GETTING OFF THE B

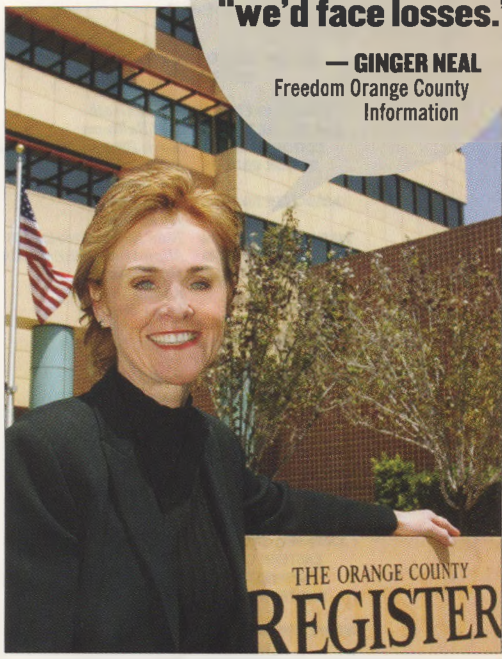
With their Internet-based advertising under attack, newspapers could use new wrinkles in the old game plan

BY CARL SULLIVAN

When 15-year-old Elizabeth Smart turned up March 12 near Salt Lake City nine months after she vanished from her bedroom, newspapers around the country alerted their readers via e-mail news alerts.

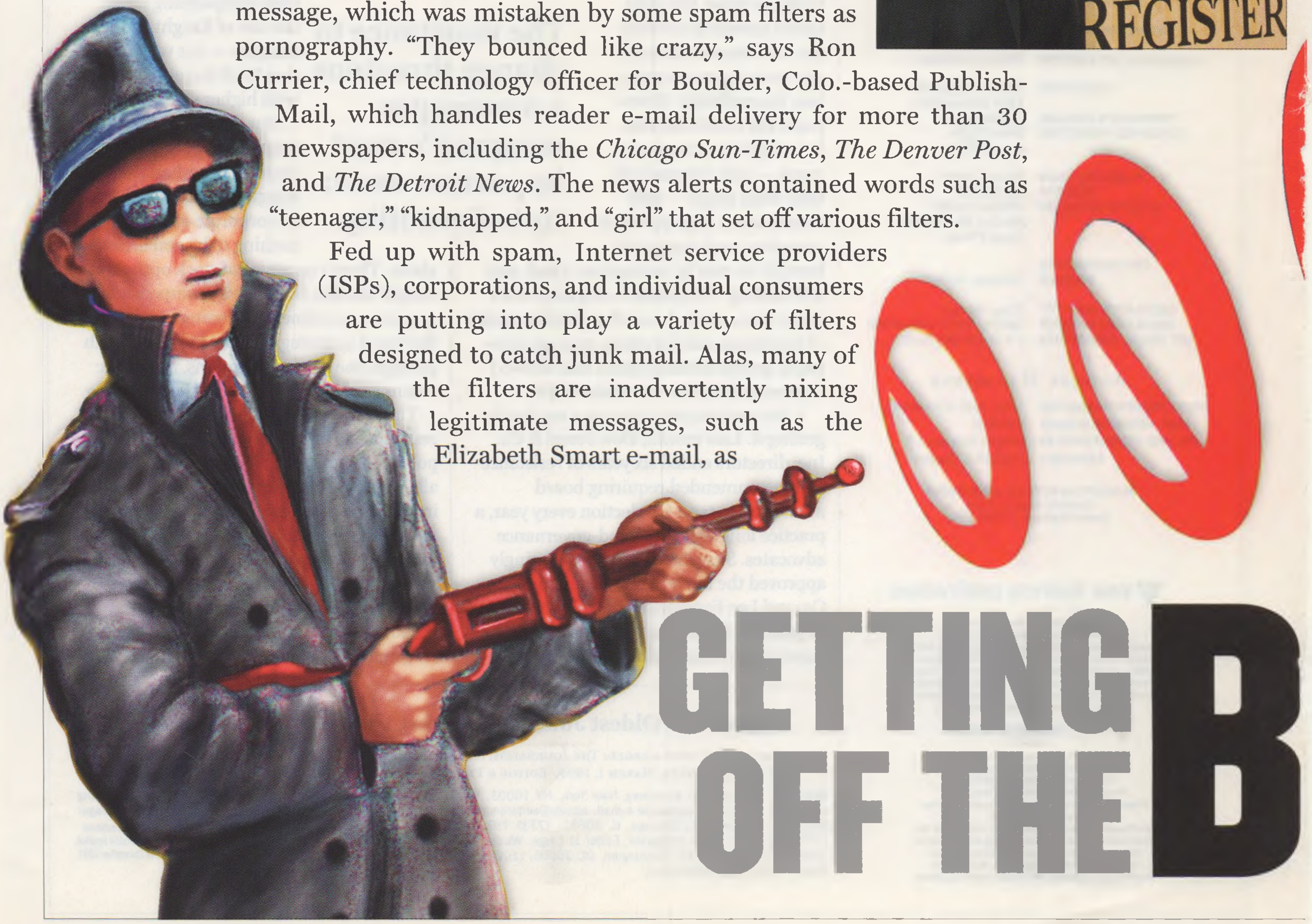
Unfortunately, a lot of those readers never got the message, which was mistaken by some spam filters as pornography. "They bounced like crazy," says Ron Currier, chief technology officer for Boulder, Colo.-based Publish-Mail, which handles reader e-mail delivery for more than 30 newspapers, including the *Chicago Sun-Times*, *The Denver Post*, and *The Detroit News*. The news alerts contained words such as "teenager," "kidnapped," and "girl" that set off various filters.

Fed up with spam, Internet service providers (ISPs), corporations, and individual consumers are putting into play a variety of filters designed to catch junk mail. Alas, many of the filters are inadvertently nixing legitimate messages, such as the Elizabeth Smart e-mail, as



Future technologies might block banners — so "we'd face losses."

— GINGER NEAL
Freedom Orange County Information



EDITORIAL

CORPORATION COUNSEL

Credibility is the stock-in trade of U.S. newspapers, so their corporate-governance policies should be beyond reproach

IT'S THE MIDDLE OF THE ANNUAL-meeting season, and at most publicly held newspaper companies this year the top executives are staging an intricate two-ring circus for shareholders. When they're explaining away disappointing financial comparables, they tell stockholders that everything's changing in the media business. But when these same executives are forced to discuss their corporate-governance policies, they insist that nothing should change.

This stubborn stand never made much business sense, but right now it threatens to erode the most important asset any newspaper company has: its credibility. Newspapers in recent months have filled their business pages — and, increasingly, their front pages — with stories about high-powered executives and companies brought to ruin by corruption, fraud, and self-dealing. The public is disgusted with those who enrich themselves at the expense of employees and investors, even as newspaper groups retain policies that allowed corporate abuses to fester elsewhere.

The resistance to change threatens a newspaper company's most important asset: its believability.

A few newspaper companies are finally getting it. Last month, Dow Jones & Co. Inc. directors ended six years of resistance and recommended requiring board members to stand for election every year, a practice long urged by good-governance advocates. Shareholders overwhelmingly approved the move. The Washington Post Co. and Lee Enterprises Inc. didn't wait to be pushed: Both now treat stock options as expenses, another welcome reform.

But most newspaper companies are like Knight Ridder, which opposed a shareholder proposal to expense stock options that won an astonishing 49% of shares voted at its annual meeting. Now, we can understand why directors opposed the proposal. They don't want to look like they can be bullied by the San Jose Newspaper Guild, which introduced the measure only to embarrass the chain during negotiations at the *San Jose* (Calif.) *Mercury News*. The Guild can hardly claim to be an advocate for stockholders when it spends most of its time complaining about the size of Knight Ridder's margins — the very thing that Wall Street rewards with higher stock prices.

But the fact is, the close vote on the proposal did manage to embarrass Knight Ridder, which in its corporate ethics has nothing to be embarrassed about. There's no abuse of stock options at Knight Ridder, no runaway compensation practices, no crime in the suites. And this is the way it is throughout the industry: With perhaps one or two exceptions, the public chains can withstand the toughest scrutiny.

That's what makes the industry's resistance to better corporate-governance policies so puzzling. Newspapers continually clamor for greater transparency in all institutions of society, from the statehouse to the church rectory — and yet they refuse to adopt a few common-sense rules that would reassure readers that newspapers will never be mentioned in the same breath as Enron, HealthSouth, and the old research unit at Salomon Smith Barney.

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well. And when those news alerts don't get delivered, neither do the sponsor messages that accompany them.

E-mail isn't the only thing getting blocked. Web users tired of pop-ups and other intrusive forms of online advertising are increasingly using software to block ads. All these filtering technologies could pose serious threats to advertising-supported online publishers, experts say.

Overall, 14% of online consumers say they now use some form of ad-blocking software, according to a March study from Forrester Research in Cambridge, Mass. That's up from just 1% of Web surfers a little over a year ago.

Even more alarming for Web sites: 13% of consumers surveyed said they didn't know about ad blockers before being questioned by pollsters, but now that they do, they will consider installing them on their computers. At a conference this year, Washingtonpost-.Newsweek Interactive CEO Christopher M. Schroeder warned that the spread of ad-stripping software could be disastrous for the industry.

"In some bizarro world where we're not able to serve advertising, I don't know what would happen," says Jason Krebs, vice president for sales at NYTimes. com.

That bizarro world may be evolving more quickly than many publishers realize or care to acknowledge, as the public's anger over sleazy marketers could tarnish the reputations of responsible advertisers and publishers. Our collective moods are likely being soured by spam and other intrusive marketing messages: unwanted faxes, telemarketing calls, or the latest outrage, unwanted text and voice messages delivered to cell phones. Might all interruptions be contributing to a rising anti-advertising sentiment among the populace — an attitude that sees all ads as nuisances?

Like e-mail filters, ad blockers aren't perfect, and people "quickly discover [their] problems."

— IAN MURDOCK
Hearst Newspapers

Down on pop-ups

For many readers, nothing is more intrusive than a pop-up ad in the middle of their Web work. Some publishers have chosen not to sell them, even though they usually bring in more revenue than other forms of online ads, and others have opted for less-intrusive pop-unders.

"They provide higher CPMs [cost per thousands] than banners, and when you're talking about networkwide campaigns, they can be very effective," says David Teitler, vice president for advertising and sponsorship sales at PowerOne Media Inc., headquartered in Troy, N.Y. The company powers Web sites and sells online advertising for hundreds of newspapers.

Still, if pop-unders go away, it probably would be better for the industry, Teitler says. "I've been trying to move away from them because I don't think they're a permanent fixture."

Perception is everything. "Particularly frustrating for online newspaper managers is that they get lumped into the same category as shady Web sites when it comes to pop-ups and pop-unders," says Ronald Dupont Jr., former general manager of new media for the *St. Petersburg* (Fla.) *Times*, referring to sites that serve dozens of pop-ups when a user leaves. "In fact, readers can be even more offended than usual by such ads when they appear on a newspaper Web site because readers tend to hold newspaper sites in higher regard than other sites."

Many papers carefully ration how many pop-unders they serve to readers. "We don't overdo the privilege that our readers have given us," says NYTimes.com's Krebs, who notes pop-unders account for less than 2% of the site's overall ad inventory. An NYTimes.com reader should not get more than one pop-under during any 24-hour period, Krebs explains, and the ads are clearly labeled as NYTimes.com ads.

There are fewer complaints "if we're telling them about our own product."

— GREG SCHERMER
Lee Enterprises Inc.

"We're not ashamed of what we're doing," Krebs says. And the labeling is designed to alert readers that all those pop-unders served by other sites during their Web surfing didn't come from *The New York Times*' site.

"As long as pop-ups continue to perform,

LOCKS

FROM LEFT: GARY R. PHILLIPS; NICK KOON/THE ORANGE COUNTY REGISTER, SANTA ANA, CALIF.; MICHAEL FICETO/HEARST CORP.; NO CREDIT we will serve them if they meet our advertisers' needs," says Amy Dalton, a spokeswoman for Knight Ridder Digital in San Jose, Calif. "And if visitors choose to block the ads, we respect that, too." On the positive side, blocked ads aren't "wasted" impressions for the advertiser, Dalton adds, because consumers who feel so negatively about pop-ups aren't going to be receptive to the messages delivered by them anyway.

Some ISPs, such as America Online Inc. and EarthLink Inc., are now touting the fact that they offer pop-up blocking as a selling point to potential customers. And some over-the-counter security programs now come with built-in ad and e-mail blockers.

"You're seeing the genesis of something that people will eventually use prevalently," says Jay Brown, chief security officer for Freedom Communications Inc. of Irvine, Calif. He predicts that large corporations eventually may deploy aggressive ad-catching software to speed Web browsing for their workers and to cut rising bandwidth costs.

"We're not ashamed of what we're doing," but pop-unders must be rationed.

— JASON KREBS
NYTimes.com

Banners torn?

Such solutions might not only catch pop-ups but also block banners and other forms of advertising. That should obviously concern all publishers, says Ginger Neal, vice president and managing director of business development for Freedom Orange County Information in Santa Ana, Calif. "A very small portion of our revenues come from pop-ups, but if banners and other ads weren't being delivered, we'd face losses," she says.

Like e-mail filters, the ad blockers aren't perfect, says Ian Murdock, digital-media director for Hearst Newspapers in New York. They interfere with many e-commerce sites that use pop-ups to confirm purchasing information or to present larger photos of products. "People quickly discover the problems these blockers can cause," he says.

The blockers also indiscriminately put the kibosh on multimedia features, such as photo-slide shows on news sites, as well as important messages from editors to readers. "Many papers have radically redesigned their sites over the past year and have used a pop-up window as a way to alert readers when they arrive at the newly designed site," Dupont says. Readers with blockers will miss those explanations and tours of new features on newspaper sites.

Pop-up blockers also could wreak havoc on your internal marketing plans. While Lee Enterprises Inc. of Davenport, Iowa, doesn't sell pop-ups to advertisers, it has used them to promote special offers for print-newspaper subscriptions. "Our sense is that readers are more understanding of them if we're telling them about our own product," says Greg Schermer, vice president for interactive media.

A 2001 report by the Finberg-Gentry consultancy for the Newspaper Association of America showed that many publishers were generating new print subscriptions via pop-up house ads on their Web sites.

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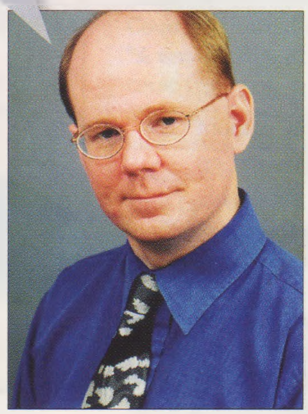
"Web publishers have to wean themselves off those or find additional ways to promote the paper," says Howard I. Finberg, a principal at the consultancy and a faculty member at the Poynter Institute in St. Petersburg, Fla. "They were effective, but now's the time to move off of them or to at least supplement them with banner and tile advertising." His firm is working on a follow-up report on using the Net to promote print subscriptions, expected to be released by NAA this summer.

> **"Newspapers across the country can tell you horror stories" about ending up on various ISP blacklists.**
>
> **— RONALD DUPONT JR.**
> Newspaper Consultant



Like many in the industry, Lee's Schermer is watching closely to see how pervasive blocking technologies become. There's certainly no shortage of options. Type in "ad blocker" at Google.com, and you'll see dozens of offers for programs with names such as "Ad Killer," "AdShield," "Ad-Subtract.com," and "Stopzilla."

"There will always be people who, for whatever reason or lack of interest, don't want to have advertising messages," Schermer says. "Those folks probably aren't particularly good customers anyway." And some feel the anti-ad crowd will remain a small subset of the population. "You've got to be really committed to take the time to download the [blocking] software and install it," says Greg Stuart, CEO and president of the Interactive Advertising Bureau (IAB), a New York association. "Most people won't take the initiative."

Spamming the globe

While the ad-blocking issue is on hold for now, the spam problem is already here.

By almost any measure, the spammers are winning, to the detriment of consumers and publishers who offer opt-in e-mail services, including news products, marketing promotions, classified alerts, and billing and subscription-renewal reminders. Consumers receive an average of 110 unwanted e-mail messages every week, according to the March survey by Forrester. Several antispam-software providers report that at least 40% of all e-mail is now junk, while some ISPs report that a whopping 70% of the messages pounding their servers is spam. All this e-mail costs Corporate America money — in bandwidth costs and lost worker productivity.

To fight the onslaught, ISPs and private companies are buying or building new filters, some with ominous monikers such as SpamAssassin, Spaminator, and SpamCop. On the individual level, Forrester found, 39% of consumers use spam filters on their primary e-mail accounts, and the number is only expected to grow. About 5% of permission-based e-mail that bounces back to newspapers are a result of spam filters, says Currier of PublishMail. This doesn't include bounce-backs caused by unknown users, full mailboxes, and other problems.

Another e-mail service provider, Bigfoot Interactive of New York, sees 5% to 7% bounce-back rates, which include messages that accidentally ping spam filters and all the other usual reasons a message might be rejected. "Up to 25% of any given e-mail that we send out may need a second attempt at delivery," says Michael Della Penna, chief marketing officer for Bigfoot, which manages e-mail delivery for more than 150 companies, including Cox Newspapers Inc. of Atlanta and Washingtonpost.Newsweek Interactive. Spam filters aren't responsible for all those bounces, he says — many result from full inboxes.

Spam filters can be tripped by volume, so when an ISP's e-mail servers see hundreds of identical messages being sent to different customers, they automatically brand the messages as "spam," even though they might be material that consumers signed up for. Some software scans for popular spammer phrases, which can result in false positives with journalism e-mail — for examples, a health story about "breast cancer" or a business story about Pfizer Inc. that mentions "Viagra."

Some filters simply vaporize the offending messages, while others send them to special folders so that the end user can check to make sure that nothing wound up there by mistake. The problem

with this approach is that many consumers don't check their junk-mail folders frequently, which can leave publishers' e-mail unopened and forgotten. Some editors now "censor" their e-mail to remove any offending keywords.

> **When the dust settles, "the audience will dictate what kind of experience it expects online."**
> — JEFF WEBBER
> USAToday.com

Punch & counterpunch

The spammers, of course, aren't lying down. As filters get smarter, spammers do, too. They'll try variant spellings, such as "H*O*TBOYZ" or "S-e-x-y Japanese L-a-s-s," to evade filters. They'll morph subject and sender lines so that each e-mail message looks unique. "It's an escalating war, and it's going to continue," says Currier of PublishMail.

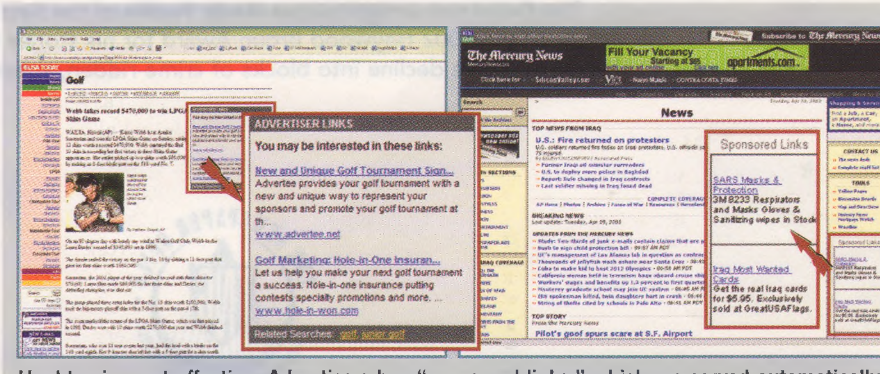
Antispam marshals also use "blacklists" of known spammers that are circulated on the Web and in the information-technology community. Likewise, reputable e-mail marketers and publishers seek to be "whitelisted" by major ISPs, to ensure that their messages are green-lighted. "There's not a consistent approach across the spectrum of people who create those blacklists," says Hearst's Murdock. He expects publishers who send e-mail to readers will have to expend more and more resources dealing with these lists going forward.

New lists are created all the time, and it isn't always easy for legitimate publishers to get off them. In some cases, it's hard to even know who created a publicly available list or how to contact the list creator if you feel you've been unfairly blacklisted.

One site, Spam Prevention Early Warning System (http://www.spews.org), for example, maintains a blacklist of "known spammers and spam operations" that was created anonymously, and no contact information is listed on the site.

"Newspapers across the country can tell you horror stories of suddenly showing up on some ISP's blacklist and then having to fight with the ISP to get off the list," says Dupont, who now consults for newspaper Web sites. "Many times, a newspaper can end up on a blacklist simply because a systems administrator in some back room decided to put the newspaper on the list without talking to any manager." A newspaper also can be tainted by association — if the antispam crowd feels that the company hosting your Web site is allowing its other customers to send spam, the entire ISP could be blacklisted. It's guilt by association.

"The problem gets even more complicated when readers forget they opted-in to a



Unobtrusive, yet effective: Advertisers buy "sponsored links," which are served automatically with relevant editorial content. The service is offered by Google and other search engines.

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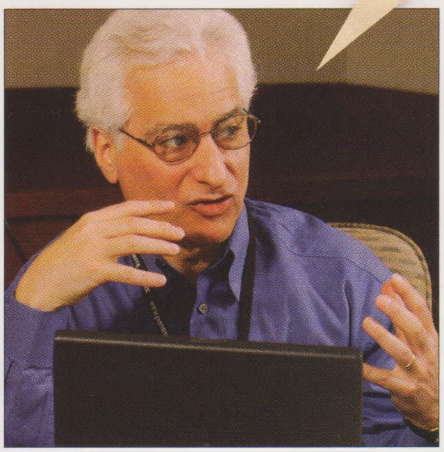
certain e-mail report," Dupont says. "Instead of simply reading the 'Unsubscribe' instructions in the e-mail, the reader often resorts to complaining to his ISP about the 'spam' they are getting from the newspaper. Then, suddenly, the newspaper finds its e-mail from certain ISPs bouncing back." Or the angry reader will e-mail or call the newspaper to complain about the "unwanted e-mail," even though he or she personally signed up for the service months or years earlier.

Pop-up house ads work, but Web publishers "have to wean themselves off those."

— HOWARD I. FINBERG
Finberg-Gentry/The Digital Futurist Consultancy



E-mail publishing "requires a certain commitment of time and process," says Schermer. His employer, Lee Enterprises, is testing e-mail marketing and news alerts in several markets. "You don't want to do this unless you have the resources to maintain good data hygiene" — that is, keeping the addresses and other demographic data up to date. Otherwise, it won't benefit the newspaper, the advertisers, or the readers.

All of this work is one reason that many newspapers outsource e-mail delivery to third parties. "One of the keys to having success with e-mail is working with a reputable vendor who is considered one of the good guys," says Don Marshall, a spokesman for Washingtonpost.Newsweek Interactive, which uses Bigfoot.

The constant monitoring of filter technology and new blacklists is as much art as science. "Some people's junk mail is other people's news," says Freedom's Neal. And those highly personal definitions can change over time as consumers' moods and needs change, she adds.

"Ultimately, the audience will dictate what kind of experience it expects online," says Jeff Webber, senior vice president and publisher of USAToday.com. So far, the spam-filter and ad-blocking problems haven't been major issues for the industry, he says. "There's concern about the future, but, as an industry, we've been very creative and followed the trends in terms of what advertisers are looking for." So if pop-ups disappear, newspapers will simply develop new units to deliver advertisers' messages, Webber says.

He says registration, which was turned on at USAToday.com in February, will allow the site to tailor banner and button ads to individual readers, resulting in more enjoyable experiences for readers and more fruitful ones for advertisers.

Webber has been pleased with sponsored-links advertising, currently in a second test on his site. The program, from Applied Semantics Inc. of Santa Monica, Calif., serves contextually relevant links next to editorial content in the "Life," "Sports," and "Money" sections of USAToday.com. Google, which recently purchased Applied Semantics, offers a similar program to other online newspaper networks, such as Knight Ridder's Real Cities and the sites represented by PowerOne Media. These customized one-to-one marketing messages hopefully will lessen consumer desire for spam filters and ad blockers, Webber says.

PowerOne Media's Teitler says it's disconcerting that filters and blockers exist at all. "It gets into a philosophical discussion, a good one for the industry to have," he remarks. And it comes down to this: "Will the Web be an advertising-supported medium? I think the answer is 'Yes.'"

Poynter's Finberg agrees. "Consumers recognize that there's value in advertising," he says. "The real challenge for Web sites is to find the right visual model that conveys the message in an effective way without angering readers." Adds the IAB's Stuart, "It's incumbent upon us all to create a positive place that marketers want to do business in. I would certainly encourage online publishers to focus on the long-term way that we treat our medium instead of focusing on short-term gains." ▣

Feature package continues on page 29

JIM STEM PHOTOGRAPHY