POST (2001-2010) ................................................................. 63

FIGURE 3.7: AVERAGE DAILY CIRCULATION FOR THE HERALD BY DISTRIBUTION CHANNEL (2001-2010) ................................................................. 64

FIGURE 3.8: AVERAGE DAILY CIRCULATION FOR THE WEEKEND POST BY DISTRIBUTION CHANNEL (2001-2010) ................................................................. 64


FIGURE 3.11: UNIQUE DAILY BROWSERS IN THE EASTERN CAPE ................. 67

FIGURE 3.12 HYPOTHESESIED MODEL TO INCREASE SALES SUCCESS AT APEC .......................................................................................................................... 73

XIII
LIST OF TABLES

TABLE 3.1: DEMOGRAPHIC PROFILE OF APEC PRODUCT: THE HERALD ........60
TABLE 3.2: DEMOGRAPHIC PROFILE OF APEC PRODUCT: WEEKEND POST ..62
TABLE 4.1: FINAL RESPONSE RATE BY DEPARTMENT ........................................77
TABLE 4.2: FINAL RESPONSE RATE BY GENDER...................................................78
TABLE 4.3: FINAL RESPONSE RATE BY AGE...........................................................78
TABLE 4.4: FINAL RESPONSE RATE BY EDUCATION ..............................................79
TABLE 4.5: FINAL RESPONSE RATE YEARS WORKING AT APEC ......................80
TABLE 4.6: FINAL RESPONSE RATES BY YEARS IN CURRENT POSITION ......80
TABLE 4.7: RELIABILITY RESULTS OF THE PILOT STUDY.................................82
TABLE 4.8: RELIABILITY RESULTS OF THE FINAL STUDY ...............................86
TABLE 4.9: THE CONFIRMATORY FACTOR ANALYSIS RESULTS ...................89
TABLE 4.10: MULTIPLE REGRESSION RESULTS..................................................90
TABLE 10: DESCRIPTIVE STATISTICS: INDUSTRY-RELATED PERCEPTIONS ......................................................................................................................95
CHAPTER 1

SCOPE OF THE STUDY

1.1 INTRODUCTION

Avusa Publishing (East Cape) (APEC) publishes several of the oldest and best known newspaper products in the Eastern Cape. The Eastern Province Herald is currently the oldest daily morning newspaper in South Africa (AMPS, 2009). According to AMPS (2009), the average daily circulation of the paper is 25 000, and its main distribution is in the Nelson Mandela Bay Metropolitan area, as well as the area up to the Garden Route and as far East as Port Alfred.

The company currently publishes two main newspapers, namely The Eastern Province Herald and the Weekend Post. According to the financial statements and circulation and advertisement figures of the company, the revenue generated by the company has not increased, but stayed stagnant (APEC Financial results, 2009). In addition to this, the daily circulation of the flagship publication, The Herald, has decreased from 29 000 in 2005 to 24 000 in 2008 (AMPS, 2009).

As the company only generates revenue from two sources, namely advertising sales and the sale of newspapers, the above-mentioned situation negatively affects the financial wellbeing of the company. The management dilemma that needs to be researched is how APEC's circulation and advertising income can be increased.
In addition, threats to the company exist in the form of competitors, namely The Times, Die Burger, The Sowetan (AMPS, 2009). Should the company not rise above these challenges, it could find itself losing its dominant market position (AMPS, 2009).

1.2 BACKGROUND TO THE STUDY

The long successful newspaper business model is under pressure globally. Advertising and reader markets are mature or are declining in large parts of the world. The ongoing digitization of media channels will lead to an even wider range of consumer and advertiser choice. Because budgets for time and money are finite, tough competition between different media channels as well as within the individual media is expected (Business models of newspaper publishing companies, 2006). Newspaper publishers have started to react to these changes. The Internet has already become a nearly standard publishing channel, despite the fact that no large-scale commercial breakthrough has yet happened (Business models of newspaper publishing companies, 2006).

The traditional business model of the newspaper industry has been the dual revenue generation model (Business models of newspaper publishing companies, 2006). This model relies on the two ‘customers’ of a newspaper, namely the reader who purchases the product or paper, and the advertiser who purchases the advertising space provided by the completed product. The relationship between advertising rates (cost per centimetre of column for advertising content) and the circulation (number of customers buying the product) is directly proportional. For example, if a newspaper has a high circulation and readership base the advertising rate per column centimetre is allowed to be higher than for a similar newspaper with a lower circulation rate (Argentesi & Filistrucchi, 2007). The circulation of all paid-for newspapers is normally monitored by an independent bureau, and in South Africa this bureau is the Auditing Bureau of Circulation.
Three interwoven factors define the success of a newspaper, namely circulation, editorial content and advertising (Business models of newspaper publishing companies, 2006). The interwoven nature of these factors may be illustrated as follows:

**FIGURE 1.1: GRAPHICAL ILLUSTRATION OF THE THREE FACTORS INFLUENCING NEWSPAPER PUBLISHING SUCCESS**

The impact of how each of these factors affects the remaining two factors can be seen if each of the factors is manipulated separately. For example, if a newspaper has a weak advertising base, the product will only have the circulation revenue stream left to contribute to the net profit of the company. This will put strain on the editorial facet of the company to ensure that the content is desirable and demanded by the readers, and in theory, this would increase sales and generate revenue.
If the editorial base of a newspaper product is too weak, it would have a negative impact on readership demand. This negative impact in demand would decrease circulation, and in turn, this will translate into lower rates that can be charged per centimetre of column advertising. This would decrease the company’s net profit.

If the circulation base is low, the revenue is directly affected. In addition, this will decrease the rate that can be charged for advertising. This will reduce the net profit even more.

The business model of the on-line publications offers the reader free content on line and the advertiser pays for the advertising space based on the number of ‘clicks’ or the number of times a viewer navigates to a page that contains his advertising content. Typical rates for South African websites are R0.45 / 1000 ‘clicks’ (Flavián and Gurrea, 2009).

Even though the newspaper industry has reaped major benefits from the above-mentioned technological advancements, these advances have also allowed other news media to increase their ability to steal market share from the traditional newspaper in its printed form. Despite the competition from newer, streamlined, technologically based news media, the printed product is still in demand. According to the World Association of Newspapers (WAN, 2007), the demand for the printed product has only shown a marginal decrease. WAN (2007) reports a 9% decrease over a five-year period in Germany for total paid-for daily newspapers.

Although the industry is facing only a relatively small drop in demand, the long successful newspaper business model is also under pressure in South Africa. A survey done by Nihou Shinbun Kyokai (The Japan Newspaper Publishers and Editors
Association, 2004) shows the total number of employees of the Association’s 104 member newspapers and news agencies was 54,436. This number is down 1,370 from that in the previous year. Since 1995 the total decrease has been 8,887 (14%).

Avusa Publishing East Cape (APEC) (previously Johnnic Communications and before that Times Media Ltd) is considered one of the four major newspaper publishers in South Africa, the others being Media24/Naspers, Independent, and Caxtons (I-Net Bridge, 2009). The APEC model for newspaper sales and the cost of production of the newspaper is one where the cover price is subsidized by the advertiser. That means that the model proposes that only a portion of the cost of the paper is covered by the purchaser.

1.3 PROBLEM STATEMENT

Research has shown that newspaper publishers find their market highly competitive compared with the situation 15 years ago and identify predictability of market developments, decreasing return on investments, and increasing cost of technology as the most important challenges for their companies. Most of the revenue generated still comes from advertising and circulation sales. However, the respondents expect contributions to the revenue stream from the Internet activities to increase (Business models of newspaper publishing companies, 2006).

However, the additional information streams (Internet, radio, television and cellular) have also created additional competition for newspapers. The increase in readership and advertising support continued rather steadily until the years immediately after World War II. The television media then provided diversion and other information in forms increasingly attractive to those parts of the mass audience who were not part of the politically, socially, and economically active members of their communities. The effect that these additional information streams had was that a portion of the reading audience
began leaving newspapers behind and many readers began spending less time with newspapers. The rise of multiple networks and stations, cable, other electronic information and diversion opportunities that have developed in recent years have compounded the problem (Business models of newspaper publishing companies, 2006).

To prevent circulation figures from decreasing, newspaper publishing companies are expected to identify a 'theory' or new business model on which to base their future actions. Considering the impact of new technologies on their markets, newspaper publishing companies should develop a way of thinking which allows them to quickly recognize new opportunities. Given the interdependency and complementary nature of their off-line and on-line businesses, newspaper publishing companies should create an operational system which exploits every possible synergy between the two businesses and considers the sharing of non-specific content with other companies to decrease cost. To maximize their capacity to generate value, newspaper publishing companies are expected to follow a total customer focus strategy. This means to consider not only the best customers – the ones who provide the highest returns – but also all the other customers. Therefore, in order to satisfy both old and young readers, newspaper publishing companies need to operate off line as well as on line. Furthermore, to keep and expand the customer base, innovation is required. (Business models of newspaper publishing companies: 2006)
The advertising revenue is revenue generated by the sale of advertising space in the company’s products. The trend line in Figure 1.2 shows only a marginal increase in the advertising revenue, with the current revenue at the same level as it was five years ago.

(Source: APEC financial records, 2010)
Figure 1.3 shows a decrease from an average of 30 000 daily copies in April 2005 to an average daily circulation of 23 550 in January 2010 for the APEC product, The Herald. This represents a sales decrease of 21.5%. The monthly revenue generated by the circulation sales of the product decreased from R480 000 in April 2005 to R410 400 in January 2010. This represents a circulation sales decrease of 14.5%. The reason for the lower decrease in the revenue figure is the product price increases during the period 2005 – 2010.

(Source: AMPS, 2010)
To summarize: The problem that newspapers are facing concerns ways to increase the sales success of their products. In other words, there is a need to investigate how newspapers could increase their circulation and advertising sales revenue.

1.4 RESEARCH OBJECTIVES

The primary objective of this study is to improve APEC’s sales success by investigating the determinants of such sales success. More specifically, the study investigates the influence of determinants such as newsworthiness, value proposition, brand awareness, customer service, customer loyalty, credibility and new media on business success, as
measured by increased circulation and advertising revenue. The study also pursues the following secondary research objectives:

(i) To investigate the reasons for APEC's low growth in circulation and advertising revenue;
(ii) to investigate the factors that are keeping APEC's advertising and circulation revenue stream stagnant;
(iii) to investigate the business models that the other media companies are using to boost advertising and circulation revenue, and
(iv) to investigate the factors that are the strongest determinants of sales success (both advertising and circulation) of APEC.

In order to achieve the above mentioned objectives, the following research design objectives are pursued:

(i) To conduct a secondary literature review on the newspaper industry, including APEC;
(ii) to construct a questionnaire to collect data on the hypothesized model to improve sales success;
(iii) to conduct a pilot study to test the initial reliability of the instruments used in the questionnaire;
(iv) to collect data from the target sample, using the questionnaire;
(v) to capture the raw data in Excel and analyze it with STATISTICA statistics software, interpret the findings, draw conclusions and make recommendations to management based on these findings.
1.5 THE HYPOTHESESSED MODEL

In order to achieve the primary objective of the study, the following null hypotheses are formulated:

HO1 : Newsworthiness exerts no influence on sales success
HO2 : Credibility exerts no influence on sales success
HO3 : Value proposition exerts no influence on sales success
HO4 : Brand awareness exerts no influence on sales success
HO5 : Customer loyalty exerts no influence on sales success
HO6 : The use of new media exert no influence on sales success
HO7 : Customer service exerts no influence on sales success
1.6 METHODOLOGY OF THE STUDY

The research paradigm, sample and measuring instrument are now discussed.
1.6.1 The research paradigm

According to Collis and Hussey (2003), there are two research approaches that can be followed, namely the qualitative and the quantitative research approaches. For this study, a combination of both qualitative and quantitative approaches is used. The quantitative approach is used for the collection and interpretation of the numerical data collected by means of a questionnaire and the qualitative approach for the collection of subjective data. In addition to the questionnaire, a study of various business reports is made to form a comparative base for business models used in the newspaper industry.

The simplest way to distinguish between qualitative and quantitative research approaches, according to Thomas (2003:1), is to say that qualitative methods involve a researcher describing kinds of characteristics of people and events without comparing events in terms of measurements or amounts. The qualitative approach is multi-method in focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret phenomena in terms of the meanings people bring to them. Quantitative methods, on the other hand, focus attention on measurements and amounts (more and less, larger and smaller, often and seldom, similar and different) regarding the characteristics displayed by the people and events that the researcher studies. In quantitative research, unlike qualitative research, relationships between variables are statistically tested.

In the present study, the quantitative approach is followed as the relationships between sales success and its determinants are statistically tested.
1.6.2 The sample

Convenience sampling was used to select 287 employees working for the company. A mail survey was conducted among those 287 employees, but only 114 usable questionnaires were returned. This translated into a response rate of 40%. The demographic composition of the sample is discussed in Chapter 4.

1.6.3 The measuring instruments

The measuring instruments were constructed to measure sales success (the dependent variable) and newsworthiness, credibility, value proposition, brand awareness, customer loyalty, customer service and new media (the independent variables). The instrument statements were anchored to a 5 point scale ranging from (1) strongly disagree to (5) strongly agree. The instruments were tested for content validity and reliability. These instruments and their psychometric properties are discussed in Chapter 4.

1.7 TERMINOLOGY USED IN THE STUDY

The following terminology is used in the present study. To clarify the terms’ meanings in the context of the newspaper industry, selected terminology is explained below.

**Advertisement** — Printed notice of something for sale paid for by the advertiser.

**Brand awareness** – The degree of public knowledge or awareness of a particular brand.

**Broadsheet** — A "standard" or large-sized newspaper. The measurements of broadsheet newspapers vary.

**Budget** — The line-up of news stories scheduled for the next day's newspaper.
Churn – The percentage of newspaper subscribers that do not renew their subscription to the newspaper.

Circulation — The total number of copies of the newspaper distributed in one day.

Classified Advertising — Advertising space usually purchased in small amounts by the public and published, by categories, in its own section of the newspaper.

Column — The arrangement of horizontal lines of type in a news story; also, an article appearing regularly written by a particular writer or "columnist."

Correspondent — An out of town reporter.

Credibility – A measure of the trust that the readers place in the content of the publisher.

Customer – For the purposes of this study, customer is both the reader and advertising customer, unless otherwise stated.

Display Advertising — Large, frequently illustrated advertisements usually purchased by retail stores, manufacturers, service companies; advertising other than classified advertisements.


Editor — A person who directs the editorial policies; or a person who decides what news will go in the paper and where it will appear.

Editorial — An article expressing the opinion of the newspaper regarding a certain subject.

Headline — An explanatory title over a newspaper article summarizing the main point for the reader.

Market — People the newspaper wants to attract with its news and advertising.

National Advertising — Advertisements placed by agencies for clients that feature national or regional information.

New media — News mediums other than paper used to present advertisements and editorial content to readers and advertisers. These include cellular and internet mediums.

Newspaper title – The name or title given to a newspaper, for example “The Herald”.

15
Newsworthiness – The value or relevance of editorial news content to readers.

Press — Machine that prints the newspaper.

Publisher — The chief executive and often the owner of a newspaper.

Reporter — A person who finds out facts about a story and then writes the story for the newspaper.

Readership — The total number of people reading the product. This is different to circulation.

R.O.P. Run-of-Paper — Denotes advertising that appears within the newspaper itself.

SAPA – South African Press Association. A national wire service providing national content

Single Copy — Sales of newspapers from a newsstand or rack; Papers sold one at a time.

Search engines – Internet databases of content on different web-sites. The user types in the phrase and a list of sites using this phrase is returned.

Tabloid — Taking the standard size of the newspaper and folding it into half, usually stitched or stapled and trimmed.

Wire Services — News-gathering agencies such as AP and UPI that gather and distribute news to subscribing newspapers.
1.8 OUTLINE OF THE STUDY

The outline of the chapters of the study is as follows:

Chapter 1: Introduction

A brief introduction to the problem, a description of the background of the industry and explanation of terminology are provided. The problem statement, research objectives and null-hypotheses are set out.

Chapter 2: Literature review

A review of the literature pertaining to the newspaper and relating industry is given. The sources of this literature are journals published by various recognized associations in the industry, including APEC financial statements.

Chapter 3: Situational Analysis at APEC

An overview of the products and markets of APEC, as well as a review of the market statistics relating to the industry is provided.
Chapter 4: Research methodology and psychometric properties of the measuring instruments

An in depth review of the research methodology used in this study is provided. This includes a description of the sampling design, measuring instruments, and the reliability and validity of these measuring instruments. In addition the psychometric properties of the measuring are discussed.

Chapter 5: Empirical discussion, managerial implications and conclusions

In this, the final chapter, conclusions are drawn from the empirical results and the managerial implications emanating from these conclusions are discussed. Finally, recommendations to managers are offered in the light of these findings, as well as recommendations for future research.

1.9 CHAPTER SUMMARY

Chapter 1 offered the reader an overview of the challenges currently facing the newspaper industry. In addition, a hypothesised model has been presented to improve the sales success of the selected newspaper publishing company, namely Avusa Publishing Eastern Cape (APEC). This chapter also offered the reader a brief explanation of terms used in the newspaper publishing industry. Finally, brief outlines of the chapters were given.
CHAPTER 2

LITERATURE REVIEW ON THE NEWSPAPER AND MEDIA INDUSTRY

2.1 INTRODUCTION

This chapter reviews the literature pertaining to the problems and sub-problems being investigated in this study. The literature consists of journals, articles and reports by sources recognized by the media industry, as well as academic work. These sources include, but are not limited to, the World Association of Newspapers (WAN), Fédération Internationale des Éditeurs de Journaux (IFRA), Future of the Newspaper, and the International Newspaper Marketing Association (INMA). Key elements of the newspaper and media industry are discussed next. They include editorial content, advertising content, circulation, and internet and cellular based media.

2.2 EDITORIAL CONTENT

Very often the importance of editorial content in a newspaper is understated. The fact is that editorial content is a defining and integral component of any newspaper or media product. “Newspaper content is an extraordinarily valuable currency across the media spectrum. Without content, there would be no advertising or subscription support. Without content, the likes of Google, Yahoo!, and Microsoft – or any media would not exist” (The value of news content, 2008). In fact, newspapers’ performances in the advertising market tend to positively affect newspapers’ incentives to invest in quality of editorial content. The latter entails the enlargement of the scope and the improvement of the accurateness of newspapers’ editorial content (Resende, 2008: 159). Three important
aspects of editorial content are discussed next, namely the editorial value chain, editorial credibility and access to editorial content.

2.2.1 Editorial value chain

The market value of news content is driven by three variables: proposition, price and players. Proportion refers to the content's subject, relevance and channel; players refer to competitive marketplace for the content; and price refers to the price charged to consumers and partners (The value of news content, 2008).

According to Meyer and Zhang (2002), newspapers are in the business of influence. They create two kinds of influence: societal influence (not for sale) and influence on the decision to buy (for sale). But they are related, because the former enhances the value of the latter. The relationship between the two influences is strengthened by good editorial content (news). Examining the news content value chain, it becomes clear that the channel is split into two distinct value propositions, namely Efficiencies, and Revenue generation. Figure 2.1 depicts the value chain:
Planning content refers to efficiencies in planning for integrated media and content management systems in order to create transparency and reduce time for tasks. Planning content enables editors to time the breaking of news content using different media. A story could be broken on-line, and the on-line story could drive readers towards the complete story in the printed media (The value of news content, 2008).
Reporting efficiencies are realized with multitasking reporters, teams of cross-trained journalists, journalists with specialties and citizen journalists. Examples of editing efficiencies are “Continuous News Desks”, that create effective breaking news mechanisms on digital channels, but are produced by print specialists (The value of news content, 2008).

Production efficiencies include the use of content management systems (CMS) for multiple media which create transparent and efficient publishing on multiple channels and which allow editorial workers to see the status of stories across channels. Examples of publishing efficiencies are multimedia work-flows that make it easy to integrate new publishing channels as they emerge and break. Distribution efficiencies and technologies allow for more efficient distribution in print, while network distribution of digital content can be monetized and expanded (The value of news content, 2008).

Third-party content aggregators like Factiva and LexisNexis and traditional syndication models are complemented by companies with an “a la carte, self-service” model, like Mochila. South African examples of third-party aggregators are SAPA (South African Press Association). This acquisition of editorial content through third party companies is referred to as syndication.

Archiving is the availability of news content for a predetermined time period, and this can be used by editorial staff for research needs. In addition, articles can be either a new revenue stream on-line, or an offer to entice new members in a newspaper company loyalty club.
To summarize, the editorial value chain outlines the most important factors that constitute the editorial content of newspapers. The factors which generate revenue generation through the sale of editorial content are thus publishing, distribution, syndication and archiving. Newspapers can, for example, generate revenue by selling archived editorial content or by the syndication of news to other publishers.

2.2.2 Newspaper credibility

“While newspaper editors have fretted about their credibility for decades, they have been unable to do much about it. Given limited resources by their publishers and owners, they remain mostly frozen at the wheel while both readership and confidence in the press decline steeply and consistently” (Meyer & Zhang, 2002). This quotation indicates that the credibility or trustworthiness of newspapers as a provider of information is in the decline. This decline in the credibility of newspapers could result in the decline in the circulation of newspapers (Circulation Science, 2005:1). The surface evidence suggests a classic death spiral or reinforcing process. Waning confidence in the press causes lower readership which reduces profits. Reduced profits limit the availability of resources for the editorial product, and cause confidence to fall still more (Meyer & Zhang, 2002). The societal influence model (see Figure 2.2) has been proposed to outline and describe the credibility of newspapers (Meyer & Zhang, 2002).

On the other hand, reducing the credibility of the content will erode public trust, weaken societal influence, and eventually lead to losses in circulation and advertising revenue. Content popularity is one measure of the credibility of news content to both print and online readers (The value of news content, 2008). Popular columnists have long created value content because their interpretation and views 'sell' newspapers. Several news Web sites publish a 'most read' or most e-mailed feature on their web-sites that showcase
stories that drive the most traffic on-line, and therefore contribute more to the acquisition of advertising support.

FIGURE 2.2: SOCIETAL INFLUENCE MODEL

(Source: Meyer & Zhang, 2002)

Some research has assisted newspaper companies in the process of editorial content development. The Hitwise research company in London collects traffic data into and on newspaper web sites in the United Kingdom. The ongoing research found that in January 2008, jobs, arts and entertainment, blogs, dating and sports were the most popular non-news content accessed on newspaper Web sites (Flavián & Gurrea, 2009).

The determination of readership satisfaction is another approach to calculate credibility (The value of news content, 2008). The Readership Institute at Northwestern University launched an ongoing readership survey in 2001 of 37 000 readers that seeks to determine newspaper satisfaction among U.S. Readers. The Readership Institute uses the loyalty research method known as 'Net Promoters', designed by Frederick Reichheld (2003) and
reported in the Harvard Business Review. According to the report, the theory prescribes that the more promoters a company has, the bigger its growth will be. “The only path to profitable growth may lie in the company's ability to get loyal customers to become, in effect, its marketing department” (Reichheld, 2003).

Becker, Beam and Russail (1978) studied 109 New England newspapers and found that circulation penetration (circulation divided by households) was related to news credibility. Stone, Stone and Trotter (1981) also reported a positive correlation between newspaper quality and circulation in a sample of 124 papers. Using content analysis to judge quality, Lacey and Fico (1991) found that the level of newspaper quality in 1984 was positively related to circulation (with market size controlled) in 1985 for 106 daily newspapers.

Lacey and Martin’s (1998) case study of the Thompson papers found that they lost revenue and circulation during the 1980s when high profit goals were set. Overall, most studies have found a positive relationship between credibility and circulation.

Waning confidence in the press causes lower readership which reduces profits which limits the availability of resources for the editorial product, causing confidence to fall still more. The trend lines in Figure 2.3 show how confidence in the press has been decreasing since 1970 (Meyer & Zhang, 2002). In addition to the credibility of newspapers declining, the percentage of people reading newspapers is also declining, as can be seen in Figure 2.4.
FIGURE 2.3: CONFIDENCE IN THE PRESS 1970 - 2010

(Source: Meyer & Zhang, 2002)

FIGURE 2.4: NEWSPAPER READERSHIP 1970 - 2010

(Source: Meyer & Zhang, 2002)
2.2.3 Access to editorial content

During the past decade, publishers have become increasingly concerned by the threat of the Internet and the various search engines available to readers. While many have welcomed the potential of the World Wide Web as a medium for distribution of their content, enabling them to reach a much wider, global audience, some trends have emerged which have been much less straightforward.

One trend has been the growth of aggregators in the market place, some of which have taken advantage of the lack of physical protection of content on the network to build businesses which depend on value created by others. The most notable among these have been search engines (The value of news content, 2008). The Automated content access protocol (ACAP) was formulated to allow publishers the ability to communicate policies regarding their content to be distributed to users of their content (The value of news content, 2008). In summary, to prevent unauthorised access to publishing content, ACAP can be implemented as a strategy to reduce this threat.

2.3 ADVERTISING CONTENT

Advertising space is not a homogeneous commodity but something the value of which depends on the characteristics of a newspaper's readership. It is suggested, in particular, that the proportion of readers belonging to the more affluent social categories will exert a strong positive influence on advertising, due to the attraction of advertisers wanting to capture the affluent market (Thomson, 1989). In this section the following aspects of advertising are discussed: (1) the challenges facing advertising in the newspaper industry,
(2) the measurements of advertising efficiency, (3) the newspaper as an advertising medium, (4) the effect of circulation on advertising appeal.

2.3.1 Challenges facing advertising in the newspaper industry

According to Shimp (2007: xv), the field of marketing communications is ever changing. Brand managers are continually attempting to gain advantage over competitors and to achieve a larger market share and profits for the brand they manage. Marketing communications, or marcom, is just one element of the marketing mix, but advertising, promotions, marketing-oriented public relations, and other marketing communication tools perform increasingly important roles in firms' quest to achieve financial and non-financial goals.

Marketing communication practitioners are confronted with the rising cost of placing adverts in the traditional advertising media (television, magazines and newspapers). Shimp (2007) also expresses concern that these practitioners are moving away from the traditional media toward the Internet, which in recent years has become an important advertising medium both as a means of accessing difficult-to-reach groups and in providing numerous options for presenting advertising messages and promotional offers to these groups. It is however interesting to note that ten years ago, the Internet did not appear in the list of effective communication options mentioned by Kotler (2000:550).

This sentiment or concern regarding digital media is shared by Grey (2008), that states that with each passing month, it becomes more clear that being a newspaper company is no longer enough to secure a bright future. The industry’s decline has been dramatic and relentless for at least three years, as reflected in steadily sliding key metrics: circulation, readership, advertising revenues and profit margins. And the trends show no signs of stopping. A possible reason for this is the fact that consumers are migrating away from
print newspapers to digital sources of news, information, social connection and entertainment, and because new competitors are offering digital solutions that draw away more newspaper advertising Rands every month.

The mass audience is dissipating, and with it the mass-reach business model that made newspaper companies so successful for so long. It is imperative for newspaper companies to find a new model, and quickly. It is clearly time to make the leap beyond newspaper companies (Circulation Science, 2005).

Shimp (2007) reports that many marketing communicators now realize that communication methods other than media advertising often better serve the needs of their brands. Looking at the revenue generated by APEC since 2004, this trend seems evident:

**FIGURE 2.5: TOTAL REVENUE GENERATED BY APEC**

(Source: APEC financial records, 2010)
In 2004 the revenue generated during the peak season (December) was R8 000 000.00. In 2009 that revenue was almost halved to R5 000 000.00.

A problem highlighted by Shimp (2007:409) is the fact that buying newspaper space, especially for advertisers that purchased space from newspapers in many cities, was that the newspaper page size and column space varied, thereby preventing an advertiser from preparing a single advertisement to fit every newspaper. By way of analogy, imagine what it would be like to advertise on television if, rather than having fixed 15-, 30- or 60-second commercials for all networks and local stations, some local stations ran only 28-second commercials, while others preferred 23-second, 16-second, or 11-second commercials? Buying time on television would be nightmarish for advertisers. So it was in buying newspaper space until the advertising industry adopted a standardized system known as the Standard Advertising Unit (SAU) System.

The implementation of the SAU system made it possible for advertisers to purchase any one of 56 standard sizes to fit the advertising publishing parameters of all newspapers in the United States. Under this system, advertisers prepare advertisements and purchase space in terms of column widths and depths in inches. There are six column widths:

<table>
<thead>
<tr>
<th>Column Width</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 column</td>
<td>2 1/16 inches</td>
</tr>
<tr>
<td>2 columns</td>
<td>4 1/4 inches</td>
</tr>
<tr>
<td>3 columns</td>
<td>6 7/16 inches</td>
</tr>
<tr>
<td>4 columns</td>
<td>8 5/8 inches</td>
</tr>
<tr>
<td>5 columns</td>
<td>10 1/316 inches</td>
</tr>
<tr>
<td>6 columns</td>
<td>13 inches</td>
</tr>
</tbody>
</table>


Space depth varies in size from 1 inch to 21 inches. Thus an advertiser can purchase an advertisement as small as 1 inch by 2 1/16 inches or as large as 13 inches by 21 inches with numerous in-between combinations of column widths and depths.

Hoffman, Czinkota and Dickson (2005) notes a shift from advertising to sales promotion. Historically, the promotional emphasis in many consumer-goods firms was on creating promotional pull. That is, manufacturers advertised heavily, especially on network television, and literally forced retailers to handle their products by virtue of the fact that consumers demanded heavily advertised brands. This advertising served, in other words, to pull the manufacturer's product through the channel of distribution. However, over the past two decades, *pull-oriented* marketing has become less effective as a result of fragmented media.

Along with this reduced effectiveness has come an increase in the use of *push-oriented* sales promotion practices by which manufacturers have targeted increased efforts, including promotional incentives, directly to trade (wholesalers and retailers) rather than to the ultimate consumer.

This does not mean that the manufacturers no longer advertise to final consumers; rather, the point is that proportionally less of the marketing communication budget is being directed to the final consumer and proportionally more is directed to the trade (Hoffman et al., 2005:457).

Hoffman et al (2005:457) mentions the result of these changes is that advertising in mass media (television, radio, magazines, newspaper, and outdoor advertising) has declined in most firms as a percentage of their total marketing communications expenditures. On the
other hand, expenditures on sales promotions, direct marketing, and sponsorships have steadily increased. In fact, annual studies have shown that media advertising expenditures as a proportion of marketing communications have declined steadily for more than a decade. While media advertising used to average more than 40% of companies’ marketing communication budgets, its portion of the total budget has fallen to about 25%. By comparison, trade promotions now constitute, on average, at least 50% of a company’s total marketing communication budget.

But what are the factors driving companies away from the traditional print media? Hoffman et al. (2005:458) explains six possible factors that could be the cause of the allocation in marketing communication budgets away from the print media.

- **Balance of power transfer**: Until recently, national manufacturers of consumer goods used to be more powerful than the supermarkets, drugstores, and mass merchandisers that carried the manufacturers' brands. However, the balance of power began shifting when network television dipped in effectiveness as advertising medium and, especially, with the advent of optical scanning equipment, which allowed retailers to attain as much market power via market information as previously had been possessed only by manufacturers. The consequence for manufacturers is that for every promotional dollar used to support retailers’ advertising or merchandising programmes, one less dollar is available for the manufacturers’ own advertising. (Hoffman et al. 2005:458)

- **Increased brand parity and price sensitivity**: In the early years when truly new products were being offered to the marketplace, manufacturers could effectively advertise their products' unique advantages over competitive offerings. As product categories have matured, however, most new offerings represent only slight changes from existing products, resulting in more similarities than differences between competitive brands. With fewer distinct product differences, consumers
rely more on price and price incentives (coupons, cents-off deals, refunds, automobile and computer rebates, etc) as a way of differentiating alternative parity brands. Because real, concrete advantages are often difficult to obtain, firms have turned increasingly to sales promotion as a means of achieving at least temporary advantages over competitors (Hoffman et al. 2005,458).

• **Reduced brand loyalty**: Consumers have become less loyal to brands than they once were. This is partly due to the fact that brands have grown increasingly similar, thereby making it easier for consumers to switch between brands. Also, marketers have effectively trained consumers to expect that at least one brand in a product category will always be on deal with a coupon, cents-off offer, or refund; thus, many consumers rarely purchase brands other than those that offer a deal (Hoffman et al. 2005,458). The upshot of all of this dealing activity is that marketers' extensive use of sales promotion has reduced brand loyalty and increased switching behaviour, thereby requiring even more dealing activity to feed consumers' insatiable desire for deals.

• **Splintering of the mass market and reduced media effectiveness**: Advertising efficiency is directly related to the degree of homogeneity in consumers' consumption needs and media habits. The more homogeneous these needs and habits are, the less costly it is for mass advertising to reach target audiences. However, as consumer lifestyles have become more diverse and advertising media narrowed in their appeal, mass media advertising is no longer as efficient as it once was. On top of this, advertising effectiveness has declined with simultaneous increases in ad clutter and escalating media cost. These combined forces have influenced many brand managers to devote proportionately larger budgets to sales promotion.

• **Short-term orientation and corporate reward structures**: The brand manager system and sales promotion are perfect partners. The reward structure in firms
organized among brand-manager lines emphasizes short-term sales response rather than slow, long term growth, and sales promotion is incomparable when it comes to generating quick sales response. In fact, the majority of sales for many brands of packaged goods are associated with some kind of promotional deal (Hoffman et al., 2005:459).

- **Trade and consumer responsiveness:** A final force that explains the shift toward sales promotion at the expense of advertising is that retailers, wholesalers and consumers respond favourably to money-saving deals. (Hoffman et al., 2005:458)

In summary, the newspaper industry has been plagued by factors ranging from brand awareness to customer price sensitivity. In addition to these factors, the efficiency of the newspaper as an advertising platform has also been decreasing. APEC has also negatively been affected by these factors.

### 2.3.2 The measurement of advertising efficiency

Kotler (2000:705) mentions the following statistics that pertain to newspaper advertising that will enable managers to gauge the efficiency of advertising and to estimate the return on investment in newspaper advertising:

- Advertising cost per thousand target buyers reached by the media vehicle
- Percentage of audience who noticed, saw or associated, and read most of the advertisement each print ad
- Consumer opinions on the advertisement content and effectiveness
- Before and after measures of attitude towards the product
- Number of inquiries stimulated by the advertisement
• Cost per inquiry

2.3.3 The newspaper as advertising medium

Hoffman et al. (2005:453) outlines the advantages of newspapers as an advertising medium as rapid audience accumulation, timeliness, high single-day reach attainable, short lead times to purchase newspaper space, excellent geographic flexibility, ability to convey detailed concepts, strong retail trade support, good for merchandising and promotion, low production cost, and excellent local market penetration. On the other hand, the advantages of on-line advertising are having broad reach, relatively low cost, timeliness, and ability to reach both targeted and mass audiences and around-the-globe coverage.

Hoffman et al. (2005:453) lists the weaknesses of the newspapers as an advertising medium as having limited target selectivity, high out-of-pocket cost for national buys, significant differential between national and local rates, not intrusive, cluttered advertising environment and generally mediocre reproduction quality. The weaknesses of on-line advertising include a cluttered media environment, sometimes excessive intrusion, limited demonstration ability and difficulty measuring effectiveness (Hoffman et al., 2005).

2.3.4 The effect of circulation on advertising appeal

Newspapers obtain revenue from the cover price of newspapers and/or advertising sales. The ratio of advertising versus circulation sales is called loading, and varies across the industry. Thomson (1989) stated circulation influences advertising rates. Thomson (1989) also states that advertising space is not a homogeneous commodity, but something whose value depends upon the characteristics of a newspaper’s readership. It is suggested, in
particular, that the proportion of readers belonging to the more affluent social categories will be an important influence on advertising rates. In consequence, research postulates a trade-off between gross circulation and the proportion of higher income readers.

2.3.5 Customer centric communication model

In addition to new forms of advertising aimed at ensuring the economic success of their advertising customers, there needs to be an expansion of channels (print, Internet, mobile phones, television and radio). Central to this task is a new and real partnership with advertisers. Their needs must be the central point, and their commercial success must become the benchmark by which the efforts of advertising sales are measured. (Advertising business strategies: Customer centric communication, 2008).

The customer centric communication concept makes it possible for the publishing houses to react intelligently to the changing market situation. It requires the rethinking and adjustment of advertising sales. Convincing products and arguments can achieve new relationships with customers and this can lead to long-term benefits for both the newspaper and the advertisers. At the centre of the business model is the communication, consistently directed at the advertiser, the strived-for market partnership with the advertiser, the advertiser’s demand for verifiable commercial success, flexible revenue models, and designing future-proof product portfolios for all media and forms of advertising (Advertising business strategies: Customer centric communication, 2008).

It has been reported that advertisers have to switch to more flexible and dynamic forms of advertising that could include imaging, text and e-commerce insertions, including video. Many advertising banners today are actually mini-web sites where users can interact with the advertised service providers without actually leaving the primary site (Advertising business strategies: Customer centric communication, 2008).
It has been suggested that media channels and media companies will only be successful in marketing advertising space if they develop a new understanding of the needs of their advertisers. In addition, newspaper companies cannot afford to differentiate themselves from the activities of the advertiser (Advertising business strategies: Customer centric communication, 2008).

2.4 NEWSPAPER CIRCULATION

What is circulation? Circulation means different things to different people within the newspaper/media industry. At a fundamental level it reflects the number of copies that are available in which people can read the publishers’ contents. The more copies are distributed, the wider the readership. But circulation also underpins the ability to generate revenue and profit in two ways. The first is the level of revenue that can be generated from the distribution of the newspapers by charging a cover price. The second is the value of advertising revenue that gets generated as a consequence of selling the audience who read these newspapers to advertisers (Circulation Science, 2005: 6).

The newspaper business model is dependent on the ability to juggle these two factors in order to maximize both the circulation and advertising revenues. Different newspapers tend to exhibit different mixes of revenue, and thereby derive their profits from different contributions from circulation and advertising.

Circulation is not simply concerned with delivering the maximum number of newspaper readers, though this in itself is a monumental challenge. The role of a circulation manager lies in aligning a range of disciplines that together deliver the loyalty of readers that the editor and advertisers yearn for, which in turn maximizes advertising revenues and profits.
That is why customer loyalty is one of the determinants of sales success investigated in this study.

“The newspaper industry is highly unusual in that it produces as joint outputs two informational goods – advertising messages and packages of news/feature stories – which are sold to separate sets of buyers whilst being embodied in the same units of physical product” (Resende, 1989: 259). This characteristic, which Telser (1965) attributes to the cost of marketing advertising messages, implies that any newspaper publisher must take account of the mutual interaction of (price/output) decisions made on the circulation income and advertising revenue sides of his operation.

However, two principal difficulties have restricted the construction and testing of formal economic models of newspaper operations (Resende, 1989). In the first place, the industry produces a set of differential outputs – indeed its structure may approximate to Chamberlinian monopolistic competition – with each title having distinctive attributes and a particular marketing position. The latter is itself clearly a consequence of past decisions. Secondly, the cost data available for empirical work are extremely limited. One of the key themes of successful circulation management is the need to move from the “Readers per copy” to the “copies per reader” model, initially by encouraging readers of other people’s papers to buy their own copies, and then by encouraging them to buy their own copies more frequently.

Circulation Science (2005) identifies two models for the circulation of a newspaper, namely single copy sales and subscriptions. Single copy sales can be defined as the ad hoc sale of newspapers on street corners, at shops, and by door-to-door salespeople. The advantages of single copy sales are the low cost, always attracting new samplers and buyers, sales benefit from major stories or promotions, good “street visibility”. Single copy purchase suits newspapers with individual daily platforms that appeal to different
audiences. This model is also good for applying to new locations, or points of concentration.

The disadvantages of single copy sales are the issue with unsold newspapers and complexity of availability. There is also no direct knowledge of the customers. In addition, it can be difficult to reach people who do not pass shops or vendors. There is no control on purchase frequency which means average is generally low. The retail industry is also seen as an increasingly hostile and uncontrollable sales environment. This model generally requires a high level of promotional activity, and often depends on a third party to accomplish this promotional function. This model is suitable for younger readers and public transport commuters or travellers (Circulation Science, 2005). The model is not suitable for older people or driving commuters who are less likely to pass or visit a vendor or retailer, or business people who drive to work (Circulation Science, 2005).

The subscription based model is centred on the sale of newspapers to a list of subscribers. The advantage of this model is the fact that the reader is locked into daily purchase over the period of a contract. Also, newspapers should enjoy automated renewal removing the need to resell, and customer knowledge can be exploited to improve content or develop other revenue streams. The distribution network can also be exploited to develop other product lines (Circulation Science, 2005).

The disadvantages of the subscription model are: high levels of churn and renewal, it does not appeal to younger readers, and readers increasingly not wanting a newspaper every day. Also, subscribers often receive newspapers without reading them, and subscription copies incur double the percentage of circulation revenues. Subscriptions also often result in unnecessary discounts being offered (Circulation Science, 2005).
The subscription model is suitable for family groups and wealthier readers who tend to move from newspaper title to newspaper title. It is not suitable for younger readers who have not settled down or high mobility groups.

2.4.1. The challenges of newspaper circulation

“Newspaper circulation is in decline. This is not a short-term variance or a blip in the data – it is an indisputable global trend. The International Newspaper Marketing Association, for example, estimates that newspapers in mature Western democracies have experienced declines in circulation of seven percent in the past decade” (Blueprint for data-driven circulation growth, 2008:1). The circulation figures of APEC suggest this trend is the same in South Africa. This view is shared by Doyle (2009), who states that the revenue generated by the selling of advertising is subsidising the circulation processes of publishers.

2.4.2 Strategies employed to increase circulation

Although research shows a decline in circulation globally, newspaper publishers are employing several strategies to circumvent these trends. The following strategies are highlighted as some of the methods how companies seek to accomplish this.

2.4.2.1 Maximizing subscription through reader relationship management

The core or base of every subscription system is a database of subscribers, potential subscribers and lost subscribers. This is basically everyone who is a potential subscriber to the newspaper. Many newspaper subscription services fall down because of
inefficiencies within the database management systems, either in terms of data collection or in terms of maintenance or use (Circulation Science, 2005: 29). Brink and Berndt (2009) state that in order to have knowledge of customers, as well as insight into the needs of the customer, it is necessary to obtain information on the customer.

Circulation Science (2005) also defines two database driven methods to create the above-mentioned database, namely the database-derived approach and the database creation approach. The database-derived approach assumes that the newspaper can acquire a database of all potential prospects into which it then adds more details about those individuals, whether they subscribe or not, their contact history and also any other details that may be useful in conducting business with them. Brink and Berndt (2009) further reiterate this and define the creation and use of this database as one of the fundamentals of customer relationship management.

The advantage of the database-derived approach is that the newspaper has a comprehensive dataset from which to identify possible subscribers. In many cases, such databases hold data in a consistent manner. Such a database can therefore be used to verify each contact, and that avoids the problem of different users of the database holding records in different ways. An example of this consistency would be the identification of Ettienne Gerwel as ELM Gerwel. Staff who update customer records in a call centre or who are updating the database from other sources like competition entries or letters to the Editor are forced to ensure that new entries conform in terms of spelling and address details, as this removes confusion and duplication of entries.

The second database method is the database-creating approach. This approach assumes that a newspaper's sales activities result in data being created from scratch. An example of this would be the canvassers used by newspaper companies to go from door to door to collect details as they make calls, which are then stored in the database along with details
from readers’ letters or private advertisers, so that a database is gradually assembled. This approach is very essential in situations where acquiring data is very difficult, but it is far more problematic in terms of completeness, accuracy and updating (Circulation Science, 2005: 30). Acquired updates are vitally important, since every change of contact details reflects someone who has moved home or job, and is a very viable prospect for circulation canvassing. In either case it is vital to maximize the opportunities to collect data from different sources. According to Circulation Science (2005), too many newspapers ignore potential sources of viable data. Managers often discard competition entries or do not require people to provide adequate details on competition forms. Editorial staff are allowed to keep details of readers’ letters secret, as opposed to seizing the opportunity to expand their database of possible subscribers.

Circulation Science (2005) also identifies on-line services as an additional source of potential subscribers. The Chicago Tribune is named as an example of a publisher that launched a daily newspaper after identification of on-line readers who were not serviced by their printed product. This strategy of growing a printed product by targeting on-line subscribers emerged as a successful strategy.

A challenge identified by Circulation Science (2005) lies in the actual selling of the individual papers. Newspaper publishers use a variety of approaches to achieve this, including door-to-door selling, telephone sales, direct mail, in-paper promotion, promotion on the newspaper website and interacting with the general public in the street or at an event. These different methods produce different results in different circumstances. Circulation Science (2005) defines four factors that influence the levels of conversion.

The first of these factors is timing. Newspapers will get different levels of conversion and retention at different times of the year (Circulation Science, 2005). This fact has also
been noted in the seasonal variations of circulation sales of the newspapers of APEC. Doyle (2009) also notes the fact that retention of customers is negatively influenced by the perception of poor service. In addition, Doyle (2009) states that the retention rate of subscribers is generally increasing across all market segments of the industry. Doyle (2009) also notes that the non-payment rate is rising among subscribers. In addition, the quality of the delivery services is causing customer retention problems, and this is being exacerbated by the increasing fuel costs.

The second factor that has been defined is the nature of the offer. The generous offers that newspaper publishers have offered the public in an attempt to increase sales have resulted in major problems. The strategy of attractive offers has been defined as a problem due to the offer being more attractive than the actual newspaper (Circulation Science, 2005). The reason this is bad for long-term circulation growth is that it counters the issue of reader value, because the people attracted by these offers do not read the paper for the editorial content.

2.4.2.2 Managing reader loyalty

According to Circulation Science (2005), loyalty is a primary driver of a newspaper’s success. In mature markets circulation is declining, partly because people no longer feel they have the time to read a newspaper every day. Often subscribers receive a copy of the newspaper but do not read it. In time, this subscriber concludes that this subscription is no longer of any particular value to him and eventually cancels the subscription.

In order to reverse this notion, Circulation Science (2005) suggests the management of loyalty to offer readers more value for money. The example of Zero Hora, a newspaper in Brazil is used to illustrate strategies that can be implemented to achieve this, and the following are some of the highlights of these strategies (Circulation Science, 2005):
The Zero Hora case

The philosophy of Zero Hora is to create a real perception of value – for the product and the service. That means no discounts or free gifts.

Sales are targeted at prospective readers who have an affinity with the content and price. In addition, delivery is flexible. Readers can call in until 8pm the night before and change the delivery address of the newspaper or suspend delivery.

Subscriptions should also be flexible. The company has seven different options for subscriptions. In addition, the product is also flexible. As an example, the product is 60 pages and not 120 and is priced 30% below market price. The company is also flexible in billing options to clients. The customer can choose on which day to pay the monthly fixed terms by credit card or have their current account debited.

The company also values the retention of subscribers. According to the company, it is 15% cheaper to keep a subscriber that to gain a new one. In the first 90 days the company tries hard to keep in close contact with the subscriber, either by mail or telephone calls.

The company operates a call centre with 75 operators tasked to either take on new subscribers or hold on to those who intend to cancel. The call centre staff undergo extensive training on how to defend the product of the company.

(Source: Circulation science: 2005)

The example of Zero Hora illustrates that reader loyalty has a positive influence on newspaper circulation, and an example that can possibly be followed by other newspaper publishers to increase circulation.
2.4.2.3 Other strategies

There are various other strategies employed by publishers to increase circulation.) defines A three-step process is defined that can be employed by newspaper companies to reverse the global decrease in newspaper circulation. (Blueprint for data-driven circulation growth, 2008)

The first step highlights the need of the company to develop a strategy for circulation and to prioritise the most important strategies. The second step requires the company to assess its competencies. The final step involves the planning and execution of the chosen strategy.

The strategy that gets employed by the newspaper publisher must focus on improving the productivity of reader development processes. Basically, this implies that newspapers must improve the return on their marketing investments. Fortunately, newspaper companies have been able to track and monitor productivity. (Blueprint for data-driven circulation growth, 2008)

Start source diversification is the second objective that must be included in a publishing company's circulation growth strategy. While telemarketing has long been a primary source of new starts, these orders have become increasingly expensive. Moreover, telemarketing has been subjected to severe legislative scrutiny and it is conceivable that it will lose its viability entirely within the next few years. (Blueprint for data-driven circulation growth, 2008)
Another prerequisite in the circulation strategy of the firm must be that of securing an increase in subscriber retention, or decrease in the churn. In order to retain subscribers, newspaper publishers needs to focus on offering value, as opposed to the offering of discounts. (Blueprint for data-driven circulation growth, 2008)

A critical element of the strategies and tactics that will support such objectives is a competency in data-driven marketing. In order to achieve this competency, a publisher must be able to maintain and manage data gained through interactions with customers and prospects. The publisher must also invest in the resources essential to the transformation of such data into knowledge and leverage technology in the migration from a “project-driven” marketing environment into one that is “process-driven”. This would enable an environment of continuous improvement in which feedback to marketing initiatives is constant and campaigns are refined and implemented accordingly. (Blueprint for data-driven circulation growth, 2008)

The newspaper industry has long been deficient in its ability to quantify such critical metrics as cost per unit, retention by start source, return on investment and lifetime value. This deficiency has been attributable not to a lack of desire, but to the limitations of the business systems that manage billing and distribution. Those systems have been inherently incapable of providing relevant marketing metrics. (Blueprint for data-driven circulation growth, 2008)

As a result of these shortcomings, circulation managers have focused on the one or two metrics for which they could obtain reliable numbers – new starts and cost per order. Certainly, these are useful measures, but the total absorption with these numbers has manifested itself in the excessive churn confronting industry marketers today. (Blueprint for data-driven circulation growth, 2008)
In 1999, ASTECH InterMedia introduced R-Logic, a retention measurement and management system that applies relevant business rules to transaction data in order to accurately quantify metrics that allow marketers to optimally allocate resources. These include retention by start source, cost per unit and return on investment. Currently, 130 newspapers use R-Logic to provide the essential measures required to effectively manage their acquisition and retention initiatives. (Blueprint for data-driven circulation growth, 2008)

It is also suggested that the publisher sets definitive goals for the growth of circulation. Examples of these goals might be to improve subscriber retention by 10%, increase direct mail orders by 30%, reduce the discount budget by 25%, increase direct debit payment to 50%, improve circulation profitability by 15%, reduce subscribers with multiple starts by 20%, decrease new orders by 5%, reduce telemarketing share of new starts by 10%, improve telemarketing productivity by 20%, manage dispositions to eliminate unproductive calls, target 25% of calls as “data-driven” to improve conversion rates, and customize scripts based on prospect characteristics and transaction history. (Blueprint for data-driven circulation growth, 2008)

The second step is the assessment of competencies. Once the business objectives have been quantified, the organisation must assess its ability to execute the initiatives required to satisfy those objectives. ASTECH InterMedia has identified four critical success factors in the fulfilment of strategic, data-driven marketing initiatives. (Blueprint for data-driven circulation growth, 2008)

- Organisational preparedness

Organisational preparedness is partially a function of human resource proficiency (expertise and experience), quantity (level of dedicated resource) and structure (roles and responsibilities). But it is more so a function of culture. Culture reflects the enthusiasm
with which a newspaper recognizes and embraces the challenges and opportunities of a highly volatile media environment.

- **Data assets**

Newspaper companies typically engage customers and prospects at multiple “touch points” – each of which provides an opportunity to increase market intelligence about a consumer unit. Often, processes are not in place to ensure the capture and integrity of this intelligence. The more evolved these processes, the better prepared the organisation is to leverage data-driven marketing techniques that improve productivity. In addition, external demographic and/or behavioural data can often be purchased to enhance marketing applications.

- **Technology resources**

The transformation of data into knowledge and of knowledge into meaningful marketing applications requires the ability to analyze the data and execute initiatives based on the analysis. The marketing systems and software that facilitate these abilities are significantly different from those that manage business operations. Some organisations recognize that these systems are equally as important as the operational systems that produce invoices and route manifests, and are making the investments to ensure that they are prepared for the competitive environment in which they operate.

- **Distribution capabilities**

This success factor will vary with individual perspective. To the advertising executive, distribution effectiveness is largely based on the newspaper’s ability to efficiently integrate multiple media channels in the distribution of marketing communications. To the product marketing or circulation executive, this factor is more aligned with the ability
to distribute news and information in a variety of formats based on individual consumer preference.

In summary, investments in human capital, technological resources and distribution capabilities are shown to provide a positive return on investment in terms of circulation figures. In addition, gaining knowledge of the reader’s behaviour has been shown to be a pivotal requirement for circulation growth and sustainability.

2.5 NEW INTERNET AND CELLULAR BASED MEDIA

The advent of the Internet has given readers the ability to access news when they want, where they want, and in a format of their choice. Newspapers had to adapt to this new content medium, where the content availability is not governed by the usual rules of newspapers.

2.5.1 The attraction of the Internet as a news medium

According to Editor and Publisher (2004) and World Newspapers On-line (2005), there are over 4200 on-line newspapers in the world. Kaye and Johnson (2004) affirm that the main aim of users accessing the Internet is to read breaking news and search for up-to-the-minute information, only exceeded by the use of email. According to Flavián and Gurrea (2009), an empirical study found that the four main motivations to read the press are: (1) to search for specific information, (2) to obtain updated news, (3) for leisure reasons, and (4) as a habit. Many publishers have, however, expressed concern that the on-line form of media would detract from the revenue generated by the printed product. The printed product is regarded by most publishers as their most important product (as opposed to the on-line product). Figure 2.6 outlines the uses of on-line media.
2.5.2 Characteristics of a good on-line newspaper

What distinguishes the best from the rest is a clear commitment to the medium. That would be an on-line product that feels like an on-line product and not like a newspaper in digital form (What makes a good on-line newspaper, 2006). Really good on-line properties are those that have a strong sense of themselves and where they are: inhabiting a virtual world, where the users/readers are in charge of creating their own experience. People behave differently with interactive media than they do with conventional media products (What makes a good on-line newspaper, 2006).

2.5.3 The needs of the on-line readers/consumers

Users demand an experience that is quite different to the passive consumption of print and traditional broadcast information. That means acknowledging the importance of newspaper websites that are being managed in a way that allows them to become products.
in their own right, to generate audiences of value (that is, audiences that keep coming back for more), and which create independent revenue streams (What makes a good online newspaper, 2006).

2.5.4 Comparing the traditional print product and the on-line equivalent

Flavián and Gurrea (2009) identify several advantages that the Internet offers the traditional newspaper industry. These advantages offer the industry the means to overcome the inherent problems associated with the traditional paper medium. The advantages of the digital media and the Internet, in particular, have thus brought about a revolution in journalism. The use of these new systems is distinguished by the speed with which news items reach the reader, the low cost of distributing information, and the opportunity offered to establish more direct contact and thus interact with users, who have came to play an important role in the design of the journalistic offer.

These advantages of the Internet have boosted the supply of digital newspapers in both quantitative and qualitative terms, resulting in a proliferation of increasingly specialised electronic journals. Also, digital news and newspapers are among the services most avidly sought by Internet users (Consoli, 1997; Levins, 1998; Newspaper Association of America, 2003).

The view of Flavián and Gurrea (2009) is also shared by Nielsen (2003), that news sites and digital newspapers are among the most widely demanded and visited websites within the Internet community worldwide. Kaye and Johnson (2004) also affirm that the main aim of users accessing the Internet is to read breaking news and search for up-to-the-minute information, only exceeded by the use of email.
Flavián and Gurrea (2009) further note a duality of distribution channels that exists in the newspaper industry. This duality can be seen in editorial content being offered on-line, and very often for free, as well as in the traditional print media.

There are currently over 4,200 digital newspapers worldwide (Editor & Publisher, 2004). In parallel with this growth of the new medium, the majority of companies in the sector are still operating through the traditional channel. This clear duality of the available supply of news has led to major fears on the part of news providers regarding the possibility of a cannibalistic effect between the two mediums (Chyi & Lasorsa, 2002; Rathmann, 2002).

Despite the possibility of a cannibalistic relationship between the printed product and the digital version of this product existing, it should be pointed out that the research carried out by Gilbert (2001) into the newspaper industry bore out the fact that a significant number of readers of the traditional press had initially been readers of digital versions of these same papers. Therefore, the production of a digital version might constitute a first point of contact with news readers who could become future customers of the printed version.

In summary, the advent of the internet as an additional media channel has offered newspaper publishers an opportunity to augment the current print media channel. Unfortunately, this media channel does not conform to the current business model of newspapers. The needs of the on-line reader is different to that of the reader of the printed product, and the development of financial business models needed to monetise the on-line product is still in progress.
2.6 CHAPTER SUMMARY

This chapter has given the reader an overview of industry literature and has explained some of the challenges facing the industry today. The different attributes of newspaper publishing were investigated and business models proposed by various institutions we illustrated.

The factors involved in editorial content credibility and value were explained, as well as the availability of editorial content. The link between circulation and editorial credibility was also illustrated.

The factors surrounding advertising were discussed, and the strengths of newspapers as an advertising platform were outlined. In addition, measures were outlined that publishers could use to determine the effectiveness of newspapers as an advertising platform. The circulation of newspapers was discussed, as well as the various circulation models in use by newspaper publishers. Reader loyalty was outlined and methods used gain circulation growth using loyalty as a driving force was also outlined.

The influence of the internet was discussed and a comparison with the traditional printed product was outlined. In addition, some solutions to the problems in the newspaper industry were offered by certain publishers and these were outlined. The next chapter outlines the business models applied at APEC as its marketing environment, and its competing products in the Eastern Cape.
CHAPTER 3

A SITUATIONAL ANALYSIS OF APEC

3.1 INTRODUCTION

In this chapter the business models that are currently applied at APEC are reviewed. As the revenue of the company is derived from advertising and circulation, the strategies driving these factors are briefly explained. In addition, the link between the revenue strategies and the company's editorial policies is shown, as the literature review in Chapter 2 has highlighted the influence editorial content has on the markets and ultimately the revenue of a newspaper publishing company.

3.2 ADVERTISING STRATEGIES

FIGURE 3.1: ADVERTISING MODEL OF APEC, SHOWING THE DIFFERENT SEGMENTS OF ADVERTISING

(Source: Author’s own construction)
The revenue generated from selling advertising space is derived from two segments, namely run-of-paper (ROP) advertising and classified advertising. ROP advertising is generated through the sale of display advertisements, and these can be located anywhere in the paper.

### 3.2.1 ROP advertising

The run-of-paper advertising of the company focuses on the small, medium and large advertising needs of both local and national companies. These advertisements are offered as display-type advertising and can be in colour or monochrome (black and white). The colour offering is “loaded”, meaning it is offered to the client at an increased rate per column centimetre. In addition to loading the colours offered, the company also chooses to load certain pages, for example, to place an advert on the front page of The Herald would cost significantly more than placing the same advertisement on the second page. Examples of other loaded pages are pages three and the back page. In addition to loading pages and colours, the company also loads different positions on pages. For example the top right or left hand side of a page is called an ear piece and the rates for ear piece advertisements are higher than those of advertisements on other placings. These loading rates can also be compounded, at the client’s request. A full colour ear piece advertisement on page eleven would be offered at a premium rate compared with a monochrome advertisement at the bottom of page two.

Two types of ROP advertising are offered by the company: national advertising and direct advertising.
3.2.1.1 National advertising

National advertising differs from normal ROP advertising in the sense that the clients targeted for this segment are usually nationwide and a discounted rate is negotiated via an independent body, the National Advertising Bureau (NAB). This rate is based on advertising nationally, in all publications associated with APEC. These are publications like the Sunday Times, Daily Dispatch, Sowetan and The Times.

The customer service representative for this form of advertising is assigned by the NAB, and the interaction with the client for the transaction is also done by NAB. The customers needing national advertising are generally national or multi-national retailers, service providers or manufacturers with service or product outlets across the country. Currently national advertising accounts for approximately 32% of advertising revenue of APEC. Figure 3.2 plots the revenue generated by national advertising in the products of APEC.

**FIGURE 3.2: NATIONAL ADVERTISING REVENUE**

![Graph of national advertising revenue]

(Source: APEC financial records, 2010)
3.2.1.2 Direct advertising

Direct advertisements are advertisements placed by local businesses, with customers in the local distribution area of APEC products. It is important to note that direct advertisements are all ROP advertisements. The customer relationship is managed by a local sales representative who is assigned the task of assessing the needs of the customer. The products of APEC currently carry advertising content of local businesses and events. The advertisements are produced in-house to save cost and to offer the client better customer service. Figure 3.3 plots the direct advertising revenue generated by APEC.

**FIGURE 3.3: DIRECT ADVERTISING REVENUE**

![Revenue Graph](image)

(Source: APEC financial records, 2010)

Figure 3.3 clearly shows a sharp decline in the revenue generated by the sale of direct advertising at APEC. From October 2004 to October 2009 the direct advertising revenue decreased by 73%.
3.2.2 Classified advertising

The second type of advertisement being offered to clients is the classified type of advertisements. These advertisements are aimed at clients not able to afford the rates charged for ROP advertising. The major difference between ROP and classified advertisements is in the graphical display of the advertisements. Figure 3.4 shows the revenue generated by the sales of classified advertising.

FIGURE 3.4: CLASSIFIED ADVERTISING REVENUE

(SOURCE: APEC financial records, 2010)

As can be seen in Figure 3.4, the revenue generated by classified advertisements increased during the same time that direct advertisements decreased in revenue. The average cost of a classified advertisement is lower compared with the average cost of a direct advertisement, and this could be a reason for the increase in classified advertising revenue.
3.3 THE ADVERTISING PRODUCTS USED BY APEC

APEC currently employs three major advertising products (The Herald, Weekend Post and Avusa Community Newspapers [ACN] publications) to enable clients to reach their clients. Within the current three major advertising products, there are smaller, multi-reader sub-products called supplements. The following diagram outlines the structure of these supplements.

**FIGURE 3.5: ADVERTISING PRODUCTS OF APEC**

(Source: Author’s own construction)
3.3.1 The Herald

The Herald is the flagship of the APEC product and currently has an average circulation of approximately 23 000 copies per day and 278 000 readers (AMPS, 2010). The Herald is currently the oldest daily newspaper in South Africa (AMPS, 2010), and is published weekdays (Monday to Friday). The following statement by the company describes the value The Herald offers its advertisers and readers: “A rich history, an unrivalled present and a vibrant future . . . The Herald is the perfect advertising platform for those seeking an informed, mid-upper income audience. The Herald offers independence, authority, integrity, quality and an inquiring, committed readership. Its news pages, analysis and commentary set the standard for journalist excellence, involving the reader in the affairs of Port Elizabeth, South Africa and the world. The paper features a wide number of weekly and daily sections, attractively designed and targeted at a modern-day audience.” (APEC Marketing documents, 2010: 5) The following table statistically outlines the target audience (readership) of The Herald:

### TABLE 3.1: DEMOGRAPHIC PROFILE OF APEC PRODUCT: THE HERALD

<table>
<thead>
<tr>
<th>AGE of reader</th>
<th>000's</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-19</td>
<td>21</td>
<td>8</td>
</tr>
<tr>
<td>20-24</td>
<td>36</td>
<td>13</td>
</tr>
<tr>
<td>25-34</td>
<td>69</td>
<td>25</td>
</tr>
<tr>
<td>35-44</td>
<td>64</td>
<td>23</td>
</tr>
<tr>
<td>45-49</td>
<td>21</td>
<td>8</td>
</tr>
<tr>
<td>50-54</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>55-64</td>
<td>37</td>
<td>13</td>
</tr>
<tr>
<td>65+</td>
<td>15</td>
<td>5</td>
</tr>
</tbody>
</table>

(Source: APEC Trend analysis, 2010)
3.3.2 The Weekend Post

The Weekend Post is a weekly publication that is published on Saturdays and offers readers a different product (both editorially and through advertising supplements). The product has a circulation of approximately 26 000, and a readership of 294 000 (AMPS, 2010). The following statement from the company describes the product:

“Saturday newspaper reading is a different experience from the working week. Saturday readers want a more comfortable paper, with a relaxed feel and fresh mix. The Weekend Post has a broad range of news, information and entertainment, with supplements – My Car, My Food, My Health, My Travel, and The Arts etc offering variety at your finger tips. These are key destinations for readers and for advertisers. The range of sections means readers can shape the paper to their own interests by choosing which parts they want to consume. This is also a major benefit for advertisers, who can accurately target the audience for their particular products and tastes.” (APEC Marketing documents, 2010: 13). Table 3.2 statistically outlines the target audience (readership) of The Weekend Post.

In addition to these two main products, the company also publishes smaller weekly inserts, or supplements that target a smaller audience within the main target group of the two main products (The Herald and The Weekend Post). These products are used to carry adverts that appeal to the smaller target audience, for example World of Wheels would target motoring enthusiasts within the broader target market of The Herald.
TABLE 3.2: DEMOGRAPHIC PROFILE OF APEC PRODUCT: WEEKEND POST

<table>
<thead>
<tr>
<th>AGE</th>
<th>000's</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-19</td>
<td>40</td>
<td>14</td>
</tr>
<tr>
<td>20-24</td>
<td>22</td>
<td>7</td>
</tr>
<tr>
<td>25-34</td>
<td>64</td>
<td>22</td>
</tr>
<tr>
<td>35-44</td>
<td>48</td>
<td>16</td>
</tr>
<tr>
<td>45-49</td>
<td>32</td>
<td>11</td>
</tr>
<tr>
<td>50-54</td>
<td>23</td>
<td>8</td>
</tr>
<tr>
<td>55-64</td>
<td>38</td>
<td>13</td>
</tr>
<tr>
<td>65+</td>
<td>21</td>
<td>7</td>
</tr>
</tbody>
</table>

(Source: APEC Trend analysis, 2010)

3.4 CIRCULATION STRATEGIES

Circulation is managed by a separate business unit, Avusa Coastal Distribution (ACD) within APEC. This company manages and controls all the facets of APEC newspaper distribution of all the company's products.

As described in the literature review in Chapter 2, there are two components in newspaper distribution, namely subscription and single copy sales. The major difference between the two models of distribution is the delivery methods used to reach the end client. Subscription models utilize a push strategy whereby the product is delivered to a list of clients at a destination. Single copy sales are distributed at shop outlets and by street vendors.
3.4.1 Current circulation trends of APEC products

As mentioned in Chapter 1, the products of APEC are monitored and audited by the Auditing Bureau of Circulation and these figures are made known to the public. In order to define the strategies that are employed by APEC to distribute their products, the circulation trends over the past decade need to be investigated (Circulation Science, 2005). The following figures define the circulation trends of APEC’s products.

FIGURE 3.6: AVERAGE DAILY CIRCULATION FOR THE HERALD AND WEEKEND POST (2001-2010)

APEC uses three channels to distribute The Herald, namely subscriptions, retail shops and street sales. Figure 3.6 displays the average daily circulation of The Herald and Weekend Post by circulation channel.
FIGURE 3.7: AVERAGE DAILY CIRCULATION FOR THE HERALD BY DISTRIBUTION CHANNEL (2001-2010)

![Average Daily Circulation for The Herald by Distribution Channel (2001-2010)](source: AMPS 2010)

FIGURE 3.8: AVERAGE DAILY CIRCULATION FOR THE WEEKEND POST BY DISTRIBUTION CHANNEL (2001-2010)

![Average Daily Circulation for The Weekend Post by Distribution Channel (2001-2010)](source: AMPS 2010)
Figures 3.7 and 3.8 indicate the average daily circulation for The Herald and Weekend Post by distribution channel. Figures 3.7 and 3.8 also show that the major drops in circulation for both The Herald and the Weekend Post are in the retail distribution channel. These channels include shop sales, newspaper vendors and retail stores.


(See graph for circulation details)

(Source: AMPS 2010)

Figures 3.9 and 3.10 suggest that The Herald is still the most distributed daily newspaper in the Nelson Mandela Bay Metropole, with the Weekend Post the second most distributed weekly newspaper in the Nelson Mandela Metropole.

3.5 ON-LINE STRATEGIES

In 2006, APEC formulated a task-team to improve the digital visibility and availability of the company's content to all its readers, as well as the drive of on-line readers to the printed products. The basis of the on-line strategy followed by the company is that of engaging in dialogue with readers, as well as providing a platform for readers to voice their opinion on issues that affect them. Development of the web-site was done internally.
and content management of the site is done by APEC staff. Figure 3.11 shows the current web-traffic visiting the site, and the data suggest that The Herald lags significantly behind the closest competitor, Die Burger (www.media24.com). Die Burger is, however, a national daily newspaper, compared to The Herald that is a regional daily newspaper.

**FIGURE 3.11: UNIQUE DAILY BROWSERS IN THE EASTERN CAPE**

![Unique daily browsers graph]

(Source: Nielsen On-line Trend Report, 2010)

The primary function of the site is to drive readers to the printed products. APEC utilizes several tools and strategies to accomplish this.

- The website with the PDF version of the publication will hopefully attract at least 1000 subscribers on a monthly basis and this can grow as the concept of paying for your favourite newspaper takes root.
• The Herald newsroom will provide multimedia content, blogs, special reports worked with print investigations, interactive engagement with readers and 24/7 breaking news on The Herald site which will serve to maintain our high end readers.

3.6 THEORETICAL MODEL TO IMPROVE CIRCULATION AND ADVERTISING SALES AT APEC

Against the background of the preceding literature review (Chapters 2 and 3), a theoretical model to improve sales success at APEC can now be proposed. Sales success is defined as the extent to which the newspaper is successful in increasing its circulation and advertising sales. The theoretical model proposes that sales success could be increased by the effective management of the following factors: newsworthiness, credibility, value proposition, brand awareness, customer loyalty, customer service and the use of new media.

3.6.1 Newsworthiness

The most efficient way for a newspaper to promote itself is through good editorial content or “newsworthiness” (Circulation Science: 2005). This would include the publishing of news that is valued by both current readers and prospective readers. The promotion of the newspaper by this means will cause an increase in circulation and readership, and this will lead to an increase in advertising, due to the increased appeal to advertisers. Resende (2008, 159) confirms this by stating that newspapers’ performances in the advertising market tend to positively affect newspapers’ incentives to invest in quality by investing in the production of new content directed toward the enlargement of the scope and the improvement of the accurateness of newspapers’ editorial content (newsworthiness). It is therefore hypothesised that:
H1: Newsworthiness exerts a positive influence on sales success

### 3.6.2 Credibility

In the article “Anatomy of a death spiral: Newspapers and their credibility”, Meyer and Zhang (2005) investigate the link between credibility and circulation success of a newspaper. A positive correlation was found between news quality (credibility of news content) and circulation. Waning confidence in the press causes lower readership which reduces profits which limits the availability of resources for the editorial product, causing confidence to fall still more. This in turn would lead to lower circulation and lower advertising revenue (Meyer & Zhang, 2005). It is therefore hypothesised that:

H2: Credibility exerts a positive influence on sales success

### 3.6.3 Value proposition

Shaver (1995) found that in today's competitive markets, commercial advertising has become a commodity. Shaver (1995) also found that advertisers are becoming more demanding and sophisticated. In addition, larger advertisers are expecting rate cuts for volume advertising. Shaver (1995) further reported that the market has become more competitive, requiring an increased understanding of strengths and weaknesses of their competitors. The vendor selected by the purchaser of goods and services is dependent on a linkage between price, quality and value. It is therefore hypothesised that:

H3: Value proposition exerts a positive influence on sales success
3.6.4 Brand awareness

According to Circulation Science (2005: 35), the newspaper brand is important in the market served, and very often this brand is not exploited to its full advantage. Research supports this view that a newspaper's brand and corresponding credibility are the most powerful currencies to trade on now and in the future. (The value of news content, 2008). Chavadi and Kokatnur (2007) cite Mallou *et al.* (2001)'s research study on consumer preferences and brand equity measurement of Spanish national daily newspapers that revealed that brand was the most highly valued attribute regardless of age, sex and frequency of newspaper reading. Publishers of newspapers with weak brands should not attempt to compete on price, but should rather concentrate on creating brand equity. (Mallou *et al.* 2001 as cited in Chavadi and Kokatnur, 2007). Against this background it is hypothesised that:

H4: Brand awareness exerts a positive influence on sales success

3.6.5 Customer loyalty

Loyalty is a primary driver of a newspaper's success. Increased customer loyalty leads to a successful long-term relationship with customers, both readers and advertisers. Circulation Science (2005: 21). This long-term relationship would lead to higher sales of newspapers and higher advertising revenue. These findings are further supported by Chen and Xie (2007). Chen and Xie (2007) however warn of an optimal “loyalty window”. Doyle (2009) shares this view, and suggests loyalty as a driver to increase circulation figures, which in turn will drive advertising sales success. It is therefore hypothesised that:
H5: Customer loyalty exerts a positive influence on sales success

3.6.6 New media

Flavián and Gurrea (2009) note that in the newspaper industry there is a growing interest in the analysis of the duality of channels that distribute the latest news. A qualitative study was carried out in order to learn about this particular context of analysis in greater detail. Specifically, a focus group was held and a series of in-depth interviews were conducted. These analyses allowed the identification of the four main motivations to read the press: (1) to search for specific information, (2) to get updated news, (3) for leisure reasons, and (4) as a habit. Subsequently, a survey was applied to a representative sample of users and several hypotheses were tested with a binary logistic regression analysis. The results confirmed that the motivation to search for updated news influences negatively the perceived degree of substitutability between channels (readers prefer the digital channel when searching for updated news).

Flavián and Gurrea (2009) also state that the advantages of digital media and the Internet, in particular, have brought about a revolution in journalism. The use of these new systems is distinguished by the speed with which news items reach the reader, the low cost of distributing information, and the opportunity offered to establish more direct contact and thus interact with users, who have came to play an important role in the design of the product. These advantages of the Internet have boosted the supply of digital newspapers in both quantitative and qualitative terms, resulting in a proliferation of increasingly specialised electronic journals. It is therefore hypothesised that:

H6: New media exert a positive influence on sales success
3.6.7 Customer services

The quality of the sales process and customer service is critical to retention of established customers and of paramount importance to growth of circulation and advertising sales success. (Circulation Science, 2005: 31). Doyle (2009) even suggests that just the perception of low customer service is enough of a driving force to deter customers. It is therefore hypothesised that:

H7: Customer service exerts a positive influence on sales success

The above mentioned hypotheses are graphically depicted in Figure 3.12.
3.7 CHAPTER SUMMARY

Chapter 3 reviewed how the various business processes discussed in Chapter 2 are applied at APEC. In addition the chapter also gave an overview of the nature of the market in which APEC is competing in the Eastern Cape. The three fundamental aspects of newspapers (circulation, editorial and advertising), as discussed in Chapter 1, were also
reviewed within the context of APEC. In Chapter 4, the measuring instruments used in the present study are introduced. The empirical results with regard to the psychometric properties of the measuring instrument and the statistical analyses of relationships among variables are also discussed.
CHAPTER 4

RESEARCH METHODOLOGY AND EMPIRICAL RESULTS

4.1 INTRODUCTION

Chapter 4 provides an in-depth discussion of the research methodology used in this study. This discussion indicates the research paradigm, the sampling design, the reliability and validity of the measuring instruments, the multiple regression results and the descriptive statistics on the industry related perceptions.

4.2 RESEARCH PARADIGM

A paradigm is viewed as a set of basic beliefs. These paradigms represent a world view that defines, for its holder, the nature of the “world”, the individual’s place in it, and the range of possible relationships to that world and its parts. The beliefs are basic in the sense that they must be accepted in faith (Guba & Lincoln, 1994 p.107-108).

According to Leedy and Ormond (2005), research is a systematic process of collecting, analyzing, and interpreting information or data in order to increase the understanding of the issue about which a person is interested or concerned. Thus research is what is done when a problem or a question exists.

According to Collis and Hussey (2003), there are two research paradigms that can be followed, namely qualitative and quantitative. For this research study a combination of both qualitative and quantitative methods was used. The quantitative approach was used
for the collection and interpretation of the numerical data collected by the questionnaire and the qualitative approach for the collection of subjective data. In addition to the questionnaire, a study on various business reports will be done to form a comparative base for business models used in the newspaper industry.

The simplest way to distinguish between qualitative and quantitative research methods, according to Thomas (2003:1), is to say that qualitative methods involve a researcher describing kinds of characteristics of people and events without comparing events in terms of measurements or amounts. Qualitative research is multi-method in focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them. Quantitative methods, on the other hand, focus attention on measurements and amounts (more and less, larger and smaller, often and seldom, similar and different) of these characteristics displayed by the people and events that the researcher studies.

Welman and Kruger (1999) define research as the process by which scientific methods are used to expand knowledge of a particular field of study. For the purpose of this study, the field of study is the newspaper industry.

4.3 THE SAMPLE

Convenience sampling was used to select 287 APEC staff members from all nine departments. One questionnaire was distributed to each of these staff members. The covering letter (see Appendix 1) which explains the nature and purpose of the questionnaire and research and provides clear instructions on the completion of the questions accompanied each questionnaire. Confidentiality and anonymity were strictly guaranteed. One hundred and fourteen (114) usable questionnaires were returned,
translating into a response rate of 40%. Table 4.1 summarises the response-rate per department.

TABLE 4.1: FINAL RESPONSE RATE BY DEPARTMENT

<table>
<thead>
<tr>
<th>Department</th>
<th>Total distributed</th>
<th>Total collected</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ads admin</td>
<td>14</td>
<td>9</td>
<td>64%</td>
</tr>
<tr>
<td>Advertising</td>
<td>30</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td>IT</td>
<td>7</td>
<td>5</td>
<td>71%</td>
</tr>
<tr>
<td>Prepress</td>
<td>22</td>
<td>15</td>
<td>68%</td>
</tr>
<tr>
<td>Editorial</td>
<td>75</td>
<td>14</td>
<td>19%</td>
</tr>
<tr>
<td>Circulation</td>
<td>30</td>
<td>10</td>
<td>33%</td>
</tr>
<tr>
<td>Finance</td>
<td>40</td>
<td>15</td>
<td>38%</td>
</tr>
<tr>
<td>Avusa Community Newspapers</td>
<td>67</td>
<td>41</td>
<td>61%</td>
</tr>
<tr>
<td>Marketing</td>
<td>2</td>
<td>2</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>287</strong></td>
<td><strong>114</strong></td>
<td><strong>40%</strong></td>
</tr>
</tbody>
</table>

4.4 DEMOGRAPHIC COMPOSITION OF SAMPLE

4.4.1 Gender

Of the 114 respondents, 99 completed the demographical data on gender. Of the 99 respondents, 39 (39.4%) were female, and 60 (61.6%) were male.
TABLE 4.2: FINAL RESPONSE RATE BY GENDER

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>39</td>
<td>60</td>
</tr>
<tr>
<td>Female</td>
<td>39.4%</td>
<td>61.6%</td>
</tr>
</tbody>
</table>

4.4.2 Age

Of the 114 respondents, 97 completed the demographical data on age. Table 4.3 summarises the data for the different age groups.

TABLE 4.3: FINAL RESPONSE RATE BY AGE

<table>
<thead>
<tr>
<th>Age group</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-29</td>
<td>24</td>
<td>22.47%</td>
</tr>
<tr>
<td>30-39</td>
<td>30</td>
<td>30.9%</td>
</tr>
<tr>
<td>40-49</td>
<td>25</td>
<td>25.8%</td>
</tr>
<tr>
<td>50-59</td>
<td>12</td>
<td>12.4%</td>
</tr>
<tr>
<td>&gt;60</td>
<td>6</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

The age group with the most respondents was the group 30-39 (30 respondents).
4.4.3 Education

Of the 114 respondents 88 disclosed their level of education. Of the 114, two had degrees, 18 had diplomas and 68 had Grade 10 or 12 certificates. Table 4.4 summarises the education distribution of the sample.

TABLE 4.4: FINAL RESPONSE RATE BY EDUCATION

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree</td>
<td>2</td>
<td>22.7%</td>
</tr>
<tr>
<td>Diploma</td>
<td>18</td>
<td>20.5%</td>
</tr>
<tr>
<td>Grade 12</td>
<td>30</td>
<td>34.1%</td>
</tr>
<tr>
<td>Grade 10</td>
<td>38</td>
<td>43.2%</td>
</tr>
</tbody>
</table>

4.4.4 Years working at APEC (tenure)

Of the 114 respondents 49 stated the number of years they had been working for APEC. Table 4.5 summarises the tenure distribution of the sample.
TABLE 4.5: FINAL RESPONSE RATE YEARS WORKING AT APEC

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5</td>
<td>12</td>
<td>24.5%</td>
</tr>
<tr>
<td>5-9</td>
<td>12</td>
<td>24.5%</td>
</tr>
<tr>
<td>10-14</td>
<td>9</td>
<td>20%</td>
</tr>
<tr>
<td>15-19</td>
<td>6</td>
<td>13.3%</td>
</tr>
<tr>
<td>&gt;20</td>
<td>10</td>
<td>22.2%</td>
</tr>
</tbody>
</table>

4.4.5 Years working in your current position (job experience)

Of the 114 respondents, 53 supplied this demographical data. It is noted that 37% of respondents had been in their current position for five years or less.

TABLE 4.6: FINAL RESPONSE RATES BY YEARS IN CURRENT POSITION

<table>
<thead>
<tr>
<th>Current job experience</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5</td>
<td>20</td>
<td>37.7%</td>
</tr>
<tr>
<td>5-9</td>
<td>19</td>
<td>35.8%</td>
</tr>
<tr>
<td>10-14</td>
<td>6</td>
<td>11.3%</td>
</tr>
<tr>
<td>15-19</td>
<td>1</td>
<td>1.8%</td>
</tr>
<tr>
<td>&gt;20</td>
<td>7</td>
<td>13.2%</td>
</tr>
</tbody>
</table>
To summarise: The data present an acceptable representation of APEC’s staff. In terms of education, tenure and job experience, the respondents are well qualified to answer the questionnaire questions.

4.5 THE MEASURING INSTRUMENTS

Self-constructed instruments based on the cited sources were used to measure the following variables:

- **Newsworthiness** (The value of news content; Meyer & Zhang, 2005);
- **Value proposition** (Circulation Science, 2005; Blueprint for data-driven circulation growth, 2008; Thomson, 1989);
- **Brand awareness** (Circulation Science, 2005; Chavadi & Kokatnur, 2007);
- **Customer loyalty** (Circulation Science, 2005; Brink & Berndt, 2009)
- **Credibility** (Meyer & Zhang, 2005; The value of news content, 2008)
- **Customer service** (Circulation Science, 2005; Doyle, 2009; Brink & Berndt, 2009)
- **New media** (What makes a good on-line newspaper, 2006; Flavián & Gurrea, 2009; Farhi, 2007)

The questionnaire was divided into two sections, Section A and Section B. Section A covered the questions on the latent variables and Section B collected classification data, such as gender, age, education level, tenure and job experience. The final questionnaire consisted of 53 questions (in Section A) and all questionnaire statements were anchored to a 5-point scale ranging from (1) strongly disagree to (5) strongly agree.
4.6 THE PILOT STUDY

Collis and Hussey (2003:175) and Leedy and Ormrod (2005:192) are of the notion that it is essential to conduct a pilot study prior to the final study. This enables the researcher to rectify any questions that might be ambiguous or unclear to the respondents.

The pilot study was conducted and questionnaires were handed out to thirteen (13) APEC staff members. The instruments were tested for reliability by calculating their Cronbach alphas. Table 4.7 contains the results of the reliability assessment of the instruments used in the pilot study. Table 4.7 shows that all reliability coefficients are above the acceptable minimum level of 0.50 (Pierce & Dunham, 1987; Tharenou, 1993), except for the instrument that measures the value proposition variable. Improvements were made to the pilot questionnaire by reformulating some of the questions. The rectified questionnaire was used to conduct the final study.

**TABLE 4.7: RELIABILITY RESULTS OF THE PILOT STUDY**

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>CRONBACH ALPHA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value proposition</td>
<td>0.21</td>
</tr>
<tr>
<td>Newsworthiness</td>
<td>0.56</td>
</tr>
<tr>
<td>Brand awareness</td>
<td>0.70</td>
</tr>
<tr>
<td>Credibility</td>
<td>0.78</td>
</tr>
<tr>
<td>Loyalty</td>
<td>0.69</td>
</tr>
<tr>
<td>New Media</td>
<td>0.64</td>
</tr>
<tr>
<td>Customer service</td>
<td>0.75</td>
</tr>
<tr>
<td>Sales success</td>
<td>0.81</td>
</tr>
</tbody>
</table>
4.7 THE RELIABILITY RESULTS OF THE FINAL STUDY

According to Catane (2001: 71), each step in the research process must answer the question of reliability. Research as a scientific investigation must be bounded by unbiased principles and activities in consonance with the definition of research.

Reliability refers to the consistency of scores obtained by the same persons when they are re-examined with the same test on different occasions, or with different sets of equivalent items, or under other variable examining conditions (Anastasi & Urbina, 1997: 84). Carmines and Zeller (1979) describe it as follows: “Fundamentally, reliability concerns the extent to which an experiment, test or any measuring procedure yields the same results on repeated trials. The measurement of any phenomenon always contains a certain amount of chance error. The goal of error-free measurement – while laudable – is never attained in any areas of scientific investigation... amount of chance error may be large or small, but it is universally present to some extent”. All types of reliability are concerned with the degree of consistency or agreement between two independently derived sets of scores (Anastasi and Urbina, 1997).

According to Thietart (2005: 201), for a measuring instrument to be reliable, that instrument must allow different observers to measure the same subject with the same instrument and arrive at the same results, or permit an observer to use the same instrument to arrive at similar measures of the same subject at different times. The reliability, just as much as the validity, of a measuring instrument is expressed in degrees (more or less valid, more or less reliable) and not in absolute terms (valid or not valid). Researchers can assess the validity or reliability of an instrument in comparison with other instruments.
4.7.1 Approaches to estimate reliability

According to Thietart (2004: 201), the assessment of reliability deals with the researcher assessing whether measuring the same object or the same phenomenon with the same measuring instrument will give results that are as similar as possible. Correlations between duplicated or reproduced measurements of the same object or phenomenon, using the same instrument, need to be calculated. This redundant checking can be executed by the same observer at different times or by different observers at the same time.

According to Anastasi and Urbina (1997), all types of reliability are basically concerned with the degree of consistency or agreement between two independently derived sets of scores. This degree of consistency can basically be expressed in terms of a correlation coefficient. Essentially, this correlation coefficient (r) expresses the degree of correspondence, or relationship between two sets of scores. Thus, if the top scoring individual in variable 1 also obtains the top score in variable 2, the second-best individual in variable 1 is second-best in variable 2, and so on down to the poorest individual in the group, so that there would then be a perfect correlation between variables 1 and 2. Such a correlation would have a value of +1. The desirable reliability coefficients usually fall between 0.70 and 1.00 (Nunnally, 1978), although a minimum of 0.50 is acceptable for basic or exploratory research (Pierce and Dunham, 1987; Tharenou, 1993).

4.7.2 Increasing reliability

According toMuijs (2004), the reliability of a measuring instrument can be increased, if the test finds that the reliability is lower than expected. Any item(s) that are weakly
related to the test as a whole should be removed from the instrument. Muijs (2004) also suggests that reformulating the questions to become less unambiguous and clearer will increase the reliability of the measuring instrument.

In addition to the abovementioned methods, measuring the item with more than one instrument can also be used to increase the reliability of the instrument. When using additional items, individual errors that respondents can make when answering a single item (misreading a question, for example) cancel each other out. Muijs (2004) notes that there is a positive correlation between the reliability of a measuring instrument and the number of items measured. But Muijs (2004) does warn against the use of too many instruments as it causes the respondents to become bored with similar sounding questions.

4.7.3 The reliability of the measuring instruments used in the final study

The instruments used in the final study were again tested for reliability. The results of this assessment are summarised in Table 4.8, which shows that all instruments produced Cronbach alphas of more than 0.50, exceeding the acceptable minimum level of 0.50 (Pierce and Dunham, 1987; Tharenou, 1993). All the instruments were therefore included for subsequent analyses.
## Table 4.8: Reliability Results of the Final Study

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>CRONBACH ALPHA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value proposition</td>
<td>0.53</td>
</tr>
<tr>
<td>Newsworthiness</td>
<td>0.72</td>
</tr>
<tr>
<td>Brand awareness</td>
<td>0.71</td>
</tr>
<tr>
<td>Credibility</td>
<td>0.74</td>
</tr>
<tr>
<td>Loyalty</td>
<td>0.72</td>
</tr>
<tr>
<td>New Media</td>
<td>0.62</td>
</tr>
<tr>
<td>Customer service</td>
<td>0.77</td>
</tr>
<tr>
<td>Sales success</td>
<td>0.86</td>
</tr>
</tbody>
</table>

Table 4.8 reveals that the reliability coefficients of all the instruments have improved on their pilot study reliability coefficients, except New Media which slightly decreased from 0.64 to 0.62. A reliability coefficient of 0.62 is still above the acceptable minimum of 0.50.

### 4.8 Validity of the Measuring Instruments

According to Catane (2007: 77), the validity of the instrument concerns what the instrument measures and how well it does so. Thus, validity refers to the degree that a specific instrument is useful in measuring that item or factor that it is designed to measure. This is the most important requisite for any measuring instrument. If a measuring instrument produces an accurate assessment of the variable it is designed to measure, it is considered to be a valid instrument (Catane, 2007).
4.8.1 Types of validity

Catane (2007) defines three types of validity, namely content validity, criterion-related validity, and construct validity. These three types of validity are also reiterated by Muijs (2004: 64). These validity tests are however not all needed to judge whether an instrument is valid or not. Different types of test need different types of validity. In other words, because different tests are used for different purposes, they have different validity issues.

4.8.2.1 Content validity

This type of validity involves the systematic examination of the test content to determine whether it covers a representative sample of the behaviour domain to be measured. According to Muijs (2004: 66), content validity refers to whether or not the content of the manifest variables (e.g. items of a test or questions of a questionnaire) is right to measure the latent concept that is being measured. Muijs (2004) also notes that content validity requires a very good theoretical background of the concept and how it works.

Catane (2001) defines content validity as a method that involves the systematic examination of the test content to determine whether it covers a representative sample of the behaviour domain to be measured. Such a validation procedure is commonly used in tests designed to measure how well the individual has mastered a skill or course of study (Catane, 2001:78).

An extensive search of the literature on the concept being investigated or measured is a pre-requisite for successful content validation. Asking respondents whether the instrument
or test looks valid to them is important, and this leads to the concept of face validity (Muijs, 2004: 65).

Muijs (2004) also suggests that setting up a panel of users and getting them to comment on the instrument while it is being developed is a good way of refining the instrument and ensuring that the instrument remains valid. In addition, Muijs (2004) proposes the utilization of a panel of experts to further ensure validity of the instrument.

4.8.2.2 Criterion validity

Criterion validity, like content validity, is closely related to the theory that describes and outlines the measuring instrument. Muijs (2004) defines two different types of criterion validity, namely predictive validity and construct validity.

*Predictive validity*

This type of validity refers to whether or not the instrument that is being used predicts the outcomes that the researcher would theoretically expect.

*Construct validity*

This form of validity addresses the question of what construct or characteristic the scale is measuring. It seeks to answer theoretical questions of why a scale works and what deductions can be made concerning the theory of the basic scale. Construct validity includes convergent and discriminant validity. Convergent validity is the extent to which the scale correlates positively with other measures of the same construct, while discriminant validity assesses the extent to which a measure does not correlate with other constructs from which it is supposed to differ (Malhotra, 1999).
A measure has discriminant validity when it has a low correlation with measures of
Discriminant validity is calculated by means of one of the primary tools for establishing
construct validity, namely a factor analysis. A factor analysis facilitates the identification
of measuring items that have a high correlation among themselves, referred to as factors.
The items which comprise the factors help determine the structure of the construct being
measured.

In the present study, sufficient proof of content and criterion-related validity was
established on the basis of the literature review and the pilot study conducted on expert
workers in the field of the news media. A confirmatory factor analysis was conducted to
confirm whether the data which emanated from the respondents reflected the variables (or
constructs) as defined in this study. The Chi-square (4026.379, p < 0.001) shows that the
null hypothesis, that the empirical factor structure does not fit the data, is not supported.
It must therefore be concluded that the proposed factor structure constitutes a reasonable
fit to the data.

**TABLE 4.9: THE CONFIRMATORY FACTOR ANALYSIS RESULTS**

<table>
<thead>
<tr>
<th>SAMPLE SIZE</th>
<th>CHI-SQUARE</th>
<th>DF</th>
<th>EXCEEDANCE PROBABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>114</td>
<td>4026.379</td>
<td>1325</td>
<td>p &lt; 0.001</td>
</tr>
</tbody>
</table>

The above-mentioned empirical results on the reliability and validity of the measuring
instruments indicate that reliable and valid measuring instruments were used in this study.
On this basis multiple regression analysis was conducted to statistically investigate the
relationships among the determinants (independent variables) and sales success (the
dependent variable).
4.9 MULTIPLE REGRESSION ANALYSIS

The STATISTICA Version 9.0 (2009) computer software program was used to test the relationships between sales success (the dependent variable) and its determinants (the independent variables). These relationships include the influence of newsworthiness, credibility, value proposition, brand awareness, loyalty, customer service and new media on sales success (as measured by perceived success in achieving circulation and advertising sales). The results of the multiple regression analysis are summarised in Table 4.10.

**TABLE 4.10: MULTIPLE REGRESSION RESULTS**

<table>
<thead>
<tr>
<th></th>
<th>b*</th>
<th>Std.Err. of b*</th>
<th>b</th>
<th>Std.Err. of b</th>
<th>t(102)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-0.590105</td>
<td>0.301306</td>
<td>-1.95849</td>
<td>0.052904</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AWARNS</td>
<td>0.351784</td>
<td>0.108423</td>
<td>0.121596</td>
<td>0.324455</td>
<td>0.001591</td>
<td></td>
</tr>
<tr>
<td>CREDIBIL</td>
<td>0.147894</td>
<td>0.108071</td>
<td>0.132726</td>
<td>1.36849</td>
<td>0.174166</td>
<td></td>
</tr>
<tr>
<td>LOYLTY</td>
<td>0.277586</td>
<td>0.092721</td>
<td>0.113896</td>
<td>2.93797</td>
<td>0.003457</td>
<td></td>
</tr>
<tr>
<td>MMEDIA</td>
<td>0.357516</td>
<td>0.100355</td>
<td>0.123395</td>
<td>3.56251</td>
<td>0.000560</td>
<td></td>
</tr>
<tr>
<td>SERVICE</td>
<td>-0.186646</td>
<td>0.110559</td>
<td>-0.194776</td>
<td>1.68820</td>
<td>0.094428</td>
<td></td>
</tr>
<tr>
<td>VALUEPP</td>
<td>0.105947</td>
<td>0.094138</td>
<td>0.113356</td>
<td>1.25444</td>
<td>0.263045</td>
<td></td>
</tr>
<tr>
<td>NNEWORTH</td>
<td>-0.173113</td>
<td>0.100079</td>
<td>-0.198272</td>
<td>1.72977</td>
<td>0.086697</td>
<td></td>
</tr>
</tbody>
</table>

Note: p-values $< 0.05$ indicate significant relationships

4.9.1 The influence of newsworthiness of the editorial content on sales success

Hypothesis H1 stipulated that newsworthiness of the editorial content exerts a positive influence on sales success. The null hypothesis formulated in this regard was:
H01: Newsworthiness exerts no influence on sales success (as measured by circulation and advertising figures)

The empirical results show that newsworthiness does not exert a significant \((r = -0.17, p > 0.05)\) influence on sales success. The hypothesis H1 is therefore not supported, while the null hypothesis H01 is supported. This means that improving the newsworthiness of the newspaper content will not lead to increased circulation and advertising sales at APEC.

4.9.2 The influence of the credibility of news content on sales success

Hypothesis H2 stipulated that credibility exerts a positive influence on sales success. The null hypothesis formulated in this regard was:

H02: Credibility exerts no influence on sales success

The empirical results indicate that credibility does not influence sales success significantly \((r = 0.15, p > 0.05)\). Hypothesis H2 is therefore not supported, while the null hypothesis H02 is supported. This means that by improving credibility of the news content managers will not necessarily increase circulation and advertising sales.

4.9.3 The influence of value proposition on sales success

Hypothesis H3 stipulated that value proposition exerts a positive influence on sales success. The following null hypothesis in this regard was formulated:
H03: Value proposition exerts no influence on sales success

The empirical results reveal that value proposition does not significantly ($r = 0.10$, $p > 0.05$) influence sales success (as measured by circulation and advertising sales). The empirical results therefore do not support hypothesis H3, while they support null hypothesis H03. This indicates that the manipulation of the value proposition of services and products will not increase sales success at APEC.

4.9.4 The influence of brand awareness on sales success

Hypothesis H4 stipulated that brand awareness exerts a positive influence on sales success. The null hypothesis formulated in this regard was:

H04: Brand awareness exerts no influence on sales success

The empirical results indicate that brand awareness does influence sales success significantly ($r = 0.35$, $p < 0.01$). Hypothesis H4 is therefore supported, while the null hypothesis H04 is not supported. This means that by improving brand awareness managers could increase circulation and advertising sales.

4.9.5 The influence of customer loyalty on sales success

Hypothesis H5 stipulated that customer loyalty exerts a positive influence on sales success. The null hypothesis formulated in this regard was:
H05: Customer loyalty exerts no influence on sales success

The empirical results indicate that customer loyalty does influence sales success significantly \((r = 0.28, p < 0.001)\). Hypothesis H5 is therefore supported, while the null hypothesis H05 is not supported. This means that by improving customer loyalty managers could increase circulation and advertising sales.

4.9.6 The influence of new media on sales success

Hypothesis H6 stipulated that new media exert a positive influence on sales success. The null hypothesis formulated in this regard was:

H06: New media exerts no influence on sales success

The empirical results indicate that the new media do influence sales success significantly \((r = 0.36, p < 0.001)\). Hypothesis H6 is therefore supported, while the null hypothesis H06 is not supported. This means that by investing in new media managers could increase circulation and advertising sales.

4.9.7 The influence of customer service on sales success

Hypothesis H7 stipulated that customer service exerts a positive influence on sales success. The null hypothesis formulated in this regard was:
H07: Customer service exerts no influence on sales success

The empirical results indicate that customer service does not influence sales success significantly ($r = -0.19$, $p > 0.05$). Hypothesis H7 is therefore not supported, while the null hypothesis H7 is supported. This indicates that improving customer service will not increase sales success at APEC.

To summarise: the empirical results revealed that circulation and advertising sales are increased by improving brand awareness, loyalty and new media. The empirical results also show that credibility, newsworthiness, customer service and value proposition, as measured in this study, do not increase circulation and advertising sales at APEC.

The empirical results further indicate (see Table 4.10) that the seven determinants investigated in this study explain about 63% ($r^2 = 0.626$) of the variance in sales success at APEC. This means that, although they are not all significant determinants of sales success in this study, all these determinants play a role in achieving circulation and advertising sales at APEC.

### 4.10 DESCRIPTIVE STATISTICS: INDUSTRY-RELATED PERCEPTIONS

The responses to individual questionnaire statements were analysed to identify the respondents’ perceptions on industry-related issues. The following were the important perceptions which emanated from this analysis:
**TABLE 10: DESCRIPTIVE STATISTICS: INDUSTRY-RELATED PERCEPTIONS**

<table>
<thead>
<tr>
<th>QUESTIONNAIRE STATEMENT</th>
<th>Strongly disagree to disagree</th>
<th>Neither disagree or agree</th>
<th>Strongly agree to agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Avusa Publishing (EC)'s papers cover the news elements that readers want</td>
<td>11%</td>
<td>33%</td>
<td>52%</td>
</tr>
<tr>
<td>2. Our readers are highly satisfied with Avusa Publishing (EC)'s advertising content</td>
<td>11%</td>
<td>47%</td>
<td>38%</td>
</tr>
<tr>
<td>3. Our products offer advertisers good value for money</td>
<td>11%</td>
<td>30%</td>
<td>56%</td>
</tr>
<tr>
<td>4. The AVUSA PUBLISHING (EC) brand is associated with its values and mission statement</td>
<td>9%</td>
<td>37%</td>
<td>51%</td>
</tr>
<tr>
<td>5. Avusa Publishing (EC) enjoys good loyalty from its advertisers</td>
<td>11%</td>
<td>31%</td>
<td>54%</td>
</tr>
<tr>
<td>6. To place an advert (in print) is an easy process</td>
<td>15%</td>
<td>28%</td>
<td>54%</td>
</tr>
<tr>
<td>7. Avusa Publishing (EC) is successfully fulfilling customers’ needs in the new digital media</td>
<td>20%</td>
<td>34%</td>
<td>42%</td>
</tr>
<tr>
<td>8. Avusa Publishing (EC)’s products cover sufficient local content</td>
<td>16%</td>
<td>29%</td>
<td>52%</td>
</tr>
<tr>
<td>9. Avusa Publishing (EC)’s products are accurate in the editorial content they offer to the readers</td>
<td>8%</td>
<td>30%</td>
<td>59%</td>
</tr>
<tr>
<td>10. The advertising rates charged by Avusa Publishing (EC) are acceptable</td>
<td>21%</td>
<td>41%</td>
<td>34%</td>
</tr>
<tr>
<td>11. Avusa Publishing (EC)’s vision and mission statements are well known to external customers</td>
<td>25%</td>
<td>44%</td>
<td>27%</td>
</tr>
<tr>
<td>12. Avusa Publishing (EC) enjoys good loyalty from its readers</td>
<td>10%</td>
<td>28%</td>
<td>59%</td>
</tr>
<tr>
<td>13. Avusa Publishing (EC) offers customer satisfaction to all its advertisers</td>
<td>11%</td>
<td>41%</td>
<td>45%</td>
</tr>
<tr>
<td>14. Avusa Publishing (EC) should invest more resources in new on-line strategies</td>
<td>7%</td>
<td>24%</td>
<td>66%</td>
</tr>
<tr>
<td>QUESTIONNAIRE STATEMENT</td>
<td>Strong disagree to disagree</td>
<td>Neither disagree or agree</td>
<td>Strongly agree to agree</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------------</td>
<td>-----------------------------</td>
<td>--------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>Considering the amount of money and effort Avusa Publishing (EC) puts into achieving circulation sales, I believe we are doing very well</td>
<td>19%</td>
<td>30%</td>
<td>47%</td>
</tr>
<tr>
<td>Advertisers are very sensitive to the cost of advertising in Avusa Publishing (EC)’s products</td>
<td>7%</td>
<td>29%</td>
<td>61%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s products cover sufficient international content</td>
<td>8%</td>
<td>26%</td>
<td>62%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s vision and mission statements are well known to its staff members</td>
<td>27%</td>
<td>35%</td>
<td>34%</td>
</tr>
<tr>
<td>Avusa Publishing (EC) is successfully achieving maximum advertisement sales revenue</td>
<td>34%</td>
<td>39%</td>
<td>24%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s products are accurate in the advertising content they offer to the readers</td>
<td>7%</td>
<td>34%</td>
<td>55%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s products cover the content that readers are interested in</td>
<td>19%</td>
<td>37%</td>
<td>40%</td>
</tr>
<tr>
<td>The brand name, Avusa Publishing (EC), is well recognized by readers</td>
<td>29%</td>
<td>33%</td>
<td>34%</td>
</tr>
<tr>
<td>Growing the new media will lead to sustained growth for Avusa Publishing (EC) as a whole</td>
<td>11%</td>
<td>31%</td>
<td>55%</td>
</tr>
<tr>
<td>Avusa Publishing (EC) is continuously improving its services to customers</td>
<td>24%</td>
<td>35%</td>
<td>38%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s advertisement sales success is above average</td>
<td>22%</td>
<td>51%</td>
<td>24%</td>
</tr>
<tr>
<td>The cover prices of Avusa Publishing (EC)’s products are acceptable</td>
<td>19%</td>
<td>29%</td>
<td>48%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s products have no factual errors in the advertising content</td>
<td>24%</td>
<td>40%</td>
<td>32%</td>
</tr>
<tr>
<td>When a newsworthy event occurs, the public trust Avusa Publishing (EC)’s products to accurately cover the event</td>
<td>10%</td>
<td>29%</td>
<td>58%</td>
</tr>
<tr>
<td>QUESTIONNAIRE STATEMENT</td>
<td>Strong disagree to disagree</td>
<td>Neither disagree or agree</td>
<td>Strongly agree to agree</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------------</td>
<td>-----------------------------</td>
<td>----------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>The brand name, Avusa Publishing (EC), is well recognized by advertisers</td>
<td>25%</td>
<td>32%</td>
<td>40%</td>
</tr>
<tr>
<td>Readers would still buy Avusa Publishing (EC)’s products even if the competition had</td>
<td>12%</td>
<td>32%</td>
<td>53%</td>
</tr>
<tr>
<td>cheaper products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s products are readily available to all readers</td>
<td>13%</td>
<td>26%</td>
<td>57%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s circulation and sales figures are above average</td>
<td>20%</td>
<td>41%</td>
<td>35%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s news content should be offered free of charge to all visitors</td>
<td>21%</td>
<td>31%</td>
<td>45%</td>
</tr>
<tr>
<td>to Avusa Publishing (EC)’s website</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s products have no grammatical errors in their advertising content</td>
<td>33%</td>
<td>34%</td>
<td>29%</td>
</tr>
<tr>
<td>The brand name Avusa Publishing (EC) is associated with the products of the company</td>
<td>24%</td>
<td>24%</td>
<td>49%</td>
</tr>
<tr>
<td>(Herald, Weekend Post, etc)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Readers are very sensitive to the cover price of Avusa Publishing (EC)’s newspapers</td>
<td>15%</td>
<td>37%</td>
<td>44%</td>
</tr>
<tr>
<td>I would recommend Avusa Publishing (EC)’s products to friends/family wanting to advertise.</td>
<td>8%</td>
<td>18%</td>
<td>70%</td>
</tr>
<tr>
<td>To place an advert (on-line) is an easy process</td>
<td>23%</td>
<td>48%</td>
<td>25%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s products have no factual errors in the editorial content</td>
<td>28%</td>
<td>40%</td>
<td>27%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s products carry sufficient exclusive content (content not</td>
<td>28%</td>
<td>36%</td>
<td>32%</td>
</tr>
<tr>
<td>covered by other media houses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avusa Publishing (EC) is following the most successful pricing strategy for on-line</td>
<td>11%</td>
<td>57%</td>
<td>28%</td>
</tr>
<tr>
<td>media</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Considering the amount of money and effort Avusa Publishing (EC) puts into achieving</td>
<td>28%</td>
<td>38%</td>
<td>30%</td>
</tr>
<tr>
<td>advertisement sales, I believe we are doing very well</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>QUESTIONNAIRE STATEMENT</td>
<td>Strong disagree to disagree</td>
<td>Neither disagree or agree</td>
<td>Strongly agree to agree</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------------</td>
<td>-----------------------------</td>
<td>--------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>I would recommend Avusa Publishing (EC)’s products to friends/family wanting to read editorial content.</td>
<td>6%</td>
<td>25%</td>
<td>65%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s products have no grammatical errors in the editorial content</td>
<td>31%</td>
<td>40%</td>
<td>25%</td>
</tr>
<tr>
<td>The company communicates well with customers</td>
<td>26%</td>
<td>39%</td>
<td>30%</td>
</tr>
<tr>
<td>The subscription rates are attractive to subscribers</td>
<td>17%</td>
<td>42%</td>
<td>36%</td>
</tr>
<tr>
<td>Customers see the added value of having multiple products under one brand</td>
<td>11%</td>
<td>46%</td>
<td>39%</td>
</tr>
<tr>
<td>Avusa Publishing (EC) is successfully achieving circulation and sales targets</td>
<td>19%</td>
<td>47%</td>
<td>29%</td>
</tr>
<tr>
<td>The readers believe the content they read in the products of Avusa Publishing (EC)</td>
<td>6%</td>
<td>42%</td>
<td>47%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s advertisement sales figures indicate long-term profitability</td>
<td>13%</td>
<td>51%</td>
<td>32%</td>
</tr>
<tr>
<td>Advertisers would still advertise in Avusa Publishing (EC)’s products even if the competition was offering the same adverts 10% cheaper.</td>
<td>18%</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s on-line strategy offers advertising customers a viable platform to connect to their customers</td>
<td>11%</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Avusa Publishing (EC)’s circulation and sales figures indicate long-term profitability</td>
<td>18%</td>
<td>46%</td>
<td>32%</td>
</tr>
</tbody>
</table>

The analysis of the questionnaire revealed the following highlights:
Question 1: Avusa Publishing (EC)'s papers cover the news elements that readers want

Fifty-two (52%) percent of the respondents believed that APEC's papers covered the news, compared with eleven (11%) percent that believed they did not cover the news elements that readers wanted.

This statistic points toward the high value readers place on the editorial content of the products of APEC. In addition, it also guides management of the company in the strategic direction that the company needs to follow in the area of editorial content.

In Chapter 2 the value of news content was investigated and it was found that news content is an attraction to readers, and if the readers of the papers are not serviced by means of relevant news content, the readership of the product could suffer as a direct result of this neglect. The content that readers value is the same for on-line products as well as for the printed products. It is suggested that the products of APEC focus on content that readers value, namely content that is relevant to readers, content that can help readers make informed decisions, content that is credible, as well as the ability to inform readers in their areas of interest.

Question 2: Our readers are highly satisfied with Avusa Publishing (EC)'s advertising content

Twenty-seven (27%) percent of the respondents believed that APEC's readers were highly satisfied with the advertising content of the products, compared with eight (8%) percent that believed the readers were not satisfied with the advertising content of APEC.
The higher number of respondents that believes that the advertising content of the products of APEC is of sufficient quality highlights the strength of APEC in the Eastern Cape advertising media market. This number is below fifty (50%) percent though, and that indicates that APEC should focus more resources on the quality of the advertising content of the published products. The company could also consider training production staff to better understand the advertising needs of customers.

In addition to training of production staff, the literature review in Chapter 2 has outlined the concepts of customer centric communication that can be applied to enable newspaper publishers to better understand the needs of their clients, as that is essentially the goal of newspapers as an advertising medium, to connect the advertiser with his or her client.

**Question 3: Our products offer advertisers good value for money**

Forty-four (44%) percent of respondents believe that APEC offers advertisers good value, compared with seven (7%) percent who believe the company does not offer good value for money.

This statistic is significant as it points out the value proposition that APEC products offer advertising customers. The figure forty-four (44%) percent, although significantly higher than the number of respondents that disagreed with the statement, namely seven (7%) percent, is not above fifty (50%) percent and could point toward a perception of high cost of advertising in the products of APEC. Management could consider lower advertising rates for loyal customers, or introductory rates for new customers.
The literature in Chapter 2 has revealed several pricing structures that newspaper publishers could employ to attract customers, even during times when newspapers have to compete against cheaper, and often free forms of advertising, that may seem to offer more value for money.

**Question 4: The brand name, AVUSA PUBLISHING (EC), is associated with its values and mission statement**

Thirty-seven (37%) percent of respondents believed that the brand name, APEC, was associated with its value and mission statement, compared with six (6%) percent who believed the brand name, APEC, was not associated with its values and mission statement.

This figure suggests a possible separation of the different brand products of the company and the brand name APEC. Due to the large number of products in the APEC stable, the ability to use these products to communicate the brand’s vision and mission statements to clients could be explored, in addition to publicly identifying the ways that APEC's implemented strategies exercise its mission and vision statements.

**Question 11: Avusa Publishing (EC)’s vision and mission statements are well known to external customers**

Twenty-three (23%) percent of respondents believed that APEC's vision and mission statements were well known to external customers, as opposed to twelve (12%) percent of respondents who believed the vision and mission statements were not well known to external customers.
This indicates a lower than expected level of awareness of the vision and mission statement of APEC. Informing and communicating the vision and mission statements of the company to clients and readers will have the advantage of building brand loyalty by aligning the values of clients and readers to those of the company and its products.

**Question 12: Avusa Publishing (EC) enjoys good loyalty from its readers**

Forty-four (44%) percent of respondents believed APEC enjoyed good loyalty from its readers, compared with eight (8%) percent of respondents who believed the company did not enjoy good loyalty from readers.

This could indicate a high level of loyalty due to ratio (forty-four [44%] percent versus eight [8%] percent) but also indicates an area of possible improvement in brand loyalty. Strategies that can be employed to achieve this are various loyalty reward programmes, like the 'Reader-get-reader' programme.

**Question 17: Avusa Publishing (EC)’s products cover sufficient international content**

Forty-nine (49%) percent of respondents believed APEC's products covered sufficient international content, compared with five (6%) of respondents who believed the company did not cover sufficient international content.

The company already utilizes the services of SAPA and AP, so there would be no additional cost in increasing the international news content of the papers of APEC.
Question 19: Avusa Publishing (EC) is successfully achieving maximum advertisement sales revenue

Thirty-nine (32%) percent of respondents believed that APEC did not achieve maximum advertising sales revenue, compared with eleven (11%) percent of respondents who believed the company did achieve maximum advertising sales revenue.

Increasing the advertising sales revenue of the company is going to require the implementation of various strategies as discussed in Chapter 2. More specifically, it is the opinion of the researcher that the strategies surrounding customer centric communications could provide the increase in advertising revenue needed to increase sales success at APEC.

Question 28: When a newsworthy event occurs, the public trust Avusa Publishing (EC)’s products to accurately cover the events

Forty-four (44%) percent of respondents believed that the public trusted APEC’s products to accurately cover newsworthy events, compared with six (6%) percent of respondents who believed that the public could not trust APEC’s products to cover newsworthy events.

Although this figure suggests a high level of trust in the news content of APEC, it still suggests room for improvement. This improvement can be achieved by the implementation or adaptation of editorial policies, for example the formulation of news bureaus to ensure coverage of news events as they occur, or the employment of free-lance reporters.
**Question 31: Avusa Publishing (EC)’s products are readily available to readers**

Forty-six (46%) percent of respondents believe that APEC’s products are readily available to readers, compared with 10% of respondents who believe that APEC’s products are not readily available to readers.

This statistic indicates the fifty-four (54%) percent of respondents believe that APEC's products are not readily available to readers. Strategies to improve the availability of newspapers could include the implementation of vending machines, better monitoring of retail stores, and subscription drives. In addition, loyalty reward programmes could also be implemented.

**Question 34: Avusa Publishing (EC)’s products have no grammatical errors in the advertising content**

Thirty (30%) percent of respondents believed that APEC’s products had grammatical errors in advertising content compared with sixteen (16%) percent of respondents who believed the company had no grammatical errors in its advertising content.

This statistic points to a high level of grammatical errors in the advertising content of APEC. As a result, the company is, by policy, forced to award a credit to the advertising client and reprint the advert at own cost. This not only reduces the advertising sales success of the company, but also reduces advertising revenue as well as customer loyalty from advertisers.
This factor can be rectified by the implementation of work flow to scan the advertising material for errors before publishing, or the ability to allow advertisers to 'approve' the advert before publishing.

**Question 37:** I would recommend Avusa Publishing (EC)’s products to friends/family wanting to advertise.

Fifty-eight (58%) percent of respondents would recommend APEC’s products to family and friends, compared with 4% that would not recommend APEC’s products to family and friends.

This figure indicates a high level of loyalty toward the APEC brand of products. The company should investigate means and strategies to leverage this loyalty into advertising and circulation sales.

**Question 42:** Considering the amount of money and effort Avusa Publishing (EC) puts into achieving advertisement sales, I believe we are doing very well

Fifty-four (54%) percent of respondents believed that APEC was doing well considering the amount of money and effort APEC puts into advertising sales, compared with two (2%) percent of respondents who believed that APEC did not do well considering the amount of money and effort APEC puts into advertising sales.
Question 44: Avusa Publishing (EC)’s products have no grammatical errors in the editorial content

Twenty-seven (27%) percent of respondents believed APEC’s products had grammatical errors in the editorial content, compared with fifteen (15%) percent of respondents who believed that APEC’s products had no grammatical errors in their editorial content.

This points towards the fact that seventy-three (73%) percent of respondents believe that APEC's products contain grammatical errors in their editorial content. This leads to a perception of low quality of the products of APEC. It is of great importance that the quality of the products be improved. The means to improve the editorial quality could include spelling and grammar checking software, as well as work-flow enhancements, for example the use of readers to check the pages before publishing.

Question 49: The readers believe the content they read in the products of Avusa Publishing (EC)

Thirty-nine (39%) percent of respondents believed that readers believed the content they read in APEC’s products, compared with four (4%) percent of respondents who believed that readers did not believe the content they read in APEC’s products.

This figure points to a significant level of trust in the content that APEC offers readers. As Chapter 2 outlined, increasing the value and credibility of the editorial content of a published product increases the appeal to advertisers. This in turn will result in an increase in circulation.
To summarise: The descriptive statistical results of the questionnaire point toward a high level of trust in the editorial and advertising content of APEC. In addition, the respondents had a high level of loyalty towards the APEC brand of products, indicating that they would recommend the products of APEC to friends and family. The results do however indicate that APEC should invest more resources in the new digital platforms that are reducing not only the profit of the firm, but also reducing the barrier to entry for competing publishers. The results also point towards a market that is highly sensitive to the price of media products, as well as the cost of utilising these products as an advertising carrier.

4.11 CHAPTER SUMMARY

In Chapter 4 the psychometric properties of the measuring instruments were investigated. Content validity was the method chosen to test the validity of the measuring instrument. A confirmatory factor analysis (test for construct validity) was also conducted and the results reported, as well as the highlights of the questionnaire results being discussed briefly. The confirmatory factor analysis results showed that the proposed factor structure constituted a reasonable fit to the data, and three null-hypotheses were rejected. This means that the hypothesised positive relationship between brand awareness, customer loyalty and new media, on the one hand, and sales success on the other hand, was supported.

The descriptive statistics were analysed and interpreted and the findings were reported. The interpretation pointed towards the high value that readers place on the editorial content of APEC, as well as the great loyalty that readers as well as advertisers show towards the products of APEC. The descriptive statistics also pointed towards areas that the respondents felt the company could improve. These included investment in new media platforms, as well as a need to relook at the company’s circulation strategy. The
credibility of the products of APEC was an area identified as a weak area by the descriptive statistics.

The next chapter, Chapter 5, reflects the managerial impact of the findings and outlines the business areas in which management should invest company resources in order to possibly increase revenue.
CHAPTER 5

DISCUSSION OF THE RESULTS, MANAGERIAL IMPLICATIONS AND CONCLUSIONS

5.1 INTRODUCTION

In this chapter the main findings of this study are discussed in terms of the findings of previous studies, as well as their implications for managers. The chapter also identifies the limitations of the study and makes recommendations for future research in that regard.

5.2 SUMMARY OF THE EMPIRICAL RESULTS

The most important empirical results may be summarised as follows:

- Newsworthiness exerts no influence on sales success;
- Credibility exerts no influence on sales success;
- Value proposition exerts no influence on sales success;
- Brand awareness exerts a positive influence on sales success;
- Customer loyalty exerts a positive influence on sales success;
- Customer service exerts no influence on sales success;
- The use of new media exerts a positive influence on sales success;
- A need exists for APEC to invest more company resources in new media strategies, as well as the need to increase the quality of the advertising content of the products; and
- There is a level of trust and loyalty in the editorial content of APEC, as well as the perception of good value for money, both for readers and advertisers.
The above-mentioned results are now discussed in terms of how they relate to previous studies, as well as the implications they hold for managers.

5.3 MANAGERIAL IMPLICATIONS

The following sections will summarise the managerial implications of the findings of the study.

5.3.1 New media

The empirical results revealed that the use of new media platforms will increase APEC’s sales success. This means that APEC would increase its circulation and advertising sales if it increased its successful fulfilling of customers’ needs by the use of new digital media; invested more resources in new on-line strategies; offered editorial content free of charge to all website visitors; and improved its pricing strategy for on-line media.

Investment in new media platforms like cellular technology and the Internet has been identified by the research as a method of increasing revenue. It is the view of the researcher that in this new digital era, APEC should embark on a drive to fulfil the needs of readers as well as advertisers by utilising the emerging stream of digital communication channels. Of the respondents in this study, 66% felt that APEC should invest more resources in new media. Investing in this form of communication will offer APEC clients ease of access to information, as well as the availability of up-to-date news, more effective citizen based journalism and feedback. The advantages of the new digital media platforms were discussed in the literature review in Chapter 2, and previous studies indicated that investing in this regard would yield a return on investment. Implementing a digital strategy requires significant resources to achieve a proper return on investment.
Research suggests that the good news is that opportunities in newspaper markets are still very substantial, but to capitalize on them, a newspaper company must reach beyond the limits of newspapers and news, becoming what can be described as a “local information and connection utility” (Grey, 2008). It is the view of the present researcher that transforming APEC into such a local information and connection utility would result in an ability to position itself in the media market as the chosen provider of quality information services to the Eastern Cape.

As a provider of digital and traditional advertising platforms, APEC is in possession of a vast database of supplier information, as well as reader needs, both advertising and editorial. This database of suppliers and consumers can be utilised to the financial advantage of APEC by increasing the perceived value to advertising clients. This can be accomplished by providing advertisers with a more accurate and cost-effective method of reaching their target audience, and by collecting data about readers’ needs and behaviours. For example, APEC could profile the shopping habits of readers and assess the products and services that are required most frequently by readers. This information could then be sold to advertisers as an additional service to current advertising products.

It is also important that the digital pricing strategy chosen by the company should be accepted by the customers of APEC, and that no product cannibalisation takes place. This would happen where readers prefer to move onto the digital products and abandon the printed product.

5.3.2 Customer loyalty

The empirical results showed that customer loyalty exerts a positive influence on sales success. Investing in customer loyalty would thus result in a positive return on investment. Chapter 2 reviewed strategies that could be used to benefit from customer loyalty. These include the employment of loyalty reward programmes for both readers and advertisers.
Loyalty reward programmes for readers can take various forms, but it is the view of the researcher that programmes that will provide the reader with greater perceived value for money will be more successful in the Eastern Cape. Examples of this type of programme include multi-product subscriber discounts for loyal subscribers, including advertising rate decreases for placing classified advertisements.

5.3.3 Brand awareness

The empirical results showed that brand awareness exerts a positive influence on sales success. It is therefore suggested that APEC invest resources in brand-building exercises. These exercises should include improving customers’ and staff members’ knowledge about APEC’s vision and mission; making APEC’s brand name more recognizable to readers; strengthening the brand name, APEC, with its products (The Herald, Weekend Post, etcetera); and making sure that customers see the added value of having these multiple products under one brand.

5.3.4 Newsworthiness

The empirical results revealed that newsworthiness does not exert a significant influence on the sales success of APEC. This means that the extent to which APEC’s papers cover the news elements that readers want and are interested in, cover sufficient local and international content, and carry sufficient exclusive content (content not covered by other media houses) does not impact APEC’s sales success significantly. It further means that the extent to which the public trusts APEC to accurately cover events also does not significantly influence the circulation and advertising sales of APEC.

The possible reasons for the acceptance of the null-hypothesis could be the shift in what the public perceives as important, as well as direct competition from other news sources, for example social network sites. An increase in the number of news sources could cause
the primary function of a newspaper to change from informing the reader about current news events to another, more interpretive role.

5.3.5 Credibility

The empirical results revealed that credibility does not exert a significant influence on the sales success of APEC. This means that the extent to which readers are highly satisfied with APEC’s editorial and advertising content, APEC’s products are accurate in the editorial and advertising content they offer to the readers, and readers believe the content they read in the products of APEC, does not influence APEC’s sales success significantly.

This could be due to the fact that the respondents assume that the content of a newspaper is supposed to be credible, and that it is one of the prerequisites for being a newspaper. Thus, paying more for an attribute that is perceived to be there initially is not seen as necessary by the readers and advertisers of APEC.

5.3.6 Value proposition

The empirical results revealed that value proposition does not exert a significant influence on the sales success of APEC. This means that the value perceived by advertisers, the extent to which the advertising rates are acceptable, the price sensitivity of the advertising customers, the cover price of APEC’s products, and the subscription rates charged to subscribers, do not significantly influence APEC’s sales success.

The reason for this could be the perception among respondents that APEC’s products and services are of high value already and by offering the customer even more value for money would not attract significantly more revenue. In addition, it could point toward the
need for rejuvenation in the newspaper industry, and the services offered by publishers to advertising clients and readers.

5.3.7 Customer service

The empirical results reveal that customer service does not exert a significant influence on the sales success of APEC. This means that the ease of placing advertisements in APEC’s products, the level of customer satisfaction offered to advertising clients, the continuous improvement of services to customers, the availability of the products to readers, the ease of advertising on-line or in print, and communication with customers do not influence the sales success of APEC.

It can be speculated that the reason why an increase in customer service will not significantly increase sales success at APEC has to do with the products that are currently offered to readers and advertisers. It could point towards the need to reinvent the products that are being offered to clients.

5.4 THE EMPIRICAL RESULTS AS THEY RELATE TO THE SECONDARY RESEARCH OBJECTIVES

In Chapter 1 the following secondary research objectives were formulated:

(i) To investigate the reasons for APEC’s low growth in circulation and advertising revenue;
(ii) To investigate the factors that are keeping APEC’s advertising and circulation revenue stream stagnant;
(iii) To investigate the business models that the other media companies are using to boost advertising and circulation revenue, and
To investigate the factors that are the strongest determinants of sales success (both advertising and circulation) of APEC.

The empirical results are now discussed in relation to these secondary objectives.

The empirical results showed that the reasons for APEC’s low growth in circulation can be attributed to the retail distribution channel. Chapter 3 showed the major decrease is in the retail distribution channel. It is advised that APEC invest resources in growing retail sales of newspapers. These factors affected both The Herald and Weekend Post circulation figures. The empirical results also showed that the advertising revenue stream with the greatest decline is direct advertising revenue. In addition, the factors contributing to low growth in circulation and advertising revenues were identified and the following items were highlighted in the descriptive statistical results of this study.

(i) Low investment in new media platforms
(ii) The mission and vision statements of APEC are not known to the clients
(iii) Difficulty in the advertising placement process
(iv) Errors (factual and grammatical) in the advertising content
(v) Perception of high subscription rates
(vi) Not enough exclusive editorial content

The study also showed examples of business models that other publishers have implemented to reduce the effect of the global decline in newspaper circulation. These include the use of strategies like customer centric communication, the use of tools like ACAP, and loyalty reward programs. These strategies are outlined in Chapter 2.
To increase circulation and advertising revenue, managers should focus on the areas of new media and customer loyalty, as well as growing the APEC brand (see sections 5.3.1 to 5.3.3 above).

5.5 FURTHER RESEARCH

Although this study identified factors that positively influence the sales success of a media company, it also showed that these factors are very complex and interwoven. The new media platforms that are available to media companies are evolving constantly and new products are being introduced to the market daily. Although research into the development of products for the media industry is being conducted, the method to monetise these platforms has not been found. Further research should also be conducted on the way in which customers perceive the Internet as a substitute for the printed newspaper, and what the perceived monetary value of this substitute product would be to the customer, both reader and advertiser. Finally, future research efforts should explore improved measuring instruments to measure the variables included in the hypothesised model. Some variables which were expected to affect circulation and advertisement sales in the newspaper industry did not do so. This could be that self-constructed instruments were used to measure the latent variables in this study. These instruments should be tested on a bigger sample to increase their validity.

5.6 SUMMARY

The problem investigated in this study was the negative growth in circulation and advertising revenue of APEC over the past 15 years. Although all media companies are experiencing similar results, with circulation of newsprint products decreasing, APEC has not had any success in implementing strategies to reverse this occurrence. The decrease in circulation had a negative effect on the appeal of the newspapers of APEC as advertising mediums.
In order to investigate this problem at APEC a hypothesised model of sales success was developed based on a literature study of the newspaper industry. This hypothesised model was tested using a self-constructed questionnaire of 53 questions. A sample was selected using the convenience sampling method and the respondents were selected from the employees of APEC. The reason this was done was to sample the views of both the readers and advertisers. The general public usually falls into one category, either readers or advertisers, but the employees of APEC are exposed to the advertising aspects of the business as well as the editorial content of the products. The initial sample was 287 and a response rate of 40% was achieved, with 114 respondents completing the questionnaires.

A multiple regression analysis was conducted to measure the hypothesised relationships. This analysis showed that an increase in customer loyalty, brand awareness and investment in new media platforms will result in an increase in sales success as measured by circulation and advertising revenue.

An analysis of the descriptive statistics revealed areas where APEC could improve the offering of products and services to readers and advertisers. These areas include the improvement of the quality of advertising content of the products of APEC, investment of company resources in new digital platforms and the improvement of the advertisement placing process. Suggestions were offered to management and the effect that these suggestions would have on the sales success of APEC was described.

The major contribution of this study was the identification of the most important areas in which newspaper publishing companies, and APEC in particular, should invest company resources to ensure a positive return on investment.
LIST OF SOURCES


Avusa Publishing Eastern Cape. 2010. APEC financial records.

Avusa Publishing Eastern Cape. 2010. APEC Trend analysis.


Business models of newspaper publishing companies. 2006. IFRA Special Report: Darmstadt. IFRA


What makes a good online newspaper – we help decide. 2006. CDA Ltd.


Dear Respondent

I am a post-graduate student studying towards my MBA (Master in Business Administration) at the Nelson Mandela Metropolitan University Business School. The aim of my study is to improve the business success of Avusa Publishing (EC), my employing company. I believe that my study would make a contribution to the improvement of service delivery and eventually the business success of Avusa Publishing (EC). The empirical findings of the study will be made available to all participants in my study.

You are part of our selected sample of respondents whose views we seek on the above-mentioned matter. We would therefore appreciate it if you could answer a few questions. It should not take more than twenty minutes of your time and we want to thank you in advance for your co-operation.

There are no correct or incorrect answers. Please answer the questions as accurately as possible. For each statement, tick (with a cross X) the number which best describes your experience or perception. For example, if you strongly agree with the statement, tick the number 5. If you strongly disagree with the statement, tick the number 1. **Tick only one answer for each statement and answer all questions please. We guarantee that all information will be handled with the STRICTEST CONFIDENTIALITY.**

Thank you very much.

E. Gerwel
APPENDIX 2: THE MEASURING INSTRUMENTS

NEWsworthiness
Avusa Publishing (EC)'s papers cover the news elements that readers want
Avusa Publishing (EC)'s products cover sufficient local content
Avusa Publishing (EC)'s products cover sufficient international content
Avusa Publishing (EC)'s products cover the content that readers are interested in
When a newsworthy event occurs, the public trust Avusa Publishing (EC)'s products to accurately cover the events
Avusa Publishing (EC)'s products carry sufficient exclusive content (content not covered by other media houses)

CReditibility
Our readers are highly satisfied with Avusa Publishing (EC)'s advertising content
Avusa Publishing (EC)'s products are accurate in the editorial content they offer to the readers
Avusa Publishing (EC)'s products are accurate in the advertising content they offer to the readers
Avusa Publishing (EC)'s products have no factual errors in the advertising content
Avusa Publishing (EC)'s products have no grammatical errors in the advertising content
Avusa Publishing (EC)'s products have no factual errors in the editorial content
Avusa Publishing (EC)'s products have no grammatical errors in the editorial content
The readers believe the content they read in the products of Avusa Publishing (EC)
VALUE PROPOSITION

Our products offer advertisers good value for money

The advertising rates charged by Avusa Publishing (EC) are acceptable

Advertisers are very sensitive to the price of advertising in Avusa Publishing (EC)’s products

The cover price of Avusa Publishing (EC)’s products is acceptable

Readers are very sensitive to the cover price of Avusa Publishing (EC)’s newspapers

The subscription rates are attractive to subscribers

BRAND AWARENESS

The brand name, AVUSA PUBLISHING (EC), is associated with its values and mission statement

Avusa Publishing (EC)’s vision and mission statements are well known to external customers

Avusa Publishing (EC)’s vision and mission statements are well known to its staff members

The brand name, Avusa Publishing (EC), is well recognized by readers

The brand name, Avusa Publishing (EC), is well recognized by customers

The brand name is associated with the products of the company (The Herald, Weekend Post, etc)

Customers see the added value of having multiple products under one brand
CUSTOMER LOYALTY

Avusa Publishing (EC) enjoys good loyalty from its advertisers

Avusa Publishing (EC) enjoys good loyalty from its readers

Readers would still buy the product even if the competition had a cheaper product

I would recommend Avusa Publishing (EC)’s products to friends/family wanting to advertise.

I would recommend Avusa Publishing (EC)’s products to friends/family wanting to read editorial content.

Advertisers would still advertise in Avusa Publishing (EC)’s products even if the competition was offering the same adverts 10% cheaper.

CUSTOMER SERVICE

It is easy to advertise in Avusa Publishing (EC)’s products

Avusa Publishing (EC) offers customer satisfaction to all its advertisers

Avusa Publishing (EC) is continuously improving its services to customers

Avusa Publishing (EC)’s products are readily available to readers

To place an advert (on-line or in print) is an easy process

The company communicates well with customers

NEW MEDIA

Avusa Publishing (EC) is successful in fulfilling customers’ needs in the new digital media

Avusa Publishing (EC) should invest more resources in new on-line strategies
Growing the new media will lead to sustained growth for Avusa Publishing (EC) as a whole

The editorial content should be offered free of charge to all visitors to Avusa Publishing (EC)’s website

Avusa Publishing (EC) is following the most successful pricing strategy for on-line media

Avusa Publishing (EC)’s on-line strategy offers advertising customers a viable platform to connect to their customers

**SALES SUCCESS**

Considering the amount of money and effort Avusa Publishing (EC) puts into achieving circulation sales, I believe we are doing very well

Avusa Publishing (EC) is successfully achieving maximum advertisement sales revenue

Avusa Publishing (EC)’s advertisement sales success is above average

Avusa Publishing (EC)’s circulations sales are above average

Considering the amount of money and effort Avusa Publishing (EC) puts into achieving advertisement sales, I believe we are doing very well

Avusa Publishing (EC) is successfully achieving circulation sales targets

Avusa Publishing (EC)’s advertisement sales figures indicate long-term profitability

Avusa Publishing (EC)’s circulation and sales figures indicate long-term profitability