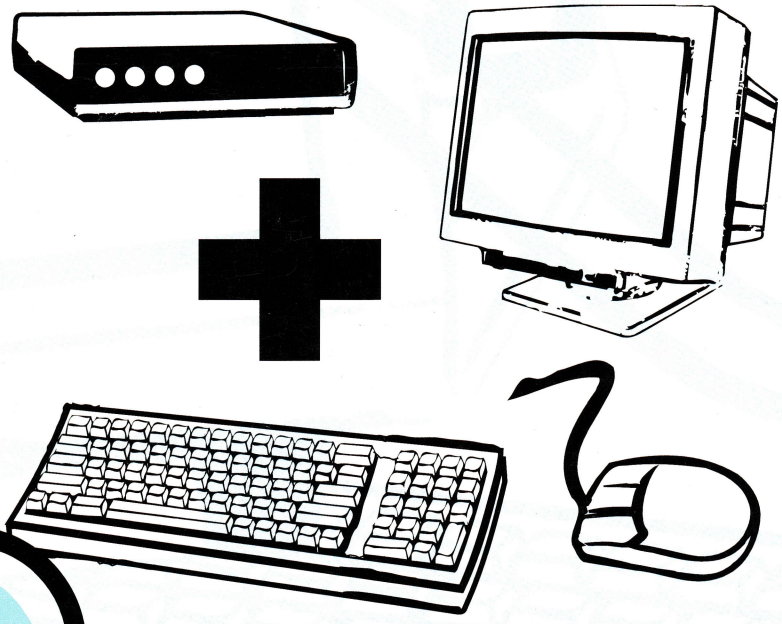
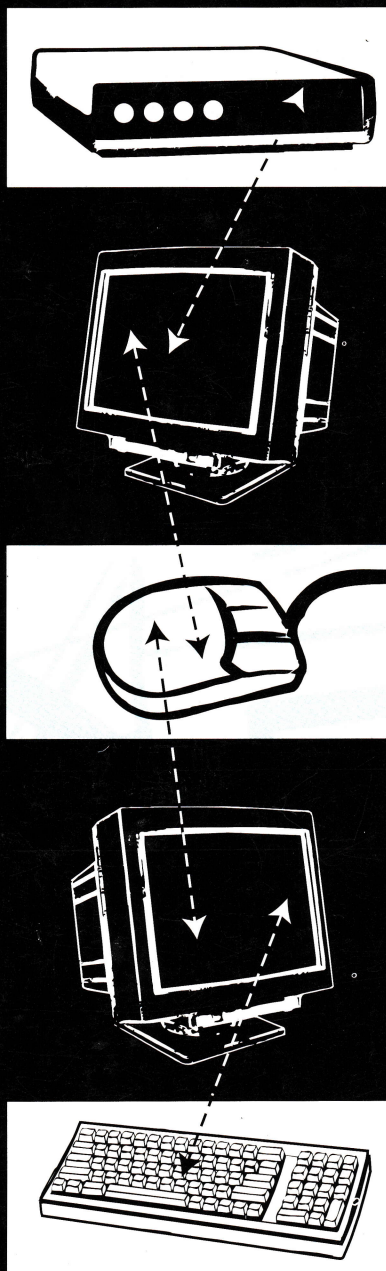
OPPORTUNITIES

IN ANARCHY

A BLUEPRINT FOR BUILDING ONLINE SERVICES





ONLINE **BLUEPRINT**

1

THE FIRST IN A SERIES OF EXECUTIVE STRATEGY REPORTS FROM THE NAA NEW MEDIA DEPARTMENT

READING THE T-LEAVES

Newspaper Association of America®

OPPORTUNITIES IN ANARCHY: A BLUEPRINT FOR BUILDING ONLINE SERVICES

By Melinda Gipson
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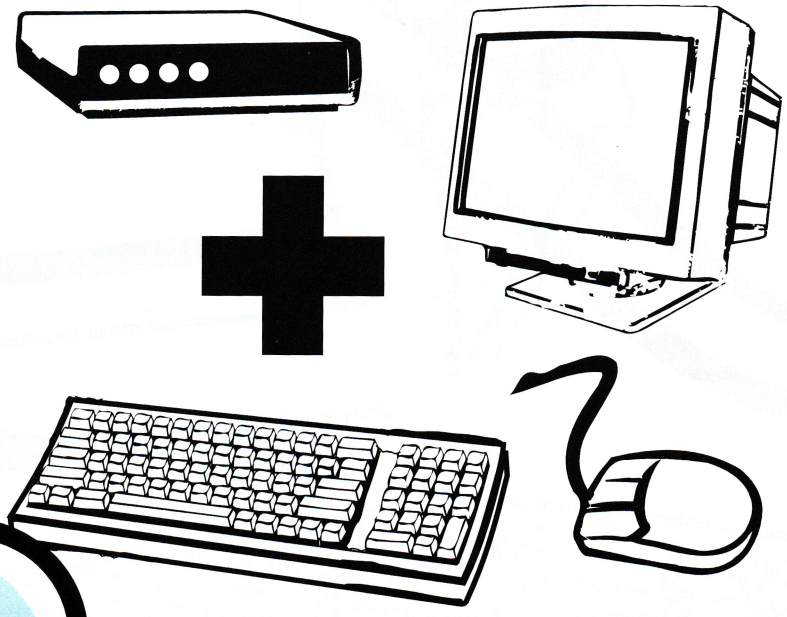

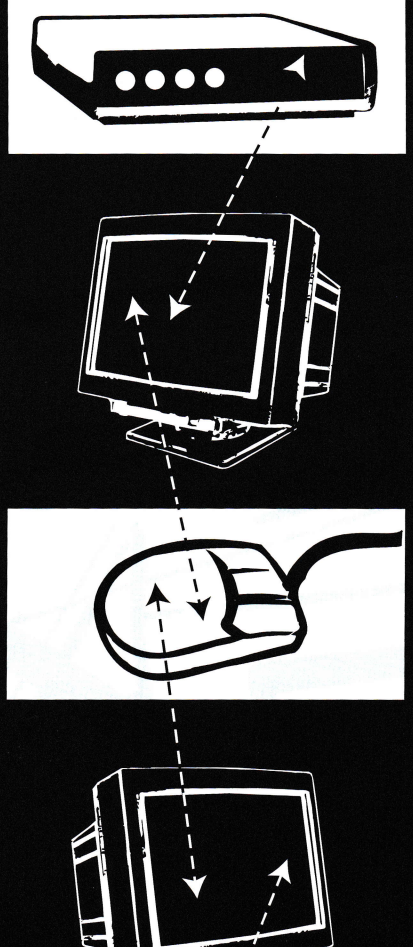

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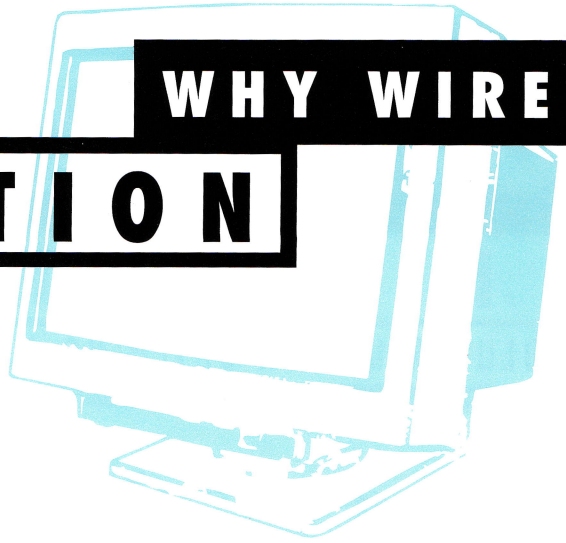
INTRODUCTION



Where to start in choosing an electronic newspaper publishing platform depends in large measure on the company's broader goals. With that in mind, and in deference to the nonwired, there are several valid goals that may propel news operations into interactive media.

Reason #1: Reader Service

Online services offer the potential for increased connectivity with readers, who increasingly are used to being able to participate in not just what they read, but how they are perceived. Newspapers that make use of new media may be better able to predict and adapt to other trends shaping the lives of their readers, such as the dramatic ethnic, cultural and economic shifts rocking the country nationwide, thereby enhancing their print products.

Publishers also may be able to generate profitable tiered services through aggregating vertical communities of interest — communities which might have been too small to justify the cost of select print products, but which now can be easily identified and better served economically online.

Reason #2: Participate in the Upside

The pool from which such communities of interest may be drawn is growing exponentially. Online services passed the 7 million membership mark in the first quarter of 1995. America Online was growing at the fastest rate, and, with 2.5 million users in May, boasted wider readership than *USA Today* and *The Wall Street Journal* combined. Internet users number in the tens of millions. (Whether you believe figures citing 25 million, 30 million or higher depends on how many users per computer you're prepared to allow.) At least 11 million such users reside in the U.S.

With total revenue for commercial online services expected to reach $18 billion by 1998, and with the tools on hand to make the Internet a paying proposition, many newspapers view a migration to electronic publishing, or at least a dalliance with it, to be worth the risk.

To be clear, the opportunity derives not only from the growing number of wired readers, but from the fact that today's market may be crowded by online service providers, but no one provider has monopolized the field.

More than half the users already equipped to participate in online services haven't seen anything worth buying yet. Those who do use a commercial service or the Internet have high disposable incomes, are well educated and informed. They place a high value on convenience, but waste no loyalty on a given service provider, and could be easily won away by services they consider more interesting, more entertaining, or more useful than what they currently receive.

While the entry of large, well-funded competitors like Microsoft could have a substantial effect on this market, it doesn't appear that any single provider has anything approaching a monopoly on electronic information services — or is likely to.

That's the premise of this report — that there's opportunity in anarchy for newspaper publishers who make the right moves.

Reason #3: Competition

Certainly, if newspaper publishers don't act on the opportunity, others will.

One compelling interest of newspaper publishers is to short-circuit other competition vying for ad dollars in the electronic marketplace.

Such competition may consist of partnerships like MCI and Murdoch or come from some bright 19-year-old in a garage. The availability of inexpensive and capable tools for setting up "virtual presences" on the Internet makes the success of the latter as plausible a challenge as the former. Competition comes directly from national and online service providers, from the local radio and TV station — and even from newspapers' traditional advertising partners.

The more broadly publishers are willing to define their competition in the electronic marketplace, the better prepared they will be with a creative response.

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Are any or all of these reasons compelling enough to entice every publisher into cyberspace? Probably not.

With all the hype and happenings in electronic media, newspapers remain a very profitable business. So it doesn't appear to many publishers that "getting wired" is necessary or even desirable.

As a service to those who feel the need to explore, NAA has compiled this blueprint to provoke thought and stimulate discussion. It is intended to raise questions and offer some creative solutions, not to provide a one-size-fits-all strategy for the publishing industry as a whole.

The marketplace is changing so fast that even this attempt at a comprehensive overview of today's marketplace should be seen as an inscription on the shore of a restless sea. The turbulence of competition and the shifting demands of a willful marketplace continually will reshape the playing field.

NAA's New Media Group will do its best to stay abreast of relevant developments. Tune in for updates on the NAA Forum on America Online and on the Web. The AOL forum is accessible to members who have paid a small registration fee by typing "NAA" at the keyword prompt; NAA's new Web address is http://www.infi.net/naa.

Despite the upheaval, many leading newspaper executives have become convinced that there is opportunity here, and that the publisher's brand can and must be carried into cyberspace. NAA will make every effort to tap the collective experience of the industry for strategies that will continually expand newspapers' electronic reach and enhance their profitability.

The first step is to explore the nature of the newspaper's franchise and ask how that translates to a wired world.

The nature of the newspaper franchise

The consumer market for online services looks good to many newspapers; it's one with a desirable demographic for advertisers and content providers alike. And it's growing — some say at the rate of 30% annually.

But this market is volatile and highly competitive, driven by a target market of "surfers" and "new enthusiasts" who demonstrate little brand loyalty and by low entry barriers for new electronic publishers. Despite its apparent popularity, this is not a mass-market medium.

Yet, the opportunity exists for newspapers, with their strong community presence and identity as authoritative information providers, to stake a profitable claim to the growing online marketplace, provided they can satisfactorily begin to answer these questions:

- What is the strength of the newspaper's local franchise and what is its value over time ?
- Who are the electronic consumers of today and how will they change?
- How can publishers create electronic communities of interest that will provide value to advertisers?
- How can newspapers make their content compelling in an industry driven more by entertainment than information?
- What should newspapers do now?

Shaun Higgins, president and COO of New Media Ventures Inc., a Cowles Publishing Co. enterprise, likens today's electronic landscape to the market faced by newspapers in the 1830s, when niche papers jostled each other for market share in a free-for-all.

Today's market, 160 years later, results from the survival of the fittest. Those left standing may be those with the firmest grasp on the nature of their local franchise — or those with the most money to spend.

"There has to be a shakeout" in the online marketplace, says Bernard Niemier, planning director of Media General. "There are too many people willing to lose money at it."

Dan Simons, manager of new ventures for The World Co. of Lawrence, Kan., worries more about what publishers may lose: "I'm afraid if we don't get on somewhere, we will lose our niche as an information provider."

But therein lies newspaper's first strength:

The newspaper is a filter, or an editor, providing a shared information experience for its audience.

Elizabeth Loker, vice president of systems and engineering for *The Washington Post,* says the

plethora of online information just highlights the functionality of newspapers as filters in the marketplace of ideas. "The issue becomes how to sort out the authoritative voices when the barriers are so low. When everybody's a publisher, no one's a publisher."

Jayne Spittler, vice president and director of media research of Leo Burnett Co. Inc., speaking to NAA's Industry Development Committee, says, "I don't think you're content providers; I don't think that's your strength. And I don't think you're distributors. I think your strength really comes in the ability to edit."

She explains, "As you hear people talk about technology, you talk about the fact that people don't want more. None of us want more stuff. We want the stuff that we want, so we want someone to be able to navigate for us. We want someone to be able to filter for us, and I think that's the strength of a newspaper."

What filters through becomes a focal point for community discussion. "The power comes from everyone around the breakfast table talking about what they read in the morning paper," says Joel Kramer, publisher and president of the Minneapolis *Star Tribune*.

Richard Gottleib, president and CEO of Lee Enterprises, says newspapers are the authoritative, credible voices in cyberspace, as they are in other information markets. "Clearly, branded content will be a critical asset in a growing glut of information."

Stephen Taylor, vice president of *The Boston Globe,* agrees that newspapers' role as editor is actually enhanced by the plethora of information sources in the electronic marketplace: "The acceleration of chaos is good for us." Besides the urge for readers to sift through great quantities of information to find what's relevant to them, "A great deal of our most important content, and revenue, such as real estate ads, is local," he explains.

Certainly,

serving local information needs is an integral part of the newspaper's franchise.

Some worry that technology makes every market a global one, and that seasoned consumers increasingly will opt for national fare, screening out local information. "Look at how many people look at Dow Jones, vs. having to read my local newspaper," says Bernard Niemier, planning director for Media General; "I'm more inclined to think this will erode the local franchise model."

But Spittler says she is inclined to think the best markets are intensely local. "Where there's anarchy, consumers have more power," but what's most important may be closest to home.

Wayne Mitchell, manager for interactive services for NYNEX Information Services, agrees. NYNEX's online yellow page project started out to be a national service "and nothing else." The company now finds that its users do want global and national information, but, "they also want to know where the soccer team is playing." Asked whether providing such information pays, Mitchell says, "There's some evidence [users are] willing to pay for that. We're not sure how deep they're willing to dig into their pockets."

Other electronic players in the local or regional marketplace may want to siphon off local information and advertising revenue streams, making it more imperative for the newspaper to dig deeper into its franchise area to provide value-added information.

If a key component to the newspaper franchise is information, then papers should be putting more resources into news research, concludes Frank Daniels III, vice president and executive editor of the Raleigh *News & Observer.* That's where Raleigh's new media efforts began — in the research department.

The paper's online service proved it could both unite its community and respond to its information needs recently by loading all data related to a recent school zoning change onto the system and making it keyword-searchable by street name and address. The level of detail was much greater than what could be shared in a special print section, and may have served to diffuse much ill will the changes generated in the community, Daniels says.

Of course, that's not to say that electronic services won't considerably broaden the horizon of home town readers, evoking a similar response from their local newspapers.

To that end,

newspapers may become a gateway to the wider world and to the Internet for both their readers and advertisers, creating an international platform from a branded presence in cyberspace.

Local papers could, by becoming a "gateway" for their subscribers to the Internet, "become more of a threat to national papers," asserts David Lipman, chairman of Pulitzer 2000.

Others see a business opportunity in providing basic Internet services as a means of extending their information franchise into the community. That's the strategy of the *Pottsville* (Pa.) *Republican,* which became the local Internet access provider for its community when there was no other way for its readers to connect to the net without making a long distance call. "We are the toll killers to the Internet," says Jim Dible, director of *Pottsville's* New Horizons Group.

Advertisers may also seek a leg up from publishers who have established a presence on the Web. Daniels, in his market, intends to bring his local advertising clients along with him in his explorations of interactivity, and by so doing forge a stronger relationship with them. "We looked out in the market in the Triangle area of North Carolina and looked for advertisers that have the back shop capability so we could learn how to translate that to the Internet."

The *News & Observer* Web site, NandO, has helped one such advertiser, Southern Season, a food specialty store in Chapel Hill, N.C., put a catalog on the Internet where it has developed an international clientele. Another test bed with a local advertiser having advanced 800 services will help both the newspaper and the ad client convert their databases to formats more easily adaptable to computer screens.

But it's not too farfetched to expect that a local paper may have something to offer the world in the way of content when it can make creative use of opportunities.

For instance, the *St. Petersburg Times* tapped an enthusiastic worldwide audience far beyond its regional boundaries when it digitally catalogued and displayed the best of a traveling exhibit of art and artifacts dubbed "The Treasures of the Czars." Treasures was resident in St. Petersburg for just six months, from January to June, and then moved on to its only other exhibit site in the U.S. While it stayed, the *Times* had the world in its backyard.

Of course, there's a lot of "good stuff" out there, especially on the Web, where corporate sponsors are actually paying for the privilege to be just one hypertext link — one mouse click — away from the home pages of other information providers.

For this reason,

newspapers' ubiquity in the local marketplace allows them to serve as pointers to electronic content belonging both to themselves and their advertisers.

More than 300 new Web sites were added in just the second week of May, according to a weekly compilation on Open Market's Commercial Sites Index (http://www.openmarket.com). That makes 5,493 commercial sites by Open Market's reckoning, greater by a factor of 10 than the so-called 500-channel universe that was so widely touted just a year ago.

Like the local networks and newspaper TV guides of today, such "newbies" — many of them new to the net but well known to publishers — rely on pointers to the "good stuff" in either the local or the trade press in the hands of their targeted audience.

Some of these advertisers will go directly to the Web, bypassing newspapers entirely. But Web surfers are a voracious lot, and there's not enough content in the Library of Congress to quell their appetites.

That's a cue to the newspaper content kings, but also to diversified media owners. When the franchise expands to cyberspace, don't downplay the importance of mass media synergies. It's why Fox's Bart Simpson could be the next public member of MCI's "Friends and Family" calling circle.

Says the *Globe's* Taylor, "You could get lost in the electrons unless someone points you to the Web page."

It's a small step from pointing readers to the good stuff to trying to identify what stuff is good enough to induce readers to pay more for it.

Newspapers have the ability to serve vertical markets at greater depth, perhaps generating information for which subscribers will pay more.

Direct mail, the kind of targeted promotional material seeking an audience interested in anything from hip replacement surgery to antique cars, is having a serious impact on newspapers' ad revenues.

In their online products, newspapers increasingly may generate content for distinct groups who will both be of interest to selective advertisers, and be willing to pay for information that more directly addresses their needs. Given the interactive nature of the medium itself, electronic services may even allow its readers to self-select into "chatrooms" or community forums in which they may air their interests and grievances.

Listening to and learning from what features are most enthusiastically received can aid publishers immeasurably in creating content that best meets the needs of online users. Of course, the same is true for the print newspaper — if newspapers were interacting with their readers on a more intimate level, they'd be better able to deliver what this audience wants to read, argues Susan Bokern, associate director of Gannett New Media.

But the online model is a different animal than newsprint, and the newspaper model virtually breaks down in electronic media where publishers' attention is increasingly devoted to addressing the needs of people willing to pay for information, argues James McKnight, telecommunications vice president for Cox Newspapers.

The *Star Tribune's* Kramer agrees, saying, "I think the newspaper model will change dramatically. We're heading for a world where we have to provide information that consumers will pay for. Aggregating audiences will become less important" than hitting the hot button of a more select few who are willing to pay for it.

Kramer suggests, "the most important thing for a publisher to focus on is better understanding his submarkets." Perhaps there's a nearby community of people who play golf. "What the new technology makes possible is the capacity to serve those markets in a way that was not economical with newsprint," he asserts.

Nowhere was that better illustrated than by Augusta's Master's Tournament Web page which posted multiple daily scores and took virtual visitors on a tour of the golf course during the contest.

So,

the ability to electronically aggregate audiences or communities of interest which may be too small to serve economically with newsprint also may be an element of the newspaper's future franchise.

The success with which newspapers can accomplish this is in large part conditioned on how connected it is willing to be with its community of interest.

It's a painful process for some. Daniels says, "What we've tried to do is first learn about how we manage two-way communication. We began five years ago by first putting all of our editors' telephone numbers in the paper each day, and now we put everybody's e-mail addresses in the paper each day and we get several hundred e-mails a day, and several hundred phone calls a day. We're beginning to manage the interactivity from the newsroom's perspective and that is teaching us how we may be able to help advertisers. That's the new opportunity for newspapers — that now we can begin to have a relationship with businesses in our community that we haven't been able to have" in the past.

Creating community is hard, even when a front page newspaper story may be all anyone wants to talk about that day. The impact doesn't necessarily translate into a community of interest that can be sold to advertisers. It may be even tougher for larger dailies such as *The New York Times*, admitted James Lessersohn, managing director of corporate planning for the New York Times Co.

But, whereas dozens of boroughs across the whole continuum of income and educational strata may not look like a single market to a national advertiser, the online environment is strangely more intimate. The "gray lady" proved this recently by drawing together a responsive audience of baby boomers over its compelling special section on the 20th anniversary of the fall of Saigon in its @times edition on America Online.

The *San Jose Mercury News* took a similar approach in its retrospective, but targeted its appeal to its substantial local Vietnamese-American community.

Tapping the shared experience, pursuing community involvement, listening to online service users and providing the context and the opportunity in which they can interact with each other is a first step to plugging in to the online marketplace.

In the context of helping newspapers define what they do best, this strength may be defined as

connecting readers to information, to each other and to advertisers, serving a variety of needs seamlessly while keeping the consumer in-house.

Daniels is so taken by the power of online media to perform this task that he predicts, "In 10 years we won't be publishing a daily newspaper." More to the point, "If we do electronics well, we will be different, but very well read. If we don't do it well, we may not be publishing a newspaper at all."

INTEGRATING THE NEWSROOM

An electronic newspaper is a great black news hole, and getting reporters and editors to think creatively for a new outlet can be a challenge. Of course some publishers, citing creativity, skill set and even union issues, have opted to establish wholly separate "editorial" operations for their electronic ventures.

When *The New York Times* made the offer to any of its editorial staff to participate in @times or its coming Web project, relatively few responded, but those who did have made significant contributions to the effort.

The subject is controversial enough to warrant separate treatment at a later date, but for those new media managers who have decided to link their newsrooms to the online creative process, Lem Lloyd, new media director of the *Pioneer Press* in St. Paul, Minn., has the following suggestions. Lloyd used this approach for pulling the newsroom into his audiotex service but his suggestions seemed succinct and universal enough to be good advice for those involved in the launch of an online project as well.

1. Location, location, location.
"You gotta be near the newsroom," says Lloyd. Passing by the desk of an editor or a reporter who might have an idea but who isn't motivated to walk up two flights to your office has a remarkably stimulating effect. His collateral advice on this subject is to "be seen early and often" so people begin to understand how much creative effort is involved.

2. Pick your champions.
Have the managing editor send a memo around asking for input for special reports or sections, and just generally announcing the existence of the electronic product. Then, seek out the investigative reporters for their input. They often have collateral material such as interviews that could be used as audio clips or transcripts.

3. Don't forget the numbers.
Post the call counts (or visit tallies) on the newsroom bulletin board. Everyone loves an audience, and journalists don't often know how other stories are received. Weasel a mention on the office e-mail on a regular basis too.

4. Daily budget meetings — attend.
Lloyd says, "We are the graphics department of the 1990s," so the deeper the involvement in the process, the better.

5. Never say 'no.'
Inevitably, someone who has been a holdout with potentially very interesting content for the network will wander up with a suggestion at 4 p.m. on Friday. Instead of regaling him or her with the details on how much production time is necessary, say, "We can do that." You'll be glad you did.

6. Do a big election package.
Rolling up your sleeves with the election crew builds teamwork, and is a great way to recruit regular readers. Endorsement recaps, deficit dialogues, platform summaries are all grist for the mill.

7. Turn a one-time shot into a full-time gig.
Look to lessen the load by involving a volunteer in extending the concept to a regular feature, and a star is born. Reporters and editors may enjoy the same feeling of empowerment readers feel when offered the chance to sound off.

8. Wine and dine the critics.
A recalcitrant movie critic treated to a little special attention and dinner out can be a potential convert.

9. Get on the news-bureau train.
Suburbs are often the places closest to the potential electronic readership anyway. What information can bureaus generate that could broaden the base map of the paper's wired readership?

COMPETITION

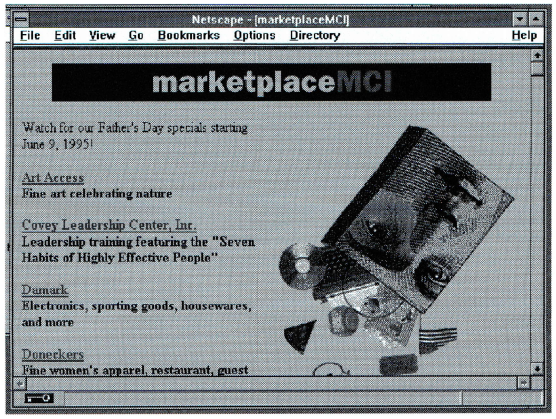
Who is the competition, really?

There are numerous competitive threats to the newspapers in cyberspace. Competing news organizations, some with dramatically limited resources, can nearly match the market reach of the local daily and draw a respectable subscriber base and corresponding regional or national advertising clientele by appealing to the interests of a paper's local population of computer literati.

Local and national computer magazines have taken the lead in this trend, some with FreeNets, but nothing is holding back the local business paper, or the local television station, many of which are seeking alliances with other news outlets to explore the benefits of electronic publishing. Look to Nashville where the *Nashville Business Journal* is teamed up with the local Landmark TV station on the Web. A recent Landmark deal with CBS to put this network's affiliates on the Web means there could be an "Eye on the News" coming to the multimedia marketplace near you.

More dramatically, competition is on a fast track from the Regional Bell Operating Companies (RBOCs), all of whom are designing online services with economic models hinging on the provision of classified ads linked to online shopping services. One group in particular combines PacTel and other RBOCs into a consortium that intends to take the service national. Classifieds, which currently make up 30% of the advertising revenue of the nation's newspapers, uniquely are enhanced by digital media, where they can be electronically searched by price and location to improve their usefulness to readers.

In providing interactive services to users, phone companies don't have to wait for broadband networks, and aren't limited in the provision of editorial content to draw users to the service. News, weather, sports and other features can be created from scratch from the telephone ratepayer war chest, or purchased through partnerships like those that exist between Heritage Information Services and Ameritech, *The Los Angeles Times* and Pacific Bell, Cox Newspapers and BellSouth, Knight-Ridder and Bell Atlantic, and Newsday and NYNEX.



© MCI

The most powerful and recent of such liaisons was born in mid-May with MCI's $2 billion

investment in News Corp. Each party has every expectation that the Murdoch media empire will be enhanced by MCI's global connectivity, and MCI's Internet services will be commensurately improved by News Corp.'s content. Try to imagine Bart Simpson pushing pog slammers on marketplaceMCI and you'll begin to get the idea.

The bottom line: Competition is coming, some of it national, much of it regional — some of it even funded by Uncle Sam.

On March 14, the *Detroit Free Press* broke the news that Michigan was chosen by the U.S. Labor Department as one of two states to develop a new computer listing of job postings that will be available nationwide to employers and job seekers starting later this year. Michigan and Missouri will use a $1.8 million grant to set up two systems that will be available to consumers via the Internet computer network later this year. Eighteen other states belong to the consortium that will use the two systems. Three million users are expected to post their resumes on the 20-state system before mid-1996.

Job-wanted ads are bread and butter to many small newspapers, and job listings are the single most popular draw on the Internet. The extent to which they participate or ignore such systems could impact the long-term viability of online newspapers' revenue stream.

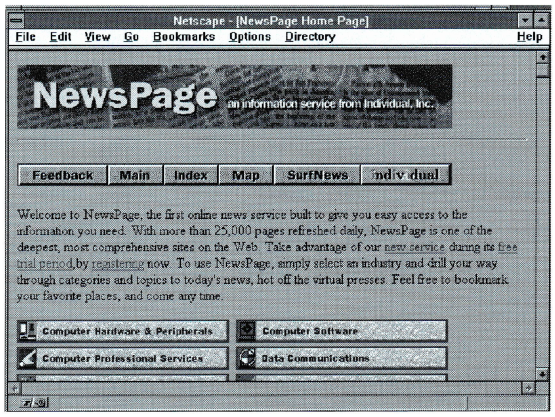
Those are the obvious attacks on what publishers might see as their traditional revenue streams. But, publishers should be aware that the technology of new media itself spawns a more novel — and potentially more lethal — competition.

Search Engine as Editor

One competitive genre derives generally from news retrieval software such as NewsHound, which boasts 2,600 subscribers, or other more targeted services like those of Individual Inc. Individual still taps wires and newspaper archives to deliver its product to cyberspace, but newspapers are serving up wires online too, and newspapers who don't find themselves part of the mix could be out in the cold.

Individual Inc. of Burlington, Mass., began by marketing fax and e-mail newsletters directed toward its subscribers. Those subscribers choose specific informational keywords through which Individual compiles relevant clips. The service, based on an exclusive license for proprietary text-retrieval technology, acts like NewsHound in its ability to search a broad spectrum of electronic newswires, newspapers and trade magazines to find the articles relevant to each client, but delivers the news in a variety of ways including e-mail, Web and fax, and through enterprise-wide groupware platforms such as Lotus Notes. First!, HeadsUp and iNews are among the derivatives.

Now, Individual is on the Web with NewsPage (http://www.newspage.com), which claims to offer 25,000 pages of text, changed daily.



© Individual Inc.

The assault on print newspapers is evident in Individual's recent advertising pitch for the service which trumpets, "Are you still getting your news from dead trees?"

Geared largely toward professional audiences (categories included "computer hardware and peripherals," "aerospace and defense," "media and communications"), the service hasn't begun to charge on the Web yet. When it does,

the price set largely will be a factor of what the market will bear, and how much traffic the site sees. The company has alliances with the likes of Knight-Ridder, Lotus, Motorola, Apple, Prodigy, the Gartner Group and AT&T. Though advertising doesn't yet seem part of the mix, this is already a $20 million business.

ClariNet, another such clipping service (http://www.clarinet.com/) boldly calls itself an "electronic newspaper," delivering professional news and information to the user's computer in the Usenet news format. Syndicated features and stock quotes are part of the package. "Why is the e.News better than traditional media?" asks the company's Web site.

"ClariNet combines the in-depth coverage of print media with the speed of broadcast media to give you the best of both worlds. With the e.News, you can harness the power of your computer to find the news you want on the subjects you want. In addition, most U.S. media limit their international coverage for reasons of space and time, but the wires report far more than what you see. The e.News brings you what you want, when you want it."

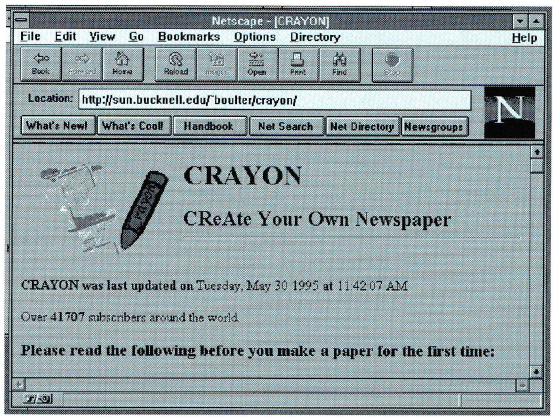
News site licenses are priced based on the number of networks on the system. The cost is $3/networker/month for the first 100 networkers and $1/networker/month thereafter, with a minimum of $60/month. Individuals pay $40/month.

If this is a business, and it clearly is, then nothing stops newspapers from packaging and offering similar services. But the effect of such so called "Daily Me" could splinter an audience, the aggregation of which drew electronic publishers to the medium in the first place.

What's even more striking about the medium is how many services are willing to offer up interesting and original fare for free.

Many Such Offerings Are Free

Such is CRAYON, which stands for "CReAte Your Own Newspaper," the brainchild of a 20-year-old senior computer science and engineering major at Bucknell University in Lewisburg, Pa., who was "too lazy to walk downhill to [his] mailbox to get a newspaper."



CRAYON's home page (http://sun.bucknell.edu-/~boulter/crayon/) now allows Internet users to create their own daily news page, pulling together free news sources from all over the world. Information derives from sources such as the TIME Daily News Summary, *The NandO Times* U.S. or World Report, The American Reporter, The *San Francisco Chronicle* News, The Electronic Telegraph (London), Today's White House Publications, Today at NASA and — yes — *The Online Bucknellian,* edited by site proprietor Jeff Boulter. Boulter takes suggestions from readers on what he should add to the downloadable, customizable menu, but won't access papers that charge for information, such as the Mercury Center on the Web, and won't touch *The New York Times* in Adobe's PDF because he says it's too cumbersome and difficult to use.

Nearly any computer whiz can be a Boulter; tools to search the Internet and retrieve information for personal use are not only accessible to services that perform the function — they are downloadable as freeware. A Massachusetts Institute of Technology Web site at

http://ringo.media.mit.edu offers an agent for ratings and predictions about musical artists. SIFT (Stanford Information Filtering Tool) is a Usenet clipping service which handles 14,000 search profiles on 40,000 postings a day. A project called "News Weeder" is under way at Carnegie Mellon University to provide "personalized interactive newspapers."

The concept that people might actually consider community news and information as "weeds" in the garden troubles many editors. Those who enter the online newspaper arena, including Chris Jennewein of Knight-Ridder's Mercury Center who is now tasked with putting all Knight-Ridder's papers on the Web, says, "to me, there will always be a market for a well-edited newspaper which covers a range of issues and not just one narrow sphere. These 'Daily Me' digests or NewsHound products will serve special interests, but people still need to know what is going on around them."

Whether electronic newspaper content rises to a level of relevance for wired readers grown used to downloading a small sampling of the whole rests largely on the content creators' shoulders.

Meanwhile, whole businesses are being born from the need to search the many hundreds of Web sites coming to the Internet every week. YAHOO (which stands for Yet Another Hierarchical Officious Oracle) is another service born of entrepreneurial collegiate esprit. With more than 200,000 visits a day and providing access to more than two million Web pages, the site has become the Internet's search tool of choice. With the backing of "somewhere under $1 million" from Sequoia Capital, it will soon become an advertising-supported crossroads.

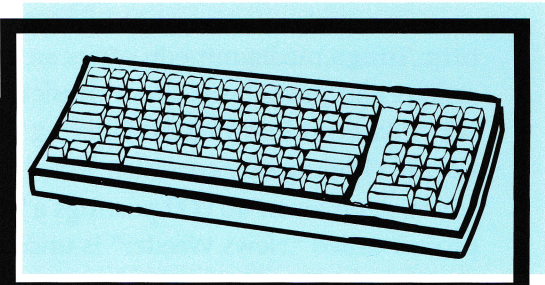
How entrepreneurs such as these redefine advertising will have a sweeping effect on what the market will bear. YAHOO principal Jerry Yang told *Interactive Age,* "We'd like to define a new way of doing advertising so it won't be in your face. It's very hard for us because we're so used to seeing the Internet being a free thing. But we believe some sort of commerce is needed on the Internet, so, bottom line, we said, which evil do we pick? Do we make people pay for it or advertisers pay for it? We said, let's make advertisers pay for it."
What newspapers need to know about the readers who frequent such sites is that they are predominantly young, wealthy, well-educated and male. Internet users are a bit younger and less likely to be married than users of commercial online services.

Both groups share a trait that could make them an audience of opportunity for electronic newspapers: they are constantly in search of new and compelling content and information that will save them time or money or help them find a better job.

Odyssey, a San Francisco-based technology research firm, calls these folks "surfers," and what would-be electronic publishers don't know about them could impact their bottom lines.

CONSUMERS

Who they are and What they want



The biggest mistake a publisher could make in looking at the market for online services is to lump all potential users together into a uniform whole. "There's no such thing as 'people' — no homogenous mass audience" for online services, says Joe Peritz, chief research officer of Odyssey. "You'll probably overstate your market if you don't understand that it's not one market, but six."

Odyssey, in a presentation to the NAA's Industry Development Committee, groups the likely audience for online services by its attitudes and behaviors, which it considers a more accurate prediction than segmentation based on demographics. The company puts consumers into the following segments: new enthusiasts, surfers, independents, faithfuls, hopefuls and oldliners. Peritz didn't reveal how many of 1,500 people surveyed recently fell into each camp, but said each group was of significant size.

Oldliners number among the most loyal newspaper readers, with more than 70% saying they read a local newspaper "very often." This same audience group has the strongest positive image of its local paper. Conversely, new enthusiasts, surfers and independents who think highly of their local paper number fewer than 15%.

Yet these three segments are most likely to subscribe to online services. Surfers — a younger, upscale audience who are a mass of contradictions — rank highest as online subscribers at 15%. New enthusiasts are the wealthiest among us, not threatened by technology, but not the early adopters of the 1980s. These consumers learned then that first is not necessarily best, and value service above all; 10% of their number are online. Neither of these groups, despite their obvious attraction to the online world, demonstrate any brand loyalty.

Independents — wealthy and better educated, but with little interest in technology or at-home entertainment — and faithfuls — middle income couch potatoes who are the sort to tape shows like "Coach" — subscribe to online services only at today's national average of 6%. Hopefuls are new enthusiasts without the commensurate disposable income. Both they and oldliners log on at about 3%.

If faithfuls could be convinced that online newspapers were enough like TV to hold their interest, they, with a share of the more quirky new enthusiasts and surfers, could become a mass audience, but they haven't seen anything they really like yet.

Meanwhile, PC ownership jumped from 27% to 31% of American homes during the period from July 1994 to January 1995. Homes with modems inched up from 14% to 15%. Yet homes with online services only grew from 6%

to 7% during that period. More than half those equipped to subscribe to an online service haven't seen anything worth buying yet.

Online Services Ripe for Reshuffling

Low market penetration means online services are ripe for a "reshuffling," Peritz says. Not only is there low "functional awareness" in the marketplace of online services, but consumers aren't generally satisfied with the quality or service their online company provides.

Skeptics view this as a sign that the public appetite for online services may be overrated. But newspapers staking a claim to the new frontier are heartened that no one company "owns" the market, leaving plenty of room for growth in local markets.

While that may be true for now, the entry of Microsoft Network through Windows 95 could change the whole equation, Peritz warns. When Microsoft enters the marketplace, the effect will be something like the impact on a swimming pool full of tennis balls when someone throws in a basketball, he adds. But despite the positive reaction Microsoft elicits from consumers today, much will depend on how well the company can deliver on the hype of Microsoft Network.

Of those with PCs and modems who were asked if they might sign up for an online service like Microsoft Network, 13% said they were "extremely likely," 33% said they might, and 54% said they were "not at all likely" to log on. "And that's assuming they [Microsoft] do a fantastic job," Peritz says.

Others have taken a stab at compiling the psychographics of the Web with more anecdotal, but certainly complimentary, results.

Sunil Gupta at the Michigan Business School (sgupta@umich.edu), in collaboration with researchers Jim Pitkow and Mimi Recker, has loaded results of a survey last fall of between 900 and 3,500 respondents to an online survey on the Web at http://www.umich.edu/~sgupta/conres.htm.

Among their results, the average age of all respondents was about 31 years; Europeans were younger at 29 while North Americans were 32 on average. Overall, respondents were well educated. Some 341 women, 3,181 men, 829 European and 2,530 North American respondents answered at least one of the questionnaires.

That made the sample predominantly one of North American males, but women didn't answer that differently. This does not contradict the experience of the commercial online services:

- ***CompuServe, the online service with perhaps the most enviable disposable income demographic, has a subscriber base 90% of which are married men. The median age is 42 years old. Subscribers have an average household income of $92,000, and 45% have a home-based business.***
- ***Prodigy claims a slightly more equitable split of 60% men to 40% women, but others cite a 70% male demographic for the service.***
- ***America Online's average subscriber consists of a two-wage earner household with combined income above $75,000, in the 38- to 42-year-old age bracket, though the median age seems to be plummeting, in part due to the company's efforts to target what it calls "screamagers."***

But even on the Web, the Gupta survey finds the median income to be in the $35,000 to $50,000 range, with the estimated average household income at $59,600. North American households are wealthier, with an estimated average of $65,000.

Most were students, researchers or technical professionals, but since most Internet access in America is still via university, that's not surprising. Yet North American respondents were as likely to be married as not, even though

most didn't have children. One in five did have two or more children, and the researchers will go back to explore the market for children's products and services.

Consumers Don't Buy It — Yet

Buying goods and services online is much less common than gathering purchase-related information, but respondents expect Web purchasing to grow by about 85%. They are concerned about the security of transaction-related information and worry about the reliability of WWW vendors. Such vendors can score with this group by providing high-quality information, and emphasizing the convenience of the transaction. Surprisingly, having the lowest price doesn't seem to be crucial.

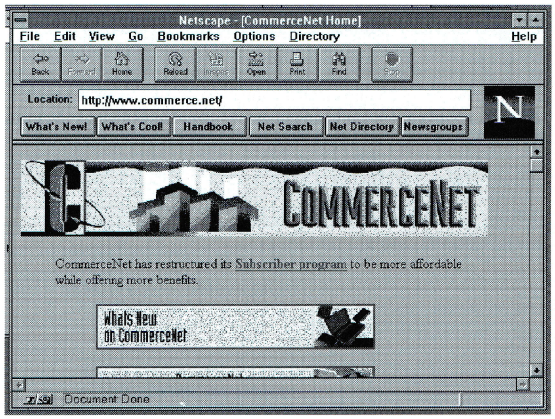
And, a fairly large proportion expect to buy a variety of software, hardware and home electronics products over the next six months.

But, as noted, they're not necessarily looking to buy online. They use the Web primarily because they're "just looking" or seeking fun and games. Shopping is an uncommon primary motivation. What they want are sites that are "fun, interesting and informative."

An overwhelming majority — almost 80% — are willing to pay for WWW access and services, but "this is conditional upon appropriate quality and price." Research, reference and government documents were the most common non-entertainment, noncommercial reasons for using the Web.

Only one-fifth of the North American respondents use some advanced communications products and services, somewhat less than the one-third of online enthusiasts reported using beepers and cellular phones in a recent CDB Research and Consulting survey of 365 subscribers to commercial online services. But the trend clearly is that these people are wired in more ways than one.

Others, such as CommerceNet, a nonprofit consortium of businesses looking to improve the capability of the Internet to support commercial operation (http://www.commerce.net), are looking to come up with a more comprehensive survey of Internet users. The consortium issued a request for proposals this spring to solicit bids from companies willing to provide a definitive demographic profile of Internet users.



Still, it's not hard to see why publishers such as those of the Raleigh *News & Observer's* NandO chose to approach this crowd with such a rich and layered sports offering (see Business Models, p. X). Whatever scientific research emerges in coming months won't challenge the reality that most of the capturable audience is male.

That could also be a factor in the immediate success of Penthouse on the Web which went live at http://www.penthousemag.com in mid-February to a reception of about 700,000 visits per day, which is likely a Web record. The site is free, but the printed version of the magazine will be integrated later as a "premium tier."

All this could have a self-fulfilling prophecy effect; women don't frequent video games either, but many of those intentionally target a younger, male audience.

Computers: VCR of the 1990s?

What presages a trend toward more universal appeal for online services is the extraordinary response of the marketplace to less expensive, more capable multimedia computer hardware and software, which is increasingly shipped "wire ready" to plug in and connect to interactive services.

In the six months between July 1994 and January 1995, the percentage of U.S. households with personal computers jumped from 27% to 31%. A little more than half those machines are equipped with modems; in the same period, modem growth climbed from 14% to 16%. The most widely cited statistic to drive home this point is that the value of computer sales topped those of television sets at Christmas last year.

Forrester Research predicts that by 1997, there will be more than 42 million personal computers in American homes, nearly doubling the 23 million in place at the end of 1994.

Dataquest, a San Jose, Calif., research firm, says multimedia PC sales quadrupled in 1994 over the previous year. Multimedia PC shipments totaled 10.3 million units worldwide in 1994, up more than 300% from the 2.5 million units shipped in 1993. Analysts with the company likened marketplace expectations to those of a typical car buyer who fully anticipates the car will come with a radio. In other words, multimedia is no longer considered an add-on when consumers buy a PC.

Many modems sold also preload software to connect those modems to commercial online services or enable them to interact with graphical bulletin boards and the Web. This begins to marginalize issues of accessibility to the home consumer. Whether that consumer wants to use the equipment to do more than play games on multimedia CDs depends largely on whether there's anything compelling to retrieve.

The growth of commercial online services may be a leading indicator. *Information & Interactive Services Report* reports that, at the end of March, 7.3 million subscribers used commercial online services, up nearly 1 million users from the year-end figures. That's a 15.5% increase in three months, a rate of growth increase from the 33% overall customer base increase shown by commercial services in the whole previous year.

America Online grew the fastest, showing a 33% increase during the first quarter. Growth continued into the spring with the service announcing it had reached the 2.5 million mark in April — more than the readership of *USA Today* and the *Wall Street Journal* combined. Prodigy, after introducing its proprietary Web browser, registered 360,000 users in the first quarter, half of them new to the service. By June, 600,000 users had the new browser in hand.

TOP 6 COMMERCIAL ONLINE SERVICES

Company	Subscribers	Change from Jan. to March
CompuServe	2,700,000	+15%
AOL	2,000,000	+33%
Prodigy	1,300,000	+8%
Delphi	140,000	(new tally method)
eWorld	80,000	+23%
GEnie	75,000	no change

Source: IISR, April 7, 1995 © BRP Publications

Churn continues to be a problem; as many as 50% of online users cease receiving services each year. (A recent report by Cowles/SIMBA on The Economics of Online Publishing claims an average of 52% of online services' employees are involved in either marketing or customer support positions — either landing or keeping customers happy.)

But, even at the current growth rates, there would be a population of 13 million online users by 1998.

Those numbers could be bumped up considerably if Microsoft has the marketplace impact it projects with Windows 95. Connectivity to online services — notably Microsoft's own Microsoft Network — will be built into Windows 95's operating system software, giving it a potential audience out of the box of 60 million Windows users. Even if only half of them test-drive Microsoft Network and one-tenth sign on, the impact of the blitz would double the online users from whom interactive newspapers could draw a following.

Microsoft itself projects more modest gains, but wouldn't rule out the possibility of becoming the largest stand-alone commercial service in short order.

Broadcasters, Take Note

Even entertainment trends argue for growth of the online media. A recent study done in the U.K. of computer online users saw users' age fall from an average of 35-38 to 21-22, with 47% of the audience now women.

When TV viewing habits of the last quarter of last year were measured against 1988 (a year with similar weather patterns), broadcast viewing was down 24% and computer time was up 13%. It was clear to researchers that much of the disposable/entertainment time TV viewers had spent in front of the tube had migrated to the PC.

With the advent of even more interactive media set to debut this decade, the trend away from broadcast viewing is expected to accelerate, leaving national advertisers to troll for other ways to tap the buying power of their target demographics.

What these users want to see in online services is still a matter of experimentation, but clearly communications capability ranks near the top. A survey of Internet users by Find/SVP last year found that 74% use it for personal e-mail, 70% for bulletin board access, 61% to download software, 59% to transfer office files, 52% to access educational information, 39% to access news sources, 33% to chat, 30% to play games, 22% to manage investments, 13% to purchase goods or services and 12% to make travel reservations. (The number adds up to more than 100% because multiple answers were possible.)

Clearly, users want a richly capable service offering many options for connectivity as well as content.

In fact, less than 1% of the revenue earned by commercial Internet-based services came from content.

It's statistics like that that make James Lessersohn, managing director of corporate planning at *The New York Times,* worry. If online services are driven by entertainment with news coming in the "backdoor," if they are "driven by things other than what we do best, then it will be hard to have a meaningful role," he suggests.

But with a proliferation of online services fighting for eyeballs, and intelligent agents that can aggregate communities of interest by simple self-selection, surely compelling, original fare will be in demand.

Will this demand spark content wars? Will newspapers need to pay royalties to buy such content to keep their electronic service users happy and at home? How much collateral content must be created or bought? If purchased, how much is available that hasn't been snapped up or bid up by the Big Three online services?

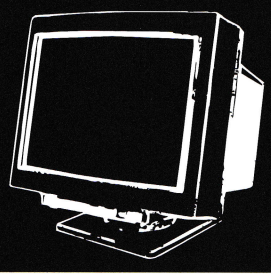
These are all open questions. Newspapers themselves offer much more in the way of content that adapts well to a digital environment than they suspect. As mentioned already, classified ads are more easily searchable online.

Custom information can be developed for a local audience that such an online reader can't get elsewhere: sports schedules and stats, local government budget information, restaurant and entertainment reviews and listings.

Understand the franchise. Know the reader.

And create an environment that adapts to what readers — and advertisers — want.

A CLEAN WELL-LIGHTED PLACE



ADVERTISING ON THE DIGITAL FRONTIER

If interactive advertising grows to represent just 3% of advertising market expenditures by 2000, it will be a $4 billion business, predicts Paul Kagan Associates Inc. analyst Bishop Cheen. That's a choice market for interactive publishers to tap. But in Cheen's future world, even newspapers that don't make the leap to new media will continue to thrive.

Cheen predicts print media will retain the lion's share of that year's projected $137.4 billion ad market with $60.8 billion, saying broadcast, radio and cable will take $47.8 billion, $15.6 billion and $9.2 billion shares, respectively.

Trouble is, though many Madison Avenue and interactive service executives agree that Cheen draws the pie too small, most put their faith in a scenario that could well see advertisers putting a larger portion of new money into marketing efforts that bypass traditional content providers and pitch consumers directly online.

In an interactive age, "The old way of throwing advertising — spraying and praying — will weaken over time. Marketing will become a form of content," says Mark Hauptschein, Ameritech director of strategy and business development.

And how. Only one of the top 10 Web pages featured as *Interactive Age*'s top 100 hottest net venues belonged to a newspaper: the Mercury Center Web. The rest of what's considered cool and informative came from corporate America, and they were brought to the viewer direct, without the aid of a content provider intermediary.

INTERACTIVE AGE'S "BEST OF THE BEST" BUSINESS WEB SITES

1. Mercury Center Web	http://www.sjmercury.com
2. Starwave Corp.	http://www.starwave.com
3. Pathfinder	http://www.pathfinder.com
4. Netscape Communications Corp.	http://www.netscape.com
5. AT&T	http://www.att.com
6. Novell Inc.	http://www.novell.com
7. Apple Computer Inc.	http://www.apple.com
8. Compaq Computer Corp.	http://www.compaq.com
9. internet MCI (tie)	http://www.internetmci.com
9. Sun Microsystems (tie)	http://www.sun.com

Source: Interactive Age, April 29, 1995

Reprinted by permission, *Interactive Age*. © 1995 CMP Publications

Bypass offers a serious threat to newspapers, given the ease of use and economical availability of tools to develop individual Web sites. But the sheer size of the Internet, combined with commercial online media, also argues for the value of pointers, creative links and relationship building electronic newspapers can offer, which is distinct from cyber-bound media.

Developing an understanding of the online medium is crucial to making it pay for an electronic newspaper venture.

First,

to the online consumer, anything and everything is advertising.

Jayne Spittler, vice president and director of media research of Leo Burnett Co. Inc., says, "To the consumer, everything is advertising, and so, if it's all advertising to the consumer, than we think it's all advertising to our agency, and we need to develop skills in direct marketing, promotions, event marketing, sports marketing and interactive media. Our role is to build and nurture brands by delivering brand messages."

What the TV remote control did to broadcast commercial viewing, the mouse does for online consumers. On another level, consumers now have not only a choice of channels, but a choice of media. Many consumers who take their leisure time to the CRT instead of the tube are actually fleeing what they view as a lowest-common-denominator entertainment medium, and they want to exercise greater selectivity over what they see and where they go.

"In cyberspace," writes Michael Strangelov in *Internet World,* "the consumer is liberated from controlled content by uncensored mass communication and near-instantaneous access to primary sources of news."

This consumer has little patience for intrusive, "in your face" advertising, but will tolerate sponsorships and information-driven brand messages, particularly when he seeks them out.

For savvy advertisers, this translates into the old Marshall McLuan adage that:

the medium is the message.

Spittler illustrates the difference between traditional and interactive advertising by comparing them to the difference between a cheerleader and a traveling salesman. A cheerleader appeals to a crowd, the traveling salesman to individuals. The cheerleader has to yell to be heard at 100 yards, the salesman engages in a dialog, door to door. The cheerleader offers a lowest-common-denominator, generalized approach while the salesman's pitch must be customized and in depth. The cheerleader is intruding, the salesman — for a short time anyway — invites.

An excellent example of this more integrated, nonintrusive approach is offered up on AT&T's home page on the World Wide Web. The site provides links to a world map with "hot" spots that connect, via mouse click from spots on a world map, to information about the Internet in that part of the world. This is an excellent, targeted message for a company looking to provide communications backbone services to its clientele.

© AT&T

Bill Clausen, interactive multimedia advertising director for AT&T's Business Communications Services Division, says," Our advertising historically has been — as all advertising is — very intrusive, very much 'in your face.' This [new medium] is about customers being able to come to us when they want to, to pull down the content that they want, whether it be product information or demonstrations or whatever. We need to be

there and [be] accessible. We need to be able to provide our information better, faster, easier than our competition so that AT&T stays top-of-the-line with them."

Another model comes courtesy of American Express, which America Online Services President Ted Leonsis says paid AOL "a lot of money" to create a new service called Expressnet. Expressnet offers 55,000 articles on travel and other luxuries, customer service such as the ability to check card balances, and that, in turn, draws customers to AOL. That returns cash to AMEX' coffers in royalties. Customer response, coupled with the economic model, will drive clients to "go directly to the medium itself and create new content," Leonsis asserts.

It's certainly not lost on the advertiser that his content can reap rewards in ways besides improved customer service or sales. The commercial provider took the concept a step farther with McDonald's. Because of the draw that the fast food chain's area is expected to be for AOL users, the online service is paying McDonald's to open shop on the network, not the other way around.

Other advertisers will have to work harder to make their content compelling (and it hasn't been demonstrated that McDonald's online is all that big a draw, for the record). To accomplish what he wants, the advertiser must incorporate his message into content the reader finds compelling.

Brand messages will have many more roles beyond image building. They will provide information and entertainment.

The online medium, unlike broadcasting and increasingly the print media, is virtually unhindered by space constraints. While that doesn't mean the reader has unlimited patience to sift through massive data dumps, when he goes looking for material, he has a longer attention span than the average surfer who stumbles upon it.

The marketplaceMCI approach to catalog sales is instructive. Graphically rich images, when compiled in some GIF (Graphics Interface Format) files, can take minutes to download to a reader's screen. The surfer simply won't wait, and the potential sale is lost, if the image is intrusive instead of informative. On the other hand, if the cybershopper selects the option to see that button-down Oxford shirt in a blue pinstripe, he may wait to have a larger photo blown up on his screen.

If the entertainment is what is sought — the Dave Barry column or the Letterman top 10 list of the day — then virtually any ads seem intrusive. If the ad is the entertainment, as with the Nabisco-sponsored soap opera on @times' AOL site, there's a greater brand message and higher potential for positive reader response.

That reader response button is one worth pushing in this new medium, because,

online advertising can bring the consumer closer to the advertiser than its print counterparts.

Wired consumers want comparison information above all — how does a certain product stack up against others in its class? The advertiser itself is the best source for such information.

Some services will be designed with personal shoppers — electronic robots capable of searching voluminous files for items of a particular brand and price range. That's what consumers want, but newspapers may be the only medium with the courage to provide them.

When marketplaceMCI showcased its new service for the press, it admitted that comparison pricing was considered a "no-no" by the advertisers and catalogers who had agreed to put their merchandise into the service's corner stores. In MCI's case, keeping the "customer" satisfied means satisfying the advertiser, not the end user. (The approach has its flaws; after

2 million visits to the mall, retailers logged only $10,000 in sales.)

Newspapers have been the one medium over time which have been able to attempt to satisfy both the advertiser and the reader, and newspapers now have the opportunity to connect the buyer with the advertiser in entirely new ways.

First, publishers can offer direct links to advertisers' home pages — providing content pull rather than hype push — and charge a premium for the service.

Spittler brashly predicts the demise of CPMs. She says advertisers still have no idea how to set a value on the ability to reach customers online, but want a "turnkey experience." She says, "advertisers will pay for the privilege to be one click away" from a publisher's content to their home page display ads. In a classic primer on how to create interactive tie-ins, CBS and *Advertising Age* hotlinked Prodigy users to each other's sites on the service to cross-promote their specials commemorating the 50th anniversary of the TV commercial. *Ad Age's* site offered Prodigy readers a preview of Advertising Age Online.

Publishers also will take the next step, providing transactional capability that offers seller and buyer the choice to actually close a deal online.

Secure transactional capability is becoming virtually modular, and is in the process of being applied to both hosted and independently owned platforms. A range of vendors offer not only secure data protocols to protect the user's credit card number from theft online, but back-end credit card processing for a price.

CyberCash — founded by Dan Lynch, who converted ARPAnet to TCP/IP (the current language of the Internet), and William Melton, founder of Verifone, which made real-time credit card verification a reality for retailers — makes its modular transactional capability available to online systems for free. The company then makes its money on processing the transactions for a small percentage of the customer's purchase.

DigiCash supplies its user software free through organizations like the National Center for Supercomputing Applications and Encyclopedia Britannica, but charges for the processing capability. And First Virtual Holdings Inc. aspires to become the first Internet merchant banking system.

Checkfree Corp., a recent Tribune investment, already provides interactive financial-transaction processing services to 4 million households. When announcing the investment, David Hiller, Tribune senior vice president/ development, said, "Information-based businesses such as the Tribune must help their customers to make purchases easily and seamlessly, using credit cards and bank transfers. Allying with Checkfree will allow the Tribune Company to share Checkfree's knowledge and capabilities in developing electronic commerce, and to speed development of our own enhanced electronic services."

Consumers may avail themselves of online transactional capability independently of host systems. Banks are hot after technology to process transactions on the Web. Wachovia Corp. and Huntington Bankshares Inc. recently teamed with Lexington, Ky.-based Cardinal Bancshares Inc. to develop software that allows computer users to open an account, check balances and make payments on the Internet. First Union Corp. and Wells Fargo & Co. have limited Internet banking and BankAmerica and NationsBank Corp. recently bought a company that makes personal finance software and will add online banking capabilities.

Credit card companies are in hot pursuit and are expected to drop online transaction fees in an effort to garner the widest possible user base before Microsoft launches its own network. Although Microsoft abandoned its planned $1 billion acquisition of Intuit, it is still expected

to target online transactions as a revenue source and is working with Visa to develop secure credit card purchasing software for use with its own and other platforms.

All of these strategies may succeed, because, on a more fundamental level, the secure transactions standards issue seems recently to have narrowly averted a "Beta vs. VHS" war over encryption systems. The breakthrough came when Netscape agreed to fold its maverick Secure Sockets Layer security system into Secure HTTP. The latter was developed by Terisa Systems, founded by Internet commerce pioneers RSA Data Security and EIT.

In short, whatever transactional approaches they adopt for their host systems, publishers may rest easy that the tools to transact online are no longer a problem.

How the publisher employs them is another matter.

Victor Perry III, vice president for New Business Development at the *Los Angeles Times,* predicts this transactional capability will induce a "major paradigm shift" in the relationship between newspapers and their online readers, but — more profoundly — in the relationship between newspapers and their advertisers and retailers. "I think the major shift...is the desire of consumers to actually transact business online, and the way that's going to force our advertisers, our consumers to change the way they do business."

He explains, "manufacturers are going to use our audience development capabilities to go straight to consumers. And, in fact, there is a risk over time and a major problem with the retail industry with disintermediation, as they call it." (That's shorthand for the ability of the newspaper to overleap the connection between the consumer and the manufacturer, bypassing the retailer and the advertiser.)

"It's just a fact that we're going to have to learn to deal with, I think, and it's going to put us in some real difficult conversations with some of our major customers," Perry says.

"Just because we can do it doesn't mean we should do it," says Raleigh's Frank Daniels III. Daniels has already made clear his preferred strategy is to help advertisers learn along with the News & Observer, and so build bridges whereby each gains important knowledge.

Shaun O'L. Higgins, of Cowles' New Media Ventures, agrees. "I think there's a tremendous opportunity to work with local advertisers to regain control of some of the accounts that we've lost to more centralized marketing groups. Over the last few years, our local retailers have been eaten alive by catalogue marketers, and by online marketers, and those dollars have flown out, and that lessens the amount available to spend with our newspaper company.

"If we position our company so that we can help local retailers play in the same new, global marketing arena that everybody eventually has to play in, then we'll have more accounts in which the control is exercised from our areas, and that's a critical business issue for us."

Higgins already sees the impact of this reasoning in his bottom line. "Currently, 10% of our total ad revenues have some database or new media and/or both elements in the sales program. Virtually 100% of new incremental revenues since 1991 have been tied to bundled multimedia programs involving database marketing, audiotext, sponsorships, or multimedia buys with radio stations and/or other print media."

He adds, "Our largest department store account, our largest overall account, our largest automotive account, our largest food account, and our largest auto after-market account have all done database marketing and audiotext programs with us and have all expressed interest in our recent Prodigy affiliation."

There have always been database components to effective advertising — the auto mechanic sends out a card when it's time for your next tune-up, for example. The dentist tells you every six months that it's time to have your teeth cleaned.

But Spittler cautions, "when you look particularly at electronic media, we will miss something if we don't realize that the technology convergence of the computer and the telephone and television really is a different medium and it has different strengths; it has different reasons for being. If we only repurpose our material and sort of shovel it over onto this new platform, we're not maximizing its strengths, and we've done nothing new and nothing helpful to our businesses."

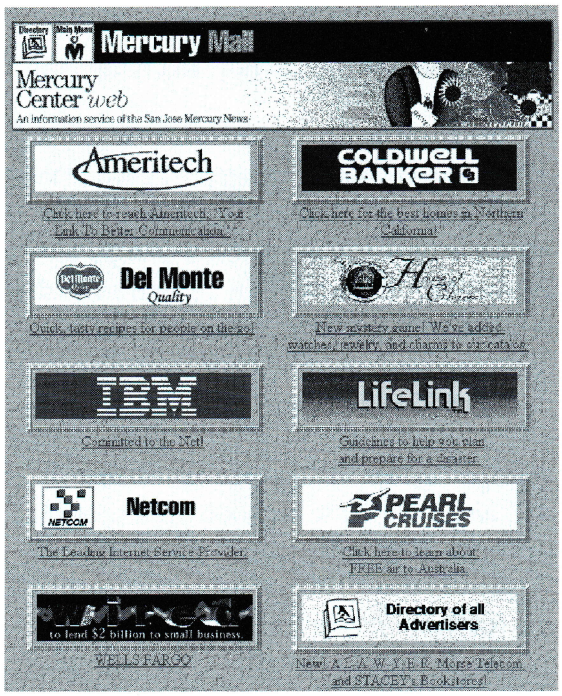
Perhaps the newest and most uncharted territory in the information age is how to measure impact.

Learning how to measure advertising impact in an interactive age will take time, and involve experimentation.

In the age of audiotex, electronic ads largely have been included as a free add-on, an inducement bundled with a larger print advertising buy. But the emergence of Web-only entities that make a living from cyberspace, and the more demanding nature of the content, cries out for sustainable advertising revenue.

Yet it's hard for publishers to get a fix on what they can charge potential advertisers for exposure on a new medium that doesn't have much of a rate card. Sites charge what they can get away with, or what they deem reasonable in light of their venue's popularity.

Mercury Center, one of the more popular newspaper sites from the *San Jose Mercury News*, offers strip ads with hyperlinks to advertisers' home pages for $100/day.



© San Jose Mercury News

Electronic, searchable classifieds are provided by the paper as a free add-on to the newspaper ads. The Center explains in its own online advertorial for potential clients, "We don't charge for space. Your advertising application [on the Web] can be as large as you like. Your pointer on our editorial pages will have to conform to standard sizes, however."

The three components to the cost of an ad are the server hardware and software needed to deliver it, the talent to produce it and the pointers to promote it. Advertisers without their own servers can use Mercury's at no charge for the space, but are assessed an hourly charge for the labor to maintain it. Mercury also offers production help, "most applications can be done for less than the cost of a couple of focus groups." Standard pointers are 1/2-inch high by three to six inches wide.

Mercury's efforts seem altogether reasonable laid alongside *HotWired*'s success in signing up 16 sponsors at $30,000 each for just three months. The online version of *Wired* magazine boasts 94,000 subscribers, a third of whom log on every week, with another third checking in

every two weeks. Registering users has proved a valuable service to advertisers who want more than information on how many hits the site receives.

Ziff-Davis Interactive's Web effort, called ZDNet, draws 2.5 million "hits" per week, a number that reflects how many graphical images are downloaded. A more accurate reflection of the site's popularity is that ZDNet processes 600,000 page requests per week. For its first three-month trial offering, Ziff is charging advertisers as much as $40,000 to sponsor its most popular individual magazine areas in ZDNet, and $10,000 to $20,000 for a spot that rotates among its other digital publications.

As the medium moves toward more subscriber-based access, certainly advertisers will have more to go on. But there remains a niche for the virtual billboard, where free and open access to the Web's millions is precisely what's being pitched an advertiser.

Electronic Newsstand — a two-year-old Internet service (at http://www.enews.com) with a core product consisting of text-based listings of stories and subscription offers from 280 niche magazines — has attracted such advertisers as Ford Motor Co.'s Lincoln-Mercury and Toyota Motor Sales USA.

EN's magazine listings are split into 13 categories including automotive, business, computers, entertainment, sports and travel. Ad space consists of up to 10 logo slots on each topic page and up to five logos on its home page, all of them hotlinked to the advertiser's Web site. Visa/PLUS International plans an ATM locator hotlinked to the travel area, and Fidelity Investments links its Web site to the home page.The rate is $825/month for a home page link and $450/month to sponsor a topic page.

Where cutting a path through cyberspace becomes an issue, advertisers still will pay to be just one mouse click away from crossroads Web venues.

But EN also offers an Advertising Pod Program allowing EN publishers to sell up to 10 logo positions on their own Web pages, which the company offers to build. Within this framework, the concept is not too far afield from that of New Century Network.

Business Week, Discover and *The Economist* already have agreed to participate in EN's program, but whether the rates they charge will be similar to those of EN, or some reflection of the magazines' print ads, isn't clear.

Interestingly, EN charges newspapers the same as advertisers for cluster page links — a pointer is a pointer, after all. Four newspaper-based services appear on the vendor's newspaper page: NandO.net, *The Tacoma News Tribune*, trib.com (the Chicago Tribune) and *St. Petersburg Times* Interactive Media.

Through all this experimentation, some companies are doing what they have always tried to do from Madison Avenue — try to come up with a better way to measure impact.

Modem Media has developed a buying model for online advertising which some ad agencies are evaluating.

The model takes concepts familiar to media buyers at advertising agencies — those of reach and frequency — and adds a new dimension, one that consists of the depth impression of an online ad. In this model, depth impression is a consumer clicking on an online advertiser's icon and is likened to a consumer who opens a direct mail piece.

Traditionally, media buyers use a reach-and-frequency formula to estimate the number of advertising exposures (gross rating points, or GRPs). In this formula, the number of gross rating points equals the net reach multiplied by the average frequency.

Modem Media has taken this multiplicative formula and turned it into an additive one: reach + frequency + depth of impression = the

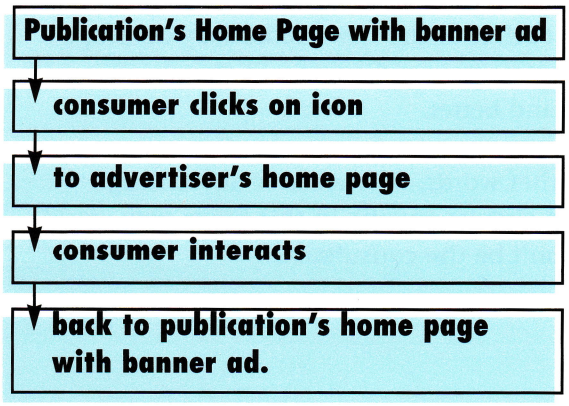
value of the exposure. John Nardone, Modem Media's director of consumer products, developed the model after consultation with the company's interactive media clients.

One of its clients is *HotWired*, which appears on track to tap $2 million in ad sales this year. Since the reader demographics of the printed *Wired* publication closely parallels the demographics of Internet users, Nardone says, pricing consideration for an online ad starts with factoring in the cost-per-thousand for *Wired*.

That cost is currently at $70 CPM at the open rate. The $70 CPM factor can be negotiated by the prospective online advertiser, says Nardone, if the demographic profile of their prospective target differs from the current Internet demographic profile.

A crucial point for an online advertiser is to define what a "hit" is comprised of for an online ad. For example, let's say an advertiser buys a banner position on the home page of a Web publication.The advertiser and publication need to define whether a hit consists of an access of the publication's home page or whether a hit consists of a click on the advertiser's banner. A click on the advertiser's icon transports the end-user either to the advertiser's home page with further hot links to that advertiser's set of pages on its products or services. The end-user then might click from the advertiser's link to the publication's home page, and thereby again be exposed to the banner ad.

It looks like this:



The second (subsequent) exposure to that banner ad by an end-user in a single session has less value than the original "hit," since those two hits represent only one person. Based on Modem Media's experience with online clients, these "hits" (frequency) are valued at one-third of the publication's reach.

In determining the value of depth, Modem Media employed the direct mail model. According to the Direct Marketing Association, the typical direct mail piece costs the advertiser $0.75 per person to deliver and 68% of a targeted audience opens the envelope. So the cost per person exposed by opening the envelope is $0.75 divided by 68 or $1.11.

By employing these factors, Modem Media's formula to determine advertising exposures is as follows: Value = (Reach x $70 CPM) + (Frequency x one-third of $70 CPM) + (Depth x $1.11).

Nardone also considered but decided not to employ two other potential models. One more primitive model would have based the value of the online ad exposure based on a simple analysis of the traffic flow to the advertiser's site from the host's home page. Another, more sophisticated model would have involved a traffic analysis plus the actual time spent viewing the advertisers' Web pages.

But, consider:

1. The Modem Media model pegs a CPM factor at $70 on the presumption that *Wired* magazine's demographics mirror the demographics of all online users. That online demographic can change rapidly, especially considering the rush among the big three online services — Prodigy, America Online and CompuServe — to provide Internet access to their collection of six million consumers. The $70 CPM is also based on the open rate card — and many advertisers pay a rate considerably below the open rate when volume and frequency discounts are taken into account.

2. The "frequency times 1/3" for online "hits" is based on the limited experience of a few online advertisers employing Modem Media and may not hold up upon greater usage with a wider variety of advertisers.

3. The direct mail model may not necessarily be appropriate for application to the online world. Since the cost of producing and delivering an online ad and the cost of producing and delivering a direct mail piece are unrelated, using direct mail factors in an online equation may not make sense to some advertisers.

So, what was that about the demise of CPMs?

Even at that level of complexity, measuring impact online may not be that simple, says Bill Harvey, founder and president of Next Century Media, a marketing, media and research consulting company specializing in the development of and application of new technologies for the marketing and entertainment industries.

Harvey's company has teamed with Arbitron and ASI Market Research to create what it calls an Interactive Information Index, a research service for interactive media which will compile quantitative and qualitative information about consumers and their activities on interactive media. General Motors committed to be the first advertiser to support the effort.

On May 16, the alliance expanded to involve Nielsen Media Research, Yankelovich Partners and ASI Market Research in a partnership called ANYwhere Online to create ratings and marketing support services for the World Wide Web. Nielsen brings its third-party audience measurement technologies, Yankelovich has studied consumer motivation and decision making and ASI is doing research on infomercials and CD-ROMs.

Other companies are working on tools to track use:

- Internet Profiles Corp., a San Francisco provider of Web measurement and analysis tools and services, released I/Count, a tracking and analysis service for the Web. So far, Ziff-Davis, Playboy and Individual Inc. are using the system;

- Digital Planet, an interactive production company that has created sites for MCA/Universal and AT&T released beta copies June 1 of NetCount, a system for tracking consumer Web usage. NutraSweet and Young & Rubicam are using the system in some Web projects.

The level of interest by such major players in researching the subject suggests this is much more than an exercise in sophisticated counting.

Harvey says there are many ways to slice impact, just as there are in the broadcast and print media, except that interactive services offer the advertiser exposure, leads and even sales. Interactivity can be measured in terms of how many prospects were passed through to the advertiser, the quality of those leads (i.e. "Did they take the coupon offer? Did they send for the brochure?"), and even whether they actually wound up at a car dealership for a test drive.

Harvey, the wunderkind inventor of the Area of Dominant Influence for Arbitron who coined the term audiotex and has served as both Hollywood consultant and technology guru, doesn't jump the gun with interactive ad measurement formulae. He says, "Formulas come out of testing. They're likely to be different for different product categories."

Focus groups will be called; campaigns will be tested; prospects will be invited back to see whether online pitches generate any change in interest or behavior. Winning approaches to the new media may develop, but interactive audiences will always demand better.

In other words, if interactive advertising short-circuits anyone in this brave new world, it won't be the consultant.

The new media approach to advertising will consist, at least for a while, of highly customized approaches, built on the basis of relationships between publishers and their customers, and between publishers and their advertisers.

Spittler's favorite answer to any question asking her to predict the future of interactive advertising is, "It depends. Our future will be so customized and individualized, that we will seek category and brand-specific answers rather than trying to apply one rule of thumb to every generic situation."

Harvey would agree.

For the publisher, this means sticking close to his advertisers so the medium is ready to change when the message has changed. AT&T's Clausen says, "I think the relationship between the advertiser and the content provider is very important. In the days where I could make a print ad, the print ad is static, it's there and I don't have to worry about it. It's done. It's in your publication and whatever happens, happens. They read it, they throw it away afterwards and we're done."

"But when I make an ad electronically, that becomes living. That becomes interactive. People are using that ad, relating to it, interacting to it, sending me e-mail messages. I've got to respond to them. The next time they go back, or the second or third time they go back, they don't want the same ad. They want it to be customized based on the new data they gave me. All of a sudden now, you [the publisher] and I have a relationship to make sure that ad is a brand-new experience for them the next time they go back into it — much different than traditionally, when I say, 'here is my ad. Put it in your paper.'"

Many on the new frontier believe strongly in database marketing — that the marketer who succeeds will have relationships with his clientele that builds over time. The keeper of the list and its "history" — buying habits, preferences — has the key to success. Roland Sharette, director of interactive resources for J. Walter Thompson USA, says that in time, the best advertising agencies will become "brokers of the best customers available."

Today, newspapers own that customer. They have well-defined community presences. They have an easily identifiable voice and can establish a comfort level with their readers that could ease some into a digital world in which they might otherwise feel uncomfortable.

Appreciating the extent to which this relationship has to be nurtured is one avenue to success in electronic publishing. What do readers need? Information for living, a house, a job.

Among the clearest connections between a reader and his local newspaper is the employment section, and it turns out that the single most frequented sites on the Internet are job listings. Classifieds that include computer-related jobs or even computer hardware and software for sale have better responses online. Watching out for employment agencies that are among a newspaper's better print advertisers may be a sticking point operationally, but if electronic newspapers give such customers an edge on the online service — better placement, a separate hot link — these advertisers will hopefully increase their responses and recognize the benefits.

But for any kind of advertising, it may help publishers to think about the connectedness of the medium as more like the telephone than the TV. Writing in *PC Magazine,* May 16, Rick Ayre and Don Willmott say, "There are those who argue...that the Internet is about to redefine advertising and marketing. An audience of 11 million U.S. Internet users is still no match for 200 million prime-time viewers. But when it comes to marketing, think of the Internet as more like a telephone than a TV.

You make yourself available and users contact you."

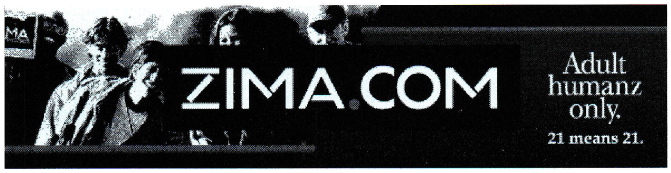
Everyone has had the experience of telephone advertising — solicitors calling during dinner — but that's not the idea here. To be effective, online advertising must come in a context that involves users interactively. What consumers want is community and connectivity — more of a place than a pitch, where they can feel at home and communicate with others like themselves. (See "Duncan: Poster Boy for an Interactive Age" p. 30.)

James Longson, president and CEO of Compton's NewMedia, said, "We need to create environments that bring customers to us. Until we've created that circulation, we don't have anything to sell [to advertisers]. Look at what you're doing online. We want to sell it before we've created the winners."

In a world where McDonald's customer relations can be construed as content, it may be that content, communications, community relations and transactions all shape what publishers used to just think of as news, and that more thought needs to be given to what revenue streams each function is capable of generating.

Finally, remember that creating environments for the digital era is as important inside the news organization as out. Spittler advises, "Listen to young people. The young people get it. The young people use it. They're comfortable with this medium. The four people who do the most on the interactive marketing group at Leo Burnett are under 26 years old. They are smarter than the rest of the people combined who work in interactive.... If you don't create an organization where the young people really can speak and be heard and move you forward, you're actually going to get left behind."

DUNCAN: POSTER BOY FOR AN INTERACTIVE AGE



Meet Duncan. Duncan is a cool dude, 20-something, with a rich and fulfilling life and complex relationships who just happens to hang out on the Internet's World Wide Web — and drink Zima. Modem Media, a Westport, Conn., interactive ad agency, created Duncan and a series of biweekly adventures for the character for its Coors account, only to watch the character develop a life of his own.

There's a Duncan fan club. Voyagers to the Web site (http://www.zima.com) can correspond with him or submit dating episodes. Readers can join "Tribe Z," a relationship marketing area, get customer "care," tap into the "fridge" for stored Duncan adventures and, in the ultimate stroke of genius, hyperlink to other "cool sites" as Duncan sets out on a new virtual adventure.

MM founding partner Gerald O'Connell describes the Zima site as "the Taster's Choice campaign of the Internet," but for avid fans, it's more; it's a place where they can participate in defining a persona with whom they identify, and can therefore idolize.

You won't find Duncan in your local paper, or in any paper, for that matter. And so he may have still another face; he's the poster boy for an era in which advertisers and ad agencies increasingly are bypassing traditional content providers to create their own, taking it directly to consumers online.

What is it about this guy that advertisers are scrambling to duplicate and from which newspapers can learn?

The first lesson is that advertisers are learning increasingly that they don't need publishers to wrap their message in. Given the economics of the Web, they can be their own publishers at minimal cost and tap a market that is deeper — potentially more loyal — than it is wide.

The second is that online readers don't really go to the Web for information. They look to be entertained and to find other like souls. In this respect, the Web is almost a contradiction in terms. Its pages, while colorful, are still very static compared with other online services. It's pretty much a jazzy message board, sometimes with sound and lights.

Yet the Internet, and a new breed of advertising newspapers ignore at their peril, is creating a mirror image in cyberspace of something newspapers understand very well: community.

Like many of the lines between advertising and reality, the online environment doesn't necessarily relate to the just-the-facts kind of world newspapers can analyze. If it helps, even the advertisers that are taking a stab at flakking in the new frontier are edgy. Jonathan Trumper, an agent with the William Morris Agency, says working in interactive media is "working on the edge of chaos." He has put the magicians Penn & Teller with an unnamed client to develop an ad campaign he says he can't promise will sell anything, "but it will be different."

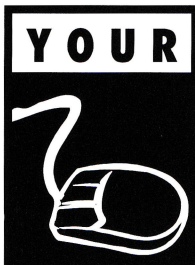
What's different, and a little unsettling, is what is drawing users online in droves. The interactive age has spawned a generation of readers constantly in search of the latest, hottest, and willing to spend big bucks to get it.

Peter Friedman, general manager of Apple's online service eWorld says, "The advent of online services can — and will — create a much closer bond between customers and companies.... The medium, in this case online services, is much more than the message; it's the foundation for a much more intimate relationship."

"Intimate" may not be the word newspaper publishers would use to describe a world accessible by keyboard, but those indoctrinated to the wired world find it compelling, especially when it offers connectivity to other humans like oneself. Establishing that sense of community or connectedness is contingent on users' comfort level. Not everyone is comfortable online; all the commercial online services in the U.S. only reach 4.2% of all homes, and 11.4% of those with personal computers.

Bluntly — the geeks are wired. If there's growth to be had for interactive services, newspapers — and the voice to which readers have grown accustomed — may be the ones to entice a mass market online. There, it's up to newspapers to create what Leslie Laredo, advertising director for the Interchange Network, calls "virtual infospaces."

That's fancy lingo for a place, not a pitch, where both the consumer and the advertiser can craft a relationship around a world of ideas.



YOUR INFORMATION Is Served

WEB SERVER SOFTWARE

The view that the Internet is a passing fad is becoming increasingly untenable.

An estimated six million computers are hooked directly into this distributed, global network, which is three times the number in 1994. Worldwide, an estimated 25-30 million people are hooked into the Internet and, with the connectivity commercial online services are providing, as well as the interest of a major long distance carrier like MCI (offering substantial access at just less than $20/month), this number may be expected to increase dramatically.

Setting up shop still can be costly, but the ease of getting one's feet wet is increasing at nearly the same rate as costs plummet. Inexpensive, nominal presences are available from companies like Open Market, a Cambridge, Mass., company that offers a token information store without transactional capability (essentially an online brochure) for $300 set-up and $50/month.

Open Market will even sell its server software to others setting up their own Internet malls, complete with transactional processing capability. It will contend for this market with numerous vendors such as Netscape and O'Reilly, which provide a range of server software, and TeleGrafix, which offers a breakthrough, end-to-end multimedia publishing package combining the communications, faxback and audiotex capabilities of a bulletin board system (BBS) with accessibility to the Web.

Setting up and maintaining a stand-alone system with Internet accessibility probably offers the highest upside to newspaper publishers, who fully appreciate the advantage of owning the presses.

The drawback to the low-rent option — signing on as even a corner store in an Internet mall — is the lack of stand-alone market presence. Some mall providers such as MecklerWeb offer sites to content providers at reduced cost if Meckler can market sponsorships, which it sells for around $2,000 per month. But that approach short-circuits the publisher's own capacity to sustain his presence with advertising revenue.

internetMCI will float a home page for a publisher for a price starting at $1,200/month — not including the cost of service connection time. That price may be borne by a sponsor too, but the monthly operations cost of T-1 service isn't much more than MCI's fee in most markets.

As all of the major consumer online services take to the Web, some publishers may be drawn to the one-two market punch of an embedded subscriber base and two-click Internet access. Prodigy is the only service that

aggressively has featured this capability in seeking to recruit newspapers; it even plans to offer the capability to individual subscribers to author simple Web pages. But Delphi, assuming it survives independently of MCI, could do the same.

Publishers to whom this approach appeals will likely be swayed by the service provider with the largest constituency in their local regions and the one with the best customer support.

Real-World Costs

Neither is a trivial feature. But the tools to build an extremely capable online architecture for the Web are no longer the sole province of commercial online providers. Since a picture is worth a thousand words, we'll compare a benchmark system from SIMBA's book, Economics of Online Publishing, with one in the process of implementation at the *Hartford Courant*.

Simba's anonymous "major magazine company" experienced the following start-up and first-year expenses for World Wide Web service.

Server/Server Software	$ 40 K
Firewall/Routers	$ 10 K
T-1 Access	$ 30 K
Consulting	$ 20 K
Browser software (100 K @ $2)	$200 K
Phone Support	$ 25 K
Technical Staff (1 person)	$ 50 K
Editors, Artists (3 people)	$100 K
Ad Sales/Marketers	$100 K
Total	**$575 K**

Source: SIMBA Information, Inc., Wilton, Conn.
© February, 1995.

Except for the personnel resource allocations, which are often underestimated when publishers approach this form of publishing, the numbers seem extraordinarily high and illustrate a system designed for either an initially mammoth target audience or rapid growth. Since the model doesn't break out the hardware costs in the first item, it isn't clear how much is allocated to software.

As of today, Netscape's secure Commerce Server package may be among the few packages left on the market that could approach a $40,000 price tag; Netscape is charging $50,000 and Tribune Co. and the *San Jose Mercury News'* Mercury Center are prominent users. But server software is coming to market this spring which is two orders of magnitude less expensive with similar output, and virtually any high-end PC may be enough to get started as a server.

The efficacy of a lower-end approach depends on how many simultaneous callers could be expected to access the service, but lines can be added over time, and even inexpensive packages have extraordinary capacity. TeleGrafix' Cykic platform is among the deepest in this category, boasting 2,000 simultaneous connections for less than $1,000 in some configurations.

While more advanced in some respects, TeleGrafix isn't alone in its capability to marry BBS solutions to the Web; at least one other company is looking to offer a similar backward compatibility for O'Reilly's new Web server.

The development means today's publisher can leverage his BBS investment, or start fresh and have a very capable platform all the way to the Internet for less than $50,000 — a tenth of what SIMBA's anonymous magazine paid.

But don't just take our word on it. Mark Del Vecchio, associate editor of electronic news for the *Hartford Courant*, offers an account that may ring true for other newsrooms:

> Courant Source OnLine, The *Courant*'s electronic bulletin board service, (@203-246-2425) began in 1994 as an experiment to learn how to provide information electronically and what *Courant* readers would like to see in an online service. A borrowed 386 ZEOS from the newsroom and 2400-baud modem and a phone line from the main *Courant* switch, plus a $99 Virtual BBS software package, got things rolling.

While inflexible and difficult to use, the package allowed the new media team to meet a deadline to debut a new Enter personal technology section with newspaper interactivity.

After a few months, the service added three more lines on the switch and four 28.8 modems (at a special systems operator's rate, first $249 each and now $219 through Microcom). The staff consisted of Del Vecchio and a part-time systems operator, John Moran, who is also the paper's online reporter, with the help of Tom Cichowicz of the engineering department.

Last summer, the team evaluated BBS software packages and switched to Major BBS because it provided much of the functionality sought: a graphical, point-and-click interface (TeleGrafix' RIPscrip), LAN connectivity (for maintenance over a network connection through SPX), an online ordering system for products, offline mail readers, database searching (a disappointment to this day) and prospects for teleconferencing and Internet connectivity.

The paper bought a Compaq 486 to run the system and a six-pack user license with add-ons. The total cost of the upgrade was about $10,000. Another $2,000 or so was later invested. One drawback with the software was the effort required to build screens in the numerous formats offered to users. RIP can be an attractive, point-and-click interface, but doesn't easily accommodate bitmaps or Quark files from the graphics department. (Note: The currently available version of RIP 2.0 now converts CGM and Corel files and will run under Windows by early summer.)

The board worked particularly well as a complement to the newspaper, enabling users/readers to get more information than would fit in the paper. Particularly successful was a database of Environmental Protection Agency test results on water systems throughout the state. The BBS number ran in a box with the project and kept the lines locked up for about a week.

Other successful applications included a listing of used computer prices from a firm in Georgia, an experiment with niche TV listings with Tribune Media Services and, more recently, the full 72-page text of a judge's decision on an important school segregation issue.

The service remains free to users with access time limited to a half-hour a day for nonregistered users and 45 minutes for registered users (those who have been voice verified). Both are in the newspaper's marketing database. The paper is developing and testing applications with its current user base as a way of determining what services readers might buy.

On the BBS side, the paper is investing an additional $20,000 for a variety of hardware, software and telecommunications to expand service, storage channels and to upgrade to WorldGroup, a Galacticomm client-server platform using Visual Basic for screen creation which could import files from our existing system. Major BBS can accommodate 200 simultaneous connections; modem speeds of up to 28.8 bps; the ability to "door" out to other databases and PCs to provide additional services; a "pass-through" SLIP connection to the Internet; online credit card ordering for subscriptions and merchandise, and Windows-based multitasking capabilities (users can upload or download a file while reading or answering e-mail or using other applications while online).

Also purchased:

New BBS server, Hewlett-Packard LC	
566 Pentium with 2-gig hard drive	$9,000
18-disk CD-ROM changer (and drivers)	$3,000
8 new lines @ $200/install per plus	$20/mo
Novell networking software	$1,200
8 new Microcom, rack-mounted 28.8 modems	$1,830
Major BBS upgrades, add-ons	$3,000
Total	**$21,558**
	(one-year service)

To be clear, Galacticomm's World Group can act as a server, but can't provide access to the Web for dial-up users. Major BBS does allow for Internet connectivity and offers a module to access newsgroups. The Courant can provide Web access through a pass-through SLIP for a graphical browser using VIRCOM's Major TCP/IP add-on ($700) or rlogin option using its LYNUX text-based Web browser. Galacticomm provides a package similar to VIRCOM's for $900. None of these fixes make the Web site secure; the paper is looking at Netscape's Netsite ($25,000) among other software packages for enhancements.

The paper is installing an Internet node that eventually may allow it to give subscribers direct SLIP access to the Internet and to permit real-time access to Internet e-mail and newsgroups. The Courant has a parallel Web presence with daily news report

and special features on someone else's server. Following the Raleigh News & Observer model, it will offer subscribers both Web and BBS options.

Estimated cost to install the node and T-1, with consulting and a custom firewall, is about $50,000. But this cost can't be entirely attributed to the online service. The main justification for the node is internal (e-mail for employees, research for News Department and eventually electronic ad delivery), though the BBS will benefit.

"Registered users" (users who have been voice-verified after requesting an upgrade to a higher level of service) number 500. Since April 1994, 5,000 people have logged onto Courant Source OnLine, making 50,000 calls. The service now averages 200 calls per day.

Services include an "extension" of the newspaper, including full text of important reports and decisions, a huge library of shareware on CD-ROM; limited access to the paper's electronic library database; forums operated by *Courant* experts; an updated coming events database in a dozen categories; access to Internet Newsgroups in each of the forums; and an ongoing online advertising program tied to our Enter technology section.

Planned services include Internet e-mail access and addresses for each user; expanded access to Internet Newsgroups; SLIP access to the Internet through the BBS; fee-based access to the electronic library database; Omni-Mall, an online shopping center with online ordering; specialized daily news report ahead of the printed edition; live chat to enable users to communicate with one another and in special hosted events with *Courant* editors and reporters and people in the headlines; and expanded "third-party" content.

Publishers starting from scratch may adopt a more capable system out of the box, saving on upgrade expense and actually incorporating Web serving capability with BBS functionality from day one. (Some of these options are profiled in the following section on Web servers.) But like newspapers that have begun electronic efforts with audiotex, Del Vecchio says he gained valuable subscriber experience he wouldn't trade in the process.

Publishing Standards in Flux

Many of the portability issues Del Vecchio had adapting his graphics department to a new medium will be encountered by publishers taking their wares to the World Wide Web, but the market has made this the Internet publishers' platform of choice, so the problems are being addressed.

RIPscrip has been modified to accommodate instantaneous, seamless conversion of any graphical interface to the Web, and can provide a "What You See Is What You Get" presence for publishers once bound to the look-alike appearance of standard HTML. Microsoft's authoring tool Blackbird promises the same ability — to allow newspapers to recreate their branded images online and on the Web — but for now Blackbird is resident on the Microsoft Network. RIP 2.0, Common Ground and others provide the option of serving up such graphics on a range of DOS, Windows and Macintosh platforms, in addition to higher-end Sun workstations.

Other formats such as Adobe's PDF are popular with graphics departments but so far extremely difficult to use online. Today, a reader wishing to see *The New York Times* first page fax on the Web must download an Acrobat reader from this site or Adobe's, then run for help to the best technical person in the office to convert this to use as a viewer. This process will be streamlined by the incorporation of the reader in future Netscape browsers, and in bundled software included on Web hardware servers in Silicon Graphics Inc.'s WebFORCE line. But it won't help those who have less capable workstations or any of the other half-dozen popular Web tools, at least one of which — Netcom's NetCruiser — comes linked to nationwide Internet service for $19.95/month.

This competitive melée is illustrative for publishers seeking to understand what makes the Web tick. The application was invented by the World Wide Web Initiative, a cooperative organization based at CERN, the European

Particle Physics Laboratory in Switzerland, and popularized by the Illinois National Center for Supercomputing Applications as a place where graphics could inhabit the largely text-based Internet. NCSA's Mosaic browser, downloaded free by hundreds of thousands of people worldwide, was coauthored by Marc Andreessen, now with Netscape. Netscape has popularized and improved on the tools, adding security features and authoring high-end server software. But even Netscape, which claims to have distributed six million Web browsers, had to bow to the marketplace and its choice of Web security tools.

When it comes to maintaining an open platform and setting standards, such decisions rest with technical Internet standards bodies as influenced by the freewheeling Internet community as a whole. The authors of those tools that take hold will continue to publish open specifications so they may be adopted — or not — as this marketplace decides.

That's what gives users confidence that the medium will remain an openly accessible, hyperlinked treasure trove of content. But it's also what necessitates a publisher's staff enough technical support to make sure they're always on the leading edge of a dynamically evolving medium.

Growing Like a Weed

It will be well worth the attention. The Web has been around only since early 1993, and began its near vertical climb as a publishing platform in August 1994. Yet, by one count, in early Spring 1995, there were 27,000 Web sites, with that number doubling every two months. Open Market's Web site lists more than 300 new commercial Web sites a week. The combined audience is probably greater than three million, judging from how many Web browsers have been downloaded and licensed.

What makes the Web so popular for users is its graphics capability and its hypertext linking features. Because sites on the Web are authored in a standard hypertext mark-up language (HTML), a viewer can, by single clicks from within one home page on a blue highlighted address or word, find himself transported across the country or around the world to content resident on any one of thousands of servers somewhere else — without knowing or caring how he got there.

Hyperlinking around on a single, open computer network enables the kind of sponsoring, relationship marketing advertisers now enjoy with direct mail or other direct marketing vehicles. The ability to craft such business relationships using this new medium, and the economical availability of a bevy of software tools allowing simple, portable Web page authoring, begins to explain the Web's phenomenal growth among content providers.

There are so many of these tools coming to market over the next few months that it would be impossible to collect and review them all, and this report doesn't attempt it. In coming months, newspapers' technical staffs will begin to evaluate these products via NAA's online user forums on AOL and the Web, and discussions should be lively there.

But this trend is so striking with respect to Web servers that a cursory overview of what's on the market and what's coming is both compelling and necessary in a treatise on online publishing models. Designed for DOS, UNIX, Windows NT and other accessible environments, these tools put the keys to the kingdom in the hands of both talented publishers — and everyman, whom NaviSoft, America Online's software subsidiary, calls the "infopreneur."

The following overview was based in part on the experiences of online newspaper publishers and on product literature, as some of the newest offerings aren't yet commercially available. Capabilities aren't standard across software platforms, so they appear generally in order from least to most expensive, which

The Web is such a capable, inexpensive and happening place for stand-alone publishing that newspapers might get the idea that commercial online services aren't the draw they once were as shared publishing platforms.

In large measure that's true, but the major commercial platforms, in embracing Internet connectivity, may offer other benefits their publishing partners find useful such as:

- a ready-made base of subscribers in the paper's local region and nationally;
- a customer service back-end with billing, charge dispute resolution and fulfillment capability; and
- joint marketing capability.

For many online neophytes, commercial online services still offer the easiest entry point to the wired world. And the existence of a lively competition among commercial platform providers means efforts to draw new users into the fold will endlessly widen the net.

Prodigy did just that when it added its Web browser ahead of the pack; it boasted 350,000 downloads of its browser in the six weeks after introduction, half of these from new members. Other services soon followed with Internet service. Now, Prodigy promises to offer all its subscribers access to ISDN digital services and the capability of producing their own Web pages. CompuServe is pushing to offer remote e-mail and news to subscribers' pagers.

These battles for competitive advantage in the consumer online marketplace are good for the newspaper choosing a partner because they ensure the service provider will leave no stone unturned in building its universe of eyeballs online.

This is a challenge. Some platform providers employ slightly more than half their workforces in either marketing or customer support: getting subscribers or keeping them happy. Even so, churn rates are estimated at anywhere from 10% to 35% per month, says Jeff Sands of Booz•Allen & Hamilton.

The quest for fresh or converted online users has led consumer services to lower their prices for basic services and provide a wider range of tiered services.

As customer revenues decline, will royalties follow suit? Or will the reach of online services expand sufficiently to make up the difference? At what point are advertising revenues necessary to sustain the business model? These are all questions potential publishing "partners" must consider when contemplating joining a platform provider or going it alone.

Sharing a flat with an online service provider may mean that the provider can take the lion's

share of revenues. If the newspaper is an "information supplier," it may only take home 10%-20% of the revenue, derived largely through royalties. Competition from Prodigy and Interchange has made online providers more amenable to the 50%-50% split; Microsoft anticipates keeping 60% of the revenue from its publishing partners, though it will offer the option for the publisher to charge premium prices for tiered services that add value to its Microsoft Network.

Even with these rules of thumb, revenue splits are highly negotiable. America Online paid McDonald's to put its content area on the network — not the other way around. Similarly, Microsoft shelled out $4 million to woo NBC away from AOL and Prodigy. The content wars have begun and platforms appear willing to pay for fare that could prove a reader draw.

That basic-tiered content, added to provision of entry-level pricing for Internet service, could allow consumer online services to thrive as many users' "home page" to the Internet.

In just the last six months, every major commercial online service became an Internet provider.

- **AOL bought Navisoft and BookLink and created WebSoft, a stand-alone Internet business with the intent of attracting other publishing venture partners to standard, Internet publishing tools;**

- **CompuServe bought Spry, maker of Internet in a Box, for $100 million and is offering expanded Internet access;**

- **Prodigy developed its own proprietary Web browser and put its first Webbed newspaper, The Atlanta Constitution, up in May; and**

- **Delphi, the service which began its existence on the Internet, dropped efforts to design a proprietary interface and linked with Netscape to design an open-standard on-ramp.**

Another survival strategy for commercial service providers is to craft partnerships with other traditional media companies that can serve as pointers to their online content. Bertelsmann, AG, one of the world's largest media companies, took a 5% stake in America Online for $50 million and formed an alliance to launch a new European interactive service. Bertelsmann will contribute more than $100 million to fund the launch of the service, which is expected to offer access to the company's publishing content and book and music club customer base, which now numbers more than 30 million consumers.

Other recent alliances include MCI with News Corp., owners of Delphi Internet Services. With a push from the top to get Rupert Murdoch's empire wired, Delphi is on the move, insiders assert.

NBC recently announced it would support the Microsoft Network and that the two would jointly develop interactive content. That linkage led Microsoft Chairman Bill Gates to remark, "I'm a big believer that the interactive world can be very complementary with the broadcast world."

Even more than broadcasting, the commercial online realm begins to resemble a marketplace with which publishers are already familiar. Notes Denise Caruso in *The New York Times* (April 17, D7), "In the same way that magazines are available at many newsstands, a single online provider may be only one of many possible distribution paths to an online publication."

Unless compensated handsomely, publishers are advised not to craft exclusive arrangements with any single online provider, and select partnerships that make their content as portable as possible.

Remarks Arthur Sulzberger Jr., publisher of *The New York Times,* which is pursuing both America Online and Web adjuncts, "Our philosophy regarding the electronic distribution of news and advertising is a very simple one.

We are absolutely agnostic regarding our means of distribution."

He explains, "The words 'paper' and 'newspaper' don't define what any of us do. Our job as newspaper people is to collect news and information, add value to that information and get that information to consumers as cost effectively as we possibly can. We are used to doing that with paper, but there's no reason in the world why we have to keep doing that. You don't have to be a rocket scientist to know that our current methods are both slow and expensive. The computer clearly seems to be offering us a better way and we're going to be using it.

"Frankly, if somebody will invent a way of beaming it directly into your cerebral cortexes, we will use that too. The challenge we have is how to transfer our brand from paper to cyberspace."

Each of the following shared platforms — or "rooms with a view" — offer newspapers a branded identity to one extent or another.

The least capitally intensive way to start is as an information service provider, where the newspaper offers its material on an online service's platform and is paid with royalties based on usage. America Online offers such an arrangement; the company is adamant about holding to a one-price system without premium tiers or subscriber add-ons. Its new Internet offerings are another matter.

All so-called "hosted" models are undergoing rapid change as the landscape for commercial online service companies reflects the near pervasive impact of the Internet. The commercial services in particular still are working through what Internet connectivity means for their publishing business models.

Following, in alphabetical order, is a brief overview of the business pitches to publishers of major online services, and UNET 2.

Each overview reflects significant input from the provider and should be read as each's marketing "pitch." As always, the best judges of how well the individual business relationships work are the newspapers that employ them.

America Online

Generally, though AOL says all its models are individually crafted, an information provider to America Online can expect to reap some 15% in royalty revenue, plus advertising, plus a bounty for bringing in new members. The option also exists to reap transactional revenue via Ticketmaster, which can process ticket sales online for local events.

The most widely publicized bounty deal with AOL guaranteed Time Inc. $500,000 over one year. Bounties range from a $10-$20/subscriber, more if they are retained for a year.

The relatively low royalty payment must be weighed against the rapid growth of AOL's subscriber base. As its marketers are fond of pointing out, 15% of 2.3 million readers may be a greater opportunity than 50% of a smaller audience share.

Mark Dewey, recently promoted to local media manager for AOL, says, "We want to be the mass market service," and "consumers want to pay just one price" for that service. AOL won't make any more exceptions to this model, as it did for the *San Jose Mercury News* which offers its NewsHound service for a premium fee.

But Dewey also says the Internet may be where some of those premium services migrate. The Internet Services Division may be construed as a service to publishers, offering a platform that can be structured to suit the publisher's business model — the publisher brings subscribers and advertising, plus marketing in its service area; the platform provider offers national marketing and its own subscriber presence.

On June 1, AOL announced it would offer stand-alone internet service and had entered into an agreement to buy Global Network Navigator, a subsidiary of O'Reilly & Associates Inc. to help launch the offering. The transaction will cost AOL $11 million — $2 million in cash and $9 million in stock. Separately, the company bought WebCrawler, a search tool and Internet index, and in May purchased WAIS, Wide Area Information Service, another company known for its search engines.

AOL's new "Internet brand," to debut Aug. 24, 1995, is designed to be a "best of breed" offering that combines the content and context of GNN, the power and speed of the InternetWorks web browser and software suite, and comprehensive web directories and search tools. Pricing hasn't been announced.

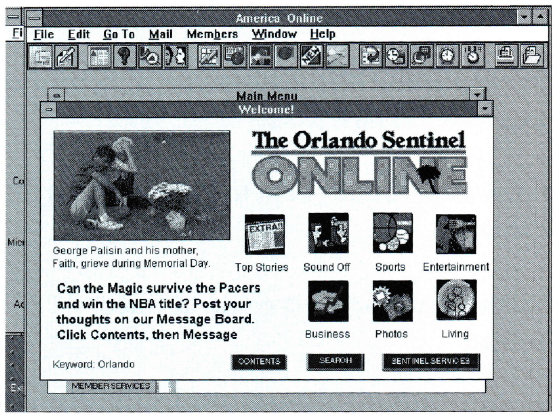
Steve Case, AOL president and CEO, said, "In addition to its current free services, GNN will also be working with publishers to offer subscribers a wide range of a la carte services." As Case describes AOL's plans, "People who just want Internet access, or prefer paying separately for services they use, will likely opt for our new GNN brand. People who want to pay a monthly fee and get access to the widest possible range of content free of surcharges are more likely to opt for our flagship AOL brand

GNN, at http://www.gnn.com, has more than 180,000 registered subscribers. It will continue to offer a range of advertising supported free services, and new tiered services. Other new Web-based content will come from Songline Studios, a recently created O'Reilly & Associates subsidiary, which received a minority investment from AOL.

Today's AOL model for relationships with newspapers is based on a few simple concepts:

- standardize the core product;
- reduce risks to the partner;
- give partners a share in AOL's growth in their markets;
- focus on new product development; and
- leverage what we already know.

AOL's relationship with partners will be simple, modular and product oriented. Newspapers can decide the level of financial and resource commitments they wish to spend on their online service — the object being to dedicate resources and overhead to profitable enterprise, not reconstructing a newsroom.



© Orlando Sentinel

AOL provides:

- customized look and feel for each newspaper, based on specifications they provide. This includes the daily newspaper content, special features, message boards, classifieds, display advertising, letters to the editor and other basic services associated with an online service for newspapers;
- a package of customized services for each newspaper, including:
  a. TV listings;
  b. reference database of wire stories and other information related to key national business and international stories (Bingo Number Database);
  c. Ticketmaster gateway capability (newspapers arrange their own deals with Ticketmaster);
  d. archival searching premium service (through VuText);
  e. advertising capability; and
  f. classifieds.

- authoring tools for papers to integrate text and graphics. AOL also will assist papers participating in broadband tests (cable modems, etc.) in their markets; and

- automated formatting of newspaper content into AOL protocols. AOL can offer papers a virtual turnkey online newspaper area.

Newspapers provide:

- equipment and telephone connections to transmission of daily news to AOL;

- integration of online services into editorial content of newspaper; and

- promotional activities within newspapers and, where practical, through other channels to promote the AOL service.

The newspaper is not held to any exclusivity restrictions.

Payments to newspapers come in three categories:

- AOL will pay participating newspapers a percentage of its AOL subscriber revenues generated by ALL of AOL's subscribers within the paper's ADI. Papers will need to specify the ZIP Codes within their ADI. No overlap will be allowed with existing AOL partners' markets (Bay area, Chicago) or larger geographic regions beyond their markets (Seattle, L. A., San Diego);

- AOL will pay newspapers for every subscriber brought into AOL through the direct efforts (traceable to assigned source codes) of the newspaper; and

- AOL will pay a percentage of all revenues generated by usage of its newspapers' content by AOL members.

Payments to AOL:

- the newspaper pays AOL a small setup fee, and a smaller annual maintenance fee;

- the newspaper pays AOL a flat-rate setup per ad, plus a small percentage of the ongoing revenues produced from the advertisement; and

- the newspaper pays AOL a percentage of money it receives from the provision of transactional or premium services related to its papers, i.e., archive searching.

The term length is variable. Newspapers on the service include The *San Jose Mercury News, The New York Times, Chicago Tribune, Investor's Business Daily, The Orlando Sentinel, Ft. Lauderdale Sun-Sentinel, Air Force Times, Army Times, Marine Corps Edition* and *Navy Times.*

Contact: Beth Singer, manager of business development, AOL, 8619 Westwood Center Dr., Vienna, Va. 22182-2285; phone: 703-918-1736; fax: 703-918-1102; e-mail: bethsinger@aol.com.

CompuServe

Today, CompuServe subscribers number more than 2.7 million. The service grew more than 50% from 1993-1994. Following its purchase of Spry, it offers Internet services, and expects to have a Web browser incorporated into its information manager software.

CompuServe allows newspapers to develop online communication and interaction between their reporters, editors, readers and CompuServe members. This interaction serves as a reader service, a market research tool and a source of revenue.

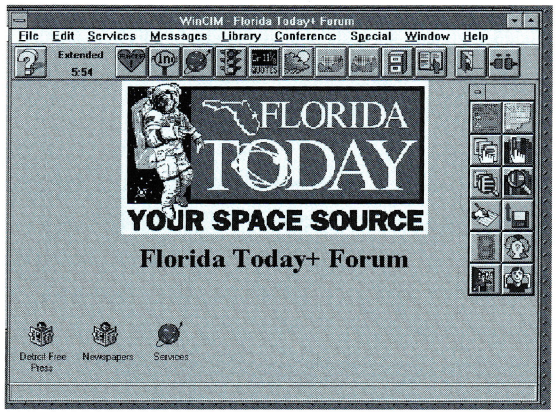
Most newspapers will develop and manage a "forum" on CompuServe with three functional areas: messaging, libraries and conferencing. Messaging allows users to communicate as a group; users post messages which everyone can read and to which anyone can respond. The messages and responses create a "thread" which can be likened to a discussion.

Newspapers use messaging to facilitate discussions among readers, editors and reporters on stories published in the newspaper, receive and respond to reader questions for newspaper experts, encourage discussions among readers regarding shared interests, and

create and share informal polls on topics of interest to their readerships.

CompuServe is testing multimedia tools that would allow users to create a cartoon-like atmosphere in common chat rooms later this year. The service, called Worlds Away, was designed by two former Lucas Film designers.

Text or binary files, which could include graphic images or stories from current and back issues of the newspaper, may be uploaded by the newspaper or users to libraries. Libraries may be used to offer background information related to newspaper articles. Users can search libraries by key word to locate files of interest.



© Florida Today

CompuServe also offers a store to sell newspaper subscriptions, photos and other newspaper materials to its members.

CompuServe pays a monthly royalty based on the revenue it collects from members acquired through the promotional efforts of the newspaper. It also provides complimentary use of the CompuServe Information Service for up to 15 editors, reporters or other staff members as required.

CompuServe does not charge the newspaper. In return, it looks for the newspaper to announce and promote its availability on CompuServe to readers. The key component of this promotion will be context-specific editorial references to relevant discussions or information in the newspaper's forum on CompuServe.

Another important element of the promotion is a commitment to advertising in the newspaper. Ads will contain CompuServe's toll-free telephone inquiry number and will promote an offer for a free CompuServe membership. CompuServe will fulfill orders for these memberships, which will include a copy of the CompuServe Information Manager software, a user ID and a $15 usage credit on CIS. CompuServe will waive the first monthly fee for each new member. This was formerly $8.95 — now $9.95, but reflecting access to more than 100 services, compared with the former 78. Connect time rates have dropped to $4.80/hour at any speed up to 14.4 kbps.

Advertising may become an increasingly viable revenue source. CompuServe is finalizing a rate card for *U.S. News & World Report* which may be available to other content providers later this year.

Still a third opportunity for catalogers is a spot in the Electronic Mall; a storefront runs $15,000 to $20,000. Bookstores and gift items are the most popular. In addition to *U.S. News*, Compuserve carries *Sports Illustrated* and the Gannett Suburban Newspapers/New York Newslink, *Florida Today* and the *Detroit Free Press*.

Contact: Monique Philips, proposal administrator, CompuServe Inc., 5000 Arlington Center Blvd., P.O. Box 20212, Dublin, OH 43220; phone: 614-457-8600.

Delphi Internet Services Corp.

Delphi Internet, founded in 1981, is the fourth-largest consumer online service and was the first to provide its members with full Internet connectivity. Delphi was purchased by News Corp. in 1993 and is the only online service to be part of a major media company.

Currently, Delphi is undergoing a major restructuring aimed at fulfilling News Corp.'s commitment to make it a global, premier online service. A new senior management team led by top online industry veterans has been put into place, supported by a staff of several hundred in marketing, content development, networking technology and member services.

Delphi's new online service, to be launched this Fall, abandons proprietary online architecture in favor of full integration with the Internet. The service will live on the Internet's "World Wide Web" and will be based entirely on open Internet standards and protocols.

Delphi plans to "consumerize" the Internet, making it simple for individuals to connect with and navigate the World Wide Web, and making it easy for partners to offer Web-based services. Delphi is building a high-speed, global dial-in network and billing infrastructure to provide consumers with quick and easy connectivity.

End-user software comprises the best of the Internet. Delphi has identified and licensed the finest client applications and integrated them into a seamless shell. Delphi's recent strategic alliances with Netscape Communications and with other applications developers form the cornerstone of this approach.

Delphi's open environment makes it easy for partners to develop content for the service. Pages can be built using standard HTML tools and commonly used graphics packages. An easy-to-use processing engine supports standard headers and facilitates automated preparation of recurring content. A state-of-the-art search engine enables application-specific or service-wide searching of content.

As with AOL and Prodigy, which came later to Internet connectivity, Delphi actively seeks partnerships with newspapers that wish to establish a branded presence on the World Wide Web.

Delphi's newspaper publishing partners are not required to pay start-up fees or to make minimum usage guarantees. Partner services carry the partner's own brand as the primary brand identity. Partner services have their own "front doors." The publishing partner maintains full editorial control, sells advertising, and selects and sets pricing for any premium content offered. Members are billed under the partner's brand name.

Delphi sets the basic service pricing. Partners receive a percentage of the monthly fee and of overtime revenues paid by each member they acquire. Partners share in a revenue pool based on their percentage of total Delphi and partner usage, enabling them to generate revenue from members not directly acquired. Partners set prices for advertising on their services and for premium content offered; they keep the majority of revenues from both.

Delphi's relaunch this fall will be accompanied by a large-scale marketing blitz designed to create a high level of consumer brand awareness. Newspaper services, other partner services, and services from News Corp. properties including Fox Television, TV Guide, 20th Century Fox Studios, HarperCollins and News Corp.'s international newspaper and broadcasting properties will join to create what Delphi hopes will be a compelling array of content and services. News Corp. and MCI Communications Corp. recently announced a broad joint venture aimed at establishing market leadership in electronic information services.

Also on the service are the *St. Louis Post Dispatch*'s PostLink, which runs on the platform's ASCII service, and Reggie, the Orange County Register's Register in Education NIE program, which offers content to schools online.

Contact Bruce Thurlby, vice president, Business Affairs, at 212-556-8131 or at e-mail: brucet@News Corp.com.

Interchange Online Network

Rob Lippincott, vice president, content and publishing services for AT&T Interchange Online Network, has written a 15-page primer called "How to Build a Productive and Profitable Online Business: A Guide for Newspapers," which is available directly from AT&T, and only excerpted here.

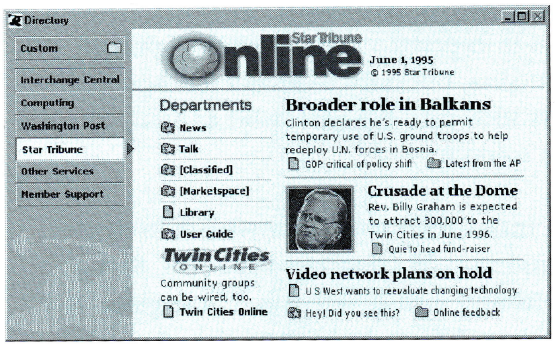
Using the Interchange network, online newspaper publishers can:

- protect and expand their classified advertising base;
- build new sources of advertising revenue. "The forthcoming AT&T Interchange Online Network will give publishers control over advertising in their online areas, including letting them keep the lion's share of advertising revenue they generate;"
- increase the return on information assets;
- maintain/strengthen relationships with readers;
- expand a publisher's role in their community; and
- expand a publisher's role beyond their community.

Interchange offers infrastructure with local access across most of the U.S., facilities for billing customers and collecting basic usage data, multimedia (Microsoft Windows), branding (maximum flexibility and control in how publishers present their information), hyperlinks to other information sources, publishing tools and CD-ROM integration.

Interchange maintains "the jury's still out on the Internet — the 'public access' culture and the lack of tools such as secure credit card transaction systems are real wild cards." Interchange's model provides:

- a highly favorable revenue split (publishers keep as much as 90% of the revenue generated by their customers);
- "passive revenue streams" from additional network traffic generated by publishers' customers; and
- ownership of the advertising associated with publishers' content, including the advertisers and the revenue.



© The *Star Tribune* (Minneapolis, MN)

Newspapers may want to start slowly, by first publishing only online versions of their newspapers, then later building complete online services around their papers that include news, archives, special editions and other information. The service will also provide a library called "Interchange Central" where newspapers can aggregate their archives or other data.

Publishers building full special interest services on Interchange "own" their customers and keep the majority of revenue generated. They also receive a percentage of the revenue their customers generate in other areas of the service, and can sell space and collect revenue from the advertising areas in their service.

Members subscribing to publishers' online services on Interchange are billed under their publishers' names — not Interchange's — on their credit cards. Two newspapers have signed up for this platform: *The Washington Post* and the Minneapolis *Star Tribune*. Connectivity to the Web is not currently an option under Interchange.

Contact David DeJean, senior editor, 25 First St., Cambridge, Mass. 02141; phone: 617-252-5230.

Microsoft Network

Microsoft Network will launch with Microsoft's Windows '95 operating software. Instant access to as many as 60 million Windows users has been trumpeted as the network's springboard to success, but only time will tell how many users slide into the MN habit as easily as into solitaire.

The infrastructure of the network itself will extend into 35 countries via AT&T, Sprint, Unitel and British Telecom. Cable giant TCI bought a 20% stake in the network for $125 million, and the two are working together on a broadband interactive services trial in Seattle. That link, plus working relationships with companies that may imbed the company's interactive video operating system in their set-top boxes, makes upward migration to broadband networks likely.

Revenue opportunities for publishing partners include subscription fees, transactional revenue, advertising and cover charges. Microsoft's unwillingness to be specific about its access as a platform to newspapers might have something to do with its recent announcement to launch its own stand-alone news service on the network. Because the offering proposed to select clips for user perusal from some other services, it generated a storm of criticism from those wondering how Microsoft would edit the substantial amount of copy written about itself that crosses the cyberspace transom every day.

The Seattle Times is alone among newspapers in announcing that it is actually testing Microsoft authoring tools as a possible precursor to joining the network. Though it has made no final commitment about making its content a part of the network, officials are pleased with the ability of the Blackbird authoring tools to reproduce the Times' look and feel online.

Content providers generally will be offered monthly subscription and connect-time fee revenue, and be able to sell advertising and offer transactions. Microsoft will keep the revenue from such services as e-mail, chat, BBS, Internet access and downloadable libraries.

© The Seattle Times

The service will have a constituency in place beyond its Windows '95 users. In February, it received endorsements from more than 50 hardware and software companies, which will use the network to provide customer support and product information. In this respect, the service will likely target home office computer users, and migrate from there to the rest of the family.

Microsoft has made clear its intention to undercut other commercial online service prices by a wide margin. But early rumors that this fee would include Internet service are in error. There might be enough of a taste offered to satisfy the unsophisticated browser — a daily best of the Web, for instance — but company officials make clear that heavy users will pay market price for their surfing.

Tiered pricing is an option, unlike with AOL. Content providers will be allowed to price premium services and keep as much as 60% of the revenue. An elaborate proposal document is available via faxback from the company, which asks potential electronic publishers to expand on their ideas and detail proposed pricing structures.

Microsoft's own hot buttons are financial information and business tools, and kids,

which are viewed as the Windows' market to come. End-to-end financial services will likely be a draw; the company is working with Visa to craft a secure electronic billing system to enable safe use of credit cards on the system.

An integrated multimedia developers tool called Blackbird has the capability to capture brand identity, and plant identifiable user icons on users' desktops. Though it is available to users of the Network, it hasn't yet been made available for other publishing platforms.

Another feature of Windows 95 is HTML authoring tools — the capability to write documents in the language of the World Wide Web. The company bought a piece of UUNET, one of the largest and oldest Internet service providers, in January. Microsoft is expanding UUNET's network in much the same way the cable companies are updating theirs to incorporate fiber.

Contact: Ted Gauld, business development manager, online services, Microsoft Network, One Microsoft Way, Redmond, WA 98052-6399; phone: 206-936-2661; fax 206-936-7329.

Prodigy Network

Product: Newspaper branded product available via Prodigy Network and the Internet.

Subscription: Set by newspaper (usually $4.95/month) if the user is a Prodigy subscriber. Prodigy service costs $9.95/month for five hours of use. Additional hours are $2.95 each. Prodigy also offers a 30/30 plan which includes 30 hours of Prodigy and the Internet for $30.

Includes: Unlimited and untimed access to newspaper's editorial content.

Features: News, sports, weather, editorials, entertainment, Infocenter, children's features, restaurant and movie reviews databases, bulletin boards, chats, archives, classifieds, display ads, e-mail and Internet Web links.

Delivery: Telephone modem at 2400, 9600, 14,400 bps, ISDN (selected cities) at 64,000 bps, cable modem to PC (selected cable systems) at 500,000 bps.

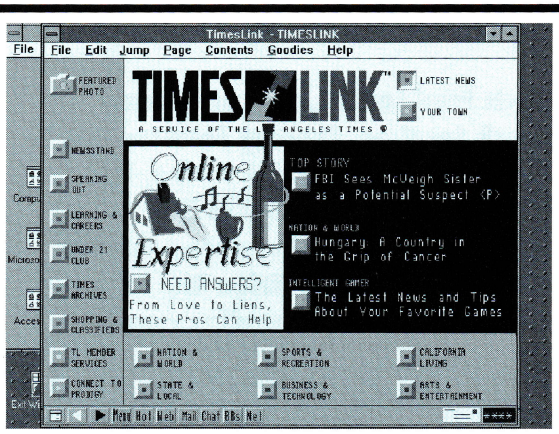
Platforms: DOS, Windows, Mac, Internet Web Browser.

Roles: Newspaper takes on marketing, content, advertising and customer service. Prodigy provides producer software (HTML), network delivery and billing.

Revenue: All revenue flows to the newspaper for advertising, classifieds, archives, subscription fees (separate from Prodigy) and timed services.

Cost: Per-hour fee for use of Prodigy network and a Web hosting fee.

Even individual subscribers may avail themselves of Prodigy's Web content creation tools, launching their own Web pages — at no extra charge. A press release says Prodigy's Windows-based "Home Page Creator" requires no computer programming knowledge or special skills. Members choose from a variety of fill-in-the-blanks templates and type in the information. Within a few weeks of offering this service, Prodigy will add the capability for members to include their own photos, graphics and personal sound clips.



© The *Los Angeles Times*

The Creator will have four different templates:

- Basic allows members to talk about themselves, their interests, their favorite home pages (complete with hyperlinks) and email addresses;
- Business card allows members to list their companies, titles, business description and address, fax number, email and company home page address if there is one;
- Out On The Town allows members to offer a guided tour of their hometown or other favorite place, listing favorite things to see and do; and
- Top 10 List, with hyperlinked favorite Web sites.

A Macintosh home page creator will be available when Prodigy releases its Mac Web browser later in 1995.

Prodigy permits companies like newspapers to advertise directly to its subscriber base. For a "standard advertising unit," it charges $27,500 for one to five screens and $54,200 for 16 to 30 screens, not including one-time creative fees for the packages which run from $14,000 to $22,000.

Prodigy has the largest single stable of newspapers of online service providers, including the *Los Angeles Times* (TimesLink), *Atlanta Journal and Constitution, Houston Chronicle, Tampa Tribune, Newsday, The Providence Journal, Austin American-Statesman, The Dallas Morning News, The Milwaukee Journal and Sentinel, Richmond Times-Dispatch,* and *The Spokesman-Review* (Spokane).

Contact: Fred Larson, vice president, Network Services, Prodigy Services Co., 445 Hamilton Ave., White Plains, N.Y. 10601; phone: 914-448-8389; fax: 914-448-8622. The contact for the Home Page Creator is Brian Ek, 914-448-8811 or ek@prodigy.com.

UNET 2

UNET 2 is a niche service provider existing primarily to offer private online networks for publishers. Founded in 1992, it has 15 employees and less than $5 million in sales.

Current clients are *TV Guide* (News Corp. — TV Guide Online), *Discover, Sailing World, Snow Country, Art & Antiques, Parents, Sierra Magazine, Cruising World, Golf World, Individual Investor, Golf Digest, Hippocrates, Tennis, The American Spectator* and WFSB-TV in Hartford.

The company has proprietary software and a search engine and a comparable revenue split to that of Interchange (50-50).

The company also allows the newspaper to maintain its look and feel online, and can provide an individual icon on the user's hard drive. Publishers aren't promoting someone else's software or services, unless they are a paid advertiser. Advertising splits are subject to negotiation.

Worth watching is the company's "Classified Connection(TM)" concept, which is essentially a classified advertising template designed for a proposed aggregate of newspapers nationwide.

Harlan Levinson, UNET vice president, says UNET envisions creating an online classified service. "For example, if a user lived in Easton, Pa., and wanted to search for a Chevrolet Impala, all he or she would have to do is log on to The Classified Connection and with a few clicks and keystrokes, would be able to find all of the cars with the desired features within a certain number of miles of the home or office. While the users may read *The Easton Express* on a daily basis, he would never know that the exact car he was looking for was located a few miles away and advertised in a newspaper he doesn't read."

Helping one's competition might not be what newspapers are looking for, but online fees could be an incentive. Since no newspapers have signed on yet, it isn't clear whether readers would be charged online fees for such a service; even analysts who view classified advertising as a "killer ad," and job ads as chief among these, don't believe such projects would succeed unless the service to users is free.

Contact Harlan Levinson, vice president UNET, Room 212, 80 East 11th St., New York, NY 10003; 212-777-5534.

Though UNET views the concept as hotly proprietary, newspapers are taking their own classified concepts to cyberspace. Cox is working with Bell South on a regional system. Landmark is trying to put together a Virginia statewide real estate network.

And, of course, there's NCN.

A View, With Plenty of Room

It hasn't been lost on newspaper publishers that, since they own the franchises with the largest collective daily readership and advertising base in the U.S., they could have the most to lose to national online service providers in a race for America's wired — or, the most to gain from creating a national network of local online services.

Better to work together than be picked off by the likes of Microsoft one at a time, many believe. So, the New Century Network (NCN) was born as a "national network of local online newspaper services." Eight of the nation's largest newspapers spearheaded the joint venture: Advance Publications Inc., Cox Newspapers Inc., Gannett Co. Inc., the Hearst Corp., Knight-Ridder Inc., Times Mirror Co., Tribune Co. and The Washington Post Co. They were later joined by The New York Times.

The group's goal appears to be to rise above the noise — to "organize the chaos," said one member — establishing newspapers as major players in the multimedia marketplace. The method is to take their content to the World Wide Web, and the means is a membership organization — with affiliation fees — that will provide aid and counsel to support its own in the creation of local online services.

Whatever NCN as an organization accomplishes, its creation is a genuine breakthrough for the industry. Its very existence marks a recognition that the future is electronic, and that newspapers must play to win. Donald Graham, chairman and CEO of The Washington Post Co., said, "The founding partners firmly believe that a newspaper is the most significant news and information source in its local community. Online and electronic delivery is the natural extension of the newspaper's mission to provide that content — edited with context and clarity — however the customer wants it."

Any consortium with the customer at the center really could thrive in today's online anarchy. But like the online services its partners are developing, NCN's strategy is a work in progress.

Essentially, the group aims to:

- create an affiliate organization of local newspapers in the process of creating online services;

- **assist these newspapers with consulting, tracking and billing services needed to build dynamic online presences in their local markets;**

- **use newspapers' aggregated clout to help develop technical standards and authoring tools which would allow seamless access to network content; and**

- **aggregate a broad national audience that will attract advertisers.**

NCN's April 1995 announcement declared, "The new venture will act as a catalyst for a wide number of services, such as helping members share content and develop new content packages. It will also provide to affiliate newspapers technical standards and consulting services to facilitate the development of highly local online newspaper services." NCN will help affiliates by "offering common technical standards and authoring tools, and developing billing, tracking and consulting services."

First, some context. In the Wild West world of the Web, the issue of "technical standards" is squarely the province of bodies such as the Internet Engineering Task Force (IETF) and the World Wide Web Consortium (W3C). And, certainly, the marketplace of three million to five million users has a few opinions.

Charles Brumback, chairman of Tribune Co. and a driving force behind the new consortium, later clarified that it is NCN's intent to adopt only the "minimal" standards needed for all the members' content to meet at the Web.

Fair enough, but building a "back end" that could manage billing, or making sure that every newspaper's database is structured in a way that will allow centralized indexing may pit one newspaper's preferred solution against another.

Web server software and authoring tools could be the first battleground. Hearst, Times Mirror and Knight-Ridder all have equity stakes in Netscape, a dominant, premium-priced vendor of server and browser software products. Adobe, in turn, owns a piece of Netscape and has an interest in seeing its PDF (Personal Document Format) authoring tools wallpaper the Web. Tribune and Advance have their own stake in a competing Web server company, Open Market.

Given that, NCN might instead offer up a well-stocked toolkit, with each item having a minimum level of interoperability on the Web. The last thing newspapers want to have dictated to them is how their newspapers should look to their audiences, and NCN has promised to keep hands off in this area.

"This is not any prelude to a fascist state," quips Knight-Ridder New Media Vice President Bob Ingle. "We will absolutely keep hands off the local look and feel" of the electronic newspaper product, and newspapers will be free to charge what they deem reasonable for their services. "But things have to have a function as a network." Those things will be subject to review, he suggests.

As for being a catalyst, NCN members will likely prove to be NCN's first market for innovative online solutions. Tribune Media Services, which planned to debut a new family of local syndicated electronic content at NAA's NEXPO™ '95 in June, and Knight-Ridder's *San Jose Mercury News,* which has a powerful clipping service, NewsHound, which may have services to offer the network. NCN will explore other services from outside providers as well.

Ingle predicts, "1,000 idiosyncratic approaches will take root here and blossom."

As with the industry itself, the beauty is in the diversity. Though NCN members want to pitch their aggregation as a national advertising platform to Madison Avenue, they insist NCN won't carry its brand into cyberspace. Instead, individual newspapers will have that opportunity, while enjoying cross-promotion by the collective.

To advance its own brand would make NCN just another sort of platform provider. The only reason it exists at all is because members grew weary of dealing with commercial service providers who wanted a chunk of the newspaper's revenues to deliver an audience the media company could garner for itself with the right tools and the right friends.

"The problem with the Web now is that anyone who owns a computer is *The New York Times,*" said one member. "There's probably some differentiation of the *Times* above the Web, but we've found in this a much more powerful, virtual network connection — a service for consumers of information by partners in providing information, working together rather than just another lonely outpost on a confusing World Wide Web of content providers that are all kind of equal."

If an affiliation of media giants owning more than 186 dailies and having a collective readership of more than 25 million isn't equal to John Q. Web's corner info store, it is at least democratic. NCN is open to any U.S. daily newspaper wishing to create a powerful, local electronic brand.

Of course, there's a cover charge. What the group will levy for membership hasn't been determined but founding members invested $1 million each. If that seems a bit rich for most of America's newspapers, they should take heart. Even newspapers who don't actually join the group will benefit from NCN's emancipation from the potential tyranny of other online competition.

NCN's anointing of the Web as the place for publishers already points the way, and its reminder to newspapers of how much they have invested in maintaining their information franchises could free this industry to explore.

Compared with the hundreds of millions of dollars newspapers have tied up in content creation and distribution today, the cost in time, money and any effort to create a loose network of wired affiliates may be worth it.

Other affiliations likely will develop, and not every newspaper will feel like it needs to be a part of the network to stake its claim to the digital frontier. Smaller newspapers may benefit from tools developed by pioneers like the *San Jose Mercury News*, or they may develop their own tool.

The network plans to hire about 10 people to start, and will be staffing up this summer. It won't have a national sales force. And it can't standardize advertising or subscription rates across its membership base because that might smack of "collusion." But it could work with NAA's National Newspaper Network, an ad sales organization created by the newspaper business, or some other representative to create a single point of contact for selling electronic advertising to its members.

Contact: Peter Winter, vice president of market development for Cox Newspapers, and interim chief executive officer for NCN; phone: 404-843-7955; fax: 404-843-7928; email: APTS44A@prodigy.com.

BUSINESS MODELS

WITH NEWS FROM THE FRONT

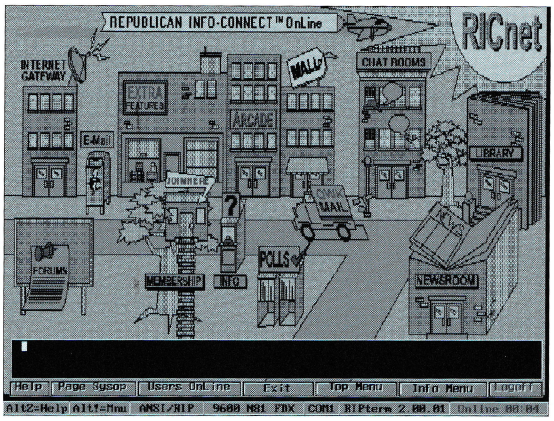
Each of the profiled papers below is a work in progress. Some have adopted mixtures of the hosted and owned platform models discussed in the previous chapter. Some have developed a unique breed of service tailored to their individual marketplaces. That's ideally the outcome of any online newspaper endeavor, so the following models and anecdotes should be viewed as illustrative rather than proscriptive.

They were selected for variety's sake to stimulate discussion and to help other publishers craft the most profitable business strategy for their markets.

BBS/Internet: *Pottsville Republican*

Revenue: For now, revenue is entirely subscription-based, though the company's Info Connect now intends to make money selling end-to-end bulletin board packages to newspapers. The newspaper's own service launched the week of March 13 and after two months the paper had 150 subscribers — enough to pay for the T-1 line needed to operate the board.

Subscribers join at three levels: $5.95 for basic service, essentially just access to content and basic e-mail capability; $7.95 for basic service with Internet e-mail; and $14.95/month for full service including expanded Internet access (FTP, Telenet). Without promotion, the service has 35 subscribers. In-house, 20 staff were selected to be part of a demo class to test the waters on what services subscribers find most useful.



Jim Dible, director, New Horizons Group, says ultimately that the *Republican* sees other revenue streams, including advertising (especially classifieds) access to archival information such as public documents, and the marketing of end-to-end systems that would allow other, smaller-market newspapers to implement electronic publishing operations. In the short term, revenue will be based on the paper's ability to generate subscribers from its rural market, perhaps 20% of whom have computers (not necessarily with modems), and more specifically from among its 28,000 readers.

Costs: *Pottsville* leases a T-1 line from MicroServe, a national Internet provider based in Wilkes-Barre, Pa., for around $1,000/month.

Total operating costs are estimated at less than $2,000/month, though this doesn't account for one staff position within an already existing technology group which has been shifted to the project. The only other staff is a part-time marketer, though there are links to the newspaper's editorial, NIE and advertising departments.

Cost: The platform operates with 12 phone lines, and current information feeds are managed by existing newspaper staff, though Dible believes the content must be distinguished from the print product. Total costs going in were around $23,000: $7,000-$8,000 for installation costs of the Internet access and $15,000 for hardware and software. The latter includes a Galacticom BBS system, a package of 10 to 12 arcade-like games for use by users, and limited transactional capability. The system uses RIPscrip 1.54, the freeware version of the popular terminal package, and doesn't intend to upgrade to the more capable version 2.0, although this option is available for a fee.

The company intends to market the same platform as a turnkey operation to other small newspapers. Dible thinks Pottsville can set up a 16-line system for less than $25K, including the PC, six-disk CD-ROM player, several modules including full search and retrieve, fax online, games, and e-mail, plus standard reporting package. This service is intended as a moneymaker for the paper which has a far-flung network of audiotex clients.

Dible expects the operation will turn a profit by 1996.

Strategy: The Republican's motto is "Touching your life every day," and the publisher intends that to be true in the interactive age. Dible found one comment from an online user instructive; the reader said the paper had succeeded in turning its BBS "from a few people leaving notes on a corkboard to a living community growing at its own pace." But apart from creating community, *Pottsville* aims to position itself as the first thing its readers see on the infopike. One of the strategic considerations for the paper is that, in its rural market, "everything is a toll call," says Dible. "We're the toll-killer to the Internet. Getting out there before anyone else puts our brand identity in the forefront. The majority of people who have signed up thus far is opting for the full Internet service. We deliberately priced it lower than we might have to stimulate use."

Strategically, as computer use spreads, particularly in the schools, *Pottsville* will be out there electronically to connect with the audience that is coming online. "We lost one generation to TV; this is the next wave." *Pottsville* is also protecting its franchise for information delivery in the community. "With the technology that's out there, it's easier for competitors because they no longer need a printing press," Dible says.

Contact: Jim Dible, 717-621-3310. The Republican's RICnet is accessible with any RIP-equipped terminal at 717-621-3333, but the user must subscribe.

Atlanta Journal & Constitution: Access Atlanta on Prodigy and the Web

Revenue: Revenue derives from subscriber fees, advertising revenues, premium service revenues, signing bounties and retention fees. All of this revenue goes into one fund and, "at the end of the day, we split the revenue" with Prodigy, says David Scott, Access Atlanta publisher. Actual fees are proprietary, but publishers may wager a guess based on the following charges:

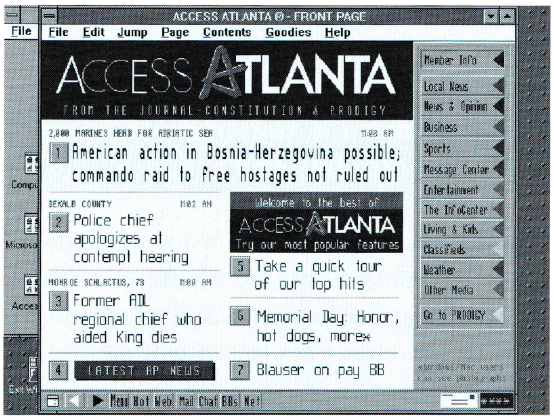
1. Subscriptions: $6.95/month. Prodigy subs pay $4.95/month in addition to the Prodigy monthly fee of $9.95. Access Atlanta subscribers who don't subscribe to Prodigy can access Prodigy at the per-minute rate of 4.9 cents ($2.95/hour). The current subscriber base was 19,400 at the end of May. When the service began, more than half its users lived outside Georgia. Now, 60% to 70% of users are considered local. Readers average two hours/month online. The average reader is fortyish, finished college or has some college education and is in a higher income bracket. About 75% are male.

2. Bounties: AA gets an undisclosed bounty per subscriber from Prodigy for every user who signs on to Prodigy through the paper, plus a monthly retention bounty if the subscriber stays on a year or more.

3. By January of this year, AA had attracted 11 local advertisers, paying from $1,000-$5,000/month. Ads are interactive, allowing customers to send e-mail to the company and receive information through the mail.

4. Transactions: In the fee for transactions industry, commissions are typically 10%-20% of the profit from every sale. Electronic newspaper services which offer items for sale may collect a similar amount from vendors.

5. Software Sales: AA disks are sold through local software distributors, but such sales aren't viewed as a major revenue producer, as the goal is to sign on users, not reap rewards through software sales. This could change if the paper undertook to comarket its software with other software publishers in some kind of bundling arrangement.



© The Atlanta Journal & Constitution

Its service added a Web site through Prodigy in May, though the site wasn't expected to be active until midsummer.

Cost: The company reportedly had a launch budget of around $300,000 to $500,000.

Content: Readers quite simply want everything. They get everything that's in the daily paper, but want it immediately, before it's at the doorstep. They also want to be heard and want instantaneous responses to their queries and suggestions — a half-day is too long.

To take advantage of this propensity of readers to sound off, the site makes the most use of surveys, as when readers are asked whether they think O.J. Simpson is innocent or guilty. Classified ads run the day before they appear in the paper and are searchable. The service encourages readers to use both e-mail and chat functions, leading Scott to remark, "We're in the communications business."

In addition to newspaper content, subscribers have access to the latest AP news and the company has drawn a local alternative weekly onto its site. The service offers information on special Atlanta-area attractions such as Stone Mountain, The Martin Luther King Center and CNN. It has a local tie-in with WSB radio. The broadcaster supplies traffic reports, weather information and a radar image. Readers can shop via an interactive map showing the location of malls, instructions on how to get there, lists of stores, food courts and security. Archives from the paper go back three years. Access Atlanta customers seem only too happy to shop online as well. Richards, a local Federated department store, sold $7,000 in Swatch watches in a few weeks' time.

Founders consider one of the advantages of the service being "two clicks away" from the World Wide Web, through the recent addition of Prodigy's Web browser. Though in early May the service didn't have an active pointer from Prodigy, some of Access Atlanta's content was expected to be Webbed by the end of June. Other reasons cited as to why the paper picked Prodigy include a robust distribution network of 250 local computer sites nationwide, excellent customer service including billing and collections, an established subscriber base — including 25,000 in the Atlanta area — and a better business deal than any of the other online providers.

Contact: *Access Atlanta* Publisher David Scott, 404-526-5897 or david_scott@ajc.com.

Los Angeles Times: *TimesLink* With Prodigy

Revenue: A mix of subscription fees and advertising is anticipated, though advertising currently accounts for less than 10% of revenues. Subscribers now pay $5.95/month, after an introductory price of $4.95. That's in addition to regular Prodigy fees ($9.95 or $14.95), unless the subscriber wants just the paper, which is offered at $6.95/month, with no Prodigy services included. The latter type of subscriber pays $2.95/hour to use Prodigy to order airline tickets, or engage in other activities on the commercial network.

Initial subscribers were derived not from the newspaper's readership, but from other online forums, principally Prodigy. Limited success was achieved by marketing inside the *Times;* better results came from ads in computer and online publications.

The current debate at the paper is whether to charge extra fees for tiered services or keep the price level and enhance the services to grow the subscription base. TimesLink classifieds don't levy a surcharge for the online version. The paper views its most attractive future revenue options as electronic database services and associated advertising. Since the paper in May was just six months into its effort, Victor Perry III, vice president of new business development, says it's just in the early stages of a "war over eyeballs." Currently, TimesLink subscribers, which numbered around 10,000 in December, are only logging in about one hour/month.

Advertisers may find a home in the service's shopping mall or, like Circuit City, be allowed to create informational content areas for subscribers interested in buying a computer or a modem. The paper has capitalized on its proximity to Hollywood, establishing special sections for Paramount Studios for products such as the most recent *Star Trek* movie and to MGM which bought a package of six promotions for products such as *Tank Girl.* Readers have continued to access the shopping capabilities of the *Star Trek Generations* section long after the movie became history.

Costs & Revenue: No information was available on costs or revenue projections.

Strategy: The *Los Angeles Times* made overtures to online service providers as early as 1993 to decide how to go online. At the time, Perry says, "We were obsessed with what the business model should be." The basic principles were the *Times'* desire to maintain its own subscription base and not to be "submerged by a national service." Control was a greater issue than price and the type of services. The paper linked with Times Mirror to form TimesLink, then tested the marketplace of platform providers. Eventually Prodigy decided to open its network and overhaul its basic systems architecture, winning TimesLink's business, which it shares 50%-50%.

Perry adds, "In terms of the concept of the product, we wanted to avoid the urge to reproduce ourselves in cyberspace, replicate the newspaper online, shovel newspaper content on a computer screen. Our concept is to try to become a regional gateway or aggregator to a rich array of interactive content and services that start with our newspaper but go way beyond our newspaper."

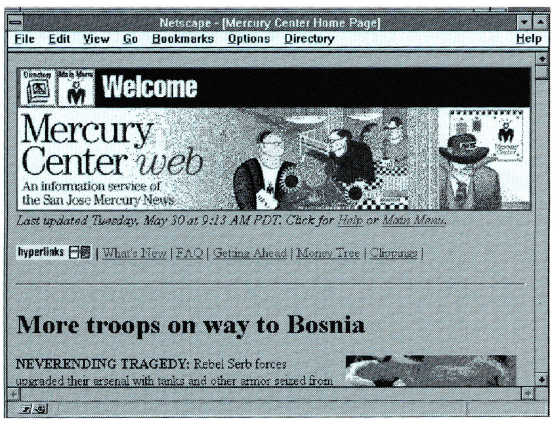
Content: The main news of the day appears midscreen. Also on the entry screen is the *Times 100,* a compendium of information about business in the state of California. Latest news is available from front-page stories and the AP wire. Your Town is a localized news and information application where Southern California has been divided into 57 microzones. Here, readers can get information from the newspaper and from several other outside information providers. Recently added were

data on home sale prices in various neighborhoods, which is very popular. A lively chat area thrives on an O.J. bulletin board. A Learning Careers area provides online courses. Direct links connect the reader to archives, shopping areas and classifieds. Around a dozen advertisers appear in the shopping area and the service takes orders online.

Staffing: About 40, some of whom are freelancers. Perry asserts that the skill set required for the online service is different than the synthesizing, summarizing and analyzing capabilities of the traditional news staff. "The kind of skill set required here is different. It's more information gathering and packaging. Leveraging what we've already got in terms of information gathering resources is where the action is." Yet, if the medium realizes its full potential and begins to affect the news gathering and editing process, "it's going to force some reallocation of resources." Selling interactive packages in addition to the paper will require "major training and orientation effort with our sales force."

Contact: Victor Perry III, vice president, new business development, phone: 213-237-2399; fax: 213-237-3777.

San Jose Mercury News: AOL/Web Hybrid



© *San Jose Mercury News*

San Jose was among the first to create an online version of its Silicon Valley newspaper, launching an area in May 1993 on America Online. The service has attracted more than 60,000 AOL users from the San Jose region, and is credited for reducing churn on the commercial service.

Revenues: *SJMN* receives revenue from these subscriptions, plus royalties on all online minutes spent in Mercury Center, ad revenue and a premium price for those making use of the paper's NewsHound customized news service or accessing the newspaper's archive.

NewsHound searches Knight-Ridder Business Wire, KR News Wire, Business Wire, other news services and the *SJMN* classified ads, based on profiles provided by users. Users pay $4.95/month, but the price will jump to $9.95 in 1996. Archival use of *SJMN's* newspaper is offered at 80 cents/minute at peak and 15 cents/minute during off-peak hours. The paper's archives have a high perceived value and when the paper raised the price, traffic increased.

The AOL operation is staffed by 18 people, and, apart from NewsHound, revenue consists primarily of reader royalty and the newspaper library premium service. *SJMN* made limited use of advertising in this venue; smaller advertisers are offered ads in a special section on AOL for $29.95/two weeks or $42.50/month.

But it appears AOL was just the beginning. In February, the paper established a Web site called The Mercury Center Web in cooperation with Netscape Communications. This venue makes broader use of advertising than AOL with both stand-alone strip ads and the Mercury Mall. As with many Web pages, such advertising appears in reduced form on the paper's home page, but can include hyperlinks so the user can click on the ad and get more information from the advertiser's own home page. The site is popular among Web "surfers," and draws some 300,000 visits per day, says Chris Jennewein, the original Mercury Center general manager and now director of the Knight-Ridder New Media Center in San Jose.

Advertisers include familiar names from AOL: Coldwell Banker and Del Monte, and Leo Hamel & Co.'s House of Charm, a jeweler in Redwood City, Calif., but also Internet provider Netcom, Ameritech, Metricom, Wells Fargo, House of Charm (a Palo Alto, Calif., jeweler) and IBM. Initially, they paid $350 for two weeks' exposure, now the rates are roughly $100/day, Jennewein says.

These are not static ads, mind you. Del Monte's ad is a hypertext cookbook; Leo Hamel features a catalog and interactive mystery game; Coldwell posts information on its real estate listings in Northern California.

The Website also incorporates display classifieds (which are scanned from the printed paper, converted to text and added to a searchable database), comics and a Dave Barry area.

Not content to rely on advertising alone, the Mercury Center announced in mid-April that it would be the first Web newspaper to charge subscriptions for full access to the Website. Many Mercury services remain free, including a searchable version of what the paper says is the world's largest high-tech employment classified database, full headlines and summaries of the day's news stories, pointers to other Web sites in the Bay area and other select features.

For the new comics section, full text retrieval of the daily paper and Dave Barry, subscribers will have to fork over $4.95/month — or $1.00/month if they already subscribe to the printed paper. Half of the 1,800 subscribers who signed in the first three weeks of the conversion take the print product. Jennewein says the company views its in-paper ads as highly effective and "far and away the most effective advertising medium" for the electronic product.

Jennewein is pleased with the subscription drive's progress and says visits to the site haven't declined that substantially. (Often, at the 500,000/day level, this has fallen to around 300,000, which is still very busy by net standards.) Advertisers haven't complained, since their presences are contained within the free area.

Costs: The AOL effort began with a staff of 15: one director, one general manager, one advertising manager, five editorial staffers, one managing editor, four billing and customer service personnel, one computer engineer and one product development manager. The Website activity called for an additional editorial person, a marketing manager and a computer engineer. Staffing is always in flux depending on how many new projects are in the works.

Tools employed in creating the product include search software from Verity Inc. of Mountain View, Calif., which makes *Mercury News'* classified ads searchable, and Netsite server software from Netscape Communications Corp., also of Mountain View, Calif., in which Knight-Ridder has taken an equity stake. Mercury's site can be viewed with any Web browser, but the comics don't line up properly unless the user has Netscape's client software.

Internet service is provided by Netcom Online Communications Services of San Jose, whose popular NetCruiser browser includes a menu selection link to the Mercury Center on the Web, but which skews the Netscape-authored graphics. With the proliferation of innovative client browsers, it will be a challenge to employ the more graphically interesting elements of authoring tools without creating an effect that is too browser-specific.

Since future versions of Netscape's client software will carry a price tag, *SJMN* is still wrestling with issues such as how to distribute the supportable version of Netscape's custom client. There will be a charge associated with such distribution, but, as Jennewein put it, "it's not clear the customer will have to pay for it." The custom client was expected to see its debut at NAA's NEXPO. One of the new features will be the opportunity to enter a newsgroup area to conduct online chats on the Web, an interactive component of the service which AOL readers appreciate and found lacking on the Web.

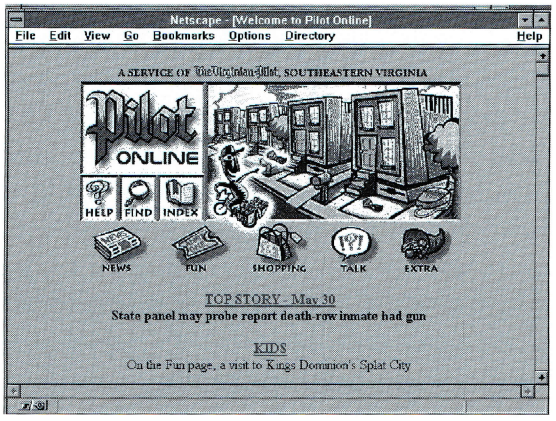
Strategy: Jennewein says it makes sense for the company to keep its presence on AOL in addition to branching onto the Web. AOL readers are more generally considered members of the mass media "consumer" variety, while Web traffic is derived more from the business, educational and government milieu. Content authoring decisions are made accordingly.

Some free copy will always be available — nonsubscribers may read the headline and the first paragraph of a story before being asked for their subscription IDs. Beyond that point, subscribers may search the classifieds or otherwise navigate without further challenge.

Mercury's newspaper roots are apparent in its planning for the future of NewsHound. The service undoubtedly will be applied to the Web in some fashion, probably in conjunction with the New Century Network, of which Knight-Ridder is a member. The philosophy at work here is that every reader has both community and special interests, with NewsHound being one way of aggregating special interest content. Currently NewsHound has 2,600 subscribers.

Contact: Barry Parr, product development manager, Mercury Center/*San Jose Mercury News*; http://www.sjmercury.com or 408-920-5384.

Landmark Communications: Internet



© *The Virginian-Pilot*

Revenue: Landmark's revenue model is unique. Landmark Communications, which owns more than 25 non-dailies and shoppers; the *Greensboro* (N.C.) *News & Record,* the Norfolk (Va.) *Virginian-Pilot/Ledger-Star,* Roanoke (Va.) *Times & World-News* dailies; two TV and two radio stations; The Weather Channel and The Travel Channel, bought a controlling interest in Internet access company InfiNet in late 1993. Landmark now makes money primarily from selling Internet service and setting up its own and others' media properties and advertisers with sites on the World Wide Web.

On June 8, Landmark announced it formed a joint venture with Knight-Ridder Inc. to expand InfiNet's reach as a publishing platform nationwide.

Newspapers, both in-house and unaffiliated, when they link with Landmark, receive their own Web site "free," plus half the profit from revenues derived from the sale of Internet service to their subscribers. Since costs are roughly half the pie, newspapers may receive as much as 25% of the gross revenue of the Internet services they sell. Affiliates agree to promote the service via advertising in their newspapers or TV stations, and receive collateral promotion for their sites from the well-traveled Landmark Web sites.

Service sells for $25/month for up to 50 hours, making the service pay for heavy users who are only charged 50 cents/hour. Gordon Borrell, vice president and executive editor of InfiNet, says the advantage of the service is that it offers newspapers a virtually no capital cost way of putting the newspaper online, plus a revenue stream that can pay for the additional employees that may be necessary to keep the Web content fresh.

Landmark has papers and TV stations in eight regions on the Web. Its Las Vegas TV station recently gained the CBS network imprimatur to take to prospective CBS affiliates. That could

put a major competitor for local advertising online in every newspaper market with a CBS affiliate up the street.

In a few years, if interactive advertising doesn't prove to be the revenue-earner that most predict it is, Landmark may have enough affiliates with valuable content to cordon off its spot on the Internet and return to charging subscribers for content. "The technology end of the business is not the core competency of newspapers," Borrell remarks. "We hope our core content will be worth something. The key is getting experience right now."

Regarding advertising revenue, Borrell says, "We're still not jumping up and down," but *The Virginian-Pilot,* after just one year online, earned access fees of $34,652 and ad revenue of $20,578 in the first quarter of 1995. Both totals are "building rapidly," he adds.

Key advertisers are real estate and mortgage companies, the local airport and a catalog company. The Greensboro paper recently arranged to build and manage a Web site for the ACC Tournament in March that proved among the more popular Web sites internationally. The Landmark home page (http://www.infi.net) claims to take up to 140,000 "hits" or visits by users per day, meaning that, whatever the ad revenue potential, it has not nearly been tapped. (Public tastes are somewhat fickle; Landmark is "hot" now. It was receiving just 40,000 visits/day in November.)

Strategy: But that's the key to Landmark's affiliation with other media properties. Web sites may easily become dead-end streets on the infopike, without the collateral advertising of more mainstream media. Another way to draw users comes from providing free in-house content of interest to Internet users. Landmark offers up "Webmaster" Glen Davis who daily provides the "Cool Site of the Day," a feature so popular it is hyperlinked to other sites from Hewlett-Packard and IBM and built into the Netscape browser. The exposure enhances Landmark's presence and that of its advertisers. "Anyone can establish a website, but how do you attract eyeballs?" Borrell asks. Recently, InfiNet webbed the NAA.

Landmark has no advertising fee structure to tout, and doesn't charge on a per-hit basis for exposure. Tie-ins are a subtle benefit; ads for Internet service list the local travel agency that has a linked Web page. A newspaper can charge advertisers enough to pay for the cost of its own server and domain name.

The toughest job may be managing expectations. "We don't guarantee exposure, we just build links," Borrell says. "If we were to say, 'here's access to 35 million Internet users,' they'd rub their hands together and start to figure 1% of that. That's not going to happen."

Content: Borrell has used the skill with local realtors who have joined InfiNet's Real Estate Web, which *The Virginian-Pilot* hopes to take state-wide. Listings are searchable by area, price and size, but don't include addresses. The listing company is charged by home, for a picture and for a link to a listing agent resume. Only one home has sold from the service in six months, but the realtors say home sellers perceive an added value to being on the Web.

Fees for setting up advertiser sites are generally a $2,000 setup fee plus $100/month. More complicated sites might be $5,000 and $500/month.

Costs: For newspaper InfiNet partners, there's a minimal setup charge. The Greensboro paper has one full-time person selling advertising and half a position from the newsroom to manage content, plus the time of a committee to set the site's direction. *The Virginian-Pilot,* which is a bit more aggressive, has a staff of one salesperson, one part-time salesperson and manager who also manages audiotex, and one part-time support person. The latter bills InfiNet ad charges back to the paper.

Because Landmark manages the Web site, there's no requirement for on-site hardware or extra phone lines. "These are very soft

costs," says Borrell. Landmark's costs for running the head-end operation are more substantial and include perhaps a dozen people just for technical and customer support. Even with its investment in the Internet provider, Borrell says it's still "considerably under a $1 million investment." Borrell says the company doesn't claim to have all the answers, but that many profitable opportunities have fallen into the company's lap because it was ahead of the marketplace in its Internet strategy. He encourages other papers to do the same, commenting, "We're collecting the dollars; the cash register is open."

Contact: Gordon Borrell, vice president and executive editor, InfiNet, phone: 800-446-2004, ext. 2583; e-mail: borrell@infi.net.

Raleigh News & Observer's NandO: BBS/Web

© News & Observer

Raleigh is only the first of what is likely to be a flood of publishers linking the communications and connectivity of a home-grown bulletin board system to the World Wide Web. Like *Pottsville,* the paper started with a Galicticomm Major BBS package and RIP graphics, but has migrated to a very mature Web presence which may serve as a model for other newspapers on several levels.

Revenue: The actual business model is a bit hard to dissect since NandONet — the online service — is an integral part of the paper's diverse New Media division. This burgeoning unit already houses five businesses: NandONet; CityLine, an audiotex service; The Insider, a fax and e-mail service covering state government which has 200 subscribers paying between $800 and $1,600/year (fax is more expensive); an NIE project; and PISYS IQ, an information-on-demand service priced at $50/hour.

Taken separately, NandO is offered either at $10/month for a stand-alone subscription to the BBS (provided the subscriber has Internet access), or as part of a service that includes unlimited Internet time via a full Internet SLIP, CSLIP or PPP account. The subscription option with Internet service costs $20/month; $26/month will buy both the network dial-up and a subscription to the printed newspaper. The service currently has 16,000 subscribers, but only 2,000 of these are paid. The rest N&O makes available to 10,000 students and 4,000 teachers in its service area. The revenue split on the network alone is about 10% advertising, 20% business network connections (56 Kb or T-1 connections offered to local businesses), and the rest (70%) subscriber dial-up services. The service is expected to be in the black by October or November.

This advertising figure probably understates the promotional value of the network. NandO has evolved into a much-traveled crossroads on the Internet, hosting both NCAA and ACC tournament action, and a Sports Server complete with fantasy baseball. The service's Web site is receiving as many as 1.5 million visits a week. As a function of NandO's popularity and style, it has established Web presences for the Poynter Institute, Freedom Forum, the Neiman Institute, Mammoth Records, UniSphere, Bloomberg Business News and a half-dozen other advertisers. One advertiser, the Music Kitchen, is a music store where users can click and download music and video clips. Depending on what level of service is provided,

the rates for exposure are highly variable. One of NandO's advertisers afforded visitors one of the truly avant garde experiences in Web promotion, offering an e-mail response "card" to fill out if they came to the site in response to the company's ad in *USA Today*.

Costs: $1.2 million since July of last year, which includes:

Staffing — One full-time and 10 part-time staff members on a help desk, an advertising salesperson and some 21 people in news research; and

Equipment — 244 modems, three servers and network routers, Galacticomm Major BBS.

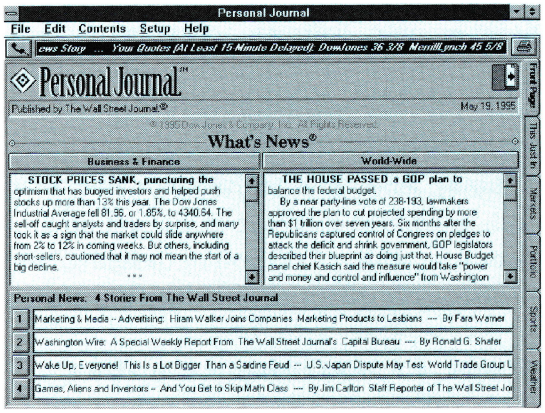
Marketing — "not that heavy."

Strategy: Clearly, NandO is investing in the future. Having determined that the market for its electronic services may be five years out, it is focusing considerable attention toward enhancing the computer literacy of its local schoolchildren who will be tomorrow's electronic consumers. Much of the network's content is local or regional. A recent school redistricting sparked NandO to load a database with all of the new school districts plus student demographics all keyword-searchable by address. The paper credits the service with diffusing much community animosity toward the plan, winning kudos from local educators and administrators. Yet only 15% of NandO's Web visitors come from its local area. Some 60% reside in the U.S., and the rest are from abroad, primarily England, Russia and South America.

News From the Front

The following don't represent formal business models, but offer a glimpse into some new products in process.

Wall Street Journal: Personal Journal



© *Wall Street Journal*

The editors of Personal Journal — a quick, wired read from the *Wall Street Journal* — thought every reader wanted some ability to control his newspaper product, but also some of the top news of the day as selected by editors. Personal Journal offers this mix of personalization, plus the bullets in the *WSJ's* business and world news columns. The cost to receive this product is $12.95/month for one download per day, and 50 cents/day for extra access.

Because the product is updated constantly, its producers see its greatest usefulness as a quick read in the late afternoon to get a jump on the major issues the paper will cover the following day.

The product is downloaded in one session by the reader who dials into the Personal Journal computer system, then reads it offline. Personal Journal was designed for busy business people who want a quick read, and to keep track of their investments with an easy-to-use, simple product. The *Journal* had experience in-house with online services, and tapped this expertise to develop Personal Journal.

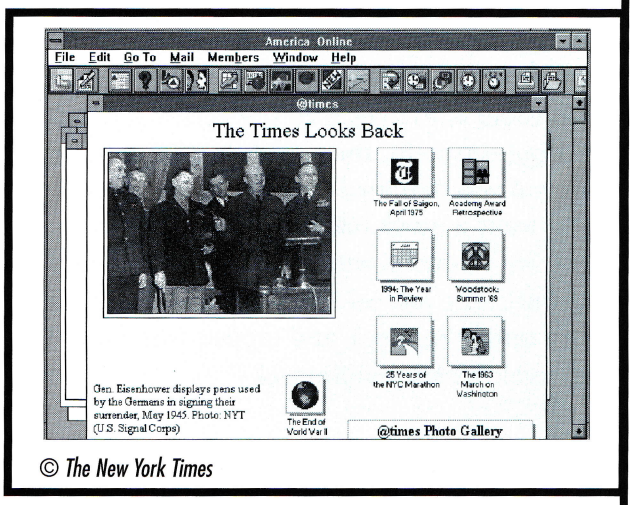
When the reader signs on, he gets two windows with top business and financial news and worldwide stories. The top news across the screen matches his personal interest profile, in

which he can load 10 choices. The reader's personal portfolio may include mutual funds and a range of markets — stock, bond and currency. Retrieval requires dialing in, clicking one button, and hanging up — a process of about five minutes if it's the first retrieval of the day. "What we're trying to achieve, though it's still a little clunky, is something that's portable, that you can download and read as you get on a plane or take with you as you're traveling," says Neil Budde, *WSJ* editor of electronic publishing.

Dow Jones provides the business updates, AP for world news, SportsTicker to keep the sports section up to date. Dialing in to an 800 number is possible through Sprint for a slight surcharge. There are three ad spaces, one on the portfolio page, one on the scoreboard page and one on the weather page. Quotes run on 15-minute delay.

What the *Journal* is hearing from customers is that they'd like to be able to make more than 10 choices, and they would like to be able to click on certain headlines and have the full story retrieved. The Journal is working on a version that will offer an interactive full edition with broader and deeper content. Says Budde, "This is more of a quick hit."

The New York Times: @Times



© The New York Times

Arthur Sulzberger Jr., publisher of the *Times*, describes himself as "just another guy who loves the smell of ink on paper." But he says the goal of computer-based news products is simple: "to rid us forever from the fear of newsprint price increases." The paper's challenge will be to manage two products — @times on America Online and a Web site under construction — both aiming to transfer the *Times* brand from paper to cyberspace.

The AOL effort, which began in June 1994, currently offers about 100 news, business and sports stories, editorials and *Times* columnists from the daily paper, all of which remain on line for two days. An archive of over 2,000 movie, book, restaurant and other reviews are part of "a comprehensive going-out guide."

Science Times has proven particularly popular on line, as has a photo gallery with 150 *Times* photos going back to the turn of the century. (The Yankees' shots are a big draw for AOL's 80% male audience.) The Times Looks Back area has offered retrospectives on events like Woodstock, the fall of Saigon and the end of World War II. The full Sunday Classifieds are on line and searchable, not just browsable, and provided at no charge to the reader. Eighteen message boards receive heavy reader response, and live Auditoriums feature New York and national newsmakers and well-known Times reporters, editors and columnists.

@times is experimenting with advertising, offering "Parallel Lives," an on-line soap opera sponsored by Nabisco. There are three story lines with new episodes weekly. Nabisco tries to combine information and interactivity related to four of its brands, with AOL users able to E-mail requests for free samples.

The *Times* doesn't charge readers for accessing @times, a practice AOL discourages. AOL charges $9.95 for five hours of connect time each month, then $2.95 for each additional hour. Asked if the *Times* will charge for its Web presence, Sulzberger said, "Sure we're going to charge — when and how and how much I don't have the foggiest idea. I think what we're going to try and do is learn from what other folks are doing. But sooner or later we're going

to have to make money at this and there's only three ways of doing that: charging the reader, charging the advertiser, or [charging by transaction], which is unique for all of us."

If he had to say now where he's leaning on fees, "Off the top of my head, the first page will be free, and we'll start charging for additional layers of information. We have no problem charging for archival information. What exactly the mechanism will be, well, if you have a brilliant idea, tell us."

St. Louis Post-Dispatch on Delphi

Revenues are primarily via subscription, though a nascent advertising marketing effort is under way. Users pay $9.95/month, which includes five hours of access time to Delphi, or $24.95 for 20 hours of Internet access. The service originally existed as a stand-alone BBS, where it had 900 paid subscribers as of the end of February, having experienced a high of 1,700.

Churn has been very high, with four or five thousand subscribers having tried the service at one time or another. Pulitzer switched to Delphi to gain access to the Internet, but doesn't have an exclusive deal with the platform provider, and is about a month away from hosting its own Web page.

The paper's online services will maintain a focus on providing local news and information. Offerings include an electronic sports information service, full AP Datastream content, classified ads, online stock quotes and community calendars. Access to an electronic library archive which dates back to 1988 costs 10 cents per minute. The cost includes a staff of 15 people, nine or ten of them full-time to the online project.

Gannett Suburban Newspapers on CompuServe

The advice of one online pioneer, Ken Paulson, vice president and executive editor, Gannett Suburban Newspapers, is "Keep it simple; keep it cheap. Try not to get sucked into technology." If Access Atlanta is a Mercedes-Benz, GSN's Newslink on CompuServe is "a '65 Mustang. It gets you where you need to go, with some flair, and some style, but it won't run as fast or cost as much as other online services."

The paper started small because, though it boasts 315 reporters and editors, when they were offered the opportunity to go online, only eight signed up. CompuServe is "not a company that courts newspapers at all," but if the newspaper has a database, they're interested.

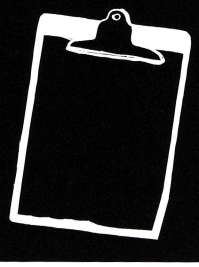
New York Newslink offers message service and chat, mainly focused around New York stage and screen events, Broadway and sports. "The debate about whether to give readers what they want or what they need is over. They download only what they want," Paulson says.

These readers are 90% male. They have a sense of community, but it revolves over how to get Letterman tickets, information to help them cope in New York City or park at Newark airport, not high-minded issues like taxes or local government. When readers started asking questions, Paulson says, "We thought we were dead, because we couldn't possibly staff the queries. But other users would jump on and give extraordinarily descriptive answers. If readers drive it, you don't have to staff it."

The bottom line: "We're in the black. We make money." It's extremely modest; in a good week, the effort earns a "high two-figure profit" (meaning less than $100). But Paulson is encouraged because he says, "others are losing millions. It's basic, but solvent."

NAA wired WORKSHEET

SHARPEN YOUR PENCILS



Goal: To analyze, in a tutorial fashion, the options available for newspapers to go online.

Starting Point: Every publisher will approach the matrix with his or her own traditional business model and perceptions of the wired world. Many aspects of traditional publishing models will apply in an online or interactive services mode; many won't. The worth of a tutorial approach lies in its ability to challenge conventional wisdom and to accommodate novel exceptions to the rules (which shift constantly).

Clearly, creativity is in order when approaching the worksheet, as interactive publishing models aren't always what they appear and are often individually crafted. That said, existing options fall into two basic categories: **HOSTED** and **OWNED.**

Under each, the goal is to ensure that the right variables are considered in logical fashion so they can be assigned the proper weight in evaluating a host of platforms, vendor and service options. As a newspaper approaches the decision of whether and how to wire, the decision shouldn't rest solely with the technical department, though its evaluative skills are vital. A more collaborative approach to the decision is suggested as members of the new media, marketing, advertising, circulation, editorial and library resources departments all may offer real-world experience and marketplace assessments. Such a team will aid not only in selecting the right variables, but in helping determine how technology, economics, consumer tastes and other competitive factors are affecting the local marketplace. With these factors in mind, strategic issues may then be considered to ensure the long-term success of the project.

So, what are the right questions to ask in determining the online future of a given newspaper? We suggest the following approach:

	HOSTED	OWNED
I. REVENUE		
1. Royalty	_____	_____
2. Transactions	_____	_____
3. Subscriptions	_____	_____
4. Advertising	_____	_____

Questions:

- Who pays?
- How many revenue streams are there? How much of it do I keep?
- How much can I make in each model? (Maximum upside — is it enough?)
- If hosted, is this the best deal I can get?
- Can I attract the attention of a service provider? (Am I big enough to play?)
- Do I have to choose between an ad and a royalty model? What is the proper balance of revenue from each source?

should effectively illustrate the breadth of options available. Each requires more technical evaluation than this section can offer, and individual publishing needs are highly variable, so contact numbers are provided.

The bad news is that just shoveling editorial over to Web pages won't be enough to garner interest or sustain interactivity in an age when any Prodigy subscriber can do the same. The good news is that this is no longer rocket science, and it is inexpensive enough to warrant experiment.

Spyglass: Spyglass Server

Server Cost: $100 to computer equipment manufacturers

Contact: Donald Durkes, Marketing Manager, Spyglass Inc., 1230 E. Diehl Rd., Suite 304, Naperville, Ill. 60563; phone: 708-505-1010; fax: 708-505-4944

Whereas Netscape hired many of NCSA's original Mosaic developers and created its own browser, Spyglass chose to license the technology from the University of Illinois, enhance it and commercialize it. The resulting "Enhanced Mosaic" has a software development interface that allows Mosaic to be integrated with other applications. The Mosaic SDI can register viewers, word processors, spreadsheets and other applications to interoperate with Enhanced Mosaic. (Windows-based systems do the same, so long as the application employed resides on a Windows operating system.)

Spyglass takes the same approach with its Mosaic Security Framework. Since many vendors are making transaction modules available for users to incorporate with whatever server system they choose, Spyglass allows any of these to plug in. Spyglass says, "Until now, would-be electronic merchants have faced the problem of selecting the security or payment system that will become the standard. In fact, it has become clear that there will be no single security system, as different businesses have distinctly different security needs. Recognizing this fact, Spyglass implemented the Enhanced Mosaic Security Framework. This open framework allows a business to 'plug in' the security method most appropriate to its needs."

Publishers aren't the target market for the Spyglass Server, but rather OEMs and Microsoft. Microsoft Corp. licensed Spyglass' Enhanced Mosaic technology to distribute it's browser in copies of Windows '95. (A worldwide distribution license cost the company only $1 million.) This agreement could make the browser instantly as ubiquitous as that of Netscape.

Server software for UNIX and Windows NT platforms has been licensed by AT&T, Digital Equipment Corp., IBM, FTP Software and NEC. The server software will be available in July 1995, and should begin to show up bundled in server hardware soon thereafter. Performance Systems International (PSI), a provider of Internet access services, also has licensed the software.

The Spyglass Server is built on a high-performance HTTP engine and features the Simple Network Management Protocol (SNMP) for enterprise-wide server management, open interfaces for security and application development, and the Common Gateway Interface 1.1 for compatibility with other products.

O'Reilly & Associates: WebSite

Server Cost: $499 Windows NT 3.5 (and Windows '95)

Contact: Gina Blaber, O'Reilly & Associates, 103A Morris St., Sebastopol, Calif. 95472; phone 707-829-0515; website@ora.com; http://gnn.com.

Well known in the computer industry as publisher of in-depth books on UNIX, O'Reilly & Associates approached the Web as a publisher looking to make things easier and more accessible. The tool is the brainchild of Bob Denny of

Enterprise Integration Technologies (EIT), which was instrumental in the creation of the nonprofit consortium CommerceNet and Terisa Systems. Terisa's Secure HTTP protocol is the cornerstone for products seeking to secure transactions on the Internet. The access control features of WebSite make it possible to put information on the server to which entry can be restricted — to subscribers only with authenticated passwords, for instance. The 32-bit HTTP server allows users to maintain a set of Web documents, control access and index desktop directories, and use a Common Gateway Interface to run Excel, Visual Basic and other programs from within a Web document. Included within the toolkit are WebView, which provides a tree-like display of documents and links on the server with graphical notations highlighting broken links in need of repair. It has a graphical editor for enhancing images, wizards that create common Web documents, a search button, an indexing tool and multiple windows to see several Web sites simultaneously. Also included is Mosaic 2.0 from Spyglass of Naperville, Ill., which allows viewing in-line JPEG and other graphical files, and a 425-page book with how-to instructions.

To run WebSite, users need a 386 machine or higher, VGA video display adapter, 3.5" disk drive, 12 MB of RAM (though 16 is recommended), 10 MB of disk space and NT 3.5 with TCP/IP connectivity. The WebSite server may be as large as disk space allows.

O'Reilly notes that most servers to date have run on UNIX, and it's been viewed in the industry on that subject. So it may come as a surprise to many that the company now makes the case that Windows is more standardized and easier to use than UNIX, which makes it an attractive platform for servers. "On a feature-by-feature basis, WebSite compares extremely well to the UNIX servers, and it has the added benefit of low-cost, easy-to-use hardware," says company literature.

The NT/UNIX debate rages in computer magazine trade press, but the decision for the publisher could come down to something as simple as whether his or her embedded architecture is UNIX-based, complete with in-house programming support. The publisher also should consider whether NT is a robust enough platform for all the types of material to be published.

Common Ground: Internet Publisher

Server Cost: $1,950 for Sun's SunOS 4.1.3 and Solaris 2.4

Contact: Jay Saltzman, product manager, Common Ground Software, 1301 Shoreway Rd., Suite 220, Belmont, Calif. 94002; phone: 415-802-5800; fax: 415-593-6868.

Common Ground, formerly No Hands Software, is best known for its DigitalPaper format, one alternate to Adobe as a means to publish documents online in a manner that maintains their original formatting. The graphics software addresses some of the shortcomings of HTML, which can't support vector-based graphics, font control or multi-column layouts. "Using HTML for documents is a lowest-common-denominator approach: every page looks the same, no matter who authors it," the company grouses.

Common Ground Internet Publisher documents will look just like their originals, with all the formatting, graphics and fonts preserved, while allowing such documents to be viewed by any Web browser.

There's some conversion involved. When a Web browser encounters a CG file on the Web, it must download the file to the local hard drive before letting a helper application read the file and display it. The Internet Publisher addresses the intervening time problem with its "Page-on-Demand" technology, which requires less than 30 seconds per page to download, as opposed to the 20 minutes that might be required for a multipage document in Adobe's PDF.

Thirty seconds may still seem like a long time, the tradeoff being maintenance of the publisher's intended look and feel. Adobe's translation problem may be addressed by the inclusion of Acrobat in future Netscape browsers but will remain a problem so long as not every Web user has such software.

Internet Publisher runs on any 386 or higher Windows-based PC, requiring 2 MB RAM for the MiniViewer which is launched to every user encountering a Digital Paper document, and 4 MB RAM for Common Ground 2.0. CG 2.0, which effectively replaces Adobe Acrobat, has a stand-alone price of $189.95.

TeleGrafix Communications Inc./ Cykic Software Inc.: RIP/MultiBase Web Server

Cost: Not yet disclosed. Available 3rd quarter 1995.
Platform: any 386 or higher IBM compatible PC

Contact: Patrick Clawson, TeleGrafix Communications, 16458 Bolsa Chica Rd., Suite 15, Huntington Beach, Calif. 92649; phone: 714-379-2140; fax: 714-379-2132. BBS: 714-379-2133; sales@telegrafix.com

From the online graphics company that brought living color to the BBS community and a networking platform vendor to the defense and health industries comes a new approach to Web servers. At NAA's 1995 Annual Convention in New Orleans, TeleGrafix and Cykic Software debuted the first media server systems dedicated to electronic newspaper publishing and online broadcasting, which integrate the Internet and World Wide Web with advanced database, audiotex, fax-on-demand, advertising placement and audience measurement technologies.

Many newspaper publishers who have begun electronic businesses have done so largely via advertising-supported fax, audiotex or electronic bulletin board systems. The new media servers, which combine TeleGrafix's RIPscrip 2.0 online multimedia software with Cykic's MultiBase Internet networking platform, support all of those functions and give publishers the backward compatibility to incorporate their current systems if they wish. As a stand-alone solution, the platform offers fax, audiotex and Internet access from the same platform that functions as a Web server, featuring easy-to-use software for page creation and editing with RIPscrip-enhanced HTML, allowing anyone to publish information inexpensively on the Internet's World Wide Web "within minutes."

TeleGrafix literature says, "RIP-HTML allows rapid transmission of fully integrated text, graphics, photographic images and digital sound via the Internet. It advances use of the World Wide Web as a publishing medium by allowing publishers of electronic newspapers and online broadcasters to maintain total control over the appearance and format of their Internet information products."

But in addition to being able to author documents in branded format and transmit them seamlessly to the Web, the Cykic platform offers many of the communications and advanced tracking functions of a BBS, and can permit live keyword or phrase searching and sorting of databases from within Web pages using MultiBase technologies.

MultiBase is a multiuser networking system and database environment for advanced online and Internet media systems. It operates on 386, 486 and Pentium-based IBM-compatible PCs. Programs that run under dBASE, Clipper, FoxBase+ and other popular systems can run under MultiBase with few changes. MultiBase also supports the use of a mouse, pop-up windows and online graphics. Since MultiBase is written in assembly language, extremely rapid operating speeds can be achieved for real-time online media environments. Users can configure up to 2,000 simultaneous connections on a network with MultiBase servers.

Cykic's capable networking and database technologies are widely used in the aerospace,

defense and health care industries, by customers such as the U.S. Defense Department, Martin Marietta, Kaiser Permanente, TEAC of Korea and John Deere & Co. Unlike proprietary client-server software from other vendors, RIP is an international open standard for online multimedia and computer graphics. TeleGrafix says it will openly publish the RIP-HTML specifications. Virtually all manufacturers of computer BBSs support RIP graphics.

In addition to TeleGrafix's RIPterm terminal program, several third-party communications software vendors support the RIP graphics standard in DOS, Windows or Macintosh formats, including Hayes (Smartcom), Mustang (Q-Modem), Telix (Telix for Windows) and Vironix (WinRamp Pro). DataStorm Technologies, the maker of the best-selling ProComm communications software, has announced plans to support RIP graphics in future releases. By the end of 1995, third-party terminal programs supporting RIP graphics will be available for DOS, Windows, Macintosh, OS/2 and UNIX environments.

RIP 2.0 permits real-time, instantaneous transmission of digital sound as well as JPEG pictures and text. (Imagine online personals that talk back, or real-time real estate walk-throughs.) The media servers also combine TeleGrafix's Cybermedia Advertising Research System(TM) (CARS) with Internet audience tracking technologies developed by Cykic.

Publishers and advertisers would love to know exactly who is accessing Web sites, collecting precise individual user information instead of "hit" counts. TeleGrafix says its CARS system will allow advertisers to receive live, real-time data on audience trends and advertising effectiveness.

About one dozen media organizations in the United States and overseas now use RIPscrip technologies in their electronic newspapers, including *The Raleigh* (N.C.) *News & Observer*, *The Gainesville* (Fla.) *Sun*, and *The Daytona Beach* (Fla.) *News-Journal*.

Process Software Corp.: Purveyor

Server Cost: $1,995/license plus annual support fees of $295 for basic and $1,295 for 24-hour support.

Contact: Sankar Koundinya, Process Software Corp., 959 Concord St., Framingham, Mass. 01701; 508-879-6994; fax: 508-879-0042; koundinya@process.com or http://www.process.com (from which the server may be downloaded)

Another NT-based server comes from Process Software of Framingham, Mass. Purveyor is based on the HTTPS server from the European Microsoft NT Academic Centre (EMWAC), which is funded by Microsoft and Digital Equipment Corp., among others. Initial releases will run on Intel platforms and DEC's Alpha RISC processors running Windows NT 3.5 and above.

The security offered allows a publisher to restrict access to individual HTML pages based on IP address, user name or both. This is a very basic security protocol based on Internet Protocol address filtering. Purveyor offers sample HTML Web pages and forms for use with the Common Gateway Interface, enabling database, email and forms-based applications. Fulfillment of product literature requests, bug reports and online information requests can be built into a Web site's offerings.

The software also permits transaction logging, taking note of time, date, HTML page and the IP address of a person requesting information. This information may be routinely downloaded through a report generator function. It supports all industry-standard browsers.

A member of both the World Wide Web Consortium (W3C) and CommerceNet committees, the company hopes to take advantage of any future Web developments.

NaviSoft: NaviPress and NaviServer

Server Cost: $1,495 Windows NT and Linux; $5,000 UNIX

Contact: Linda Dozier, Chief Technical Officer, NaviSoft, 75 Second Ave., Suite 710, Needham, MA 02194; phone: 617-449-3300; fax: 617-433-0595. http://www.navisoft.com.

NaviPress and NaviServer form an integrated client-server network publishing system for creating content, managing information and developing applications on the World Wide Web. "Our software is intended for companies and enterprising individuals who want to create and maintain innovative, operational Web applications."

Though the "client" portion of the package, NaviPress, can be used without the NaviServer even to author a Web page, they were designed to work together as a client-server product suite to provide an interactive environment for building Web applications.

NaviPress, priced at $99 as a stand-alone product or free in unlimited quantities to clients who buy the server software, has a point-and-click interface for creating, editing and linking applications. NaviServer supports these applications by servicing requests, managing content and providing an information architecture. The most popular applications are likely to be a corporate or newspaper "home page" with linked text, image maps and forms the reader can search, a customer support system for collecting customers' feedback and distributing information about products, and a Web directory service that catalogs and indexes interesting sites.

Product literature ranks "publishers using the Web as a distribution channel for electronic content" near the bottom of a list of potential users of this software, along with net merchants and individuals who want a Web presence. But some of the built-in features of the package might make it a good starter kit for papers looking to provide advertising-supported special feature content.

Tools include:

- ***integrated WYSIWYG (what you see is what you get) authoring and browsing of Web pages without typing HTML tags or names of URL addresses;***
- ***seamless access to both local and remote Web pages, allowing remote authoring over the Internet;***
- ***a feature called the "MiniWeb" to graphically visualize Webs and organize collections of related pages;***
- ***NaviLinks to translate text into hypertext;***
- ***an information architecture based on a database management system and information retrieval engine that complements a hypertext-based navigation architecture;***
- ***automatic generation of HTML forms and the use of HTML as an interface to a DBMS to extend the reach of database applications to wide-area networks;***
- ***hierarchical access control and cost model consistent with Web structure;***
- ***"blueprints" that function like Microsoft Wizards for the Web to help get applications up and running quickly; and***
- ***extensibility to implement custom services.***

The tool is described as similar to a word processor, but designed to create HTML documents, including image maps, which are images with interactive regions that link to other URLs. Anticipating marketplace dispersion when it comes to the use of Web browsers, the software produces HTML output that structures documents but leaves the presentation, such as fonts and alignment, under the control of the reader's application.

With NaviSoft's Web browser, users can open a URL, point the cursor into the middle of a page, click to make a change and then select Save to publish it to a server thousands of miles away. With NaviPress, users can author

while they browse and browse while they author, seamlessly using the same application, same windows and same interface. The only distinction between authoring and browsing is whether someone modifies a page or just looks at it.

The one asset the NaviServer does offer that could help bring the kind of organization to the Web that is attempted but still lacking in Gopher servers is a function which helps collect and manage content. Product literature claims, "When you publish in NaviServer, it automatically indexes the full text of pages. In addition, you can run the server in a mode where it builds an archive that keeps a history of all changes." A Web-based newspaper, magazine or newsletter could use this feature to automatically archive back issues. As daily, weekly or monthly articles are published for each section, the server automatically archives the previous version.

To create database applications for the Web, the software provides a general-purpose, forms-oriented interface to the database for the Internet. The tools allow users to create database tables by filling in a form with information about the table, then NaviServer automatically generates an active HTML form that maps to the DBMS. The user defines the fields, NaviServer creates the HTML form and NaviPress lets the user customize the form's appearance and how it looks on the Web.

Open Market: Webserver, Secure Webserver, Security Module, Transaction Link, Web Reporter and WebMaster's Workbench

Software Costs: Webserver, $1,495; Secure Webserver, $4,995; Security Module, $3,995; Transaction Link, $2,495; Web Reporter, $495; Workbench, $995 for UNIX.

Contact: Open Market, 245 First St., Cambridge, Mass. 02142; phone: 617-621-9500; fax: 617-621-1703; info@openmarket.com; http://www.openmarket.com

Open Market burst on the scene in the Fall of 1994 as among the first to offer affordable, rentable space on the Internet. Some $500 down and $75/month was all that was needed to buy a corner store on the Web. The company even offered to process transactions for a 5% transactional fee and made available a payment switch so the vendor could maintain his own back end.

It was the fee-based processing of Appex Corp., clearinghouse for the cellular telephone industry, which helped earn a fortune for Shikhar Ghosh, former Appex CEO, now serving in that role for Open Market.

Open Market's mall space at http://www.-openmarket.com and another posting at http://directory.net became a crossroads with the addition of a listing of all the Web's registered businesses, a popular destination for those monitoring commerce on the net.

At the time, there were 142 such "malls" on the Web, boasting 890 storefronts. Open Market's new server software could enlarge that number dramatically, provided that a few in the vanguard prove that consumers are willing to buy online.

The first two products, WebServer and Secure WebServer, were designed to decrease transaction rates and increase connection capacity, access control, information logging and extensibility, supporting all the known secure Web browsers. Both products support in excess of 1,000 simultaneous connections.

Secure Web server incorporates both Secure HTTP from EIT and Netscape's Secure Sockets Layer, offering the ability to authenticate clients, authenticate servers, support digital signatures (attesting from whom messages are sent) and provide secure communications through existing corporate fire walls. The Integrated Commerce Service the company now offers permits real-time credit card authorization and settlement, customer profiles, subscription services, support for

pay-per-page offerings, fulfillment services, payment processing, transaction statements and customer service and dispute resolution facilities from Open Market's back end. All these options are available to WebServer owners with the Transaction Link package.

This service also enables publishers to charge by the page for information and consumables. Orders for the latter are communicated by Open Market via email, fax or EDI with a merchant's own fulfillment center. Among the more necessary adjuncts in this environment is an online statement of all a customer's Internet purchases, which the company says dramatically lowers the cost of service calls and chargebacks.

While perhaps appealing more to the traditional business vendor than to publishers, the suite is already being used by Reed Elsevier's LEXIS-NEXIS from the Open Market mall (which is curious, given sister company Folio's own electronic publishing suite). But what may also appeal to publishers is the capability of setting up a thematic boutique around regional interests, hosted by the newspaper publisher, but open to other specialty publications. Erstwhile competitors could use Open Market's do-it-yourself StoreBuilder software to design the look and feel of their affiliated publications, serving as a bigger draw to information consumers. The same could be true for a newspaper's advertising retailers, providing readers a kind of catalogue as well as news and features. StoreBuilder may be posted on Open Marketplace or any other Open Market Web server.

The technology appeals to Tribune Co., Advance Publications and Time Inc., which chose the software to support commercial activities on their Internet sites. Tribune and Advance also took 7.5% equity stakes each in the company. The technology will be most immediately available from Time Inc.'s Pathfinder Web site and from Conde Nast's Conde Nast Traveler Online Web service.

The company also joined recently with Personal Library Software, a leading provider of full-text search technology to the electronic publishing industry. The intelligent concept searching and natural language retrieval of PLS, combined with Open Market's ability to meter per-page transactions, could make archival Web publishing a moneymaker at last. Time Inc.'s Pathfinder uses both tools; the Arizona Star's Starnet employs PLS technology and Knight-Ridder is a minority investor.

WebServer and Secure WebServer were available in Spring 1995 for Sun Solaris, SunOS, Digital Alpha OSF/1 and BSD/386 operating systems.

Folio: Infobase Web Server

Server Cost: $6,995 for Windows NT

Contact: Ken Krull, Folio Corp., 5072 N. 300 W, Provo, Utah 84604; phone: 801-229-6700; fax: 801-229-6787

Despite the announcement in March 1995 that Folio would offer up an open specification for its Infobase architecture, few publishers have adopted the protocol outside the company's own affiliated orbit. Folio highlights the utility of its Web server for publishers wishing to offer online access to their databases, and charge subscribers for that access.

The server itself was licensed from the Edinburgh University Computing Service. It includes a fire wall for restricting unauthorized access if desired, a comprehensive reporting mechanism and customizable help information. Access is limited to users based on their IP addresses.

Using the server, a system operator may maintain a detailed log file of infobase use. The log file stores the IP address of the person requesting HTTP information and the times and dates of infobase access. Each user action is recorded. For instance, when a user executes a query from within a Web browser, the Web

server records the URL address formed with the query was evaluated. Publishers may use the tool to provide insight into which parts of an infobase are accessed most often.

The server relies on the company's Infobase document management system to create online document libraries and databases, performing real-time translation between Infobase and Web document formats. Like Open Market, Folio has its own Metering Application Program enabling publishers to set per-document pricing for information.

In 1996, Folio will roll out a payment network based on AT&T's planned NetWare Connect Services, and the company crafted links to the Copyright Clearance Center of Danvers, Mass., to work on strategies to offer copyright protection to the more than 1.7 million titles to which the CCC holds photocopy reproduction rights.

Folio says its servers are "optimized for managing all types of free-format information," open to a wide range of client software including its own Folio VIEWS. If authored in Infobase, documents may translate seamlessly to the Web using the Infobase Web Server.

Netscape Communications Corp.:

1) Commerce Server, Communications Server, News Server, Proxy Server
Server Costs: $5,000, $1,495, $2,495 and $2,495, respectively

2) Merchant System, Publishing System and Community System for the Sun Solaris
Server Costs: starting from $50,000

3) IStore for Windows NT and UNIX
Server Costs: $20,000

Contact: Rosanne Siino, NCC, 501 East Middlefield Rd., Mountain View, Calif. 94043; phone: 415-254-1900; fax: 415-528-4124; info@netscape.com; http://home.netscape.com.

The most prominent of Web software houses is Netscape Communications. Founded by Marc Andreessen, one of the wunderkind authors of Mosaic, and James Clark of Silicon Graphics, Netscape claims to have released six million freeware browsers in the short life of the Web.

Now it hopes to capitalize on the back-end publishing demand enabled by this content-thirsty crowd. The company has developed a range of server software with varying degrees of transactional security and functionality at the higher end of the spectrum. A fully capable server, with all the bells and whistles (including the company's Internet Applications software) can top $50,000. The Tribune Co. has one of these and seems perfectly happy with the purchase.

The Communications Server and Commerce Server versions 1.1 deliver Microsoft Windows NT and UNIX support, the Netscape Server Application Programming Interface and enhanced user interface and enhanced security options based on the company's Secure Sockets Layer open protocol for Internet security. SSL has encryption, authentication and message integrity, all designed to permit online transactions and electronic data exchange. The Commerce server can maintain a dual server interface for serving both secure and non-secure information simultaneously.

The News server isn't designed for publishing news as newspaper publishers understand it, but for enabling the creation of public and private discussion groups for information exchange. The Proxy server sets up a fire wall so corporations can access and retrieve Internet data without compromising the security of its own network. Netscape Internet Applications include turnkey applications for high-volume transaction processing, real-time data management, easy-to-use interfaces and secure communications. These are the applications built into the $50K server family.

But the company also offers up Netscape IStore, an application intended for the

individual business owner offering online credit card authorization, billing and order processing capabilities required to build and manage a virtual storefront. IStore pricing starts at $20,000 and includes Netscape Commerce Server and a relational database.

(It should be noted that several other vendors such as CyberCash of Reston, Va., offer individual software modules which do the same, and that such transactional capability also underlies the wares of Open Market and an array of less expensive mall packages.)

Netscape has a deal with Adobe Systems Inc. to incorporate Acrobat technology in future browser software and recently accepted an equity investment from Adobe. This step could go a long way toward popularizing Netscape's wares with publishers who have retreated from the Web as a graphically undistinguishable billboard. But it's no mean feat, as Adobe's code size is substantial.

Sound and motion are coming; Netscape was the first to announce it also is incorporating Sun Microsystems Inc.'s Hot Java authoring language which allows companies to feature moving pictures and constant information streams, such as stock tickers or multiplayer games.

A more significant development in determining the market reach of Netscape's server wares is the investment by a number of publishing companies in the company via a Spring private placement. Taking minority stakes were Hearst Corp., Knight-Ridder and Times Mirror. While Knight-Ridder and Times Mirror seem committed to publish with Netscape wares, Hearst is noncommittal, viewing its investment primarily as a good business move.

A Long Way From Linotype

There's more on the way, so publishers might as well get used to the fact that the World Wide Web as a platform will soon have more in common with a multimedia CD-ROM than with the printed word.

Both major players such as Silicon Graphics Inc. and more entrepreneurial outfits such as Worlds Inc. are working with Virtual Reality Markup Language (VRML), which will bring a 3-D look and feel to the Internet. Worlds Inc., a spinoff of Knowledge Adventure Inc., is creating a number of online shared virtual worlds including the first Internet Worlds Fair. Among the CD-ROM-based technology that Worlds Inc. will be sharing with shopping mall and other virtual world builders is the ability for users to create "Lifeforms" to represent themselves as they stroll through these 3-D universes. (Watch the movie Disclosure if this is a foreign concept.)

Worlds Inc. also offers the World Server, a modem connection via Internet that enables thousands of people to connect at once — something like a theme park version of the Sega Channel or a multiple-game player. The technologies were tested in a project with Steven Spielberg and the Starbright Foundation. In this project, Worlds Inc. networked computers at children's hospitals so that seriously ill children could interact socially, play games, explore their environment and talk with family members who lived far away.

This isn't the sort of stuff a lifestyle page is made of — yet. But chat rooms where users can select 3-D avatars and interact graphically as well as textually are possible today. This Worlds Chat multiuser environment is in use at the company's Web page at http://www.kaworlds.com.

Likely to have a more pervasive impact is Sun Microsystems Inc.'s new online multimedia authoring language "Hot Java." In late May, Sun unveiled a suite of products for the Internet designed to bring more action to the Web in a secure manner so the medium will appeal more to corporations.

Hot Java is an open standard language designed to allow companies or publishers to set up home pages with video or streaming information such as tickers, sports scores or multiplayer games. Hot Java browsers are free to noncommercial users, and the enabling multimedia language, like RIPscrip 2.0, can be licensed by commercial entities.

To allow companies to serve up stimulating new Java offerings, Sun will offer its Netra Internet Server software in June for $5,999 to $15,499, and Internet Gateway for Intel-based computers for $295. Other products designed to secure the offerings from hackers and the uninvited cost substantially more money.

An array of new "SunScreen" products incorporates both hardware and software that manage fire wall security for users. The first product, Solstice SunScreen, includes both software and hardware, and will sell in September for $50,000 to $100,000. A software piece of the system, Solstice FireWall-1, will be available in July for $4,999 to $39,900.

Sun, although the provider of perhaps half of the powerful server computers on the Internet, isn't alone in the high-end Web hardware market. It has stiff competition from Silicon Graphics Inc.'s WebFORCE Indy workstation suite, some of which come bundled with SGI's own WebMagic drag-and-drop authoring tools plus Adobe Photoshop and Illustrator software. WebFORCE Indys are priced from $10,995 for an 8-bit, 133-Mhz R4600 system with 1-gigabyte system disk, 32 megabytes of memory and 16-inch high-resolution color monitor.

The bottom line is this: no matter what technology a publisher chooses on this fast-moving frontier, he may be sure that there's already a new world coming.

- Do I recoup more from transactional and advertising services than what I'm charged in setup, connection and maintenance fees?
- Would the World Wide Web give me access to national advertising I wouldn't otherwise have? If yes, would a free site draw more readers or would my prospective advertisers benefit more from a targeted, paying clientele?
- How much could I charge on the Web?

Strategic Issues:

- Will pressure from content providers, the Internet and other competitive factors force commercial online providers to offer more flexible business models?
- To what extent will advertisers bypass content (and/or platform) providers to offer their own interactive ad presences on the Web or on commercial services?
- How do I build a community online?
- What value-added content could I offer for which readers would pay a premium? Do I maintain this option under the platform selected?

II. COSTS

1. Staffing
2. Capital Investments
3. Customer Service/Billing
4. Content Development

Questions:

- If owned, does the advantage of not having to split the revenue with a service provider outweigh the costs involved in providing the platform? How do I maximize my revenue stream?
- To what extent will my staffing be the same for either or both commercial online and Internet systems? (Don't minimize the need for technical support in-house with either a host system or the Internet.)
- If I'm considering software sales, what are the additional costs of a sales force and any additional burden on advertising/marketing staff?
- How portable is my content — both from the newsroom to an online platform and from a commercial platform to the Web? To the extent that I'm taking advantage of the Web in addition to a commercial service, how should my content differ for each?

Strategic Issues:

- Has the cost of technology dropped sufficiently so that it's time to act on an in-house system or is the technology increasing in capability and declining in price so rapidly that I should test the waters first with a host system?
- How easy/difficult is it to migrate to an owned system?
- Authoring tools developed for online services and the Web were designed to speed transmission and enhance reader satisfaction. How do I weigh this against the need to streamline the copy conversion process?
- From a creative perspective, is an online newspaper really just a newspaper online? Specifically, do I need to hire repackagers or creative talent? Can existing staff adapt? (Also factor this into "content" considerations.)

III. MARKET

1. Reach
2. Growth

Questions:

- Does the host offer more extensive or unique market reach that could not be attained by an owned system?
- What are the financial benefits?
- What is the prospect for market retention — by the publisher, not the provider? (Does the publisher own the market, or the platform provider?)
- Will the platform deliver an upscale, targeted market?
- Will the platform enhance my presence in my local market?
- How accessible is my chosen platform for my preferred audience? (Do commercial online services have local dial-ins? How expensive/available is Internet service? Could the provision of the latter offer me an additional revenue stream or are there other partnership/joint marketing opportunities?)
- Can I attain a national market without benefit of a commercial market leader?
- Which model will afford the highest growth potential?
- Newspapers may wish to migrate from a BBS to the Web, or retain a mixture of both (now entirely feasible). How can the newspaper best retain its BBS users by extending communications and connectivity to the Web?
- Which affords the publisher the best means to measure an audience's makeup and behavior patterns online? (If the audience is poorly identified, the newspaper will have difficulties targeting both marketing and message.)

Strategic Issues:

- To what extent will the Internet surpass the reach of mass market consumer online providers? To what extent will consumers continue to turn to such services for Internet access?
- Where is the embedded market? How much evangelization is required?

IV. MARKETING

1. Brand Identity
2. Flexibility

Questions:

- Which model affords the greatest individual brand identity? The greatest creativity?
- What degree of marketing/pricing flexibility is afforded?
- With which service does the consumer identify the information product? (The newspaper or the provider?)
- Who are my natural marketing allies? If I host a service, are there collateral marketing opportunities afforded by local liaisons?

Strategic Issues:

- How can newspapers maintain a relationship with advertisers and readers in an environment where both platforms and marketers can bypass the content provider?
- Are there some advertisers in my market who would be better able to translate their messages and/or marketing capabilities to an online environment? How can the newspaper forge partnerships with its business community to best exploit the online opportunities and at the same time cement the newspaper's franchise of bringing readers and advertisers together?

V. SERVICE

1. To the customer/subscriber
2. To the buyer
3. To the advertiser

Questions:

- How important is subscriber service to my success and which model affords the best?
- Is there 24-hour support? What is the ease of use and the ability to have needs addressed quickly?
- What are the issues involved in providing online support? Can it be outsourced?
- Are there tools available to streamline the digitization of customer and advertiser support functions? (Of course — but which platform option comes with the best and most capable supply?)

VI. CONTENT

1. Content Development/Delivery
2. Communications/Connectivity
3. Creativity
4. Portability

Questions:

- Who owns the content? Who is in control of creativity issues?
- Are there exclusivity concerns?
- Is the content portable to other platforms?
- Who has control of look and feel issues?
- When dealing with an online publishing model, content and connectivity are inextricably linked. Which model provides the best connectivity and communications capability with and among readers?
- Is the platform separate from or complimentary to other newspaper new media services such as fax and audiotex?

Strategic Issues:

- Are publishers limited to the content creation tools provided by proprietary platforms? To what extent could proprietary authoring standards limit content portability and ease of use by advertisers?
- In choosing the tools that best enable the publisher to brand a look and feel online, is the primary consideration streamlining the creation to dissemination flow or creating a dynamic presence online that speeds transmission time and enhances customer satisfaction?
- Even in the Web-based HyperText Markup Language (HTML), there are many standards issues affecting content creation. How can the newspaper select and employ Web

authoring/serving tools to encourage use by the widest possible number of potential readers with different browsers?

VII. CONSUMER SATISFACTION

1. **Services (including communications, transactions)**
2. **Content**
3. **Frequency/Freshness**
4. **Creativity**
5. **Collateral Benefits**

Questions:

- Must the newspaper community go to commercial online services to be "where the people are," or use these services as models to create commercially attractive alternatives and/or adjuncts?
- Which services offer the greatest consumer satisfaction? Which are indispensable? (Do readers really want to shop online? If what they really want to do is interact with the publisher and with each other, which service affords the greatest interactivity?)
- Which of these service offerings is most profitable? Most easily offered by the stand-alone operator?
- How can owned services maximize consumer satisfaction without breaking the bank buying/creating content or providing customer support?
- Do consumers subscribe to online services to get a certain standard set of services they expect from all online vendors (in which case the do-it-yourself online newspaper will be penalized by not providing them)?
- Are there certain services integral to customer satisfaction that are only available from the commercial providers? What are they?
- What relationships might the system owner craft with collateral content providers that could place his system at an information crossroads?
- Do consumers have a saturation point for online services (in which case newspapers must link with those that already exist)?
- If in fact consumers are weary of or not motivated to subscribe to currently available services, what do they want? Can newspapers provide it?
- How will the newspaper cope with the incessant need to refresh content and stimulate interactivity?
- Are there creative ways to link the print product to the online product in a manner which benefits both?
- How will the electronic newspaper deal with churn?

Strategic Issues:

Most of the above are also strategic issues. Most particularly, what kinds of relationships must newspapers craft to maximize advertiser and reader satisfaction?

The most important relationship of any online venture is with the newspaper's traditional constituency: the reader. How accessible/responsive is the newspaper willing to be in an evolving, interactive environment? And what impact will this decision have on the publishing operation as a whole?

APPENDICES

ATTENDEES

Board Committee on Industry Development Meeting

March 22-23, 1995

Chicago O'Hare Hilton

Richard D. Gottlieb, Chairman
President and CEO
Lee Enterprises, Inc.
Davenport, IA

Scott Campbell
President and Publisher
The Columbian
Vancouver, WA

Frank Daniels III
Vice President & Executive Editor
News & Observer
Raleigh, NC

James Dible
Director, New Horizons Group
Pottsville Republican
Pottsville, PA

James Galli
Director, Business Development
Dallas Morning News
Dallas, TX

Shaun O'L. Higgins
President and COO
New Media Ventures, Inc./Cowles Pub. Co.
Spokane, WA

Joel R. Kramer
Publisher and President
Star Tribune
Minneapolis, MN

James Lessersohn
Managing Director, Corporate Planning
The New York Times Company
New York, NY

David Lipman
Chairman/Pulitizer 2000
Pulitzer Publishing
St. Louis, MO

Elizabeth St. J. Loker
Vice President, Systems & Engineering
The Washington Post
Washington, DC

James N. Longson
President and Chief Executive Officer
Compton's NewMedia
Carlsbad, CA

James McKnight
Vice President, Telecommunications
Cox Newspapers
1400 Lake Hearn Drive
Atlanta, GA

Dan Simons
Manager, New Ventures
The World Company
Lawrence, KS

Stephen E. Taylor
Vice President
The Boston Globe
Boston, MA

Richard J. Warren
Publisher
Bangor Daily News
Bangor, ME

Louis (Chip) Weil III
Publisher and CEO
Phoenix Newspapers
Phoenix, AZ

NAA STAFF

Cathleen Black
President and Chief Executive Officer
Reston, VA

Kathleen Criner
Senior Vice President, Industry Development
Reston, VA

Deb Shriver
Senior Vice President, Communications
Reston, VA

Randy Bennett
Director, New Technologies
Reston, VA

Melinda Gipson
Program Manager, New Media Analysis
Reston, VA

GUESTS

Susan Bokern
Assoc. Director, Gannett New Media
USA Today
Arlington, VA

Gordon Borrell
Vice President and Executive Editor
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GLOSSARY

Bulletin Board System (BBS): Another term for an electronic bulletin board.

Computer Graphics Metafile (CGM): Standard format for interchanging graphics images. CGM stores images primarily in vector graphics, but also provides a raster format.

Critical Path Method (CPM): Project management planning and control technique implemented on computers. The critical path is the series of activities and tasks in the project that have no built-in slack time.

Electronic Data Interchange (EDI): A series of standards which provide computer-to-computer exchange of business documents between different companies' computers over telephone lines.

FreeNet: An organization to provide free Internet access to people in a certain area, usually through public libraries.

Graphics Interface Format (GIF): CompuServe copyrighted format for encoding images into bits so a computer can read the GIF file and put the picture on a computer screen.

Home Page: Virtual storefronts where companies offer information, products and services.

Hypertext Markup Language (HTML): A collection of styles that define the various components of a WWW document.

Joint Photographic Experts Group (JPEG): Standard for compressing images. Works by converting a color image into rows of dots, called pixels, each with a numerical value that represents brightness and color. The picture is then broken down into blocks, and software computes an average value for each block. To retrieve the data, the process is reversed to decompress the image.

Mosaic: WWW browser developed at the National Center for Supercomputing Applications.

Regional Bell Operating Company (RBOC): These companies were carved out of the old AT&T/Bell System when the Bell operating companies were divested from AT&T at the end of 1984.

T-1: A digital transmission link that is a standard for digital transmission in the United States. It uses two pairs of normal twisted wires. T-1 normally can handle 24 voice conversations but with more advanced digital voice encoding techniques, it can handle more voice channels.

USENET: An informal group of systems that exchange "news". News is essentially similar to "bulletin boards" on other networks.

World Wide Web (WWW): A hypertext-based system for finding and accessing resources on the Internet network.

DAILY NEWSPAPERS ON THE WORLD WIDE WEB

As of May 25, 1995.

Check with NAA Web Site for a current list: http://www.infi.net/naa)

NEWSPAPER	URL (Web Address)
Arizona Daily Star (Tucson)	http://www.azstarnet.com
Arizona Republic/Phoenix Gazette	http://www.primenet.com/~hontzd/allstar.html
Asbury (N.J.) Park Press	http://www.injersey.com/doc/pn/pnhome.html
Atlanta Journal-Constitution	http://www.ajc.com/
Booth Newspapers (Michigan)	http://www.cic.net/~glew
Capital Gazette (Annapolis, Md)	http://www.infi.net/capital/
Casper (Wy.) Star Tribune	http://www.trib.com/
Chicago Tribune	http://www.chicago.tribune.com/
Colorado Springs Gazette-Telegraph	http://usa.net/cgi-bin/gazette
The Columbian (Vancouver, Wa.)	http://www.columbian.com:80/columbian/
The Courier-Journal (Louisville, Ky.)	http://iglou.com/gizweb
Dallas Morning News	http://www.pic.net/tdmn/
Edmond (Ok.)Evening Sun	http://www.icon.net/sun/index.html
Evansville (In.) Courier	http://www.evansville.net
Gainesville (Fl.) Sun	http://news.jou.ufl.edu/enews/sun/
Hartford (Ct.) Courant	http://www.atlantic.com/ctguide/news/courant/
Home News (New Brunswick, N.J.)	http://www.injersey.com/doc/hn/hnhome.html
Houston Chronicle	http://www.chron.com
Investor's Business Daily	http://ibd.ensemble.com
Journal and Courier (Lafayette, In.)	http://matrix.mdn.com:80/jconline/
Journal Newspapers (Virginia/Maryland)	http://www.infi.net/journal
Knoxville News-Sentinel	http://www.scripps.com/knoxnews/
Miami Herald	http://herald.kri.com/
Newark (N.J.) Star-Ledger	http://www.nj.com/weather/
News & Record (Greensboro, N.C.)	http://www.infi.net/nr/triad.html
New York Times TimesFax	http://nytimesfax.com/
The Olmypian (Olympia, Wa.)	http://www.halcyon.com/olympian/
Pottsville (Pa.) Republican	http://pottsville.com
News & Observer (Raleigh, N.C.)	http://www.nando.net
Roanoke (Va.) Times & World News	http://www.infi.net/roatimes/index.html
San Diego Daily Transcript	http://www.sddt.com/
San Francisco Chronicle	http://sfgate.com/
San Francisco Examiner	http://cyber.sfgate.com:80/examiner/
San Jose Mercury News	http://www.sjmercury.com/
San Mateo (Ca.) Times	http://www.baynet.com/smtimes.html
St. Paul Pioneer Press	http://www.skypoint.com/members/pioneerpress/
St. Petersburg (Fl.) Times	http://times.st-pete.fl.us
The Standard-Times (New Bedford, Ma.)	http://www.s-t.com/newstandard
The Star Tribune (Minneapolis, Minn.)	http://www.startribune.com
Syracuse Newspapers	http://dataserver.syr.edu:8080/HTTPB/syronline.html
Tacoma News Tribune	http://www.tribnet.com
Vail (Co.) Daily News	http://www.csn.net:80/real/vaildailynewsnet.html
Virginian-Pilot (Norfolk, Va.)	http://www.infi.net/pilot/

U.S. AND CANADIAN DAILY NEWSPAPERS ONLINE

Compiled by the Newspaper Association of America

May 1, 1995

INDEPENDENT VENTURES

Newspaper	Service	Contact	Phone
Albuquerque Tribune	Electronic Trib	Roy Buergi	(505) 823-3664
Arizona Daily Star[1]	StarNet	Walt Nett	(602) 573-4175
Arizona Republic/Phoenix Gazette[2]	Home Buying Choices	Howard Finberg	(602) 271-8248
Augusta (Ga.) Chronicle[1]	Masters Golf Tournament	Paul Garber	(706) 823-3217
Birmingham (AL) Post-Herald	Post-Herald Online	Darin Powell	(205) 325-2485
Bismarck (N.D.) Tribune	North Dakota Online	Gus Sorlie	701-223-2500
Booth Newspapers[1]	Great Lakes Environmental Wire	Doug Burnett	313-994-6960
Capital Gazette (Annapolis, Md)[1]	The Capital Online	Glenn Davis	410-268-5000
Charleston (S.C.) Post & Courier	Post & Courier Online	Steve Mullins	(803) 577-7111
Charlotte Observer	Observer Online	Gary Nielson	(704) 358-5249
Cincinnati Post	Post Electronic Edition	Bob Kraft	(513) 352-2000
Colorado Spring Gazette-Telegraph[1]	GTOnLine	Phil Witherow	(719) 632-0182
Columbus Dispatch[1]	Columbus Dispatch	Jim Crowley	(614) 461-5000
Courier-Journal (Louisville, Ky)[1]	The Gizmo Page	Ric Manning	(502) 582-4240
Danbury News-Times	The News-Times BBS	Rich Joudy	(203) 744-5100
Daytona Beach News-Journal	News-Journal Center	Emery Jeffreys	(904) 252-1511 x468
Deseret (Utah) News	Crossroads Info. Network	Stewart Shelline	(801) 237-2188
The Disptach/Rock Island Argus (Moline, Ill.)	Quad City Online	Leslie DuPree	(309) 764-4344
Evansville (Ind.) Courier[1]	Courier Online	Mark Blanchard	(812) 424-7711
Flint (Mich.) Journal[1]	Flint Journal	Mary Ann Chick Whiteside	(810) 766-6343
Ft. Worth Star Telegram	StarText	Michael Holland	(817) 878-9800
The Gainesville Sun[2]	Sun.ONE	David Carlson	(904) 846-0171
Globe and Mail (Toronto)	InfoGlobe Online	Marilyn Hertz	(416) 585-5255
Halifax Daily News[1]	The Daily News On-Line	Dyan Tufts	(902) 468-1222
Halifax Herald	Halifax Herald Limited	John MacCallum	(902) 426-2840
Hamilton (Ont.) Spectator	CompuSpec	Jodi Aussam	(905) 526-3407
Journal Newspapers (Virginia/Md.)[1]	Journal Online	Chris Kouba	(804) 446-2991
Kansas City Star	StarNet	Nancy Tracewell	(816) 234-4497
Knoxville News-Sentinel[1]	News-Sentinel Online	Jack Lail	(615) 523-3131
The Miami Herald[1]	The Miami Herald	Dave Bower	(305) 376-3177
Middlesex News (Framingham, Ma)[1]	Fred the Computer	Eric Bauer	(508) 626-3800
Naples (Fla.) Daily News	Daily News Online	Corbin Wyant	(813) 262-3161
News & Observer (Raleigh)[2]	NandO.Net	George Schlukbier	(919) 824-4506
News & Record (Greensboro, NC)[1]	Triad Online	Pete Fields	(910) 373-7291
Ottawa Citizen[1]	Ottawa Citizen	Rick Laiken	(613) 829-9100

Newspaper	Service	Contact	Phone
Poughkeepsie (NY) Journal	Poughkeepsie Journal BBS	Anthony DeBarros	(914) 437-4877
Roanoke (Va.) Times/World News[1]	Times & World News	Jim Ellison	(703) 981-3100
Salt Lake Tribune	Utah Online	John Jordan	(801)237-2083
San Francisco Chronicle & Examiner[1]	The Gate	Jan Calvert	(415) 777-6034
The Seattle Times	Seattle Times Extra	Peggy Rinne	(206) 464-3220
Spokesman-Review (Spokane)	SR Minerva	Shaun Higgins	(509) 459-5060
Star Tribune (Casper, WY)[1]	Star Tribune	Robin Hurless	(307) 266-0500
Syracuse Newspapers[1]	NewsLine	Stan Linhorst	(315) 470-0011
Tacoma News Tribune[1]	TRIBnet	Greg Anderson	(206) 597-8269
Times Publishing Co. (Erie, Pa)	Times-News Access	Chris Mead	(814) 870-1821
USA Today[1]	USA Today Online	Lorraine Cichowski	(703) 276-6547
Virginian Pilot/Ledger-Star (Norfolk)[1]	InfiNet/Pilot Online	Chris Kouba	(804) 446-2991
Wall Street Journal[2]	Personal Journal	Neil Budde	(609) 520-7360

Other newspapers planning local online services or Web sites: Birmingham (AL) News, Fayetteville(NC) Observer-Times, LaCrosse (WI) Tribune, New York Post; Philadelphia Inquirer/Star Ledger (Newark); The Times (Munster, IN)

ALLIANCES WITH NATIONAL PROVIDERS

America Online

Newspaper	Service	Contact	Phone
Chicago Tribune[2]	Chicago Online	Larry Druth	(312) 222-3232
Investor's Business Daily[2]	Investor's Business Daily	Thomas McGloin	(310) 448-6000
Orlando Sentinel	Orlando Sentinel Online	Julie Anderson	(407) 420-6174
The New York Times[2]	@Times	Nicole Chong	(212) 555-1234
San Jose Mercury News[2]	Mercury Center	Bill Mitchell	(408) 920-5719

Other announced newspaper deals: Sun-Sentinel (Ft. Lauderdale)

Prodigy

Newspaper	Service	Contact	Phone
Atlanta Journal & Constitution[2]	Access Atlanta	David Scott	(404) 526-5897
Dallas Morning News[2]	Pro Football Report	James Gallie	(214) 977-7543
Los Angeles Times	TimesLink	Victor Perry	(213) 237-3777
Newsday	Newsday Direct	Fred Tucillo	(516) 843-3482
Providence Journal-Bulletin	Rhode Island Horizons	John Granatino	(401) 277-7371
Tampa Tribune	Tampa Bay Online	Carl Crothers	(813) 259-7711

Other announced newspaper deals: Cox Newspapers: Palm Beach Post, Austin American-Statesman; Times Mirror: Hartford Courant[2], Baltimore Sun, Allentown Morning Call, Stamford Advocate, Greenwich Times; Media General: Richmond Times-Dispatch, Winston-Salem Journal; Gannett Suburban Newspapers; Houston Chronicle[2]; Milwaukee Journal/Sentinel; Spokesman-Review (Spokane);Southam Newspapers

CompuServe

Newspaper	Service	Contact	Phone
Detroit Free Press[2]	Free Press Plus Forum	Rick Ratliff	(313) 222-8772
Florida Today	Florida Today Forum	Mark DeCotis	(407) 242-3786
Gannett Suburban Newspapers	New York Newslink	Ken Paulson	(914) 694-5002

Delphi Internet Services

Announced newspaper deals: St. Louis Post Dispatch, Orange County Register

AT&T Interchange

Announced newspaper deals: The Washington Post, Star Tribune (Minneapolis)

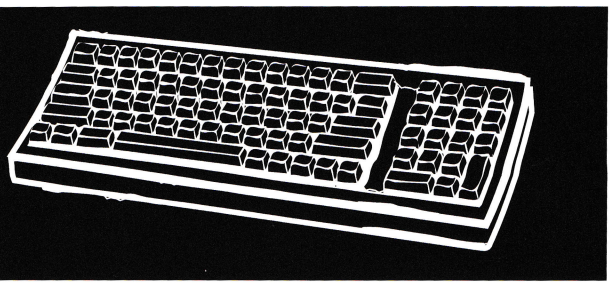
Microsoft Network

Announced research and development effort: The Seattle Times

[1] available only through the Internet

[2] separate service available on the Internet

ABOUT THE AUTHOR



Award winning author and editor Melinda Gipson has been showing media executives how to profit from new technology for more than a decade. First as an editor with *Communications Daily* in the early 1980s, then as a freelancer for *Electronic Media*, Bloomberg Business News and others, and more recently as creator and editor of *Multimedia Daily*, "a daily fax of reality" for the busy new media executive.

She has also served as Washington editor for *Satellite TV Week* and initiated Washington new media coverage for Paul Kagan's Baseline online news service. In 1980, after earning a Masters of Science in Journalism from the Joseph P. Medill School of Journalism, Northwestern University, she founded the Washington Bureau of Religious News Service.

Now she's manager of new media analysis for the NAA or, as she describes the role, "online evangelist." Of course, if you're going to evangelize, you have to give someone a bible. For publishers looking to take the plunge into online services, this is the first epistle.