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Online Newspapers: Why They Remain Online

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To the Graduate Council:

I am submitting herewith a thesis written by Myra H. Ireland entitled "Online Newspapers: Why They Remain Online." I have examined the final electronic copy of this thesis for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Master of Science, with a major in Communication.

<div align="right">Candace White, Major Professor</div>

We have read this thesis and recommend its acceptance:

Eric Haley, Sally McMillan

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(Original signatures are on file with official student records.)

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We have read this dissertation
and recommend its acceptance:

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Dean of Graduate Studies

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ONLINE NEWSPAPERS:
WHY THEY REMAIN ONLINE

A Thesis
Presented for the
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Degree
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Myra H. Ireland
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Remember to live, love, laugh and learn.

—Dan Zadra

ABSTRACT

In order to understand what lies behind the phenomenon of online newspapers, this study takes a qualitative approach through interviews with online newspaper managers. In addition to attempting to determine if online newspapers had become profitable business ventures, this study explored the benefits, other than possible profit, that support the decision to keep the newspapers online and what online newspaper managers see as the next evolutionary steps of online newspapers.

Interviews with thirteen online newspaper managers were conducted by phone. The interview guide consisted of open-ended questions covering eight topic areas. Online managers, recruited from *Editor and Publisher Year Books* and through referrals of other interviewees, were selected from mid-size daily newspapers (print circulation of 75,000 - 250,000), owned by large parent companies, that have had an online presence for at least five years.

Although one interviewee reported "trying to figure this thing out since '94," findings indicate online managers are knowledgeable of the consumer trends and industry practices currently common throughout the online newspaper industry today, as well as the uniqueness of their local market and the need to adapt their online newspaper to meet their audience's needs. However, even as revenue from online newspaper operations continues to grow, online managers share a general concern about the ability of the industry to respond to technological advancements and competition in a timely manner.

The online newspaper managers participating in this study reported that their online publications were profitable and that the publications remain online not only as an outlet for advertising to reach people, but because they extend the newspaper brand; online newspapers attract a different audience, one that is not reading the print newspaper; they are accessible twenty-four hours a day, seven days a week and can provide breaking news; they provide value to the community as a forum to consume news and communicate with one another; they can relate to users in a variety of ways; and they are seen as more than a newspaper to many people because they provide news in addition to being a source of other information and a resource.

In the future, online managers believe the push for increased advertising revenue will continue; the increased use of broadband will pave the way for increased interactivity on the websites; user-contributed content will play a bigger role; technological developments will continue to influence how people get their news; and individuals will increasingly customize their news experience to receive only the information or topics that interest them.

Online manager's main concern revolved around competition. While some looked at it in terms of continuing to increase audience numbers and advertising revenue in light of other options available to news consumers, others looked at it in terms of not knowing who or what the next competitor will look like and if the industry would react fast enough.

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CHAPTER 1

INTRODUCTION

For many years, the premier deliverer of breaking news was the newspaper. Through technological advancements, radio, and later, television, replaced the printed newspaper as the medium accessed for breaking news. The development of the Internet and the World Wide Web provided yet another medium that allows for quick dissemination of information. Readership studies show younger readers typically do not read the newspaper (Peiser, 2000) and the current heavy readers of printed newspapers are moving into middle and old age (Paddon, 1995). In addition to readership issues, newspaper publishers face increasing costs to print and distribute the newspapers, as well as fewer advertising dollars due to advertising expenditures in other media.

The growing popularity of the Internet and the World Wide Web and the prevalence of personal computers have provided a new avenue for newspapers to deliver the news. The publishing and delivery of online newspapers—newspapers published on the World Wide Web—has a number of advantages, such as cost and speed, (Schierhorn et al., 1999) low barriers to entry (Chyi and Sylvie, 1998) and the potential for interactive features (Cochran, 1995, Outing, 1998,).

In April 1993, Moasic, the first properly developed web-browser, took the Internet by storm (Zakon, 2005; The Internet Story). That same year the first electronic newspaper was published online and within a decade, nearly 1,500 North American daily newspapers had launched websites (Newspaper Association of America, 2003). Chyi and

Sylvie (2000, p. 13) found business models still in the experimental phase, thanks in large part to the continuously changing nature of the Internet. It was noted that after seven years and "despite the number of online newspapers, it is not clear whether this medium will become an economically viable business, and if so, how."

Peng (1999) found as far as business is concerned, very few online newspapers were making money and compared to the print paper, online newspapers were disadvantaged in maintaining the traditional sources of newspaper revenues—advertising and subscription charges. Dibean (2001) felt the role of many online newspapers was still not defined, yet Gipson (2002) thought major newspapers' digital editions likely to be profitable or breaking even. Kolo and Vogt's (2003) empirical study done in the U.S. market found traditional media companies owning separate Internet entities to be, at that point in time, no more profitable than traditional media companies without such diversification.

Purpose of the Study

The purpose of this study was to look at the phenomenon of online newspapers from the perspective of those who manage the online publications to determine the benefits, both financial and other, that support the decision to keep them online. In addition to determining if online newspapers have evolved into profitable business ventures, this study investigated the benefits online managers believe the publications provide to readers, the community it serves and its company. The study also looks briefly at the evolution of online newspapers and explores what online managers see as the next evolutionary steps in its development. Qualitative interviews with mangers of online newspapers were conducted to gain professional insights into these issues.

According to Chyi and Sylvie (2000, p. 13) "while market research tends to focus on user demographics, online publishers' viewpoints are of equal, if not more, importance in understanding online newspaper economics because a market consists of both consumers and suppliers and online managers are constantly experimenting with this new medium."

The Need for News

There is a recognized human need for news that is evident at least as early as the Greek city-states, and that at least by the Chinese dynasties, there were organized networks to facilitate formal newsgathering and distribution. Pictographs, posting of news, letters, and stone or clay carvings are historical examples of social organizations looking for formal ways of spreading news to influence opinion or establish power, as well as to reinforce social values and condone the actions of government (Copeland, 2003).

The success of news dissemination seems to have depended, at least in part, on the stability of the news presentation format and the ease with which it could be accessed—or how available it was to the general reading constituency. The growth and expansion of a news-hungry society may not have been that news was available, but rather how available the news was, and how easily and accurately news could be passed along. When cultures developed a written language and materials to inscribe, the seeds of a newspaper were born. The need for news and the means of consistently spreading it were at hand (Copeland, 2003).

There is evidence that the newspaper found its modern form because of the kinds of inventions available for its needs and uses among an increasingly literate society, rather than the idea that the newspapers generated the need for news. As cultures evolve,

it is reasonable to expect the form of newspapers to evolve. Therefore, if society

recognizes its need and desire for news, and it retains the concept of a newspaper, it will

surely have to accept the fact of an evolving format for this durable news conduit

(Copeland, 2003).

In the United States, newspapers have evolved with social communities since the

1704 founding of the successful Boston *News-Letter* and have helped readers deal with

the local issues of the communities in which they are published. Newspapers' adaptations

have forced newspapers to alter content or approaches to gathering and presenting news.

The 1990s, an age of the Internet, mobile phones, and more personal media, have seen

newspapers, radio, television, film and magazines, again confront the challenge of new

media. Newspapers do more than compete with newer media. Newspapers reflect the

social challenges of different periods and find ways to present issues in their own special

way (Copeland, 2003).

Delivery of the News

In recent years, the newspaper industry has tried news delivery via several

electronic methods. Four business models of online content services that have failed or

been abandoned since the 1970s include videotext, paid Internet, free Web and

Internet/Web ad push (Picard 2000). Brown (1999) adds audiotext services and fax to the

list.

Yet other newspapers quickly followed *The San Jose Mercury News* to the

Internet following the launching of Mercury Center on May 10, 1993 (Mueller and

Kamerer, 1995). Many believe newspapers were forced to go online primarily because

there was little choice due to readers turning away from traditional print products

Table 1: Number of Newspapers Online

Year	North American Dailies	World Wide Dailies, Weeklies and Other Newspapers Online
2004	>1500	>5000
2003	Nearly 1500	>5000
2002	>1300	>5000
2001	>1300	>4500
2000	>1200	>4000
1999	>950	>2800
1998	>750	>2800

Source: Newspaper Association of America, *Facts about Newspapers,*
　　　<http://www.naa.org/SectionPage.cfm?SID=167&CFID=428048&
　　　CFTOKEN=18986624> (29 October 2004).

(Erlindson, 1995). Yet, Harper (1996) reported that some of the pioneering editors of

online newspapers thought the future was in digital journalism because it would attract

young, computer-literate readers. One editor reported his newspaper went online to serve

its audience and community with local information and even though the online

newspaper was not a revenue source, he thought the situation could change if the volume

of use increased. Lowery (2003) found site adoption most heavily influenced by degree

of competition and owner size, indicating the decision to offer online editions is often

made at a corporate home office. As outlined in Table 1, by May 2004, more than 1,500

North American daily newspapers had launched websites (Newspaper Association of

America, 2004).

　　　Although papers were moving online quickly, Singer, et al., (1999) found many

publishers who did not seem certain they should be online. Their reasons for taking their

papers online were based on fears: fear of being left behind if they fail to protect their

franchise, fear of losing existing readers and being bypassed altogether by new ones, and fear of losing money to new competitors, particularly retail and classified ad revenue.

Harper (1996) also found most online newspapers in existence in 1996 had no systematic scheme for making money and were seeking ways to produce revenue. However, in both 1997 (Outing) and 1998 (Neuwirth) it was reported that about a third of the papers with an online presence refute that online is not profitable, although it was admitted to not being much in relation to their up-front investments nor to the double-digit profits on the print side. Some said they were accomplishing this by keeping both expenses and online staff sizes to a minimum (Peng, et al. 1999). Chyi and Sylvie (2001) found even fewer online newspapers to be profitable—twenty-seven percent (27%). Revenue-generating activities suggested advertising, content, and non-news, value-adding services were identified as major areas for focus (Ihlstrom and Palmer, 2002).

Chyi and Sylvie (1998) acknowledged that growth resulted in problems and questions, especially regarding profitability. Does sufficient advertising exist to support the new medium? Can online newspapers adequately distinguish themselves from other online services? The study also found online newspapers continued to seek innovative methods and models to create a market in which they could remain competitive. Fearing that offering free content online may erode the print edition's subscription base, known as cannibalization, many sites initially charged users a subscription fee for online news access, but most failed. The advertising model followed, but with limited success.

Chyi and Lasorsa (2001) found confusion still existed with regard to the way users determined the value of online content while Dibean (2001) identified the rapidly evolving state of online news to be characterized by considerable experimentation with

content, technologies and distribution. The results were frequent changes and often-radical site redesigns. Online newspapers still had many ties to traditional print newspapers, but they also had the potential to use many new features from the world of mixed-media digital communication, including audio, video animation and increased user control.

University of Illinois journalism professor Eric Meyer told Brown, (1999) he thought online newspapers may have started out as a fad, but he saw "intelligent people that don't know why they're doing something other than because everybody else is doing it, and every day they're saying to themselves, 'If I don't do it, I'll get left behind!'"

Annual studies conducted by the Pew Research Center show an increase in Americans reporting that they regularly go online to get news. The 2004 national survey showed two-thirds of Americans, sixty-six percent (66%), go online to access the Internet or send/receive e-mail while nearly one-third (29%) reported going online for news at least three times a week, compared to twenty-five percent (25%) in 2002, twenty-three percent (23%) in 2000 and thirteen percent (13%) in 1998. The survey also showed most of the seventy-one percent (21%) who go online at least weekly for news say their use of other news sources has not been affected by the Internet.

According to the Newspaper Association of America (2002), newspaper websites were the top choice for local news and information for Internet users in the U.S. Almost sixty-two percent (62%) of the respondents stated that they looked for local news at online newspapers rather than other media sites or national brands such as Yahoo. With 1,500 daily papers now online and readership growing, online newspapers are no longer a

fad. This study explored the possible relationship between increased trends in readership

and trends towards profitability and economic success for the online newspaper ventures.

CHAPTER II

LITERATURE REVIEW

With Gutenberg's invention of the movable printing press, the printed word became a dominant medium for mass communication. The newspaper enjoyed the privilege of monopolizing the mass media market for centuries until the advent of radio and television (Emery et al., 1996). Facing a declining readership since the 1960s (Bogart, 1984), the U. S. newspaper industry has tried to reverse the decline. In addition to improving the presentation of the print product through color photographs, informational graphics, and modular layout (Harrower, 1995), some newspapers have also experimented with shorter and simpler news stories (Emery et al., 1996). In addition, newspapers entered the realm of electronic publishing as early as the 1970s, experimenting with videotext (Jolkovski and Burkhardt, 1994).

According to Zakon (2005), the first Web server was launched in 1991 and the Mosaic visual browser took the "Internet by storm" on April 22, 1993, paving the way for the World Wide Web. Peng (1999) reported the Internet found favor with newspaper publishers as an electronic publishing platform at that time. The newspaper industry has since embraced the Internet as a possible outlet to maintain, if not increase, its base of readers and advertisers.

As the number of online newspapers and users increased, so has the study of the phenomenon. Chyi and Sylvie (2000, p.13) note, "the diffusion of the Internet during the recent past has created a substantial online newspaper industry. The economic potential

and theoretical implications make the emergence and continuing growth of the online newspaper industry worthy of media researchers' attention."

Saksena and Hollifield (2002) identified one of the primary challenges facing media managers in the early 21st century to be the constant influx of emerging, potentially disruptive technologies into the marketplace that could change how existing media are produced or promoted or that threatens the very existence of current media. Disruptive technologies are defined as science-based innovations that have the potential to create a new industry or transform an existing one (Day and Schoemaker, 2000). When the Internet emerged as a publicly accessible communication system in the early 1990's, newspaper executives had to decide whether it was simply a new production technology, a new product that eventually might replace traditional media, some combination of the two, or an idea that was going nowhere.

The Internet posed specific dangers to the newspaper industry's classified advertising revenue by providing a vehicle through which non-newspaper companies could sell and distribute classified ads, prompting parent companies to decide to launch an online edition (Saksena and Hollifield, 2002). No other form of media had ever mounted a serious competitive threat for classified advertising (Schoemaker and Mavaddat, 2000). The Internet also created new competition for local banner advertising sales (Fratrik, 2001), and attacked the editorial side of newspapers' markets by providing a vehicle for TV and radio stations, cable systems and independent journalists to provide on-demand news stories in print. Chyi and Lasorsa (1999) found publishers started online editions in order to reach new readers, gain an advantage over the competition, and stay on the cutting edge of technological development. Publishers who believed the

Internet had the potential to be a disruptive technology for their industry used a more systematic and comprehensive process for developing an online edition and had developed a slightly more comprehensive online product than those who had not viewed the Internet as potentially disruptive to their industry or organization (Saksena and Hollifield, 2002).

The following literature review is divided into the following topics: Internet Usage, Newspaper Readership Trends, Readership Preference: Print Versus Online, Evolution of Online Newspapers, Features of Online Newspapers, and Economics of Online Newspapers.

Internet Usage

Harris & Associates (2000) report the top six reasons Americans use the Internet are for conducting research, gathering information on goods and services, sending e-mail, purchasing goods, surfing for goods and services and obtaining news and weather updates.

With the Moasic Web browser commercially released in 1993 (Zakon, 2005) and the number of Americans with home computers increasing, newspapers joined the scramble to go online, thinking they could reverse circulation declines by building a new base of young and computer-savvy readers (Bressers and Bergen, 2002). Newspapers also believed that by going online they could reduce production and distribution costs and develop new advertising revenue potential. This would protect their advertising base—classified ads—from a twin threat: the computer's innate ability to sort and search massive databases quickly and the point-and-click technology that connects buyers to products.

One survey, conducted before the Internet became a popular interface, found that respondents did not spend significantly less time with newspapers due to the new technology (Bromley and Bowles, 1995). The study found that the use of traditional media remained the same during the start-up period for Internet use.

Newspaper Readership Trends

In the past decades, downward trends in newspaper reading have been observed, particularly among young adults. The Pew Research Center for the People & the Press found that only twenty-six percent (26%) of 18-24 years-olds read a newspaper, spending only about nine minutes a day with it and Gallagher (1996) found that forty-three percent (43%) of 16-29 year-olds say they could "get along easily" without newspapers. A contribution to the decline in newspaper readership in the United States has been credited to increasing numbers of younger people who read less frequently versus decreasing numbers of older people who read more frequently (Peiser, 2000). Readership trends show the percentage of adults reading the daily newspaper fell from eighty-one percent (81%) in 1964 to fifty-eight percent (58%) in 1997 (Newspaper Association of America, 2004). Older readers of the printed newspaper are highly educated, the most loyal, interested in community activities and other local news and methodical readers who read every page (Paddon, 1995).

Readership Preference: Print versus Online

Reading the newspaper is an experience unique to the user with some preferring the printed newspaper while others favor the online edition. Calder and Malthouse (2004) found reading the newspaper to be a rich, multidimensional experience. People do not just use media, they experience it. There is a subjective, qualitative side to their

usage, with the most obvious facet of this being involvement. Mueller and Kamerer (1995) found that the electronic newspaper was not a satisfactory substitute for the traditional format because the new electronic medium was uncomfortable to travel through, unappealing to browse leisurely, and more difficult to read than the printed newspaper.

Even among Web users, seventy-six percent (66%) preferred the print newspaper (Chyi and Lasorsa, 1999). The study also found that most people still read the local newspaper in the printed format while national newspaper sites were gaining a larger online audience and that readers of online editions of local papers tend to be readers of that paper, but online editions of national papers reach people who do not read the print edition. As for cannibalization, in most cases, online and print readership overlap with no reported significant cannibalization effects between print and online newspapers (Chyi and Sylvie, 2000). Survey participants argued that online and print products had different readerships and constituted different reading.

However, Weir (1999) found adoption of electronic newspapers to be different from that of other consumable productions with opinion leadership being a significant predictor of frequency of use of the electronic newspaper. Other predictors include the perception of internal and external incentives of the adopter, such as getting information more easily and quickly and immediate availability of information. Weir also found those persons having a more general computer literacy did not adopt the electronic newspaper earlier than those with less background with computers did. However, by 1999 online newspapers were found to building up a readership of their own, with the readership composed of a special group of newspaper readers who differ from those who

read the same newspaper in its hard copy (Peng). Strupp (1999) found that while young people turned to the Internet for news, their sources for news were not online newspapers.

Chyi and Lasorsa (2002) still found the print format was preferred, even among Internet users, when compared with the online edition, other things being equal. However, the simultaneous use of the print and online editions suggested that to some extent print and online products complement each other. Therefore, serving as an extension of their print counterparts could be a practical strategy for online newspapers. Conversely, this overlap between online and print readership of the daily newspapers— eighty-three percent (83%) of online readers also read the print edition—carries a negative economic implication from the local advertisers' perspective because the online audience is a subset of the print audience.

Evolution of Online Newspapers

Pavlik (1997) found online news content evolving through three stages: 1) repurposing print newspaper content for the online edition, 2) augmenting content with interactive features such as search engines, hyperlinks and some customization of what news the user receives, and 3) the creation of original content designed specifically for the medium. Bucy (2004) characterizes three generations of Internet news slightly differently. The first generation, in the early to mid-1990s, news organizations produced simple hypertext pages that redistributed wire copy and other third-party content, and print media learned how to take their efforts online. The second generation, from the mid-1990s to decade's end, moved online journalism to a more independent footing, engaging in original newsgathering and production. Continuous updates became more common, streaming audio and video appeared, news became more visual and in-depth,

and interactive chats and online discussions emerged, creating news communities. Third generation Internet news sites leveraged "improved interactive applications that create an entirely new integrated news experience to engage consumers (p. 103).

Barnhurst (2002) noted the news industry has always been slow to adopt new technologies. Although newspaper publishers moved quickly to establish an online presence, they were slower to exploit the full capabilities of the technology. In general, however, newspapers managed to project onto the Internet something very similar to the image they maintained in their print editions and since the news itself has not changed in fundamental ways simply by moving online, the Internet newspapers seemed to focus on holding market share.

A longitudinal study of how online newspapers have evolved (Greer and Mensing, 2004) included an annual content analysis from 1997-2003 of eighty-three online newspapers published by U.S. dailies. The papers ranged in circulation size, were evenly distributed geographically and went online between 1994-1997. The examination of trends in news presentation and content, multimedia use, interactivity, potential revenue sources and how circulation size of print newspapers relates to content and features in the online product revealed two trends over the seven years. First, online newspapers were offering more of everything—content, multimedia, interactivity and revenue-generating features. Instead of discontinuing one type of feature when another was added, the sites, on the whole, expanded offerings. Second, size matters for online newspapers. While medium and large newspapers have become more similar, small papers (circulation <100,000) lag behind. For news, local reports still dominate, but sites have increasingly offered other content, including archives, national news and newswires.

In addition, they were more likely to update frequently. Online newspapers were evolving into stand-alone news products rather than supplements or advertising vehicles for their print parents. Although interactive features were more prevalent, data suggested that newspapers work to find interactive elements that function well in an online news environment. Newspapers had mostly abandoned two revenue streams—serving as an Internet Service Provider (ISP) and creating/hosting advertisers' pages. Instead, newspapers enhanced advertising, the standard business model for newspapers. In addition, more papers charged for archive use and use of special sections and were more likely to require registration for use of at least portions of their sites. The documented increase in types of revenue generators illustrates that no clear model has emerged to support online newspapers.

Features of Online Newspapers

Critics argue that online newspapers fail to rid themselves of the "print" mentality (Bressers and Bergen, 2003) and are not using the full potential of new technologies (Outing, 1998) such as interactivity, hypertext and multimedia. Yet, Bucy (2004) notes Internet news sites appeared to be increasing in sophistication between 1998 and 2000, as indicated by the growth in content interaction, information accessibility, and interpersonal communication features.

<u>Content</u>

Some believe online newspapers were following the old model of presenting news every 24 hours instead of providing continuous updates, creating shovelware – moving whatever is published in the newspaper onto the Web without significantly repackaging the content for the online medium (Cochran, 1995). Ross (1998) reported that few

Internet editions were allowed to scoop their print editions and few were doing much original reporting on their websites while Lasica (1997) found many had not made necessary changes in the way they collect and distribute news.

Singer (2001) found that even though online versions of newspapers drew most of their material from the print product, they did not take everything. The content they included tended to be local and the content not included was likely to be non-local. The local emphasis was the norm nationwide. That made sense considering the one thing a local newspaper knows is its own market, therefore, the one way to differentiate itself from competitors was to be the expert in the immediate community and leave broad information to other sources. Online products could be differentiated through content repackaging and eliminating shovelware (Chyi and Dominic, 2002).

Pryor (1999) suggested news repackaging, including using a magazine model for newspapers on the Web to provide information that caters to certain needs—along with the advertising that meets those needs. Understanding the user's response to the online format as opposed to the print, in terms of usage, perceptions and preferences, may provide theoretical insights (Chyi and Lasorsa, 2002).

Beyers (2004) reports that website traffic to news sites slips in the late afternoon and drops dramatically during the evening, initiating the establishment of online dayparting, or promoting different editorial and advertising content online during different segments of the day to better serve readers' interests. Dayparting is a concept used by radio and television stations that differentiate programs during the day based on the usage patterns of the audience.

<center>Internet-Specific Features</center>

Chyi and Sylvie (1998) suggested that online newspapers provide what traditional media fail to serve by developing Internet-specific features such as two-way communications, searchable databases, real-time data transmission, hyperlinking and multimedia presentation to overcome intermedia competition. The medium allows users to create their own news story using this "non-linear" method of storytelling (Bressers and Bergen, 2003). Content was generally provided free of charge or with a registration (The American Society of Newspaper Editors) and may provide perks such as crossword puzzles, weather, video clips, a trip calculator, electronic post cards, photo caption contests.

Billups (1998) found a number of newspapers produced special sections to attract the youth audience. New online content such as music, news and events, high school news, features and profiles of outstanding teens, teen movie reviews and college-related issues can be customized based on individual interests of specific age groups and provide the color, entertainment and navigability that the younger generation finds missing from the regular newspaper (Grusin and Edmondson, 2003).

<center>Interactivity</center>

Bucy (2003) reports that several studies of online news have found forms of content interactivity to be much more prevalent than user-to-user interactivity. He contends media organizations have been confronted with the task of keeping users engaged in news content while harnessing the unique capabilities of the Web and from a relationship-building standpoint. Understanding the nature and extent of Web page features that facilitate user involvement—and return visits—is paramount. Macias

(2003) found that the relationship to be influenced by involvement with the product and experience with the website.

Macias (2003) also found interactivity could influence comprehension. A number of interactive tools are available to online newspapers, including hyperlinks, e-mail, chat rooms, forums, animations, photographs and biographical information about reporters and columnists, related coverage, searchable databases, multimedia capabilities and archived news. The most prominent technology used by the participating online newspapers was consumer services, often used for automobile sales, home rental and sales, dating services and other classified related services. The area with the greatest growth is electronic commerce. Online newspapers used this tool to increase interaction with site visitors for a variety of purposes and growth of use is occurring at all sites (Dibean, 2001). Thompson and Wassmuth (2001) found a high percentage—ninety-one percent (91%)—of online newspapers published classified ads online. However, the use of 12 specific content and interactive features was relatively low. The type of owner and organizational size were found to be important predictors of the level of site interactivity, suggesting resources and expertise were strongly tied to level of interactivity (Lowrey, 2003).

Bucy (2004) found the sites evolved from a noninteractive, passive model of information delivery into an environment of increased immediacy, content richness, and user control after a decade of existence. Two general dimensions of online interactivity were found with content interactivity much more prevalent than user-to-user interactivity. Content (or user-to-system) interactivity, involves the control that news consumers exercise over the selection and presentation of editorial content (Massey & Levy, 1999;

McMillan, 2000, 2002) and interpersonal (or user-to-user) interactivity, involves person-to-person conversations mediated by the Network. Nine out of ten editors believe that the future of the newspaper industry depends upon more interaction with its readership (Choi, 2004) and Brown stated the year 2000 marked the beginning of the third generation of Net news, characterized by enhanced features "that use technology to bring people closer to the news to educate, inform, and entertain them" (2000, p. 26).

Peng (1999) found as a leader as well as a servant of a community, the newspaper plays an important role in crystallizing public opinion through forums, chat facilities and e-mail contacts that allowed greater interactivity among the community members and between the readers and editors than the traditional print newspaper. Online editors recognized interactivity as a key attribute of the Web, but most were only beginning to explore ways to move beyond their traditional role as information providers to create a space for meaningful political discourse (Singer and Gonzalez-Velez, 2003). The Web enables news organizations to deepen the newscast or news hole with information that, for space reasons, cannot be included in the daily newspaper; facilitates delivery of hyperlocal coverage (e.g., neighborhood weather, crime statistics, and sports) and updates throughout the day; allows news providers to host message boards and discussion forums to build relationships and promote civic discussion of important local issues; and offers more consumer control over the news through access to story archives, customized information delivery, and other features that engage users on an individual level (Lasica, 2002).

Economics of Online Newspapers

From an offensive perspective, it has been argued that the Internet has generated additional revenues and profits, chiefly due to its synergistic benefit of leveraging the assets of traditional media companies on the Internet. Defensively, the argument states the Internet was considered a threat to traditional media, prompting traditional media players to invest online to defend their core business (Kolo and Vogt, 2004). In addition, they found traditional media companies started their online ventures with the most important asset that can be leveraged in an online world, a well-known and established brand. O'Reilly (1996) argued that brand names and trademarks are key elements of differentiation, especially in light of the abundant content consumption opportunities now available. Advertising space and content present traditional media with additional resources to capture online opportunities. Furthermore, online spin-offs were initiated to introduce new distribution channels for traditional media products.

Media economists suggest that markets, products, revenue and competition are interrelated in any media industry—each affecting and being affected by the other (Chyi and Sylvie, 2000). The economies of online newspapers are particularly complex because online and print markets are often interrelated in the following ways. While the Internet's boundary-transcending capacity enables online newspapers to operate globally, news, often provided by their print counterparts, is primarily local; newspaper publishers often need to consider the potential impact of their online offerings on the print product when developing market strategies; online competition is hard to define; and online and print products may compete for revenue sources.

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<u>Revenue Models</u>

Online newspapers have three options for making money; advertising, paid subscription and charge-per-use. Advertising is the only one that could work, according to Madsen (1996). In contrast, Borell & Associates (2001) argued that the subscription model has re-entered the agenda and Steinbock (2000) discussed the successful online subscription model used by *The Wall Street Journal*. From a business perspective, various revenue models exist for newspaper and magazine websites—advertising, vertical partnerships in e-commerce, paid content, and others. The most common revenue model is advertising, but combinations of several revenue models are also observable (Chyi and Sylvie, 2000).

Chyi and Sylvie (2001) found the use of revenue sources for online newspapers to be limited. Almost eighty percent (80%) used online advertising; fewer than twenty (20%) adopted e-commerce and pay-per-use models, and only three percent (3%) charged a subscription fee. When asked to evaluate the use within the next two years, almost all (95%) believed online advertising is an important revenue source, more than fifty percent (50%) said so about e-commerce but few believed the subscription model would work. Greer and Mensing (2004) found general advertising, real estate and classified ads were popular in online newspaper publications in 1997 and increased significantly over the next seven years. By 2003, all three were present on more than ninety-five percent (95%) of the eighty sites analyzed. Enhancements to these sites included search capabilities for classified ads and visuals for real estate ads. Greer and Mensing (2004) also noted the change in use of other potential revenue sources. Providing Internet access (serving as an ISP) and hosting advertising internally were preferred business models in 1997, but

declined to become the two least popular revenue sources by 2003. Three revenue

sources showing increases included paid online subscriptions, registration and charging

for archives. Paid subscription, used by six percent (6%) of sites in 1997, declined

through the middle of the study period, but jumped to fifteen percent (15%) by 2003.

Registration became common in 2000, growing from five percent (5%) that year to nearly

fifty percent (50%) by 2003. In addition, half the sites charged for archives in 1997, as

opposed to more than three-fourths by 2003.

Cost of Doing Business?

Some reason that online newspapers may simply be part of the cost of doing

business. Bucy (2004) argues for valuing Internet news sites less from a profit-loss

standpoint and more for the nonmonetary contributions they make in relation to the

broader news mission, namely enhanced coverage, brand loyalty and news credibility.

Each of these are thought to increase audience reliance on the news product. Johnson &

Kaye (1998) reported investments in online news operations to be justified not so much

for economic reasons but on the basis of enhancing the credibility of the news

organization overall since audiences tend to become reliant on media they consider

credible. Perceptions of credibility have important implications for the industry during

times of audience fragmentation and growing concern over news responsibility. Chan-

Olmsted & Ha (2003) found brand loyalty to be a tangible benefit media organizations

could derive from online activities that are not revenue or cost based. Barnhurst (2002)

suggested that print publishers used their presence as a low-cost place holder that guards

their U.S. market position and erected a barrier to the entry of geographical competitors

and ideological alternatives in the U.S. news arena.

Smythe (1977) argued that creating audiences was more important than creating content since audiences attracted advertisers, which were the major source of funding. Until local advertisers showed a desire for online advertising, the online advertising business would be dominated by national and regional companies only interested in advertising at the largest sites (Mensing, 1998).

Chyi and Sylvie (1998) considered online and printed newspapers to be substitute goods since many newspaper publishers reuse the contents of the printed version online and the printed newspaper is offered for a fee while the online content is mostly free. Chyi and Sylvie (2000) later found cannibalization to be negligible, arguing that online and print products have different readerships and constitute different reading experiences, and online products may not have everything that many readers want—display ads, for example. However, in terms of different readership, in most cases, online and print readerships have some overlap. Chan-Olmsted & Ha (2003, p. 612) also found that rather than viewing online media from a displacement perspective, the Internet may instead be regarded "as a supplemental medium for developing a relationship with the audience of an offline core product." Users appear not to view online newspapers as superseding print newspapers, but instead they tend to view them as complementary (Chyi and Lasorsa, 1999). The substantial overlap of online and print readerships for local dailies suggests the potential of a complementary product relationship (Chyi and Lasorsa, 2002). Some online managers' hoped that the online product would complement the print product, but the minimal amount of unique content published in an unappealing

medium undermines that hope. This may explain why almost all online newspapers must provide free content (Chyi and Sylvie, 2001).

Given that most papers in Chyi and Sylvie's (1999) survey publish no unique content in a medium that is less appealing than the print format to about seventy-five percent (75%) of Web users, one would expect papers to target long-distance audiences yet, nearly two-thirds, sixty-four percent (64%), said they do target long-distance audiences. Chyi and Sylvie (1998, 2001) demonstrated the existence of local and long-distance markets for online newspapers and the difference in terms of online usage and targeting intention. While more than half the respondents, sixty-four percent (64%), simultaneously sought markets at multiple geographic levels, the local market outweighed the long-distance market in online publishers' minds with an additional twenty-nine percent (29%) targeting audiences in the local print newspaper's franchise area. Of the ninety-three percent (93%) who targeted the local market, all targeted non-readers of the print edition while eighty-two percent (82%) also targeted readers of the print edition. Chyi and Sylvie (2001) proposed that the convergence of the newspaper and the Internet creates a discrepancy between the geographic orientation of content and that of media reach, which may in turn result in a discrepancy between potential and actual usage. The medium's global capacity enables online newspapers to serve multiple audiences within multiple geographic areas.

Dimmick, Chen and Li (2004) studied online news in light of the niche theory and the theory of uses and gratifications, which explains why people become involved in one particular type of mediated communication or another, and what gratifications they receive from it. Results found the Internet and traditional media served some similar

needs in gratifications opportunities, competed with each other for news consumers, and

the Internet provided users satisfaction with more needs than any of the traditional media.

Some see the Web as the ultimate in community building and enrichment, through which

users can create relationships online in ways that have never been possible through

traditional media (Ruggiero, 2000). Singer (2001) focused on two of the Web's more

striking attributes, which happen to present diametrically opposite alternatives for a news

organization. On the one hand, the Web is the first truly global medium, which can

disseminate content to all corners of the globe without any incremental increase over

disseminating within a community. Yet, the Web is also the ultimate niche medium,

having the ability to serve the narrowest of interests and physical area. Despite efforts to

sell digital content via the Internet, content providers, including music, film and print,

had not come up with a viable business model (Fetscherin and Knolmayer, 2004).

<div align="center">Content-Based Revenue</div>

Ihlstrom and Palmer (2002) suggested a new business model for digital news

products that included content-based revenue generation through personalization,

archiving and versioning, approaches to advertising that involved more highly targeted

market intermediation, and non-news activities covering advertisers and information

brokerage. Results suggested that management and users agreed on the importance of

archives, personalized and deep news content, and a role for the newspaper as

intermediary. However, users were not willing to pay for increased multimedia or an e-

commerce site sponsored by the news site. E-commerce sites transact business

electronically, as over the Internet.

Competition

An economic analysis of the electronic newspaper market by Chyi and Sylvie's (1998) suggested that print newspapers and their online counterparts engage in head-on competition when both are available within the same geographic area and provide similar content. However, two years later there were no significant cannibalization effects from publishing online (Chyi and Sylvie, 2000). Interviewees felt giving away free content online may erode print subscriptions, yet the website also served as a marketing tool to promote the print edition. The website exposed the paper's content to a new market and by utilizing interactive features, could improve the relationship between readers and the paper. Barnhurst (2002) found stories online differed very little from those printed in the originating newspapers, suggesting that print publishers used their online presence as a low-cost place holder.

Staff Size

Table 2 shows 1999 median online staff sizes ranging from one to thirty-four employees. In 1999 Singer, et al. reported that more than half of the online editors reported sharing staff with the print side and staff sizes were too small to adequately

Table 2: Median Online Staff Size by Circulation

Circulation	Print Employees	Online Employees
Under 50,000	23	1
50,001-100,000	68	3
100,001-250,000	198.5	5
Over 250,000	350	34

Source: Singer, Jane, Tharp, Martha and Haruta, Amon (1999) "Online staffers: superstars or second-class citizens?" *Newspaper Research Journal*, Summer, pp.29-47.

support a quality online product. Online staff size increased with circulation size, but with considerable variation. A 1997 study found that typical full-time staffing for the online newspapers includes one advertising employee, one technical employee and two editorial employees (Fitzgerald, 1997). In 2004, Choi found the situation had not changed. Most online newspapers had too limited staff and resources to be able to utilize the new medium's unique capabilities. Lowery (2003) found those organizations with separate online staffs—at both large and small papers—more likely to produce original content for the Web and to add interactive features and that the type of owner and organization were important predictors of the level of site interactivity, suggesting resources and expertise strongly tied to the level of interactivity. In addition, a more pluralistic community was more likely to desire media interaction and use of a vendor's standardized features allowed papers to partly bypass obstacles presented by limited resources.

<center>Brand Equity</center>

One of the newspaper's most valuable assets is its trademark and reputation. Newspapers have an element of trust and reputation with readers/users. This may mean it is possible for the newspapers to create new services—both news and related offerings—based on user trust (Boczkowski, 1999, 2002). Bucy (2004) believed loyalty might be cultivated through a variety of interactive features that invite involvement and dialogue, as well as content elements that enable site visitors to get the news in the time, manner, and format they want.

Internet news operations can enhance media credibility. Beyond stimulating interest in the news and keeping users captivated, interactive experiences may cultivate

impressions of news responsiveness and informativeness, at least for young audiences (Bucy, 2003, 2004). At a time of audience fragmentation and growing concern over news responsibility, perceptions of credibility have important implications for the industry (Johnson & Kaye, 1998).

The literature to date covers many aspects of the online newspaper phenomenon including who is accessing online newspapers, the content and interactivity on the news sites, and the economics of the medium. The literature also indicates that the number of people accessing online newspapers continues to grow and publishers continue to expand their websites, yet it is still not evident that the medium has an economically viable business (Chyi and Sylvie, 2000), after being in existence for more than seven years.

Research Questions

The online newspaper industry has grown very quickly, and continues to evolve. Research about online managers' views is needed to augment the current body of literature. Through their daily experiences in the industry, they can provide insights into the phenomenon of online newspapers. Therefore, this study used interviews with online newspaper manager to attempt to answer the following questions:

1. Are online newspapers profitable, cost-effective business ventures?

2. Are there benefits, other than profit, of having an online presence?

3. What is the next evolutionary step for online newspapers?

CHAPTER III

METHOD

This chapter presents the methodology used to collect and to analyze the data. Specifically, the chapter provides an overview of qualitative research and the theoretical paradigm employed throughout the study, outlines the method used to collect the data and describes the coding process used to analyze the data.

Qualitative Research and Theoretical Paradigm

Qualitative research refers to "any kind of research that produces findings not arrived at by means of statistical or other means of quantification" (Strauss and Corbin, 1990, p. 17). Some areas of study naturally lend themselves to qualitative types of research, such as "understanding what lies behind any phenomenon about which little is yet known" (Strauss and Corbin, 1990, p.19).

As the number of online newspapers and users has increased, so has the study of online newspapers and its audience. However, Calder and Malthouse (2004) found media research typically focuses on quantitative measures of usage. In order to uncover and understand what lies behind the phenomenon of online newspapers, this study took a qualitative approach through interviews with electronic newspaper publishers. In addition to attempting to determine if online newspapers had become profitable business ventures, this study employed a constructivist research paradigm to explore the benefits, other than possible profit, that support the decision to keep the newspapers online and what online managers see as the next evolutionary steps of online newspapers.

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Through a constructivism approach, the belief is people see the world and others in different ways. Therefore, there is no single absolute truth or reality. Instead, there are multiple interpretations of reality unique to each individual and subject to change depending on circumstances. According to Guba (1990, p. 27), uncovering another's reality is the result of an exchange between researcher and participant in which the two negotiate meaning and construct understanding. "Constructivism thus intends neither to predict and control the "real" world or to transform it but to reconstruct the "world" at the only point at which it exists: in the minds of constructors.

Sample

Purposive telephone interviews were conducted with managers of the online version of daily newspapers. According to Patton (1990, p. 169), "qualitative inquiry typically focuses in depth on relatively small samples, even single cases, selected *purposefully."* The logic of purposeful sampling lies in selecting *information-rich cases* for study, or those from which we can learn a great deal about the issues important to the *purpose* of the research. Online managers for this research were recruited from *Editor and Publisher Year Books 2002* and *2004* and through referrals of other interviewees. The interview guide, contained in Appendix A, consisted of open-ended questions covering eight topic areas. Participants for the study (Appendix B) were selected from mid-size daily newspapers (print circulation of 75,000 - 250,000), owned by large parent companies, that have had an online publication for at least five years. Following thirteen interviews, the discussions were discontinued due to redundancy.

Mid-size circulation newspapers were chosen because newspapers with smaller circulations typically have fewer features than do their larger counterparts—less content,

less frequent updates, fewer multi-media elements and fewer interactive features (Greer and Mensing, 2004), yet would not likely have as many resources available as the largest online newspaper publication. Local newspapers owned by parent companies were chosen in an effort to determine what resources, if any, were provided by the parent company. A minimum of five years presence on the Web was required for evolutionary information about the online publication.

A list of local newspapers was obtained by accessing the home Web page of the following parent companies: Cox Newspapers Incorporated, Gannett Company, Incorporated, Hearst Newspapers, Knight Ridder, Morris Communications Company, Scripps Howard Newspapers and Tribune Company. The list was narrowed to mid-size circulation newspapers (print circulation of 75,000 to 250,000) by obtaining circulation figures from *Editor & Publisher International Year Books 2002* and *2004*.

Editor & Publisher International Year Books 2002 and *2004* were also used to identify online publication managers and obtain telephone numbers for the publications' offices. Following approval to conduct the study (Appendix C), telephone calls were made to online publication managers to explain the purpose of the study, determine if the publication had been online for at least five years and inquire about participation. Some managers that were contacted suggested that a different manager at the publication would be a better source for the information. Once a manager agreed to participate in the study, a time for the interview was agreed upon and a direct phone number obtained.

Prior to each scheduled interview, the website for the online newspaper was reviewed for general content areas, interactive features, user registration, revenue-generating opportunities and unique characteristics.

Online managers were called at the agreed upon interview time and permission to record the conversation was obtained. Interviews were conducted via a speakerphone and recorded using an audio tape recorder. The interviews covered eight topic areas and ranged from twenty-five minutes to an hour and fifteen minutes in length. Open-ended questions were used to guide the interview in order to "enable the researcher to understand and capture the points of view of other people without predetermining those points of view through prior selection of questionnaire categories. Open ended responses permit one to understand the world as seen by the respondents" (Patton, 1990, p. 24).

Repetition among respondents was evident early in the interview process. In qualitative research sample size is not as important as repetition of themes and iteration generally occurs somewhere between eight and twenty interviews (McCracken, 1990). When limited new information was forthcoming after thirteen interviews, they were discontinued. Appendix B contains a list of the thirteen newspapers represented in this study, along with the URL (Uniform Resource Locator or web address) for the online newspaper, circulation of the print edition and their parent company. The audiotapes were transcribed for data analysis. The transcripts and audiotapes were reviewed for accuracy and corrections were made to the transcripts.

Data Analysis

Data analysis was done through the process of open coding—breaking down, examining, comparing, conceptualizing, and categorizing data—and axial coding—putting those data back together by categorizing and subcategorizing it (Strauss and Corbin, 1990). The information was categorized according to topic areas and information irrelevant to the study was discarded. The topic areas were refined and information

within each area was then subcategorized. For example, historical information was

broken into three subcategories: year that the publications went online, decisions related

to launching an online publication, and evolutionary stages of the websites. Through

inductive analysis, the subcategories were then examined for emerging themes or ideas.

CHAPTER IV

FINDINGS

This chapter describes the findings obtained from the analysis of transcripts of interviews with thirteen online newspaper managers. In addition to answering the research questions outlined in Chapter II, the interviews provided additional insights into the phenomenon of online newspapers by providing a look at the evolution of online newspapers from an insider's point of view, presenting a snapshot of the industry's current status, and offering insights on the issues facing the industry.

Analysis of the interview data resulted in eight topic areas, which are described in this chapter: History: Adapting to what the market wants; Parent Company Support: The Internet - a huge part of its future; Financial Aspects: From 'can you?' to 'how much?'; Non-Financial Benefits of Being Online: More readers; Audience and Tracking: The Internet is where people are; Newspaper Websites: Mimic most other sites: The Future: More, more, more; and Concerns and Issues: Eyeballs. Table 3 outlines these eight topic areas and the themes that emerged through analysis of the data. Although the Interview Guide (Appendix A) also contained eight topics areas, the topics identified during the open coding process do not correspond directly with those that guided the dialogues. The difference can be attributed to the various topics that emerged during the interviews.

Table 3: Analysis of Data as Identified in Open Coding

Topic Areas	Themes

History: Adapting to what the market wants
        Planting the flag
        Experimenting online

Parent Company Support: The Internet - a huge part of its future
        Standardized solutions
        Centralized versus local - where it makes sense
        Local content, corporate design

Financial Aspects: From 'can you?' to 'how much?'
        We've shown we can make money
        Competition with other news outlets
        Hoping there was a business model

Non-Financial Benefits of Being Online: More readers
        Extending the brand
        Reaching a significantly different audience
        Providing a forum
        User involvement
        Not a newspaper online, but an information resource

Audience and Tracking: The Internet is where people are
        Local, regional, out-of-town readers
        We are primarily a local newspaper
        Registration - local unique users
        8:00, noon and 4:00
        Watching what you do online

Newspaper Websites: Mimic most other sites
        Not regurgitating the paper
        Go online for this added experience
        Enticing the reader to come back
        Gone are the days of people reading and going away
        Inflaming the passions
        Broadband extends the limitations
        The fun part - what can we do to benefit our readers?

Table 3: Continued

Topic Areas	Themes

The Future: More, more, more
> *The Internet is a revenue producer*
> *More of the blogger concept going on*
> *More of the community talking to itself*
> *Customizing your experience*

Concerns and Issues: Eyeballs
> *Keep this growth rate going*
> *Our competitors move so much faster than we do*

History: Adapting to what the market wants

Compared to the printed newspaper, the online newspaper industry is still in its infancy with the first publications going online in 1993. The publications represented in this study went online between 1994 and 1999, the majority in the 1996-1997 timeframe.

<u>Planting the flag</u>

Some online managers felt the move to the Web was due to people "wanting to jump on the band wagon so they weren't left behind to get it established."

> "It was certainly seen as a new technological frontier, the new direction of media, and an area that people had to stake out. So, there were parts of the 'planting the flag' type aspect of it."

Yet others felt the considerations in taking the newspaper online involved adapting to the market in light of new technology and the new medium.

> "We have to adapt to what the market wants. And that kind of dictates where they are going to go to consume news and information. In addition to a printed newspaper, many folks do go online and our job is to provide for them what they want."

"The Internet was clearly on its way, becoming this important information medium and it was largely text-based. It only made sense for newspapers text-based medium to be heavily involved in the Internet."

<u>Experimenting online</u>

While many acknowledged that the Internet was a new direction that the market was going in, the newness was also seen as being "experimental" in nature.

"I think the considerations were that this was where media was moving. That looking down the road over a long period of time, that there was a lot more upside to the Internet and online and digital presentations than there was to dead trees. And that we needed to start essentially a research and development process."

"My understanding at the time they wanted to be experimental and wanted to try a new way of publishing. We were not one of the first newspapers to go, but we had seen other newspapers do it and we wanted to try putting our news on the website."

"At that time it was experimental. Now it's a significant business for us. But at the time, in 1995-96, any interactive thing, particularly having to do with computer connectivity, had to do with just testing the waters, experimenting, wanting to know whether there was anything there to actually help the newspaper pursue its mission of building an audience."

Informational tools

Many of the sites that are now online newspapers were initially posted as informational sites geared towards the community or popular features in the community, such as college and/or professional sports, destination sites in the area, or local entertainment. The sites were created with a "wait-and-see attitude" and no revenue supporting them.

"Basically the perceived value of placing it online was just as an informational tool. Their thinking was let's just put this online and see what happens. But, there was no strategy in place, there was no thinking about any return on investment at all; it was just basically an information site."

"Since the Web was in its infancy, they really perceived no revenue value in it. It was just another portal or place where users could go to see more about the news, the news of the day, but no revenue was actually in place on the site at the time."

"When it went online, that was the thing to do, to put your product online. At that time there was no way to make money and it was all free. Advertising was not in existence."

A defensive move

Some considered other aspects of going online, such as competition from online competitors threatening the newspapers' long-held franchise on classified advertising, particularly jobs, cars and real estate, branding, and possible cannibalization of the printed paper—concern that people would go to the website and not buy the paper. Initially, the amount of resources needed for the online publication did not seem to be a concern with early staff sizes ranging from one to twenty-seven, depending on the extent of the online operation.

"They posted a summary of what was in the newspaper each day. … They were worried that people would go to the website and not buy the paper. That is still a concern, of course, throughout the industry."

However, most online managers acknowledged that competition was the main impetus in going online since "the classified advertising franchises of newspapers were threatened by Internet products."

"From the get go it was a defensive move by the newspaper industry to defend those (classified advertising) franchises."

"What really stirred the newspapers into motion was that there was competition for their main revenue centers going online. I don't think it was until 2001 that Gannett gave the go-ahead to publish our news content online. The greatest concern was competing against the growing online classifieds directly against our business."

One brand

Eventually the informational sites, which usually consisted of several "niche" sites, were pulled together under the umbrella of the newspaper, adding news and other content from the printed newspaper.

> "The thoughts in bringing them together was to promote the more direct relationship. The relationship was always there, but it made it stronger to brand it differently."

> "What they did was eliminate the brand names (from the sports-related sites). The idea was we really wanted to promote one brand. It was too confusing to promote all these multiple brands. … Part of the problem was finding advertisers who wanted to sponsor an auto-racing site or advertise on a basketball site. It really wasn't a good business model."

Even though the early sites consisted of "a lot of shovelware, taking what was in print and putting it online," the sites had benefits, as well.

> "There wasn't a lot of added value of things that were done differently. … You did get that archival aspect, which is quite an advantage to have the ability to search and find related articles. There was that benefit right away."

Original content

Evolution of the online newspaper continued from "a place to put the electronic version of the contents of the newspaper" with some believing that "we were under-using our options." Sites began taking "full advantage of that platform" by updating their content, adding more content from the print paper, creating original content for the online publication and adding interactive features. While some wrestled with the issue of content for the site, retaining control of the classified advertising franchise remained the core issue, and still is to this day. 'What began nine or ten years ago on a very experimental medium has become a pretty cut and dried kind of medium for a lot of advertising applications." Parent companies collaborated to create national brands for

classified advertising, with Gannett, Knight Ridder and Tribune creating CareerPath in the late 1990's. Today it is known as CareerBuilder.

> "At the beginning, each newspaper more or less created its own solution for the different classified verticals, namely automotive, employment and real estate. The newspaper business recognized that these things are not local issues, per say, that people search particularly for jobs and for homes, nationally. So, it was very important to create national brands that would give the newspapers presence nationally … give them a national brand. So the most important evolution is the fact that the large newspaper companies have bought or have heavily invested in companies that have developed these national brands, such as CareerBuilder or cars.com. And there has been standardization of what can be sold and how it can be sold."

Technological advancements

Other online managers saw technological advances as the biggest evolutionary change. From "using html that was manually coded and stacked up in different directories" to "a completely database-supported publication system." Still others saw "the measurement of the audience as probably the biggest evolutionary change every couple of years in terms of getting more and more and more specific."

> "Early on we were just measuring for things like 'hits.' Today we talk about 'unique users,' 'local unique users,' 'page views' and 'impressions. … 'Hits' used to be what we talked about. A very simple page with a few items on it in 1995 might have generated ten or twenty hits because there were ten or twenty items on that page that all had to come from the computer. It let the engineers know how busy the computers were going to be in serving up the pages. But, from a point of view of reaching an audience or selling advertising, it didn't matter whether it was one hit or a million on a page. If you served up one page, then were serving up one page. That's when the migration from hits to page views became prevalent. … The shift for more qualitative measurement began, how do we measure the users, not pages? … And now we're really at another generation, which is the 'unique users.' If one person accessed a Website from different Internet services, they would be considered different 'users'. However, in actuality the person was only one 'unique user,' which can now be identified through registration. … Each generation has become more focused on being as accurate as possible about reaching an individual. … We can begin to see not only who's local or what zip code they're in, but we can begin to see, on a self-reported basis, who says that they use the paper <u>and</u> the website or who might be using only the website."

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Five stages of evolution

One online manager described the evolution of online newspapers in five stages. "The initial stage was putting up as much news content out of the newspaper as possible. … The second phase was trying to focus on the audience itself. At what point do we stop putting up everything and being selective? We got into more of a content game of how would we get people involved with the site. … The third phase came right around 2000 with the .com bubble burst. We had to start scrambling and cutting resources. We really honed in on our classifieds, specifically real estate, automotive and employment. … The next phase we started trying to focus on other means of revenue … display advertising … enhancing the classified listings with databases to do customized searches. The fifth and current status … is branching out into niche audiences and using community publishing, using contributed content to really drive up the reach."

Offensive mode

One online manager believed that online newspapers are in a completely different position now.

> "I think it has taken on the same kind of a life that most online operations have taken on. It began merely as a presence … that newspapers wanted to do more as in a defensive mode … and has grown to really be integrated tightly with the newspaper and the information that comes from the newspaper. We're much more in an offensive mode."

Parent Company Support: The Internet – a huge part of its future

Standardized solutions

Most respondents reported that their parent companies considered "the Internet as a huge part of its future" and provided support for the local properties in the form of infrastructure to host the websites and providing technical support.

"Gannett and Knight Ridder both provide standardized solutions for things and what they tend to do is buy licenses that allow them to provide something to all their newspapers at a rate considerably lower … but at the same functionality."

Centralized versus local - where it makes sense

"We have a lot of support from COX.net on the hosting, programming, corporate contracts and all sorts of centralized things. So, where it makes sense that we be centralized, COX.net handles that and where it makes sense to be local, each property does it locally."

Local content, corporate design

Some corporations also sell national advertising for the local sites and some provide content. Some will "try to provide content and standards as far as how your site should look, and the feel of the sites, but they really never enforce anything as far as that goes." One online manager said, "they allow for a lot of room for us to be innovative, creative in our way and yet have that support to do those things that we might not be able to do with our own staff." Another agreed, "the newspapers handle their own websites."

However, other online managers would like more freedom with their websites. Some parent companies guide the design and layout of the site more strictly, which is an "agitation" for some. "This is a desire within our newsroom that we be able to control how it looks more than what we do at the moment." Another online manager agreed, "we have leeway to do what we want locally in terms of content. What we don't really have a whole lot of control over is the way the newspaper's website looks."

Financial Aspects: From 'can you?' to 'how much?'

<u>We've shown we can make money</u>

"Everybody suffered in trying to find a business plan that works for the Internet. Only recently have news sites become profitable in some way or another," said one online manager. Another reported that, "the question I used to get was, 'can you guys ever make money with this?' Well, now we've shown we can make money. Now it's 'how much?'" When asked if the online newspaper was profitable, all reported that it was, most becoming so in the 2000-2001 timeframe. Some online managers qualified their response, noting that the profitability was based on the number of employees devoted to the Internet operations versus the revenue, but that they did receive support from the print newspaper staff.

None of the online managers were aware of any consideration to eliminate the online publication once it was online. However, one noted that there was concern, "I can't say that everybody thought it was a great idea, but I have a lot of support from circulation, from marketing, from advertising, form almost every other department in the newspaper. They kind of got over that after a while." Another online manager emphasized the importance of support from upper management.

> "It was just a lot of, 'oh no, this is going to take away from the print' type of mentality. If you can get buy-in from the top and if the top person in your organization understands and sees the value of online and the value for the readership, then that is all you need."

All reported advertising to be the primary source of revenue, including banner advertising, directory advertising and classified advertising. Other sources, although "not big revenue streams" include "commerce activities" such as selling photographs,

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obituaries (legacy.com), fantasy league sports, selling logo items and accessing archived

material. No website represented in this study charged for content. Most do not have

plans of "going to any type of paid subscription model in the near future," although some

see charging for partial content somewhere down the line.

<p style="text-align:center"><u>Competition with other news outlets</u></p>

> "I think that we are in competition with other news outlets, primarily television and some radio. Breaking news, news that's available anywhere … would still be available for free, as long as you register. We wouldn't want to deter people from coming to the site for the news that they can get pretty much anywhere."

<p style="text-align:center"><u>Hoping there was a business model</u></p>

Although many saw the move to the World Wide Web as an "exploratory

process" and others were "hoping there was a business model,'" time has shown "that we

have recovered. I think there is a more rational approach to the business. We are now

growing in steps in line with revenue and creating a profitable online business for the

company." One online manager noted, "print ruled, and to a certain extent print does

rule, but they're only really beginning to find the value of how much online can produce

in the way of revenues."

<p style="text-align:center">Non-Financial Benefits of Being Online: More readers</p>

When asked to talk about the benefits of an online publication, benefits other than

possible profits, online managers generally spoke in terms of bringing more readers to the

website and the general mission of a newspaper. Some responded in financial terms,

some spoke in terms of the mediums' role in the community, while others combined the

two thoughts in their response.

<u>Extending the brand</u>

"It is valuable in terms of making sure that the brand still resonates with younger customers."

"It is another way to have profit."

<u>Reaching a significantly different audience</u>

Some online managers see the electronic publication as a means of reaching those

readers that do not read the print publication.

"From a company's standpoint, increased reach and frequency … younger demographic and more often throughout the day. From a readership standpoint, it's increased access and activity. People have 24/7 access to news, not only daily news, but breaking news throughout the day and they can also reach us anytime they want to."

"We reach a significantly different audience than the print publication does. So, as we continue to strive to be the number one information provider … online is a critical part of us maintaining that market share."

"It provides us with the opportunity to reach readers that wouldn't otherwise possibly read the newspaper. … We are hoping to complement what's in the newspaper for those folks who do subscribe to the newspaper. In other words, go online and enrich the experience you are having, hopefully, with our newspaper product."

"I don't think it's too much different from the roles of what a newspaper plays for a community. Whatever description you want to use of the newspaper's value to the community you could extend that to their website."

<u>Providing a forum</u>

The electronic publication is seen as an extension of the print publication,

providing many of the same benefits and serving the same mission of the print

publication.

"I see our role as a media company is not to bring profit to the company, although we are a for-profit company, but it goes bigger than that. The better job we do of providing a forum for as many local people as possible to either consume news

and information or communicate with one another, then we have provided another outlet for advertising as well, to reach these folks."

"While we are in the business of convening community and communication among people from a civic and journalistic responsibility point of view, it's hard to do that if you are not making any money."

"Most of the users of the 18-34 group are not using the newspapers as a physical product, but are using the newspaper content information in a technological environment on the Internet. So, that you are actually continuing the mission and vision of a newspaper—civic and community, function and helpfulness and useful information—to people who would not normally pick up the physical newspaper."

User involvement

The online newspaper is seen as providing many benefits, including more readers

in addition to increased advertising revenue.

"It brings us a lot of readership. A lot of people are reading our newspaper that wouldn't otherwise be reading it. And that is valuable. We are selling advertising, and a great deal it, and that is valuable. … It is still very much a research and development thing and the discussion in the business today isn't about an online newspaper, it 's about what is online, how does it relate to the user, how do you get the user more involved?"

Not a newspaper online, but an information resource

One online manager saw the benefit to be the fact that readers did not even think

of the publication as a newspaper, "the research that our marketing folks have done

shows that the people who read us online don't think of us as a newspaper online at all.

They think of us as a news and information site and a resource."

Audience and Tracking: The Internet is where people are

Local, regional, out-of-town readers

Who is reading newspapers online and who are online managers trying to reach?

Online managers reported that generally the online newspaper audience is a combination

of those who read the newspaper online only, those who subscribe to the print edition,

those in the local/regional area, and out-of-towners. The Internet "is where people are

and will be getting their news. It's not <u>will</u> they, they already do. We are doing 22

million page views a month. That would indicate to me that a lot of people are coming

for news online." For many online managers, the local audience is the target audience.

<u>We are primarily a local newspaper</u>

Most online managers see their strength as providing local information to the

local audience.

> "We are primarily a local newspaper and hence, a local news site and that is our differentiation. Go to CNN or Wall Street Journal to get business news or national news. But, to find out what is happening here, we are really the dominant and only source for that in the nation. … That's our differentiator, that's our strength and that's primarily why people come to our site."

> "We would like to reach a local audience because we primarily sell to local advertisers, so that's who we want to reach. Maybe not who we particularly do reach, but who we want to reach."

> "The local audience … that's the business. There's no way for us to make money off an audience that's not here. … We do (have out-of-town readers) and that is perfectly fine. I am glad if people want to come here to find information. We sell national advertising across our sites as well. There's a national sales team that sells for people who want to reach the national audience. So we can still monetize some of that, but the real business of the newspaper is the local audience … driving local audience."

> "What we try to do actually is just reflect the newspaper online. Reflect the values of the newspaper, online … the credibility. And at the same time, I would say that we are paying more attention to positioning the paper as more of a youth oriented site."

Target audience

Online readers skew more heavily to a younger, male audience (55-60% male

versus 40-45% female) due to "their comfort level with using the Internet, making

purchases and getting information and stuff like that." However, not all online managers target that audience.

> "We did, for a while, try to target he younger audience, but we have gotten away from that and haven't tried to target so much a particular age group lately versus just making sure that our key businesses appeal to everyone the best they can."

Local niche

Most online managers find their local market situation to have a certain unique aspect to it, due to being the center for a certain type of business (such as banking) or industry (such as automotive or high tech), retirees living in or out of the area for several months during the year, the center for a particular sporting activity, or being a vacation destination.

> "Charlotte is filled with bankers with high band connection band widths connections."

> "One audience that both (local) papers have worked hard to cultivate is the auto industry audiences, people involved in the auto industry."

> We are "trying to reach anywhere from about (age) 20 to 55-60 … it's a wide variation of age range that you see, but we have a big retirement base community here. But, we also have a lot of high-tech companies where we skew to middle age, white-collar workers to the very young type of audience. The world champion surfers are in Brevard County, so there's a big surf following. So, we have to find a balance … which is very difficult to do."

> "In Fort Myers, we are a kind of retirement market. We have a median age of about 45. People live here part of the year and move up north during the summer. We've got sort of a population reverse. … And now since the Internet has come about the mail subscription has severely dropped."

> "We do have a lot of tourism and people will buy homes and live here part of the year. So, they have a vested interest in wanting to know what happens in the area. … When we had the hurricanes … people from all over the country were logging online. … Their newspaper is not covering it in any big way so the only way they could get that information was if they looked it up online."

Most online managers see the online newspaper as an extension of the printed

paper. "We extend the market here by about 4 and 1/2 percentage points. So, we add 4

1/2 percent to the reach of the newspaper each day." And while most struggle to reach

minority and youth, some are working to address particular demographic populations in

their areas.

> "I think that minority readership and youth readership plagues just about
> everybody in the industry,"
>
> "There's a significant Spanish language speaking population here and it's one of
> the fastest growing demographics, so we wanted to address that market in some
> fashion. It is really part of an exploratory move to try to determine whether we
> could go with a more vigorous publication or news gathering business unit to
> address that population's information needs. … It's been online for about a year
> and it gets a steady amount of traffic."

Registration - local unique users

Online registration is used to obtain demographic information about the online

reader. "What we really want to know … how many people are considered local

customers in the marketing area—local unique users—versus all the people who might

come here for NFL or banking news, but they are in California, Canada or Germany. …

Most users will register for things they think are important." Online registration varies

with some parent companies requiring it, some experimenting with it and others "thinking

about it." Online registration also varies as to the requirement for registration, such as to

access news content, archives and/or interactive features such as forums or message

boards.

> "If an advertiser is going to buy a marketing message on our site, they don't really
> care if someone's viewing it in San Francisco. They just want someone who can

take action on something about advertising here in this area. That's 'local unique users.'"

Many online publications still allow access to their entire site without registration.

However, most noted that they are considering, or will be, adding registration in the

future.

"We're pretty easy to look at almost anything on our site without registering."

"We will be working more closely with our circulation department and our marketing department in understanding who our print subscribers are and who our online readers are. Chances are in the next year we will have registration on the site and people will have to register to see content. And then from that we will ask if they are subscribers of the print pager or not and offer those who are subscribers more features that they can access for free. And those that aren't subscribers to the newspaper will have to pay for those features. It's almost like you are part of the club to be a newspaper subscriber/website reader. … We still want to keep people coming to the site day in and day out, but we are also going to want them to know that you need to be either a newspaper subscriber or website subscriber in order to see all of our content."

Registration Required

"In Knight Ridder Digital … you cannot use our site without registering. So, if you are going to use our site for more than one page view on the home page, you have to register."

"We have more registrants than we have newspaper customers. This is not unusual in Knight Ridder the way we have been pushing our registration."

"The latest trend in some general audience measurements is … to actually measure total audience, so the people the newspaper reaches plus the people the website reaches minus any duplicates gives you a pure penetration on that item— combined unduplicated reach. So, if you start looking at it as audience, instead of newspapers only or Internet only, in terms of reaching the market from a newspaper company, the online product has actually allowed newspaper companies to increase their audience in a way that they can't do only with print."

While some online managers spoke at great length about audience measurement,

others pay little attention to it.

"I don't put a whole lot of stock in the website statistics. The higher up you get the more accurate they are. The more you drill down into them the more inaccurate they are. Each time we change vendors we get widely different numbers."

<p style="text-align:center;">8:00, noon and 4:00</p>

Online managers said they monitor usage patterns and update content to reflect those usage patterns. Usage patterns show weekdays to be the heavy use days with three peaks, 8-9 a.m., noon and 4-5 p.m. However, some locations see slight variations in their local usage pattern. "Primarily our audience comes in 8 a.m. to 5 p.m., Monday through Friday. We get a surge at 8 a.m. with people signing on from work and they have us as their homepage. And we see another surge at noon when they take their lunch break. … Before we were updating throughout the day … after the lunch hour our traffic dropped off pretty dramatically, but now that we update throughout the day, we hold the audience pretty well. We still see a dip, but we hold them through to about 5 o'clock. And then generally we see some declines. But, the nighttime audience isn't bad anymore. The people coming on at night are coming on for classifieds and the message boards. There really isn't a lot of news breaking between 5 and 8. Studies have shown that people aren't interested in the news after the noon hour." Many see a peak from 4-5 o'clock and "typically change the site to a more entertainment oriented front page at 4:00 each weekday." Weekends pose a different challenge. "Saturday is definitely the worst day. Sunday is not the worst day, but it is not a very good day, and then Monday is a really good day. Monday is the online Sunday." Others agree. "Saturday and Sunday are the lowest amount of viewers because people do other things. They don't sit at a computer

on Saturday or Sunday." Updating the websites and to a lesser extent, dayparting[1] have

become standard business practices.

Old news

Online managers have found that readers access online newspapers throughout the

day for the latest news, weather and information

> "What was news at 6 or 7 a.m. this morning is not news once they get to the office
> at 9:00 and turn on the computer that they're going to use all day. … We can
> watch the trends of where the traffic is. … If some things that we have out there
> are not being used, then we acutally redesign the page so that the things that seem
> to be getting the most interest are the things that are most prominently displayed."

> "We don't 'daypart' in the way that radio might with drive time and lunch time
> and then rush hour, although some websites do that quite successfully. But we
> actively program to get the site updated in the most comprehensive way with all
> the newest stuff by 8 or 9 in the morning and we cycle through by mid-morning or
> late morning or at lunch and there is another bump in the afternoon. …. So, we
> don't actually have an actual brand name for those postings like a morning reports
> or a mid-day report, etc., but we follow those trends and try to lead up to them
> with the most updates since the most new people are coming back at that time."

> "We do have some segments of the page that we change throughout the day. It's
> not a dramatic attempt at dayparting; it's fairly minor changes. For example, on
> the opening screen on the home page we have an area called *Top Clicks*. That's
> our dayparting area. We will change that throughout the day to emphasize items
> that we think our audience will be interested in. So, mid-afternoon we'll promote
> our traffic site where you will go get real-time updates of traffic problems. We
> will also promote what we'll have in the evening on the site."

> "A lot of it depends on who is working on the metro desk because we depend on
> them to find out what the local news is and some of those scouts are better than
> others at about giving us stuff. But, we also go to the wires and the AP links
> automatically update every 15 minutes."

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1. According to many studies, people come to the Internet for different kinds of information during the
morning, afternoon and evening hours. A new strategy many sites are adopting is dayparting, or breaking
down the day into different parts and promoting different content during those times. The basic idea is to
emphasize hard news in the morning and gradually place more emphasis on entertainment information as
the day goes on.

"We have tried some dayparting. … We were trying to make our homepage work better for those people who were using the web for different reasons. And we have been moderately successful at that. I'm not sure if we quite got it yet."

"From research we know that in the afternoon folks are looking more for entertainment type of news. We would or should move that up higher on our website and we do sometimes, but we could be more active about it. There are some ideas and proposals that we are considering to really make our set up responsive in that way."

"We've tried dayparting and it doesn't affect our page views one bit. Our biggest traffic hours are between 6 in the morning 'til 10 in the morning and then our traffic tapers off. It basically stays the same from about 12 to 11 o'clock at night, which is really interesting."

An at-work experience

Online managers have found that the site is accessed most often during the weekdays when people are at work, near computers.

"Traffic is really a weekday business hour's traffic. We see the majority of our page views being accessed 9 to 5, Monday through Friday. But, we have pulled up the weekends quite a bit through more aggressive updating of weekend news and using photo galleries based on school sporting events."

"Accessing the online newspaper is a very at-work experience. … The whole idea behind dayparting is to try to drive some more traffic after the 8:00 p.m. time period. The thought is that they get their news during the day and after 8:00 they want a little more entertainment, or they are shopping."

"We're about to launch a full blown traffic site. The idea is in the morning … this isn't a new idea by any stretch, it is what they do with radio … we want to have more formal features on traffic and weather early in the morning because that's what people are thinking about at that time. Then as the day goes on, change the content on the front page to try to better align with what peoples interests are then. In the morning, a lot of people are interested in news and what's going on and things that they might encounter in conversations with other people. They want to have a sense that they know what's happening in the world. But, by the time the day wears down and it is 4 in the afternoon, then traffic become important again because they are about to get into their car and drive home. Maybe they are considering what they are going to do that night, what's on TV tonight, is there a play in town, or movies and sports related events, stuff like that. We are not doing a lot of it now, but you will see us doing a lot of it as this year progresses."

High-speed access at home too

Readers accessing the site other than from the work place has begun to increase as more people have computers in their homes and are accessing the Internet via broadband instead of dial-up.

> "They have high-speed access (at work). But the home thing is really changing because of broadband and wireless networks at home. So home is getting to be a kind of 'always on' place too."

<div align="center">Watching what you do online</div>

Online managers report that technology advances are allowing them to be more sophisticated in tracking readers, "we track our website so I can tell what stories are popular or content areas are popular and how people use the site and how they navigate through the site."

> "We track usage patterns, entry/exit points to the site, everything."

> "We have a code on each one of our pages so when a page gets downloaded to the computer it recognizes that 'I am being read by this unique individual and have created a page view.' And it follows the movement of the person throughout the site and counts up page views and gives us information about what are the most popular entry points and most popular exit points, things like that."

> "Every page is tracked, every visit, the number of pages per visit, the type of connection you're coming in at, the type of browser you have … all of that is tracked."

Readership habits

Technology allows online publications to track readers throughout the site and make changes to areas that are or are not being read.

> "We are learning a lot about our readership habits because of the trackability of the online. … and that can affect everything from the content we do, to the advertising we publish, to buying decisions for syndication services. For example, we found that while people like business news, they really did not read

stock quotes very often, which sounds strange because the Internet is very strong for stock quotes. We publish, still to this day, full pages of stock quotes. But after trimming back, both in print and online, we saw very limited decrease of usage of our business section. Which means that once we took that information away, there really wasn't a great drop off in audience, which means that we could spend less to have that content because it wasn't as important."

"You can see the ISP (Internet Service Provider), the Domain (a routing address, or identity, on the Internet) and who comes into your site hourly, weekly, daily, monthly, how many unique users …."

"After registering, the next thing to do would be for us to actually watch what you do online … to generally begin to capture information. … We might know that there was a unique user who's operating within our local market, who, when they come to our site goes directly to the front page and then goes directly to the books page. And on the average they do that more often than anything else. … In the near future the technology exists for us to say 'hey, here comes that bookpage user again. Let's make sure that the user is surrounded with more entertainment, books, media, reading … more communications-type advertising experience.' And we can service those up out of our database, as opposed to just having the user come and not really being recognized as someone we value with a particular type of content or advertising."

However, usage of tracking devices and information varies and not all online

managers find detailed tracking information useful.

"We have the ability (to track a reader). We are not sure exactly how to utilize that information in a productive way. It's interesting, but if it's only interesting and does not achieve any purpose, then it's just interesting."

"We have the ability to sort of draw inferences through traffic monitoring programs that we use, but we do not have anything really sophisticated in that regard (tracking the reader)."

Newspaper Websites: Mimic most other sites

What do users look for when they are online? "We pretty much mimic most

newspaper sites in that. The most popular areas are local news, local sports, and we get

tremendous interest in our pro teams. … The message boards are very popular, they are

always in the top five of groups that are clicked on. … Our obituaries get a lot of traffic.

That's pretty universal with other newspaper websites as well." Content can increase

'visitor stickiness' to the site, or visitor frequency, which means that visitors come back

more."

<div align="center">Not regurgitating the paper</div>

The online managers reported that the online edition is not an electronic duplicate

of the print edition.

> "It's not a given that you have to regurgitate what's in the paper. It does not
> matter what the paper has because you have the same readers, but you also have
> different readers."

> "AP (Associated Press) news draws. It's always in the top 10 of our groups of
> interest. … People want more public record information … like real estate
> transactions."

> "We try to mix it so it is more compelling. I will go to the wire in the morning at
> 6:45 or 7:00 and I'll pull these 'Hey Martha' stories, things that are kind of way
> out there. These stories are only around for 4 or 5 hours, then you take them off.
> Those are the stories that people like. It gives them something fun to look at. It's
> not all cops and courts, It's not all Iraq, it's not all Bush. It's just interesting things
> to read."

> "We've got a very, very good news site. What we have also morphed into is we
> have a very, very strong community site. This is where it goes way above and
> beyond what you'll find in the newspaper. … photo galleries … journals …"

Online managers reported one of the most popular areas of their website was the

obituaries. "Actually the most popular now is the obituaries." "Usually one of the top

things of the day." "We get a lot of people who are doing family trees, even folks

looking for their relatives."

<u>Go online for this added experience</u>

According to the online managers, the print and online publications are not mirror images of each other. "They're a lot of stories that run in the paper that do not go online. There is an awful lot of information that's been in your daily newspaper that does not make its way onto local websites" … and vice-versa.

<u>Cross-promotions</u>

The two publications generally promote the other or promote content that is in, or going to be in the other.

> "We will publish a little bit of text about things that are in the print edition only and they talk about things that you can only see online."

> "Some of it (the website) reflects the newspaper exactly and some of it doesn't. … Our news section pretty much reflects the newspaper. But in sports we have area for our pro teams. The newspaper does not have any sections like that."

> "As far as promoting the print edition, we do aggressively try to sell print subscriptions and we do promote what's going to be in the paper."

> "We do (cross promote), a lot. We could do a lot more, don't get me wrong, but we do a lot. Like this morning we had six online promotions in the paper to online. … I'm talking real life, hopefully meaningful promotions, that tell folks here, go online for this added experience."

> "There are ads that run everyday in the paper to attract people to the web side and vice versa. We've got a picture of the front page everyday on the front of the website and we try to drive readers back and forth."

> "Gannett's philosophy is to really leverage the name of the newspaper in the online space and to attract a new audience, hopefully, or extend the audience of the print brand online."

Enticing the reader to come back

Online managers are finding there is more to attracting readers than content. The presentation of the content and how the space is used is important as well. "If you are that person who comes in once in the morning, what can we do to entice you to come back twice? And if you come in and you usually look at three or four pages and then you go to some place else, what can we do to keep you around for that fifth, sixth or seventh page? That is really the goal, how do you create more frequency with the people you have coming to your site and how do you get them to consume more pages while they are here?"

Staying above the fold

"Make more use of your space … people don't scroll. Everybody stays, I call it 'above the fold,' they stay at the top of the screen, they really don't scroll that much. …. The majority of the hits are at the top of the screen and they don't scroll down and they don't search for anything else below the screen. If they don't see it, they don't worry about it. The average time they spend on a page is 1.62 to 1.88 seconds or better. Everyday, under 2 minutes that people spend, so you gotta grab them and make them want to read it."

Things that didn't work

"We tried lots of things that didn't work. For instance, from what we have been able to tell, 70% of our readers don't have any kids at home. Education stories didn't play well online at all. That was a surprise. We had photo galleries online … we would show a bunch of thumbnails … and nobody clicked on them very much. Then we created a pop-up that would display the photos almost full screen and you could only look at them one at a time. … Suddenly we had a ton of traffic out of our photo galleries where we hadn't before and it was all in the presentation."

"I found that … people will enter a story with a photograph quicker than they will the headliner. We have three places to enter our stories, the headliner, the full story clicker below the (introductory) paragraph, and the picture."

Gone are the days of people reading and going away

Interactive features are becoming more prominent. "The medium itself is not like a newspaper or a book where you pick it up and your sole purpose is to read something. Online, yes, you want to see news and information, but the medium lends itself to doing so much more interactive-wise. … To me where it is all going is we need to continue to do a better job of creating an interactive experience online. I think gone are the days where people come just to read and then go away."

One site features a comment box at the end of every article. "We have only been doing the comments since November, but they have grown steadily. We are doing about 400 a day." Other interactive features include forums, bulletin boards and online chats.

> "We have tried to start many online forums, bulletin board type forums where people talk to each other. We have learned that people are fanatics about sports and will do page after page of absolutely crazy discussion about sports, particularly pro sports. They will also do it on national politics. That's about it. There are very few other things that inflame the passions to get people to come back day after day and discuss things online like those two."

> "We have standing message boards, with standing topics. Among them are politics, local events, national and international events. In *Entertainment* we ask people to talk about movies and music. In *Community* we have one that's called 'Let it out,' which is like one in the newspaper. We have message boards for each of the local teams, pro and college."

Inflaming the passions

Some online managers find that while the interactive forums sound good in theory, they are not easy to maintain and usually require additional staff time to monitor them. "We are doing an online chat Monday morning and it is taking a considerable amount of my effort to get somebody in here to moderate that."

> "Forums, that's a difficult management issue. You'd like to have this wonderful community conversation, but there are always people that screw it up and they are

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just mean and start fights and use profanities and all this kind of stuff and they just kind of ruin it for everybody else. So, to do the forums right, you really have to take an active roll and keep the conversations at a level that you want it. It's hard to get started, but once you get it started, you have to police it pretty heavily. … It sounds better in theory than it actually works. Some sites have decided that they just don't really want forums. What they do instead is just link to other peoples blogs[2] and that is how they are letting other voices in."

Blogging[2]

Blogs, or web logs, have become a popular interactive feature of the Internet.

Most online newspaper managers struggle with how to integrate blogs into the newspaper

site.

"What you are actually finding now is not just forums and the interaction and how people might be able to connect with each other … but with the whole emergence of the technology and the culture surrounding blogging, people are actually not just connecting with other and chatting, but they are actually publishing types of content on their own called citizen publishing and blogging. We experimented and built a NASCAR site here, called racing.com, and we have introduced completely different types of bloggers who are not employees, but they are actually NASCAR fans who love writing about NASCAR and engage the audience in a totally different way. So we can use the technology to create an environment where people interact more with each other as well. Certainly there are some user and civic and cultural benefits to having an online site. Of course, the luxury of doing that is made affordable by the fact that we can make money to pay for what we are doing."

One online manager noted that current day bloggers are not the first of their kind.

"If you remember in the days our country began, Thomas Paine and other people who where writing about freedom were probably more like bloggers than they were the typical 1990s and 2000 journalism companies because they really didn't have any benefactors and they weren't making money, they were just advancing ideas. That is a valuable and essential part of journalism. But in the economy today if you try to amass an audience or reach a particular audiences, and you are not doing it in a way that is not bringing you money back, then it's difficult to support a large (online) product."

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2. Short for "web logs," *blogs* are online journals meant for public consumption. Blogging services provide Web-based tools to individuals to publish their blogs to the Web. Someone who blogs is generally referred to as a blogger.

<center>Broadband extends the limitations</center>

The growing use of broadband access to the Internet allows online managers to

expand the way information is presented. In addition to text, photographs, graphics and

video can now be downloaded and viewed more easily.

> "We are always looking at how people navigate the site, what are the best
> practices and the best ways for us to provide the information online in an easy to
> find format. I think that we will be doing quite a bit more video, photo galleries,
> those types of things, using multimedia to a greater extent. We're fortunate,
> almost 85% of the people come in on broadband. We have a high penetration, so
> video, graphics, those sorts of things are not a limitation for the people who come
> into view our information. Also, building the *Community* section, looking
> carefully at blogging, looking at RSS[3] feeds and looking at ways to deliver
> information that become seamless to the user and appear either in a delivered
> format to them or a way that when they come into the site it is easily assessable."

> "Internet Advertising Bureau Standards, the IAB, sets the standards for
> advertising sizes on websites, ad unit sizes. One of the more popular standards
> allows you to actually run video within the ad space and we are looking at
> introducing that unit size on the website. We'll go out and try to go after
> television and their market and try to run commercials on our site. I don't know if
> we necessarily want a commercial to start the moment someone comes to a page
> and I certainly don't want the audio blaring out, because most of these people are
> at work in the day. But, certainly you could trigger them to click as we did with
> the CareerBuilder ad …'Click here to see our ad,' they click and the commercial
> would play."

<center>The fun part - what can we do to benefit our readers?</center>

Many of the online managers referred to the online publication as an "experiment" and

spoke in terms of the site "constantly evolving." When asked if they were considering

any changes to the site, all said they were. In addition to content management systems

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3. RSS, an acronym for Really Simple Syndication is a Web content syndication format that allows news
sites (and bloggers, niche publishers, hobbyists) to syndicate their content. Each time a site updates its
headlines in an RSS format that headline automatically appears on a number of sites. RSS syndication does
not show an immediate return-on-investment and the feeds do not, as of today, have any supporting
advertising. Their goal is to drive readership of content and traffic to websites. Increasing traffic without
simultaneously increasing profits is not always popular at mainstream media companies. However, some
find the feeds to be as interesting, insightful and engaging as the mainstream media feeds.

that allow for better integration with other departments in the organization, most were

considering redesigning the website or adding new features to the website.

> "We are considering a bunch of different things. That's the really great, fun part of my job … really thinking through what all we can do and how much more we can use it to the benefit of our readers."

Use the real estate wisely

Even though the Internet does not have space limitations as far as the amount of

content, there are limitations as to what the readers can readily see, and what they will

access.

> "Take the front page of the newspaper, you only have so much real estate and you want to make sure you are using it in the best possible way. So, although it would be great to do this or that or the other on the front page, because you need that link on the front page generally, you have to be real careful and considerate in what you do with that front page space on a website."

Easy navigation

Online managers have found they have to make it easy for readers to find the

information they are seeking.

> "The redesign is the most important to make it a little more navigable for viewers and to also put web only content on there that is not in the newspaper."

> "Yeah, we are going to try what people are requesting. They are requesting a lot of things that are actually in a print product, such as horoscopes, crossword puzzles, comics, etc. … The good thing about our search application, it will tell you the most queried searches and from that we have determined about 20 things that we currently don't offer on the site, but people are requesting … such as the crime blotter, restaurant inspections, the comics, the crossword, the horoscopes … all the stuff that's found in the print product. We found out in the search queries, a lot of people are searching for the navigational elements that are at the top of the home page. So, we know that we are doing a poor job as far as navigation goes and when we redesign we will incorporate better navigation into the site."

Online managers are differentiating the electronic publication by taking advantage of what the interactivity that the Internet offers.

"Keeping it very active and static because the Web is not static. We are trying to make it manually as active as we can, but it is not as active as I wish."

"Now that we know that half of our audience under 35, how can we play up features that will be of more interest to them and also how can we play up multimedia more than we are now? … We know broadband is growing."

Advertising

Advertising is the main source of revenue for the online newspaper and managers are always looking for improvements in that area.

"We are getting ready to launch a kind of equivalent ad entry system where a person can come online and create an account and put in an ad and upload photos for the ad, put in their credit card information and pay for it and be completely done wit the whole process."

"We are actually doing a lot of work to update real estate right now. We have done a really good job with our employment (CareerBuilders) and auto section (cars.com), which have a lot of national support, national advertising support with local sales efforts going well. … Among the newspaper chains, there is no national product for real estate, so we have to make sure we've secured that section as best we can online and we are getting all the readers we can. It is kind of up to us on a local level to build the product and make sure we promote it and make sure that we're keeping a strong advertising market share by advertising on our site."

The Future: Morel, more, more

Online managers were asked to look ahead five years and give their opinion on what online newspapers might look like then. Responses centered on four themes: increased advertising revenue, increased use of broadband, which would allow for higher bandwidth features, more interactivity and user-contributed content, and individual customization.

The Internet is a revenue producer

Even though the online publications have become profitable business ventures,

the pressure is still on to increase revenue even more.

> "I think they (the websites) are going to basically look the same, provide as much value. But, since online advertising revenue is up, the people at the top are really taking a look and are saying, this Internet thing is a revenue producer. So, I think that what you are going to start seeing is a heck of a lot more ads on story level content news articles or pages."

> "I think they are going to merge with television and there will be more video casting. People can see each other, telephone … Internet telephone service is starting to really take off and with the advent of DSL and live web cams out there, video telephones are going to be reborn on the computer."

> "Five years ago I don't think I would have been able to predict that we were where we are today. But, I think there will be a much greater willingness on the part of people in what they call traditional media or mainstream media. I think there will be a lot more of the blogger concept going on. I think there will be a lot more active efforts to get readers talking to us, telling us what they think of things."

More of the blogger concept going on

> "I think that there is going to be a lot more video. I think there's going to be a lot more blogging, there's going to be a lot more user-submitted content integrated within the site, closer communication with the online version and users coming into the site. So it's going to be more than just information, it will be a community where people will get information and share ideas, watch video, interact, etc."

More of the community talking to itself

The interactive features of the Internet are becoming more popular among

computer users online newspaper managers are challenged to provide venues for

interactivity and dialogue in their communities.

> "I think that the online publications will have a tremendous effect on print publications if we do our jobs right. The biggest factor in online publications will be user contributed content. I think that we will do less and less of us talking to

the community and more and more of the community talking to itself, allowing for different types of user contributed content to make up areas of our pages. And in reverse, the printed piece will actually grow in its amount of user-contributed content. There will be more and more user contributed articles, photographs, events, all of those things will actually reverse publish from the web back into our newspapers. We'll still be the qualifiers of information, we'll still be the gatekeepers of what is news, but we're actually going to have more community participation in building that daily product."

"I certainly think newspaper ones would be more robust than they are now. Hopefully they will be even easier to use. I think they will be more interactive in that there'll be more things you can do to communicate back to the newspaper and more ways that you'll have to communicate with other people. I don't know if that's forums or what the role will be, but I think that we'll have a greater diversity of voices. I think of the blog phenomenon … that newspapers will kind of get on board with that in a big way and we'll either link to them or will provide the space and where ever they are located, people will find them through their online newspapers. … There'll be more video, there'll be more elaborate presentations and flash and stuff with photos and different sorts of multimedia, but I think that text will still rule. I think that's what people really want. We'll have to find a way to get onto your cell phone and we want to be on your desktop too. … And then we may have to change some of our business models and that's probably going to be one of the toughest part. It's very difficult for a newspaper to compete with some online entities."

"It's much easier to be involved, to post a quick news item, to send us a news photo, to really do that 'Max Headroom' journalism. The average person can get involved in that now. I think that changes the whole definition of journalism to some extent and how we navigate through that at the newspaper. With those enabling technologies, I think that pushes the demand,. If we don't met it, somebody else will come in here and provide that service, that town square appeal to the web."

<u>Customizing your experience</u>

Readers who are interested in viewing particular information or news topics will be able to see only what they want and not have to scan through other content to get to what they are interested in.

"You'll be able to customize your experience using some simple tools."

"Putting the power of the publishing experience back into the user's hands. We'll just let you take over. We'll give you all the information that you possibly want,

but if you only want to experience this slice of it or you only want us to give you breaking news, we've got thousand and thousands more items, but if that's all you want, then we'd rather you tell us what you want and then you take what you want. … So, the more you get involved in setting your own experience, the more customized our experience that we could give you would be. And if you give us your permission, which is always part of the deal, we can then give you advertising or marketing messages that are only about the things you are interested in."

"Until now, the mass media like the newspapers and magazines and TV companies, have always been trying to personalize the mass media more for the person. But that's really not personalization, that's just sort of customizing a mass medium. True personalization is when you tell me … you don't even me, I don't even need to know … you just interact with our database of what we have available in such a way that your experiences is only what you want … through RSS feeds or text through your mobile phone or through alerts…you choose. So I think what's going to happen is you're gonna end up with a lot of pressure to reduce. People are going to be less interested in saying 'I'm an *Observer* customer.' They are going to be far more interested in saying 'I got what I need thank you, I am moving on.'"

Make it easy

"One of the most accessible websites on the Internet is Google and they also have the most simplistic front page. You go to newspaper websites and we are all about displaying information. I am wondering if there is not a better balance between displaying current day's content and making content older than the current day more easily searched an aggregated and provided back to the user. … We have very cluttered front pages. I think that's kind of a detriment to us. I think that we've got to find a better way to hone in on what's important to us and display that to the user when they come to our front page. Just give a key entry point and make it exceptionally easier to use."

Playful experimentation

Online managers have experienced constant change and evolution over the last

decade and don't expect that to change.

"I think that we have to be prepared and ready to give folks information and news in the form and way that they desire it. So I think that we are going to be changing our functions a lot and I think that the newsroom is going to evolve to answer that. We are going to be more 24-7 … like a wire service to a certain degree. We are a little bit now, but nothing like what we're going to be in the future. … The news room is a source of news that we then determine whether it

goes in the paper, online, maybe both places where it also gets sent out to PDAs[4] wireless and whatever form or function that folks would prefer to have it. It would be terrific, because I think there's going to be demand for it, that we have an ability to let people find out what type of news they want and we send it to them via email or whatever way they want us to distribute that. That's scary thinking for newsprint people."

"I don't know what the answer is … and I think there is nothing wrong with that. One of the great things about this medium is it allows for a certain amount of playful experimentation and I think that you can try things. Sometimes you will be shocked at what people really want to read and then you will put something up there that you think people will love to look at it and no one looks at it. So it is one of those things that is humbling, puzzling, and exciting."

Concerns and Issues: Eyeballs

Finally, online managers were asked about their concerns, their worries, was there anything that 'keeps you up at night?' Only one online manager had no concerns what so ever. "Our website is hosted in another environment from a hosting facility. I'm not worried about our site going down whatsoever. We've taken a lot of measures to make sure we are updating frequently. So, basically I know that it is going to run smoothly." And only one online manager was concerned with having correct information on the website. Most interviews centered on the demand for continued growth, the role of online newspapers, competition and reacting quickly to changes.

Keep this growth rate going

"We've seen tremendous growth both in traffic and in revenue and it's like people still want to see that growth continue. … How do you keep this surge streak, this growth rate going? It gets harder each year. … We know the number of people who have access to the Internet has pretty much flattened out in the last few years. Now, there are more people with access to broadband in the market, so we think that helped our market."

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4. Acronym for Personal Digital Assistant. A handheld device used to read e-mail, access the Internet, talk on the phone, etc.

"I have to think a lot more about how we can make money. I know that you don't make money if you don't have an audience, if you don't have the eyeballs looking at those ads. So all the segments of the newspaper and the website kind of work hand in hand. You have to have stories for people to read. You have get people to come to the site. You have to have advertising there to support the website. You need marketing, of course, to promote the website."

Stay in front of people

Although the online publications are now profitable business ventures, the online

managers are concerned about growing their audience.

"Probably the thing I worry about the most is readership actually. I think we have to continue to grow online our readership and make sure that as people are transitioning from print readership to online readership for things like jobs, cars, and real estate or just news … that we are aggregating those eyeballs, that we are reminding them that the newspaper, the local newspaper and the local brand in the community, is the best source for that information. It's a concern that they can go to Google and find all sorts of avenues for content, just like you can turn on your TV now and you have 200 cable channels if you want to purchase them all at your fingertips versus the three network channels. So, we've to make sure we stay in front of people and remind them that we are the best source of local information for the things that we have always been good at and make our site a part of their habitual use"

"We are taking a look at what's our role and our position, and by *our* I mean our brands' position in the market place. What roles does print play? What roles does online play? Today? In the future? How might that change? Who are our main competitors? Is our main competitor the other newspaper or is it other online or is it other print products in the marketplace that aren't the other newspaper? Do people have too much to do or is it that we can't get their attention anymore? And if that is the case, then that means that we are not providing what they really want. How do we focus more on the customer and maybe a little less on the daily process of putting out a product that people are less and less interested in?"

"I do believe that I would be a little more concerned if I was an independent newspaper or website producer. I do think that Knight Ridder, Chicago Tribune, The New York Times and others are paying attention to protecting their flanks."

Interconnected culture

> "I think that the pace at which broadband is being adopted and the pace at which the Web 2.0, the second Internet, which is really more interconnection, an interconnected culture … I have people that work for me and even some of my kids as well, who have never known a time when the Internet didn't exist and who are not thinking of how radical it has been the last 10 or 20 years as we have developed this medium. They're saying anywhere I go I can get everything I need on my hand held phone. So what would keep anybody like me up at night would be what small company out there is going to just take my business? What technology is just going to dismantle it all? … If we don't keep up with it as rapidly as it is developing, then the websites of this past 10 years have become actually more old media than new media compared to the next interconnected cultural cycle. And if someone can get everything they need through an online newsreader or tool that connects them to all the stuff they need without ever coming to an online newspaper … does that mean the online newspaper doesn't have an audience anymore?

Our competitors move so much faster than we do

Most online managers who voiced concern with competition, "we have lots of competitors, we have lots of ways that people are getting their news," were specifically concerned with whether the industry could "move fast enough" from cultural and technological standpoints to "keep up with the changes that are occurring." As one online manager pointed out, "I work for an institution that's set up to publish once a day and I am trying to run a product that needs to publish every five minutes."

> "The fact that our competitors move so much faster than we do … Given the industry is so old, we tend to do things in a very conservative nature. You can look at classifieds and see how people have really eaten our lunch in a very quick format and it happens seemingly at a faster rate every year. Employment, obviously Monster and HotJobs, have come in and really taken a bite out of newspaper employment revenue. At first it was a model of oh, they are too small, they are one of those .com sites, they can never really hurt us. And now we estimate that they have taken anywhere from 30 to 40% of our total revenue out of the market. It is doing nothing but growing. ebay was another one. If you were looking to buy or sell anything, where would you go? Would you go to ebay or would you go to your local paper? And for more and more people everyday the answer is not the local paper. That's what keeps me up at night …

that as much good as we are doing for the industry I think that we are not moving fast enough to keep up with the competitors and they're coming too quickly."

Play an important role in their life

Online newspaper managers realize their role, and challenge, in keeping the

publication relevant for their readers.

"There is always competition. I think these days the barriers of entry into an e-market are pretty low. I think that a group of dedicated people could probably launch their own news site just about anywhere. So that is always a potential fear. I think the other one would be navigating the whole future of the web. What can we do to make a site that is really compelling to the community that gets them here everyday? Hopefully, repeatedly through the day … to really make them responsive and get them involved. We play an important role in their life, not just as a retro 'there's the news of the day' but that we're actually being involved in that whole discussion of the news and in the issues in their lives during the course of the day."

Out of the box

One manager noted the challenge in maintaining a balance between standard

solutions imposed by their owner and being poised to respond quickly to changes.

"When I got involved in this 10 years ago it was because it was sort of an exciting and uncharted area and increasingly, more solutions are being imposed up us. … I guess what scares me the most, with all our standardized solutions for things … I am scared that some day, some guy in a garage in Des Moines, Iowa, is going to come up with something that will completely blindside us with a completely different approach to business online than what we are doing and that the newspaper industry will be so locked up with cookie cutter solutions that we won't be able to respond quickly enough to stop that, whatever that is, from grabbing large amounts of market share from us. … Just like IBM never saw Apple Computer coming. The woods are full of that kind of example. I am worried that that's going to happen to us too … that something completely out of the box will throw us all for a loop and we won't have the ability to navigate smartly like a little boat or Chris-Craft, or whatever. We will have built giant aircraft carriers that will take many miles to turn around. … Every local market has idiosyncrasies to the extent that newspaper companies impose general solutions to these problems. They make it more difficult for the local markets to tailor their operations to the little idiosyncrasies of their own audience. These are concerns. But, on the other hand it's hard to argue with success and I think that we see a lot of success from the approach that we're taking right now. So,

perhaps I am worrying about things that are not really going to be problems. I hope that I am wrong."

Be nimble

The managers that have experienced the constant state of evolution of the industry over the last decade believe that evolution will continue and that they need to be flexible.

"There are an awful lot of people online and doing things in the digital world that aren't connected to newspapers. A lot of what they are doing involves news and information. And because they don't have the baggage and tradition, and the straight jacket thinking that we do in newspapers, they are doing things better online then we are. And how to make that clear to our executives and to those in the newsroom, who may have to give up something in order to improve what we are doing online, is a problem. That keeps me thinking and worrying and trying to figure out how I can be a better corporate politician."

"You've got to be able to experiment, be nimble, and try new things, fail quickly, fail cheap, even if it does fail."

"I think is an interesting issue in the newspaper business is the role that the online program plays in cultural change at the newspaper. I believe that our role is to create something that is a catalyst for cultural change in the newspaper and that what we are not doing is building an empire. What we are doing is making it possible for the print side to ultimately become a multimedia company. Sales people who now selling quarter pages in classified advertising should ultimately sell that or sell Internet ads, depending on what the advertiser wants, and there's not really a need for an advertising sales effort that is describe 'online.' What we have to do is change the whole company, so that if the whole world goes online and if the whole world decides to buy cars instead of buggies, we don't have just a bunch of buggy salesman, we have people who can sell either cars or buggies. So, the world has gone to cars? Great and so just stop selling buggies. I think that is what we are ultimately trying to accomplish. But there is another philosophy, which says the print side is so mired in a paradigm that's failing in the 21st century that you can't trust them to do the best job selling this new medium."

As one online manager noted, "the Internet is part of people's daily lives now" and their job is to make their Internet product appealing and useful to the people in their community.

CHAPTER V

DISCUSSION

This chapter presents a summary of the study, answers the research questions and discusses other findings. The chapter also presents limitations of the study and suggests research implications.

This study used interviews with online newspaper managers in an attempt to understand the thinking behind what is being done online, the *whys* behind the decisions. Although one online manager said he had been "trying to figure this thing out since '94," findings obtained from the analysis of the thirteen interviews indicate online managers are knowledgeable of the consumer trends and industry practices currently common throughout the online newspaper industry today, as well as the uniqueness of their local market and the need to continually adapt their online newspaper to meet their audience's needs. However, even as revenue from online newspaper operations continues to grow, online managers share a general concern about the ability of the industry to respond to technological advancements and competition in a timely manner.

Discussion of Research Questions

The following research questions were addressed by the study:

1. Are online newspapers profitable, cost-effective business ventures?

2. Are there benefits, other than profit, of having an online presence?

3. What is the next evolutionary step for online newspapers?

Are online newspapers profitable, cost-effective business ventures? The online newspaper managers participating in this study reported that their online publications were profitable. In general, the publications became profitable around 2000-2001. The main source of revenue was advertising, specifically classified advertisements for employment, cars and real estate, but also banner and display advertising. Smaller revenue streams included accessing archived material and e-commerce activities, such as selling photographs and other items.

Are there benefits, other than profit, of having an online presence? According to the online managers, the publications remain online not only as an outlet for advertising to reach people, but because they extend the newspaper brand; they attract a different audience, one that is not reading the print newspaper; they are accessible twenty-four hours a day, seven days a week and can provide breaking news; they provide value to the community as a forum, a place to consume news and communicate with one another; they can relate to users in a variety of ways; and they are seen as more than a newspaper to many people because they provide news in addition to being a source of other information and a resource.

What is the next evolutionary step for online newspapers? Online managers believe the push for increased advertising revenue will continue. Most also believe that the increased use of broadband will pave the way for increased interactivity on the websites, including video, and that user-contributed content will play a bigger role. It is believed that technological developments will continue to influence how people get their news—via cell phones, PDAs (Personal Digital Assistant), etc.—and individuals will

increasingly customize their news experience to receive only the information or topics that interest them.

Other Findings

In addition to answering the research questions, the thirteen interviews with online managers provided a look at the evolution of online newspapers from an insider's point of view, presented a snapshot of the industry's current status, and offered insight on the issues facing the industry.

People continue to want news, as they have for centuries. What keeps changing is how people prefer to get their news. If newspapers do not provide news and information in a format that people want, they'll go elsewhere to get it. Online newspapers have evolved from "experiments" to "significant businesses," but technology will continue to change the ways that people can get their news. The newspaper industry will need to be more nimble to keep pace with the changing paradigm of news providers.

Online newspapers have been in a constant state of evolution since the first one was published on the Internet in 1993. The evolution was described from a number of different perspectives: in terms of how the site looked, content and interactivity; in technical terms such as writing html (Hyper Text Markup Language), content management systems, and integrating with other systems or departments in the newspaper; and knowing and tracking the online audience.

The publications have grown from static, information-only web pages to dynamic sites that are updated around the clock. Although the online managers still see the publications as "experimental" in nature, they have evolved into a "significant business" for the newspaper. Interactive features are available on most sites and are becoming

more prominent. Publications are branching out into "niche" audiences and "community publishing" as well. Online managers are learning more about their audience and how they navigate the website via measurement tools that are evolving as quickly as the websites.

After starting up in defensive mode, the publications are now in offensive mode and fully integrated with the print publication. Perhaps it is because now the "can you guys ever make money with this?" question has been answered and some of the pressure is off. Or, perhaps the focus is simply shifting to the next evolutionary phase. Nevertheless, online managers are now looking at how they can use the medium's features—redesigned websites, new features and more interactivity—to keep current users on the site longer and attract new users. As one online manager noted, "the Internet is part of people's daily lives now" and their job is to make their Internet product appealing and useful to the people in their community. Online managers spoke in terms of the online newspaper providing meaningful "experiences" for users. "Go online and *enrich the experience* you are having, hopefully, with our newspaper product." "I'm talking real life, hopefully meaningful promotions, that tell folks here, go online for this *added experience*."

The online managers also talked in terms of the newspaper business being different "everyday" they go to work, but that online is different "every few minutes" of the day. They also used "interesting," "exciting," and "fun" to describe their job or the industry. "That's the *really great, fun* part of my job … thinking through what all we can do and how much more we can use it to the benefit of our readers."

Implications for Online Newspapers

Although online newspapers have evolved into "significant businesses," the online managers are aware that how people get their news, and the industry, will continue to change. The main concern for online managers revolved around competition. While some looked at it in terms of continued increases in audience and advertising revenue in light of other options available to news consumers, others looked at it in terms of not knowing who or what the next competitor will look like and if the industry would react fast enough.

Their fears may be real. Even as online newspaper readership gained ground with nearly one in three Internet users reading an online newspaper in January 2005 (Nielsen//NetRatings, 2005), The Project for Excellence in Journalism's State of the News Media 2005 Report states that news organizations are imposing more cutbacks in their online operations than in their old media. This is because they still earn most of their revenue from the old media divisions. The report warns the danger is "the traditional media are leaving it to technology companies—like Google—and to individuals and entrepreneurs—like bloggers—to explore and innovate on the Internet. The risk is that traditional journalism will cede to such competitors both the new technology and the audience that is building there."

In a speech to the American Society of Newspaper Editors, Rupert Murdoch (2005), Chairman and CEO, News Corporation, pointed out that people still want news and newspapers can remain relevant, but it is all in how the industry responds to changing needs. "Technology has traditionally been an asset to the newspaper business. It has in the past allowed us to improve our printing, helped us collect and transmit the news faster

and cheaper – as well as reach people we never could reach before. … Our challenge is to make the necessary cultural changes to meet the new demands. … What is required is a complete transformation of the way we think about our product. … There are always going to be alternative ways to get news. We may never become true digital natives, but we can and must begin to assimilate to their culture and way of thinking."

Much like online managers still see the online publication as an "experiment" that is still evolving, Internet users are still adapting to and experimenting with the medium. To date, much of the interactivity of the medium has revolved around the user interacting with the content. However, the trend, or next evolution, seems to be moving towards user-to-user interactivity, such as forums and blogs. The most difficult part of this evolutionary step may be the need for newspapers to relax their gatekeeper role to allow for user-contributed content. In addition to more interactivity, the increased use of broadband access will allow for high bandwidth features such as graphics and videos.

The number of consumers using the Internet continues to increase. Sources for news, online or otherwise, are plentiful. Consumers will find a source for their news. The challenge facing online newspapers is to make their publication relevant to what readers want. This does not seem to be an impossible task. The medium, when coupled with the latest tracking technology, provides the publisher with real-time user information. Publishers can obtain instant feedback on numerous items—the types of connections used to come into the site (broadband, dial-up, etc.), how users navigate throughout the site, what stories or content areas are popular at the moment, entry and exit points, and much more. As this study revealed, online managers are already using this type of information to monitor their sites. Content is updated when traffic is slow

and pages that get little traffic are redesigned or eliminated. Data from site registration and tracking should provide publishers with enough information to develop an appealing, useful site that will provide meaningful "experiences" for their users.

Limitations and Recommendations

Those interviewed for this study were limited to mid-size, parent-owned publications. Differences may be found in smaller or larger size publications and in those not owned by large media companies. Some online managers were not at the publication at the time the website was launched and could provide only the historical information that had been furnished to them.

Technology, the Internet, and the online newspaper industry continue to evolve at a rapid pace. Therefore, this study represents only a "snapshot in time" as seen by this researcher and the thirteen online managers who participated in this study.

Future studies could compare and contrast the findings of this study with the experiences of online newspaper managers from smaller circulation (< 75,000) and/or larger circulation (> 250,000) publications. Experiences of online managers of independent newspapers could also be compared to those found in this study of parent-owned publications.

Those participating in this study reported that their publications were profitable and advertising was the main source of revenue. Future studies could look more closely at the profitability of online newspapers. What was the turning point to becoming profitable? What determines if an online newspaper is profitable? Considering the support from the print publication and corporate offices for the newspapers in this study, are the publications truly profitable or are they simply not losing money? What role does

corporate support play in online publications being profitable? Is the newspaper revenue model adaptable to an online publication or is a revenue model similar to broadcasting more suitable?

Another topic for future study could look at online newspaper publications as simply being a cost of doing business. Bucy (2004), Chan-Olmsted & Ha (2003) and Johnson & Kaye (1998) all argue that Internet news sites should be valued for the nonmonetary contributions they make in relation to the broader news mission— credibility, brand loyalty and enhanced coverage —and less from a profit-loss standpoint.

The area involving interactivity, blogging and user-contributed content is another theme for future study. The online managers interviewed for this study said they believed these features would become more prominent in online newspapers. And lastly, consumers are another area of future study. A manager participating in this study said if online newspapers want to be relevant to news consumers, they needed to "listen more intently to our readers."

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APPENDICES

APPENDIX A

Interview Guide

The following questions were designed to guide the interviews with online newspaper managers

How long have you had an online publication?
Tell me about the decision(s) to establish an online publication?
  Were you involved in the decision?
  What were the benefits of having an online newspaper?
  What were the drawbacks of having an online newspaper?
  Was cost an issue in deciding to establish an online newspaper?
  Were resources an issue?
  Were any particular business model(s) / revenue producing features considered?
   Implemented?
  What role did the parent company play a role in the decision to go online?
  Anything else to add about the decision to go online?

Tell me how the online newspaper changed since it was first established?
  What is different about it today?
  Have any revenue producing features been used?
  Are they still being used?
  Are there any additional revenue features planned for future implementation?
  Have you tried anything that didn't work and was discontinued?
  What role has the parent company played in the evolution of the online product?
  What type of support, if any, does the parent company provide today?

Tell me about your audience.
Do you know who is reading your online publication?
  Print subscriber? Non-subscriber?
  Local? Out-of-towners?
  Classified ad searcher?
  Big news day reader?
  Age?
  Is there a specific audience that are you trying to reach?

Do you track your readers?
  How? Hits? Cookies? Feed-back?
  Do you require registration? For access to any specific feature(s)?
  What do you do with the information?
  Target advertising?
  Enhance / eliminate features?
  Do you see specific patterns or peak times of use?

Do you update the site or daypart? How often?
        What pages / features are most popular pages among your online readers?
        How do you know?
        Tell me about your interactive features—forums, discussions, feedback
        Local / community features
        Unique features
        Do you cross-promote the print and online publications?

Is your online publication profitable?
Besides financial profit, what benefits does your online edition provide?
        The company? The community? Your readers?

Has eliminating the online publication ever been considered?
Do you have any concerns about the online publication? Is there anything that
        keeps you up at night?

Are you currently planning to make any changes to your online newspaper?
        Adding something? Eliminating something?
Do you have any thoughts on what the online publications will look like five
        years from now?
        Where do you think the online newspaper industry is headed?
        What is the next evolutionary step for online newspapers?

_____

That's all the questions I have. Is there anything you'd like to add?

Would you like a copy of the study?
        e-mail address:

Are there any other's you would recommend I talk to?

APPENDIX B

Online Newspapers Represented in the Study

Cox Newspapers Incorporated (1)[1]
<http://coxnews.com/cox/news//static/cni/where.html>

Austin-American Statesman
Austin, Texas
Circulation: 183,312[2]
<http://www.statesman.com>

Gannett Company, Incorporated (4)
< http://www.gannett.com/web/gan013.htm>

The Detroit News
Detroit, Michigan
Circulation: 227,392
<http://www.detnews.com>

The Indianapolis Star
Indianapolis, Indiana
Circulation: 249,891
<http://www.indystar.com>

Florida Today
Melbourne, Florida
Circulation: 88,214
<http://www.floridatoday.com>

The News-Press
Ft. Myers, Florida
Circulation: 90,950
<http://www.news-press.com>

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1. Number of the parent company's daily newspapers that are represented in this study.
2. Circulation figures obtained from the *Editor & Publisher International Year Book 2004*.

Hearst Newspapers (1)
<http://www.hearstcorp.com/newspapers/>

Seattle Post-Intelligencer
Seattle, Washington
Circulation: 150,851
<http://www.seattlepi.com>

Knight Ridder (2)
< http://www.kri.com/papers/#newspaper>

The Charlotte Observer
Charlotte, North Carolina
Circulation: 226,849
<http://www.charlotte.com>

The Lexington Herald-Leader
Lexington, Kentucky
Circulation: 106,941
<http://www.kentucky.com>

Morris Communications Company LLC (2)
<http://www.morriscomm.com/divisions/morris_publishing_group/daily_newspapers/index.shtml>

The Augusta Chronicle
Augusta, Georgia
Circulation: 71,137
<http://www.augustachronicle.com>

The Florida Times-Union
Jacksonville, Florida
Circulation: 167,851
<http://www.jacksonville.com>

Scripps Howard Newspapers (2)
< http://www.scripps.com/websites/index.shtml>

Knoxville News Sentinel
Knoxville, Tennessee
Circulation: 114,593
<http://www.knoxnews.com>

Memphis Commercial Appeal
Memphis, Tennessee
Circulation: 157,820
<http://www.commercialappeal.com>

Tribune Company (1)
< http://www.tribune.com/about/webguide/index.html>

The Morning Call
Allentown, Pennsylvania
Circulation: 111,594
<http://www.mcall.com>

FORM B

IRB # _____

Date Received in Office of Research _____

I.   **IDENTIFICATION OF PROJECT**

Principal Investigator (PI) or Co-Principal Investigators (Co-PI):
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Department:
College of Communications & Information
School of Advertising & Public Relations

Project Classification:
Thesis

Project Title:
Why Online Newspapers Remain Online

Starting Date:
Upon IRB Approval

Estimated Completion Date:
March 31, 2005

External Funding:
   N/A

II.   PROJECT OBJECTIVES:

This study is an attempt to determine the benefits of having an online newspaper, if the online publications are profitable, and if managers have a business plan for their publications. Since the primary purpose of this study is to gain some understanding why this business investment is a prevalent part of daily newspaper's ventures, interviews will be conducted with the person who makes business decisions for online newspapers.

The printed newspaper has lost its place as the premier deliverer of breaking news to TV, radio and the World Wide Web. Studies show younger readers typically do not read the newspaper (Peiser, 2000) and the current heavy readers of printed newspapers are moving into middle and old age (Paddon, 1995). In addition to readership issues, newspapers face increasing costs to print and distribute the newspapers and advertising dollars going to other media.

The growing popularity of the World Wide Web provides a new avenue for newspapers to deliver the news. Although the first electronic newspaper went online more than ten years ago and today nearly 1,500 North American daily newspapers have launched websites (Newspaper Association of America, 2003), the role of many online

newspapers has yet to be defined (Dibean 2001) and the industry is still experimenting to find a successful business model.

This thesis will explore the following questions:
1. Considering that many online newspapers are reportedly not profitable, why do daily newspapers continue to provide online editions?
2. Besides possible financial profit, what benefits does an online edition provide?
3. What is the next evolutionary step for online newspapers?

III.   DESCRIPTION AND SOURCE OF RESEARCH PARTICIPANTS

Research participants will be those who make business decisions for online newspapers—mid-size daily newspapers (circulation between 75,000-250,000), group-owned, that have had an online publication for at least five years.   Participants will be selected from the Editor & Publisher International Year Books.

IV.   METHODS AND PROCEDURES

Participants will be selected from the Editor & Publisher International Year Books. An initial call will be made to the publication to determine if the publication has been online for at least five years, identify the business decision-maker for the online publication, describe the study and procedures, obtain consent from the participant, obtain consent to audiotape the interview, and schedule a time for the telephone interview.

Interviews will continue until no new information is obtained. It is estimated that no more than 20 interviews will be needed.

The interviews will use open-ended questions from an interview guide. Participants can elaborate on each question. Audiotaping will free the PI from taking notes and allow probing with additional questions, where appropriate.

The audiotapes will be stored in a locked drawer at the PI's residence. Only the PI and a transcriber will have access to the tapes, unless the faculty advisors request access. The tapes will be destroyed upon completion of the thesis.

Data from the tapes will be transcribed, categorized, and examined for central themes or ideas.

V.   SPECIFIC RISKS AND PROTECTION MEASURES

Risk to participants is minimal. Participation is voluntary. Participants will be advised that they can chose to not answer any questions that may be business sensitive or cause stress and they can end the interview at any time.

At the time of the interview, the participant will be advised that information will be reported anonymously and permission to audiotape the interview will be requested.

Participants will not be identified by name or affiliated with their newspaper. A list of participating newspapers and/or location (city) may be included in the thesis, but participant names will not be used and data and/or quotes will not be attributed to any person or publication.

The audiotapes will be available only to the PI, and to faculty advisors upon request. When not being used, tapes will be stored in a locked box in the PI's place of residence.

VI.   BENEFITS

Both the risks and benefits to participants are minimal. The business of online newspapers is still new and many are still experimenting with successful business models. Information may benefit the industry.

VII.   METHODS FOR OBTAINING "INFORMED CONSENT" FROM PARTICIPANTS

Consent will be obtained during the initial call to the newspaper. In addition to identifying the participant and scheduling a time for the interview, the PI will obtain a fax number to send the Informed Consent Form for signature. It will be returned to the PI via fax. At the time of the interview, the participant will be reminded that the interview will be recorded and their participation is voluntary.

VIII.   QUALIFICATIONS OF THE INVESTIGATOR(S)

No special training, certification, or licensing is required for the telephone interviews. The PI has designed the study and interview guide and will interview the participants.

IX.   FACILITIES AND EQUIPMENT TO BE USED IN THE RESEARCH

Interviews will be conducted via speakerphone. An audio tape recorder will be used for data collection.

X.   RESPONSIBILITY OF THE PRINCIPAL/CO-PRINCIPAL INVESTIGATOR(S)

By compliance with the policies established by the Institutional Review Board of The University of Tennessee, the principal investigator(s) subscribe to the principles stated in "The Belmont Report" and standards of professional ethics in all research, development, and related activities involving human participants under the auspices of The University of Tennessee. The principal investigator(s) further agree that:

1. Approval will be obtained from the Institutional Review Board prior to instituting any change in this research project.
2. Development of any unexpected risks will be immediately reported to the Research Compliance Services section.
3. An annual review and progress report (Form R) will be completed and submitted when requested by the Institutional Review Board.
4. Signed informed consent documents will be kept for the duration of the project and for at least three years thereafter at a location approved by the Institutional Review Board.

XI.   SIGNATURES

ALL SIGNATURES MUST BE ORIGINAL. The Principal Investigator should keep the original copy of the Form B and submit a copy with original signatures for review.

(signature blocks deleted)

<div align="center">**INFORMED CONSENT**</div>

<div align="center">**Thesis Title: Why Online Newspapers Remain Online**</div>

Purpose of the research study
I am Myra Ireland, a Master's student at the University of Tennessee's College of Communication and Information. Working under the guidance of Dr. Candace White, I am conducting this study as part of my thesis to find out more about online newspapers.

What you will be asked to do in the study
You will be asked to participate in a telephone interview to share your experience and thoughts about the business of online newspapers. The interview will be tape-recorded. You do not have to answer any questions that make you uncomfortable. You can end the interview at any time.

Time required
Estimate 30 minutes.

Risks and benefits
There are not anticipated risks or direct benefits to you for participating in the interview, but your participation will be beneficial in helping us to better understand the phenomenon of electronic newspapers.

Compensation
There is no compensation for participating in this study.

Confidentiality
Your identity will be kept confidential to the extent provided by law. The audiotapes will be kept in a locked box in the principal investigator's home until the information has been obtained. Once the thesis is completed (by the end of May 2005), the tapes will be destroyed. You will be identified on transcripts/information by a code. Only the principal investigator and possibly a transcriber will have access to the tapes/transcripts. Your name will not be used in any report.

Voluntary participation
Your participation in this study is completely voluntary. There is no penalty for not participating.

Right to withdraw from the study
You have the right to withdraw from the study at any time without consequence.

For questions about the study
Principal investigator: Myra Ireland, Master's Student, College of Communication and Information, University of Tennessee. Address: 1101 Market Street, SP 2B, Chattanooga, TN, 37402-2801; 423-751-7153 (office); 423-751-2007 (fax); mireland@utk.edu.
Faculty advisor: Candace White, Ph.D., Faculty Senate President, Associate Professor School of Advertising & Public Relations, 401 Student Services Building, University of Tennessee, Knoxville, TN 37996-0343; (865) 974-5112 (office); (865) 974-2826 (fax); white@utk.edu.

For information on your rights as a research participant in this study:
University of Tennessee, Office of Research, Research Compliance Services, 404 Andy Holt Tower, Knoxville, TN 37996-0140; (865) 974-3466 (phone); (865) 974-2805 (fax).

Agreement

I have read the procedure described above. I voluntarily agree to participate in the procedure and I have received a copy of this description.

Participant: _____ Date: _____

Principal Investigator: _____ Date: _____

VITA

Myra Hendee Ireland was born in Chattanooga, Tennessee. After graduating from Notre Dame High School, she attended the University of Tennessee, earning her B.S. in Communications in 1977. Myra is now a communications specialist with the Tennessee Valley Authority, in Chattanooga, Tennessee, where she has worked since 1981. Prior to joining TVA, she worked in advertising.