Chapter 9

Managing Digital: *Audience, Data and Dollars*

Although all digital news organizations live in a brutally competitive environment, some companies do much better than others because their managers respond more deftly to opportunities.

Arianna Huffington is in that category, and the Huffington Post's growth in audience[1] and influence[2] is an example of a sustained idea and management attention. The venture capitalist Eric Hippeau was an early investor and was CEO of the site for several years, until its sale to AOL in February 2011. He was struck by the conviction of the founders—Huffington and Ken Lerer, a corporate communications executive turned venture capitalist—that much of U.S. society had lost trust in authority and in journalism. When Huffington Post launched in 2005, blogs were resonating with consumers. "They didn't have to go through gatekeepers—journalists," Hippeau said. "Blogs could democratize news." Logically flowing from this idea was a focus on encouraging reader commentary, and HuffPost hired people to help ensure that the conversation would be democratic and open.[3] "It is expensive to moderate," Hippeau said. "We have 25 full-time in-house moderators."

What HuffPost's founders didn't know at the beginning was how rapidly social media were going to grow. After all, in 2005, YouTube was just getting started and Facebook was still confined to colleges and universities. But HuffPost's management quickly realized that the social media trend fit with their original convictions. "As the audience embraced social media, we followed, " said Hippeau. And that attention to engaging readers—who now contribute 4 million comments a month on the site—led them to spend more on technology and less on content.

Huffington Post also developed an ability to respond quickly to the data that it was getting on traffic and usage—something that is a crucial component of success in digital journalism. Indeed, data analysis has moved from being a required skill in media companies' finance departments to being an essential part of the résumé for editors, writers and designers.

At CNNMoney.com, "Everyone on the staff has access to page-view and traffic data," says Executive Editor Christopher Peacock. The staff gets daily emails listing the top 50 stories by section as well as by the entire site. And, he says, "We have real-time metrics. We have a proprietary system to tell us how engaging our headlines and home page are."

LIN Media, with its 32 local TV broadcast stations, has an integrated content-management system that distributes content (and allocates costs) across all its markets and platforms. Its daily report on the previous day's metrics is sent around to business and editorial departments each morning. "Sometimes this report affects broadcast TV decisions as well," says Robb Richter, senior vice president for new media. "It's like having a great focus group all day long."

Forbes Chief Product Officer Lewis DVorkin writes a blog about the company's evolving business practices, often noting the integration of previously independent departments, functions and platforms at the company. DVorkin sees this integration as essential to Forbes' digital growth. "The Web and social media turned everything upside down. Knowledgeable content creators, audience members and marketers, too, now possess tools to independently produce and distribute text."[4] Expanding readership, once the job of circulation experts, is now done by business and editorial employees who develop "audience growth strategies," which shape coverage. When they decide which topics (say, college tuition) are likely to attract more readers, or different readers, that affects the recruitment of bloggers, and the efforts of staff and contributors to find followers and fans.

Forbes also encourages its largest advertisers to contribute content directly to the magazine and the site as part of their advertising buy. The companies are given tools to publish content—text, video and photos—on their own page on the site. This might startle journalists who expect strict separation between the editorial and business sides, but DVorkin sees this effort as a logical way to bring in advertisers who know they can create digital content elsewhere, through websites and email. Labeling the material as coming from advertisers helps inoculate the company from violating the church-state divide, DVorkin says, adding that Forbes' approach allows marketers not to be confined in the "ghetto" of freelance-written advertorial. The advertisers' material is not edited by Forbes and appears online and in the magazine as "Forbes AdVoice."[5] (If it's for the print edition, Dvorkin reads it for tone, but says he does no more than that.) The print AdVoice column—limited to one per issue—appears in the table of contents and may run next to a related story. An online column is featured near relevant editorial content.

Giving advertisers direct access to an audience without previously approving the message is a big departure for media companies. The American Society of Magazine Editors' standards, revised in January 2011, are strict about separating ad content visually from editorial content, but they are silent on the access issue.[6]

Eric Hippeau, who has gone back to being a venture capitalist, calls this approach "turning your customers into publishers." Advertisers, he says, will not only create content that will increase traffic, but this will represent "a great diversification of revenues" away from advertising sold by the page view. Before Hippeau left the HuffPost, the company had just launched a program that charged flat fees and gave advertisers the opportunity to "have a conversation" with the site's audience through posts and responses. He believes that once companies start interacting with the audience in this environment, they will be hooked. "Once a brand starts that process, they are not going to stop. This is a great benefit to the media companies."[7]

Managing digital journalism properties often means stepping away from roles and job descriptions that were found in traditional operations. At AOL, executives have decided that content areas such as business or technology should become their own business units, or "towns" in the AOL patois.[8] And editors are increasingly responsible for determining the revenue potential of stories.

An explicit rendition of AOL's strategy can be found in a 57-page internal PowerPoint called "The AOL Way," which was leaked to Business Insider in February 2011. The handbook outlines AOL's plans to lower the cost of creating content while increasing revenue, with explicit targets; it was written a few weeks before AOL announced its deal to buy the Huffington Post.[9]

The company's rule of thumb is that the cost of acquiring a story should be no more than half the amount of ad revenue expected to come from that story.[10] An editor who wants to pay for a premium freelancer must also estimate the size of the audience for the assignment—in other words, the editor must cost-justify every story.[11] In the chart below, the company shows average costs and revenue by story type. The first column lists the department or source of the story, and the next column states the average cost of these stories. These figures are then matched with the "eCPM"—or effective cost (to advertisers) per thousand page views—and from that, AOL estimates the number of page views needed to break even on that story.[12]

Which AOL way for content?

PV Targets By Content Type – Rules of Thumb

SEED Network Article →	$25 Base Cost →	$5 eCPM →	7,000 PVs to Break Even
StudioNow Video →	$340 Base Cost →	$20 eCPM →	34,000 PVs to Break Even
"High Gloss" Content →	$100 Base Cost →	$9 eCPM →	16,000 PVs to Break Even
Photo Gallery →	$50 Base Cost →	$5 eCPM →	14,000 PVs to Break Even
Premium Article →	$250 Base Cost →	$9 eCPM →	40,000 PVs to Break Even
Premium Video →	$5,000 Base Cost →	$20 eCPM →	500,000 PVs to Break Even

Example:	**$100 Base Cost** x 2 = Break-Even Revenue Target
	($200 Target ÷ **$9 eCPM** x 1,000 = 22,222 Impressions Needed
	22,222 Impressions ÷ 1.4 Impressions/PV ≈ **16,000 PVs Needed**
Note:	Video is priced per view, so do not divide by 1.4.

DEFINITIONS: PV = page views; eCPM = effective cost per thousand page views.
SOURCE: Reproduced from leaked AOL document, "The AOL Way," January 2011, page 17

One method of building traffic is to hop onto hot topics, the document advises. "Use editorial insight and judgment to determine production," the document says, offering as an example that if "Macaulay Culkin and Mila Kunis are trending because they broke up," someone should "write a story about Macaulay Culkin and Mila Kunis." And editors are told to always keep expenses in mind. The cost of content can run from $25 for a freelance article that needs 7,000 page views to break even, to a $5,000 video that will require a half-million streams to recover its costs.[13] Catchy headlines, such as "Lady Gaga Goes Pantless in Paris" (from AOL site StyleList.com) are important to entice readers from search.[14] Similarly, an article headlined "Benadryl for Dogs" should cost $15, because its revenue potential is around $26.[15] "We are heavily invested in analytics as this is the way to empower our editors and journalists," Neel Chopdekar, vice president at AOL Media, said in an interview shortly before "The AOL Way" was made public. He calls this "bionic journalism—the best of man and machine."

Paying freelancers by performance is not as unusual a practice as paying editorial staff that way. About.com, the general information website founded in 1995 and now owned by the New York Times, pays its expert writers, or "guides," by performance.[16] USA Today announced in early April that it is considering paying bonuses to writers based on page views.[17]

Digital companies, which lean heavily on part-time contributors or unpaid commenters, are constantly on the lookout for cheap labor. And mainstream news companies have long offered psychic, rather than financial, rewards to its reporters and editors.

Forbes' DVorkin is experimenting with pay schemes for blogging "contributors," whom Forbes compensates with a flat monthly fee. On top of that, Forbes pays a bonus if a writer reaches a certain target of unique visitors. (DVorkin declined to give details about pay at Forbes, but he did say that at True/Slant—the Web company he owned before coming to Forbes—contributors would typically earn about $200 per month, and some would get twice that much, counting their bonuses. A "few" earned several thousand dollars a month.) DVorkin said he'd like to add more metrics to the calculations—for example, Twitter followers or repeat visitors.

"In the newsroom, we are trying to develop different currencies to value success," says CNNMoney.com's Peacock. Journalists typically feel rewarded when their stories run on the front of a print publication, or lead the evening news. "We are trying to develop different kinds of 'front page' experiences for the journalists," Peacock says. But the new standards, such as the number of page views or comments, are often beyond an editor's control and are just as likely to be determined by readers, aggregators or bloggers.

Digital executives also must constantly decide when to deploy staff to work on new or experimental products that don't meet the new productivity tests. Tumblr, the social media microblogging platform, gets billions of monthly page views overall, but its value to most media companies is still negligible. Some journalists are fascinated with what it might become in terms of driving traffic or buzz—and their employers let them spend time with the platform, if only to be sure they don't miss out on something that might turn into the next Twitter. For example, GQ has a Tumblr site with just 12,000 followers—a tiny fraction of the print magazine's monthly circulation of 800,000. GQ's senior editor, Devin Gordon, says "Tumblr is a side project, but I care a lot about it." He and an editorial assistant limit themselves to no more than two hours per week posting Tumblr content.

Managers of digital operations must also deal with journalists who are able to establish a following on the basis of their own talents rather than the prestige or reach of the news organization. Andrew Sullivan's Daily Dish was responsible for 1 million monthly unique visitors, or about 20 percent of the traffic, at the Atlantic's site. But it was Sullivan's audience, not the Atlantic's; the blogger owned the brand equity. So when he moved to The Daily Beast in April 2011, he took his unique users with him. This phenomenon isn't entirely new, of course. Columnists like Walter Winchell would change employers in the glory days of the 1920s tabloid wars.[18] But in digital journalism, audiences can follow stars with great ease, and conceivably journalists with big individual followings could begin to keep, and try to make money from, data about their readers, rather than leaving that to their employers.

DVorkin says he is changing the way he judges the quality of a reporter. "It used to be a question of how they develop their sources. Now it's how they develop their sources *and* their audience." He expects Forbes journalists not just to cover news, but to be "maestros" of comments and of followers. And they have to be recruiters. "When we used to hire a reporter, we'd say, 'Show me some clips.' Now I say, 'Who is in your orbit? Who are your sources? Who do you know? Who can you convince to contribute?' "

The brutally competitive nature of digital journalism also extends to advertising sales, and many traditional media companies have a hard time justifying a large commitment to the effort simply because the returns, at least initially, can be so small. Consider the case of a company that publishes family-oriented magazines and a website. The company (which asked for confidentiality in return for providing its data) runs a profitable monthly print magazine, with free distribution of 400,000 copies within a top-five metro area. But its attempts to replicate its success on the Web haven't worked out. The site associated with the publication gets 200,000 unique users and 1.5 million page views per month. The expenses associated with the site amount to only around $181,000 per year, but that isn't quite covered by its ad revenue. Indeed, digital advertising accounts for just under 4 percent of the company's $4.68 million in annual ad revenue.[19] Of the company's 1,500 ad clients, 100 are online, and of those, only about 10 advertisers are exclusively digital

LIN Media sells an estimated $30 million in advertising from its Web and mobile efforts; that represents about 7 percent of total revenue, or a significantly larger percentage than many other local broadcasters claim.[20] But to put that figure into perspective, compare it to automobile advertising, which typically accounts for about 20 to 25 percent of total ad revenue for local broadcast companies.

These companies face an ongoing dilemma. If they didn't make an effort to sell digital advertising, they wouldn't lose much income—for now. But they believe that digital delivery of their content is bound to grow over time, so they are investing in working out pricing and customer relations even though the immediate return doesn't justify the effort. Whether they can play out these digital advertising calculations successfully depends on the quality of their management.

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1 "January 2011: Top U.S. Web Brands and News Sites" Nielsen, Feb. 11, 2011. http://bit.ly/evjGr6 and Compete.com, HuffingtonPost site analytics, April 22, 2011.

2 Technorati.com, Huffington Post is the most influential blog of the 1.2 million tracked. April 22, 2011.

3 Speech, Harvard Business School Club of New York Media Guru breakfast, April 5, 2011.

[4] Lewis DVorkin, "9 big steps in 9 short months, now Forbes is building The New Newsroom," Forbes, March 1, 2011. http://bit.ly/fp1lwk

[5] An example of this treatment is an article written by Eric Lai of SAP, "Video Killed the Radio Star, But Smartphones Did NOT Kill the Flip Cam," Forbes.com, April 14, 2011. http://bit.ly/glYrnr

[6] "ASME Guidelines for Editors and Publishers," Magazine.org, Jan. 25, 2011. http://bit.ly/e3UZkS

[7] Speech, Harvard Business School Club of New York Media Guru breakfast, April 5, 2011

[8] Jessica Vascellaro, "Remaking AOL in Huffington's Image," Wall Street Journal, April 7, 2011. http://on.wsj.com/heuDE7

[9] Nicholas Carlson, "Leaked: AOL's Master Plan," Business Insider, Feb. 1, 2011. http://read.bi/eTBJBJ

[10] The AOL Way, January, 2011, page 28.

[11] The AOL Way, January, 2011, page 17.

[12] Ibid.

[13] The AOL Way, January, 2011, slide 18.

[14] Jennifer Barton, " Lady Gaga Goes Pantless in Paris," Stylelist, Dec. 10, 2010. http://aol.it/eTvVbJ

[15] The AOL Way, January, 2011, slide 33

[16] About.com guides get paid by the page view but do have a minimum guarantee. Dan Frommer, "About.com Cutting 10% Of Staff, Pay Cuts For Guides," Business Insider, Feb. 5, 2009. http://read.bi/i4NNV0

[17] Jim Romenesko, "Report: Gannett to give page view bonuses to writers," Poynter, April 7, 2011. http://bit.ly/dE9p6f

[18] Walter Winchell famously left the Evening Graphic and later joined the Daily Mirror in 1920s New York.

[19] Details of the site's financial information:

Details of family-oriented magazine's website financials

	Estimated 2010
Total revenue print + digital	$ 4,684,000
Total revenue digital	$ 176,124
% digital	3.8%
Allocated cost of one in-house Web staffer	$ 42,000
Tech support	$ 48,000
Sales commissions	$ 35,225
Edit staff expense	$ 50,000
Site administration	$ 6,000
Estimated total expenses	$ 181,225
NET	$ (5,101)

SOURCE: Internal company documents.
The firm asked not to be identified in this report.

[20] When LIN reports its "digital revenue," it combines new-media sales with retransmission fees from cable companies in the sum. Based on discussions with Barry Lucas, a senior vice president at investment firm Gabelli & Co., who covers LIN, the authors estimate that half of the "digital revenue" represent new-media sales and half is retransmission fees.