



**Navigating New Media & Newspapers:
Guts, Hunches and Dead Reckoning**

A report from the New Media Roundtable
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Executive Conference Center
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Introduction

Online newspapers and their associated businesses have developed into legitimate, revenue-producers that are capturing healthy margins and experiencing robust growth. And executives at the fourth New Media Roundtable, sponsored by the Southern Newspaper Publishers Association, agreed that, if the industry can sustain the online growth it's experienced in the past five years, online ventures soon will be "significant businesses."

On the other hand, roundtable participants cautioned, online revenue is still a tiny fraction of the total newspaper franchise and creating a business plan for the next five years involves some gazing into crystal balls. As Bob Benz, general manager of Interactive Media for The E.W. Scripps Company, put it, industry executives are relying on "guts, hunches and dead reckoning."

The SNPA New Media Roundtable convened on August 17, 2004, at the Executive Conference Center at Hartsfield-Jackson Atlanta International Airport. Participants included:

- Reid Ashe, President and COO, Media General, Richmond, Va.
- Bob Benz, General Manager/Interactive Media, The E.W. Scripps Company, Knoxville, Tenn.
- Steve Buckley, Publisher, Regional Vice President, Burlington Times-News, Burlington, N.C.
- Rusty Coats, Director of New Media, Mori Research, Minneapolis, Minn.
- Neal Fondren, President, Interactive Media Division, Media General, Richmond, Va.

- Tina Gill, General Manager, Virginian-Pilot Interactive Media, Norfolk, Va.
- Susan Hardin, Assistant Director of Internet Operations, The Atlanta Journal-Constitution, Atlanta, Ga.
- Bret Jacomet, Director of New Media, The Lima News, Lima, Ohio
- Chris Jennewein, Director of Internet Operations, The Union-Tribune, San Diego, Calif.
- Gregg Jones, Co-Publisher, The Greeneville Sun, Greeneville, Tenn.
- Chris Kouba, Content Development Manager, Virginian-Pilot Interactive Media, Norfolk, Va.
- John Lumpkin, Vice President/South, The Associated Press, Dallas, Texas
- Kyle Osteen, Vice President, General Manager, Osteen Publishing, Sumter, S.C.
- Hyde Post, Editorial Director, ajc.com, The Atlanta Journal-Constitution, Atlanta, Ga.
- Michael Romaner, President, Morris Digital Works, Augusta, Ga.
- Freda Yarbrough, New Media Director, The Advocate, Baton Rouge, La.

As online business matures, participants said, understanding its nature requires the analysis of detailed information about readers, acceptance of new measurement tools, reworking the definition of content, and revisiting ideas and products abandoned in the early years of new media.

Identifying Readers

Roundtable participants agreed that accurate reader profiles have been vital since the beginning of Internet business, but admit that the information collected hasn't always been accurate. Chris Jennewein of The Union-Tribune gave an example from his own shop.

The server logs at Sign On San Diego recorded 2.3 million total visitors with 600,000 local users during a 30-day period. Jennewein hired Media Metrix to

assess his audience and found that his visitor numbers dropped to between 800,000 and 1.2 million visitors – a serious decline. Other roundtable participants said they had long suspected that server logs were providing inflated numbers and were not surprised when other measurement tools reported fewer visitors.

Bob Benz of Scripps said, “Our audience is smaller than we ever thought it was and their interests are much narrower.” He added that readers have both a strong and deep interest in local news and a moderately strong interest in sports. Past that, he said, newspapers tend to be shallow in their content.

Jennewein suggested providing advertisers a range of figures about users and usage. For example, he could say accurately that 100,000 users accessed content on his site within the past seven days – that’s better than the top-rated television show in the same market. Seen in that light, an advertising sales rep could make a strong case to a local advertiser for an online buy.

An informal survey of the roundtable participants indicated that most are using some form of registration for new users of their sites. The two registration forms most often implemented are based on forms first developed by Belo and the Tribune Company. The Belo-type registration allows the user to opt out of receiving e-mail ads from the newspaper. The Tribune model gives the reader no option but to receive ads from the newspaper.

Scripps chose a Belo-type registration form. The company reports that after a year, in an 180,000-circulation market, the newspaper can expect to see 120,000 to 140,000 registered users, with an 8 percent to 12 percent e-mail ad opt-in rate. Morris, on the other hand, chose to use the Tribune model that requires users to accept e-mail ads.

As a result of choosing the Tribune model, Michael Romaner of Morris Digital Works wonders where users will direct their ire if they receive too many unwanted e-mails. Morris is selective in sending e-mails to its online users, hoping to forestall a backlash against either the newspaper or the advertisers.

For those newspapers using the Belo model, the question is, "How do you give users an incentive to opt-in?" Participants agreed the type of e-mail message is the key. For example, some newspapers will turn down advertising that doesn't include a "call to action" such as a coupon or other high-value content.

News alerts, headlines, sports updates and weather updates are examples of high-quality content that can be tied to ads, but also can stand alone as valued content sent to readers via e-mail. Hyde Post of ajc.com runs a feature called "Steals and Deals" on ajc.com. The newspaper sends e-mails four times a month and the user must opt out of the program. Of 430,000 registrations, 80,000 users ask for the e-mails.

A topic-specific newsletter is another item with high value to certain segments of users. Potential topics include sports, politics, hobbies or other special interests.

The click-through rate for e-mail advertising from local advertisers is very high. The roundtable participants suggested dissecting local markets to reveal categories of under-served merchants who could benefit from reaching each other's customers. Alternative publications exploited this strategy years ago. They identified businesses that were not being served by the mainstream press and worked to enlist these businesses as distribution points. In turn, the businesses were recruited as advertisers. Categories of underserved advertisers include political campaigns, hotels, colleges and casinos.

The Atlanta Journal-Constitution requires users to register and confirms their e-mail address by asking them to respond to an automatically generated e-mail

message based on information in the registration. Susan Hardin of The Atlanta Journal-Constitution said that approximately 40 percent of users who complete the initial stage of registration respond to the reply e-mail and remain registered users. If users do not respond to the e-mail after several days, the registration is canceled.

Other newspapers reported difficulties in verifying e-mails because of firewalls. Benz questions the practice because of the obstacles it creates for people who would like to be customers of the newspaper, but find the process too difficult.

Although e-mail campaigns are effective right now, roundtable participants agreed that banner ads may eventually become more effective. E-mail boxes are filling up and spam is an ever-increasing problem.

Participants shared some of the information they have gathered about their readers and it includes:

- Frequent users are only a small portion of the total unique user base.
- About two-thirds of registrants are local.
- In Atlanta, about 70 percent of registrants never read the printed newspaper.
- Roughly 60 percent of web-site visitors don't enter a newspaper web site through the home page. They enter from links sent to them via e-mail messages, through portals or via search engines. These users visit less frequently, but read more pages during a visit.

Behavioral Targeting

Several of the conference participants indicated that they are using or are considering using behavioral marketing tools. As server logs have proven both unreliable and limited in their ability to describe the online user and user behavior online, new media executives are increasingly interested in collecting accurate market data.

But, Benz warned, although the concept is alluring, it requires that code be placed on every page of the web site. Ensuring that the appropriate code is included on the pages is sometimes more difficult than it appears.

Some behavioral marketing companies are building registration systems that will interact with behavioral data including frequency and reach. Even the ability to funnel basic registration data into the advertising department would be helpful, participants agreed. The advertising sales staff could be much more effective if they were able to provide an analysis of the audience, such as the percentage of women or men and the applicable ZIP codes.

Participants raised the possibility that circulation will become less important to advertisers, and reach – the number of people who actually saw the ad – may become more important in the online world. The ability to tie a circulation database to online behavior and registration could be a powerful selling tool, they said. Rusty Coats, director of New Media for Mori Research in Minneapolis, Minn., suggested that the industry may need to offer advertisers an ad buy based on total market reach for all formats of a local media company.

Reach in one of Media General's totally converged markets is 73 percent, which is significantly more than newspaper, television or Internet alone. The challenge is converting that information into a business argument.

Roundtable participants also were concerned about analyzing registration data once they had collected it. Advertisers can use ZIP code data and sometimes gender data. This type of data is not particularly complicated, but the sheer volume of it can overwhelm an online staff. Benz suggested that a stand-alone marketing data analysis team may be needed to translate the data into actionable information for the advertising sales team and to develop new marketing plans.

Content – The Once and Future King

Bob Benz said, “We need better content to keep attracting traffic. In many important areas, our content is deficient.”

But what is content?

Until now, newspaper content was defined exclusively as Journalism with a capital “J.” But recent studies have shown that readers can be as intrigued by advertising or “user-generated” content as with in-depth reporting.

Certainly, as Reid Ashe of Media General said, “Nothing drives traffic like a good hurricane.” Newspapers and their web sites are invaluable in times of community crisis. And the mission of newspapers to inform their readers about local, national and world events is critical. But is reportage the only valuable content for newspapers and their online entities? Roundtable participants agreed that the definition of online content must expand or sites like Craigslist and eBay will dominate the market.

In a related issue, the recent message for online content has been “more is better,” but readers are already overloaded. Readers tell researchers they don’t have time to read the newspaper now and feel guilty because newspapers they haven’t read stack up in their homes. Coats suggests that helping readers manage their lives is the real key.

The rise of broadband hasn’t driven more video use, as once projected. Instead, it has driven increased functionality. The computer is always connected, and it’s easy to look things up. Using the computer is often easier than using the phone book. Services like Zip2, a provider of business directories and portal services that was acquired by AltaVista and is now operating as MyWay.com, was

excruciating to use on dial-up, but would be practical now with a broadband connection.

As an example of helping customers manage their lives better while establishing relationships with them, the cable channel, HGTV, has established an 800 number help line that is promoted on the air. Viewers can call the number to ask a question of experts. When a viewer calls, he or she submits a question, and provides a phone number and e-mail address for a customer relationship management (CRM) database at HGTV. Roundtable participants see an opportunity for newspapers to develop programs like this. They would provide more access for readers to the newspaper and would enhance customer service.

Susan Hardin said that the classic definition of content has been "everything between the ads." Roundtable participants said the definition of content must now include advertising, especially classifieds.

Online, classified ads can include photos and hyperlinks. Few newspapers, however, have created consistent programs for forced upsells from print to online. And the growth of eBay is an indictment of traditional media, Neal Fondren of Media General said. "They didn't take our money," he continued. "We missed the opportunity." Skeptics when eBay started argued that it was a "small margin" business.

Fondren said that newspapers focus too much on autos, real estate and jobs. "We're not going after a pie that is expanding. We're going after our traditional markets," he said.

Michael Romaner agreed. "We are getting beaten up by specialists. We're generalists from the newspaper age. Unless we figure out how to go deeper as well as broader, we are going to be eaten."

He pointed out that when Craig's List started up in Washington, D.C., washingtonpost.com lost 30 percent of its apartment listings.

Most newspapers construct information sites in silos without comprehensive search engines. A reader can search editorial content, for example, or retail advertising or classifieds, but not all three together. Instead, roundtable participants agreed, newspapers need to have news and advertising in one place that is easily searched. Single, unified search capability is a goal for the industry, they said.

Retail print ads are losing to web applications on an advertiser's own web site. Target's new ad campaign, for example, promotes "No newspaper? No problem." Customers can print the coupons directly from their computers on the Target web site.

User-Generated Content

Romaner said that "user-generated" content drives significant traffic to Jacksonville.com, the Florida Times-Union web site. Chris Jennewein reported similar results from "Strobe Light Diaries" in San Diego. Newspapers also are launching web logs and online chat as new forms of interactive content.

Jacksonville.com and firstcoastcommunity.com, operated by the Florida Times-Union, post galleries of photos from area events such as football games, parades, elections, fund raisers, political appearances and concerts. Some of the most popular galleries are of pets, especially dogs. The photo galleries drive 30 percent of all traffic on the Jacksonville web site, Romaner said.

Most of the gallery photos on Jacksonville.com are taken by photographers recruited by the newspaper. The photographers are paid a nominal fee to shoot an event, where they also hand out cards that read "You've been spotted." The

web address of the photo gallery is printed on the front side of the card and the newspaper sells ads for the back.

Because photographers are hired by the newspaper, the photos they shoot are not, in the most technical sense, user-generated, but the photos have a “snap shot” feel to them. The newspaper has posted hundreds, if not thousands, of photos from community events – something it could not do in print.

The photo galleries are resident on Jacksonville.com and can be accessed from Jacksonville.com or firstcoastcommunity.com. Users follow the community link on the left rail of the home page and choose “Photo Galleries” from that menu.

In San Diego, a town with a vibrant club scene, The Union Tribune’s Sign On San Diego, posts photos from the city’s clubs and advertises “Different Clubs, Different Photos, Different People.” Each month, a photographer posts photos from a San Diego club and writes a brief narrative about the visit. A link on the photo page allows readers to suggest the next month’s club.

The nightlife section of the web site provides information about the local club scene. A sample of the topics include links to:

- **Best of San Diego 2004**
Thanks for participating in our online poll. We’re tallying your votes. Check back Nov. 4 when we post the winners.
- **What do you like?**
San Diego’s a big place and always growing. Are we missing out on some cool bars and clubs? Fill us in on your favorites.
- **Pump up the volume**
Prefer live bands to turntables? We’ve got a list of San Diego venues that will satisfy your cravings.

- **Nightclub Calendar**
Our freshly-updated guide breaks down which San Diego clubs to check out every day of the week.
- **Neighborhood Bars**
Escape the bright lights and big noise of the Gaslamp to one of these chill spots near your 'hood.

Both San Diego and Jacksonville consider the content of the photo galleries to be editorial content and, as such, protected by the First Amendment.

Photographers for Strobe Light Diaries ask their subjects to sign releases.

Photographers in Jacksonville do not have subjects sign releases, but the photos are not often captioned on the web site. Neither newspaper reports any problems with posting the photos.

Although not in the majority, some newspapers have launched blogs on a variety of topics. In San Diego, Robert Krier writes a weather blog. His background included a degree in journalism and formal study in meteorology. Krier has chased tornados, gone storm-watching on the coast of Oregon and kept precipitation records at his home for 10 years.

The newspaper promotes Krier's qualifications on the site – promoting the newspaper and Krier as credible sources of information. The description of the blog includes the following:

Like most of us in rain-starved Southern California, he [Krier] loves a good storm, but he appreciates all weather phenomena, from searing heat waves to good cold snaps, from unusual cloud formations to statistical oddities. His Weather Watch column, which has appeared in the Union-Tribune's Quest section since January 2000, runs the first and third Wednesdays of each month. Share

your thoughts, observations and/or questions via e-mail at
rob.krier@uniontrib.com.

The newspaper posts reader responses to Krier's comments on the same web page as the ongoing blog.

John Lumpkin of The Associated Press said that the top sports columnist at the Houston Chronicle was answering questions posed by readers during the Olympics. If readers clicked on the photo of the columnist, they could listen to an audio version of the answers.

The Atlanta Journal-Constitution hosts a premium service that allows readers to interact with sports columnists, Hardin said. The newspaper continues to develop chat rooms, newsletters and special events for subscribers to the service.

Legacy Systems

The roundtable participants agreed that while online revenues are on the rise, they are still only a fraction of the business generated by the core print products published by newspaper companies. No one could claim that the online portion of the business was even close to overtaking "ink on paper."

Also, participants said, the solid reputations of the printed newspapers in their companies provide credibility to online news. Readers are more likely to trust the online news associated with a trusted newspaper than news provided by an "unknown" source. That trust, participants said, extends to the larger offerings now available on newspaper web sites.

Recognizing the benefits of association with a trusted newsgathering company helped to offset the downside of attempting to create new business using old technology and focus. During previous decades, newspapers had moved from

Linotypes and paste-up to computer-generated pages and plates. As technological innovation came at an ever-faster pace, newspaper companies tried to maximize the return on their equipment investments.

When newspapers began building web sites in earnest in the late 1990s, the need for new and more powerful computers and servers grew exponentially. But newspaper companies were often limited by both their expectations from the past and the reluctance to replace technology that served the printed product, and could be modified to support the online product.

"We still define the future in terms of what it does for the core product," Romaner said. "We need to think about the product evolving."

Some roundtable participants shared stories about trying to rework both legacy technology and legacy thinking to meet the challenges of online offerings. One company would like to offer customers the opportunity to place classified ads online. Research has shown that orders increase in value when customers create their own ads. Customers are willing to pay more to include a photo with a real estate ad or an item for sale. The problem is that newspaper employees still carry typed pages from office to office by hand. Individual departments have computer systems that don't necessarily talk to each other. To allow customers to place ads online, the newspaper may have to replace all its computer systems – a major capital outlay.

It is often difficult, participants said, to consider "what might be" while coping with "what is." And creating a completely new system isn't always a smooth transition. The culture of a newspaper can hinder adoption of new ideas and technology. As departments guard their turf and resist change, newspaper executives are unsure of how to guide change in their organizations. They wrestle with changing the culture to introduce new programs and technology or hope that new programs and technology will change the culture.

Everything Old is New Again

Rusty Coats cautioned the roundtable participants, "Don't proclaim anything to be dead forever." Indeed as they listened to descriptions of programs such as First Coast Community in Jacksonville, roundtable participants commented that Koz, New Century Network and Zip2 might have been ahead of their time.

Koz, founded in 1995 and shuttered in 2001, provided enhancements to newspaper web sites with tools for online chat, newsletters, group member rosters, interactive calendars, discussion groups and free web pages for local community groups and organizations. Its Community Publishing System allowed local community groups such as Little League, Scout troops, church groups, charities, and non-profits to publish web sites.

This concept is alive and well in places like First Coast Community and Yahoo! Groups. Roundtable participants expect newspapers to expand their web presences in this area – building community under newspaper brands.

New Century Network, an online newspaper network that closed in 1998, was founded by a consortium of nine newspapers. NewsWorks, NCN's flagship publication, was marketed as "the newspaper of newspapers." The site aggregated mostly feature content from more than 120 member papers and offered a centralized search function. Criticism focused on NewsWorks lack of breaking news and its reliance on print-style narrative rather than the non-linear approach of other online news sites. Advertising on the site was hindered by a shifting audience and design problems with advertising placement.

NCN's approach, in retrospect, attempted to solve many of the issues still confronting the industry – global search, cooperation among newspapers to compete with companies such as Monster, Craig's List and eBay, and an advertising program geared toward an aggregation of users. Roundtable

participants speculated about the feasibility of reworking the best of NCN in today's market.

Conclusion

As the discussion ended, roundtable participants wondered, "Have we come full circle? Has the time come for concepts we discarded years ago as unworkable?"

The consensus was that the online newspaper products are creating excitement in a sometimes slow-moving industry, and that newspapers are increasingly willing to explore ideas that seemed impossible only three years ago. Building new businesses will require careful meshing of existing systems and new ideas. Success in the future will involve understanding readers and what they want, providing useful content that includes news and ads, and helping readers manage their lives, while fostering an open culture in an industry long-based on cut-throat competition.

And new media experts admit that the prospects keep them awake at night.