

The New News Organization

Business Plan Summary and Highlights

The Product

The New News Organization (NNO) is an online news/information product and platform serving a metropolitan area of 5 million. By combining existing and emerging technologies with a 30-40 person editorial staff and a network of hyperlocal bloggers, the NNO will produce content that will engage members of the community. The NNO will also provide journalism's critical watchdog role that we believe the market will continue to demand.

In addition to producing unique and original reporting, the editorial staff will also work collaboratively with other elements of the news ecosystem, organizing and training networks of independent journalists and citizens to cover key aspects of community life: from government, education, and crime to business, sports and entertainment. The editorial staff will also aggregate and curate coverage of the community from other sources and link to state, national, and international coverage of news relevant to the metro area. The NNO will not only produce articles, but also create blogs, wikis, Twitter and RSS feeds, social media features, email, podcasts, audio, video and other information products using tools yet to be invented.

Local bloggers and hyperlocal publishers have several incentives to work with the NNO. These smaller sites will have the opportunity to collaborate on stories, have access to a larger audience, benefit from promotion of the network and possibly derive revenue as part of an NNO ad alliance.

Key Metrics and Assumptions

For the purposes of our financial projections, we assumed the following:

- CPM: \$12 for self-sold advertising. Effective CPM: \$7.86 (Year 1)
- CPM: \$0.95 for ad networks
- Sell-through-rate: 50%
- Page views/user/month: 12
- Penetration of online audience: 24% (year 1); 73% (year 3)

An August 2008 study by the Interactive Advertising Bureau found that publishers averaged CPMs of \$15 if they sold ad space directly to advertisers. According to the study, publishers typically sell approximately 70% of their ad inventory. The same IAB study found that CPMs on ad networks ranged from 60 cents to \$1.10. We view these estimates as conservative. As the industry begins to focus more on behavioral targeting, we expect to be able to increase our CPM rate.

Market Size and Advertising Spending

The premise for the genericized model created for this project was that the NNO would serve a top-25 metro market (population: 5 million) where the sole daily newspaper had ceased publication. For purposes of the financial plan, we utilized actual data from the Boston market. According to Borrell Associates, there are 5.9 people living in the Boston-Manchester CSA. Total advertising spend in the area for all media — TV, newspapers, directories, direct mail, radio and other — was \$5.4 billion, with \$2.4 billion coming from inside the local market and \$3 billion coming from outside of the market. Out of this total, \$812 million was directed to newspapers, with \$671 million coming from inside of the market.

Advertising Spending: Boston-Manchester CSA (All Media)

2008 Estimate, as of Q4 data						All Estimates in \$ Millions
Media Choice	Fr/Outside		Fr/Inside		Total	
	The Market	Share	The Market	Share	Available	Share
Newspapers	\$140.568	4.7%	\$671.546	27.8%	\$812.114	15.0%
Other Print*	\$348.964	11.7%	\$218.715	9.0%	\$567.679	10.5%
Directories	\$56.047	1.9%	\$183.474	7.6%	\$239.522	4.4%
Broadcast TV**	\$774.444	26.0%	\$293.608	12.1%	\$1,068.052	19.8%
Cable TV	\$279.777	9.4%	\$73.897	3.1%	\$353.674	6.6%
Radio	\$153.462	5.2%	\$388.986	16.1%	\$542.448	10.1%
Out of Home	\$112.007	3.8%	\$29.060	1.2%	\$141.067	2.6%
Cinema	\$7.928	0.3%	\$27.149	1.1%	\$35.077	0.6%
Direct Mail	\$707.302	23.7%	\$267.291	11.1%	\$974.593	18.1%
Interactive	\$373.868	12.5%	\$240.158	9.9%	\$614.026	11.4%
Telemarketing	\$25.059	0.8%	\$23.525	1.0%	\$48.585	0.9%
'08 Estimate	\$2,979.428	100%	\$2,417.409	100%	\$5,396.837	100%

Online Advertising Trends

Total National online advertising — including search, video, display and other categories — continues to grow and is estimated to surpass \$26 billion in 2010.¹ Display advertising is projected to account for \$10.8 billion or roughly 40% of this amount. In addition, local online advertising is forecast to reach \$15 billion in 2010.² Out of this total, it is estimated that about 45% will be allocated to newspaper websites.

¹ <http://www.clickz.com/3633673/>

² “What Local Media Sites Earn.” May 13, 2009 Webinar, Borrell Associates.

Revenues

The NNO will generate revenue via three areas of operations: website advertising, business-to-consumer services and business-to-business services.

Website Advertising Revenues

The website will provide advertising-based revenue opportunities via traditional banner ads, metro-wide, local and national ad network ads, contextual (text-based) ads, and sponsorships. (Note: Does not include commissions on metro-wide ad sales to hyperlocal network.)

- ▶ Revenues Year 1: \$1,121,444
- ▶ Revenues Year 3: \$9,591,551

Business-to-Consumer Revenue Opportunities

According to Borrell Associates, there are 315,737 businesses in the Boston-Manchester area. For the purposes of our financial model, we scaled this down to 300,000 to provide a more conservative estimate of the business-to-consumer revenue opportunities that the NNO will pursue.

Websites for targeted markets/communities:

Local websites targeting a specific audience will be launched to provide focused news, information and services. Examples include moms, seniors, ethnic groups, sports fans, etc. These niche content sites provide a rich targeted advertising opportunity and also enable the NNO to gather a rich database in the aggregate on local communities.

- Revenue opportunities:
 - Online advertising
 - Commissions on services/lead generation

- ▶ Revenues Year 1: \$0.00
- ▶ Revenues Year 3: \$3,560,479

Special / Themed Issues:

The NNO will publish special/themed print issues on a regular basis. The different themes would rotate seasonally or topically. Examples include local tourist guides, local school guides, and local restaurant guides. The distribution will be through kiosks, stores, hotels, and other highly trafficked metro locations.

- Revenue opportunity:
 - Advertising from businesses who purchase ad space in the issues

- ▶ Revenues Year 1: \$312,000
- ▶ Revenues Year 3: \$416,000

Listing sales of local businesses:

The NNO will offer different types of listings for purchase through the site — in effect, these products are customized versions of the Yellow Pages. Examples include citywide or countywide lists of all doctors, schools, sports clubs, nannies/childcare, car dealers, grocery stores, etc.

- Revenue opportunities:
 - One-time flat fee to download PDF file
 - One-time flat fee to download excel file
 - Annual subscription fee to download unlimited files
- ▶ Revenues Year 1: \$0.00
▶ Revenues Year 3: \$380,800

Events:

The NNO will organize events and shows focused on a particular theme to draw in a targeted market (both consumers and businesses). Some examples include real estate tours, auto shows, job fairs, etc. In Europe, local newspapers have been organizing these B-to-C events for years. One of the better-known international events occurs during the Tour de France and is organized by the company that owns the daily sport newspaper, L'Equipe, the local newspaper, Le Parisien, and other publications.

- Revenue opportunities:
 - Ticket sales to the events
 - Sponsorship from local businesses for participation in event
- ▶ Revenues Year 1: \$165,000
▶ Revenues Year 3: \$330,000

Twitter Coupons:

The NNO will set up a Twitter account to attract its local users as followers. Leveraging this follower base, the NNO will be able to charge local businesses to post daily or hourly deals.

- Revenue opportunity:
 - Price per coupon posted from businesses
- ▶ Revenues Year 1: \$6,000
▶ Revenues Year 3: \$105,000

SMS Alerts:

Users can sign up with the NNO to receive a variety of alerts on their cell phones.

- Revenue opportunity:
 - Commission on alerts from carrier
- ▶ Revenues Year 1: \$14,560
- ▶ Revenues Year 3: \$91,728

Local Coupon Service:

The NNO can provide a centralized place that provides consumers with coupons from local businesses.

- Revenue opportunities:
 - One-time flat fee to businesses to upload a coupon or discount
 - Annual subscription fee to businesses to upload unlimited coupons or discounts
- ▶ Revenues Year 1: \$75,000
- ▶ Revenues Year 3: \$75,000

Series of iPhone apps:

The NNO will offer iPhone apps, as well as apps for other mobile platforms. An iPhone app that is focused on local sports will be the first product developed.

- Revenue opportunity:
 - One-time flat fee to purchase the app
- ▶ Revenues Year 1: \$0.00
- ▶ Revenues Year 3: \$74,625

Donation System for Watchdog Journalism:

In order to engage the local audience, a donation system will be set up to fund those topics of greatest interest to the community. Local citizens suggest topics and donate money to topics for NNO journalists to cover. This system is similar to what is being done at the not-for-profit Spot.Us, as well as at for-profit newspapers such as The Miami Herald.

- Revenue opportunity:
 - Donations from local citizens
- ▶ Revenues Year 1: \$25,200
- ▶ Revenues Year 3: \$36,400

Tickets for Local Events:

The NNO will offer a Ticketmaster-like service for hyperlocal events. The service is free to users. The French newspaper Le Figaro currently provides a similar service.

- Revenue opportunity:
 - Commission on each ticket sold through the site
- ▶ Revenues Year 1: \$0.00
- ▶ Revenues Year 3: \$35,525

Business-to-Business Revenue Opportunities

The 300,000 businesses in the metro area provide a number of business-to-business revenue opportunities for the NNO.

Conferences:

The NNO will organize conferences based on specific themes that are pertinent to the major local industries or markets. Examples include real estate, financial services, healthcare, etc. The idea is to bring local businesses together who might otherwise not work together. Examples are similar to the B-to-C events.

- Revenue opportunities:
 - Ticket sales to the conferences
 - Booth fee for local businesses
 - Sponsorship from local businesses to present at the conference
- ▶ Revenues Year 1: \$742,500
- ▶ Revenues Year 3: \$1,237,500

Listing Sales from Local Businesses:

Lists will be offered by the NNO for purchase by local businesses — a concept similar to the service provided by Crain's. These lists provide companies with the opportunity to market and sell to other businesses. For example, lists include IT buyers in the largest 500 companies in the state, supply managers in the largest 500 companies in the state, marketing personnel in the largest 500 companies in the state, etc. The most popular lists are also offered in an annual print version.

- Revenue opportunities:
 - One-time flat fee to download PDF file
 - One-time flat fee to download excel file
 - Annual subscription fee to download unlimited files
 - Purchase of print titles
- ▶ Revenues Year 1: \$928,400
- ▶ Revenues Year 3: \$1,198,400

Sales & Marketing Training for Local Businesses:

The NNO will provide sales and marketing training to local businesses. Options include online tutorials and in-person training sessions on specific topics. In addition, the NNO can white label the online tutorial system to provide to other markets for use.

- Revenue opportunity:
 - One-time flat fee: online tutorial or in-person training
 - Fee to other businesses for the white label version of this online tutorial platform

▶ Revenues Year 1: \$0.00

▶ Revenues Year 3: \$480,000

Marketplace:

This service will allow the NNO to help become an online conduit for local companies to generate business. This service allows businesses submit and respond to RFPs. The concept could also be expanded to include local government (city and state) RFPs. No example of this type of service offered by local newspapers. However, the Lawrence Journal has developed a marketplace that is more generic for B-to-B.

- Revenue opportunities:
 - One-time flat fee to pay per RFP submission after 3
 - Annual subscription fee to submit unlimited RFPs
 - One-time flat fee to respond to / bid on a specific RFP
 - Annual subscription fee to respond to / bid on unlimited RFPs

▶ Revenues Year 1: \$245,758

▶ Revenues Year 3: \$386,808

Online subscription to weekly e-newsletters: The NNO will create a newsletter based on the major industry or industries in the metro area to help inform this market.

- Revenue opportunity:
 - Annual subscription fee to the newsletter(s)

▶ Revenues Year 1: \$0.00

▶ Revenues Year 3: \$180,000

Other Revenue Opportunities

To be explored: paid content (subscription, micropayments), memberships, ecommerce, ad networks, advertiser services, education, print products, daily deals, premium products, and news cafés.

Staff

Editorial: The editorial staff will ramp up between months 3 through 12 and by the end year one will consist of:

- 1 top editor
- 5 editors/producers
- 20 multimedia journalists (beat reporters/community managers/curators)

Editorial coverage by end of year one:

- Police, Crime & Accidents (5 beat reporters and 1 community manager/curator, with the help of local bloggers, citizen journalists, databases and witnesses)
- Local Government (4 beat reporters and 1 community manager/curator, with the help of local bloggers and citizen journalists)
- Education (1 beat reporter and 1 community manager/curator, with the help of local bloggers, citizen journalists and local experts)
- Business (2 beat reporters and 1 community manager/curator, with the help of local experts and databases)
- Sports (1 community manager/curator, with the help of local bloggers, experts, databases and syndication agreement with national outlets)
- Local Entertainment (1 community manager/curator, with the help of local bloggers, and databases)
- National & International News (overseen by a top editor, 1 news aggregator, with the help of experts and syndication)
- Weather & Traffic (1 community manager/curator, with the help of databases/syndication and citizen journalists)

Editorial staff is projected to grow by 7 in the Year 2 and 7 in the Year 3.

Administrative: For the first 3 months, staffing will be dedicated to site development and sales planning. By end of Year 1, staff will ramp up to:

- 1 CEO/CFO/COO
- 1 sales & marketing director
- 5 sales staffers
- 4 payroll/tech support/other admin
- 1 search engine optimizer
- 2 developers

The sales and marketing staff will be increased to 10 team members by Year 3.

Partners: The NNO will be a hub for local content within the metropolitan area and play a critical role in helping to improve the total quality of content. In order to scale, the NNO will need to prove to partner bloggers and news sites that there is value in creating a network of links and users. The editorial team will work with local bloggers and citizen journalists to equip them with the tools and techniques they need to report on and develop compelling local stories. Emerging tools can be harnessed to create a community-wide news desk that assigns or solicits local coverage. Workshops on videography, photography, and storytelling will provide citizens with the skills needed for effective reporting. Through these training sessions, the NNO will be able to develop strong relationships with members of the local news ecosystem.

Marketing

The first year marketing effort and budget (outside of staffing) is approximately \$75,000 and will be allocated across the three areas of operations: the main website, business-to-consumer operations, and business-to-business operations.

Existing relationships and a local PR campaign will provide initial access to the market. The NNO intends to hire journalists from within the local area who already have established connections in the community. These relationships will be leveraged using additional social media outreach, SEM/SEO, events and partnerships with local bloggers. The NNO will use unique community outreach tools, like SeeClickFix, to engage readers and create feedback loops within the community.

Given that there is considerable focus currently on the changing landscape of the news industry, it is likely that the NNO will receive a significant amount of organic media coverage in the local area.

The NNO will also use a combination of traditional and social marketing (blogs, Facebook, Twitter) to create some degree of viral growth. In order to reach readers, the marketing team will need to work with the news staff to come up with innovative marketing strategies. By providing a hub in the community, where citizens can come together to read about and discuss issues of local interest, the NNO will provide a need that is not being currently met by traditional news organizations.

Sales

The NNO will hire experienced local advertising salespeople with deep contacts in the local area. The advertising sales team will need to combine traditional boots-on-the-ground sales tactics with innovative advertising platforms, like PaperG, in order to reach the maximum number of advertisers in the shortest period of time. The advertising sales team will also play a role in recruiting and training a citizen ad sales team — thus increasing the scale and impact of their advertising sales efforts. Initially, it is expected that the advertising sales team will sell a combination of sponsorships and time-based advertising products.

Competition

With the evolution of web 2.0 and a corresponding increase in the amount of user-generated content, traditional media outlets have witnessed a significant increase in the competition for audience attention and advertising dollars. The market for news on the local level is dominated by three primary sources: national mainstream media sites with a local presence; local mainstream media sites (e.g., legacy newspapers); and local/hyper-local bloggers. In addition to these news sources, other online and offline media compete for user's attention.

National Mainstream Media: There are several national mainstream media companies moving into the local space. CNN, MSNBC, and AOL, via Patch.com, have all recently dedicated significant resources to local markets. Additionally, national newspapers like *The Wall Street Journal* and *The New York Times* have begun developing a local presence in major metropolitan areas. Given the significant revenue potential embedded in the local advertising market, we expect this trend to continue.

The key question for these national mainstream media companies is whether they will be able to keep costs down and, at the same time, create a community around their content. In order to create a more engaged audience, these media companies will need to change the way that they approach the integration of new voices into their editorial processes. Those who encourage and embrace citizen journalists and local bloggers will likely have a competitive advantage over others in the market. This approach, however, will require a wholesale change in the way that editors conduct the journalistic process. We expect that this change will be slow coming — providing a distinct opportunity for the NNO.

Local Mainstream Media: Although most legacy news sites already have a local online presence, many of these sites have simply repurposed their newspaper content. In addition, declining advertising revenues have resulted in newsroom cutbacks and fewer resources dedicated to building a compelling online product. Compounding these issues, the local news sites have had a difficult time transitioning their ad sales teams from focusing on print to focusing on digital

sales. Print advertising buys still present larger opportunities for ad sales teams, who are incentivized to sell print over digital through misaligned commission schemes. Even where there are appropriate incentives, legacy ad sales teams often do not have the technical qualifications necessary to understand the rapidly changing digital environment, let alone to be able to sell the benefits of advertising online to local businesses.

The NNO will compete with these existing legacy news sites by working with local bloggers and citizens to create engaging local content that can be shared across the network. The advertising sales team will recruit members who have experience in online advertising sales, rather than newspaper sales. Trained citizen ad sales team members will also bolster the efforts of the advertising sales team.

Hyperlocal Bloggers: The NNO views existing and emerging hyperlocal bloggers as potential partners rather than competitors. By working with the hyperlocal bloggers to cross-promote content and create advertising alliances, the NNO will be able to help increase editorial and business opportunities for all parties across the new news ecosystem.

Financial Projections Summary

New News Organization		
	Year 1	Year 3
Revenue		
Total Revenues	\$3,844,943	\$19,871,009
Ad Revenue	\$1,330,525	\$11,282,743
B-to-C	\$597,760	\$5,105,557
B-to-B	\$1,916,658	\$3,482,708
Ad revenue as % of Total Rev	35%	57%
Expenses		
Total Expenses	\$3,975,126	\$10,502,874
EBITDA	\$(130,183)	\$9,368,134
Net Earnings	\$(78,110)	\$5,620,881
Margin	-2%	28%

Launch Plan

Year 1 (Months 1-3)

Using a combination of off-the-shelf and customized tools, the NNO will design and develop the site by Month 3. Once the prototype is fully developed, the NNO will hire an editorial staff and begin producing original content for the site. The editorial staff will also begin to curate content from local sites and recruit citizen journalists from within the news ecosystem. Also during this period, the NNO will aggressively market the web site in the local community.

Year 1 (Months 4-12)

Once the site is operational, the product teams will begin working on rolling out additional products, including SMS alerts, special/themed issues, events, a local coupon service, a donation system for watchdog journalism, twitter coupons, listing sales from local businesses, conferences, and a business-to-business marketplace. Efforts to market the NNO website within the local community will continue during this period.

Year 2

During the second year, the NNO will drive revenue by launching new products, including listing sales of local businesses, tickets for local events/entertainment, local websites for targeted markets, mobile phone apps, sales and marketing training for local businesses, and e-newsletters.

Funding Requirements

The NNO will seek \$750,000 in an angel round of financing for initial start-up costs. In Year 2 revenues are projected to support ongoing operations.