

## Peter Robbins: Have Newspapers Written Their Own Obituary?

Monks working painstakingly on complex, decorative manuscripts in European monasteries didn't know what hit them when Gutenberg figured out how to have moveable type on the printing press in the 15<sup>th</sup> century. It was a moment of Schumpeterian creative destruction. By the 17<sup>th</sup> century, some form of newspaper had appeared almost everywhere in early modern Europe. Today, there are an estimated 7000 newspapers in business around the world and the World Association of Newspapers claims that each day over half the world's population read a newspaper, with sales of 2.5bn copies in print and 600m online; making it a \$200bn industry.



Another such moment is again on the horizon for newspapers and ominous storm clouds have been gathering for some time. Four principal issues dominate boardroom strategy discussions: finding a sustainable business model; trust; the explosion in free content and the collapse in circulation.

Newspaper publishers have developed free online versions of their paper but this has rarely been done proactively in pursuit of a deliberate differentiating strategy; instead, it has been done as a catch-up reaction to an aggressive competitor. There is also a proliferation of free, new, news sources, often led by social media sites and facilitated by portable devices.

The sale of physical copies is in serious decline. Over the last three years, 20 of 30 OECD members have registered decreases in newspaper sales. The US and the UK have been hit the hardest, with 30% and 21% decreases, respectively.

Advertising has always been the source of at least 50% of newspaper revenue, but this too has been impacted by the recession with a resultant collapse in ad revenue for most titles. With their twin revenue engines holed below the waterline, newspapers (certainly in the UK) face an additional challenge; one of trust. The 2012 Metropolitan Police inquiry into phone hacking and the subsequent high profile arrests did little to endear the industry to its customers.

And one more thing ... culture. Most newspapers have developed such a forensic proficiency in doing exactly the same thing day after day, often for over a century, that their capacity to embrace a more entrepreneurial and flexible mindset is not highly developed.

What little optimism there is in the newspaper business comes from the fact that there is a demonstrably higher appetite for the content they're selling – but the downside is that nobody has been able to successfully harvest the revenue that normally accompanies increased demand.

Freemium hybrid business models and paywalls have met with very limited success. The FT and NYT seem to have been able to pull it off, but in other cases the results have been mixed with many papers having to rescind the paywall in order to stem the sharp fall in their digital circulation. The San Francisco Chronicle has recently had to dismantle their paywall and put

their premium content back on the free online edition. The Sun (Murdoch's biggest-selling title) has reported a big drop in online circulation following the introduction of a paywall earlier this summer.

But last month, a shard of light could be seen in US newspaper offices as news filtered through of the purchase of the venerable Washington Post – an iconic newspaper brand whose revenue has fallen seven years straight - by Jeff Bezos for €250m. Time Magazine, reporting it, said that the reaction in newspaper circles:

*'quickly went from astonishment to a guarded hope that Bezos might find a way forward for an important but endangered institution'* (TIME, August 19 p13)

There is no doubt that the Washington Post, owned for 80 years by the Meyer-Graham family, has a distinguished, successful past but what is not certain is whether it has the right business model to have a sustainable future. Many commentators attribute its prior success to the 'bundling' of an assortment of stories and features that included crosswords, local news, horoscopes, international news and incisive investigative journalism (like Watergate) in a way that delighted a large, affluent audience. Some money came from circulation but the profit was made through advertising.

But the internet is a natural 'unbundler'; it made the various elements of the bundle available independently and for free and this has torpedoed the business model of the conventional newspaper.

When Bezos arrived to meet the staff at the Post, he told them of a new 'golden era' to come at the paper. He said their values do not need changing nor did he intend to dismantle a paper with 58 Pulitzer prizes in its history. Bezos wants to revert to the successful business model of old, but to do it through digital media.

*"The problem is how do we get back to that glorious bundle that the paper did so well?"* Bezos asked at a question-and-answer session with Post journalists.

In his first interview, Bezos said his basic approach to operating the business will be similar to the philosophy that has guided him in building Amazon.com from a start-up in 1995 to an Internet giant with more than \$60bn in sales.

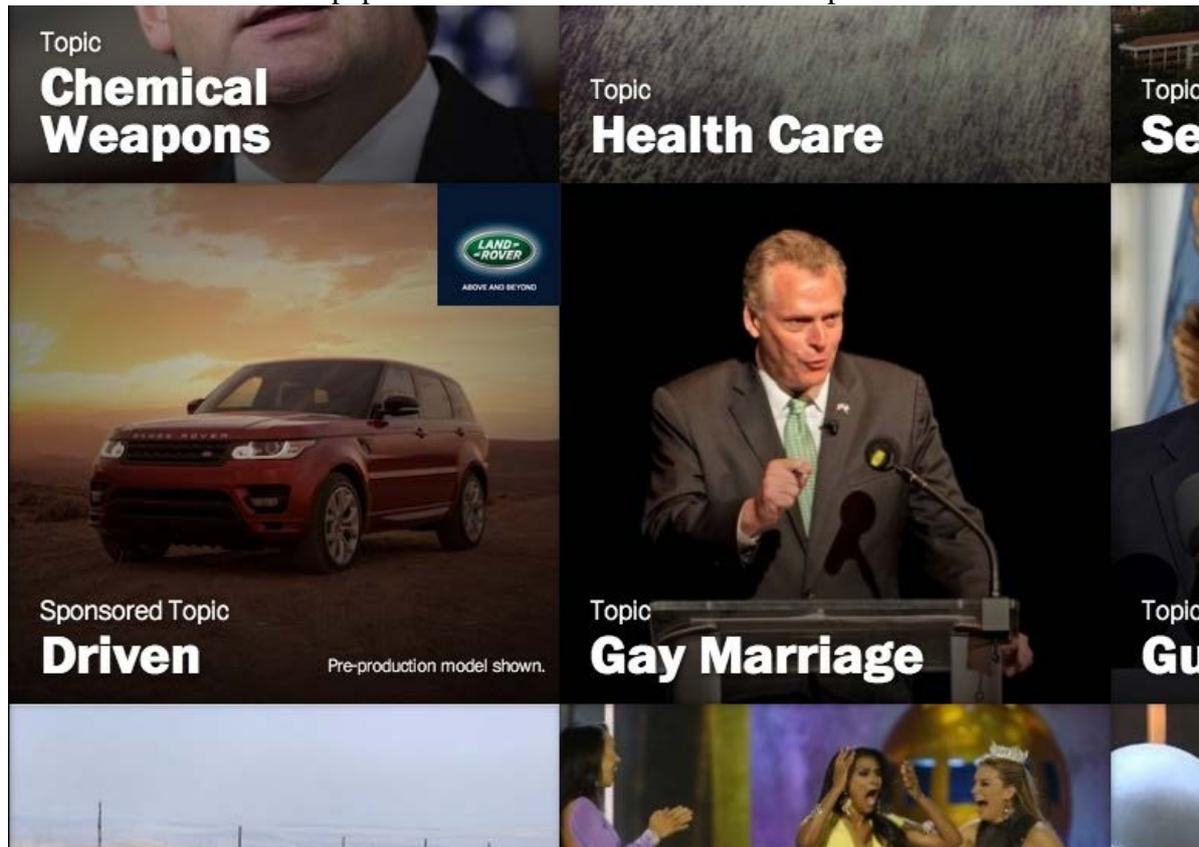
*"We've had three big ideas at Amazon that we've stuck with for 18 years, and they're the reason we're successful: Put the customer first. Invent. And be patient," he said. "If you replace 'customer' with 'reader,' that approach, that point of view, can be successful at the Post, too."*

Before meeting staff for the first time on Tuesday, Bezos said his major contribution would be to offer his "point of view" to the paper's leadership. He also said he would provide "runway", which the Post described as "financial support over a lengthy period in which the management can experiment to find a profitable formula for delivering the news".

*"If we figure out a new golden era at the Post ... that will be due to the ingenuity and inventiveness and experimentation of the team at the Post," Bezos said. "I'll be there with advice from a distance. If we solve that problem, I won't deserve credit for it."*

The Huffington Post reports Bezos as wanting to experiment with the Post. They note that Bezos is the guy who reinvented printed books and managed the transition into the digital era bringing brands like Kindle to life – so if you were to trust anyone with the future of newspapers – Bezos seems like the right guy. But, of interest to us in the innovation community is how he might experiment?

The first such experiment was launched on 23 September, and is called Topicly (see below). This is a visually-driven news interface which takes the top stories from the newspaper and sorts them based on the number of updates — and then displays them as a series of images tiled across a page, so that when readers click on a topic like “Chemical Weapons,” they get all of the stories the newspaper has written that related to that topic.



Cory Haik, senior director of digital news for the paper, told Ad Week that she thought of the interface as [a good way to present news for mobile users](#) who don't want to scroll through a lot of headlines, since it's easy to see what the top stories are and what they are about. The new Post feature also has its own advertising format, which should make it easy to insert native ads into the stream as well.

### **What might the future look like in Newspapers?**

So far, then, we can't interpret too much about what Bezos is likely to do, but there are some very radical initiatives being progressed in other quarters. In Dublin, the Irish Times, the paper of record for the last 150 years, is the quality, broadsheet, daily paper appealing to the key business and ABC1 demographic. But its circulation is falling every year and its advertising revenue is also waning. A new Chief Innovation Officer, Dr Johnny Ryan has been hired and he's been trying some experimental, organisational innovations.

### **Shot in the arm?**

His view is that newspapers, by the very nature of the business, inevitably become so

operationally excellent, doing precisely the same thing day after day for generations that their capacity to innovate slowly atrophies. So he is trying to give a shot in the arm to the Irish Times by providing an incubation space and opportunity to a group of start-up companies. 8 start-ups are competing in a project called Fusion (<http://irishtimesidealab.com/>). They come in and operate out of the Irish Times and act as free radicals in the organisation. The intention is that these entrepreneurial, agile, knowledge-intensive businesses will generate radical ideas that might transform the newspaper business and it's better to have them in your stable than outside it.

The second phase of the initiative recently completed: *"It's a really incredible project,"* says [Emily Hare](#), editor of Contagious, a leading advertising and creative industry magazine. Hare was among the judging panel that selected the two winners. Both will become a "Start-up in Residence" at The Irish Times, embedding themselves within the newspaper's own advertising team for six months.

Speaking at the FUSION finale, [Alastair Mackie](#) of *The Financial Times* said: "It seems that *The Irish Times* has come up with a winning formula for this start-up development process. The 'Start-up in Residence' project, the next stage in the FUSION initiative, could provide a template for other organisations to follow." While Fusion looks impressive, the jury is still out on whether it will unleash any real, tangible value to the newspaper industry as a whole or for the Irish Times.

### **The writers become the selling point?**

Back in the US, there are some new approaches to business models in journalism. Reflecting the view that newspapers no longer break the news – their role is to provide expert, trusted insights and analysis; some organisations are putting their big name journalists in the shop window and bypassing the newspaper altogether. Beacon asks readers to subscribe just \$5 per month to one of their named staff writers and in return you get free, unrestricted access to all their output and access to the material of their other writers too. But the proposition is that you are directly funding a particular journalist. Byliner.com is similar; tailored content for you, written by your favourite writers. These businesses see the writer as the primary selling point and not the platform or title. They are digital-only offerings.

The image shows a payment form for a "MONTHLY SUBSCRIPTION TO BEACON". The form is part of a three-step process: "PICK A WRITER ✓", "ADD PAYMENT INFO", and "FINISH". The "ADD PAYMENT INFO" step is highlighted in yellow. The form includes a profile picture of a man, the text "MONTHLY SUBSCRIPTION TO BEACON", and "Funding Gaar Adams (\$5.00)". Below this, there are four input fields: "CARD NUMBER:" (with a masked number "....."), "EXPIRES:" (with a "MM / YY" dropdown), "NAME ON CARD:", and "CARD CODE:" (with a "CVC" dropdown).

### **Online only?**

In that vein, Bezos could take the path of Newsweek and go online only. After 80 years of print editions, Newsweek saw sales declining 42% in 2009 and reported losses of \$42m in 2010, and consequently took the radical decision to stop the printing press and move to online only. Coincidentally, Newsweek was owned for 49 years by the Washington Post Company. In the last five of those years, 2006-2010, it lost half its subscribers. It never enjoyed the support of the No1 in its market - Time magazine, reportedly kept afloat by profits from sister publication, People. Newsweek was [better at the internet](#), sooner, than most news magazines.

### **Think National Report Local**

Local news and events continue to command a premium from readers. Some newspapers are trying to leverage this. The *Boston Globe*'s in-house research lab has built what amounts to a Twitter-powered news aggregator [called 61Fresh](#) — a tool that pulls in tweets based on a number of factors, but most importantly whether the content comes from a number of sites and services of interest to Boston residents. The algorithm-driven experiment is designed to produce a kind of Techmeme-style news aggregator, but one based on geographic parameters rather than topic-specific ones. 61 Fresh tells you what's happening in Boston by trawling the most tweeted domains in Boston and refreshing it every ten minutes.

Sharp-eyed industry observers will see that whatever happens, there is no single, unifying blueprint for success. It is a classic innovation challenge in which media owners will have to experiment, prototype, launch, learn and try again. The answer is somewhere in the overlap between what technology can deliver and what consumers want – sound familiar?



Peter Robbins is the Founder and Director of Innovation Foundation, which is based in UCD Nova Innovation Campus in Dublin. It's business is centred around developing and supporting innovation programmes and projects for companies who want to enhance their capacity to innovate.