

CDs Find Their Way Into Papers

A Santa Monica company is packaging movie previews, music samples, interviews and ads with Sunday editions.

By James Rainey
Times Staff Writer

Most newspapers have built their long-term growth strategies around the Internet. But a Santa Monica company is betting that an old piece of new technology, the CD-ROM, will help papers bridge the gap to the digital age.

In recent months, IMedia International Inc. has reached agreement with two of the nation's largest newspapers to distribute within their Sunday editions CDs chock-full of movie previews, music samples, video games, comics, celebrity interviews and advertisements.

"This brings sight, sound and motion to the newspaper," said IMedia Chief Executive David MacEachern.

It also could bring additional advertising dollars — and perhaps hard-to-reach younger readers — to newspapers at a time of declining readership. IMedia and its partners — the Dallas Morning News and the New York Daily News so far — hope that newspaper readers will pull the discs from their Sunday papers and insert them in their computers to enjoy the freebies. That would allow the partners to sell as much as 700 video and "banner" advertisements on each edition of the CD.

MacEachern hopes to distribute the monthly CD, entitled "Hollywood Preview," to 10 million homes by the end of 2007. That is up from about 1.4 million CDs that will be distributed once both newspaper partners are active. The New York Daily News recently agreed to begin in October to deliver the CDs, which have glossy, magazine-style covers.

Executives at the Dallas Morning News said they were pleased with initial results since they began in April to pack IMedia's discs into the Sunday paper once a month.

"It was a gamble for us to do this," said Bernie Heller, vice president of advertising for the Morning News. "I'm not ready to say it will definitely pay off in the long run or that my advertisers will embrace it. But so far it looks really good."

After covering the roughly 35 cents to produce each disc and its jacket, the newspapers and IMedia will split the next dollar of advertising revenue evenly, MacEachern said. Additional ad revenue, which eventually could reach \$2 per disc, will be split 80%-20%, with the greater share going to the newspapers, he said.

That \$2 could translate into an additional \$7.7 million a year in advertising for a paper such as the Dallas Morning News, based on its monthly rollout to 625,000 home subscribers and newsstand buyers.

That's not the only upside. Users can navigate from the disc to other websites, including the newspaper's online edition and advertisers' home pages.

IMedia said that though it did not download "cookies" or other information to computer hard drives, it had devised a mechanism that helps tracks usage by customers with broadband computer hookups. The company then uses a complex formula to estimate overall disc usage.

That information showed that readers inserted the first disc a total of 302,000 times, the Morning News and IMedia said. The following month, a second disc got 321,000 viewings and the third disc is on track to get 285,000 or more, according to the Morning News. Users spent an average of 18 minutes with the first CD and averaged 22 minutes with the second and third CDs, IMedia reported.

"We have gone up and down a little bit but, overall, the audience looks like it is sustaining more than 285,000 sessions, which is very, very good," said the Morning News' Heller.

From 11,500 to 21,000 users per month have clicked through from the CD to other Internet sites, IMedia said.

The discs will get a wider distribution beginning in October, when the New York Daily News, the nation's fifth-largest daily paper, plans to package the CDs in its Sunday paper, which has a circulation of 781,000.

Joe Stella, vice president of entertainment and travel advertising at the Daily News, said the paper had high hopes for the video insert and planned to promote it heavily. "It's attractive," Stella said. "It's something free for our readers that is of value."

IMedia produces the "Hollywood Previews" content in house, largely using free video from studios, which are happy to have another platform to promote their films.

An introductory segment on the CDs is meant to give viewers the impression they are flying into Los Angeles, before walking down the red carpet for a Hollywood premiere. A menu then opens — offering the variety of choices from games to a link for the newspaper's website.

As they click through the selections, viewers must either click past or stop at a welter of video and banner advertising. The Morning News' Heller acknowledged that too many ad stops could become "cumbersome" and that the newspaper and IMedia "are still working to figure out the best user experience we can get."

MacEachern, 50, a former professional trumpeter who played with Sly and the Family Stone and other big-name acts, co-founded IMedia with Scott Kapp, 45, his former partner in a Los Angeles advertising agency. The duo first used CDs to help suppliers market their products to buyers at Wal-Mart. IMedia also produced a CD that helped Las Vegas Mayor Oscar Goodman promote his policies. And another disc, delivered by mail, touted a Las Vegas hotel.

"I said, 'This is a medium that no one has really capitalized on,' " MacEachern said.

Further inspiration came from England, where video discs now turn up in newspapers routinely. Most of the British publishers have taken a different tack — distributing movie DVDs as a sweetener to get readers to pick up their papers.

Discs have become so commonplace in Britain's weekend papers that readers have come to expect them, said Larry Pryor, a specialist in new media at the USC Annenberg School for Communication.

Pryor said that the use of CDs also could help U.S. papers save space in weekend papers already packed full with weekend advertising inserts.

Founded in 1999, IMedia went public three years ago. The market capitalization of the 43-employee company, which is traded over the counter, has fluctuated broadly and stood at about \$13.9 million on Monday.

IMedia posted a net loss of \$572,000 in 2006 on sales of \$1.4 million, an improvement over the previous year, when sales reached just \$446,000 and it lost more than \$4.2 million.

MacEachern said he expected to announce deals with more papers soon.

Assisting with dissemination of the CDs is Universal Press Syndicate, the distributor of comics and features including "Doonesbury," "The Boondocks" and "Dear Abby."