

**Day 1, Panel 2: The transformation of business models –
How the online audience and revenues are changing how
newspapers do business**

Moderator and Presenter: Ken Riddick, Vice President for Interactive, *Star Tribune*

Panelists:

Julie Weber, General Manager, MySanAntonio.com

Fran Wills, Vice President for Interactive, *Dallas Morning News*

Robert Benz, Vice President for Interactive, Scripps Newspapers

Rosental Calmon Alves: Alright, so we are ready for our next panel. We're going to hear about business. We're going to hear about business models and how newspapers are evolving. I invited Ken Riddick to, you know, chair this panel and he's an alumnus so he knows how to do hook 'em horns, which is our football team. And Fran Wills from the Dallas Morning News and Julie Webber from the San Antonio, My San Antonio. So why don't you go there and take the floor?

Ken Riddick: Can you hear me okay? No? Can you hear me okay? Okay, before we get started, I got to get my PowerPoint up here first of all. Perfect. Thought I'd work in headlines because you guys seem to like headlines. Before we get started, though, I wonder if just by show of hands how many of you here are working journalists? And how many of you here are in journalism academia at some level? And how many of you here are on the business side? Oh, good, good, good. I was a little concerned because suddenly it's just us business folks who are standing between you and lunch. [audience laughing] I was thinking Darwin wouldn't give us much chance on his continuum of viability.

These are headlines that I know you guys have seen these kinds of things a lot and you have to forgive me. I was telling my partners here that I get to be Mr. Happy today. I'm going to reiterate all the bad news you guys have been hearing over and over and over again for the last several months, maybe even longer. But I think it's important to lay a little bit of context for the panel as they talk about what we're trying to do and how we're trying to change the business model as we move forward.

So I wanted to draw attention, especially to the Project for the Excellence in Journalism. I don't know if you guys have spent any time on that but there's a lot of rich data on that site and I really recommend that anybody that's at any level in our business go and spend some time on the site. But these are quotes from some of the studies, other things that I thought were particularly germane. All of our assumptions about newspapers are going to be changed; the format, the business model, the organization of newspapers have outlived their usefulness. Now some of this stuff is a little bit, I don't know, hyperbolic maybe? But maybe not. I'm sure you've seen these kind of fever charts. Circulation is falling and it's falling for pretty

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much every newspaper that is represented here, I'm sure. And if you'll notice here, the daily line remains relatively flat for quite a while and then even in 2003 – 2004 started really to fall off quite quickly. But the Sunday line is an important one and I think one of the reasons we need to pay attention to it is because of the way we charge our advertisers. For the last 10 or 15 years a big portion of newspaper revenue has moved from what's called ROP advertising, that is the advertisements that you see in your print newspaper every day, to what are called freestanding inserts or FSIs and we're paid on FSIs based on our circulation, by a CPM. So as that circulation falls, we're losing more and more, doing just as much work but getting paid less and less per piece for it. So that's an important part of the equation.

As we go forward, oops. This is what I'm sure, especially those of you who are still in undergraduate school don't even want to think about right now but there have been a lot of jobs lost in our business over the last year. 2,900 in newsrooms. But maybe more importantly, according to Challenger, Gray and Christmas, 17,809 media jobs were lost last year. So we're definitely in a time of retrenchment. See, aren't y'all happy I came?

And audience lost, the good news is that in many markets combined online, in print market share is actually rising so the work that online journalists are doing is beginning to pay off in terms of total audience. Where we have some struggles is how we continue, sort of a legacy we're to count that audience and it just makes you wonder, prices have continued to go up for advertising over the last twenty or thirty years but the audience penetration has gone down very, very quickly.

And by way of example, at the Star Tribune where I work, our unduplicated reach is, that is the combined reach, unduplicated reach of our online site and our newspaper actually is about the same as the newspaper's reach was ten or twelve years ago. So we are replacing a lot of that readership audience.

I'm sure you guys have seen a fever chart not dissimilar to this as well and it's more of that happy news about classifieds and other categories. And what I couldn't find when we were talking about last night, what I couldn't find was trends on expense growth. So we know that revenue in virtually all categories, especially at your newspapers I'm sure you're feeling a lot of pain around employment for example. We know that revenue is at risk and is challenged but what I couldn't find is what's happening on the expense line. Because this is a business at the end of the day and so it's not just about making revenue, you've got to make that bottom line. And I would be willing to bet that while these numbers are going down, your expense numbers continue to go up, especially on the payroll side of the equation.

And then there's online revenue growth, and we're all excited to be in this side of the business and everybody thinks we're the salvation of the newspaper business. And I really hope that's true. I certainly believe it is or I wouldn't be here. But I think it's important to put it in context and a couple of things I think you can take away from this slide, one is that, you know, the basis was zero and so it is a sharp fever line because it started from nothing. But it is, it does continue to grow fast and I don't know how much you guys will know about this but it's kind of happened in waves. In the beginning, when newspapers got into online, they allocated revenue from the print product to the online side to help pay for it and so say from here to here every classified ad in your newspaper, the price went up one year and that little 2% or 1% increase or whatever it happened to be was simply allocated to online and those liner ads when into a database for your online site.

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The industry changed a little bit after that and moved to what's called an upsale model. The idea that we need to bring value, we need to bring the perception of value. The idea that we need to bring value, we need to bring the perception of value to the products that we sell if we're ever really going to get these things to take off. And so instead of a simple allocation, most of us started taking that advertiser who was calling in for a print employment ad, for example, and saying, "Mr. Employer, you just brought a print ad and we're really glad you did and for another \$50 or \$100 or whatever we're going to put you in our online database, as well." That's what we call an upsale. And so most of the papers I'm sure that are represented here do a lot of their business based on an upsale model, rather it's in a retail line or one of the categories in classifieds.

More recently and importantly, I think what you're going to see and I should point out where this anomaly appears, most of us do about half of our online business in the employment category. I don't know this for sure but this corresponds with what I think most of us would see as our employment lines being challenged over the last couple of years, this temporary down trend. But then you'll see the line turns back up and this is where we're starting to really sell online only products, where we're really beginning to say sure, "We're glad you brought a print ad. But you know what? You don't have to have a print ad to be successful under our brand. You can buy an online only classified ad, an online only retail ad or whatever you want to do." And we're sort of just learning this and there are some struggles with business model and sales model and those kinds of things and we're happy to try and address those kinds of things. But this is where the value is really starting to come home and these are high margin products which means that we're going to get to the same kind of profitability much more quickly than we do, for example by running a printing press.

This is an interesting slide to me because, in my shop I know we talk a lot about the newspaper across the river. I'm in one of those weird places where we still have some competition. And it's a little frustrating conversation for me sometimes because I'll be honest with you I'm worried about other people a whole lot more than I'm worried about them. And I think one of the things you want to take away from this slide is that about 50% of this pie was not only not your competition ten years ago, they didn't exist in your marketplace ten years ago. That's a daunting thought because it's pecked to death by ducks here. You've got a lot of people coming at you from a lot of different directions. And I think it's really important that we understand where that goes.

Having some conversations over barbecue, y'all got to know I miss barbecue. It was nice for us to go last night. I live in a state where ketchup is a spice.

[audience laughing]

We have, this is an important slide because, and I wish it were broken out a little bit better by newspaper. And by the way, most of these slides came right off the site for the Excellence in Journalism site. There's a lot of really good information there. I can't stress it enough. But what you're seeing here is the difference over a couple of years about the percentage of revenue, of total newspaper revenue driven by online. And you can see, especially at the *Washington Post* and our friends at Belo here are really beginning to stretch that line out a little bit. But what's key here is that overall you're still looking at 8% of the total revenue. As fast as this revenue

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line is growing you're still looking at less than 10% on average of the total revenue of the newspaper is coming out of your online sites. So if we're going to be the salvation of this newspaper, we've got a lot of work to do.

I took the numbers off this one because, well it's my newspaper. [audience laughing] I think what's important to take away from this is we were doing, this is roughly 2000 to 2006 and what you're seeing here is the online upsale number versus the online only number and you can see at our newspaper and I think this is probably true of my friends here, that line has crossed already and is getting bigger and bigger and I think that's an important distinction as we plan our business strategies going forward.

As core volumes begin to fall off, it's going to be really important that we've got a really good strategy around those and what by core volumes, I mean the upsale volumes. We have a really good strategy around the online only piece.

And then here's a really important slide, too, because as people talk to me all the time about this being sort of the salvation of the business and it's this never ending font of opportunity, the truth is that it's a maturing business. The business cycle is more rapid today than it's ever been before and this is actually a fever chart showing the internet penetration and how it's flattening out. So pretty quickly no new people are coming to the internet. So all of the growth we've seen over the last few years, which has been simply organic, is going to stop. This is really an important concept for us to understand because it's very different than what we're used to talking about in newspapers. I would be willing to bet that your, at your newspaper, your classified line pretty much mirrors this line, your classified online line looks pretty much like that line.

And so where are the new, where's the new readership coming from? Where's the new audience coming from? Because our growth depends on the growth of that audience. Just a couple of things from Jupiter, the rate of growth in the internet population is rapidly slowing and will drop to 2%, annual 2% by 2011. The share of user activity represented by key publishing segments such as news, classified, financial information is flat or has decreased since 2000. Advertising revenue per internet user will increase from \$77 in 2006 to \$111 in 2007. Now that sounds like a lot of money. It's about a 50% increase or thereabouts. I didn't take math here. That's not nearly enough to supplant the kinds of revenue loss we're seeing in our markets now. It's going to have to be, we're going to have to really monetize those users at a much higher rate to be really, truly successful.

And we believe and I think the panelists would agree with this that the answer to growing that audience and then hence the revenue behind it is we've got to continue to be great journalists and do great news sites. We've got to be a whole lot more than news sites going forward. And by that we think that some of our users are interested in news some time of the day and interested in other things some time of the day. Some of the things that as journalists we may consider right now frivolous but it's going to be important that we reach in and pick up those audiences as we go forward.

Consumer created content is one of the things you guys were talking about earlier and we think there's a big opportunity for it there. And it's sort of a water engine when it comes to creating inventory for advertisers as well. It's not content you publish in the traditional sense. You don't have to write a story, shoot a video,

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whatever it is and push it out to your audience so that you can then monetize it. With consumer generated content you start at a conversation that could go among really hundreds of individuals and each one of those is generating inventory that you can then monetize later on.

Okay, I really love this slide because, you know, we talk about a lot of things. In my shop we're really talking a lot about how we redefine relevancy because I've been around the news business long enough to remember when it was all about, you know, what's good for you and it's that city council story or whatever. And it was very simple. It was about geography or it was about politics or those kinds of things were relevant. We think relevancy can mean many, many different things today and it can mean them at different times of day. For the same audience. But if you notice here the most appealing aspects of internet news, you know this is good news for us because it's a nice big fat one. And this is actually a surprise to me. I would, on internet news, I would not have expected this line to be as broad and deep as it is. But look at convenience and navigatability. And I'm sorry, I can't speak to other. I'm not sure what they included in there. But I think this is huge. How convenient is your newspaper to use? How much of that inconvenience is what's beginning to drive our audience to other places? And so it needs to be a huge, in my view, consideration both for your advertisers and your audience going forward. It's as relevant as any news you're putting on the paper, in the paper or on the site, in my opinion.

In fact, imagine this same question being asked of a news organization 10 years ago. This wouldn't even have come up, I don't think. So I think it's really, really important one.

There are many changes in behavior and demand, I think, that we've seen in the last couple of years and we're going to continue to see and I would argue that the most important change out there in our world is choice. Your audience has choice today that they didn't have even a year ago but certainly five years ago. This is an important slide just in terms of context because basically it says that we're not monetizing our markets nearly as well as we could. And that we still have half of the audience out there in our markets to capture. So there's huge opportunity, huge upside for us still if we go about this well. Or maybe the whole thing is just a marketing scam.

So I'm going to hand this off to Fran. Oh, you know what? I'm not. We were supposed to have one other panelist here today and let me give you his apologies. He really wanted to be here. Bob Benz, who is the VP for interactive for Scripps Papers. But Bob and I, Bob sent me his PowerPoint and I'm going to sort of try and run through it and do the best I can being Bob Benz for the next few minutes, if I can figure this out. I do have to go into the phone booth and change into Bob. Imagine me with a lot more hair.

But Bob wanted us to take a, Bob wanted to take sort of a corporate, broad look at these kinds of things so I'm going to try to do the best I can. I actually got some notes here. So bear with me and be patient, I'll do the best I can.

Bob and some other newspaper executives, including Chris Hendricks who is Bob's counterparts at McClatchy, spent a lot of time in front of analysts and the like explaining themselves about where the business is going and this was a quote from one of the panelists at a recent Merrill Lynch thing and they're getting antsy. The

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Wall Street wants to know when we're going to begin to replace this revenue dollar for dollar and I'll be honest, I don't think many people have too many answers about that.

You've all seen this chart. Bob wanted me to drive this one home. This is what's driving a lot of the choices that are being made at your businesses. These are going back to 2002, stocks. Where's our *Washington Post* friends? Apparently doing really well. But it's a frightening number for those people who are in charge.

One of the things that Bob wanted to talk about a little bit, does anybody remember the New Century Network? I only had a vague recall of it. Yeah, and I guess I'm better off, or at least according to Bob. But what he wanted to drive home was the New Century Network was one of those old world newspaper sort of consortiums where a bunch of smart people from newspapers got around, sat around, had a cup of coffee and said, "Wouldn't it be cool if we could collaborate and do this stuff and create this common thing?" And then of course they couldn't find any common ground to do it and there was nothing tying them together. And so what happens is newspapers wind up doing a do-it-yourself approach to technology. They wind up doing a do-it-yourself approach to their own marketing. And as I'm sure most of you believe, most newspapers sort of consider themselves an island in their own markets. In other words, and in some cases that autonomy to run in your market and be agile in your market is really important but in other places it really defeats economy of scale, which are going to be really important to us going forward. And so the newspaper, New Century Network is kind of an example of where this has not worked and, quite frankly, where a lot of newspaper executives today say, "We tried that before and we don't want to do that anymore because that was such a failure."

But of course as you know from reading the industry press, there's a whole new sort of effort underway with this big consortium with Yahoo and some other things going on, a lot of noise around an advertising, what's the word I'm looking for? Network, a national advertising network. We're almost impossible to buy. If you're an advertiser and you want to buy Dallas, Austin, San Antonio, and Brazosport on Yahoo, you make one phone call, you tell them what you want, you tell them what you want to pay for it and ten minutes later your ad is placed. In our business, you call Dallas, San Antonio, Brazosport, where else did I say? Austin. And then you wait a day or two for their advertising people to take their shoes off and do the math around their inventory and they'll call you back and tell you what the CPM is on that thing. And this is convenience again.

And I am being a little facetious here but the importance is we have become very difficult to do business with as we compare to our emerging competition. And so these are the kinds of economies that we're going to have to put together going forward I think. And so his examples, Bob's examples, so if I'm saying anything ugly here, it's all Bob, okay?

[audience laughing]

But Bob brings out the examples of Yahoo, you know that Monster has made some deals recently with Philly, New York, Boston, some others. They got some big ones under their belt. I think the Freedom Papers. And of course Yahoo has got 220 papers. And so there's a really good start there. And what's key here is newspapers aren't very good at technology, never have been. And not that we don't need to get better at technology but it's just not what we do. So when you make a deal with a

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Yahoo or a Monster, this is what these people do all the time. There are economies to be had there. I know there's a lot of hand wringing about losing our brand and, you know, owning the market place and all that kind of stuff but I guess I'd argue it's too late for that.

One of the most important things here, though, is the national ad network. We've got to be easier to do business with. You need, we need to be where you can pick up the phone, make a phone call, place that ad by, and all of us are going to be on board with that buy. Part of that is as simple as, and this is another issue with the autonomy newspapers enjoy in their own markets, a lot of newspapers, this is better than it ever had been but it's still a problem. We don't even have common ad sizes across most newspaper sites. So even purchasing an ad that's a standard size can be difficult to place on some sites. Even within the same companies. I know Scripps has some challenges with that.

Bob also believes that we've really got to go beyond the news to grow our audience and that is essential, really, really important. And they're doing a couple of really exciting things. In fact I'm going to steal some ideas from him. But one of the things they've done is they've created a \$1.5 million fund and I'm reading this so forgive me but I want to get it right. \$1.5 million fund that invests in great ideas in local markets. So they've got this slush fund and you write an RFP for it and you send it to corporate and if corporate decides this is a good idea, they'll fund the initiative out of this \$1.5 million slush fund.

There's all kinds of advantages for this, whether it's a sales person or a journalist or whoever brought the idea, there's all kinds of advantages to them. And corporate at Scripps also keeps, and I love this idea, they keep eight people or eight FTEs on their books and so when a good idea comes in and you guys know, all of you who are working journalists know that your staffs are challenged. You're doing more and more with less all the time. So what they're doing is they're holding out these eight FTE positions at corporate and one of these great ideas comes in and they allocate one or two or however many of those positions to that local newspaper and allow them to go to the market, try this new thing and if it's successful then they've earned the FTEs because they're paying for themselves. If they're not, they pull the FTEs back in and wait for the next great idea to come over the transom.

So it's a really good way of both bringing in the great ideas because Scripps also believes as do I that the really important ideas are going to come from the bottom. They're not coming from those of us who are looking at P and Ls all day long.

Okay, this goes back to the not news side of the business. Interesting using local search engine. Now this is not, it's how much interest there is in the type of web site you expect to offer local services. So it's not what you are finding on your local newspaper web site, for example. It's what you expect to find and of course local services is way up on top. And we're also talking about business services here and, again, not just news. I think that's important.

I want to make sure I'm not overlooking anything. One of the things Bob wanted to drive home is this is still top of mind. It's our business to lose. People still expect this kind of service from us so it's not too late for us to get into the market and own that over Google or Yahoo or whoever happens to be clamoring.

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This is an important one and it's important in our shop as well. Twenty years ago, fifteen years ago, your newspaper brand was the virtual shopping brand in your market place. People went to newspapers for pricing items, shopping, they went for sales. You were the place to go to find out where you were going to shop. And we've begun to lose our grip on that piece of the business and now you can see where people are going. Amazon, Wal-Mart, Best Buy, they're going direct to the source or they're going to aggregators and so it's important to our brand and even as a journalist I would argue that this is essential content for our audience. If we don't provide this kind of content, shopping content and comparative content and those kinds of things, we're going to begin to lose even more audience as we go forward. It may not be the stuff, the sort of high end, rich deep journalism that you go to college for, here at The University, or other places but it is essential content to continue to grow that audience, I would argue.

Again, Bob wanted to talk about some of the things that Scripps is doing. And we talked a little bit about local autonomy already and they managed their local autonomy. They do benchmarking and they're doing more and more of their business choices based on real actionable data as opposed to be we've been in the business for a thousand years and so we think this is the best thing to do. They're also really trying to ramp up their sales support efforts, especially on the interactive site and they're trying to do a lot more cross training on throughout the Scripps organization.

So he wanted me to show you this slide and I'm not sure the numbers are so important, per se, but what they're trying to do is create sort of an instantaneous guide to making business choices. And eventually I hope making journalism choices as well. I heard a lively discussion at the end of the last panel about are we going to let, you know, the audience drive our choices by what they email and I heard a lot of really thoughtful consideration that, you know, maybe people are smarter than we think they are. But what they're trying to do is create more and more actionable data with which to run their business and this will get a whole lot deeper as they go further. And I'm would imagine most of you are keeping something along these lines. It's eventually got to go a lot deeper than page views and unique users and all those kinds of things. we need to know how long people are spending on the video. We need to watch averages and trends over time. And we'll be able to do something with that and actually take that to the advertisers and monetize it.

Talked a little bit about Scripps encouraging innovation and in innovation was one of the first quotes you saw as I opened the slides. Apparently the business world doesn't think newspapers are very good at innovation. Scripps is trying to encourage innovation by again putting some money where their mouth is and as I said they have this entrepreneurs' fund. If you get funded, your name gets attached to the project and you get to help drive it forward.

And with that I'm going to give y'all Fran Wills.

[audience applause]

FRAN WILLS: Good morning. Just wanted to see a show of hands, how many of you as journalists in the room work with the business side of the house? Do you get together on a regular basis and talk about packaging content and how you can put it together? One, two, alright, three, four. Great! Well I'm going to talk to you a little bit about what some of our journalists call taking a tour of the dark side of the moon.

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[audience laughing]

But, you know, little by little we're starting to come into the sunshine a little bit and we're not viewing the business side quite as badly as maybe we once used to. So we're going to talk today a little bit about local audiences and the revenue growth around them. Give you a look at some of the things that are starting to be our biggest growth areas in revenue; email marketing, mobile video, niche audience sponsorships, and citizen journalism. So all of these emerging trends in technology and emerging trends in audience consumption are what advertisers are looking to us to provide as vehicles for them to reach new audiences and a way for us to better monetize our site.

So as Ken was saying, classified listings and our traditional way of monetizing online content are starting decline and in some instances be in a very steep decline, like our recruitment business. So we've got to look to new and inventive ways to provide a vehicles for advertisers to spend money with us to replace some of that traditional classified content.

Okay, so audiences are seeking local content. As you can see, their digesting it from a number of places. The good news is newspapers are at the top of the heap. And as Ken was alluding to earlier, it's really an attraction and a benefit we have to our audiences right now. So it's kind of ours to lose. So if we recognize the fact that we are the premiere source for local entertainment and news information and continue to grow that and really kind of, I like to call it kind of digging a moat around our castle. So if we build up a big fortress then it's going to be harder for our competitors to, you know, come in and pillage our audience and take away our ability to monetize revenue.

Local ad growth is on the rise. As you can see, classified revenue kind of flattens out and some of the new revenue streams and search and display advertising are growing at a more rapid rate than the classified revenues.

Okay, so email marketing is something that we got into several years ago, dating back to the early 2000's. But I wanted to show you the latest trends here. One thing that's significant is that we, in the early days of registration we kind of had a wall. You got, you know, a look at the home page then if you wanted to go any further we were going to request that you give us some personal information. That kind of worked in the beginning because we asked people to register just because we said so. And but now users are started to get a bit more savvy and they're not as likely to give you that information. They're more likely to just say, "Okay, I'll go somewhere else," because there's other places to get this news and information.

So we made a change between 2005 and 2006 'cause you can see we had a pretty good lift there where we let the user get several pages in so a much lower threshold for them to consume the information, hopefully, you know, find some valuable things on our site and then be more willing to register. And we also don't ask for an encyclopedia on their lives anymore. We like to call it registration lite, so we're only asking them a few questions. They are much more willing to give us that information. So you can see that's increased our registration.

The other thing that we did in 2006 is we had our Cowboys Plus walled off behind a subscription model, which we, I would have loved for that model to have worked

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because it would have been great to have made a lot of money on content but at the end of the day we'd had that walled off for several years and we were only making about \$90,000 a year. So we, you know, did an analysis and if we actually let the Cowboys out and let them be free we could make a lot more money. So we could actually make up that \$90,000 just based on the increased page views in just a couple of months. So we have and we got accolades from our fans because they were so excited that we didn't have this kind of clandestine club that you had to belong to, to get that content. And in fact on our Cowboys blog one of the citizens wrote in and said, "Now I was going to have to get up and choke his dog every morning," so who knows? Weird bloggers.

But, anyway, paid content so far we haven't found the key to making that work. Okay, so how do we monetize these registered users? We ask them if they want to opt into get information, promotional information from us and our advertisers so it's very clear that, you know, they can decide whether they want to do that or not and they can opt out at any point in time. But we have several hundred thousand people that have said, "Yeah, I'd like to get some information from you." And we've packaged that together and we call it My Specials Direct and the concept is we send these registered users information from our advertisers. It's, we can demographically target it so this is a promotion we did for North Park Mall and we hit higher-end female audiences with this fashion show that North Park was going to be having. And North Park and the associated sponsors paid us about \$25,000 for this one-week promotion, which is a pretty good chunk of change, and had very, very high results. We had an open rate of 11%, look through rate of 17% and all in all our entire program we're making over a million dollars with this particular targeted initiative. So it's been a very successful way for our users to get content that they desire and our advertisers to reach audiences that are very targeted.

We launched into Mogul a couple of years ago and are having some success with that. You can see that the amount of folks we have subscribing to our text messages alerts have grown from a few thousand in August up to over 3,500 as of March. But the big thing is that they're not just signing up for one particular message. They're signing up for multiple message so the amount of messages we've sent, we're sending out on a monthly basis has grown from about 8,000 up to almost 18,000 alerts that we send out on a monthly basis.

And actually not included in these numbers, we launched a high school web site that I'm going to talk about in a minute and we very, very, very quickly went from zero to over 5,000 subscribers to our high school alerts, which is not included in these numbers. That's just shows you the different demographics of people that are wanting traditional news and information versus the demographic of, you know, high school students that are used to this medium and like to get information that way.

Okay, so how do we make money off of our mobiles, mobile concept? We have, again it's an opt in database, so if you want to get the information you have to register and say, "Yes, I'd like to get some text alerts." And we have, as you can see, today's headlines. We have Cowboys news, we have Rangers news. So you can decide what kind of text alerts you'd like to get. You have to give us your mobile number and again we ask some demographic information so we can target advertising information to demographic clusters. Verizon came in and was very, very interested in this whole initiative so as you can see we have lots of Verizon ads [laughing] on our mobile page. And we are now realizing about half a million dollars

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in mobile revenue, which is all brand new revenue for us in the last year. So it's growing rapidly as a revenue stream.

Okay, video. Again another rather new initiative for us in the newspaper business. We are producing a lot of our own video as some of the panelists previously were talking about. We've got reporters and photographers out there armed with video cameras. We're posting anywhere from three to five originally produced videos a day and the content goes all the way from breaking news to beautiful feature story types of coverage. I will say sadly enough that our number one video so far is kind of a sneak peek at Terrell Owens birthday party in Los Angeles. [laughing] So I would love to say it was a beautiful photographic essay that we did on something that might have been a higher caliber type of content but we're learning as we go that while, you know, people have interest in lots of entertainment and more, you know, possibly more sensational type news.

But anyway, you can see that our video views are growing at a pretty rapid clip. We had a little downturn here in the summer months because we changed out our video player and changed some of the ways that we were displaying video on our site and then you can see after that it has really, really taken off. We're doing about 2,000,000 page views a month in videos and it's, you know, our month to month growth continues to climb.

So how do we monetize videos? We're doing pre-rolls. Sorry. We have [laughing] little black screen on our video here. But anyway, we have pre-rolls that run, pre-roll commercials run in front of whatever video we're running. They last anywhere from fifteen to thirty seconds. We're trying to, you know, migrate our advertisers over to doing more like ten second commercials and at the most fifteen second commercials so there's not this big interruption before you can get to the content. So advertisers are having to learn to, you know, instead of just repurposing what they were running on TV, they're having to realize that they really need to produce, you know, video, you know, online-friendly video content for the commercials. So and we also have a banner that's associated with that video and so far in 2007 we've got about \$250,000 signed up for the year and we're adding people, adding advertisers on a monthly basis.

So it's a pretty new concept for advertisers to digest and I would say that the results they're getting from advertising around these videos, you know, it's not really a proven method of advertising yet so it's kind of in its experimental stage. But the good news is we're in the business. It's growing in demand from advertisers so I think if you can get in the ground floor and have some learnings around it, you'll be in a position to capture those dollars as they start to grow.

My High School is an example of packaging content around a niche audience. I'm sure those of you from Texas, which I'm new to Texas, and know that high school football is just like a little frightening [laughing] the way people are so passionate about it. When I first moved to Dallas last summer, I was like what are all these signs in people's yards? And they were like, "Oh, well that's where people go to high school, where their kids to go to high school." And I said, "Why do you have a sign in your yard?" So it's a pretty big deal in Texas, high school football and high school sports. So we decided if we repackaged this that we could possibly take advantage and grow our page views and also grow our revenue around it. So we had, you know, just kind of regular high school coverage and you can see during the summer months it kind of died off when the students weren't in session. But we did a

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redesign here and we now have a splash page for every single high school in the Dallas/Fort Worth area, 154 of them total. They're all in whatever the high school colors are. They have the high school logos and slogans and all that kind of stuff so they're customized for every high school. And you can see that our page views went through the roof after we designed that.

So we're doing, you know, close to 2,000,000 page views a month during the height of football season. And I'll give you a little preview of what this looks like. So this is for Plano and you can see we have kind of sponsorship positions built in. Texas Tech is actually sponsoring the Plano Wildcats [laughing] and then we have obviously a mobile company with an embedded ad there. So this is a really kind of one-stop shop for anything you want to know about Plano sports. It has statistics. It has highlights of the high school football games. It's got some blogs associated with this. We also added the ability for people to upload their own photos and some of their own stories. We've sold 100 sponsorships to this high school site and in the last year, which was the first year we really had gone after that revenue stream, we did about half a million dollars in revenue against it.

And lastly, citizen journalism, you know the opportunities around that. I came from Denver and was a part of the team that developed and launched YourHub.com and got a lot of learnings from that. So this is the new version that we're creating in Dallas of that concept. So it's the ability to, for citizens to participate. So this is going to be 100% citizen journalism site. You're going to be able to search by community as well as by interest. So we're going to launch with 54 communities and 13 interests and that's anything from sports to gardening to cooking to hobbies. So if you're interested in meeting people or seeing what the news is in Plano around gardening, you can go see that. Or if you just want to see what's going on in Plano, you can see that.

We have all the likely suspects for consumer generated content. You can upload stories, photos, videos, start a blog. Also we've picked up a lot of the tools from social networking in that you can form groups. So I live in Forest Hills. If I wanted to start my own organic gardening group, I could do that and I could decide if I want to just invite my friends or if I want to open it up to all the people in Forest Hills or open it up for anybody in the Dallas/Fort Worth area to join my little group. So we're going to have the ability for those groups to join and hopefully build audiences around niche interests from a community and, you know, special interest standpoint.

So we haven't launched this yet. So if you go to NeighborsGo.com there's not a URL there 'cause it's still under construction but it's launching on April 14th. We've already presold, this is site unseen, advertisers have not seen this site other than a screen shot, site unseen we've presold over \$200,000 worth of online only revenue against it. Which is about 110 advertisers and these are advertisers that range from a business in Frisco buying a small tile for \$50 to a larger companies buying say, you know, Plano for \$1,000 a month. So, you know, it's really getting down to that local, local level. Our goal is to achieve \$350,000 in the first year and since we've presold \$200,000, I feel confident we'll get there.

And we are tying this into a print product so all the content we develop online is going to reverse publish into a print product. It's also given kind of, we've had the print product for a year but it's also given new life to the print product in that for I think the first time since the inception of the print product last year, the print

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product actually is turning a profit as far as revenue versus expenses this month. So lots of buzz about that.

We've got, now because we're launching this social network and citizen journalism site we are going to be launching with distribution of our print product in the Starbucks all over town. And they are developing a promotional vehicle on this site around how their employees are good stewards in the community. So they're going to be writing about how Starbucks is making each community a better place to live. So it's giving our advertisers an opportunity to kind of tell their story as well.

So in summary all of these new vehicles that, you know, that we're partnering with the newsroom on and I will tell you that our newsroom is a great, great partner in helping us, helping develop intriguing content and working with us on how we can package that content to monetize it and, you know, if we work together on it, in this type of fashion, we have a greater opportunity I think to monetize these sites and get to that gap Ken was talking about in helping to shore up the losses that we're seeing in print with the growth of our online revenue.

So with that, you've heard from a big metro and Julie is going to take you through some of her experiences in a smaller market.

[audience applause]

Julie Weber: Okay, good morning. I am that last speaker right before lunch and I'm trying to take that funnel down to the very lowest common denominator of why do we want to do this and what are the likely choices for it. So in looking at revenue and audience, I'm going to talk a little bit about the long tail opportunity. And the long tail theory is something many of us are very familiar with. It is obviously the Chris Anderson theory of there's a lot of interest at the very top end. It's very popular. I'll show you some areas on our site that are, that make up that high end. But you have a very long area down here of very small interest, very niche interest that actually ends up making up a very profitable area for us.

So in looking at that concept, obviously Chris Anderson is the editor of *Wired* magazine. Wrote an article and then wrote a book about this economic and cultural theory. It's about those abundant opportunities, the ability to actually go in and monetize very niche areas. This is what our new audience is. I had a very spirited conversation last night over barbecue as well about what areas of the site that we have captured as the news media. And it's my opinion that we have captured a very large group of news junkies. People know that we have the breaking news. They know we have in depth news and if you want to find out something about our local markets you can come to our newspaper sites and find that information out.

But if it's not a breaking news story or it's not a city chamber story, something that's a basic thing that we cover, then I'm probably not going to go there. I have young children and I know that when I was pregnant, my first thought would not have been to go to the newspaper web site to look for anything on raising children. But how many articles have we all published about becoming parents, raising children, the whole process? We have lot of information in our archives, a lot of information from our users and a lot of data that we can put together. That is that long tail information. You can take it onto a number of other areas as well. This is our new audience and this is the highly targeted revenue stream for us.

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Let's look at some of the traffic and I'm going to start with traffic and then I'm going to go to audience. Traffic here as you can see, and you're looking at 2006 traffic for our web site, look at the home page, the news sections, and the big classified areas and the next thing you see is sports. That is over 60% of our traffic right now. That's pretty good but it's also very logical and it's what people expect from our site. What I am more interested in from the revenue side is this other 40% of information that comes from all sorts of areas that is there and that has an interest but we haven't gotten the traffic and we haven't got as much of the audience there.

So what are the trends that we're experiencing now? We are primarily news but we're selling out of our inventory. Ken last night made the comment last night that he had sold out 85% of his inventory and he was looking to create more inventory. And as I reminded him, we always sell out 100% of inventory because we have other programs that we fill that inventory with but it's not the higher dollar inventory that we truly want. We need more inventory so to do that we have to capture new audiences. Our audiences right now are at a critical mass because they're looking for that news content that we have so religiously prepared and given to them.

What about the archive content? The user generated content that's just starting and is growing. We haven't monetized that well yet because we haven't put it together and we haven't made it available in an arena that it can be utilized well and can be monetized. We're starting to, Fran's doing a great job in Dallas with that. Several other sites are. But if we don't do that, the small competitors are going to nibble us to death. As Ken said, as a duck nibbling us to death. I always think of it as fire ants but maybe that's because I'm from south Texas and it hurts! It hurts a lot when you look at your site and you don't find that interest level that can be very well monetized coming at you.

So opportunity is knocking. What are we going to do about it? Well let's talk about visitors. We talked about traffic. Let's talk about the visitor base, the individuals. This is something from [Belton] and it's basically talking about that our daily visitor base includes both incidentals and core but this is looking at a week period of time and there are people who are not coming as often as once a week. That's 7% of our site, of our site visitor base. But let's look at the monthly with the core audience and the incidentals. 7% of the daily visitors comprise nearly 2/3 of the monthly audience. So we have a whole lot of people that have come to us just every once in a while.

Well that's the audience. We looked at traffic, we see what they're looking at but this is the audience that we want to get and monetize and how can we do that? There are lots of ways. That niche audience that we're looking to go to is very intraspace. They are not news dependent. News can help and certainly is there but it's not dependent on that news.

What is the specialty market? What are some examples? We can look at south Texas and Texas area with hunting and fishing. My husband is a big hunter and fisherman. Absolutely loves to spend all his time in the evening on this site called TooCoolFishing.net, I think. And it's amazing what these people talk about. It's not just fishing but these people have similar interests. They talk about politics. They talk about going to Disneyworld then they talk about fishing. But it's amazing how they've developed this community. It's not a pretty site. It's not well monetized but they go and look at it and these guys are hooked. They've developed their

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community. And it gives these users control because they come in and they start talking and they follow what their interest patterns are.

But you can do that with a number of other content areas, pets and parenting are just a few. Let's look at pets. This is an example of a pet page that we have on our site and here's some of the things on the business end and some of these are actually things that come from the content area but it's the packaging of them together. On this particular section we have sponsorships, we have it up at the top. It's called Pet Butler. Very, very concentrated market. We couldn't Pet Butler just anywhere on our site but this site, they know they're going to reach that niche audience and they're willing to pay for it. Obviously business directories we have the ability to go in and look at different categories. It's all the kennels. We all know those areas that we can do. Slide shows, polls, we have poll sponsors. We have a blog from Kathy Rosenthal who is a pets advocate in the area. News obviously, archive information, links and a lot of videos. So lot of information that can come to create these areas.

Let's look at outdoors. This is our outdoor section and we've got a start on it. Not thrilled with it yet but it's getting there. And actually I very much believe in the idea that we need to launch something, we need to watch the reaction, we need to improve it, we need to continue to add to it and if it doesn't work, we need to get rid of it because maybe that niche audience isn't going to work for us. As we'll talk in just a minute. There's some real things you need to look at ahead of time. But even though you might match all the criteria for a good niche audience, perhaps you can't make it work. So don't spend your time on it. Go to something else that you can make work.

Here again we have a sponsorship. The sponsorship is again, this is someone who actually sells tickets and has done very well with that. You see we have a gun shop and gun shops just wouldn't work in just any area of our site. But obviously they do in the hunting. Content that we have, news content, blogs, weather, photos that are sponsored and definitely links to other sites and to other places. We become that place for San Antonio for people to come. And you know what? That's an area that many newspapers have started to cut. So pets, they get a page once a week in our newspaper. Hunting, boy I've watched that shrink over the twenty years I've been there to practically nothing. But you know what? There are people who like to see the deadheads, what we affectionately call those pictures of the deer with the tongues hanging out that some six-year-old kid went and shot their first deer or the big fish somebody caught. People like to see that. Space isn't at a premium so we can do that and actually grow that audience back that has been lost. And believe me, the TooCoolFishing.net sites are out there and they're going to nibble away at us.

I do like this site better. This is the *Houston Chronicle's* outdoor site and I think they have gone a step beyond what we have. They've done a great job at putting multiple blogs. It's a little hard to see but up here they have blogs on all sorts of different areas. They have gone into everything from skeet shooting to fishing to hunting for deer, duck, turkeys, everything. They have a slide show, they invite readers to bring in their photos as well. Definitely a business directory. Maps for information on the coast. A calendar of events. Here they have a Bass Master weekend and you can search all the different tournaments that are happening. If you are a fan this is the place you're going to go and find that information. And being able to sponsor that, being able to bring people in who would want to sponsor

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that is an amazing ability that we have. Recommendations on what the best places are in this Pike's Picks and different sponsorships, of course.

So all the things that Fran talked about on getting targeted audiences and being able to utilize the technology, you can take those and then segment them down and the video here can actually target it just into that segment.

Parenting, this is from the *Albany Times-Union*, they have gone out and recruited a panel within the community to start this up and start working on it. They're just starting on this as well so they've got links, different news content, archive content, blogs. They're bringing it all together and they do something I like, which is the bottom they start linking to other areas within their site. So you have a large funnel of all the content you have then you come down to a targeted area and then they link you back into other areas. This report card is going to be in education area, as well, but it links into parenting. So do a lot of cross-marketing, something we see in search engines a lot and we've kind of borrowed that from them.

So what is the revenue impact of this? Well you're looking definitely higher CPMs, \$20 to \$50 plus that you can charge for that particular content. Now you're not going to get the same kind of page views that you would on say a sports story on a professional team or news but you're going to be able to charge much higher CPMs than you are on that other content, as well. Sponsorships, advertisers love to own something and be associated as the expert in that area. Definitely contextual ads. Those little Google ads, the little ads from Yahoo that appear on a lot of sites, they may look like just nothing on the site but I can tell you the revenue that those bring in has continue to grow and be a very important revenue source. You can get much higher CPMs on those when you have them targeted to specific section.

Databases, yellow pages, one of the things that I find fascinating is that in the ten years I've been in online, I've watched yellow pages and the growth of that particular market. The yellow page print book, it's still out there but people don't want just that book. They're not going to pick that book up. They're sitting in their office, very easy to go online and find something online in an internet yellow pages. The growth for smaller business in internet directories is at a rate of 23%. It's an amazing growth rate and those are the businesses that need to launch into online and they're a perfect market here. Obviously services, doing something like buying photos, all this is small incremental revenue but you're, you can be amazed at how much it grows by utilizing those small areas and then leveraging it across many different niches.

Sponsored content, this is something that sometimes rings a little hard with some of the journalists but I think if done right and done well, it's very powerful for us. Imagine in a hunting and fishing area, being able to go to someone like an Academy or Sports Authority and being able to say, "You have the expertise. You have people on your staff at Cabella's," or whichever sporting good store you have in your market, "Why don't you tell us a little bit about some specific topics." It's yours, it's sponsored content but it gives them a whole new way to go, as we have said before, beyond the banner. They then get to bring their experts in. Obviously it's advertorial but it certainly does bring a different element. People on our sites recognize that difference. They want the trusted content but they don't disregard this content.

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Why would someone like Home Depot, who is taking their site and actually trying to take all of that revenue and that audience from us, start to expand their site? They have the videos, they have the content about how to redo the room, how to put your garden in, how to paint. They're stealing it from us and we have that content in our archives and we can get it from our users as well, giving them a place to highlight content and partnering with them as well can certainly help. You can have that organic gardening club in your neighborhood as well as bring that content in. But it's important that this be self serve. A lot of this has to be that we don't have a newspaper rep and online rep going out and talking to someone. It costs too much money. So these types of things, advertising revenue sources where somebody can come in and actually place an ad, be able to go in and generate revenue for you, without that high cost of an individual certainly does make it more attractive to all of us.

This is also an extension of our classified. Hunting leases are a big part of our classified section. Nothing's better than being able to surround our content with advertising that's relevant to somebody and putting hunting leases in on a hunting and fishing page makes a whole lot of sense for people. And, of course, it's also part of a larger buy. You have an area that you haven't monetized yet. It's certainly something that can be packaged in with other areas.

So does your tail have what it takes? That long part of the tail, can you make sure when you're looking at the content area you're considering and working with the business side, is there an audience there? Is there some scale? Can it grow? Can this stand on its own? Is there an autonomy to that site? Now if you're a pet owner, you are just really wild about going to events and knowing that your dog can have its own dog park or knowing that there are no kill shelters in your area, if that's something that can stand on its own then it's a good possibility that could be a great niche for your audience.

But let's look at the competitors. Let's be honest. Is there someone out there already doing it better? Then either partner with them, work with them or make sure they have your content so they're bringing people to your site. Stickiness, is there something for people to go every single day to that site? Is it continually being refreshed? Have you recruited users? Have you brought in content? Are you continuing to add things and databases so that there's a reason for people to come back? If so, then it can work for you. And finally, are there revenue opportunities around it? That is so important that we can add the business side into it so we can continue to support it.

I think right now that we are the point that we have a lot of niches. We've got the big audience, the smaller audience is there. That opportunity doesn't knock twice so we better start answering the door. Thanks.

[audience applause]

Ken Riddick: I'm told we have time for a few questions and go ahead.

Audience: Is this on? Okay, Alex Avila, University of Texas and you all talked a little bit about competitors sort of nibbling but I was wondering to what extent are non-monetized competitors like Craig's List sort of mucking up the waters for all you guys and is it limited to just the online classifieds?

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Fran Wills: Craig's List is free in a lot of markets but they are monetizing recruitment and real estate in a select few so they are actually making several million dollars from their free content. But yes, in answer to your question, Craig's List is a true competitor and has single handedly caused a decline in a lot of markets, particularly San Francisco where they started, decline in classified listings and all of those competitors and there's a ton of them in the classified space. It's like all the sudden somebody flipped a switch and everybody decided to get into the classified space. And that is resulting for a lot of newspapers in that decline in print listings that we've been talking about, which is now starting to affect our online sites as well. So all of the competitors, be them free or be them paid, are just causing more and more competition in this space. So it's very crowded.

Ken Riddick: Julie showed a slide that showed, I'm sorry can you hear me now? Julie showed a slide that showed how readership broke down on their site and I don't know how closely you looked at it but classified liner audience was like the 2nd or 3rd largest piece of the business. And I would be willing to bet that's true at all of your newspapers, as well. Classifieds is a really important readership. At least we tend to think of it only as a revenue piece but it's an important readership piece, too. And readership we can turn around and monetize.

And just anecdotally, early on when Craig's List was first in beginning to feel like a threat in Minneapolis, we were sitting around the table with some of our private party group from the print side of the business trying to help them understand what Craig's List was and where the threat was and things like that and we were looking at, from our own point of view and we probably should have been looking a little more deeply because as we got into the discussion about what it was, it occurred to me, I'm sitting around this big, round table we have in our office and there were nineteen people sitting around the table and I just done a little research on Craig's List and this was just the private party group in our newspaper and I explained to them what Craig's List was and what it is more than anything, it's efficient. Craig's List is, at that time, 155 countries or something like that and every state in the country and they were charging at that time for employment ads in I think three cities and they have fewer people working at Craig's List than we had sitting around the table discussing Craig's List. And it's, that's a frightening business proposition and it's something we need to take very, very seriously. Forget all the audience piece, the free classifieds arguments, those are important arguments to have but until we learn to run a business really, really effectively, that's where these guys are really going to hurt us, I think.

Audience: Hi, my name is Wayne Roche, I'm with the *Daily Texan*, a little paper here at UT. Got a, got a question really for Fran that was pretty impressive array of products that you offer and I'm just wondering if you could address how you approach the advertiser? Obviously you got a lot to talk about. Do you have, you know, a stakeholders at the *Dallas Morning News* that represent each one of those silos or do you have a specialists that pitches all of it to a particular advertiser? Just if you could speak to how an advertiser might comprehend it all.

Fran Wills: Well, what we try to do is meet with advertisers and do kind of a needs assessment so we find out what the marketing objectives and goals are for the individual advertiser, what kind of audience are they trying to reach, what's their message? So we really try to figure out what the advertiser is trying to accomplish first. Then we go back and we look at our array of products we have to offer and

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figure out which one of those is going to best satisfy the advertiser's need and package those products together.

And as far as who calls on the client, it varies depending on the client. If it's a large client and we have somebody on the print sales side that has a long standing relationship with that client, they may make the introduction and then bring an online rep with them who is maybe a little more well versed in what the technology can do for them and how you can measure success across the different types of platforms. So lots of times it's like a four-legged sales call, once the client's needs have been assessed and we've put a package together. Does that answer your question?

[audience applause]

Rosental Calmon Alves: I want to invite now Dave, Dave Panos who is the CEO of Pluck. Pluck is offering our lunch now afterwards and it's a fantastic Austin-based company that has been helping us for the second year in a row and he has a few things to say.

Dave Panos: Well thanks very much and welcome again to Austin. It's awesome as someone who spends a lot of his time on airplanes following guys like Jeff Jarvis around to all of the journalism and media conferences, it's great to be able to have one in our backyard so we're always happy to help Rosental in any way possible to pull this together.

I thought it would be interesting to take just two minutes to share with you what we've seen happen over the last year or so and it's great to get the panelists up here who are now essentially taking the ideas that, you know, many of us talked about for a number of years and are turning them into real revenue and real opportunities for journalism. We come from kind of a unique perspective in that we're a social media company and we deal exclusively with media firms and so we get to see the world sort of through their eyes and from many different types of companies' eyes.

I'm going to talk to you about some specific examples but thought I'd open up with what we did last year as sort of an experiment, a vision we had that we hoped would turn into something important and a business opportunity, which was to help mainstream media figure out how to embrace the blogosphere. And there's sort of three strategies. There's one that was widely satirized called the "we'll blog back at them" strategy, which a lot of people have actually done successfully now. There are others which is to invite them in and we've helped people invite bloggers in.

But the one that I think was the sort of the riskiest and most interesting one was actually created a network of bloggers, build relationships with them and then syndicate their content out to these media companies, who are used to buying content from folks like Associated Press or Reuters and so we went about doing this. And we almost had no business doing it because we really didn't have a journalism background but we just believed in the concept.

And so what's happened? So a year we announced we were doing this at this conference and what's happened in the last year? Well we've got 3,500 contributing bloggers, including some of the big names, the Mike Arontons from Tech Crunch and Steve Rubels, folks that you guys might know well. But we also have lots of people contributing content and topics that are maybe further off the beaten path. And they've essentially produced 1.25 million submissions that are now part of our

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network that we're syndicating out as content. So these are the posts and they come in at 3,000 to 4,000 a day and they're vetted by our editorial staff.

So Jeff was talking about new jobs being created. I can tell you our editorial staff, it's a very different job, set of jobs. There is a group that is journalists that package that content up into forty-five different wires and provide it as vetted content every day. There are folks that are recruiting bloggers in because they're relationship oriented and there are consultants that actually help our editorial customers on the other end figure out how to use this content well. So there's six new editorial jobs that didn't exist a year ago inside a software company like Pluck.

And the impact is that today over a hundred media sites are pulling in content from this network and showing it throughout their site. It's in thirty-four section fronts on *USA Today*. It's probably twenty section fronts on the *Statesman* here locally. It's in B to B environments now, *Aviation and Space Weekly* went up with it this week. Two weeks ago *Architectural Record* went up with it. So it's making a big impact and I think it's really interesting to see that if you're coming at this from a UT journalism school student, you can enter the market at any one of these three places now. Right? You can start on the left with something you're passionate about and have your content show up, sort of moved to the front of the class and be on the homepage of *USA Today*. You can move into a company like ours that is sort of a new media company or you can join a professional, mainstream media company. So there's lots of options that are available to you and we're really thrilled with how this is progressed and the things we've been able to do.

Clearly user participation has shifted into overdrive and while still we hear most of the conversation around things like YouTube and Facebook and MySpace and we're very thankful for that, I find it more fascinating the things that Fran and Julie talk about in terms of how end users can participate as part of the process and the production of a daily newspaper.

And we've been, and I chose this same example as Julie did so we were thinking alike here. I tried to pick a few companies that we are working with and some good examples of what they were doing with it. This is the *Houston Chronicle*, who has done a phenomenal job inviting bloggers to participate as part of their Chron.com section of the site and then think about how do we incorporate that content throughout the site? This is this hook and bullet site. It is where there are lots of pictures of dead deer and photos but there are, you know, there are lots and lots of them and more and more coming in all the time. And I think it really speaks to understanding your audience and what you do well. You know, this would not work in many cities. It works well in Houston. It works well in San Antonio.

The *Statesman* is near and dear to our hearts here, not just 'cause they're local but because they were the first to take a chance with us. [microphone cutting out] ...blogs. Last year they gave every political candidate an opportunity to have a soapbox and speak out to their audience and there are folks who typically can't buy TV space and can't find space in the paper that they can pay for but they were able to be part of the process. A feature that I like they rolled out recently called the A-List is they found the hipsters who could cover the night life, right? And the *Austin Statesman* here struggles in some areas to compete with sites like the *Chronicle* or the *Austinist* that are perceived as being a little hipper and knowing what's happening the Austin nightlife scene.

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And it's a big reason that I, you know, actually go to the Statesman each weekend is to find out where the good bands are playing, etc. This is a whole other angle they've got a dozen relatively hip people who are sort of telling people what they're doing and recording what's happening at those location and making that part of the reporting process, right? It's not breaking a big investigative journalism story but it's pretty darn interesting and an important part of driving readership.

And then the last is the work that we've been doing recently with *USA Today* and Kinsey spoke earlier. This is part of a larger [microphone cutting out] project that Gannett is rolling out. *USA Today* is the first. Every other major market that company is in will have similar capabilities. But I just thought I'd call out a couple of things. One is that they made it the centerpiece, conversations about their content the centerpiece of the site. So you come to the homepage of *USA Today* and if you're a registered user, what is the first thing you see? Well in the upper right hand corner, you see your face. You see an avatar or whatever image, so it's personalized in that this is a place where you feel like you've got a home. They want you there and they want you to be part of the conversation and every section you go to, that persona changes. And you can see if people are leaving you messages, right? So people start to think about communicating with you on that site.

Every section has this section lead in here with comments that their editorial team has picked out as the more interesting comments. And you see the little iTunes dots beneath that as users can kind of move between those comments. And they'll drag it to the article. And then every single time a title appears on a home page, section front or you're looking at article page, there's a reminder of the number of comments and the fact that you can comment, right? And the number of times that's been recommended and then they have these tabs, like the most popular tab if you click on it and you see the things that users are commenting on the most frequently.

So they've made the idea of having a conversation around the content really the centerpiece of the site and there are many, many things that they've done but when I think back to what's the role of journalism, it's to inform, it's to get sort of a basis for discourse, it's to connect people with similar concerns or similar ideas and the opportunity to do that on the web site today is phenomenal and I have to say that two years ago we were getting sort of thrown out of conference rooms for suggesting some of these ideas that they were important and that people were going to be embracing it and here we are, two years later, and, you know, the nation's newspaper, as *USA Today* would describe itself, sort of every man has made these type of ideas, you know, front and center.

So I share, you know, Jeff's cockeyed enthusiasm and optimism. The leaders of mainstream media's online organizations absolutely get it. You know, the future is brighter for it. And I think the jobs are going to be better because of it. So thanks for bringing this audience together again to talk about these things and everyone enjoy lunch and the rest of the conference.