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The Death of Print?

The Challenges and Opportunities facing the Print
Media on the Web

by Kimmo Lundén

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1. Introduction

*“The basis of our governments being the opinion of the people, the very first object should be to keep that right,” Thomas Jefferson wrote in January 1787. “And were it left to me to decide whether we should have a government without newspapers or newspapers without a government, I should not hesitate to prefer the latter.”*¹

– Thomas Jefferson, the third president of the United States and the principal author of the Declaration of Independence.

“I think, we have to face up to the prospect that for first time since the enlightenment, you are going to have major cities in the UK and western democracies without any kind of verifiable source of news. That hasn’t happened for 200-300 years and I think, it is going to have very profound implications.” – Alan Rusbridger, Editor-in-chief of the Guardian.²

These two quotes raise several questions regarding the future of the media industry and also its possible implications for democracies. Why should print die? Will it die? Is the market for paid news failing? Are the internet and the web’s free online news failing to satisfy our hunger for news if the business model for printed newspapers is in trouble? What are the implications for democracies? What are the possible business models for online news? In this thesis, I will tackle these questions, which arise from Alan Rusbridger’s gloomy remarks for the newspaper industry.

In a market economy, a profound factor is a (perceived) need and demand for something. The need for information is not going to vanish. Information is the key to the questions and answers to, for example, discussions on globalisation, climate change or business and finance.

And in the digital era there are masses of new information to be reported and sorted. In the next five years, we will produce more information that can be stored and indexed via the web than has existed in the entire preceding history of human civilisation. That digital tsunami is

¹ David Swensen and Michael Schmidt in an article “News You Can Endow”. NYTimes.com, 28.1.2009.

² The BBC’s Today programme, interview with Alan Rusbridger, editor of the Guardian and Andreas Whittam Smith, first editor of the Independent, 24.12.2009, http://news.bbc.co.uk/today/hi/today/newsid_7798000/7798624.stm

being captured by the growth rates of popular websites like You Tube, Flickr (photos) and Wikipedia.³ David Bollier, a science journalist, activist and policy analyst argued, at the Oxford Internet Institute's seminar, that it would take a person 116 years to read one days output of global academic publishing.⁴

Our newspapers are better read than ever before – with the web-site users included.

However, the last few years have been a gloomy time for the printed media, especially in the United States, but also in the European quality papers' printed editions. The web has come to the newsrooms and a dramatic change has taken place during the last three-four years.

Especially in the developed newspaper markets, there has been a steady decline in the circulation and readership of the newspapers' print editions. As the papers' revenues are heavily dependent on paid advertisements, the decline in readership and advertising revenue has not been fully matched by the revenue produced by the online outlets.

The web is not a problem in itself for the traditional print media. It is the readers and audiences who are to blame - and the publishers themselves. They have been relying on having enough readers to sustain advertising revenues on the web, but, at the moment, this does not generate enough money, even with the millions of monthly unique site visitors.

Advertising on the web has grown steadily. The problem is that advertising on the web is a lot cheaper than it is in a printed edition. In most cases, for the time being, the revenue from advertising will not bear the cost of creating the content. The result: papers have more readers, but less revenue.

In the industry, there are now more questions than answers regarding how to monetize their content on the web. I will tackle a series of questions, which may be economically crucial to the survival of the media industry.

³ Andrew Currah: What's happening to our news: An investigation into the likely impact of the digital revolution on the economics of news publishing, page 148; A Reuters Institute Challenge paper, January 2009.

⁴ David Bollier, author of the Viral Spiral, speaking at the Oxford Internet Institute seminar 31.3.2009, <http://www.oii.ox.ac.uk/events/details.cfm?id=247>.

Has publishing's business model altered altogether? What does a digital business model for an established mainstream print media look like? What strategies have the media groups employed in relation to the new media?

Will outsourcing and expanding the media's brand, on the one hand, and sharing content, on the other, provide a solution to saving the mainstream newspapers? (e.g. in early March, the Guardian allowed free access to its digital infrastructure by third-parties, potentially enabling a massive amount of content sharing and follow-on innovation).

How does an outsourcing editorial company regard its future and tasks? In section 4, the London-based Breakingviews will be examined in detail, a business related to financial news and opinions that forges syndication agreements with leading newspapers and media partners.

Are the media companies now experiencing a temporary downturn, with layoffs and cost cutting in the newsrooms? Or is it the worst-case scenario, where advertisers will never return to the printed papers, and the downturn will drive them into the electronic media, the web? Also, how are the media agencies rethinking their business models? Will the poor economy turn advertisers back to the most traditional forms of media? Or vice versa? Globally, the printed media is still in a growth stage, with the help of developing media countries, like the markets in India and China.

I will review the challenges that the internet has raised for the developed media markets, and chart the main characteristics of the new web-based news markets. There will be no one simple answer for everyone in the world of web-based news, and no silver bullet for everyone.

Media groups have exhibited different reactions and responses to the market changes. I will name the main means used to cut costs, the alternation of the industry's ways to carry on their business and the strategies that the media groups have used in relation to the new media.

In the following sections, I will look at the media landscape of the world. I will show how the search engines have become the new gatekeepers of the web and, in section 2.4, I will look more closely at the business media, a premium niche media product.

In section three, the impact of market changes on the value chain of news media are illustrated. At the same time, as the media undergoes structural changes caused by the web and changes in news consumption, the ongoing financial crises has hit the media and its advertising revenue. The fourth section concentrates on different strategies for using the web. I will look more closely closer at two newcomers, Breakingviews and lontoocalling.com, and the strategies they have chosen.

In the conclusion (Chapter 5), I will summarize what I have come across during my work. Newspapers are not dead, but they will have to alter, finding what they are best at and devising ways to exploit this financially. The web has brought both challenges and opportunities to the media, which it has to discover.

There is a social cost to democracy involved, if the local and regional papers in even the major cities are forced to close due to economic reasons. Clickstream hunting on the web can influence the editorial coverage, and thus leave some of society's important areas without any media coverage. The democratic deficits and some means to overcome them are tackled in section 5.2.

In the last section (5.3), I will outline a few directions and a need for further research.

Apart from my fellowship period (2008-09) spent at the Reuters Institute for the Study of Journalism, I have been working as a financial reporter at Kauppalehti, the Finnish Business Daily. During the last few years, I have seen in my work how the owners and newsroom executives of the prominent media have cut their costs and editorial staff – without having a clear vision of how the business a few years later, or even some months later. No one appears to have a business plan – other than to make cuts. As the Guardian writer, Stephen Moss, put it, if that is the only strategy you have, the quality suffers. *“They try to make out there’s been no damage done, or it’s a better product, but we all know it’s a lot worse.”*⁵

⁵ Stephen Moss, the Guardian, Stop Press, the Guardian 3.4.2009, <http://www.guardian.co.uk/media/2009/apr/03/local-newspapers-journalism-democracy>.

The paper, however prominent, will feel the effects of this from a vicious circle of diminishing circulation, readership and returns.

I came to the University of Oxford and its Reuters Institute for the Study of Journalism to find out where the newspaper business is headed in the digital age. I believe that there is a future for printed newspapers, alongside the web, especially for those newspapers which are able to re-invent their core businesses, and are able to link it with their readers and audiences.

During my time at the Reuters Institute, I have participated in seminars and conferences, which have focused on the challenges and opportunities that the media industry is currently facing. For my thesis, I have interviewed academics and journalists, and also completed secondary research. I have found both interesting and relevant the seminar series that the Reuters Institute hosted throughout the academic year 2008-09 as part of its Journalist Fellowship programme. I have also quoted and interviewed prominent speakers at the RISJ seminars for my thesis.

This story is relevant because, for the newspaper industry and its publishers to survive, they have to find ways to keep their product economically viable by publishing quality content, which attracts enough both readers and advertisers.

But this is nothing new; this has always been the case, although the environment has become more challenging for publishers during the era of the web and the current global financial crisis that is hitting both the news industry and its business environment.

2. Mapping the landscape: from where is the money coming?

To gather information, process, publish and deliver it to the audiences, a commercial newspaper – online or offline – needs revenue to cover the costs of publishing and also a return on its investments. In the following section and subsections, I will examine the sources of revenue in the publishing industry. In subsections 2.1 and 2.2, I will take a closer look at two different markets: the developing media countries and the developed media markets. As we shall see, the media business appears quite different in those two markets.

News publishers typically generate money in two ways: through subscriptions and selling the space around the content to advertisers. National newspapers derive approximately 55% of their revenue from advertising, and 45% from circulation sales in the UK. The local and regional newspapers' advertisement revenue share of their total revenue is approximately 75-90%.⁶

The major revenue flows of advertising and subscription fees have steadily declined, and the sharp economic recession has deepened this development in the newspaper industry. The online environment has failed to solve these economic problems or compensate for the revenue lost by the print media. This produces the challenges and consequences which the news industry faces today.

Professor Robert G. Picard, a director for the Media Management and Transformation Centre at the Jönköping International Business School, states that newspapers have generated great wealth from advertising, but that the golden age of publishers has been a relatively short period, from the 1950's to 2000.

“The period 1960-1990 was just a wonderful time for news business.”

For the US, business may have surged during this period, but, for example, in the UK, the circulation of prominent national newspaper titles has fallen.⁷ As the ad revenue is suffering a downturn, online news on the web still seeks an economically sustainable model for news publishing and advertising. Picard argues that newspaper business is now reverting to this

⁶ Currah (2009a: page 20), personal interview with Currah.

⁷ Currah (2009a: page 24).

earlier time, prior to the 1950's. At that time, the papers cost more in relative terms for their readers, but also, to sell them, the papers needed to offer something exclusive, superior to their competitors, in order to survive.

Publishing newspapers and content in the same way across the industry is no longer an effective formula. Picard predicts exclusivity and locality for both print and online news.⁸ The commercial news media typically has three sources of revenue: consumer cover price, display advertising and classified advertising.

Table 2.1. The commercial news media's sources of revenue

- Cover price paid by consumers, subscriptions
- Display advertising, pay for space/time
- Classified advertisements

This business model of collecting revenue in addition to news has worked quite well in the past in the developed media markets. It is still strong in India, China and other developing media markets. However, the foundations of that traditional business model are crumbling due to changes in the scale and character of news consumption.

Consumers have learned to use and consume news through the net instead of buying or subscribing to a newspaper.

The use of the internet is dependent on the accessibility of digital broadband. The wider and faster it is delivered, the more strongly it will challenge the old media business. In the UK, according to the media regulator Ofcom, broadband connectivity now covers 60 percent of households.⁹ Broadband speed is important too and, in the UK, the speeds are still clearly

⁸ Professor Robert G. Picard, director of the Media Management and Transformation Centre, Jönköping International Business School, personal interview 5.2.2009

⁹ Ed Richards, CEO for Ofcom, speech at the Oxford Media Convention 2009, Oxford 22.1.2009.

lagging, that will have a disruptive impact on the medium on print – e.g. video/multimedia need ultra-fast speeds to excel.

Although the newspaper industry has made great progress with regard to the net and has seen its readership steadily growing in relation to internet news, online advertising is not growing fast enough to replace the diminishing revenues from print advertising. As the recession continues, advertising revenue is still in decline.¹⁰

Currah calls this fundamental shift from the push of the mass media to the customised pull of the new media, such as blogs, social networks and virtual worlds, the digital revolution.¹¹

Free sheets and free newspapers have eroded that old model too, but the biggest pressure comes from the internet and its free news coverage. The ongoing economic downturn brings another hurdle to the news industry, and we shall see how the industry will cope in a time of a severe economic recession.

According to emeritus professor Patrick Barwise at the London Business School, display advertising and classified advertising are hit the worst in times of recession.

*“Over a long time period, the web is a much bigger threat for classified advertising as paid search is a substitute for classified advertisements of newspapers. In the foreseeable future, online advertisement revenues do not compensate for the losses of ad revenues in print.”*¹²

Anyhow, this is what takes place in the developed world of the media. Next, I will adopt a global scale and examine the developing countries’ media markets.

2.1 The global view: print as a growing business

The news industry as a whole can be divided into two different markets in the world: developing media markets and mature media markets. Inside these markets, there are many

¹⁰ Enders Analysis: Impact of the credit crisis on media industries, 19.1.2009

¹¹ Currah (2009a: page 11)

¹² Patrick Barwise, emeritus professor of Management and Marketing at the London Business School, speaking at Andrew Currah’s book launch ‘What’s happening to our news – RISJ Challenges paper’ at the Oxford Media Convention 2009, 22.1.2009 at the Said Business School, Oxford. (Barwise was a member of the project team for Currah’s RISJ Challenges paper.)

varieties – they are not homogeneous groups. In the former, the old media and printed newspapers are a growing business. In the developed media markets, as in the US and Europe, the old media is losing its markets to news consumption via the web.

Globally, the picture of the news industry is not as black as that painted in the US or the UK. In the global perspective, newspapers are a growth business. According to the World Association of Newspapers (WAN), newspaper circulation worldwide rose by 2.57 percent in 2007. The rapid growth of both free titles and on-line platforms continued to expand the reach of newspapers everywhere.

Although in developed markets such as the USA and Europe the newspaper business appear to be in serious decline, , in Asia and South America – and especially in India and China – the industry is booming. According to WAN, Indian newspaper circulation rose by more than 11 percent in 2007 and its advertising has increased by 65 percent in five years. 19 of the top 100 largest newspapers in the world are Indian.¹³

The advertising revenue of the paid dailies rose by 0.86 percent last year from the previous year, and by 12.84 percent over five years. According to WAN, print remains the world's largest advertising medium, with a 40 percent share. The WAN report shows that paid daily circulation grew by 2.57 percent in 2007 worldwide (from 2006), and that global sales were 532 million copies daily. With free dailies being added, the circulation has increased to 573 million.

The number of newspaper titles was up 5.3 percent in Asia, 4.55 percent in Australia and Oceania, 3.99 percent in Africa and 0.48 percent in Europe. The number of newspaper on-line sites grew by 13.77 percent in 2007. WAN's president, Gavin O'Reilly, speaking at the Finnish Newspaper Association's centennial seminar in Helsinki on 20th November 2008, argued that globally printed newspapers' circulation has continued to grow in 2008.¹⁴

News consumption has changed during the era of the internet. The monopolistic structure of local, regional or even national newspapers is struggling after the internet has lowered the

¹³ World Association of Newspapers, World Press Trends 2007, Newsletter 39, September 2008

¹⁴ "Maailmalla sanomalehdet porskuttavat hyvin" (Translation: Newspapers are doing well in the world), article published in Kauppalehti.fi, STT, Finnish News Agency, 20.11.2008

(cost) barriers to business. At the same time, we might see even more monopolies if the current concentration of the media market continues.

Picture 2.1

Highlights from the WAN report 2007

- Paid daily circulation grew worldwide by 2.57%
- Global sales were 532 million copies daily
- Advertising revenue for paid dailies rose by 0.86%
- Indian newspaper circulation rose by over 11 %
- The number of newspaper titles rose by 5.3 percent in Asia
- The number of newspapers' on-line sites grew by 13.77 percent

Source: World Association of Newspapers, World Press Trends 2007

The successful newspaper business model was based on a monopoly of local advertising. That was especially true in the mature markets, like the UK and US. The challenges and opportunities of digital news technologies lie in the re-versioning and distribution of media content. Using the internet, media brands can now reach millions of consumers at home and abroad extremely cost-efficiently. Andrew Currah argues that this “digital revolution” affects the creation, delivery and consumption of media in all of its forms.¹⁵ However, as there was earlier a lack of competition, after this digital revolution began, most of the old news brands have faced fierce competition, at least in the field of commentary.

2.2 The newspaper industry is struggling in the developed economies

As newspapers are still growing business in countries like India and China, the western, developed media markets and their mainstream newspaper industry have witnessed a steady downturn during the last few years. In the US and UK, the mainstream newspaper industry

^{2, 15} Currah (2009a, p.1-2)

has been struggling during the last few years. Cost cutting and redundancies have been all too common throughout the industry. The market downturn in 2008 hit the newspaper circulation in the UK. The Audit Bureau of Circulation data on November 2008 showed, how most of the national dailies and Sunday newspapers circulation dropped compared to the previous year. For the quality national titles, the Financial Times was up 0.8%, the Guardian up 0.4% and the Sunday Times up 0.8%. In October, the Financial Times was the only quality title that had increased its circulation compared to the year before (the FT rose 0.51 percent, to 449385 copies).

However, 2005 seemed to be a turning point, as the figures peaked then, followed by the collapse of UK sales in 2006, with advertising revenues also declining.¹⁶

Table 2.2: National newspaper circulation in the UK, November 2008 and 2007, 2005 and 2000

DAILIES	NOV. 2008	NOV. 2007	%- CHANGE	2005	2000	%-CHANGE, 2000/2008
Sun	3045899	3078388	-1,06	3263000	3586000	-15,06
Daily Mirror	1400206	1518881	-7,81	1728000	2252000	-37,82
Daily Star	714192	753476	-5,21	847000	625000	14,27
Daily Record	361857	393593	-8,06			
Daily Mail	2193715	2327507	5,75	2379000	1832000	19,74
Daily Express	752181	766874	-1,92	875000	1049000	-28,30
Daily Telegraph	835497	882873	-5,37	907000	1027000	-18,65
Times	621831	636946	-2,37	685000	721000	-13,75
Financial Times	448523	444880	0,82	426000	463000	-3,12
Guardian	358379	356789	0,45	375000	396000	-9,50
Independent	201113	233423	-13,84	260000	227000	-11,40

Sources: Audit Bureau of Circulation ABC, Andrew Currah: What's happening to our news: an Investigation into the likely impact of the digital revolution on the economics of news publishing, A Reuters Institute Challenge paper, January 2009.

¹⁶ PPA Marketing 2007, The Magazine Media Handbook 2007: 10–11, 83–84; Associated Newspapers, January 28th, 2008.

Table 2.3: National Sunday newspaper circulation in the UK, November 2008 and 2007

SUNDAYS	NOV. 2008	NOV. 2007	%- CHANGE
News of the World	3153521	3280972	-3,88
Sunday Mirror	1255150	1358370	-7,60
People	595795	683802	-12,87
Sunday Mail	452031	487276	-7,23
Daily Star Sunday	346942	421841	-17,76
Mail on Sunday	2211029	2324581	-4,88
Sunday Express	670486	687253	-2,44
Sunday Times	1223577	1213878	0,80
Sunday Telegraph	622260	645305	-3,57
Observer	443975	454374	-2,29
Independent on Sunday	166071	203369	-18,34

Sources: Audit Bureau of Circulation ABC, Andrew Currah: What's happening to our news: an Investigation into the likely impact of the digital revolution on the economics of news publishing, A Reuters Institute Challenge paper, January 2009.

In the US, perhaps the most dramatic news about the struggling newspaper industry broke when the Tribune Company, the publisher of the Los Angeles Times and the Chicago Tribune, sought bankruptcy protection on 9th December 2008. The publisher is struggling sought renegotiate its estimated \$18 billion (£8,7 billion) debt. The very same day, the New York Times Company sought a multimillion-dollar loan against its headquarters.¹⁷

In the UK, the newspaper industry is dominated by comparatively few companies.

¹⁷ The Times: "Bad news from Tribune as it struggles with debt and bankruptcy protection", 9.12.2008.

The nine most important general national titles and their Sunday supplements are owned by seven companies. In terms of sales, Rupert Murdoch's News International (the Sun, News of the World, the Times and the Sunday Times) accounted for over 30 percent of national sales at the beginning of 2006. Moreover, the three largest groups, News International, Associated Newspapers (the Daily Mail and Mail on Sunday) and Trinity Mirror (the Daily Mirror, Sunday Mirror, and the Sunday People) were responsible for over 70 percent of total national circulation in 2006.

In the regional and local press sector, after the acquisitions and mergers in the early 1990s which livened up the ownership patterns within the sector, the regional press is now largely owned by only a few major players who have formed monopolies in many areas of the UK. The top five regional publishers commanded in 2005 more than 80 per cent of the regional newspaper circulation.^{18 19} The regional and local press has tried to maintain its profitability, while their circulation and readership have been falling through cutting costs.

According to the National Union of Journalists' (NUJ) general secretary, Jeremy Dear, the NUJ's figures show that, between June 2008 and March 2009, 25 offices have been closed, and 60 titles and around 1000 editorial jobs have been lost since June last year.²⁰ The NUJ is afraid that, by 2013, half of all regional UK media will have disappeared and a third of all journalist jobs in the UK will have been cut.²¹

The regional and local newspapers are in a vicious circle, where the publishers try to maintain their newspapers' profitability by cutting costs and jobs in the newsrooms, when their revenue is falling. Although profitability has risen steadily in the industry, all this cost-cutting has damaged the local coverage and the quality of the news. As a vicious circle, this has exacerbated the demise of local titles. Nick Davies has pictured this development in his book (2008).

What will be the long-term outcome for the local communities, if newspapers and their websites are shut down because of the diminishing returns, and YouTube and individual

¹⁸ Jaana Hujanen, Ninni Lehtiniemi, Riikka Virranta: Mapping communication and media research in the UK, University of Jyväskylä, Dept. of Communication, 2008, pages 33-34.

¹⁹ Office of Communications, Review of media ownership rules, November 14th 2006, pages 37-38.

²⁰ Jeremy Dear, general secretary of the NUJ, speaking at the Oxford Media Convention, Oxford, 22.1.2009.

²¹ Michell Stanistreet, deputy general secretary of the NUJ, speaking in Oxford, at the NUJ's public meeting "Bad News – The story we are not being told", 29.1.2009.

bloggers become the main providers of information? According to Leadbeater, no amount of amateur blogging will make up for well-trained and well-funded investigative journalism that makes politicians quake, probing the depths of the scandals that the powerful want to keep quiet.²²

The New Yorker, a think-tank, underlined the importance of the values underlying the old models of newspaper publishing: *...There is no substitute for the professional, civil-service-style, relentless independent thinking, reporting and observation that developed in big newsrooms between Second World War and whenever it was that the end began - about 2005 or so.*²³

Mike Rowley is a director of digital publishing who works for one of the UK's biggest local paper specialists, Northcliffe. According to him, the regional press faces serious economic pressures: *"The economics are terrible."*²⁴ Northcliffe Media has turned in earnest to websites to find new readers and future revenue, and it publishes nowadays more websites (over 155) than it does newspapers. Northcliffe Media is a division of the Daily Mail & General Trust (DMGT). The parent company, DMGT does not publish separately Northcliffe's profits, but at the group level, DMGT's profits rose in 2008 to £75 million (2007: £71 million) and the profit margin was 24%.²⁵

According to Hujanen et al, the British media landscape is undergoing changes that are similar to those taking place globally, but the volume and pace of these changes is greater in the UK than in many other European countries. The most significant changes involve diminishing newspaper circulation, the convergence of the media, the redistribution of advertising revenue to the internet and fragmentation. Some UK-based media companies have succeeded in their strategies of attracting global audiences for their online news offerings.²⁶ Among these is the Guardian, which has become one of the biggest newspaper websites in the US, with over 20 million viewers. Also, the UK-based business weekly, The Economist, has performed well in its readership and subscription selling in the US.

²² Charles Leadbeater, *We-Think, Mass Innovation, not mass production*, page 3, London 2008.

²³ The New Yorker, *Nonprofit newspapers*, 28.1.2009; <http://newyorker.com/online/blogs/stevecoll/2009/01/nonprofit-newsp.html>.

²⁴ Mike Rowley speaking in a panel *What happens to newspapers?*, organised by New Media Knowledge, University of Westminster and Lansons Communications, London 28.10.2008.

²⁵ DMGT, *Annual review*, 28th September 2008.

²⁶ Hujanen et al (2008: page 117).

Niche markets and niche media seem to perform better than average. I will take a closer look at the business and economics newspapers later in the section which tackles the Business Media. As there are regional market differences between the UK and the US news industry, newspapers and the news media markets, for example, in the Nordic countries, have so far been performing far better than those in the former UK and US markets - both economically and in terms of circulation and readership.

The web has emerged alongside the printed media and broadcasters, but the readership and circulation of the established newspapers have survived comparatively well, though the evening papers are struggling with their print circulation and advertising revenue. The economic recession of 2008-2009 has already hit, for example, the Finnish newspapers' advertising revenue, and the major national newspaper, two national evening newspapers and a number of regional newspapers announced in January that they aim to cut staff in their newsrooms.

2.3 Who is making most money within the online news media?

Search engines as the new gate-keepers

*"If search is God, then data should be king."*²⁷

Aaron Goldman, VP on marketing and strategic partnerships at Resolution Media, thinks that any business case using search and search engines must lead with the data, so the web will provide the data about consumer profiles, what pages individuals click on, and where and for how long they use them. Advertisers need this kind of data to put their advertisements on the right pages, aimed at the right people.

In the printed newspapers, content is king and the advertisements are put around it. On the web, search has come between the media outlet and the consumer. Recently, in March 2009, Google, the main search engine company, started to use advertising around its news products, which has triggered debate among publishers.

²⁷ Laurie Sullivan, Media Post, "If Search is God, Data is King", 5.12.2008, <http://www.mediapost.com/blogs/raw/?p=945>.

As the old business model linking newspapers to advertisers and readers has been broken, the publishers are unable to gather the advertising money through the net as they used to do with their printed editions. Andrew Currah has found that most people access news through search engines like Google or Yahoo. In the UK, the BBC and the Guardian are the two exemptions, which are big enough to attract viewers and readers directly. The BBC alone has a digital portfolio which has 200 individual web sites. The digital generation of youths is less willing to rely on one source alone, like one regional or national newspaper and its web pages. Search engines provide more different sources.

Currah's research suggests that at least 70 percent of the traffic to the leading UK newspaper web sites originates from an external hyperlink. Search results are believed to be the dominant generator of that traffic. Google's market share, according to Hitwise UK, was in May 2008 almost 90 percent (87.3 %) of internet searches in the UK. The rest was shared by Yahoo (4,1 %), MSN (3,7 %) and Ask (3,1 %).

Recently, in March 2009, Google started to use advertising around its news products, which has triggered debate and real concern among publishers. Google is seen as sucking the revenue away from the publishers, and perhaps this new move by Google reinforces the view that Google is a rival. Page-views are also concentrated on a relatively small set of core websites. According to Hitwise.com, UK internet users currently spend over 32 per cent of their time on only 20 websites. First ranked is the Google search engine, with over an 8 per cent share of internet traffic.²⁸

Table 2.3. Distribution of internet searches in the UK by platform (%).

Engine	May 2007	May 2008	Change
Google	78.3	87.3	9.0
Yahoo!	8.6	4.1	- 4.5
MSN	5.5	3.7	-1.8
Ask	5.0	3.1	-1.9

Source: Hitwise UK.

²⁸ Currah (2009a: pages 30, 32-33)

According to Professor Picard, in most western countries, the largest amount of money from the web is for the big aggregators. The search companies, Google, Yahoo and MSN, are in the top ten of those earning money from the web, and usually there is one major broadcasting company and one or two big newspaper companies. The biggest advertisers on the web are the major software firms and electronic services. Pornography and, for example, durable goods like cars have found the web to be a dominant outlet for ads.²⁹

When listening to newspaper editors like the Guardian's Alan Rusbridger or the Financial Times' Lionel Barber, it sounds like, as a search company, Google is gathering more than its fair share of the advertising money available in the market. Google makes far more money than the newspapers, without producing any content.

"Google is a problem – it has come in the middle of us and our audience." The Guardian's editor-in chief, Alan Rusbridger, is convinced that, at some point, the question of who pays the cost of producing content to the web must be addressed. At present, Google sells advertisements against words. The search company has fragmented the content much further than the newspapers do with their sections on sport, foreign news, culture, etc. Rusbridger thinks that the newspapers should perhaps fragment their content further, too.

Google earns money from internet traffic. Its business model works, but the content providers, the news media, are mostly left without revenue. According to Rusbridger, perhaps in the future, newspapers have to try to co-operate with Google and other search companies: *"If we could get even a penny from that traffic some day."*

Under attack from the newspaper industry, Google's chief executive, Erik Schmidt, defended Google to the newspapers, when he spoke at the Newspaper Association of America's annual meeting in San Diego on 7th April 2009. Newspapers have been complaining that Google and Yahoo make millions distributing the news content that the papers create. The Newswire Associated Press had stated, the previous day, that it is working on a plan to protect its

²⁹ Robert G. Picard, personal interview 5.2.2009

content from misappropriation on the Internet. Google's Schmidt commented that by offering a "multimillion dollar" deal with Google in order to host and distribute AP news.

Schmidt told the Newspaper Association that newspaper websites someday will use several business models, including advertisements that support free news delivery, subscriptions and micropayments to read articles. He criticized newspapers for not adapting their business models to suit the internet.³⁰ On the other hand, Professor Adrian Monck from City University suggests a possible special tax on Google. The revenue from Google-tax will then be returned to the content service providers. As the old revenue model of the content providers, the publishers, no longer exists, Google may find itself in a situation where it has no service providers left.³¹

Professor Jarvis holds the opposite view regarding newspaper charges or claims against Google. He sees Google as the newspapers' free newsstand, linking and sharing their news and content through the search engine. Jarvis would not like either any subscription fees or fences in the newspapers' own online news pages as, when the content is hidden, it cannot be found via searches.

*"Google shouldn't be paying newspapers – newspapers should be grateful Google doesn't charge them for the value it shares in links and audience."*³²

Google's profit during the fourth quarter of 2008 was \$382 million (down 68% compared with 4/2007). Google's turnover rose by 18 per cent, to 5.7 billion dollars.³³ The Guardian's editor calls the web and the internet an early game, in where "we've got to go to audiences and wait later, where the money will come".

³⁰ Robert MacMillan, Reuters, Google is good for newspapers: executive, 7.4.2009, <http://www.reuters.com/article/technologyNews/idUSTRE5364B820090407?feedType=RSS&feedName=technologyNews>.

³¹ Adrian Monck, Professor of Journalism, City University, London, speaking at the Reuters Institute for the Study of Journalism Lunchtime Seminar 15.10.2008 on "The (good) future of journalism".

³² Jeff Jarvis, in his digital media column, "News sites should quit moaning about payment and just gopher it", published in the Guardian 23.2.2009.

³³ Google press centre, Fourth Quarter and Fiscal Year 2008 Results, 22.1.2009.

As mentioned earlier, the Guardian has managed to reach the audiences. Guardian.co has 23 million unique users in its Guardian.co.uk pages, 7 million of whom were in the US, though its costs still exceed its revenue from the web.³⁴ The bigger media companies are not all satisfied with their share of advertising revenue that Google gathers, when selling advertising space to their web pages. However, for smaller publishers, Google may be a relevant company to outsource their advertising selling.

Google has begun to implement revenue-sharing agreements with publishers as it develops advertising-supported news archives. Currah writes that partnering with Google is essential, given its dominance of searches and the growing role of searches in the navigation of news. Google, on the other hand, depends upon the news publishers and wire agencies for the content that powers its search engine and news aggregator. It is not in its interest to erode the economics that sustain the gathering and processing of that content.³⁵

Google has begun to digitise the archives of over 100 newspaper groups so that they can be searched via Google. In the US, these groups include the New York Times and the Washington Post. Google will place advertising around the archived content and split the revenue with the publishers.

2.4 The state of the business media

The financial crisis has hit the shares of most of the media and entertainment companies, though it might be argued that the business media as a lucrative niche media is doing better financially than the newspaper industry as a whole. The Financial Times (FT), for example, was the only national UK daily newspaper which increased its national circulation in October 2008. According to the Audit Bureau Circulation (ABC), in the UK, the only national daily newspaper, which showed growth in its circulation (compared to October 2007) was the Financial Times (October 2008: 451 676 copies; October 2007: 449 385 copies).³⁶ This was the month after the US investment bank, Lehman Brothers, filed for bankruptcy following a domino effect and aftermath in the global banking sector combined

³⁴ Alan Rusbridger, speech at the Media and Politics Seminar 28.11.2008; “Being an editor”, Nuffield College and Reuters Institute for the Study of Journalism, University of Oxford.

³⁵ Currah (2009a: pages 84-85)

³⁶ Audit Bureau of Circulation ABC, October 2008, national newspaper circulation.

with national ad hoc bank rescue plans worth billions of dollars and pounds. People were hungry not only for bald news, but they also seek a quality commentary and analysis of what this financial crisis really means to their lives, jobs, investments, property prices etc.

In a time of major financial crisis and the news related to it, readers and viewers are looking for reliable sources of information, and quality business newspapers and magazines have gained from that development. The guardian.co.uk headlined its story of September's ABCe' web users on newspaper sites: "*Credit crunch boosts quality newspapers' websites*".³⁷

One example of using a subscriber-based business model is Breakingviews.com (BV), which produces and sells financial commentary and analysis on business and financial news online to readers and syndicates them to newspapers all over the world. BV's editor-in-chief, Hugo Dixon, argues that the financial crisis is also accelerating its move to online. The reason for this is that people want to read about what is happening on the day when it is happening rather than the next day. The Financial Times group's CFO, Kate Koch, explained the FT's cutting edge in an interview by saying how "general news is a commodity; but business analysis is a premium product that not many can do on a global basis".³⁸

Will there always be a demand for business media and business information? "*Yes, of course! Business thrives from information and inside analysis. Finance is the most information hungry industry in the world. Without information, business is not able to function*", says Dixon, who is the founder and biggest shareholder of Breakingviews.com, the business and financial news commentator and provider of analysis.^{39 40}

Also, the brand and image of the business media – and journalists writing and commenting on financial news – seemed to grow remarkably during and after this autumn's financial crisis. As in earlier days, it was the names of the investment bankers who were hired to talk and give their opinion on different economic events and seminars, after the financial and banking crisis, and well-known reporters, like the BBC's business and finance reporter, Robert Peston, or the Financial Times' Gillian Tett, have been given the commentator's role.

³⁷ <http://www.guardian.co.uk/media/2008/oct/23/abcs-digitalmedia/>

³⁸ Currah (2009a: p. 102)

³⁹ Hugo Dixon, personal interview, London 26.1.2009

⁴⁰ I shall write more about Breakingviews' business model in chapter 4.

Peston has gathered an audience which gives him 1 million hits on every blog post. People appreciate trustworthy media brands and useful and trustworthy reporting. The Guardian's head of digital content of Guardian news Emily Bell argues that trust is placed in people as well as brands. Journalism means journalists. The media brands will gain when they have well-known and trusted journalists in their newsrooms.⁴¹

The FT's Editor-in-chief, Lionel Barber, was not particularly pessimistic when talking about the future of the newspaper industry and the future of the FT, of which he is an editor.⁴²

"We may be experiencing a crisis of confidence in journalism today, but this is really because the shape of things tomorrow remains unclear. What is important is that the industry leaders, including journalists, define the direction of change." However, three months later, the FT announced its aim to cut costs and make 80 members of its staff redundant. According to the message of the FT's managing director, John Ridding, to the newspaper's personnel, economic slowdown and advertisers' move towards digital outlets is also forcing the FT to change. At the same time, the Financial Times is going to invest to its online outlet, FT.com, and deepen its co-operation with other digital outlets.⁴³

Barber calls for every newspaper to find their "niche". It could be a rediscovery of local news, sport the other outlets. He argues that business papers have their niche – and he believes that there is always a demand for business data and news. However, he gave five suggestions for change based on his current experience at the Financial Times. First, he thinks that mainstream media must embrace the new media. The FT has chosen the principle of an integrated newsroom, where reporters and editors work seamlessly in both print and online. There, the challenge will be how best to package the content across the different channels. Secondly he suggested openness, content sharing and more outsourcing of content material. He admits that this does present some threats to the established brands: personalised content, news-on-demand and involving news consumers to become active news/comment creators. Thirdly, Barber recalls that news organisations recognise that their product has value and they charge properly for their content.

⁴¹ Emily Bell, Lecture to Falmouth, Emily Bell's blog, 8.5.2009, <http://publicserviceblog.wordpress.com/2009/05/08/lecture-to-falmouth/>

⁴² Lionel Barber, Editor-in-Chief of the Financial Times, the Philip Geddes memorial lecture, 7th of November 2008; W(h)ither Journalism? Reflections on new and old media. St Edmund's Hall, University of Oxford.

⁴³ Taloussanommat, Financial Times aikoo vähentää väkeä (Financial Times aims to cut its personnel), 12.1.2009.

“News has not been commoditised. Rather, comment has been commoditised.” Thus, Barber made a distinction for bloggers. According to him, anyone with an opinion can set up a blog, but not everyone can provide the resources and talent to carry out deep and original reporting of the news, especially on a global scale. There will be a few more tough years for newspapers. Barber warned, that this will require owners with patience and deep pockets. He also predicts future alliances, such as between the New York Times and a cash-rich Bloomberg. Lastly, Barber underlines the significance of news brands. The Internet is full of bad information. *“This means that brands are more important than ever... Our position as a news organisation depends on our accuracy and authority in reporting and analysing the big business, financial and political stories and themes of the day.”*

The FT has increased its readership in the US Markets, too. The FT’s CEO, John Ridding, analysed the growing readership in October 2008 to Reuters. He saw the financial crisis as a positive factor, boosting the FT’s readership and audience in the US. In a time of turmoil, people really do need trusted guides, and are prepared to pay. The majority of the visitors to the website are from the US. The Economist, the British newsweekly magazine, also enjoyed success during autumn 2008, wrote the web-based Follow the Media.com on 15th October 2008. The Economist has run a series of successful marketing campaigns over the years to boost its American subscriptions. Throughout 2008, the Economist has seen its advertising pages grow by 5.9%, as the rest of the US magazine industry has experienced a 10% drop in their advertising pages.

On the circulation front, the Economist’s circulation is around 750,000 – far behind the Times, Newsweek and the US News & World Report, which can be considered as its competitors. Over five years, the Economist’s US circulation has increased by half. Both the FT and the Economist have close ties with the diversified media owner, the UK Media group, Pearson. Pearson owns the Financial Times Group, and the Financial Times Group owns 50 percent of the Economist. The Wall Street Journal is another prominent, globally known business daily. Nowadays, it belongs to Rupert Murdoch’s News Corp. Both the FT and the Wall Street Journal have chosen to charge part of their content on the web. The FT allows free access to up to 30 stories a month, and collects subscription fees. If a customer wants to read more, he/she must have access to, for example, the newspaper’s special Lex column section.

Digital information is a growth business for the Wall Street Journal's parent, Dow Jones & Co, owned by News Corp. Yet, print advertising is still a lucrative business, even though it has been shrinking.

The Wall Street Journal's publisher and former managing editor, Robert Thomson, has commented that the (economic) downturn had shown the value of the WSJ's subscription model.⁴⁴ Speaking at the Reuters Media summit in New York on 6.11.2008, Thomson said that, after the financial crisis this autumn, advertisers are slowly returning, and may be seeking more conservative outlets to make their case to the buyers.⁴⁵

⁴⁴ Jemima Kiss, The Guardian, The writing on the paywall, 23.2.2009.

⁴⁵ Robert MacMillan, Reuters, WSJ editor sees hope for print ads 4.12.2008., <http://www.reuters.com/article/Media08/idUSTRE4B34UQ20081204>.

3. Impact of market changes on the value chain of the news media

Having mapped the media landscape, I will turn to the “value chain” (gathering, processing and distributing) of news. There is an urgent need for new and viable business models for the struggling newspaper industry. The newspaper industry on both sides of the Atlantic is experiencing hard times as the newspapers’ circulation and readership have diminished, subscriptions and advertising revenue have fallen in their printed editions and the web has not recouped that revenue. The old business model, where papers were linked to their customers and advertisers, has been broken.

According to Currah (2009), the economics and craft of journalism are changing in significant ways. A radically new form of news consumption is taking hold in the UK. Secondly, this shift in consumer behaviour is reshaping the economics of the marketplace. Thirdly, the wider market must also be understood in relation to the power of the BBC and the emergence of new actors between publishers and the frontline news. Currah points out the public relations industry and the distributed army of citizen journalists.⁴⁶

3.1 Value chain of news media

In this section I will take a closer look at how the newspapers are spending their money in the process of gathering news, processing it and distributing it to the end-customers. In printed newspapers, the cost structure is heavily dependent on the non-editorial costs, like printing and paper costs and distributional costs.

In the following, I will look at the value chain of news media and its cost structure. Whether the newspapers will solve their economical problems by turning to online-only is doubtful, at least in the short term, as we shall see in the case of TalousSanomat later in this section.

⁴⁶ Currah (2009a: pages 9, 32).

According to Picard, in most newspapers, 80-85% of the costs are other than editorial costs.⁴⁷ Paper and distribution are the biggest costs for printed news. However, in the newsrooms, the payroll is the biggest cost.

When going online, the media companies do not usually reveal their cost structures, as the online section is not shown as a transparent, separate unit of the newsroom. It is common for part of its fixed costs to be substituted by other sectors and outlets.

When a newspaper has abandoned its printed version altogether and switched to online-only, the cost structures have become transparent. Paper, printing and distribution account for approximately 80-85% of the total costs, as Picard mentioned above. The Finnish business daily, TalousSanomat, was the first quality newspaper in Europe to abandon its print version at the end of 1997 and continue publishing online-only. In a recently published case study, it was shown that TalousSanomat saved 62 % of its costs by going online-only. However, at the same time, it lost 75% of its advertising income through lacking a print outlet.

The case study found also that, by abandoning its print editions, a newspaper can save around 62 percent of its delivery, print and staffing costs. In the case of the Finnish Taloussanomat, it was able to achieve 52 percent savings on its print and delivery costs. However, TalousSanomat has remained in the red even after becoming online-only, though these losses have somewhat diminished.⁴⁸

3.1.1 Generating news

The heart of the media industry is the content generation process. Firstly, the media company creates content with rights, hires journalists as its own employees, buys in freelance work, uses newswire content against fees and packages all this content to products like magazines and newspapers (in the case of the print newspaper industry).

³³ Robert G. Picard, personal interview 5.2.2009, Oxford.

⁴⁸ Merja Myllylahti, The emerging phenomenon of online-only newspapers, A case study of Taloussanomat – Europe's first quality newspaper to abandon its printed version and go online-only, M.Sc. thesis at the City University, London, September 2008; published in Journalism Studies by Neil Thurman and Merja Myllylahti, http://www.city.ac.uk/journalism/dps/thurman_myllylahti.pdf.

A newswire or a web media uses publishing rights similarly. It may use a lot more links to and from other sources and media, and packages its content to fit the outlets. The authors Annet Aris, Adjunct Professor of Strategy at INSEAD, and Jacques Bughin, a director of McKinsey & Company, write in their book, *Managing Media Companies*, that packaging the individual aspects of the content into an integrated offering is a core competence of most media companies. The top priority for media companies is to generate as much revenue as possible from the rights that they own.⁴⁹

In the online web world, sharing information, linking it to some other information and creating information through peers and audiences lies at the heart of generating, processing and delivering news and content.

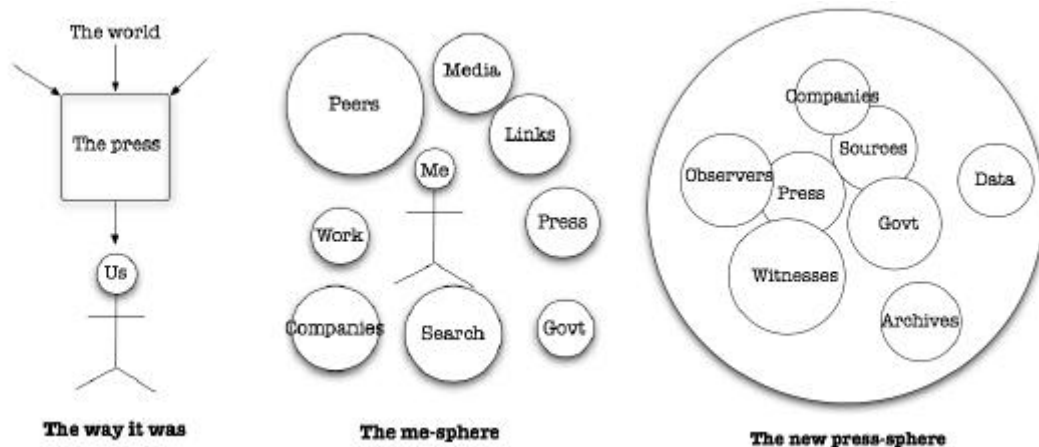
Charlie Beckett argues, in his book entitled *Supermedia*, that the creation of news, blogs and web-content by the audiences and individuals themselves is also linked to the society's level of income. Wherever incomes rise, we see that people are expected to do more by themselves. According to Beckett, they also seem to enjoy that freedom.

Journalism provides the independent facts and analysis to help people to make informed choices. This is consumer journalism, but people want more than just consumer journalism. They seem to want opportunities to debate their world. As the conventional news media have been slow to recognize this shift in the interest of the public, these issues are now being generated by the citizens. Google, MySpace and Facebook have built big empires on the basis of that proposition.⁵⁰ Professor Jarvis' two worlds of the newspaper industry, old and new, might appear over-simplified (Picture 3.1). The press has always been trapped of several interest groups, whose interests often clash with those of the news publishers, who should focus on producing and delivering the products that its end customers, readers, subscribers and viewers desire, and for which they are willing to pay.

⁴⁹ Annet Aris and Jacques Bughin, *Managing Media Companies, Harnessing Creative Value*, pages 14-15, John Wiley & Sons Ltd, 2005.

⁵⁰ ³⁷ Charlie Beckett, *Supermedia; Saving journalism so it can save the world*, pages 13-14, Blackwell Publishing, 2008.

Picture 3.1: Old business model of news publishing vs. new model
New worldviews ... New models, according to Professor Jeff Jarvis, 2008:

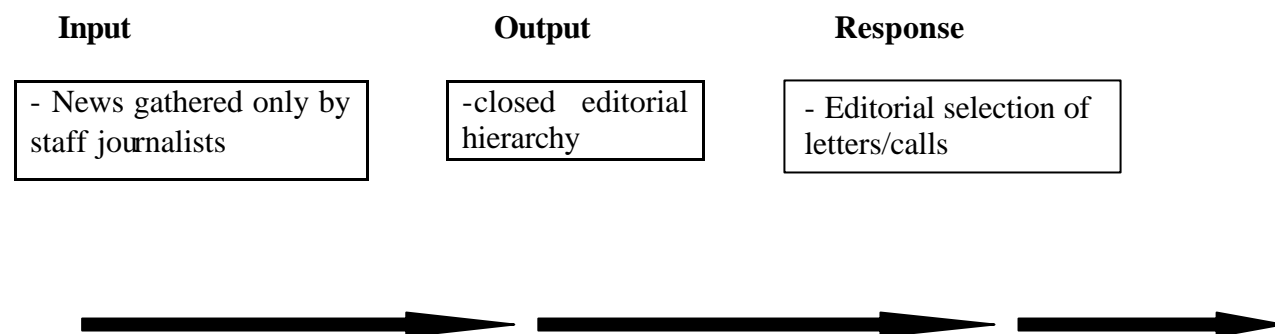


Source: Professor Jeff Jarvis, CUNY Graduate school of Journalism, a slideshow, October 2008

Also, according to Beckett, it is actually both impossible and undesirable to separate out the new and old media. These are already intimately linked and “this is something that needs to be accelerated, not resisted”.⁵¹ Chris Paterson and David Domingo drew a distinction between the traditional news process (gate keeping) and the process of gate watching used in online news processing. In traditional news processing, journalists and editors play a crucial part in the preparation and selection of news reports and articles which are presented to the audiences. This process is divided to three parts:

1. In terms of input, news gathering is performed only by staff journalists; 2. the output takes place in a closed editorial hierarchy; and 3. the response is made by the editorial selection of letters or calls.

Picture 3.2: Traditional news process



Traditional news process

Source: Chris Paterson, David Domingo, Making Online News, The ethnography of new media production, Peter Lang Publishing Inc, New York, 2008, page 175.

On the web, online news audiences have direct access to a multitude of sources and no longer rely on journalists to report the statements of politicians and other public actors, news releases and commentators. In gate watching, the news sources are open to all users. Input to the news outlets is open to all users and they are able to feed in material and feedback that are relevant to them. In the online gate watching environment, the agency has shifted from the journalistic profession to anyone interested in getting involved in the process.⁵²

Networked journalism

Will it then work if the audience of the old model of media participates in the news gathering process? Let us take a closer look at that.

Charlie Beckett heads the POLIS Institute for Journalism at the London School of Economics. He proposes a model of networked journalism for future journalism. The continuous relationship between the journalist and the public is what is going to sustain networked journalism as a community and, therefore, as a business model. The old bargain between advertisements and content is broken.

⁵² Chris Paterson, David Domingo, Making Online News, The ethnography of new media production, Peter Lang Publishing Inc, New York, 2008, pages 175-180.

According to Beckett, every piece of editorial must be lodged in a structure that can perpetuate its value. Secondly, it will be inserted into social networking sites, and will be properly annotated so that anyone using tagging and bookmarking will come across it. It will be linked to relevant subject databases and digital mapping systems, and, at each point, it will offer anyone using the data a route back into the journalistic network.⁵³

Beckett thinks that citizens should use the kind of content that network journalism can create. According to him, the future of journalism will be decided within the next three years, in the UK at least, although the ongoing economic crisis may endanger this change.

Media agencies and PR – Do they have to change, too?

PR has become a substantial part of news gathering during the last few years. What implications does it have and why is it used? The author and investigative journalist, Nick Davies, describes in his book how the PR companies and PR material sent by them has become a substantial part of newsgathering. PR and press releases have become part of the final output on the pages and online sites after they have been repackaged in the newsrooms. Davies is afraid that truth-telling is vanishing as less and less input is being repackaged for more and more outlets.⁵⁴

Davies describes the changes that have happened in the media newsrooms and the working methods, as the number of reporting staff has been fiercely reduced and the time available to work on a story has become limited. In the time available to spend on a particular news story or analysis, a journalist is unable to acquire a thorough understanding of the firm or topic in question, not to mention undertake reasonable data checking.

The Guardian's editor-in-chief, Alan Rusbridger, commented on Davies' arguments that PR has obtained too much power over the media and V media is nowadays too dependent on its news releases. According to him, PR is, to some extent, useful for the media. The right

⁵³ Beckett (2008: page 58).

⁵⁴ Nick Davies, Flat Earth News, 2008, pages 56-64.

balance is somewhere in between these two limits.⁵⁵ As the media industry has had to reinvent its business model and adapt to internet and web businesses, so have the media and PR agencies. “Media agencies in particular are stuck between increasing demands from clients for innovative strategies across multiple media platforms and the declines in revenue that inevitably result from reduced ad budgets.”⁵⁶

Mark Phillimore previously ran his own successful PR Agency for 15 years. Now, he is developing postgraduate public relations programme and is a senior lecturer at the University of Greenwich, London. According to him, the PR industry is choosing a business model, which is more debating, participatory and open in its public discourse, while the traditional PR model tried to control the firm’s image. “*Social media changes this and PR will aim to build a community around its customers’ businesses. An open model is needed to understand what is happening to the firm’s environment*”, Phillimore argues.

Controlling information is over. Contributing and debating is what PR agencies are focusing on now for their client firms.

In that way, the PR and Media agencies will slant their businesses to look more like social media and citizenship journalism, with their networks and communities. Earlier, and in most cases, even today, the PR and media agencies need the media to deliver their message to the public, citizens and consumers. In the future, Phillimore argues, organizations will go directly to the customers, or whether the PR industry is turning towards bloggers will be seen.

As for the media’s business models – yet to be seen – PR is also in the early stages of change. The reality is that the traditional media are needed as a platform for advertisements.

Even though online advertisements have grown rapidly, their share of total advertisements remains marginal.

⁵⁵ Alan Rusbridger, editor of The Guardian, commented on PR’s relationship with the news media at a Reuters Institute and Nuffield College’s Media and Politics seminar on 28.11. 2008 at Nuffield College, Oxford University.

⁵⁶ Eugene DeWitt from DeWitt Media: Reinvesting for the future, MediaPost 1.11.2008, Letters to the Editor.

The financial crisis and looming recession of autumn 2008 is exacting a price already: online advertising is losing its effectiveness and grounds, and banners are not what advertisers seek today.⁵⁷ The most profitable PR within the PR industry has been financial public relations. For financial PR, agencies' mergers and acquisitions have constituted a major part of their business. Because of the credit crunch of 2008, the number of mergers and acquisitions has declined, so these PR agencies are bound to rethink at least their operational models.

Will the poor economy bring advertisers back to the most traditional forms of media? Or vice versa? In history, during economic downturns, advertisers have returned to the more traditional forms of media, the printed media. Advertising revenue has typically plummeted in broadcasting.

"In a really bad economy, everyone went back to the most traditional form of media that they know", says MaryAnn Bekkedahl, Executive Vice President of Group Publisher at Rodale.⁵⁸ Rodale publishes, for example, Men's Health.

3.1.2 Processing news

An integrated newsroom, with online, print, radio and possible television avenues, where the outlets are combined into a single process, has become a common architecture. When news publishing went digital, the news publishers (with a few exceptions) were committed to pursuing a digital vision, that was founded upon the logic of integration. Their newsrooms were transformed into multimedia newsrooms, equipped to streamline, process and distribute news stories to audiences through video, audio, web and print channels. Newspapers are diversifying into audio and video, and broadcasters into the provision of text-based coverage.

News publishing in the era of the internet is a floating process without deadlines. The publishers try to cut costs by processing and diversifying news in these integrated hubs. There are pros and cons to the new media processes, too. In the following, I will consider whether or not this has worked.

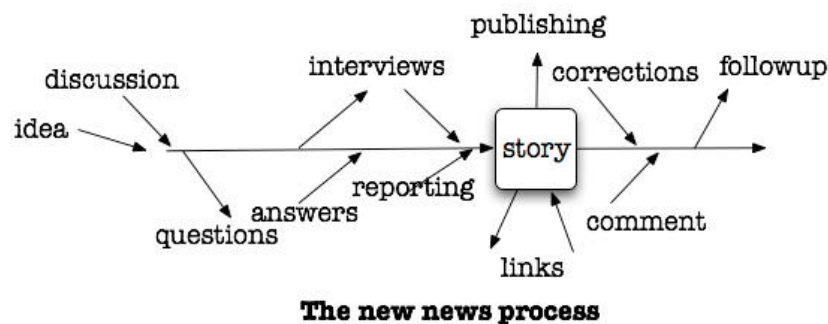
⁵⁷ Mark Phillimore, lecturer at the University of Greenwich, personal interview, London, 17.11.2008.

⁵⁸ , James Erik Abels (2008), Forbes.com, In Rodale Layoffs, A Glimpse Of Hope For Magazines, http://www.forbes.com/2008/11/04/magazines-publishing-advertising-biz-media-cx_jea_1104rodale.html.

Professor Jeff Jarvis presented a model of news publishing in the era of the internet. News publishing is an ongoing process without fixed deadlines.

Picture 3.3: News publishing in the era of the internet

Source: Professor Jeff Jarvis, CUNY Graduate school of Journalism, a slideshow, October 2008



According to Currah, the underlying goal is to attract a critical mass of audiences (and advertising) around the news and the brand via as many different channels as possible. By funnelling the news through a multimedia hub, the publishers try to reduce costs, utilise their content more efficiently and generate the revenue needed to sustain journalism during the digital revolution of news.

The latest newsrooms are equipped to feed the websites with content throughout the day and night. However, Currah suggested that this industry-wide shift towards integration is accompanied by a “remarkable degree of myopia”. There is a danger that the multimedia newsroom will lead to new forms of audience-led publishing, to a click-stream culture. The click-stream culture will be especially transformative for publishers who lack the shelter of cross-subsidy.

In the process of integration, a clear sense of how much the digital audience is worth also appears to be lacking, or how that audience can be monetized in the long term. Currah refers to the interviews with publishers and editors that he conducted for his book. These showed that news publishers are allocating significant investment to technical upgrades and operational changes in multimedia newsrooms – without any guarantee of a return or a fully

conceptualised sense of direction: *“By placing a one-way bet on an integrated future, news publishers face potentially a vicious cycle of resource scarcity and technological obsolescence”*.

Currah predicts that the market will witness a growing polarization between those who follow the short-term whims of news consumer in an effort to boost their hits and advertising – windsocks – and those who invest in the specific content that supports their brand and editorial voice – digital anchors.⁵⁹ In pursuing these operational changes to newsrooms, there is a danger of overacting, when excited editors are too obsessive to put their reporters to diversify their news reports and seek to cover multiple news outlets with a diminished number of reporters and editorial staff. Nick Davies has pictured well the changed work patterns and workload, which have led to a loss of editorial quality and a lack of source checks.⁶⁰

Specialised reporting and reporters have their advantages, too. One reporter can be most productive as a general news multi-journalist, while another is most productive when allowed to use his/her special expertise or coverage for one news outlet. Resource allocation and skills training are as important in multimedia newsrooms as in the old print newsrooms.

Quality losses and entertainment click-stream hunting is not an inevitable outcome for digital media. Robert G. Picard underlines that, for a serious newspaper, the editors have plenty of people in their newsroom to concentrate on serious social news (like politics and economics) – if they choose to. Talking about up-market national news, or local and regional news alike, *“this is a matter of resource allocation and it is clearly within the control of the editors. If you like to make serious social news, it is possible”*.

According to Picard, this kind of specialisation in hard news produced by their own news desks and outsourcing and syndicating of celebrity news, film reviews, etc., will also pay off for the publishers. According to Picard, those people who are interested in those serious subjects mostly continue as the readers and customers of newspapers and news sites.

⁵⁹ Currah (2009: pages 77-78, 80-81)

⁶⁰ Davies (2008)

So, according to Picard, the issue of quality is not about cuts, but about what kind of news the newspapers, both online and offline, are covering.

Clickstream journalism – as Andrew Currah calls it – does influence the news coverage and editorial decisions. Popular stories, like Shannon Matthews’ disappearance in the UK or the plight of the late Big Brother celebrity Jade Goody, attracted millions of eyeballs to the newspapers’ online traffic. As news sites follow and rank stories according to the “most clicked” or “most emailed”, this process artificially narrows down the news around a few “tent pole” stories.

According to Currah, the clickstream process can loose certain coverage, if the online traffic appears to be lessening. This happened during the war in Gaza, for example: “As the war dragged on, the web traffic for Gaza stories fell sharply. The knowledge that this seemingly important story was actually a turn-off put pressure on the editors to scale back their reporting of the conflict *both in their papers and online*”.⁶¹

If the crowd and online traffic dominates news coverage, there are certain shortcomings for the whole of civic society, if the media neglects, for example, the government and local communities’ decision-making process, or economic mishandlings because they are unpopular according to the most-clicked rankings. I shall discuss this question further in chapter 5.2 (Is there a democratic deficit?).

3.1.3 Distributing news

The distribution of printed newspapers marks one of the biggest costs for an offline newspaper publisher. The delivery may have been arranged in-house by their own staff or outsourced to post or some other delivery firm. It needs sophisticated logistics to print and deliver newspapers from usually centralized printing houses to subscribers and newsstands.

Moving towards online distribution through the web and digitalized content, news publishers will cut most of the costs that distribution otherwise would have attracted. Professor Jeff

⁶¹ Andrew Currah (2009b), Clickstream Journalism, Prospect Magazine, April 2009, http://www.prospect-magazine.co.uk/article_details.php?id=10725.

Jarvis of the CUNY Graduate school of Journalism has predicted in his numerous blogs that it is only a question of time before print disappears and newspapers will be published online-only.⁶²

Going online is supported by not only cost savings but also environmental issues: fewer trees are cut down to provide paper. Sure, there are costs involved when creating and running a digital infrastructure; however, for most publishers in the world, print remains their main source of revenue and profit for the foreseeable future. As long as printing newspapers is a profitable business, it does not make sense for publishers to abandon it. Professor Robert G. Picard predicts that the printing of newspapers will continue for at least 20-30 years:

*“Over a period of time, you’re changing the newspaper to be online. And, at some point, it is most likely that a newspaper is not going to be published in a newspaper format like it is today, but I don’t think it is going to happen for 20 or 30 years.”*⁶³

3.2 Key trends: response and reaction of the media industry to the market changes

3.2.1 Economic downturn hits media advertising revenue

The media industry’s revenue is heavily dependent on economic cycles and, generally, advertisement revenues follow the economy’s changes in GDP growth. The Global economic downturn, which was deepened during the other half of 2008 (and persists at the time of writing) is clearly reflected in the media’s advertisement revenue.

In the US, the TNS Media Intelligence January-September 2008 figures show that newspaper media advertising revenue diminished by 10 % (compared to Jan-Sept 2007). The Summer Olympics helped the television media, which attracted 2.1% more advertising revenue than the year earlier. Internet advertising, however, grew by 7% during the first nine months, though the rate of growth has declined for five consecutive quarters. Data from the fourth quarter of 2008 indicate the further slackening of the overall advertising market.⁶⁴

⁶² Jeff Jarvis blogs at Buzzmachine.com and writes columns for the Guardian. MediaGuardian 12.1.2009, History in the making in LA as online ads hit target.

⁶³ Robert G. Picard, personal interview 5.2.2009, Oxford.

⁶⁴ Joe Mandese, Media DailyNews, a web article, 11.12.2008: Ad economy goes from “tip-toeing” to deep-diving into recession, even online continues slow down.

The Enders media analysis forecast, in January 2009, that the UK advertising revenue for 2009 would decline by 12.2 % across all the display media, led by a steep fall of 19 per cent in newspapers, resulting from the double whammy of the migration of classified advertising to the internet and the economic crisis. The fall in advertising in the printed press is predicted to continue for the next five years, according to the Enders media advertising forecast.

Enders analysis expects internet advertising to continue to increase throughout the recession, but at vastly lower levels – they project only a 2.1 per cent growth in 2009, which is a sharp deceleration from 20 per cent in 2008, and growth will be driven entirely by searches, as both online classified and display spend falls as advertisers in the key categories cut back.

It is difficult to predict the TV advertising spend beyond January and February, which Enders media analysis expects to fall by 10-15 per cent. Although the influence of the internet on TV has been less intense than on the press, the initial forecast for the full year is of a 10 per cent decline, due to the recession and deflationary pressures.⁶⁵

As the car industry in the US cries out for a government bail-out from their debts, the newspaper industry has been under pressure from the new media and its struggling business model for a few years. The car industry is also a big component of newspaper advertising.

When writing this article, in fact, two Detroit-based newspapers, Detroit News and Detroit Free Press, announced (December 16, 2008) a set of changes that are designed to meet the needs of their advertisers and readers in an era when digital delivery is changing the way in which people get information. So, in the first quarter of 2009, the papers will limit their home delivery to only three days a week, while selling printed copies at newsstands seven days a week. Also, they will expand their digital information channels.⁶⁶ Detroit is the centre of the US car industry, which is struggling for survival.

According to a Time.com's blogger, James Poniewozik, the decision of the two Detroit papers to home-deliver only on three days a week seems like a halfway measure that is

⁶⁵ Enders Analysis, Impact of the credit crisis on media industries, 19.1.2009.

⁶⁶ Jim Romanesko, Poynter Online, 16.12.2008, Detroit media partnership release, http://poynter.org/forum/view_post.asp?id=13742.

mostly intended to ease the transition to an all-digital paper.⁶⁷ The blogger is well aware that the papers should soon find out how to monetize their switch to digital. The sooner they find this out, the better it will be for the journalists.

In 2008, the media industries shed more than 30,000 jobs in the US, according to a web-based Advertising Age media analysis of US Department of Labour employment statistics and news reports. That is about 3.5% of the total media workforce of 858,000 in the US.⁶⁸

So, should the governments save the newspaper industry? The French Government already made a bold decision in January 2009 to provide state support of 600 million euros over three years to the crumbling French newspapers and magazine industry to help them to cover the postal delivery price increases. French 18 year-olds are given a free year's subscription to a newspaper of their choice. Also, employers' costs of up to 90 million euros will be waived for employees delivering newspapers.⁶⁹

Editorsweblog.org wrote in February 2009 that the national scheme has been met with significant criticism in France. Francois Dufour, who headed the youth advisory scheme in France, told Editorsweblog that "French papers are made for 50 or 60 year-olds, not for teenagers, so, if the content is not compelling for the younger generation, free subscriptions are a waste".⁷⁰

The Sunday Times columnist, Andrew Sullivan, who is also a blogger, author and Harvard Ph.D., suggested in his column in Times Online that the economics are remorseless: as news goes online, the economic model for papers cannot survive. If advertising follows page views, the game will shortly be over. *"The terrifying problem is that a one-man blog, (however popular), cannot begin to do the necessary labour-intensive, skilled reporting that a good newspaper sponsors and pioneers."* Sullivan suggests that private philanthropists will

⁶⁷ James Poniewozik, a blog in Time.com blog archive: A new model from Detroit 16.12.2008 <http://tunedin.blogs.time.com/2008/12/16/a-new-model-from-detroit/?iid=sphere-inline-bottom>.

⁶⁸ Michael Learnmonth, Article in Advertising Age, Media companies cull 30,000 in fight for their future, 8.12.2008.

⁶⁹ Heli Suominen, Online report, HS.fi (Finnish newspaper's Helsingin Sanomat online version), 24.1.2009.

⁷⁰ Emma Heald, Article on editorsweblog.org (A publication of World Editors' Forum) 27.1.2009; "Can giving 18 year-olds free newspapers save the French press?"

step in and finance not-for-profit journalistic centres, where investigative and foreign reporting can be invested in and disseminated by blogs and online sites.⁷¹

Anyhow, the newspaper industry faces fundamental changes as long as the digital-based new technologies are around, and the digitalization of content, production and distribution channels has made it possible to spread and disperse content at almost zero cost once it exists in a digital format. In 2005, Annet Aris and Jacques Bughin predicted that the roll-out of digitalization and broadband would be faster than any other previous technology. Consider, for example, Facebook, one of the world's most popular social networks; it is only five years old.

They were right. The fragmentation of news consumption, delivery and even content creation is an ongoing process, though the media companies still struggle to find ways to make the new business models profitable. In section four, I will look at the different strategies for going on the web.

In the digitalised world, the media consumer is offered the freedom to access, use and buy media products (newspapers, news, music, videos, films) whenever and wherever he/she wishes. Also, consumers have become content co-creators rather than just consumers. This has altered the ways in which the news producers and media companies seek to remain in business by offering their content to consumers.

“Many old industry paradigms (pre-packaging, fixed prices, release windows) will be turned upside down and completely new approaches will have to be found.”⁷²

Charlie Beckett, director of the London School of Economics based-media institute POLIS, writes in his book, ‘Supermedia’, about a revolution in the newspaper industry. According to him, the business models (of the newspaper industry) will have to be restructured in a profound, thorough manner that introduces a huge amount of risk into the media companies’ economic strategies. Advertising revenue is disappearing far faster than new sources of revenue are appearing.⁷³

⁷¹ Andrew Sullivan, Column in TimesOnline, Read all about it: newspapers all done for, 7.12.2008.

⁷² Aris and Bughin, 2005, pages 21-23

⁷³ Beckett (2008: pages 9-12)

3.3 Cutting costs

In this section, I will look at the ways in which the old newspaper industry reacted to the diminishing revenue from advertising and circulation during 2008 and early 2009 in the US and the UK. Newsroom redundancies, cost cutting, content-sharing, cutting back the publication schedules, shedding titles, price rises/cuts and even bankruptcy have been regularly in the headlines covering the industry.

Overall, especially in the US and UK markets, the trend has been falling, especially with regard to the established, old media. According to Charlie Beckett, the prime driver for cutting costs in the news industry has been digital technology. Also, journalists are now far more productive than they were five years ago.⁷⁴

The media companies mostly reacted to the altered media environment by cutting their variable and fixed costs in an attempt to preserve their returns and profitability. The picture is not as black as it is painted: surely there have also been investments and recruitment, especially to the new media and new titles? New competitors have appeared after some old ones have been shed.

Blogs mushroom, web forums, and social networking sites create their own news online. The old existing newspapers are moving to online as well, but the newcomers do not have the cost burden of the old technology, as the established print publishers do. There will be more competition in the future:

“Established publishers have these major problems, large investments, which have to be used as long as their costs are covered and, for them, it is important to keep print alive. Start-ups don’t use print. On the other hand, they have brand names, reputation, good writers and a lot of resources. When they go online, they bring all these resources to online operations. The problem comes when they say, that

⁷⁴ Beckett (2008: pages 9-12)

online is a separate business to offline. Online is dependent on the offline and only a few online versions in the world can claim that they make money. The Wall Street Journal is one of them. But we know that, in many cases, the online does not pay full costs for the resources they use in the company; they don't pay the full cost of stories produced in the print; they are given infrastructure services like it, which is not to their cost: they are not paying full costs and that's why you cannot simply say that they are separate products. Those papers exist as long people want to pay for them and as long as advertisers want to advertise in them.” – Professor Robert G. Picard.⁷⁵

However, there are some start-ups that also use print – for example, printed blogs, which will be considered later. According to the AdvertisingAge analysis of US department of Labor employment statistics and news reports, media companies shed more than 30000 jobs in 2008. In the US, that is about 3.5 % of the total media work force of 850,000. Since 2000, the media has lost more than 200,000 jobs in the US.⁷⁶ In the following, I will discuss a few examples of the ways in which the publishers have cut their costs in order to make news cheaper.

Content-sharing has been a commonly used way to save money on news gathering and processing. Even formerly fierce rivals have forged news-sharing deals. For example, the Dallas Morning news and the Forth Worth Star-Telegram started sharing photos and concert reviews in November 2008. Talks continue on expanding this exchange.

The Dallas papers were not alone. Similar deals were taking place on a wide scale. This sharing has intensified as newspapers have stepped up their redundancies and cut their travel budgets. It has also been decided to cut some coverage areas altogether.⁷⁷ Newspapers have pursued content-sharing consortia in order to replace the Associated Press (AP) newswire. A Northeast consortium of US newspapers published their content-sharing intentions that, in several cases, would serve in place of their AP agreements. The consortium included New

⁷⁵ Robert G. Picard, personal interview 5.2.2009, Oxford.

⁷⁶ Michael Learmont, AdvertisingAge, Media companies cull 30,000 in fight for their future, 8.12.2008, http://adage.com/print?article_id=133071.

⁷⁷ Anick Jesdanun, Los Angeles Times, As newspapers trim jobs, formerly rivals forge news-sharing deals, 4.1.2009, <http://www.latimes.com/business/nationworld/wire/sns-ap-news-competition>.

York's Daily News, Newsday, the Buffalo News, and several others, and the arrangement included both stories and photos.⁷⁸

In the US, AP has made reductions in their service fees and provided complete access at no extra cost to all AP text content to all member newspapers of AP in order to keep its customers. Similar arrangements have been made in Europe as well. To trim their costs, some newspapers have shed unprofitable readers. The Gannett Group title, Arizona Republic, decided to stop delivering to customers more than 200 miles away. "Some circulation just isn't as valuable as others", Arizona Republic's publisher, John Zidich, told the Wall Street Journal.⁷⁹ In Detroit, the Detroit Free Press and Detroit News decided to continue home deliveries of the paper's print editions only on Thursdays, Fridays and Sundays.⁸⁰

The magazine industry has made various alterations depending on each title's performance. One way of doing this is to cut back the publication schedules. News Weekly and Sports Weekly switched to being published biweekly in late Autumn 2008. The consumer magazines, US News and World Report, switched to being published monthly, and, after cutting their schedules, the magazines then cut their workforce respectively.⁸¹ However, the Economist increased its US circulation by over 15% last year and was able to raise its newsstand price by a dollar, to \$5.99.

The cash-strapped New York Times (NYT) has tried to solve its capital problems by selling its Manhattan headquarters and then renting them back. NYT has cut its retirement and medical benefits for non-union employees from 1 January 2009. In January, the family-owned company also took out a \$250 million loan to refinance its \$1.1 billion debt. The Mexican telecom magnate, Carlos Slim, also received an option to purchase 10 per cent of the NYT's A-shares. Later, in the February, the NYT continued to boost its cash position by deciding not to pay any quarterly dividend.⁸²

⁷⁸ Shawn Moynihan, Editor & Publisher, Newspapers in Northeast pursue a content-sharing "consortium", 27.10.2008, http://editorandpublisher.com/eandp/news/article_display.jsp?vnu_content_id=1003878111.

⁷⁹ Russell Adams and Shira Ovide, WSJ.com, Some newspapers shed unprofitable readers, 27.10.2008, http://online.wsj.com/article_email/SB122507288489970971.

⁸⁰ Russell Adams, Wall Street Journal, WSJ.com, Detroit papers set to curtail print, 13.12.2008.

⁸¹ Erik Sass, MediaPost Publications, Red ink: USNews goes monthly, Hearst and Rodale cut staff, 5.11.2008, <http://www.mediapost.com/publications/>.

⁸² Peter Kafka, MediaMemo, New York Times battens hatches, drops dividend, 19.2.2009, <http://mediamemo.allthingsd.com/>.

As the global economy contracts deeply during 2009, spending on emerging media, such as social networking sites and mobiles, is likely to contract too. Brands want to stick to the tried and tested areas. In the midst of the severe downturn, marketers are likely to be less adventurous about exploring newer platforms.⁸³

3.4 Give-aways to keep up circulation

Publishers in the UK have used different kinds of marketing tricks, gimmicks and give-aways to maintain their readership and circulation. In the UK, the national daily newspapers have been very active and innovative in their strategies to push subscriptions up and maintain their circulation.

In the following, I will provide a few examples of the various campaigns offering free gifts that the papers have run from late Autumn 2008 to March 2009.

- The Daily Telegraph, January 3rd 2009: Free 3-day pass to Fitness First gyms plus a free health check plus a free pilates DVD.
- The Guardian, 17th November 2009: Two free energy saving light bulbs for every reader.
- The Times, 20th February 2009: Free cinema tickets, with any subscription to the Times and the Sunday Times.
- The Times 11th November 2008: Free home delivery by 7am within M25 (London), when subscribing.
- Half price 12 week subscriptions of newspapers and magazines delivered by local newsstands, January 2009.
- The Daily Mail 7th March 2009: Three free golf balls for every reader.

DVDs, films, free gifts, lunch vouchers, free deliveries, cinema tickets, campaigns – the sky is the limit for the marketing gimmicks and freebies that the dailies have offered to their readers. Price alterations have been used regularly to boost readership and circulation. In the

⁸³ Mark Walsh, MediaPostPublications, Say goodbye to experimental spending, 6.11.2008, <http://www.mediapost.com/publications/>.

UK, the Daily Star became the cheapest national daily newspaper, when it cut its cover price by 15p to 20p in November 2008. The price drop made it 30p cheaper than the Daily Mail, 20p cheaper than both the Daily Express and Daily Mirror and 10p cheaper than the Sun.⁸⁴

In the UK, the Newspaper Marketing Agency (NMA) ran a campaign to promote newspaper advertising in November 2008. Broadsheet advertisements of the 1960's Volkswagen Beetle advertising campaigns did not go unnoticed. NMA's argument was that newspaper advertising is still effective and that 37 million weekly readers are spending an average of 40 minutes reading each newspaper.

In the US, the newspaper executives launched a campaign to promote newspapers, both printed and online. They created a website – www.newspaperproject.org – that will feature stories and commentaries about the value of newspapers. A series of print and online advertisements in the NYT and Washington Post plus scores of community dailies told the story of how American newspapers and their websites daily reach 100 million people.

These campaigns are not in vain. *“Those people who read papers now are likely to continue reading them,”* says Professor Picard, about newspaper readership. The real issue for newspapers is, according to Picard, the fact that young people under 30 years old do not pick up a newspaper to read. The demographic change is what matters:

“If one wants to know when newspapers are going to die, look at the obituaries.”

The old generation of readers is dying and they are not being replaced by new readers.

According to Picard, the number of young people aged under 30 picking up a newspaper is falling each year. In western countries, only 25 per cent of young people read newspapers nowadays, compared with 40-50% in the past. Television faces even bigger challenges in retaining its audience than newspapers. The heaviest users of the internet have reduced their

⁸⁴ Oliver Luft, guardian.co.uk, Daily Star undercuts Sun with 20p cover price, 5.11.2008, <http://www.guardian.co.uk/media/2008/nov/05/dailystar-pressandpublishing/>.

television viewing by two hours per day, because they are using the internet for various purposes. Newspapers have not been hit equally, and Picard refers to the research data.⁸⁵

3.5 Are the investments proving fruitful?

“Either you go on to the web and you go broke. Or you don’t go to the web - and you go broke.” (John Lloyd)⁸⁶

When considering the newspaper industry’s strategic decisions, this certainly appears to be their dilemma. The whole business model seems to have been broken. Historically, typically, new technology attracted over-investment, from the invention of the railways in the 19th century to the advent of the third generation of the telecoms sector, mobile telecommunications. In the UK alone, the telecom companies paid £22.47 billion for the 3G Mobile licences at auction, the originally estimated value of which by the treasury was £1.5 - £2 billion. The “winners” of those auctions became overburden by debt and have now been bought and taken over by other companies.

The author, Charlie Beckett, suspects whether investment in the new media technology will provide a solution for the media industry with a broken business model. He thinks that it is not just a question of investing in new technology and new systems, because no one knows which technology will be relevant in a few years’ time. It is about a revolution in the way that one of the planet’s most important cultural and economic forces is going to operate.⁸⁷

Are we living in a similar era, with new technology coming in, so that companies are investing hectically in new technology, without knowing how to earn money from it? The window of opportunity is open only now, and that is why we have to rush?

Similar questions were asked when the teleoperators justified their investment in the third generation mobile communications licences – and lost billions of euros and pounds. Many of them fell into huge debt and were merged with or bought up by their competitors. The

⁸⁵ Robert G. Picard, personal interview 5.2.2009.

⁸⁶ John Lloyd, Director of Journalism, RISJ, commenting at the RISJ’s Media and Politics seminar at Nuffield College, Oxford University 28.11.2008.

⁸⁷ Beckett (2008: pages 9-12).

Finnish researcher, Tomi Lindblom, analysed in his Ph.D. project at the University of Helsinki the history of the Finnish media companies' strategies in relation to the new media. He published two research papers on three major Finnish media companies: the Sanoma Group; the state-owned broadcasting company, YLE; and the Alma Media group.⁸⁸

According to Mr Lindblom, the media companies in Finland are obsessed with the idea that only big can be beautiful: that has been the argument of the media groups when investing in the new media. In the Finnish media groups, the sectors responsible for the new media platforms will be the next to make cuts and redundancies, as the investment will not prove fruitful. He draws a comparison between the news industry's investment in different web platforms and the 3G licence auctions to the telecoms companies of the 1990s in his Ph.D. thesis.⁸⁹ There are distinctions and similarities between those two, however. During the 3G hype, there were no users or revenue from the 3G markets. The online media attracts a lot of users, but insufficient revenue to bear the cost of producing the content.

The editor of the Financial Times, Lionel Barber, thinks that the media is experiencing a crisis of confidence in journalism today, due to the fact that the shape of things tomorrow remains unclear. Lionel Barber spoke about reflections on the new and old media at St Edmund's Hall in November 2008.^{90 91}

When I asked about the similarities between the telecoms 3G licence auctions and the over-investment in a technology for which a business model was non-existent, Barber saw little connection between them:

"The three G operators paid vast sums of money without knowing in what they were investing. In the new media platforms, the investment is not that much."

⁸⁸ Tomi Lindblom, Analysing and comparing the history of media companies' strategies in relation to new media, 14 Oct. 2008, Aarhus, Denmark; The changing media strategies and practices of the leading Finnish media companies, research paper presented at the RISJ Conference: Nordic Media in Theory and Practice, 7 November 2008, London).

⁸⁹ Tomi Lindblom Ph.D. thesis, Uuden median murros Alma Mediassa, Sanoma Oy:ssä ja Yleisradiossa 1994-2004, University of Helsinki, Department of Social sciences, 15.5.2009, <http://urn.fi/URN:ISBN:978-952-10-5472-3>

⁹⁰ Lionel Barber Editor-in-Chief of the Financial Times, the 2008 Philip Geddes Lecture, St Edmund's Hall, University of Oxford, 7.11.2008, W(h)ither Journalism? Reflections on new and old media.

⁹¹ For further discussion of Lionel Barber's remarks and suggestions based on his experience at the Financial Times, see Chapter 2 on Business media.

Another UK-based newspaper group, the Guardian Media Group has been a forerunner – globally – when it comes to the new media and the web. During 2001-08, the group spent £1.1 billion buying assets and acquiring new media companies. On top of that comes the group’s investment in web platforms. According to the Guardian’s editor-in-chief and Guardian Media Group board member, Alan Rusbridger, the Guardian Group has invested approximately £100 million in Internet platforms. The newspaper now has 160 journalists working for the internet alone.

The Guardian’s readership has soared on the web, and it is now one of the biggest web newspapers both in the UK and US markets. In December 2008, the Guardian had 23 million unique users of its Guardian.co.uk pages, of whom 7 million were in the United States.

In spite of this massive readership and leading status in terms of web news, 85 percent of the Guardian’s revenue now comes from its printed editions. The Guardian Media Group is profitable at the Group level, but, according to Rusbridger, the net is still in the red.⁹²

Picture 3.5: ABCe December 2008: Number of users of digital media in the U.K, top five newspapers’ web sites.

Newspaper website	Users, ‘000, December 2008
1. Guardian.co.uk	22,829
2. Telegraph.co.uk	21,052
3. Mail Online	19,663
4. TimesOnline	19,117
5. The Sun Online	18,962

Source: Audit Bureau of Circulation, ABCe

Lindblom casts a long shadow over the media industry’s investment in the new online media, which will not compensate for the revenue lost by the printed media.

⁹² Alan Rusbridger, speech at the Media and Politics seminar 28.11-2008; “Being an editor”, Nuffield College and Reuters Institute for the Study of Journalism, University of Oxford.

Media convergence – having several different outlets, such as newspapers, online newswires, TV and radio – may cannibalize a publisher's own products and harm its business model, if the same news and editorial content is delivered via several outlets in more or less the same format. Professor Picard stresses that publishers have to answer first the strategic question of when and what to put online, and then what to print in newspapers. A buffet table in the newspaper or on the web will not serve anyone in the future. The Internet requires different kinds of material, and so does print or television.⁹³

Also, the editors have to decide to which areas, subjects and outlets they will allocate the scarce resources of the newsrooms in order to achieve the best outcome and revenue in the future.

Technology-driven news production and processing look effective and professional. A single reporter covers a news conference with audio-, video- and text material, but if there is no or very little demand and a lack of users for the content, no paying audience or advertisements, the blog or website is not viable economically. There follows a real life example from a recent conference:

*An online blogger for journalism.co.uk sat beside me at the Oxford Media Convention 2009 (22.1.2009) in the Said Business School's Nelson Mandela lecture theatre. She was covering the MP Andy Burnham's (the Secretary of State for Culture and Media in the UK) keynote speech on British media in her online blog. She was equipped with every possible digital gadget for tape-recording, a camcorder, and a laptop on which to write the story and send the material onwards. During the minister's speech, she issued 6-7 posts of 140 characters via Twitter (a social networking and micro-blogging service) to her site's online blog at journalism.co.uk. Her laptop showed accurately and online the total number of her blog viewers: there were only 74 eyeballs locked to the twitter-blog in a country of 60 million inhabitants.*⁹⁴

⁹³ Robert G. Picard, personal interview 5.2.2009, Oxford, UK.

⁹⁴ Journalism.co.uk is a free website, published by Mousetrap Media Ltd. The publisher is an independent online publishing and editorial services company based in Brighton, UK, covering among other things newsworthy conferences in the UK.

A major Finnish pulp and paper industry consulting firm, Pöyry Forest Consulting Oy, and suggested recently that there is a strong backlash against them information gadgets, blogs, instant messaging, twittering, FaceBooking and being your own newsagency. Pöyry Forest Consulting's Petri Vasara Dr. Tech., bases his argument on the weak signals, which are getting stronger: even professionals confess to having problems keeping up with their blogs, FaceBook, Twitters... *"It is tough to spend your life documenting it instead of living it. Expect a strong backlash: information overload, gadget overload, communication/self-reporting overload crash."*⁹⁵

4. Different strategies for moving to the web – future models of online news

Is there a viable business model for online news? *"Its damn hard to find anyone to come forward with a new convincing business model in journalism"*, said City University's Professor Adrian Monck bluntly.⁹⁶

In the recent literature and in the active discussion in the media and between media researchers, there have emerged several speculative models of media structures and possible future business models for online news. I will now examine more closely the main proposals that I have come across while working on this paper.

I studied two examples of newcomers in the online news media and their business models: Breakingviews.com and lontoocalling.com. I will mirror these examples to the online models discussed in this chapter. The study is based on personal interviews I conducted with the founders and chief editors of these web-based online titles. Although Breakingviews started its business in 2000, at a relatively early stage compared, for example, with its media partners, many have been in the business for over a century. Lontoocalling.com is a real newcomer in the business, and it began publishing in early January 2009. Both of these outlets are published online, but their business models are completely different from each other. The main difference is that lontoocalling.com is an open site without any subscription

⁹⁵.Petri Vasara, Dr. Tech., principal, Pöyry Forest Consulting Oy, The Impact On the Pulp and paper chain, presentation in CEPI Workshop- Riding the Turbulence, the Pulp and Paper Industry in Crisi times, 31.3. 2009.

⁹⁶ Adrian Monck, Professor of Journalism, City University, The (good) future of journalism, Reuters Institute seminar, University of Oxford, 15.10.2008.

fees or paywalls, while breakingviews.com is based on subscription fees, which must be paid prior to gaining access to the service.

4.1 Paid online news

Advertising on the web sites has grown steadily, with double-digit growth, but, as its portion of overall advertising revenue has been only a tenth or less, the over 20% yearly increase has not changed its minority position rapidly. In the US, web advertising declined in the fourth quarter of 2008. The Enders analysis of UK advertising revenue in 2009 forecasts that internet advertising will grow by only 2.1% in 2009, a sharp decline from 20% in 2008, and that any revenue flow that an online site can raise from subscriptions and selling content appears attractive.⁹⁷

Some business news sites, like the FT and Wall Street Journal (WSJ) have been successfully employing the partly-paid business model with firewalls between the free content and premium content and a price tag or subscription fee for certain areas. According to MediaGuardian, this is a sign of a return to the idea of subscriptions. The paper quoted News International's Rupert Murdoch, who said, that the company has to find new ways to monetise its huge audiences. Time will show whether WSJ's subscription and model will be applied to its News Corp siblings, the Times and Sunday Times.⁹⁸

There were prominent daily newspapers, like The New York Times, which earlier also gathered subscription fees from their website users. The NYT stopped charging for access to parts of its web site in September 2007. What changed, the Times said, was that many more readers started accessing the site via search engines (Google and Yahoo) and links from other sites instead of going directly to NYTimes.com. These indirect readers, unable to get access to articles behind the pay wall and less likely to pay subscription fees than the more loyal direct users, were seen as opportunities for more page views and increased advertising revenue.⁹⁹

In February 2009, the growth of advertising revenue ceased, and so subscriptions again appeared to provide the more attractive and constant type of revenue, compared to the uncertain advertising revenue.

⁹⁷ Enders Analysis of UK advertising revenue, Impact of the credit crisis on media industries, 19.1.2009.

⁹⁸ Jemina Kiss, The Guardian; The writing on the paywall, 23.2.2009.

⁹⁹ Richard Pérez-Pena, nytimes.com, Times to stop charging for parts of its web site, 18.9.2007, http://www.nytimes.com/2007/09/18/business/media/18times.html?_r=1&sq=newspapers.

4.1.1 Breakingviews.com's reliance on subscriptions

In this section, I will focus on the London-based Breakingviews.com, which is an online economic commentary and analysis newswire. It began operating in 2000 and, after six months, switched its business model from advertising to subscriptions.

Breakingviews' real-time subscriptions service now reaches around 15,000 financial professionals. It has got syndication agreements with leading newspapers, magazines and electronic publications through which it reach a broader audience of nearly 4.5 million investors and opinion-formers. Breakingviews has 25 correspondents and columnists based in London, New York, Paris, Washington, San Francisco and Madrid. It has had a bureau in New York since 2004, and is starting to operate in Asia, with a bureau in Hong Kong.

Breakingviews' revenue is based mainly on subscriptions, and syndication and advertisement revenue plays a minor role in its business model. Breakingviews' service relies on high quality commentary and value-added analysis of business news. Beside the commentary there is usually a short box of news context. The case study is based on an interview with Breakingviews' founder, the main owner and editor-in-chief, Hugo Dixon. Dixon worked previously as an editor on the financial Times' Lex column. He is the largest shareholder of Breakingviews and the chair of the board. According to BV's web pages, the private company has over 40 shareholders, including the WSJ.¹⁰⁰

Breakingviews' prominent media partners in the US and around Europe. What is Breakingviews business model? Are you a wholesale company of financial commentary and news analysis? Is it a growing business area in the newspaper industry and in the media?

How does an outsourcing and syndication firm see its role and future?

Interview with Breakingviews' Hugo Dixon.

¹⁰⁰ Breakingviews, personal interview with chair of the board and editor-in-chief, Hugo Dixon/Kimmo Lundén at BV's headquarters, 16 St Helen Street, London, 26.1.2009.

Hugo Dixon relies on the subscription model for Breakingviews. The bulk of the company's revenue comes from subscriptions, especially corporate ones. Its subscribers include both financial and non-financial organisations, plus a few individual subscribers, and subscriptions constitute 80 percent of the total revenue. Most of the rest is syndication revenue from their newspaper partners, and only a very small amount comes from advertisements, books, etc.

Dixon relies on subscriptions and syndication:

“I think that the subscription model is a great model, because it has a very high revenue level and it is not that volatile as an advertising revenue stream. Similarly, syndication is also a very good business model, because it also has very good revenue rates; it's steady. The problem with it is that the newspapers don't have much money to spend. We are getting more deals and, as newspapers understand the importance of outsourcing, they also try to avoid spending money.”



Picture 4.1.1: A screen capture from Breakingviews' website, breakingviews.com.

Dixon regards BV as a very high end-service for its subscribers, though, compared to many other websites, its volume is relatively small. This is a crucial point for advertisers.

"15,000 high-end subscribers is great, but you are not making money through advertising to 15,000 subscribers, however important they are."

BV had to modify its business model only 6 months after its launch in 2000:

"Our first idea was a subscription model, but, when we launched the service, it was free to advertise. Then, we quickly went back to the subscription model after six months. That was because we thought it would be impossible to have just an advertising model."

According to Dixon, an online service has to be distinctive in order to charge a subscription. This is not possible for every type of media. However, Dixon recommends that newspapers should consider the possibility of changing their content:

“That said, I think that most newspapers should implement some form of subscription charge – at least high quality newspapers should be able to do that.”

The problem is that, if one tries to do it and nobody follows, then the one who charges would lose out. The economic downturn and current financial crisis, combined with the structural trend of a long-term decline of newspapers, will probably push newspapers to retreat to their paid sites and online content :

“To put these things together, quite a lot of newspapers will suffer very badly – some may go out of business. For those who remain, it may become easier to put in place some kind of charging mechanism.”

The current global economic and financial crisis has pushed up the readership of quality news. According to Dixon, BV has benefited, too: its readership has increased by around 50% since the global financial crisis started in autumn 2008. Also, the number of people taking out BV’s free trial has increased five-fold since the financial crises started autumn 2008. The annual subscription fee for the Breakingviews’ service is £600, and its bargain sale price after a one month trial period was £25/month (as of January 2009). Dixon believes that its readership has risen partly because of the marketing they did, and partly because of the financial crisis. Also, their media partners link to BV’s sites, which brings traffic.

“Everybody is now interested in reading about this type of subject (the economic crisis and what it means). It has been very good for our traffic. Last year, our traffic increased by something like 3-4 times (compared to the year before). It is a mixture of existing subscribers reading more, free-trial period subscribers, and some people taking out free stories through our partner.”

Dixon thinks that BV has mainly benefited from the economically hard times that the newspaper industry is facing:

“Mainly, we benefit, because the financial crisis is accelerating the move to online. The reason for this is that people want to read what’s happening on the day when its happening rather than the next day. The other benefit we have – as newspapers suffer, they will cut their costs and more of them will decide to outsource. The second positive trend is that, as they cut their costs, the quality they (the newspapers) produce themselves will inevitably decline. That will give us a margin of benefit, as the quality gap between us and the newspapers will increase. The negative (factor) is that some of them will find it is hard to pay for content, or they won’t pay too much for it. In terms of revenue streams, syndication is the second most important revenue after subscriptions.”

What is Breakingviews’ own financial position and profitability?

For business reasons, Dixon refused to reveal the company’s figures or exact financial position. According to Dixon, broadly speaking, Breakingviews’ Europe branch is profitable. In the US, the company started in 2004: *“America is still at the built-up place. Now, we are starting our Asian expansion. That’s still in a very early stage. BV is opening its bureau in Hong Kong in February 2009. In time, BV intends to have more bureaus in the Far East.”* BV has kept its business in Europe profitable but has suffered a loss in the United States. Dixon says that these businesses take 3 to 5 years to reach profitability in each region.

The ultimate goal of the company is to become a global brand:

“To do that we need very good journalists, because, in our business, one cannot sell content – especially when everyone else is providing it for free – unless it is very good content.”

According to Dixon, talent is expensive in BV’s industry. He sees it as one of the benefits of the economic downturn that talent is becoming cheaper. Also, it will be easier to attract good journalists from newspapers to the web. When Breakingviews started, it was seen as a risky start-up and, for the first few years, Dixon found it hard to persuade people from established newspapers to join his company. Now the situation has changed: it might be risky to stay in the newspaper business.

Will there always be a demand for business media and business information?

“Yes, of course. Business thrives with information. And not just raw information, but inside analysis. I don’t think it is possible for a business to function without good information. Finance is the most information hungry part of the business world. There is a problem of the overload of information. We focus on making our stories sharp, to the point. Part of good commentary and analysis is that it helps to make sense of this vast amount of basic information.”

What is the value of news and commentary? You put the commentary and analysis first and beside the comment, there is a shorter story of context news. Is it commentary and visions people are looking for?

“I think so. Basic news is very hard to make money out of. They are commoditised. It is very difficult to add value to news. About commentary - people want commentary, but also branded commentary. High quality commentary. It depends on the audience and, in our case, we are talking about a professional audience. Our readers don’t really want to spend a lot of time going around a lot of different blogs. They want quality, and don’t want to waste time and confidence that the commentary is based on research rather than just a man in a room briefing or writing a blog.”

Dixon outlines the company’s role for newspapers, which want to outsource their economic editorial commentary. According to him, in the world, there are only the FT and the WSJ that are able to produce BV’s type of journalism on a global base. There are some other newspapers that are able to do it for their own (geographical) market, but not globally.

“This was the issue why the Wall Street Journal wanted to bring it inside their house instead of continuing outsourcing this commentary to us.”

Added value for readers: special calculators

Breakingviews has added value to its service with the special calculators, which are used, for example, to show subscribers what kind of implications a certain news item has, for example, for share-holders:

“We do not do very many of these, but when we do, they are attractive to our readers .For example, Madoff’s Ponzi-scheme of fraud – we put a couple of calculators to try to reverse-engineer what he might have been doing, and to play different scenarios to run a Bernie Madoff’s Ponzi-scheme. It was a bit like a game – with a serious purpose.”

Also, video is being used on the website. However, Breakingviews television, BVTV, plays a minor role. According to Dixon, TV is an experiment with the US markets and is more for the purposes of marketing Breakingviews, than providing content to the subscribers.

Breakingviews’ milestones:

1999

Hugo Dixon, former editor of the Financial Times’ Lex column, sets up Europe’s first online commentary service with FT colleague Jonathan Ford.

2000

Breakingviews launched.

Daily columns launched in the *Wall Street Journal* Europe and Italy’s *La Repubblica*.

Hugo Dixon is Business Journalist of the Year at the British Press Awards.

2001

Daily columns in Dutch daily *NRC Handelsblad* and Switzerland’s *L’Agefi*.

Breakingviews awarded a European Online Journalism award for its coverage of conflicts in investment banking and securities research.

2002

Breakingviews introduces interactive online calculators. A column begins in Spain’s *Gaceta de los Negocios*.

2003

A new daily column in *Tijd*, Belgium’s leading financial newspaper.

2004

The US bureau opens in New York, led by Rob Cox.

2005

Breakingviews US goes live and launches a column in the *Wall Street Journal*’s weekend edition.

2006

A daily column launches in the *Wall Street Journal*.

2007

Breakingviews launches new daily columns in *Handelsblatt* and *Le Monde*. Claudio Costamagna and Mervyn Davies join the BV board. A new column appears in the Indian financial paper, *Mint*.

2008

The Telegraph, *The New York Times* and the *International Herald Tribune* are to begin publishing breakingviews.com columns. Other new partners include *The Business Times*, *La Stampa*, *The National*, *El País* and *Cinco Días*.

2009

BV goes to Asia and opens its HongKong bureau.

Source: breakingviews.com

In general, the newspapers have diminished their newsrooms recently, but BV has been recruiting editorial staff until recently. In January 2009, the company was still recruiting in the areas of sales and marketing.

4.2 Advertising model for online news - content sharing and linking

“Do what you do best and link to the rest”, is the motto of Professor Jeff Jarvis. Jarvis keeps referring to his linked economy model of news in his blog at buzzmachine.com. In his reverse-syndication model, the content is produced elsewhere, either free or paid, and is brought via various links to one place, a news title or outlet, where it is valuably sorted and searched (Picture 4.2), and monetized, too. He believes in an advertisement-based business model for online news.

The problem for the online news industry so far has been that the advertising revenue is insufficient to cover the lost advertising revenue from print or all of the costs of online content production. According to McKinsey, a market research company, the revenue per online user are, at best, only 1/20 that of print. Can the web save newspapers? asked Dr Mathew Hindman, who investigated the web traffic on the 300 biggest websites in the world. He concluded that a news site needs 30 online readers to cover the loss of one print subscriber, in the US especially, where the regional and local newspapers have lost their display and classified advertisements to websites like craigslist.com.¹⁰¹

“Charging for content reduces audience, which in turn reduces advertising revenue.”¹⁰²

Jarvis opposes charging for content. The main reason he gives is that, when content is hidden (behind pay walls), it cannot be found via searches. In a link-and-search economy, an article without links has no readers and thus no value.

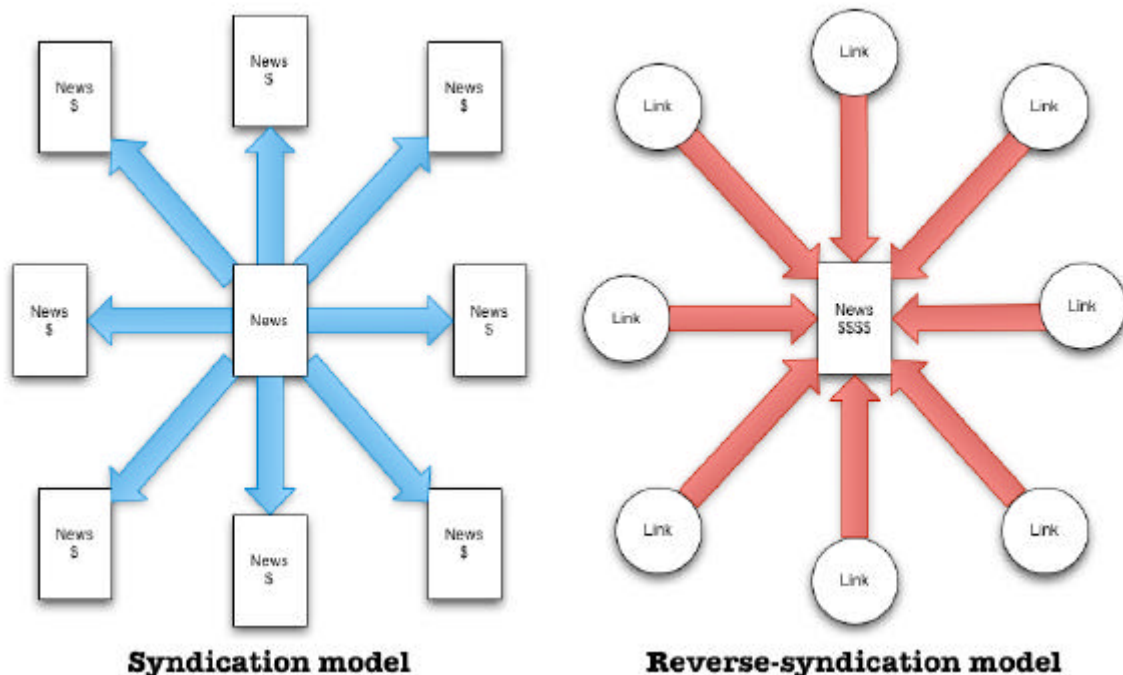
However, it is possible to find articles behind pay walls, too. Part of the article is usually free, and, if the reader is interested, then he/she can buy the right to read or subscribe to the

¹⁰¹ Martin Hindman, Assistant Professor of Political Science at Arizona State University, speaking at the Oxford Internet Institute 4.3.2009 on “The more things change, the more they stay the same: Online audiences and the paradox of the web traffic”.

¹⁰² Jeff Jarvis, Digital Media, “News sites should quit moaning about payment and just gopher it”, the Guardian, 23.2.2009.

title. Micropayments offer another way to pay for a single article, though the opinions on doable micropayments are divided; for example, the Nieman Journalism Lab at Harvard University has debated their pros and cons.¹⁰³ Professor Jarvis has little confidence in the concept of micropayments. According to him, micropayments have never been shown to work except when distribution is tightly controlled, as with mobile phones and iTunes.

Picture 4.2: Content v. link economy for news, according to Professor Jeff Jarvis.



Content economy

- Own/control content
- Syndicate/sell
- Many copies
- Monetized at the edge
- Value created with content

Link economy

- One copy, many links
- Made open (searchable, linkable)
- Monetized at the center
- Links bring efficiencies:
(Do what you do best, link to the rest)
- Value created with links

Source: Professor Jeff Jarvis, CUNY Graduate school of Journalism, a slideshow, October 2008.

In the UK, the Enders Analysis consultancy estimates that online micropayments or with the help of new eReaders like Amazon Kindle *“even collectively they will never be on the scale*

¹⁰³ Nieman Journalism Lab, Harvard university, <http://www.niemanlab.org/2009/02/the-micropayment-debate-continues/>.

of the newspaper industry existing micropayment system, whereby 11 million consumers spend 50p or a £1 to pick up a national newspaper seven days a week."¹⁰⁴

4.2.1 How does a newcomer, lontoocalling.com, regard its business?

In the following, I will focus on a newcomer – a website, which has close links to the two economic models pictured by Professor Jarvis and shown above.

Lontoocalling.com (Picture 4.2, a screen capture of the website) was launched on 8 January 2009. I interviewed Mrs Myllylahti in London, three weeks after she launched her website. She explained the reasons and fundamentals of her new website for Finnish-speakers, how the site and her work as a journalist is linked to other online news sources in Finland, and her site's business model.¹⁰⁵ The founder and, at present, sole operator of the lontoocalling.com website, Merja Myllylahti regards her site's business model as a mixture of Professor Jarvis' "syndication model" of news and the "Reverse-syndication model of news. It is partly a syndicating website, as Myllylahti diversifies her articles and columns also to the online newspaper, uusisuomi.fi. It works also as a link-model, since lontoocalling.com has links to the Finnish online news sites uusisuomi.fi, taloussanomat.fi and the broadcasting company, MTV3.fi. Myllylahti writes a blog for her site and for uusisuomi.fi, and lontoocalling.fi is also linked to the most popular blogs in Finland.

Lontoocalling.com was launched as a Finnish-speaking website for breaking news and commenting on news and trends in London and in rest of the UK. It covers areas like politics, business and finance, culture, fashion, the environment, art and travel. Mostly, the coverage has some Finnish interest or connection. The multimedia journalist, Myllylahti, has a long-reaching perspective of Britain and London, as she has worked as a correspondent (Kauppalehti, Finnish Business Daily) and a free-lance correspondent (uusisuomi.fi, MTV3) in London for the past 14 years.

Foreign correspondents were among the first to be cut, when newspapers sought to reduce their newsroom costs. Correspondents and their bureaus abroad are one of the biggest single editorial investments. However, in the globalized world and economy, international news has

¹⁰⁴ Enders Analysis, Media (2009-061e), Will consumers pay for online news, 27.5.2009,

¹⁰⁵ A personal interview with the founder of lontoocalling.com and multimedia journalist, Merja Myllylahti/Kimmo Lundén in London, 30.1.2009.

its readers and importance. Environmental issues, climate change and world politics, for instance, do not have borders, and it has been argued that foreign news and commentary are in greater demand now than ever before.

According to Myllylahti, lontoocalling.com was launched to meet this demand in Finland and among the Finnish-speaking audience in general:

“Ten years ago, around ten Finnish correspondents worked in London on the monthly payroll of the Finnish media. By the beginning of 2009, there was only one correspondent left, working for Helsingin Sanomat. Ilta-Sanomat (a Finnish evening newspaper) was the last of the Finnish media to withdraw its permanent contract correspondent from London. Lontoocalling.com aims to fill that market gap. Britain is like an indicator of what’s happening next in the world.”

Myllylahti’s own contract with Kauppalehti ended in 2007, after which Kauppalehti had no London correspondent. In a perfect market economy, any vacuum or failure to meet customers’ needs will be filled by a new product or service provider, on which Myllylahti is counting on with lontoocalling.com. She thinks that there is still genuine need for foreign news and commentary with a British context in the Finnish language. So, what is the business model and cutting edge of a Finnish language web page in London?

The added value that Myllylahti provides to her linking partners is her exclusive stories and columns, first published on uusisuomi.fi or broadcast on MTV3 and then on lontoocalling.com. Value is created via the links. She sees lontoocalling.com also as an open media, as it is searchable and linkable. In the future, she foresees that lontoo.calling.fi will become a niche-online media, not a news agency.

When the web page started, she was the sole contributor and journalist working for it. By the end of January 2009, lontoocalling.com was attracting 1,400 visitors per day and 5,000 visitors per week. Myllylahti regards 10,000 visitors per month as a realistic target within the next two years. In order to increase its clicks and traffic, the web page needs more media partners. Some negotiations were ongoing at the time of the interview. So far, the marketing of the web site has been moderate, relying mainly on word of mouth and

facebook, a social networking site. At the moment, there is a greater flow of clicks from lontoocalling.com pages to its media partners' sites than vice versa.

"I think, one should already have money, when a story is linked to another site and it gathers clicks and traffic. For example, when my story on lingerie brought 3,000 extra visitors to uusisuomi.fi's website, I should have been compensated for this. How to price reader directing is a question of agreement."

lontoocalling.com is seeking longer term advertising sponsors with up to one year contracts to gather advertising revenue also. Firstly, Google ads have been linked to the site, though Myllylahti doubts that a minor niche website can survive through advertising revenue alone. A few months after the interview, in May 2009, Myllylahti wrote to her site how she has checked her Google-account to find out how much money she has earned with the help of Google AdSense advertisements during March and April. It was only a disappointed 12,96 USD. The letter sent by Google informed her that she could raise her earnings as soon as she has earned 100 USD.¹⁰⁶

Establishing a new web page like lontoocalling.com is relatively cheap. To create the site's visual content, Myllylahti used the free Wordpress revolution team outline, which she tailored to her site's needs. The site's server is maintained by a teleoperator.

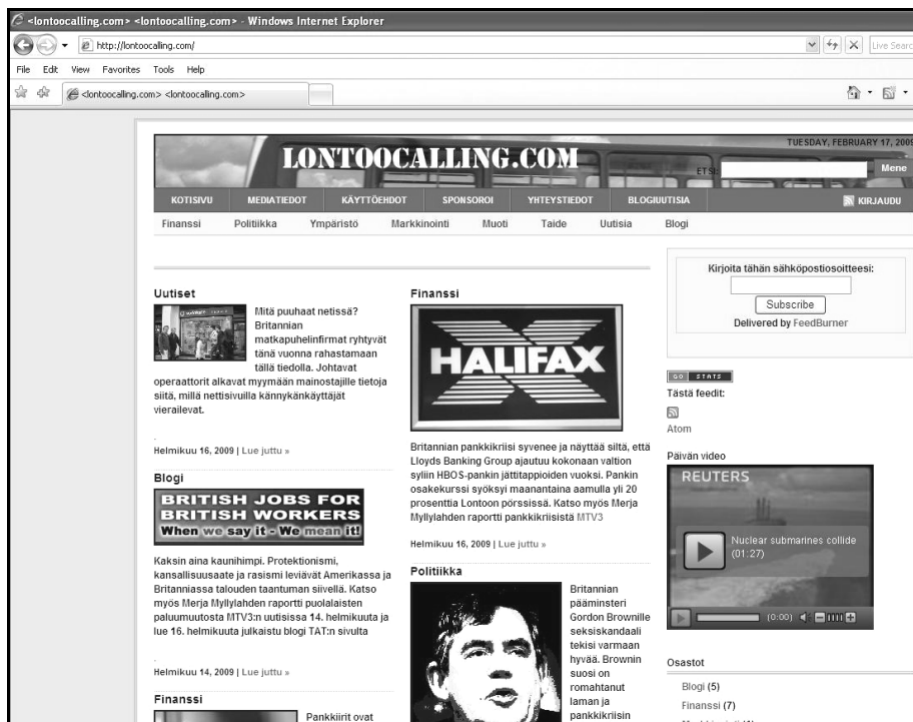
Myllylahti's main resource is her own know-how and years of experience. To become economically viable, she thinks that the site would need to employ two more journalists/photographers. She is an experienced multimedia journalist herself, so would not rely on citizen journalists to provide content for her site. Above all, she trusts professional journalists.

As an experienced journalist and foreign correspondent, Myllylahti sees several reasons why foreign news coverage has been cut by the media. The clicking culture or, as Andrew Currah named it earlier, windsocks, is influencing the editorial decisions in the online environment. Myllylahti expresses concerns about this negative development in journalism in her

¹⁰⁶ Merja Myllylahti (2009b), Lontoocalling.com, Bloggaamalla rikastuu: 12 dollaria kahdessa kuukaudessa!, 10.5.2009, <http://lontoocalling.com/2009/05/10/bloggaamalla-rikastuu-12-dollaria-kahdessa-kuukaudessa/>

interview on the Finnish Embassy's web page. Myllylahti argues that this flirting with readers has gone too far, and that, in her experience, there are still readers and an audience for the serious coverage of news:

“If the media supplies only circus and entertainment, there is a threat that the audience may no longer miss the real bread and butter.”¹⁰⁷



Picture 4.2.1: A screen capture from the lontoocalling.com web site, 17.2.2008.

4.3 Will online blogs become advertisement-supported newspapers?

Local bloggers post their comments on the net for anyone who is interested in reading them. They are able to start blogging at virtually zero cost, either as a hobby or through a desire to air their views in public.

Tony Borden, who runs a nongovernmental organisation, the Institute for War and Peace Reporting (IWPR), argues that: “if a blog is somehow very popular, it shows that there are

¹⁰⁷ Merja Myllylahti, interview on the Finnish Embassy in London's website: ”Klikkauskulttuuri määrittää online-uutisointia, 27.2.2009; <http://www.finemb.org.uk/Public/default.aspx?contentid=159996&nodeid=35864&culture=fi-FI>.

weaknesses in local journalism”. The IWPR has gained much experience from many warzone and conflict areas, where it has helped to found local media and local news agencies, and has mentored local journalists.¹⁰⁸

The invasion by bloggers of the new technology and the transformation of the media to become more open and social for its audiences is an ongoing trend. The business problems that the web has caused for the printed media have occurred mainly in the Anglo-Saxon and US markets. A similar development and a need to change the existing business models could very well occur in the emerging media markets, like China and Latin America.

On the other hand, in the US, blogging has become a relevant competitor to traditional publishing when it offers news along with opinions. Huffpost notes that the founder and one of the main pioneers of the US blogosphere, Arianna Huffington, was able to generate new capital worth \$20 million from investors, even during the credit crunch of 2008-09.

Online blogs may even turn out to be worth reprinting, constituting a new kind of newspaper. A Chicago start-up, the Printed Blog, plans to reprint blog posts on regular paper, surrounded by local advertisements, and distribute these publications free in big cities in the US. The Printed Blog expects to diminish many of the major costs that make traditional newspapers expensive. It will place commercial printers in the homes of its distributors, thus avoiding the circulation costs associated with using central printing presses, and will sell advertising on the website, thus saving some money by not employing many sales people, while the content is written by bloggers, thus saving the cost of employing reporters. Only time will tell whether this business proves successful.¹⁰⁹

One of the benefits of this approach is that it provides local merchant businesses with a highly targeted way of connecting with pinning advertisements on their customer base. In this way, the advertising makes more sense than doing blanket advertising. Still, there are many doubts about whether blogs and blogging will ever be able to compete with the established news institutions or meet society’s need for information.

¹⁰⁸ Tony Borden, Director of the IWPR, speaking at the Reuters Institute for the Study of Journalism Lunchtime Seminar 22.10.2008 on “The Journalism of hate, and what we can do about it”.

¹⁰⁹ Claire Cain Miller, NYTimes.com 22.1.2009, Publisher rethinks the daily: It’s free and printed and has blogs all over. <http://www.nytimes.com/2009/01/22/technology/start-ups/22blogpaper.html?>



Picture 4.3: A screen capture from the Printed Blog home web site, 4.4.2009.

Individual bloggers and new online websites often fill in the gap that established titles newspapers, magazines, radio or broadcast TV and their online outlets have not been able to fill satisfactorily, so, the new rivals, the bloggers, have stepped in. John Lloyd, Director of Journalism at the Reuters Institute for the Study of Journalism and editor of the Financial Times, argues that so-called citizen journalism or individual bloggers are not the saviour of journalism. Speaking at the Oxford Media Convention 2009, Lloyd pointed out that citizen journalists lack the institutional power needed to challenge, meet, and write about the powerful institutions of a society.¹¹⁰

¹¹⁰ John Lloyd, Director of Journalism at the Reuters Institute for the Study of Journalism, commenting at the Oxford Media Convention panel “The news is dead, long live the news!”, Said Business School, University of Oxford 22.1.2009.

4.4 Role of cross-subsidies

As most of the digital online outlets, at least when they launched, are making losses, the owner company may have to keep them alive and provide them with resources until they are able to maintain themselves. Cross-subsidies between a media group's different outlets and sections are widely used. For example, in the UK, the Guardian Media Group is one of the biggest online sites, with over 20 million weekly readers. Even though its online business is still in the red, it has been subsidized by other parts of the Group's business.

The Guardian Media Group as a whole produced a strong financial result from its last full year in 2007/2008 and its profit before tax was £306.4 million. The operating profit from its continuing operations was £5.1 million. The group, owned by Scott Trust, has an exceptionally strong financial situation having sold, last year, its 49.9% stake in its subsidiary's, the Trader Media Group, classified advertisements. During the last few years, the Guardian has invested heavily in its online news and businesses, and it is financially able and committed to continuing to cross-subsidize its core division, Guardian News & Media.¹¹¹

Similar cross-subsidy arrangements are being employed across the market. Pearson PLC, which owns the Financial Times newspaper, also runs Penguin Books and publishes educational textbooks in the US. Pearson posted a 2.8 per cent increase in 2008's net profit of £292 million and said that it expects at least to maintain its profit this year, as its limited reliance on advertising revenue shields it from the worst of the media slowdown. Pearson bucked the media downturn, as its higher-education business in the US balanced a weak market for textbooks, and the fall in advertising at the Financial Times was offset by subscription and digital revenue.¹¹² However, any kind of subsidization should avoid enhancing inefficient business practices, and business may feel too sheltered when there is no incentive for it to innovate.

¹¹¹ Guardian Media Group, Financial result rose 2007-2008, press release 30.7.2008.

¹¹² Kathy Sandler, The Wall Street Journal, "Pearson net up 2.8%; Steady '09 expected", 3.3.2009, <http://online.wsj.com/article/SB123599095497008287.html>.

4.5 Business models in change

Picard writes that understanding the business model under which a firm or product operates is especially important when new products or services are developed or the industry in which one operates is in a state of significant change.

As the environment in which a firm or industry changes, the factors that support a business model change simultaneously. As a result, business models that may once have been successful may become less successful and be abandoned.¹¹³ If circumstances and situations change, the once abandoned business model may be reintroduced successfully for the same or different products or services. The audiences have proved unwilling to pay for general news are rethinking how to reintroduce paid models and firewalls to news sites. However, online, real-time financial information has always been a payable service. Examples include Financial Times interactive data, Dow Jones Interactive, Reuters financial services and Bloomberg professional.

In the free web model, the costs are paid by the content providers and advertisers. Audiences have accepted this model widely, but the content providers are usually in the red, as the advertising revenue has not proved sufficient to cover the costs. The internet web advertising push has been the mechanism to find a broader revenue stream. The internet service providers and content organisers know who their registered users are, their lifestyles, hobbies and interests. They used this information and sold it for targeted advertising to the advertising companies. The firms push advertisements towards audiences who would be most interested in the products and services offered.

¹¹³ Robert G. Picard, Changing business models of online content services, p. 62, 63-65 The International Journal on Media Management – Vol.2 – No.11 – 2000.

Picture 4.5: Business models

Business models change:

- When they are not working as expected or not working as well as in the past
- When the product or service is changed or the product extension takes place
- When disruptive competitors appear

Business models answer questions:

- What business is a firm in?
- How does it provide the product or service?
- Who are the customers?
- How does it receive revenue?
- How does the company plan to develop and grow?

Source: Business models: Theory and application, a slideshow by Professor Robert G. Picard, Media Management and Transformation Centre, Jönköping International Business School.

4.6 Charitable model for news

The New York Times recently asked editors, well-known web page founders and academics their opinions about what kind of survival strategies the dailies should adopt in order for readers to obtain local news if some of the mid-sized US metropolitan papers fold. The charitable, non-profit-model of news was prominent in many of the comments elicited.¹¹⁴ In this section, I will examine the arguments backing the charitable model of news and view a few examples in the market.

Nicholas Lemann, the Dean of Columbia Journalism School saw two ways of looking at the problem. The first was to shore up the newsgathering by newspapers by charging for the content on newspapers' websites, establishing new sources of revenue, and cutting production and distribution costs. He suggests seeking help from outsiders, such as non-profit organizations like ProPublica, which deliver free content to newspapers on subjects about which they are concerned. Alternatively, the gap in independent reporting on matters of public importance could be filled by other organizations, web-based news services or new, local news organizations. All of this takes time money and training, however.

¹¹⁴ The New York Times, Room for Debate: Battle plans for newspapers, by the editors, 10.2.2009, <http://roomfordebate.blogs.nytimes.com/2009/02/10/battle-plans-fo-newspapers/>.

Another view was presented by Joel Kramer, the Chief Executive and Editor of MinnPost.com, which is a not-for-profit website on regional journalism. He thinks that serious journalism is a community asset, not just a consumer good, and that people and foundations should support it, just as they support museums. He would rely more on revenue from readers than advertisements. Higher prices would probably lead to a drop in circulation, but he thinks that this would be a better choice than going online-only or trying to become profitable through web advertising only.

Steven Brill, founder of the American Lawyer magazine, gives his vote to paid content, too. Free online content is complete suicide, he argues. According to him, local papers should charge online because they have fewer competitors for the local reporting they undertake.

Geneva Overholser is a director of the Annenberg School of Journalism. She thinks that newspapers should distinguish their own reporting from that of community sources and set standards for selecting their partners; for example, a consortium of arts organizations may have a reliable events calendar. An alternative weekly may contain film, theatre and concert reviews. Bloggers could assemble information from parents to cover the local school system.

The founder of craigslist.org (a free online classified advertising and forum site), Craig Newmark, regards the philanthropic model of news as a saviour. There will always be a need for fact checking and the courage to speak truth to power – whether this is being done by new or old media. Also, Newmark points out the importance of the philanthropic model for news like ProPublica.org:

The non-profit organization, ProPublica, in the US, has started to provide free content to newspapers on subjects that concern them. ProPublica is an independent, non-profit newsroom that produces investigative journalism in the public interest. Their work focuses exclusively on truly important stories, those with “moral force”. ProPublica has an independent newsroom in Manhattan and is led by Paul Steiger, former Managing Editor of the Wall Street Journal. With 28 working journalists they count themselves as the largest investigative journalism operation in the United States. Investigative journalism was said to be the first victim of commercial pressure and the digital revolution, being costly and time-consuming

to produce. ProPublica is supported by the Sandler Foundation's major, multi-year commitment to fund it. ProPublica states, on its web pages, that the corporation has received other philanthropic contributions also – and welcomes more.¹¹⁵

Andrew Keen is the author of the “Cult of the Amateur”. He underlines the role of local information. “We generally go online to get local information – directions to stores, telephone numbers and addresses, restaurant reviews, local political views, the weather... Local information, therefore, is potentially the most valuable product in the knowledge economy.

Edward M. Fouhy is a veteran journalist, the founding director of the Pew Center for Civic Journalism and the founding editor of Stateline.org, a news site that covers state policy. He does not think that there is a single economic model, which fits all. However, he refers to a philanthropic model which is in use in San Diego and uses a modified public radio model. Readers who are willing to contribute in return for first rate journalism pay membership fees. Six figure contributions are made by philanthropic-minded citizens, and local foundations provide grants. About 10 per cent of the annual \$840,000 budget comes from advertisers.

How much of a one-off endowment would a prominent newspapers need in monetary terms to turn them into non-profit, endowed institution, like a college or university? The average profit margins of titles like the Washington Post and the New York Times have fallen by 25-50 percent over the past five years, compared to what they were in the previous 15 years. David Swensen and Michael Smidt estimated that a newspaper like the New York Times would require an endowment of approximately \$5 billion. Another question is, of course, whether the owners would ever sell their title, even for a good purpose.¹¹⁶

In the US, there are several, richly endowed, journalistically-involved charitable organizations, including Alicia Patterson, the Annenberg and Knight foundations, the Pew Charitable Trusts, the Poynter Institute and the Nieman fellowship programme at Harvard. According to Currah, the presence of philanthropic institutions and foundations demands tax

¹¹⁵ Propublica: <http://www.propublica.org/about>.

¹¹⁶ David Swensen and Michael Smidt, The New York Times, News you can endow, 28.1.2009, <http://www.nytimes.com/2009/01/28/opinion/28swensen.html?>

reliefs and benefits. In the US, they exist; in the UK, changes in the UK charity law are needed in order to enhance philanthropy towards the media.¹¹⁷

Even charities and trusts have to make sensible use of their resources in the light of the technological improvements and other efficiency savings. For example, the Scott Trust, that owned the Guardian Media Group, has, during the first quarter of 2009, cut newsroom jobs in its regional newspapers. The Guardian Media Group (GMG), which is a not-for-profit body, has ordered its largest regional newspaper, the Manchester Evening News, to cut 39 of its 89 editorial jobs. Altogether, the group will cut over 100 newsroom jobs with its local and regional papers, and many non-journalist jobs are also being axed.

The Guardian newspaper published an open letter signed by GMG Regional Media Journalists in which the Journalists' Association disapproved of these job cuts. The Guardian newspaper defended the GMG's right to cut costs and jobs in its leading article concerning the local media's bleak news published on the same day (31.3.2009) as the journalists' open letter. According to the Guardian, *"the group's regional papers are rapidly moving from profit to loss, and all the cuts will do is to mitigate those losses. Second, the Scott Trust, which is the ultimate owner of the business, cannot afford to sustain the ongoing losses of more than 30 local papers while also protecting and preserving the Guardian in the most hostile economic and technological climate newspapers have known for generations."*¹¹⁸

A challenge for endowed journalism or a charitable model of journalism is that an endowment, a charity or any kind of subsidization should not encourage inefficient business practices.

In the UK, there are journalism-related charities, like the Thomson Reuters Foundation, which backs the Reuters Institute. In Finland, for example, the Sanomat Foundation funds a significant part of media research, and sends journalists on journalism courses like the fellowship programme at the Reuters Institute at the University of Oxford.

¹¹⁷ Currah (2009: pages 146-147).

¹¹⁸ The Guardian, leading article on local media, Bleak news, 31.3.2009; An open letter to Guardian readers, "How do you find out what's happening in your community?", signed by GMG (Guardian Media Group) Regional Media Journalists, 31.3.2009.

5. Conclusion: Newspapers are not dead

“Overall, the newspaper industry has stopped growing and investors are unhappy, but the industry isn’t dying”, wrote Professor Robert Picard in his blog post of 18.3.2008.¹¹⁹

According to Picard, the biggest challenges facing people in the traditional media today are pessimism and a lack of vision. Morale in publications continues to drop, and doom and gloom are everywhere.

“Things will never be the way they were. So get over it. Move on. Discover and embrace new ways of operating and new opportunities to prosper and grow”, says Picard, one of the world’s leading academic experts on media economics and management.

I would like to believe him – and after what I have come across in my thesis, there are new business opportunities for the media, both in print and online. Moreover, the need and demand for information put together in journalistically tempting and interesting ways has never disappeared.

The price for value has never been more critical for the newspaper industry than it is today. To survive economically, newspapers have to offer value-added, special content, which is better in many ways than its competitors’ offerings or than that which already exists free on the net. Around that, a news media can build its business model in which the costs and revenue are in balance. Its revenue may lie in advertising, subscriptions, paid micropayments charitable donations, or a mixture of them. It has to concentrate on what it does best and may have to outsource and link to other sources the rest.

The print product is moving and developing. When fulfilling its customers’ needs, it has to listen to them, tempt them and give them a chance to be active commentators and even providers of the content, both in print and online. Letters to the editor pages were previously among the most avidly read sections of nearly any newspaper. Now, readers and audiences, both offline and online, need to have an opportunity to comment on almost any news article, comment and analysis. Somehow, they seem to find the time and effort to do that. In the era of the web, the audiences, the customers, are, in that sense, active content providers. In the

¹¹⁹ Robert G. Picard, blog: *The internet, mobile media and youth are not to blame*, 18.3.2008, <http://themediabusiness.blogspot.com/search/label/print%20media>.

long run, the newspapers' cost structure must match the revenue, as well as providing resources to develop new outlets and titles. To attract investors, the privately-owned industry has to be able to pay dividends.

To find an economically viable business model for a print newspaper in the era of the web, there is no 'one size fits all' answer. Neither is there a silver bullet for every online news site to alter and become an economically sound business.

With the global economic recession and plummeting advertising revenue of the media, we may have seen the end of the free lunch. The publishers have enjoyed a time of high profits, which now seem to be over. The number of companies that can be sustained by revenue from internet advertising turns out to be far smaller than many people anticipated. Those publishers, who still obtain revenue from online subscriptions, were lucky to report last year also other revenue besides their plummeting advertising revenue. The writing is on the paywall again, even though that online business model was already thought to be impossible on the web.

The owner of News International, Rupert Murdoch, commented recently: "*I think we have to find new ways to monetise our huge audiences*". The downturn has shown the value of the Wall Street Journal's subscription model.¹²⁰ As the global recession hit the advertising markets in the 4th quarter of 2008 and subsequently, the news publishers, which did not count on advertising revenue only but had a steady and even rising revenue stream from subscriptions, were satisfied. Pearson, the publisher of the Financial Times, was, in 2008, in that way, more shielded compared with other publishers. The company had also to take steps to cut its costs in anticipation of a worsening economic climate. However, 2009 might turn out to be a year when publishers will try to revert to the subscription or partly-paid content models. The freemium philosophy combines free online content with a premium, which is backed up by paid subscriptions.

The death of newspapers has been predicted several times in the past, too, but papers have survived in one format or another every time. In the 1960's, it was television that was supposed to kill newspapers. It never happened. Now, almost 50 years after the technological

¹²⁰ Jemima Kiss, The Guardian, The writing on the paywall, 23.2.2009.

revolution heralded by TV, it might be that, in the era of the internet, TV is a more endangered market than newspapers – both printed and online. According to Professor Picard, the heaviest users of the internet have reduced their TV viewing by two hours per day, because they are using the internet instead, in various ways. Newspapers have not been hit equally.¹²¹

Newspapers are created to alter with the time and society that they reflect and mirror. Some of them will go online-only, which has already happened. New titles, both online and in print, will appear as others fold for good. I compared the newspaper industry in section 3.2.1 (economic downturn hits media ad revenues) to the US car manufacturing industry, the old giants of which are faltering. However, people will not stop buying cars, even if one of the Detroit carmakers folds.

The media's dilemma is relatively similar to that of the automakers. If their business has been too safe for too long, they become resistant to change when the business environment changes. The media that survive the ongoing storm and global financial crisis, and are able to alter and find a business model, will probably enjoy an expanded market share with better profitability in the future.

During the structural change and because of the plummeting advertising markets, the competition will become fiercer, and many titles will disappear. Cost-cutting and job losses are taking place across the industry, as noted in section 3 (Impact of market changes on the value chain of news media).

In chapter 2.4, I wrote about the business media, which has got its niche and proven success with paid online content, such the Wall Street Journal or the Financial Times. Also, a local or regional newspaper may create its niche for very local or special news content. As Professor Robert Picard commented in his personal interview for this thesis, it is in the hands of the editors whether they regard this as a wise move and choose to concentrate on serious news, even locally.

¹²¹ Robert G. Picard, personal interview 5.2.2009.

“The word ‘newspaper’ is going to disappear. Newspaper companies will become information companies. We’ll do well because we have the best news resources and the most at stake.”

The quotation is Scott Bosley’s, published in time.com, 3 December 2008. Surely, Bosley speaks for the established news media as he works as the Executive Director of the American Society of Newspaper Editors.¹²² Probably, there are many citizen journalism enthusiasts who would disagree with Bosley’s views, but I think that his argument has a good foundation. Newspaper companies have the most at stake and the best news resources in the game, including the most professional journalists, archives, economic resources, brand names etc.

Also, as John Lloyd stated in section 4.3.1 (Will online blogs become advertising-supported newspapers?), to play its central civic role of keeping an eye on and public control over powerful institutions and firms, the media need powerful institutions to challenge, meet with and write about them, when needed. Individual bloggers or citizen journalists do not have that power, access or credibility.

The print media has got the online media alongside. Newspapers are in a strong position to extend their off-line publications online – and they are still highly profitable. The same conclusion has the Bear Sterns media analyst, Alexia Quadrani, in the same article at time.com. Wealthy investors have expressed their interest in the collapsed Tribune Co, Boston Globe and the Los Angeles Times, as they are aware that 85% of adults either read a newspaper every week or visit its website.

Newspapers in the key markets may benefit from a return to private ownership. It may well happen that the US-based Tribune company, which went to bankruptcy, and its prominent titles, the Chicago Tribune and the Los Angeles Times will shortly move to private ownership, as Mark Cuban wrote in his time.com article in December 2008.¹²³

¹²²Mark Cuban, Time.com, Extra: Newspapers aren’t dead, 3.12.2008
<http://www.time.com/time/magazine/article/0,9171,1565543,00.html>.

¹²³ Cuban (2008)

In times of recession, credit crunch, pressures of cost cutting, readership and content co-production, it is probable that newspaper companies may merge to avoid worse choices, such as going out of business and bankruptcy. According to *Advertising Age*, a web magazine, merger deals and acquisitions will be scarce, but they are not going to stop completely.¹²⁴ In the UK, however, the huge pension liabilities of media companies are putting off possible bidders. A potential buyer would need to pay in a substantial sum to compensate for the pension deficits of the company. The reason for the deficits is the healthier lifestyles of today's journalists and their longer life spans.¹²⁵

In the US, newspaper advertising still generates \$48 billion a year, which is three times the amount spent on online advertising. That is also why net companies and search companies, like Google, Yahoo or the employment advertising-selling company, monster.com, look after their partnerships with their print publishers. Although publishers are complaining that Google takes most of the advertising revenue, Google is crucial for their web pages' visibility. Newspapers are turning to other advertising sites' networks, like AdGen. Obviously, the publishers have failed to sell advertising space through their web outlets efficiently by themselves.

It is not in the interests of Google, either, for the high-quality content that the newspapers, both printed and online, produce to disappear through a lack of revenue. The dilemma of the high demand for news consumption and people's unwillingness to pay for its use is concerning the search company, too. As the CEO of Google, Eric Schmidt, put it in 2008: *"People are consuming more and more media on the internet but paying less and less... That's bad for Google. We are critically dependent on high-quality content. We have a moral imperative to help preserve a free press."*

The stockholders' insatiable demand for rising returns will turn against the owners. Cutting corners and cutting costs has its limits, and so does quarterly thinking about returns. The end-customer, subscriber, website visitor, and advertising space buyer is not attracted for long if the quality of the journalism fails.

¹²⁴ Nat Ives, *Advertising Age*, 3.11.2008, What credit crisis means for media mergers, acquisitions, http://findarticles.com/p/articles/mi_hb6398/is_20081204/ai_n31048336/?tag=content;col1.

¹²⁵ Chris Tryhorn, *The Guardian*, Is there anything left in the pot?, 2.3.2009.

Banks and the media are much the same when it comes to their business models: trust is everything. If they lose the trust of the reader, viewer or online clicker, they will also lose the trust of the advertisers and, in the end, the whole game. Banks are having a rough time nowadays, as are the media. However, the best companies, titles and online websites, which look after their trustworthiness and satisfy the needs of their buyers will survive and grow stronger.

The next step for the business can be e-readers for newspapers and magazines. For books, there already exists a Sony reader gadget and the online bookstore Amazon offers the Amazon Kindle. The American Hearst Corp announced in February 2009 that the company is preparing to introduce a new electronic reader with the goal of reviving and sustaining magazine and newspaper readership.

The new device from Hearst is expected to debut some time later this year. Hearst will encourage other publishers to license the technology so that they can deliver content, too. Writing on the website of *Esquire*, a Hearst magazine, the Editor-in-Chief, David Granger, was hopeful that the new electronic reading devices would save not only the beleaguered newspaper and magazine industries, but also reintroduce people to the pleasures of reading in general: *“As electronic readers improve, as they add graphics and design and, eventually, colour, even more people will opt for the more sustained, contemplative experiences more often.”*¹²⁵

5.1 Is the quality of journalism in danger?

According to my knowledge, it is true that time itself is one of the most valuable and still scarce resources in the news business. If a reporter or other newsroom staff are given enough time to investigate and check the facts and sources and present them in a visually interesting and informative format, the outcome of this process is normally linked also to the time devoted to it.

Nick Davies proved in his book, *Flat Earth News*, through numerous interviews and by commissioning Cardiff University researchers, how the lack of time has led to a reduction in

checking sources, and the cutting of corners, as journalists having to write too many articles within a day – thus eroding the quality of the content.¹²⁶

On the other hand, Beckett writes in his book, *Supermedia*, that it has always been a trade-off between a deadline and the best possible product and quality. Beckett refers to professor and media commentator, Stuart Purvis and his lecture at City University about whether British journalism is improving or deteriorating.¹²⁷ In his research, he compared journalists' output between 1965 and 2005. The contemporary output of TV news and newspapers is much more in-depth, diverse and attractive.

So there is quality journalism in certain media, but also shortcomings and a lack of truth and quality elsewhere. It is not easy to prove or measure whether or how the quality of a newspaper or a title has been diminished because of the cost cutting measures in the newsrooms. However, those people who work in the newsroom in question and see and feel the outcome day after day have their own personal view and hands-on opinion about the question. As the Guardian writer, Stephen Moss, put it earlier in the introduction to this thesis: *"They try to make out there's been no damage done, or it's a better product, but we all know it's a lot worse."*¹²⁸

I have seen it in my work as a reporter how the number of mistakes and grammatical errors in newspapers have increased, when the sub-editing and proof-reading has been cut.

On the other hand, there could be the potential for quality journalism, when stories are helped by the web to become more appetizing, with links to background information, other news and content. Linking is clearly an advantage that the print editions lack.

Innovations on the web could also make news more engaging and interactive and, in that way, possibly attract more advertising, too. Geolocation advertising is aimed at finding and targeting advertising based on the geographical location of the reader/user of the web

¹²⁶ Davies (2008: pages 49-73).

¹²⁷ Stuart Purvis, Is British journalism getting better or worse? City Insights lecture, City University, March 17 2007, http://www.city.ac.uk/whatson/dps/Transcript%2016032005_1%20-%20Stewart%20Purvis.pdf.

¹²⁸ Stephen Moss (2009).

content. Behavioural advertising analyses internet users according to what kind of websites they use, where they visit, etc., although the question of privacy has raised some concerns.

Currah mentions the example of geolocation in his book. The Independent and Daily Telegraph are using AdGent 007 to place adverts around content that will be viewed by foreign audiences. The Guardian is using Reuters to sell inventory on its US site and Ad2One to sell inventory in the Singaporean, Australian and Irish markets.¹²⁹

In the case of the telecom industry's 3G investment, one might argue that, today, the over-investment made actually brings some benefits, as there is enough capacity for the new services. In the case of over investment across the media in multimedia factories and platforms at the cost of the quality of the content's reliability and accuracy, Andrew Currah argues that there are no net positive externalities involved. In his book, *Money and News*, Currah wrote that, in the quest for digital success, news publishers of all kinds are departing from the established brand and editorial values. "A new culture of digital metrics is taking root in the UK newsrooms, which tends to favour particular kinds of coverage (stories of a "softer" variety) over others." The real danger, according to Currah, is that publishers will morph into "digital windsocks", shaped by the prevailing direction of the clickstream, as opposed to a grounded set of editorial values and principles.¹³⁰

Cash-trapped publishers have cut the costs of their newsrooms and news gathering, and the packaging, processing and submission of news have become more essential jobs for the editorial staff. Journalists are expected to demonstrate a mastery of multiple channels, technologies and knowledge areas. The productivity of a journalist has risen, but this transformation has had both positive and negative effects on journalism.

In these harsh circumstances, the profit targets are set by the publishers unrealistically high. As advertising revenue has been falling because of the plummeting readership and circulation, the cutting of editorial staff in the newsrooms has endangered the quality of the newspapers and worsened their situation.

¹²⁹ Currah (2009: page 46).

¹³⁰ Currah (2009: pages 15-16).

A vicious circle is too common in the industry and it will lead to further closures of even prominent newspapers. In the US, the Tribune Company became buried by its excessive debt. In the UK, the local and regional papers are suffering a worse financial situation even than that I wrote about in chapter 2.2 (Newspaper industry struggles in the developed economies).

The media has fulfilled a civic function in a democratic society since the birth of the printing press in the 15th century. As the “Fourth Estate”, the media has brought citizens the facts and analysis they need to formulate decisions and participate in the democratic process. “As publishers struggle to meet the costs and challenges of a 24/7 multi-channel operation, the scope and efficacy of that civic function is coming under threat.”

Currah has noted that there is a generalized pressure for publishers to reallocate resources from the generation of to the processing of news. This results in the increasing use of external material. The casualty of this shift is the sustained monitoring of the society, and the ability of the news media to hold powerful individuals and institutions to account. This trend raises worrying questions about the long-term civic function of the news media in modern democratic societies, such as the UK. Currah writes about the series of “democratic potholes”, as the digital revolution force publishers along a road. The casualties are the quality of the news agenda, the long-term structural planning of the publishers, and the factual accuracy of the news because of the operational pressure.

In my work as a financial reporter for a printed business daily and its online newswire, I have witnessed and experienced all of these pressures at first-hand. There is the same amount of work time and reporters are supposed to diversify their stories to a series of media platforms, write more stories in a hurry and focus on lighter, cheaper, shorter reporting.

Due to the shortage of time, a PR-led agenda distorts the tone and focus of the mainstream news coverage, because the incentives of PR are aligned around the interests of private individuals or organizations, rather than the public interest, as broadly defined.¹³¹

For debate and further research, Currah offers recommendations for minimizing the democratic deficit of a digitally-integrated news media. Firstly, there is an urgent need for a

¹³¹ Currah (2009: pages 23-24).

measured review of the funding pools to sustain the provision of quality news in the UK. Also, the future of public interest news lies in the diversified media groups, which are able to cross-subsidize the costs and challenges of a multi-channel news operation. The tax policy should encourage the continued investment of resources into public interest news by media groups. A review of the charitable law may help to address media-related philanthropy.

On the web, the news requires more accurate forms of labelling and self-description, which would bring greater transparency to the news. Currah suggests some form of digital kitemark to create more transparency. Both the publishers and citizens would benefit from that. The former would differentiate their content from that of other sites, which might sharpen the brand of professional journalism and public interest news especially.¹³²

Will the investment in new web platforms and net pages ever compensate for the loss of advertising in the printed papers? Tomi Lindblom based his knowledge on three major Finnish media groups. In my interview, he was certain that the revenue gathered from the net will never counterbalance the loss of revenue from the printed editions. The same applies to broadcasting.

5.2 Is there a democratic deficit?

*““The basis of our governments being the opinion of the people, the very first object should be to keep that right” Thomas Jefferson wrote in January 1787. “And were it left to me to decide whether we should have a government without newspapers or newspapers without a government, I should not hesitate to prefer the latter.””*¹³³

I started my thesis by quoting the late US president, Thomas Jefferson. Returning to this quote, one may ask whether we are heading towards a situation where a verifiable source of news no longer exists, if the industry cannot find a new business model in time to replace the broken one. The news media plays a significant civic role in modern democracies. It has an impact on the direction of public policy and the confidence of the market. Breakingviews’

¹³² Currah (2009: pages 25-29). And

¹³³ Swensen & Schmidt (2009).

Dixon underlined earlier (see chapter 4.1.1) that he does not think that it is possible for business even to function without good information.

As Currah states, “*the changing economic foundations of the UK news media must also be understood from a social and democratic angle*”.¹³⁴ According to him, it is still unclear how or whether professional journalism will be sustained in the future. I noted earlier how the old news media is cutting its costs and editorial staff, which, combined with the new technology, is leading to a need for multi-skilled journalists to cover a wider range of platforms, with a smaller workforce and extended working hours. In practice, this does not work perfectly, and has its shortcomings in the quality of the work, and how it is managed and performed.

The structural change in media industry has a direct social cost in terms of the breadth and quality of journalism. That includes, for example, how publishers cover political debates or local court cases, and how they package the news for their audiences:

“The market is moving in directions that may expose elements of a democratic deficit.”

– Andrew Currah

However, Picard thinks that the issue of quality is not about the cuts themselves, but rather what kind of news the newspapers, both online and offline, are covering. In most newsrooms, the majority of the editorial staff is not covering serious social news (like politics and economics). According to Picard, it is in the control of editors to allocate more people to comment on serious social news, if they so choose.¹³⁵

Anyhow, Currah writes, in the digital clickstream culture, because of the operational pressures of the 24/7 digital newsroom, the factual accuracy of news is casting a shadow. Also, the digital value chain favours comment, opinion and a personality-driven approach to the cost of the basic facts and news stories context. The pursuit of digital metrics, on the other hand, shapes stories to search for audience-friendly value, with traffic-generating potential and irrespective of their public interest. As we discussed earlier (see chapter 3.1.2, Processing news), clickstream journalism is and has been steering the editorial decisions and coverage, both in print and online.

¹³⁴ Currah (2009: pages 119-120).

¹³⁵ Picard, personal interview 5.2.2009.

Professor Paul Starr warned recently, in his article published in the New Republic, that the new media technologies, when mishandled, place the future of civil society in peril:

“News coverage is not all that newspapers have given us. They have lent the public a powerful means of leverage over the state, and this leverage is now at risk. If we take seriously the notion of newspapers as a fourth estate or a fourth branch of government, the end of the age of newspapers implies a change in our political system itself. Newspapers have helped to control corrupt tendencies in both government and business. If we are to avoid a new era of corruption, we are going to have to summon that power in other ways. Our new technologies do not retire our old responsibilities.”¹³⁶

Search engine optimization (SEO) has become big business in the last ten years – and it is shaping online news coverage as well. “The most popular story in the world”, the Guardian columnist, Aida Edemariam, headlined her column. In earlier days, one could have generated a storm of hits by placing in the first paragraph the most frequently used search words of the week on yahoo.com. In the first week of December 2008, ‘Britney Spears’ was the most popular, followed by ‘World Wrestling Entertainment’ and ‘Barack Obama’. Google, on the other hand, ranks the popularity of the site by how many times it has been linked to and passed on.¹³⁷ The Guardian recently (February 2009) adopted a policy of posting a weekly notice in its newsroom: “Use these keywords” followed by a list of the most popular search optimization words.¹³⁸

Currah outlines further steps to minimize or at least offset the democratic deficit of a digitally-integrated news media. He suggested that the government should encourage the continued investment in newsgathering by reviewing the conditions of UK taxation and charitable law. A democratic deficit could be transformed into a democratic windfall with a far more transparent and collaborative public sphere, with the next generation of news media recasting themselves as a professional hub within a broader, distributed and transparent

¹³⁶ Paul Starr, Professor of Communications and Public Affairs at the Woodrow Wilson School at Princeton University, The New Republic, Issue 157, April 2009, Goodbye to the Age of Newspapers (Hello to a New Era of Corruption), <http://www.tnr.com/politics/story.html?id=a4e2aafc-cc92-4e79-90d1-db3946a6d119>.

¹³⁷ Aida Edemariam, guardian.co.uk, “The most popular story in the world”, 6.12.2008, <http://www.guardian.co.uk/technology/2008/dec/06/search-engines-internet/>.

¹³⁸ Michael White, Political writer, The Guardian, speech at the Media and Politics Seminar, Nuffield College, Oxford University 20.2.2009.

network of quasi-news suppliers. In this form, according to Currah, the news media have the capacity to meet their commercial goals whilst also performing a valuable civic function. Thirdly, he suggests the introduction of a digital kitemark, built around transparency. The audience could see which content offered on a website had been subject to a rigorous series of checks, and created by a professional journalist employed to write on a specific field of coverage, as opposed to a blogger writing for free and outside any formal editorial procedure or code of conduct.¹³⁹

5.3 Directions for future research

During my work and while writing this paper, I have found that many of the essential phenomena in the field of the online media and its influence on journalism still need further research. Currah¹⁴⁰ warned that the news publishers are in danger of morphing into digital windsocks, e.g. certain stories, such as those about celebrities and softer stories, will attract more clicks – traffic – to the site. Entertainment is as important as “harder” articles on politics or economics but, if the web-centric strategy of maximizing clicks and audience leads to the abandonment of the old brand and news, it will lead to a neglect of certain coverage, which might be important to the democracy and its civic function. Also, it might be the cutting edge of the publisher in the long-run.

So far, there has been no proper analysis of how web journalism and click-stream hunting have influenced content coverage and editorial decision-making. People assume that the editorial decision-making has been altered, and that click hunting is to be blamed/praised for this. Certainly, it is a field for new research.

Another area of further research and debate is to examine what kind of content services, new online sites, if any, will replace the old local and regional papers and titles in the future; will they go to the wall or unite via acquisitions? Will there be a lack of coverage of, for example, local governance or the courts, and, if so, will this lead to some kind of democratic deficit? Are local and individual bloggers adequate to cover this? What is the role of bloggers and new websites or social networks, such as facebook, MySpace or Twitter, when it comes to

¹³⁹ Currah (2009: pages 152-153).

¹⁴⁰ Currah (2009: pages 85-90)

real news gathering and analysis? Also, how is the news to be extended/enriched/affected by this tsunami of information? Does it overload readers or have a positive impact on their knowledge? That would be worth examining as well.

In a market economy, vacuums tend to be filled. In a perfect market, a genuine need for a news service will be met by a new service. Unfortunately, the markets have their limitations and a perfect market rarely exists. As long as the publishers do not find economically viable business models for their web publishing, covering the costs of creating content and ways to monetize their content on the web, there probably will be topic-related and geographical news gaps that may even raise concerns about a democratic deficit. Time will show whether the survivors of the digital media will be the old publishers or newcomers, with better business ideas about the news industry.

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Interviewees

Lionel Barber, Editor-in-Chief of the Financial Times, at the Philip Geddes Memorial Lecture, Oxford, 7 November 2008

Andrew Currah, lecturer at the University of Oxford, visiting research fellow at the Reuters Institute for the Study of Journalism, a series of serious tutorial discussions from November 2008-May 2009

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