

Conclusion

“Here’s the problem: Journalists just don’t understand their business.”

That’s the diagnosis from Randall Rothenberg, a former New York Times media reporter who heads the Interactive Advertising Bureau, a trade group representing publishers and marketers.

Whether or not you agree with his sweeping characterization, it’s clear that many sectors of the traditional news industry have been slow to embrace changes brought on by digital technology. They also have been flummoxed by competitors who invest minimally in producing original content but have siphoned off some of the most profitable parts of the business.

At the same time, digital journalism has created significant opportunities for news organizations to rethink the way they cover their communities. And in several organizations, old and new, we see promising signs that a transformed industry can emerge from the digital transition—one that is leaner, quicker and, yes, profitable.

We do not believe that legacy platforms should be disregarded or disbanded. It simply is not reasonable to assume that any company would cast aside the part of its business that generates 80 to 90 percent of its revenue. But we do think that companies ought to regard digital platforms and their audiences as being in a state of constant transformation, one that demands a faster and more consistent pace of innovation and investment.

To that end, we offer these recommendations:

- Digital platforms have been treated too often by traditional news organizations as just another opportunity to publish existing content. Many sites are filled with “shovelware”—content that amounts to little more than electronic editions of words and pictures from traditional platforms. But, as we have seen, publishers can build economic success by creating high-value, less-commoditized content designed for digital media. New York Magazine’s successful site gets little traffic from print-edition stories; KSL.com’s class-

fied ads are not part of its broadcast program; and the Dallas Morning News provides online football coverage that would be impossible to replicate in its sports section.

- Media companies should redefine the relationship between audience and advertising. They have spent a great deal of time and resources building masses of lightly engaged readers. And the industry has turned online ads into what Rothenberg calls low-value “direct-response advertising—a.k.a., junk mail.” That kind of advertising is dependent on volume—a game publishers will never win when competing with behemoths like Facebook and Google. This is not a goal that can be accomplished just by the business side. Journalists must make a fuller commitment to understanding the audiences they have and the ones they want, and to revamping their digital offerings to ensure deeper loyalty.
- Media companies ought to rethink their relationships with advertisers. This doesn’t mean allowing them to dictate coverage or news priorities. It does mean understanding that advertisers now have many more ways to reach customers than they used to and that some of these methods, such as social media, can be cheap and effective. News organizations have their own strengths: They produce journalism that is geared to their communities, and they employ sales forces who know their markets—both of which should give them a competitive advantage. They can act as guides to the digital era, helping companies produce new-media ads, place them online for maximum impact and learn such digital fundamentals as getting better positioning on search engines.
- News and marketing companies should develop alternatives to the impression-based pricing system (that is, pricing by CPM, or cost per thousand) that dominates online advertising. Small publishers have been successful selling ads by the week or month rather than by volume. Many large advertisers and ad agencies will insist on paying by the impression, but news organizations need to build upon their current pricing schemes by combining digital ads more effectively with broadcast or print, social-media outreach and other methods. Moreover, media companies must come up with ways to build content value into digital display ads; as others have also

noted, too many of them are relics of a decade ago—boxes on a page that convey little of the information or appeal that historically made advertising valuable to consumers.

- News organizations must be vigilant about outright theft of their content, but they should also realize that most aggregators operate within the bounds of copyright law and are generating value for readers. This means news sites must do more than simply insert links (most of which are never clicked) within stories, and instead develop a thoughtful approach to understanding what topics best lend themselves to aggregation and how best to engage their readers in the effort.
- It is asking a lot to expect a legacy division—in news or ad sales—to embrace such a radically different world as digital. Retraining gets you only so far. Small, traditional news organizations may find it impossible to set up separate divisions. But bigger companies should analyze the potential in creating separate digital staffs, particularly on the business side. We did find successful companies with integrated digital and legacy departments, but others have demonstrated that they can compete more effectively by deploying committed digital-only teams that adapt to rapidly changing circumstances.
- Journalists must be prepared for continued pressure on editorial costs. There's an old rule of thumb in the newspaper world, that every 1,000 readers supports one newsroom staffer. That kind of thinking isn't going to hold in the digital world. We are likely to see a world of more, and smaller, news organizations, the most successful of which will leverage their staffs and audience by using aggregation, curation and partnerships with audiences to provide content of genuine value.
- Mobile digital devices represent a special challenge for news companies; for every successful new product or new platform, there will be others the company tried that didn't work. If a company can place small bets on many ventures, the probability increases that one will win.
- Any news site that adopts a pay scheme now should have very limited expectations for its success—at least on the Web. In the case of a print publication, requiring digital readers to pay may help to slow circulation losses, but that

is hardly a long-term solution. A pay plan merged with an ambitious strategy to improve users' experience on mobile platforms has a much better chance to succeed.

We restate the bias we offered at the beginning of this report: We believe the public needs independent journalists who seek out facts, explain complex issues and present their work in compelling ways. We also believe that while philanthropic or government support can help, it is ultimately up to the commercial market to provide the economic basis for journalism. The industry has realized many of the losses from the digital era. It is time to start reaping some of the benefits.