

## **15<sup>th</sup> Annual International Symposium on Online Journalism**

**Day 1, April 4, 2013: Afternoon Session – 2:00-3:30 p.m.**

### ***Life Beyond the Newspaper as a Paper-Only Product: Strategies for the Newspaper as a Hybrid of Atoms and Bits***

**Chair & Presenter: Jim Moroney**, CEO at **A.H. Belo** and Publisher & CEO at **The Dallas Morning News**

#### **Panelists:**

- **Penelope Muse Abernathy**, Knight Chair in Journalism and Digital Media Economics at **University of North Carolina at Chapel Hill**
- **Jim Brady**, Editor-in-Chief at **Digital First Media**, Past President at **Online News Association**
- **Valtteri Halla**, CTO at **Leia Media, Finland**
- **Caroline Little**, President and CEO at **Newspaper Association of America**

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**Penelope Abernathy:** Thank you. I want to pick up on what Jim said. I was reminded when you were talking, in 2010, Eli Noam, the economist at Columbia, came out with a great book that tracked basically the economic trajectory of ten different industries. And he concluded on the newspaper industry that it had been a very stodgy industry. And he says, "It's about to become dynamic." *Dynamic* is code word in an economist's lexicon for saying, "We can't make any sense out of it." [laughter]

So, in 2009, which was one year after I came back to UNC after having spent more decades than I care to admit in the business, both half as a journalist and half on the business side, I was fortunate enough to get a grant from McCormick Foundation and decided to start looking at community newspapers. And I want to talk about the definition we gave community newspapers, because it's different from what most of you have seen in the past. And that started in 2009, as you say, the beginning of the really waterfall moment for this industry, and looking at what all had happened and how much we needed to change things going forward. It has come to include not just a book. I'm going to allude to this and tell you about this in the end. It includes an instructional website called BusinessOfNews.com aimed at both publishers and editors, as well as professors, helping you walk through how to create a strategy [and] how to measure your progress against it. A whole range of things for both non-profits as well as metros, and it includes a multimedia case study. Both of those will be free.

The multimedia case study is primarily aimed at professors, helping them teach another generation of students how to think about the problem that's really been head of the news industry right now, the newspaper industry. It is aimed at three audiences. It's aimed at publishers and editors, it's aimed

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at professors, and I'm aiming it -- I'm hoping and so does my publisher, that it reaches a group, you know, the public that we haven't done. I think we've done a really good job of talking to ourselves about the problem and not as good a job of talking to the public about what's really at risk. And I want to tell you some of the things we found in our research that would help us think that through.

I gave this speech in Washington, a similar thing in Washington, on Tuesday night to a very mixed audience. I was actually very -- I've been very gratified to see that most of the people who wrote me later and followed up with emails are not in the business. So, it's one of those things where I think they've understood what's at stake.

So, let me just review. If you're in Harvard Business School, they'll tell you any disruptive technology—and we know this based on every other industry we've looked at—it attacks the cost structure first, and very quickly you get what is called a tipping point. It siphons off customers and the revenue that comes with those customers.

OK, so, if you look at the newspaper business, I want to sum four things up that's what we're really facing with all newspapers right now. One, advertising revenue adjusted for inflation in the U.S. is back at 1950 levels. OK, pause for just a moment. That's really important, because historically 80-90% of the revenue that supports news gathering has come from advertisers. So when everybody gets focused on a payroll, that's something we have to worry about. That's a long-term issue. It's not going to solve our short-term problems.

The second thing, high fixed costs of printing and distribution. That was a barrier to entry in the print-only days. It is a financial albatross now. Most newspapers consume more than 50% in expenses.

Third, the habits of our readers are changing quickly. And what's been amazing to me [is] we're really lucky in the U.S. in that we've had Pew and Deloitte tracking it on a national level. What amazed me was even in 2009, 2010, when we got out and did surveys in remote areas that weren't completely wired, we found them tracking almost exactly with the national trends. Now, it took somebody in West Virginia, which has spotty cell coverage, to even get me to understand why that happens. And you think about it, where did you first learn the computer? It was at work. Most people commute into a place that is already wired, and that's where they've learned to do it. And they expect us as a newspaper to be on multiple mediums.

And then the last is, the competition is tough. You get tougher. One of the problems we've got right now is there is so much confusion, you don't know what to believe. And I'm as guilty as anybody, because when I first came back, people said, "When are you going to come up with a business model?" And my response was, "There won't be one. There will be many." OK? I don't

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argue now, there is a business model. It will be applied differently in each market.

OK, so, the first thing we did is say, "What is a community newspaper?" The old definition of *community newspaper* was a paper that was roughly under 15,000 print circulation. OK, so, that included a lot of weeklies and non-weeklies. It included some small, small dailies.

OK, if we started there, that was in 2009. As we rolled it out over 2010 and 2011, we came to believe that you need to define a community paper based not on its circulation, which doesn't make a lot of sense at a time when most people access from the web, but based on its mission.

OK. What is the mission of a newspaper or of a community newspaper? OK. The definition is, we're a watchdog medium, right? We watch over the government. We watch over the businesses. We perform that public service function. The FCC in its report talked about, we were really the ones that furnished up to 85% of what they called accountability journalism. *Accountability journalism* they defined as beat reporting, investigative reporting, and kind of the analytical, contextual reporting, that tells us how we need to react to issues of public policy debate.

What we found in our survey is that readers actually expect three more things, and they value a newspaper for three more things that they do. Research at the University of North Carolina since 1970 has shown that newspaper are the ones who set the agenda for debate of public policy issues. How do they do that? It's by the amount of space they get, what stories they choose to cover, the amount of space they give it, where they place it, and the editorials that they weigh in on with other things.

The second thing that they expect is that they expect newspapers to encourage regional growth and development. One, through connecting customers with businesses, but secondly, through pointing out things nobody wants to look at. So, the low unemployment rate and what's causing it [and] the environmental problem.

The third thing is they expect you to give geographic identity. OK? Geographic identity is still important in a digital age. One county we looked at has two congressional districts, three state legislative districts, ten incorporated municipalities, 19 unincorporated municipalities, six school districts, seven county commissioner districts, and 15 zip codes. So, they're really asking you to kind of put a political identity and show what happens on each of those.

So, what we've ended up with is -- what we're arguing here is that, really, we have 11,000, out of almost 11,000, 100 papers in the country that fit with this definition. OK. These are the 12 papers. They stretch from Santa Rosa up to Rutland, Vermont down to a small weekly in West Virginia. They

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are ordinary papers. They are extraordinary papers. Four of these papers have won Pulitzers. Two have won the Pulitzer Public Service Award. They are the two smallest. Eight of them serve economically challenged communities. Six are independent. The other six are owned by either a chain or an investment firm going forward.

OK, so, what we found is that in order to adjust to the three attacks that have been leveled at you, newspapers have to respond in this way. This is true of any newspapers, whether you're the New York Times or whether you are a news reporter [with] circulation 8,000.

There are barriers to entry destroyed. You have to shed your legacy cost. If you have siphoned off readers, you have to rebuild your community on many platforms. And I want to talk about what that means. And if you've got your advertising decimated, you have to aggressively pursue new revenue opportunities. Not just volume. We're going to talk about rate in just a minute.

So, what we know about sharing legacy costs. The internet has attacked the cost of printing and producing the paper. You can't get out ahead of your readers. You've got to know where your readers are. But what I see.... And I'm really worried that even the surveying we did two years ago has changed dramatically. The iPad has done a lot of that. OK. And you want your cost drivers to round up with your value drivers. Your value drivers right now in the digital age are content creation and aggregation. It is not the printing and distribution. So, what you need to do has implications for a whole range of things: how many days you print, your staffing. Staffing, you need to look at entirely, not just your production department. And lastly, your content.

So, really smart publishers understand that you've only had three days that were profitable in most newspapers going forward. But in the past, it was profitable enough to carry you for seven. You're probably looking at a daily that is not seven days a week for many markets going forward. So, how do you educate your readers to expect you not to go from that? And what do you do with the content?

The next is, what do we know about building community on many platforms? Well, we know our customer habits are changing, but we also know we have to not alienate our loyal readers, and while at the same time, we're attracting new ones. We used a real simple loyalty test to gage how loyal people were. We found most strong papers have really loyal readers, but they're loyal across multiple platforms, too. We use the same loyalty test that I used at the New York Times, the Wall Street Journal, and Harvard Business Review. That loyalty test is really simple to do.

We hear a lot about brand engagement. Loyalty is a step up from brand engagement. Brand attachment is even a step up from that. So, it's important that you build across multiple platforms and not just geographic

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community. You build the vertical communities. And you have to link the vertical communities back together.

What do we know about pursuing revenue? New revenue. Having sold advertising as well as having been on the editorial side, I think I can say this: I find that advertising departments are not as far along in the grief process as the newsroom is. OK. The economists call that path dependence. You've got to break the path dependence. OK?

So, one of the things that we've seen from newspapers that we've looked at, there are three ways you need to get a new sales strategy going. One, you have got to come up with a rate card that encourages advertisers to buy across multiple mediums. There are lots of studies, every from ESPN on, who've shown that buying two or more mediums greatly enhances both your reach and your exposure. I can go into that later.

You've got to get a compensation system that rewards people who prospect and you have got to get a training system that teaches advertising sales people how to go out and do it in a different way. And finally, it's really, really hard to keep three plates going at the same time, but what we've asked everybody to do is ask these two questions: If we're successful, how will we look to the three most important people, our three most important stakeholders? Our customers, or their advertisers and our readers. How will we will look to our employees? And how do we look to our shareholders? And then, what does that mean about what processes we have to do or change?

Finally, in the end, it's all still about storytelling, whether you're talking about selling advertising, whether you're talking about selling..., or whether you're doing a story. One of the things we've also found here, which will probably be.... I want to close with this. One of the things that we've also found is that innovation is a kind of scary word. And what we've done is take a cue from people who've been NTOs, who've been in countries who don't have a word for innovation. And what we're really trying to do is get the focus on renewal. It's a really important thing going forward.

Thanks.

[Applause.]

**Jim Brady:** So, I want to talk a little bit about, despite the fact that you probably saw I'll be departing Digital First in May, I want to talk a little bit about what we've been doing and what hopefully will continue on after my departure. One of the things I hear a lot when talking about DFM is this persistent thing that we hate print and that we're anti-print and that we don't think about it. And the company is named Digital First, not Digital Only, not Newspapers Last. *[laughter]* But what we're trying to acknowledge is that the future clearly for media is in digital. I mean, I'm looking around here. I see more Apples than in an orchard here all lit up. All these Apple logos lit up

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across the whole room. [laughter] So clearly, we're headed down the path where digital is where we have to go. And the company was trying to orient itself that way. There's a very good debate to be had about the future of print. There isn't much of a debate about the present of print. And so it throws off the majority of the revenue in our newsrooms and will continue to for some time.

But I think it has to be put in the right context, which is, print is a snapshot kind of in the 24/7 ever-moving picture that is digital. It serves a great purpose, and we will continue to have it for a long time. But the consumer -- in my mind, the consumers are always going to continue to move to what's the thing they can personalize the most. And if you go back to the age of when newspapers were dominant, it wasn't as if we took a poll of the entire country and they came back collectively and said, "It would be awesome if you could throw a pulp of paper on my doorstep at 5 a.m. every day that had all yesterday's news in it."

As we all know, it's amazing that we can actually do that. It's a huge effort to do that. And that's the reason they call it the *daily miracle*. But once the consumer was exposed to digital and once the ability to get information at their own speed and from where they wanted it, so we have to acknowledge that that's going to be the way they are going to continue to go, and the economics, of course, will follow over time.

So, it doesn't mean you don't care about print. It doesn't mean you don't throw a lot of resources into print. But it does require different thinking, different work flow, and different people. Because let's be honest, we know how to do print. There is not a great mystery of how we put out a newspaper every day. This is something we've been doing for quite a long time. And yes, the technology changes there, too, but not quite at the pace it's changing in digital.

So, that's what Thunderdome was born out of, was the idea that we had to have a group of people inside the company who were just thinking about digital and just focusing on digital and helping our newsrooms make that transition. Because, you know, we criticize newsrooms a lot, and I have done it myself. I'm sure I'll continue to at some point, but to criticize the newsrooms for not changing fast enough. But in fairness to the newsrooms, you're talking about newsrooms that are often 50-60% smaller than they were ten years ago. We're being asked to tell stories in a lot of different ways. And sometimes what they don't have is the luxury of time to help make that transition. And so, that's again where Thunderdome was born from.

And while as of this week, it's sadly, for me, at least, it's sadly become like TVD 2, Electric Boogaloo, what it stood for, you know, it still stands and still exists in a lot of our newsrooms. And I'm going to talk a little bit more about

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that. And I think, you know, there's many things that get lost when a big thing like this happens and it gets a lot of coverage.

The thing that's not been talked about much is that we still have 2,000 journalists working at Digital First Media who are trying every day to keep fighting this battle and representing communities, hundreds of communities across the country. And they need to succeed, obviously.

So, I want to talk a little bit about what Thunderdome did to help them. First, was training. Training is a criminally underappreciated part of this business. I think sometimes we walk into a newsroom, and even if we buy new equipment, we hand them a video camera and say, "Now, go make video," as if that's something just any average person can go out and do. We ask them to get onto Twitter, and then they get onto Twitter and don't have the slightest idea what the hell to do with this platform, so they start tweeting about lunch and all that stuff. This kind of inane stuff that nobody cares about.

So, training is really important, and we have done more than 20,000 sort of man hours or person hours of training in the last couple of years, whether it's on SEO, it's on social media, it's on shooting video, [or] it's on database, data development. And we have been to probably two-thirds of our newsrooms to do that kind of training to make sure that those skills start to get ingrained into those newsrooms. Can they do all of that stuff wholly? No. And I'll talk a little bit more about how we support newsrooms that at least understood why data was important, but didn't necessarily have the resources to do it. I'll get to that in a second.

The key thing that we did, that Thunderdome did, and will continue to do for the next month or so while it winds down, is decentralize services for the company. Yeah, again, 75 newsrooms, a lot of them very small, midsize, [and] a couple of large ones. Even the ones who understand that, you know, "God, it'd be great if we could do a data -- you know, do a crime map." Even something that's kind of simple as a crime map, don't have anybody in those newsrooms that has any idea how to build that. So, beyond, I was training them to do light data development. We've actually been building a lot of things for the newsroom, so that even the Denver Post, our largest paper and best paper, has a crime map, an app that was built out of Thunderdome. The St. Paul Pioneer Press has a data map that was built out of Thunderdome. We've done data projects that we could share across the entire company.

We did one for the NCAA tournament that allows you to compare any two teams in the tournament, pick which factors you felt were the most important, and would tell you the percentile chance of which team was going to win the game. Something that any paper can take, any paper can put up, and it drives reader interest in a common topic like the NCAA tournament.

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Video. We've done a lot. We've brought the bar up, in terms of what the company does in terms of video, dramatically. We did a partnership with a company called Tout that a lot of you probably know. That launched about six months ago, and we've gone from doing three or four hundred video pieces a month across the company to about 20,000 a month. Now if you know Tout, you know a lot of it is short-form video. We certainly do about 5,000 touts a week now across the 75 papers. We've had a couple hit and go viral, but what it's done is it's ingrained this idea of the capture the moment. In fact, now the thing that seems to be hot on Tout is we seem to be filming the end of every high school basketball game that's close. And every time somebody hits a 30-foot shot, you know, to win the game, we've got it on video. And we put it up and it gets, you know, tens of thousands of page views. So, I mean, we've ingrained the idea that capturing a moment in video sometimes is going to be far better than anything you could write about that moment. So, we have people shooting video now. And that deal was really brokered out of Thunderdome and driven into the company by the folks at Thunderdome.

Curation. We've done a massive amount of curation. I think [we] have taught that it's very important not just to put your own work out there, but to try to curate around a story of interest [from] many different sources. If you go to the homepages of any of our sites, you'll see something on the right rail called the Social Media Wire, which is basically a compendium of all sorts of Twitter feed and You Tube feeds of anything that's about that particular community. It's not just our stuff on the homepage. It's anything that's being written about Cleveland or St. Paul or Chico, California. And so [we're] starting to see the value of curation is important.

Breaking news. We do a phenomenal amount of breaking news blogging under Thunderdome or any big event planned or unplanned—the Oscars, the Fort Hood shootings of the other day, which allows all of our papers to just take that content and put it on their homepage, but more importantly to understand the power of having a story that's evolving by the minute and have it on your homepage in a way that's away from the traditional write through that we've been doing in print for a long time.

And then just being able to provide a lot of resources for massive stories like Newtown, where we were able to send about 15 people from New York up to Connecticut—video journalists, editors, reporters—up there to help cover that story, which even though we have sizable papers up there, it was too large for even those papers, for those papers to handle.

So, we've made a lot of that transition over the last few years. And the results, you know, I'm very proud of them. The Denver Post is.... The only two newspapers in the United States to win Pulitzer prizes each of the last four years are the New York Times—you might have heard of them—and the Denver Post. The Denver Post is one of our papers. But what's less known about that is that those last two Pulitzers were each won off of things that



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were largely done online. Craig Walker won a few years ago for Feature Photography for tracking a veteran suffering from PTSD throughout the year. Some of the photos appeared in the paper, but very few. It was really an online presentation. And last year, they won for Breaking News for the coverage in the Aurora shooting, which happened literally as the paper went to bed. And so, the first 18 hours of coverage, 20 hours of coverage of that story was all done online. And if you saw the entry to the Pulitzer, it focused almost primarily on their online coverage. So, that's something we're very proud of.

Like the Los Angeles area newsgroup, which is handful or dozen papers down in L.A., [they] have completely started to work together. We've done a workflow shooting video like crazy. [They have] really embraced all of the things that we have pushed at Thunderdome into a newsroom that's completely different than it was 18 months ago.

The York Daily Record was just named by Editor and Publisher one of the newsrooms that does it right, largely because if you go sit in their newsroom every day, their workflow is all based on keeping the websites and their mobile sites updated. And they do view print as something they want to focus on for, you know, long enough to put out a good product, but not have the day built around it. And so, York Daily Record has been a star in our solar system. And even the Torrington Register Citizen, which invites readers into its newsroom to sit in on the news meeting if they want to. Many of our papers, which put their budgets up online early in the day, so that readers can help give them tips or help push them forward on what their coverage is going to be.

So if you look around the company, we've made a tremendous amount of progress. We've also put equipment into the hands of a lot of our -- every one of our reporters actually has a company paid phone now. And we've spent money actually in this tough time to actually make sure they have the right digital tools. So yeah, the transition is tough. I don't think.... Well, the irony is lost on me standing up here today saying the transition is tough, but it does need to happen.

And I know it's easy sometimes to feel like innovation in the legacy newsroom is like that poor ensign who goes down to the planet with Kirk and Spock and Bones, who never comes home [and] is always the first to die. But it can be done. It needs to be done. We have to keep pushing on that. And the worst thing you can do when something like this happens.... You know, it's lovely to get all the kind thoughts about the demise of Thunderdome and lovely to get all the personal messages I've gotten even from a lot of people in this room about it. But the one thing I would urge is, you know, when these kind of things happen, we have to stop acting like this draws some large picture about the future of digital media.

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This was an effort that we made inside a company that had a significant impact on the journalists that are still going to be there when this is all over. And so, to draw it as some kind of broad bellwether that means, "Oh, my God, this is just a sign that this kind of innovation can't work in a legacy newsroom," or, "Nobody should build an operation like this again," I think draws the wrong conclusion. We still need to keep trying and failing. The only way to ultimate success is to keep trying these things and learning from them. So, hopefully people will not.... I don't think any of us who worked at Thunderdome feel like this was a waste of a minute of our time. I think it was a great ride and hopefully the right lessons will be drawn from it and not too much focus on the end of it.

Thank you.

[Applause.]

**Caroline Little:** Before I get to what I'm going to say, I just want to say, Jim, I know you had a really bad week. And you remember the days when we worked at the Post when we would have a really bad week? Like such a bad week that you couldn't even talk to anybody at the end of the week? And you'd give me a call just to touch base, and you'd say, "OK, it's like a super Whopper with a triple drink and quadruple fries."

**Jim Brady:** Right.

**Caroline Little:** And I'd say, "Yeah, I'm in my bed with a bag of candy and People Magazine." [*laughter*] So, I hope you get the same this week. I'm just going to say a few things about audience, demographics, and developing revenues. I'm often accused, perhaps fairly so, of evangelizing about the newspaper industry or the newspaper media industry. Maybe that's true, but I'm just going to give you the facts today, and you can draw your own conclusions.

**Rosental Calmon Alves:** It was the last slide.

**Caroline Little:** Oh, it was? What do we do? [A man comes to help with the slide presentation.] Oh, OK. I'm not going to use that. Forget it. OK.

**Rosental Calmon Alves:** You're showing the last one.

**Caroline Little:** Oh, I see. Got it.

**Rosental Calmon Alves:** Yeah, now, that's the one.

**Caroline Little:** How much you wanna bet? [*laughter*] OK. I'll try. These are just print numbers, okay? And we all acknowledge, I acknowledge that print is declining. Print readership is declining; yet, it's still -- they are very, very healthy numbers. 137-million Americans read print in the last week. And

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what's interesting is for 18-24-year-olds, that was 46%. If you look at online, digital, mobile, and print—or, sorry—just digital, it's 161. So, print is strong and just as Penny said, I strongly believe that we have two businesses. One is printing the newspaper and delivering it to our customers and the other is digital mobile businesses. But let's talk a little bit more about what those businesses might be.

OK. So, the audiences are generally spreading and vastly and quickly. Print only is only 54%, but then all the other left side of that slide shows all the various combinations. Mobile is growing by far the fastest. More platforms, more audience. That's pretty obvious. But you see it's going up about 7% just in the last year.

OK. So, this is in response to, you know, "Younger people just don't read the newspaper." People do read the newspaper in print. They do read it online and digitally. And I would submit that it's really important not to get too involved in print versus digital or versus mobile. You know, if I read an article in the New York Times this morning, I might have read it on my handheld, I might have read the newspaper, or I might have, you know, read it on my laptop. It doesn't really matter. It does from a business standpoint. But from a reader's standpoint and a branding standpoint, I think it doesn't matter as much. And I think we need to be very careful about creating this kind of pitting each area against the other.

One-fourth of digital audiences are mobile exclusive. That means they only look at mobile. I suspect that that number is just going to continue to increase. So, let me make this clear. The audiences for newspaper media could never be better. They *have* never been better. And, you know, one could say the internet attacked our model. I think the internet has been one of the greatest things to happen to the American consumer or the planet maybe. It's been tough on our industry, but it's not looking as bad as some people say.

I don't know if you read this recent Pew study of the Executive Summary that came out in the last week. \$38-million—almost \$37-million—excuse me—billion dollars in the news business come from newspapers. That's primarily advertising but some circulation as well. Now, this is where I want to talk about revenues a little bit. There was a model of 80% print and 80% print circulation which pretty much defined our business for a long time. And those lines -- and I think if you talk to anybody, any publisher, they will acknowledge that print advertising is and will continue to decline; particularly, on the national side. And that print circulation outside of Sunday circulation may continue to decline a bit.

But what's been happening in the last seven years.... And I want to show you just this slide that shows [it]. OK, the left side, that's from 2007. That's seven years ago, and that shows sort of the 80%/20%, if you will, model of print advertising and print circulation. This is 2012. That's five years later.

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You can't tell me that this industry is not transforming at a very quick rate. Yes, print advertising is down. Yes, any publisher will tell you in the last many years that print is going to come down, but look at those other areas. Circulation was *up* 2012 over 2011, because, yes, people are going to pay for content. There's a bunch of other new businesses. Digital advertising is up.

And there are other businesses like digital agencies, like events. Those are the kinds of businesses that take the trust that newspapers have in a community and turn it into a business that can support its other operations. And so, I would.... Just looking at this slide, this shows a lot of transformation. Is it perfect? Absolutely not. Is it hard? Absolutely. Do things like what's going on at Digital First Media happen? Absolutely. And frankly, as they should, because if they're not happening—I'm sorry, Jim, I don't wish that on you—but if people aren't experimenting, we're never going to get there. So, I rest my case on that.

So, I was thinking, four things I wanted to tell you from my little conversation here. We have huge audiences, and our audiences have never been better. So, we deliver in key demographic areas, including 18-34-year-olds in print and online. Our revenues are diversifying rapidly. And more than half of all news revenues come from newspaper media.

The last thing I'm going to say is, you know, this notion that newspapers, when they had a business.... A business model, I think, with 80% revenues coming from print advertising is a little dangerous when you've got that much money coming from an area. But remember, the difference was that there wasn't a lot of competition. The internet has given a lot more competition and newspaper media are responding to that. A little later than one might have hoped perhaps, but it's *really* happening.

So, that's it.

[Applause.]

**Valtteri Halla:** Hello. Hello. [*laughter*] I'm not a predator. Somebody is. That's a joke. I'm your friend. And you have done a good job. All the journalism, the news, the content. This is a great industry. It's big. Tens of billions in the U.S. only. Global, of course. I'm an outsider. One year ago, I knew nothing about the media industry. This is my first sales trip to the U.S. The first person I meet is Jim, and he comes with an arsenal of data about the complex media, print media market in the U.S. Well, I don't know anything about that. And I have some other units for you today, which are maybe more kind of qualitative. But my aim is to convince you that there is a solution and we can crack this problem of digitalization of the print media together.

OK. Yeah. So, who am I? Come from Finland. I worked for Nokia for 14 years. I'm a master of mobile. I built smartphones, mobile phones, more

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than ten. I built an operating system for smartphones. Spent ten years of my life with that. I then became an American. They said, "Well, we use windows instead." So, ahem, I can feel some sympathy for some people if [their] projects are being cancelled. But that's life. That's life anyway. So, things come and things go and many things will remain, what we built. It's nothing win.

So, but, I'm your friend. And actually, I will really -- my kind of sole mission, the sole mission of Leia Media is to help you to be successful and kind of seize control and kind of control your own destiny. Ever heard an analogy about the boiling frog? This is what it looks like for me coming to this industry from outside. Nobody is boiling you, but it might look like this: the L.A Times, something. Is there a way out? Like, seven consecutive years decline. And this 15 to 1, I guess you know it's from the same research that was referred [to] here many times. \$15. Every \$15 lost in traditional print, one new dollar coming in digital. It's not working at all.

And you have this great industry. And there is no assistance coming. The internet is coming. The industry I served for 14 years is kind of they are changing the world, turning it upside down. It's an industry of pretty much the same size. The money. Where's the money? We're not seeing any money. It's going somewhere. It's going there. I was there for one time thinking of the ways how to eat your lunch. We had a feast. Yeah. And they're getting the internet, especially here in the U.S. West Coast: Apple, Google, Amazon.

The internet here is how long? Three months. I've been in this industry for all my career. I started with internet things in the 90's when I entered the work life. Every internet year, there's something new. You are catching a moving train. There's web. Facebook is coming. What's Up is coming. Twitter. All have something new. And the old system was designed to give you this one, not 50. You're running after the train. I'm here to help you to actually jump on the driver's seat. There's a way out.

Reinventing the paper. So, who here likes to read news from paper? Hands up. Who here likes computers including tablets? Who here likes updating the software? [*laughter*] Ever any problems and frustrations with the computer? You settle for too little. You have the best platform. You have been in the device business for 200 years. Right? You are getting out of the device business. I'm being told that I'm going [to be] selling this in Europe. "But oh, no, no, no. We're not in the device business. We have made a strategic decision. We are not in the device business. Print me a task list." I ask them, "OK, where's the money? Where is it going?" "Well, it's going to the devices." Yeah, that one of the problems.

Oh, let's reinvent the paper. We have done that. We are in the firsts steps of this transition, but anyway, it's here. The device, like paper, [is] thin, light, no wires, no electricity, powered by light from the lamps. Every morning, 6

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a.m., I get full newspaper. Our first paying customer, Helsingin Sanomat, the biggest daily in Finland. Circulation 300,000. We have delivered many devices there. We're having a pilot. In remote rural areas where there's no morning distribution anymore, they are quitting the subscriptions, but maybe this could help them in capital Helsingin area, people with iPads and so on. We are not like proposing this to replace the tablet or the mobile, but complement [it], but they'll maybe replace the paper...to bringing a better paper.

So, the ease of use is important, the price, and so on. Let's look at it more close. So, what this is offering is your good, old experience. You don't need to change your habits. You get the newspaper laid out in a familiar way. That's actually what everybody likes. They like these type of digital newspapers even the best. That's what we get in the studies all around the world. Your brand. Your brand in the living room, on the breakfast table, the whole day. Not in the back row, behind that store. So the time of engagement and everything, it's getting way longer.

Convenience of paper. This is so simple to use. I get the issue in just 20 seconds. You pick it up in the morning. The front page is there, start reading, like paper. You can switch the page. You can switch the section. And that's it. You can do it. Simple. Never upgrades. Never hassle with the software. It just works. It's like paper, light paper, at a fraction of cost.

This is a simple device. Degree of magnitude. More simple than a tablet or a Kindle. You don't run a browser there. It's for single purpose. It does that well in an easy way. And because of that, the number of components, the simplicity of everything is kind of really there. We can take it further, but the price is an important thing. Like getting to volumes, not even close to the tablet, so we can already press the cost of this device to degree of magnitude, lower figures.

Here's a spec. I'm not going to go through it. Come talk to us. Our CEO, Ari Erkinharju, will sit in there. So Ari will have a device. You can try it. I will have one too. Just come talk to us. You can try it out. And we can talk to you more about the spec.

And not so distant vision. I built devices for many years. I know I can take this way forever. This is the first incarnation. Done in about six months. So, within a year, something like this can be done. Something that folds, goes in your pocket, gives you the experience. So imagine a tabloid, two of these folding. So, two millimeters, very light, flexible, foldable, pocketable, disposable even. So, do it for -- keep it for three months. Sell it for three months. Include it in subscription price maybe. People use it, and it stops working, and you just burn it. That's pretty close.

Today, it's the greenest paper. You use it for less than 90 days. Any measure after that, you are saving the planet compared to paper newspaper. And this

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is the first one. When we go to the thin one, it's going to be coming down to one day.

So, convenience of paper. Your brand. Your control channel. Your mind share back. Digital business. You get every information, all the things that Apple and Google will get. What sort of ad collect can you build on that? Pretty good. Automate that. You can have your own store there. Not today, but the Morris law is going to take you there. And it will be a companion device like a smartphone or tablet. You can do it today.

So, join us. Rewrite the rules. Get what you want, not what *they* give you. They're not going to give you the money. *[laughter]*

[Applause.]

### **Q & A Session:**

**Jim Moroney:** Valtteri, since you went last, I'll have you go first. So, I'm going to be a little skeptical. I read research that says that people would virtually give up almost any device or thing that they use in their life before they would give up their cell phone. It's like the last thing people want to [give up]. They'll turn the TV off before they'd give up their cell phone. There are also people similarly in love with their tablet. So, I don't know that people want to add yet another device. So, are you expecting people to give up their tablet, give up their larger size Kindle, give up their phone, or are you saying, "Well, yes, I'm expecting the consumer to add another device." And if so, why?

**Valtteri Halla:** OK. I think multiple platforms are a reality. We can't get away from that. And there are people who prefer interactive new use and all the power that the tools give. We're not advocating that people give up any of their mobile devices today. But, hey, tell me, how many sheets of paper do you have at your home? So, if you get the price low point low enough, this can be equal in your subscription. It replaces the sheets of paper in your home. You'll be happy. *[laughter]*

**Jim Moroney:** OK. All right. That may be fair. You know, actually, Valtteri and I talked a long time yesterday. So, we talked a lot about research. So, I'm just going to do a quick research. I know you don't know enough about his product, but I'm going to ask a generic question. Another device comes out that is a single purpose device. For the most part, you can get the same content on one of your current devices. But this one has certain other features to it, but it's a single-purpose device. How many people just say, without knowing anymore, "Yeah, I would be generally inclined to add another device to my arsenal of devices I have today,"? How many people would think they would add another device? OK, good. All right. Well, there you go. All right. How about that for cheap research?

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**Valtteri Halla:** Thank you.

**Jim Moroney:** All right. Jim, you know, I have to ask the question, and you gave us a great narrative about all the good things that came out of Thunderdome, but certainly John has been one of the great evangelists for transformation of the newspaper industry. And when something that has been also something that he's touted—Thunderdome and other things—when it does fold, it shakes a little bit, I think, the industry, and shakes the people that are writing about the industry. So, how do you deal with that? And maybe even the real important question, what does this mean for or about Digital First Media? Is there a larger narrative to this closing down than just it closing down? What can you tell us?

**Jim Brady:** Well, I have to prepare for this question, because I did not see that coming at all. [*laughter*] But no, I mean, you know, look, bottom line is we have all these local properties, and Digital First Media doesn't exist if it doesn't have these local properties, and that's where in a time of tight declining resources, the resources then go to and *should* go to the papers that need to survive to serve those communities. I think, as I said earlier, a lot of what we've been doing the last two years was trying to transfer those skills out into the field as much as we could. I'm not going to lie and say, "I didn't think we'd have more time to do it," or that I saw this particular day coming two months ago, but I certainly understand the logic that you have to focus on the property. At the end of the day, if Digital First Media doesn't have 75 dailies and a couple hundred weeklies out in the field somewhere, it doesn't have a soul to sort of build around. So, hence, when the decision came to trim somewhere, it came off the thing that was necessary. And for a good period of time, it did a lot of good work. But, you know, at that point, the money needed to stay in the field where we have to succeed.

And what it says for the larger future of the company, I mean, you know, I'm the editorial guy. They have a shock collar on me. So, if I get to close to the business suites, I get a shock. So, I mean, I don't know what it means for the future. The future is only another three weeks for me there, but it's still a healthy [company]. It still has really strong properties and a lot of really strong markets, and I do hope that, if anything, the legacy of Thunderdome is that it gives them a longer runway because they've learned skills that are really needed and necessary in the future.

**Jim Moroney:** So, Penny, you talked about community newspapers and you have a prescription there. I want to go back to the last thing that I had on my presentation and ask you, so even if you're a community newspaper, and let's say you did 10% of the page views of The Dallas Morning News in a year—or in a month—so you're doing four-million page views, which I think is a lot for some communities and small papers, but the math I put on the board said you'd do \$760,000 a year, 10% of that total. So, print advertising, digital advertising, is that going to be enough for the community



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newspapers to make this transition and do it profitably going forward, or do they need to be doing other things than relying on advertising?

**Penelope Abernathy:** I think the quick answer is they need to be doing other things other than relying on the traditional way we view advertising, much as Carolyn talked about the sponsorships and a whole range of other things. I want to make a real important point about advertising, though, that I ran out of time and didn't get a chance to make. We tend to focus on digital advertising for the purpose it was invented under search, which is advertising has historically furnished at least six -- provided at least six different advantages to advertisers. It can do everything from introduce a product to reinforce loyalty and get you to go back. Search advertising is very good if you know what you want to buy. It helps you get it much more efficiently. Newspapers, if they are positioned on multiple platforms, can do that much better, at least in a local market, than anybody else can. They know where print is used best. They know where to use digital. You put the two together, as I said, everybody from ESPN on. And certainly something we found [is that] you're much more efficient if you're advertising on multiple mediums.

So, there is an advantage for newspapers right now that are still print, digital, and going mobile to really revamp the rate so it's not \$1.00 plus 5 cents for being digital, but rather \$1.00. Not as much as the \$1.50 that would get you to be on, but you are still getting huge value to the advertising on a rate card in which you can talk about the advantages for them for advertising on multiple medium, talk about the brand engagement, the brand loyalty, and the brand attachment, which my colleague who spent 20 years at BBDO will tell you is really important to advertisers. Brand attachments an even higher level than brand loyalty. So, you are identifying with the brand too.

**Jim Moroney:** But you think they'll be able to make this on mostly some subscription revenue, obviously, and advertising?

**Penelope Abernathy:** The models we've done show that you're not going to get 20% margins. Those are way gone. What you want to do is preserve enough of a margin—10%, 5%—I'm not sure where that is, but that you can afford to take on the kind of public service journalism you did in the past, which doesn't pay, makes the Chamber of Commerce and some advertisers temporarily mad, but it really does involve the right rate for what newspapers are doing. Not basing it the way we've done it for the last 20 years. And you can do that in a local market.

**Jim Moroney:** So Caroline, you get to talk to more newspapers than probably any human being in America—lucky you—and so you talk to large papers and medium papers and small papers and public companies and private companies and so forth. What are you hearing from newspaper companies in terms of how they're driving more revenue? What are they

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doing beyond the advertising? What are the things that you're seeing around the country?

**Caroline Little:** I'll talk about an attitude that I sense, which is people really.... Can you hear me now? Yeah. OK. Sorry. People really try to understand their audience. So, what might work in Minneapolis may not work in Charlottesville, etc. And they do a lot of sensitivity pricing vis-à-vis print and digital, and even the events they do are different depending on the market. So, this notion of, I think the audiences have known our brands, but I'm not sure that we've really known our audiences. And so, that's kind of an exciting change to see.

**Jim Moroney:** OK. All right. So, focusing on audience as opposed to, say, just focusing on products, but the audiences across those platforms and products. OK. So, let's turn it out to the audience and see if there are people who want to ask questions of anyone or a number of people on the panel. So, I think I see someone right here. We're going to get a microphone. And there we go.

**Jacie Yang:** My name is Jacie Yang, and I'm a professor at Texas State University, 30 miles south of where we are right now. So, I have two questions. One is for Penny. So, you said loyalty should be over multiple platforms and we should build our community vertically. Any thoughts on how we can approach that, to build our vertical community? So, that's my first question. Let me finish. So, my second question is for Caroline. There's one chart you showed us that we are seeing now we have more kinds of revenue instead of back when it was mostly advertising.

**Caroline Little:** Right

**Jacie Yang:** And actually, Jim, last year, you talked about how Dallas Morning News is having different kinds of revenues. So, in terms of total number, do we have more revenues right now? We are not catching up with 2007?

**Caroline Little:** No, it's less. I mean, I find that that transformation is all the more incredible, because in the last like eight or so years, the entire total revenues for advertising has just about been cut in half.

**Jacie Yang:** [not miked; inaudible]

**Caroline Little:** And I think people recognize that increasing has got to be diversifying.

**Penelope Abernathy:** Let me answer the question you had about how you build community in various ways. What we did, we went in and did a very simple loyalty test. It can be done by the smallest of newspapers. We basically put an online survey in. We also did a lot of one-on-ones. And you

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ask maybe 10 or 12 questions that helps you segment your audience by how their customer habits are changing [and] what their interests are. The last question you ask is, on a scale of 1 to 10 with 10 being high, would you recommend this to a friend or colleague? So, loyalty is only if you give it a 9 or 10. We count for great inflation. One of the things that we found is that loyalty is determined—people told us over and over again—loyalty is determined by whether the newspaper is viewed as being the most credible and comprehensive source of news and information they care about. So, you can think about it as three C's, but the most important C is care about. So, you then dig deeper and you say, "What do you care about?" Even in small communities, we found six different communities with special interests. So like, in little Whiteville, circulation 10,000—we had 200 students work on this project—they came up with six different communities. Included everything from sports of all sorts to plugged in parents to texting teens to curious citizens, the home for the holidays crowd, front porch neighbors. And what you then start doing is building a community section page, whatever, across multiple platforms. What we also found is loyalty is highest among those who use both editions. So, they look for the online to give them information they didn't get otherwise.

**Jim Moroney:** OK. Another question out there somewhere. Is there a question? OK. After this one, if you have a question to follow up, if you'd raise a hand, we can get a mike in your hand and kind of keep it moving a little bit more quickly.

**Man:** Can you hear me? Yeah, okay. My question is to the man with the new gadget. *[laughter]*

**Jim Moroney:** That's you. *[points at Valtteri Halla; laughter]*

**Man:** I like the idea that it's solar charged. How long does it last, you know, after it has been charged? And how useful is it in a place like Finland? *[laughter]*

**Jim Moroney:** I think he just slammed Finland...I think.

**Man:** Where half of the year is darkness. Thank you.

**Valtteri Halla:** OK, let me answer. So, we have the most demanding test lab in the planet, so, yes, it works. And right now, this is the first version and it's not actually solar. No sun. With sun, we can get lots of energy, plenty use. But it's the lamps indoors, and we have those in Finland, too. *[laughter]* OK. Ten hours of normal living room lights give you like one full newspaper today, like, downloaded on this, and two people reading it from the beginning to an end, on this first version, and then we can get way beyond this going forward. So, we talk about maybe a handful or ten updates over the day if you want to have an evening edition, morning edition, couple of newspapers or magazines. These things we can do with just light.

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**Jim Moroney:** I think one of the interesting things that Valtteri suggested to me yesterday, given the geography of Texas, how hard it is to get some metropolitan newspapers out into the farthest reaches of their DMA, that perhaps some of the customers out there would love to have this, because we can't afford to send the print paper there anymore, and they really want an experience closer to the real paper, not so much maybe an app or an HTML-5 designed site. Next question...right here somewhere.

**Jonathan Groves:** I have a question for Penny. It's Jonathan Groves from Drury University. I can't wait to read your book, and I'm glad that you're doing the site with that. I think that's a great, great resource to people who are interested in preserving community journalism, like many of us are interested in. I was interested in when you were talking about loyalty and you talked about what they see as being most credible and the comprehensive part. I wondered if any of your research looks specifically at what types of content these loyal users are looking at. Because it's one thing to say they see the entire institution as being credible, but does that necessarily mean they're looking at the watchdog type journalism that we all want to see pursued.

**Penelope Abernathy:** No, it gets back to the notion of, what do you really care about? So, and that's why I said that the real challenge for newspapers is both to continue to give this geographic identity to a place that's so important politically, but also to honor the notion that we all have special interests. So, a community news needs to think about itself as being the glue that binds a community newspaper -- the glue that binds a community in both politically, economically, as well as socially. So, in many ways, these other special interests or vertical interests that don't relate back, the good news is these vertical interests have revenue that goes with them. Advertisers want to reach those very committed consumers. And if you are very smart in the way you deliver the news, you can get somebody who cares perhaps sports to care about what's coming up at the school board in the same way you get somebody who's a curious citizen to care about it. So, it's really a matter of rethinking about your audience. It's back to getting what your audience is and what they care about and knowing them in a way that we haven't in the past. So, they are not a circulation statistic.

**Jim Moroney:** OK. Question right up here.

**Woman:** Yeah, first a comment. Actually, I'm correcting some facts. In June, in Finland, we have 24 hours light. [*laughter*] You don't need any lamps. Secondly, I wanted to ask Valtteri about, you were talking about the new e-paper. The cost is actually a fraction of the newspaper cost or whatever. So, what is a fraction of the cost? How much would it cost compared to the print newspapers? And who's picking up the bill? Publishers or who?

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**Valtteri Halla:** So, how big an order would you like to place?

**Woman:** I'm not interested in orders. Just tell me what's the price.

**Valtteri Halla:** No, that's the mobile business. The device business turns around the volumes. So, we need to get up with the volumes and the price will go down with that. Compared to the tablets or Kindle, like I said, we will go down like an order of magazine, lower bracket in the volume. So, in volume, like when we cross the level of million, we probably can go to really tens of U.S. dollars like I had in my slide. So, is that good enough? That's a very forward-looking statement.

**Jim Moroney:** Do we have another question up there somewhere? Right here. Question right here.

**Woman:** I've been listening to this symposium since the morning and I'm a little surprised when it builds itself as an international symposium how America-centric it has been. I'm not saying this to be rude, but not to be *just* rude, [*laughter*] but I do have a question for Caroline perhaps. Does the American newspaper industry see a source of revenue outside America? I mean, I live in Nepal, where a small country is actually printing the International Herald Tribune every day as a daily newspaper. And a lot of our media are carrying pages of your newspapers and full pages every day. So, I'm just wondering, is this not a source of revenue which you are very interested in, or does it naturally yield volumes?

**Caroline Little:** Not to the best of my knowledge other than for national newspapers, but there's a good chance I could be wrong. I do know that.... I suppose a number of newspaper companies do make money from printing other party's materials, but in terms of licensing outside national newspapers, I don't know. And I can see your point about international versus American.

**Jim Moroney:** OK. Question right here.

**Woman:** Yeah. I was just going to ask, why is it you think that media companies haven't just stolen the business model from cell phone carriers of bundling devices with our subscriptions and simply making that work for our advantage? I don't understand that especially with tablets. Why don't we just sell tablets with our subscriptions for two year and cut deals with those who manufacture them and turn that into our benefit?

**Jim Moroney:** Who's the question [for]? I'm sorry?

**Woman:** For anyone who wants to answer it. I've asked our own newspaper executives the question.

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**Jim Moroney:** I can tell you one thing: both the Los Angeles Times and the Philadelphia Inquirer tried to do that --

**Woman:** It didn't work?

**Jim Moroney:** -- with much fanfare. They brought it out and told us that they were doing it. We never heard about it again. So, now, maybe they were premature or it was too early. Maybe what Valtteri has at a low price point is the answer. But I know that at least some newspapers have discussed that very thing and two tried and apparently didn't succeed, but that doesn't mean they got it all right. Maybe others want to respond.

**Valtteri Halla:** Yeah. Maybe I'll comment some things here. Regarding the use of tablet and bundling that as a kind of media company offering, there's many trials around that, and oftentimes, they saw that really you need to lock down the thing and prevent usage of certain applications. Because they are so popular, the time goes there. If you want to have your brand on the top, people focusing on that, a focused device might be a better choice. Yeah. And people don't necessarily react very positively if you kind of lock down things and prevent them from doing things that they used to do with the tablet or other things. And then another comment about my kind of [device]. Henceforth, I meant more maybe the technology, that the device manufacturers, the solution creators, and of course the platform companies and more in the computing services and not necessarily mobile operators, but that's the place the so-called technology industry is just driving the digitalization. And they are putting out the solutions, and the media industry is basically settling for that and taking their level of usability as kind of the thing that it is nowadays. But you don't need to settle for that. There are opportunities to really picking it up and making the thing to serve, really.

**Jim Brady:** If I could just add real briefly, I mean, we were talking about how so much of digital is about consumer choice. I don't think like giving something.... I think people want to buy a device and then decide what apps they want on it. I don't think they want to buy something that's bundled with a bunch of brands they may or may not want, especially that has any impact on the price point at all. I just think people would rather buy the device they want, then put the content on it they want and have it be top to bottom their choice. And I think it's hard to impose on the consumer, like, "You must have these brands." So, I think that's a tough sell, because I think it goes against the tide of how consumers behave.

**Jim Moroney:** OK. So, we're out of time except for one quick answer down the line. Same question to everybody. How long will you be able to get a print newspaper if you want it?

**Penelope Abernathy:** It depends on where you live. At least for ten years if you're in a remote area. And how many days a week are you wanting it?

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**Jim Moroney:** OK. How about in Finland?

**Valtteri Halla:** Finland, they say that this year, by the end of this year, the northern half of Finland, it's not profitable anymore. It will stop if the kind of distribution solution is not there. Like, we really want to police the distribution and the prices are being raised aggressively. But metropolitan area, for a very long time, I think.

**Caroline Little:** Don't you guys have one of the best – aren't you one of the best wired countries in the world? Your infrastructure in Finland is much stronger than certainly in the U.S.

**Valtteri Halla:** Well, uh, uh....

**Caroline Little:** Just say it.

**Valtteri Halla:** Probably.

**Jim Moroney:** All right. How long, Caroline?

**Caroline Little:** I think you'll be able to get a printed newspaper for as long as I'm around. I'm not that old. [*laughter*]

**Jim Moroney:** OK. Jim.

**Jim Brady:** That's really hard. There's so many different variations. But I think the majority of probably dailies will not be printing in seven years.

**Jim Moroney:** OK. Thank you, all of our panelists. Thank you to the ISOJ. And thank you, Rosental.

**Rosental Calmon Alves:** Thank you!