

The New York Post: Profitless Paper In Relentless Pursuit

The tabloid may be in the red, but it's determined to beat the Daily News

Once upon a time, the newspaper war was as common a ritual of civic combat as the mayoral election or the crosstown high school football game. The inexorable decline of newspaper reading has left even most big U.S. cities with a single daily. The glaring exception is New York City, home to four of the 15 largest papers. The huge circulation gain logged of late by the oldest of them -- the New York Post -- has escalated its archrivalry with the Daily News into the sort of apocalyptic struggle not seen since William Randolph Hearst and Joseph Pulitzer locked egos a century ago.

This latter-day war also features two high-profile personalities: Rupert Murdoch, chief executive of News Corp. (NWS), owner of the Post, and real estate developer Mortimer B. Zuckerman, owner of the Daily News. This is a mismatch. Zuckerman is a billionaire, but his pockets are not nearly as deep as Murdoch's, and neither is his media expertise. With \$22 billion in revenues, News Corp. is so big that the Post's budget amounts to a rounding error. Even so, the tabloid looms large in Murdoch's calculations as News Corp.'s print megaphone in the media industry's capital city and as a proving ground for his son and heir apparent, Lachlan K. Murdoch, the Post's 33-year-old publisher.

PROVING GROUND

The Daily News remains much the stronger paper financially, earning in excess of \$15 million on revenues of about \$340 million in each of the past two years, according to an authoritative source. The Post has lost so much money for so long that it would have folded years ago if News Corp. applied the same profit-making rigor to the tabloid as it does to its other businesses. Could the Post turn a profit if the Daily News vanished? Daily News executives and many neutral observers believe the Murdochs are determined to find out. Says Martin Dunn, who long worked for News Corp. before joining the Daily News in 2003 as editorial director and deputy publisher: "I've been on the other side. I know that when News Corp. sets out to destroy someone, they go all out to do it."

As deputy operating officer -- News Corp.'s third-highest position -- Lachlan Murdoch oversees a far-flung mix of businesses, including dozens of newspapers in Australia and Fox TV's (FOX) 35 stations in the U.S. Yet he devotes one-third of his time to the Post, compelled both by affection for the feisty tabloid and its home city and by dynastic ambition. What better way for the son to prove he's deserving of the crown than to do something that the father never could: turn the Post into a money-maker? (News Corp. bought the paper in 1976, sold it in 1988, and reacquired it in 1993.)

Lachlan Murdoch refuses to disclose the Post's annual loss -- pegged by outsiders at \$15 million to \$30 million -- but acknowledges that it widened when the weekday cover price was halved, to 25 cents, in 2000. It's all part of the plan, says Murdoch, who intends to restore the 50 cents cover price if and when the Post passes the Daily News in circulation.

"We love the Post, but it's not a hobby," he says. "We very much care that it make money one day, and that it become as great a business as it is a newspaper."

Lachlan struggled in some of his earlier News Corp. postings, but at the Post he has engineered a rise in readership of a magnitude that few thought possible in the Internet Age. In the five years ended on Sept. 30, the Post boosted its average weekday sale by 49%, to 686,207 papers. Meanwhile, the Daily News saw its circulation fall slightly, to 715,052. Leave off bulk sales to schools, retailers, and the like, and the News's lead of some 29,000 papers shrinks to 6,000.

However, on Sunday -- payday for most papers -- the News retains a commanding lead of 786,952 to the Post's 452,871. What is more, the Post has not been nearly as successful in attracting advertisers as readers. The 753,116 column inches of display advertising the Post ran in 2004 amounts to just 45% of the lineage of the Daily News and 18% of Newsday's, the metro area's third major tabloid, according to TMS Median Intelligence CMR.

How did the Post, founded in 1801 by Alexander Hamilton, become America's fastest-growing weekday newspaper in the 21st century? The 25 cents price had a lot to do with it, but no more than did a new \$250 million printing plant that greatly enhanced the paper's look and kept ink on the page -- instead of readers' hands. In 2001, Murdoch installed a new editor, Col Allen, a famously brash News Corp. veteran steeped in the cutthroat London newspaper market. "I took the view that the paper was ponderous and needed to be made edgier," says Allen, who cut story lengths, doubled story counts, devoted more space to photos (especially color ones), and upped the Post's daily quota of sex, celebrity, and scandal.

VULNERABLE TO FREEBIES

"The Post has done everything I would prescribe that a newspaper of its sort do to build circulation," says Robert Broadwater, a managing director of Veronis Suhler Stevenson, a New York merchant bank specializing in the media business. "Above all, it has a distinctive personality. It's not one of those squishy, one-size-fits-all suburban papers."

However, Broadwater and other media mavens doubt that the Post can ever be securely profitable as long it coexists with the News. Only 26% of Post readers buy it exclusively; for the News the figure is 60%. In effect, Murdoch has succeeded only in making the Post New York's favorite extra read. This leaves the paper particularly vulnerable to the two free dailies launched over the past 18 months -- amNew York and Metro. More important, it is the Post's also-read status that puts off advertisers above all else.

The question ultimately is whether the Post can drive the News into the red and induce Zuckerman either to fold the paper or sell it to News Corp. Zuckerman may not be a megamedia mogul, but he didn't get to be a big-time developer by being a pushover. Says Zuckerman, 67: "If there's any business I'd like to have my daughter become involved in, it's the Daily News." Abigail Zuckerman is 7. This is one fight to the finish that appears to be a long way from over.

New York Post and Daily News wage circulation war in printing plants

Press equipment, technology, management play huge roles

By Keith DuBay

Editor Newspapers & Technology



If this were a hockey game, they would be calling the circulation battle between the New York Post and the (New York) Daily News “chippy.”

Chippy, in hockey talk, amounts to large, fast men on skates felling each other with lumber, face washing and fisticuffs. It’s about come to that now that the Post has invested \$300 million in its new press facility in the Port Morris section of the south Bronx, upped the quality of the printed product and thrown the staff of the plant into the front lines of the battle.



The New York Post’s 430,000-square-foot production facility in the Port Morris section of the south Bronx was not entirely ready for operation, but the events of Sept. 11, 2001 forced the Post to print its newspaper there prematurely because its old Manhattan site was inaccessible.

Making the Post’s new Bronx plant work has been a struggle. It was put into service on Sept. 11 when the terrorist attack derailed the old Manhattan plant. It’s not complete and parts of the plant’s technology won’t be available for another year. But the Bronx plant has produced results in productivity, quality and contributed to the Post’s rise in circulation, Post officials said.

“This is about the last great newspaper battle in the country and we’re going to win,” stated Joe Vincent, vice president of operations for the Post. “They (Daily News) neither have the people, the equipment or the resources to compete with us.

“We see ourselves as 800,000 (papers printed) out of this plant. That’s going to come at a cost to the Daily News. The market’s ours to take.”

Big Post circulation rise

In New York's urban culture, street sales comprise more than 80 percent of both papers' circulation. While the dominant Daily News' sales have been stable, the Post grew, selling 137,517 more papers this spring than it did in 2000.

Vincent credits the circulation rise to the new plant's additional color capability and efficiency and improvements in the editorial product. Officials at the Daily News say the increase occurred because the Post cut its 50-cents-per copy street cost in half.

"The major factor is they reduced their price to 25 cents from 50 cents," said Michael Aiello, executive vice president for manufacturing and distribution at the Daily News. "They've attracted a lot of one-time customers. (Their added) color is not a factor at all."

Arms war in the pressroom

The Post is owned by Rupert Murdoch's News Corp. and the Daily News by the Zuckerman interests and chairman Mortimer B. Zuckerman.

While the Post has ditched its 1950s-era production facility on South Street in Manhattan, the Daily News has not been complacent. Aiello said the Daily News has invested about \$30 million in news press equipment, press controls and mail room equipment during the last three years, and there will likely be more to come.



Lachlan Murdoch, chairman of the New York Post, holds the first color edition of the newspaper. The new printing plant is in the background.



The first color edition of the New York Post is checked for color accuracy. From left to right, press foreman Ray Walsh, Vice President of Operations Joe Vincent and Assistant Managing Editor Chris Shaw.

“We practice continuous process analysis and improvement. I’m satisfied we’re continuing to make progress ... we will continue to meet the needs of our advertisers and our customers. There will be further investments as the industry continues to grow,” Aiello said.

The Post prints an average of 50,000 copies per hour on three presses, or 760,000 copies per night during a press run that begins at 8:30 p.m. and is scheduled to finish at 4:30 a.m.

The current press operation is comprised of three Goss Newsliners in four 4-over-4 towers and three 2-over-2 towers. A fourth press was scheduled to go on line by the end of June.

“We only need to add the mechanics to it and could have seven 4-over-4s and one 5-over-5 with a flying plate change,” Vincent said.



Newspapers running through the new press.

The Post has gone from no color pre-Sept. 11, to being to run 64 pages of color in a 164-page book running in straight mode. The Daily News can run 16 pages of color in its larger editions (over 160 pages) running straight.

The Daily News’ Aiello admitted the Post “has invested in more color capacity and has more (color) capability than we have.”

But, Aiello warns, that doesn’t mean things will stay as they are. Expect the arms war to continue, as the Daily News looks to add 4-over-4 color towers on each of its nine Goss Newsliner presslines.

The Daily News’ Jersey City, N.J., printing facility near the Statue of Liberty was built in 1996 for \$160 million. Since then, another \$50 million has been invested in additional printing towers, controls and other equipment.

(For complete coverage on the Daily News spot color tower expansion, see *Newspapers & Technology*, April 2002.)

“With this new plant we’ve fired a shot right over their bow,” said Mike Lillis, chief technology officer for the Post. “Those guys have had color presses for four years now and still can’t get a decent piece of color over there.”

Post expands mail room operation

Originally, the Post budgeted \$250 million, but by the time all the planned changes are made in the Bronx plant, the tab will be \$300 million, said Post General Manager Geoff Booth.

The Post will spend \$23 million on two new inserting machines and accompanying equipment. Presently, the Post uses four Muller Martini inserting machines. It's not enough. On occasion, the 4:30 a.m. press run deadline has been stretched as late as 7:15 a.m., which results in handing over circulation to the Daily News.

"We have been terrible on delivery times," Booth said. "We have all sorts of technological, mechanical and electrical issues. We're working through them day by day."

The Daily News press run starts at 10 p.m. and is consistently off by 4:30 a.m.

"We're investing more in the plant to make sure our inserting capability matches our distribution footprint (in the five New York boroughs) and it doesn't presently," Booth said.

"The presses produce 60,000 copies per hour each. So if you take a print run of 640,000 or 720,000, that's nine hours to do the inserting and four hours to print the paper. That's the biggest issue."

At press time, the Post was negotiating with GMA and Heidelberg for the two new inserting machines and also are planning to add automated mail room equipment.

Software issues

The Post chose GMA's "SAM" Windows-based software system to monitor and manage all of the equipment in the post-press operation, including Integ process group inc.'s bundle distribution control system. The acronym stands for "statistical analysis and monitoring."

SAM was developed for The New York Times, but has yet to be adopted for the Post, primarily because SAM has worked with Muller-Martini equipment in the past and is now being used for multiple types of machines, chief technology officer Lillis said.

It will take up to another year for the complete system to be in place, although officials hope a basic operating version will be operating in the next month or so. When fully operational, SAM is designed to allow the circulation department to make real-time or instant changes that are passed through the post-press operation down to the bundle level.

Lillis and Vincent both stated that GMA is now devoting more staff time to the Post than before. Lillis also said he has asked for custom solutions for the Post's operation.

"We knew there was new development, but we didn't realize how much new development was going on. Part of that was driven by us," he said.

Other delays occurred as the system had to be adapted to equipment from different vendors. Now they are using IBM "messaging cubes," a piece of middleware that closes the communications gap between software systems, including the Honeywell press controls and Western Lithotech platemakers.

"In a way it's a custom job for us but it's a development job too," said Hamed Seyedi, director of marketing and integrated system engineering for GMA. "For a newspaper the size of the New York Post, it's not a simple task." (Editor's note: Seyedi has since left GMA to join Scripps Howard Supply as assistant general manager.)

The Integ bundle control system was licensed from Carnegie Mellon Research Institute. It is designed as a real-time control and tracking software system that delivers bundles from the stackers to the appropriate delivery truck or palletizer.

"We're basically ready to turn on our portion of the system," said Integ Vice President Dennis Whalen.

"I feel our bundle distribution project at the Post was a success due to the knowledge learned from over 20 years of tray control projects," Whalen said, adding that employees like using a personal computer-based system complete with a Windows look and functionality.

"(Newspapers) do need to take a look at what the New York Post did overall and determine what allowed them to get this big jump in circulation. Certainly technology played a large part," Whalen added.

Major cultural change at the Post

Vincent, the Post's production guru, said technology has been only part of the picture in turning around the production operation. The most significant change has been with employees.

Vincent said he flattened the production organization and eliminated what he called, "silos of power" that he experienced at The Times. He forbid managers going out to dinner with vendors, he said, and also focused on one new system at a time rather than testing multiple systems.

“The bigger story is the team that is being built. We’re not building walls here, we’re tearing them down,” Vincent said. “It’s about people taking personal accountability for each other.”

“Newspapers have always seen themselves as newspapers are, and will be. That’s changing. This plant is a manufacturing center,” he added, pointing to his facility’s efficiency by using 70 pressmen, compared to 200 pressmen at the Daily News.

The Post recently signed a 15-year contract with the pressmen’s union, developed a training program and now offers a modern gym and cafeteria. And Vincent placed a huge emphasis on a clean plant.

“If you were to visit, you’d find the atmosphere here is we’re a winning team. We’re a freight train coming,” Vincent said.

New York Post

2000	2001	2002
M-F 377,306	425,122	562,639
Sat. 289,367	317,538	562,639
Sun 303,800	309,926	403,195

Source: Audit Bureau of Circulations

Daily News

2000	2001	2002
M-F 705,578	693,734	733,099
Sat. 552,631	525,799	567,567
Sun 787,480	791,194	810,112

Source: Audit Bureau of Circulations