July 9, 2010

Who Owns the News? Discussant Comments

Kwanghui Lim, Melbourne Business School

Available at: https://works.bepress.com/kwanghui/18/
Who Owns the News

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Agenda

• What I learnt from Mark & Steven

• Thoughts from a Strategy perspective
  – Setting the groundwork for an open discussion
What I learnt from Mark Davison

• News is not the same as media in general (TV series, Movies, music, etc.)
  – It is a **perishable** good: sell it or lose it.

• Unclear Legal protections
  – Copyright doesn’t protect information, per se
  – Information gathering is also not protectable.
  – So, in theory we should see massive underinvestment, yet there is a lot of stuff out there.
    • Is there really an underinvestment problem? Quality problem? both?
    • Intrinsic motivation: people, as social creatures, seem eager to report on news around them (including youtube, blogs, twitter,...)
    • Some might even have a motive for doing so (e.g., @barakobama, @JuliaGillard, @bpglobalpr on Twitter, wikileaks, ...)
    • But how does the law fit in?

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What I learnt from Stephen King

• The Internet + Convergence are changing the delivery of news
  – Lower entry barriers, more competition, lower profits
    • We’ve heard this story before with music & movies & books...
    • Also with radio vs TV, railroads vs cars, film vs digital photography.
    • Old firms are struggling, new ways of making money may emerge.
  – Consumer surplus has gone up
    • Not just are they getting a bigger **quantity** of news, but also enjoying things that better match their preferences, due to greater **specialization**.
    • They are also becoming a bigger part of news **creation** and **distribution**.

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A Business in Trouble

Newspaper Death Watch

Chroning the Decline of Newspapers and the Rebirth of Journalism

Old, New Journalists Collide

By admin | June 30, 2010 - 1:02 pm - Posted in BusinessModel, Citizen Journalism, Future of Journalism, Journalism, NewMedia, Newspapers, OnlineMedia

We spent a couple of days in New York earlier this week enjoying the suffocating heat while hearing what other people are saying about the changing media landscape. On Monday, the Bulldog Reporter Media Relations Summit presented a panel of mainstream media veterans from the Wall Street Journal, CBS and Hearst Magazines and one new-media upstart from Huffington Post, a news organization whose sudden success baffles a lot of traditional journalists.

The best quotes were from Alan Murray (right), Executive Editor of Wall Street Journal Online, who at one point characterized Huffington Post and similar aggregation sites as "parasites." Facing HuffPo Managing Editor Jai Singh (below left) at the other end of the stage, Murray one point asked, "Isn't that the Huffington Post model? Go do something else and then we'll let you be a journalist?"

Singh, a print journalist who was an early pioneer in digital news at CNet in the mid-90s, declined to engage in battle, preferring instead to carry the banner for a new kind of journalism. Defending HuffPo's participative model, he remarked simply, "Community is fundamental to journalism online." Huffington pays few of its contributors, rewarding them instead with visibility and Web traffic. Singh noted that a blogger recently asked HuffPo to pull down a link to his site because the traffic was crashing his servers. Murray conceded that the traffic from Huffington was gratifying.

Murray was a bit smug in pointing out that the Journal never gave away its editorial content and today generates about $200 million annually in digital revenue, or about double its $100 million editorial budget. "But how many other pubs are going to be able to get to same place?" he asked.

Ellen Levine, editorial director of Hearst Magazines, didn't seem particularly worried about that question, although she acknowledged that journalists will no longer have the luxury of being insulated from the business side of the house. "The most important thing I've learned in last 54 years is if you don't understand the P&L, you are out of business," she said.

Levine sees the market dividing into two camps, with disposable print on one end and high-end luxury magazines on the other. The disposable market will migrate quickly to readers like the Apple iPad, but Levine said luxury publications are going to be around for a while. "The day I can wrap myself in my iPad in the bathtub, that's when magazines will be gone," she said, drawing the biggest laugh of the session.

Investigative Journalism Under Siege

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On the bright side, as of 5 mins ago, Paul the Octopus had 4200+ news articles
The News Business

• Revenue Sources
  • Advertisements
  • Circulation/subscriptions

• Complements:
  – Online distribution (?)
  – Rewards programs (?)
  – Transaction fees as a broker for matching readers to merchants (?)
  – Non-news content
  – Interactive content (e.g. Ipad)

• Substitutes & Rivals
  • Google, Twitter, Facebook
  • Youtube
  • Free newspapers
  • Bloggers and other online commentators
  • Craigslists, ebay, and classified ads

• Barriers
  • Copyright?
  • Other temporary rights?
  • Economies of Scale and Scope

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Traditional news organizations

- Curated Content
  - Fact checking and journalistic standards
  - Editorial Content & Skill
- Press access
- Trained Photojournalists, videographers, interviewers, journalists

- Media slant?
- Independence and ownership?
- Efficiency of delivering news
- “Top-Down” vs “crowdsourced”
  - The best way to know about earthquakes and disasters is Twitter, not the news channel

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What should a CEO do?

• Option 1: Close Down
  – Return money to shareholders
  – Demand patterns are shifting, maybe we don’t need that many news organizations
  – Painful, but in some cases may be for the best
NEWSPAPER DEATH WATCH

2009 By Numbers

* Does not include corporate/ non-newspaper specific layoffs
† Associated Press, Dow Jones Co.,
Gannett Co. Inc., Gannett Media
News Service, Lee Enterprises,
McClelthy Interactive, Media
General Washington bureau and San
Newspapers
† Their number does not include the
Associated Press, which is a
cooperative, or a newspaper or the
Chicago Sun-Times, Dallas Morning
News or Sun Newspapers.

919
No. of employees laid off at
the Orange County Register
on Sept. 1st when delivery
was outsourced to the Los
Angeles Times — the largest
single layoff incident of 2009.

40.7
Average no. of newspaper
layoffs per day, including
weekends and holidays.

143
Number of newspapers that
stopped publishing a print

584
No. of newspapers
that laid off employees in 09.†

55
No. of newspapers
reporting layoffs in
California — the most
layoffs of any state.

1,123
Difference in the number of
layoffs recorded in 2009 vs.
2008.

1
No. of newspaper
publishers or editors
who have returned
e-mails or other
messages inquiring
about layoffs.

1
No. of newspapers
reporting layoffs in
Rhode Island and
Delaware. In all other
states, layoffs were
reported at 2 or more
papers.

How much will they be missed?

A survey by the Pew Research Center asked
readers if they would feel the loss of either print or
online versions of their local newspaper. Forty-two
percent said they would not miss their city paper much
or at all. Twenty-six percent didn’t think the loss would
hurt civic life in their communities, and nearly 30
percent said there would be
other ways to get news if
their local paper shut down.
What should a CEO do?

- Option 2: Complements
  - Give away the news and make money off advertising and premium subscribers
    - E.g., NY Times (now), Fairfax – The Age, Google News
  - Old wine in new bottles: that’s what newspapers have been doing all the while.
  - Accept a lower ROI(?)
    - linking+ reading from emails and social networks, not just browsing

Daily newspaper revenue

As the world headed into recession in 2008, newspapers in different countries varied greatly in the extent to which they relied on advertising for their revenues. According to the OECD, a think-tank, Japanese newspapers got only 35% of their revenues from ads. The rest came from the amounts that readers coughed up. But 87% of what American newspapers earned came from advertisers. This made them much more vulnerable to the decline in ad spending that accompanied the global economic crisis. Among the 20 countries for which the think-tank provides figures, only in four—Japan, Denmark, the Netherlands and Italy—did newspapers get more than half their revenues from their readers.

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What should a CEO do?

• Option 3: Fight Back
  – Use Paywalls and rely on subscribers
    • E.g., WSJ ($60m/year), Financial Times (ft.com was $300/yr, now $125/year).
    • “Quality journalism has to be paid for”, John Ridding, FT CEO
  – “Free-mium strategy
    • A few free articles to the general reader but full access only to paying subscribers, e.g., The Economist
  – Push for rights over headlines and feeds
  – Several concerns:
    • Enforceable? Bypassing is easy, e.g., as with online music
    • Loss of relevance: tradeoff in advertising revenue. FT has only 110+k subscribers
    • Walled gardens on the internet, broken links

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What should a CEO do?

• Option 4: Diversify and hope for synergy
  – Broaden from being a “news” organization and become a “media” organization
    • Embrace convergence and rely on scale
  – E.g., News Corporation
    • Initially Australian, now 75% revenue in US
    • TV + Cable + Satellite + Newspapers + Books
  – Threats by an “upstart” called Google which is five times the market cap of News Corp (!)
What should a CEO do?

• Option 5: Reconfigure
  – Refocus on specific markets
    • e.g., Metro papers are recasting themselves as local papers (cities, communities),
    • Focusing on specific topic areas
    • Radio still exists, long after TV appeared, but is different now.
  – Explore new distribution channels like the ipad
    • Unproven, untested. Still in an exploratory phase

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Reconfiguring a firm needs a change in mindset.

By DAVID POGUE
Published: July 7, 2010

Last month, the standards editor at The New York Times wrote a memo that shocked — shocked! — bloggers everywhere. He asked Times writers to avoid using the word “tweet” (as in, “to say something on Twitter”).

“We don’t want to seem Paleolithic,” he wrote. “But we favor established usage and ordinary words over the latest jargon or buzzwords.”

That the Internet’s reaction was so swift and harsh only proves the point: the techno-savvy population can’t even conceive of the existence of a less savvy crowd. If you use jargon every day, you can’t imagine that millions of people have no idea what you’re talking about.

I do a lot of public speaking. And even today, when I ask my audience how many know what Twitter is, sometimes only a quarter of the hands go up.

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Endowments as another option?

"THE basis of our governments being the opinion of the people, the very first object should be to keep that right," Thomas Jefferson wrote in January 1787. "And were it left to me to decide whether we should have a government without newspapers or newspapers without a government, I should not hesitate to prefer the latter."

Today, we are dangerously close to having a government without newspapers. American newspapers shoulder the burden of considerable indebtedness with little cash on hand, as their profit margins have diminished or disappeared. Readers turn increasingly to the Internet for information — even though the Internet has the potential to be, in the words of the chief executive of Google, Eric Schmidt, “a cesspool” of false information. If Jefferson was right that a well-informed citizenry is the foundation of our democracy, then newspapers must be saved.

Although the problems that the newspaper industry faces are well known, no one has offered a satisfactory solution. But there is an option that might not only save newspapers but also make them stronger: Turn them into nonprofit, endowed institutions — like colleges and universities. Endowments would enhance newspapers’ autonomy while shielding them from the economic forces that are now tearing them down.
Is News Really a “public good”? 

• Before we move to endowments and other interventions, we should really consider: 
  – What aspects of news really are public goods? 
    • Maybe the journalistic parts 
    • But not the Business section, Lifestyle, Real Estate & Classifieds, and host of other things that have private returns 
  – Even if they are, do we need to subsidize them? 
    • Examples of individuals reporting on news from areas where the press is denied access 

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A Final Thought:
Does Ownership Matter?

• **News distributors** (media firms)
  – Timely and accurate dissemination of news
  – Concentration, antitrust and competition

• **News content**
  – Should not matter if the market is working and it can be traded/licensed (!)

• **Ownership of news gathering organizations**
  – Concerns over news “quality”?
  – Concerns over bias and slant? Independent press

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