

Global Perspective: Seeking a news business model for newspapers

By Andria Y. Carter

Newspapers aren't dying they're transitioning. But what they're transitioning too is anyone's guess.

One thing is certain the single-platform revenue model that has sustained the industry is no longer viable. A multi-platform, multi-product business model must be pursued by the global community if newspapers want to continue effectively covering their markets.

But as news organizations work to offer consumers a digitally viable product, proponents are crying the death of newspapers. At the end of 2008 the demise of several newspapers increased the debate over the industry's future. In April 2009 at the annual conference for global think-tank Society of New Communications Research author/speaker Paul Gillin continuously cried out the death of newspapers and that there would be nothing left to replace them. His claim may be extreme but substantiated by an avalanche of thematic conferences, hearings, academic articles and several newspapers, magazines and trade journals all speculating the final demise of the news industry.

Former news reporter, now writer and producer (HBO's "The Wire") David Simon gave a passionate and revealing testimony before the U.S. Senate's Subcommittee on Communications, Technology, and the Internet during a hearing on the Future of Journalism in May. Simon stated that high-end journalism is dying and unless a new economic model is achieved, it will not be reborn on the web or anywhere else.

"The internet is a marvelous tool and clearly it is the informational delivery system of our future, but thus far it does not deliver much first-generation reporting. Instead it leeches that reporting from mainstream news publications, whereupon aggregating websites and bloggers contribute little more than repetition, commentary and froth. Meanwhile, readers acquire news from aggregators and abandon its point of origin – namely the newspapers themselves."

"In short, the parasite is slowly killing the host," he said.

Ideally, news executives are currently creating hybrid models of their print product on the internet. Some of the hybrid models are following blueprints or solutions created by the American Press Institute's Newspaper Next project or by the Suburban Newspapers of America. Globally, newspapers are socially engaging their consumers on Twitter, Facebook, LinkedIn, etc. as they strive to find ways in monetizing the web.

Several news sites are pursuing a paid content business model believing they can be just as financially successful as the few national brands that have similar business models. Working against this business model is the fact the consumer has been taught for 10 years, unless it is a niche product, content on the web is free. National brands – Financial Times, Bloomberg and Wall Street Journal – target the business community. This community has specific daily data needs that help businesses and its feeder industries thrive.

Malyaysiakini.com has also found success with online subscriptions. Premesh Chandra, chief executive officer of the website, told a panel at the International Online Journalism Symposium held at UT Austin in Texas, subscription is the foundation of its business model. The site began charging in 2002 and only five percent of its readers pay.

The site charges \$40 a year for its English news, contributing \$600,000 to its bottom line. He added that ads brought in \$200,000 last year, and additional \$200,000 came from grants. Chandra noted the site has been breaking even since 2004.

Regional or small newspaper brands may experience some initial success depending upon the business model they choose for paid content – a small charge for every story clicked on, pay a monthly fee or charge depending how many times you return to the site – but the industry may experience a backlash similar to the mobile community did when they first started charging for texting and people (kids) create large cell phone bills until mobile companies offering unlimited data plans.

Pursuing a paid content model is just another example of the industry's failure to throw off the chains of a traditional business model and embrace a whole new way of doing business.

Failure. This is the global newspaper industry's greatest success story.

The industry has failed to update its product.

It has failed to stay abreast of consumer trends.

Media companies have failed to have an active research and development department.

Globally, the industry's failure has kept it one-step behind and allowed younger, more technologically advanced companies to take away their traditional business revenue and market share.

The industry's saving grace – the consumer's demand for news and information remains strong. But there is a glut on the market for information. The internet has changed how people communicate, gather information and provided the means for everyone including businesses to become their own news centers.

METHODOLOGY

My study for a new business model for the global newspaper industry consisted of primary research and analysis of reports, articles, congressional testimony, conference presentations on various topics involving the future and monetization of the newspaper industry. Secondary research I conducted were in-person interviews with media executives, social media, technology and innovation experts.

Primarily, I focused my analysis on the industry's need for a new business model utilizing the Internet utilizing both social and mobile platforms. Another platform briefly looked at was the mobile web and even though cell phone companies are having success with offering the wireless web this technology needs further development to meet a digital newspaper's needs. Although the mobile web was a small aspect of my research I believe any new business model created must incorporate the potential of this future revenue stream.

PERFECT STORM

On September 1, 2009 Martin Lindsay, editor of the Belfast Telegraph, retired from the Northern Ireland newspaper knowing that he has taken the newspaper as far as he could. For 47 years Lindsay worked tirelessly at various Irish newspaper perfecting his craft and experiencing the many changes the industry has undergone. A contemplative

Lindsay said that he never expected the financial impact the web has had on his newspaper and the industry as a whole.

“I started in this business when I was 16 and half and I never expected this,” Lindsay said. The retiring editor explained he didn’t want to relinquish his post but he recognized that someone younger and more progressive needed to lead the newspaper as it made its digital transformation.

The Belfast Telegraph has a healthy readership with a daily circulation of 70,000, which is down from 125,000 daily circulation the newspaper had prior to peace coming to the city. During the “troubles” Lindsay said people wanted to know what happened the night before (seeking information about a bombing or riots, etc.) and would go out and buy the newspaper even though they also had it delivered at home. “There would be four or five newspapers in homes,” Lindsay noted.

Today, the Belfast Telegraph is still considered the Northern Ireland’s largest daily newspapers but it’s starting to feel the web’s impact on its circulation and revenue stream. Unlike newspapers in America, the Belfast Telegraph has maintained a healthy advertising and classified section. Although the recession has impacted its car and real estate sections the newspaper’s saving grace is their market has not been impacted by an online classified service like Craigslist. But the staff is anticipating the day when that may occur.

Gerry Patterson, director of Digital Publishing at the Belfast Telegraph, explained the digital landscape in Northern Ireland is still maturing and the newspaper has time to offer services like an online classified section to its readers before a national brand invades their market. Small start-up brands are popping up in Ireland, for example he said is an auto shopper web site. The auto shopper’s print product use to compete with the Belfast Telegraph for business but now that auto shopper is having greater financial success with its web site.

Patterson noted that the traditional ways of doing business is over. “Everyone is looking for that one business model that will save the industry,” he said.

The global newspaper industry is in the midst of a “perfect storm,” which has affected some countries more than others. A 200-year tradition – 100 with advertising – is being technologically dismantled as the storm’s effects pummel the industry. Even if this “perfect storm” had not occurred the industry has been slowly losing readers for decades but never truly sought ways to curb the loss but chose instead to develop a band-aid solution.

The industry’s arrogance blinded it to the impact the internet would have on newspapers, the changing needs of its consumers and the failure to establish a research and development department. Although the growth of the internet has taken 40 years to develop the technological impact has been swift and deep.

Real news in real time provided on a variety of digital, social and mobile platforms is the new reality for the global newspaper market. Although this new reality may be the death of a 100-year tradition, the potential to become something better than what it was is great.

“News organizations won’t be defined by one platform. That is already a reality, but at the moment, most news organizations are feeling their way through a forced transition. News organizations are largely still focused on a single legacy platform with

most of the content being re-purposed for digital platforms,” said Kevin Anderson with the Guardian newspaper in London, England.

The news industry is struggling to find a workable business model but in the meantime this effort is hampering newspapers that are paying two sets of costs – printing and delivering their print product and providing a digital version.

“Unfortunately, the web doesn’t pay,” Dr. Andrew Currah surmised to an audience attending a Wednesday seminar in February sponsored by the Reuters Institute for the Study of Journalism. Currah was speaking about his latest findings regarding the economic impact the digital revolution was having on news publishing in the United Kingdom.

During a seminar on Business Models for Media Currah noted that the news organizations are facing both an economic drought and deep structural changes caused by the digital revolution. Currah said the future looked grim by quoting the analysis conducted by Enders of the 2009 media advertising revenues, which forecasted a decline of 12.2 percent across all display media with newspapers experiencing a steep decline of 19 percent.

Even as newsrooms are converted into multimedia hubs offering audio, video, internet and print news executives are unsure how these new formats will pay for themselves. Monetizing the web is critical for journalism’s future but the value of online advertising inventory is 90 percent less than print advertising.

According Pew Center’s Project for Excellence in Journalism, newspaper ad revenues have fallen 23 percent in the last two years. Several newspaper companies are in bankruptcy while others have lost three-quarters of their value. And with the onset of the longest recession in U.S. history newspapers have doubled their revenue losses.

In Pew’s 2009 State of News Media Report it states newspapers total ad revenue fell 16 percent, or \$38 billion in 2008. The industry also watched as its online ad revenue fell 0.4 percent in 2008.

Traditionally, advertising revenue has accounted for approximately 80 percent of a newspaper’s revenue. Estimated reports indicate that the industry will experience another 30 percent ad revenue drop in the first quarter of this year. If this downward spiral continues by the end of 2009 newspapers will see a 50 percent drop in ad revenue over a three-year period.

The rapid economic downward spiral has forced the closure of several newspapers in America and abroad. Just this year the 150-year-old Rocky Mountain News closed its doors and in Britain over 70 newspapers have closed since the beginning of 2008. Others like the Detroit Free Press are cutting back on their home delivery service. Earlier this year the Seattle Post-Intelligencer and Christian Science Monitor have completely shifted to the web.

The economic pinch is not just felt at the newspaper’s bottom line but in job losses as well. Pew speculates that nearly one out of every five journalists working for newspapers in 2001 is now gone. In 2008 alone the industry shed an estimated 15,970 jobs and about 13,253 jobs as of August of this year..

Despite this economic reality for those reporters and editor who survived the downsizing of their newsrooms they are also facing the disqualification of their jobs. The skill-set of a reporter must now include shooting photographs and video and some aspect of social media. As part of their beats must write a blog, contribute to a blog or Twitter.

Objectivity and distance has been the rule of traditional media but with the onslaught of 'new media' reporters and editor must now participate and interact with their readers.

The success of the internet has taken everyone by surprise. Over 23 percent of the world are communicating or accessing information on the web. The top 50 news websites saw traffic for the year grow by 27 percent, according to the Pew Center. The top four news sites – Yahoo, MSNBC.com, CNN.com and AOL – saw unique visitors grow 22 percent to 23.6 million visitors a month.

Also impacting a news organization's ability to find a workable business model are the continuing technological changes affecting the world's "user revolution." Currently, content, social networking and relationships is king and consumers are now prosumers. Twitter, Facebook, MySpace, LinkedIn, Farked, Digg, etc. have pushed opened the 'gatekeeper' doorway and no longer limits how you get your information and who delivers it. Consumers now live in a real-time world where the landscape is changing faster than the ability of businesses to catch up.

Unlike news organizations, web-based businesses Facebook, Google and YouTube have had some success with online ads. Facebook with 200 million users earned about \$300 million in ad revenue last year. YouTube with 100 million viewers earned between \$120 million and \$500 million in ad revenue and Google's AdSense has earned over \$5 billion in ad revenue.

News organizations are struggling to compete against the national internet-only sites for ad revenue. Online spending grew about 14 percent through the first three quarters of the year, to \$17.3 billion, but most benefited Google and other search engines. Display ad rates are falling as the number of websites grow and in 2009 ad growth is expected to be little or none.

Adapting to a new media world has been difficult for traditional media. "The rules of the game have changed," noted Bernard Lunn, chief financial officer for "ReadWriteWeb" blog.

Lunn explained the business cycle online is much quicker than in the traditional world of business. Business and consumer reaction happens now in weeks not years. "You must have a very specific business objective to generate traffic and revenue. It is totally a different way of working and on a large scale traditional media does not like it," he said.

The new business model for news organizations must be fluid, functional, informative and social. The business model is not just adjusting to a new business landscape but adapting to a new state of mind.

IBM Institute for Business Value predicted that four business models will emerge and thrive through 2010 – traditional media, walled communities, content hyper-syndication and new platform aggregation. "The models are expected to blur over time with media companies experimenting with multiple models at the same time," the organization stated.

IBM believes as business models continue to develop in the short-term media distributors and content owners will primarily head in opposing directions to meet consumer needs. The distributors will lean toward walled communities and content owners will head toward content hyper-syndication.

THE ONLINE CONSUMER

The global newspaper community is struggling to adapt to the digital world. Consumer demand for data – text, audio or video – is high and there is a glut in the digital marketplace. Unlike the print product where the news is limited within the borders of a tabloid or broadsheet newspaper, online the space is infinite. With a plethora of choices newspaper web sites must provide its readers with a greater online experience that meets all of their needs – inform, entertain, solve problems and offer good deals.

According to a survey entitled “Digital World, Digital Life” by TNS Global, globally people spend a third of their leisure time online, belong to two social networking sites and have regular contact with people who they’ve “virtually” met on the internet. The survey noted that majority of people are aware of what the web has to offer and are highly engaged with it in one form or another. That engagement could be through e-mail, ecommerce, blogs, forums, virtual reality, eBay, BeBo, Google Earth or Second Life, etc.

“Across the globe people no longer see the internet as an important tool for communication, but as a vital tool for communication. The nature of its relationship to the user may change from person to person, but what’s consistent, is that it has become an inseparable part of our lives,” said Scott Ernest, president of TNS Compete.

Survey respondents stated they spend a large amount of time online, with nearly half of the respondents logging on several times a day from home and with three quarters doing so at least once a day.

The digital world is also changing how people communicate. “Digital World, Digital Life” notes that digital communication has not taken over a person’s preference for face-to-face contact but the world’s social life is moving in that direction. Today, people have four popular methods of communicating – e-mail, text messaging, mobile phones and face-to-face. Despite these popular methods people also enjoy online instant messaging, voice over IP and blogs and forums.

“The internet may mean our primary communication tools have changed, but that has by no means left us without a social life. More and more people are talking internationally and becoming “friends” – a word in itself that has become completely redefined by Web. 2.0,” said Andrew Mairon, TNS Global Interactive.

The internet is an important tool in the life of the global community. Online consumers primarily use the web to search for information, look up the news, conduct online banking, look up the weather, research a product before buying it, visit a brand or product web site, pay bills, watch a video clip, use a price comparison site and listen to music.

Over the last two or three years social media has been the driving force behind the internet’s growth and participation. Consumers enjoy blogging, sharing photos and video and participating in forums. “Digital World, Digital Life” learned a third of all survey respondents participate with a social networking site, with an extra 23 percent saying they have viewed or accessed them at some time, but not contributed to it. The survey also learned people on average participate on two social networking sites. But in some countries like Korea and China that number is higher.

“Social media – blogs, social networks, consumer-created video – is a along-term trend that is changing how brands must communicate with their customers. Marketers and PR professionals must change their business practices from creating compelling

communications, to having a bi-directional conversation with consumers and becoming great listeners and active participants in the word-of-mouth brand dialogues,” said Andrew Bernstein, president of TNS Cymfony.

CREATING A NEW BUSINESS MODEL

The digital transition of the global newspaper industry has everyone stumped on what will be the most effective way to maintain market share while providing consumers with a viable product that insures a healthy bottom line. Although the industry is stumped and everyone is pursuing stopgap measures the reality is the news product not just the delivery system (web site) must be revamped and conform to the consumer’s digital needs.

Consumers are gadget rich and time poor and a news product must meet this new reality.

During the 2008 Monaco Media Forum, James Murdoch, president and CEO of Europe and Asia with the News Corporation, stated this is an exciting time and there is great opportunity in modern media. He noted that companies must be competitive and any changes they make must be innovative while improving the mix and breathe of the business.

Murdoch noted that the industry must thrive in a more entrepreneurial economy and embrace the disruption that is happening by accelerating the change.

Creating a new business model, news executives must answer one basic question – what is the product? What are you trying to sell, and what consumer’s needs are being met? In answering the questions newspaper companies must also define what they are and what they want to deliver to their audience.

To answer these questions and develop a worthy product the global newspaper industry must focus its innovation efforts utilizing a market driven strategy. According to a white paper entitled “Market Driven Innovation” by Glocal Vantage Inc., a market driven innovation methodology allows an organization to make basic changes in the organization’s approach to opportunities and threats. But the methodology forces a business to look at the future in a logical, structured, sustained manner while maintaining its creativity.

The concept is simple and does not provide an immediate solution but newspapers would be able to map out a strategic path between the disruptive technology and the pull of the market while meeting consumer needs. The long-term value of this methodology is allowing the company to strengthen and create new internal resources while creating a strategic vision.

One web site that has been successful in utilizing parts of this methodology is 24sata.hr.

Boris Trupcevic is the editor for 24sata.hr a Croatian based website that challenges the practical uses of a web page to make it more user centric. The website is unique because it fits the site the size of a computer screen and has no scrolling. 24sata, both print and online, reflect the philosophy the content needs to be tailored for the modern reader. It is faster, shorter, and clearer. Launched in 2007, the website has driven unique visitors from 30,000 to 120,000 per day. Page views have rocketed to almost 2.5 million a day, 15 times more than before the redesign.

In 2008, 24sata.hr was listed by the World Editors Forum as one of the top five web sites in the world. The others are Guardian.co.uk. (UK), Timesonline.co.uk (UK), Globeandmaile.com (Canada), and Elpais.com (Spain.).

“We did not want to force our users into one way of using the web site, but to leave it up to their choice. We also wanted to explore new ways of navigation ourselves, which made us develop new technologies of sorting and listing the news,” Trupcevic said. “We believe in the future of complex machinery behind what users can see, and very simple and intuitive user-experience on the other end of the production process.”

Although the website is based on a traditional newspaper platform they are exploring new ideas and changing the way they do business and investing in a lot into innovation and creating new products. “I think it’s fair to say we are pretty obsessed with the future,” Trupcevic said.

What is unique about the newspaper the whole company is focused on servicing the community and developing the technology to help do that, the company has created its own development and programming department. “We’re looking into anything that is at least five years ahead of everything else. With fast developments, a successful organization must be focused to big jumps to stay competitive. We do a lot of trendscouting, but it is difficult to point something out, because it’s a big colorful world out there with so many inspirations,” he said.

OTHER SOLUTIONS

Industry pundits believe newspapers are limited in their ability to find a viable business model. Author Andrew Currah who recently published a book on the state of the news media in the UK believes there are only two business models news organizations can utilize: retreat behind paid firewalls or become a charitable trusts.

Utilizing the paid firewall business model is GlobalPost.com. Launched in January 2009, GlobalPost.com is offering readers an in-depth multimedia view of the world by utilizing correspondents who live around the world but are not full-time employees. The reporters are under contract, paid in cash and given an ownership position in the company. Freelances are also used on occasion.

GlobalPost.com is operating its website based on a business model with three components. Those components are online advertising, syndication and paid membership. The website’s membership plan is unique because it creates a new way of offering readers a subscription with a multi-user function. For example, a Passport membership costs \$199 per year for an individual membership, \$50 for a student and offers different rates for a corporate membership.

Paid membership allows GlobalPost.com readers to suggest what stories the website should be covering and these suggestions are placed online for viewing. The idea is using the audience to help generate ideas and resources for coverage. The readers can also participate in a bi-monthly conference call for a question and answer session with a foreign correspondent.

Aggregation software or semantic technology is another digital advancement that could help newspapers monetize their web sites while the search continues for a viable business model.

Matthew Buckland with the Globe and Mail on South Africa believes semantic technology is key to helping newspapers monetize the web. “We as users will need help

in organizing, featuring and finding that information. Semantic tagging services like OpenCalais do a great job in helping to organize and categorize content for us. They make computers do the work, as opposed to us, the information-overloaded humans.

Semantic technology is just starting to be known outside the technology community but the software provides the means to help unlock the knowledge from a localized environment, data stores, and proprietary formats so that resources can be readily accessed, shared, and combined across the web.

A leader in educating news organizations in the benefits of semantic technology is Tom Tague. Tague, OpenCalais initiative lead, has been speaking across the country at technology, social media and news conferences attempting to educate people about creating a semantic web and monetary benefits it can bring to a web site. Although a business model has not been built around semantic technology yet Tague believes it just a matter of time before news organizations realize what smaller online publishers are experiencing, semantic technology help you become more efficient in creating niche markets on your web site.

Tague said recently at both the Web 3.0 and Semtech09 conferences that the evolution of the web is content rich, but user deficient. He suggests that Web 3.0 (semantic technology) is about cleaning up the mess created by Web 2.0.

He added that partnering editorial content with aggregation publishing model is where the enormous opportunities lie. Those opportunities include creating domain specific applications that will help create niche markets.

Like the Globe and Mail, the Huffington Post, DailyMe and UK-based Associated Newspapers Ltd.'s Mail Online have joined about 100 other news or media sites incorporating the aggregating software into their websites.

Marion Strecker, content director for the Brazilian mega-portal UOL.com.br has developed a business model where the content is free but the business sells a wide variety of products including anti-virus software, games, adult content, music, VOIP and technical support.

Created in 1996, UOL.com.br is supported by the Folha newspaper and Portugal Telecom. But the website features over 1,000 channels organized by 50 thematic portals. Strecker suggest that news organizations try everything but don't charge for the news.

Retail businesses learn the foundation of any successful business is location, location, location. But for online businesses the new mantra is diversification, diversification, diversification.

The Guardian newspaper headquartered in the United Kingdom has a diversified business model. Support by the Scott Trust, which ensures the editorial independence of the newspaper, the Guardian has pushed to change its focus to a more digitized operation while offering a variety of different services. The newspaper operates a conference business entitled Guardian Professional, holds interest in a lucrative automotive classified trade business and has bought interest in a B2B publishing group eMap. Revenue is also generated by advertising, sponsorships and subscriptions and operates a niche online advertising network. This network sells the newspaper's ad inventory to onto approved third party sites such as a network of environment sites and blogs.

"We're actively exploring new ways to monetize our content and entirely new information and non-information based revenue streams," said Kevin Anderson with Guardian. "This spring we also launched the Open Platform, a suite of APIs that allow

third party developers to build applications with our content in exchange for potentially being part of an advertising network.”

The internet has been described as a linked economy. A means for businesses to talk with their customers in a more “real-time” conversation that helps resolve problems, down play rumors and promote a better public image of the company and its bottom line.

Blogging has taken ‘real-time’ conversations to a new level. Bloggers are quicker than traditional media to report what is happening in an industry or in the news. Some blog sites are in direct competition with traditional news media sites. Although blogs can’t replace the reach of a traditional news organization in a community, the web evens the playing field when it comes to advertising revenue.

Smaller news organizations looking for a unique way to cut costs and trim its overhead might want to examine the business model of the blog site ReadWriteWeb.

ReadWriteWeb is a New Zealand-based blog turned into a web-based business.

ReadWriteWeb is a popular weblog that provides the latest web technology news, reviews and analysis, covering web apps, web technology trends, social networking and social media.

Lunn describes the blog as a very simple business that began as a blog that has morphed into an advertising business. The blog has also launched a community management service selling reports which one of several services they are exploring to help increase its bottom line. But what is unique about ReadWriteWeb that its costs are minimal because its operation as a virtual office. The blog’s founder and Richard MacManus is based in New Zealand, Lunn is in New York City and the rest of its staff is scattered around the globe.

“It is efficient in a business point of view,” Lunn said. He noted that traditional media companies have a harder time creating more efficient business model but if they focus on what they do best they will find success.

A successful business model incorporates a changed mindset, acknowledging a diversified planning field and creating an efficient business model that keeps your overhead low allowing you to build up on your profit margin. Web-based businesses, except for a slight few, do not make money. Many would disagree with this statement, especially those who own a niche product or service. Businesses that embrace the innovation and the social media aspects will find success.

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