

**DEVELOPING AN ONLINE NEWSPAPER BUSINESS MODEL:  
LONG DISTANCE MEETS THE LONG TAIL**

**BY**

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**ABSTRACT****Developing an Online Newspaper Business Model:****Long Distance Meets the Long Tail**

This literature review *cum* strategic proposal connects two concepts – Chyi and Sylvie’s notion of long-distance online newspaper audiences and Anderson’s long-tail statistical Internet economic model – into an approach that holds strong potential for the local newspaper. The author analyzes the standard online newspaper input chain via the resource-based view (RBV) to suggest a new product that’s consumer-driven in terms of its value. The author argues that the resulting “global long tail” (aka GLT) product, however, must be combined with a two-pronged marketing strategy involving mobile media and local businesses to succeed. Finally, the author lists value chain, technological, and feedback risks that newspapers will have to overcome or rethink to adapt the strategy to current operations.

Online newspaper strategy is an orphan in search of a home: Up until recently, consistent profits, market share, and sustainable growth have been scarce. Many companies are just now beginning to report an increase in online profitability. While most U.S. newspaper sites doubled their revenue, market share fell to 35.8 percent (from 44.1 percent in 2006) and the increase in revenue often came in lieu of print revenue: A Web ad cost 20 to 30 percent the cost of a counterpart print ad and a 1 percent drop in print revenue could not be made up by a 10 percent increase (Borrell 2007b; Stone, 2007a, 2007b). Average profit margins of online news sites approach roughly only half that of traditional media (Huang, 2007b).

The mixed results in large part reflect the mixed approaches. Although American sites – with the exception of *The Wall Street Journal* – largely allow free access to content while charging for archives or special-interest material (Strupp, 2007), many British papers charge for some content (Herbert and Thurman, 2007). Doubt exists as to the worth of online readers (Snedeker, 2007) and online measurement methods draw debate as to effectiveness or worth (Hedges, 2007). No general, proven blueprint or business model for online news exists (Krüger et al., 2003) and, although papers have tried several approaches (Mensing and Rejfeck, 2005), no new method has generated a rush of imitators. Although forecasts predict online ad growth will exceed that of newspaper ads (Van Duyn, 2007), no consensus exists among industry experts as to how to sustain acceptable levels (e.g., see, among others, Jones, 2007; Albers, 2007; Kubas and Kubas, 2007; Lemberg, 2007a; Lemberg, 2007b; Nesbitt and Lavine, 2004; Ernst, 2007; Cohen 2007; and Pfanner, 2007).

Confusion may be the result. For example, newspapers such as *The Washington Post* are held in high regard, not only for their success and reputation, but because of – in the case of *The Post*'s online edition – a willingness to experiment (Anonymous, 2007). But Picard and Dal Zotto's survey (2006) showed that while newspaper managers and owners saw unpredictability of developing markets as a key challenge, they did not (relative to other financial criteria) believe experimentation, positive action and imitating competitors as important in their investment decisions.

But we can't expect publishers to experiment blindly. There should be a successful business model that they can emulate or adapt to their own situations. But as suggested above and detailed later, no triumphant recipe or replicable formula exists. In developing such a model, this also will develop a strategic view that augments current schemes. Examples will show how newspapers can manipulate current value chains and create online products mining previously unforeseen and viable markets. These model cases also will provide fresh insight into online market strategy, the meaning of value, and relevant research.

## **THE SEARCH FOR COMPETITIVE ADVANTAGE AND VALUE**

Unsurprisingly, early research forecasted profit difficulties for newspapers. The widespread proliferation of "shovelware" that allowed newspapers to easily upload print material to the online product lead to cannibalization concerns (Chyi and Sylvie, 1998), and subsequently lead to the proliferation of free content (Chyi and Sylvie, 2001, Mensing and Rejfeck, 2005). One analysis (Fetscherin and Knolmayer, 2004) suggested content as "the most important key profit driver" (9) and that most newspapers were risking cannibalization because they use the online product as a substitute for the physical

one. This led to one scholar (Chyi, 2002) to label Web content as “inferior goods” and that the traditional subscription model wouldn’t suffice.

As the online newspaper business evolved, however, the drive for profit became more apparent, leading to varying and uneven levels of success. For example, a 12-newspaper study in Spain found that, “Online presence enables editors to leverage offline brand equity and tap into new audiences and advertising revenues” (Pauwels and Dans, 2001; 12), although increasing consumer usage became problematic. Ihlström and Palmer (2002) proposed “content-based revenue generation” (228) by using personalized, archival and versioned advertising. The analysis of selected Swedish online news services, their users and managers yielded several short- and long-term options, although, again, researches found a low user willingness to pay. In contrast, a survey of an Austrian regional newspaper’s online users found greater willingness to pay for specific services (Franz and Wolking, 2003) or if the content mainly served business purposes (Dou, 2004) or if the content appealed to younger users (Chyi, 2005). Still, some newspapers (e.g., Van der Wurff and Lauf, 2005; Thurman and Herbert, 2007) are reluctant to revise the print product in its online incarnation for fear of cannibalizing sales of the former. Free models still hold sway at most newspapers; an economic case study (Guentzkow, 2006) of one of the most admired U.S. sites – *The Washington Post* – reports that charging positive online prices would not likely increase profits because the product’s “welfare benefits...appear to outweigh its costs” (37).

The fear of cannibalization has subsided somewhat (Sparks, 2003; and Lewis, 2004) in various locales and been replaced by the fast-growing scholarly field of Internet business model proposition (Krüger and Swatman, 2002). These models vary in

terminology so much, however, as to make linkage difficult (Krüger et al., 2003). Emerging success patterns in Germany indicate that newspapers that identify their core components while adapting them to changing markets and distributing content via Internet network providers may establish some competitive advantages. To what extent this suggests a universal, one-size-fits all model, however, remains unclear; e.g., European newspapers' experiences (Krueger and Swatman, 2004) have identified several trends – involving identifying core competencies and branding, combining previous business models, detecting comparative advantages, niche marketing and technology-enhanced marketing. Huang (2007b) identified the emergence of new models: registration, complementary, partnering, portal, and transactional (18).

The identification of multitudinous models has coincided, not surprisingly, with the rise in newspapers online profitability (Borrell, 2007b; Huang, 2007b). Scholars have noted (e.g., van der Beek et al., 2005) the acceptance by the industry of paid content and of increased online advertising (albeit as a supplement to income from the print product rather than a stand-alone business). Most newspapers continue to experiment with various approaches – charging for some content, while relying on advertising to support other content (e.g., Herbert and Thurman, 2007). But the increased competition for online audiences and increased financial uncertainty (Picard, 1999) has only hastened the search for a successful business model. Suggestions have ranged from advocacy of mergers and acquisitions (e.g., Chan-Olmsted, 2004) or other forms of partnering – specifically alliances (van Kranenburg, 2006) since they avoid anti-trust issues concerns – to multi-pronged, comprehensive overhauls (e.g., Moser-Wellman, 2007) to familiar calls for enhanced customer focus (e.g., von Campenhausen and Lübben, 2002).

The current paper argues for utilizing in part the resource-based view (RBV), which argues for analyzing firms in the context of their resources rather than their products (Wernerfeldt, 1984). This approach suggests a firm's strength or weakness resides in its resources, and scholars have refined the model's utility in technologically transformative times as these to suggest that dynamic competition and technology do not nullify strategic resources, only redefine them (Barney, 1991).

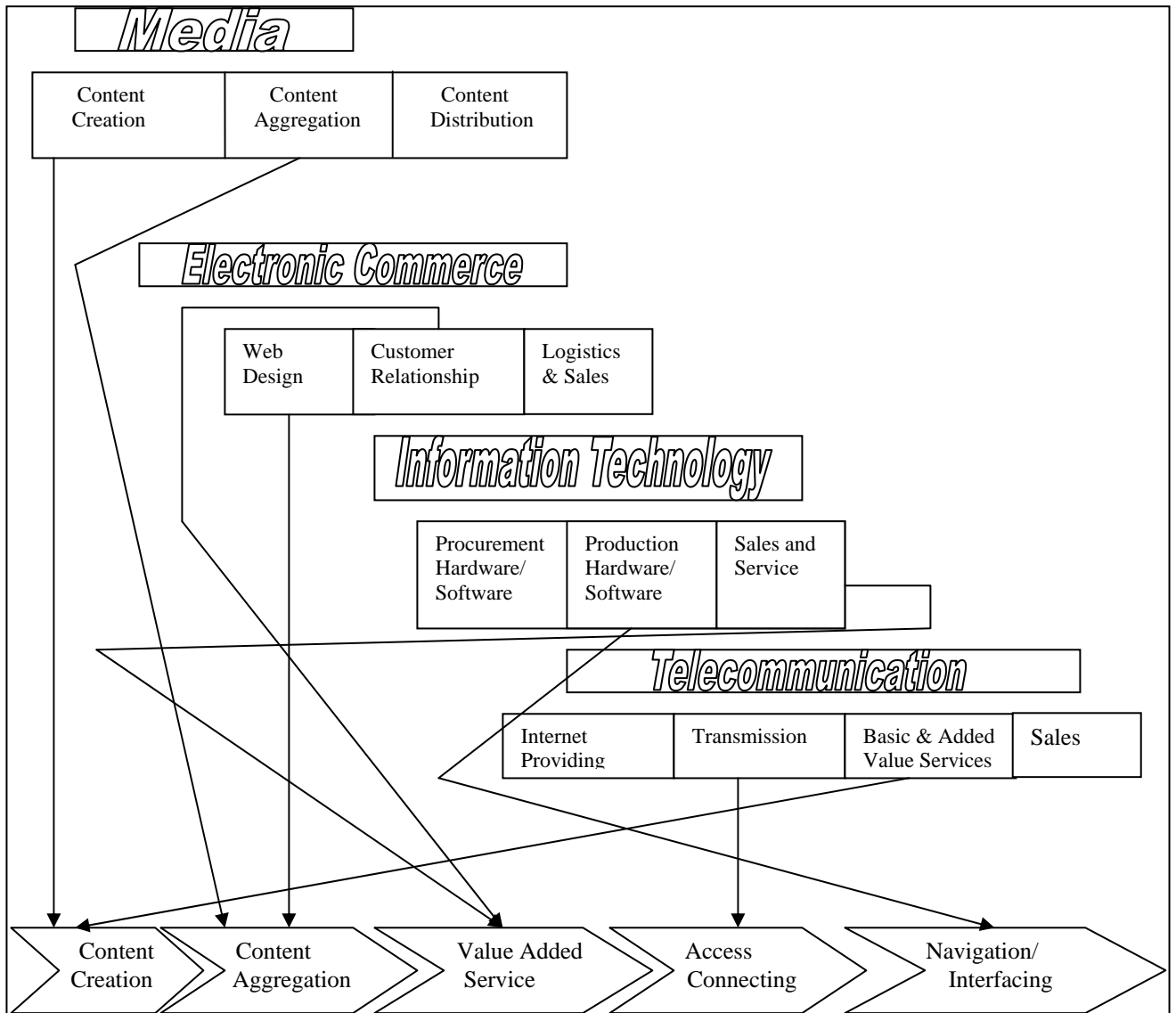
Armed with such assurance, scholars have focused the hunt for success on creating value via the value chain (i.e., a conceptual tool that breaks down a firm's core activities into nine categories<sup>1</sup> that "design, produce, market, deliver and support" the firm's product (Porter, 1985; 36)). In cyberspace, that has often meant viewing the chain – which one also can imagine as steps toward inventing value – through a market-oriented lens that should reveal new systems, efficiencies and new customer relationships (Rayport and Sviokla, 1995). Value chains, usually firm-specific, often get reconfigured in times of change or convergence, and then rebundled – in this case the chain stages include content creation, content aggregation, and content distribution (Wirtz, 2001).

Figure 1 (adapted from Wirtz, 2001: 495) shows the proposed reconfiguration of the online newspaper value chain. Technological refinements, such as the merging of content formats and the development of the 24/7 news cycle, suggests that newspaper resources can be regrouped to develop and meet the needs of new markets. The value chain structure in Figure 1 requires the four components – media, telecommunication, electronic commerce and information technology – to disassemble their value chains and

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<sup>1</sup> These activities are distinct bases for creating competitive advantage and include primary (inbound logistics, operations, outbound logistics, marketing and sales, and service) and support (procurement, technology development, human resource management, and firm infrastructure) activities (Porter, 1985; 33-43).

join the individual components. The ensuing product includes components particular to the new market, all re-bundled into a new value chain. In essence, the new online newspaper strategy attempts to combine value-added tactics of telecommunication with advanced technological distribution to provide specific content on demand.



**Figure 1: Value Chain Reconfiguration of the Online Newspaper**

Newspapers, however, historically unaccustomed to using such a lens because their traditional mass-approach mode, scarce competition and the high cost of competing



have prompted them to view customers as passive and accepting of any newspaper, have found difficulty in determining the nature of demand in cyberspace. Newspapers – until the gradual erosion of the newspaper-reading habit became a trend – historically have viewed product demand as functional and predictable, as opposed to innovative and unpredictable (Fisher, 1997). Newspapers’ difficulties lie in the fact that they operate in two types of products: one stable, the other changing (Krumsvik, 2006). As a result, they lack “a way of thinking which allows them to quickly recognize new opportunities” (Picard and Dal Zotto, 2006; 10). Speculation about an impending U.S. recession, coupled with possibly declining emphasis on paid models (Strupp, 2007) and current declines in advertising expenditures (Stone, 2007c) make the search for a workable model all that more urgent.

Traditional emphasis on core capabilities – as is the want of most newspapers today – can blind a company in an age of shifting and dynamic consumer tastes (Webb and Gile, 2001). Attempts to leverage core competence – i.e., the editorial content of a newspaper – to bring new, core-related products to market require a thorough knowledge of customer habits and desires. Simply “matching products with demographics” as some (e.g., Wikinson, 2004) suggests, will not work. Studies show (e.g., Coats, 2004; Dua and Segel, 2007) that U.S. online news consumers want functionality but also convenience, comprehensiveness, or timeliness, suggesting niche news products for “underserved consumer segments” (Dua and Segel, 2007).

The RBV – unlike a purely demographic approach – encourages a newspaper to examine its strategic assets for value beyond their contributions to the production process (Amit and Schoemaker, 1993). As Picard (2002) noted, business models evolve with time

and with the RBV, as a firm- and resource-focused approach, new innovations take time to develop. As alluded to earlier, using the RBV prompts the search for value, but from a customer viewpoint (Rayport and Sviokla, 1995). This implies that understanding value and the value chain leads to understanding resources, which determine how strategically applicable a business model can be.

### **VALUABLE INSIGHTS AND THE GLT**

The RBV suggests a resource must be rare, valuable, inimitable and unique to the company's other resources (Barney, 1991). The global economy, rapidly developing technology, changing consumer habits and other environmental modifications have started to dissolve newspapers' competitive advantage. For example, most daily U.S. newspapers carry national and international news; but the global reach of the online newspaper makes such news available from many sources, in effect rendering a local newspaper's attempt to provide such news – unless many of its own employees are employed outside the local market – as useless, or of little value.

As summarized by Picard (2006a), “Value management understands...that the enterprise needs to focus on providing a better value proposition than competitors” (74). Consumers' value of journalism differs, depending on the consumer (81). News organizations must create knowledge that consumers will value (82), via what the firm's journalists know and/or can access (87), and by way of understanding the differences in the ways consumers value that knowledge (90-95). Six factors influence whether value increases, including the amount of information, the speed at which it's disseminated, the consumer's distance from the source of the information/event, the information's exclusivity, its degree of specialization, whether it's been repurposed or repackaged, and

whether it's available in varying formats and media (90-112). As it concerns consumers, Picard suggest the information's exclusivity and its specialization are the only factors that strongly enhance value (112) – because differing providers can't supply the information.

But one of the half-dozen deserves a closer look. Distance supposedly creates a remoteness that begets “psychological separation,” and later, inattention (99). This assumes that proximity determines – and is inversely related to – relevance, supposes an us-versus-them mentality by the consumer and derives from apparently inadequate attempts to connect distant readers with such information (100-102). Recent research exposing the large numbers of “long-distance” online newspaper readers (Sylvie and Chyi, 2007), however, should prompt reconsideration of this view. Although they do not spend as much time on the newspaper's site as local readers, long-distance readers total as many or more than local readers at most U.S. online newspapers and thus constitute a largely ignored repository of value. On closer inspection, content's value is “both highly individual and highly contextualized” (Bates, 2006; 6). Emerging media's new technological, competitive, convergent and time-shifting (e.g., the DVR) capabilities create three sources of added value for customers: increased content options, controllability of time and means of consumption, and ease of finding and consuming desired content. As to how this audience could be mined and value created, a company's value chain – rather than being a one-directional concept – consists of a closed system that can generate additional value from existing resources (Jayaraman and Luo, 2007). As Porter (1985) said (134):

“The links between a firm and its buyer's value chain that are relevant to buyer value depend on how the firm's product is *actually* used by the buyer, not necessarily how it was intended to be used...Every impact of a firm on its buyer's value chain,

including every link between firm and buyer value activities, represents a possible opportunity for (product) differentiation. The more direct and indirect impacts a product has on its buyer's value chain, the richer the possibilities for differentiation tend to be and the greater the overall level of achievable differentiation...Differentiation, then, grows out of all the links between a firm and its buyer in which the firm is unique.”

As a result, newspapers – particularly online newspapers – must re-examine and redefine their resources (in many cases, this means promote their local news) if they're to create new competitive advantages and, thus, create new value. One way to determine, locate, and create such value involves parlaying advantages specific to cyberspace. For example, Chyi and Sylvie (1998) theorized that the Internet's global capacity may encourage online newspapers to pursue markets beyond their print editions' local boundaries and **the** presence of the print counterpart<sup>2</sup> differentiated an online newspaper's local market from its long-distance market – thus creating four online submarkets: 1) local information market, 2) local advertising market 3) long-distance information market, and 4) long-distance advertising market. Competition of a different nature characterizes each market, depending on availability of close substitutes (Table 1).

**Table 1**  
**Online Newspapers' Four Submarkets**

<i>Market</i>	Information	Advertising
Local	Compete with all local media, especially the print newspaper counterpart, for readership	Compete with all local media, especially the print newspaper counterpart and online city guides, for advertising dollars
Long-Distance	Compete with online publications offering similar content for readership	Underdeveloped

The authors suggested that online newspapers try to reduce overlap with the print product by distinguishing themselves.

<sup>2</sup> A local market is where the online edition and the print edition both are available; a long-distance market is where only the online edition is available.

The continuing development of more reliable measurements has rendered some of the former “fuzziness” of this market obsolete and we now know more: Among U.S. newspaper Web sites, the long-distance market accounted for 65% of monthly unique visitors, 52% of quarterly page views, and 55% of quarterly minutes of the overall traffic – meaning a substantial *unintended audience* market segment exists outside the primary circulation area of the print edition (Sylvie and Chyi, 2007). Some question exists as to the size of these remote readers; one estimate suggests they constitute 75 percent of the typical online newspaper site’s visitors reside in the same state as the newspaper and that while they constitute less than 10 percent of a site’s daily users, they make up as much as two-thirds of the monthly aggregate audience (Harmon, 2007; Belden, 2008). Still, such “incidentals” present prospects for growth.

In addition, the “long” or “heavy tail” statistical economic model (Anderson, 2006; Brynjolfsson et al., 2007) states that information technology – specifically the Internet – increases the share of niches in the distribution of a commodity. As Internet markets arm audience members with search capabilities, they also lower search costs and affect product usage (Brynjolfsson et al., 2007; 2). Researchers have begun to study the connection between the model and the Internet. For example aggregate video sales concentrate in a smaller number of titles among best-performing titles and the total of less-popular titles selling a few copies per week increased from 2000 to 2005 (Elberse and Oberholzer-Gee, 2007). Somewhat as McCombs (2007) envisioned for local news (6):

Local newspapers can more fully exploit their local franchise by presenting more news from “the swamp” that vast expanse of public life where most concerns about public education, zoning, and other public issues are experienced by the

majority of citizens...There is the opportunity...to serve numerous niche audiences with a rich lode of information that largely has been unavailable in the past.

The current proposal suggests one difference, however: that the consumer – not the newspaper – determines the product. Applied to the online newspaper industry, this “geographic long tail” (GLT) concept might suggest that usage may become less and less concentrated among “local” readers, i.e., those within relatively close proximity to the newspaper, and more concentrated among long-distance users – with deep repercussions on online newspaper product development strategy.

As with content, technology also would provide opportunities for advertising: Hypothetically, consumer-targeted technology would enable a newspaper to charge appropriate value since the product also would deliver a commercial intended for a particular subscriber (Wildman, 2005). Knowing the subscriber’s demographics, then, would increase per-audience-member advertising revenue and allow the newspaper to lower advertising prices (19-20). For the newspaper creating demand with the GLT, delivering specific audiences sought by advertisers would mean – just as newspapers currently do with their free publications – re-evaluating the value chain for new packaging, pricing, and advertising methods ((Kubas and Kubas, 2007). By viewing the market in its parts, and learning to place established value chain links to new use (e.g., Helfat and Peteraf, 2003), such newspapers will progress toward digitally and selectively address audiences (Jones, 2007). One key tactical element, however, remains for the GLT to succeed.

## **DISTRIBUTION AND PARTNERSHIPS**

The GLT approach requires newspapers to think beyond local markets, necessitating a coordinating mechanism to enable consumers to access content when the situation dictates it. The externality value of media – i.e., its intended *and* unintended uses – encourages and discourages globalization (or even any limited regional venturing beyond the primary market) from a media organizational standpoint: For example, newspaper firms want to have their various products but they also traditionally have exercised great control in how those products are packaged and delivered. Too, newspapers normally create news based on knowledge and interpretation of *local* issues and markets, leaving little, practical time for getting to know its long-distance audience. This knowledge gap represents a barrier to entry, in a sense (e.g., Chan-Olmsted, 2004). But that need not happen.

As Chan-Olmsted (2004) suggested, the external environment influences a firm's strategic behavior – in the GLT's case, the social and cultural aspects. The newspaper's content attractiveness may not only depend on the user, but the context in which the user resides and behaves. As such a context may be “foreign” to newspaper organizations, GLT requires a strategic partnership or network that will provide important entrée to resources, particularly to markets and the knowledge surrounding those markets that newspapers do not have (Chan-Olmsted, 2006). Such partnerships would emulate the film industry's “studio model” of programming, making news for non-newspaper-owned delivery vehicles (e.g., see Rayport, 2007). The alliances also would allow online newspapers to concentrate less on developing sites (a holdover from newspapers' build-it-and-they-will-come mindset of innovation, i.e., the labor-intensive Web portal model

that McCombs (2007) largely suggests) and more on taking advantage of their existing Web presence and putting control – and the creation of value – in the hands of the user.

Media companies usually prefer mergers and acquisitions to assure greater control over strategically critical resources; for example, distribution networks (Wirtz, 2001). But alliances allow for more flexibility and, in the case of smaller organizations and newspapers, create less need for corporate approval or supervision. The following key examples show the potential of GLT models and important considerations for potential applications.

**Mobile Media.** Since newspapers can be read on the Internet, and the Internet is available on mobile phones, one can reasonably expect mobile audiences to present a large potential market. About 1 in 3 newspaper site users have read headlines on mobile devices, 11 percent have used a mobile or wireless "hot spot" to access a newspaper site; newspaper site users are twice as likely as non-users to be interested in receiving news on a portable device and twice as likely to have shopped using the device (Stahl, 2006). Mobile phones already have considerable market penetration: Some 71 percent of U.S. mobile device owners have Internet access, and 41 percent use it (Online Publishers Association, 2007); some 37 percent of all newspaper site visitors have a cell phone with an Internet connection (Belden, 2008). Eight of the top 11 content types accessed by U.S. mobile Internet users involve news of various kinds (Online Publishers Association: 17) and 5 to 24 percent of these users would be likely to pay for the content, depending on the type (22). What's more, mobile Internet use adds to – rather than subtracts from – personal computer Internet use (27) and makes users more receptive to advertising in exchange for content (30).



Future users, with the advent of more user-friendly mobile interfaces, likely will increase the mobile Web usage of content and advertising: Additional revenue probably will accrue from value-added mobile services by 2009, especially when mobile devices (particularly broadband-providing “smart phones) lend themselves to audience targeting (Donovan, 2007). To make money, newspapers will have to make their content available to mobile providers in return for a percentage of the revenue. But whereas 4 of every 5 large (circulation of more than 250,000) newspapers provide mobile content, only 1 of every 5 small-market (circulation 50,000 or fewer) newspapers do so, meaning room for growth exists (Lawton, 2007).

Thus, distributing online newspaper content via mobile carriers creates a strategic alliance enabling online newspapers to dispense their content anywhere and anytime the user requests, in a vehicle and interface already familiar to the user. The increasing number of users and improving, Internet-friendly mobile technology would position online newspapers to take advantage of a growing list of possible e-commerce opportunities and exchanges.

***Business Partnering.*** At most online newspapers, local retail sets in motion most display advertising revenue, accounting for at least 90 percent (Lawton, 2007). But online advertising only drives about 5 percent of all newspaper revenue, two-thirds of it generated by classified advertising (6). Online sales represent about 3 percent of all retail sales (Oppenheimer, 2007). Search engines drive 26 percent of retail traffic, compared to 2 percent for news and media (37). As search costs continue to increase for retailers – the largest of which already outsource their e-commerce operation – the importance of social media sites (e.g., Facebook) will grow in driving traffic to retailers (33). So, room for

growth exists here as well. Newspaper industry officials already have suggested search engine optimization strategies as one way for newspapers to bring in more revenue (Newspaper Association of America, 2007) and improve search capacity only enhances the audience's capability to drive, access, and control the content they desire.

In retailing, an existing firm – via its products, services, experience, and reputation – already has bonded or created positive relationships with its customers. So an online newspaper that partners with a retailer can take advantage of the existing goodwill and customer relationships. Such “multiple customer bonding” (Wirtz, 2001; 499) allows the newspaper to draw from the retailer's logistical advantages and to bundle more potential stories and advertising content to the retailer's customers (500). The potential monetary rewards merit consideration (see Figure 2; for example, of all locally spent online advertising in 2006, the retail home improvement industry advertisers comprised 1.7 percent); in addition, online newspaper audiences tend – more so than average Internet users – to shop online (Scarborough, 2006).

Risks, of course, involve integrating a newspaper's operations with that of the retailer; but that need not happen if the online newspaper partners with a retailer whose business locale and logistics render the online newspaper unobtrusive. This requires some explanation: If partnering in a retailing situation, the online newspaper essentially seeks customers in a “single-copy purchase” or “passalong” – as opposed to a regular subscriber – situation. One of every 5 average weekday newspaper readers do not subscribe to the paper (Readership Institute, 2003a). They read it somewhere else, probably at a business establishment of some kind. People read newspapers for various reasons (Readership Institute, 2003b). Some of the higher-rated “motivators” –

experiences associated with higher readership tendencies (1) – include use of the newspaper as a dining companion, as a pass-around object, as a source of useful and credible advertising, and as a guide; this suggests the newspaper serves various functions.

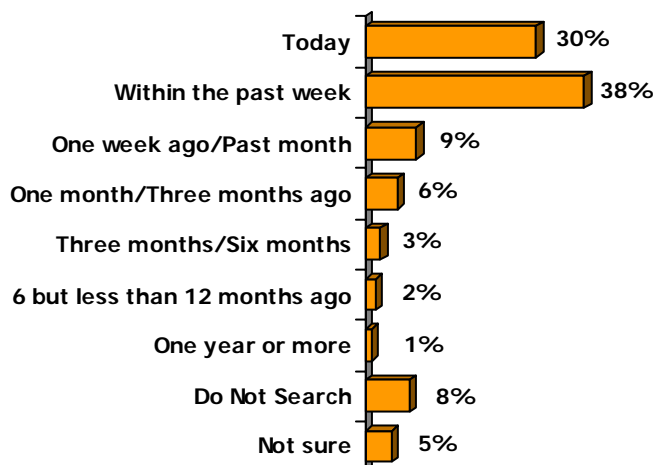
In various venues – bookstores, government, health institutions, reception areas of various kinds, restaurants where patrons typically dine alone, purchasing moments that beg or invite comparison shopping, to name a few – the online newspaper would add value to the experience. Seven in 10 online newspaper users report “searching” for product or services info in the last week (Harmon, 2007, see Figure 3). Nine in 10 shopped at a local store last year and show a wide interest in local shopping (see Figure 4; Belden, 2008). As more shoppers become accustomed to the speed and ease of online shopping, then, increasing numbers of retailers will seek to hand more control over shopping to customers (Byrnes, 2007), e.g., allowing customers to use mobile phones to comparison shop, installing booths for customer to search inventory, or redesigning their stores to encourage social networking.

Newspapers as retail-partners yield closer access to the customer, as well as more opportunities for transactions. This integration of online retailing with browsing also would allow retailers to eliminate product informational bottlenecks created by shelving and other space limitations (Picard, 2006b). Partner retailers could provide browsing kiosks or electronic newspapers for the customer’s unique search purposes. Meanwhile, online newspapers would provide content of substance – for leisure or for search-related activity – and advertising content allowing the consumer to comparison shop as well as plan future shopping.

**Figure 2: Local Online Spending By Advertising Category 2006**  
**All projections in \$ Millions (Source: Borrell Associates, 2007a)**

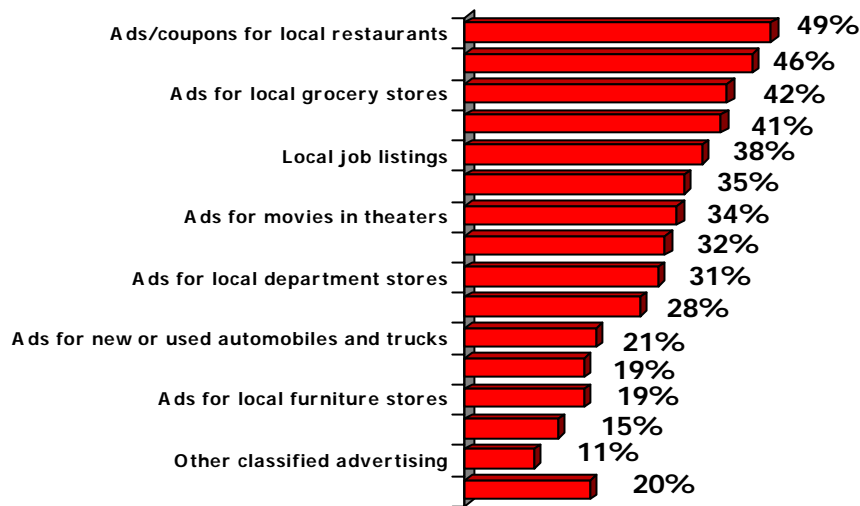
Category Description	Local Online Ad \$\$	Category Share
Real Estate	\$1,225.814	21.8%
Auto Marketing	\$711.471	12.7%
Credit & Mortgage Services	\$295.687	5.3%
General Merchandise	\$277.608	4.9%
Recruitment	\$228.598	4.1%
Government	\$181.786	3.2%
Hospitals	\$138.366	2.5%
Telecommunications	\$127.371	2.3%
Pharmacies	\$122.607	2.2%
Computer-related Services	\$114.036	2.0%
DotCom Businesses	\$112.321	2.0%
Eating and Drinking Places	\$106.056	1.9%
Retail Home Improvement	\$96.551	1.7%
Banks	\$96.390	1.7%
Financial Services	\$81.619	1.5%
Other Medical Professionals	\$71.074	1.3%
Food Stores	\$70.660	1.3%
Apparel and Accessory Stores	\$65.756	1.2%
Miscellaneous Retail	\$63.282	1.1%
Medical Doctors	\$50.664	0.9%
Business to Business	\$485.513	8.6%
All Other Local Advertisers	\$900.431	16.0%

**Figure 3: Percent of Online Newspaper Users Searching the Internet**  
**(Source: Belden Associates, 2005 Surveys; Sample Base:N = 14,560)**



**Figure 4: Percent of Online Newspaper Users “Very Interested” in Local Advertising, By Type**

(Source: Belden, 2008; Percent “Very Interested”; Sample N = 66,613)



In short, the combination of alliances and the GLT provides a marriage of three key marketing questions and facilitates the value-creation process for media innovators. First, because the user determines the content of value, GLT’s emphasis on content-as-search-result takes much of the guesswork out of determining what content will attract consumers. Second, because consumer interaction with a Web site often plays a significant role in the success of the site and the products or services it attempts to sell, GLT resolves many issues surrounding usability design. In addition to the emphasis on searchable content, GLT provides “original” content (originating in the mind of the consumer), renders unnecessary an alliance with a popular browser to drive traffic, and eliminates the standard bother from unwanted advertising (in the case of a user who

actually searches for advertising). Third, GLT offers a sense of community without imposing the journalist's or editor's view of that sense. Of course, online newspapers still can offer value-added, enhanced content via portals or destination sites for their more loyal long-distance users (McCombs, 2007). But search engine improvement intrudes less on that sense of community and makes it a self-determined phenomenon.

## **CHALLENGES**

Of course, no strategy carries zero risk, and the GLT is no exception. For the sake of brevity, the author has limited this discussion to important elements suggested by Porter (1985) and – acknowledging the control that consumers have asserted over content – (Spurgeon, 2008).

*The Buyer's Value Chain.* Online newspapers must be careful to examine the buyer's chain in context of differentiation (Porter, 1985: 52-53). This refers to how the buyer's activities incorporate the online newspaper product. For example, how would an online newspaper fit into Barnes & Noble's merchandising and the bookseller's customers' in-store activities? Each potential contact point with the consumer constitutes possible differentiation, or impact on the bookseller. In short, how does the online newspaper create value for the bookseller? What competitive advantage is being offered for sale or consumption? This may require online newspapers to rely on advertising and the bookseller's sales force to communicate the value to customers. Self-promotion and marketing – never considered most newspapers' strength – would have to aid B&N in seeing and valuing the online newspaper's uniqueness.

To do so, the online newspaper has two options: lower the buyer's cost or raise the buyer's performance (131-138) while educating buyers who probably do not know

they need nor could use the online newspaper in their value chains. This strategy-within-a-strategy warrants the online newspaper getting to know its potential buyers, their values, and what criteria create those values (141-150). So newspaper marketing departments will have to develop as much marketing savvy for the electronic product as they have developed in courting local advertisers for the print product.

This challenge also lies in the current newspaper's probable inability to ascertain motives for distant readers. Various incentives prompt readers to use the online newspaper; to date, however, newspapers mostly have had little interest in what drives long-distance readers. Whatever the reason – whether breaking news, psychological ties to geographic home of the publication, the search for information or a product, or something else – it is likely to differ in degree and frequency from reading rationales of local readers.

Although newspapers would have to arm themselves with the staffing and resources necessary to strategize for those differences, the cost still could somewhat be offset by revenue generated by new advertisers recruited to appeal to those additional distance readers. Taking the logic a step farther might involve rethinking the entire current revenue model driven by the print product: As Bakker (2002) noted, “Free newspapers are here to stay” (186). Free readers tend to be young, new readers (184-185), resulting in additional revenue. A newspaper freely distributing its print editions could specifically target the long-distance market for the online product (suggested by Chyi, 2008). thus re-directing the additional revenue brought in by new readers to hire (or outsource) new advertising staff to concentrate on solely on attracting new advertisers seeking to draw the attention of the distance readers.

*Technology.* The GLT model obviously requires newspapers to extend their reliance on technology. For example, the suggested mobile alliance implies online newspapers will place renewed trust in mobile innovation, particularly as it pertains to so-called “smart phones”’ ability to carry enhanced and increased broadband capacity and its associated functions. The technology’s cost and its capacity to cut cost likely will significantly determine newspapers’ willingness to partner, or even their opportunities to invest in its development or licensing (Porter, 1985: 164-181).

More importantly, however, newspapers have to become familiar with “potentially relevant technologies” (198) pertaining to the value-laden experience they’re attempting to exploit at the partnering establishment – regardless of whether that establishment is considering using it. For example, if an online newspaper wants to capitalize on a bookstore patron’s urge to have something to read while enjoying coffee, the newspaper must keep abreast of what information interfaces, hardware, and transmission possibilities exist with current technology and what’s being done to improve or replace it. Will the patron prefer an electronic tablet that provides only text? What type of content? What about graphics capabilities? How should advertising be displayed? Should the interface be portable? What kinds of searching will patrons most likely desire? What advantages should be provided versus the print product; versus a magazine or book? What is the newspaper’s brand equity (Ots and Wolff, 2008). These issues change somewhat with the situation, of course, but the point remains: The GLT obliges online newspapers to consider a dynamic, evolving technological strategy that will sustain competitive advantage as well as value to the user.



***Interactivity/Feedback.*** The new media of the early 21<sup>st</sup> century suggest new ways of thinking about content. “Conversational media are the communication services of the global network economy and information society” (Spurgeon, 2008: 2) and have implicit consequences for any media firm trying to maintain competitiveness. As noted earlier, savvy media can no longer consider consumers as a passive audience; consumers now demand more flexibility from content, as well as a personalization or intimate experience. Consumers, when typically using newspapers, have a certain, peripheral level of control because they select the information they need or want from what the newspaper provides; in contrast, cell phone usage provides consumers with dynamic, back-and-forth, source-to-user-and-back-again (thus “conversational”) control (5-6).

While this “conversational paradigm” (10) provides a traditional, printed newspaper with problems, online newspapers that recognize this inherent element of the Internet experience few problems with interactivity. But such newspapers tend to be in larger markets, with resources unmatched by their more numerous peers in smaller markets (Huang, 2007a) and suggesting that most newspapers still engage their sites with a print mentality. Consultants have advised newspapers that their Web sites must continue to add “a substantial amount of real-time consent” if they want success (e.g., see Belden, 2008). Consequently, advertising-driven models that most newspapers use also must consider this reality.

The GLT’s strength on this issue resides in its reliance on search and search rituals encouraged by such media as Google and Yahoo! Online newspapers already have discovered this in promoting their classified advertising and partnering with Google and others. This is fine for small, local advertisers, but what about larger, brand advertisers?

What does the mobile or non-mobile-retail setting suggest for the proper advertising experience for the consumer? Why would the consumer turn to the online newspaper in the first place?

Preliminary interviews (Ots and Wolff, 2008) suggests that a media brand relies on the loyalty of the target audience and how clearly retail buyers will see the target audience the brand attracts. Survey analysis by Shaver and Shaver (2008) found that, however, traditional local news media have some distance to regain the audiences they're losing to major, national news organizations. More than half of those who supplement their use of traditional media with online content cited convenience as an important reason for doing so, while a third said they did so because they sought information that traditional media didn't supply (84). This suggests the sophistication level of local newspaper marketing (among local consumers) probably needs improvement.

In sum, the GLT will require online newspapers to develop evolving adaptation strategies. Issues concerning the buyer, the technology, and the consumer experience present a new challenge to traditional newspaper thought about how to manipulate the advantages of search to deliver profit-sustaining insights about long-tail phenomena. All three challenges highlight the need for an enhanced role of integrated marketing communication in the newspaper's relationships with its varying advertising clientele.

## **CONCLUSION**

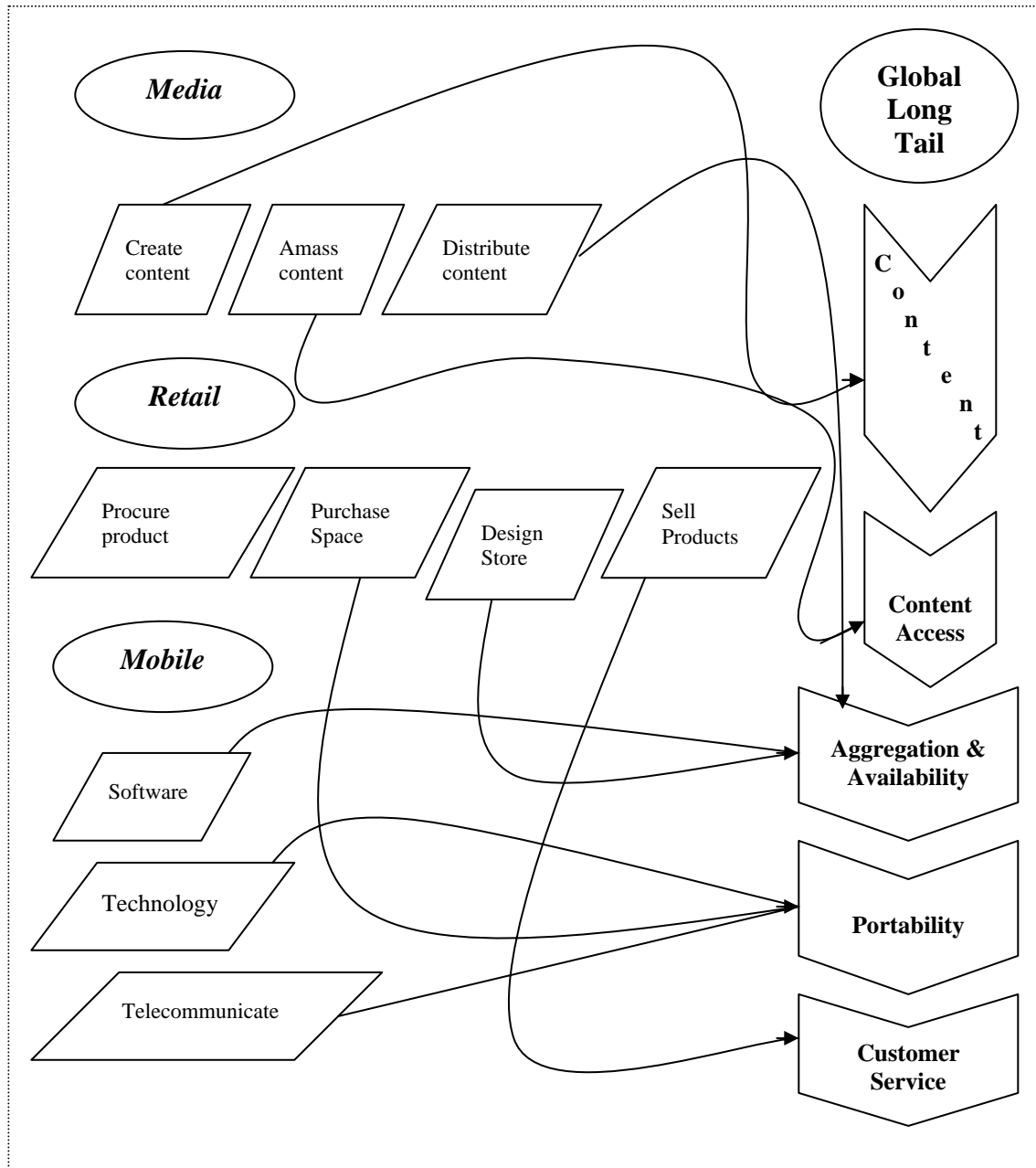
This paper certainly raises more questions than it answers. For example, the discussion has not even begun to approach the question of whether the GLT model should offer content for free or for a fee. Napoli (2003) predicted that "an evolutionary pattern away from advertising revenues is likely to accelerate" (180) and that "media

content will become less a reflection of advertisers' audience preferences and more a reflection of the preferences of those audience segments with the greatest willingness to pay" (181).

Nor has the discussion approached the element of timing of the GLT, i.e., when should newspapers adopt the model? Achieving a sustainable competitive advantage, according to Porter (1985), inherently involves gaining a cost advantage and, subsequently, controlling first-mover or late-mover advantages via the inimitable timing of purchase of materials (104, 112-113). But Sylvie and Witherspoon (2002) warned that current and potential audiences also concern themselves with time and "want information when it is most convenient" (193). The authors also showed that change is not incidental nor is innovation simply the result of an "Aha!" or "Eureka!"-like moment of inspiration; they suggested change occurs via the accumulation of a sequence of occurrences and events that build over time until someone with motivation synthesizes those experiences into a change that seems natural (174-180).

In like manner, this paper has attempted to further the discussion of changing online newspaper business models, in this case a discussion advocating reconfiguration of the value chains of media, retail, and mobile communication sectors (see Figure 5) into a completely new, multi-business product. The goal: to take advantage of the multi-niche audiences encouraged by consumer-driven use of the Internet as an informational and entertainment vehicle. The model favors the advice of Kubas and Kubas (2007) – i.e., it behooves newspapers to proactively create demand rather than wait for demand to determine content – while encouraging local daily newspapers to leverage their database via the improving their search capabilities, as they have been urged to do by their primary

trade association (Gipson, 2006). Such leveraging should occur with an eye toward the consumer-driven notion of value (Picard, 2006a) in order to avoid traditionalist media thinking (such as that cited by Picard and dal Zotto, 2006), which would limit the quality of the product (Trappel, 2005). After all, quality creates value, and value creates demand, something of which newspapers could use more.



**Figure 5: Value Chain Reconfiguration (From the Allied View)**

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