

## The Big Disconnect in Local Media – How Can We Fix It?

*LMA Survey of Nearly 200 Local Media Leaders, Including CEOs, VP's of Digital, Publishers, TV & Radio Station Managers and R&D Partners, Reveals Interesting Insights*



The LMA Board of Directors met in Chicago on January 4-5 to review the survey results and begin work on a three-year strategic plan.



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## Introduction/Background

The Local Media Association board of directors and staff gathered for their annual strategic planning sessions on January 4-5, 2018, in Chicago. Their approach was different from past years. Coming off a record year in 2017, led by the creation of chief digital clubs, chief content clubs and expanding the Innovation Missions, the LMA board was not interested in resting on their laurels. They were intent on developing a big and bold three-year plan that would take the mission of the organization to the next level.

***LMA Mission: We are intensely focused on helping local media companies discover new and sustainable business models.***

The planning for this meeting started in the summer of 2017. Taking a human-centered, design-thinking approach, the strategic planning committee set out to understand the pain points and challenges in the industry.

In order to do this, the group made the decision to interview four key stakeholder groups:

- CEOs – more than 25 participated in phone interviews in December 2017, conducted by an outside facilitator and seven LMA board members. They included some of the largest media company CEOs down to smaller companies, and a mix of newspapers, TV and radio.
- VP's of Digital – in-person focus groups were conducted in October and November of 2017. These were facilitated by an industry consultant with a total of 19 participants.
- Local leaders – a digital survey was sent to publishers, station managers and top local leaders employed by 20 local media companies that are generally viewed as progressive in the industry. 130 responses were received.
- R&D community – a digital survey was sent to dozens of R&D partners.

The surveys focused on top challenges, pain points, where they would invest if they had unlimited funds and more. The companies that participated included many of the top 10 newspaper and broadcast companies along with many medium-size local media companies.

## Executive Summary

When it comes to expectations, goals, execution, levels of investment and more, a major disconnect exists between CEOs, VPs of Digital and the local leaders out in the field. This disconnect is so great that it threatens the industry's ability to truly transform and evolve.

CEOs are frustrated that their investments in the digital area have not paid off in the way that they hoped; they are also concerned about the lower margins on the digital side of the business.

VPs of Digital do not feel supported from above or below. They don't think the CEO understands the lower profit margins or the runway required to start new business units. They are reliant on the local leaders to execute and they are frustrated with those results. They are truly caught in the middle.

The local leaders have a lot on their plate including digital sales. They don't feel that their sales teams are adequately staffed or trained to sell digital. They also are in conflict at times with corporate when it comes to the overall digital strategy.

All three groups focused on the human capital problem – recruitment, retention and training of digital talent- it's a huge pain point across the board.

This is an unhealthy situation that must be addressed. VPs of Digital are spinning their wheels. Many CEOs are not able to focus past the next quarter, which makes it difficult to invest in the long term. Local leaders are largely compensated on reaching goals that remain tied to the core business. No one is really at fault here as the company goals are not aligned.

There are no easy answers. Our recommendation is to get the senior team together on a regular basis to talk about the disconnects that exist. Acknowledge them and then work on a plan to address them. A lot of emotion came out of the interviews and focus groups. These meetings will not be easy.

LMA will be hosting webinars and conference sessions dedicated to these topics. This report will be sent to local media CEOs and other senior-level executives. The LMA board will also be considering further research that gets to the pain points of sales executives, content leaders and more.

## The Big Headlines

### Here are 12 things that stood out right away:

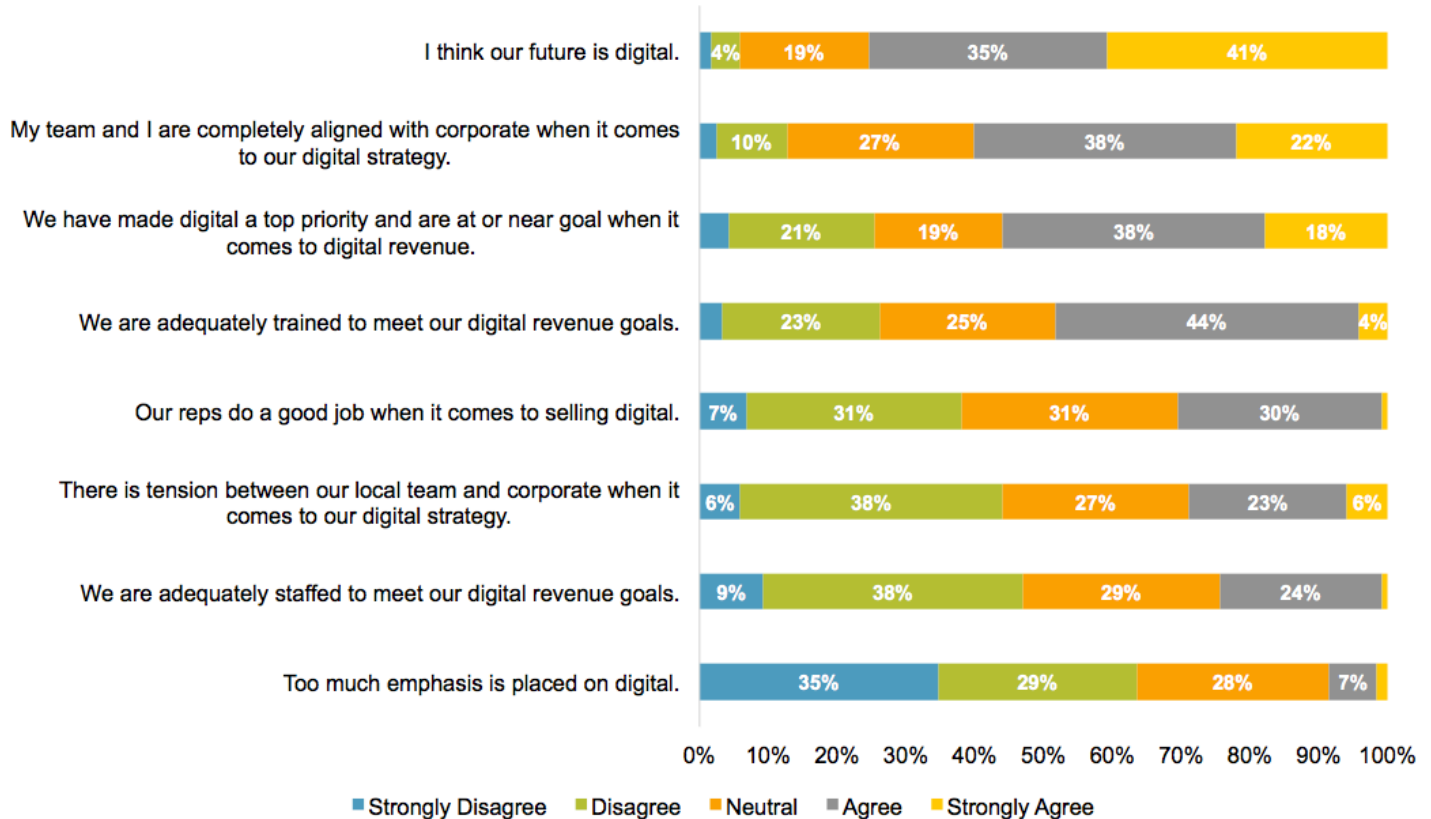
- Only 1% of local leaders (publishers/station managers/GMs) strongly agree that their sales reps do a good job when it comes to selling digital. That's 1 person out of 130. The sample group represented the most progressive and digitally-savvy media companies in the industry, not the outliers. 69% flat out disagreed or were neutral.
- Only 24% of local leaders agree that they are adequately staffed to meet their digital revenue goals (that's 31 out of 130 local leaders).
- VP's of Digital across the board think that the CEO and senior team don't understand digital and the profit margins associated with this line of business. They are constantly pressured to deliver margins similar to the core business, which is unrealistic in their opinion. Most of these VP's were C-suite level.
- CEOs are frustrated that no pathway to the future on the digital side has been identified. They have invested in new businesses that have not met their expectations.
- 53% of the local leaders did not agree that their staff is adequately trained to reach digital revenue goals.
- The employee **net promoter score** (see chart on page 9) from the local leaders was 3. This was the lowest score that the outside consulting company contracted by LMA had ever seen across all industries and all clients in their history (the average score of all their clients combined is 36).
- Talent recruitment/retention was the #1 challenge cited by CEOs, VP's of Digital and local leaders across the board.
- If budgets were doubled, top areas of investment would be: hire more people, invest more in training, start new business units to help diversify revenue and invest in technology.
- The R&D community is fighting poor sales execution and dealing with sales reps that aren't properly trained when they work with local media companies. It's a huge area of frustration for them.
- The VP's of Digital wish that CEOs/investors would stick to long-term goals and not give up on projects that haven't had time to develop.
- 56% of local leaders agree or are neutral when asked if there is tension between their team and corporate when it comes to the overall digital strategy. 44% say there is no tension.
- Newspaper CEOs are concerned about further erosion of the business; broadcast CEOs see disruption on the horizon but are generally more optimistic.

## Survey Findings

### Focus on Digital



*Rate your company's overall approach to digital:*



This slide shows the results of the digital survey sent to local leaders of 20 progressive newspapers and TV stations. 130 responses were received. The most popular titles of those filling out this survey were publisher, general manager, general sales manager or director of sales (it was targeted to the top person that was running the local media property). The sample included some of the largest TV and newspaper companies in North America as well as some smaller and mid-size. All were identified as digitally-savvy and generally viewed as progressive by industry peers.

## It's Like Mowing the Yard When the House is on Fire

Due to the in-person nature of the focus groups, some of the best and most honest feedback came from the VP's of Digital. If there was any concern that these groups, who often didn't know each other, would be open and honest... that was put to rest in the first five minutes.

The 19 focus group participants represented 12 newspapers and 7 broadcasters. Nine were from very large companies; the rest were from medium-size companies. "It's like mowing the yard when the house is on fire," said one top digital executive. There were a lot of nodding heads.



Another in the group said, "Fear of failure looms large in my organization." There were more nodding heads.

**When asked what pissed them off about their digital organization, here is a sampling of their responses:**

- Politics associated with core business
- Lack of acknowledgement that digital is our future; not the core business
- Trying to become digital-first with a legacy mindset
- Continuing to hear the myth that print or TV still pays the bills
- Being held hostage to recruiting digital sellers
- Hate that we follow yesterday's leaders
- Relentless incrementalism
- Unrealistic budgets
- The schizophrenia that exists
- Too many things to sell; reps inundated with one-offs – makes it hard to be consultative
- Very difficult to scale (esp. video and social)
- We don't have enough resources; leadership still believes that digital might be a fad
- Very difficult to get legacy reps to sell digital
- Poor allocation of resources combined with a legacy culture
- Technology is still linked to old legacy systems
- Not enough resources; we're a radio company that also tries to sell digital

**A lot of emotional responses came out when they were asked: “What would you tell your CEO if he or she asked they how they could make your job more effective/efficient?”**

- Give me the checkbook and get out the way
- Stop being afraid
- Let me sell the products that work best for the customer
- Stay committed to the goals
- Invest in digital revenue/services as much as other areas
- Dedicate yourself to the long-term; not short-term
- You must lead by example – invest in us like you do for the core
- Join us on sales calls
- Give us more resources to invest in digital training (mentioned by many)
- Invest in training at all levels – content, sales, you name it
- Invest time in understanding our business more! (General consensus was that senior level management doesn't fully understand digital or isn't fully on board with the investment needed to be successful)
- Understand that digital revenue has an expense associated with it – that is the reality. \$1M in core revenue can't be replaced with \$1M in digital revenue.
- Stop being afraid of failure

Did anyone in the group have positive responses?

Three of the 19 focus group attendees were not like the others. They did not have the same challenges. For example, recruiting and retention of top digital talent was simply not an issue for them. What did they all have in common? Very supportive CEOs/senior management team and some form of separate digital sales teams.

## No Pathway to the Future Has Been Identified

The Digital VPs were very vocal. What did the CEOs have to say that could shed light on the section above?

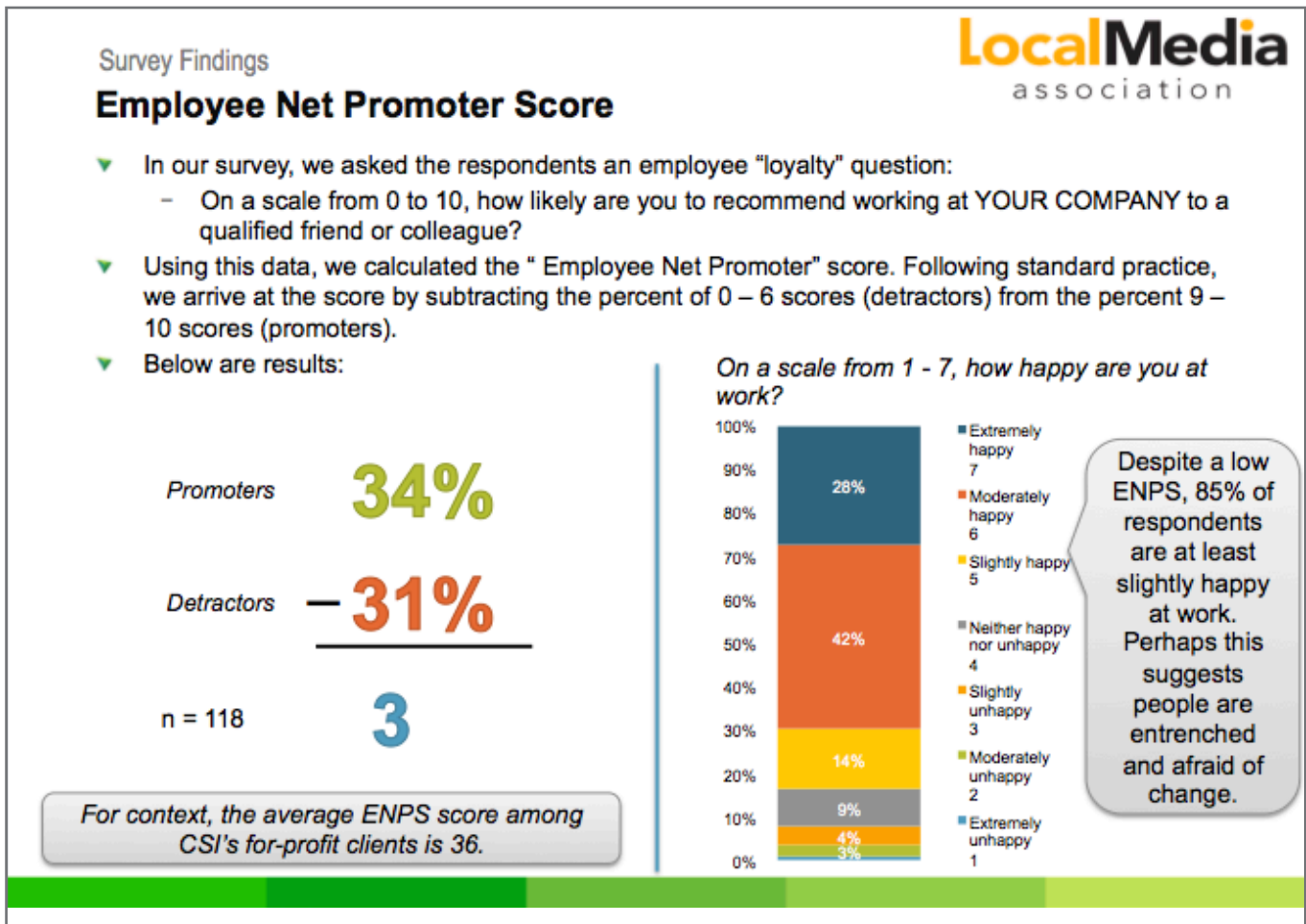
They are frustrated when it comes to all things digital. They are not seeing a good return on this investment, and it isn't for lack of trying. They are also challenged by sales staff performance, recruitment, retention, training and more.

When asked what they see as the biggest challenges facing the industry, and what keeps them up at night, many focused on digital:

- We're still lacking conviction in the overall business model. All of the things that seem intelligent to pursue (digital subscriptions, advertising, etc.) aren't enough.
- Trying to walk this balance between a good user experience, and good ads for our advertisers, and making money...it is difficult. How do we make our display ad models work as best they can for the end user, for us, and

for the advertiser? And think about a day when our sites don't depend on display.

- We need to band together – let's all chip in to solve this data problem. There's an uneven playing field with the big digital companies.
- No pathway to the future has been identified. I find it frustrating that we struggle so mightily to change culture. The entire issue is sales driven.
- I feel like we are standing on Jello.
- Amazon might be the thing that brings down local advertising. May not even be a main street to support a local brand.
- OTT usage keeps going up, so it's affecting live viewing, and it's affecting how local news is accessed. We're still not able to monetize mobile properly.
- Specific to radio – finding the right mix for legacy media and digital and how to combine those two for most effective outcome for our clients.
- We don't have an audience problem. We have a business model problem.
- Managing the economics of the transition at the same time as finding revenue upside is the biggest challenge.
- Continued erosion of major/national revenue, including pre-prints, etc. The speed is increasing faster than expected.
- Focusing on more revenue for content. We don't have a robust way to drive digital revenue for content.



- Experience is not as good as it needs to be.
- We need to build new business. Not cottage industries.
- What keeps me up at night is “relevancy”.
- Sales staff is the number one issue. We can’t afford to take a setback in transitioning our sales force.
- Finding good people has become increasingly more difficult; paying people is increasingly difficult.
- We launched a digital agency, it’s not taking off like we hoped.
- Recruiting and keeping talent
- For my company in particular, given our smaller size, the question that keeps coming up every minute of every day is, are you going to get sold.
- Pace concerns me greatly – running harder, working harder, doing more with less, for less. Figuring out margins, where can digital pay its own way. Maintain and growing legacy media and investing the right amount of money/time/energy in legacy and digital.
- It’s the business model question. We have the audience, but how do we effectively monetize that? And at a philosophical level, what is going to be the sustainable business model for community journalism?

The CEOs very much want to find sustainable business models on the digital side. It keeps them up at night. They also are charged with running a profitable company and meeting budgeted top and bottom line goals. This sometimes puts growing digital in conflict, especially when most of them are compensated on overall company performance. It’s a no-win!

## **Conclusion: There Is a Disconnect When It Comes to Implementing the Company’s Digital Strategy**

CEOs are frustrated that new digital initiatives have not produced the results that they hoped for (especially on the profit margin side). They are wondering, what is the sustainable business model of the future? This is fair and understandable.

VP’s of Digital feel that they are not getting enough runway with new ventures. The pressure on revenue growth and profit margins is unbearable and the goals are not realistic. They want CEOs to better understand the lower margins that come with digital and they want them to stick with the goals and give them time to succeed (treat them more like startups). They also don’t feel supported in a big enough way out in the local markets.

Local leaders out in the field have too much on their plates and are caught in the middle. Many are still rewarded on total revenue or much more on the core business, and this frustrates the heck out of the VP’s of Digital who rely on them for digital revenue execution. Local leaders are generally in line with the corporate strategy but fall short on execution. Adequate staffing is a huge issue.

When working with local media companies, R&D partners are hampered by poor sales execution, lack of sales/digital training for the reps, insufficient resources and lack of focus in general when it comes to digital.

## How to Fix It?

Companies need to get on the same page when it comes to their digital strategy. ALL sides need to do a better job listening to each other. An executive-level retreat that brings the corporate team and local leaders together is a good first step.

### Key issues to be addressed:

- CEOs, make sure your team gets this report. Talk through each of the bullet points and ask pointed questions to understand if your team resonates with this report.
- Hire a third party to measure your employee net promoter score if you don't know it already.
- Review all of your products, evaluating which ones offer the highest profit margin and best experiences for your audience and advertisers. Focus on and invest in those. Agree that some don't deserve the attention and don't offer the margins you're seeking. Agree on the margin goals for those that will be a focus.
- Agree on the "North Star metrics" your organization will use to measure performance and drive success. Ensure that you have full agreement and alignment on those. Tie these into performance goals.
- Leaders at your company must understand all areas of your business. This means, digital Vice Presidents should go on sales calls and sit in news meetings. And that sales directors should sit in product meetings.
- Ask your team for new ways to drive revenue at your company, establish partnerships and explore business models others are seeing success in. This is the best way to frame a strategic vision around what to focus on.
- Put a premium on getting the most out of your resources. This means with the products you put a premium on, discuss if you have internal talent and the right amount. If not, are there research and development resources that would make more sense? Apply a rigorous approach to determining what to invest in internally, and what to outsource.

One thing is clear, the disconnect that exists is hurting the industry's ability to move the needle when it comes to growing digital. Politics, defensive postures, silos and more still exist. That needs to end tomorrow and only strong leadership will change that.

## Thoughts from LMA President Nancy Lane:

This was one of the most interesting exercises that we have conducted at LMA. Never have we put these kinds of resources into interviewing key stakeholders and understanding their pain points and challenges. Now I want to do it every year!

I was surprised that the larger companies are still struggling with legacy culture issues. I sat through the focus groups and I read and re-read every verbatim comment from 130 local leaders and 25+ CEOs. This is still the heart of our problem.

The emotions that came out of the focus groups will stick with me for a long time. These were high-level, very competent, well paid people, who are trying very hard to meet their company's goals. They care deeply. This wasn't a session to complain about their company. Most of them love the company that they work for; they just can't succeed with the current structure/environment.

I am encouraged by the three Digital VPs that reported a very different experience. We know that transformation is not for the faint of heart. These three companies are led by CEOs that aren't afraid of failure; that are willing to invest in the future. They understand that start-ups are a different kind of business.

The human capital issue is a huge problem. Local leaders have trouble recruiting top digital talent, but they are also the group that is not likely to recommend their company to a friend or colleague that is looking for work. Just another disconnect that needs to be addressed. It was the top pain point for the VPs of Digital and a top three from the CEOs.

The LMA board spent a lot of time digesting the information that we learned through this exercise. We have a number of big and bold initiatives on our radar screen that we plan to test and pursue. We'll be sharing more in the coming months.

We're more bullish than ever on our mission: to help local media companies discover new and sustainable business models. And we'd like to move that even further, and help with the execution part. We'd like to help with the human capital part as well. The future of local news depends on sustainable business models. We're working hard every day to find them.

More to come soon!



### About the Author

Nancy Lane, *President, Local Media Association*

*Lane is the dynamic leader of Local Media Association. She is the author of more than a dozen industry reports on a wide variety of topics. Her disruption in local media blog has a loyal following. Check out the latest post [here](#).*

*Lane is a sought-after speaker at a wide mix of media events. She recently conducted sessions at WAN-IFRA's Digital Media World in Berlin, and at The Roundtable, sponsored by LEAP Media Partners. She spent 13 years in the newspaper industry as publisher and advertising director in Pennsylvania, Connecticut and Missouri before taking over LMA in 2000. She holds a bachelor of arts degree from Villanova University and is the president-elect of the Villanova Alumni Association board of directors.*

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## Our Mission

“We are intensely focused on helping local media companies discover new and sustainable business models.”

## Local Media Association

Local Media Association is a thriving and innovative organization that serves more than 3,000 newspapers, TV stations, digital news sites, radio stations, directories and research & development partners. It is the only industry trade organization that brings all local media together for the purpose of sharing, networking, collaborating and learning. The focus is on future business models and maximizing opportunities on the digital side of the business. This is accomplished via cutting-edge programs, conferences, webinars, research, training, innovation missions, chief digital clubs and more.

**Our motto is “Innovate | Educate | Inspire.”**