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Clues in the Rubble: A User-First Framework for Sustaining Local News

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Summary

This paper concludes that it's too soon in journalism's chaotic transition from analog to digital to settle on long-term business models. But it argues that the best path to discovering those models is a hybrid approach of creating new value for and by the users of news. The paper tracks user-focused innovations aimed at helping sustain local news, highlighting several dozen in a typology of four categories: paid content and paid experience (p. 12), advertising (p. 27), partnerships (p. 37) and new ventures (p. 45). The paper urges news organizations to assign responsibility for leading innovation in each area to staff members regarded as especially talented, enterprising and trusted. The paper also suggests 10 experiments to try in 2010 (p. 51), along with a decision-making grid to evaluate such initiatives against four key considerations (p. 53). Extensive endnotes, with clickable URLs, are included as a user resource (p. 57).

When my search for the financial future of news stalled on a question about successful business models, it gained traction with another: What can we learn from what's *not* working?[1]

Immersed in the debris of unlikely solutions, I wondered: What experiments are most likely to yield, someday, the models that elude us today?

That question prompted another, which finally got me an answer: The best prospects for sustaining journalism in the future are rooted in the most important stakeholders of its past and present: that collection of readers, viewers and listeners also known as users.

Placing users first does not presume they'll pay most of journalism's bills any time soon. They—we—*do* need to pay more than we're paying now. But the real advantage of a user-first approach is the route it opens to maximizing journalism's value to all its stakeholders—advertisers, communities and investors as well as news consumers. It's a framework that reflects the personal, distributed and social ethos of digital publishing and the deepest traditions of independent journalism.[2]

User-first also fits two important, still emerging platforms: mobile and e-reader tablets. Among their most promising dimensions is the capacity to deliver customized content—commercial as well as editorial—based on the location of the user.[3]

The user-first framework focuses attention on the industry's current hot topic, paid content, but only as one experimental business model among many. In some ways, the pay wall debate has obscured other initiatives that users are pursuing to help sustain journalism, not all of them direct and not all of them financial. A growing portion of the new value attached to news is being produced by users themselves as they enhance the work of journalists with their own reporting, recommendations and distribution.

The user-first approach that may, someday, challenge interruptive advertising as journalism's paymaster has nothing to do with what consumers *should* or *shouldn't* pay. The shift in the economic underpinnings of news is harsher than that, bound by the actual value that journalism's multiple stakeholders find—or don't find—in the products and services created around news.

"In the end, the most important people shaping tomorrow's news won't be the owners or the journalists, but the readers and viewers," Leonard Downie Jr. and Robert

G. Kaiser concluded in their book, *The News about The News*. "As long as they create a market for good journalism, there will be good journalism."[4]

That book, published in 2002, teed up the critical question still facing us today: how can readers and viewers—users—create a market for good journalism?

The almost serendipitous value that advertisers first found in news took shape in the 19th century, when merchants latched onto news reports as the best—often the only—means of pitching their wares to customers. Advertisers' reliance on news was diluted in the 20th century by a host of such other media as direct mail, billboards and infomercials. And in recent years, the Internet has undermined much of the remaining value that media companies can offer advertisers in the form of interruptive commercial messages. Digital publishing has loosened the hold of the middleman to the point that advertisers are now quite capable of interacting directly with most of the audiences they seek.[5]

That leaves news organizations with three tasks. They're fighting to replace as much lost revenue as possible. They're cutting costs in an effort to align expenses with the more limited revenue they're able to generate. And they're looking for ways to fill the resulting gaps in coverage with new, less costly forms of journalism, some of them produced by users in emerging pro-am collaboration with journalists.

Each of these challenges involves users in ways that will shape the substance as well as the profitability of journalism for decades to come. I believe this new, user-first framework can work in four key areas:

• **Paid Content**: Opportunity awaits journalists and entrepreneurs serving users with needs for—or fascination with—products, services and experiences that go well beyond simply providing access to news behind a wall.[6]

• **Advertising**: Supply is swamping demand for online ad space, and will diminish the role of advertising as a funder of news, at least in the near term. But publishers and advertisers who ease up on interrupting consumers can ride a wave of users searching for products and services every bit as diligently as they search for news.[7]

• **Partnerships**: Alliances raise a host of new problems, but user-focused partnerships with community groups, foundations and perhaps even advertisers and governments can help news operations supplement their journalism as well as their revenue.

• **New Ventures**: The "accidental prosperity" provided by advertising has lulled news organizations away from the constant innovation other businesses see as essential to survival.[8] But news start-ups as well as established outfits are spinning off new ventures that serve users and generate new revenue in ways related—or not—to the core products and services of news.

A lot is happening on these fronts—fresh thinking, better technology, inventive experiments—and each is ripe for development in 2010 and beyond. The stakes are high—sustaining independent journalism is essential to democratic life—and so are the obstacles. When news organizations plan innovative new sections or shows, they make clear assignments of responsibility for planning and execution of the new ideas. Nothing less should be required for innovation in these four areas, which could be critical to the organizations' ability to survive and thrive. These initiatives require leadership by the best people available.

Before getting into the four areas in detail, let's take a brief look at what probably won't work.

What Won't Work

The past year has given rise to the most exhaustive debate about news and its role in American society in decades. Even the most expert examinations of journalism's economic woes have failed to find a cure. But consensus is building about some remedies that, despite earlier promise, just aren't doing the trick. Let's dispense with four false panaceas at the outset:

• *Since so many people value news, all we have to do is send them a bill instead of giving it away free*. **Problem**: The sale of news has long been complicated by its status as a "public good." That's the term economists use to describe products like news that, unlike a package of sausages from the grocery store, can be consumed over and over again by non-paying customers. The prospects for selling news that's generally available elsewhere—conveniently, in abundance, without charge—are not good.[9]

• *Since advertisers still need to reach customers, selling them space to do so will remain a viable subsidy for news*. **Problem**: Just as the Internet killed news organizations' exclusive market for news, so did it remove journalism's leverage over advertisers. With supply of online advertising space so severely outstripping demand, continued reinvention in such areas as behavioral targeting, networks and social marketing will be required to secure a significant role for advertising as a funder of news.

• *Since news represents such an important dimension of democratic life, news organizations can look to philanthropy to pay for the same sort of news they can no longer finance on their own*. **Problem**: Foundations are playing a critical role in provoking and funding innovation in news, but they aren't interested in subsidizing anything for the long haul, and have a particular aversion to business-as-usual.

• *Since media companies suffer disproportionately in a recession, economic recovery will make covering the news a good business again before long*. **Problem**: Despite an expected uptick in advertising in 2010, analysts believe such spending will resume slowly and sporadically.[10] Neither advertisers nor consumers are likely to return to pre-recession spending levels.[11]

Why Focus on Local News?

As local news operations find their revenue reduced by those and other problems, they are losing capacity to provide people with the information they need to govern themselves independently. The World Wide Web offers a smorgasbord of national and international news, but there exist many fewer sources for news closest to home.

"For the first time in the history of the republic," Knight Foundation CEO Alberto Ibarguen told a conference in early 2009, "the delivery of news and information is not happening in the same space as democracy."

Unless news can be sustained at the local level, he argued, the United States will need to figure out "how to structure democracy in a different way not rooted in geography."[12]

National Public Radio is among the organizations working on the problem, with $1 million in assistance from the Knight Foundation and $2 million from the Corporation for Public Broadcasting. NPR plans to introduce a new topic-based service with a dozen local stations in the summer of 2010.[13]

"To me, local is the big play," NPR president Vivian Schiller told an interviewer, "because local commercial radio has abandoned the local market. Local newspapers are withering or sometimes dying. The big national media companies, including excellent ones like *The New York Times*, cannot afford to be covering every single community. So that leaves a big, gaping hole to serve Americans' local coverage."[14]

Even though it's difficult to document a causal relationship between independent media and good government, media historian Paul Starr makes a convincing case for the linkage. "It is not just a speculative proposition that corruption is more likely to flourish where those in power have less reason to fear exposure," he argues in citing research supporting that view.[15]

Think of local news as an inner core of what Alex S. Jones describes in his book, *Losing the News*, as "the iron core of news…the total mass of each day's serious reported news, the iron core of information that is at the center of a functioning democracy."[16]

"This kind of news is expensive to produce, especially investigative reporting," he observes. "And there are indications that a lot of people aren't really interested."

Jones points out a classic conundrum of news: the DBIs, the dull but important coverage of public affairs that journalists believe users *need* but that users themselves often don't actually *want* to the same degree. The problem carries especially acute consequences in a user-first economic framework for news, an environment in which users simply won't pay for what they don't want.

Says Jones: "In the media economy of the future…the size and quality of the iron core will be a direct reflection of what the audience for it will economically support…and that may well mean that, as a nation, we will be losing a lot of news."

In their exhaustive October 2009 report, "The Reconstruction of American Journalism," Leonard Downie and Michael Schudson urged government action to head off that outcome. They argue that, given the market's failure to replace what it's taking away, "American society must now take some collective responsibility for supporting independent news reporting in this new environment." They recommend policy shifts to enable more nonprofit journalism, the creation of a federal fund for local news, greater transparency by government agencies and enhanced broadband accessibility.[17]

Assuming issues of independence and political support can be resolved—big ifs in the current environment—some government policy shifts could make long-term sense. Legislation to permit news organizations to operate as so-called low-profit businesses, for example, would enable them to attract investment from foundations and others more interested in their civic purpose than their financial return.[18]

The definition of local news is evolving, especially in expatriate communities where news from home *countries* can be just as important as news from the immediate neighborhood. Geoffrey Cowan and David Westphal, in their detailed analysis of government funding of news, argue that one of the ways more of such news can be made available is by easing restrictions on the domestic distribution of news produced by the Voice of America, Radio Free Europe/Radio Free Europe and other government-funded news operations.[19] Regulations barring domestic consumption of news controlled by the U.S. government made more sense in an era when users had far less capacity to test the veracity of reports by sifting through the multiple sources now available online.

The most appealing government solutions avoid direct financial subsidy, a prospect that, in addition to the obvious problem of political interference, runs the risk of propping up work that has outlived its value to users. There's something to be said for the way the marketplace keeps journalists accountable to users. As Michael Schudson pointed out in another context: "The genius of American journalism is that it operates out of commercial organizations built on the autonomy of news professionals."[20]

Whatever happens in Washington, intervention is required at ground level—by commercial news organizations and the news professionals running them. If Jones is correct in pinning the loss of news on the diminished value attached to it—and I believe he is—our starting point is clear: find ways to affix new value to news.

Creating New Value to Replace What's Being Destroyed

The process of creating new value begins with grasping what's already been lost, and why.

Discussion of journalism's disintegrating business models is often framed in the context of the "creative destruction" described by Joseph Schumpeter, the Austrian economist, in his 1942 book, *Capitalism, Socialism and Democracy*. Schumpeter's theories power the popular, painful narrative beneath the stories of Craigslist crushing classified ads, innovation toppling the old economic order of news before new models emerge to pay the bills.[21]

Kicking off hearings in December 2009 about the future of the news business, Federal Trade Commission chairman Jon Leibowitz asked whether journalism is experiencing Schumpeter's creative destruction—"or simply 'destruction.'"[22]

The difference between the two looks a bit like the financials at many newspapers, summed up well by Dan Balkin of the *News & Observer* in Raleigh, North Carolina: Online revenue growing both in absolute terms and as a percentage of total revenue, but not fast enough to make up for losses in the print edition.[23]

The challenge is navigating what NYU professor Clay Shirky describes as the messy breach created when "the old stuff gets broken faster than the new stuff is put in place."[24]

As Shirky says, that's "what real revolutions are like." The revolution in journalism has triggered the destruction of old value—about $1.6 billion a year in spending on news, according to the Poynter Institute's Rick Edmonds—before anything close to that in new value can be created in its place.[25]

The destruction in 2009 included the shut-down of more than 100 weekly and daily newspapers and the loss of nearly 15,000 newspaper jobs among more than 80,000 jobs lost in non-Internet publishing.[26]

Assessing the landscape for news in the face of such losses, the annual State of the News Media study produced by the Pew Research Center addressed the areas of audience, values and revenue.

"The old media have held onto their audience even as consumers migrate online," the report found. The report observed that, in 2008, legacy news gained more audience online than did sites not associated with existing newspaper or broadcast outlets. It also found that consumers still care about such traditional journalism values as accuracy, fairness and independence.

"The problem facing American journalism is not fundamentally an audience problem or a credibility problem," the report concluded. "It is a revenue problem—the decoupling…of advertising from news."[27]

This paper shares Pew's focus on revenue, guided by considerations of audience and values.

Audience is important not simply because of its relevance to revenue but because of its linkage to journalism's civic imperative: equipping as many people as possible with the news and information that fuels healthy democratic life.

Values play several roles. There's *public value* in the economic sense of *public good*.[28] There's the *civic value* that news brings to community members who need independently reported facts. And there are *journalism values*—accuracy, fairness, transparency—that differentiate quality news from unverified rumor and guesswork.

"News organizations today are experiencing a continuing crisis of value destruction and if they are to sustain themselves, they must find ways to create new value to replace that which is being destroyed," media economist Robert G. Picard maintained in a 2006 essay. "If they do not do so, they risk their demise. That prospect has serious implications not only for news organizations but for society as a whole."[29]

The pace of innovation has gained momentum since then, but has not closed the value gap. The real issue, of course, is not keeping the *News & Observer* or any other news organization afloat in the storm. The challenge is finding ways to support the gathering of the news that people need—and its presentation on whatever platforms they prefer.

'All I have to do is make it a business'

In communities around the country, big chunks of journalism's old world order are giving way to smaller, energetic upstarts of every size and shape. "There's something fundamentally important about being supported by the community you're covering," said Mary Morgan, who runs a two-person Web site focused on local government in Ann Arbor, Michigan. Morgan's community became the largest American city without a daily newspaper when Advance Publications, Inc., shut down the *Ann Arbor News* July 23, 2009 after 174 years in business.[30] So far, Morgan and her husband, Dave Askins, have been able to keep their *Ann Arbor Chronicle* going and the mortgage current on their house on Ann Arbor's Old West Side. Morgan described doing so as "a huge and constant concern" and said she's lost 50 pounds in the process. "It's very different than thinking about journalism in the abstract," she said during a late evening interview before hopping on her red Ruckus scooter for the ride home.[31]

Philip Balboni, who co-founded the GlobalPost international news site earlier this year, said: "I feel as if I've been handed the greatest distribution platform in human history." In an interview at his offices overlooking Boston Harbor, he added: "All I have to do is make it a business."[32]

In Pittsburgh, the 223-year-old *Post-Gazette* faces much the same challenge on a local level. "We can't perform our civic duty if we underperform financially," editor David Shribman said in a telephone conversation about the paper's new revenue prospects. "It's a lesson every editor didn't think he or she had to learn—but has learned over the last year or two. We can worry no less about covering the news, but we have to worry about a lot more stuff than we ever did before."[33]

Not All the Old Stuff Is Broken

For all the gloom, not all the old stuff is broken, and that complicates the problem even more. Despite unfavorable trend lines, more than half of the nation's 1,400 daily newspapers are still profitable. Even if advertising as we know it won't be around much longer, there are still a lot of merchants buying space in their hometown dailies to alert readers to this week's big sale. Most newspapers report that their print products are still generating 80 to 90 percent of their revenues.[34]

So much for a simple approach of "out with the old and in with the new." Instead, legacy news organizations need transitional frameworks that draw sufficient revenue from a combination of old and new lines of business to remain viable during the search for future models. News executives are struggling to learn a delicate dance: how to move *with* users to emerging publishing environments at a pace that preserves as much revenue as possible from old platforms and enables as much financial traction as possible with the new ones.

There's no way to know how much local news, in what forms, might be sustained by making the right moves on the following fronts. It's more a matter of experimenting with them as touchstones, pushing through the destruction in pursuit of creative new paths on the other side.

PAID CONTENT

Shift the debate from what publishers might charge to what users actually want.

The debate over paid content is approaching a key turning point, especially in terms of a growing awareness of the sort of content that might support payment and the technical infrastructure to charge in ways that can be easily adjusted based on user response. News organizations will soon have at their disposal mechanisms that will enable much more aggressive experimentation with user fees than has been possible thus far. Equipped with tools to charge, all that publishers need now is a framework for creating or packaging products and services that customers will want to pay for. The most promising areas fall into two main categories: sites or applications that facilitate an *experience* of interacting with content that surpasses what's available without charge and/or a type of high-value content that users need to do their job or enjoy a hobby or personal passion. Perhaps increased experimentation will move the paid content debate from that of "dogma…to something scientifically studied," as analyst Vin Crosbie urged way back in 2003.[35]

In a much-anticipated move, *The New York Times* announced January 20, 2010, that it would begin charging for news online at the beginning of 2011.[36] *The Times* said it would rely on a meter providing users with access to a certain number of articles each month before requiring payment of a flat fee to read unlimited content. The paper's executives said they had not decided how many articles would be free or what the fee will be. Among other things, they said they needed a year to prepare the software required to coordinate online payment with its database of print subscribers, who will get free access to online articles. One of the paper's biggest challenges will be preserving its relationship with its most loyal, online-only readers—the users bearing the biggest burden of its new pay plan.[37]

Key to preserving that relationship will be creating sufficient new value to support new charges. "It is not enough to make content informative, relevant, interesting and believable," Picard, the media economist, has written. "To gain loyal audiences willing to provide the financial support needed for the future, news organizations must provide engaging, pleasing and memorable experiences to their users."[38]

Sharing the stage with Apple CEO Steve Jobs during the January 2010 introduction of the iPad, Martin Nisenholtz, senior vice president of digital operations for The New York Times Company, claimed the user experience enabled by the paper's IPad application reflects "the best of print and the best of digital, all rolled up into one." Interestingly, Apple Senior Vice President Scott Forstall envisioned a user experience drawn more from the analog than digital worlds: "IPad is the best way to browse the Web for the same reasons that it *just feels right* to hold a book or a magazine or a newspaper as you read them. It just feels right—to hold the Internet in your hands as you surf it."[39]

It's unclear whether interacting with *New York Times* content on the iPad will become the kind of "memorable experience" called for by Picard, but it does suggest the wisdom of publishers creating "paid experience" as a substantial portion of whatever content they limit to paying customers.

Subscription services on news Web sites typically fall into two main categories: blunt and less so. The former limits all or most online content to print subscribers or customers paying an online surcharge. The latter includes several variations, including targeted services aimed at such hobbies as sports; memberships designed to serve users' professional as well as high-stakes personal interests such as investing; metered access that permits a certain number of stories to be viewed in any given period; donations on a one-time or ongoing basis.

The biggest downside to walling off content is the loss of advertising revenue caused by reduced traffic. That's the problem that prompted *The New York Times* to lift user fees on its Times Select service for columnists in September 2007, despite 227,000 paying customers and $10 million in annual subscription revenue.[40] As new technology enables greater flexibility for subscription services, publishers are hoping to leverage the additional demographic information they'll gather about paid users to support higher prices for advertising they're exposed to.[41]

The History of Paid Content

News has enjoyed such convenient subsidy for so long, in the form of advertising, that journalists have had a tough time finding other ways of paying for it. This was a problem for local news, it turns out, even before advertising began paying the bills in the 19th century. In his landmark history of American journalism, *The Creation of the Media*, Princeton professor Paul Starr says publishers of rural papers in New York in the late 1700s and early 1800s didn't believe their "readers would pay for information which they could secure by word of mouth from their neighbors."[42]

But with insufficient commerce to support substantial advertising, the burden of paying for news fell almost entirely on readers. And they eventually came around—at least the group of "elites made up of the royals, nobility and wealthy landholders and merchants"—until a business model based on advertising showed up with the industrial revolution and increased literacy.[43]

The revenue share borne by newspaper advertisers eventually rose as high as 82 percent in 2006,[44] but it's now on the way down, shifting the burden back to readers. *The New York Times*—an unusual case because of high subscription fees for its print edition and limited classified advertising—reported recently that it's approaching a 50-50 split of advertising and circulation revenue. Some metropolitan dailies are headed in the same direction, if not quite as quickly. The Detroit Newspapers, for example, hope to achieve a 60-40 percent split of advertising and circulation after doubling the single copy price of their daily papers from 50 cents to a dollar last year.[45]

Online, no one is suggesting that subscription or other user fees will make up all the revenue lost from diminished advertising. Research indicates that most readers say they won't pay,[46] underlining the importance of providing users with something more than just the news—a service or experience worth paying for. Even then, user fees are seen as just one stream among several.

The Money Goes to the Niches

Consumers are spending a lot of money for information online, but not much on local news. Forrester Research projected spending of nearly $3 billion in 2009 on information and services from such sites as *The Wall Street Journal*, Match.com and ConsumerReports.org.[47]

Forrester's Sarah Rotman Epps estimated that only 3 percent of Internet users in the U.S. have paid to access digital information—and that the average household income of those who have is nearly $100,000. She urged publishers to be sure their offers satisfy three requirements before attaching an online price tag: compelling content, the right targeting (customers already predisposed to spend money on such products) and "smart device integration" on iPhones, Blackberries and other tools in common use.[48]

In a separate Forrester report, researcher Nick Thomas warned against viewing "the Web as a panacea for the historic decline in print," adding: "It would be nice to see online revenues making up for the shortfall in print subscriptions, thus allowing publishers to carry on as they are, but that's not going to happen any time soon. The Web is a separate, increasingly important medium and must evolve on its own terms."

Thomas steered publishers toward specialized content: "News will be free, but paid opportunities will arise around niche verticals. Smart publishers and advertisers will focus on content channels where brand values and expertise coincides with readers' passions or their needs: This could be around wine, books, music or travel, for example—or around personal finance or content for professionals."[49]

James Hamilton, director of the DeWitt Wallace Center for Media and Democracy at Duke University, suggests, "One way to make sense of the many different types of news offered in the market is to categorize demands for information by the types of decisions that give rise to the demands." In his 2004 book, *All the News That's Fit to Sell*, he recounts earlier research by Anthony Downs that sorts people's desire for information into four functions: "consumption, production, entertainment and voting."[50]

Government information has been a lucrative part of the information industry for decades, but powered mostly by users combining special interests beyond citizenship and the wherewithal to pay high prices for the information. I found at least a couple of examples of successful entrepreneurs in this segment interested in tweaking their business models to direct some of that government news to a wider audience of users. In Denmark, former TV reporter Rasmus Nielsen makes available, without charge, a portion of his niche reports about the Danish Parliament to a general readership.[51] Craig Sandler, who publishes similar, high-priced services tracking state government in Florida and Massachusetts, is also working on a consumer edition with more modest fees.[52]

Foundations have been helpful in encouraging nonprofit initiatives aimed at filling some of the gaps users are finding in government news and information as a result of cutbacks. Sites like Connecticut Mirror, which launched in January 2010, are also taking significant strides in making sense of government reporting. Among its features: An Editor's Choice service that provides users with a one-stop aggregation of news about government and politics throughout the state, similar to Jim Romenesko's news about news on Poynter Online. Connecticut Mirror says it does not anticipate charging users.[53]

Among the paid content experiments in the entertainment area was the 2003 decision by *The Los Angeles Times* to put its popular CalendarLive entertainment section behind a pay wall. In a mini case study of the initiative, the Nieman Journalism Lab's Tim Windsor reported that the move generated about $63,000 from the $39.95-a-year subscription fee and attracted about 19,000 registered users, 15,000 of them print subscribers who paid no online fee. Windsor noted an audience drop from 729,000 visitors in July 2003 to the 19,000 registered visitors after the subscription requirement was imposed. Losses in ad revenue were not reported, but *The Times* removed the pay wall about 21 months after it went up. "If it was a success," he added, "there was never a press release heralding that fact."[54]

The latest test of the paid content model is underway on Long Island, where *Newsday* installed a $5 per week subscription fee in November 2009. Two months after imposing the pay wall, Newsday reported that only 35 people had purchased an online-only subscription. The idea of the pay wall in this case, though, is not generating new revenue from out-of-market customers but securing the site's value to users on Long Island.[55]

The paper kept the site free for subscribers to the print edition and subscribers to the various services of Cablevision, which owns *Newsday*.[56] Since newspaper and Cablevision subscribers account for about 75 percent of the households on Long Island, it's unclear how much other news organizations will be able to learn from the *Newsday* initiative. But MediaPost Communications provided an early impression, citing Nielsen data showing a 21-percent traffic drop from October to November after the pay wall was installed.[57]

Since they typically enjoy a more exclusive hold on local news than larger news organizations do, it's not surprising that smaller papers are doing somewhat better with online subscriptions. The *Lima* (Ohio) *News*, which sells 32,000 papers a day during the week and about 40,000 on Sundays, placed all locally produced news behind a pay wall August 10, 2009. By year's end, the paper had added more revenue via subscription fees than it lost from the reduced views of online ads, according to publisher Jim Shine. Readers with seven-day print subscriptions are invited to register for the paper's site without charge, and about 4,000 have registered so far. The paper has sold about 800 online subscriptions, most of them at the monthly rate of $4.95.[58]

Shine urged colleagues considering such a move to prepare themselves for "some pretty harsh feedback from readers," but said he's also heard from Web readers who had cancelled their print subscriptions but had no quarrel with the paper's decision to charge online. "They told me they knew this day was coming," he said.

Shine said he doesn't know whether the pay wall will "become a long-term solution." But he described several valuable lessons learned in the meantime:

• Breaking local news continues to drive online subscriptions. He said he thought both registrations and online subscriptions would subside after the first couple of months, but he said both are experiencing slow, steady growth. In the past month, he said the paper had added 96 new online subscriptions and 400 registrations of existing print subscribers.

• The pay wall resulted in an immediate 28-percent drop in traffic, but has not erased all of the site's traffic gains on a year-over-year basis.

• The increased demographic information collected from registered and paying users has not yet enabled the paper to increase its online ad rates.

• The pay wall appears to have had little impact, so far, in protecting print circulation.

Especially given economic conditions, Shine said he was not surprised by either of the last two developments.

Pay Walls as Defenders of Print Circulation

An October 2009 study of paid content by the American Press Institute found that 11 of 16 small- to medium-circulation papers listed protection of print circulation as one of the main goals of their pay walls.[59] Walter Hussman, publisher of the *Democrat Chronicle* in Arkansas, has become a spokesman for that approach, citing statistics indicating that the average value of a print subscriber dramatically exceeds that of an online visitor.[60]

In a time when newspaper circulation is falling nationwide, Edward L. Seaton, publisher and editor-in-chief of the 10,304-circulation Manhattan (Kansas) *Mercury* told API that a pay wall erected in May 2009 was responsible for driving up print subscriptions nine percent over the previous year.

E. Mayer Maloney, publisher of the 26,433-circulation *Herald-Times* in Bloomington, Indiana, said he and his colleagues expected "the earth to open up and the fires of hell to consume us" when they imposed a pay wall in October 2003.[61]

Instead, the paper attracted about 2,100 paying, online-only subscribers at $5.95 a month and managed to help protect print circulation. With those results in mind, he has introduced pay walls on two smaller papers he manages, the 12,500-circulation *Times-Mail* in Bedford, Ind., and the 6,000-circulation *Reporter-Times* in Martinsville, Ind. The *Times-Mail* has 600 online-only subscribers, and the *Reporter-Times* about 300, according to the API report.

Maloney's boss, Schurz Communications president and CEO Todd Schurz, said in a telephone interview that he encourages experimentation with pay models at all of his company's 11 daily newspapers, eight weeklies and TV stations in six markets.

But he confessed to what he termed his "single biggest worry" about pay walls: "In instituting a pay wall, you want to stop the slide in print circulation. But in making the decision to defend the old model you may be handicapping the new one. And while the [print circulation] you protect will save the newspaper money, it will not save the newspaper."

New Charges for New Services

Other experiments involve paid sites providing content and services not available either in the paper or on the paper's Web site.

Jim O'Shea, the former *Los Angeles Times* editor who now heads the start-up Chicago News Cooperative, makes a point of insisting that the $2 weekly fee he envisions charging "is not fee for content." The Co-op, launched in the fall of 2009, provides content for a regional edition of *The New York Times* as well as its own Web site, where stories are freely available to all.

But O'Shea hopes membership in the co-op will provide sufficient additional benefits—beyond the news itself—to support the fee he describes as "less than a cup of Starbucks." Within five years, he hopes to support an annual newsroom budget of $3 to $4 million by collecting those two dollars a week from 30,000 to 40,000 people—about one half of one percent of the population of metropolitan Chicago. But before he can get to the stage of seeking those co-op fees, he says he needs an additional $2 million in philanthropic help to sustain the operation in the meantime.

The co-op model is at the heart of an ambitious plan developed by veteran journalist Tom Stites to create a news service aimed at "less-than-affluent Americans" in communities around the country. Like the Chicago News Co-op, Stites' Banyan Project would not sell its journalism but rather the online community services it would create *around* the news—its benefits of ownership. Also still in the stages of seeking foundation funding to get started, Stites hopes for a half million shareholders who, at "a dime a day," could generate annual revenues of $18 million. [62]

The key to the Banyan's strategy is an approach to news and users that Stites describes as "relational journalism." He explains: "It's the relational approach that makes possible Banyan's value proposition—that the less-than-affluent Banyan public will find its journalism relevant to their lives, respectful of them as people, and worthy of their trust. Consumer co-op ownership is at the heart of this in that it makes the editors accountable to the reader/owners—this is user-first not just in aspiration, but in structure."[63]

In Pittsburgh, the *Post-Gazette* has introduced a new online service built on the concept of extra fee for extra service. This one does include some pay walls. PG+, introduced in September 2009, spotlights special sports material but also provides a range of features and blogs focused on politics, music and life in Pittsburgh. *Post-Gazette* editor David Shribman says more than 90 percent of the content is original to PG+—as opposed to material previously available free online and then walled off. The site also includes the kind of user perks that many publications are making available to home delivery customers—discounts at area museums, two-for-one specials at restaurants, etc.

Shribman declined to reveal how many users have signed up for the service, which costs $3.99 a month or $35.88 a year. His assessment: "We're making steady progress and we're not going to abandon it."

Part of the experiment involves exploration of new markets, including a group he calls the "Pittsburgh Diaspora." Shribman said the paper is trying to see how it might tweak PG+ to provide special services to the estimated 500,000 former Pittsburgh residents "who live elsewhere—except for Thanksgiving and Christmas and the Web—and who care about their hometown and their hometown teams."

The Mystery of Who Pays for What and Why Online

Among the data points PG+ is still trying to sort out: "We have the oddest surge in subscribers on Tuesdays. Maybe it's because it's the day after the day after (the Steelers' games on Sundays), and people are saying, 'Did you see that on Plus?' But we really have no idea. It's a mystery."[64]

Steve Brill, co-founder of one of several vendor services in development to help publishers collect user fees, says that's the nature of paid content.

"I guarantee that in six or nine months," he told Poynter Online's Steve Myers in November 2009, "we can look at these 16 [ways of monetizing content] and we can declare together that five of them were totally stupid, ridiculous, and why were we screwing with them?"[65]

In addition to charging by niche, the new online subscription services enable publishers to adjust free/paid dials based on number of articles viewed and the timing of publication. Some may also invite readers to set their own price, depending on the value they attach to the content at hand.

A chart from a Journalism Online presentation shows how a publisher might decide to reserve access to certain articles to paying customers for a period of, say, one hour after publication. For big news of widespread interest, the publisher could remove the meter and make the story available immediately to all. Whether restricted by timestamp or not, the advantage of such an approach is that it avoids sealing news off behind a pay wall and thwarting the ability to build as big an audience as possible.[66]

Audience building—or content swiping, depending on your point of view—is at the heart of the dispute between Google and some news executives. That controversy is beyond the scope of this paper, but Google's "First Click Free" service is worth noting in the context of emerging pay wall options.

In a December 1 post, Jeff Cohen, a senior business product manager for Google, said the search engine had updated the service to enable publishers to limit readers to no more than five articles per day.[67] This approach enables the so-called metered approach used by the *Financial Times* and planned by *The New York Times*.

The idea, according to U.S. *FT* managing editor Christia Freeland, "is to be simultaneously open to visits from the occasional and casual newcomer while assuring that the addict has to pay for his addiction." In practical terms, this means you can visit FT.com 10 times in a month before a pay wall pops up in front of article #11.

Differentiating the Lookie-Lou's from the Regulars

The capacity to differentiate among users who show up only now and then and others who might hit the site, say, 50 or 100 times in a month, is critical. Steve Yelvington, digital strategist for Morris Communications, points out that blocking those occasional visitors—he calls them "Lookie-Lou's"—with a pay wall would mean forfeiting ad revenue, however modest it might be. He says it's an even worse idea to block the more frequent visitors, people who are more likely to be local and are much more valuable to advertisers. But not just to advertisers. It's critical to understand what keeps them coming back to the site so frequently before blocking them with a pay wall, Yelvington says. Once understood, it might be possible to persuade them "to pitch in some cash" one way or another, he says.[68]

At the *Financial Times*, the percentage of occasional users who decide to subscribe when they encounter the pay wall is very small—"single digits," Freeland told me a in brief interview—"but that's OK."

The metered approach is useful for several reasons. It generates some advertising revenue from those occasional visitors and it provides a taste of the publication that might one day prompt subscriptions in print or online. In the case of visitors who *do* subscribe when the meter runs out, Freeland points out: "Generating subscriptions like that is very cheap."

Freeland argues that "pay walls clearly *do* work for niche publications—and your niche can be sports, maybe technology, it might even be entertainment." She adds: "The bigger question is, 'Can you charge for general news?'" Freeland says she hopes her local paper—*The New York Times*—will figure out a way to do so and proposes one example of not-exactly-general news that she'd be willing to pay for: "I would pay to know about schools. There's nothing that parents are more obsessive about."

Jim O'Shea plans to put Freeland's theory to the test with the first of many "news interest networks" he hopes to introduce at the Chicago News Cooperative. He and his colleagues met Jan. 19, 2010 with a group of about 34 people with special interest in education and asked them what should go into the co-op's education network: "What's something they'd place high value on, and how might it play out journalistically?"

O'Shea plans similar meetings with the Chicago Council on Global Affairs, an organization with about 7,000 members especially interested in international issues. Since the *Chicago Tribune* has closed all of its foreign bureaus, O'Shea says he's anxious to see how the Chicago News Cooperative might collaborate with the Council to meet the needs of its members—and grow membership in both organizations.

Among the advantages of paid content, in Freeland's mind, is "becoming less advertiser-dependent."

A wide distribution of subsidy has always been important to journalism's independence. If a news organization attracts enough advertisers, no single one should be able to carry enough weight to influence coverage. As the number of advertisers shrinks along with total overall ad revenue, increased payments from users and other sources can provide a valuable antidote to the potential influence of the big spending advertisers that remain. As Ken Auletta notes in his new book, *Googled*, over-reliance on advertising can deposit too much influence over the news in too few hands.[69]

More Civil Comments—Plus a $1.99 Fee—on the iPhone App

Robert Picard, the media economist, points out that the value of what's created in new services around news "does not necessarily translate" into the revenue needed to sustain journalism. But without something new that's distinctive and compelling enough to separate people from their cash, all the new paid content tools in the world will leave journalism hopelessly underfunded.[70]

News organizations are having some success in raising prices for existing products. But framing the paid content issue, as Picard does, as the creation of new value is quite different from simply imposing a fee today on content that yesterday was free.

Instead of installing a pay wall in front of its online coverage of the Miami Dolphins, for example, *The Miami Herald* created a new iPhone app for Dolphins fans. By October 2009, the app had generated about 13,000 sales at $1.99 each. More significantly, it paved the way for the paper to offer similar apps for college teams throughout Florida and to develop a small but growing new revenue stream.[71]

Herald executive editor Anders Gyllenhaal said the *Herald* considered commissioning an outside contractor to develop the app, but decided that the relatively modest time investment of its own programmers in the project would pay off in the long run. As with the *Post-Gazette*'s Tuesday subscriber surge, the *Herald* is noticing trends with its iPhone apps that it doesn't quite get. Noting the nasty comments that the Dolphins' unexceptional record has provoked on the *Herald*'s Web site, he said: "For some reason that we don't really understand, the comments attached to articles on the iPhone app are a lot more elevated."

Maybe it has something to do with the kind of community created by a paid membership? As anyone with an iPhone will tell you, the decision to purchase a news-related app is not simply about news. It's also about the experience.

Finding Ways to Monetize the Most Fully Engaged Customers

When Philip Balboni wrote his business plan for GlobalPost, he included subscription fees—a pay wall. He backed off the plan before launch—"I just didn't think that as a new brand we could pull it off"—but insists that user fees of some sort are an essential ingredient of digital publishing.

"There has to be some sort of a bond with the community," he says, arguing that advertising and syndication revenue will never be enough to sustain his enterprise. Rather than require subscriptions to read the bulk of GlobalPost content, the site introduced Passport, a premium membership service that debuted at $199 a year.

The price was cut to $99 with a half-price option for academics, and subsequently to $49.99 for all individual memberships.

So far, only about 500 of the site's users have purchased a membership—a long way from the 25,000 to 50,000 that Balboni says he believes will eventually join.

Mulling his site's prospects, he asked: "Is it the content or being a member of the community" that will drive allegiance to the site in the long run? His answer: "I tend to believe it's more a matter of community. But like any community it probably takes time to get that interaction going. And we're not experts in this."

Among GlobalPost's most important challenges, Balboni believes, is figuring out how to more fully engage the 15 percent of its audience that visits the site 100 times or more each month. "That's a heavy level of engagement," he says, noting that the site needs to "track those particular users and at the appropriate moment display an invitation to become Passport members."

I joined Passport at the $50 level and took part in one of the benefits that membership provides: participation in a conference call with one of the more than 65 correspondents working for GlobalPost in nearly 50 countries around the world. I joined a half dozen other members in an early December conference call with GlobalPost Dubai reporter Tom Hundley, a veteran foreign correspondent who worked overseas for the

Chicago Tribune for 18 years. Dubai was much in the news after its debt problems tumbled stock markets around the world. Among the Passport members with a clear business interest on the call was David Riedel, who advises mutual funds on their investments in 15 emerging countries around the world.

Riedel engaged Hundley in a conversation about whether Abu Dhabi might supplant Dubai as the economic center of the Emirates—just the sort of insider-ish info that he could later pass along to his clients.

"I'm surprised so few people participate," Riedel told me in a follow-up phone chat about the correspondent conversations. "Any little tidbit that helps me have that conversation with fund managers can be valuable. GlobalPost is an undiscovered jewel in terms of the insights that can help me help my clients."

Riedel's experience with Passport illustrates how a freely accessed consumer site can carve out a paid, premium service for users who have clear, work-related needs. For customers like Riedel, even the original Passport fee of $199 a year seems like a bargain. Less so, even at $50, for more casual members like me.

Perhaps part of the answer is creating two levels of membership—professional and personal. But how to create a premium *personal* service compelling enough to sustain fees of $50 or even $25 a year? The key may lie in people's attachment to place, a concept with as much to offer local news sites as operations like GlobalPost. What killer app, for example, might GlobalPost's man in Dubai develop to make the service essential for expat families living in the United Arab Emirates? What might PG+ create for displaced Pittsburghers that would render a modest monthly fee a no-brainer? Could GlobalPost and the *Post-Gazette* monetize social networking tools—as the Chicago News Cooperative hopes to—and create interactive communities of interest around geography, schools and topics?

Donations: Why Not Just Ask—and Receive?

Few organizations seek donations as effectively as NPR. But even there, a breakdown of its revenues shows that user gifts is just one revenue source among many:[72]

- 31% from listeners via pledges, memberships and other donations

- 20% from businesses via corporate underwriting
- 11% from the federally funded Corporation for Public Broadcasting (CPB)
- 10% from licensee support
- 9% from foundations and major gifts
- 5% from local and state governments, and
- 14% from all other sources.[73]

When the wife and husband team of Morgan and Askins founded their *Ann Arbor Chronicle* site, they anticipated drawing all of their revenue from advertising. But then a funny thing happened to them—something that also happened to *The New York Times* some months later—readers began telling them that them they *wanted* to pay for the news they provided. They just needed a way to do so.[74]

The *Chronicle* installed both a DONATE button (for one-time gifts) and a SUBSCRIBE button. Subscriptions include both a minimum ($10-a-month) and maximum ($250-a-year) rate, the latter to prevent individual subscribers from claiming too big a stake in the enterprise. Unless subscribers request anonymity, their names are listed on the site.

Other than saying they're covering their costs and paying their bills, Morgan and Askins don't reveal their revenues. The site includes a list of subscribers indicating payments by 15 to 25 people a month, and a list of 54 advertisers—paying monthly rates of $100 or $200 or $300 a month—for the period of October through December 2009.[75]

The Miami Herald began soliciting donations—right next to its pitch for print subscriptions—in mid-December.[76] Media analyst Steve Outing provided a detailed critique, concluding that the *Herald* had been way too subtle in its pitch—criticism that Gyllenhaal noted in the comments section attached to his weekly column. Perhaps news organizations could learn a lesson from Wikipedia founder Jimmy Wales, who appeared safe from charges of subtlety with the pitch he tacked on the top of Wikipedia pages: ***"Please read: A personal appeal from Wikipedia founder Jimmy Wales."*** The banner linked to a page encouraging donations in any of 18 national currencies.[77]

The result? The fundraising drive exceeded its $7.5 million goal by more than $500,000.[78]

No DONATE button has appeared on nytimes.com yet or the vast majority of Web sites maintained by legacy news organizations. But Kachingle, a new service designed to facilitate donations, is inviting publishers, bloggers and users to test their system for distributing donations among users' favorite sites.[79]

Joel Kramer didn't wait for that sort of special donation service to begin soliciting donations at MinnPost, the local news site he founded two years ago in the Twin Cities.

"Serious journalism is a community asset, not just a consumer good," Kramer argues, "and people (and foundations) should support it, as they support museums. We'll see if that argument persuades enough people."[80]

His focus may be on serious journalism, but he avoids taking himself too seriously in his fundraising. To raise sponsorship money for the blog written by David Brauer, Kramer solicited both $10 LoBrau and $25 HighBrau gifts.[81] The site lists contributors as members at various ranks, including "night police reporters" (the site boasts more than 200 of them, at a donation rate of $100 to $250) and "media moguls" (there are only 10 donations at that level—$5,000 to $10,000). MinnPost lists the names of its contributors online and includes a "Donors' Wall" where they're invited to explain their gifts.[82]

MinnPost added 500 first-time donors in 2009, increasing its revenue from individual donors and the organization's annual MinnRoast event from $356,000 in 2008 to $458,000 in 2009. With expenses down 20 percent year over year, the growing revenue burden carried by the donors and the roast in 2009 is even more striking.[83]

ADVERTISING

With ad supply swamping demand, advertising that interrupts users—as opposed to serving them—can't last long.

Good advertising has always been regarded as valuable content in news products. It offers users information they need and often provides them with clear benefits in the form of money-saving coupons or competitive comparisons. Advertising will become even more user-focused in the years ahead, especially in the double-edged context of behavioral targeting. Users are also at the core of changes in the relationships between news organizations and advertisers—and between news staffs and advertising staffs.

The success of relevant commercial messages attached to search illustrates the difference between advertising as an interruption of the user experience vs. an improvement of it. Opportunities for local news operations include systems to enable targeted ad buys by small advertisers as well as networks equipping local news operations to benefit from linking national advertisers to specific groups of local consumers.

Among the risky realities of local news is the extent to which its future rides on the future of advertising. That's true not so much because of links between the two, but because, for better or worse, advertising remains the most important source of revenue for news.

There was a time—scholars describe it as the period of "accidental prosperity" that aligned advertising messages with news reports over the past century or so—when journalists could be assured of sufficient revenue simply by assembling sufficient audiences. Rick Hirsch, online editor of *The Miami Herald,* recalls the now outdated notion "that if you got reach, you'd get revenue."[84]

When advertising was seen as a way of interrupting readers or viewers with a commercial message—as engagingly and inoffensively as possible, of course—reach was especially critical. But the opportunity to pitch a product or service to someone already searching for something related changes the game dramatically.

Of $23.4 billion spent by advertisers online in 2008, 44 percent was spent on search-related ads. That compares with 33 percent for traditional display ads.[85]

Bob Garfield, the AdAge columnist and host of *On the Media*, says the trend toward search ads is easy to understand. "Search is contextual, measurable and information-rich…and captures shoppers in the process of shopping," he says in his 2009 book, *The Chaos Scenario*.[86]

"In a connected world, ads are a kind of crude and clumsy means of creating relationships with consumers," he points out. "After all, people may not much care for commercials, but they like goods and services just fine and are in constant search of information about them…Oddly, in its obsession with not repelling audiences, advertising over the past two decades has provided more and more production spectacle, more and more belly laughs but less and less actual information.

"Very quickly, because information is at its very core, the online world will soon enough fill the vacuum."

A Crisis of Advertising, Not Journalism

Kirk Cheyfitz, a former investigative reporter turned marketing executive, owns a $40 million agency focused on creating custom content—as opposed to traditional ads—for advertisers. Story Online produces the quarterly *Lexus* magazine for the carmaker and such publications as *The Hair Book*, a magazine for Regis Salons, and *ENDLESS VACATION*, on behalf of the RCI timeshare firm.

"We are in the middle of a crisis in advertising, not journalism," Cheyfitz argued in a blog post last year. "Old-fashioned ads are dying fast across all media, even online…All these traditional advertising tactics are part of a withering marketing model. In the old model, publishers attracted an audience with engaging stories (news and entertainment) and then marketers were allowed to interrupt those stories with commercial messages."

The new model, he says, stresses engagement with users: "Commercial messages must now be attractive, informative and engaging stories (news and entertainment) in their own right. They absolutely must deliver a valuable media experience to the audience—an experience that informs or entertains or, heaven forbid, does both."[87]

But not necessarily on news Web sites.

In fact, newspapers' share of the overall ad spending has fallen from 20 percent in the pre-digital years to 10 percent today, according to Ken Doctor, a former news executive who works now as an analyst with Outsell, a firm advising publishers and other information providers.[88] The shift is partly explained by an overall decline in ad spending but also by the flowering of new media competition. But there's something else. Advertisers have tripled spending on their own digital operations over the past three years, says Doctor. They've discovered that better Web sites enable them to deliver their messages directly to their customers without paying news organizations for a ride-along spot in a banner ad above a news page.

Advertisers are not limiting their digital investments to their Web sites, of course. Ikea, the world's largest furniture retailer, recently placed the inventory from its UK catalog into an iPhone app.[89] Kraft Foods has developed one of the most popular recipe sites on the Web, and has attracted more than 70,000 friends to its Facebook page. As former Huffington Post CEO Betsy Morgan puts it, "Brands are becoming publishers."[90]

As companies aim their content more directly at users, news organizations find themselves less essential in their role as a delivery mechanism for the messages advertisers want delivered. Rather than simply bemoaning the trend, what if news organizations helped facilitate advertisers' interests in serving as well as selling their customers? To work, such efforts would need to be quite different from the infomercials, advertorial and video news releases that demean advertising as well as journalism.

Cory Bergman is a journalist with an MBA whose day job is director of new product development at MSNBC.com. In addition, he and his wife run a network of neighborhood news blogs in Seattle. Part of the network they've created with their Next Door Media Company is the wherewithal for advertisers to reach users in multiple neighborhoods. Bergman describes one of the most important next challenges facing the startup as helping advertisers become publishers—and creating new advertising experiences in the process.

"One of my most avid readership groups is business owners," Bergman says of the users of Next Door Media blogs. Equipping those owners to publish to MyBallard.com and their other sites helps secure the loyalty of users as well as the commercial viability of their enterprise.[91]

Scott Karp, founder of the Publish2 aggregation and sharing service for journalists, told participants at a Shorenstein Center conference in October about plans for a service aimed at enabling publishers to set up advertisers to provide information to users—content deemed more useful than the traditional delivery of commercial messages.[92]

MinnPost, the local news site in Minneapolis, is already doing just that with ads served by a firm called Real Time Ads. The service uses Twitter and RSS to automate the delivery of messages from local merchants to space they've secured on MinnPost. A mid-December ad for the Mall of America on MinnPost's left rail linked users to a Tweet inviting them to the announcement—at the Mall's Best Buy Rotunda—of the U.S. Olympic Women's Ice Hockey Team.[93] The San Diego News Network and the Village Soup startup have created blogs for advertisers aimed at both generating revenue for the sites and content for users.[94]

Some of the major developments upcoming in advertising may have more to do with roles and relationships than with technology. "One of the things I think newsrooms have to realize is we're here to cover the news in an unvarnished way," *Detroit Free Press* editor and publisher Paul Anger told *The Wall Street Journal*, "but we're also here to facilitate commerce."[95]

In December 2009, editors of certain sections of *Dallas Morning News*—including sports, entertainment, real estate, automotive and travel but not main news sections—began reporting to general managers whose main responsibility is advertising as opposed to news.[96]

At first blush, this sounds like a horrible idea in a user-first environment. If it turns out that the arrangement puts the interest of advertisers ahead of readers, it will be. If the new bosses are shrewd enough to serve advertisers by serving readers more effectively, it could work.

"I got the same queasy feeling every red-blooded journalist had when I read that the *Dallas Morning News* seems to be putting advertising-department overseers deeper into the newsroom that any major paper has done before," newsman-turned-businessman Alan Mutter wrote on his blog after the *Morning News* announcement.[97]

"But maybe—just maybe—this isn't such a bad idea. Instead of the advertising people infecting news coverage, maybe—just maybe—the creative energy and constructive skepticism of the newsroom will rub off on the ad guys, who sorely need all the help they can get."

As journalists expand their collaboration with advertisers—and with advertising colleagues within their own organization—they'll need to anticipate and address user skepticism about such relationships. Doing so effectively will require increased transparency and public commitment to standards of practice.[98]

Lem Lloyd, a former journalist who is now the Yahoo! vice president in charge of its advertising consortium with local news organizations, argues that increased transparency will serve all concerned—users, advertisers, networks, news organizations—perhaps everybody except fly-by-night operators hoping to misuse consumer information. He envisions quite specific techniques that would enable users to mouse over an ad, for example, and discover what network is serving it and what sorts of targeting placed the ad on the page in the first place.

"That will help educate consumers," he said in a telephone interview. "It will lead to better informed consumers who will increasingly see advertising as content."

Given appropriate respect for consumer privacy, Lloyd believes the day will come when users will be annoyed—as opposed to alarmed—by advertising that fails to target their behavior and interests.

"Five years from now, if a user sees an irrelevant ad on a page they're viewing, they'll be asking, 'What the hell is that?'" Lloyd said. "People will expect [publishers and advertisers] to know what they're interested in."

By the end of January 2010, the ad industry was moving in just that direction. The Future of Privacy Forum, an advocacy group working with ad agencies, developed a series of small icons to be attached to online ads, perhaps beginning in the summer of 2010. Clicking on the icon would explain to users how and why the ad showed up on their screens.[99]

Whether advertisers invest in ads on news sites or their own, it's clear that a big ad shift is coming from legacy platforms to digital.

Prepping for Advertising's Big Shifts Online

Consider the gap between user behavior and ad spending: Consumers are spending 28 percent of their media time online, but just 13 percent of ad spending is committed there. That compares with 12 percent of media time spent with print and a 26 percent ad spend, setting the stage for a huge contraction of print ad spending. TV will be dealing with its own less dramatic gap, with 39 percent of the spending going to TV but only 31 percent of consumers' time.[100]

The behavior gauged by those percentages obviously varies from user to user, and from platform to platform. The higher prices that news organizations are able to charge for ads on legacy platforms—vs. online ads—probably has something to do with how users experience advertising differently on those platforms. It's hardly surprising that users would be annoyed by irrelevant banner ads interrupting what is often their search for something specific online. The browsing environment of, say, a magazine, offers a much friendlier environment for ads that the user might or might not have anticipated. Still, the percentages do recommend an ad strategy nimble enough to accommodate quick shifts to digital as online advertising becomes more appealing to users.

Helping Small Advertisers Get Online

Just as Journalism Online and other services are equipping publishers with the infrastructure for paid content, a variety of vendors are setting up news organizations to help small local advertisers make the migration to online. Mediaspectrum, a new service developed by Tribune Company, targets drycleaners, repair shops and other merchants with a mechanism to purchase ads for as little as $150 each.[101]

"The idea that newspapers are missing a big opportunity among smaller businesses is hardly new," Poynter's Rick Edmonds reported in October 2009. "Finding ways to serve that segment of potential advertisers was a key recommendation of the American Press Institute's Newspaper Next study three years ago."[102]

But the technology and training required to reach that market effectively has taken a while to catch up. Several vendors—including Clickable, Growthspur and PaperG—describe the basics of online ad serving and sales in a couple of half-hour videos posted to the site maintained by New Business Models for News project at the City University of New York.[103]

Connecting National Advertisers with Local Eyeballs

Local news sites are also earning money from national advertisers anxious to reach specific kinds of local consumers. More than 800 newspapers have joined the network established by Yahoo! to facilitate such commerce, and Google and Microsoft have also partnered with local publishers to create advertising networks.

Consider McDonalds' interest in reaching Atlanta-area consumers who might be hot prospects for the restaurants' breakfast specials. *The Atlanta Journal-Constitution* pitched a local ad agency representing McDonalds on the idea of combining the ajc.com's 674,000 visitors with the 2.25 million Yahoo! users in the region to create "an unduplicated reach" of 2.44 million users. Over the course of a year, McDonalds paid $325,000 to reach those users, with Yahoo! taking $160,000 and the rest going to the *Journal-Constitution*.

Yahoo! decided which users would be presented with the McDonalds ads based on where they'd been on ajc.com as well as search terms they entered on Yahoo!, their online behavior on such sites as Yahoo! Mail, Yahoo! Finance and the sites of other organizations in the Yahoo! Consortium's network. Based on that online behavior, the consortium assigns users to hundreds of demographic buckets that advertisers are able to target as they choose. Got a hunch that single Moms might be interested in pulling into the drive-through for a coffee and Egg McMuffin on the way to work? Just select the bucket of users that Yahoo! surmises, based on their online behavior and interests, to be single moms.[104]

All of that raises a host of questions about privacy that are certain to stir further debate as more of this sort of behavioral targeting takes hold, underlining the need for news organizations to revise their standards of practice with emerging practices in mind.

National chains like McDonalds aren't the only advertisers who see value in targeted groups of users aggregated by local news organizations. Michael Skoler, the pioneering public radio journalist who's exploring journalism business models as a Reynolds Journalism Institute Fellow, tipped me off to an interesting form of special interest advertising sold by Politico, the national politics site launched by former *Washington Post* staffers.[105] By partnering with news organizations around the country, Politico offers inside-the-beltway lobbyists a means of reaching—and perhaps influencing—the constituents of various members of Congress by placing their ads next to politics stories on their hometown news sites.[106]

'Worthless Traffic' and Scary Movies at *The Boston Globe*

Among the hot topics in online ad circles is the debate about so-called "worthless traffic"—visits to news Web sites by users from out of the sites' geographic areas, lacking any particular value to the site's local advertisers. But a closer look at those users reveals a different sort of value for advertisers who care less about where a user lives than about what they might purchase online.[107]

Dave Beard, editor of New England's leading regional Web operation, the Boston.com site maintained by *The Boston Globe*, discovered some of the value in such traffic on his site almost by accident.

"Looking at our analytics, I noticed some big traffic spikes I didn't understand," he said during my visit to his office off the *Globe*'s newsroom. Tracking the relevant URLs, he discovered thousands of users clicking onto a page on his site headlined "50 Scariest Movies of All Time." Drilling down deeper, he found that most of those users arrived at the page from Google. He also noticed there was no advertising on the page.

Today, Google users who type "scary movies" into the search bar get a glimpse of newspapers' financial future along with that link to Boston.com. Advertisers pay very little for their ads on the page but even low CPMs add up to real money with high traffic. So far this year, the *Globe*'s scary movies page has registered more than 27 million page views, 11.5 million in October alone. By year's end, the page will likely generate more than $50,000 for *The Globe*, nearly enough to pay the salary and benefits for a relatively junior reporter, photographer or Web producer.

The hand-scrawled sign taped to the wall just above Beard's computer monitor sketches a stark and urgent frame for the "worthless traffic" debate.

"@ $10 CPM we live," the sign reads, employing the short-hand for cost-per-thousand page views. "@ $1 CPM we die."

Too many of the pages on Boston.com sell to advertisers at or below that remnant rate of $1 per thousand views. And while traffic is growing modestly on the site maintained by New England's leading newspaper, nearly one in five readers have abandoned the print edition in recent months.

Beard's focus on the numbers is telling. He's an idealistic, enthusiastic journalist who has never worked on the business side of news. These days, though, the business cards for staffers at Yahoo.com arrayed to the right of his keyboard have more to do with the monetizing of news than its gathering or presentation.

Beard jokes that his efforts encouraging Yahoo! and other aggregators to link to *Globe* stories is turning him into "the best quality pitch person" possible, a long way from his days as a foreign correspondent for the Associated Press in South America. "I know this isn't exactly journalism," he says of his work to monetize *Globe* content, "but my whole focus is to see how many reporters' desks I can save."[108]

Who Says Free Can't Be a Business Model?

Among the challenges of the user-first approach to circulation pricing is the overwhelming preference, among some users, for a price point of free. As hundreds of alternative weeklies discovered long ago, there's money to be made by giving the paper away. Florida's biggest newspaper, *The St. Petersburg Times,* discovered as much when it broke even on its free daily tabloid, *tbt*, about two years after its launch.

Times editor and CEO Paul Tash won't provide numbers, but says the edition has become "nicely profitable." *The Times* puts as many as 80,000 copies of *tbt* in the hands of readers Monday through Thursday, with a press run of 110,000 for the entertainment-rich Friday paper. Cover photos and headlines in *tbt* display more restraint than many tabloids but a lot less than readers of the *Times*' traditional broadsheet edition would find acceptable. The key to *tbt*'s success, according to Tash, is that "different kinds of readers are introducing us to different kinds of advertisers." Once introduced, of course, ad reps for *The Times* are able to pitch the new advertisers on deals for the mother ship, which sells about 240,000 papers during the week and about 370,000 on Sundays.[109]

Kinsey Wilson, NPR's senior vice president and general manager, digital media, points out that pricing decisions on products like an iPhone app depend a lot on circumstances.

Some organizations might generate more money by building a large audience for a free app, others by collecting payment from a significantly smaller group of listeners. Before NPR released its app without charge in 2009, executives concluded they would generate more revenue from corporate underwriting of a free app than could be earned from a paid download. Typically, Wilson said, only about 10 percent of the people who download free apps are willing to pay.[110]

PARTNERSHIPS

Sustaining local news is not just about revenue.

To survive, news organizations will need to partner with all of journalism's stakeholders. Some will be business partnerships, involving technology or expertise in emerging areas of digital commerce. Some will be journalism partnerships, linking news organizations with the right combinations of talents and gaps. Some partnerships already in place are filling holes in staffing and coverage by getting the work done by other people, in other ways. In Boston, both Northeastern University and Boston University have formed investigative units that provide coverage to *The Globe* and area TV and radio outlets. Other arrangements involve working with competitors and putting users to work in networked newsgathering initiatives. Some unusual alliances are showing up as news organizations forge new partnerships, but at least one trait characterizes most of the successful ones: a shared commitment to putting users first.

Among the many explanations for the current crisis in journalism funding is the story of a failed partnership. In 1995, the nation's nine biggest newspaper companies chipped in $1 million each and created New Century Network, an alliance of big and small papers designed to hang onto and grow what then amounted to the early stages of advertising's migration from print to online.

But two years later, New Century Network had managed to capture just $1 million of the $500 million that advertisers were spending online. And the year after that, NCN was dead, its member companies walking away after failing to agree on the most basic approaches to online threats and opportunities.[111]

Fast forward to February 2009. Geneva Overholser, director of the Annenberg School of Journalism at the University of Southern California and former editor of *The Des Moines Register*, urged news organizations to adopt wholesale partnering. "Look around the community to see who is doing good information-gathering and sharing," she wrote in a special "Battle Plans for Newspapers" discussion on the *New York Times* Web site.

"New Web-only publications may be covering various parts of the community. A consortium of arts organizations may have a reliable events calendar. Television or radio stations may have continued some substantial elements of government news coverage. An alternative weekly may have good reviews of films and theater and concerts. Bloggers may be assembling information from parents at various levels of the local school system and a nonprofit group may be gathering well-researched local health information."[112]

One of the most significant partnerships between a news organization and users is the Public Insight Network that Michael Skoler championed at Minnesota Public Radio. More than 80,000 people have signed up to offer their ideas and tips to the station's reporters about topics in their areas of interest or expertise.[113] The network partners with users by including them in a far more sophisticated Rolodex than the best-sourced journalists ever dreamed of developing.

Such arrangements with users help sustain journalism in a number of ways. On one level, they improve the diversity of information collected. Longer term, they strengthen ties with users in ways that make them far more engaged stakeholders in the news. The sign-up form for the Public Insight Network says nothing about contributing to MPR, but a listener engaged in that kind of collaboration seems like a pretty good prospect for donating, too.

Marrying up Bloggers with the Mainstream

Foundations are playing a key role in the partnerships emerging during journalism's transition, in some cases helping to start up news organizations and in others provoking (and paying) entrepreneurs to think differently about the software and services that can add value to news.[114]

J-Lab, the journalism nonprofit funded by the James L. and John S. Knight Foundation, provided a nudge to get more newsrooms partnering with blogs and other community news initiatives.

Kathy Best, managing editor for digital news and innovation at *The Seattle Times*, said the paper used a $5,000 grant from J-Lab to help create incentives for local bloggers to collaborate with the paper. Best said *The Times* hopes to rely on the "hotbed of neighborhood blogs" in Seattle to help the paper fill some of the gaps that cutbacks have left in neighborhood coverage and to enable the paper to focus on its core specialty—investigative reporting. So far, *The Times* has established partnerships with five bloggers, four of them geographic and one focused on the topic of health care. She pointed out that four of the five are produced by professional journalists.[115]

J-Lab also provided money to *The Charlotte Observer*, *The Asheville Citizen Times*, TucsonCitizen.com and *The Miami Herald* for initiatives in those cities.[116]

In Miami, *Herald* executive editor Anders Gyllenhaal said the project would enable a partnership for hyper-local news and advertising that aligns the paper with community weeklies, local bloggers and ethnic publications. "The idea is to mix the long-standing traditions of community journalism—neighborhood news, schools reporting, municipal coverage, profiles, columns and letters—with growing digital tools," Gyllenhall wrote in an August 2009 column. "Most importantly, this string of online sites hopes to make full use of the exchange with readers that modern journalism is becoming."[117] *The Herald* launched its new "Community News Network" in late 2009, incorporating photos, videos and blog posts by users from more than 40 Miami-area neighborhoods.[118]

In most communities, the term 'media ecosystem' suggests a level of natural harmony among bloggers and established news organizations that has yet to be achieved. The Project for Excellence in Journalism analyzed a week of news in July 2009 in Baltimore and found that the diminished ranks of old media—mostly *The Baltimore Sun*—are still digging up most of the news in town. As the news ecosystem develops, it will fall to users of news to improve the journalism on several fronts—adding to fragmentary reports, correcting errors, highlighting and distributing reliable reports by journalists and others.[119]

Using social media tools and their own local contacts, they'll play an important role in advancing the story, taking part in what might be called Next-Step Journalism[120] or, as *Guardian* editor Alan Rusbridger puts it, the "mutualization" of news. "Our readers have become part of what we do," Rusbridger says. "They form communities around individual reporters and issues, lending a hand with research and ideas, bringing us up short when we get things wrong…We have done things that would have been impossible without them."[121]

Partnering with Frenemies

The most substantial partnership underway at *The Miami Herald* has unfolded 500 miles northwest of the home office, at the paper's state capital bureau in Tallahassee.

When *The Herald* and *The St. Petersburg Times* first explored the idea of combining their Tallahassee bureaus, some reporters rejected the idea as "really stupid—a way of eliminating the only real competition we had in Tallahassee," said Steve Bousquet. Bousquet, who was state capital bureau chief for *The Times* and now shares the title for the combined bureau with the *Herald's* Mary Ellen Klas.[122]

The question that he said was bugging reporters skeptical of the proposed alliance: "What incentive would we have to keep doing really good stuff?"

Bousquet's response—that competition "comes from the soul of the reporter" as opposed to competition—may or may not have convinced his colleagues.

But the stories produced by the combined bureaus in their first year—including an ongoing investigation of the House speaker who parlayed his position into a high-paying job[123] and abuse of government travel funds by state officials[124]—probably has.

"This was not about saving money," Gyllenhaal told me in a telephone conversation about the combined bureaus, which just completed their first year together. "The idea was to create more time to do enterprise stuff."[125] In an agreement signed by both Gyllenhaal and *St. Petersburg Times* executive editor Neil Brown, the papers pledge to maintain the current combined staffing (three *Times* reporters and two from *The Herald*) for the life of the deal.

Bousquet said in a telephone interview that delivering the bureau's stories to the combined audiences of the state's two largest papers has changed the power equation for journalists in Tallahassee.

"Before, if a story wasn't picked up by other papers, politicians were able to marginalize the story or the reporter," Bousquet said in a telephone interview. "Now we're hitting the state's two biggest media markets with the story and it's getting picked up by TV and bloggers and public radio (in both markets)."

The arrangement frees up staff for enterprise reporting partly by "eliminating a lot of silly and wrong-headed duplication…and vanity competition," according to Bousquet, who spent 17 years at *The Herald* before joining *The Times* in 2001.

Other competitors are making similar moves. Earlier this year, the *Post-Gazette's* Shribman and *Philadelphia Inquirer* editor Bill Marimow stood in each other's newsrooms and touted the advantages of sharing content as opposed to, say, vowing to beat each other's brains out.[126]

Net results for users? Deeper coverage of more news shared more widely.

Cross-Media Partnership for News in the Morning

A different sort of partnership emerged this year in Detroit, when *The Detroit Free Press* cut back its home delivery from seven days to three and WWJ TV, the CBS affiliate, had no news department.

Free Press editor and publisher Paul Anger said he was looking for additional ways to get the news out to his readers—and WWJ general manager Trey Fabacher said he needed some news to shore up the station's "localism."[127]

Thus was born the 5 to 7 a.m. weekday news on WWJ TV, staffed by *Free Press* producers and reporters and delivered from the heretofore under-utilized news studio at WWJ's offices in Southfield, just north of the city.

Neither Anger nor Fabacher would provide precise numbers, but Fabacher said as many as 25,000 people watch parts of the show and that McDonalds has signed a six figure, 12-month deal to sponsor announcements of school closings—a popular feature in the snowbelt. The partners share the ad revenue after splitting the expenses of producing the show.

Lessons from the partnership so far?

"It's not the traditional sort of partnership where a TV station might interview your reporter and editor," Anger told me in a telephone interview. "We're actually *doing* the news."

Fabacher said original plans called for a more elaborate evening newscast but those were scuttled as the economy worsened earlier this year. But he said he came up with the cheaper early morning alternative after concluding, "We need to find a way to do this."

Putting the Power of the Crowd to Work

News organizations are not the only outfits putting their customers to work for them. Jeff Howe, a contributing writer at *Wired* magazine, coined the term, "crowdsourcing" and wrote a book about "why the power of the crowd is driving the future of business." Before you invite users to help you report a story, study his 10 rules of crowdsourcing, especially No. 6: "Keep it Simple and Break it Down."[128]

Some of the problems raised by journalism partnerships involve culture and practice—"that's not how we do things around here"—and some go to more serious issues of journalism values.

Amanda Michel, who headed the Off The Bus reporting program for the Huffington Post during the 2008 presidential campaign, gathered a team of more than 12,000 people interested in helping the site report the election story. Among the OTB coverage that caught the attention of mainstream news outlets was its account of candidate Barack Obama's comments about "bitter" voters who "cling to guns or religion or antipathy for people who aren't like them."[129]

That sort of coverage from the campaign trail coverage was not typical, however, of most of the work by OTB volunteers. Just 14 percent of OTB's 12,000 volunteers expressed interest in writing articles. Others said they were more interested in looking at Federal Election Commission files or other public records that worked well for that kind of networked reporting.

Michel said she learned to be quite clear about the standards the site would uphold.

"A lot of people who haven't worked with volunteers are nervous about setting standards," Michel told a brown-bag lunch at the Shorenstein Center. She said people are worried that "if you reject someone's work, if you tell them they have to do it again, that people will lose interest."

"You Are What You Do"

At Off the Bus, she said editors "rejected a lot of pieces at the beginning" and people got a sense of what was expected. "You are what you do," she said, noting that "if you drop the bar in the beginning, it's harder" to raise it later.

She urged news organizations thinking about including users in their reporting efforts to think carefully about what kinds of stories work with networked journalism, and which don't.[130]

"This is one tool at your disposal," she said, "and there are some things that networked reporting does not work very well for. She said trend articles supported by similar findings of multiple contributors work better than stories that may rise or fall on the analysis of a single, relatively untested correspondent.[131]

Prepare for Public Failure

But she also said that experimenting with networked reporting means "you have to be prepared for public failure." She urged newsrooms considering a step into such reporting to ask several questions, including:

- What are some stories that networked reporting would enable us to cover that we haven't been able to report on in the past?
- How might we inspire the participation of volunteers who won't be getting paid?

Michel's latest project, in her new position as ProPublica's "editor of distributed reporting," has enlisted contributors from around the country checking on the progress of the Obama administration's stimulus spending. ProPublica got itself into the distributed reporting business by inviting Michel to do a brown-bag lunch—and then hiring her.

Along with Crowdsourcing, Consider Crowdfunding

There are lots of ways of putting users to work on behalf of journalism, sometimes beginning with their wallets.

David Cohn used a $340,000 grant from the Knight Foundation to establish Spot.Us as a way of raising money for local coverage in the San Francisco Bay area that was not otherwise getting done. The project has since expanded to Los Angeles.

Spot.Us offers to work with news organizations, established or otherwise, to raise money for stories to run on the news organization's legacy or online platforms, but Cohn says getting mainstream editors to experiment has been a struggle: "In most Spot.Us experiences, the larger a news organization, the slower it is to get approval to try something with Spot.Us because of how radically different our approach to journalism is. In past attempts with mainstream organizations I've sat in countless meetings only to spin wheels."[132]

Cohn described a different sort of experience with *The New York Times.* Spot.Us helped a freelancer raise $10,000 in reporting expenses on a mass of plastic trash floating in the Pacific Ocean known as the Great Garbage Patch. The efforts of *The Times*, Spot.Us and the freelancer, Lindsay Hawshaw, became a model of new and old media collaboration that managed to avoid problems Cohn encountered elsewhere.[133]

"They interfaced with Spot.Us as if they were a lean and mean startup," Cohn wrote on his blog. "I spent half a day at *The Times* talking with various decision makers who agreed to entertain the idea further if we drafted a pitch. Once the pitch was approved all we had to do was make it live and let them know. I am still in awe of that experience."[134]

The Times has been considering further experiments, as standards editor Craig Whitney told me before he retired in October 2009: "We've begun to ask ourselves whether it would be possible to get the kind of support that NPR does from foundations for its journalism."[135] A move like that—nonprofit money funding work by a for-profit enterprise—might require *The Times* to take the sort of steps that the Huffington Post did in setting up its separate investigative unit,[136] or the sort of change in IRS regulations under discussion in Washington.[137]

Although *The Times* has made no formal announcement about seeking foundation help, it's clear that *The Times*, they are a-changin.' The paper's expanded coverage in San Francisco and Chicago both involve partnerships with start-ups partly funded by foundations.[138] And, as the paper's Media Decoder blog reported just after the first of the year, *The Times* "turned over day-to-day control" of one of its local blogs to teachers and students at the City University of New York Graduate School of Journalism.[139] What an interesting choice of words—"turning over control"—a concept that more and more news organizations are getting comfortable with.

NEW VENTURES

"If you're going to be in the news business, you need to be in another business, too."[140]

The two-hats idea comes from Dan Okrent, the former public editor of *The New York Times* who served as the fall 2009 Visiting Murrow Lecturer on the Practice of Press and Public Policy at the Shorenstein Center. Okrent has worked in books, magazines and new media in addition to his stint at *The Times*, and understands that paying for news is not always a linear process.

There's a long tradition of journalists needing other sources of income to support their publishing.

"In colonial America, printers were businessmen first, not journalists," media scholar Michael Schudson reports in his 2003 book, *The Sociology of News.* "They pretty much invented the newspaper as they went along, amid efforts to make money selling stationery, printing wedding announcements, running the post office, or even selling chocolate, tea, snuff, rum, beaver hats, patent medicines and musical instruments from their print shops. Their newspapers were four-page weekly journals initially designed to advertise their printing businesses."[141]

Even with reduced reliance on advertising, economic downturns will hit media enterprises especially hard.[142] Established and start-up news organizations are developing new lines of business that add revenue in good times as well as bad.

In retrospect, there's probably no better example of side-bet funding than the Washington Post Company's ownership of the Kaplan Inc. education business. In the third quarter of 2009, the company's newspaper division lost $23.6 million. Overall, though, the company earned $17.1 million on revenues of $1.14 billion. It did so by virtue of $685 million from Kaplan, which amounted to 60 percent of Post company revenues.[143]

It's interesting that the Post structured its Kaplan operation in a very entrepreneurial style, so much so that when its 43-year-old CEO, Jonathan Grayer, left Kaplan in 2008 after 17 years, he stood to collect more than $75 million in stock options and other fees by November 2011.[144]

Three considerations stand out in evaluating whether a potential new venture might make sense: (1) consistency with the organization's values, (2) sufficient return on investment and (3) relevance to the organization's mission. The Post's acquisition of Kaplan provides an example of fit much closer on the first two criteria than the third. Especially in tough economic times, compromising #3 can be appropriate as long as there's a match on #1 and #2.

Many new ventures have quite modest beginnings within news organizations, ranging from a few thousand dollars for the sale of photographs at small papers to six figure deals for book and speaker programs at larger operations.

In 2008, *The Pocono Record* generated about $3,200 from reprints of its photos, probably a bit less this year. Still, according to editor Bill Watson: "That's a big deal for a little paper. Our librarian took it on as an in-house entrepreneurial project. We even have our photographers shoot people in the crowd at public stuff like festivals and football games, then post them online as photo galleries. In addition to drawing lots of hits online, we get some reprint traffic off them."[145]

The Telegraph Herald in Dubuque, Ia., has taken the idea of re-purposing photos one step further, into book publishing, and has generated six figures in dollar sales with one of its books and at least $50,000 with five others.[146]

Todd Schurz, CEO of Schurz Communications, links new ventures to user interests. At *The South Bend Tribune*, that means Notre Dame football. At the company's Alaska TV station, it means tourism and a new site called GoToAk.com, which sells day flights, fishing trips and other services.

"Looking at their numbers," Schurz says of his Alaska station, "they're my shining star for the year."[147]

News start-ups are including the sort of side ventures that have been common in professional information businesses and trade publications for decades: in-depth research and customized reports. GlobalPost, for example, has created a service that collects several thousand dollars from clients with deep and specific interest in regions where GlobalPost is positioned to do research as well as its regular journalism. This is another area where clear ethics guidelines are essential.

In a November 2009 story about GlobalPost, NPR media correspondent David Folkenflick described the site's guidelines for its research service: "First, they do not tell the reporters the identity of the client. Second, the pieces are intended to report, not advocate. Third, while clients have exclusive rights for several weeks, GlobalPost ultimately retains the right to publish any material it uncovers. And fourth, under the terms of the contract, it can always return the money and publish immediately if the news is hot enough."[148]

The Post-Gazette's Shribman says newspapers need to take on the role of "impresario" in developing events for their communities. His paper is finding sponsorships generating significant revenue for a series of community meetings on such topics as Obama's election, health care reform—four of these in 2008, eight in 2009, each drawing more than 600 people and sponsored by PNC Bank.

The paper is also thinking of creating PGU, as in Post-Gazette University, with the paper's outdoors writer teaching fly-casting and the garden writer on roses.

As interesting as such ventures may be, many of them have a kind of small potatoes feel.

"They *are* small potatoes," Shribman says. "But when you don't have many potatoes to go around, any spud looks good."[149]

Conclusions

Sustaining local news in the years ahead will require extraordinary skill in at least a couple of areas outside the comfort zone of many journalists and media leaders: cost-cutting and entrepreneurship. A user-first approach is essential to both, beginning with cost-cutting that aims at a well-paced migration of users to new media platforms—as opposed to abandoning them. The best test of journalism innovation, meanwhile, begins with impact on users and continues across a grid of critical considerations that include revenue, values and potential for long-term learning.

Cost-cutting in the digital age: Show your customers the door—your own

Several years of cutbacks have created the impression—and, sadly, often the reality—that news organizations have already slashed expenses to the point of seriously diminishing their journalism and under-serving their users. Hopefully, even the beginnings of a modest economic recovery will fuel some reinvestment in news products in 2010. But a hard truth about sustaining local news reports for the foreseeable future is that—even with profitable paid content, re-imagined advertising, lucrative new partnerships and some successful new ventures—newsrooms will have to cut in some areas in order to invest in others. The key question will be how best to deploy the resources available.

In assessing his company's prospects for Wall Street analysts in December, McClatchy Newspapers CEO Gary Pruitt pointed to a relatively obscure statistic in the course of his presentation.[150] "The percentage of McClatchy employees in news, advertising and digital has risen from 37 percent in 2000 to 47 percent this year, and will go to 51 percent in 2010," Poynter's Rick Edmonds reported from the meeting.

That shift occurred as a result of outsourcing the printing of eight of the company's 30 newspapers, and it means that a significantly higher share of McClatchy employees are now working in areas tied to the company's future as opposed to its past.

The shift reflects the kind of cost-cutting urged by Penelope Muse Abernathy, who holds the Knight chair in Digital Media Economics and Journalism at the School of Journalism and Mass Communication at the University of North Carolina. In a paper prepared for a recent conference at Yale, Abernathy and Richard Foster, senior faculty fellow at Yale's School of Management, urged "shedding legacy costs as quickly as possible."[151]

Specifically, they urge making those cuts in ways aligned with the migration of news organizations' customers from analog to digital platforms. The problem, they point out, is that publishers have directed so much of their limited funds into print "to prop up the cash cow so it continues giving until they can figure out a way to 'manage' the digital shift without dealing a fatal financial blow to the entire organization."

Abernathy and Foster concluded that "few—if any—publishers have a game plan or timeline for transitioning a majority of their print readers to online delivery—even though several recent surveys of media usage indicate that readers are re-organizing their lives around the new technology—and leaving print behind." The challenge, as discussed previously, is pacing that migration in a way that preserves as much existing revenue as possible at the same time the news organization positions itself to survive and thrive on new platforms.

The Christian Science Monitor, which closed its daily newspaper March 27, is a good example of a news organization navigating this migration. The *Monitor* is in year one of a five-year plan to reduce the church's annual subsidy of the paper from $10 million to $2 million by shifting readers to a new weekly magazine and a beefed-up Web U7 site.[152] As editor John Yemma told *Advertising Age* in November, "We're a lab now for web-first journalism, and every day we learn something new."[153]

Abernathy and Foster cited the decision by the Detroit newspapers to cut back home delivery from seven to three days as one way of directly improving the bottom line, but argued that a more strategic migration of customers is needed.

Executives of *The Detroit Free Press* and *Detroit News* are attempting such a migration by offering a PDF-style e-edition of the papers and a more fully developed digital edition in 2010—in addition to the papers' Web sites.

But the migration to new platforms does not appear to be coming close to matching the losses the papers are incurring to their readership base. Since making the big cuts in home delivery and doubling the weekday price from 50 cents to $1, the papers have lost more than 100,000 subscribers from a weekday circulation base that previously exceeded 500,000.[154] The papers reported in October 2009 that 30,000 people are accessing the special e-edition, and thousands of others have migrated from the paper's print to Web edition on the non-delivery days. Still, it appears that tens of thousands of Detroit-area readers have become disconnected from what was previously a daily habit of news.

As with McClatchy's outsourcing of print, the Detroit papers are at least making their cuts with future platforms in mind—even if a lot of readers are falling by the wayside in the process.

Other papers are attempting to migrate customers in other ways.

When Advance Publications decided it could no longer afford to publish the *Ann Arbor News*, it shut down the newspaper. The next day, it launched a Web site with half the staff of the newspaper and nowhere near the same presence in the community. But it did provide a new door for its customers to open at AnnArbor.com.

Three months after the paper locked its doors at the corner of Huron and Division Streets, a group of activists, county employees, library workers, journalists and students spent an evening adding up what's been lost and what's showing up in its place.[155]

After listening for a while, AnnArbor.com editor Tony Dearing stood up and said the site hopes to "help people develop tolerance for various profiles of getting news." During an interview the next morning in his office, which overlooks the colorful Google sign atop the search giant's Ann Arbor offices, Dearing said he hopes people show up in person, too. The site is planning a storefront gathering spot on the first floor of its offices. "We won't sell any Skinny Vanilla Lattes, but we will set it up like a coffee shop community and our community team will work down there," he said.

Which are the experiments worth trying—and which should be avoided?

The Washington Post provided vivid examples of each in 2009, one involving a series of events aimed at generating new revenue and two new partnerships with start-ups producing news, one focused on fiscal policy and the other on health care policy.

In its events project, *The Post* hoped to generate $250,000 or more with a series of sponsored, off-the-record "salons" with *Post* journalists at the home of its publisher, Katherine Weymouth.[156] Plans called for the first of these events to include a $25,000 sponsorship by the Kaiser Permanente health insurance company for an evening devoted to discussion of health care reform issues. At first blush, the idea looked as if it could add some significant revenue and a good fit with a tiny sliver of the audience—the lobbyists paying the tab. But the impact on the vast majority of the *Post*'s other constituents—readers and users who rely on the paper for independent analysis—was disastrous. Not to mention the conflict with the values espoused by the newspaper in its "Standards and Ethics" guidelines. *Post* ombudsman Andrew Alexander pointed out that the guidelines do not address the sort of circumstances that arose with the ill-fated salons, and urged their speedy updating.[157]

The Post hit another bump with the publication of its first story from the *Fiscal Times*, a start-up funded by billionaire Peter G. Peterson, a former Wall Street investment banker. The problem? The story reported support growing for a solution to Social Security funding problems that just happens to coincide with a long-time campaign by Peterson.

As the *Post*'s Andy Alexander pointed out in his ombudsman column that the story "was not sufficiently balanced with the views of those opposed" to Peterson's favored path, and that both the *Post* and *Fiscal Times* failed to disclose important background about Peterson's role and views to readers.[158]

For a look at innovation that *can* work, consider the *Post*'s venture with Kaiser Health News, a new venture funded by the Kaiser Family Foundation (unaffiliated with Kaiser Permanente). Former *Post* staffer Maralee Schwartz analyzed the partnership as part of her Shorenstein Fellowship[159] earlier this year and told me in an interview: "I can't tell you how surprisingly comfortable I became with it in the end."[160]

Many more experiments are needed. Why not customize the following ideas with your own users in 2010?

1. **PAID CONTENT**: Create something your users would value—a membership service, a premium service pegged to a sports team or other local passion, an iPhone app—and see what happens when you attach a price to it. For Web-based services, Journalism Online and other vendors can help you build an interface and infrastructure to collect the money.
2. **ADVERTISING**: Experiment with an advertiser anxious to reach—and serve—your users in new ways. This could be the kind of dynamic information delivery that MinnPost is doing with RealTime Ads, or a new service you'd devise with an advertiser. As with any new service, but especially this one, make sure you're completely transparent with users about how it works, especially how the money works.

3. **PARTNERSHIPS**: Initiate an alliance that serves users—but that you wouldn't have been comfortable with a few years ago. This might be a partnership with a competitor, even a government agency. (The only way EveryBlock.com is able to deliver crime statistics, building permits and restaurant inspections is by "forg[ing] relationships with governments.")[161]
4. **NEW VENTURES**: Launch one that serves user needs and generates some significant revenue for your organization. Consider staging a community event on a topic much in the news, and generating revenue with the sponsorship of a local advertiser.
5. **CROWDFUNDING**: Invite contributions from users for a story your newsroom budget would have left uncovered. You could seek a partnership with Spot.Us to help with issues of tracking, collecting and transparency.
6. **CROWDSOURCING**: Enlist users to report a story your organization couldn't have told on its own. At year's end, the Public Insight Network was seeking user input on the question of why so many young people are leaving rural Minnesota—and what might be done about it.[162] What's a similar issue in your community that lends itself to distributed or networked reporting? Are potholes an issue on local streets? SeeClickFix will partner with you to help users spotlight such problems on interactive maps—and invite relevant city departments to join the conversation as you hold them accountable.[163]
7. **CONVERT "WORTHLESS" TRAFFIC TO "WORTH SOMETHING":** Experiment with content aggregation in a way that will drive traffic and ad revenue from inside or outside your market, on your own or with an ad network.
8. **ASK FOR HELP**: After the *Ann Arbor News* announced it was closing, the paper interviewed a reader, financial advisor Rob Pollock, who said he wished the paper had done a better job informing readers of its dire finances. Could Pollock have saved the paper if only he'd known? Not likely. Could he and other users help sustain journalism going forward through donations? Perhaps. Check out

Kachingle.com and other services enabling user donations, and consider inviting financial contributions to your journalism.[164]

9. **GET CLEAR ABOUT WHAT YOU STAND FOR**: Involve users in a revision of your standards of practice and ethics guidelines.[165]
10. **CUT SOME COSTS IN A USER-FIRST WAY**: Do so with user migration in mind and free up some money for investment in one of your new ventures.

Whether you're experimenting with these ideas or others, I hope you'll consider using the following grid as a checklist to help guide discussions and decision-making.

Transitional Journalism Funding Grid

Opportunities for New Value Creation	Likely Revenue & % of Overall	Fit & Impact on Users & Reach	Fit & Impact with Organization's Values	Learning Potential for Longer Term
Advertising				
Behavioral Targeting				
Advertisers as Info-Providers				
User Fees				
— Memberships				
— Metered use				
Foundation Help				
— News Services				
— Direct Subsidies				
Government Help				
— Policy Changes				
— Direct Subsidies				
Crowdfunding				
— Donations				
— Story-funding				
Partnerships				
— with Competitors				
— with Users				
— with Government				
— with Foundations				

— with Universities				
Related Businesses				
— — iPhone Apps				
— — Books				
— — Info Services				
— — Events				

The past year is full of examples of innovation that worked — or didn't — as news organizations navigated their way through the conflicting demands of revenue, audience and values.

"More experiment running than problem solving"

The leadership required to create new value and preserve old values amid the current chaos differs in several respects from traditional newsroom stewardship: more risk-taking, more collaborative, more outward-looking than was required for news organizations not in crisis. As author and former journalist Marty Linsky puts it, what's needed is "more experiment running than problem solving."[166]

Robert Picard, the media economist, offered a stern assessment of the state of news organization leadership in his 2006 paper published by the Shorenstein Center, *Journalism, Value Creation and the Future of News Organizations*: "News executives have been turned into relatively passive administrators and managers who no longer lead by stature and vision. Everyone talks of decline and only feeble efforts to respond to the changing environment are underway. No one talks of achieving greatness, few are innovative, few produce quality content, and fewer still seek to increase value."[167]

Considering the efforts now underway around the country, Picard's assessment of responses to "the changing environment" is a bit harsh and dated. But the central challenge of his paper, increasing substantial value in the digital realm, remains largely unfulfilled among news organizations.

That won't happen magically, and will require extraordinary research and training as part of news organizations' entrepreneurial efforts. Just as journalists required extensive training to equip themselves for multimedia newsgathering and presentation, so, too, will business-side staffers need a better handle on how digital advertising differs in strategy as well as technology from sales to legacy platforms.

Jennifer McFadden, a business analyst for CUNY's new business models for news project, stresses the importance of training. McFadden, a Yale MBA who also worked briefly as a product marketing manager at *The New York Times*, says the need ranges from staffers at smallest start-ups to fellow MBAs struggling to grasp the technologies of online ads at *The Times*.[168]

More fundamental issues are at stake as well. Harvard professor Howard Gardner and two colleagues, Mihaly Csikszentmihalyi and William Damon, authored an unusual 2001 book called, *Good Work*, that examined the attitudes of geneticists and journalists about their work lives.

The geneticists reflected enthusiasm and ideals about ways they might change the world. The journalists sounded mostly discouraged, consumed with the problems threatening their livelihoods and professional aspirations.

Assessing the tensions faced by journalists in addressing journalism's commercial and civic goals, the authors argued: "The danger is that the increased focus on business ends will lead to a loss of focus on journalistic ends, the noble purposes or mission that workers entered the field to pursue."

Not Just Staying in Business, but Staying in Journalism

They turned to the noted British editor, Harold Evans, to frame the issue: "The problem many organizations face is not to stay in business, but to stay in journalism."[169]

The struggle to stay in both was also a concern of the late James Carey, described by Jay Rosen as "the country's outstanding journalism educator."[170] It was just over a decade a ago that Carey addressed the topic with a group of journalists and media executives meeting at Harvard University.[171]

Carey discussed Schumpeter's creative destruction theories, forecast the end of "the age of modern, independent journalism" and explored what "the new relation between news and business" might yield in the future.

Carey died eight years to the day after delivering those remarks in 1998. But he had another story he liked to tell, one that's still recalled by former colleagues and students.

That story offers a next step for journalists reeling from Schumpeter's destruction. It goes like this: "Listen: You don't feel well, so you go to see the psychiatrist. And the doctor listens to your story. And, if he's a good doctor, he's listening for the parts of the story that are making you feel sick. His job is then to help you tell a new story about yourself, especially one that will make you well. Newspapers are the same way. Journalists are telling each other stories about themselves that are making them sick. So the remedy is to tell a new story about journalism that will help make journalism healthy again."[172]

I can't recall the last time I heard Jim Carey tell that story with his telltale rasp of wit and wisdom. But it's a good map for the ground journalists need to cover next.

As journalism opens its third digital decade, the stage is set for a new story about its role in American life. There's no predicting how it will turn out, with journalism healthy or not. But the pieces are now in place to enable efforts at *sustaining* journalism with the same principles—especially first loyalty to users—that distinguish the best of journalism itself.

Discussion of this paper is welcome at www.poynter.org/Mitchell_Shorenstein.[173]

Endnotes

[1] Thanks to Daniel Okrent for reading early drafts of this paper and, when research into successful business models proved inconclusive, suggesting a look at what's *not* working. Owen Youngman, who read a later draft, reinforced the approach with his recommendation of the work by Henry Petroski in his book, *Success Through Failure: The Paradox of Design*.

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