

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington DC 20554**

**Future of Media & Information Needs Of Communities
Testimony of Jason E. Klein
President and CEO, Newspaper National Network LP
October 3, 2011
Phoenix, Arizona**

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Good morning. My name is Jason Klein, and I am the President and CEO of the Newspaper National Network LP, which is a national sales and marketing arm for more than 9,000 print and online publications. We offer a “one-stop” point of contact for national advertisers to make local ad buys across print and digital publications, including the websites, mobile, and tablet applications of local newspapers. Our business provides us with a unique perspective on the efficiencies and benefits of a local advertising strategy, as well as a firsthand understanding of the ways in which local advertising dollars support investments in local journalism.

At the outset, I would like to thank the Commission for its efforts — both through today’s hearing and the efforts of the Working Group — to examine today’s media landscape and evaluate whether it meets the information needs of communities. This is an important goal and a timely endeavor, and I appreciate the opportunity to participate.

I will focus my remarks on the Working Group’s recommendation that federal advertising spending should be targeted to local news media. As the Working Group explained, this change would help local news media models gain traction and, at the same time, make taxpayer spending more cost-effective. As reported in the Working Group staff report, the U.S. government spends roughly \$1 billion per year on print, broadcast and digital media advertising, but it’s spending disproportionately goes toward national ad buys. In fact, only 15 percent of the U.S. government’s advertising spending goes to local media, and some U.S. government

agencies devote as little as four or five percent to local media purchases. In contrast, commercial advertisers spend twice as much on average — or, about 30 percent — on local media ad buys.

The federal government’s ad spending decisions reflect a bias toward national media, particularly network TV advertising, rather than local print or digital media. Why is this the case? Historically, network TV has been a relatively easy way for a national advertiser to purchase advertising and reach a broad range of consumers. Some advertisers, including perhaps the U.S. government, enjoy the one-stop shopping that is possible when purchasing network advertising. However, within the last couple of decades, organizations have emerged, including NNN, that specialize in making it easy and cost-efficient for national advertisers to develop and execute a local media strategy.

A local strategy enables advertisers to take advantage of the unique geographic skew that all products and services have. Consider, for example, an advertising campaign relating to diabetes. The incidence of diabetes varies tremendously across the US. The CDC has actually identified a “Diabetes Belt” of 644 counties in 15 states. Last year, insulin was prescribed about 210 times per thousand persons in Charleston, West Virginia, but only about 70 times per thousand persons in San Francisco, California. This is a three-fold difference. An ad budget based on purely national media would overspend in San Francisco and under-deliver in Charleston, West Virginia. A sound media strategy to reach this target audience would leverage local media to capitalize on these geographic differences, maximize cost-efficiency, and potentially save money.

The U.S. military spends 90 percent of its advertising dollars on national media and just 10 percent on local media; the Office of National Drug Control Policy spends 95 percent on national media. Instead of spending significant sums of money blanketing the national media,

a local advertising strategy that targets the communities and audiences most likely interested in a particular ad campaign. For example, the U.S. government may want to reach an audience of young viewers or Spanish-speaking consumers. To reach young viewers, the government might focus its ad buys on local digital media. To reach Spanish-speaking consumers, the government might focus its purchases on Spanish-language newspapers, magazines and websites. By decentralizing purchases and buying ads from many different local news outlets to reach targeted audiences, the U.S. government can realize significant cost savings and be more effective.

Of course, any shift in government ad spending should be driven by principles of sound media planning and content-neutrality — and not subject to political manipulation. The Working Group has cautioned that government purchase decisions must be implemented in a way that is non-political. We agree with this principle, and we also agree with the Working Group’s conclusion that the proposal can be implemented without sacrificing content neutrality. As a practical matter, the government’s ad spending decisions typically are made by professional advertising agencies that base these decisions on analyses of audiences and media effectiveness rather than on the media content *per se*. This can and should continue; federal officials need not make granular decisions on specific media placements. At the same time, we believe that it is appropriate for top government ad spenders to direct their ad agencies to review their relative budget allocation to local and national media, and explore the cost-efficiencies and other benefits from reallocating a greater portion of ad spending to local media.

Increases in local advertising revenue are an important ingredient to sustaining the news operations of local media outlets. As mentioned previously, the U.S. Government has a \$1 billion ad budget, and spends only 15 percent on local media, while other national advertisers spend an average of 30 percent of their ad budgets on local media, a two-fold difference. If the

U.S. government increased the percentage of its ad spend from 15 percent to 30 percent, the same level of its commercial counterparts, it could provide approximately \$150 million per year in additional revenue for local news organizations. This additional revenue to local media could greatly increase opportunities for investment in local journalism and community newsrooms.

There is broad consensus that the federal government should not directly support journalism or reporting jobs, and I agree with this view. However, the federal government spends advertising dollars for necessary public purposes, and can obtain better value by shifting some ad spending to local media. The public benefits identified in the report would be a beneficial side-product. It's a smart strategy on a number of levels, and a development that should be encouraged.

Thank you very much for inviting me here and for your attention this morning, and I would be happy to answer any questions that you have.