**Case 1 *USA Today*: Innovation in an Evolving Industry[[1]](#footnote-1)\***

**Synopsis:** As the entire newspaper industry sits on the brink of collapse, Gannett and *USA*

*Today* work to avoid disaster and transform the nation’s most read newspaper into tomorrow’s best resource for news and information. This case reviews the history of *USA Today*, including its continued use of innovation to stay on top of the technological and sociocultural shifts that are rapidly changing the newspaper industry. In the face of continual competition across a variety of media sources, the future of *USA Today* depends on its ability to continually push the envelope of innovation and offer value-added, proprietary content to ensure continued differentiation and the future of the *USA Today* brand.

**Themes:** Product strategy, innovation, target marketing, distribution strategy, changing

technology, changing sociocultural patterns, customer relationships, competition, differentiation, strategic focus, SWOT analysis

# Case Summary

*USA Today* is the most successful and highly visible newspaper that students have seen and read on a national basis. The case provides an overview of Gannett's strategic marketing approach to launching and growing this unique newspaper. When *USA Today* debuted in 1982, it achieved rapid success due to its innovative format. No other media source had considered a national newspaper written in shorter pieces than a traditional paper and sprinkled with eye-catching, colorful photos, graphs, and charts. Designed to address the needs of a sound-byte generation, readers found *USA Today*’s content refreshing and more engaging than other papers. Circulation grew rapidly from roughly 350,000 in 1982 to approximately 5.9 million daily print and online readers today (1.8 million in daily circulation). This compares to approximately 2.12 million for second-place *Wall Street Journal* and 1.58 million for *New York Times*. *USA Today*’s website (www.usatoday.com) is one of the Internet’s top sites for news and information.

[Author’s note: Circulation numbers vary from quarter to quarter with *USA Today* and *Wall Street Journal* frequently swapping the #1 and #2 positions. Instructors are encouraged to find the most recent circulation numbers.]

The case reviews the history of product, promotion, and distribution innovation at *USA Today*. Although the paper has been very successful, it had difficulty earning a reasonable profit early on. To reverse this trend, Gannett created several *USA Today* spin-offs including *Baseball Weekly*, *Sky Radio*,theinternational editions of *USA Today*,and *USA Today Online*. *USA Today* continues to grow by enhancing the value-added components of both its print and online versions. It has invested heavily in technology related to podcasting, news aggregation, and online advertising; and developed partnerships aimed at providing news content for handheld wireless devices.

Today, that history of innovation must continue if *USA Today* is to survive during a time when overall newspaper sales, advertising revenue, and readership are declining. The paper faces unprecedented competition from a variety of sources at a time when more and more Americans, especially younger people, are turning away from printed news. That shift has affected the company financially as well. *USA Today* and other newspapers have struggled with falling revenues and increased costs for several years. Both print and online advertising revenues have been falling steadily, declining by over 51 percent since 2005. Classified advertising has been hit particularly hard, declining by over 71 percent in just six years, most likely due to sites like Craigslist, which host ads for free. Although advertising revenues had been falling before the recession, 2008 and 2009 saw steep declines triggered by a soft ad market, particularly in the automotive, retail, and employment sectors. In fact, 2008 and 2009 were the worst years ever for the U.S. newspaper industry. Although advertising revenues continue to decline today, the rate of decline has slowed in recent years, with total newspaper advertising down 7.3 percent in 2011.

The multitude of choices for both consumers and advertisers means that *USA Today* will have to work harder at innovation, finding a way to differentiate its products from the sea of competition. This will be a challenging task given the continuing decline in newspaper readership and the growing consumer demand for free online news.

# Teaching Overview

As *USA Today* looks toward its future, a number of issues must be considered. Toward this end, the latter half of the case is written in the form of a situation analysis. Students should be encouraged to update this information as much as possible, and then conduct a comprehensive SWOT analysis for *USA Today*. After this is completed, students could use this case to develop a marketing strategy for maintaining the company’s dominance in national news. Perhaps the most important issue to consider is the role of the printed paper in a future that is likely to be dominated by wireless news delivery. The inevitable questions about the death of newspapers will come up in the discussion. When this occurs, encourage students to explain their assumptions about the consumption of news in the future. At least 75 percent of the class will predict the demise of printed newspapers. However, the remaining 25 percent is usually quite dogmatic in their belief that printed news is here to stay.

The case also gives students an excellent chance to think not only about promotion, sales, and product development, but also the connection between these marketing elements and bottom-line profitability. Students should have no trouble discussing *USA Today*’scompetition and the implications for *USA Today*’s marketing strategy. The case can also be related to a discussion of competitive growth strategies and the ways that Gannett implemented these strategies during the introduction and growth of *USA Today*.

# SWOT Analysis

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| Internal Strengths | External Opportunities |
| * Huge Gannett media conglomerate * Marketing know how * Popularity, credibility, and familiarity * Extensive information gathering resources * Clear, concise, and colorful format that subscribers find appealing * Comprehensive sports coverage * Contracts with national advertisers | * Consumers desire more timely news and information * The Internet is a highly accessible and low cost distribution outlet * Advertisers are becoming more interested in targeted marketing, especially among a highly mobile population * The Internet allows for customizable content * New technologies exist, besides print media, for reaching consumers * Major news competitors are slow to innovate |
| Internal Weaknesses | External Threats |
| * Lack of local news content * High fixed costs associated with the print version * Crowded format of online version * Online version is not as customizable as competitors * Online version uses popup ads that are unpopular with consumers * Some still see *USA Today* as a “McPaper” * Perhaps some blind faith in the staying power of printed news | * Abundance of free sources of news and information on the Internet * Online revenue generation ability is weak compared to hard (printed) materials * The Internet has introduced an interactive and accessible delivery platform that cannot be matched by a printed newspaper * The volatility of newsprint prices * Google and other non-conventional advertising businesses are tapping into the growing online advertising market |

# Problem/Decision Statement

Although increasing digital options for news and information have some industry observers bemoaning the death of newspapers, some feel that newspapers do have a bright future and will thrive if they develop a healthy online presence and adapt to evolving media consumption patterns. In the face of continual competition in both offline and online markets, the future of *USA Today* depends on its ability to continually push the envelope of innovation and marketing strategy. To remain successful, *USA Today* must continue to use a value-added strategy that can further enhance distribution of its proprietary content and ensure continued differentiation with respect to the competition.

# Strategy Alternatives

1. Change the format of the *USA Today* print version to include links to the website while simultaneously cutting the dimensions of the paper. This would increase traffic to the website and save newsprint expense.
2. Present the latest, breaking hard news stories on *USAToday*.com only, while creating a supplementary, analytical print version that supports the website. The print version might be described as a “diet newspaper” that will analyze those events and topics that are high interest, controversial, or complex.
3. Create a web portal where readers can customize their online newspaper and have audio and video news automatically streamed to their portable electronic devices at specified intervals throughout the day. All news stories will be anchored by customizable, computer-generated personalities, who read the stories to busy consumers.

Strategy Recommendations

The first alternative is fairly easy to implement in the short-term. However, Gannett should take the lead in developing news content for portable electronic devices beyond their current apps for smartphones. Consumers have demonstrated a desire for online, mobile news and *USA Today*’s traditional news competitors have been slow to innovate. The third alternative is one option that the company might pursue. This alternative is designed to improve the utility of *USAToday*.com by broadcasting it to busy consumers. Instead of requiring the consumer to find time to read the product on a regular basis, this strategy reads the news to the consumer by means of a computerized, human-like entity. Consumers could choose among different personalities. For example, a consumer could have a female broadcaster read the top news stories; a male read the sports stories, and a different female read the business news. The news content would be highly customizable, a feature that *USAToday*.com has already started to develop. News stories might include video clips when available, making the entire presentation much like a television news broadcast.

Implementation Issues

Gannett has already started to resolve the key implementation issues associated with technology. Its recent acquisitions put the company in a position to become a pioneer in computer-mediated news and information. Another issue is the ability of reporters to write for wireless delivery. There is a potential problem in that news stories could be reduced to “sound bites” rather than true in-depth reporting. *USA Today* must maintain its journalistic integrity at all costs.

**Teaching Questions**

1. What opportunities in the marketing environment did Gannett seize in launching *USA Today*? How did the company learn about and respond to these opportunities? Answer these same questions for *USAToday*.com.

It appears that Allen H. Neuharth, chairman of Gannett, had been doing casual marketing intelligence, keeping his eyes and ears open to changes occurring in the marketplace. He was able to creatively link two key trends: a shorter attention span owing to a perceived time crunch plus a growing thirst for information. Neuharth consequently visualized a product that could simultaneously satisfy both of these developments: a newspaper providing more news about more subjects in less time.

To check his assumptions, Neuharth did marketing research to identify the target market for his proposed publication. From the start, *USA Today* practiced the marketing concept; using research to discover unsatisfied reader needs and wants. Gannett did research among target market members, getting their reactions to product prototypes and making appropriate modifications in the product. Gannett’s research had shown that readers get most out their information from snippets in a newspaper, resulting in the many design innovations such as short stories, secondary headlines, subheads, breakouts, at-a-glance boxes, and informational graphics. This market-oriented strategy was in contrast to the practices of most other newspapers, which were more production oriented, fulfilling the wishes of publishers and editors. After the paper’s launch, focus groups were conducted to learn about how the paper was read (at home vs. on the commute or at work), resulting in the launch of a home delivery subscription service. As noted in the case, *USA Today*’s success came from listening to its readers and giving them what they wanted.

The same trends that suggested a need for *USA Today* in the early ‘80s also suggested a need for an online version in the mid-90s. It is quite likely that the company revisited these trends, along with the trend toward the use of electronic information in the early 90s, to develop *USAToday*.com. They took advantage of the opportunity to generate revenue from eager online advertisers in this new venue. They also listened to reader requests for archived material in conceiving the idea for the pay-per-view archive service. Keeping their finger on the pulse of society (perhaps through either trend analysis or marketing research, perhaps done by this time via on-line surveys), Gannett launched an online classifieds area. They also studied server logs to learn of improvements they could make to the online paper.

1. How has a continuous strategy of marketing innovation proved successful for *USA Today* and *USAToday.com*? Do you believe that *USA Today* is well positioned for the future? Explain.

From day one the newspaper was designed to be like no other: The newspaper has incorporated many quality improvements and added features. Some examples include news layered for easy access and quick comprehension by time-pressed readers; many “gimmicks” such as tight, short stories; no jumps from page to page, except for the “cover story” (stories that jump to another page are one of newspaper readers’ major complaints); splashy, colorful graphics everywhere; a distinctive, casual writing style; a colorful national weather map; an upbeat and positive tone; a space-defying number of stories, factoids, larger-than-usual pictures, bar graphs, and charts, all squeezed onto each page without seeming too crowded; and balanced and fair coverage.

The paper incorporated many minor modifications over the years to set it part from competitors and to stay abreast of the market, including:

* A shift to more hard news and deeper coverage, especially in the Sports and News sections. This was probably done in reaction to competitive critics who labeled *USA Today* “McPaper,” in response to consumer surveys, and, as the case suggests, as a result of testing the waters with more serious news coverage.
* Various value-added features such as “hot-line” numbers, reader opinion polls, and a high school “Academic All Star” program. Note that these kinds of features are especially suitable for a publication with a national scope.
* Internet content to keep the paper contemporary and relevant, a redesign to make handling the paper easier (a common complaint of readers of broadsheet newspapers is that they are unwieldy to handle).
* Promotional innovations, including product samples and front-page advertisements.

The online version was also not content to rest on its laurels. Changes over its first six years included:

* A move from paid to free distribution. The changing nature of the marketplace necessitated this (most websites are free or at least allow certain portions of their site to be open to everyone instead of just paying subscribers)
* A pay-per-view archives service. Not only did this meet an important consumer demand; it also was a revenue generator for Gannett.
* Partnering with other online websites. This was a smart way to increase site traffic, as other publications’ viewers would surf to *USAToday*.com.
* Adding an online classifieds area. (This has been one of the biggest growth areas for newspapers in recent years.) It provided a service to readers and additional revenue for Gannett.
* Adding a “Quick Question” area to the website. This provided a convenient forum for readers to speak out on the issues and compare their opinions with the views of other readers.
* A redesign on the website to make it user-friendlier.

Gannett’s recent acquisitions of technology-related companies indicate that the company is looking toward the future. Gannett and *USA Today* seem well poised for the future.

1. What are the SWOT implications for *USA Today* as it looks toward its future? What strengths and opportunities can *USA Today* leverage as it looks for a competitive advantage in the distribution of news and information?

This question is addressed in the SWOT Analysis section of this teaching note.

1. Based on *USA Today*’s experiences with print and online news, evaluate the long-term potential of printed news and the newspaper publishing industry. Do you believe printed newspapers will continue to survive despite digital competition?

Whether newspapers will survive is shown in the case to be a debatable topic. Gannett officials seem to be quite bullish on the future of the newspaper medium in general, and of *USA Today* in particular. The key seems to be constant innovation. Old media have always survived the onslaught of new media. For instance, radio was supposed to doom magazines, and television was supposed to sound the death knell for radio. In each case, the old media reinvented themselves and did fine—magazines and radio both became more segmented and focused, for instance. Some people predict that newspaper readership will shift entirely to tablet devices like the iPad. Enhancements will include audio text (a wireless service that provides information to the reader that is usually related to an advertised product), videotext, and other document retrieval capabilities.

1. \* Michael D. Hartline, Florida State University, and Geoffrey Lantos, Stonehill College, prepared this teaching note for classroom discussion rather than to illustrate effective or ineffective handling of an administrative situation. [↑](#footnote-ref-1)