



# Auditing

BY MATT ALDERTON

# THE Future



Something happened on the morning of April 3, 2010. It was 9 a.m. in Chicago, and the double doors at 679 N. Michigan Ave. were finally unlocked. Outside, people had been standing in line since the prior evening. Never mind that it was raining. Anticipation, thick and heavy, wafted up and down the Magnificent Mile like the smell of caramel corn from the nearby Garrett Popcorn Shop. Inside, employees were bracing themselves for the crowd. A cultural cyclone was about to hit, and it promised to change everything: The Apple iPad had arrived.

"I came all the way from Mexico to get one," one customer told a TV news reporter. "This is a big deal. I got two. One was not enough."

While the immediate excitement at the Apple Store was great, the long-term impact promised to be greater down the street at Tribune Tower, where the publisher of the *Chicago Tribune* had spent the last five years preparing for an inevitable sea change in the production and consumption of media. It needed a tool to help spread the word: Technology wouldn't kill newspapers; it would transform them.

"We've been going down this route since 2005," says Antony George, Tribune Company's senior manager of circulation planning and analysis. "Getting away from the paper side of the industry and moving to the digital side was very important to us, and we were looking for a way to portray the message to consumers and advertisers that we're not just a newspaper anymore. We're keeping up with the times."

The Tribune Company found what it was looking for in March 2009 — a full year before the iPad's launch — when it released the newspaper industry's first-ever Consolidated Media Report, or CMR, in partnership with the Audit Bureau of Circulations.

The industry couldn't have foreseen the tablet revolution. Thanks to the CMR, however, the industry was ready when it began.

"The media industry has changed," George says. "As an organization and an industry, we needed a way to highlight that we're evolving. The CMR gives us that."

## The Perfect Storm

Publishers, advertisers and advertising agencies founded the Audit Bureau of Circulations in 1914 to remedy dishonest business practices within the publishing industry. Based in Arlington Heights, Ill., it serves as an industry watchdog for more than 3,000 corporate members by auditing magazines' and newspapers' circulation figures on behalf of advertisers and agencies, which use them to compare and evaluate advertising opportunities.

"Our mission is to provide credibility and comparability through independent verification of data provided by publishers to the advertising marketplace," says ABC President and Managing Director Michael Lavery. "That has been our mission and objective for almost 100 years, and it continues to be."

For nearly a century, ABC's core product has been its audit report, which offers in a standardized format a detailed profile of a newspaper or magazine's print circulation. That is, how many physical copies of a publication are distributed to how many readers, including where and by what methods. Publishers report those numbers to ABC every six months via a publisher's statement. ABC then verifies them once a year in an official audit report that's made available to advertisers and advertising agencies.

Although they remain the core of its business, ABC realized midway through the last decade that its annual audit reports were painting an incomplete picture. In 2008, therefore, it developed the idea for a new, supplemental report to fill the gaps.

"Publishers began to change what platforms they were publishing on," Lavery says. "As we observed this in the latter part of the last decade, we came forward with the idea of a multimedia report that would be open-architecture so as to allow publishers to present how they uniquely come to market."

The timing was serendipitous. Since 2008, more than 200 U.S. newspapers have closed or stopped publishing a print edition, according to Paper Cuts, a blog that tracks newspaper closings. Print circulation at daily newspapers, meanwhile, fell by 17 percent between 1999 and 2009. Subscription and single-copy sales of consumer magazines have similarly fallen, dropping 10 percent between 2001 and 2010.

And yet:

- Eighty-eight percent of American adults own a cellphone — 53 percent of them a smartphone — up from 73 percent in 2006, according to the Pew Research Center's Internet & American Life Project. Similarly, 57 percent own a laptop, up from 30 percent in 2006; 19 percent an e-book reader, up from 2 percent in 2009; and 19 percent a tablet computer, up from 3 percent in 2010.
- According to the Newspaper Association of America, newspapers' online ad revenue grew 167 percent between 2003 and 2011; by contrast, their print ad revenue fell 54 percent in the same period.
- The number of consumer magazines with websites increased 30 percent between 2006 and 2011, according to MPA – The Association of Magazine Media.
- Visits to U.S. newspapers' websites grew 20 percent between September 2010 and September 2011, according to NAA, which says mobile traffic to newspapers' websites has similarly increased, growing 65 percent in the same one-year period.

Add to these facts the introduction of the iPad in 2009, the launch of the Amazon Kindle in 2007, and the growth of social media — Facebook and Twitter now have more than 845 million and 300 million users, respectively — and you've got a typhoon of transformation that makes now the perfect time for a new type of audit report that measures total reach, offline and online.

"I've seen more change in our industry in the last 18

months than I have in the last 28 years," says Mark Wachowicz, ABC's senior vice president of marketing and sales. "We're moving away from what has been the staple and the core of ABC's business, which is print circulation, into a whole realm of digital alternatives. The CMR is designed to help change the way advertisers, agencies and even the financial community view companies like the Tribune Company and Time Inc., looking beyond just the *Chicago Tribune* and *TIME* magazine to see them as multi-channel multimedia platforms through which the very rich content they own is delivered."

## Revolutionary Reporting

The CMR differs from the traditional ABC audit report in several ways. While the latter is standardized — every publisher's report features the same information in the same black-and-white columnar format — the former is completely customizable: Provided it's auditable, publishers can include in their CMR virtually any circulation, readership or digital data they choose, presented in whatever format they desire, complete with colorful charts, maps, photos and graphics. As a result, newspaper and magazine publishers can give advertisers a holistic view of their entire business rather than a narrow snapshot of a single publication.

Consider a daily newspaper, for instance. A traditional audit report tells advertisers how many copies are printed each day of the week, how many subscribers the paper has and where those subscribers are located. A CMR tells them all that, plus how many visitors the paper's website has, how many Facebook fans its parent company has, how many people have downloaded its iPhone app, how many people subscribe to its various email newsletters, how many people listen to its reporters' podcasts, and how many people attend the home and garden show it produces every year at the convention center. As a result, instead of selling a single ad in a single newspaper, advertising sales reps can make the

## CMR ADOPTION

So far, the following newspapers, magazines and business publications have produced multimedia circulation reports:

- Air Conditioning, Heating & Refrigeration News
- Architectural Record
- Atlanta Journal Constitution
- Austin American-Statesman
- Automotive Body Repair News
- Aviation Week and Space Technology
- Canadian Underwriter
- Chain Store Age
- Chicago Sun-Times
- Chicago Tribune
- Columbus Dispatch
- Connecticut Post
- Dallas Morning News
- Denver Post
- Drug Store News
- ENR
- Fine Cooking
- Fort Worth Star-Telegram
- Gettysburg Times
- Home Channel News
- Honolulu Star-Advertiser
- Interior Design
- Kansas City Star
- Lakeland Ledger
- Landscape Architecture
- Las Vegas Review Journal
- Longmont Times-Call
- Los Angeles News Group
- Los Angeles Times
- Loveland Reporter Herald
- Minneapolis Star Tribune
- Motor Age
- National Post
- Nation's Restaurant News
- Oral Health
- Oregonian
- Palm Beach Post
- Plain Dealer
- Plastics News
- Popular Science
- Salt Lake City Tribune
- San Diego Union-Tribune
- San Jose Mercury News
- St. Petersburg Times
- The Tampa Tribune

case for buying ads across multiple channels and platforms, thereby extending advertisers' investment and reach.

"Something of this magnitude changes how ABC reports to the industry," says Kammi Altig, ABC's communications manager. "It's customizable and it's all-encompassing, and that is certainly new and pretty revolutionary for us."

It's revolutionary for the entire publishing industry, according to ABC board member Brenda White, senior vice president and publishing activation director at Starcom USA, a Chicago-based media agency. "The publishing industry is evolving into a brand perspective versus a channel perspective," she says. "Publishers have digital assets and they've got print assets. In order to bring them together, [advertisers and agencies] need to understand what the entire brand is all about. For instance, when we look at *People* magazine, we're interested in its total audience. We want to buy *People* the brand, and that includes its online audience, its tablet audience and its print audience. The CMR is really great because it gives us one trusted source for all that information. It's one-stop shopping."

Lavery likens circulation auditing to branded storytelling: Previously, advertisers could read only a single chapter. With the CMR, they can read the entire book. "Publishers and content providers need to be able to tell their complete franchise story," he says. "When it was just print, that story was pretty straightforward. In a multimedia publishing environment, it's a lot more complicated."

## Turning the Page on Print

Launching the CMR was a simple and pain-free process. The organization comprises four different publisher constituencies: newspapers, consumer magazines, business publications and farm publications. The idea started with ABC's business-publication members, who had already been producing for several years a "multimedia" version of their traditional publisher's statements. As ABC leadership and staff began discussing the shifts in publishing, they decided to adapt and expand that concept for the rest of ABC's membership. One of ABC's 14 advisory committees explored the idea further and made a recommendation to the organization's 38-member board of directors, which approved a beta test of the CMR for newspapers at its July 2008 board meeting.

"The newspapers came around, I think, for a number of reasons," Wachowicz says. "One of those, certainly, was the significant press that their industry was receiving associated with the decline in their traditional metric of paid [print] circulation. They recognized that ABC reports are the most widely accessed and relied upon reports for [advertisers], so they decided, 'We're growing in other areas besides paid circulation, and we'd love to be able to tell that growth story through an ABC report that advertisers trust.'"

The Tribune Company volunteered to be ABC's guinea pig because it wanted to communicate to advertisers its entire portfolio of products, including not only the *Chicago Tribune*, but also *RedEye*, its free daily newspaper for 18- to 34-year-olds; *Hoy*, its Spanish-language newspaper; *TheMash*, a weekly newspaper written by and for teens; Metromix.com, its local entertainment website; *Chicago*, its monthly consumer

magazine; and WGN Radio, WGN TV and CLTV, its radio and television networks — in addition to a slew of related websites, e-newsletters, social media pages and mobile apps.

"We have the *Chicago Tribune*, which is our core product with the traditional blue masthead, but we also have all these other options for advertisers," says Tribune Company's George, who is a former ABC employee. "That's the reason we decided to do the CMR. Whenever we talked internally about our brand, we didn't talk only about the Tribune, and we didn't talk only about paid circulation, which is going down traditionally in newspapers. We talked about everything. That's one of the benefits of the CMR: Even though your paid circulation might be smaller, if you take everything — your Facebook fans, your hits on your website, your print product — newspapers have [tremendous] reach. A publisher that does a CMR can communicate that."

Because ABC gives publishers the freedom to self-select what metrics they want to report in their CMR, the Tribune Company chose its preferred data sets internally, then furnished ABC with the relevant information. ABC subsequently audited the numbers, then released its first newspaper CMR in June 2009. Straight away, the industry applauded — then adopted — the tool.

"The [Tribune Company] is recognized as a leader in the industry," Wachowicz says. "By doing something new and fresh, they were able to show that they had a story that was much greater than a decline in paid circulation. This is a big industry, but an industry that talks amongst itself. Through viral marketing efforts, other [newspaper companies] recognized that they wanted to do something similar."

## Branded for Success

One such company was Tribune Company's hometown rival, Sun-Times Media Group. Like the Tribune Company, it has an entire portfolio of products in addition to its core offering, the *Chicago Sun-Times*, including seven daily and 32 weekly newspapers in the Chicago suburbs — including the *Naperville Sun*, the *Southtown Star* and the *Joliet Herald-News* — and a growing portfolio of digital properties.

"We're actually even better positioned as a company to





leverage this type of tool than the *Tribune* because we have so many newspapers and products across the Chicagoland market, and most people still don't identify those individual products with Sun-Times Media Group," says Sun-Times Media Group Vice President of Audience Development Courtney Price. "At the consumer level, it really benefits us to have all these individual brands. When we're selling advertising, however, it's much more advantageous to present ourselves as a stronger, larger company."

The Sun-Times Media Group published its first CMR in July 2010. Immediately, it was a hit with the company's advertising sales reps, whom Price trained on how to read and use the new report.

"It's very hard to be a salesperson and know what the key things are the company wants you to talk about and focus on," Price says. "If you're a sales guy, you used to sell print, and that was pretty straightforward. Yeah, the publisher's statement was onerous — the traditional publisher's statements are very numbers-heavy and very difficult to understand — but you could probably find what you needed to make your sale. It was simple. Then we entered this whole period in the last five years where all this other stuff is going on. All these other platforms. The industry became much more complicated. The CMR helps our salespeople make sense of everything that's going on and communicate it to advertisers in a simple way."

The CMR has been so successful among newspapers — to date, more than 30 papers across the United States and Canada have created custom CMRs — that ABC's consumer-

magazine members also are embracing it. Bonnier Corp.'s *Popular Science* released the first consumer magazine CMR in October 2011.

"We and our agency partners have had to migrate away from viewing our brands only as print products," says Gregg Hano, Bonnier's senior vice president of corporate sales and head of its technology group. "The CMR helps us do that in a measurable way by taking each of the different assets and different media that we are delivering our content on and measuring it so that we can package, sell and guarantee [ads] across multiple platforms."

In its first CMR, *Popular Science* reported print circulation, iPad tablet circulation, website page views and unique visitors, Twitter and Facebook users, e-newsletter deliveries and iPhone app page views. Its next CMR also will include metrics from content aggregation sites and apps, such as Google Currents, Pinterest, Yahoo! Livestand and Flipboard. According to Hano, such data supports its message to advertisers: Magazines aren't just glossy paper in doctors' waiting rooms; they're trusted brands that people rely on for credible content — in many forms and formats.

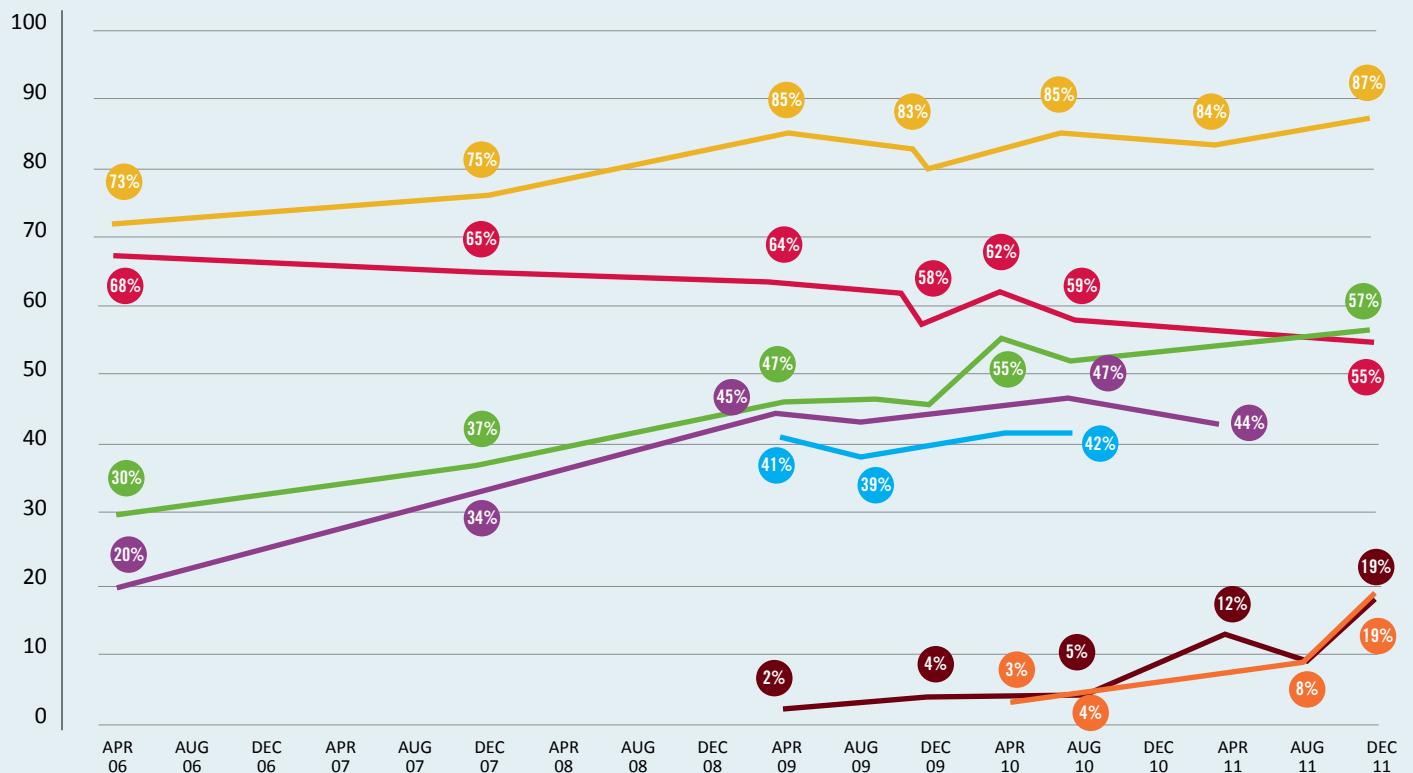
"Our brands are no longer print brands," Hano says. "They are brands that have authority and trust with consumers. Our goal is to keep our brand strong and fresh and vibrant so consumers will search for *Popular Science* content as opposed to content from some random blogger who has no authority in the space."

The CMR isn't just a report that quantifies the brand, therefore. It's also a gesture that helps build it. "It all starts

## Adult Gadget Ownership Over Time (2006-2012)

% OF AMERICAN ADULTS WHO OWN EACH DEVICE

- Cell Phone
- Game Console
- Desktop Computer
- e-Book Reader
- Laptop Computer
- Tablet Computer
- mp3 Player



with credibility,” Hano continues. “The fact that we’re doing the CMR gives us credibility because it allows us to guarantee to our advertisers that we’re reaching who we say we’re reaching.”

## Facing the Future

Although the industry has embraced the CMR, ABC faced several potential challenges upon launching, including the economy. In fact, the Tribune Company began working on its first CMR in September 2008 — at the height of the banking crisis. Although the price of a CMR varies depending on what data the publisher wants audited, it can cost anywhere from \$5,000 to upwards of \$30,000. Launching a new product at that price point during a difficult time could have backfired. Lucky for ABC, it didn’t.

“We launched [the CMR] right as the market began to fall apart in 2008 and 2009,” Lavery says. “The concern in a poor marketplace was how widely it would be adopted, but our experience has been that good products are adopted regardless of the economic environment.”

Because CMRs are customizable by publishers, and because they’re designed to be visually engaging, one of ABC’s greatest challenges has been technology.

“For nearly 100 years, our reports have been fairly standardized. In comes the data, out go the boilerplate reports,” Wachowicz explains. “With the CMR, we’ve continued to struggle and work through the process of obtaining in some cases very creative, lush graphic files for which our organization’s boilerplate factory was not set up to receive. So, we’ve had to look at whether or not to invest in technology to make us a more creative shop. For an organization that’s done something the way it’s done it in a standardized format for nearly 100 years, that’s not an insignificant shift.”

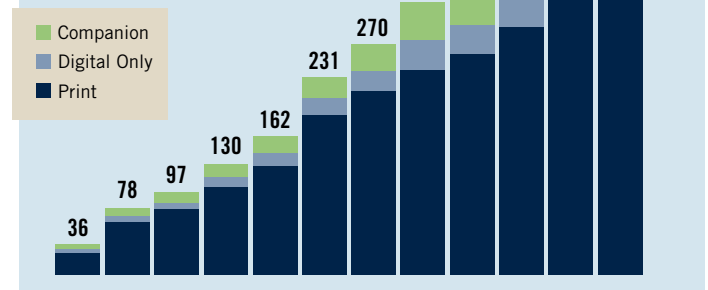
ABC’s other major challenge has been access: To audit CMR data, it needs admittance to the data source. For print circulation, that requires only a single point of access in the publisher’s circulation department. In the case of digital data, however, it requires engaging the publisher’s IT department and various technology vendors.

“The challenge isn’t whether we can audit the information. The challenge is whether or not the particular vendor being used will allow us access to the materials we need to confirm on the publisher’s behalf the information that’s there,” Wachowicz says. “We do run into app developers and other technology companies — e-newsletter delivery companies, for instance — that will not allow us into their shops to authenticate the data the publisher’s requesting. In that case, the only choice we have is to rely on the publisher member to leverage its clout to open the door for us to get inside. Sometimes they’re successful, sometimes they’re not. When they’re not, the publisher simply excludes that data from their report.”

For the industry, the greatest challenge is deciding what should be reported on the CMR and how often. Although they like that they can customize the report, members would like there to be some degree of standardization that makes it easy to compare products across brands and markets. They’d also like the option of producing CMRs more often — maybe even

## Growth in iPad Apps for U.S. Magazines

The number of iPad apps for U.S. magazines has increased more than ten-fold since iMonitorT started tracking publication-related apps in April 2010; the majority of them being extensions of print magazines



monthly. That will be phase two, however. Right now, ABC is focused primarily on increasing the report’s adoption.

“I think the CMR has the potential to be ABC’s primary report somewhere in the future. How we get there is an important marketing challenge for the organization,” says Lavery, who adds ABC has been “evangelical” about promoting the CMR.

To that end, ABC has borrowed a page from its members’ playbook by taking a multi-channel approach to marketing. For instance, the CMR has been featured prominently in videos, interviews and case studies published on ABC’s website, e-newsletters, blogs and social media pages. It also has taken center stage in many of ABC’s education sessions and has been a sponsor — the CMR product, not the ABC organization — at industry events.

It’s too early to tell if it’s helping them increase ad revenue. However, publishers say the CMR’s potential is enormous.

“We’re just getting started,” Wachowicz says. “Everyone is learning from this process about how to use it, what to do with it, whether there’s a payback associated with it or whether it’s just a promotional tool for storytelling. I firmly believe, however, that it’s the future not only of our organization, but of our industry.”

As a model, it might be the future for other industries, as well. “Embrace change,” advises *Popular Science*’s Hano. “Change is awesome, and we’re never going to see the end of it. If you don’t embrace it quickly and move to where you think the puck is going, you’re going to miss opportunities. You’re going to stagnate. If you want to grow, you need to move — and you need to keep moving.” ■

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