

**NEWSPAPER CIRCULATION SCANDALS: TESTING A NEW
DIMENSION OF MEDIA CREDIBILITY**

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NEWSPAPER CIRCULATION SCANDALS: TESTING A NEW
DIMENSION OF MEDIA CREDIBILITY

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ABSTRACT

In light of the new phenomenon of multiple high profile newspaper circulation accounting fraud scandals in recent years, this thesis sought to examine the relationship between factors that motivate advertisers to buy space and their perceptions of trust and credibility toward newspaper sales departments. A survey of 82 automobile dealerships in an urban Texas market afflicted by a circulation scandal in 2004, that served by *The Dallas Morning News*, sought to determine to what extent purchase motivation variables, such as trust and credibility, were associated with reduced buying as a result of a 2004 circulation accounting scandal. Also sought was a measure of any impact on credibility of the newspaper's image restoration strategy of internal accounting reforms and compensation as restitution. The response rate to the survey was insufficient to conduct meaningful statistical analysis. A number of solicited respondents cited fear of newspaper retaliation for their cooperation in the form of monopoly pricing abuse. Nevertheless, the available responses did provide indications worth noting for discussion here and for future study. It is namely that, beyond a short period of time, "intangible" purchase motivation factors such as trust, believability and credibility did seem to significantly reduce purchases but over time became less influential than more pragmatic "tangible" motivators like price, audience reach and impact on store traffic.

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CHAPTER I

INTRODUCTION

The relationship between publisher and advertiser is based upon trust. Each member of the ABC (Audit Bureau of Circulations) board agrees that we, as an industry, do not tolerate rules circumvention, to say nothing of fraud, and will do whatever is necessary to preserve the trust between publishers and advertisers that all sides value so highly.

Robert Troutbeck, Audit Bureau of Circulation Board Chairman,
July 2004, one month before *The Dallas Morning News* disclosed circulation
overstatements

The trust of our advertisers is a pillar of the economic value that Belo has built for our shareholders...

Robert Decherd, Belo's *The Dallas Morning News* President and Executive
Officer, August 2004, shortly after disclosing systematic circulation overstatement.

In July 2004, the Audit Bureau of Circulation uncovered a kind of confidence-shaking fraud not seen in the newspaper industry in modern history.

Consumers of The Tribune Company's *Newsday* and its Spanish-language complement, *Hoy*, would soon be reading about the papers' own executives being led away in handcuffs to face justice for years of having deliberately overstated circulation numbers – and overcharged faithful advertisers by untold millions of dollars. The case would prove not to be an isolated one. Instances of fraudulent circulation claims at major American newspapers spread like a contagion that long hot summer as long-suspicious advertisers demanded accountability in their own cities.

Within a month, Belo Corporation's flagship *The Dallas Morning News*, one of the nation's most respected and trusted daily regional newspapers, had confessed that its circulation figures too had been falsely overstated. Others implicated in circulation

overstatement questions included Hollinger International's *The Chicago Daily Sun*, McClatchy's *Minneapolis Star-Tribune*, and *The Milwaukee Sun-Sentinel*. By 2006, the American newspapers had either fallen under investigation by the U.S. Securities and Exchange Commission and local criminal grand juries or were laboring under shareholder lawsuits and multi-million-dollar restitution programs to defrauded advertisers. Other newspapers had fallen under suspicion in 2008. This phenomenon represented an entirely new dimension of a long-studied erosion of credibility in newspapers as a probable cause of steady reader flight that has threatened the industry's economic underpinnings.

For more than 20 years, almost annual studies have documented an erosion of public trust in newspaper reporters, editors and the editorial content they produce (McGrath and Gaziano, 1985; Urban, 1989; Lewis, 2007; Poynter Institute's *Project for Excellence in Journalism*, 2007). This trend of declining trust among newspaper readers, widely acknowledged since the first organized studies in 1985, was long the conventional wisdom as a cause of declining circulation and revenue. The trend is tracked as a matter of routine in annual surveys conducted by industry groups such as the American Society of Newspaper Editors (ASNE) and is well-documented by other various scholarly research and industry self-introspections. Newspaper circulation has declined from 62 million in 1989 to 50 million in 2008 (American Newspaper Association, 2008). The Internet and a technology-driven shift to electronic news distribution since 2004 is considered the current culprit for a much more precipitous revenue decline for newspapers. But still, a large body of research had already diagnosed faltering reader

trust as one primary culprit of declining newspaper circulation and, by extension, advertising revenues based on circulation. (Meyer, 2004, pp. 53-56).

But quite suddenly in 2004, with circulation scandals afflicting some of the nation's top 10 markets, the industry was mired in an unexplored, altogether new kind of crisis in consumer confidence that can be readily applied to new electronic news distribution models of advertising sales, such as Internet news sites. Those responsible were not journalists upon whose error-prone, politically biased shoulders so much responsibility for the industry's fortunes previously had been heaped. These were top business-side newspaper managers. And, the newly skeptical stakeholders were not regular news content consumers whose distrust of newspapers has been so closely tracked for so many years. These stakeholders were advertisers, advertising agency media buyers, and media planners whose continued trust and patronage also are of obvious, if taken-for-granted, economic value to newspapers in extraordinarily difficult times. The trust of such stakeholders also is of value to the health of emerging newspaper multi-media business models that also rely on advertising revenues.

In an era of greatly expanded media purchasing choices, to what extent have these circulation scandals motivated newspaper advertisers to send their business elsewhere? And how might other kinds of trust-damaging actions, as yet unknown, factor into advertiser decision making in an era of increasing varieties of newspaper alternatives?

This thesis was conceived to examine the relative importance of advertiser perceptions of credibility about newspapers through the microcosm of one such publisher, *The Morning News*, by measuring the impact of that newspaper's circulation overstatement episode on buying motivation in one typical large urban market. It

employed a survey to determine the extent those perceptions were associated with recorded reductions in newspaper advertising revenue.

The study set out to examine “credibility,” “trustworthiness” and “believability” more pointedly than ever before as variables identified in previous research dealing with motivating factors that drive advertiser buying behavior. To what extent did diminished perceptions of trust and credibility toward newspaper management among advertisers, as a result of but one circulation controversy, influence them to reduce or eliminate buying, or negotiate lower rates, and seek out alternatives earlier than planned? This study also sought to determine whether any perceptions of reduced credibility and trust toward the newspaper endured and whether there was an association between advertisers who accepted restitution offers from the newspaper – an image restoration program – to resume patronage?

A number of studies have looked at how intangible, non-financial advertiser feelings and attitudes toward newspaper publishers influenced advertiser buying behavior, including determinants such as loyalty, credibility, trustworthiness and likeability of sales staff (Nowak, Cameron and Krugman 1993; McMillan and Eftimov 2004; Reid, Whitehill and Martin 2005). However, the primary locus of such research was on the more pragmatic financial motivations such as price and ad effectiveness.

But some of this research did note variables such as gut feelings of advertisers toward those who sell them newspaper space, loyalty, believability of sales staff and integrity. This thesis was undertaken, in part, because no researcher had yet to take up Nowak, Cameron and Krugman on their 1993 parting suggestion to further study these factors in more depth. This thesis also was undertaken because the American newspaper

industry's business model is suffering through a painful transition in which advertisers are withdrawing from printed products in favor of an increasing array of digital products, among them newspaper websites that must compete to a far greater degree than ever before.

Understanding more about how variables such as credibility, integrity and believability in newspaper companies might influence advertiser patronage could help industry leaders embrace strategies or enact policy initiatives to staunch at least some revenue flight from future newspaper business models. Such initiatives - and the underlying financial motivations for them - are certainly not without precedent.

For instance, in annual measurements of public confidence in newspaper editorial products from 1985 through to the present, the American Society of Newspaper Editors (ASNE) has pressed for direct action in newsrooms. In 2002, the ASNE produced a widely-adopted "Credibility Handbook" that set out ethical standards of reporting and behavior adopted by many newspapers to counter an increasingly skeptical public's move away from reading newspapers. It was hoped that his study and future research might invite advertising and circulation divisions to mount similar ethics initiatives.

This objective made even more sense in the context of research in the arenas of "corporate reputation," and "image restoration." Corporate reputation research has strongly suggested a partial link between intangibles like good will among clients and their patronage of non-media businesses. Positive corporate reputations "are strongly linked to higher revenue" (Mahon & Wartick, 2003). Forging such reputations is a long, hard slog – and a profitable one - but can be quickly lost for long periods of time (Mahon & Wartick).

In his 1995 presentation of an image restoration theory, William L. Benoit establishes five broad categories of image repair strategies for high profile individuals and corporations, all aimed at reducing negative perceptions and the level “offensiveness” among important audiences such as customers. Among the categories that Benoit writes can lessen offensiveness are two that would seem to apply in the case of *The Morning News* circulation scandal: corrective action and compensation. If corrective action and compensation are accepted by the victim, Benoit writes, then the firm’s image should be improved.

To date, the only indications of short- and long-term impact on newspaper advertiser attitudes remain anecdotal or circumstantial.

Additionally, it was thought that a survey identifying associations between events and how changed perceptions might have been acted out in purchasing decisions in Dallas also would inform how the first known efforts to remedy damage to newspaper corporate reputation - cash restitution programs and circulation accounting reforms - fared. Gauging the effectiveness of the Dallas restitution program would provide useful insight as to how newspapers might plan to restore any lost trust of advertisers in the event of future bad behavior of other sorts.

Based on a review of literature, four patterns were expected to emerge from the study. 1). In the immediate aftermath of disclosures about circulation counting irregularities, the newspaper suffered a sharp loss in credibility. 2). This led to some reduced buying or rate reductions for advertising space. 3). But over time, a self-interested need to continue doing business with the newspaper, aided somewhat by

restitution money and credits for past damage, began to supercede any sense of betrayal.

4). Buyers mostly returned to the newspaper.

Probable Cause

The circumstantial evidence arguing for this survey was formidable. Institutional spending on traditional newspaper advertising nationally was generally recovering nicely from a 2000-2002 recession when the *Morning News* began experiencing post-scandal disruption of its revenues in 2004 and 2005. A review of advertising revenue numbers and ad lineage reported by Belo Corporation in the quarters before August 2004, and in the quarters after, indicate a sharp pullback in advertising spending that exceeded broader trends and even that of other newspapers in the same corporate group. For instance, Belo's quarterly SEC report for July 2004 - the quarter ending just prior to the scandal disclosure - states that advertising revenue for *The Morning News* had gained 3.8 percent on the crest of an advertising industry recovery that happened to be underway at the time. Belo's total newspaper group had enjoyed a 5.1 percent ad revenue gain. For the quarter immediately following the circulation overstatement disclosure, other newspapers within Belo's newspaper group, whose properties ranged from California to Rhode Island, showed solid growth of 3.3 percent. By contrast, an October 24, 2004 Belo SEC filing stated *The Morning News* ad revenue that quarter showed a net .2 percent decline. It would have been steeper yet if not for election season and Olympics advertising boosts.

Among the hardest-hit categories was the ever-dependable automotive advertising sector identified to be surveyed for this study, one of *The Morning News*' three largest producers, SEC filings from the period state. The automobile dealership segment of *The*

Morning News' advertising base was selected for the survey – some 80 local new car dealerships - because it has proved to be such a reliably significant source of revenue at that newspaper, as well as at other large metro dailies, including *Newsday* (Saba, *Editor and Publisher Magazine*, November 2004, pp. 51-52). Automobile dealerships accounted for eight of the paper's top 20 largest local advertisers (Saba, 2004).

Since the competing *Dallas Times Herald* fell victim to a newspaper war with Belo's flagship newspaper in 1991, The *Morning News* had cashed in on its newfound monopoly until the circulation accounting irregularities were disclosed 13 years later.

The newspaper had been able to increase its ad rates over the decade preceding the circulation overstatement episode, in part by also translating a high-credibility reputation among readers into large profit margins. It won six Pulitzer Prizes between 1986 and 1994 and was named the nation's fifth-best daily by a hundred editors surveyed in a 1999 *Columbia Journalism Review* survey (Flournoy and Everbach, *Columbia Journalism Review*, July/August 2007.)

Drew Campbell, head of the Greater Dallas New Car Dealership Association, explained that for the previous 25 years, the newspaper had produced an auto section "that was famous across the country."

"The DMN had put together a good quality product, and dealers felt like if you aren't in the newspaper then you're out of the game. They had built up the mythos that you had to be in the newspapers" (Campbell, 2005, phone interview). Circulation accounting had never been a question or concern among the dealerships, which had stuck by the newspaper even though the previous 10 years had offered more options such as cable and the Internet (Campbell, 2005).

Things changed dramatically, however, when the newspaper was forced to disclose circulation accounting irregularities in August 2004. In the following four years, through April 2007, the *Morning News* suffered daily circulation declines of 14.3 percent, during a period when many other large newspapers also suffered from declining readership habits, according to ABC figures. But the *Morning News* decline was more than twice that of any of the nation's other largest 25 newspapers in 2007 (the next highest decline was another newspaper afflicted by circulation accounting irregularities, *Newsday*, at 6.9 percent), according to ABC figures.

Further comparably outsized erosions in the newspaper's advertising revenues in the first and second quarters of 2005 occurred following the circulation scandal, even despite rate increases, when compared to other company newspaper properties and national trends. Total newspaper revenue for the first quarter ending March 31, 2005 slumped 10.2 percent, led in part by the automotive category, compared with the same period a year earlier, while nationally by comparison, similar revenue remained largely flat. Clearly, something unusual was in play at *The Morning News*, given that the company's other newspaper properties were registering advertising revenue gains, and revenue for the rest of the industry was settling much more gently. A similar picture emerged at *Newsday* and *The Sun-Times*, whose publisher as late as August 2006 told analysts a 10.6 percent decline in ad revenue was due in part to the effects of the newspaper's circulation fraud on advertisers (*Chicago Sun-Times*, Aug. 10, 2006).

By the end of 2007, *Newsday* and *Hoy*, *The Sun-Times* and *The Morning News* had been forced, due to overstated circulation figures, to sharply recalibrate their numbers downward in double-digit percentage increments. The newspapers had, collectively, paid

out more than \$150 million in restitution or credits to advertisers and laid off hundreds of workers. The Audit Bureau of Circulations had censured several of the newspapers (Saba, 2005). Stock analysts had downgraded the stocks, citing damaged trust, and the papers suffered from relentless critical media punditry from which there was no hiding the events from advertisers.

But were these developments driven by pragmatic responses to market factors, a sense of betrayal over the circulation issue, a little of both, or something else entirely?

There were plenty of anecdotal indications that North Texas advertisers did shift to competing media platforms as a direct result of negative perceptions about the trustworthiness of *The Morning News* advertising division. Some of the newspaper auto dealership owners openly warned that they would respond to the circulation scandal by shifting their business elsewhere, citing a lack of trust in *Morning News* representations (*The Dallas Business Journal*, 8 July 2005).

Campbell, in a 2005 phone interview, explained the reaction among member dealers thusly: “It was pretty much, well this is a mess. How can I continue working with them as an advertiser?”

Because of a dearth of any formal research, it remained difficult to presume to what extent the scandal, or simply a pragmatic buyer response to a coinciding shift in market conditions, might have caused *Morning News* revenue to experience a sudden halt in its upward momentum after the summer of 2004 and then begin a dramatic plummet through to the end of 2008. Formal research seemed the only way to discern effects of the scandal from market shifts.

Toni Fitzgerald of *Media Life Magazine Online* conducted the only known effort to tally a consensus about the impact of circulation fraud: a convenience poll of the publication's media buyer and planner readership. (*Media Life Magazine*, 4 July 2004) The *Morning News* controversy would not be disclosed until the following month, and would add greatly to the public criticism of all newspapers as dishonest brokers.

The *Media Life Magazine* poll concluded that 71.2 percent of respondents believed many more newspapers than reported were fudging their circulation numbers. This majority response would indicate some uncertainty as to whether newspapers were honest trading partners. Nearly a fourth agreed with the statement "I've become wary of newspapers because of this, and I'm advising my clients as such."

Most respondents expressed doubt that newspapers could stay clean over the long term. Respondents were asked whether they would do business again with three newspapers that had at the time publicly acknowledged circulation fraud. Some 14.5 percent indicated they would stop advertising with *Newsday*, *Hoy* and *The Chicago Sun Times* "for a long time." Another 45 percent indicated they were "somewhat likely" to resume advertising with the three newspapers if convinced the newspapers could restore their confidence. Another 24.5 percent said they would "likely" resume business with the newspapers, while the remaining 15.9 percent answered "very likely."

The dearth of research effort since the 2004 circulation accounting scandals, and specific to them, underscored the need to quantify such anecdotal reporting with more rigorous and scientific analysis of advertiser motivations.

CHAPTER 2

LITERATURE REVIEW

Much of the research regarding advertising is applied research, designed to solve specific problems such as what defines ad effectiveness and how to measure audience size. There is less interest in theorizing or generalizing about other situations (Wimmer & Dominick, 2003).

What research is available - about advertisers regarding their feelings of trust and credibility - concerns how consumers feel towards the ad, or toward the newspaper carrying the ad (Soh, Reid, & King, 2007). “Studies of trust are not abundant in the advertising literature, though both academic and trade investigations have incorporated and measured the construct” (Soh, Reid & King, 2007, p. 456).

However, four established research areas can be found regarding motivation factors that influence advertiser buying habits. Generally speaking, they regard: (1) tangible and intangible factors that motivate advertisers to buy newspaper space for their advertisements; (2) factors that determine how media buyers negotiate pricing for that space; (3) how media buyers view the substitutability of newspapers in an era of proliferating media alternatives such as non-news Internet web sites and search engines. Even this body of research, which dates only to the late 1980s, remains relatively undeveloped and; (4) how efforts to restore “corporate reputation” and achieve “image restoration” work when a newspaper attempts them. Having been studied at varying lengths over 20 years, these four research areas together inform the objective of this

thesis, which in turn can build on them in helping to determine how advertising purchasing behavior might be associated with advertiser attitudes about newspapers.

Pragmatic Motivations: price, traffic and sales

Advertisers and media buyers at the local level have by far preferred newspapers over all other alternatives since the first known research efforts in the 1980s (Nowak, Cameron, Krugman, 1993; Reid, King, Martin and Soh, 2005). Their reasons for patronizing newspapers can be generally divided between pragmatic tangibles and perceptive intangibles. It is the less understood perceptive intangibles of integrity and credibility of newspapers as business partners that concerns this thesis. But it is the pragmatic tangible motivation factors that are by far the more clearly delineated, measured and studied as media buying influencers. So an examination of them is in order first.

In a landmark study advancing the first effort to understand advertising buying motivation, the University of Georgia's Glen Nowak, Glen Cameron, and Dean Krugman (Journal of Advertising Research, Nov. 1993, pp. 39-48) surveyed local advertisers in two Wisconsin newspaper markets to measure differences in perceptions about their choice of newspapers while media alternatives such as cable and direct mail were proliferating. Nowak, Cameron and Krugman set out four objectives generally replicated by the author's survey: (1) current and previous media use; (2) reasons for using and dropping advertising media; (3) assessments of the absolute and relative impact of 12 different factors on media selection decisions; and (4) advertising budgeting and media evaluation practices.

Among the 12 determinants characterized as driving local retail advertisers to choose newspapers over other alternatives were: audience reach, ability to target specific audiences, ability to generate more traffic, and the cost of results. For instance, about 46 percent of all local advertisers primarily spent based on their understanding of the newspapers' demonstrated ability to reach targeted audiences of interest to the retailers. They also highly valued paid circulation as a measure of audience reach.

Figure 2-1. Local Advertisers' Assessments of Media Decision-makers Factors

Table 5
Local Advertisers' Assessments of Media Decision-making Factors

Media decision-making factors	Grand mean	Auto	Restaurant	Consumer services*	General merchandise	F	p
Number of people who will see your ad	4.75	4.8	4.5	4.7	4.8	1.3	.27
Ability to target/reach specific audiences	4.56	4.5	4.6	4.3	4.6	.9	.45
Total cost to produce and purchase the ad	4.51	4.2	4.9	4.5	4.5	2.7	.05
Number of times your ad will appear	4.23	4.4	4.1	4.2	4.2	.4	.76
Ability to generate immediate store traffic	4.19	4.9	3.7	4.1	4.2	3.4	.02
Ability to reach the entire market	3.87	4.5	3.4	4.0	3.8	2.4	.07
Program or editorial environment the ad will appear in	3.86	3.9	3.8	4.4	3.7	3.1	.03
Cost per thousand people reached	3.67	4.1	3.0	4.1	3.6	3.5	.02
Advertising rate discounts or incentives	3.65	3.4	3.6	3.7	3.7	.2	.88
Quality of media sales representatives	3.57	2.6	3.4	3.9	3.6	4.0	.01
Availability of audience research	3.44	3.5	3.1	3.4	3.5	.4	.78
Extent your competitors use the medium	2.77	3.0	2.7	2.7	2.7	.2	.90

* On a scale of 1 to 5, with 5 being very important, please rate the following media-selection factors . . .

Similarly, Nowak, Cameron and Krugman found that advertisers tended to rely on the same pragmatic rationales to discontinue advertising. The two top reasons for discontinuing use of the medium was: (1) lack of results or consumer response and; (2) media cost or expense.

Subsequent research has reinforced the findings that advertisers were most concerned with whether their dollars brought in more business. Ann Maxwell and Wayne Wanta (2001) conducted a qualitative survey of 211 advertising agency executives that

showed executives who had reduced spending on newspapers gave four main reasons: (1) other media reached the audience better; (2) declining paid circulation diminished reach; (3) concern about whether newspaper audiences consisted of the most desired demographics for targeting advertised products and; (4) the high cost of newspaper advertising.

Another survey of advertising managers found that a willingness to substitute other media forms for newspapers is influenced primarily by advertising rates and audience delivery factors (King, Reid and Macias, 2004). The options available to firms for communicating with consumers have become so numerous in recent years that more media planners have been forced to hire consulting experts to advise them about such valued tangibles as targeting audiences, demographics and how to budget (Soberman, 2005).

In short, what seemed abundantly clear from the available literature is that advertisement performance as measured by positive sales effects, as opposed to habit or loyalty, is what has *primarily* driven decision-making by local advertisers and therefore has been most studied. However, much of the same literature pays at least some attention to perceptions about less tangible factors that can also influence whether advertisers buy space from newspapers, albeit at first blush to a lesser degree of influence than more pragmatic considerations. It is this grouping of variables that concerned this thesis.

Intangible motivators: trust and credibility

In their 1993 work, Nowak, Cameron and Krugman made a special note of factors that included; newspaper sales staff affability; knowledge and service. In open-ended

questions, Nowak, Cameron and Krugman discovered advertiser feelings of “loyalty” toward their newspapers played a role in influencing their buying behavior. These perceptions were deemed to be so important as “to make wholesale media changes” unlikely, Nowak, Cameron and Krugman concluded at the time.

Frederick-Collins (1992) identified surveyed local retail advertisers’ perceptions about media in order to develop a media image measurement model. She found local retailers’ expected “good service” from local media in order for them to continue patronage, although this factor was not defined.

But before exploring these variables, it is necessary to discuss some definitions. Pertinent to this research effort were definitions of “trust” and “credibility” as described by Soh, Reid and King (2007) in a study of consumer attitudes toward ads. While sharply different from the objectives of this research, the Soh, Reid and King study noted important differences between the concepts of trust and credibility to a degree that they should be treated as entirely separate constructs when applied to advertising industry research. Trust, while a dimension of credibility, can be defined and measured separately as “confidence, competence, benevolence, reliability, mutual emotional investment and willingness to rely on” (p.458). Trust, they write “is fundamental to consumer/seller relationships” (p. 456). Credibility, meanwhile, can be measured as consumers’ evaluations of integrity, truthfulness, honesty, believability and claim discrepancy (pp. 457-458).

For the purposes of determining degrees of trust and credibility among advertisers for this research, respondents were asked to rate or rank many of the above-listed

variables that make up the Soh, Reid and King definitions of trust and credibility.

Advertisers become the consumer and newspapers become the seller.

Other intangible values potentially influencing media preferences have been identified and studied. The findings in this research informed the following hypotheses:

H1: Once advertisers learned about *Morning News* circulation overstatements, their perceptions of trust and credibility about the newspaper sharply diminished.

It seems safe to assume from this stratum of advertiser motivation research that advertisers do indeed harbor feelings – albeit to an unknown extent – about the trust, integrity, accuracy and believability of claims made by newspaper sales departments and senior business management. The notion that advertiser reactions might affect purchasing behavior to a degree based on such feelings is further supported by some research.

In a rare study of media buying negotiations in 2004 that also were considered to be highly pertinent to this proposed research, Charles McMellon and Ivan Eftimov confirmed and extended knowledge of a number of other key “intangible values” that influence media buying and selling such as “power, relationships and conflict.” For instance, through open-ended qualitative interviews with media buyers, McMellon and Eftimov identified as vital determinants in the negotiated outcomes of media purchasing: (1) the importance of long-term, cooperative relationships between media buyer and seller; (2) informational power about one another that buyers and sellers hold in shifting degrees; (3) “subjective utilities” such as bargaining skill and “gut feeling” about one another.

The almost total dearth of any previous research of this area, they write “is unfortunate because understanding media buying and its key component, negotiation, is

important because of the large amount of money involved.” In noting the dearth of development of this research question, McMellon and Eftimov characterized their own final paper as “exploratory.”

The study of the power aspects in negotiation that they discussed is particularly applicable to this thesis because many media analysts and some advertisers predicted that the *Morning News* circulation controversy would prompt North Texas advertisers to negotiate harder for rate reductions, certainly qualifying such decisions as fallout from the circulation scandal.

Among the types of power that McMellon and Eftimov list are financial, hierarchical and informational, which is knowledge of the marketplace that can be used to drive down costs. McMellon and Eftimov write that informational power can easily shift the bargaining advantage from seller to buyer.

For instance, a buyer can use knowledge about proper target vehicles to play one media off another. In the *Morning News* example, knowledge that circulation figures were false and suspicions among automobile advertisers that other automobile advertisers might be abdicating, may have shifted the bargaining advantage to these advertisers. Certainly applicable to this research is the conclusion by McMellon and Eftimov that personal relationships between buyer and seller are important to the negotiation process. They conclude that strong relationships can yield opportunistic buys, and insider information lessens the level of conflict.

This author wanted to know how relationships like these fared after the *Morning News* disclosed its circulation counting irregularities. McMellon and Eftimov conclude that their study set the stage for further study of interpersonal relationships in media

buying negotiation outcomes. SEC reports clearly show a dramatic flight of advertising revenue in the immediate aftermath of circulation overstatement disclosures, not only in Dallas but in other metropolitan markets where these problems occurred. This assumption informed the following hypothesis:

H2: As a result of diminished perceptions of credibility and trust toward the newspaper, advertisers were more likely to reduce buying, feel empowered to negotiate lower rates, and/or to shift to alternatives for a time.

The available literature also helps inform another key issue this research sought to explore: to what extent North Texas advertisers may have abdicated from the *Morning News* entirely or lessened their buys based on their perceptions that alternative media platforms might be effective enough to risk trying.

As discussed above, some advertisers promised in news reports that they would drop *Morning News* advertising for the short term as a result of the circulation affair. But what remains unclear and germane is whether they returned, stayed away, or decided for reasons entirely unrelated to circulation fraud to disburse spending among other outlets such as non-newspaper Internet web sites and browsers, in line with reported national trends.

Additionally, efforts by the newspaper to restore its reputation through compensation and the promise of better future performance would be expected to interact with how advertisers ultimately responded. If available research about how buyers feel toward newspaper alternatives is to be believed, local advertisers, especially auto dealers, still prefer newspapers – unless a negative circumstance arises that cannot be overcome.

In their work, Otnes and Faber (1989) surveyed five categories of local businesses: restaurants, auto dealerships, food stores and supermarkets, banks, and furniture stores. The survey of 109 merchants, among them automobile dealerships, used Likert scales to divine that local advertisers' media assessments and use varied with respect to business category and budget but that auto dealers were among those that favored newspapers over most other kinds of media types. Not much seems to have changed in the intervening two decades, at least until the catastrophic circulation and advertising revenue declines that began in earnest to afflict the U.S. newspaper industry in 2007 and 2008.

In their 1993 study, Nowak, Cameron, and Krugman concluded in part that local advertisers relied heavily on daily newspapers. Twelve years later, Reid, King, Martin and Soh (2005) received completed survey questionnaires from 130 local large company buyers, including many in the "automotive sales and services category," to determine their perceptions about substituting other media outlets for newspapers. The survey concluded that daily newspapers remained judged the most effective local advertising medium. Radio was ranked second and, perhaps surprisingly, local non-newspaper Internet was ranked a distant last along with billboards.

Interestingly, local daily newspapers were ranked overwhelmingly the most effective medium for auto sales/services. Respondents in the automotive sales and services category, which included dealerships, indicated that of their top five most preferred substitutes for daily newspapers were, in rank order, radio, cable television, direct mail, broadcast television and Yellow pages. Among the authors' conclusions as of 2005 was that "the fight for local advertising dollars is primarily between daily

newspapers and radio, with direct mail, yellow pages and cable TV fighting each other, as well as daily newspapers and radio.” The authors note that the generalizability of their results is limited by the one market sample but hope “to stimulate future research on local advertising.”

If prior studies are to be believed showing that automobile advertisers seem particularly wedded to newspapers, through thick and thin, it seems likely that *Morning News* advertisers may not have stayed away for long because of anger or lowered credibility perceptions. They may not have remained with competitors for long. This assumption, based on substitutability theory, inspired the following hypothesis:

H3: Perceptions of credibility and trust toward the newspaper, as determinants of buying motivation, did not trump pragmatic intangible determinants in importance, and self-interest motivated advertisers to return in whole or part to the newspaper over time.

Other academic literature in recent years suggests reasons local advertisers might be reluctant to substitute alternative media outlets for daily newspapers like the *Morning News*, although this has clearly changed in 2007 and 2008 as advertisers significantly shifted away from print products to online newspaper platforms. Data from the past 18 months strongly indicate a quite radical shift in readers and advertisers to Internet news platforms. The year 2008, for instance, was the first time that more news readers got their news from online than from print products (Pew Research Center for the People and the Press, 2008). Meanwhile, advertisers have followed the readers elsewhere. Total newspaper advertising revenues have fallen every quarter since the third quarter of 2006, according to the Newspaper Association of America. A 2007 Motor Trader Dealer marketing survey found that 70 percent of respondents said they had increased their

online spend while 57 percent had raised their direct mail spend. Some 58 percent, meanwhile, reported cutting their print media marketing. Print media was only favored by nine percent.

In 2004, though, before this market shift, Lacy and Martin found that monopoly dailies faced only “imperfect substitutes” as competitors. But in instances in which a monopoly newspaper has acquired publications in adjoining counties, a strategy known as “clustering,” advertisers can be driven to competing alternate media when the newspaper stands by higher rates or shows an arrogant disinclination to yield.

After vanquishing the competing *Dallas Times Herald* in 1992, *The Morning News* did achieve a cluster monopoly in a 12-county area during the 1990s, and top newspaper executives, even after the circulation scandal became public, declared rates would be increased and not be reduced to reflect lower circulation revised because of circulation overstatements. Lacy and Martin, however, noted in 2004 that local advertiser consideration about switching from newspapers can be highly arbitrary and therefore unpredictable enough to require further research. They left open the possibility that advertisers would soon switch in increasing numbers to “an imperfect substitute that resembles a newspaper” such as web sites (2004, p.33). “Just how much of a threat these sites are will depend on the relative utility of the content to readers.” (2004, p. 33)

Corporate Reputation

Still more applicable research in recent years, not concerned specifically with newspaper advertising, deals with “corporate reputation” and “image repair” management as intangible financial assets of high economic value. Although newspapers are not

specifically discussed in this body of research, it is reasonable to assume this research would apply to them as well. Even within the advertising business, trust and credibility have been identified in passing as fundamental to consumer/seller relationships (Soh, Reid & King, 2007, p. 456)

Business professors J.F. Mahon of the University of Maine and S.L. Wartick of the University of Northern Iowa define corporate credibility as consistency between a company's actions and public statements to customers and competitors over time (2003). Mahon and Wartick conclude that attaining credibility among a company's most important stakeholders is a long difficult process, while destroying it can occur easily. But once in hand, they write, corporate credibility is a powerful force that can either help a company expand its competitive position with "a clear offensive use of reputation" or defend turf "and/ or its relationships with customers when attacked" (p.19). By contrast, Mahon and Wartick write that a negative "reputational history will cause those involved in the issue or contest to review their options" (p.28). They write:

The argument is simple. A stakeholder on a given issue bases its decision to act (and what to do with regards to the issue) at least in part on the focal organization's past behavior on this issue or similar ones and in the process arena wherein the contest is or is likely to unfold. This assessment is based on the firm's reputation and on its credibility. (2003, 27)

By offering restitution, firing certain personnel, recalibrating downward to a true and more accurate circulation figure, and reforming its systems of counting circulation, it might be argued that the *Morning News* was seeking to negate ill-feelings publicly expressed by advertisers who felt they'd been duped into overpaying for ad space.

That the *Morning News* would seek to negate ill feelings and restore its reputation, for whatever self-interested reason, is another fairly well-studied impulse based on theory that is applicable here.

In his 1995 book *Accounts, Excuses and Apologies, A Theory of Image Restoration Strategies*, William Benoit laid out a comprehensive theory of image restoration and a buffet of practical restoration strategies, all based on the basic presumption “that human beings engage in recurrent patterns of communicative behavior designed to reduce, redress, or avoid damage to their reputation (or face or image) from perceived wrong-doing” (p. vii). In short, he writes, people and the organizations they make up are seen as highly concerned with “face,” or image, and generally want others to view them and their behavior favorably (p. 50). Much of Benoit’s theory and work since 1995 is built upon a respectable body of research known as “apologia,” which is written and spoken discourse intended to persuasively defend against character-damaging accusations of wrongdoing (Blaney and Benoit, 2001; Benoit, 1997).

Benoit explains that there are five general options typically available to defend against perceptions among various audiences, such as corporate stakeholders, who become aware of bad acts and are offended (Benoit, 1995, p. 17). Along with colleagues, Benoit has applied these concepts to analyze the advisability of responses to public controversies that have involved celebrities such as Hugh Grant (Benoit, 1997), politicians such as President Bill Clinton (Blaney and Benoit, 2001), and corporations such as Texaco (Brinson and Benoit, 1999). In short, Benoit’s theory of image restoration discourse as an approach to understanding corporate crisis situations, and strategies are put for in part to be used by practitioners to help deflect damage to image or to restore a

semblance of previous image, or act to reduce the offensiveness of the act, when audiences perceive a grave wrong was committed.

These options are (Benoit, 1995, pp. 75-79): (1) denial, in which the accused asserts that no harmful act occurred, or that the accused did not commit it (p. 75); (2) evading responsibility, which may include attempts to justify actions (p. 75); (3) reducing offensiveness, by deploying messages of minimization, differentiation or transcendence (p. 17); (4) corrective action, by which the accused by seek to return to prior status quo or promise to change behavior (p. 79); and (5) mortification, which is an admission of guilt and appeal for forgiveness (p. 79).

Benoit's ideas about reducing offensiveness and taking corrective action most apply to the *Morning News*' response to the crisis. Neither of these strategies requires an admission of fault or apology that implies fault but still can lessen negative feelings and heighten esteem (p. 78).

Benoit writes that corrective action consists of returning to a state of affairs that existed before the bad act, such as when Tylenol installed tamper-proof caps on its medicinal products to guard against poisoning.

Reducing offensiveness to injured parties can be accomplished in six ways (p. 77). "Bolstering" occurs when the accused actor relates its positive attributes or positive actions they have performed in the past. "Minimizing" the bad act is a response intended to convince an aggrieved party that the bad act wasn't so bad. "Differentiation" is to compare a bad act with similar but much worse acts so as to lessen the sense of offense from the act. "Transcendence" is to argue that the bad act occurred within a context of pursuing a higher good (p. 79).

The *Morning News* did not choose any of those routes in its response. It went with the sixth strategy outlined by Benoit, “compensation,” to the tune of \$40 million in cash and credits offered to some 19,000 advertisers.

Benoit writes that: “Compensation is the final form of reducing offensiveness” and that “if it is acceptable to the victim the firm’s image should be improved (p. 78). He elaborates further on how compensation in this context amounts to bribery:

Here the person offers to remunerate the victim to help offset the negative feelings arising from the act. This redress may take the form of valued goods or services as well as monetary reimbursement. In effect, compensation functions as a bribe. If the accuser accepts the proffered inducement, and if it has sufficient value, the negative affect from the undesirable act may be outweighed, restoring reputation. (1995, p. 78)

With regard to offering compensation as part of a combination of response, Benoit writes that offers of compensation have a dual purpose; remuneration also is given to avoid litigation (Public Relations Review, 1997).

This notion is of particular relevance in perceived newspaper wrongs against advertisers. In instances of newspaper circulation fraud, automobile dealers sued *Newsday* and the *Milwaukee Sentinel*. But in an interview with this author, Campbell (2005) described a private meeting between the full membership of the automobile dealership association and top *Morning News* managers and attorneys shortly after the circulation accounting fraud was publicly disclosed. He stated, in part:

They tried to downplay it. But they took the hard questions. They said, ‘look we’re willing to offer you a cash settlement. They did this with the big retailers and all of their big advertising clients. We talked to our attorneys. We did a little survey and noticed this (litigation over alleged circulation fraud) was going on in other states. We checked the lawsuits. So we looked at the cash going forward and the downside of lawsuits. It was, ‘I get money back. I continue to do business. That’s the end of the deal.

Corporate reputation theory, along with image restoration theory and substitution theory, therefore informed the following hypothesis:

H4: The more the newspaper sought to restore its reputation through compensation to advertisers and by recalibrating circulation to a more trustworthy figure, the more likely advertisers were to restore spending on newspaper advertising to some degree.

Anecdotally, reaction to the restitution and other measures among automobile advertisers in Dallas was favorable. Campbell, the new car dealership association president described it thusly (2005): “Nobody is suspicious today. They got their checks. They got their credits, and they’re continuing to do business at some level, not what they were before, but at some level. The bottom line was they offered a good enough restitution program. They did a great job of it, and it worked.”

CHAPTER 3

METHOD

To test the hypotheses, a six-part, self-administered questionnaire (see Appendix A) was sent or hand-delivered to 82 automotive dealerships belonging to the New Dealer Association of Metropolitan Dallas and who buy advertising in-house rather than through a media planning agency. The association represents some 109 large auto dealerships in the 12-county *Morning News* core market. New Car Dealership of Dallas president Drew Campbell provided the membership directory and initially promised other valuable aid. This group of respondents, which amounted to a firm majority of all new car dealers in the market, was selected as the sampling frame for good reason.

As others who have conducted similar studies of advertisers have attested (King, Reid, Leonard, Macias, 2004; Nowak, Cameron, Krugman, 1993), conducting questionnaire surveys of sufficiently large samples can be difficult to accomplish because few standardized contact lists have been compiled.

Nowak, Cameron and Krugman, discussing this difficulty, noted:

One problem in studying local advertising is that, unlike surveys involving national advertisers, no directory equivalent to "Advertising Age's 100 Leading National Advertisers" exists to identify local merchants, retailers, and business people. Rather, the number, diversity, and relatively dynamic nature of local advertisers essentially precludes the development of such a list (i.e., any gains in statistically generalizability are negated by what would be an immeasurably inadequate or incomplete sampling frame. (1993, 41)

A large hurdle was thus overcome when Drew Campbell of the new car dealers association provided a proprietary 2006 membership list. After all, the *Morning News* sent restitution checks to nearly 19,000 advertisers in all, a mass far too numerous, diverse and irregular as purchasers to measure as a single aggregate group. But automobile dealerships represented an ideal sampling frame from among the many dozens of highly diverse categories of *Morning News* advertisers because of their value as a kind of coal mine canary.

While the findings about automobile dealerships obviously may not be generalized to other categories of *Morning News* advertisers, the segment has been identified in SEC filings and elsewhere as one of the largest and most stable revenue sources at the *Morning News*, *Newsday* and other major dailies, including all those involved in circulation accounting irregularities (Saba, *Editor and Publisher Magazine*, November 2004, pp. 51-52). In fact, automobile dealerships accounted for eight of the *Morning News*' top 20 largest local advertisers (Saba, 2004).

A systematic analysis of the influence power of perceptions among Dallas automobile dealers, especially generalized to other large urban newspaper markets, would prove of high interest to the newspaper industry at large, despite the absence of sampling various other advertising segments.

A relatively high response rate was anticipated, based on responses to surveys targeting advertisers reported by King, Reid and Macias (2004), Nowak, Cameron and Krugman (1993), Lacy and Martin (2004) and others. Those researchers reported having achieved 50-60-percent response rates from their targeted advertisers. There was further reason to believe this survey could have secured that rate of return, or possibly even

higher. Campbell, a key influencer among North Texas dealerships, promised to contact all members and urge their cooperation until such a rate was achieved. Initially, Campbell also promised to provide email addresses for the author's use in follow-up solicitation.

A number of pre-interviews with advertisers and media buyers in the Dallas market helped the author formulate hypotheses and questions.

Before any survey was mailed, the author scrubbed auto dealer membership rolls for accuracy and updates. Prior to the mailing, the author systematically placed telephone calls to each of the 109 dealership members. The names of decision makers for advertising placement over several years time were confirmed, identified, tracked down or deleted. Mailing addresses also were confirmed or updated. Dealerships determined to be using outside media buyers were eliminated, as were those in which responsibility for in-house advertising placements had rotated considerably among personnel. Others eliminated included dealerships that had been absorbed by large corporate nationals such as AutoNation, which handles its ad campaigns on a national scale.

The result of this exercise was a relatively "clean" and accurate list of 82 local decision makers with direct knowledge of the North Texas market and institutional familiarity with the *Morning News* and its circulation woes. The target sample, while numerically large enough to yield a statistically significant survey, was still small enough for effective follow-up telephone or email outreach. In a cover letter (see Appendix B), all respondents were assured anonymity. No incentives or inducements were offered other than that the author would be willing to provide copies of the completed thesis upon request. The author set up a post office box for receipt of completed surveys.

On April 22, 2008, the author personally delivered the first 15 survey questionnaires to decision makers in their places of business. Each was delivered with a hand-shake introduction and direct plea to complete the survey and mail it back in the enclosed self-addressed, stamped envelope. In most instances, potential respondents indicated enthusiastic willingness to return the surveys. The remaining 67 surveys were mailed over the ensuing week.

Several weeks after the initial personal deliveries and mailings, with only one response in hand, the author began phoning respondents. It was during this first round of follow-ups that respondents express fear that the monopoly *Morning News* would inflict pricing retaliation as a consequence of cooperating with this research project. No evidence has surfaced that would indicate *Morning News* personnel attempted to undermine this research. But fear of pricing retaliation would be more frequently cited for non-cooperation as time went on. None of the respondents who expressed this concern could be mollified by pointed reminders that confidentiality was promised.

Key influencers who had promised to aid this research abdicated.

Drew Campbell, the new car dealership association president who for two years had eagerly supported the research project as a valuable tool for organization, stopped returning the author's phone calls as the questionnaires were being prepared for distribution. He did not return repeated calls throughout the ensuing months of the project - or to date. Mr. Campbell's early promises to help, particularly that he would use his personal endorsement and email lists to enhance return rates, thus were never forthcoming.

A similar story unfolded with Lee Chapman, the president of the New Car Dealers Association of Tarrant County based in Fort Worth, Texas. Chapman had eagerly agreed to facilitate the survey by offering to forward several by email, with his endorsement, to large dealers in the Fort Worth area that he knew advertised in the *Morning News*. After receiving the surveys, however, Mr. Chapman never returned repeated follow-up phone calls and email from the author seeking updates (See Appendix C).

To be sure, many targeted respondents were not disposed to complete a survey for the usual variety of reasons. A number said they'd been too busy. In retrospect it may have been worthwhile to have offered incentives or considered masking the specific nature of the project by way of re-writing the questionnaire. But it is also worth noting that nearly as many as those who actually did respond indicated some level of fear of *Morning News* reprisal. The following is a sampling:

“I certainly don't want to be the reason you don't graduate, but I am not comfortable with the questions you are asking. I felt it is in the best interest of my company to decline (see Appendix D).”

“After a review of the survey by our marketing department, we respectfully decline participation in your project. Our organization has a long standing relationship with *The Dallas Morning News*. I guess our marketing department didn't want to take a chance (see Appendix E).”

“Because the subject matter of your survey concentrates on *The Dallas Morning News* and they are now a client of mine ... I feel uncomfortable answering the questions (see Appendix F).”

In the end, only 16 of the 82 solicited respondents returned a completed questionnaire, a number too low to provide a meaningful statistical reading.

In all, the author conducted three rounds of 82 phone call reminders separated by about three weeks each. When these rounds failed to produce but three returns, the author switched tactics and conducted a fourth round of calls with an added mission: to compile a list of email addresses of respondents in order to transition project communications – and survey redistributions - to an easier, more direct electronic footing. Some 55 email addresses were obtained in this manner.

Survey questionnaires were then electronically emailed to the 55 respondents on three additional occasions over the next two months (see Appendix G), resulting in ongoing correspondences and telephone conversations with a smaller cohort of the most promising candidates. This process yielded the majority of the 16 survey returns. But by August 2008, four full months after the surveys were mailed, one last round of three dozen emailed reminders with questionnaires attached failed to produce any additional returns.

The data collection was deemed complete in consultation with the thesis supervisor.

Questionnaire

The questionnaire had six parts. Respondents also were given the opportunity to reply to several open-ended questions.

The first two parts collected demographic information such as length of time in market; dealership and annual advertising budget size; and how they allocate their advertising budgets among 12 media choices used by Nowak et al. (1993). Subsequent

sections sought to ascertain the relative importance placed on a variety of trust and credibility variables, modeled on King et al. (2000, 2003, 2005, 2007).

Respondents were asked for input, through a variety of rating scales, yes-no, true-false questions on the following topics: (1) Current and pre-2004 media use; (2) the importance of media use decision making factors that amount to trust and credibility; (3) assessment of relative and absolute impact of Circulation Scandal on trust and credibility perceptions; (4) Post- and pre-scandal perceptions of trust and credibility about DMN sales and circulation departments; (6) Assessment of relative and absolute impact of Circulation Scandal on buying; and (7) Attitude toward DMN restitution program as a sub-factor influencing buying over time.

To measure current media use against pre-scandal media use, for instance, respondents were asked in Section IV to rank by percentage their budgets for the newspaper, non-newspaper Internet and other media over the previous one to four years. Current and pre-scandal variables were modeled after the “ADTRUST Scale” used by Soh et al. (2007, 462). These were used to measure consumer perceptions of trust toward ads but were adapted for the purposes described here.

To determine how the circulation controversy might have changed buying patterns, respondents were asked a series of scale questions, such as “On a scale of 1 (very little) to 5 (very much) the circulation scandal prompted me to renegotiate my contract...cancel and so forth

The collected data were entered into SPSS for analysis, in spite of the small number of surveys. Because of low statistical power, planned Pearson correlations between the variables of interest could not produce meaningful associations that would

enable a valid exploration of the hypotheses. Some meaning, however, can be derived from some of the descriptive statistics produced by the analysis of the 16.

CHAPTER 4

RESULTS

The available responses indicate the circulation scandal did have a negative impact on perceptions of credibility, as predicted in the first hypothesis.

Hypothesis 1: Circulation fraud event caused sharp trust and credibility decline

In Section IV of the questionnaire, respondents were asked to rank on a scale of 1-7, with 1 being "strongly disagree" and 7 being "strongly agree," a series of perception values they held about doing business with the *Morning New* before and following the circulation scandal. The data showed that advertisers did not start out holding the newspaper in exceptionally high esteem on values such as "honest," "factual," "credible," and "truthful." In considering the period prior to the circulation issue, these advertisers rated the newspaper slightly above average on values such as "honest," "factual," "credible," and "truthful" (See Table 4-1).

Those ratings fell after the scandal became public (See Table 4-2).

For instance, the average mean before the scandal for "credible" was 5.13 (1.7 standard deviation) among 15 respondents (one did not complete the section). They

ranked "truthful" as 5.20 (1.6 standard deviation), and "honest" 5.13 (1.7 standard deviation).

Table 4-1: Perceptions of doing business with the Morning News before 2004

	N	Minimum	Maximum	Mean	Std. Deviation
Honest	15	0	7	5.13	1.727
Truthful	15	0	7	5.20	1.612
Credible	15	0	7	5.13	1.727
Reliable	15	0	7	5.27	1.624
Dependable	15	0	7	5.13	1.642
Accurate	15	0	7	4.93	1.668
Factual	15	0	7	5.20	1.699
Complete	15	0	7	5.07	1.792
Valuable	15	0	7	5.00	1.732
Good	15	0	7	4.73	1.792
<hr/>					
Useful	15	0	7	5.07	1.907
Helpful	15	0	7	4.21	1.929
Likeable	15	0	7	5.00	1.890
Enjoyable	15	0	7	5.00	2.000
Positive	15	0	7	5.13	1.846
Valid N (listwise)	15				

After the circulation irregularities became public, esteem for the newspaper as measured in those categories and others declined (see Table 4-2). For instance, “credible” dropped from an average of 5.13 on the scale before the scandal to 4.50 after the scandal.

Table 4- 2: Perceptions of doing business with the Morning News after 2004

	N	Minimum	Maximum	Mean	Std. Deviation
Honest	16	0	7	4.50	2.033
Truthful	16	0	7	4.56	1.825
Credible	16	0	7	4.50	1.789
Reliable	16	0	7	4.50	1.592
Dependable	15	0	7	4.40	1.682
Accurate	16	0	7	4.63	1.628
Factual	16	0	7	4.44	1.788
Complete	16	0	7	4.63	1.586
Valid N (listwise)	15				
	N	Minimum	Maximum	Mean	Std. Deviation
Valuable	16	0	7	4.13	1.746
Good	16	0	7	4.00	1.862
Useful	16	0	7	4.19	1.974
Helpful	16	0	7	3.88	1.893
Likeable	16	0	7	4.44	1.632
Enjoyable	16	0	7	4.19	1.759
Positive	16	0	7	4.50	1.713
Valid N (listwise)	16				

A decline in esteem regarding believability also is indicated in other sections of the survey results. In section V, respondents were asked to rate on a scale of 1 to 5, with one being “very low” and 5 being “very high,” how they felt about the newspaper’s circulation and pricing claims. For instance, before the scandal, the respondents ranked their confidence in the newspaper’s circulation claims and pricing justifications at an

average of 3.4. In the immediate aftermath of the scandal, they ranked claims and pricing justifications at 2.2. Additionally, advertisers felt more concern than they had before the scandal about the accuracy of newspaper circulation claims, and the scandal prompted them to believe more than previously that prices were too high (see Table 4.3 below)

Table 4-3: confidence in circulation and pricing claims before and after scandal

	N	Minimum	Maximum	Mean	Std. Deviation
Confidence in claims before	15	0	5	3.40	1.298
Confidence in claims after	15	0	4	2.20	1.014
Prices too high before	15	0	5	3.87	1.246
Prices too high after	15	0	5	4.27	1.280

Hypothesis 2: lowered trust led to reduced buying or harder bargaining

Building upon the first hypothesis, the study sought through a variety of questions to determine whether buying was reduced, or the newspaper quickly substituted with other media, after 2004 and, if so, whether there was any association with reduced attitudes of trust and credibility from the circulation overstatement. As indicated above, a lack of statistical power due to small sample size provides no confident finding.

Descriptive statistics, however, as discussed above, provided some indication that the 16 respondents did report some measure of lowered perceptions about credibility and trust in circulation and pricing claims. Descriptive statistics also show that most of the 16 respondents reported efforts to reduce spending as a result of the circulation scandal.

Here, it was critical to gather empirical knowledge of the advertisers’ media use over the previous four years, any shifts in percentage of advertising budget among the various platforms during those years, and self-reported reasons for changing percent

expenditures on newspaper space both before and after the circulation accounting problem.

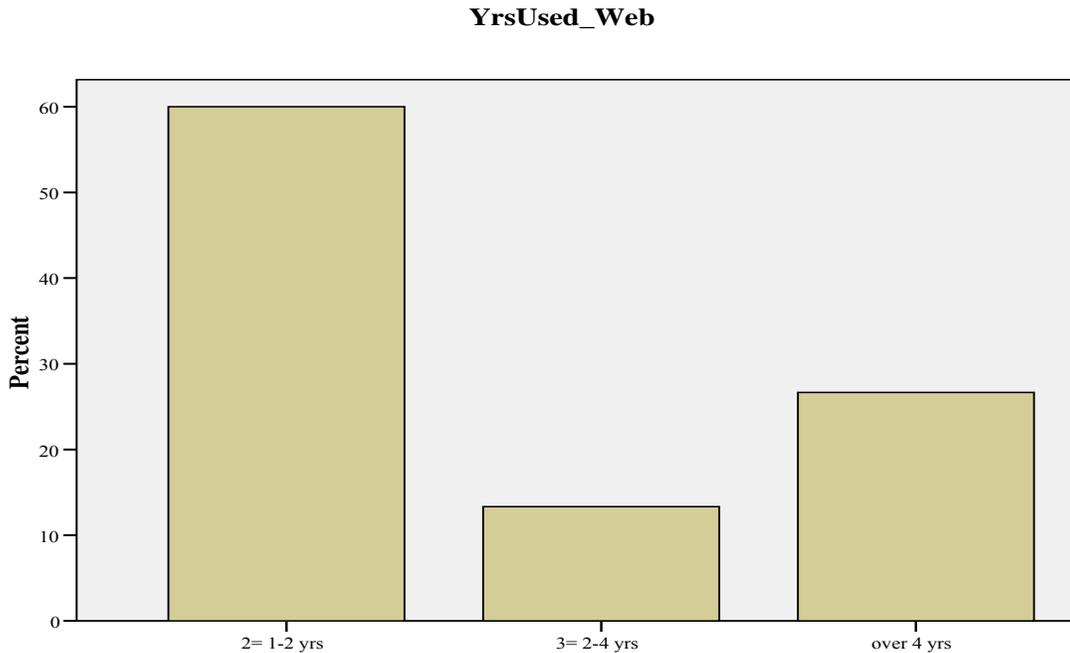
Most of the respondents who answered this question, 12 of the 14, reported being continuous customers of the *Morning News* from prior to the scandal to the time of filling out the questionnaire, predating the circulation scandal. One other advertiser reported using the newspaper at least the previous two years. Another used the newspaper but did not know for how long. All reported a mix of media use at the time the questionnaires were filled out, with radio leading at some 28 percent of budgets, followed by non-newspaper Internet websites at 25 percent, followed by the newspaper, broadcast television and cable television at about 12 percent each (see Table 4-4 below).

Table 4-4: *Percentage of advertising budgets spent on various media*

	N	Minimum	Maximum	Mean	Std. Deviation
<i>Morning News</i>	15	0	25	12.03	8.549
Weekly newspapers	10	0	20	6.50	7.091
Local radio	13	5	50	28.46	15.993
Direct mail	13	2	20	10.54	5.285
Magazines	8	0	30	8.75	9.483
Cable	7	0	30	12.14	11.495
Broadcast	9	0	50	12.78	16.791
Billboards	9	0	30	7.89	9.623
Coupons	4	0	30	8.13	14.631
Yellow Pages	5	1	5	2.90	2.133
Non-newspaper websites	15	5	59	25.27	18.191
Valid N (listwise)	2				

Respondent recall proved problematic in being able to determine with any accuracy a percentage change in how the advertisers may have recalibrated their budgets since 2004. Many marked “unsure” when asked to recite percentage of budget changes in some of the media categories, with the exception of Internet spending. In that, the data does show respondents reporting heightened expenditures since 2004. A clear majority of the respondents reported increasing their budgets for Internet web site spending over the one to two years prior to answering the survey (see figure 4-1 below).

Figure 4-1: Years reported use of non-newspaper Internet web sites for advertising in terms of percentage of all reporting dealerships.



Advertisers were asked to rate on a scale from 1-5, with 1 being “strongly agree” and 5 being “strongly disagree” a series of questions designed to get at how they reacted in their spending behavior as a result of the scandal.

On average, advertisers were fairly neutral. Most of the advertisers who responded to these questions neither strongly agreed nor strongly disagreed that they reduced business with the newspaper as a result of the scandal. Advertisers tended to mildly disagree (3.70) when asked to rate on the 1-5 scale whether they had entirely ignored the scandal and made no spending changes as a result. Conversely, they tended agree (2.10) when asked if newfound distrust in the newspaper caused them to entirely replace the newspaper with an alternative, at least for awhile.

Asked point blank whether “the *Morning News*’s disclosure of circulation overstatements influenced in any way a decision to stop buying ads entirely, significantly reduce buying, or renegotiate lower rates,” 8 said yes and 7 said no. One did not respond to this question. But they also generally agreed with the statement: “I continue to do business with the *Morning News* but don’t advertise as much as before the circulation controversy, keeping a mix of other media.” This could be due to external business climate developments that have nothing to do with circulation counting irregularities.

Suggesting the *Morning News* can be substituted, respondents disagreed with the statement, and “I continue to do business with The *Morning News*, despite feelings of mistrust, because I have no other choice.”

Hypothesis 3: other more pragmatic factors trump intangibles as influences of buying choices, restored spending to newspaper over time

This study sought to gather inputs from advertisers to test competing motivations identified in prior research that might provide alternative explanations for why they changed spending after the confidence-shaking circulation fraud. The advertisers were asked in the survey to rank by descending order of importance, with 1 being the most important, 10 factors that influence them in which medium to use. Significantly, the values that consistently ranked last in importance were: “believability of sales staff claims of circulation and web audience reach,” and “trust relationship with sales staff” (see Table 4-5). Ranking the highest were pragmatic influencers such as “audience reach,” “ability to generate traffic,” and “cost per thousand people reached.”

Table 4-5: Ranking in descending order of importance 10 values that most motivate advertisers to buy

	N	Minimum	Maximum	Mean	Std. Deviation
Ability to reach audience	16	0	6	2.25	1.653
Total ad cost	16	0	6	3.50	1.633
Cost per thousand reached	16	0	8	4.00	2.221
Ability to generate traffic	16	0	6	3.31	1.702
Extent competitors use medium	16	0	10	6.81	2.482
Advertising rate discounts/incentives	16	0	8	6.31	1.991
Trust relationship with sales staff	16	0	10	7.13	2.655
Believability of staff audience reach claims	16	0	10	7.38	3.263
Media willingness to bargain price	16	0	10	7.75	3.109
Valid N (listwise)	16				

This section of the study indicates that pragmatic financial outcomes are supreme influencers of decisions by newspaper advertisers to buy ad space.

One respondent revealed a raw pragmatism in his reply to an open-ended question: “Regardless of circulation issues, the newspaper is extremely inadequate as a main media source today (up to 4 years ago). With the mature age of the Internet, the effectiveness of radio and paper has completely declined to almost nil. The only reason I use either is for a weekend boost around the holidays, only holidays.”

It might then be presumed that these factors trump lesser, intangible, buying influencers such as trust, believability and good relationships. But leading to what action? The descriptive data in this study was particularly inadequate and inconsistent, as only up to 10 respondents answered some of the questions. What data was collected indicated that advertisers who ranked cost-benefit factors highly also indicated that issues of shaken confidence influenced about half of everyone who responded to very quickly stop buying *Morning News* space for ads. Only 10 decision makers responded to the question of whether the scandal caused them to stop buying ads partly or entirely. Five of them reported scaling back because the newspaper lied. Four reported replacing the newspaper entirely, while five others reported that they were not bothered by the scandal and did not change their buying habit. Five, presumably those who initially defected in whole or part, reported returning to the newspaper after a period of time. In a different section, eight said the scandal directly influenced them to change their buying practices, while seven reported that it had no influence.

Hypothesis 4: Efforts to restore corporate reputation and image associated with some improved attitudes and buying

Again, insufficient survey response prevented a better exploration of such associations, especially in light of intervening industry trends that strongly and negatively

impacted newspapers several years after the circulation frauds of 2004 and continue to do so. Descriptive statistics offer a limited, inadequate glimpse that offers little direction. The majority of those who responded to this survey reported accepting restitution payments but, judging by responses to questions about it, seemed noncommittal as to what effect the payments had on their business relationship with the newspaper.

Advertisers were asked a series of 1-5 scale questions, with 1 being “strongly agree” and 5 being “strongly disagree,” probing for self-reporting on whether damaged credibility and trust had improved as a result of *Morning News* restitution programs. Most respondents generally agreed, although not strongly, with the statement: “I feel the newspaper has since mended its ways enough to restore my faith and patronage.” But respondent replies were neutral regarding statements such as, “The restitution program influenced my decision to resume advertising with the *Morning News*,” and “The restitution program was inadequate and made me feel even worse about the newspaper.”

CHAPTER 5

SUMMARY AND DISCUSSION

A chief finding resulting from this study was the reluctance among automotive dealers, strident in some instances, to participate. A number of potential respondents expressed fear of losing whatever positive relationship they had with the newspaper even though there was no possibility of their participation being publicly disclosed. This reaction underscored the probability that the newspaper, as a monopoly ad medium, remained influential as of 2008 among some dealerships. One longtime Dallas media planner who was interviewed prior to survey distribution explained that the *Morning News* often strayed from rate cards with preferred clients. This media planner explained that it was well known throughout the market that the *Morning News* offered discounts from the rate card to larger advertisers such as auto dealerships as a means to retain them as important revenue-generating clients but forced smaller advertisers to hew to the rate cards. The media planner pleaded not to be identified for fear that the planner's clients would be so penalized. In light of this account and stated fears by some auto dealers of unspecified retaliation, the researcher believes it is reasonable to conclude that one explanation for low survey return was potential loss of unofficial rate card discounts. Again, if this explanation has merit, it would only offer further support to the idea that the *Morning News* remains a potent ad medium even in trying times of falling circulation.

In spite of the relatively small number of responses, results were patterned for each of the four hypotheses.

H1 held that advertiser esteem toward the newspaper declined sharply once circulation irregularities were publicly disclosed.

Survey results indicated that decidedly average and below average feelings of esteem toward the newspaper did indeed fall as an immediate result of the circulation scandal, particularly in regard to values such as “credibility,” “truthfulness,” “believability” and “pricing justification.” Advertisers did not seem to hold the newspaper in exceptionally high esteem before the circulation scandal, on values such as “honest,” “factual,” “credible,” and “truthful.” But measurements of those variables indicate they fell further after the scandal became public, at least based on the 15 surveys. A decline in believability also was indicated when respondents were asked how they felt about *Morning News* representations of circulation and pricing claims, and advertisers felt more concern than they had before the scandal about the accuracy of newspaper circulation claims.

These findings support an early presumption that additional study was needed - that factors other than how much business ads can bring in, such as trust, loyalty, credibility and believability, play at least some role in influencing advertiser purchasing decisions. The available literature about the influences of advertiser buying showed that factors related to price and advertisement performance as measured by positive sales effects have *primarily* motivated local advertisers (Maxwell and Wanta, 2001; Nowak, Cameron, Krugman, 1993; King, Reid and Macias, 2004). However, much of the same literature drew attention to the presence of other kinds of perceptions as well that can also influence whether advertisers buy space from newspapers. The qualitative survey work of McMellon and Eftimov (2004) identified intangible values that influence media buying

and selling such as “power, relationships and conflict.” They identified as determinants in the negotiated outcomes of media purchasing such factors as the importance of long-term, cooperative relationships between media buyer and seller, informational power about one another that buyers and sellers hold in shifting degrees and “subjective utilities” such as “gut feeling.”

In surveys of newspaper advertisers, Nowak, Cameron, and Krugman (1993) concluded that their respondents especially valued paid circulation as a measure of audience reach. But other factors besides revenue generation were noted; newspaper sales staff affability; knowledge and service. Nowak, Cameron and Krugman also were told in their survey that advertiser feelings of “loyalty” influenced their buying behavior.

Data from testing the first hypothesis of this thesis added some credence to earlier research that found factors other than return on investment, price, and demographics reach do influence decisions to buy or lessen the buy, to a degree.

H2 held that reduced esteem, trust and believability prompted advertisers to change their buying habit by either reducing eliminating ad purchases, bargaining harder for lower prices or shifting to alternative media.

At issue first was whether reduced esteem toward pricing and circulation claims occurred. Some was indicated in H1. The available data suggested there was reduced esteem toward the newspaper among advertisers. But the crux of H2 was whether that reduced esteem caused advertisers to actually change strategy and if so, to what?

Prior to this survey, some research into advertiser motivation had discerned why advertisers might want to *stop* spending or to change their buying mix. Several studies noted some factors that caused spending pullback. Nowak, Cameron and Krugman

(1993), for instance, reported that the two top reasons for discontinuing use of the medium was lack of results and media cost or expense. King, Reid and Macias (2004) found that a willingness to drop newspapers in favor of other media was influenced primarily by advertising rates and audience delivery factors. None of these, however, discussed how varying levels of esteem, trust, or credibility might influence spending pullback.

McMillon and Estimov (2004) found that certain kinds of information about the market or a negotiating opponent could shift the power in ad rate negotiations. For instance, either party in a negotiation would gain the advantage upon the possession of information, or in the course of conflict. These studies helped inform H2 and questionnaire questions so that esteem, credibility, and the quality of business relationships as factors - outside of price and return on ad placement investment - might have influenced advertisers to defect. Eight of the 15 respondents indicated they advertised with the newspaper before the scandal and paid close attention to the news of it. Again, some half of the respondents tended to agree that newfound distrust in the newspaper caused them to entirely replace the newspaper with an alternative, at least for awhile. Slightly more than half reported that the scandal influenced them to some degree to stop buying ads entirely, significantly reduce buying, or renegotiate lower rates. But the extent of the pullback could not be discerned because of recall issues. Quantifying the extent of pullback was retarded by a lack of clear recall as to the exact mix of media buying before the circulation scandal four years earlier.

The third hypothesis, H3, predicted that purely financial factors such as profit motivation, price and audience reach soon reasserted over factors such as credibility, trust

and feelings toward the newspaper - and prompted advertisers to return in whole or part to the newspaper over time. The prediction that offended advertisers would eventually return was fairly well rooted in some prior research but could find only shaky support in this survey's results. Several previous studies related to advertising motivations established that newspapers were, at least until very recently, by far a favored medium, especially for the economically substantial automotive sector. Newspapers were so favored that advertisers who strayed elsewhere for any particular reason reporting finding only imperfect alternatives to newspapers (Lacy and Martin, 2004). Reid, King, Martin and Soh (2005) concluded that advertisers, including those in automotive sales, considered newspapers the most effective local advertising medium.

Results from this part of the study indicate support for one underlying assumption established in previous work: that financial outcomes of advertising, such as measurable increases in store traffic, sales and competitiveness, are primary influencers of spending decisions. Respondents consistently ranked such values first in importance and ranked as last values that included "believability of sales staff claims of circulation and web audience reach," and "trust relationship with sales staff." There was some evidence to support that at least for a short time advertisers elevated those credibility-related values in the immediate aftermath of the disclosure about improper circulation counting. Left unclear, partly due to low response rate, was whether advertisers have continued to do business with the newspaper to the extent they are because of price, audience reach and ad effectiveness later reasserted themselves over credibility-type variables.

Most of the previous research dating to the early 1990s through to 2005 showed a clear preponderance among advertisers of influencing factors such as ad effectiveness

and cost per thousand reached that go into ad buying decision making. However, the same advertisers who ranked cost-benefit factors so highly and who ranked factors related to credibility and trust so low also indicated that issues of shaken confidence influenced them to initially stop buying *Morning News* space for their ads.

The key prediction that advertisers had returned to the newspaper after departing because of the scandal could not be fully determined because of low response rate and also intervening economic trends that may have clouded recall. Respondents indicated that they still do business with the newspaper, although less than before the circulation scandal, not because of any lingering mistrust but because they believe they may be getting better results elsewhere for less money. Advertisers reported using a greater mix of media platforms, particularly non-newspaper Internet websites. Contrary to the finding of Lacy and Martin just a few years ago, a majority of respondents in 2008 suggested that they were indeed willing to substitute the newspaper after the scandal, at least partially. This was indicated by a majority of respondents disagreeing with the statement: “I continue to do business with the *Morning News*, despite feelings of mistrust, because I have no other choice.”

But it remains unclear exactly why. At the time of this writing, and for at least the prior 18 months, unprecedented amounts of advertising dollars have been shifted away from newspaper print products, or transitioned to lower-cost newspaper websites, if at all. The American newspaper industry is still the midst of a contraction of as yet unknown proportion, as buyers of print ad lineage follow the abdication of millions of print subscribers, from major metropolitan newspapers like *The Dallas Morning News*. This

shift has proven to be both dramatic and catastrophic, leading to closures, bankruptcies, significant industry-wide layoffs and an uncertain future.

H4 predicted that *Morning News* attempts to remedy the offense and restore lost reputation caused by circulation miscounting had a positive impact on effected advertisers. This prediction was rooted in part on past research from the fields of “image restoration” and “corporate reputation.” The idea was that, as Benoit concluded (1995), a strategy of restitution and reform, even without apology, can prove an effective means by which an individual or corporate entity can reduce offense and return to a pre-injury state of business affairs.

But again, insufficient survey response prevented any conclusion beyond a rough indication that about half of Dallas-area advertisers did, as predicted, respond well to the *Morning News* strategy of offering \$40 million in credits or cash payments.

The majority of those who responded to this survey reported accepting restitution payments. But judging by responses to questions about its effectiveness, seemed noncommittal as to what effect the payments had on their business relationship with the newspaper. Five of the nine who responded to the question of whether the restitution program influenced them to return their lost patronage answered affirmatively. By the same token, five of the nine reported the program was inadequate. Five of ten respondents reported that newspaper efforts to “restore their faith” worked.

Most respondents generally agreed, although not strongly, with the statement: “I feel the newspaper has since mended its ways enough to restore my faith and patronage.” But respondent replies were neutral regarding statements such as, “The restitution program influenced my decision to resume advertising with the *Morning News*,” and

“The restitution program was inadequate and made me feel even worse about the newspaper.”

Limitations

This research effort yielded too few responses to derive much meaning from data analysis, and so its uses are obviously very limited beyond alerting those who read this final thesis to an area of study that is important and much needed at this trying time for the newspaper industry: the trust relationship between advertiser and newspaper. The survey could have benefited from some form of incentive offering to improve return rate. But given the fears some respondents expressed about suffering newspaper pricing wrath if they cooperated, the author cannot help but wonder if an unseen animus had been deliberately deployed to work against the research after the surveys went out. The newspaper sales department, with its regular direct contact between sales staff and the targeted respondents, certainly had the easy ability to project an informal message about the survey, although there is no evidence that this occurred.

Even had incentives been offered, potential effectiveness remains an uncertainty because the author’s repeated personal appeals over months produced much more silence than completed questionnaires.

Perhaps not for a long time to come will a future researcher be able to exploit the unique study opportunity presented by fallout from fraud events the magnitude of 2004’s circulation scandals. In fact, no information could be located in the public realm that would indicate when, or if, a similar phenomenon had ever occurred in modern times. One thing is certain: the phenomenon of newspaper circulation accounting fraud doesn’t

occur very often, at least not in such a pointedly public way as the scandals of 2004. As a rarity, these half dozen instances offered an unusual opportunity to superimpose on the newspaper industry, long known for its probity, some of the better studied dynamics of corporate reputation, which was part of the theoretical foundation of this thesis.

One limitation significant enough to be included in those discussed here is the fact that the window to adequate study of the phenomenon's impact was shut prematurely by 2006 when a storm of a different kind swept the industry: a broad migration of readership from paid print circulation to free online products that hit newspaper circulation and revenue hard.

Those powerful currents carried with them the potential to muddle answers to the question of where advertisers went after the scandal – and exactly why. At issue is whether respondent recall might have become more of a hindrance to this research than originally supposed, given the striking, distracting changes for newspaper and advertiser alike that were taking hold even as the surveys went out.

Starting in about 2006 and continuing as of this writing in 2008, the U.S. newspaper industry went into a tailspin for reasons distinctly unrelated to matters of reputation. According to the American Newspaper Association, total paid newspaper circulation declined from 58 million to 51 million between 2003 and 2007. Weekday circulation for the 507 daily papers tracked by the Audit Bureau of Circulations slipped 4.6 percent during the six-month period ending Sept. 30, 2008. The biggest declines were seen at metropolitan dailies like *The Houston Chronicle*, down 11.66 percent, *The Boston Globe*, down 10.18 percent, and *The Philadelphia Inquirer*, down 11.06 percent. The *Morning News* was down 9.2 percent during this reporting period but suffered double-

digit declines also in a number of preceding quarters. Advertising revenue has followed circulation down, leading to unprecedented operating expense contractions, thousands of newsroom layoffs and reorientations to online operations.

Total newspaper ad revenue through the first three quarters of 2007 fell more than 10 percent over the previous year to \$10.5 billion, fueled in part by a 19 percent drop in automotive ads (Newspaper Association of America). Circulation accounting issues had been effectively eclipsed.

Still, it can also be argued that respondent recall would not have been a significant problem, given that there was a good two-year window immediately after the scandals were disclosed with no intervening events that could have distracted from recall of the immediate past. People still remembered the circulation fraud very well during the next two years. The fallout from it, such as a lawsuit and criminal investigation, was still a source of local media coverage and regular punditry.

By the time the scandals became public, institutional spending on traditional newspaper advertising locally and nationally was generally recovering nicely from a 2000-2002 slow down. Once the overstatements were disclosed, The *Morning News* and other afflicted newspapers suffered outsized disruption of revenues for the rest of 2004 and into 2005 and the first half of 2006 when compared to all other similarly sized newspapers. This coincidence of this disruption strongly suggested that the overstatements could indeed have chased away newspaper customers in significant numbers.

Implications and suggestions for further study

The attitudes and perceptions that advertisers may privately harbor toward newspapers – and how those relate to purchase behavior - can be measured in the absence of catastrophic fraud events. It must be noted that all of the automobile advertisers who did respond to the survey indicated that their satisfaction levels with the *Morning News* registered as distinctly mediocre on 15 perception factors even before the circulation accounting fraud. The reviews were far less than stellar on factors that ranged from “likeable,” “dependable” and “credible” to “truthful,” “reliable” and “accurate.” It stands to reason that a newspaper that works hard to improve its reputation in these matters can then improve its revenue prospects. But first, research is needed to better quantify how advertisers rate the importance of these kinds of feelings in their business dealings with newspapers.

Despite the limited response rate, the research did yield some limited descriptive statistics that provided some clues as to how advertisers felt in the wake of disclosures that they had essentially been overcharged for years. The survey sought to expand on similar inquiry to identify what kinds of motivating factors influence advertisers to buy, or not buy (Nowak, Cameron and Krugman, 1993). This research effort sought to expand on that earlier work by focusing on a certain band of attitudes and perceptions about newspaper honesty in pricing and circulation claims, or really any sort of integrity question that goes to reputation.

In finding at least some indications of support for each of the four hypotheses, this thesis makes the case for additional study of integrity and credibility as they relate to motivation for advertisers to buy or not.

In summary, this study indicated that most of the 16 advertisers who responded were somewhat sensitive to feelings that the newspaper had betrayed them, and they pulled back on spending. At least some increased spending on Internet platforms. Correlations, however, could not be tested.

But most of those who reported losing their faith in the newspaper at the time of the scandal had that faith restored within a couple of years. These respondents reporting that they returned at least some business to the newspaper and generally feel better after restitution was made and accounting reforms implemented. The key question remains for future researchers who might revisit the corporate reputations of media companies: What was the true cause? All 16 ranked perceptive attitudinal values such as “believable,” “factual” and “credible” as far less important than pragmatic self-interested business values such as “price,” “audience reach,” and “ability to generate store traffic.” It is possible that credibility figures very little into the buy, but even this assumption begs testing as a means to eliminate the question.

Additionally, this work shows that perhaps corporate efforts to mitigate harm and damaged reputation, such as shoring up the *Morning News*’s internal circulation counting practices and implementing restitution programs, did diminish negative advertiser perceptions of credibility and trust – and helped restore revenue.

Or conversely, perhaps intangible factors like trust and credibility exercise influence only temporarily when it comes to newspapers, no matter what reputation restoration initiatives they undertake. Advertisers need to be queried much harder on this point. Once again, a third possibility is that these kinds of variables play no role

whatsoever, or else a very limited one, in business-to-business relationships in the publishing industry.

Lastly, another question is posed by this attempted survey that begs concerted study: Do perceptions of a newspaper's reputation for honesty and integrity matter more when advertisers have other effective options? Or does the influence of those kinds of feelings fall by the wayside when advertisers perceive a media organization can exert monopolistic power over pricing? In Dallas at the time of this research, it seemed as though the automobile dealerships themselves were not quite sure where they stood in terms of how much they still truly required the newspaper's services.

Conclusion

Clearly, newspapers are going to have to exploit every advantage they can as they suffer financial earthquakes and attempt to transition to dual print-Internet models. It is argued here that newspapers should not lose sight during this transition period of the heightened need to nurture perceptions of credibility, good customer service, believability and honesty among their traditional advertising customer base, who do increasingly see themselves as less dependent than before on monopoly urban newspapers. This research effort and any that follow regarding newspaper treatment of advertising customers are especially pertinent to a healthier industry in the tough times ahead. Earlier research on "corporate reputation" holds that good reputation branding for many kinds of businesses is directly linked to higher revenue. The converse is also held to be true.

The question of how a newspaper's corporate reputation impacts revenue remains relevant and unanswered even though increasing numbers of news consumers have

already migrated to online news sources because many of these online news sources include those owned by newspapers. Newspapers, after all, are pushing their online ad sales just as hard, if not harder, than for their print products. They need their advertisers more than ever and can ill afford to alienate.

To be sure, the shift to Internet advertising had become almost quantum in its magnitude at the time of this writing. PriceWaterhouseCoopers was already reporting at the end of 2004 that, rapidly expanded penetration of high-speed broadband Internet access in American homes had helped fuel an Internet advertising boon. Internet advertising revenues in the U.S. increased by 33 percent over the previous year, to \$9.6 billion. But it was still a tiny percentage of that year's total \$187 billion.

Veronis Suhler Stevenson (VSS), a private equity and capital fund management company that closely tracks media spending, reported that Internet advertising soared 36.6 percent in 2006 and, despite a national recession and pause in Internet buying that began in 2008, was expected to grow at 15 percent annually "surpassing newspapers as the nation's largest ad medium" by 2011, a 2007 VSS report stated.

So as long as newspapers are aggressively seeking to sell their online space to advertisers, newspapers helped by research in academia should be obliged take better care to understand how to nurture and improve their reputations and trust relationships with advertising partners who have other Internet options, including new micro-local private news websites.

One has to wonder if the current economic pains would be as deep today had newspapers taken care long ago to understand what is important to their customers and to then endeavor to make them happier.

APPENDICES

Appendix A. Questionnaire

QUESTIONNAIRE

Part I.

Please check the boxes as they apply to you and your business. If you are a media-planning agency, please indicate in your answers, to the best of your ability, percentages of your business that apply to automobile dealership clients only.

1. Ownership:

Privately held Corporate-owned

2. Number of Employees:

1-5 6-10 11-20 20-40 over 40

3. Annual Sales:

Less than \$1 million \$1 million-\$5 million \$5 million-\$10 million

\$10 million-\$20 million more than \$20 million

4. Total annual advertising budget for local media buys:

Below \$10,000 \$10,000-\$100,000 \$100,000-\$500,000

\$500,000-\$1 million \$1 million-\$3 million more than \$3 million

5. Average number of different advertising media used in a year:

Enter an approximate number here _____

6. Accepted restitution from *The Dallas Morning News* as a result of circulation overstatements disclosed in 2004 (circle one) YES / NO / NOT OFFERED

If YES, enter an approximate amount here: _____

7. I was not an advertising decision maker in 2004 and have no direct experience with the newspaper's circulation issues. Check here: Yes No

If yes, please complete the questionnaire to the best of your ability.

Part II

Please indicate your approximate allocation of annual advertising budget to local media product type and length of time.

How long have you used this medium?

MEDIUM	%of budget	Under 1yr	1-2 yrs	2-4 yrs	Over 4 yrs	Unsure
The Dallas <i>Morning News</i>						
Weekly Newspapers						
Radio						
Direct Mail						
Magazines						
Cable TV						
Broadcast TV						
Billboards						
Shoppers/coupon books						
Yellow pages/phone directories						

Web sites unrelated to traditional newspaper or television outlets						
--	--	--	--	--	--	--

PART III.

Please RANK by numbers 1-10 the importance of factors listed below when you consider which medium should carry your ads, with 1 being the most important and 10 being the least. Assign each rank/number only once. Please read the options carefully before you begin:

Number of people who will see your ad _____

Ability to target or reach specific audiences _____

Total cost to produce and purchase ad _____

Cost per thousand people reached _____

Ability to generate immediate store traffic _____

Extent competitors use the medium _____

Advertising rate discounts or incentives _____

Trust relationship with sales staff _____

Believability in sales staff claims of circulation and web audience reach _____

Media willingness to bargain price _____

What other attributes not listed here might influence your decisions about which Medium is best to advertise your products?

Part IV. DOING BUSINESS WITH *THE MORNING NEWS* - BEFORE 2004

Please indicate how you felt about doing business with *The Morning News* and its sales staff *before you heard about circulation counting irregularities in 2004*.

	Strongly disagree						Strongly agree							
1. Honest	1	2	3	4	5	6	7	1	2	3	4	5	6	7
2. Truthful	1	2	3	4	5	6	7	1	2	3	4	5	6	7
3. Credible	1	2	3	4	5	6	7	1	2	3	4	5	6	7
4. Reliable	1	2	3	4	5	6	7	1	2	3	4	5	6	7
5. Dependable	1	2	3	4	5	6	7	1	2	3	4	5	6	7
6. Accurate	1	2	3	4	5	6	7	1	2	3	4	5	6	7
7. Factual	1	2	3	4	5	6	7	1	2	3	4	5	6	7
8. Complete	1	2	3	4	5	6	7	1	2	3	4	5	6	7
9. Valuable	1	2	3	4	5	6	7	1	2	3	4	5	6	7
10. Good	1	2	3	4	5	6	7	1	2	3	4	5	6	7
11. Useful	1	2	3	4	5	6	7	1	2	3	4	5	6	7
12. Helped you make best decisions	1	2	3	4	5	6	7	1	2	3	4	5	6	7
13. Likeable	1	2	3	4	5	6	7	1	2	3	4	5	6	7
14. Enjoyable	1	2	3	4	5	6	7	1	2	3	4	5	6	7
15. Positive	1	2	3	4	5	6	7	1	2	3	4	5	6	7

True or False

I was willing to rely on *Morning News* Representations regarding ad reach when making purchasing decisions.

True / False

I believed *Morning News* staff genuinely had my best interests at heart.

True / False

I was willing to recommend the *The Morning News* as an advertising sales vehicle to others.

True / False

DOING BUSINESS WITH THE *MORNING NEWS* TODAY:

Please indicate ***how you currently feel*** about doing business with *The Dallas Morning News* sales staff and to carry your ads.

	Strongly disagree				Strongly agree			
1. Honest	1	2	3	4	5	6	7	
2. Truthful	1	2	3	4	5	6	7	
3. Credible	1	2	3	4	5	6	7	
4. Reliable	1	2	3	4	5	6	7	
5. Dependable	1	2	3	4	5	6	7	
6. Accurate	1	2	3	4	5	6	7	
7. Factual	1	2	3	4	5	6	7	
8. Complete	1	2	3	4	5	6	7	
9. Valuable	1	2	3	4	5	6	7	
10. Good	1	2	3	4	5	6	7	

11. Useful	1	2	3	4	5	6	7
12. Helps you make best decisions	1	2	3	4	5	6	7
13. Likeable	1	2	3	4	5	6	7
14. Enjoyable	1	2	3	4	5	6	7
15. Positive	1	2	3	4	5	6	7

True or False

I am willing to rely on *Morning News* representations regarding ad reach when making purchasing decisions.

True / False

I believe *Morning News* staff genuinely has my best interests at heart.

True / False

I am willing to recommend the *The Morning News* as an advertising vehicle to others.

True / False

Part V.

Please circle the appropriate number.

1. The attention I paid to circulation irregularities when they were first disclosed was:

Very low Very High

1 2 3 4 5

2. Before news about the circulation controversy broke, my confidence in The *Morning News* circulation claims and pricing justifications was:

Very low Very high

1 2 3 4 5

3. Immediately after disclosures of circulation overstatements, my confidence in The *Morning News* circulation claims and pricing justifications was:

Very low Very high

1 2 3 4 5

4. More recently, the credence I give to The *Morning News* circulation claims and pricing justifications is:

Very low Very high

1 2 3 4 5

5. Before the circulation overstatements were disclosed, I thought the The *Morning News*'s prices were:

Very low Very high

1 2 3 4 5

6. Once circulation-counting problems were disclosed, I believed the The *Morning News*'s prices were:

Very low Very high

1 2 3 4 5

7. Before the circulation overstatements, the level of concern I felt about The *Morning News* claims of about circulation was:

Very low Very high

1 2 3 4 5

8. Once I heard about the The *Morning News* circulation overstatements, the level of concern I felt about the *Morning News* circulation claims was:

Very low Very high

1 2 3 4 5

9. Today, the level of concern I feel about the 2004 circulation overstatements in my current business dealings with the *Morning News* is:

Very low Very high

1 2 3 4 5

10. My belief that the the *Morning News* has genuinely changed the way it communicates what advertisers get for their ad dollar is:

Very low Very high

1 2 3 4 5

11. Before news about the circulation controversy broke, other advertisers' confidence in *Morning News* circulation claims and pricing justifications was:

Very low Very high

1 2 3 4 5

12. Before news about the circulation controversy broke, my competitors' confidence in *Morning News* circulation claims and pricing justifications was:

Very low Very high

1 2 3 4 5

Part VI.

Circle “yes” or “no” to the following question:

Did the the *Morning News*’s disclosure of circulation overstatements influence in any way a decision to stop buying ads entirely, significantly reduce buying, or renegotiate lower rates?

YES / NO

If you answered “Yes,” please answer questions 1 through 14. Circle the appropriate number.

1. After circulation overstatements became public, new feelings of distrust prompted me to stop, or significantly reduce advertising with the *Morning News* at least for a time.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

2. The circulation overstatement was a catalyst for me to insist the *Morning News* reduce prices.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

3. The circulation overstatement problem didn’t bother me at all. I made no change.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

4. The circulation overstatement controversy prompted me to replace the *Morning News*, in large part or in whole, with alternative media I was considering at the time anyway.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

5. I stopped doing business with the *Morning News* after 2004 because of factors having nothing to do with the circulation overstatements.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

6. Because the *Morning News* lied about circulation and overcharged me for years, I left and have never again done business with the newspaper.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

7. After trying alternative media platforms for a while, I returned some of my business to the *Morning News* simply because it was more effective.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

8. I continue to do business with the *Morning News* despite continued feelings of mistrust because I have no better choice.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

9. I feel the newspaper has since mended its ways enough to restore my faith and patronage.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

10. I continue to do business with the *Morning News* but don't advertise as much as before the circulation controversy, keeping a mix of other media.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

11. The restitution program influenced my decision to resume advertising with the *Morning News*.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

12. The restitution program was inadequate and made me feel even worse about the newspaper.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

13. The restitution program influenced other advertisers to resume advertising with the *Morning News*.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

14. The restitution program influenced my competitors to resume advertising with the *Morning News*.

(Strongly agree) (Strongly disagree)

1 2 3 4 5

You're done! Thank you again

Appendix B. Cover letter

Thank you for taking a few minutes out of your busy schedule to help me complete my master's degree thesis for the University of Missouri's School of Journalism. I have been working toward this goal for quite a few years while employed as a reporter here in North Texas and cannot finish without your generous participation today.

I am certain this survey of North Texas automobile dealers and their media planners is going to help you too.

The general purpose of this study is to better understand what motivates automobile dealers when it comes to advertising with the local newspaper, at a time when that industry is in painful transition and recovering from incidents of circulation overstatements.

The results will reveal to you, perhaps for the first time, your competitors' advertising habits, what they spend, why they spend and on what media outlets.

I know you are very busy, but this survey should take less than 30 minutes to complete. Although the information gained from this survey may be published in an academic forum or elsewhere, your name and company will never be publicly connected with any of the answers you provide.

In other words, it's totally anonymous. So please feel comfortable answering the survey questions candidly, then slip the addressed, stamped envelope in the mail, or scan and email it to todd.bensman@gmail.com.

One important note here: If you run a media-planning agency, please answer the survey questions from the perspective of only your automobile dealership clients, to the best of your ability.

If you would like to request a copy of my final thesis, or you have any questions, please confidentially contact Todd Bensman at Todd.Bensman@gmail.com or (210) 859-0202. You may also contact my academic advisor Dr. Esther Thorson at thosone@missouri.edu, or (573) 882-6686.

Research at the University of Missouri-Columbia involving human participants is carried out under the supervision of the Institutional Review Board (IRB). Questions or concerns about research participants' rights may be directed to MU Campus Institutional Review Board, 483 McReynolds, University of Missouri, Columbia, MO 65211. Phone: 573 882-9585. Fax: 573 884-0663.

Completion of this survey form is your indication of agreeing to participate in our research.

Thank you once again for helping me complete my education.

Todd Bensman

Appendix C.

graduate student seeking help

From [Todd Bensman <todd.bensman@gmail.com>](mailto:todd.bensman@gmail.com)
To ljchapman1@msn.com
Date Sat, Apr 12, 2008 at 1:32 PM [hide details Apr 12](#) [Reply](#)
Subject graduate student seeking help
mailed-by gmail.com

Dear Mr. Chapman,

I'm embarking on a thesis survey to earn my journalism graduate degree from the University of Missouri. I plan to survey automobile dealership advertisers to learn about what motivates them to advertise in newspapers, especially in the *Morning News*. Do you think you might be able to help? Would your members advertise in the *Morning News*? Or just the *Star Telegram*?

Thanks for your consideration.

Todd Bensman
210-859-0202
University of Missouri thesis survey of dealerships

from [Todd Bensman <todd.bensman@gmail.com>](mailto:todd.bensman@gmail.com)
to ljchapman1@msn.com
date Thu, Apr 17, 2008 at 3:42 PM [hide details Apr 17](#) [Reply](#)
subject University of Missouri thesis survey of dealerships
mailed-by gmail.com

Dear Mr. Chapman,

Thanks very much for helping me complete my thesis for my University of Missouri master's degree.

As we discussed, I'm attaching the survey questionnaire, which seeks to measure advertiser motivations to buy, or not buy, focusing on auto

dealerships that buy *Morning News* space. Especially since the newspaper's circulation overstatement problem in 2004.

You mentioned that you may be able to facilitate the distribution of this survey to several dealerships in Tarrant County that advertise in the *Morning News*. I really appreciate your help.

The easiest way is to just have them take 15-20 minutes to fill out the questionnaire, scan it and email back to todd.bensman@gmail.com. It's geared to be filled out by dealership advertising decisions-makers but also by media planning agencies that represent dealerships.

As I said, I need every single response I can possibly get to make this work, and I'm more than a little worried I won't get what I need. So your personal attention is very much appreciated.

And I'll make sure your agency receives the benefit of my final thesis research.

Thanks,

Todd Bensman

From **Todd Bensman** <todd.bensman@gmail.com>
To ljchapman1@msn.com
Date Mon, May 19, 2008 at 10:50 AM
Subject Fwd: University of Missouri thesis survey of dealerships
mailed-by gmail.com

hide details
May 19 Reply

Mr. Chapman,

Have you had any luck with this? I'd sure appreciate an update. I see the light at the end of the thesis tunnel but not enough surveys to get me there!

Thanks,

Todd Bensman
210-859-0202

Appendix D

Todd Bensman
<todd.bensman@gmail.com>

Date Mon, Jul 14, 2008 at 9:39 AM
Subject Re: Last plea: help that desperado grad student
signed-by REDACTED@swbell.net

I certainly don't want to be the reason you don't graduate, but I am not comfortable with the questions you are asking. I feel it is in the best interest of my company and my clients to decline.

Have you tried some of the shops here that only do automotive? McCarthy? Dorothy Miller? Best of luck, REDACTED.

Todd Bensman
<todd.bensman@gmail.com>

To REDACTED
Date Sat, Jul 19, 2008 at 5:22 PM
Subject Re: Last plea: help that desperado grad student
mailed-by gmail.com

But REDACTED, your answers won't be linked to your agency. In other words, it's anonymous. You don't even need to identify yourself on the questionnaire... Todd

Todd, I am not going to fill out your survey. I am not comfortable sharing the information even with you. I am very sorry I can't assist, but your are asking me proprietary information regarding my company and my clients. I am just not going to do it. Best of luck to you, REDACTED

Appendix E

REDACTED
<REDACTED@REDACTED.com>

hide details Reply

To Todd Bensman
<todd.bensman@gmail.com>
Date Tue, May 20, 2008 at 8:46 AM
Subject RE: University of Missouri thesis survey
mailed-by REDACTED

Todd - After review of the survey by our marketing department, we respectfully decline participation in your project. Thank you for allowing us the opportunity. And I hope your study brings you much success with your thesis. REDACTED

from [Todd Bensman](#) <todd.bensman@gmail.com>

To REDACTED
Date Tue, May 20, 2008 at 9:02 AM
Subject Re: University of Missouri thesis survey
mailed-by gmail.com

hide details
May 20
Reply

just curious: why not? Todd

<todd.bensman@gmail.com>
>

Date Tue, May 20, 2008 at 9:06 AM
Subject RE: University of Missouri thesis survey
mailed-by REDACTED

hide details
May 20
Reply

Our organization has a long standing relationship with the Dallas *Morning News*.

Appendix F

to Todd Bensman <todd.bensman@gmail.com>
date Mon, Jun 2, 2008 at 2:22 PM
subject RE: University of Missouri survey

hide details Jun 2 Reply

Hi Todd,

Because the subject matter of your survey concentrates on The Dallas *Morning News* and they are now a client of mine and I'm working on a project currently regarding similar content, I feel uncomfortable answering the questions.

I'm sorry not to be able to help you; best of luck. Please let me know if you need a contact at The Richards Group who might be able to complete it for you.

Kindest regards,
REDACTED

Appendix G

<todd.bensman@gmail.com
>

To msp9793@hotmail.com
Date Sat, Jul 12, 2008 at 2:21 PM hide details Reply
Subject Last plea: help that desperado Jul 12
grad student
mailed-by gmail.com

Hey Mike,

I'm the University of Missouri student who's been pestering you about my survey about how auto dealers buy their advertising.

I'm back, begging a return from you after all these weeks because it looks increasingly unlikely that I'll be able to finish this thesis without your help. I'm still short. That's why I have no choice but to keep coming back at you.

Your 15 minutes to fill it out would be incredibly appreciated. It's attached. It's COMPLETELY ANONYMOUS. And I'll share the results with you.

Please, if you would, kindly fax the completed survey care of Todd Bensman, 210-250-3105.

Thanks,

Todd Bensman

<todd.bensman@gmail.com
>

To trapper@adceterainc.com
Date Sat, Jul 12, 2008 at 2:25 PM hide details Reply
Subject Last plea: help that desperado Jul 12
grad student
mailed-by gmail.com

Trapper,

I'm the University of Missouri student who's been pestering you about

my survey about how auto dealers buy their advertising.

I'm back, begging a return from you after all these weeks because it looks increasingly unlikely that I'll be able to finish this thesis without your help. I'm still short. That's why I have no choice but to keep coming back at you.

Your 15 minutes to fill it out would be incredibly appreciated. It's attached. It's COMPLETELY ANONYMOUS. And I'll share the results with you.

Please, if you would, kindly fax the completed survey care of Todd Bensman, 210-250-3105.

Thanks,

Todd Bensman

<todd.bensman@gmail.com

>

To

abrown@parkcitiesvw.com

Date

Fri, Jun 13, 2008 at 11:20 AM

[hide details](#)

[Reply](#)

Subject

help a desperate grad student finish his thesis? Jun 13

Mailed-by

gmail.com

Mr. Brown,

You might remember me; I'm the University of Missouri grad student trying desperately to finish my thesis. I sent you the survey in April and followed up last month. I'm not having as much luck with response as I'd like, so I thought I'd email it with another plea:

Please fill it out. It only takes about 15 minutes, and then you can fax care of me to THIS NUMBER: 210-250-3105, or scan it and email it back. I really would appreciate your help. Your answers are confidential.

My study will build on previous academic research that has established a number of intangible "factors" that cause advertisers to buy, lessen the buy or renegotiate. One of these factors has to do with loyalty, credibility and believability felt by advertisers toward media outlets. That's the area I'm exploring as newspaper revenue declines sharply. In this case, we're looking at how automobile advertisers

have changed their buying habits since The Dallas *Morning News*' circulation overstatement issues of 2004.

Thanks for helping me out!

If you'd like to know how your competitors are using local media, tell me and I'll make sure you get a copy of the final thesis.

And if you've already sent it or want me to stop checking in, let me know by email.

Thank you again,

Todd Bensman

todd.bensman@gmail.com

>

To	mdavis@tateautogroup.com		
Date	Fri, Jun 13, 2008 at 11:30 AM	hide details	Reply
Subject	help a desperate grad student finish his thesis?	Jun 13	
Mailed-by	gmail.com		

- Hide quoted text -
Mr. Davis,

You might remember me; I'm the University of Missouri grad student trying desperately to finish my thesis. I sent you the survey in April and followed up last month. I'm not having as much luck with response as I'd like, so I thought I'd email it with another plea:

Please fill it out. It only takes about 15 minutes, and then you can fax care of me to THIS NUMBER: 210-250-3105, or scan it and email it back. I really would appreciate your help. Your answers are confidential.

My study will build on previous academic research that has established a number of intangible "factors" that cause advertisers to buy, lessen the buy or renegotiate. One of these factors has to do with loyalty, credibility and believability felt by advertisers toward media outlets. That's the area I'm exploring as newspaper revenue declines sharply. In this case, we're looking at how automobile advertisers have changed their buying habits since The Dallas *Morning News*'

circulation overstatement issues of 2004.

Thanks for helping me out!

If you'd like to know how your competitors are using local media, tell me and I'll make sure you get a copy of the final thesis.

And if you've already sent it or want me to stop checking in, let me know by email.

Thank you again,

Todd Bensman

<todd.bensman@gmail.com
>

To "CARGUY413@aol.com"
<CARGUY413@aol.com>

Date Sat, Jul 19, 2008 at 5:52 PM [hide details Jul 19](#) [Reply](#)

Subject Re: Last plea: help that desperado grad student

mailed-by gmail.com

please don't forget me..

On 7/12/08, CARGUY413@aol.com <CARGUY413@aol.com> wrote:

>
> Todd,
>
> i apologize. I have just been buried. I will try to get it done this
> weekend!
>

<todd.bensman@gmail.com
>

To knietling@parkplacetexas.com

Cc rsumner@parkplacetexas.com [hide details Jun 2](#) [Reply](#)

Date Mon, Jun 2, 2008 at 1:55 PM

Subject University of Missouri survey

Mailed-by gmail.com

Dear Kara,

Thanks for taking time out to complete this survey and to help me graduate from the University of Missouri.

My study will build on previous academic research that has established a number of intangible "factors" that cause advertisers to buy, lessen the buy or renegotiate. One of these factors has to do with loyalty, credibility and believability felt by advertisers toward media outlets. That's the area I'm exploring as newspaper revenue declines sharply. In this case, we're looking at how automobile advertisers have changed their buying habits since The Dallas *Morning News*' circulation overstatement issues of 2004.

It shouldn't take longer than 20 minutes to complete. Thanks for helping me out!

Attached is my thesis survey, in which respondents will remain anonymous. You can fax it back to me care of Todd Bensman at 210-250-3105. You can also just scan it and email here.

If you'd like to know how your competitors are using local media, tell me and I'll make sure you get a copy of the final thesis.

Thank you again,

Todd Bensman

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