

CHARTING THE FUTURE FOR NEWSPAPERS

by

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A thesis submitted in partial fulfillment of the requirements for the degree of Master of Arts at George Mason University

By

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George Mason University, 2010

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## **Abstract**

### CHARTING THE FUTURE FOR NEWSPAPERS

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George Mason University, 2010

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In this research thesis, I am attempting to demonstrate that newspapers, despite their current financial troubles, can nevertheless survive and prosper in the digital, new-media era if they can find more reliable ways of raising revenue. No newspaper can hope to succeed in the contemporary media landscape unless it can adjust its business model to meet the challenges presented by Internet-based news. With large amounts of news and information available for free on the World Wide Web, newspapers need to reconsider their traditional business model in order to remain relevant and competitive. Based on my research into numerous proposed economic models for print publications, I believe that the most favorable newspaper business model would be a combination of selective electronic paid content and Web-based advertising. A model in which newspapers display some of their online content for free, hide other content behind a pay wall, and make extensive use of Web advertising is, in my view, the model that is most likely to enable print publications to prosper over the long term. Combined with using the latest online

media technologies, newspapers will be able to continue their role as disseminators of news, analysis and opinion.

## **Chapter I: Newspapers' Dilemma for the Future**

The newspaper is one of the most basic forms of media, and for much of its history, newsprint has been an essential source through which literate people learn what is happening in the world. For centuries, especially since the Enlightenment in the eighteenth century, newspapers have been primary vessels for the spread of information and ideas, chronicling the constantly unfolding developments in an ever-changing world. Newspapers have long been considered essential tools for citizens of democratic societies to make informed decisions about public affairs. Alexis de Tocqueville thus declared that newspapers not only guarantee liberty, but also that they “maintain civilization” (Tocqueville 202). Today, journalists are struggling to maintain those very newspapers.

Newspapers today are experiencing daunting problems filling their role. Currently, most newspapers across the country are cutting their operations to some degree or another, eliminating jobs, sections of the paper, or both. Other newspapers have simply folded due to substantial pressures and losses. In addition, according to the Newspaper Association of America, the number of people who regularly read a daily newspaper has declined steadily since the 1970s (Stewart). The problems facing newspapers are significant even in a favorable economic environment; in an unfavorable economic climate, those problems grow even worse. In spite of the newspaper industry's predicament, however, there are many opportunities available for newspapers to meet

their challenges. In fact, there is potential for newspapers to grow even more influential in the future if they seize those opportunities.

The roots of newspapers' current troubles are numerous and varied, but they are not impossible to address. Modern electronic technologies utilizing an array of multimedia resources offer a wealth of ways in which newspapers can carry out their role of informing readers. While some have blamed online technology in part for newspapers' travails (Dry B4), the Internet is actually a powerful tool for newspapers. The key challenge that newspapers must meet is changing their business model to accommodate the new electronic means of disseminating information. This is not an easy goal, but it is certainly achievable. If newspapers want to survive, they need to begin immediately to change the way in which they market themselves. Numerous individuals have suggested business remedies such as combinations of Internet advertising and paid content, or having newspapers restructured as nonprofits (Isaacson 32-33).

To build a successful future in which newspapers continue to fulfill their informative role, they need to focus on three important elements of their work: content, technology and the business model. The first two elements are not very difficult to address; the third element is the most challenging one to solve. There has been substantial scholarly and professional discussion of how to address the difficult issue of newspaper revenue, and several ideas that have emerged from that conversation show significant potential. Those ideas will be detailed in the following study.

## **Foundation of print journalism**



News publications are the building blocks of print journalism, but their role as vessels of “news of the day” is rapidly being transferred to the online world. The Internet’s limitless universe contains a vast galaxy of news sources which not only offer readers endless choices for information, but also supply them free of charge. Newspapers themselves feature Internet versions of their content and largely demand no price from their online readers. This situation obviously threatens the foundation of newspapers’ economic arrangement.

Before addressing the economic problem at the heart of the crisis for today’s newspapers, it is important to examine the technological changes that have brought about the new media revolution and the resulting crisis in journalism. The rapid expansion of Internet-based news has opened many new opportunities for print journalists in spite of the problems it has also created. If newspapers and other print publications are to survive and prosper in the new-media world, print journalists must first recognize that electronic media is primarily an opportunity for their profession, not a threat to it. If newspapers take advantage of the powers that electronic media affords—as many are currently doing—they will be even better equipped to deliver news to their readers than they were when they were solely limited to traditional print on paper.

George Sylvie, journalism professor at the University of Texas at Austin, points out that the new-media landscape of the twenty-first century creates new ways of thinking about content. Consumers are no longer a passive audience; they demand more flexibility to choose the content they want to read as well as a more intimate experience from the news material they select (Sylvie 24). Online newspapers can respond to this

demand with interactive content to allow more flexible choice of content by readers, but the ones that can afford to introduce a large amount of interactivity tend to be in larger markets (Sylvie 24).

Print journalism, whether in paper form or electronic form, is primarily concerned with serving readers' needs and interests in the context of current events and current information. Far from being a problem, the Internet is largely an ideal invention for print publications to dramatically increase their reach among readers and to spread their knowledge far beyond what was ever before possible. Newspapers and other periodicals are in the process of experimenting with new ways to use online technologies to serve their readers and to attract more. They must continue to do so if they are to remain relevant. News blogs and other Internet resources are giving traditional news sources strong competition because of their advantages—the ability to rapidly update themselves and report the latest news, the convenience of being available to readers at the click of a mouse, and the fact that readers can use the Internet to search for news on the topics in which they have the most interest. There are many Internet applications that newspapers can use to augment their power to inform readers, and they should take advantage of them. After all, new technologies have constantly enhanced the power of printed media throughout history.

At this time, I am inclined to believe, based on descriptions of proposals from journalism experts, that a newspaper business model combining online advertising and paid content is most likely to generate more revenue for newspapers and allow them to prosper over the long term. The chapters that follow will present examples of what is

currently being done in print media to boost finances from paid content and online ads. Although this strategy seems to be the most promising so far, I will be examining many different proposed strategies and methods by which newspapers may improve economically.

All of the fundamental components—content, technology and revenue—can be successfully enhanced to make newspapers more profitable and better serve their readers in the twenty-first century. By doing so, newspapers can pave the way for a future in which they play a more potent role than ever in disseminating information to the reading public. First, however, they must survive their current travails, and only those newspapers that use the best of both print and electronic media in a marketable way will survive in the near future.

### **Current problems**

Newspapers and magazines have traditionally generated revenue from three main sources: newsstand sales, subscriptions and advertising. Because so many newspapers have put their content online for free, fewer readers bother to pay to read the same content through newsstand sales or subscriptions. As a result, newspapers have come to rely on advertising more than ever. As revenue from print ads declined, the newspapers turned to Web ads, and when those declined, numerous periodicals suddenly found themselves at a serious financial disadvantage (Issacson 30). Many observers say that newspapers made business mistakes when they failed to adapt more quickly to the growth of Internet news content and when they gave away all their content online for free (Kurtz

A4). In addition, the decline of Web advertising as a reliable revenue source probably was due in part to the fact that more advertisers came to see Internet news sites as less valuable vehicles for their ads. As *Washington Post* columnist David Ignatius notes, this is mainly because readers tend to spend less time on a single news site than they would in a print publication (Ignatius A17).

As a result of such economic pressures, newspapers are eliminating sections of the paper and closing bureaus across the country in an attempt to keep costs down (Kurtz A4). Unfortunately, this often diminishes the quality of the papers' content, making them even less appealing to readers. Similarly, layoffs and firings of reporters and other newspaper employees have an adverse effect on the quality of many newspapers, thus making them still less attractive as news sources. Publications can only cut costs and resources so far before they start negatively affecting their content in a serious way. Once they do, they become even less marketable than they were before. All employees of a newspaper staff contribute something valuable to the newspaper which enhances its interest and credibility. Reporters, opinion columnists, page editors, artists, copy editors, graphic designers and others all help a newspaper become interesting and authoritative. When they are let go, the newspaper's quality will most likely decline in some way.

Rapid advancements in media technology have substantially changed the business environment for publishing. Thanks to the proliferation of electronic sources of media, publishing markets are more diverse and more competitive than ever. The new publishing markets have low barriers to entry, intense competition, lower fixed costs and decentralized production and distribution (Mensing 22). This fundamentally new

economic environment allows many new media sources to emerge, but it also puts many traditional print outlets in a difficult position.

Thanks to the wide, cost-free availability of news content on the Internet, readers are able to access free information on current events from any number of electronic sources simply by exploring the World Wide Web. In most ways, this is a positive development. However, there are also problems related to this new capability. First, the sheer volume of electronic sources makes it difficult to determine which resources are most reliable and credible. As *Washington Times* editor at large Arnaud de Borchgrave notes, not all news-related Internet sites are well-edited or even grounded in hard facts (Borchgrave A17). American Press Institute executive director Andrew B. Davis identifies another problem: Even though many online news sources are both informative and credible, not all of them engage in the type of primary-source reporting associated with traditional newspapers (Davis 13). For this reason, many Internet sources—valuable as they are—lack a crucial element of journalism that is important to keeping readers informed.

Hands-on reporting is the most effective, reliable way to inform the public about key stories. It is the work in which print journalists gather information for news stories by seeking out individuals who can serve as sources, interviewing those sources, asking questions in order to answer all possible questions readers may have about the story, and conducting appropriate background research on the subject matter. It is mostly newspapers that actually do this kind of work, although many Internet news sources practice it as well. Nevertheless, those who report for a living and are most experienced

in how to ask the right questions and write an informative story generally come from a print background. Thus, even with the rich proliferation of news resources on the Internet, newspapers are still vital; while newspapers and Internet sites alike can practice professional reporting, an Internet news site must behave like a newspaper insofar as demanding professional reporting and research on the part of its writers.

In practice, newspapers' value is essentially the same whether the newspapers themselves appear as traditional newsprint products or as electronic versions. Some people simply enjoy reading a paper product as opposed to an online one. As long as there is a readership for both versions of the newspaper, they will continue to exist. Whether or not the traditional paper version survives over the long term is an open question; it will depend on how much electronic print displaces newsprint in the years ahead. As long as traditional standards of good journalism are upheld, the newspaper will be valuable on paper or on the Internet. The point, however, is that no matter what shape or form newspapers take in the long-term future, the journalistic work they do will still be necessary for informing readers and fostering public discourse. The work that newspaper journalists perform—asking probing questions of sources, conducting well-sourced research, and writing clearly for a general audience—is what makes newspapers credible and informative. Even beside other well-vetted sources, newspapers are uniquely well-equipped to communicate the news of the day to readers.

Following from the current situation in the news industry is an even larger problem for newspapers: The fact that more readers are drawing their news from online sources instead of ink-and-paper sources is causing advertisers to sell fewer ads to print

publications (Mensing 23). Reasoning that fewer people will see ads placed in newspapers and news magazines, many advertisers have cut back on the number of ads they sell to periodicals. As a result, newspapers are losing one of their primary sources of revenue. Advertising has long been the lifeblood of many publications, and the current changes in the business environment leave newspapers vulnerable to significant revenue losses. These losses, in turn, cause newspapers to cut jobs and bureaus, leaving them with fewer resources to cover stories.

Initially, the decline in print advertising was not seen as excessively problematic by many newspapers because Web advertising was growing and could maintain the papers' ad revenue (Pew Research Center). Many publishers reasoned that the online versions of their newspapers could make up the lost ad revenue on the print side through Web advertisements. Unfortunately, Web advertising declined substantially in the fourth quarter of 2008 because of the global economic recession, cutting off the Web-ad funds on which many newspapers were increasingly relying (Pew Research Center). Thus, it was clear by the following year that too many newspapers were overly dependent on their advertisers.

Print newspapers' reliance on advertising for revenue has grown during the past two decades, as Donica Mensing records in the *Newspaper Research Journal*. Approximately 70 to 80 percent of total newspaper revenue comes from three types of advertising: national display advertising, local display advertising and classified advertising (Mensing 23). Classified advertising has increased in importance as a revenue source over the decades, rising from 27.4 percent of total newspaper revenues in 1965 to

40.7 percent in 1998. The other two advertising types have become less important as revenue sources (Mensing 23). Between 1996 and 2005, the mean percentage of total revenue from display advertising—both national and local—in general was not very different, while in classified advertising, the percentage changed significantly. In 1996, display advertising made up 38 percent of average total revenue for American newspapers; in 2005, it was down to 32 percent. Classified advertising gained substantially in importance within the same time frame, growing from a mean percentage of 15 percent in 1996 to 48 percent in 2005 (Mensing 26).

Based on these data, one can see not only that newspapers depend a great deal on advertising in general for revenue, but also that readers have continued to be increasingly drawn to classified ads. What does this mean for newspapers? My belief is that the growing use of classified advertising has something to do with how classified ads are fashioned. By design, classified ads are short and to the point in order to get readers' attention without taking up much of their time. In addition, classified ads are grouped together within a publication and are categorized by the type of product or service the advertiser is offering. This makes it extremely convenient for readers who know the type of product or service they want. They can turn to the classifieds pages and search for ads based on their particular wants. I maintain that this information is very helpful in understanding how to help newspapers now. The popularity of classified ads is likely another manifestation of how readers increasingly want specific news items tailored to their interests. It is important to keep this in mind when discussing options to help newspapers gain revenue. Options such as targeted electronic advertising are based on the



same notion that readers want more specific content that is personally relevant or appealing to them. Targeted electronic advertising, for example, is a form of online advertising seeking out specific audiences. This advertising may involve methods of targeting Internet users such as tracking users by the websites they have visited or by the keywords they may have entered in an online search.

Financial support for newspapers is the key weakness to address today in order to build a more successful future for print periodicals (Isaacson 30). Experienced journalists including former *Time* magazine managing editor Walter Isaacson and American Press Institute president Andrew B. Davis agree that the current newspaper business model is not sustainable and requires new ways of raising revenue. Access to content is not the problem; there is a virtually limitless abundance of interesting stories and information available to many more readers thanks to technological change. The crucial problem is how to maintain the economic life support of newspapers so that they can continue to perform their roles of recording events as they take place, informing the public about those events, and equipping readers with the information they need to understand what is happening in the world. To be sure, there are many online news sources—such as CNN.com and the Drudge Report—that are serving these roles, but according to experts such as Davis, most of the country’s top print-journalistic talent is still concentrated in newspapers, and these papers still do most of the original reporting in print journalism (Davis 13).

The expertise of professional newspaper journalists is valuable for communicating with readers and should not be overlooked. Their expertise includes

research talent, the ability to write clearly, a knack for analysis of events, and experience in asking the most important questions of sources to obtain the most thorough answers. Also, their background and experience has trained them to produce stories that are well-sourced and verified. These types of news stories are the ones that readers can rely on most when trying to learn what is happening in the world. In order for the public to be served by this kind of expertise, newspapers need to adapt to the changes in today's media landscape, whether they do so as newsprint or electronic publications.

Although newspaper companies have seen types of advertising such as classified ads grow as percentages of total newspaper revenue, advertising revenue as a whole is suffering in part due to the global economic recession that began in 2008. Web advertising, which was being utilized more frequently as a revenue source, has dropped in revenue due to the recession. With advertising declining at the same time that many fixed costs are rising for many traditional print publications, newspaper profits are being squeezed in an unprecedented way. Therefore, new models for drawing revenue need to be tried so that newspapers can regain profits and continue their important work.

### **Financial challenges**

Newspapers' recent money woes are easy to see. In March 2009, the *New York Times* announced that the newspaper's staff—and the staff at *Times*-owned properties such as the *Boston Globe*—would experience a 5 percent pay cut and 10 furlough days because the *Times* faced an 18 percent drop in advertising revenue (Harper A3). Also in March 2009, the *Washington Post* offered buyouts to both editorial and business

employees. In 2008, the *Post* was down \$198 million in operating costs and facing further losses (Harper A3).

According to the Project for Excellence in Journalism, the American newspaper industry as a whole saw a 23 percent drop in advertising revenue from \$49 billion in 2006 to \$38 billion in 2008. Newspaper stocks also lost 83 percent of their value in 2008 (Project for Excellence in Journalism). The declining values for newspaper companies have been taking shape over the years. As Daniel Sullivan describes in the *Newspaper Research Journal*, the stock prices for the eight largest publicly traded newspaper companies lost nearly one-fourth of their value in 2005 relative to the Standard & Poor's top 500 American common stocks (Sullivan 69).

After advertising, subscriptions are newspapers' next most important source of money, approximately 18 percent of total revenue, but circulation growth has declined since the mid-1980s (Mensing 23). In addition, newspapers have not generated significant income from subscriptions to online versions of the publications. In 1996, 67 percent of online news sites reported no income from subscriptions, and that percentage remained essentially the same in 2005, with 68 percent of the sites reporting no subscription revenue (Mensing 28)). There is little subscription revenue being generated from online news resources, and readers are continuing to consume much of their news on the Internet for free. This along with reduced income from print advertising places a severe financial strain on many publications.

While circulation and print-ad sales have dropped considerably, online-ad revenues have shown more growth in recent years. In 2006, online-ad revenue had

increased by about 40 percent over the previous year (Riley 13). However, online growth alone does not seem to be enough to build a more secure financial future for print journalism. The revenue generated from online growth does not even cover the cost of a newsroom, which typically runs about \$12 million a year (Riley 13). Even if online revenues grow at a rate of 40 percent each year—which took place in the years of more expansive growth in online-ad revenue—it would still take more than three years to collect enough money to cover the cost of running a news operation (Riley 13).

Online advertising cannot be counted on to grow with sufficient speed and consistency to sustain print journalism by itself in the long term. The global recession that began in 2008 provoked a large decline in revenue from online ads. Newspapers and other print-journalism resources cannot afford to depend on one source of revenue if they want to survive and prosper. They need to use many different sources of revenue, and they must use business models that adapt to the changed market environment in the publishing world brought about by the revolution in electronic media.

### **Looking ahead**

Newspapers should seek to augment their profitability in the new media environment without compromising traditional journalistic principles and standards. A commitment to fair, informative reporting that values accuracy above all is vital if newspapers want to maintain their credibility and serve their role as purveyors of knowledge. Still, it is easy for standards of journalistic excellence to slip when newspapers feel they are in peril from financial losses. The recent cuts in newsroom staff

at many major newspapers is one example of this problem (Sullivan 67). The newspaper companies usually say that they need to make these cuts in order to control costs exacerbated by declines in advertising revenue. Daniel Sullivan writes in the *Newspaper Research Journal*, “The typical statement is, ‘We need to be profitable so that we can continue to do good journalism’” (Sullivan 67). Sadly, a decline in talented and experienced staff members frequently makes good journalism much harder to produce. With less journalistic talent employed in the newsroom, the newspaper may be unable to cover as many stories as thoroughly, or they stories may not be adequately edited and fact-checked. In this way, the cost-saving efforts may result in newspapers lacking the wherewithal to pursue important stories. As Sullivan writes, “Good journalism may be important, but it is not central to the news business” (Sullivan 67).

To become more profitable and forge a more successful future, newspapers must experiment with new business plans and find reliable sources of revenue. In terms of content, newspapers are mostly quite strong. There are numerous periodicals that boast talented journalists who produce interesting stories that have broad appeal. The demand for news will most likely remain because, in order to make decisions, people should seek out the most reliable information they can find. In fact, the Internet has actually been a boon to newspapers in terms of increasing readership. The *Washington Post*, for example, according to David Ignatius, has far more readers today than it did when it was solely an ink-and-paper product (Ignatius A17). In addition, more news organizations are realizing that they must deliver information to consumers however and whenever the consumers want it. Thus, the news organizations are working furiously to create innovative ways in

which to disseminate news to a larger number of readers and to do so at a faster pace (Davis 13).

Most newspapers do not have to worry much about a lack of good content or good talent. What newspapers do need to worry about is obtaining the financial support to generate the quality journalistic content that they are perfectly capable of producing. Without such financial wherewithal, newspapers will most likely continue to cut employees and content in order to curb costs. The more they do this, the fewer journalists they will have to cover stories. It is not just a question of numbers of employees either; it also is a question of quality and talent. When newspapers are forced to lay off some of their best journalistic talent, the paper's content will decline. Readers will then have less reason than ever to turn to newspapers for information.

As Andrew B. Davis, president of the American Press Institute, reports, newspapers are now experimenting with new revenue-raising methods. These methods include charging for content online, reorganizing as nonprofit media organizations, selling online users micropayment streams of specific types of articles, and more (Davis 13). Davis believes that newspapers of the future will need to diversify their revenue streams and will not be able to depend on any one source. Ultimately, newspapers will probably require several different strategies and multiple sources of revenue to survive and thrive in the twenty-first century. At the moment, a combination of revenue from online advertising and revenue from paid content on the Internet seems like the most promising model. I will examine this model as well as other experimental business models being tried in the print media world today.

Given the challenges facing the media industry today, newspapers need to make important changes in their content and, most importantly, in their business models. The next few chapters of this study will discuss the kinds of adjustments newspapers need to make in these areas. The second chapter will discuss the content-related, technological side of the issue. I will discuss some of the major new technologies available for media outlets to use to showcase and disseminate their news content. Also, I will describe how they can be applied to newspapers in order to enhance content and appeal. In addition, I will make some connections between today's technological innovations and the inventions throughout history that have enhanced media capabilities. This will help readers to understand that today's media revolution has historical parallels which contain useful lessons for contemporary challenges in newspaper work.

The next two chapters will focus on newspaper business models and on revenue sources. I will be examining which revenue sources continue to be valuable to newspapers, which have declined in value, and which may hold promise for the future. By determining what types of business plans and funding mechanisms seem to perform best, I hope to draw conclusions about what strategies are most likely to make newspapers profitable for the long term.

Based on my research for this study, I propose that selective paid content combined with different types of targeted online advertising is the kind of business model that would most likely serve the newspaper industry best over the long term. This study also reviews some other proposed business methods for print journalism, including user micropayments, newspapers as nonprofit organizations, different types of business

service revenue streams, and so forth. In addition to business models, I will discuss how newspapers should use available online tools and technologies to expand their reach and communicate with more readers (Dry B4). There are numerous possibilities for innovatively applying the best qualities of print publications to online publications and produce electronic content that many will want to read. The qualities that make good newspapers—accuracy, fairness, substantive reporting and interesting content—are needed both in traditional print and in its electronic equivalent. To prepare for the future, newspapers need to make some crucial adaptations in how they disseminate their content and sell their product.



## Chapter II: New Business Models for Newspapers

Several newspaper business strategies currently under debate will be reviewed in this chapter. These proposals offer possible ways for newspapers to become more profitable. The chapter will describe some of the alternative business models that newspapers may be able to use to create more reliable sources of revenue over the long term. Models involving paid online news have case studies demonstrating why paid content is an important part of future newspaper success. Experiments being done within the newspaper industry to increase revenue—including the recent attempt by the *New York Times* to try a paid-content option with its columnists and the *Wall Street Journal's* ongoing system of paid online news—help to illustrate how newspapers can use paid content most effectively.

Newspapers have much to gain from incorporating the many online media technologies available, but the chief challenge to their future survival is money. As previously discussed, the contemporary media landscape allows readers to get their news for free on the Internet, and the newspapers themselves have contributed to this development by featuring most of their content online without charging any money for it (Isaacson 30). In the meantime, numerous other online news resources have emerged and created even more competition for users' eyes by providing a large supply of free information. Google News and other online news services compile electronic links to

news stories from all across the Internet and from numerous online print periodicals (Dry B4). In the midst of this enormous availability of news, newspapers have been losing money from their traditional sources of revenue.

The problem, of course, is not that newspapers lack interesting content to attract readers. After all, news-aggregation sites such as Google News would not feature links to articles in online newspapers and magazines if they did not believe that significant numbers of users would click the links and read the stories. The problem that newspapers face is that technological changes in the media have created a situation where newspapers cannot rely on the business models that they previously took for granted. As I discussed in the first chapter, the flawed economic and financial models have resulted in declining revenues for newspapers and have led to cuts in staff and sections of the paper in an effort to stem losses and keep costs under control. Unfortunately, these cuts often cause a decline in the quality of the newspapers' content. Without sufficient journalistic talent and expertise, there are fewer informative or compelling articles in the paper. Obviously, now is not the time for newspapers to give readers another reason to read their material less. That is why it is crucial to discuss how newspapers might alter their business models in ways that hopefully would generate more reliable revenue in the near future.

Fortunately, there is a good deal of work and experimentation going on currently in newspaper circles as journalists endeavor to find more reliable ways of making print publications profitable. Journalists such as Jeff Jarvis, Andrew B. Davis, Walter Isaacson and others have proposed different ways in which newspapers might attract more reliable revenue. Some of the proposals would probably work better than others. Newspapers

should have a business model combining three major elements: Internet advertising, paid content for some of their articles, and free content for some of their online material. This chapter will discuss newspapers' business problems and the possible solutions.

### **Newspapers' finance problem**

This section provides an overview of the central problems facing the traditional business model for the newspaper industry. It describes the economic realities brought about by technological advances in digital publishing.

Donica Mensing, as I noted in the first chapter, has recorded that the market conditions that allowed newspapers to thrive on their original business model have changed dramatically. Writing in *Newspaper Research Journal*, she notes that the publishing market used to be characterized by high barriers to entry for aspiring journalists, effective use of economies of scale, monopoly power in individual markets and centralized production and distribution (Mensing 22). Publishing markets now display much lower barriers to entry by aspiring journalists because many people can now publish their written work online for everyone to see. In addition, publishing markets now exhibit intense competition, lower fixed costs and decentralized production and distribution (Mensing 22). These new market conditions, Mensing argues, show that newspapers have an urgent need to develop new business models. She writes that more effective business plans are of interest not only to owners of newspaper companies, but also to everyone who is "interested in the long-term sustainability of in-depth news

gathering, editing and publishing capabilities, which newspapers, more than any other existing product, represent” (Mensing 23).

Subscriptions, for instance, have diminished as newspaper circulation has declined since the mid-1980s (Mensing 23). Electronic publications are having the same problem; Mensing mentions that 68 percent of online news sites reported no subscription revenue in 2005 (Mensing 28). The types of online news sites that offer subscriptions are sites that hide a portion of their content behind a wall requiring readers to subscribe, rather than showing all content free. However, Mensing reports that among the 242 online news managers who responded to her survey, only nine reported any significant subscription revenue. She also reports that in 2005, the average percentage of revenue generated by subscriptions for online news resources was only 8.5 percent (Mensing 28). This data leads Mensing to conclude that “subscriptions are a limited revenue source for most online newspaper sites” (Mensing 28).

As recently reported by the Audit Bureau of Circulations, both newsstand sales and subscriptions for print magazines declined in the last six months of 2009 (Clifford B3). Newsstand sales for almost 500 consumer magazines in the United States declined 9.1 percent, following a 12.36 percent drop in the first half of the year. Overall circulation, including subscriptions, fell 2.23 percent in the latter half of 2009 (Clifford B3). The sharp drop in newsstand sales is especially worrisome for print publications because they tend to be a more timely indicator of a publication’s health. Newsstand sales are usually profitable because publishers typically charge more for them than for subscription copies (Clifford B3). In addition, newsstand sales attract new readers to a

publication. The continued decline in both subscriptions and newsstand sales has made publications more dependent on advertising.

Newspapers' increasing reliance on advertising revenue caused more trouble for their business model. As readership for print publications has declined, advertisers have gradually cut back on print ads as ways of getting people's attention. Web advertising continued to grow, however, because of the growing online readership. However, the global economic recession in the fourth quarter of 2008 helped to cause steep decline in Internet ads as well (Pew Research Center, "2009"). With this setback, newspapers were facing severe shortfalls in revenue, which helped lead to cuts in staff and sections.

Furthermore, even though it is important for newspapers to expand their Internet presence—as I have mentioned—simply using the latest online media technologies does not in and of itself create a business model that will pay for high-quality journalism in the digital age. Michael Riley, editor of the *Roanoke Times*, notes that it is challenging enough for a newspaper to cover the cost of its own news operation. As an illustration, he posits a hypothetical daily newspaper with a circulation of about 150,000 and annual revenues of around \$100 million a year, along with about \$5 million coming from its Web site (Riley 13). Then he suggests that despite slipping sales from circulation and print ads, online revenues rise by an impressive 40 percent in a year. Riley explains that even if a daily newspaper can turn in such a laudable performance, the revenue would still not even cover the cost of the newsroom, which is about \$12 million a year (Riley 13). Therefore, even if online revenues continue to grow at the same rate—which is not likely—it will take more than three years before there is sufficient revenue to cover the

cost of running the news enterprise. That does not even cover the cost of other departments, such as advertising and circulation, and it does not include the newspaper's effort to generate a profit margin (Riley 13). In the future, some newspapers may have to scale down their infrastructure to hold down costs in addition to developing new business models for their content. Andrew B. Davis notes this fact when he mentions that some newspaper companies will have to become smaller (Davis 13).

### **Missed opportunities**

This section discusses some of the major missteps and missed opportunities in the newspaper industry which have contributed to the problems facing newspapers' revenue flow. Newspapers have failed to make progress and take advantage of financial opportunities because they have not moved quickly enough to use online capabilities for raising revenue.

Some of newspapers' current business problems are partly the result of having missed important opportunities to take advantage of elements of the World Wide Web. As the *Washington Post* reported, many papers failed to adapt to the Internet quickly enough over the years. When online news outlets started to proliferate, too many publications were slow in trying to seriously compete with them (Kurtz A4). Also, newspapers missed a business opportunity when they gave away most or all of their content online for free, both on their Web sites and on news-aggregation sites such as Google News (Kurtz A4). At the same time, however, it is helpful for newspapers to have their content as a part of these online news aggregations. According to a report from the

Pew Research Center, approximately 13 percent of news sites are news aggregators, and their content is derived from links to online copy from traditional media outlets such as newspapers (Pew Research Center, “2010”). Journalist Jeff Jarvis opines that the electronic links that these aggregator sites feature for various news periodicals can only help those periodicals (Dry B4). In the electronic media world, publications receive more online traffic the more they are linked to on the Internet. In this way, aggregators provide a benefit by directing traffic to newspaper sites (Abell).

Still, it is nevertheless true that newspapers did not take advantage of a potential business opportunity. Not only did newspapers generally post all of their news content for free on the Web, but many of them also refused to put their classified sections online (Solomon). They failed to see that there was moneymaking potential from featuring classifieds online as a type of paid newspaper content. According to John Solomon, former executive editor of the *Washington Times*, the biggest hurdle to changing the newspaper business model is the ingrained mind-set of many people in the newspaper business. The mind-set of many newspaper companies generally has been that newspapers could get along in their traditional business model simply by doing things such as depending on Web-advertising revenue or displaying online versions of their paper products.

Many publications are simply too slow or too wary to adapt to the new-media world and use it to increase profitability (Solomon). This has been typical throughout the years of growth in the Internet. For a while, too many newspapers simply reproduced their print product online without taking full advantage of Internet tools such as

multimedia and interactive resources (Greer, Mensing 99). These online tools would not by themselves have created profits for newspapers, but they would have given the papers earlier experience with Internet media capabilities so that they might have found ways to use them in more profitable business models sooner.

Walter Isaacson, writing in *Time* magazine, notes that during the 1990s, newspapers were originally encouraged to put all of their content online for free because of the revenue from Web advertising. Isaacson recounts that the “easy Internet ad dollars of the late 1990s enticed newspapers and magazines to put all of their content, plus a whole lot of blogs and whistles, onto their websites for free. But the bulk of the ad dollars has ended up flowing to groups that did not actually create much content but instead piggybacked on it: search engines, portals and some aggregators” (Isaacson 32).

Some data help to illustrate this problem. According to the Project for Excellence in Journalism, the most common types of Web ads are search ads, which contain text and a hyperlink to the product. Search ads are the kind of ads from which services like Google make most of their money. In 2009, search-ad revenue was projected to grow to \$10.8 billion of total online-ad spending, up from 10.5 billion in 2008 (Project for Excellence in Journalism). By the end of the year, 48 percent of the total online ad market was projected to be in search ads. Almost all search-ad revenue went to news aggregators, search engines and the like (Project for Excellence in Journalism).

Display ads, according to the Project, are the second largest source of online-ad spending, accounting for \$4.8 billion in total Web-ad spending in 2009. While search ads account for the biggest portion of all ad revenue, display ads are the largest revenue



source for news sites (Project for Excellence in Journalism). However, the Project reports that display ads are not serving the online news industry that well. In 2009, Web-based display advertising declined about 2 percent from 2008, from approximately \$4.9 billion to \$4.8 billion in total online-ad spending. Besides this decline, display ads have been insufficient in other ways. According to the Project, the highest portion of display-ad revenue—28 percent—goes to search engines and Internet service providers.

Newspaper websites get 5 percent of the revenue, and other websites devoted to news and current events get less than 3 percent (Project for Excellence in Journalism). As a result of these trends, news sites have been unable to obtain sufficient revenue from display ads. Meanwhile, online resources such as search engines and aggregators are getting more revenue from display ads than news sites are, and they are getting nearly all the revenue from search ads.

In some journalistic circles, individuals and groups are trying to make changes. According to the American Press Institute's Andrew B. Davis, a growing number of print journalists are starting to devote their efforts to solving newspapers' revenue problem. Many of these journalists have been laid off from their jobs due to the ongoing disruption in the news industry, and they are seeking ways to make news jobs more secure in the future. Numerous conferences and town meetings are taking place across the country to propose new business models for the practice of journalism (Davis 13). These include trying various types of paid content, focusing on drawing Web traffic and increasing Web-ad revenue, developing targeted hyperlocal news coverage or advertising, and combinations of many different methods. Journalists such as Jeff Jarvis are running

projects to experiment with new business models to determine which ones might be most effective in making print news more profitable. Jarvis says that online advertising and the Web traffic that makes the ad revenue possible will still need to be a large part of new business plans. Jarvis also thinks that we will likely see an increasing number of independent, entrepreneurial journalists launching enterprises aimed at producing news in ways that are economically sustainable (Dry B4).

Efforts such as the New Business Models for News Project involve Jarvis and other journalists who are promoting these newspaper business experiments. Funded by the Knight and McCormick Foundations, the project researches numerous journalism business practices online, including paid content, hyperlocal news coverage, nonprofit journalistic efforts and more (New Business Models for News). The group explains that it is “gathering new ideas and experiments in revenue for news. We will build complete business models to share with the industry and with the journalists, communities, entrepreneurs, technologists, and investors who will create the future of news” (New Business Models for News).

Jarvis and other journalists associated with the City University of New York Graduate School of Journalism are examining how to maximize revenue to hyperlocal-news sites, open new news organizations in local markets even after a daily paper closes, and support journalism through public entities such as foundations, government and others. By promoting a wide range of options through which newspapers can develop better business models, the participants in New Business Models for News posit that “an

ecosystem made up of many players operating under many models and motives will emerge” (News Business Models for News).

### **Business proposals**

Many journalists have put forward diverse proposals for possible future business models for news publications. Davis notes that a number of experiments in newspaper business-making are currently underway. Some new start-up enterprises are producing online-only news resources aimed at a hyperlocal readership. Most of these local-level online news start-ups are not large, and many are not yet making much money.

Nevertheless, Davis points out that these operations are doing substantive news reporting and are starting to draw attention. They probably will play a role in shaping the journalistic landscape in the future (Davis 13).

Local-level news initiatives will probably be more likely to generate revenue than national-level ones because it is easier to target specific audiences in smaller local communities than in larger ones. Today, increasing numbers of readers want very specific news content tailored to their peculiar needs or interests. Studies such as one performed by researchers at the National Central University in Taiwan show that many online readers seek out online news featuring their preferred topics in entertainment or general interest categories (Su, Ju 255). It is often easier to tailor news content to specific audiences and/or tastes by targeting local readerships, which Donica Mensing refers to as “adaptability to local conditions” (Mensing 34). This ability to make targeted, local content also applies to local-level advertising. Mensing reports that many of the online

news managers she surveyed believe that there are promising opportunities for “hyper-local advertising” and “custom ads that contribute to the interest and lifestyle choices of our readers” to help achieve profitability (Mensing 33).

Newspaper managers are also figuring out new ways to bring in revenue. Because they have been gradually losing money from most of their traditional revenue sources, newspapers will need a wider variety of revenue sources over the long term. Newspaper sales departments are moving beyond print advertising and attempting to generate revenue from videos, online promotions, targeted marketing services and other offerings (Davis 13). Some targeted marketing services offer online users specific content. The *Washington Times*' microchannels offer electronic streams of news content to readers who desire information on particular topics such as politics, economics, foreign affairs, energy policy, etc. “Insight on Energy,” for example, is a microchannel that features the *Times*' coverage of the energy sector. Subscribing to a microchannel offers users the ability to receive the most up-to-date articles produced by *Times* writers on areas such as energy, the economy and other public affairs (Solomon). These types of new revenue streams are all a part of newspapers' efforts reduce dependence on traditional sources and build viable futures. I will discuss these techniques further in chapter four as examples of online tools that have the potential to help newspapers raise more revenue.

In *Time* magazine, Walter Isaacson writes that requiring payment for at least some online content is a good idea. He notes that currently, a few newspapers such as the *Wall Street Journal* charge for their online editions by requiring a monthly subscription (Isaacson 32). When media owner Rupert Murdoch bought the *Journal*, he originally

considered dropping the subscription requirement but ultimately concluded that it was smart economics and kept it in place. As Isaacson explains, Murdoch's decision appears to have been a wise one. Paid subscriptions to the *Journal's* website rose more than 7 percent in 2008, in the midst of a severe economic recession (Isaacson 32).

Isaacson also notes that the *Journal's* success with the website fee for its news content also helped to prompt the *New York Times* to drop its own halfhearted attempt to generate subscription revenue. The *New York Times*, from September 2005 until September 2007, had tried to charge readers for their opinion columnists online. The attempt was halfhearted—in Isaacson's view—in that the *Times* tried only to place its opinion columnists behind a pay wall rather than either charge for all of its news content like the *Wall Street Journal* or show it for free like the *Washington Post*. Ultimately, the *Times* decided that, at least in this instance, the online columns were more valuable as contributors to greater Web traffic and online-ad revenue than as paid content (Perez-Pena, "Times to Stop"). According to a *New York Times* report, media experts believe that while opinion columns themselves are unlikely to generate that much ad revenue, they can drive many readers to more lucrative parts of the *Times* website such as the topic pages on health and technology (Perez-Pena, "Times to Stop"). Isaacson believes that the *Times* made a mistake trying to charge for its opinion columnists online rather than for its news reporting (Isaacson 33). In his view, the *Times* could do better in terms of revenue if it emulated the *Journal's* model by charging a monthly subscription, though he adds that subscriptions will not solve all of the revenue problems newspapers face.

The *New York Times* will soon find out if this proves to be so. Beginning in January 2011, the *Times* will launch an experiment in paid content for its online news pages. The newspaper recently announced that it will be charging some frequent readers for access to its website. According to the *Times*' report, "a visitor to NYTimes.com will be allowed to view a certain number of articles free each month; to read more, the reader must pay a flat fee for unlimited access" (Perez-Pena, "Times to Charge"). Readers who subscribe to the print version of the *Times*—including those who subscribe only to the Sunday edition—will receive full access to the website without any additional charge. The *Times* has yet to decide how much it will charge for online subscriptions, or how many articles it will make available for free (Perez-Pena, "Times to Charge"). It will be interesting to see whether the *New York Times* will be able to make paid online-news content a significant revenue stream as the *Wall Street Journal* has done. Also, it is interesting to note that the *Times*' mulling over which articles to make free and which articles to put behind a pay wall reflects how newspapers in general must weigh these choices, as John Solomon mentioned (Solomon).

Still, while paid content probably has a role to play in making newspapers more profitable, there are risks to the approach. According to a news report in the *San Francisco Chronicle*, a survey conducted by the Nielsen Co. research firm indicates that "online consumers may be more willing to pay for certain categories, such as movies, games, TV shows and music, and less likely to pay for news, blogs and user-created videos" (Evangelista D1). Naturally, a newspaper with a good journalistic reputation might have a better chance than other online news sources of attracting buyers interested

in reliable news content, but the problem is that the Internet is so vast. Readers usually assume they can find the news they want for free elsewhere on the Web if they cannot get it for free from sites requiring payment.

The study surveys 27,000 Internet consumers in 52 countries, and it suggests that it may be difficult to sell paid-content news. According to the Nielsen report, 85 percent of those surveyed believe that online content currently free should remain free (Nielsen 1). Furthermore, 78 percent of the participants indicated that they believe they should have free access to a newspaper's online content if they already subscribe to that newspaper. Finally, 79 percent of respondents said that they would no longer use a news website if that website began charging them for content (Nielsen 1). Presumably, these respondents believe that they can find the news they want in many other places for free.

Because of such realities, paid content faces obstacles in the short term. However, there is real potential for certain types of paid content to take hold in the future. A study by researchers Bo-chiuan Su and Pei-Hung Ju at the National Central University in Taiwan indicates that users would be more willing to pay for online news in some circumstances. The researchers report that despite initial negative reactions toward the idea of paying for online news, consumers displayed increased amenability to the idea if they could get their specific news preferences met (Su, Ju 255). For example, the study noted that many respondents reported accessing online news primarily for their own general-information and entertainment wants. These respondents might be more likely to pay for online news items if they could easily purchase items related to their entertainment interests or other favorite information (Su, Ju 255). Furthermore,

respondents were less willing to pay for an online version of a newspaper already found in traditional print format, but they were more willing to pay a service charge for additional features such as video and audio content (Su, Ju 255-6).

Some of these data suggests that online readers would be more amenable to paying for online news if they could purchase specific news items related to their interests at relatively low cost. Other respondent reactions in the study suggest that newspapers could find customers who are more willing to pay for audio and video items from their websites.

If newspapers can find ways to simplify the process of buying online news content, they may draw many customers. As Isaacson writes, newspapers need to come up with a news-content equivalent to iTunes, which allows online consumers to buy music with ease. An iTunes-easy method of news micropayment could prove extremely powerful in generating online revenue. In Isaacson's description, such a payment system would be "a one-click system with a really simple interface that will permit impulse purchases of a newspaper, magazine, article, blog or video for a penny, nickel, dime or whatever the creator chooses to charge" (Isaacson 33). This kind of arrangement could make micropayments for news more widely used. Just as iTunes attracted many buyers because of its low prices, efficiency and user-friendliness, a similar mechanism for online news content could open up new revenue streams.

As Isaacson explains, newspapers could charge a nickel for an article, a dime for a day's full edition, or \$2 for a month's worth of Web access. "Some surfers would balk, but I suspect most would merrily click through if it were cheap and easy enough," he says



(Isaacson 33). As is usually the case, newspapers will have to decide over time what content they want to provide for free online and what content they want put behind a pay wall (Solomon). In the future, it may be that paid-content methods such as the *Wall Street Journal's* online subscriptions, the *Washington Times's* microchannels, and an iTunes-like service could provide a variety of revenue sources to help newspapers achieve profits.

In addition to the *Wall Street Journal's* progress with paid online news content, some other newspapers are trying this method, with some content free and the rest requiring online subscriptions. The *Financial Times*, for example, has a system in which it gives away ten stories for free on the Web and charges for the rest for 99 British pounds a year (about 152 American dollars). With this pay wall, the *Financial Times* Web site is currently growing by up to 15,000 free registrations a week and has reached 1.3 million non-paying registrants, 110,000 paying subscribers and “a publishing business that’s two-thirds digital,” according to the Internet site PaidContent.co.uk. In this way, the *Financial Times* is able to obtain subscription revenue while attracting Web traffic to its site (Andrews). As reported in another article on PaidContent.co.uk, the number of subscribers paying for access to the *Financial Times's* website rose by 15 percent to 127,000 by December 2009, and the revenue generated from online subscriptions rose by 43 percent (PaidContent.co.uk).

Meanwhile, Pearson PLC, the parent company of the *Financial Times*, reported that FT Publishing—the subsidiary containing the *Times* and other specialized publishing ventures—turned over 358 million pounds (over 552 million American dollars) in revenue last year and generating an 11 percent profit margin (PaidContent.co.uk). This

performance is quite creditable, although some of the profit has to do with factors such as dividends from Pearson's 50 percent stake in the publishing company Economist Group (PaidContent.co.uk). Nevertheless, the *Financial Times*' performance indicates that its paid content is having some positive effect on revenue.

In another case, the *Times* of London has also recently announced a new system of paid online news content. Beginning in June of this year, the *Times* and the *Sunday Times* will offer a week's subscription for two pounds or a day's access for one pound for access to their websites (Mostrous, Steele). In addition, a recent decision by Google after negotiating with various newspaper companies will allow for another form of paid content. Under the new decision, publishers of paid-for Web content such as online newspapers will be able to restrict viewers' free Internet access. Google says that publishers will now be able to set a limit on the number of free news articles readers can view through search queries on the company's news-aggregation service Google News (Lindsay, Ahmed). It will be interesting to see if these changes allow for more newspaper revenue through paid content.

### **Other possibilities**

There are a number of other possible business techniques that can improve newspaper finances. In *Nieman Reports*, Michael Riley suggests that newspapers can supplement their mass-market activities with potentially lucrative stables of niche publications. These niche publications, either print or electronic, can find specific audiences to serve. These include mothers working outside the home, local businesses,

music aficionados, doctors, lawyers and so on. Such targeted, small-scale marketing of news can help supplement newspaper revenue (Riley 14). The concept for these niche publications is quite similar to the concept for the electronic microchannels being used at the *Washington Times*. The *Times* microchannels offer special electronic subscriptions to streams of topic-specific articles from the paper, while Riley's suggestion involves publications targeting specific interests or career paths. In addition, Riley suggests that newspapers be bold enough to try new experiments that may prove lucrative, such as pursuing a social-networking and employment website for online subscribers (Riley 14).

Advertising will most likely continue to be a key revenue source for newspapers for the foreseeable future despite the shortfalls it has recently experienced. In any case, newspapers cannot rely on only one source of revenue if they want to achieve financial sustainability. As Jeff Jarvis says, "The future of news in a market will not be one product from one company—I believe it will be an ecosystem of many projects. Foundation and publicly supported efforts will take up small but important aspects" (Dry B4). Some foundation efforts might include investing nonprofit money in newspapers or running newspapers as nonprofit organizations. Publicly supported efforts may include adjusting federal rules on media cross-ownership to allow newspapers to function under other media umbrellas. These options will be explored in the next chapter.

In the next chapter, I will cover more information about potential revenue sources for newspapers as well as more detail on ways to help them achieve financial stability. The chapter will touch on suggestions related to governmental actions related to the media world, including a recent decision by the Federal Communications Commission to

liberalize rules on cross-ownership between print and broadcast media enterprises  
(Gattuso 1). Some see such cross-ownership as one possible way of saving newspapers.  
This and other revenue issues will be addressed in the next chapter.

### **Chapter III: Other Revenue Models for Print Journalism**

Many proposals currently under discussion in the public forum offer various new sources of revenue for newspapers. There are also numerous proposals for what can be done to better ensure financial stability for print publications over the long term. Ongoing debate over the newspaper industry's future has attracted different suggestions about what newspapers can or should do to reorganize themselves for survival. All of these proposals have certain advantages, disadvantages and uncertainties. Some of them may play a part in shaping the future for newspaper survival, but it is unlikely that any single proposal will be a panacea for the industry's ills.

#### **Adjusting business models**

The newspaper industry is trying various experiments to create new sources of revenue that will be more reliable over time. Donica Mensing, writing in the *Newspaper Research Journal*, notes that some forms of targeted advertising are promising. Targeted advertising seeks out a specific audience; learns about the audience's wants, needs and interests; and tries to appeal to the members of that audience based on this knowledge. This type of advertising could potentially improve revenue projections for many online newspapers. As I first pointed out in the second chapter, Mensing reports that more newspaper managers see potential in contextual advertising, better targeted ads,

customized ads, sponsorships, hyperlocal advertising and dynamic electronic ads that provide information to readers (Mensing 33). Some of this advertising is done through websites designed to target a particular local-level audience. These hyperlocal websites can also be made into hyperlocal networks that link people within a given community and appeal to the interests of that community.

Newspaper managers who responded to Mensing's survey mentioned database directories driven by search engines as well as customized ads that appeal to the interests and behaviors of individual readers. In addition, some news organizations have suggested creating virtual communities in which customers and advertisers can be brought together so that advertisers can learn firsthand about a newspaper's readers and become better equipped to customize their ads to their interests (Mensing 33).

This emphasis on customizing ads and/or news content to community needs is common in the dialogue on what newspapers should do. Daniel Sullivan, also writing in the *Newspaper Research Journal*, emphasizes that newspapers must be in touch with their communities in order to better serve their readers' needs. He writes, "A business model built on serving a community by building relationships with members of that community is much more likely to generate this outcome [attracting more readers] than the current model. It is also more likely to position newspaper companies to anticipate and respond to changes in the business environment rather than continue to defend their existing position" (Sullivan 75). Newspaper managers should probably keep Sullivan's recommendation in mind when they try experiments in targeted, customized advertising and virtual communities.

In *Nieman Reports*, Michael Riley encourages newspapers to be courageous about experimenting with ideas. He writes, “Try new ideas, like ancillary Web sites or niche publications. Evaluate their success. If they work, keep them going; if they don’t, kill them and try something else” (Riley 14). Riley suggests that newspapers should take lessons from online news outlets like Google News and Yahoo News by creating local community audiences and marketing news to the audience’s local interests. “Take a crash course to gather up this information, pour it into a database, offer a dynamite search function, and become the best source of local information,” he writes (Riley 14).

The kind of database Riley envisions would store news and information covering the myriad interests of a given local community. It would have a search function that could allow users to find articles of local interest using keywords which would identify subjects relevant to the community readership. Market research into the needs and interests of individual audiences would help newspapers to create such a database. They might then be able to create a system similar to Google News’ system of tagged, highlighted links. These tags and links would lead readers in a local audience to other articles on topics relevant to their community.

Newspapers should work more diligently in taking advantage of targeted Web advertising if they want to succeed in the near future. Mensing writes that while newspapers are experimenting with targeted advertising, they will probably have to significantly accelerate the scope and scale of this revenue source if they want to thrive in the new media market (Mensing 33). Furthermore, as many writers have already contended, Mensing says that newspapers will need a variety of revenue streams on

which they can count. She writes, “No simple model has been found to assure profitability for the online newspaper industry. It may be that adaptability to local conditions and the development of multiple revenue streams site-by-site will be the most promising path to profitability” (Mensing 34). However, according to her research, “there is little evidence that the industry is addressing this problem imaginatively or comprehensively” (Mensing 35). This behavior in the industry will have to change if newspapers want to build the foundations for future prosperity.

### **Nonprofit option**

Some have proposed that newspapers reorganize themselves as nonprofit organizations in order to stem their revenue losses. Proponents of this remedy argue that as long as newspapers remain for-profit enterprises, they will always be vulnerable to the financial troubles they are facing today. They argue that as nonprofits, newspapers would not only be free from those troubles, but they could also become even more powerful and productive as news resources.

The idea is to turn newspapers into endowed institutions like colleges and universities so that individual donors could contribute money for the papers to practice journalism. The nonprofit newspapers would then function in a similar way to National Public Radio, a not-for-profit public news organization (Davis 13). Newspapers could be supported by donations from readers, from charitable foundations, or from the government. In a *New York Times* piece, David Swensen, chief investment officer at Yale University, and Michael Schmidt, a Yale financial analyst, outline the case for a nonprofit



model. Recounting stories about the falling revenues from circulation and advertising, Swensen and Schmidt argue that the surest way to save newspapers from oblivion is to reorganize them as nonprofits. “Endowments would enhance newspapers’ autonomy while shielding them from the economic forces that are now tearing them down,” they write (Swensen, Schmidt A31).

Noting how newspapers’ traditional business model has been undermined by innovations in digital media, the authors argue that endowments would allow newspapers to become permanent fixtures of American life and would enable them to be more independent than ever. Endowments would give print publications “greater stability and enhanced independence that would allow them to serve the public good more effectively” (Swensen, Schmidt A31). Under a nonprofit model, newspapers would benefit from Section 501(c)(3) of the IRS code, which provides exemptions from taxes on income and allows deductions for people who make contributions to eligible organizations (Swensen, Schmidt A31). The authors argue that the government has a responsibility to encourage the development of not-for-profit newspapers because newspapers are important to democracy.

The authors estimate that for a large newspaper such as the *New York Times*, which spends about \$200 million a year on news-gathering operations, an endowment of about \$5 billion would be needed for it to function as a nonprofit. Smaller newspapers would require smaller endowments. The authors argue that endowed newspapers would be able to generate revenue from hard-copy sales and online subscriptions just as endowed educational institutions generate revenue from tuition. If this revenue were to

exceed the costs of distribution, the newspapers would not need so large an endowment to remain in operation (Swensen, Schmidt A31).

The journalists involved with New Business Models for News, the project affiliated with the City University of New York Graduate School of Journalism, believe that the nonprofit model is one of many revenue models newspapers should try. The organization envisions a not-for-profit newspaper model that attracts leaders of communities and their peers to take part in supporting a newspaper that serves community needs (Sollars). As New Business Models for News' Matthew Sollars notes, the nonprofit newspaper may be able to bring in substantial funds from membership revenues.

Another ongoing nonprofit journalism project is MinnPost.com. This not-for-profit online newspaper specializes in Minnesota news and provides both news and analysis Monday through Friday (MinnPost.com). According to the MinnPost website, the publication's content is "based on reporting by professional journalists, most of whom have decades of experience in the Twin Cities media" (MinnPost.com). In this way, MinnPost targets a specific statewide audience with an interest in substantive coverage and discussion of Minnesota affairs. The site includes audio and video content in addition to written material, and it features commentary articles from the Minnesota community as well as comments from readers about articles (MinnPost.com).

MinnPost's creators state that their mission is "to create a sustainable business model for this kind of journalism, supported by corporate sponsors, advertisers, and members who make annual donations. High-quality journalism is a community asset that

sustains democracy and quality of life, and we need people who believe in it to support our work” (MinnPost.com).

According to the MinnPost site, the news publication received its initial funding of \$850,000 from four families. Later, it received major foundation support from the John S. and James L. Knight Foundation, the Blandin Foundation, the McKnight Foundation, the Minneapolis Foundation and the Otto Bremer Foundation (MinnPost.com). At the end of 2009, the site had more than 1,700 donors contributing amounts ranging from \$10 to \$20,000 a year (MinnPost.com). As MinnPost illustrates, there are many potential donors who will give to a nonprofit newspaper if they believe it serves a good purpose.

However, there are disadvantages and uncertainties involved with newspapers becoming nonprofits. Many newspapers are skeptical of the benefits nonprofit status would supposedly bring. Critics of the proposal argue that newspapers could lose independence rather than gain it. Endowments could cause newspapers to become beholden to their donors, which might influence the content of their news coverage. Furthermore, giving newspapers tax-exempt status could also restrict the papers from endorsing candidates and running editorials on pending legislation (Christoffersen). MinnPost, for example, does not endorse candidates for public office or publish unsigned editorials representing an institutional position of the publication (MinnPost.com). Swensen and Schmidt admit that the same law granting tax-exempt status involves a prohibition against trying to “influence legislation” or “participate in any campaign activity for or against political candidate” (Swensen, Schmidt A31). While Swensen and Schmidt argue that newspapers could still participate in debate over public issues, it is

unclear what kind of newspaper content would be considered “influencing” legislation or “participating” in a political campaign. It could simply mean that newspapers could no longer endorse candidates in editorials, or it could possibly extend to other news and opinion content.

Dan Kennedy, writing in the *Guardian* newspaper, responds to Swensen and Schmidt’s claim that a loss of endorsements is not a major concern. Kennedy asserts that “under US law, our self-styled watchdogs of democracy would become lapdogs, eschewing partisan politics in order to obtain a precious federal tax exemption” (Kennedy). He adds, “They [newspapers] might as well renounce the protection of the first amendment to the US constitution.” Kennedy argues that a nonprofit route for newspapers could work only if it could be reconciled with the idea of a free and independent press. The only way to do so, he maintains, is to change the law so that endowed, tax-exempt not-for-profit organizations are free to engage in any political speech they choose. Freedom of speech, Kennedy writes, must be “extended to everyone—not just to those willing and able to pay a tax on it” (Kennedy).

Skeptics also question whether newspapers would be able to rely on the millions and millions of dollars in donations required for an adequate endowment during periods of economic downturn. Particularly in the midst of a severe global recession, newspapers may not be able to attract sufficient funds to keep their operations running, since donations for endowed organizations tend to drop during economic hard times (Christofferson). Finally, skeptics argue that if newspapers were to switch to nonprofit status, it would amount to a declaration of mediocrity because newspapers would not be

able to prove their worth on their own merits in the market (Solomon). Overall, critics believe that the nonprofit model would place freedom of the press at risk, trade long-term news quality for short-term financial satisfaction, and fail to provide a reliable revenue stream in economic hard times.

### **Potential in partnerships**

This section will discuss the proposal to encourage more cross-ownership among news outlets to help strengthen the financial stability of newspapers. An interesting recommendation for helping newspapers is proposed in a research paper by James L. Gattuso, a senior research fellow in regulatory policy at the Heritage Foundation. Gattuso comments on a December 2007 decision by the Federal Communications Commission to relax its 33-year-old blanket prohibition on cross-ownership of media. This would allow broadcast media licenses to be owned jointly with newspaper licenses (Gattuso 1). Gattuso agrees with the decision but argues that the FCC's rules should be liberalized still further.

Gattuso notes that both newspapers and radio and television broadcasters are being swamped by competition from 24-hour cable news channels, online news sites, wireless news alerts and other new media outlets. He also points to a February 2008 Zogby poll where only 10 percent of adults name newspapers as their primary source of news, compared to 48 percent who name the Internet (Gattuso 2). Due in part to such changes in the media business, the FCC voted to modify its 1975 ban on cross-ownership

of newspapers and broadcast licenses. Under the new rules, newspapers would be allowed to own or be owned by broadcasters in the 20 largest U.S. media markets—all markets larger than St. Louis (Gattuso 3). Eighteen of these 20 markets have at least 10 independently owned television stations, and 17 have at least two major newspapers. (Gattuso 3).

Cross-ownership is still presumed to be against the public interest in other media markets under the new FCC rules. Even in the 20 markets where cross-ownership is permitted, cross-ownership with a television station is presumed to be in the public interest only if the station is not one of the top four stations in a market and at least eight independently owned TV stations and major newspapers remain in the market (Gattuso 3). This is to regulate concentration of media sources.

Gattuso argues that more liberalized rules can bring significant benefits to newspapers. He writes, “Joint ownership promises the ability to share news resources and expertise between print and over-the-air outlets. Reporting for a newspaper could be used, for instance, to provide information for news broadcasts, with video and audio footage supplementing print stories. Such cross-platform synergies are nothing new in the news business. Few news organizations today, for example, are without an online presence” (Gattuso 3). Gattuso believes that limiting newspaper-broadcast cross-ownership to only 20 markets is unnecessary and that the FCC should further relax its rules (Gattuso 4).

This argument asserts that with more opportunities for joint ownership, media outlets could pool their resources to cut costs, increase profits and produce more and

better news content. This could give newspapers a greater chance to survive and prosper. Citing the commission's decision, Gattuso notes that the FCC authorized three academic studies which found that television stations cross-owned with newspapers provided between 3 percent and 11 percent more local coverage than was provided by stand-alone TV stations (Gattuso 3). In one of these studies, Gregory S. Crawford of the University of Arizona reports that "[t]elevision stations owned by a parent that also owns a newspaper in the area offer (3.0 percentage points) more local news programming" (Crawford 23). In another study, Jeffrey Milyo of the University of Kansas and the University of Missouri writes that newspaper cross-ownership has a positive effect on the amount of news coverage in radio and television stations, stating that newspaper cross-ownership "is associated with about a two-minute average increase in total news coverage, or about 8% more total news than for non-cross-owned stations" (Milyo 19).

The final FCC-authorized study is co-authored by several researchers, with each researcher writing a section of the report, which covers various types of media cross-ownership. The first section authored by Daniel Shiman reports that television stations cross-owned with a newspaper "provided 11% (18 minutes) more news programming per day" (Shiman et al 1). In the second section, however, author Kenneth Lynch says that in the case of radio, there are not enough instances of cross-ownership between radio stations and newspapers to draw meaningful inferences about news programming (Shiman et al 1). In the third section, Craig Stroup discusses factors influencing a radio station's propensity to adopt a news format. He writes that a radio station cross-owned with a newspaper is "four to five times more likely to be a news station" (Shiman et al 1).

Finally, in the fourth and last section of the study, Pedro Almoguera reports that newspapers that are co-owned with other newspapers within the same metropolitan statistical area “are associated with a 5% drop in the absolute amount of news.” At the same time, Almoguera finds no statistically significant effect of cross-ownership with radio or television on the quantity of news published (Shiman et al 1). Overall, this final FCC study indicates mixed results for newspaper cross-ownership with other media outlets. Success of cross-ownership obviously varies from case to case.

The thinking behind increased cross-ownership is that these media combinations could allow more newspapers to keep up with larger rivals. As an illustration, Gattuso points to the *Washington Star*, a former competitor of the *Washington Post*. The *Star* was strongly competitive in part because it was under joint ownership with WMAL-AM radio and WMAL-TV. However, FCC rules forced the sale of the radio station in 1977, weakening the paper’s competitiveness and helping lead to its folding in 1981 (Gattuso 4).

Opponents of relaxing newspaper-broadcast cross-ownership rules argue that it would lead to massive concentration in the media industry, with monopolies restricting Americans’ access to news and information (Gattuso 1). In the *Seattle Times*, for example, the editors published an editorial objecting to the recent change in FCC rules on media cross-ownership. The editors argue that the new FCC rule “essentially lifts the media cross-ownership ban, which barred a company from owning a newspaper, television station and radio station in the same market...A close reading of the current rule shows it is filled with loopholes that would allow for consolidation in almost any



market—small, medium and large” (*Seattle Times*). The editors claim that an arrangement allowing more media consolidation represents “one of the greatest threats to democracy” (*Seattle Times*). Because of dangers like these, newspaper cross-ownership may create more problems than it solves and could reduce the number of voices and views available in the media.

Even if such monopolization did not take place, cross-ownership would not be a cure-all for the problems afflicting traditional media. As Gattuso himself admits, some observers of the media industry are not sure that close collaborations between newspapers and broadcast outlets are feasible on a wide scale (Gattuso 4). Jonathan A. Knee, for example, writes in the *Columbia Journalism Review* that many media outlets probably will not be able to collaborate successfully because they may cover the news in different ways and be unable to work together effectively (Knee 65). Not every media combination has been successful. In 2006, the *Washington Post* formed a partnership with a local FM radio station to create a broadcast outlet for the newspaper’s reporting. The outlet was a radio program called “Washington Post Radio,” and it was meant to highlight the *Post*’s work through another medium (Fisher). In this case, the print and radio outlets simply failed to mesh well, and “Washington Post Radio” was canceled after about a year (Gattuso 4). While such partnerships can be successful, there is never a guarantee that any business venture will produce results. Ultimately, even if partnerships with other media outlets save some newspapers, they will not ensure a secure future for the newspaper industry as a whole, and they could also create more problems because of media consolidation.

All of the suggestions outlined in this chapter may have a role to play in building a more stable world for newspapers. I am especially impressed with the idea of targeted advertising and building local community audiences, because these techniques involve newspapers growing closer to their readers and learning more about them. This can help newspapers become more relevant by learning the needs and interests of their audiences. Experiments with nonprofit operations and media partnerships would also be worth trying, although they almost certainly are not panaceas for newspapers. Furthermore, the nonprofit route poses problems for free speech and newspaper independence. In the end, no single plan will be able to revive newspapers all by itself. A combination of methods needs to be used to build a better environment for them.

## **Chapter IV: Technologies to Enhance Newspapers' Functions**

New advancements over the course of human history have empowered larger numbers of people around the world to share in the dissemination of news and ideas, and newspapers are a part of this ongoing phenomenon. Technological developments have progressively enabled greater quantities of knowledge to be spread at greater speed, and the Internet is one of the most powerful inventions ever to contribute to this evolution. Today, the Internet and all of its related electronic resources are revolutionizing the field of journalism with an explosion of news availability. This media revolution presents tremendous opportunities for newspapers as well as tremendous pains.

Today's burgeoning electronic news resources are the contemporary manifestation of an ongoing process in which new media technologies have spurred greater news production and have disseminated information at an ever faster rate to increasing numbers of readers. Newer publishing technologies and techniques have displaced older ones, but the essential purpose behind them remains the same—wider and faster distribution of knowledge is the prime effect of continuing innovation in print journalism. The challenge for today's print publications is how best to use the newest electronic tools to refine and expand their roles as informers of the reading public.

### **Expanding reach of news**

Internet blogs are some of the most influential electronic resources in the new-media landscape. A blog is a website that serves as an online diary, displaying written entries by the owner as well as other content such as images and videos. The word “blog” is a portmanteau of the words “web” and “log,” describing a log, journal or diary published on the Web (Macintyre). Different blogs may specialize in any number of subject areas. Blogs that are oriented toward news-related content are increasingly competitive with traditional print media for attention from readers. As online sites constantly updated with new information, blogs can display the latest news on any number of topics. The basic structure and capabilities of blogs make them powerful tools with tremendous potential for enhancing journalistic organizations. This is especially true, since print, whether in paper form or electronic form, remains the best way to engage in long-form argument, to collect ideas and to communicate those ideas to readers (Kline, Burstein xx). Thus, melding the power of the written word with the power of modern electronic communications technology is important to making effective journalism.

Many journalists who are well-acquainted with blogs and other online media find that they are quite useful the mission of print journalism (Dry B4). The priority for print journalists is to incorporate these technologies in the same way that print journalists through the centuries incorporated the most revolutionary methods into their work in order to spread their knowledge to more readers. Blogging technology is actually the key development at the center of a much broader array of innovations in media dissemination. Other developments include Internet-based communications tools such as RSS feeds.

RSS is usually translated as “Really Simple Syndication” or “Rich Site Summary.” RSS feeds are electronic feeds used to publish online materials that are updated frequently. In addition, wikis (Web sites allowing easy creation and editing of linked Web pages along with reader input), search engines, audio and video content, podcasting and image processing are all part of the wave of new knowledge-dissemination capabilities (Kline, Burstein xxi). In order to do well, contemporary newspapers must take advantage of these multimedia resources because they are powerful tools for reaching readers.

History is a useful guide in seeing how newer media technologies gradually build authority and become integrated into societies. During the English Renaissance, writers and philosophers took advantage of the newly introduced printing press to disseminate their educational and literary materials on printed pages (Elsky 111). The example of Francis Bacon in the late sixteenth and early seventeenth centuries is a good illustration of this trend. Bacon alternated between traditional manuscript writing and newer printed writing. When writing on science or philosophy, he chose the newer medium of printed books over the older medium of manuscripts, which he used when writing on politics as a government official (Elsky 187-8).

Bacon chose to take advantage of books because they were more physically durable than manuscripts, which made them more useful in preserving knowledge for posterity. Also, books allowed him to include more depth of information in his research-oriented writings (Elsky 197). As Bacon said, “[T]he images of men’s wits and knowledges remain in books, exempted from the wrong of time and capable of perpetual renovation” (Elsky 198). Bacon obviously appreciated the power that printing technology

held for knowledge and learning. Commenting on the technology's special abilities, he said that through print, "the discoveries of one man can pass like a flash of lightning and be promptly shared, thus stimulating zeal and effecting an intercourse of ideas" (Elsky 202). These exact words could just as perfectly describe the power of the Internet and online texts today. The Internet is spreading news and ideas more expansively than Bacon could have dreamed.

At the same time, however, Bacon emphasized that books should not be given automatic authority simply because they are books. Quality of research and accuracy of information determined the value and authority of any printed text (Elsky 209). The same is equally true of today's electronic media outlets. Newspaper journalists must take advantage of online outlets, but at the same time, the quality of the content is what matters most. Therefore, newspaper editors should encourage their reporters and writers to produce content for the paper's electronic version using the same attention to facts and accuracy as they do in traditional print. By doing so, newspapers help to enhance the credibility of newer outlets and draw more readers to their content.

### **Blogs' potential**

Although some in the world of journalism have been wary about these technologies, it is important to remember that now is not the first time that new tools have revolutionized the printed word. The invention of the printing press in the fifteenth century engendered tremendous changes in the spread of information in ways quite similar to what the Internet is doing today. The printing press made the presence of the

written word more pervasive than ever before, and it gave new authority to the printed word as a visual image retained in people's memories (Elsky 115). Furthermore, it conferred stability on the written word and made affordable reading material available to many more people. Information outlets such as news pamphlets proliferated thanks to the productive power of the press (Voss 63). This same media-innovation phenomenon can be seen today, with the Internet playing the role of the printing press and enabling a wealth of easily accessible online news resources to proliferate.

The gradual development of a media culture with the printed word at its center during the fifteenth and sixteenth centuries led to an unprecedented dissemination of information to large numbers of readers. Indeed, it was printing technology that first gave birth to newspapers and other print publications as we know them today (Crick, Walsham 20). These Renaissance-era printing innovations were a remarkable change from the situation in the Middle Ages, when books were all copied by hand and were thus quite rare (Howard 215). Just as fifteenth-century technology helped create new printed materials such as broadsheets, twenty-first-century technology can make newspapers more powerful than ever as disseminators.

In the same way, the lessons of history are relevant because the blogging phenomenon has many ancient antecedents and deep cultural roots (Kline, Burstein xiii). As I mentioned earlier, a "blog" is a "Web log," or website devoted to displaying entries of writing and other content posted by the owner of the site for all online readers to view. From the late Renaissance to the Enlightenment, a wealth of predecessors to blogs existed as handwritten diaries. These diaries, known as "commonplace books," functioned much

as blogs do now. The diarists collected and wrote down their thoughts and interests, often covering a wide variety of topics. This is much like a slow-moving, handwritten and in-person version of today's blogs, and they promoted the sharing of information and knowledge (Kline, Burstein xiii).

However, today's blogs have a special advantage: They can publish information through a medium allowing the entire world to see the information in virtually no time at all. Internet blogging technology is therefore invaluable to modern print journalism. Using blogs and other online publishing outlets, journalists can instantaneously bring readers up to date with the newest information on a particular story or multiple stories. In addition, journalists can communicate with far more readers than ever before, and they can incorporate the reactions of readers and even other journalists by featuring electronic forums to display comments from visitors to the Web site. This way, print journalists can use powerful online resources to encourage greater sharing of knowledge as well as greater participation in public discussion of topics. They can post articles on blogs for readers to view, update the articles as the news changes, and incorporate features such as video and audio content. This is truly a positive expansion of the role of print journalists, and it has the potential to augment the influence of newspapers.

There are likely to be continual interactions and cross-fertilizations between blogs and traditional media for the foreseeable future. Some of today's bloggers will become newspaper and magazine columnists and television news personalities (Kline, Burstein xxii). Therefore, it is important for newspapers to appreciate blogs' influence and try to channel them for their journalistic purposes.



## **Building authority**

Because Web-based resources are now the most potent delivery systems for print journalism, newspapers need to think about their Web products first and their printed-paper product second. I tend to agree with Michael Riley when he argues that putting the Web first is important because the Internet has made news “a multilayered conversation, not a monologue. Power resides in the individual, not a central authority, and newspapers ignore the power of the individual and the network at our peril” (Riley 13). This is true because the Internet allows numerous voices to take part in the public presentation and discussion of news, and it allows individuals to make themselves heard through their own Web products and through responses to others’ online work.

This is not meant to diminish paper versions’ value; many newspaper readers still enjoy reading the news on the printed page. What it means is that newspapers cannot offer themselves purely as a printed paper product. Instead, they need to become multimedia companies in which their print journalism appears in numerous electronic outlets while the paper itself is the centerpiece (Solomon). Many newspaper editors and publishers are increasingly aware that newspapers must take into account the fact that the 24-hours-a-day, 7-days-a-week news cycle is more influential than ever now thanks to cable television and the Internet. Because of this reality, newspapers have to work even harder to remain relevant and interesting within this news cycle, and that means taking advantage of online tools to disseminate news much faster (Solomon). Thus, even as the traditional print paper is published, the primary emphasis must be on the electronic print

resources related to the newspaper. The Web content needs to take priority in order to support the traditional print version. This may be a difficult transformation for many newspapers to make, but it is crucial if they want to be successful in the future (Riley 13). However, it is also important that newspapers adhere to their standards of excellence even as they make necessary changes. They should make a genuinely strong effort to make sure that accuracy and professionalism in news copy do not get sacrificed just to get it published as fast as possible. This is one of the main dangers that newspapers should be aware of in the near term.

Traditional print and electronic print do not necessarily have to be at odds with each other, because one is not “better” *per se* than the other. Both types of print journalism can be mutually reinforcing. After all, as a general matter, what makes a good-quality journalistic product in print is mostly applies the same way to a journalistic product online. Whether paper or electronic, print journalism must be always be accurate, interesting, well-written and informative in order to be considered high-quality, as Andrew B. Davis has discussed (Davis 13). Emerging electronic media can learn from their traditional media counterparts about how to produce journalistic work that carries authority and establishes credibility. This means that new-media outlets must practice the same journalistic tasks commonly associated with credible, authoritative newspapers. They must base their reporting on verifiable facts, not gossip or rumors; ask substantive questions when interviewing sources; fact-check their information before publication; and write with an eye for correct grammar and spelling. Those outlets that adopt these

practices as norms will be most likely to stand the test of time as credible, reliable news sources.

The challenge of building credibility and authority is relevant to all new forms of media, and blogs are facing that challenge now in the early stages of their existence. Some individual blogs are less reliable, less civil or less objective than others (Kline, Burstein xiii). In addition, the sheer number of blogs can make it difficult for Web readers to determine which ones are credible. As Arnaud de Borchgrave reports, unedited blogs are becoming increasingly common as news sources, and many of them are quite simply unreliable, dabbling in rumors and hearsay rather than verifiable information (Borchgrave A17). These problems, however, do not diminish the fact that the capabilities of blogging technology are immensely valuable for informing readers and fostering public conversation. Newspapers can use their own blogs to demonstrate the technology at its best. Currently, prominent print journalists such as Nicholas Kristof of the *New York Times* and Dan Balz of the *Washington Post* are using online blogs and forums to display their reporting. By providing reliable and accurate coverage through their own news blogs, newspapers can attract more readers and help to strengthen the credibility of blogs at the same time. To do so, they must apply the same high standards of journalistic fairness and accuracy that they would use in traditional newsprint.

### **Enhancing journalism**

Given the numerous online technologies available, how can newspapers apply them to their journalistic enterprises? Where do all of these electronic media resources fit

into the mission of print journalism? Since the early 1970s, newspapers have been experimenting with electronic publishing technologies such as proprietary services, videotext and bulletin boards. However, the World Wide Web has emerged since the 1990s as the most successful electronic platform for print publications (Greer, Mensing 98). The Internet is now the dominant medium for electronic publishing.

Nearly all of today's Internet-based technologies have a clear application or potential application to newspaper work. Each one can perform a special function in reporting stories, disseminating information, and maintaining the attention and interest of the newspapers' readers. Each Web outlet can play a role in helping newspapers to expand their media operations and to attract more readers and subscribers.

To survive, newspapers need to know their audiences—their readers' needs, wants and interests. This is true in traditional print journalism, and it is even more so in electronic print. The available online technologies are especially valuable to newspapers when they can be used to target specific needs and demands of readers. One innovation in this area is the microchannel, which I first mentioned in the second chapter.

Microchannels are electronic news feeds targeted at specific groups of readers. They feature news stories on particular topics that are of interest to a certain segment of a newspaper's audience (Solomon). For example, individuals who work in the energy industry or who set national energy policy need to have the most up-to-date news on what is happening in this field. They need to know what is happening in terms of energy research and development, natural resources, international markets, energy legislation

and more. Newspapers can offer subscriptions to electronic custom streams of topic-specific news stories to serve this type of demand.

Some papers such as the *Washington Times* are experimenting with microchannels as a way to serve readers' needs, keep up with rapidly changing news, and open a new source of revenue. Readers who subscribe to these microchannels can instantaneously receive the latest articles covering the topic in which they are interested in substantial depth and detail (Solomon). Since newspapers are obviously not as adaptable to changing news as online outfits such as Google News or Yahoo News, microchannels offer a unique method for disseminating news quickly and for targeting reader demand. If they ultimately help to boost newspaper readership and revenue in the long term, we will probably see many newspapers taking advantage of them.

Incorporating multimedia features into newspaper Web sites is another important endeavor for drawing readers. Today, most newspapers are working to include at least some multimedia content on their sites. The progress of making newspaper sites more sophisticated has been slower for some papers than others, especially the smaller ones (Greer, Mensing 98), because smaller dailies often lack enough money to upgrade their site content quickly.

Newspapers should certainly take advantage of the Internet's interactive capabilities. Interactivity enables readers to engage much more closely with newspaper content, and it helps them to find articles covering specific topics in which they have the greatest interest. Increasingly, newspapers are using their Web sites to showcase interactive content and draw attention from viewers. Newspapers such as the *New York*

*Times*, the *Washington Post* and the *Washington Times* incorporate elements such as blogs, discussion forums, videos and articles with readers' comments sections. Also, social-networking Web sites have enormous potential for helping newspapers to disseminate their content to more readers. Online networking resources such as Facebook and Twitter can promote newspapers' best and most important work by communicating directly with readers and potential readers. The *New York Times*, the *Washington Post* and the *Washington Times* are three prominent newspapers that currently maintain a presence on both Facebook and Twitter.

Facebook, for example, can allow writers to display versions of their newspaper articles so that other Facebook readers can view them. The writers can feature some of their written work on their Facebook pages and also provide hyperlinks to lead other Facebook users to the writer's newspaper. The links can lead potential readers to more samples of the writer's work or to samples of other work done by the writer's newspaper. In the long run, this could potentially be an excellent way to increase newspapers' readership.

Twitter also can draw new online readers to newspaper sites, but Twitter needs to be used in different ways from Facebook. The purpose of this online service is to allow users to communicate in short messages of 140 characters or less. Obviously, this does not allow newspaper writers to present their work within the Twitter service, but Twitter can still serve them in other ways. Newspaper reporters can use Twitter messages to alert other users to their latest stories by showcasing them as blurbs of 140 characters. They can also provide links on their Twitter posts to lead viewers to their full stories. During

the recent earthquake in Haiti, for example, Twitter users were able to alert the world to the devastation they witnessed firsthand or heard from people at the scene of the disaster (Barnes). In another important case, Twitter enabled wide dissemination of news and information during recent political protests in Iran when the protesters took advantage of the service's capabilities (Grossman).

Because Twitter has such strong disseminating abilities, it could certainly serve newspaper sites just by spreading the word about important news stories. As a social network, Twitter involves users serving as followers of one another to find out what each has to say (Johnson 34). This is one reason why it can serve to increase audiences for newspaper sites. It is likely that breaking news stories will increasingly arrive through Web links circulated by online services such as Twitter (Johnson 36).

Other ongoing innovations are worth noting, and all of them may play a role in enhancing newspapers' power to disseminate knowledge. Increasing numbers of local-level online-only start-up news sites are beginning to emerge in communities throughout the country (Davis 13). These sites are aimed at serving the news needs of their local communities through online reporting. While most have not made much money yet, they have potential to serve as models for the future because they are doing substantive news work through online targeting of a local audience (Davis 13). One such publication is DavidsonNews.net, which covers local community volunteer news in Davidson, North Carolina (Sollars). Another is MinnPost.com, a nonprofit online newspaper covering Minnesota news (MinnPost.com). There is also the *Arizona Guardian*, an online-only newspaper reporting on Arizona politics (Ghigliotty). These examples show how

electronic media can create interested local audiences and serve communities as trusted sources of news.

Electronic reader devices, such as Amazon's Kindle, may also provide an alternative model for reaching readers because the Kindle can connect to a high-speed data network and download books and periodicals easily and cheaply (Quittner 35). However, this method is not yet viable on a wide scale. Readers like the Kindle are still expensive for most consumers, and they also do not yet offer popular newspaper elements such as crossword puzzles (Quittner 35). As Josh Quittner explains in *Time* magazine, electronic readers will need more time to develop additional technological capabilities in order to become more widely used as tools for print journalism.

Today's numerous electronic technologies are the sources of the new media revolution, and the current developments in media pose both opportunities and problems for modern newspapers. Just like every media innovation throughout history, these developments should be primarily seen as opportunities for newspapers to augment public knowledge. Newspapers must make effective use of these electronic resources if they wish to remain important players in the information landscape.

## **Chapter V: Closing Arguments**

After examining the challenges currently facing the newspaper industry, I continue to believe that a combination of paid-content revenue, Web advertising and



selective availability of free online news content is the most likely way in which newspapers can thrive in the long term. Furthermore, I also believe that newspapers will continue to play an important role in the delivery of information to the public at large despite their current problems. At the same time, it is unclear whether newspapers will exist in their traditional form in the long run. Many newspaper companies feature both a traditional print version and an online version of their product, but some newspapers are moving toward online-only publications. In 2009, two prominent American newspapers, the *Christian Science Monitor* and the *Seattle Post-Intelligencer*, stopped publishing print editions and moved all of their content to the Web (Spillius). This is the result of two main factors: newspapers attempting to cut costs in any way they can to save themselves, and the fact that more readers in general are choosing to glean their news from the Internet. Because of such trends, it is entirely possible that more newspapers will move all of their content online rather than publish a printed paper. Companies that can afford to publish paper editions may still continue to do so since there are still readers who prefer to read news from a printed page.

It is not easy to predict what form newspapers will take in the near future given current developments. However, whether newspapers are electronic or traditional print, they still serve the same journalistic function of communicating events, analyses and opinions through the written word. Whatever form they may take in the future, newspapers will most likely still be needed for this purpose and will find ways to adapt to the challenges of the new media environment. Nikos Konstandaras, managing editor of the Greek morning daily *Kathimerini*, maintains that newspapers and newspaper

journalists are still crucial to public discourse in the digital age because they know how to analyze and explain the news (Konstandaras). This professional skill becomes even more value, he argues, when there is so much content on the Internet. Not all of the content is reliable, so it is helpful when newspaper journalists can help to sort out this information for readers and separate the accurate from the inaccurate. Because of this need, Kostandaras believes that “newspapers will survive as organizations that gather news and look for the best ways to serve their readers. The multitude of single voices on the Internet may be a sign of infinite sources of news and opinion in our age—but without newspapers, it is a lot of sound and fury, signifying nothing” (Kostandaras). Newspapers still have a vital function in delivering news, analysis and opinion to readers. The vast amount information on the Internet makes newspapers’ function still more important. Credible, authoritative news organizations such as newspapers are needed to sort through all of the available information and to explain to readers which stories exemplify the truth of what is happening in the world.

### **Newspapers’ continuing role**

Geoffrey Chaucer once said that books were “the key to remembrance” (Howard 215) because of their special power to preserve knowledge for posterity. The printed word gained even more power over the centuries to record events and knowledge through the medium of newspapers. With the growth of printed periodicals, writers were better able to lay the foundations of knowledge by producing what former *Washington Post* publisher Philip Graham once called “the first rough draft of history” (Meacham).

Newspapers continue to serve this function in both print and electronic format, and with modern online technologies they are capable of disseminating information across wider swaths of readers than ever before. Professional newspaper coverage of events is crucial even in an age of prolific blog journalism because most blogs rely on original reporting from other sources such as newspapers. In one form or another, newspapers and the professional journalists who work for them will still have an important role to play in public discourse.

As Donica Mensing writes in the *Newspaper Research Journal*, newspapers continue to represent extensively researched news reporting and editing more than any other media product (Mensing 23). While any number of non-newspaper online news sites may provide valuable contributions to public discourse, most of them still rely to one degree or another on original news reporting. Newspapers still employ much of the top journalistic talent in the country and are thus able to report the news with a considerable measure of authority. This is why newspapers' functions will continue to be needed, whether on paper or on the Web, and it is also why Mensing emphasizes the need for newspapers. As I mentioned in the second chapter, Mensing argues that newspapers still represent print journalism at its best and most professional. Because of this, she also says that maintaining the vitality of newspapers for the long term is "a vital task for those interested in the future of news in our society" (Mensing 23).

One of the drawbacks of the proliferation of online news sources is the creation of sites devoted to gossip and falsehood rather than knowledge. In the vast universe of the Internet, it is increasingly challenging even for well-informed readers to separate the

credible, authoritative sources from the unreliable ones. The problem only grows greater when newspapers lose the ability to play a vigorous role in public discourse. As Arnaud de Borchgrave writes, “The collapse of daily print journalism is a threat to democracy itself. Distinguishing between clutter and good stuff is a constant challenge as attention becomes a scarce resource” (Borchgrave A17). The need for newspapers becomes clear when one considers the imperative to combat rumors and gossip with truth. Everything mentioned above about the need to counter rumors with factual and verifiable news suggests to me that newspapers will survive in some way because there is a vital need for accuracy of information which they are equipped to meet despite their current problems.

The preponderance of gossip and nakedly partisan commentary means that newspapers should set a good example by offering a compelling, engaging alternative in their own reporting, analysis and commentary. The only way for newspapers to do this is to behave professionally in their work by displaying a fidelity to facts, evidence and accuracy in their content. This is just as important for editorials and opinion pieces as for news; opinions will obviously differ, but the most authoritative and persuasive ones will exhibit real arguments with attention to facts and evidence.

There is no magic cure for the proliferation of gossip, rumors and blatantly slanted commentary. These have always existed and will continue to exist. The one way newspapers can combat these problems is by setting an example of factual accuracy and intellectual honesty.

## **Steps forward**

Of all the proposals put forward on how to shore up newspapers' financial footing, a combination of advertising and a system of paid content seems to be the most likely way to build future success for print publications. Other suggested means of dealing with the industry's business model are worth exploring and may add to the ultimate solution. This is because the newspaper industry is still searching for good business models, and because newspapers will need more than one option for generating revenue to survive in the future. Nevertheless, I find that other proposed business models have more weaknesses and problems to overcome. The problems include questionable long-term reliability of revenue, difficulty with cooperating with other media outlets, and potential harm to free speech or the marketplace of ideas. This being the case, I continue to believe that newspapers would have the greatest chance to benefit economically in the near future if they put forward a business model involving some paid online content, some selected free online content, and Internet advertising. Combined with continued investments in the latest online media technologies to showcase news content, this type of model offers the best opportunity for newspapers.

The *Wall Street Journal's* success with paid content is a helpful case study. As I mentioned in the second chapter, the *Journal* requires a monthly subscription fee for readers to view the online versions of its news pages (Isaacson 32). For a while, the *Journal* considered dropping the fee in order to encourage Internet traffic on its website but ultimately kept it. The subscription requirement has benefited the *Journal*, with paid subscriptions to the newspaper's website rising 7 percent in 2008 despite the global economic recession (Isaacson 32). Another example of paid content is the online news

site called the *Arizona Guardian*, a subscription-based Web newspaper in Phoenix, Arizona. Launched in January 2009, the *Guardian* specializes in covering state politics. According to Damian Ghigliotty, reporting on the *Guardian*'s progress for the New Business Models for News website in July 2009, the *Guardian* "pulls in about 8,000 visitors a month and enough paid subscribers to keep it in the black" (Ghigliotty).

The majority of the *Arizona Guardian*'s paid subscribers are lobbyists and members of the Arizona State Legislature—readers with a clear interest in following Arizona politics. The *Guardian* offers three subscription plans: a six-month "professional subscription" for \$900, a six-month "non-profit subscription" for \$720, and a six-month "individual subscription" for \$180 (Ghigliotty). In his article, Ghigliotty talks to Bob Grossfeld, one of the *Guardian*'s co-owners, about the publication's performance. Grossfeld reports that the *Guardian* is making a profit, telling Ghigliotty, that "we're making enough to get everybody paid and keep the place operating. Which is certainly a bit more than what some early predictions were, and a lot more than what some other operations around the country are making solely on advertising. We rely on advertising a bit, but most of our revenue comes from our subscriptions" (Ghigliotty).

In addition, Matthew Sollars of New Business Models for News reports on another case study, DavidsonNews.net. This news site, founded in 2006, covers local community affairs and volunteer-work stories for Davidson, North Carolina (Sollars, "News"). The site started out by accepting donations from readers. Speaking with David Boraks, the site's founder, Sollars reports that DavidsonNews has signed up 300 readers since mid-2008 paying on average \$60 to \$65 a year. Boraks calls these "voluntary

subscriptions” because he wants to reinforce the idea that people are paying for valuable information (Sollars, “News”). He hopes to build his site to a point where his revenue comes from subscriptions and advertising about evenly, and hopes to try a pay wall soon as well (Sollars, “News”).

Sollars also mentions another venture in paid online journalism. This is Journalism Online, an electronic news resource spearheaded by journalist Steve Brill. Brill calls Journalism Online an “easy to use e-commerce site” that lets readers “purchase monthly or annual subscriptions, day-passes or single articles from multiple publishers using the same account and password” (Sollars, “Brill”). Brill hopes his resource can help restore the value proposition to print journalism by dispensing with the model of fully free online news.

These ongoing case studies in paid-content journalism show significant potential, and there are signs that they are making progress in building their business models. Efforts like these help to convince me that paid content should be an important part of constructing a better business model for newspapers. It will be interesting to see how these efforts work out in the near future. It will also be interesting to observe the performance of other recent experiments in paid content such as the recent decisions by the *New York Times* and the *Times* of London to put some of their news content behind a pay wall.

## **Trial and error**

As I discussed in the third chapter, partnerships with other media companies, such as radio and television outfits, could possibly benefit some newspapers and save some of them from folding. However, such partnerships are always uncertain because it is difficult to know when two different media types will be able to mesh and when they will not. In some cases, a newspaper and a broadcast outlet simply do not work well together, and the business experiment fails (Gattuso 4). Like all business ventures, success is never a guarantee. Some media partnerships will work well and others will not. Therefore, while certain media collaborations could certainly help to rescue and bolster individual newspapers, it is not sufficiently reliable to serve as a model for the future of the newspaper industry. It may indeed be helpful to relax regulations on newspaper-broadcast partnerships, as James L. Gattuso argues, but it will not provide a long-term solution to newspapers' problems. In addition, if the new rules were to lead to fewer voices in the media as a result of increased consolidation of outlets, as the some such as the *Seattle Times* argue, the rules would hurt the freedom of the press instead of helping it. For all of these reasons, I do not believe that media partnerships are a reliable business strategy for most newspapers in the long term.

It is also possible that individual newspapers might be successfully turned into nonprofit publications, which I also discussed in chapter three. Some newspapers might find welcome relief at no longer having to worry about being at the mercy of economic changes in the market. However, the nonprofit route brings some clear disadvantages as well. First, there is the possibility that newspapers might become too dependent on donors and lose some of their independence when it comes to publishing news. *New*



*York Times* executive editor Bill Keller, for example, worries that the nonprofit model might lead to funders placing conditions on newspapers in exchange for their donations, which could influence the content of the papers (Christoffersen). As the Associated Press has reported, skeptics also fear that nonprofit tax-exempt status could lead to government encroachment on freedom of speech for newspapers (Christoffersen).

At the very least, publications with tax-exempt status would probably be required by law to refrain from endorsing political candidates. They might also have to refrain from running editorials about legislation under debate in Congress because the law prohibits nonprofit organizations from trying to “influence legislation,” which could be construed in a number of ways (Swensen, Schmidt A31). As I already discussed, because of ambiguity in how far the law might reach when applied to nonprofit newspapers, skeptics see many potential dangers for freedom of speech and the press. If the nonprofit method were to significantly impair newspapers’ freedom, then it should not be used because the loss of that freedom would negate the reason for newspapers to exist—to freely disseminate information and encourage discourse.

In addition, as with the media-partnership suggestion, the nonprofit proposal carries clear risks of being an unreliable source of financial stability. Nonprofit newspapers may see significant drops in financial donations during periods of economic hardship. These are all reasons that the nonprofit route is probably not a cure-all for the newspaper industry’s troubles. Based on everything mentioned above, I believe that newspapers should not consider the nonprofit avenue as an ideal alternative business model.

## **Promising methods**

Partly because of the disadvantages and uncertainties associated with some proposals for the newspaper industry's future, I am convinced that combining Web advertising with some system of paid content is the most auspicious route for most newspapers. Granted, paid content will not guarantee financial success any more than other suggested methods. It would also be a mistake for any publications to think that they can rely forever on Internet advertising, particularly after the current economic downturn caused revenue from Web ads to decline significantly. Nevertheless, based on what I have read through my research, a combination of ads and paid content seems to be the most promising path for the newspaper industry to take in order to secure long-term stability and prosperity.

Targeted advertising would certainly be an excellent way to enhance the power of Web advertising, which could lead to an increase in revenue. Advertising will continue to be an important source of newspaper revenue for the foreseeable future, so it is crucial that newspapers have a focus on improving their advertising techniques. Electronic ads that are customized and tailored to the needs and interests of given audiences would certainly improve the chances of newspapers tapping into more reliable revenue. As Donica Mensing surmises, Internet ads designed to target local audiences and appeal to their tastes may offer a much better opportunity for profitability (Mensing 34). Adapting to local audiences and developing multiple ad streams is something that newspapers should seriously experiment with in the near term.

On the paid-content side of the equation, I believe that a mixture of free online content and content hidden behind a pay wall is a potentially beneficial way to assist struggling newspapers. Some newspaper content should remain free online as a way of drawing the attention of readers and showcasing the kind of content that a newspaper has to offer. Individual newspapers will have to experiment with what type of content they wish to display free of charge and what type they wish to place behind a pay wall.

I am especially impressed with Walter Isaacson's proposal for an electronic system similar to iTunes which markets low-cost online news items to customers in an efficient, user-friendly manner (Isaacson 33). Such a system, in my judgment, could have tremendous benefit for newspapers because I agree with Isaacson that there is probably a good chance that many readers may be attracted to such a service provided that it is cheap and easy to use. We have seen how iTunes has been an enormously popular and successful service for the sale of music. A comparable service for selling Internet news items could have a similarly positive effect on the newspaper industry.

### **Looking ahead**

Granted, there are still potential pitfalls with the paid-content route. As previously mentioned, online consumers have expressed aversion to the idea of paying for online news. While they are willing to pay for products such as games, movies and music, they are not so keen on being charged for news on the Web (Evangelista D1). However, this may partly be explained by the fact that consumers are so used to getting their online

content for free. They might be more willing to purchase certain electronic news items if they are able to do it cheaply and with little difficulty.

Another potential problem is that not enough has been done yet to develop successful paid-content models for newspapers. Although services such as iTunes have successfully used micropayments for revenue, online news managers have not put a large amount of resources into experimenting with micropayment models for online newspapers so far (Mensing 34). In Mensing's view, this is part of the problem in which the newspaper industry in general has not been creative or comprehensive enough in its search for solutions to its revenue troubles. She believes that the success of micropayment services such as iTunes warrant more experimentation to develop a similar model for online newspapers. "Given the success this model is having in other Internet sectors," she writes, "it would be reasonable to encourage experimentation and investigation of alternative models, such as micropayments in the online news economy" (Mensing 34).

I tend to agree with this analysis because I believe it can be part of a larger solution to help newspapers be more competitive in a digital world. Although there are no guarantees that individual micropayment systems for newspapers will work, it is a promising idea that could benefit from future experimentation and development. Coupled with selective free online content and targeted electronic advertising, newspapers may be able to produce a much more powerful and sustainable business model for their journalistic industry. As I mentioned before, some experiments in electronic micropayments hold a lot of promise. The *Wall Street Journal's* online news pages have

had success with access fees, and the *Washington Times* has been experimenting with microchannels of topic-specific news marketed to subscribers. With developments like these, a new model of paid content and free content may soon emerge that will benefit newspapers with the help of customized Internet advertising.

In the end, no single solution will be a cure-all for the newspaper industry's current travails. However, with innovation and creativity, I believe that newspapers will succeed in reinventing themselves so that they will remain an important part of public discourse and the spread of knowledge. By harnessing new technologies, newspapers can now disseminate information in ways never before possible. If they can also harness new ways of doing business and generating revenue—and I expect they will eventually invent ways to do it—newspapers will not only survive and thrive, but they will also become more influential than ever as journalistic organs. Newspapers may or may not remain in paper form in the future, but whether they do or not, their work will most likely remain crucial. The only way this can happen, however, is if newspapers take advantage of new media capabilities and boldly experiment with new ways to gain revenue. Profitability can never be taken for granted, especially in a world of constant competition from proliferating media resources.

## Appendix

New Business Models for News is an ongoing research project sponsored by the City University of New York Graduate School of Journalism. The project is run by journalists who are trying to help develop ways for newspapers to find more reliable models for revenue and business. The journalists involved in the project examine a wide range of proposals, including paid content, hyperlocal coverage and advertising, nonprofit options and more. They can be found at <http://newsinnovation.com>.

The three research studies on media ownership authorized by the Federal Communications Commission, which I discussed as far as they pertained to newspaper cross-ownership in chapter three, are available on the FCC's website. There is a specific Web page on the FCC site where the agency lists a series of ten media-ownership studies which it sponsored. The page is found at <http://www.fcc.gov/ownership/studies.html>. I cited three of the ten studies which brought up the subject of newspaper cross-ownership. Those three studies were also referenced by James L. Gattuso in his paper on media cross-ownership, which I also referenced in chapter three. Of the FCC's ten studies, the ones I cited were Study #3 by Gregory S. Crawford; Study #4 by Daniel Shiman, Kenneth Lynch, Craig Stroup and Pedro Almoguera; and Study #6 by Jeffrey Milyo. The bibliographic information for these three studies is provided below as well as on my list of references.

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## **Curriculum Vitae**

Jonathan Kelly began his graduate studies at George Mason University in the Fall 2006 semester, working toward a Master's degree in English with a concentration in Professional Writing and Editing. He received his bachelor's degree in political science from James Madison University in May 2005, and also earned a minor in English. His educational background gave him significant experience in a range of subjects, especially English, journalism, political science and history.