

Opinion **New Technology Policy Forum**

Good news for news

Eli Noam JUNE 22 2006

When the world press leaders congregate, as they recently did in Moscow for the World Editors Forum, the informal talk turned quickly to the pall that hangs over the newspaper industry. Is the modern generation surfing away from newspapers on their iPods, blackberries, and broadband connections, too bored with the content and too cheap to pay for it?

Are online readers the answer for the steady hemorrhage in print circulation? Not really. A lost print reader requires over 10 online readers to offset the profit loss. Thus, if newspapers lose 5 per cent of print readers a year, they would have to grow their overall readership - print and online - by 50 per cent annually to offset the print defections. Where are all these new readers supposed to come from? Thus, the real challenge is how to 'monetise' online readers who at present need not pay.

In any commodity situation, the standard business strategy advice is to seek to differentiate the product and protect its uniqueness. And if that is not possible, to be more efficient.

Electronics provide newspapers with the tools for both of these approaches once they stop wringing their hands over the young generation's shortcomings. (Especially since many trends favour newspapers: more information workers, greater globalisation of business, more consumption, more products seeking attention, the greater information density of text).

When it comes to efficiency, electronic news gathering and dissemination is cheaper than the traditional ways. The newsroom can be better managed. Articles have a much longer shelf life. They can become amazingly interesting combinations of text, sound and pictures. Staff reporters can be supplemented by swarms of citizen-volunteers with news, photos and commentary, which is especially valuable on the local level. Readers can be involved through interactivity. Newspapers need no longer concede breaking news to broadcasting. They can produce news for multiple distribution platforms - print, online, video, radio, podcast. They can integrate the news with services such as travel or ticket reservations.

But they must still avoid the commodification trap, which they can do through a product differentiation. The traditional newspaper had to provide its numerous readers with “goldilocks” content: not too hot, not too cold, not too little, but not too much. But online, there are fewer constraints to serve each reader’s particular mix of personal, professional, and intellectual interests. Advertising can be similarly customised. Readers self-differentiate themselves and therefore are more willing to pay for the customised and more useful product.

But doesn’t every survey show that online readers are unwilling to pay for news? Yes, for commodity information, where competition drives prices down to free. But elsewhere people chose to pay uncomplainingly for their media where it used to be free - they pay for subscription satellite radio instead of free radio. For short messaging on mobile phones instead of free email. For DVDs of TV series that could be watched and recorded free on TV. In each case, people are willing to pay for the added convenience, quality, and choice. The problem for the inability to charge for news is not generational /sociological, but editorial/economical. A differentiated product becomes more valuable and one can charge for it in differentiated ways, just as is the case for various cable TV tiers - no charge for commodity news, some charges for premium information, and still higher charges for special features like crosswords, access to the archives, in-depth information, specialist information on anything from bird watching to bread-making, different prices for students, for users from poor countries, and so on.

Thus, smart editorial choices in generating content options create economic opportunities for the news organisation. But these opportunities also trigger a major restructuring of the news industry itself, because they change the economies of scale of the news organisation. To let readers customise their content in a meaningful way beyond what is offered in a “Goldilocks” environment requires huge informational resources, updates, and expertise. Realistically, no single news organisation can do it well through its own economic and editorial resources. It must rely substantially on others such as trade journals and syndicators. This leads to a new stage of the newspaper, that of the newspapers as networks. In this network system, there are two tiers of viable participants.

- The specialist content providers. These are experts in their field, like trade magazines, and local newspapers of smaller cities. Because they are specialised they are not in the commodity space and can protect their economic base.
- News portals. They pick and choose the content elements of third parties such as the specialist news firms, as well as of bloggers, syndicators, trade magazines, books, and freelancers. It is true that such a news portal function can also be done by others, such as high-traffic search engines and portals like Google and Yahoo. But the brand credibility of news organisations is much stronger in the production of content and in the quality assurance for their partners’ content. This is what news organisations do best. The busier people get and the more information there is, the more they need the credible filters of editors and journalists. In time, the most credible of such news brands will not let the search engines keep most of the revenues generated.

So there is a bright future for news organisations that can differentiate their product, establish brand identity, and function as an integrator and filter. There is a future for journalists who combine a greater subject-matter specialisation with multi-media presentation skills. There is a future for new types of editor/publisher strategists who can shape new content business models without wreaking havoc on the credibility of the brand. But it is not a future for everyone. There are strong economies of scale, and strong so-called network effects, and this means that, in time, market leaders will emerge and drive reader traffic, advertising, and hence larger budgets. Many of the other newspapers will be absorbed by the larger integrator firms or become local specialists and supplier satellites. The industry will stratify and consolidate, and national brands will be much more important. Economies of scale will assert themselves across countries and across media, and they will raise serious public policy issues of media power and concentration.

Every innovation starts out as an improvement of an existing product, and then becomes a force in its own right. Radio became more than a telegraph without wires. TV became more than film distributed electronically. Online publishing, too, will become much more than print without paper. Its successful practitioners will have the exciting opportunity to create new multimedia content styles, news institutions, and media industry structures. For them, the golden age is ahead, not behind.

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