

The 10 Percent Dilemma:
The Opportunities and Challenges of
Managing Newspapers in the Digital Age.

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Abstract

This paper identifies and summarizes the findings from face-to-face interviews conducted in 2010-2011 with journalists and managers at 50 U.S. newspapers, and interviews conducted in the same period with selected news media industry analysts.

After more than 15 years of newspaper Internet distribution (since about 1995) -- while newspaper circulation and print advertising revenue were declining and Internet traffic was growing -- the *dilemma* was that these newspapers were still earning less than 10 percent of their annual revenue from Internet-supported business.

Two key issues dictated this result: Internet advertising rates were highly competitive and therefore less remunerative than print advertising rates, and U.S. newspapers' engagement in the print/digital news business remained a challenging work-in-progress. Consequently, a concern -- that Internet revenues might never support the quality of journalism that print display advertising revenues had sustained -- sapped some industry confidence.

Despite these doubts, this research also revealed a highly introspective newspaper industry, quickly reshaping and repositioning itself, becoming a news *media* industry -- not the dying business that was widely perceived.

Contingent upon their circulation size, market complexity and financial resources, newspaper companies were pursuing a spectrum of diverse revenue-generating, Internet-enabled enterprises, but -- despite the promise of the Internet -- these news companies were still predominantly financed by print circulation and print advertising revenues.

This newspaper industry snapshot is based on data from 50 on-site observations and over 150 in-depth video interviews posted on: www.WhoNeedsNewspapers.org.

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Introduction

In 2010-2011: Was the newspaper industry dying or was it “managing through a transition of consumer habits” en route to a successful new business model?

Christopher Mayer (2010), a Boston Globe information technology manager who subsequently became the publisher of the Globe, believed the latter was true. Mayer saw his formerly newsprint-centric news organization expanding its reach while transforming its operations and becoming a multimedia, multiplatform, Internet-leveraged, news-and-information company, and his view had been implicitly embraced across the newspaper industry.

Given that direction, could Mayer’s “transformational newspaper” business model refinance a declining newspaper industry and, if so, what were the keys to pursuing that model successfully?

Purpose

The goal of this report was to summarize the essential best practices of these well-regarded newspapers, to identify how newspaper companies had changed, and to itemize the key problems and opportunities they were confronting while competing in the digital age.

We hoped newspaper managers could use these findings as a conceptual framework to evaluate their own companies and use their operating, management and financial resources more effectively to sustain professional journalism in the digital age.

Method

Over 13 consecutive months from June 15, 2010, until July 15, 2011, (see Appendix), Paul Steinle and Sara Brown visited 50 newspapers across the United States—one newspaper in each state—to discover how newspapers were doing.

With the assistance of each state's press association, we selected a cross-section of leading daily and weekly newspapers. Our criteria included general excellence and innovation, and we sorted those recommendations to create a proportional sample of various ownership patterns, readership targets and circulation sizes. Whenever possible, we interviewed each newspaper's publisher, editor and Web site manager in depth, and we posted our reports and in-depth interview videos: www.WhoNeedsNewspapers.org.

Findings

I. What has changed at successful newspapers?

Newspapers have embraced digital technology and the Internet.

Every newspaper we visited operated a news and information Web site.

“The way it is now, when we get together for our morning meeting each day,” said Dennis Anderson (2011), managing editor, The Lawrence (Kansas) Journal-World:

We're talking about how we're going to tell a story, and that includes visually. And that's been a major change for us.... We're spending more

time talking about, ‘What is the story? How do we want to tell it?’ We’re not thinking print first; we’re thinking Web first.

Many newspaper companies -- such as the Northwest Indiana Times, Munster, Indiana, which has become Times *Media* -- had also changed their names to emphasize they were broadening their news media delivery methods.

Digital delivery required complex content management software.

As news platforms diversified, more complex, computerized content management systems were needed to handle text, photos, graphics and video, and to shape them for print, Web sites and mobile platforms. Those few newspapers owning radio and TV operations also needed sophisticated software to manipulate newspaper copy for use for broadcast and vice versa.

Newspapers were producing multimedia reports (and multimedia advertising).

Most newspapers had added video, digital databases and social media to their reporting tool chests. Some metros, such as the Providence (Rhode Island) Journal, had staff dedicated to producing video packages.

Some results were outstanding. In 2011, The Las Vegas (Nevada) Sun’s Web news team won a national award usually limited to broadcasters – a duPont Columbia Award for “Bottoming Out: Gambling addiction in Las Vegas,” a multimedia Web site report.

Because video required additional skills and time-consuming editing, many smaller newspapers had struggled with it, but most of the newspapers we visited saw video news

and advertising as a potential source for new readership and new revenue.

Some newspapers printed; some did not.

Newspapers were rationalizing their printing costs in three main ways.

Some newspapers, like the Boston Globe, had streamlined their printing schedule and The Globe also ceased using one printing plant. Others, like the Northwest Herald in Crystal Lake, Illinois, had outsourced printing to other daily newspapers to cut overhead costs. Newspapers with state-of-the-art printing plants, like the Opelika-Auburn News in Opelika, Alabama, had treated their printing business as a profit center. The Opelika-Auburn News earned incremental revenue by printing several regional dailies and weeklies, and it expected continuing growth of that business.

Breaking news was back.

With the introduction of Web sites came the recognition that breaking news could and should be posted “Web-first” on a newspaper’s Web site before it was published in the paper. However, that recognition came slowly to some newsrooms.

“A couple of years ago, we really struggled with our Web site,” said Nick Ehli (2011), managing editor, The Bozeman (Montana) Chronicle. “If there was breaking news in our town, we would have had a hard time communicating that to our community.” After hiring a former reporter as a fulltime Web editor, Ehli said the newspaper could post breaking news “on a dime.”

“We’ve changed the way we think. We’re more real time,” said Sara Scott (2010), community news director of the Citizen Patriot in Jackson, Michigan. “We have veteran

reporters who can recall the days when they were...on deadline and they loved it, and now they're back on deadline again.”

All the daily newspapers in the WNN sample posted breaking news on their Web sites immediately, whenever local news events occurred.

Print circulation had shrunk, but readership had expanded.

As the Internet's impact had grown, newspaper circulation had declined, but, by combining print and Web readers, newspaper readership had grown. “We have never had more consumers of our content,” said Boston Globe publisher Mayer (2010). “We have over 50 percent penetration in this marketplace between print and digital.”

Expanded readership was the norm.

News staffs had been reduced.

Almost every newspaper in the WNN sample had reduced its news staff in recent years. Media industry analyst Ken Doctor (2010) estimated U.S. newspapers' newsroom staffs shrank about 20 percent between 2005 and 2010.

For example, from 2000 to 2011, The Austin (Texas) American-Statesman's newsroom staff shrank from 210 to 166, which included 15 employees committed to online news. Former Editor Fred Zipp (2011) described this as a period of “contraction,” that produced a tighter news-hole and reduced coverage.

In 2009, “We reached a point where we realized there was danger in removing any more content,” said Zipp (2011). In response, The Statesman doubled the size of its “Sunday Insight” – news and commentary -- section, a change, Zipp said, readers

appreciated.

Fewer reporters dictated focused coverage.

Vermont's Burlington Free Press no longer had the reporting or news-hole resources to be the "paper of record" for its town, said Executive Editor Mike Townsend (2010). "We can't spread ourselves out like that any more." The Free Press emphasized watchdog journalism and coverage of what Townsend called "passion topics": Politics, the environment, local food and culture.

Focused coverage was a common trend.

"Swiss Army Knife reporters" were needed.

"If you're in [journalism] because you don't like technology, it's just not possible anymore," said Meg Heckman (2010), Web editor of New Hampshire's Concord Monitor, who used the "Swiss Army Knife" analogy to describe the phenomenon. "You need to know a little bit of everything."

"I think the skill set is much different," said Frank Scandale (2010), former editor of The Record in Bergen County, New Jersey, identifying the prerequisite job skills for today's reporters. "Right now, if you're in the game, if you're not in school, you have to train yourself or seek the training."

"The key to being a good reporter is to be curious and to be always having your antenna up and wanting to know things and having the ability to share those things with other people as you learn about them," said John Smalley (2010), editor, Wisconsin State Journal, Madison, Wisconsin.

People who can work across platforms ... who can also understand how a video can help on story telling. People who understand how the social networks can become a vital part of both story telling and source exploration ... that's another great tool for us.

Hyper-local Web sites were blossoming.

One Internet-savvy innovation within the WNN newspaper sample was the hyper-local Web site. At www.lasvegassun.com readers were directed to enter their Zip codes; the Sun's Web site responded with a targeted list of Zip code-centric neighborhood events, a neighborhood crime blotter and neighborhood ads.

The Times of Northwest Indiana, in Munster, served a growing region of contiguous small towns. Its strategy was to target "communities." It created custom Web mini-sites for each municipality in its coverage area (Blaskiewicz 2010). There were 20 Times community sites that showcased hyper-local news and solicited smaller-business ads. The hyper-local sites drew on the www.nwitimes.com Web site for regional news.

Some newspapers used community journalists.

Many newspapers in our sample had explored using nonprofessional community reporters, but experienced mixed results since their lack of journalism training often required intense management oversight. However, two newspapers were deeply committed to tapping into such non-traditional reporting.

Clark Gilbert (2011), president and CEO of the Deseret News in Salt Lake City, Utah, said his newspaper was building a cadre of 1,000 unpaid community journalists,

creating what it called “Deseret Connect.”

“You see a broader and fuller picture” by using these sources, said Gilbert. “They bring expertise that a newsroom could not deliver by itself.” The Deseret News was developing software to monitor the performance of this volunteer reporting staff.

In Cedar Rapids, Iowa, Tim McDougall (2011), vice president of products and the publisher of The Gazette, was identifying local experts and tapping into their perspectives to create “dense [expertise] networks around a topic.”

Newspapers might aggregate news from non-newspaper sources.

Aggregation was rare, but at the Seattle Times, Executive Editor David Boardman (2011) said his newspaper had partnered with local, neighborhood-targeted blogs.

They do a level of coverage we never did.... We never covered neighborhoods like that. So our thinking was, ‘Hey, they’re doing great work. Let’s see if we could create a network for which we could be a convener. We started with five of those; we’re now up to about 40. ... We work with them on special projects. ... They alert us to breaking news in their areas, and we work together on those. And now, with KING television, we started a local ad network where we’re selling ads to their sites.

II. What has stayed the same at successful newspapers?

The basic keys to success.

Emphasizing local news, providing watchdog reporting, facilitating community dialogue, serving the public (and providing some philanthropy) were still the fundamental keys to success.

“A good newspaper is like a community talking to itself,” said John Bodette (2011), executive editor of Minnesota’s St. Cloud Times. “I want this newspaper to continue to be the place the community goes to have those conversations.” Bodette’s mantra was echoed in every newsroom we visited.

Philanthropy, when affordable, also enhanced a newspaper’s reputation. In Tupelo, Mississippi, The Northeast Mississippi Daily Journal, through the newspaper-launched CREATE Foundation, gave, on average, \$1 million a year to community building, community development, and contributions to local non-profits. Employees were also encouraged to get involved in “whatever they’re passionate about” by volunteering with a non-profit, according to Publisher Clay Foster (2011). (NMDJ reporters were not permitted to volunteer for any organization they might cover.)

Emphasizing local news, providing watchdog reporting, facilitating community dialogue and serving the public remained the fundamental keys to success.

A demand for vetted and edited news, a value-added product, persisted.

“If a newspaper doesn’t have its credibility, its audience figures it out real quick, and its audience turns away,” said Thomas Dewell (2011), co-editor of Wyoming’s Jackson Hole News & Guide.

“I really feel like we do something important for a lot of people from all kinds of different walks of life,” said Keith Magill (2011), editor of The Courier in Houma,

Louisiana. “In this community, I feel that...if we don’t tell people, they don’t know.”

“The core [of newspapers] – the franchise -- is still the content,” said Kurt Johnson (2011), co-publisher of The Aurora (Nebraska) Courier, a weekly.

You know, it takes more credentials to buy a fishing license than it does to post a Web site and over time society is figuring out that everything over the Web is not accurate or credible, so the content and the credibility we bring to our community is the franchise in my view.

Newspapers provided ethically balanced reporting.

Fred Zipp (2011), (retired) editor, The Austin (Texas) American-Statesman, said the Statesman’s code of ethics “generally tracks the SPJ (Society of Professional Journalists) code of ethics.” Zipp said its central goal was “to maintain our credibility, our fairness and our accuracy.”

News media industry analyst Ken Doctor (2011), author of *Newsonomics: Twelve New Trends That Will Shape the News You Get* (2010), suggested newspapers should post their ethical codes on their Web sites, “challenging the people who were new [the new digital news sites] to do the same thing.... Professional journalism is about something special,” said Doctor, and the industry should promote that differentiation.

A cadre of community service-driven journalists guided newspapers.

The editors we interviewed saw themselves as community assets. The ability to “have an impact on the world around you, that is what motivates me still,” said Kevin Riley (2010), editor, the Dayton (Ohio) Daily News (now editor, The Atlanta (Georgia)

Journal-Constitution).

No matter how big or how small the readers[hip] you serve, whether it's a small community or large community, what you're really after is having an impact -- making that world that your readers live in a better place.... I've always gotten a lot of satisfaction about being in a place where the newspaper is very important to people and what you say and do every day affects people you see and you know.

"The classic contribution" we make "is shining a light on things," said Carole Tarrant (2010), editor of the Roanoke (Virginia) Times. "We have this huge megaphone, and we can point out things that were good and things that were bad.... I think everybody in [our] newsroom has a general interest in leaving the community a better place."

"The most important contribution that we make is that we were a true watchdog of our tribal government," said Tom Arviso, Jr. (2011), publisher, speaking about his newspaper, The Navajo Times, Window Rock, Arizona.

[The Navajo Times] is not just a newspaper. It's not just a paper with words on it. We believe that this newspaper actually takes on a life of its own. You know, the people who put it together -- the reporters, the editors, the design and layout people, the printers our circulation staff -- every one of them -- their sweat, their thoughts, their emotions. So when it goes out it's actually a part of us. ... It's for the Navajo people.

Publishers were dedicated to their community's success.

Co-publishers Kurt and Paula Johnson purchased the weekly Aurora News Register

in Nebraska because Aurora was a growing community, and they believed their newspaper should take an active role in community leadership. “I think it’s important in a town like this that the newspaper just not be an observer,” said Kurt Johnson (2011).

In Cedar Rapids, Iowa, The Gazette had assumed an activist mission to “engage, inform and connect our communities.” The publisher, Tim McDougall (2011), said the newspaper and its Web site wanted to be “a factor in building” its community.

III. What were the key problems?

News audiences were fractionalizing.

When A.J Liebling (1960) wrote, “Freedom of the press is guaranteed only to those who own one,” he did not envision a nation of bloggers and hyper-local news sites. As reported by Mitchell and Rosenstiel (2012), the U.S. news media market had continued to fractionalize in 2011. There were few material barriers to attempting to assemble a proprietary news audience on the Internet, which meant it was becoming harder for any single news media organization to congregate a dominant audience.

Newspaper companies retained the advantages of strong brand names and professional reporting and editing staffs, but the massive torrent of Internet blogs and social media postings further fractionalized the news-reading time of the news-seeking audience.

No single “silver bullet” revenue source had been discovered.

Joe Deluca (2010), publisher of the Tampa Bay (Florida) Times’ Tampa edition, said, “There is no silver bullet” to ensure the economic viability of newspapers, which

have lost much of their advertising. “The basic business model remains the same,” said Deluca, but “there will be many different revenue streams” to support it.

We’re going to have to look for things inside our digital publishing world and those might include things like matching advertisers with our audience and letting them conduct commerce directly with that audience and us taking a small share of that commerce. That kind of creative thinking needs to go into building a model for digital publishing.

Ten percent of total revenues would not finance quality journalism.

Newspaper organizations were increasing readership, but, according to Tom Rosenstiel (2011) director of the Project for Excellence in Journalism, even as the audience grew, print-based advertisers “are not migrating with newspapers to their Web sites” to purchase ads there.

And even when they migrated, more competition and ease of entry to the Internet kept digital advertising rates and, therefore, revenue low. The reported proportion of total digital newspaper income varied from one percent to 19 percent among the newspapers that reported these figures in our sample. However, 10 percent was a consensus (ballpark) figure many newspapers cited, which reflected those newspapers’ frustration.

When advertisers purchased ads on newspaper Web sites, as Table 1 indicates, news organizations, on average, in the WNN sample earned revenue at rates of about four percent to seven percent of other newspaper income.

Table 1

Average Percent of Revenue Derived from Online Ads and Fees April 2010 to July 2011 for the “Who Needs Newspapers?” Report

Circulation Size (Dailies)	Under 20k	20k to 49k	50k to 100k	Over 100k
N =	8	16	9	11
Declined data*	1	2	3	5
Average percent revenue from online ads and fees	4	6	7	7

Circulation Size (Weeklies)	Under 20k	20k to 49k	50k to 100k
N =	4	1	1
Declined data*	2	0	0
Average percent revenue from online ads and fees	4	1	5

Note: The average percent of revenue derived from online ads and fees for all 50 newspapers from April 2010 to July 2011 was six percent.

*Eleven newspapers declined to state online revenue either because it was against their company policy to do so or because they did not track online revenue separate from other ad revenue.

Rosenstiel, Jurkowitz and Ji (2012) produced similar results from a sample of 38 U.S. newspapers in 2011: “The papers providing detailed data took in roughly \$11 in print revenue for every \$1 they attracted online in the last full year they had data (about 8.3 percent).”

“It’s trading dollars for nickels,” said Dolph Simons, Jr. (2011), chairman and editor, The Lawrence (Kansas) Journal-World, about replacing newspaper ads with digital ads.

People talk about, ‘Well, we’ve got so many more eyes reading the newspaper.’ But, the New York Times is not going to be able to sustain foreign bureaus with the revenue off of digital news.

The 2008-2011 economic downturn was still affecting the newspaper business adversely.

A “tsunami” had been “going through our industry and all of society,” said Gary Farrugia (2010), publisher of *The Day* in New London, Connecticut. The downturn had been caused not only by the industry’s transformation but also by the “oppressive recession” that had hit, “particularly hard, businesses that rely on advertising as a major source of revenue.”

Selecting among new digital reporting, publishing and advertising tools was vexing.

“I don’t want to be the leader [in new technology]; I want to be two steps behind,” said publisher Jim Thompson (2011) of Idaho’s Coeur d’Alene Press. But, Thompson added, “I don’t want to get any farther back than that.”

We “let others do the beta testing,” said Mike Patrick (2011), managing editor at *The Press*.

“Technology is important to us,” said Seattle (Washington) Times publisher Frank Blethen (2011), “but you can’t be a captive of [it]. When [digital news] is only 10 percent of your business, you just can’t dump all your resources into it.”

“What a lot of newspapers need to be doing,” said Blethen, “is putting more resources into the quality of their news product and the size of their published product.”

Digital news delivery required newsroom reorganization.

Tom Gorman (2011), senior editor, print, Las Vegas Sun, said his newsroom changed when the print and the online staffs were merged. “Print and online are learning from each other. . . . It’s been a wonderful cross pollination of talents,” said Gorman.

The Day in New London went from 66 FTEs (full-time equivalents) in the newsroom in 2001 to 57 in 2012, but their jobs were vastly different. Now the paper has “videographers, video producers, digital directors and breaking news editors,” said publisher Farrugia (2010). These changes required a “deconstruction” of the traditional news and copy desks.

Selling digital ads required updating selling skills and broadening marketing concepts.

Carolyn McLaurin (2010), online sales manager at The Fayetteville (North Carolina) Observer, was helping its advertising sales reps shift their culture. She trained the sales reps in the use of new technology.

“By 2014, 90 percent [of the public] will have handheld devices to receive their news,” said McLaurin. The Observer needed to encourage more local advertisers to advertise on the Web and since, she said, sales is about relationships, “who better to communicate with customers than the sales reps they trust.”

At North Dakota’s Grand Forks Herald, Advertising Director Zach Ahrens (2011) needed to convince his ad staff that online journalism was here to stay. “Some of the veteran staff thought, ‘If we just wait this out—it’s the latest fad—it will go away,’ ” Ahrens said. Ahrens corrected them. “This is important and it’s permanent,” he told them. An accelerated bonus plan also motivated the Herald sales staff to sell both print and online ads.

In Idaho, the Hagadone-owned newspaper, the Coeur d’Alene Press decided to re-engineer its marketing thrust. It purchased a WSI (We Simplify the Internet) franchise. This enabled The Press to become a full-service partner to assist their digital advertisers.

Advertisers could go to a “trusted source” for Web site development and Web site maintenance, said Online Director Mike Alexander (2011). Press Publisher Jim Thompson (2011) thought the integration with WSI would be one of The Press’s greatest opportunities for new revenue in the next few years.

IV. What were the key opportunities?

Newspaper readership had persisted.

“I think the newspaper form has at least 15 years,” said Stephen Borg (2010), publisher of The Record in Bergen County, New Jersey, “because you have people who are ingrained in the habit, where, if we don’t mess it up, they’ll die with the habit.”

Moving and death should be our biggest risk. *Moving* out of the market and *dying* should be the real reasons [they] should stop subscribing. Once I have you as a subscriber, we should do everything to retain you – kind of what the cable companies are doing now. ... Once again, I don’t see anybody’s circulation plummeting. They’ve done these so-called voluntary circulation cuts where they’ve raised prices or they’ve cut a distribution area. I don’t know how much circulation they’re [losing] beyond what they are causing themselves.

Print newspapers still offered unique communication and marketing attributes.

The printed newspaper had its own distinctive, compelling advantages. In New Orleans, local TV news featured a story about a man who had dined in every restaurant in that city. The next day the local newspaper, the Times Picayune, ran a feature story

about this same man. Beneath his picture, in small type, was a list of the 740-plus restaurants where he had eaten. Readers could immediately absorb the immensity of his project and determine whether their favorite restaurant had been included. The newspaper used its unique newsprint attributes to tell that story graphically.

Tom Rosenstiel (2011), director, Project of Excellence in Journalism (PEJ), cited a concept popularized by Jakob Nielsen, Ph.D., a computer Web industry consultant. Nielsen theorized that PCs and laptops were a “lean-forward” medium, while newspapers were a “lean-back” medium -- more contemplative, more convenient and more accessible than laptops and PCs.

Printed newspapers still had a lower per-copy threshold cost than news delivered via more costly electronic hardware devices, and random access, serendipitous story presentation and easy portability also differentiated printed newspapers.

Digital delivery systems promised greater community and market intelligence.

Among the key new attributes digital delivery systems provided newspapers were two-way communication channels enabled by the Internet.

As Eric Newton (personal communication, April 9, 2012), senior advisor to the president of Knight Foundation, explained:

Digital media are actually news collection *systems*, news conversation *systems*, news decision-making *systems* – and yes, also delivery [systems].

But to use a two-way system only for a one-way purpose – delivery -- would be a bad idea. Search and social media have little to do with delivery. They are networks.

Initially, nearly every newspaper used the incoming channels of these digital networks to solicit reader comments for posting, and to a lesser degree they used them to evaluate reader interest in the stories posted. But the introduction of Facebook, Twitter and other social media opened up new avenues to expand information flow and feedback. As a result, newsrooms were exploring the opportunity to become bonded, electronically, to their readers in two-way conversations via their Web sites and social media.

Generally, the newspapers in the 50-state sample viewed social media as *outbound* channels upon which to promote their more substantial print and Web site offerings. The full potential of the *two-way network* aspects of these media were not well understood in this period, but one newspaper, the Austin American-Statesman, had dedicated one fulltime newspaper person to develop social media.

Digital delivery networks could transmit smart ads and video ads.

One of the Internet's most powerful advertising tools – targeted display advertising or so-called “smart ads” – was rarely mentioned in our interviews with newspaper managers.

The potential for smart ads was emphasized in the 2012 Project for Excellence in Journalism (PEJ) study of 38 U.S. newspapers: “The search for a new business model: How newspapers are faring trying to build digital revenue.”

Rosensteil, Jurkowitz and Ji (2012) reported that: “Targeted display is expected to explode,” according to the marketing research firm Borrell Associates. However in the PEJ sample, “an average of four percent of overall digital ad revenue came from targeted

or so-called smart ads.” So the industry has not yet been able to tap into this powerful Internet-facilitated market.

Similarly, the 2012 PEJ report (Rosenstiel et al, 2012) stated: “two percent [of digital ad revenue] came from video.”

Both video advertising and smart ads promised strong advertising revenue growth for those newspapers that could master the software technologies and techniques needed to create and support these products, but, through 2011, the proportion of revenue generated industry-wide by these products was marginal.

Digital news networks could also generate other incremental revenues.

Some newspapers charged readers for stand-alone online news media products. The Austin American-Statesman sold access to a www.hookem.com Web site for University of Texas football junkies.

The Jackson Hole News & Guide had created a new advertising and placement-sponsored Web site for high-end real estate – www.jhpropertyguide.com -- to capture the advertising aimed at second-home seekers eyeing Jackson Hole, Wyoming.

Transactional fees were also a growing revenue source.

“We’ve created a Web site called www.PlanItNorthwest.com,” said John Rung (2010), publisher, The Northwest Herald, Crystal Lake, Illinois.

You can come there and you can find all the events and festivals and you can download gift cards and gift certificates. And we’ve also been able to work out certain situations where instead of the model newspaper ‘It’s a quarter page give us \$500,’ ... we can now say ‘Give us four gift

certificates to your business; we'll put them up on your showcase page. If they sell that's how we make money, and, if they don't, you're not out anything.

The Roanoke Times was seeing success from "the Daily Deal," a partnership with advertisers in which the newspaper earned revenue when readers purchased a featured daily deal from a local business posted on the Times' Web site.

"We're brokering the sale, rather than just selling advertising to our customers," said Times President and Publisher Debbie Meade (personal communication, February 2010). "It's quickly grown into a very nice revenue stream for us."

In Portland, Oregon, an alternative weekly, Willamette Week, said 17 percent of its total revenue came from producing public arts, culinary and entertainment events.

Overall, newspapers were learning -- since new digital initiatives were relatively inexpensive compared with costly print-based product changes -- they could try and fail and try again until they designed winning products.

"We have to be doing stuff that other people aren't or can't [do]," said Kathy Best (2011), managing editor of the Seattle Times. "First, you've got to be a really passionate journalist. Second, you've got to be willing to change.... you've got to be willing to experiment and fail. But," she added, "fail fast."

Some newspaper Web sites were charging for their proprietary news services.

After years of giving away their digital content, more newspapers were erecting so-called paywalls or, more precisely, instituting *online subscription fees*.

Some newspapers were adapting a two-tier subscription strategy. On their tier-one

Web sites they published local headlines, local calendars and Associated Press copy at no charge, but on their tier-two Web sites only paid newspaper subscribers or Internet-only subscribers got access to their complete service of local news and information.

In Grand Junction, Colorado, since October 2010, “in order to view [everything] on the Web site, you had to be a subscriber to The Daily Sentinel,” said Jay Seaton (2011), publisher of The Daily Sentinel.

You didn’t have to pay extra, but you had to be a subscriber. We’re not in the business of delivering a paper product; we’re in the business of providing news content. If you’ve got two products—one’s a print product and one’s the Internet product—and they’re basically substitutes for each other, and you’re asking people to pay for the print product and you’re giving the Internet product away, you’re driving people to the Internet. That’s just simple economics, and that’s an unsustainable business model.

Midsized, smaller and weekly newspapers had longer lead times to transform.

“Smaller newspapers have a better place into the future because what they do is unique,” said news media industry analyst Doctor (2011).

To the extent that they do not have editorial competition and [have] lesser advertising competition, they’re far less endangered than metro papers.

Their challenge is – and they have more time to do it -- is to understand that for many people ... five to 10 years from now, mobile delivery, digital delivery, will be the preferred way that most of the population is

reading newspapers. So even though they are doing relatively well, the same pressures are right on them -- they just have a longer time period to figure it out.

Also in smaller communities, the digital advertising and marketing revolution was not moving so quickly. Small-town merchants were still learning how to advertise online, and newsprint delivered some kinds of display advertising—such as Sunday inserts—more effectively than the Internet.

Discussion

Research at 50 newspapers across the United States informed us the newspaper industry was not ready for hospice. The newspapers we visited were aimed at becoming transformational multimedia news companies.

By June 2012, the newspaper industry's core financial challenges had not been solved, but many initiatives were producing incremental streams of new, digitally enabled products to help finance news operations. Despite the challenges, there was optimism among our sample that these new revenue centers would grow, and there was confidence newsprint-generated revenues would be sufficient to finance these professional news operations during this transition.

Most newspapers had streamlined costs and reduced staff, admittedly reducing their newsgathering capacity, but they had also reshaped their missions to seize some of the opportunities of the digital age to provide new, real-time, Internet-enabled information services such as breaking local news and weather.

Before 1995, newspapers had been traditional, newsprint-bound, three-dimensional

media—text, graphics and photos. Since then, at widely varying rates of development, they had become multimedia, multiplatform, Internet-leveraged, news-and-information companies.

The leading transformational newspapers were reshaping their industry. They had added video reporting and video advertising (a new revenue source). Many were using the Internet to gather feedback from their communities to enrich the community dialogue, and a few used feedback data to guide their news coverage and to fine-tune their target advertising. More were devising transactional revenue streams, like deal-of-the day. And a few were posting local mini Web sites to assemble special interest and region-specific audiences for niche advertisers, and creating smart ads to match sellers and buyers.

A growing number of newspapers—particularly those without the potential to aggregate vast, Amazon-sized audiences—were erecting two-tier Web sites: One free site with weather, a community bulletin board and AP headlines, and a second-tier site, behind an online subscription fee (a paywall), offering all their news organization's proprietary local news content. This strategy had reduced the loss of paid circulation revenue at newspapers such as the Arkansas Democrat-Gazette in Little Rock, Arkansas, a pioneer in charging for digital content (Arthur, 2011).

Overall we encountered bright, energetic, community service-oriented journalists and business managers at these leading newspapers. Their progress and missteps were writing a compelling, high-stakes business story.

It was a story about whether -- while using all these new Internet-enabled digital tools -- the embattled newspaper community could retain the public's loyalty as its most reliable source of local news, and at the same time find a way to finance the industry's

reporting, editing and distribution costs in the fluid and highly competitive digital age.

Predicting the long-term future of the newspaper industry was beyond the scope this report, but readers should visit www.WhoNeedsNewspapers.org, meet the people who were transforming these newspapers, evaluate their knowledge and commitment, and use the data collected to form their own conclusions.

Finally, the newspaper industry is invited to use the list of key operating issues identified in this report, which is based on the combined wisdom of practitioners within the industry and of news media analysts. The list is intended as a conceptual framework to identify what successful multimedia news companies have been doing to sustain quality local journalism in the digital age.

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Appendix

Newspapers Selected for the “Who Needs Newspapers (WNN)?” Report

<i>Newspaper</i>	<i>Date Interviewed</i>
Anchorage Daily News, Anchorage, AK	April 2010
Sequoyah County Times, Salisaw, OK	June 2010
Democrat-Gazette, Little Rock, AR	June 2010
Columbia Missourian, Columbia, MO	July 2010
Bristol Herald Courier, Bristol, TN (VA)	July 2010
Mountain Eagle, Whitesburg, KY	July 2010
Northwest Herald, Crystal Lake, IL	July 2010
Wisconsin State Journal, Madison, WI	August 2010
Jackson Citizen Patriot, Jackson, MI	August 2010
The Times, Munster, IN	August 2010
Dayton Daily News, Dayton, OH	August 2010
The Dominion Post, Morgantown, WV	August 2010
Philadelphia Daily News, Philadelphia, PA	September 2010
Watertown Daily Times, Watertown, NY	September 2010
Burlington Free Press, Burlington, VT	September 2010
Concord Monitor, Concord, NH	September 2010
Portland Press Herald, Portland, ME	October 2010
Boston Globe, Boston, MA	October 2010
Providence Journal, Providence, RI	October 2010
The Day, New London, CT	October 2010
The Record, Woodland Park, NJ	October 2010
Delaware State News, Dover, DE	October 2010
The Afro American, Baltimore, MD	November 2010
The Times, Roanoke, VA	November 2010
Fayetteville Observer, Fayetteville, NC	December 2010
Rome News-Tribune, Rome, GA	December 2010
The Post & Courier, Charleston, SC	December 2010
Tampa Bay Times, St. Petersburg, FL	December 2010
Opelika-Auburn News, Opelika, AL	January 2011
NW Daily Mississippi Journal, Tupelo, MS	January 2011
The Courier, Houma, Louisiana	January 2011
Austin American-Statesman, Austin, TX	January 2011
Santa Fe New Mexican, Santa Fe, NM	February 2011
The Navajo Times, Window Rock, AZ	February 2011
Las Vegas Sun, Las Vegas, NV	February 2011
La Opinion, Los Angeles, CA	March 2011
The Garden Island, Lihue, HI	March 2011
Willamette Week, Portland, OR	March 2011
Seattle Times, Seattle, WA	April 2011
Coeur d’Alene Press, Coeur d’Alene, ID	April 2011

Daily Chronicle, Bozeman, MT	April 2011
Jackson Hole News & Guide, Jackson Hole, WY	May 2011
Deseret News, Salt Lake City, UT	May 2011
Daily Sentinel, Grand Junction, CO	May 2011
Lawrence Journal-World, Lawrence, KS	June 2011
Aurora News-Register, Aurora, NE	June 2011
The Gazette, Cedar Rapids, IA	June 2011
Daily Republic, Mitchell, SD	June 2011
Grand Forks Herald, Grand Forks, ND	July 2011

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