

Newspapers and the New Paradigm

The topic of the future of newspapers is almost as topical as the news that papers have been serving customers for centuries. In discussions during the past decade, the impact of the Technology was always at the fore: advances in printing, typesetting, desktop publishing and threats from other broadcast media -- radio and television. Not surprisingly, innovations in Information Technology and widespread adoption of Internet are shaking the Newspapers publishing business by the roots. The recent wave of high-profile mergers and consolidation at large papers, now playing out at the revered Wall Street Journal is attributable in part to the threat from the online world.

Before I begin expounding my viewpoint, a caveat: I am not an expert on newspaper publishing. However, I have more than a cursory understanding of how technology is impacting publishing by virtue of having worked with a few large publishing houses -- CanWest Media in Canada and the Dow Jones -- in my capacity as an IT Architect and technology consultant. Even to an industry outsider like me, the trends are just jumping out: technology innovation and adoption is shaking up the traditional business model of newspaper publishing.

Business of Newspapers

Most of the recent commentary on the woes and challenges faced by newspapers by columnists', publishers and industry gurus skim over the fact that newspaper publishing is a Business. Though the business of the fourth estate carries an aura of exclusiveness, thanks in part to the constitutional right of free speech enjoyed by practitioners -- writers, journalists, editors et al, it is still a business. In this business, just as in any other, practitioners use skills to earn a living; and to generate revenues and profits for their employers.

The common revenue streams for papers are subscription, newsstands, advertisements, classified and other sources that may include syndication, and access to archived content. On the expense side the operations primarily constitute cost of editorial, printing and distribution, marketing and sales. The circulation of a newspaper influences its subscription and the premium advertisers would be willing to pay. The biggest intangible 'asset' that papers possess is its brand that accrues from loyal readership and original thought leadership (a.k.a editorial integrity). The credibility of editorial content and viewpoints also leads to higher circulation, and in turn revenue.

Here is a highly oversimplified view of the "Business" of Newspaper publishing.

- Circulation leads to revenue
- Content and niche (with *Editorial Independence, Integrity*) improves readership.
- Improved readership leads to higher Circulation

| Revenue | Expense |
|---|--|
| Subscription | Operations: Editorial Print and Distribution |
| Adhoc/newsstands sales | Marketing and Sales |
| Advertisements | Other expenses |
| Classified | |
| Other sources (e.g. copyright, syndication) | |

Traditionally, Newspapers have invested in quality research and reporting. Newspapers like Washington Post, New York Times and Wall Street Journal prided in having global bureau and offices in major geographies. These reporters would be the eyes and ears of papers. However, there is an increasing pressure to cut costs as profit margins dwindle. *“The American newspaper industry spends \$7 billion on news and editorial operations. This includes everything from copy editor salaries to sports travel expenses. In addition, the Associated Press spent about \$600 million world-wide in editing and creating news.”* Says Walter E. Hussman in his recent WSJ essay (How to Sink a Newspaper, May 07’2007).

Editorial Independence, Integrity and the Internet

A unique aspect of the Newspaper business is the intangible goodwill that accrues from *Editorial Independence* and *Integrity*. Newspaper owners prided themselves on the sense of service they endowed the community by providing an independent mouthpiece. Even today, referring to a well researched Wall Street Journal story or a New York Times column is like an authoritative version of truth. Traditionally, the goodwill generated by editorial independence helped improve circulation and readership. Not surprisingly, *Editorial Independence and Integrity* is an issue that is at the heart of the negotiation to sell Dow Jones to Mr. Rupert Murdoch.

I would probably stand out if I were to assert that ‘Business Value’ of *Editorial Independence* and *Integrity* is a bit overrated. As a matter of fact, its significance in a standalone form is eroding as Internet publishing, blogs and news-mashups gain popularity as alternative sources of news. The collective viewpoints from popular online blogs and forums are beginning to shape the public opinion just as authoritative articles or editorials in mainstream newspapers have been doing.

Editorial Independence and the ‘Business’ of Newspapers

The revenue growth from traditional sources has stalled for newspapers. Advertising dollars that underwrite the cost of producing and delivering papers has begun to shift to alternate media, including the Internet. Similarly, people increasingly prefer to post and

read classifieds online where they can search, save, compare and retrieve advertisements from multiple sources. Google and Craigslist are just the head of the long tail of Online businesses eating into Newspapers' traditional revenue sources. Hussman perhaps echoes the views of his peers in the industry when he says "*By offering this news for free, and selling it to aggregators like Google, Yahoo and MSN for a small fraction of what it costs to create it, newspaper readership and circulation have declined.*"

A business, even a family owned one, which does not make money or give a positive ROI to shareholders, is doomed to fail. This fact has not gone unnoticed by newspapers, many of which also publish content online in parallel or in addition to the editorials printed in papers. However, this is just the first step. It may be time for the industry to take the bull by the horns and embrace, rather than fight the onslaught of technology. Publishers and industry leaders are realizing that the Internet is not just an alternative source of news and viewpoints; it has become the primary source of news for some: especially the younger, tech savvy generation.

The biggest challenge for Newspapers now is to continue to retain (and recreate) the value of *Editorial Independence* leveraging the new technology paradigm; perhaps the reason Mr. Rupert Murdoch thinks he can afford to pay a premium of a few billion dollars for Dow Jones?

Newspapers and innovative technologies: What's new?

Embracing technology is not a novelty for newspapers. Technology innovation has been the backbone of Newspapers business for generations. A few Innovations in the past few decades:

- The manual process of typesetting and printing has long been replaced by Desk Top Publishing (DTP).
- The development of digital imagesetters enabled print shops to produce negatives for platemaking directly from digital input, skipping the intermediate step of photographing an actual page layout. [Wikipedia]
- Editorial workflow: For long the editor's pencil and corrections on typed articles were the holy grail of publishing. At many newspapers the process has got automated, thanks to workflow management software. This electronic workflow is also enabling newspapers to seamlessly move their published articles online.
- Automation of operations: Most of the other operations of publishing including billing, circulation and subscription management, advertisements, classifieds have been automated.

Few of us possess a crystal glass to see ten or fifteen years down the road on how the publishing industry could be transformed. However, it would not be far fetched to hypnotize that today's tech savvy younger generation may not even want a freshly printed copy of newsprint, preferring to read, hear or watch the news from devices that are yet to be invented. Newspapers that have been reporting on business and technology

trends are well positioned to leverage today's trends; eating one's own cooking, if you will.

Leveraging technology: Begin with setting the house in order

For newspapers to survive the current transition, they must begin to leverage all the tools and technologies available. Perhaps the biggest challenge is that Information Technology (IT) systems that have evolved over a period of time and don't always integrate (talk) with each other. For instance, If I were an advertising executive with a large corporation, say Ford, wishing to run a half-page color advertisement in every paper owned by Ottaway or CanWest Media I expect to get a consolidated quote from the national sales executive, who in turn *expects* the Advert copy to flow seamlessly into the publishing workflow of every newspaper. Many large Newspapers groups have a level of seamless automation to facilitate similar workflows. However, some are struggling with even more basic automation challenges: Pencil wielding Editors still call the shots.

Technology to automate workflow already exists. Most System Integrators with a rudimentary knowledge of printed publishing world can facilitate the automation if the 'business' (editorial staff) is willing to participate. However, achieving such automation is by no means a trivial effort: at many Newspapers with archaic Information Technology systems, this alone will take all the energy and resources and months (if not a few years) to achieve.

Internet and 'Web 2.0' Technologies shift the Newspaper Paradigm?

Revamping the Information Technology backbone is just the first step; while embarking on such initiatives, it may be worth the time to invest in some blue sky thinking and leverage some of the "*Web 2.0*" technologies to enable Newspapers to morph into what academics call "Enterprise 2.0"

Without getting into definition or buzzwords, adopting Web 2.0 in this context means shifting the Newspaper publishing paradigm from a one-way process to a 'two way' medium. A newspaper has traditionally been perceived by Editors, Writers and columnists as a "one-way" broadcast channel. In the traditional paradigm, selected viewpoints, articles and editorials are 'published' in a Newspaper after extensive research, vetting and proofreading. In this model, readers read and reflect on editorial views, discuss them with friends or colleagues and occasionally call in or write back (letters to Editors).

The current paradigm is being extended into a two-way communication, primarily by tech-savvy readers who are using Web 2.0 technologies: blogs, wikis, online discussion boards and forums. Readers are re-broadcasting the editorials and articles by superimposing their viewpoints and observations along with the original. If you were to

think about it is a good thing: Real people with real perspectives, some of them shaped by an editorial.

As with other technologies that have reshaped newspaper publishing, the current internet and Web 2.0 technologies have a potential to reshape the future. Few newspapers can resist this shift, which is not just a passing trend, and many are already benefiting from this online participative journalism. Publishers who can adapt to the new paradigm are going to survive.

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