

The Newspaper is dead, long live the Newspaper!

Coursework for the lecture „E-Business“

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Introduction

Regarding the prodigious electronic future and the amazing online technologies of today can be exhilarating. Newspapers and media companies launch new free services and products nearly every week. As long as you can see the change through the rose-coloured glasses of a consumer, everything seems fine. However, businesses have many difficulties in gaining profit out of this development. Many are struggling with competitors and only the most creative and innovative ones survive.

Newspaper companies especially are fighting for their existence against the overwhelming amount of competitors such as blogs, podcasts and wikis. As mentioned in the background briefing, they are trying to find ways to gain a foothold on the Web and make profit with only few success.¹ However, many of them have finally grasped the trend towards the Internet as the primary distribution channel² and have been restructuring their newsrooms during the past few months.

The success of the online newspaper raises the questions: how far it is worth to keep investing in the printed version, and how should companies change to ride the crest of a wave in the online business instead of standing on the sidelines?

In this paper I'd like to discuss the current situation of the news industry and how a successful transformation to a revenue creating news organisation could be carried out.

1. Changing the business

"I guess the worst thing that could happen is the business could fall off a cliff the way the music business did, (...) I worry that is possible."

1 cp. Background Briefing, attached to this paper

2 Making the Leap Beyond 'Newspaper Companies', *Newspaper Next*, p. 92, a project of the American Press Institute http://www.newspapernext.org/2008/03/newspaper_next_20.htm, accessed 31/3/08 and The Anatomy of Electronic Business, *Geoffrey Sampson*, ch. 9, Marketing and customer relationships

-- Dean Takahashi, former reporter for the Mercury News³

All across Europe and America editorial staffs are worrying. A huge wave of layoffs during the last three months has rolled over the newsrooms. The profit margins, the circulation and the advertising revenues keep declining⁴ and the papers are trying to rescue the sinking ship. Reducing their staff and getting rid of the ballast is the only way to stay alive.

Of course, this is not a new development, but the recent job cuts show how serious the situation is. Since February, some of the big papers laid off a large percentage of their staff. The New York Times for instance cut 100 jobs, the New York Newsday 120. Other papers even lost up to 40% of their journalists.⁵

1.1 Reasons for the breakdown

Considering the last few years of technological changes and the persistence of the print industry, the reasons for the plunging profit and the falling stocks⁶ are obvious.

“Newspapers have stayed in much the same form for decades, as everything around us has been changing” -- Amanda Bennett, vice president of The Philadelphia Inquirer

While companies from other business sectors strove to use the new medium and gain a competitive advantage, the newspapers were steeped in tradition and continued their work without making the necessary adjustments to be profitable. Their deadlocked structure in the newsrooms and the management restrained them from participating in the progress. Many of them were reluctant to invest in the Web and scared of another dot-com bubble like “in the late 1990s – which ended in tears when [it] burst in 2000 and many startup companies went bust”.⁷

3 Are job cuts death knell for America's newspapers?, Russ Britt for MarketWatch / DowJones, accessed 30/3/08
<http://www.marketwatch.com/news/story/job-cuts-signaling-end-americas/story.aspx?guid={AC857D6D-5557-4EF9-BAF6-29A95C7BC540}>

4 Making the Leap Beyond 'Newspaper Companies', *Newspaper Next*, p. 1, a project of the American Press Institute
http://www.newspapernext.org/2008/03/newspaper_next_20.htm, accessed 31/3/08

5 Are job cuts death knell for America's newspapers?, Russ Britt for MarketWatch / DowJones, accessed 30/3/08
<http://www.marketwatch.com/news/story/job-cuts-signaling-end-americas/story.aspx?guid={AC857D6D-5557-4EF9-BAF6-29A95C7BC540}>

6 The shares of the NYT have lost about 25% of their value since June 2007, USA Today about 50%, cp. footnote 5

7 The Anatomy of Electronic Business, Geoffrey Sampson, ch. 1, Introduction

The most affected section of this progress is classified advertising which dropped off more than any other branch. In 2007 the classified ad sales of McClatchy, the third-largest newspaper publisher in the US, fell down by 18%. The drop was mostly due to the success of the many online alternatives like Craigslist which are for free, offer a bigger amount of potential buyers and hence work “better on the Web than in newspapers”.⁸

1.2 Where to go?

Due to the fact that most of the revenue is still gained by the printed newspapers, one can understand that the companies don't like the idea of the Web paper and the risk involved. The online business is new land and seems more like a gamble than a business. Keeping the traditional paper with the perspective described above on the other hand also appears to be cost intensive and questionable.

It is for sure that something has to happen to save them from total ruin. Many papers already tried to move by launching web-sites equipped with useful features using the newest technology. But only few found a way to cash in on it.⁹

In addition to the difficulties of the online business and the problems of the print industry, the constantly decreasing number of staff exacerbates the situation. *Fewer* people in shrinking newsrooms have to work for *two* distribution channels with *less* resources while at the same time trying to keep the old business running. This can't work!

2. The news organisation

„The revenue is not supporting the old way we operated, and we have to do something about it.“ -- Gilbert Bailon, American Society of Newspaper Editors¹⁰

⁸ Why Advertising Doesn't Work on the Web, Jakob Nielson, www.useit.com/alertbox/9709a.html, accessed 1/4/08
taken from The Anatomy of Electronic Business, Geoffrey Sampson, ch. 10, Advertisement and Web 2.0

⁹ cp. Background Briefing, section 4.1 – 4.4

¹⁰ Transforming the Architecture, Carl Sessions Stepp for the American Journalism Review
<http://www.ajr.org/Article.asp?id=4402>, accessed 31/3/08

Transforming a tarnished company like this into a profitable and successful news organisation requires a dramatic change. Not only the internal structure and the operations, but also the attitude and the thinking of the employees need to be altered. The staff has to be trained to operate in the new environment and “the gap between today's skills and the skills required to make the [paper] successful”¹¹ needs to be closed.

Maybe it is even necessary to sacrifice some parts of the old business or to rethink about the key note of the paper. Some newspapers have been successful by merging their companies or partnering in a close way so that they are able to share their knowledge and networks. It is important to find out whether the transformation of the newspapers' structure can be taken alone or if it is essential to form a symbiosis with another participant of the market.

Companies will only have a chance on the global market if they perceive the right way to go and set the ball rolling as soon as possible.

2.1 The customer decides

As the customer decides about whether he or she will visit the web-site, use the provided service or click on the advertisement, it is necessary to find out what readers *value*, what they might be willing to pay for and what they consider useless or time-killing. Delivering quality services to the readers which satisfy or even exceed their needs is what the management should focus on. A customer oriented newspaper should be one that “operates with equal facility in whatever medium, be it print or electronic [to] serve the readers best”.¹²

“Customer data is valuable currency these days.”

-- John Gaffney, executive director of Peppers and Rogers group¹³

11 Making the Leap Beyond 'Newspaper Companies', *Newspaper Next*, p. 97, a project of the American Press Institute
http://www.newspapernext.org/2008/03/newspaper_next_20.htm, accessed 31/3/08

12 A Shrinking Staff Propels a Newspaper's Transformation, *Amanda Bennett for Nieman Reports*
Spring 2006, Vol. 60, Iss. 1, p. 48

13 Customer data is the Holy Grail for online newspapers, *John Gaffney for Revolution*, Jan 2005, p. 11

Being able to understand what readers want, it is possible to respond to their requirements by providing a variety of valuable services and subsequently make them into loyal customers. Some analysts believe that customer data is the *key* to launch a profitable online business.¹⁴ And in fact, collecting this information and matching it up with the right advertisements is a very powerful tool. It can be used to create revenue in many different ways without being cost adding to readers. Video ads or local search advertising can even be value adding. Browsing a papers Web site, a reader from Brighton interested in travelling for instance could get displayed cheap offers from a local travel agency.¹⁵

On the other hand, users are usually on the Web for a reason and tend to ignore simple advertisements. Most ads “are trying to interrupt people (...) and take them away from what they want to do”.¹⁶ To get their attention, make them come back and hence bind them to the Web site, they need to be integrated. “The ultimate goal of many Web sites [therefore] is to create a community”¹⁷ where users are equal participants of a discussion rather than just passive observers. The great opportunity of a virtual community is the possible *network effect*.¹⁸ The more people are using the network, the more useful is it for potential customers and the more are signing up for it. Readers might for instance write reviews to films and articles or use the platform for socialising. Being able to use a big network like this as distribution channel can give newspapers great power. Once a network is launched and accepted, readers and the paper itself can interactively exchange information and benefit from each other.

2.2 Approaches towards the Web

Some companies have been successful with this consumer oriented approach. They radically

14 Customer data is the Holy Grail for online newspapers, *John Gaffney for Revolution*, Jan 2005, p. 11

15 Interestingly, the website of The Guardian even displays related offers in German by a German travel agency.

Seen on www.guardian.co.uk/travel, accessed 2/4/08

16 *Jakob Nielson* in a German podcast interview, www.technikwuerze.de/podcast/technikwuerze108/, accessed 1/4/08

17 *Siegel*, 1997 from The Anatomy of Electronic Business, *Geoffrey Sampson*, ch. 10, Advertisement and Web 2.0

18 The Anatomy of Electronic Business, *Geoffrey Sampson*, ch. 10, Advertisement and Web 2.0

changed their internal structure and are aggressively pushing “beyond their traditional boundaries”.¹⁹

“This is not about moving the furniture around. It is about completely rethinking the way we are going to do journalism.”

*-- Jennifer Carroll, vice president (new media) of Gannet Co.*²⁰

An example of a newspaper that realised the transformation to a news and information organisation with success is the Atlanta Journal Constitution (AJC), the major daily newspaper in Atlanta, Georgia. After a long planning phase they fundamentally changed their processes and department architecture to realise their vision of a *Web focused* information company to ensure a fast and effective work flow. All of their operations are now “directed first toward the Web” which means that “more resources now feed” the online platform. The whole company is focused on the Internet as the primary distribution channel and the strategy is: *Think online first*. To support this modern and more flexible attitude, the employees are organised in loosely assembled content and production teams with no official lead editor. Co-operation between departments is now much easier than it was before.²¹

The Orange County Register (OCR), the second largest newspaper in the area of Los Angeles, made another drastic change and transformed their former newsroom into a Web-centric “content center”. They tried to “hire people who [think] of their jobs in a different way” and decided to invest about 60% of the time in the Web site.²²

However, to perform this enormous transformation both the Journal-Constitution and the County Register necessarily had to sacrifice parts of the traditional business. As the biggest and substantial changes, the AJC stopped delivering their newspapers in over 50% of the counties and

¹⁹ Making the Leap Beyond 'Newspaper Companies', *Newspaper Next*, a project of the American Press Institute

http://www.newspapernext.org/2008/03/newspaper_next_20.htm, accessed 31/3/08

²⁰ Transforming the Architecture, *Carl Sessions Stepp for the American Journalism Review*

<http://www.ajr.org/Article.asp?id=4402>, accessed 31/3/08

²¹ cp. footnote 20

²² Are job cuts death knell for America's newspapers?, *Russ Britt for MarketWatch / DowJones*, accessed 30/3/08

<http://www.marketwatch.com/news/story/job-cuts-signaling-end-americas/story.aspx?guid={AC857D6D-5557-4EF9-BAF6-29A95C7BC540}>

reduced the number of reporters and editors significantly.²³ Furthermore, they had to combine several departments and drop some of the popular but ultimately unnecessary departments like film criticism and sport reporting. Nevertheless, by abandoning these habits they saved their paper and brought it back on the right track.

2.3 Give up the traditional?

Considering these two examples, it is relatively easy to see that there *are* opportunities to be successful on the Web while at the same time holding up the traditional business. The challenging exercise is now to protect the existing sources of revenue and to develop new ways to be profitable. Newspapers need to view themselves critically and must not keep an ailing department alive only because of nostalgic feelings.

“To capture their share of the explosive growth, newspaper companies must push aggressively into new sales structures and ad technologies and new online solutions for key verticals.” -- American Press Institute for the Newspaper Next 2.0 project²⁴

Regarding the mentioned facts and the examples, news companies need to continuously improve their business and try not to stand on the sidelines.

The readers' attitude is changing and the traditional media industry will be hit hard by this progress. The print industry has no choice. Only if they act with caution and start pursuing “online media aggressively”²⁵ will they have a chance. Transforming their business structure into a Web-centric and customer-oriented news organisation will be essential to stand up to their competitors.

23 cp. footnote 20

24 Making the Leap Beyond 'Newspaper Companies', *Newspaper Next*, p. 92, a project of the American Press Institute http://www.newspapernext.org/2008/03/newspaper_next_20.htm, accessed 31/3/08

25 cp. footnote 24, p. 93

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[guid={AC857D6D-5557-4EF9-BAF6-29A95C7BC540}](http://www.marketwatch.com/news/story/job-cuts-signaling-end-americas/story.aspx?guid={AC857D6D-5557-4EF9-BAF6-29A95C7BC540}), accessed 30/3/08

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