

2005 – International Symposium on Online Journalism

Day 1, Panel 4: Business Model: Online Advertising is Breaking Records. But is it Enough to Finance Journalism?

Moderator: Rosental Calmon Alves, Professor, Knight Chair in Journalism and UNESCO Chair in Communication, UT Austin

Panelists:

Steve Yelvington, Digital Strategist, Morris Communications

Jim Debth, Internet General Manager, Statesman.com, Austin American Statesman

Elaine Zingrabe, Director, Los Angeles Times Interactive

Rusty Coats, General Manager at TBO.com in Tampa, Florida (former director for new media, MORI Research)

ROSENTAL ALVES: Our next panel is on the business side. I put here another long title: Business Model, Online Advertising is Breaking Records. It's really going up. But is it Enough to Finance Journalism? What we see in most of the operations here is that most of the journalism has been done by the legacy media and online journalism is an appendix of the big operations. My basic research question in here is what you guys think that is going on now, that advertising is going up and some business models are consolidating, but also what is the future, how do you see it. Someone this morning said about the end of the journalism, I think Dan was talking about the end of journalism as we know, and one of the reasons of the end of journalism as we know is that the financial equation that made that journalism possible is disappearing, so our first speaker is going to be Steve Yelvington, digital strategist of Morris Communications, and I will invite him to take the floor.

STEVE YELVINGTON: First, I just love this. This is a real add that showed up on my website where I'm running this Google add-cents, and apparently e-bay buys automated keywords for absolutely everything. But maybe this is the business model, we just, we sell it on e-bay. To start out, I'd like to make sure we're on the same page about how all this stuff work, so, let me ask you guys what business do you guys think we are in. If you're going to say, what business, not what is journalism but what business are we in, what would you say? Advertising, information. A lot of newspaper companies started calling themselves information companies two or three years ago, just in time for it to be almost not true anymore. What's actually happened is the economics of information has changed. We've gone from a world where information was scarce to a world where information is in surplus. I would argue that the business that we're actually in is the audience business. Gathering audiences, more than one, groups of people who are interesting

2005 – International Symposium on Online Journalism

to specific groups of advertisers, and then selling the attention of that audience to the advertisers.

On the web, that's really more about targeting and segmentation than it is about the traditional mass-marketing. It implies a lot of shifts and how we think of the business. And also, I think, gets to this perennial problem conversation that we have inside our organizations, when are we going to start charging for this stuff. Charging for content works when there is a shortage of content, when there is a shortage of information, when there is a shortage of something to do, and we don't live in that world anymore. Where you have paid content successes, and there are some, it's always a case of somebody exploiting a niche or a spot shortage. You've got perfect example in the Wall Street Journal, where certain parts of the Wall Street Journal are really valuable to certain parts of their delivery audience and they are able to charge on the web for that. But didn't they just go out and spend a ton of money buying Market Watch? Because they really understand that this is about reaching lots of people with advertising messages and they are not able to do that we the Wall Street Journal online.

And then the last point: print is going free. Those of you who may have traveled outside the United States have run across a lot of publications like that 20 minutes, what's the one in Spain (inaudible) and Metro, which is now in the United States, and you're seeing free daily newspapers show up in American cities. (Inaudible) just launched one in Washington, The Examiner, they took the San Francisco Examiner name, he has actually filed trademarks applications, and I think in something like 60 cities coast to coast, and bought domain names matching that, and intend to go national with free Examiner newspapers in the 60 biggest markets in the United States. We've gone from this world of information scarcity into one of information overload, and everything about us, our DNA is built around these assumptions that information is scarce. But we've got to get through that and realize that resource that is scarce is time and attention and where we can get the attention of the audience while some of those multimedia things that grab people for five minutes. That is absolutely beautiful, that's solid gold.

Some more contexts: compound growth is a pretty cool thing. You have been told that for years, put your money in savings account and it will compound interest, grow over time, and you will become rich when you're my age. But, none of us actually does that. Most of us have seen 30% and better growth rates for the last five or six years and online news operations, in terms of revenue from advertising and, right now, newspaper companies in the United States are reporting anywhere from three to five percent of total revenues are coming from online ads. This is three, four and five percent, these little lines here, and you continue that 30% compound rate, you get pretty spectacular results. It's not going to happen that way. It never does. Growth curve follow s-trajectories, no one can tell you when this curve is going to s-out, whether it is going to s-out two years from now, five years from now or next week we don't know but I would argue that there is a lot of growth potential left for online journalism driven revenues. We now have a US\$ 1.5 billion business just in the newspaper portion of online news in this country. Most of

2005 – International Symposium on Online Journalism

the sites that are doing anything at all, there are some sites that are completely dead, but the ones that are performing are turning in 50% and greater operating margins. Their revenues are exceeding their actual day-to-day cost of running of the online operations by a margin of 50%.

There is a lot that we haven't exploited yet, we haven't done much with CPC base, Cost Per Click based advertising that are targeted at small business, like Google, like Overture have done. I would argue that most of the laggards, and there are some, sites that are doing really poorly, have it inflicted entirely on themselves. It's not the market place, it is not the technology, it is self-inflicted problems having to do with commitment, that's the reason number one, and number two, compensation. I keep hearing these stories where every nickel that gets booked as online revenue is taken away from the print classified guy. That's stupid. The print classified guy should be responsible for classified advertising, regardless of what medium it's in. These kinds of things show up all the time in bookkeeping and normal business operations. They are very easy to fix.

Another piece of context for this conversation. Anybody has seen this graphic before? This is from Phil Meyers book, the vanishing newspaper if you've not read the book, I very much recommend it, every time I show this, and I use this a lot to shake up newspaper people, this is why this stuff is really important. This is a map of newspaper readership across time. Notice that it starts in the 1970 and ends in 2010. Boy, this really gets people to pay attention. Now, let's look a little closer because I don't want you to take this and gallop right off of a cliff. That's not zero down at the bottom, that's thirty. So the zero really is way up in the future, a little farther. The second thing I want you to see is the internet didn't cause this, it has been going on for a long time. The third thing I want to point out is, what question are we asking? Did you read your newspaper yesterday. What is declining is daily consumption of print, not consumption of print at all. So, the newspaper actually has more legs than a lot of people are giving it credit for. My message here is: don't panic, do take this stuff seriously. We've got, we absolutely must build a viable business on the internet, in order to support journalism but, let's not misunderstand where print is going. Still, print newspapers are still going to be the strongest single medium in their local markets for some time to come. Everybody else, all other media, are also suffering of this same kind fragmentation and dissemination, disintegration of the audience. Supporting the print edition is a reasonable and appropriate thing for and online operation to do. I would challenge every online news operation to go back and look at what they are doing and saying: Am I working with the print medium or am I working against the print medium? What should I be doing differently to recognize the value of each medium. Am I using the internet to the best of its advantage? Or am I using the internet to try to be like print? What changes should I make on the print side? What changes should the newspaper make in its product to recognize that the internet changed a lot ground rules.

I think targeting is going to be a key to our future in a lot of ways, but specially in this one way; let me explain what targeting is. I've got registration, most sites have

2005 – International Symposium on Online Journalism

registration and if you've read stuff on the internet that says that registration is stupid and that people lie and all that kind of stuff, ignore it, those people have no idea what they are talking about. There has been some really ridiculous nonsense run on some wire sites and ZDNet by someone or some people who literally have not a clue. I'll tell you that between 95% and 98% of users tell the truth when they register. They tell me their names and addresses, I get their zip codes. I get this really valuable targeting information about who they are. I then can use observation technology and I can produce a list of woman, aged say, 24 to 35 who live on the 30809 zip-code who shopped for a car twice online in the last month. Then you can take that information that can deliver advertising to those people separately from the auto sites. I can deliver to just to those people when they are looking at sports or photo galleries or whatever. When I do that, I've broken the sponsorship model and I suddenly have the freedom to go out and build web content and web services that meet the audience's needs, and brings in a larger audience and independently delivers advertisers the audiences that they want to reach and so forth in separate ways. So, I'm no longer trapped in this, can you sponsor that, conversation. These technologies, audience management technologies collectively have led us to some disturbing findings. This graphic is an exaggeration because it's a snapshot of information from a thanksgiving weekend in a college town. It's a little bit out of proportion but I use it to shake people up. The blue lines are people who are registered users of online Athens dot com; Athens, Georgia. The little red lines down at the bottom, those are the people who are actually on the site that week. What we are discovering is that we've engineered our websites to appeal to news junkies and there aren't that many of them. Most people are not news junkies and if we want to get connected to people who aren't new junkies, we need to go back and reconsider what it is that we have on our websites and they are doing.

I want to talk about blogs for a minute. Anybody recognize this picture? Come on, somebody has got to recognize this picture. Donica. It's a Wonderful Life and George Bailey is being offered a job with Mr. Potter, now. Mr. Potter is the banker and he owns all the apartments in town and he wants people to live in his apartments and pay him rent every month. Jimmy Stewart over here is George Bailey who works for the building in loan. He's all about people getting into their own houses and letting them build their own wealth. Now, which one of these is the blogosphere and which one of these is us? Nobody likes Mr. Potter, OK, it's a participative network. The internet is a participative network and reconsidering what we should be doing on the internet, we are going back to the basics. Participation, anybody can play in this new world. Point number two, it's all about me. In the old days, newspapers were very much about everything. And what we see happening right now is journalism in the United States is forking and following a model that is a little bit more like a model that you have in the UK, where you've got national media and regional media and they are very different from one another. What you are going to be seeing in the United States in the next decade is local newspapers becoming really, really local. Actually walking away from covering non-local news. That's going to be true on the internet, it is going to be true on the print. You get that local circle out there to MNSBC and CNN and etc, the fact that the entire world is one click away, le monde is one click away, there is not much point in a local

2005 – International Symposium on Online Journalism

newspaper covering the news as if it was the only source, because it is just not anymore. What's left, you have that blue circle in the middle. Local doesn't mean what it meant a few years ago. So many of us move, we're actually the most mobile society in human history that didn't live in tents. A lot of people from many markets aren't really from around there and connected.

What's left is the me-circle, I'll give you a term to look up on Google when you get done here. [inaudible] number. Anybody has heard of that? Except for anthropological researchers, it has to do with projecting, based on monkey research, they figured it out how many people your brain is hard wired to relate to. It comes out to about 150, and it turns out to be pretty true. The world that we actually live in is a pretty tight circle of around 150 people. And guess what? We don't penetrate that very well. So the answers start to come from the things that you heard earlier today. I wanted to very quickly show you what we're doing in (inaudible), South Carolina, that builds on these concepts. It's an upscale market near Hilton head is the little read, Adias is in the bottom, (inaudible) is adjacent to that. We've launched a website that is 100% focused on rigor-contributed conversation content. Everybody in that marketplace gets a blog, everybody in the community gets a photo gallery, everybody can contribute to the recipe database, events calendar, all that kind of things. And some of it will show up in the newspaper, which is a professional newspaper, it has 18 people on the newsroom. Fairly small market, very colorful, designed from scratch, a lot of storytelling concepts that you'll recognize, are not standard to journalism. We've mapped, for example, all the stories to physical locations. As I said, everybody in the community gets a blog, with their own domain name, I'm logged in here, so it's reminding me that my blog is Yelvington dot (inaudible) today dot com. Everybody in the community is invited to upload their pictures. Personal photos, pictures of their kids, some of them are going to be of relatively low quality, some of them are going to be great journalism, and we can't predict when each one is going to happen. But when they are good, we're going to pick them up and use them in print.

To close, I had to use this picture in the presentation, because it is just way cool. John (inaudible) sent this to me, some time ago. As you can see, the gate is still down, but it doesn't matter anymore. So, don't talk about being gatekeeper. That's it for me.

ROSENAL ALVES: Alright, thank you. The next is Jim DeBth he is the internet general manager of the Statesman dot com, our local newspaper here in Austin, who has also a lot of experience from other latitudes.

JIM DEBTH: Well, Rosental asked a very interesting question, and everybody has been sitting around today, listening to the wonderful things we're doing. We are talking about citizen journalism and we're talking about multimedia journalism, and storytelling, and all these wonderful things. At the end of the day, this is a really important question, because all those wonderful things, if we can't support them, will go away. You're going to hear me talk a little bit about some of the things Steve

2005 – International Symposium on Online Journalism

said. That's the other nice thing about being on the last panel of the day, I'm sure I'm going to be repeating some of the things they've said, that has been said before, but this is a really, really important question. We struggle with it everyday. How do we make enough money to support the effort that we are trying to put forth in a medium that, we say, enhances our print medium. The answer to that question is, it better be because my job and yours depend on it. We've got to find ways to make this whole thing work.

I always thought this was an interesting caricature of, somebody asked me about the newspaper and the newspaper industry, and these two images always struck me as sort of defining where the newspaper industry has been in the past. It's an elephant and an ostrich. Anybody's got any idea why I picked those two animals? Think about an elephant and its memory, and I say, when newspapers aren't so busy have thinking of how wonderful the past was, remembering what it was once like, they often their heads buried in the sands, not wanting to see what's going on in the future. I think the internet has shaken the newspaper industry in that they don't look at things the way they used to.

I'm going to tell a little but about a story here. And the story says that in the beginning, we need to decide, are we part of it or are we going to compete against it. What's it, you ask. Well, it, at one point in time, was radio. It was going to be the downfall of newspapers, and newspapers sat back and thought: uh, radio, that's not really our business, it's no great big deal. Well, it wasn't and it isn't, but it takes a nip of our heel on revenue and audience. Then, along came TV. And TV stations went to newspapers and said: please, you've got all this information, won't you start a TV station. And, the majority of the newspapers went, I think we're going to wait and see, I don't know if this is going to catch on. Now the only ones that can claim success are those that were brave enough to do it and are grandfathered to be able to own television and newspaper in the same market. Audio text, I don't know how many people out there know what audio text is. It's information over the telephone. It started in the late eighties. Newspapers went, hey, maybe this is our chance. There were certain limitations on it, there was a lot of experimentation and there some system are still going online, it is still going here in Austin. It was at least an attempt, it got some attention. There were bulletin board services, prior to the internet. You know, these proprietary little systems that newspapers sort of dabbled in.

And now the internet, and I think, for the first time, newspapers understand that with all resources they have, the internet is truly and opportunity to protect their franchise. Steve alluded to earlier, since 1988, places that I've been have espoused the fact that they were information providers. Not just print providers, but information providers. We collect, we gather, we edit, we present information. And, if we are going to succeed in the future, we need to do that in whatever format people want to get their information. And the internet provides that ability to us.

My son, when he was about four years old, anytime we would talk about something that had happened in the past he would always say: Dad, so tell me about how it

2005 – International Symposium on Online Journalism

was in the olden days, at which point I'd just stared him down and said please don't talk that way. But in the olden days, this is what the internet was. It was an experiment. In many cases, dollars were value-added. It was a value-added proposition. We did primarily shovel-ware content, just taking print stuff and slapping it online. It was a relatively small audience. It was over staffed, or understaffed, but probably not correctly staffed. Expenses were hidden, and revenue was inflated. It's a whole new ball game. Today, the experiment is now business. Value-added has been replaced to where is the revenue. Shovel ware has been replaced with what you've been taking about all day, with multitude of different of contents, 24 hour day coverage. The small audience is now huge. We don't know exactly how we're going to staff this thing or the correct number is, so that is still out there. But expenses certainly aren't hidden and they are incredibly scrutinized and revenue is double-digit growth and it's expected.

We're not any different that we've been all along. Content is still king, that's what brings people to websites, that's what takes people to the internet. Earlier we were talking about Gopher, it's why people go to the internet, to find information, you're looking for product information, you're looking for news, you're looking for information. Content is still king, that's our advantage. But the reality is, as it is in print, advertising pays the bills. Somebody has got to pay for this. So, my hero, on-line to the rescue. Steve alluded to, my number is even a little more aggressive, US\$ 1.19 billion dollar industry segment. Three percent of newspaper company revenues, 45% of newspaper advertising growth, three-quarters of all consumers use the internet. Currently, local advertisers spend only 2.1% of their add budget on-line, so there is a great opportunity. Forty-four percent of local advertising went to newspapers sites, and 70% come from classified categories. So, it is not only editorial content, it is classified content as well.

What's this landscape? We know people want more information. Information seekers, earlier today we were talking about eyeballs. It's all about eyeballs. That where advertisers go, that's why we are trying to develop content for. More and more news is available, so somebody has got to provide this information and that is us. It's 24 hour a day information. So, eyeballs, advertisers go where they can find them, and we're on a position to provide the broader audience, combining print and online. In Austin, between the newspaper and online, we touch 8 out of every 10 people that live in Austin, it's a great story to tell. Print circulation declining or maintaining, online circulation is exploding, we can deliver audiences that newspaper can't deliver. Between the hours of 8 to 5, we own the audience; internet newspapers websites own that 8 to 5 audience. No longer are we tied to somebody reading the newspaper in the morning, maybe touching it at work and maybe reading it in the evening. And these are active viewers, people seeking information. It also presents us an opportunity online to reach a totally different audience. Newspapers are talking about their audience is old, is dying away, circulation is going, how do we reach a younger audience; we know that online we're reaching that audience. The medium age is 35 years old. Younger people are coming to the internet as their information source.

2005 – International Symposium on Online Journalism

Why do I think we are going to succeed? Content is king. We've got the editors, we have access to the information, we've got the staff of the newsroom, the feet on the street, the online staff and we can provide information in a multitude of ways. It's not just print, it's print, photos, graphics, audio, video. So it's all about audience. Just to give you an idea of what's going on here in Austin. In March, we did 28.8 million page-views, we've got 991 thousand unique viewers and 260 thousand registered users. We've got an audience that we can deliver. Austin 360 is a place where people come for entertainment and we find that that audience isn't the same audience that comes to the Statesman dot com. And the Statesman's classified is the number one in employment, real estate and auto-merchandise source in the market. In Austin, we've also have an advantage because we're the most wired city in the United States. Eighty-seven percent of the people who come to our website, come in broadband, 87%. So we're not limited to the kinds of information we can provide, video is not an issue. We know that we have a lot of shoppers online and we know that a lot of people, 23%, are coming in the market through our website.

I've already talked to you a little bit about Austin 360, it's our entertainment guide. And again, in any market you are on you're going to find your niche: exploit your niche because it is a way to generate revenue. So, what do we do, we provide content, editorial advertising, we create an audience base, circulation online and off-line. We market the audience, we put buyers and sellers together, we sell advertising to support the effort. "Journalism," we're supporting journalism and the ability for us to continue with our staff. Online, same old, same old. We're just trying to figure out what that business model is going to be. Steve alluded to some ways that you can pay for content; we don't have it figured out yet. Earlier somebody was talking about TV and how rudimentary it was sitting in front of the microphone. Advertising wasn't very good. They sort of stumbled across the fact that, maybe we could have advertisement here. If you look at the old advertising on TV, it doesn't look anything like TV advertising today. I would contend that five years from now, internet advertising isn't going to look like anything like what it does today. It's changed dramatically in the last five years and I don't know where it is going to head. I know it's going to be more video, it's going to be interactive; I know it's going to be a lot of those things. But how those will take place, we are still trying to figure out.

The other advantage we have is that newspapers, television primarily sell mass audience. The internet allows us to sell a targeted audience that Steve talked about. Whether it is demographic, segment, targeted, ways to deliver one-to-one advertising. Advertisers will tell you that if they can get the person that is interested in their product to look at an advertisement, it is much more likely that they are going to buy their product. I'm just going to throw this in. Let's assume that we can support journalism. And we need to believe that because journalism schools are, when you look at the kinds of studies and course work that journalism schools are now offering, it's no longer only related to print. It's talking about storytelling; it's talking about using video as you're doing storytelling. How do you use audio? It's how does the internet plays into all of this stuff.

2005 – International Symposium on Online Journalism

We've been talking all day, one of the reasons the internet is so successful is because it offers content in any format you want: texts, graphics, photos, video, blogs, email, RSS feeds, mobile. Newspapers aren't the only people that are worried about the internet. It challenges all mediums. When radio came along, it was something newspapers couldn't do. When TV came along, it was something radio and newspapers couldn't do. The internet comes along and it can do anything that we can all do, and more. If this is all true, online needs to sustain and deliver. Currently we are doing that with banner add sales, we're doing it with sponsorships, we're doing it with paid search, sometimes on our sites, and sometimes Google provides this revenue. We do text links, we do email, sponsorship and adds, RSS feeds, here's the key to advertising and what makes us successful. Content is king, advertisers want to be in the content. In print it is adds wrapped around stories. Excuse me, stories wrapped around adds. Yes, that Freudian, let's see, where am I going to get the next dollar. In online, it is the same. Everybody thought banner-adds, we'll slap them up on the very top of the page, people will look at them. Wrong. It's not where they look at them. They want in the stories; they want to be around content. Again, it's a great position for us to be in. They know people are noticing content. It can be contextual, it can be targeted, Takota is a software company that allows you to know the personalities, the traits of the people, the segments of the people coming in, deliver advertisement to them throughout their experience in the website. Great opportunity to generate revenue.

So, it is funny. We're talking about journalism, advertising, it feels a little kind of like this, and it is still kind of is. From a context stand point, what is a page view? How interested are people in what I am writing? To the advertising people it is, how much is the traffic worth. And, are people clicking on adds. From the content, it's news that people are interested in, from the advertising standpoint it is products people are interested in buying. Loyal, is a readers who come to our website to read news regularly and it is that user that advertisers can sell to.

How does content drive revenue, I'm going to go through this really quickly, homepages, sponsorships, banner-adds, I talked a little bit about that. Again, you've all seen this, banner-adds, sponsorship on special content categories, placement of banner-adds, they talk about not at the top of the page, around content, in stories, next to stories, aligned together, page and channel ownership. Rich media is going to be very popular, it needs to be well done, but it is a great opportunity and it sells. And high CPMs. Emails are really great ways, we've had great success with out cognitive emails because we know people are interested. They sign up for sports, they sign up for Texas sports, we can deliver messages to those and we've got some of our highest revenues from those offers. Again, I always point out, let's not forget classifieds; it's number one in revenue. Seventy percent of our revenue come from classifieds, it's number two in traffic, and it is content. Skip this slide. We'd like to think we're the local market place, so is Monsters, so is Traders, so is Craig's List. We need to protect advertiser content as classifieds as much as we need to protect our editorial content.

2005 – International Symposium on Online Journalism

Steve alluded to this a little bit earlier. It's kind of an analogy that I like to use. This is where I see us today. Here is newspapers, print, content, readership, is up here, advertising. Here is this little internet down here. Our job is to manage this shift. If we don't manage it properly, this tips over and we are in big trouble. Because the mother load that makes all of this possible is still the print product and it still is going to be that way for some period of time. I always use this as a real world example. When I was in (inaudible) Iowa, we had a newspaper, AM radio station, number one TV station in the market. For the first ten years of the TV station's life, the AM radio station carried the expenses. And that's a little bit of where we are now, I think, with the internet and newspapers. At a point, we're going to be a much more important piece of the revenue pie than we are now. And you can see the trend. Thirty percent growth, year after year. So, it's a balancing act.

We ask these questions everyday at our operation. On the content side, how are we putting up content, what's the conflict of content, when does content go up, is it enhancing the print product, are we separate, are we individual, is it a separate business? Steve alluded to citizen journalism, what piece is that going to play in all this. On the advertising we say, are we really getting full value for what we are doing? It's not going to work, maybe this. Let's see, here we go. Is it incremental revenue, are advertisers spending more money online, are they decreasing their print spending. These are questions that we need to ask ourselves. Circulation is huge. Are we gaining a new audience, are we losing the one we currently have? I content, we are not, it is a totally different audience, we know that. We know that 80% of our online users are not subscribers of the newspaper. Are we reaching a new demographic, and are we really talking about readership here? We're really talking about eyeballs. So, the bottom line is, in Austin we've got 35 employees, eleven and a half of them are content journalism people. Two hundred and sixty thousand subscribers, 28 million paid views, 30% revenue growth last year, more of the same this year. At the end of the day, our future and our jobs depend on our success and our ability to figure it out. And alright, the answer to the question better be yes.

ROSENAL ALVES: So, our next speaker is Elaine Zinngabe, director of the Los Angeles Times Interactive.(inaudible)

ELAINE ZINNGRABE: Where is the thing? First of all, I'd like to thank and congratulate all of you who are still here this late in the afternoon. What it shows me is that you're the ones who are really committed and really care about the industry and plan on being in it for a while. Because I'll tell you, unless we figure out this how to make money thing, none of us is going to be on it for very long, unless you have some kind of separate trust fund thing going on the side, on which case it would be separately.

I wanted to talk to you a little bit today about advertising, some things we've learned, some things that we are seeing right now and some things that I think that we as an industry need to address in order to really see success going forward. I bring this to you from the perspective of somebody who used to be more or less in

2005 – International Symposium on Online Journalism

the chairs that you are in. Having being born and bread as a print-j person and having fallen, like most people, into the online world by chance, and then having made the migration to the business side, kind of kicking and screaming, but anyway. Online advertising, here is the good news. The good news is that it is increasingly relevant to advertisers, of all types and all categories. Travel and business, those are kind of the old stories where we saw advertisers migrate reasonably early on, or the big financial companies, your Expedias, and Hotwires of the world. Education, that's kind of a newer comer, your four years institutions, your something less than accredited colleges, that are looking for students, your retails, your larger retailers, your Sears, your Home Depots, those kind of places. And they are recognizing that it provides value, and branding and (inaudible). And it's pretty cost-efficient, when you put it against what they pay in TV time, or even newspaper space. I'm moving around a lot on purpose. Here are some good points that we have been able to take to advertisers to show them that online and particularly newspapers online is a good buy.

So, a couple of research data points. Last year consumers, this would be 2002, actually when we're getting better, consumers spend US\$ 130 billion on the internet influence purchases. This is probably very similar to behavior that you've seen and exhibited yourself, you're thinking, gosh, I would like to buy a new DVD player, but, before I just truck it off right to the store, to where the guy tell you about what your choices are, you do some research on your own, and you go to different websites and check out what prices in what features are. For every dollar spent online, consumers influenced by the web spend another six online. Consumer spending is on the rise, and 69% of consumers use online information to help them to pick a product and a place to buy it. Furthermore we see, this is an OPA study from May '03, at-work users believe that the internet advertising have unique values. They choose it over television, radio, magazines and newspapers as their preferred venue to find out about new products, companies, advertising information, that kind of thing. Internet also, no big surprise, it is a little bit hard to read, but if you look, from February '05 over October '03, the internet is the only source that is growing as the preferred source for finding local stores. Definitely taking a piece out of the yellow pages. Raise your hands if you've picked up a big fat yellow book in the last, let's say, 30 days. Right. And even over newspapers. Then lastly newspapers websites make ideals consumers for people who are looking to sell products and services in the local market. Our newspaper website reaches more local online users than other sites. Local advertisers believe in it. The spend money there. Newspaper website users spend almost twice as much time online. They are younger, better educated, more ethnically diverse and are as likely as television users to be influenced by advertising.

Having said all that good news, there are still some things that are of concern there. There some things that we've tried over the last couple of years to see what we can do on the revenue side. It was interesting, I was here about two years ago and I was looking back at all the information we presented then and there were things that we were doing then that we though would be all, end all, this is going to do it, that turned out, not surprisingly not quite to be the case. So, registration, what have we

2005 – International Symposium on Online Journalism

learned? We rolled out registration in 2002, I believe, in the spring. We thought this was a very bold move. We were very concerned about what this was going to do with traffic, but we thought we absolutely had to do it, because we saw targeting, as I believe Jim said, as the wave of the future. All advertisers want to target. They are going to want to target woman, ages 25 to 39 and zip code 90803 and who make US\$ 50,000 or more. And what we found actually was that that was indeed true, with a couple of caveats. One, we were going to charge this fantastic premium. We were going, for advertisers, to charge 20% more for each targeting criteria, and come up with great CPMs that we could charge you for the privilege of this targeting. Yes, as it turns out, everybody has got targeting ability. And that became the norm and nobody is going to give anything extra.

The other thing about targeting is that it does, we knew this all, but you think about this. You've got this funnel of what your users are, right, big pie. Then you say, I only want women, Ok, cut by half. I only want woman of this age group, cut by, let's say 30%. And I only want them in this zip-code, and now you're talking about a very small number. And the smaller the pie you start with, the smaller the number you're going to end out talking about. For an industry that, for this point, still likes to charge on cost per thousand basis, you could be looking at a pretty small number. Even if you were charging let's say, what's the biggest number we can think of, a US\$ 50.00 CPM, if you are only looking at one "m", that's still 50 bucks.

Secondly I've found that there is some trade-offs from permanent registration, quote unquote, and light registration. Permanent being the kind where you've got a user name and password and you log in, that kind of thing, and light registration, what we've seen a lot of sites around the country do, you get hit with you every session, more or less, but they are only asking for gender, zip-code and maybe date of birth. Permanent registration gave you more of the fields that you were looking for. You were able to track users on a more regular basis. And you can use Tekota systems to track them more effectively, but they did do things to your traffic growth over time and did hurt you with things like Google news, where you're only required registration and not actually pay it and they still call it a subscription site. Where as light registration, you're getting very inconsistent data, you can't track as closely, it's a big trade-off. And either way you did it, we're all still missing key attribute that advertisers now want in addition to the normal stuff, like presence of children in the household, interests, do you buy travel on-line, education level, it's a big predictor of consumer behavior for a lot of products. So, it still left a lot to be desired.

Some changes that we've seen over the years in advertising, larger add units, that great half page from NYT that everybody loves, the video adds which are coming into vogue now, and I'm sure a lot of people really like, targeting is the norm. Text adds, we're seeing more of. Pay for performance models which I'll tell you, as an add director, it's one of the scariest things I deal with, where you only get paid if that add actually generates some kind of behavior, a click at the best case, a lead at the worst case. Imagine a scenario where now you're serving tons and tons of banner adds, or half page adds or whatever, but it doesn't really matter because you're only going to be getting paid if the user clicks on that add, goes to the page, fills our a

2005 – International Symposium on Online Journalism

form and hits submit. And on top of all that downward pressure on pricing, most of us, even the largest of us, are not as big as the portal sites, are not as big as a Yahoo, or an AOL aggregate. And those guys can offer tons, millions of people, they can offer it geo-targeted and, chances are, they even have more people in your area than you do. And here is the real scary part. They can offer it at US\$ 2.50 CPM.

Then lastly, online becoming evaluated by many in terms of directory spots. We've tried for a number of years to push the branding message and I actually think it is a good one, I think it still holds, for a lot of advertisers, particularly for your large national, your airlines, your auto manufacturers, those guys, but your medium size guys, particularly your local guys, they want to see people coming into the store. They want products move off the shelves. It's very simple, if you were running a business, you'd want the same thing. And that historically is not something we've been really good at.

Paid content. Here's another way we've tried to make money. We launched (inaudible) as a paid, our entertainment site, as a paid site on August 4th 2003. We charged US\$ 4.94 a month, with (inaudible) a year, we made it free to seven-day a year subscribers. And just because we knew that even in 2003, that this paid thing was kind of crazy, we teamed up with entertainment publications. I don't have one of them but I'm sure you've all seen them. It's this little short book that you buy it for US\$ 40.00 and it has lots of coupons in it. You carry around your car and never use it. So we teamed up with them and they have an online product where you could go and find restaurants and bowling alleys and what not in your area and you print off coupons and take them in. We said, look at what real value this is. Not only are we offering all the entertainment and venues listings from your local area, and all the movie review and restaurant review from the Times, and all of these great discounts, right. And we are giving it to you for about what you would pay for People magazine. We thought, if anything is going to work, this is. We wanted to test the market for premium content and we wanted to provide additional value for subscribers, circulation of subscribers is very important for newspapers and frankly, we wanted to better monetize our entertainment site. In 2003 and even in the five years preceding that, we really haven't seen a lot of solid advertising coming through that door. Restaurants are very difficult to get and maintain as advertisers they turn over all the time and the usually work on a cash basis. So the market really wasn't there.

I think, since then, what we've found, (inaudible) was really not well know enough to establish value. So we called people up and we market them withy the message of: Hey, you can get all this great stuff at (inaudible), for example, when we were taking to print subscribers they were like, I can get what? And the marketing message was way too long form most sales channels. So imagine this, and we thought it was great idea at the time but, of course, in retrospect it was highly flawed. So, somebody calls you on the phone. They call you at dinner time, because that's what we do, so you're pissed off to begging with. And I start off with this pitch. Hi, I'm Elaine and I'm calling from the Los Angeles Times, you're not listening. And I'm calling to tell you about the great offer I have today. You're about to hang up but

2005 – International Symposium on Online Journalism

you're too polite. And I'm offering you the Sunday Times plus (inaudible) for 250 a week and you order now I'll give you (inaudible) which have great pictures (inaudible) and you can just log on (inaudible). And you were gone a minute ago. That was kind of (inaudible) concept. And our online users, of course, were extremely reluctant about paying. But I have to say, overall, year after year, we did generate more revenue between the subscription and the advertisement, because we were still taking the advertisement, we're like that, then before when we were just advertising.

Now, having said all this, so it's 2003 and we've seen a whole bunch of changes in the market, we've seen there is more studio advertising coming to online, we've seen that there is more, frankly, other industries, or other categories of business that are receptive and interested in reaching this targeted market and advertising with us. There will probably be some changes to the site that you'll see in a couple of weeks.

Online revenue in general. Interactive revenue for Austin, I would say, for probably the majority of sites, is up 40% year over year. But it is still a small percentage of total company revenue. For the Times, online is about, for this year it will probably be 4.5% I would say, of total print revenue. And we don't contribute to the newsroom cost. In fact, if anything, we add to them. We do pay an allocation for overhead, but we benefit from the company's economy of scale. The Los Angeles Times employees, I think, 4 thousand people, of which we have about 78, so clearly we're getting the benefit there. So how does this compare to the overall picture of where we are? And I am getting to a point. Newspaper circulation is still declining. As Steve showed, it's been a long living trend. News print costs are increasing, employee cost are increasing: healthcare benefits, pension benefits. We have a classified business moving online, which is great, but it is not moving online with the price level that is meeting what it was in print. We have a display advertising in print under fire. We have a department stores consolidation. Department stores generally are the largest customers of the newspapers, on the display side. We have big stores that don't advertise at all. Wal-mart, Kohls, Costco, if you have any of those in your market, they run no ROP at all.

Then you have advertiser on the print side even, looking for sub-zip delivery to make their adds more efficient. I mean, what they want to do now, they don't want the full (inaudible) distribution. They want just the parts right around where they have stores. So, it's the same principle of targeting. And all those things are putting a lot of pressure on your print organization. The place I'm trying to get to, is that when we talk about, and I hear a lot of frustration, and I understand a lot of frustration, among online people who says, look we're growing revenue. We're growing 40%, 50% year over a year. We're turning over 50%, 60% percent margin, when is it enough? When am I going to get my ten more producers? When am I going to get six people to do video and multimedia and all that? Well, here is a fictional example. And I really mean it's fictional.

2005 – International Symposium on Online Journalism

I kind of guessed some numbers. I think this is roughly close to something that could be real. If I'm a daily newspaper and I have three hundred on my editorial staff, which cost me, let's say, US\$ 20 million, I have 300 thousand circ and we bring in US\$300 million a year minus expenses (inaudible). If I'm a daily dot com that goes with, let's say, 30 on staff, and bring in US\$2.5 million. We have, which cost US\$2.5 million to bring in 13, we push off 6, you know, that's a really healthy margin. When you compare the six as a percentage of the 75, that's pretty good, too. But, look at that 20 million number. That 20 million number on the left is what it costs to operate, maintain and run and feed that machine that is pushing out the bulk of your editorial everyday. And that's a huge number. That's a huge knot to cover off the right side. And that's why when you say how much is enough? Online sites are the future for newspaper companies, I believe that. If the business is going to succeed in the future, online is where it is going to be. There is way too much pressure on the print side, on the expense side, on the circulation side. For better or for worse, that also means that they have to carry the burden of the revenue growth. For better or for worse, that means year over year, there is going to be increase pressure for margin, increase pressure for profit and it is not going to led up, until they start covering more of the cost side of that burden.

There was one last thing that I wanted to throw in there, which I'll only talk it a little bit because I can't cross this guide, in terms of advertising, the other challenge that we have in advertising is, and a lot of you have probably heard of as local search. Has anyone seen A-line? Amazon search engine? I don't have enough time to pull it out, but basically what they have is they've got a directory, a yellow pages kind of directory, but what they also did to make it kind of more than your norm, is they send out trucks with, I guess, GPS systems and photographic equipment, so they took pictures of every buildings in major metros around the country. It got particularly scary when I looked out the address of the greasy spoon restaurant that is (inaudible) corner of the Times building and there is a little picture of there in there and everything. Local search is really more about local advertising, right? A lot of advertising that appears in newspapers today, that we are trying to get online today are things like home furniture stores, rug and carpet dealers, heat and air-conditioning guys and tire stores. And those are the guys who really need to see the performance. They are not going to advertise banner adds in your site so that they can get branding. They want people to come in and get new tires, they want people to come in and buy furniture. The only way you win that space is by creating some sort of local market place, which, the good news is, nobody else has figured it out yet, although yahoo is hot on the trail. Clearly the Amazon has some things in mind. The bad news is, we haven't either. That a crucial piece of their success. That's it, thank you.

ROSENAL ALVES: So, our next speaker is Rusty Coats. He's the general manager of TBO dot com, in Tampa. Just a couple of weeks ago, he moved from Mori research to TBO.

RUSTY COATS: Hello, I take this as a great responsibility that I'm the last speaker between you and liquor. I'm not going to try to keep you, but I am going to try to

2005 – International Symposium on Online Journalism

bring you home. I'm also going to do it by showing you some research of the last projects that I did while I was at Mori. Mori is Minnesota Opinion Research, we work with newspaper companies around the country and most of the ones that are represented in this room. If you haven't, it's through our parent company (inaudible) Associates and we've done it with you too. So we know all your dirty little secrets.

What I wanted to show you was something that really scared me to death and made me really want to plough back into get to work on a lot of these issues. Because I think that some of these things we know inheritably and are not really addressing because are things that some of the previous speakers have talked about. First I'm going to talk really quickly about home use and broadband content, because I want to focus on the money. This is comparing, the blue bars, general online users, online newspaper users. So let me take a minute to explain what this means right now. These are thousands and thousands of people that we interviewed. The light blue bar coming directly from online newspapers websites. Those pop-up surveys, those emails surveys that people ask you to participate in from the site, that's what the light blue bar is. The dark blue bar is online users for any reason what-so-ever, not necessarily ones who are coming to the news sites. I think the fault in a lot of the research that you will see on online newspapers users is that it is taken from our already listening users, the people who we already won over, and not the great hordes of people who are ignoring us. In doing that, you start to see some market differences between our peeps and the rest of the world, what we like to call real people.

Is that the people who come to us are largely at work users, and we all know this. But I think that what we don't recognize is, if you look at the 45% none over there, of the general online user is that is that 45% of the online users simply have no access to the internet while they are at work. It doesn't mean that they are all landscapers or anything like that. My wife is a second grade teacher, she has internet access in her school, but it is not like she can jump online at any given moment and look at Star-Tribune dot com. This is a great thing to recognize because the majority of our traffic on our website, as we know, comes during the day time. 8:00 a.m. to noon we are golden. After that it starts to fall off and after five it is like a rock. That is why all of this when we are running news operations with the print newsroom and now with the broadcast newsroom, when they say I have a breaking story after six o'clock, it better be, what we call in news business, be a (inaudible), because otherwise there is no reason to scramble the (inaudible) and put it on the site. Because my traffic after that time of the day is so low. People are off doing other things.

If we are going to grow at all in the future, we have to go after this at home market. And what we know of this at home market is that they are less interested in news and more interested in entertainment, they are more interested in shopping. And good for us, they are also interested in getting a job, car and home. This is something I want you to pay attention too, because it illustrates the point. Everyone with camera phones, it really makes me nervous, exactly, thank you. Office high-

2005 – International Symposium on Online Journalism

speed, all of our peeps have office high-speed, not so much on the general user side. They are less likely to have office high-speed. The big rock moving forward, what we've found with the NAA study that we did in 2004. We profiled 75 thousand online users, (inaudible) numbers of people. We've found that in the past two years, 2002 and 2004 people who had home broadband had doubled, just in the space of two years. In other words, people who had office broadband, they stayed exactly the same. So that revolution has come and gone. If you don't have office broadband, I'm sorry, it is not going to happen. Home broadband is where it is all going to happen. And home broadband and home audience are where we, as news organizations, are weakest.

So comparing our peeps to real peeps, you still see that breaking news is a huge daily driver. Fifty-nine percent of people coming to our websites say they go online every day, some of them going online several times a day, for breaking news. It's a sweet, sweet spot. Local news after that, sports. Very niche market, as we all know, the say in television is that one third of your audience cares at all about sports, one third is ambivalent and one third hates sports. By putting sports on the air, you are automatically alienating one-third of your audience. The good thing about the internet though, it that you can capitalize on that one third, because it may be small in reach, it is really deep in frequency. People who care about sports care a lot about sports. There is no other genre of information where people sit through games all day long on Sunday and pick up the newspaper on Monday and read about the stories that they've watched all day on Sunday. This doesn't happen with local politics. We can really market this, and this is why most of our traffic on our websites, if you look on an individual story basis, your number one story is almost always going to be a sports story. In Minneapolis, it is always a Viking story, in Tampa it is always a Buck story, a lot of hurricane story, depending on the season, but it is always going to be that. Because it is a passion, and people come in frequently for that. Entertainment not so much a daily thing that people look at, but over the course of a month it accumulates.

Now, I want to break this out. I've removed the names to keep them anonymous. But basically these are four markets across the country that we've studied in November of 2004. One is an Eastern market, Southern market, Midwestern and Western market. When you look at, this is just the online newspaper users, these are our peeps, peeps coming to our site. And you say, what site do you use over the course of a month, have used over the course of a month and news, sports or entertainment information. You see, newspaper dot com, np dot com for short here, is number one, number one, number one, closest competitor there: Google. We all know Google is not a news provider, but a news aggregator. What is very important to remember about your websites going forward is that every web experience begins with a Google search of some sort. When we did a usability testing, we did this in Dallas and Seattle and Charlotte and Houston, for (inaudible) interactive. And we found that when we gave people a blank screen and said let's go to Dallas news dot com, now lets go to King Five dot come. Instead of going to the url and looking for a bookmark or anything like that, they went to Google dot com and typed in, Dallas news, go. And God help you because Dallas news was not on the first screen there.

2005 – International Symposium on Online Journalism

They were not very optimized for search engines. This is very important for us to remember in driving traffic to us for news, and making sure that we are search engine optimized. We can do that organically, by making sure that a lot of things link to you, you can pay for this, cash is king. Well, this is very important in news categories, news, sports etc. Let's say, Austin news, the number one return better be Statesman dot com. That's very important for news. That's very important, on jobs, cars, homes and real estate. On the sites used most often, again, you see newspaper dot com, number one site, number one bullet across the board. Our peeps are still saying we are number one. Usually you are going to find one television station in every market that competes pretty well, head to head, with the newspaper online. Largely because of their contracts with either World now or IBS. Which can contractually tell those newscasters that they have to have three tosses per newscast to their website. So, three times during tonight's newscast they will say: go online to WFLA dot com, go online to (inaudible) dot com, and television is a great driver for branding of the web.

But, when we look past our own users and users in general you will see, look how the gap between newspaper dot com and Google dot com thins out on the past 30 days use. But, newspaper dot com is still number one, in the content areas. When you say, used most, I should have said this early on, any sites that you've used in the past 30 days doesn't have to add up to 100, multiple choice, used most often has to add to 100. That's why you will see some statistical numbers like that. You will see newspapers dot com still far, far ahead. As a former reporter, what interests me more is how and why, always. So we asked people, why did you use this site most frequently? Why they use newspaper dot com, television station dot com, Google dot com. What I love about this is, updated frequently is the number one thing. This is why breaking news is so darn important; this is why we had a panel on this. Breaking news drives people to your site. Online news association study, years and years ago, found that the more dynamic and updated your site was, the more credible people thought it was. It wasn't the brand of the site that made people think it was credible, it was the fact that the content was always updating itself. This is why you have to go to and (inaudible) with your editor and say, I need more breaking news on the site.

I think we all know that, at least in the back of our brains, what we may have overlooked is that, one of the number one reasons people come to our websites is that they missed it. They missed the story the first time it came around. Following up on something I saw on TV, following up on something I read in the newspaper, as archives of stories that I have missed, I wrote all that into one big category called Tivo. These are people saying I missed it. It's not that I am not interested in it, I still need to find it. And I challenge you to look at newspaper's websites right now and any news websites and see how they treat their archives. They are like little step children on the sites, pushed off to the sides. After that story is run once in the newspaper, on the newspaper site, you're never going to see that again. One of the best things that the New York Times is doing, and a bunch of other sites are doing, most emailed stories of the day, number one stories of the day, that is wrist for the mill. When you belly out for the bar tonight, you're going to want to know the top

2005 – International Symposium on Online Journalism

five news stories of the day, so you can hold a conversation with people. That's why every television news organization right now is going to do something they call top five at five. They will give you the top five headline stories in the first five minutes of the broadcast in case your life carries you elsewhere, your kids start screaming, the thing starts (inaudible) or your car drives off of the driveway. You will have the first five stories so you can converse with people like we socially need to do. What is at the bottom of all of this, has interesting multimedia features, and participating in forums and blogs. For us, as journalists, this is a very, very big deal. For us looking toward the future, this is a very big deal, something we need to keep an eye on. For the general population, this is not a deal at all.

Just looking at the numbers and one of the best things about being the last speaker of the day is that you can be the heretic and pretty much guarantee to be stoned later on, is that three out of four online users have never heard of a blog. So, 75% of people who are online right now, have never heard of a blog. Maybe because the word blog sounds like something I cough up when I have the flu, and if we named it something sexy, everyone would now what that was. It would call the J-Lo, everyone would know what it was. Three percent of Americans read blogs daily. Fifteen percent read them at least monthly. This is not, by any stretch, some kind of Tsunami, on the day after tomorrow it's going to wipe out all of New York City. This is something that is a great canary and a coalmine for us as journalists, this is a great tool for us to connect with our community, I would love to see newspapers and all news media use blogs more to affect what kind of coverage they do, so that you post a story early, allow people to comment on that, you use that as a source of your story. Other thing that we were talking during 96 and none of us really did, and then turn that around so that people are participating. Only to remember that 66% of the blogs have not been updated in two months, and 26% of them were not updated past the first day. It's a great thing for us, but you can stone me later, I just had to say it.

Let me get to where most of the money comes on all of this. Most of the money comes, for all of us, from classifieds. And I'll say one word about classified. Classifieds is one of those words that is kind of like the wig party. If you were born in one generation, you know exactly what a wig party is, and if you were born after that generation you have no freaking clue what the wig party is. Classified is one of those words. It sounds like even dusty coming out of my tongue when I say it, classifieds. When you ask people what they call these things, it's so funny because every industry has this nomenclature that we all have and we all share, but the rest of the world knows nothing about it? You're in Austin with all these rocket scientist, they are worst at it, but journalists and the newspaper industry people are just as bad. You know, classifieds, autopeve, display add, retail, no, no one knows what the hell that stuff is. You people what a retail add in papers are, and say find me a retail add in the paper and they don't even know what you're talking about. And when you point to one and say, it's that one right there, oh, you mean, adds with pictures. Ok, so, I'm a populist, research (inaudible) populist at the end of the day. Fifty thousand people say that's what we call it, then call it that. Don't make them wrong for that. Adds with pictures. They don't call it classifieds, they call it jobs, cars,

2005 – International Symposium on Online Journalism

homes and stuff. Merchandize, if they are articulate, but usually stuff. So, let's look at them within those categories.

Employment. Again, looking at our own peeps first line across these same four markets. Where have you gone the past thirty days for jobs? Newspaper dot com, out-front, out-front. Past few days with Monster, pretty close to online is some for these markets. What site do you use most often? Newspaper dot com. Again, our people telling us we are the shizzle. When you look at online users in general tough, it gets gory. I want you to think of what you saw on the content side, when we were just blasting everybody out of the water. It's great to blast people out of the water in something that costs you money and it would be better to blast people out of the water on something that brings you money. That is clearly not happening. Because when people are telling us they go to monster almost twice as much in this market and all on those markets, and they do to the newspaper dot com in employment, we have a big problem. Why do we have this problem? Again, the question why. Why do you go to these sites most often? What is very interesting to look at is the light blue bar first. These are the online newspaper users, our peeps. They come to us because we have more local jobs, they think, good, and they also come to us because we have the job listings that were from the newspaper. So the brand of the newspaper. We have the adds that were in the newspaper means something to them. It is nothing to be ashamed of in nothing of our branding or to cover up, like everyone of us has done in this business and renaming all of our verticals into something catchy and silly and people are going: What is that? I was just looking for the job listings that were in the newspaper.

What is most interesting is that the other sites, people who go to our competing sites, are whipping us on a level of functionality. So, we're getting credit for having something from a legacy product. They are getting credit for leveraging the new medium. Has more detailed information about jobs and companies, I have posted my resume on the site, three times as much as people who say that about the newspaper website. If you take away anything in these classified categories, adding content, especially entertainment, but in content as well, the web is really, to get things done, it's a functional medium. In Tampa we do a lot of talk about, I say we do a lot of talk, after a week and a half, I've done a lot of talk about what they call platform excellence. So, we've got the newspaper Tampa Tribune, WFLA, the television station and TBO, the website. Everyone of these platforms is supposed to be number one. And all of them but the newspaper is. The newspaper is in a very heated competition with the Saint Pete Times, a wonderful non-profit journalism outlet.

The Tampa Tribune is a thing to read; a newspaper is a medium to read. The TV station is a medium to watch. The website is a medium to do. That's where you got o do something. That's where it all got started, you've heard this before. This is where you initiate searches, you do comparisons, you sort, you seek, you find, you put everything together so if you are going to loose at anything, in a go do medium, it has better not be in a go do areas. It gets bloodier in automotives. Even among our own peeps in these markets we are seen as second and third to Kelly blue book

2005 – International Symposium on Online Journalism

and Autotrader. Largely because of functionality. Because when you look at people who are not our peeps, we don't even show up in the last thirty days, in these two markets. We do pretty well in this third market, the Midwestern market, fourth market, in the Western market we're coming in third place. The only ones to be up here in the sites used most often in automotive, in market number three, is the Midwestern market there. Again, great to win in the categories where they are costing you money, better to win in areas that bring you money. And why we are losing has again to do, everything to do, with functionality. Can compare vehicle by price, and features. Easy to look at model and price that I'm looking for, view multiple photos. We did a lot of research with cars dot com, it's a (inaudible) vehicle providers, some of us in this room has been in this long enough to have scars, still opened wounds on our bodies, from the first time we walked into auto-dealers and asked them to put the prices of their cars online. And they were not into that at all. There was no way they were going to give us that price. Until they found out that by not giving us the price in their autos, their cars were in the bottom of the stack when people sort. Because the first thing everyone sorts on is, how much can I afford? And then, after that, I want to look at a lot of multiple photos. Eight being the right number, we found, eight multiple photos is good. Nine, ten, too many, but eight is good. So, if you're going to have a lot of photos with your auto listing, eight is a great number.

Multimedia tours, you know, where multimedia did not really move the needle all that much for journalism, which, I'll get back to that, for journalism, it really, really does in the classified categories. So why is that, and you'll see that more and more in real estate. Why is it? Number one, and I'm a big fan of multimedia journalism and I have been for a long time, so please don't take this as throwing this under the bus. There is a very real market reality about online multimedia journalism. The majority of our audience comes to us while they are at work. I can read a story while I am at work and get away with that. I cannot view a movie while I am at work, and not get fired. And most people you're looking at who are looking at multimedia while you're at work as goofing off. They maybe informing their decision, they may be being a better citizen and getting you a more well-rounded education and all that, your boss does not care. Your boss thinks that you're goofing off. But, you go home, you're looking for a car, you like to get in that car, feel around that car, look over that car. Mazda launched, when they bought of RXA, a year and a half ago, I guess it was two years ago. They tied with the X-man tool movie, because cyclops drove them RXA. It is scary that I know this much about this stuff. And on their site they had an interactive multimedia game where you could get in an RXA and drive it around. And it drove traffic to the dealer websites and to the store like nobody's business, because this fun. This is a big ticket buy, I care very much about it, and it's tied with the movie, so it's kind of sexy.

One thing to think about is all of the multimedia and resources and thinking and creativity that you have, instead of applying all of that into the local city council meeting, how about applying some of that to the categories that pays all the bills? HGTV has made an empire out of real estate. Think about it, if you were to do the same with employment. Here is a jobs channel on TV that tells me how to survive

2005 – International Symposium on Online Journalism

office politics, and get promoted and dress right for work, and what it means to negotiate a raise with a boss, and all that kind of stuff. What a wonderful idea, because that's where people live, on a day to day basis. I live in my house, I live in my job, I live in my car. Help me accomplish more there and make it sexy while you're doing it. Don't relegate it off to the side, like it's this little smoke stack industry that we are ashamed of, but at the same time, whatever those little beasts were in time machine, we're feeding the (inaudible).

Real estate, last one. Real estate, newspaper dot com, among our peeps, great, great, great. Not our peeps, bad, bad, bad. Realtor dot com, agency websites in every market are doing very well. And why, it's all about functionality. Virtual tours of homes. I don't know if any of you have looked for a home recently, I've just went through that moving from Minneapolis to Tampa, and looking at the listings online, if they did not have multiple photos or virtual tours, I did not look at them. It could have been the best house in the world, because it did not grasp how to best use this medium, no sale.

Let me do this really quickly, there is a lot of talk about local search, and a lot of (inaudible) in our industry, because we're all trying to wrap our heads around this and figure it out and so forth. We have big board meetings where we gather all of our brightest people and they come up with the most idiotic ideas because they over think these things. Because we are trying to define what local search is. Among normal human beings, they know exactly what local search is. Look at the far one at the left, your right. What is local search? What is happening, local news; what's on sale, online purchases, off-line purchase, how do I get there, how do I contact them, phone numbers and addresses; and, you know, how do I waste my time, basically. People like to entertain themselves, they like to find sales, they like to find their way around. There is nothing really more complicated than that when it comes to local search. It's all about the stuff that we have been doing for 150, 200 years. The interface is the problem, because they are not coming to us to do it. They are going to Google to do it. They are doing zip code pizza, they are doing zip-code plumber, zip-code scuba, and getting very good at that. They don't even think to come close to us. Well, the 15%, even our own peeps are not using us for this. That's the challenge. It's not the content; it's in the access of it. I don't know how many times you've tried to actually local businesses on your local newspaper website. It can be a really awful experience. It was a little better before zip2 got crazy and we all lost so much money into that, because they had mapping, directions, proximity and all that stuff, and when they went under we thought, that is not a great business model. That was a bad business model not because, well, it was because of the management, but it was a bad business model as well because of time. That was a business that was so far ahead of its time because looking up yellow pages listings online, when you are on a 56K, it's like putting a gun in your mouth. That is just an awful experience. On a cable modem, and especially on wireless, that's everyday. We have an old apple laptop and in the kitchen, we use only for movie times and directory searches and email. Because that's perfect. I can't, that's Elaine's question, I can't remember we actually cracked opened the yellow pages.

2005 – International Symposium on Online Journalism

Lastly I want to say, when it comes to online advertisement, I said it earlier that I was a populist; I'm a big fan of doing what people actually like to do. If you are going to have online advertisement, have it as a contest, have it sent to you in an email, have a multimedia add, like that auto RXA thing, that is actually some fun. Don't give people pop-ups and pop-unders. Because sometimes advertising people will tell you that those things have a great click through rate, at least 50%, we did that in the study, this is three years old but, 50% who are clicking in the pop-up or pop-under add are actually trying to close the dam thing. And then they were counted as a click through.

Really quickly, top five things to remember. Remember the train, airplane transportation analogy, that the trains didn't realize they were in the transportation business and that's why they went out, I think that is just, hook'em. I think that's the funniest thing that we tell ourselves, that we started telling ourselves and it became this idol in this tribe and we couldn't get rid of it. The truth is, I would rather have stocks today, in any railroad company than I would in any airline company. Because every airline company is still trying to figure out a way to make money off their passengers. That's like trying to make money only off of your content. You are not going to do it. Being number one in content is nice. Just like being number one in personal transportation was nice, for the railroads. Being number one in shipping big, fat things across the country, that's even better. It's all about time. Breaking news is always looking forward. Well, we're doing that, all of the time in the work days. We are always looking forward. But I would challenge us to at least devote some of our resources to looking back. What did I miss today, what did I miss last week? What were the top five stories for every day of the year for the past year, on the site. You can still make boat loads of money out of your archives by doing that because the stories that were the number one stories on your site are almost never the stories people search in your archives. Because the number one stories in your sites are, like I said, disastrous, weather, sports, or wrecks and crime. People don't go into the archives to do that. But it would be really nice for people to look at June 6th, 2004 and see the list of top five stories for that day, so that they can then mentally place themselves back to that date. And then they could start searching again. Use the advertising that works don't use the advertising that doesn't.

Search engines are a wonderful way to, Google is not going to go anywhere. And if Google goes anywhere it's going to be by our hand, it will be by some other funky named thing that comes on, that is a better search outlet. In the mean time, why not use Google to our advantage? If I type in Austin news, he better be the first thing that comes up. If I type in Austin jobs, he better be the first thing that comes up. The beautiful thing about that, as well as if he is the first thing that comes up, he can come up to every major company in Austin and how would you like to be on the page that comes up number one on Google when we type in Austin jobs? And that way you get money from them to pay for your marketing effort. And then, lastly, mind the gap. This functionality gap is what is going to kill us. Because that credit that we're getting for having all the adds that are in the newspaper is only

2005 – International Symposium on Online Journalism

going to last so long. In a go do medium, if you don't go do, well, you get done. That's it, thanks.

ROSENAL ALVES: Five minutes for questions before we go to the Austin City Limits. (inaudible)

JIM DEBTH: Where is the Austin City Limits video?

ROSENAL ALVES: Just next door, good question.

AUDIENCE: (inaudible). I wanted to ask you a little bit, when you are mentioning about the targeting of the adds, your part of the holy grail a couple of years ago was that the, what are they called, the information that people provide but also the behavioral information, I think you guys are using (inaudible) things like that. Is there any difference in terms of advertising? Wanting to know more on the demographics then going towards behavior and do they find any value in that?

ELAINE ZINNGRABE: We've had far fewer ones with behavioral than demographic. They all do demographics (inaudible) better, makes more sense to them. The place where we really wanted the behavioral to work was in travel. We, like everybody else (inaudible) travel. And it just didn't work as well. The behavioral targeted travel people, I think just don't work well.

AUDIENCE: The question is for Rusty, and all of those in the panel. Given that newspaper sites are lagging behind with other automobile, rental, can they catch up or is it too late? Has the train left the station?

RUSTY COATS: I don't think it is ever too late. It may be my downfall to think that (inaudible). But I think it is not too late to go after those things because we do have a long, long history of winning those categories. Other competitors (inaudible). But it takes something to get our back up, so we go after them. And I'm afraid right now that (inaudible) early, there is a lot of internal conversations that are baring us, preventing us from actually developing the kind of functionality that is going to make us competitive, because we are still trying to milk and maintain every last dime from print, rather than creating great new businesses online, which takes some investment. And I haven't seen many industries that are out there that are more adverse to investment in (inaudible) than the media.