



# A Miracle in Minneapolis

How the Star Tribune became the most successful metro paper in America — a decade after going broke.

by Erin Schulte

photography by Ackerman & Gruber



“Do we have video?” Suki Dardarian, the senior managing editor, asks the room.

“Oh, we have video,” video editor Jenni Pinkley replies.

By afternoon, *The Cake* is the site’s most-viewed story. Next morning it’s on the front page of the print edition with the caption “Flour, Sweat and Tiers.”

This intensely local focus is the core of the *Star Tribune*’s push to grow revenue by giving readers news they’ll pay for online while improving the quality of the print paper — and the journalism that fills both.

It’s working. Digital subscriptions at the paper hit 56,000 in 2018 and are growing at a 20 percent clip annually — a revenue stream now approaching \$10 million a year. Print advertising is declining at about half the industry average, while digital ad revenue is increasing at a respectable 7.5 percent a year. That has kept the *Star Tribune*’s overall revenue declines to about 1.5 percent a year since 2012 — far below the industry average. The paper has been solidly profitable each of the last 10 years.

Add it all up and the “Strib,” as many locals call it, is the best-performing metro newspaper in the country. Which, the newspaper’s leadership is the first to admit, is not a high bar. While big newspapers like *The New York Times* and *Wall Street Journal* have stayed largely intact thanks to digital subscriptions, most local papers have slashed their newsrooms and shrunk their print editions to preserve profit margins. Advertising revenue has collapsed industrywide, falling an inflation-adjusted 77 percent from 2000 to 2017. It now stands at \$16.5 billion, a low since records began after World War II. Newspapers have 45 percent fewer journalists than in 2007, according to Pew Research Center, and 39 percent fewer paying readers.

This hollowing out of newsrooms is apparent just across the Mississippi River, at the St. Paul Pioneer Press, which has about 50 journalists left, down from 240 at its peak. The *Star Tribune*, despite — and partially thanks to — a 2009 bankruptcy, which wiped out \$380 million of its debt, still has 250. That’s down from an all-time high of around 350, but it’s robust compared to the average metro daily. Its news hole — the amount of print space given to editorial content — is actually larger, slightly, than a decade ago. Morale in the newsroom is strong enough even its union leaders sing executives’ praises. “I’ve never seen a more respected publisher within the organization,” says Neal Justin, the newspaper’s TV critic and co-chair of the *Star Tribune* News Guild.

The paper’s leaders say they have no secret sauce. The success comes from a number of factors, some

Left: Reporter Hannah Covington covers a Christmas pageant for the *Star Tribune*, which aims to boost subscriptions by reporting local stories readers can’t get anywhere else.

**T**he top editors of the Minneapolis *Star Tribune* are huddling for their morning news meeting on a mid-September day in the downtown office they’ve called home since 2015. Paul Manafort is pleading guilty. Hurricane Florence is hitting the shores of the Carolinas at 90 miles per hour. The University of Minnesota’s search for a new president continues.

The room’s most excited chatter, however, is about *The Cake*.

The Watkins vanilla company of Winona, Minn., commissioned a 260-layer Lady Baltimore cake to celebrate its 150th anniversary, and an adjudicator from Guinness World Records is on hand to make sure it holds up unsupported for 60 seconds. But *The Cake* does not want to cooperate, a reporter texts from the scene. It leans. It wobbles. “It’s never gonna make it!” cries the baker, sweating visibly.



of which are hard to replicate: a civic-minded local billionaire owner, a well-educated and engaged population, and, in former Time Inc. executive Mike Klingensmith, a CEO with big-league publishing experience.

Those advantages have given the Star Tribune time to figure out early what few papers have in the digital era: how to give readers and advertisers something worth paying for.

**The outlook was bleak for the Strib** in 2010 when Klingensmith came aboard. McClatchy had sold the paper in 2006 for \$530 million to Avista Capital Partners, which loaded it up with debt. Three years later, amid print advertising's steep decline, the New York private equity firm put the paper into bankruptcy protection. Things got so bad that in February 2010 newsroom employees cobbled together \$3,225 of their own money for a house ad honoring the 140 colleagues who had departed in the previous three years — a move its competitor MinnPost called “feeding the hand that bites you.”

When the board hired Klingensmith, the Minnesota native had just retired after a 30-year career at Time Inc. and the paper had just emerged from bankruptcy, shedding 80 percent of its debt. “Mike K,” as he’s referred to by reporters and editors, immediately put a firewall around the newsroom to protect it from cuts and allow it to continue producing high-quality stories. Without the newsroom, he believes, nothing else matters. “The newsroom is the group that executes the mission of the company to serve our community, supported by all the departments that make that commercially possible,” Klingensmith says.

“Advantage number one is that we still have an opportunity to cover the news with some depth and range in a way that people who are going to pay for it feel it’s full and complete,” Editor Rene Sanchez says. “No amount of marketing is going to fake out a bunch of citizens who want to read the news.”

The investment in editorial made it viable to charge readers online. Klingensmith launched a metered paywall in late 2011, making the paper among the first major metros to do so.

Klingensmith also steered the paper’s 2014 sale of five city blocks for \$38.5 million and its move into a new office overlooking City Hall. The sale allowed the Strib to pay off all remaining post-bankruptcy debt, paving the way for Glen Taylor’s \$100 million purchase of the paper later that year.

Taylor — a rags-to-riches Minnesota billionaire who owns the NBA’s Minnesota Timberwolves — told MinnPost at the time that buying the paper was “leading with my heart a little bit.” While



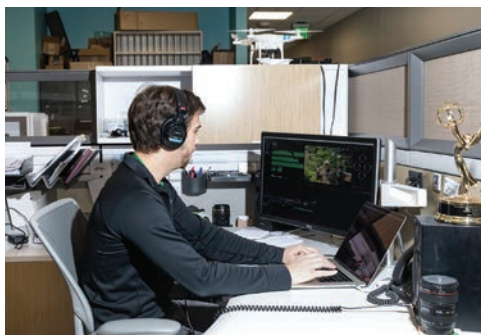




The office of 98-year-old Star Tribune columnist Sid Hartman, whose career has spanned the highs and lows of the metropolitan newspaper era. Hartman has written more than 20,000 columns since 1945 for the paper and still writes three reported columns a week in one of the paper's most critical coverage areas: sports.

Star Tribune senior managing editor Suki Dardarian and editor Rene Sanchez (left photo, center) at a news meeting.

**“We still have an opportunity to cover the news with some depth and range... No amount of marketing is going to fake out a bunch of citizens who want to read the news.”**



Taylor considers the paper an investment, he's not out to maximize short-term profits while neglecting the paper's civic role. “We have an owner who fundamentally understands that this is a distinct institution, and that it has to be seen — not just in the Twin Cities, but in the state — as a public institution with a public mission,” Sanchez says.

“The fact that they have the backstop of a billionaire local owner who is not demanding quarter-over-quarter returns or tracking the stock price on a daily basis is an important point of differentiation,” says Nicco Mele, director of Harvard's Shorenstein Center on Media, Politics, and Public Policy. “It means they can take some small risks that would be impossible for others.”

The Star Tribune also benefits from a highly educated and civically engaged population. Almost to a one, employees cite the area's residents as a key reason for the newspaper's success. 38 percent of metro-area residents have college degrees and median household income tops \$73,000, well above national averages of 32 percent and \$58,000, respectively. Minnesota has also led the nation in voter turnout for nine straight election cycles, and

Minneapolis is routinely ranked among the most literate American cities.

“The profile of the market suggests that adults here are very engaged in what's going on in the city, state, and around the world,” says CMO Steve Yaeger. “We have a little bit of wind at our backs.”

**In late 2017, Sanchez began working** with Jim Bernard, SVP of digital, to understand the habits of “intenders” — the name the Strib gives to readers who come back to the site at least five times in 30 days but don't subscribe. About 20 percent of Star Tribune readers are intenders, and the marketing team targets these heavy readers with house ads asking them to subscribe. The rest, which it calls “grazers,” are targeted for advertising pushes rather than subscription pitches.

Data showed intenders want more local watchdog journalism and deep investigative reporting specific to Minnesota, along with positive local news, service journalism (like where to watch Fourth of July fireworks), and sports coverage. This data helped justify a yearlong project finding Minnesota rape cases were improperly investigated. It led the newsroom to produce more feel-good stories, like a recent one on a hospice nurse who unwinds on the luge. The paper also boosted coverage of the Vikings, especially in the two hours just after the game when appetite for its NFL content is highest.

Each week, editors send an internal newsletter called the Scoop to all news staff. The Scoop breaks down top stories not just by pageviews, but by engaged minutes, number of comments, and by indexes designed to pinpoint the stories that resonate most with intenders, subscribers, and the overall audience. In July, the rape-investigation series dominated the overall engagement index. A month later, a first-person retirement letter from a local WNBA player reigned supreme.

Staffers are coached on metrics so “people know how the actual journalism connects to the survival of the business,” Dardarian says. That means earlier mornings for reporters to get stories up when traffic is heaviest. “We get a report today that shows us when our stories are posted and when our audience is coming to the site,” she says. “At first, the parts of the graph were exactly opposite of each other. It was clear there was a problem there.” So editors now push reporters to file stories before noon.

Editors insist subscribers — not clicks — are the end goal, and local news is key to drawing people through the sales funnel. “I don't chase people from Oregon to try to get them to click on dogs on skateboards,” Bernard says. “I'm interested in Minnesota dogs on Minnesota skateboards that Minnesotans care about.”

That doesn't mean they're allergic to adding some Minnesota flair to others' ideas. Tom Horgen, the digital features editor, saw an opening for a local version of BuzzFeed's Tasty videos and created "Outta Control," a popular food video series that spotlights culinary craziness like a 15-pound ice-cream sandwich and a battle by two local bars over who invented the Juicy Lucy cheese-stuffed burger.

The goal is to get Minnesotans — and those who care about the area — to collide with the paywall often enough that they finally shell out the \$16 a month for a digital subscription. Newsletters help with this, which is why the Strib has 25 to choose from and markets them heavily. Newsletter readership is "directly correlated" with return visits to the site, Bernard says, and newsletters tend to convert casual readers into intenders and then into subscribers.

But as total subscriber numbers have increased, so has churn. While the number of people signing up for subscriptions surged by 110 percent in 2017, the number canceling rose 46 percent. The paper is combating this with a number of strategies. It has found, for instance, that while a \$20-a-month subscription churns more than \$15- and \$10-a-month ones, it still brings in more revenue overall. It also has found that billing quarterly instead of monthly increases retention 28 percent.

Klingensmith's "medium-term" goal is to hit 100,000 digital subscribers, a number only the Boston Globe — which is still losing money despite major recent progress — and the Los Angeles Times have achieved among metro dailies in the U.S. The Strib predicts that by next year its circulation revenue will outpace ad revenue.

"The first 25,000 digital subscriptions are fairly easy," Klingensmith says. "You throw a paywall up there and skim the best prospects from the top. But then you get into the people who need to be convinced to subscribe. That takes different tactics, different marketing, and different analytics to keep the pace of growth going."

**Print still makes up the bulk** of the Star Tribune's revenue, as it does at most other papers. Klingensmith is reluctant to sound the death knell for print even in the long term — though he'll concede that what gets printed and with what frequency may be different some years down the line. "We are not in any rush to break the daily print reading habit," he says. "We believe in following marketplace demand." The paper's daily subscriber revenue exceeds the marginal cost of printing, he says, so even without the "material" ad revenue that remains from print, "it would cost us money to cease publishing any daily edition."

## Star Tribune data shows positive local stories help it draw digital subscribers.

**A**fter the Star Tribune found that positive local stories were critical to converting digital subscribers, it made those stories part of the job for all reporters and created a section in the paper called Inspired. In late November, Star Tribune reporter Hannah Covington and photographer Elizabeth Flores worked late covering the annual nativity pageant by Christ For

People With Developmental Disabilities. The story would run with the headline, "It's a gift: Twin Cities nativity pageant gives adults with disabilities chance to shine."

That's not to say the paper is just playing softball. All Star Tribune reporters are expected to make investigative reporting part of their portfolios, as well.

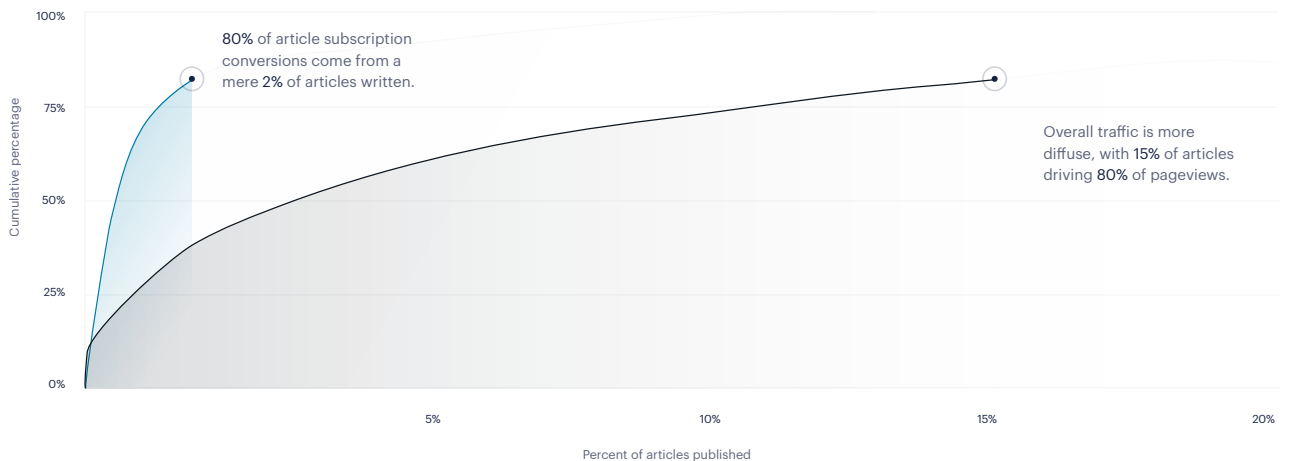






## Few articles drive most acquisition.

Visitors are much more likely to convert on high-value content. Just 2% of articles generate 80% of the new subscriptions bought on articles.



Piano's software allows for dynamic targeting of quality content. Find out more at [Piano.io](https://piano.io).

DATA BY **piano**

In addition to thick daily and 100-plus-page Sunday editions, the Star Tribune is dreaming up new print products that will both serve readers and draw advertisers.

"It almost sounds like heresy, but some of our most significant innovation and things that have really helped the bottom line... they're print," Sanchez says, sitting in his office tapping the cover of a recent issue of the Star Tribune Magazine, a quarterly glossy.

The magazine reads like a cross between The New York Times Magazine and New York, with a mix of long-form features, local gift guides, profiles of local household names, and a Minnesota-centric crossword puzzle. Sanchez says it allows the paper's sales force to tap into a new marketplace of advertisers interested in glossy ads. It brought in \$1.14 million in new

advertising between its spring 2017 launch and the fall of 2018.

The magazine looks so sharp because the paper has made design another noteworthy area of investment. While many newspapers are cutting back on design or outsourcing it, the Star Tribune has a 25-person team across print and digital working to make stories attractive and useful. Its data shows stories with photos get 110 percent more traffic than text-only ones.

In 2017, the newspaper also launched a four-page "Prep Extra" section that wraps the front of its sports section about 20 times from August to May, giving local high school athletes the kind of splashy coverage usually reserved for the Vikings. It attracts exclusive sponsors, including the regional institution Frandsen Bank & Trust, St. Paul-based Pearson's Candy Company, and Minneapolis-based Luther Automotive. Together they've paid upward of \$600,000 since the August 2017 launch for sponsorship in print, online, and at a new Star Tribune awards event honoring top high-school athletes. Klingensmith says that's all new revenue.

Many of these new ideas are borne from annual mid-year innovation sessions that blur the traditional newspaper "church and state" line, pulling in senior executives from editorial, advertising,

circulation, digital, operations, and finance. The paper protects newsroom independence vigorously when it comes to reporting or opinion, but the company works "collaboratively to generate new products, features, and innovations in business," Klingensmith says.

In 2017 the Strib started more aggressively selling what it calls "sponsorships," known in the magazine world as ad adjacencies. "That's a magazine idea; we did it forever back at Entertainment Weekly," Klingensmith says. "You sell motion picture advertisements against the movie section and network TV ads against the television content." Native ads like those in its "Health Highlights" online section, sponsored by the Mayo Clinic, are modern renditions of what would previously have been called advertorials.

"Every publisher in traditional media is looking for opportunities to cut, and you have to get more efficient. That's part of disruption," says Peter Doucette, a managing director in the publishing group at FTI Consulting and the former chief consumer revenue officer at The Boston Globe. "But [the Star Tribune] isn't paralyzed by that. They do a good job of saying, 'Where can we create unique value?' They're not afraid to experiment or take risks."



**Still, the Star Tribune is hardly** doing victory laps. The difficulties facing even the most successful newspapers are severe, and the low-hanging fruit Klingensmith found when he got to the paper is gone. “Every year you have a decay rate on print advertising, and we know what amount of revenue we have to find, but it gets harder every year,” he says, adding that 2018 revenue is expected to decline in the low single digits. “You burn through your ideas.”

The audience for print is aging and not being replaced by younger readers. Advertisers continue to go online, mostly to Google and Facebook. And print was hurt in 2018 by a serious decline in the lucrative preprint insert market and bankruptcies among major retail advertisers. The Star Tribune also must compete with high-quality, free local sources of news like the nonprofit MinnPost and Minnesota Public Radio.

But more than a decade into the Great Newspaper Apocalypse, if any metro paper is going to make it, it's the Star Tribune.

Klingensmith mentions some new ideas brewing around subscriptions for vertical content, à la The New York Times's crossword and cooking apps, and a strategy to boost affiliate-link revenue like the Times Company's booming Wirecutter business. The paper also “is taking a long look” at a sports-only subscription offering, but isn't yet convinced it will work, largely because it hasn't succeeded at other papers, Yaeger, the CMO, says.

The newsroom seems to recognize its good fortune and doesn't take it for granted. “My sensibility,” says Sanchez, “is that when you have these things, shame on us if we're not being ambitious, because what do we have to pout about?”

There's no time for that, anyway. The editors are back for their afternoon huddle, and The Cake has outperformed even their high expectations. They're mulling what to put on Sunday's page one and hoping to balance the hard news with a lighter slice of Minnesota life. Dardarian runs down a possible lineup that includes more Manafort, a debate about zoning for fourplexes, and a local murder. She's looking for a “bright” — the kind of fun story readers love that generates a flood of positive feedback.

This time it's an homage to the First Kiss, a new variety of apple that's tarter and sweeter than the Honeycrisp and was invented by a University of Minnesota researcher. He planted the first First Kiss tree 21 years ago and debuted the apples at the Minnesota State Fair.

It was a perfect fit for the next day's page one and was, as Yaeger put it with a laugh, “this week's most Minnesota story ever.” ●



While many newspaper companies have cut back sharply on print, publisher Mike Klingensmith calls it critical to the company's future. The Star Tribune has invested heavily in the print edition, creating new sections, a glossy magazine, and increasing the amount of news content the paper contains compared to 10 years ago. That has helped make the lucrative Sunday edition the fifth-ranked paper in the U.S. in circulation (up from 11th a decade ago) despite being in the 16th-biggest metropolitan area.

