

# *Newspaper 2.0*

*Coursework for the lecture „E-Business“  
spring term 2008, 30<sup>th</sup> January 2008*

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# 1. Introduction

*„Newspapers are tied too closely to defending their print products and have not seen the Internet as an innovative and competitive tool to go out and compete“*

*-- Gordon Borrell, chief executive of Borrell Associates*

In the last few years, the World Wide Web has become increasingly important in various fields of our lives. Not many of us may have noticed the way of how the Internet has changed our everyday habits. Most young people can't even imagine a world without a fast Internet connection, Google, and Facebook. But while most businesses that have added online components such as banks, airlines or book selling trades get along with the new technology and most of them gain a large share of their revenue from the Web, the newspaper industry has had big problems in gaining a foothold online.

## 2. Traditional Newspapers

Even though online news websites are growing very fast, and the production costs for the printing plants, the news-gathering, and the home delivery of the printed version are very high, the traditional newspaper remains an important part of the trade. To make a profit, these expenses are covered in several ways.

Most of the income is gained by advertisements placed between the articles. Advertisers can buy space on a page for their own ads. The rates for ads vary depending on the circulation of the newspaper. Due to the fact that the price ranges between about \$50 and \$300,000<sup>1</sup>, newspapers offer a great opportunity for every kind of company or business to promote themselves, no matter whether it's a local gas station, a regional store chain, or a global player.

A small fraction of the income is earned by customer payments on the news stand and by the classified ads section. However, both are relatively low in comparison to the advertisements.

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<sup>1</sup> WSJ Advertising: Global Edition, *WSJ.com*, accessed 27<sup>th</sup> Januar 2008

<http://advertising.wsj.com/rates/globalEd.html>

### 3. Evolving a new business

#### 3.1 The online newspaper

In the late 1990s, most of the national and international newspapers realised the increasing importance of technology and the Web and started their own online news. The New York Times, for instance, launched NYTimes.com in 1995, The Wall Street Journal made WSJ.com in 1996. But as they didn't understand the importance of the Internet and its power, they simply replicated the printed content and didn't publish the best stories on their website (to ensure that customers would buy the newspaper). The consequence of this mistake was that their website lacked quality and brought in little or no profit. The results of the misinterpretation of the market and its needs can be seen even today in both traditional and online newspapers.

Between 1995 and 2003, the interest in printed newspapers fell dramatically, and caused the average print circulation to decrease by 5% in America and by 3% in Europe<sup>2</sup>. Together with the customers, the advertisers recognized the advantages of using the Internet and spending more money on website advertising than in newspapers. According to iMedia, a joint-venture company of IFRA, the newspapers companies' percentage of the total global advertising fell from 36% in 1995 to 30% in 2005. They even predicted that it will decrease another 5% until 2010<sup>3</sup>.

#### 3.2 Increasing competition

*„If we do nothing and newspapers do nothing, we're going to die of a thousand little cuts“ -- Richard Beene, CEO of the Bakersfield Californian*

Knowing about the ten years of disappointment in the online business, the newspaper companies reconsidered their strategies in order to compete with other online participants such as blogs, wikis, and open news platforms. A key event in this reconsideration was a speech of Rupert Murdoch, the chairman and managing director of the News Corporation, on the 13<sup>th</sup> April 2005.

<sup>2</sup> Business: Yesterday's papers; The future of journalism

*The Economist. London: Apr 23, 2005. Vol. 375, Iss. 8423; pg. 72*

<sup>3</sup> Special Report: More media, less news – The newspaper industry; The newspaper industry

*The Economist. London: Aug 26, 2006. Vol. 380, Iss. 8492; pg. 58*

*„What is happening is, in short, a revolution in the way young people are accessing news. (...) They don't want to rely on a God-like figure from above to tell them what's important. And to carry the religion analogy a bit further, they certainly don't want news presented as gospel.“ -- Rupert Murdoch, chairman of the News Corp.<sup>4</sup>*

The more obvious the facts he mentioned in his speech to the American Society of Newspaper Editors were, the more remarkable are the effects they had for the attitude of most of the international papers. As Murdoch says, newspapers have to change their Internet platforms into a more interactive, customized and localized place, where „readers [can] be linked to other sources of information, other opinions, other like-minded people“<sup>5</sup>. News websites should be a place for conversation and discussion instead of a lecture theatre in which the reader is not allowed to scrutinize the given information. The main goal should be to target a younger audience by involving them into what is going on. A good example of how this co-operation could work is the open news site OhmyNews, whose „main concept is that every citizen can be a reporter“<sup>6</sup>. Even if it's not commercial, this site shows an effective way of integrating and, therefore, binding the visitor to the online platform.

#### **4. The new business**

Increasingly, newspapers have launched new services and invested in setting up new features in their websites. Google did this with its section „Google Labs“ where all of their new products can be tested. NYTimes.com also did something unique by creating a blog called „First Look“ where „new features and services that [they]'re developing“<sup>7</sup> can be seen and users can state their opinion as a comment.

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4 Murdoch's speech: full text, *Guardian Unlimited*, accessed 27<sup>th</sup> January 2008

<http://www.guardian.co.uk/media/2005/apr/14/citynews.newmedia>

5 Murdoch's speech: full text, *Guardian Unlimited*, accessed 27<sup>th</sup> January 2008

<http://www.guardian.co.uk/media/2005/apr/14/citynews.newmedia>

6 Business: Yesterday's papers; The future of journalism

*The Economist*. London: Apr 23, 2005. Vol. 375, Iss. 8423; pg. 72

7 New York Times – First Look, *NYTimes.com*, accessed 28<sup>th</sup> January 2008, <http://firstlook.nytimes.com>

## 4.1 New services and features

As Rupert Murdoch and many consultants suggested, online newspapers have accumulated a large number of features to satisfy almost any kind of user needs. Apart from the standard 24/7 news, one can also find newsletters and RSS feeds for nearly every topic on every newspapers' webpage. Additionally, more and more publishers launch podcasts and video stories about the latest events. Both NYTimes.com and FT.com, for instance, have a big catalog of podcasts and video reports dealing with current topics such as the World Economic Forum in Davos and the U.S. Election in 2008<sup>8</sup>.

News companies are using the technology to provide relevant information to their users and let them decide what they want to watch, listen, or read. Carrying this thought of customization to the extremes, NYTimes.com offers a service called MyTimes which allows a registered user to create his own news page from a big pool of mini applications or feeds such as regional news, weather or market and stock quotes<sup>9</sup>.

Besides the regional news and weather, a lot of news websites try to adjust their websites and search results to the local region of the users or offer a free classified ads section to them.

## 4.2 Boost the revenue

*„2007 was not a good year for anybody in the newspaper business.“*

*-- Donald Graham, chief executive of Washington Post Co*

As you might have already noticed the reasons for the new features and products described above exist not only to make the visitor feel satisfied when browsing through the website, but also to broaden the appeal to advertisers and generate a higher revenue. Many studies show that earning money with online newspapers is not as easy as it used to be with their printed equivalents. In fact, currently both businesses are facing trouble with stagnating revenues.

In relation to the printed paper, „almost all UK online editions [are] bringing less than one-

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8 [FT.com / video and audio](http://www.ft.com/multimedia), *FT.com*, accessed 29<sup>th</sup> January 2008, <http://www.ft.com/multimedia>

[New York Times Video](http://video.on.nytimes.com/), *NYTimes.com*, accessed 29<sup>th</sup> January 2008, <http://video.on.nytimes.com/>

9 [My Times](http://my.nytimes.com/), *NYTimes.com*, accessed 29<sup>th</sup> January 2008, <http://my.nytimes.com/>

tenth of [the] total revenues“. But opposed to what is typically expected for a new market, the online revenue throughout the newspaper industry is slowing down from a growth of 39.7% (2005/1) to 21.1% (2007/3).<sup>10</sup> A study by the media research company Borrell Associates proves, that during 2004 and 2007, newspapers lost 10.7% (about \$900 million) share in the local online ad market.<sup>11</sup>

Even though some of the online versions are making a profit, the profits they make are not even close to those made by the paper versions. Therefore, online newspapers are trying to boost their revenues using several advertising models, and every publisher believes in a different system.

### **4.3 Online advertising**

For most of us, the online advertising model is well known as it is visible to us every time we visit a commercial website. Advertisers can place their advertisements in different sections of the newspapers' website and pay a price depending on where, when and how often it is shown and/or how often users click on it. These different models are usually called CPM (cost per thousand/mille), CPC (cost per click) or CPV (cost per visitor), but also combinations or other criteria of how costs are calculated are possible.

In the last few years, display advertising undergone many changes. An increasing number of advertisers are using animated banners in form of flash movies instead of static images and more and more of them use Flash-based ads. These ads are said to have especially great success in attracting users. They sometimes include videos or interactive actions such as mini games or questionnaires to entice the user visit the advertiser's page.

The main advantage of sponsored content is that all articles, interviews, and stories are freely available for everyone and can be found easily by search engines. And because the whole content is free of charge, the number of hyperlinks to these sites rise very fast, leading to a better position in search engines. And, of course, the more traffic a commercial website has, the bigger is the amount of users that can see or click the ads.<sup>12</sup>

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<sup>10</sup> [Ads will pay the way](#)

*Hayley Pinkerfield, Marketing. London: Dec 5, 2007. pg. 40, 2 pgs*

<sup>11</sup> [Local Papers' Web Scramble; Online Ads Migrate To Internet Players, Forcing New Steps](#)

*Emily Steel, Wall Street Journal. (Eastern edition). New York, N.Y.: Dec 18, 2007. pg. B.2*

<sup>12</sup> [Ads will pay the way](#)

## 4.4 The subscription model

*„Different user segments have different needs, and differ in whether they want to pay or not.“ -- Ien Cheng, FT.com publisher and managing editor*

In contrast to the sponsored content, some of the bigger newspapers believe in a model with a completely different approach. The subscription model is based on the idea that visitors of the newspapers' website have to pay a small fee for every article they want to read. This strategy is of course not liked by every reader, especially those expecting to find a free article. However, some readers prefer to pay a small amount of money, believing it will ensure better quality in the reading. This difference in the opinions of reader isn't the only problem presented by this model. In addition, newspapers may have problems in figuring out the right way of how to make the most profit.

As possibly the current top online publications, WSJ.com and FT.com, remain positive about their partly opened online platform. Most of the content one can find in the papers' archives or via search engines is paid-for content, and at the very least registration is needed in order to view an entire article. For instance, FT.com allows every user to read 30 articles per month, whereas one has to register after five. The registration includes valuable information about position, function, and industry of the user and can be distributed to advertising partners. To get unlimited access to all stories it costs £98.99 a year and to use the mobile reader one has to pay double the price.<sup>13</sup>

Not many newspaper sites are able to operate profitably with such a model. This is why bigger publishers are shifting their strategies over to include the free access model. At the end of 2007 for example, NYTimes.com and FT.com offered substantially more free access to their sites.<sup>14</sup>

Other publications don't agree with paid-for content and are therefore completely ad driven. The most famous example of this is Guardian Unlimited. Many of its online services can be viewed without registration, though some of the content is only available after a free sign up process. This

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Hayley Pinkerfield, *Marketing*. London: Dec 5, 2007. pg. 40, 2 pgs

13 [FT.com Registration – Features](#), *FT.com*, accessed 27<sup>th</sup> January 2008

<http://www.ft.com/cms/275bc334-3063-11dc-9a81-0000779fd2ac.html?pspId=0001&segid=70022>

14 [Ads will pay the way](#)

Hayley Pinkerfield, *Marketing*. London: Dec 5, 2007. pg. 40, 2 pgs

however does not charge the user for any article or service.

*„When your key ambition is to be the world's leading liberal voice, you don't make it difficult for consumers to find you, read your content and interact with it“*

*-- Adam Freeman, commercial director at Guardian Unlimited*

As mentioned before, readers and search engines prefer to browse through the site anonymously. However, advertisers and therefore also newspapers often want to know who's watching the ads and force the user to go through at least a lightweight registration.

The discussion of models is ongoing and continues to this day as global players reconsider in which direction they want to go. For instance, the chairman of the News Corporation, Rupert Murdoch, has backtracked his plans to drop the subscription model of WSJ.com completely just one week ago.<sup>15</sup> And because many people expect the Internet to be the primary medium for reading news in the coming years<sup>16</sup>, Murdoch is surely not the only one thinking about the future of his magazine.

In conclusion, there is no secret recipe for how to boost revenue. How newspapers change their strategies is mostly dependent of what their management believes and how the results of market research experiments look. As companies have now realised the importance of the Internet, it will be interesting to see how the news medium develops in the near future.

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<sup>15</sup> Murdoch: WSJ.com to keep pay barriers, *Guardian Unlimited*, accessed 25<sup>th</sup> January 2008

<http://www.guardian.co.uk/media/2008/jan/25/digitalmedia.rupertmurdoch>

<sup>16</sup> Poll contradicts concern over future of newspapers

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