

## 2005 – International Symposium on Online Journalism

### Day 2, Panel 1: The Search for Profitability - Business Models for Online Journalism

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**Moderator: Paula Poindexter**, Associate Professor, School of Journalism, UT Austin

**Panelists:**

**Donica Mensing**, Assistant Professor, University of Nevada-Reno

**Neil Thurman**, Senior Lecturer In Electronic Publishing, Department of Journalism, City University, London and Visiting Scholar, School of Information Management And Systems, University of California, Berkeley

**Manuel Gago**, Professor, Santiago De Compostela University, Spain

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**PAULA POINDEXTER:** [inaudible] School of Journalism here at the University of Texas at Austin. I moved the microphone forward. I probably should move it backwards again. Is it OK? OK.

In 1985, as special projects manager at the Los Angeles Times, I had an opportunity to talk about the Times's electronic publishing and video text projects at conferences at electronic publishing and video text conventions in London and Amsterdam. I looked back at my presentations, in preparation for this morning, and in both cases I noticed that profitability was a theme in my presentations. Twenty years later, we're still talking about searching for profitability in electronic publishing. Will we still be talking about it twenty years from now?

Our speakers this morning have conducted research that will give us some insight into profitability on online journalism and also business models.

Let me introduce the speakers, and then they'll come up as we move along. First, Donica Mensing, assistant professor at University of Nevada, Reno, and she'll be talking about "Prospects for profit: The (un)evolving business model for online news." Neil Thurman, senior lecturer in electronic publishing, Department of Journalism, City University, London, and visiting scholar, School of Journalism Management and Systems, University of California, Berkeley. He has the longest title here this morning. He'll be talking about "British news websites and the overseas reader." And then, Manuel Gago, professor, Santiago de Compostela University, Spain. I practiced saying that. I hope I did a good job. [laughter] And he'll be talking about "Online media, population and economics: facing the relationship among brands and social indicators in Spain."

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And after they finish their presentations and we've already talked about giving them a one-minute warning, or a one- or two-minute warning but after they finish their presentations, then I'll have some general comments to make about their presentations, and then we'll open it up for questions. And we'll begin with Donica.

**DONICA MENSING:** Well, I'm afraid we're going to have a bit of a whiplash after Gary's presentation, because he did such a wonderful job of describing this incredible future, and now I'm going to talk a bit about the past, and what's happening with revenue models in online newspapers.

I can thank Steve Yelvington for giving me this idea ten years ago. I was sitting next to him at a dinner, and was looking for a masters thesis topic, and said, "What do you think the interesting problem is in online news these days?" This is in 1995. And he said, "How the hell are we going to make money?" I thought, "That'd make a great title for a thesis." So. This is a project comparing what I found then with what's going on now.

Before I did that, I wanted to just put you back into 1996. Now that we've been talking about 2015, go back the other direction. And think about what newspaper websites looked like in 1996. This is SF Gate in October. [referring to the visual aid] And you can see what their revenue models were like. There's links to an ad directory, classifieds, real estate resource So they had those going on. There's no ads on this front page. There is a nice sports photo. And obviously, the print product was something they were thinking about. You get one headline. And then, today, we still have the sports photograph. [laughter] We've now got three places that link to classifieds: over here, across the top, and over here. So, linking to the same place, but now you can do it in more places on the front page. I've got three of these comparisons to look at.

Here's the Los Angeles Times. [laughter] Again you get one news story. General. And then look at PointCast. Remember PointCast? [laughter] Internet access you can sign up with PacBell. Or, if you're an AOL user, here's what you can do if you actually want to read our site. Links to classifieds, to a Market Space. Registration. 1996 This was in November. So they were thinking then. And then today. We still have the sports photo. [laughter] And I did not plan this. I just noticed it, last night, looking at this. So here you've got Marketplace. The classifieds are here. There's an advertisement, for Samsung. So that's one of the ads with pictures here on the front page. But that's the only one.

Back to 96. Here's the New York Times. Three ads with pictures. A link to classifieds, services and then today. I happened to choose that black and white photo, so it looks a little old. But over here, there are links to classifieds. Another Samsung ad, similar to the LA Times one. So. That just helps us bookmark the two ends that I'm looking at: what it was like in 1996; what was it like in 2005?

My question for the research was, "What model seems to be the most promising, or the one that we're using, for gaining revenue in online news, specifically online

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newspapers?" And there are four models that researchers have talked about. First is the advertising model, both classified and display, and then with all the variations we heard yesterday, with targeted, and niche, and the variety of advertising; we've certainly learned how to do it better in the last nine years. But the model itself is still advertising.

The second model would be subscription; is this going to be something that people would pay for? That was a big question in '96.

The transaction model. The question: If you brought users together on your site, both buying and selling, could you get a small transaction fee if they exchanged information or if they bought something? The New York Times experimented with this for a short time in their book review section, where they would get a small transaction fee if you bought a book through Barnes and Noble through their site.

And then the last model that people talked about was "bundled" or "partnership" model. Which those were the alliances, the partnerships, either with you know, at the beginning, with Prodigy or CompuServe. Then it was the alliances, the New Century Networks? I can't remember what that was called. And those alliances, which again have gone out of favor. But those were the four models that people were talking about for supporting online news.

So, the research that I did. In 1996 it was a mail survey. And I surveyed all U.S. daily newspapers that I could find that were publishing daily. That was 187. I sent a survey to the people in charge; got 83 responses. So that's a 44% return rate. And then, in 2005, I worked with my co-author who I should acknowledge a graduate student named Jackie Rejfek at the University of Nevada. And we did an online survey of all the online newspapers, excluding the chains. You know, we just did one rather than every newspaper in the chain. So that was 1,040. That was emailed, and we got 242 responses. A 23% return rate. So that's the population where this information is coming from.

Now, we get the numbers. I wanted to just describe who answered the survey. In 1996, just under 20% of them were from small newspapers. A little over a third were from large newspapers. In 2005, many more small newspapers answered the survey. And my guess is that there are more small newspapers online now than there were in 1996. Which would explain that. 40% are in the medium range, and 21% are from large newspapers.

Now, this chart has too many numbers, I know. So let me just walk you through what I'm trying to explain here. This column, here, from 1996 I asked newspaper managers, "Where are you making your money? Put the percentage of revenue that you're gaining from each of these different categories." So. And then I averaged them together. So the number one most important category that they were making money from in '96 was display advertising. This 34%. And I said, "How do you think it will change next year?" And it was unchanged. So, display advertising was the single most popular way of making money in '96.

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The second most lucrative source of income at that point were Internet access fees. But even at that point, they were anticipating a decline. So they said, "We're getting 20% of our income from Internet access fees in '96. We expect that to decline in '97." So that's what that's about.

Classifieds were only 18% of total revenue earned by newspapers. But they were expecting that to almost double. So, even at that point, it was considered an important revenue source, that was just beginning to grow. Subscriptions were relatively small; premium services, they expected to double, but still be a small part of the overall pie. Other sources were small. And transaction fees, very small. They expected an increase, but not much.

In 2005 I asked this question but I also asked another question. I wanted to compare the answers. And said, "OK, here's all these revenue sources. Rank them in terms of importance." And I'll go over this in more detail with the next slide. But I basically wanted to just compare.

Classifieds are now considered the most important. Then, display advertising. Internet access fees, obviously, have fallen off the map. Subscriptions, much smaller than the others. Then, archives other sources, transaction fees, and custom services are very small. So, the list hasn't changed a whole lot, in order of things. And we've lost one source. But it just gives you an idea of the relative importance of these different revenue sources.

So, this is an expanded version, talking what we asked them was, "Given this list of revenue sources, what do you think is important? And what is unimportant?" So, you can see, classified advertising 79% of the respondents in 2005 said, "Classifieds are very important to us." Display advertising, more than half. "Very important." The subscriptions you can see that the discussion is still ongoing. 26% of the people said, "This revenue source is very important." And 34% of the respondents said, "This is very unimportant." So that debate continues. Archives the rest of the revenue sources are important in much smaller amounts. Only 10% of the respondents thought archives are very important. And then, 2% for custom, transaction fees, and Internet access fees. So, the model is really dominated by advertising.

Now I'm going to go through a series of slides where I really look at each of these in a little more detail. And rework the data to say, "How much revenue are you getting from these different sources," and then comparing the two years. So. In 1996, 48, or nearly half of the respondents were not getting any revenue from classified advertising. Now, only 10% are getting no revenue from classifieds. So, what that means is 90% of the newspapers there are earning money from classifieds. And, by next year, 95% expect to get revenue from classifieds.

For those earning a quarter or less of their revenue in 1996, 36% of the newspapers were earning a small amount from classifieds. That's much smaller today. What you see here what I think is interesting here, and ah, oops if you look at these two

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numbers here, you've got nearly half of the newspapers are earning more than 50% of their revenue from classifieds. If classifieds turn out to be problematic, because of competition, because of the kinds of things that Rusty talked about yesterday, functionality from other sources means that people move away from classifieds and newspapers. To me, this is a real question. This is a real danger, that so much revenue is coming from this type of advertising [inaudible - break in audio stream....]

Display advertising in 1996 20% of the newspapers were not earning any money from display. Now, it's only 6 per 7%. And by next year, almost everybody expects to be earning money from display advertising. Most of it, though, is 50% or less. So you can see the numbers. Right now, 44% of the newspapers are earning about a quarter of their revenue from display advertising.

Subscriptions. In 1996, 67% of the newspapers were not earning any money from subscriptions. And that is virtually unchanged. The same number of people are not charging for subscriptions. But this is interesting we did ask them, "What do you anticipate next year?" Clearly, there is a group of newspapers out there that are planning to start imposing some subscription fee, for either some or all of their content. They don't expect it to be a lot; almost everybody expects it to be, you know, 25% or less of total revenue. But the fact that people expect you know, that 31% of newspapers, by next year, expect to be earning some revenue from subscriptions, to me says they're planning to roll out some more charges for content. But nobody's anticipating this as being a significant source. It's a source.

Archives. Half the newspapers were not earning money from archives in '96, and, interestingly, even more are not earning income in 2005. So only 40% of newspapers, and almost all of them are in this category 1 to 10% of revenue is coming from charges for archives. And, again, they anticipate charging more earning more revenue from archives next year. So, by 2006, half the newspapers expect to be earning some revenue. But less than ten percent from archives.

I just want to go, quickly, through a few more comparisons that I did between the two periods. One of the things that I was very interested in is micropayments. And so, I asked this statement: "In the next few years, we will have a system of micropayments, and we'll charge very small amounts for visitors to purchase content by the piece." So I asked people, "Do you agree? Disagree? Where do you stand?" In 1996, 5% of the respondents strongly agreed that micropayments were going to have a future. Interestingly, that is unchanged. They still have the same hardcore 5%. Thirty percent agreed in '96. Twenty percent agreed in 2005. Basically, what you see is people are much more skeptical. Seventeen percent disagreed in '96. That doubled to 2005. People do not see a future for micropayments, at least in this group. Which I thought was interesting. So. Two minutes? [responding to the chair's signal] OK.

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I asked people about registering. Ninety-five percent of the sites did not require registration in '96. Now, 60% still don't. So, what you've got is almost 40% are requiring some sort of registration. But 60% of the newspapers are still not requiring any registration whatsoever.

I asked them, "How do you think the website is affecting your print product?" There are those who thought it would increase interest in the print product virtually unchanged between the two time periods. No impact. What changed was, "Do you expect that the website is decreasing interest in your print product?" 18% this year said, "Yes. I think it's decreasing interest." In 1996, they thought "it was too soon to tell" or "other." They've all moved into the negative category.

This is the last slide I'm going to talk about. I asked an open-ended question: "What do you think are the most promising profit strategies for publishing web newspapers?" In '96, 40% of the answers and they were very interesting. I have them in the paper, if you want to see the full what they actually said. But 40% were related to advertising. That went up this year. Almost half of the people who answered this very open-ended question said, "Some form of advertising strategy is the most promising way for us to make money." Subscriptions, virtually unchanged. A little bit up. Customization, transaction fees, micropayments up slightly.

But the number of people in '96 that talked about building audiences, creating content talking about "what are we really doing with this?" went from 24% to 8%. So, people's minds are in a very different place when they're thinking about, now, about revenue strategies.

This was the other one I thought was interesting. "Not sure what strategies will work." 4% in '96, 13% in 2005 said, "We don't know what we're doing." [laughter] You know, "We're looking, we're searching, it's still undefined, who knows" And then, partnerships and alliances, just nobody mentioned it at all this year. So I thought, it gives us a very interesting comparison to think about; where we've come from and where are we today. And I'm more interested in what you think this means, so we'll talk about that in the discussion. So.

[applause]

**NEIL THURMAN:** OK. So we've heard some very interesting things, I think, over the last day or so about local targeting of content. Of course, that's something that the medium does very well. But something else it allows is for publications to reach a global audience. And so, with this panel being about the search for profitability, I'd like to look at how British news websites are targeting overseas readers whether they're targeting overseas readers, and if so, how. And particularly those from North America.

Historically, although most British news sites have always had a significant number of [inaudible - break in audio stream]

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As you can see, the Times of London in '99 had between 48 and 60% of their readers from North America. They haven't always been encouraged or welcomed. As you can see from this slide from '99, the Times led with a world story and a home story. But and so that, sort of, made you think they were kind of welcoming to the overseas reader. But by May 2002, they'd introduced subscription charges specifically for overseas readers. Home readers could still read the Times for free. And, by 2003, subscription charges were still in place for overseas readers, and in fact they really were just loading up the front page of the domestic print edition of the Times, word for word, and not making any concessions to the overseas reader. And that was typical, really, of a lot of British news publications.

So, when recently in October, last year I saw that the Times had issued a press release announcing that they were lifting subscription charges for overseas readers, it made me wonder whether news sites British news sites were reconsidering their strategies. And so, when last Autumn I conducted a series of qualitative research interviews with the editors of a number of British news sites, I took the opportunity to ask them about their overseas readers. I tried to find out how many they had, what they read, where they came from, and particularly from a commercial perspective what attitudes those publications had to their overseas audience. I was fortunate enough, at the same time, to have access to Nielsen NetRatings data on the U.S. readership of these sites, providing some hard data to supplement my empirical approach.

The Nielsen NetRatings data, which is a panel-based measure, as I'm sure you know, revealed some interesting facts. This is a slide showing the U.S. unique users of a selection of news sites. So you can see, actually, that the BBC has as many American actually, more American readers than Fox News, the LA Times, the New York Post, News.com and is, you know, close to approaching the level of U.S. readership of the Washington Post and CBSNews.com. But the BBC is rather a special case, having around thirty million dollars a year to spend from the public purse and ring-fenced funding from the British government's funding office to pay for an editorial team dedicated to serving overseas readers. They spent about half a million dollars in setting up systems to support their international edition when they launched it, and they have dedicated correspondents in Brussels, India, Washington. So, the BBC really leads the pack.

But if we have a look at some of its rivals, they still do surprisingly well in the U.S. market. And again, this is U.S. readers. So, you can see that the Guardian has as many U.S. readers as the Houston Chronicle, the Times as many as the Sacramento Bee, the Telegraph as many as the Atlanta Journal-Constitution, with the Scotsman and the Independent not too far behind. So, they have a significant number of readers of U.S. readers, and, we can assume, overseas readers in absolute terms.

But what about the percentage of overseas readers as a proportion of their total audience? The figures aren't easy to find, but this is a slide I put together. And it shows you that most British news sites have between 28 and 40% of readers from the U.S. And there are a couple of outliers: the Daily Mail, which is a relatively recent

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entrant to the market, is down there on, sort of, 11%, and the Independent, which is a national broadsheet newspaper, has a very significant proportion of U.S. readers over 70%. But I must warn you that these figures are probably an underestimate of the proportion of US readers, because Nielsen data has a tendency to underestimate the proportion of U.S. readers. And I had the opportunity of comparing Nielsen data with data provided by three publications on their U.S. audience, and you can see that Nielsen underestimates the U.S. audience by, you know, in the case of the Guardian by about three times, and in the case of the Sun and the Times, by a lesser amount.

Some sites were very happy to give me data. The Guardian are proud of their international audience, and claim that with the Internet they're becoming the English-language global liberal voice. But other sites were a lot less happy about discussing the proportion of overseas readers that they had. And for commercial news sites that rely heavily on advertising, the high overseas audience isn't something they necessarily want to shout about. The Telegraph told me that for a lot of their "blue chip" clients, their advertising clients, it's not going to go down particularly well if they tell them that they've got two million people reading this every day from Washington. In fact, they have about 600,000 a month from the U.S. And Associated New Media, who publish This Is London and the Daily Mail, don't believe or their editorial director doesn't believe that you can commercialize the overseas audience. She told me that she just feels that she's paying an awful lot of server costs to those people and not really making any money.

One other reason that British editors feel that it's difficult to commercialize the overseas reader is because of the promiscuous reading habits of overseas readers. And web readers, as we know, compared to print readers, are not exactly loyal. And this was a quote from the Telegraph, which I quite like. [laughter] "Print readers have canine loyalty, but readers on the web have all the feline fussiness of cats. We get one thing wrong, and they're off down Google Alley to find another fresh bowl of cream." [laughter] And there's some statistics here that I lifted from something that Ben Crosby published in Online Journalism Review in March 2004, just showing you the difference, in terms of visits per month and minute per day, of newspaper website readers and newspaper print readers. So we know web readers are not particularly loyal, compared to print readers.

Overseas readers are even less loyal than domestic web readers. And, if we have a look at page impressions, you can see for example, with the Guardian, the U.S. readers are in blue, home U.K. readers are in yellow. So you can see that home users register more than three times as many page impressions per month as their U.S. counterparts. And one of the reasons that overseas readers read relatively few pages is because the way they tend to find British news sites is via aggregators, search engines. So they find a single story, come and read a single story, and then don't really stick around very long to read anything else.

And the two aggregators that were cited most frequently as important sources of overseas traffic for U.K. news sites were Drudge and Fark.com. And, in fact, the editor of the Independent told me that he thinks that the way half of America found



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out about us is Drudge, and strangely believes it matches his image. And the Times told me that they're still surprised how effective Drudge is at getting reach from the U.S. And, indeed, if we have a look at the numbers of hits that they can get from aggregators, like Drudge, it's surprisingly significant. So there's an example here of a story the Times published about passengers in Heathrow being shocked that x-ray machines were, sort of, making them appear naked to the operators. And this one story, hits on this one story represented 30% of the Times traffic from the U.S. in November. [laughter] And the reason was, it was for a while the number one link on Drudge. So it really pushed a lot of traffic to the Times. Another story from the same month, November 2002, "Backing Bush Has Won You Nothing, Chirac Tells Britain," again, did incredibly well, represented 15% of the Times's traffic from the U.S. in November. That one story. But the reason: for a while, it was the number one link on Drudge.

And of course, as well as the aggregators, like Drudge and Fark, Google News is particularly important as a source of overseas readers. And analyzing which U.K. sites did well from Google News revealed some surprises. The one of the most successful, or the most successful publications, in terms of links from Google, by quite a long way, was the Scotsman. And, if we have a look at the number of links on a typical day that they have from Google News so the links that they have are in blue. So the Scotsman typically has, you know, sixteen, seventeen links from Google News's U.K. page in a typical day. And it doesn't have, you know, a particularly large number of readers. In fact, the graph underestimates BBC News readership; it should be around, about twenty-two million. But the Scotsman has a readership of less than of eight times less than BBC, but it manages to get more than double the number of links from Google News.

When I asked the editor of the Scotsman about this, he said, "We don't fully understand why we do so well out of Google, and we're frightened to ask in case somehow it's all been a terrible mistake." [laughter] So, why do they do so well? I think one reason is the Google News algorithm puts a very heavy reliance on the latest news story, which seems to favor sites that use feeds from news agencies, such as the Press Association, who are often first to market on a given story. And, indeed, if we look at the stories that the Scotsman has linked to from Google News, a lot of them, in fact, are P.A. feeds. There's one example. There's another example. And another example.

But also, the clustering system that Google News uses may favor stories that are like other stories in other words, stories that use a lot of agency copy, such as the Scotsman news. And, if we have a look at Google News in this example, a story about Charles and Camilla postponing their wedding because of the Pope's funeral we can see a high degree of redundancy, with several identical stories based on the same Reuters wire copy.

So, whatever the reason people like the Scotsman and other sites do well from Google, the traffic that they get isn't necessarily welcomed. When I talked to the editor, or director, of Associated New Media, who do relatively well from Google

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News, particularly with their This Is London site, she said that, "Yes, it's good for circulation, and an editor gets judged on circulation," but didn't believe that the audience helped them commercially, because the audience it brings doesn't stay very long.

So the challenge for British news sites, if they want to exploit their overseas reader, is to try to encourage them to stay longer and to engage with them better. And some sites are not particularly interested in the challenge. The editorial director of Associated New Media told me that she'd much rather have 100% U.K. audience. But other publications are starting out on the journey. And the Times is one. As I said, they lifted subscription charges recently. And after they lifted subscription charges, they saw a tripling in overseas readers. So really, the overseas readers flooded back. But, in fact, they'd never really gone away. Even with subscription charges, in some months, the Times managed to attract over two hundred thousand U.S. readers. So they believe by encouraging them back, they'll be able to offer their advertisers the chance to reach audiences outside the U.K. more effectively.

And the Scotsman is of the same mind. They are exploiting their Scottish identity, and gave for example, whisky brands [laughs] that want to sell in the U.S and they're, you know, very aware of that, and trying to do business with those brands. And the Scotsman are planning to launch premium services this year, which they tell me will certainly have an eye to the U.S. market. And they've already had some success with content that's been developed not exclusively for the overseas market, but certainly with the overseas market in mind. And this this "Haggis Hunt" game that they ran last year, the editor described as "Fluffy, and silly, and shameless in going for the diaspora." But it does very well. Indeed, it does very well with overseas readers. Looking at the winners of the Haggis Hunt game, you can see that, in fact, more came from overseas than from the U.K. And almost as many came from North America as from the U.K.

So who else is looking at the overseas reader? Well, surprisingly, the Sun, which is one of our tabloid newspapers, not known for being the most international internationalist of newspapers. This infamous headline concerns the French president of the European commission. [laughter] He's actually looking forward to when it might be possible to talk about the Sun as a world newspaper, saying that "Maybe it's the next step for us to think in those terms."

And the Sun's editor drew an analogy between the commercial potential of overseas readers today and the position of Coca-Cola in the 1980's. In 1988, when Warren Buffet began investing in the soft drinks giant, the corporation's shares were trading at just over ten dollars. And his decision to invest in a company that many others, many other investors, were ignoring was based on his assessment that the globally-recognized brand had unrealized sales opportunities overseas. And by '93, the stock had risen to 73 dollars from 10 dollars in 1988.

And for the Sun, the situation is not dissimilar. They told me that, five years ago, you could not get the Sun anywhere other than the U.K. and now you can, and it's

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up to us to earn money out of those people. And they're beginning to do this, and have recently won two globally-targeted advertising campaigns. And the Sun's editor even told me that their news values might be changing to accommodate their new overseas readers, and said that, "Our breaking news seems to have recently developed a more global feel. I don't think it's intentional; it's just that we're not afraid to look at stories from abroad, because we know the readership is there, whereas the newspaper is thinking more of the U.K.

Although, looking at some of the headlines published yesterday, quintessential British tabloid headlines such as these, it may be some time before the British invasion really takes off. [laughter]

Thanks.

[applause]

**MANUEL GAGO:** Hi, everyone. It's a real pleasure to see your relaxed faces after sleeping. [laughter]

And I'm going to speak for certainties and for questions. So, I'm going to present the results of a big research, all over Spain. Then I'm going to present the first findings of the second phase. The questions we make are on this research. So, we are very interested to know how many media, and how was the ecosystem how was the ecology of online media in Spain? There is, there were no reliable data over the totality of media. So we are real interested in know about.

We are interested to compare the landscape of online media and traditional ones. How was the evolution? How was the kind of convergence and inter-relation? And also, we are interested in know if there were possible gaps between traditional media and with online version, and exclusively online media. So, is some kind of difference exists between one original, traditional media, and only online media?

We choose Spain because it is our country, but especially, we have very interested in know how the media act in nineteen self-governant territories. As you know, Spain is divided in autonomous communities. Each one of them has a Parliament, and has government, and has a lot of [inaudible] around. And also you can find four official languages, and a very complex and social network of people. So we're interested in know if we can find differences inside the map.

This was the first part. The second one was some questions, some simple questions that we want to explore, comparing with the results. The first of them is more population generates more media. Is any kind of relation with this kind of social indicators and number of media? The second one is more wealth, commonwealth, generates more media. More individual wealth generates more media. Another very important question. More information society generates more diversity of publica online publications. So, as you know, it's we're trying to find, at least, relations between information society, world, and diversity. This was the challenge.

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We used an online tool ah, this [referring to the visual aid] was a database that we create. Working, five research groups from five universities together. And the structure researching three main areas. First one was information on location, and geographics. Second one was conceptual and [content] information. And third of one was around format, origins, publish cycle, and specialization. So this was the three main areas of our research.

[referring to visual aid] This is a definition for us. As you know, defining "online media" is a very difficult thing. How do you choose? Legal issues? Business issues? We tried to make a social definition of "online media." So we are real interested in know if there is a will to mediate between facts and public. This was a main part of the definition. I know it's controversial. It was controversial. But we prefer to check all that new online forms like blogging, and so on. This kind of open definition will help to make this.

So, we tried to instruct this main data. The first "which was the autonomy of online media, respective to the traditional media map? Which was the independence?" The second one was "which was the degree of specialization to particular interest of public?" So very go in-depth media. The second part was comparing with social indicators. And we used as you know, social indicators are a very controversial [issue]. For example, World Bank is changing all their variables. Trying to understand [sustainability] and so on. But we tried to use a standard indicators, used by the European Union. Wealth, Gross Domestic Product, and GDP per capita; population and Internet access, household Internet access.

So this was the main findings. We can find 1,300 online media in Spain. Varied relation with traditional media. The 80% of them has original version in print, radio, or TV. 80%. So there were not many, many emergence of new forms of journalism. The second one is that the online papers synchronize their updates with the regional versions. So it was very, very ah, close. All the update cycling. And the third one is that they evolved. We don't know how many evolve. But we know that evolve from streaming only streaming radio, only PDF-delivering, only images-delivering, to complex news sites, what have you. So TV, TV or radio stations has new sites appear like press. They evolved.

This is the map of delivering. I don't know if you know how Spain is marked, but there is a strict relation between wealth, population and number of media. So, most of media are in Madrid and Catalonia, the two wealthiest regions in Spain. Madrid is capital, and Catalonia is one of the economic hubs of Spain. And other interesting thing is Santa Lucia, the most populated place in Spain, which has a lot but also one of the most poor one of the poorest in Spain. But population appears as a very important factor.

This was important. We want to know how online media [suit] to particular interest of people. So we found that 40% of media are not focused on general issues, but they are focusing in economy, culture, arts, and so on. There was an interesting gap.

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So in the traditional media, a specialization runs under the main big areas, as politics, economy, culture, society and people. But there were a change. In online media. The first one was culture, the second arts, and the third entertainment and leisure. I have to say, also, that the first specialized media that appear in Internet in 1998 was on communicational journalism. So it was journalists that wrote on journalism. [laughter] And this was quite a difference.

But, so we can find that thematic gap. And I can't find an explanation, exact, for that. But something like breakout among generations, or something like?... I don't know. I don't know. We can't. OK.

The second results was that there was, there are, a general correspondence between population, general wealthiness, and diversity. So, when territory is wealthy and very populated, you can find many media. But there were there is not an apparent correspondence between GDP per capita so, individual wealthiness and number of media. And most important of that. There is not a correspondence between number of media and number of people who access to the Internet. So there is not a correspondence. We were suspicious, on we can find some kind of correspondence there. Between Internet access and number of media. But there wasn't. So, it is quite interesting. You can use the Pearson's Correlation of statistics to find the relationships.

Second conclusions means that most of media are near from the power centers and influence centers. There were not connections, not connections between the specialized media and richer, wealthier territories. So no more people who has particular interests use specialized media in richer territories. It was completely shared in all the territories. And, with that data, we tried to find what happened with exclusively online media. The correspondence was, in a certain sense, the same as the others. So people who create direct-to-Internet publications has the have the same correspondence with the people who has print, radio, or TV version before. So territory population and social variables are very, very strong, you understand. So Internet media is really the world's media. Real landscape. Not virtual landscape. This is a very interesting correlation.

And we think that this kind of results are an open door to explore the relation between diversity of media, between pluralism and social indicators of media. And this is the way we're going to research in the next year. So, a lot of thanks for your interest.

[applause]

**PAULA POINDEXTER:** The title of the first panel I want to make a few comments about the presentations, and then we'll open up for questions the title of the first panel was "The Search for Profitability Business Models for Online Journalism." And after reading the papers, I thought a more appropriate title might be, "Some, but Not All, Perspectives, on Online Journalism Profit Centers and Business Models."

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The perspectives presented have been somewhat diverse, in terms of nations, methods, and results. The research papers have given us insight into online journalism in the U.S., Britain, and Spain. We have had the benefit of a trend study that enabled us to view online journalism from two distinct points in time, and we have learned the results from mail- and web-based surveys, as well as in-depth interviews of online news managers and information captured in a database.

The studies confirmed some things we already knew or suspected, and the studies offered some surprises. The dominance of classified advertising as a revenue stream in U.S. online journalism, the ambivalence toward overseas readers by British online journalism managers, and the specialization of online media in Spain, and the supremacy of culture and arts, were surprises. Perhaps some clues to profitability can be found in these surprises.

In closing my comments, I want to focus on where we should go for more clues to profitability. Clues to profitability can also be found in future studies of consumers, advertisers, and CEOs of the traditional media that the online media are attached to. Future studies should ascertain the perspective of consumers, because consumers are readers of the news online, and users of classified and display advertising. What do consumers think of the news content and the diverse revenue streams? What do consumers think about the print product? Future studies should also ask advertisers directly how they feel about international readers. Since most advertisers are also online, it may very well be that the overseas reader is almost as valuable as the domestic reader.

Publishers of newspapers should also be asked why they have an online version of the newspaper in the first place. Is the goal to be profitable? Or is the goal to play defense? When I was at the Los Angeles Times in the 1980's, the driving force behind becoming involved in videotext and other online publishing projects was to protect classified advertising. I think this was the reason that a lot of newspapers were quick to jump into electronic publishing. Since classified advertising is the dominant revenue stream, according to the first paper, one wonders if maintaining profitability of the whole organization by protecting classified advertising is more important than profitability of an individual unit of the organization that contributes only a small percentage of revenues.

Only by getting insight from publishers, not just editors, will we be able to fully understand all the variables that need to be studied in the online journalism business models. Once we know all the variables, we can rank their importance and answer the questions about profitable business models in the context of why newspapers and other media are in the online business in the first place. And now, we'll have questions for our panelists.

**AUDIENCE MEMBER:** Donica, I was wondering how are you communicating what you found, and what's the, sort of, take away information that might help people like Steve Yelvington, who started this whole thing? [laughs]

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**DONICA MENSING:** You'll have to ask Steve. [laughter] I would like to publish it, and I haven't yet. And any suggestions on good outlets would be useful, because there isn't a particular journal that seems ah, super-suited to this. So I'm open to suggestions, but I do want to publish it.

**AUDIENCE MEMBER:** To Mr. Manuel Gago. Just like U.K. media, Spanish media has a global appeal global leaders, especially in Latin America. So, in the same context, I want to ask whether Spanish media [and its] news minding there are a lot of Spanish-speaking audience back in Latin America.

**MANUEL GAGO:** It's a very interesting question. I think most of the ah, big Spanish media, who delivers information to South America landscape changed in the last year alone. Because, as you know, the most print, sell, newspaper in Spain was El Pais. El Pais closed its edition under subscription fee. And all the landscape changed a lot. And the most delivered media in the Internet was El Mundo.

So, I don't know exactly how they work to deliver interesting information for Latin America. I know that many people works at selecting information that they think that, could interest to people from Latin America, information their international users want. But I don't know exactly how the numbers are. I know they know business goes back and forth, and they try to communicate it to South America. But there is not a specific protocol. You know? They try to work generally. As my partner said, [gestures to Neil Thurman] it's very difficult to attend to two different publics with very different markets.

**AUDIENCE MEMBER:** [inaudible] from BBCNews.com. This is a question for Donica. You were mentioning that newspapers have a big reliance, online, on classified advertising, and also the possibility that the bottom might fall out of the classified market. If that nightmare scenario happens, do you get any sense of whether the newspapers have a strategy for dealing with that, or where they might go next?

**DONICA MENSING:** There was nothing in my data that indicated they have a strategy for dealing with that. I hope they do. But again, a book that Steve mentioned yesterday The Vanishing Newspaper, by Phil Meyer, he talks about, "Are newspapers developing a harvest strategy? Are they, basically, taking the most that they can out of their business, and then they're going to fall off a cliff?" He doesn't answer that question in the book, but he provides a number of indicators that suggest that may be a default strategy. And I didn't see anything in this research that would contradict that. I mean, there wasn't in the open-ended questions, in the questions that I asked, nothing came out that indicated that there's much innovation or R&D going into new business models.

**PAULA POINDEXTER:** What Donica's saying about the classified advertising and while your editor said that the classified advertising well, you concluded that the bottom could fall out in the future. And there may very well be some media

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economics scholars in the room. But I know, in my experience at the Los Angeles Times, that periodically the classified advertising bottom would fall out. And it was always related to the local economy, because, of course, the houses weren't on the market, the jobs weren't available, so that kind of advertising was not there. So I guess the question is: is there a context when they're thinking that classified advertising is going to go down? Is it because they think the economy is going to go down? Or the economy is real slow? Did you have any context for that question?

**DONICA MENSING:** Some of the context comes from reading things like e-media tidbits. And yesterday, Steve Outing posted a comment that ICANN has just approved the .jobs domain. So, if corporate large companies are able to post their job openings on the .jobs domain, then there wouldn't be as big a need to post jobs in classifieds. So that kind of structural change, I think, is what I was thinking about, more than local economy. Although, certainly, that's a big issue.

**LEN APCAR:** Hi, I'm Len Apcar from the Times website. I want to see if I could ask you to think about something I mean, you could talk about it here, but I would also, kind of, in some ways ask you to look at this in future research. I think there are shards of things we've talked about in various presentations over the last couple of days, and nobody's quite pulled this together. And if you don't mind me just ticking off a few things, I'd like to tell you what I think what I feel is going on, from my small vantage point, that I don't think you're all talking about. And if I could tick it all off

irst of all, I think there is a growing recognition that display advertising that growth in display advertising is declining. And that, over time, display advertising online will become a smaller and smaller share of revenue. And, in fact, you cannot build a business on display advertising.

Secondly, classified advertising to go to the earlier point about "is it cyclical or not" the evidence shows over the last several years that it's not cycular, it's secular. In other words, it's not coming back, particularly in categories like help wanted and real estate. And there are several others and the Times, and other newspapers, have seen precipitous declines in certain categories like this. And I'm sure there's a broad recognition, now, that this isn't going to come back.

[Professor Alves asks him to stand.]

Oh, OK. [he stands] Thirdly, there's a disintermediation going on in classified advertising, which I you've only been talking about around the edges. In other words, there's no need to go to the Times website, or the Post website, or individual websites for classified advertising. It's all being aggregated by an example you just mentioned.

Thirdly, nobody's really talked very much, unless I missed it, about pay-for-performance advertising, and the growth in pay-for-performance advertising. This is



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huge. It's not just Google. It's other advertisers who are demanding that kind of performance.

You put all these things together, and overlay it over one other major force going on. And that is that a lot of the large websites are encountering what I call "page view constraint." Nobody's really talking about this, but I think this is really important for you to start looking at. One of the reasons why, I think, the Wall Street Journal online gave away its website, took down subscription for a week or so, is because they don't have enough advertising inventory to meet demand. Advertising inventory, I'm sure I don't have to explain to this audience; but it just, in the simplest form, means that there's not enough users looking at enough pages to satisfy the inventory demands of their sales department. This is happening on other websites as well.

So, in addition to that, you've got RSS and other disintermediation of the editorial or user experience. This is not we're not talking about this today, or yesterday, and kind of the holistic form of what's happening. And I would urge a lot of you who do take the time to study these things to start focusing on just where do things have to go. Because here's the bottom line: if you have all the content of the LA Times, or any of the other great newspapers out there online, and you still can't, and you're having trouble generating the sales inventory you need to increase revenues at rates of 30 or 40%, what's going to support the news-gathering infrastructure model of old media?

We're not I don't know if we're dead, but we're stuck. And I think this is like the elephant in the room that nobody's talking about, today or yesterday. Rusty got around the edges of it, and some of your other presentations have touched on pieces of this. But as I was just, kind of, making a catalogue of all the symptoms of where things are headed, I'm wondering: can you all, as scholars who look at these things, start to focus on what happens? Because you may we can argue with bloggers and others for days about, is it a good thing or a bad thing that some of the great news rooms of America have to shrink, or we can no longer afford their cost base. That we can argue about and debate. But should they if you cannot support them, if you What can support them? I guess is the better way to look at this. Because you've got all these other forces here, who are starting to nibble away at the basic model.

I'd like to hear your comments.

**DONICA MENSING:** That is the key question that we should, all of us, be working on. Industry and scholars together. Because it is the elephant in the room. And it has, just, huge ramifications on who's going to support good journalism. How is this going to last and sustain itself over the long run? I absolutely agree.

**ROSENAL CALMON ALVES:** Yesterday, I got the prize of the largest panel titles in the world. But, you know when we did the business model yesterday, "Business Model: Online Advertising is Breaking Records, but is it Enough to Finance Journalism?" You know, is it the really big question is that we are undermining the

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business models that allowed us to have good-quality journalism. And there is nothing in the horizon that will substitute this. And this is really the big, big question of the of our times.

And I think, also, you cannot imagine how happy I am with your comment. Because I am so proud of having editors of having the Editor-in-Chief of the New York Times on the web here, mixing you know, having a dialogue with researchers. Because those I have never seen a time in the history where journalism has needed more research. I mean, this is the time when we should have because our conferences are separate. You know, there are conferences for scholars and conferences for journalists. And now it's time toS

o I don't have the answer for that question [laughter], but that's a great question, and I'm very happy with this conference.

**LEN APCAR:** Next year, I want to hear some answers. [laughter]

**ADAM WEINROTH:** My name is Adam Weinroth. I'm based here in Austin. I founded EasyJournal a few years ago, which is a blogging platform, if you haven't heard of it. But I want to challenge some of your assumptions about the viability of some of these, you know, business and revenue generation-related concerns that you've laid out.

One of them is that I don't think, necessarily, that display advertising is dead. One of the things that we've seen over the past eight years or so is, really, a very sharp laser-focus towards pay-for-performance advertising. And I think that one of the things that's been missing from the equation is that brand advertising works. So just sheer brand exposure is something that we're seeing more and more and more and more in sponsorship models, on TV and on actual print versions and radio versions of media that we see out there. So the issue is that, if we're basically taking away the idea of brand and sponsorship advertising models, then why are they doing so well and being invested in more and more and more on offline media? So I think that's a really important question.

The other thing I'd like to bring up is, just in terms of display advertising, if you look at CPMs, they're actually it seems like they're holding pretty well. I mean, they dipped down in the late 90's, but now they're kind of starting to perk up and be really strong again. Just sheer CPM-basis advertising.

**LEN APCAR:** But, online.

**ADAM WEINROTH:** Yeah. Online. So I think those two things are important things that we need to consider in the conversation.

**PAULA POINDEXTER:** [inaudible] question in the back. I think the real elephant in the room is declining readership. The print daily newspaper. And that decline has been taking place for the past 30 years. And to the point that, if you carry that

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decline out, that there won't be readers of the main newspaper in the future. And not only is there a decline in newspaper readership overall, but women are reading newspapers less than men, and in addition to that, young adults are barely reading the newspaper at all. So when you take the young adults and some of them are moving over to online reading the newspaper online. But still, it's not enough to replace that.

So when you say that classified advertising had gone away, and it's not coming back, well if it's not effective, then of course it's not going to come back. And if classified advertising is not effective because so few people are reading the newspaper in the first place, then it is a vicious cycle. You know, how are you going to solve that first problem? To get to reclaim your readers? I mean, what is it that newspapers need to do to reclaim the readers, which should really be similar to what they should be doing online, so that we will have readers in the first place. And that will be effective for advertisers, not only the display advertisers, but also for the classified advertisers. It's a problem that the newspapers looked at for a very long time, but it hasn't been solved. And I don't know if it's ever going to be solved. Another question? In the back?

**MARY ZERAFI:** Hi, this is Mary Zerafa from La Opinión, and I had a couple of questions in there. But first of all, I wanted to be a little prophetic here, along with the lines of what you were saying that I don't know if you can recall, but Ziff Davis? Do you guys remember them? OK. Ziff Davis used to publish a technology book that was about this thick, and they made all of their money from it. At the time, the industry was moving towards online, particularly in the technology industry and advertising. So they moved online, and their revenues went from this to this, yet they still had the expenses of this. Ziff Davis is no longer in existence. So, it was a very they were never able to overcome that transition from getting a lot of dollars, but your advertisers are not willing to spend the same amount for online. And so you've got a big expense gap, and that's why you tend to lose the dollars. So anyways. But one of the the question that I had before we got on this discussion was comparing and looking a little bit more closely at it seems that the folks who are having the problems making money on line are the media groups that have the big print products that they're so desperate to protect. The people who are independent, for the most part, aren't nearly having as much difficulties. And I was wondering if any of your research or if you know of people who are really getting in-depth on that. Because I really, sometimes, wonder if we're we should be able to survive, because we have all of these resources. But are these resources really going to, you know, at the end of the day, be our peril?

**DONICA MENSING:** I know that online-only publications aren't necessarily stronger, economically. I mean, look at what Salon has gone through to try and maintain itself. So that is a question I don't know anybody doing research in the area, but I'm sure there's somebody who is looking at that.

[inaudible comment from the audience]

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Right. And that's the difference. Online businesses have different models, different things that they are doing. I would hope that something that Gary talked about today we may be able to figure out a very new model for what it is that we do. And I don't know what it is. But I think that looking at what other people are doing online, and recasting or rethinking what it is that we offer I mean, if you think of journalism as a place where people to meet together to help solve problems in their community. And really start thinking about what it is that journalism is for, and how can we do it, and think about some of these open source models, some of the tools that are being developed if we could become that place in our community. Those kinds of ideas. But, in terms of what we can learn specifically, I know there's things. Nothing specifically is coming to mind. But I don't know. [turning to her fellow panelists] Do you guys have anything you'd like to add?

**PAULA POINDEXTER:** OK, I want to thank our panelists one more time. Donica Mensing, Neil Thurman, and Manuel Gago. Thank you very much.

[applause]