

"Any newspaper is like a three-legged stool: for it to hold up there has to be an editorial leg, a circulation leg and an advertising leg. All substantial three-legged stools have legs of equal length and thickness. Some publishers don't get a stool with a strong enough circulation leg."

— BYRON C. VEDDER,
General Manager,
Champaign-Urbana, Ill.,
Courier

CHAPTER 1

Circulation, Basis of a Newspaper's Success

CIRCULATION — the number of newspaper copies sold and paid for — is the foundation of a newspaper's success. All sources of revenue for the newspaper and all services provided by the newspaper, to make of it an indispensable medium and a financial success, are based on circulation.

CIRCULATION SERVES FOUR MAJOR PURPOSES

In estimating the full value of circulation, four facts stand out:

1. It is a prime factor in producing advertising revenue, which constitutes the greater portion of a newspaper's receipts.
2. With the revenue it brings in from mail subscriptions, carriers, street sales, newsstands and counter sales, it contributes directly and substantially to total newspaper income.
3. It is the avenue of contact between newspaper and readers and the means by which the newspaper extends its many helpful services.
4. It is the best evidence of a newspaper's worth that may be provided or obtained.

For these reasons, circulation is a vital success element in the life of any newspaper regardless of size or frequency of issue. The wide-awake weekly serving a small area appreciates its few hundred subscribers as strongly as the metropolitan newspaper does its hundreds of thousands, and is just as consistent in applying the best methods to increase circulation and expand its influence.

One can scarcely exaggerate circulation's contributing influence.

It has been aptly called "the life blood of the newspaper,"¹ "the nerve center of a newspaper's success,"² "the justification of a newspaper's existence"³ and "the channel through which the results of essential newspaper objectives have been tested."⁴ Even more descriptive terms than these might be used but illustrations of how it serves in major capacities may better obtain for it the distinction and consideration it deserves.

Exerts Strong Influence on Advertising

There is no disputing the fact that advertising revenue depends largely on circulation. Manufacturers, distributors and merchants place their advertising in media with good circulation coverage in the territories they wish to reach. Advertising agencies representing manufacturers of products with national appeal, as well as local merchants, look upon the newspaper with average coverage in its circulation area as an effective medium for building good will and increasing sales. Testifying to this, Robert P. Ames, director of research media for the W. D. Lyon Company of Cedar Rapids, Iowa, said at a University of Iowa Short Course in Newspaper Circulation:

"Newspaper circulation enables the advertiser to pinpoint his efforts by markets and at the same time expect penetration of the market. The newspaper is flexible . . . and the newspaper ad lends itself to merchandising at the point of sale."

Weeklies, small dailies, medium-sized dailies and the metropolitan press—all usually experience increased advertising revenue with circulation growth.

As people move from crowded urban centers to suburban towns and even to rural areas and become active in their new communities, they demand news of what their neighbors and local government are doing. So they turn to their community newspaper. This demand makes the weekly paper an attractive medium of advertising for consumer products. According to figures compiled by the *American Press*,⁵ 25 top American weeklies ranging in circulation from 5,138 to 9,718, and averaging 6,901, carried a total of 397,098 column inches of advertising during the month of March, 1956. That is an average monthly volume of 15,884 column inches, or more than 90 solid pages of advertising, which is glowing evidence of the influence of circulation in building advertising for weekly newspapers.

¹ James E. Pollard, *Principles of Newspaper Management*, McGraw-Hill, New York City, p. 33.

² John Scott Davenport, *Newspaper Circulation—Backbone of the Industry*, Wm. C. Brown Co., Dubuque, Iowa, p. 95.

³ *Ibid.*

⁴ Frank Thayer, *Newspaper Business Management*, Prentice-Hall, Inc., Englewood Cliffs, N. J., p. 67.

⁵ *American Press*, May, 1956, p. 46.

Large city dailies likewise experience greater advertising revenue as they expand circulation. When the Birmingham, Ala., *News* and *Post-Herald* (combined circulation 283,771, population 326,037) launched a Mississippi Edition with special news from that area to supplement the large volume of general news carried in this paper, circulation immediately developed in the new field and advertising volume increased. Classified ads from the Mississippi area also instantly jumped to a new high, and display accounts were won by the general increase in circulation. This is but one of many instances that might be cited.

Circulation Revenue Needs Greater Emphasis

Unquestionably circulation is considered of value mainly with respect to its influence on advertising, but more attention is being given to the revenue that may be derived directly from circulation as labor and material costs have become greater and revenue sources more important. Intense competition for the advertising dollar at the turn of the century dwarfed any attention given to cost of producing circulation. Expense could exceed income just so long as a circulation that would attract large advertising volume was maintained. That attitude still exists to a degree but there is a growing feeling that circulation should go along with advertising in providing its proportionate share of the newspaper's needed operating funds.

C. K. Jefferson, circulation director of the Des Moines, Iowa, *Register* and *Tribune* (combined circulation 355,089, population 177,965), described the situation well: "Newspapers have gone through two phases—first, the period of editorial dominance, and second, the period of advertising dominance. Now we have reached the point in newspaper development where the circulation function is finally being recognized in its fullest importance."

PERCENTAGE INCOME FROM CIRCULATION SMALLER FOR WEEKLIES

Most weekly newspapers and some small dailies derive substantial revenue from commercial printing in addition to circulation and advertising revenue. Thus the proportion of total revenue from circulation and advertising is smaller for them than is true for the metropolitan press that seldom depends upon commercial printing for revenue.

The composite financial report of the Weekly Newspaper Bureau of the National Editorial Association for 1956 showed that 7.9 per cent of annual income for weekly newspapers was from circulation and 60.6 per cent was from advertising. According to a survey made in 1955 by the Bureau of Media Service of the State University of Iowa, the proportion of income from circulation and from advertising for Iowa weeklies, semi-weeklies and small dailies was as follows:

NEWSPAPER	CIRCULATION INCOME	ADVERTISING INCOME
Weeklies, under 1,000	10.5 per cent	65.6 per cent
Weeklies, 1,000 to 1,999	9.6 per cent	51.0 per cent
Weeklies, 2,000 to 2,999	8.4 per cent	56.6 per cent
Weeklies, 3,000 to 3,999	13.5 per cent	54.9 per cent
Semi-weeklies, 3,000 to 4,000	11.6 per cent	64.2 per cent
Dailies, 4,000 to 6,500	22.9 per cent	70.0 per cent

Circulation revenue now comprises a larger portion of the total, for many weekly newspapers as well as dailies have increased subscription rates in recent years or have greatly intensified their efforts at building circulation. The Riverhead, N. Y., *News-Review* (circulation 8,859, population 4,892) increased its subscription rate from \$3.00 to \$5.00 a year and channeled sales to newsstands with astonishing results. Because of a large seasonal turnover of readers in the Riverhead area, the *News-Review* preferred to sell copies on the newsstands instead of going to the expense of changing address plates. Frank G. Forbes, publisher, says that while he lost some circulation when the subscription rate was increased, he gained it back at the newsstands. In four years the *News-Review* doubled its circulation, going from 4,000 to 8,000, 80 per cent of which was from sales at more than 100 newsstand outlets in the county.

CIRCULATION INCOME PERCENTAGE GREATER FOR DAILIES

Since few daily newspapers do commercial printing, their income is almost entirely from circulation and advertising. Both production and delivery costs are higher for dailies, so subscription charges must be a great deal higher than for weekly papers. Consequently circulation and advertising produce a higher percentage of income for them than for weekly papers.

Circulation, however, has not been keeping up with advertising in providing its proportionate share of income for daily papers. This is shown in the records kept by *Editor & Publisher* for its typical 50,000-circulation daily. In 1945, this typical daily derived 31.86 per cent of its total revenue from circulation and 68.14 per cent from advertising. In 1954, the proportion of revenue provided by circulation was down to 24.40 per cent, in 1955 to 23.80 and in 1956 to 23.65. Increased emphasis on income from both revenue-producing departments is reflected in figures showing the income from advertising and circulation in 1955 had more than doubled that of 1945,⁶ but in proportionate shares, circulation had dropped more than 8 per cent, while advertising gained a corresponding amount.

Many large dailies in 1955, 1956 and 1957 increased their efforts to build circulation revenue. In 1955 the Waterbury, Conn., *Republican* and *American* (combined circulation 61,042, population

⁶ *Editor & Publisher*, April 13, 1957, p. 10.

104,447) and the Washington, D. C. *Post Times-Herald* (circulation 382,456, population 802,178) increased their circulation receipts to 35 per cent of total income, and the Birmingham, Ala., *News* and *Post-Herald* raised their circulation receipts to 34.6 per cent of the total. The Waterbury *Republican* and *American* stressed carrier promotion, the Washington *Post Times-Herald* lifted its home delivery rates in the country zone and its rates to a few dealerships in the suburban zone, and the Birmingham *News* and *Post-Herald* intensified coverage in rural areas. During the same year, the Denver, Colo., *Post* (circulation 254,120, population 415,786) added limited box service and extended its truck and motor route runs; and the St. Petersburg, Fla., *Times* (circulation 83,707, population 96,738) enlarged its promotional and sales program, both bringing in additional circulation revenue.

Community Advances as Newspaper Circulation Grows

In addition to providing important revenue, circulation gives to the publisher and the community a contact that is valuable to both. As a newspaper's circulation expands, the editor's influence widens and all elements of the community become more united because they learn and understand more about each other. A community's health, comfort and progress depend greatly upon the newspaper's service to its readers.

The more than 10,000 American weeklies and semi-weeklies, as well as the almost 2,000 dailies, exert a tremendous influence upon the development of the nation. "The country newspaper is the most representative, most distinctive, most wholesome type of journalism America has produced," says Prof. John H. Casey of the School of Journalism of the University of Oklahoma. "Without its newspaper, the small-town American community would be like a school without a teacher or a church without a pastor."

No matter how small the community, the newspaper's contribution to contentment and development cannot be overlooked. Any serious interruption in a newspaper's circulation service brings disorder and disappointment.

When a strike stopped the presses of the Tacoma, Wash., *News-Tribune* (circulation 82,809, population 143,678) in 1952, the effects were described in news releases as "stagnating," "suffocating" and "terrible." The results of nonpublication of the city's only daily were documented in a report prepared by the Pacific Northwest Advertising Executives Association.

"Those of us who call Tacoma our home find our present economic position a precarious one indeed," said the manager of a leading department store. "Business drifts aimlessly while thousands of innocent citizens become seriously affected."

The volume of sales in real estate dropped more than 60 per cent during the period the people of Tacoma could not receive their newspaper. There was no daily classified section going into the homes of that city.

The five Tacoma theaters experienced a tremendous drop in business. One theater manager said that his business fell off $33\frac{1}{3}$ per cent and remained at that level for a long time after the strike was over. Nobody had daily theater ads to inform them about the attractions offered.

Transportation suffered. The transit company was ready to turn its entire system over to the city or, as an alternative, seek liquidation.

The head of an advertising agency paid tribute to radio's outstanding job in the emergency but declared the loss of a newspaper created a gap impossible to bridge.

When a newspaper ceases to circulate, every other business institution in the community suffers, and the general public becomes confused and disorganized.

Newspaper's Worth Measured by Its Circulation

Publishers, advertisers and purchasers of newspaper property all measure a newspaper's worth to a certain extent by its circulation.

Knowing the influence of circulation on his income, a publisher watches carefully the circulation figures from day to day or week to week. He knows that he has sound property when the circulation holds its own or increases steadily. He becomes worried when a substantial drop is evident even temporarily, and dissatisfied when the grand total fails to go up. Circulation is the *thermometer* by which he determines whether his readers are growing cold to his newspaper or are warming up to his product and his organization, and just when he needs to give more consideration to the contents of his newspaper or the selling ability of those in his circulation department.

"Continued acceptance in the home," says D. R. Wood, circulation manager of the Birmingham, Ala., *News and Post-Herald*, "is the **ONLY** way an editor can know his product is good."

Advertisers judge the worth of a newspaper as an advertising medium by the volume of circulation, the territory into which it goes and how the circulation was obtained. When considering the placing of an ad, the first question that comes to mind of the advertiser is to what extent the newspaper is read by those he wishes to reach. A detailed circulation statement tells him this.

In the purchase of a newspaper property, one of the first facts to be ascertained by the buyer is the circulation of the newspaper, because that is the best indication of the newspaper's good will in the community it serves. Accountants and newspaper brokers generally agree

that in estimating the actual worth of a newspaper, a substantial value should be placed on each paid subscriber.

Vincent J. Manno, newspaper broker, in an address before the Inland Daily Press Association, pointed to circulation as one of four important approaches in arriving at the valuation of a newspaper. "If the newspaper is breaking even," he said, "it is contemplated that each daily subscriber is worth \$5. For each 3 per cent of earnings on gross value, \$1 is added to the \$5 value up to where the profit is 15 per cent on gross revenues, making each subscriber worth \$10. For each percentage of profit over 15 per cent add \$2 to the \$10 value for each subscriber. The value of the Sunday subscriber where a Sunday newspaper is published is then calculated to be 50 per cent of each daily subscriber as determined."

Marion R. Krehbiel of the Bailey-Krehbiel Agency says that a good yardstick for measuring the value of an average daily newspaper property is "circulation times \$30 a head (paid subscriber)." In estimating a weekly newspaper's normal market value he suggests: "\$20 per paid subscriber (\$15 if a poor or competitive field; \$25 if vastly superior)."

The Denver, Colo., *Post* sets up a net worth of \$50 for each of its paid subscribers, according to Helge Holm, circulation manager. Many of the formulas suggested for evaluating a newspaper put primary emphasis on circulation.⁷

The fact that circulation is the foundation of a newspaper's financial success, a measure of its community service and influence and a sound indication of the newspaper's true value makes it worthy of the fullest consideration from every angle. Every detail connected with the making of a good newspaper, selling it, delivering it promptly and collecting for it should receive close and expert attention. Readers must be satisfied and their number increased. Then advertisers will readily buy space and obtain desirable results from their investments. The circulation manager and those who assist in his department carry a heavy and important responsibility. What they do to get the newspaper to the people and keep it there is vital to publishing success.

⁷ Frank W. Rucker and Herbert Lee Williams, *Newspaper Organization and Management*, Iowa State College Press, Ames, Iowa, 1955, pp. 319-21.