

Online Newspapers: The State of the Fourth Estate on the Web

Executive Summary

For many people, reading the newspaper is an important daily ritual that conjures up old-fashioned images of plunking down in a comfy chair with a cup of coffee and having the dog fetch the paper so you can read it (see Exhibit 1). With the advent of the Internet, those images have been replaced with predictions that newspapers are a dying breed of media, and that the Web will be the death of print newspapers due to channel conflicts, the expensive cost of newsprint, and declining circulation.

Our Interactive Consumer (IAC) Survey 2000 reveals that online consumers are going to the Web in search of news content. One quarter of online consumers rank looking for national news as one of their top three activities online, and 35% visit their local newspaper online at least daily or once a week. While newspapers have been subjected to harsh criticisms in regard to their online strategies over the past few years, they have a lot to bring to the table in the online world, especially when it comes to serving their local communities.

In this Report, we analyze the state of the online newspaper arena today and identify challenges newspapers face in the online world. In addition, we examine both opportunities and challenges that can be problematic for newspapers trying to establish a Web presence. Moreover, this Report examines and analyzes how online newspapers can leverage their rich array of existing content in order to expand their revenue streams beyond the online advertising on which many online newspapers currently rely.

Exhibit 1 Newspapers Are a Daily Ritual for Many People

Source: the Yankee Group, 2001



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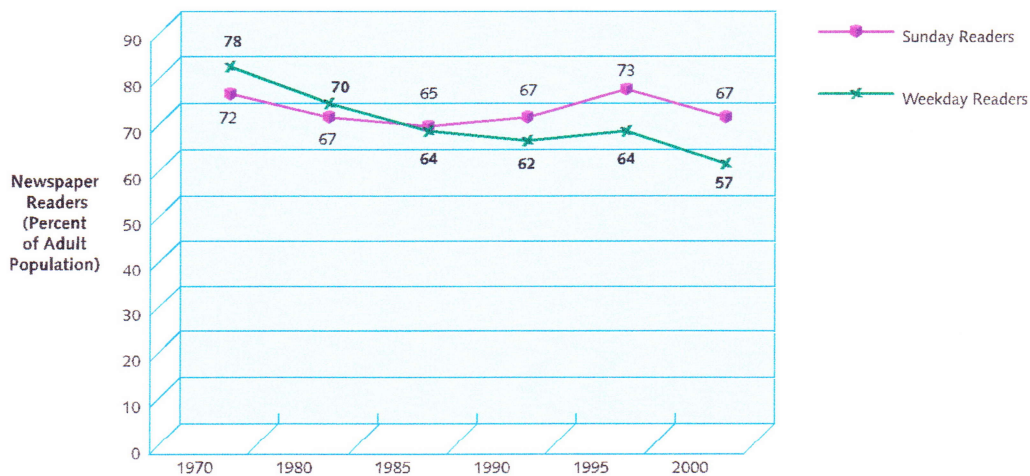
I. The Brave News World and the Online Threat

The United States has a long tradition of print news media, beginning in 1690 when the first newspaper was published in Boston. From the proverbial newsboy standing on a street corner shouting “Extra, extra, read all about it!” to the copies of *USA Today* that arrive outside the hotel room doors of travelers each morning, we rely on newspapers to tell us what’s happening in our neighborhood, in the country, and throughout the world. For many people, reading the newspaper is an essential part of their daily routine. Once they read the morning paper and drink their coffee, the day can begin.

During the past century, however, print media has been repeatedly threatened by the introduction of new forms of media, including radio in the 1920s, television in the 1940s, and most recently the Internet in the 1990s. The arrival of each of these new forms of media has had a vast impact on the newspaper industry by forcing it to adapt and change with each new threat to newspaper readership. Nevertheless, since the turn of the 20th century, the number of newspapers and the circulation numbers for newspapers in the United States have steadily declined. According to the Newspaper Association of America (NAA), there are currently 1,700 daily newspapers in print. In addition, weekday readership for the total adult population fell approximately 20% between 1970 and 1999 (see Exhibit 2).

Exhibit 2
Newspaper Readership in the United States Is on the Decline

Source: Newspaper Association of America and the Yankee Group



Declining readership and circulation have led to consolidation throughout the newspaper industry. Gone are the days where most newspapers were independent and locally owned. Today, many of the largest newspaper chains in the country are merging. In 2000, for example, the Tribune Company merged with Times Mirror, and Gannett acquired Central Newspapers as well as niche publications from Thomson Newspapers.

With just over half of all U.S. households currently online, a majority of consumers today have the ability to receive their news online. Today, online consumers can get their news from a variety of sources ranging from broadcast-news sites, to cable weather- and sports-channel sites, to national magazines and Internet pure-play news and information sites. In November 2000, however, only four newspaper sites ranked within the “Top 20 Visited News and Media Web Sites,” according to PC Data (see Exhibit 3). Broadcast news-affiliate sites were the primary places that consumers turned for news during the high-news-traffic month of the 2000 presidential election.

According to the Yankee Group’s Interactive Consumer Survey 2000, gathering news is a popular activity engaged in by online consumers. One quarter of online consumers surveyed ranked looking for national news as one of their top three activities online. Online consumers also ranked national, local, financial, and sports news as an important part of their online activities (see Exhibit 4). In addition, 35% of online consumers reported visiting their local newspaper site at least daily or weekly, and 42% of survey respondents had sought out online information on their city or town in the past month, while 32% had focused on local government and politics. (For more on local content opportunities, see the December 2000 Yankee Group Report, “Hometown Contenders: The Local Content Movement on the Web.”)

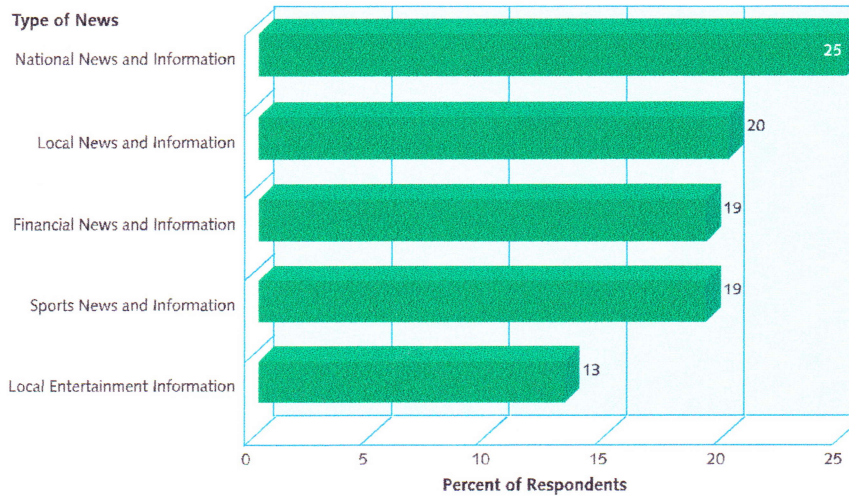
Exhibit 3 Top 20 News and Media Sites in November 2000

Source: PC Data Online and the Yankee Group

Rank	Web Site
1	CNN.com
2	MSNBC.com
3	CNET.com
4	weather.com
5	ESPN.com
6	ABCNEWS.com
7	TIME.com
8	SportsLine.com
9	NYTimes.com
10	WeatherBug.com
11	Fool.com
12	FOXNews.com
13	washingtonpost.com
14	USATODAY.com
15	sportsdrive.com
16	CBS.MarketWatch.com
17	CNNsi.com
18	money.com
19	FOXsports.com
20	latimes.com

Exhibit 4 News Gathering Is Important to Online Consumers

Source: the Yankee Group, 2001



Due in part to low industry page-view rankings for online editions, the newspaper industry has been the subject of numerous attacks and harsh criticisms in regard to the industry's response to the Web. Newspapers have been accused of everything from being too old-fashioned and slow to respond to the Internet, to cannibalizing themselves by posting print articles on their Web sites. As discussed earlier, newspapers are now facing the prediction of the death of print newspapers at the hands of the World Wide Web.

Despite the threats to and attacks on newspapers and their online initiatives over the past few years, however, many newspapers have a stronger chance of surviving online than most niche content sites on the Web. Many newspapers can leverage the benefit of having established and trusted name brands—as well as extensive local market penetration—to compete online. Exhibit 5 examines the strengths and weaknesses of newspapers in the online world, as well as the opportunities open to them and the threats with which they are confronted.

In addition, included below are some of the key issues newspapers have had to address to compete on the World Wide Web.

- **Commoditization**—The immediacy and dynamic nature of Web content has pushed journalistic deadlines to seconds rather than minutes and has made news so readily available that not only is it “old” as soon as it is posted to a Web site, but it has become a commodity. We are reaching a point when consumers can get their news whenever and however they want it. This poses a significant threat to print newspapers because consumers have more sources to turn to for their news than ever before.
- **Sluggish Migration of Newspapers to the Online Channel**—Although some newspapers such as the San Jose Mercury News, which started publishing its Mercury Center site (now known as BayArea.com) online through AOL in May 1993, are considered by many to be Internet pioneers in the newspaper industry, others have been slower to develop their online strategies. The Newspaper Association of America estimates that approximately 10% to 20% of all daily newspapers still do not have an online presence. It will be crucial for these U.S. dailies to quickly develop and implement an online strategy if they wish to take advantage of the opportunities available to them in an age of convergent media.

Exhibit 5

Newspapers Online: Strengths, Weaknesses, Opportunities, and Threats

Source: Newspaper Association of America and the Yankee Group

Strengths	Weaknesses
<ul style="list-style-type: none"> • Trusted name brands • Long tradition of serving local communities • Experience in adapting to "new" media revolutions • Backing of multimillion-dollar companies (for newspapers with chain ownership) • Ability to adapt to ebbs and flows of advertising markets • Understand the needs of their readership • Extensive local presence 	<ul style="list-style-type: none"> • Perception of sluggish online migration • Reliance on online advertising revenues • Not delivered directly to consumers • Internet business models still unproven • Potential content cannibalization • Antiquated technical systems • Expensive technology upkeep
Opportunities	Threats
<ul style="list-style-type: none"> • United States is a nation of information junkies • Freedom from limitations of print • Build out local presence online (especially for small markets) • Expand national and international presence • Chance to diversify revenue streams • Multimedia/wireless • Ability to provide additional depth of coverage • Create communities online through chat sessions and message boards • Personalized news experience • Reach younger audiences online 	<ul style="list-style-type: none"> • News has become a commodity product • Management is resistant to change • Competition from new players • Erosion of print circulation • Ability of consumers to get news from alternate devices • Decline in reading skills of U.S. population • Compromising quality of journalism to provide timely delivery • Potential to blur advertising and editorial online • Threats to consumer privacy via tracking and highly targeted advertising

- **Cannibalization of Subscription Revenues**—One of the most serious charges levied against online newspaper editions over the past few years is that of cannibalization. By offering news online for free, newspapers—so the theory goes—are in effect cannibalizing and killing their print sales channel. In addition, most of the content offered in the print edition is also offered online. Given this situation, why would consumers choose to maintain a subscription to the print edition when they can receive the newspaper online for free? This argument has also fueled speculation that the Internet will cause the demise of the print newspaper industry.

The only online newspaper that has had some success at establishing paid online subscriptions is *The Wall Street Journal Online* (*wsj.com*). When the online edition introduced paid subscriptions in 1996, it signaled the first shift away from free content online. The company reports that 45% of its online revenues are subscription revenues from its approximately 500,000 online subscribers. Subscription rates are \$29 for print subscribers and \$59 for non-print subscribers. Although *The Wall Street Journal Online* has successfully established a base of paid online subscribers, the company is currently operating at a loss. While online consumers seem to be willing to pay for the specialized niche content and business expertise offered in *The Wall Street Journal Online*, it is unlikely that consumers would be willing to pay for a subscription to their local newspaper online at this time. Despite the fact that most large online newspapers—such as *The Wall Street Journal Online* or *The Washington Post*—are providing content that goes beyond their print editions, most online newspapers do not provide enough unique, valuable content online for consumers to justify paying for an online subscription.

- Declining Online Advertising Revenues**—The print newspaper industry has always depended primarily on advertising revenues to sustain itself. According to the NAA, daily print newspapers still account for the lion’s share of advertising spending across all U.S. media, capturing approximately 22% of all ad spending at approximately \$46 billion. Direct mail and broadcast television rank second and third for expenditures at approximately 19% of total expenditures each. Among U.S. newspapers, retail advertising accounts for approximately 45% of revenues; classifieds, 40%; and national advertising, 15% (see Exhibit 6).

Classified advertising typically accounts for between 40% and 60% of a newspaper’s total offline revenues, with help wanted and auto classifieds generating the majority of classified revenue streams. In the online world, many Internet pure-plays now pose a threat to traditional classified markets because they are selling online classifieds that compete with traditional print classifieds. In addition, most print newspaper classified sections serve only local areas while Internet classifieds are not limited by geography and have a national reach. Companies such as Monster.com and HotJobs.com compete with newspapers in the help wanted arena, and auction sites such as eBay are in direct competition with newspaper classified sections. (An upcoming Yankee Group Internet Market Strategies Report will examine the online classified market in more depth.)

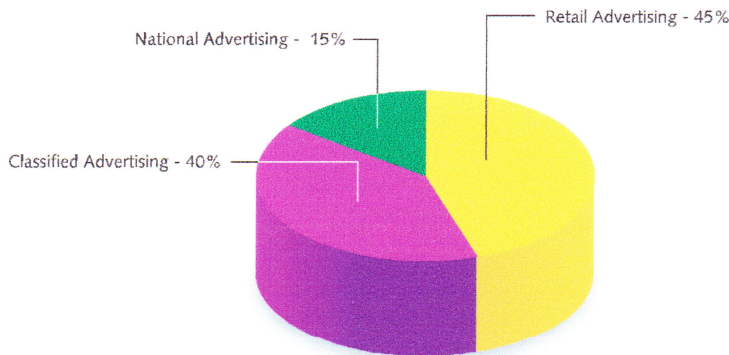
Although many challenges remain for newspapers in the online world, there are significant opportunities for them on the Web as well. The Yankee Group believes that despite current obstacles to doing business online and the challenges of adapting to a new form of media, newspapers can take advantage of how the Web can help them succeed overall.

II. The Good News—Online Opportunities for Newspapers

The ability to have near-real-time access to breaking news has helped turn the United States into a nation of information junkies. Over the past decade, consumers have come to expect instant news delivery. Such a demand for news can be both blessing and a curse for print news media outlets. While print newspapers are not accustomed to the second-by-second deadlines that the Web has forced upon them, the Web provides the opportunity for newspapers to expand their coverage and move beyond the limitations that a once-daily press run places on a news delivery mechanism. The following are some of the possibilities that newspapers can take advantage of online:

Exhibit 6
U.S. Newspaper Advertising Expenditures

Source: the Yankee Group, 2001



- **All the News You Couldn't Print**—Freedom from the limitations of print is one of the greatest opportunities available for traditional newspapers in an online world. Until newspapers began to migrate online, they were unable to compete with broadcast media on a minute-by-minute basis. The Web has effectively leveled the playing field, allowing all media to provide news as it happens and go beyond the printed page to bring enhanced content services to online consumers.
- **Depth of Content and Information**—Print editions will continue to be best for providing in-depth articles and analysis on a particular topic (such as a series on homelessness or health care in the United States). However, print editions are challenged by the fact that editors must cut stories to fit on the printed page. The immediate nature of the Web and the ability to make constant changes and updates to Web content provides online newspapers with the power to turn news stories into fluid, living entities that can be reported and updated almost instantaneously. In addition, because Web real estate is limited only by server and database capacities, online editions can provide additional information such as maps, charts, and online surveys to accompany and add value to news story content. While most online newspapers reuse at least 75% of their print content, online editions are also providing content that goes beyond what the print edition offers.

During the 2000 presidential election, for example, *The Wall Street Journal Online* ran a story that outlined the tax proposals advocated by Al Gore and George W. Bush. While both the print and online editions of the paper covered the story, the online edition included an interactive “tax-plan calculator.” Online consumers could input their financial information and evaluate their personal tax liability under each candidate’s proposal. This interactive application would obviously not be available to print readers.

- **Facilitating a Sense of Community**—Newspapers have always served as a voice for the community through editorials, columns, and letters to the editor, but the Web now allows online readers to communicate directly with each other through applications that facilitate a sense of community including chat and message boards. In fact, the McClatchy Company requires each of its newspapers to include community publishing in their online sites. For example, the Raleigh *News & Observer* (*news-observer.com*) includes a forum called “NC Neighbors”—2,500 community groups in the Research Triangle area that contribute content and information to the online site. In addition, *washingtonpost.com* offers its users up to 40 moderated chat sessions per week, and *wsj.com* hosts live online events featuring newsmakers and experts from their internal staff and the business community. (For additional information on online community applications please refer to the September 2000 Yankee Group Report, “Using Online Community as a Crucial Market Intelligence Resource.”)
- **Online Local Information Source**—The Web also provides the opportunity for newspapers to become the one-stop shop for local news and information in each community they serve. According to our IAC Survey 2000, 63% of online consumers indicated that access to local, city, or town sites and information is “very” or “somewhat” important. We believe the demand for local content on the Web will continue to expand as the average consumer goes online. Newspapers serving small communities should invest heavily in their online presence and establish ownership of their local online markets before they face additional online competition from broadcast or cable affiliates in their markets.
- **Brand Extension**—Newspapers can use the Web to extend their reach locally, nationally, and internationally. Consumers can access many newspapers published throughout the world online. Some newspapers, such as *The New York Times* and *The Washington Post*, have used their Web presence to extend their reputable brands on a

- **Maintain Quality Control**—On the Web, those who can code HTML can call themselves “publishers” without having any training as a journalist whatsoever. This is a potential threat to the integrity of all journalists and news organizations, including online newspapers. For example, last fall a former employee of Internet Wire, an online distributor of press releases, posted a fake press release to the site that falsely stated that a company called Emulex was under investigation by the SEC, causing the company’s stock to tumble. Fraudulent incidents such as this undermine the credibility of legitimate online news organizations.

Basic tenets of good journalism apply to every medium, whether it be online or offline. Online sources should be held to the same standards of fact checking and scrutiny as offline sources despite increased deadline pressure online. News agencies should also synchronize efforts between online and offline divisions as much as possible to avoid contradictory reporting, such as what happened when broadcast stations and their online affiliates reported conflicting stories about who won the 2000 presidential election on election night. Such organizations as the Online News Association are working to maintain the legitimacy and integrity of online news and journalists, as well as giving awards for outstanding online journalism.

- **Staffing Issues**—At the beginning of the content gold rush, many prominent newspapers suffered from a loss of staff as journalists left newspapers for opportunities with online ventures. Microsoft, to take one example, was accused of stealing newspaper staffers for its online properties including Slate and Sidewalk.com (before it was sold to Ticketmaster Online-Citysearch). Lately, just the opposite has been happening. Online publications are responding to the economic downturn by cutting staff, primarily in Internet divisions. New York Times Digital, Tribune, and Knight-Ridder have all recently announced layoffs. Nevertheless, newspapers do need to devote resources to maintaining a newsroom that can deliver news for both the print and online editions, and try to do so without sacrificing their employees. Small papers should look for turn-key, template-driven technology solutions that allow content to be posted with minimal effort by editorial staff, or they should consolidate their Web efforts with sister papers across newspaper families to maintain efficiencies of scale for Web operations. Ideally, technical staff should be hired to maintain databases and do site programming, rather than turning news editors into programmers and Web developers.
- **Blurring Advertising and Editorial Content**—As newspapers begin to incorporate more personalized views into their online editions, they will be better able to target advertising to individual online users. While many newspapers have yet to go much further than targeting advertising based on geography, each online newspaper should devise a comprehensive privacy policy (if it hasn’t already done so) so consumers understand what will be done with their personal information. In addition, as banner ads evolve, online editors must maintain a church-state separation between editorial and advertising divisions. This will ensure that Web news content, does not degenerate into “advertorial” content, and that the integrity and objectivity of the newspaper is not called into question.
- **Implementing Printing Process Improvements**—Newspapers need to keep on top of any technology that may make their printing processes cheaper or easier. One example is electronic ink, which is being developed by E Ink. E Ink has backing from a number of media companies including Central Newspapers, Hearst Corp., and The McClatchy Company. Xerox’s Palo Alto Research Center (PARC) has also developed an electronic paper technology that displays text and graphics in the same manner as a computer screen. The company plans to spin off the division under the name Gyricon Media.

Exhibit 7

Newspaper Consortia Tackle the Online World

Source: *the Yankee Group, 2001*

Consortium Name	Participants	Goal of Consortium	Brief History	Current Status
New Century Network	Advance Communications, Cox Newspapers, Gannett, Hearst, Knight-Ridder, The New York Times Company, Times Mirror, Tribune, The Washington Post Company	Sell national and local advertising collectively on behalf of combined companies' smaller local affiliates to be posted to a site called NewsWorks.	Formed in June 1997. Included 125 newspapers. NewsWorks site would run chosen stories from all the papers within the network, making it a clearinghouse for premium news content throughout the United States.	Dissolved in March 1998 amid accusations that NewsWorks was competing directly against member sites.
Partners Affiliated for Exploring Technology (PAFET)	Belo Corp., Central Newspapers, Cowles Media, Freedom Communications, The McClatchy Company, Pulitzer Publishing	¥ Support information-sharing about new media trends between member companies.	¥ Active since 1994. ¥ Developed a help-wanted site, WorkAvenue, for member sites. ¥ Maintained a central office for the organization until 1997.	<ul style="list-style-type: none"> • Freedom has dropped out of the organization. • Cowles Media and a majority of Central Newspapers are now owned by The McClatchy Company. • Operates today as a stealth virtual organization.
InfiNet	Gannett, Knight-Ridder, Landmark Communications	<ul style="list-style-type: none"> • Provide online publishing solutions to the newspaper industry. 	<ul style="list-style-type: none"> • Formed in 1994. • Originally operated as an ISP. • Publishing tools include a classified suite, e-commerce solutions, auction software, ad-management tools, and site-building products, including city guides, databases, directories, forums and chat. 	<ul style="list-style-type: none"> • Currently an application service provider (ASP) providing publishing applications to more than 300 U.S. newspapers.
Classified Consortia (CareerBuilder.com, Classified Ventures)	CareerBuilder.com is a joint effort by Tribune and Knight-Ridder. Classified Ventures is a partnership including Gannett, Knight-Ridder, The McClatchy Company, The New York Times Company, Tribune Company, and The Washington Post Company.	<ul style="list-style-type: none"> • Ward off the threat to newspaper classified businesses. 	<ul style="list-style-type: none"> • CareerBuilder.com merged with another classified consortium, CareerPath, in September 2000. • Classified Ventures provides classifieds across a network of 130 affiliate newspapers. 	<ul style="list-style-type: none"> • CareerBuilder.com provides employment classifieds across Knight-Ridder's and Tribune's networks. • Classified Ventures offers six classified service sites for auto and real estate listings.

entertainment information traditionally offered by newspapers. Newspapers in smaller markets must also be aware of potential threats from local cable companies likely to move swiftly into local online markets as interactive television establishes its footprint, as well as threats from local shopper advertising papers.

- **“Wait and See” Attitudes**—Many newspapers have taken a “wait and see” attitude toward establishing an online presence, the consequence of which is the perception that the industry has been slow to respond to the Web. Despite recent market downturns and the demise of many Internet companies, the Web will continue to evolve and will become an economically viable medium for information delivery. Newspapers must recognize this and take advantage of the opportunities the Web can offer them by striking a balance between maintaining their existing print business and investing in the technology and infrastructure necessary to establish an online presence.

Newspapers taking an “either print or online” approach will be writing their own death warrants. Newspapers must see themselves as information providers rather than as conveyors of print news only. Delineations of “old” versus “new” media and “broadcast” versus “print” media are no longer useful for media companies. All forms of media are converging. Newspapers should use their online editions to generate awareness of their print editions and vice versa.

national level. New York Times Digital reports that approximately 80% of its registered users live outside of New York, and the Web site is driving approximately 1,500 new subscriptions per week. In addition, *The Wall Street Journal Online* reports that 10% of its readers come from outside the United States. Small newspapers can use their Web presence to reach readers who have relocated but are interested in keeping up with the hometown news or reconnecting with old friends. In addition, print editions can drive readers online and vice versa. By offering additional premium content online and advertising the paper's URL in print, newspapers can drive Web traffic. In turn, papers can target online readers by encouraging them to subscribe to the print edition.

- **Personalization**—Many online newspapers incorporate personalized capabilities in their Web sites. Personalization options on Web sites allow consumers to customize their page views and choose what kind of material is prominently displayed on the page. Personalization can help sites keep consumers coming back to the site and provide targeted advertising opportunities for online advertisers. While most major newspapers are either already providing personalization or beginning to offer it, providers of personalized news views should strike a balance between providing the news that consumers ask for and the news that editors recommend they read. *The Wall Street Journal Online*, for example, follows a rule of giving “Personal Journal” readers half of the content readers ask for and half of the content recommended by editors. Sites such as *washingtonpost.com* are offering personalized stock information and sports scores. Two of Gannett's 99 daily newspapers are currently offering personalization, and the company is planning to use it more heavily on its sites in 2001.
- **Participate in an Online Newspaper Consortium**—As attacks began to be leveled against the newspaper industry and its online efforts during the mid-to-late 1990s, some industry giants decided to band together to fight back and to ward off potential threats against their businesses. As is often the case when powerful parties come together, each representing its own interests, some of the consortia have faced problems and infighting while others have worked well together to preserve the interests of the industry. Some examples of newspaper consortia are shown in Exhibit 7.

While industry consortia seem to be a good idea in theory, there are challenges associated with them in practice. With the amount of competition that usually exists between journalists and competing newspapers, sharing content is a new concept for many participants. Consortium members must continually work for benefits to be shared by all participants.

Despite current market conditions and some skepticism, online media will be a major news source for online consumers. As more consumers continue to gain access to the Internet, newspapers should be flexible and open to the possibilities that the Web offers them if they want to remain a viable media source for years to come.

III. Online Pitfalls for Newspapers to Avoid

While there are considerable opportunities for newspapers to extend their news reach and community presence on the Web, newspapers must also be aware of challenges that may face them as they establish an online presence. Some of these issues are discussed below:

- **Additional Competition**—Competition for eyeballs on the Web is fierce. Newspapers are facing competition from print publications, broadcast stations with an online presence, and online portals, to name a few. Major consumer portals often provide visitors with headline news and allow them to personalize their sites to receive local news. In large urban markets, online city guides are also available to provide the local

Other technologies that may be useful for newspapers include print-on-demand technology, such as one recently announced by BarnesandNoble.com. Electronic publishing companies use print-on-demand technologies primarily for publishing electronic books, but the process could easily be applied to newspapers. The ability to print the paper on demand can extend the reach of the newspaper beyond the conventional delivery area. In addition, electronic reader devices, such as the tablet computer under development at Microsoft, may prove to be more useful as reading devices for magazines or newspapers than for books. These electronic reading devices can provide consumers with the portability they already receive from the traditional print newspaper.

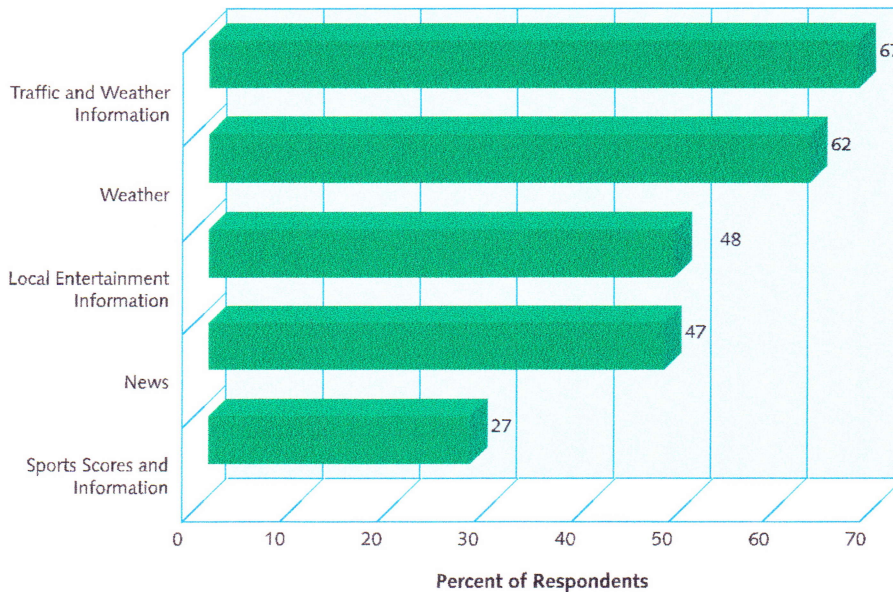
- **Prepare for Multimedia Content Offerings**—As streaming video technology improves and more people access the Internet at home via broadband, online consumers will come to expect more video content online. Many online newspapers already include video or audio in their online sites. Boston.com, the online destination site for The Boston Globe, has an MP3 section that allows users to download MP3s ranging from holiday music to recording samples of local bands. *NYTimes.com* includes audio book reviews and literature readings from literati such as Sylvia Plath, John Updike, and F. Scott Fitzgerald on the Book Review portion of its site. In addition, the “Cooking with the Times” portion of the food section offers everything from recipes to monthly cooking lessons offered in conjunction with the French Culinary Institute. Burgeoning gourmets can watch instructional videos online on topics such as how to make cream puffs or how to properly poach fish.

An online newspaper site with an aggressive multimedia strategy is [washingtonpost.com](http://www.washingtonpost.com). The company has a video content partnership with MSNBC; however, approximately two thirds of the video content on the site is original. In fact, the interactive division of The Washington Post Company, WPNI, recently built a multimedia studio to accommodate the company’s multimedia needs. According to the company, video provides expanded coverage and accompanies text stories on the site. Much of the video is raw “feet on the street” footage of interviews with average citizens on current news stories. The site provided full video coverage of each of the presidential debates during the fall of 2000 and included post-debate interviews with people in the audience. The site also provided audio coverage of the Supreme Court’s hearings during the 2000 presidential decision.

- **Prepare for the Emergence of Wireless Devices**—Many major newspaper chains are taking a “wait and see” attitude before investing heavily in wireless initiatives. Both Gannett and Tribune are hoping to see a viable economic model emerge prior to offering wireless content extensively. Of Gannett’s 99 newspaper markets, only four or five are currently offering content via wireless access, and this is primarily to provide sports scores and stock quotes.

Some newspaper companies are a bit more aggressive in their wireless strategies. New York Times Digital and WPNI both have partnerships with AvantGo and Vindigo to offer news and entertainment content, such as restaurant reviews, via wireless devices. WPNI has also developed its own wireless site for *The Washington Post* that is accessible at twp.com. *The Wall Street Journal Online* provides content via AvantGo, and *The New York Times* is the only newspaper currently offered on Sprint’s wireless channels.

According to our IAC 2000 Survey, 47% of survey respondents are interested in receiving news via their wireless devices. In addition, 67% of respondents would like to receive traffic information, 48% want local entertainment information, and 27% want sports scores (see Exhibit 8). **Our survey suggests that the most useful type of content for consumers to access via wireless devices will be primarily localized information that can be provided in a quick, concise manner and will affect their work and personal lives. Due to their experience in**

Exhibit 8**News Information Consumers Would Like to Receive via Wireless Devices***Source: the Yankee Group, 2001*

providing local information, newspapers are in a unique position to provide this local content via alternate devices. Online divisions of newspapers that are not already developing a wireless strategy should pay close attention to Internet and wireless device adoption rates in their communities. Newspapers can plan to implement their strategies in time to offer consumers with content via wireless devices as they are ready to receive this type of content.

Although the challenges facing newspapers online may be significant, the best defense for newspapers online will be a good offense. Newspaper companies that plan ahead, watch technology developments, and maintain strategies for both print and Web editions should live to tell the tale of how newspapers weathered the advent of the Internet.

IV. New Strategies for Generating Online Revenues

In general, online newspapers have yet to diversify their revenue streams enough beyond online advertising. Most newspapers are dependent on a combination of banner and online classified advertising for their profits online. Some newspapers are also selling sponsorships to portions of their sites. For example, *NYTimes.com* sold sponsorships for its coverage of the Olympics, including sponsorships for Olympics exclusives and live sports coverage. Many newspapers are also charging online consumers to retrieve articles in their archives online, charging a few dollars per article. While charging for access to online archives is a good idea, it will not be a big revenue generator and a large number of people may turn away from their search once they discover they'll have to pay for the content. Online newspapers must branch out into alternate revenue schemes to begin to decrease their reliance on advertising revenues. Outlined below are a number of options that online newspapers should consider now—as well as in the future—to help expand their revenue streams:

- **Employ a Dedicated Salesforce**—Online newspapers should consider using a dedicated salesforce to promote their online products. Cox Interactive employs a salesforce dedicated to selling advertising for the company's network of 24 local sites. Offering bundled advertising packages for both the print and online editions is also a must. The salesforce should be trained extensively on how to cross-sell these bundled solutions. In addition, incentives and special promotions for adding online advertising to print packages should be given to encourage these bundled advertising purchases.
- **Syndicate Content to Corporate Intranets**—More and more companies are implementing intranets to keep employees abreast of company happenings. Keeping an eye on the day's news is an integral part of staying competitive in business. Online newspapers should consider syndicating their content to corporations that can include it in the corporate intranet. According to our IAC 2000 Survey, over a quarter of those survey respondents accessing their local newspaper's Web site on a daily basis are doing so from work (while only 7% access the paper daily from home). In addition, approximately 50% of online consumers who read the newspaper online at least once a week are doing so from work. Corporate intranets can make for a captive news audience, and newspapers can target their feeds to provide information that meets the needs of each individual corporation.
- **Event Sponsorships**—Special promotional packages and event sponsorships can tie together local community events in the online and offline worlds. For example, Tribune recently offered an online promotional package centered on the premiere of the movie, "The Legend of Bagger Vance." *The washingtonpost.com* site held an online promotion giving away 300 tickets to the premiere of "Dr. Seuss' How the Grinch Stole Christmas," and it received 2,100 entries.
- **Wireless Alerts**—Newspapers should consider establishing partnerships with wireless providers to provide and charge consumers for classified alerts to home and car buyers and collectors when premium items become available for sale. *The Village Voice* offers a paid service called VOICEm@il that allows users to receive real-time updates to classified listings within minutes of the ads being posted. The publication markets the service to readers searching for apartments or jobs in New York City. Newspaper companies can also charge syndication fees for providing wireless Internet content to companies and wireless carriers.
- **Sell Your Wares**—A number of large newspaper organizations have invested a great deal of money in building sophisticated back-end systems in order to keep their online operations up and running. Nando Media, the interactive division of The McClatchy Company, built a system that could be a stand-alone, and is now selling the tools it developed to both newspapers outside and within the McClatchy paper family. Interactive divisions of newspaper companies should consider centralizing back-end operations and offering Web site hosting to generate revenues from their back-end infrastructure investments.

Town Online, the online version of Community Newspapers (a group of over 100 small New England newspapers formerly owned by Fidelity Investments and recently sold to the *Boston Herald*), offers Web site hosting to local merchants and advertisers on their site. Approximately 25% of Town Online's revenues come from building Web sites for other companies. Town Online also allows local advertisers to post copies of their print ads directly to their site as an additional way to help small businesses establish a Web presence.

- **Microtransactions**—Another potential revenue stream for online newspapers is microtransactions, in which consumers pay a few cents per page of online content viewed. Charging consumers a few pennies per page of content could lessen the psychological impact of transitioning from free to paid content. Charges could be billed via credit card to the user's ISP or to their monthly phone bill. This process is similar to the one many online newspapers already have in place for readers who want to access archived articles. Although credit card companies are currently unable to process such minuscule transactions, we expect that microtransactions could be a viable revenue maker for Web content sites within the next couple of years.

Although projections for online advertising are mixed in the current economic climate, the lack of effective measurement criteria for online advertising will continue to put companies that depend on it at risk. We urge online media companies to explore additional revenue sources online. While newspapers are accustomed to the ups and downs of advertising revenues in the offline world, Internet advertising models have yet to evolve significantly enough for most newspapers to be solely dependent on online advertising revenue.

V. Conclusions

Despite persistent rumors about the death of print, even the online divisions of major newspaper companies agree that print newspaper editions will remain for many years to come because the experience of reading the newspaper is too ingrained in consumer behavior to simply disappear. Despite getting newsprint on their hands, most people who read newspapers will want to continue having the newspaper delivered to their door and reading it over Sunday breakfast. Paper-based reading will remain easier on the eyes, and most consumers will prefer it to reading on computer screens for quite some time.

Although significant challenges are ahead for newspapers trying to compete in the online world, the Yankee Group believes that newspapers must look at the Web as an opportunity to expand their news coverage and better serve their communities. Media and information of all types are converging—and limiting one's business to "print" or "broadcast" or "online," or keeping a limited "either/or" mindset in this market, is foolish for newspapers or any other media company. In fact, so-called "traditional" media companies, including newspapers, are better equipped to ride the current Internet shakeout than many other competitors because media companies are accustomed to riding the ebbs and flows of advertising revenue streams and dealing with difficult scenarios. We believe the following will be key to newspapers in the online world over the next few years:

- **Adapting to Change**—History tells us that video *didn't* kill the radio star; it just forced the radio star to change. Such is the push-pull between new and old media. Online newspapers need to be flexible and willing to adapt their traditional ways of doing business to include the online channel.
- **Reaching the Right Eyeballs Online**—Are the metrics that measure online newspaper readership really useful for local newspapers, when the numbers take into account the entire online population and most newspapers really only serve specific communities? With the exception of the country's largest newspapers—such as *The New York Times*, *USA Today*, *The Los Angeles Times*, or *The Washington Post*—most online newspapers should worry about whether or not they are serving their local or regional online population and advertisers. Pay attention to what your online penetration is in the market you serve, and whether or not other online competitors, such as broadcast or cable companies or online players (e.g., Digital City) are competing in your market.

- **Work to Expand Your Readership**—According to the NAA, the newspaper reading population is aging and the newspaper habit often doesn't develop until readers are in their twenties or thirties. Newspapers should take their "Newspaper in Education" activities online to start encouraging young, tech-savvy audiences to develop a newspaper habit. Foreign language teachers should take advantage of the opportunity to teach students to read foreign-language newspapers online. Local newspapers can engage younger readers by allowing journalism students to publish special sections online or by using students as stringers for the online local content, as *The Washington Post* does with its online high school sports section.
- **Yes, You Can Charge for Content!**—While advertising will always be the mainstay of print publications, diversifying revenue streams for online content will also be necessary. Online newspapers should not only diversify their online revenue streams, but they should also begin to charge for content. Content on the Web will not be free forever. For example, both Yahoo! and eBay recently announced that they would begin to charge consumers for posting items to their auctions. Now that Internet leaders such as these are finding ways to generate additional revenue streams online, it won't take long for other companies to follow suit. Newspapers can minimize the sticker shock for their online readers by charging first for special services and content, and later offering microtransaction processing that will help consumers gradually make the transition into paying for online content.
- **Consolidate Online Efforts**—Many large newspaper companies have central hosting of Web sites for their newspapers. Small newspaper companies and independent newspapers should consider consolidating online efforts on a regional basis or striking partnerships with other local media outlets in order to sustain themselves online. Newspapers with small circulations that don't have the backing of large companies may be able to better afford their online presence if they work together with other papers or even with local radio or television stations rather than trying to go it alone.

Finally, online newspapers should remember to serve their local readers and advertisers first. Because local coverage is what most newspapers do best, this represents a significant opportunity for newspapers in the online world.

Further Reading

"Online Content Syndication: Survival Skills for Consumer Portals and Broadband Content Providers," *Yankee Group Report, Internet Market Strategies*, Vol. 6, No. 19, December 2000.

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"Using Online Community as a Crucial Market Intelligence Resource," *Yankee Group Report, Internet Market Strategies*, Vol. 6, No. 13, September 2000.

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