Association for Information Systems
AIS Electronic Library (AISeL)

AMCIS 2001 Proceedings

Americas Conference on Information Systems (AMCIS)

December 2001

Strategies for Local Newspapers in the Digital Economy

Zhiping Walter
University of Connecticut

Juliana Stolarova-Ornek
University of Connecticut

Follow this and additional works at: http://aisel.aisnet.org/amcis2001

STRATEGIES FOR LOCAL NEWSPAPERS IN THE DIGITAL ECONOMY

Zhiping Walter
University of Connecticut
zwalter@sba.uconn.edu

Juliana Stolarova-Ornek
University of Connecticut

Abstract

We explore the effects of the Internet and electronic commerce on local newspapers and identify winning strategies for them through a two phase study: initial explorative qualitative research based on a review of newspaper industry-specific publication, an analysis of the web sites of online newspapers, as well as interviews and a 3-questionnaire sequence Delphi study. We propose three strategies: evolving into local portals, serving as virtual community for the region they serve, and forming partnerships with national portals, other newspapers, and local television and businesses.

Keywords: Newspaper, strategy, partnership, virtual community

Introduction

Local or regional newspapers have traditionally relied on advertising revenues from classified ads and local business ads. Readership is the key to this business model. To attract and retain readers, local newspapers offer news, national and regional, commentary, as well as other information such as local events, TV listing, movie listing, etc.. Most national and international news are wired through major national news agencies while local information are generated by their own reporters. Being one of the few local news providers, newspapers attract the majority of the local classified advertising expenditure. In fact, annual surveys done by Newspaper Association of America show that average Sunday readership in recent years hovers around 67% of the adult population while average weekday readership hovers round 54% (NAA, 1999a,b).

The advent of the Internet is changing the landscape of competition for local newspapers. An increasing number of Internet portals such as Yahoo!, Lycos, PointCast, MSNBC, provide news, stock quotes, and other information to attract advertising dollars. Newspaper's real estate classified ad market faces grave challenges from homestore.com whose online businesses (Realtor.com, Springstreet.com, Homebuilder.com, and CommercialSource.com) consolidate information on millions of real estate listings throughout the country. Furthermore, while newspapers view real estate listings as advertising and generate income from them, these real estate portals view them as content and often pay real estate agencies or multiple-listing services to use them.

The stream of advertising revenue from local businesses is also under threat because a growing number of companies, including America Online, Microsoft, Lycos, Yahoo, have launched geographically focused, Web-based services to tap into the market of advertising from local business. These new services provide users with a broad range of local content, ranging from news, local events, to real-estate listings and classifieds—exactly what local newspapers provide to attract local business ads. Revenues from local business ads are dwindling also because local businesses themselves are fighting a battle with major national retailers who are breaking down geographic boundaries of retailing with e-commerce. A 1998 survey study of 50 major retailers conducted by consulting firm Deloitte & Touche found that 26 percent of retailer had Web sites.

Among all competitors, national portals seem to present largest threat to local newspapers because 66% of online users use national portals, according to Jupiter Communications. Although newspapers' classified sites are presently preferred over those of the competition (NAA, 1999c), their share of the pie is in danger of shrinking (Gipson, 1999). A recent survey commissioned by the Newspaper Association of America (NAA 2000) show that from 1997 to 2000, daily newspaper regular readership has declined steadily from 51% to 46%. An earlier survey of NAA shows that although the adverting revenues have increased in the past years, the share of newspaper ad revenue has declined steadily from 22.1% in 1997 to 21.5% in 1999 (NAA 1999d).

How should local newspapers respond to the emerging competitive challenges? What is the competitive advantage of the local newspapers as compare to their Internet enabled rivals? How should newspapers leverage this competitive advantage? We set out to answer these questions.

Research Methodology and Timeline

To identify strategies for local newspapers, we conduct our research in two phases. Our preliminary phase is an initial explorative qualitative research based on a review of newspaper industry-specific publication, an analysis of the web sites of online newspapers and interviews with managers of local newspapers. This preliminary study uncovers strategies that newspaper management and researchers think are important, are currently implementing, or are about to implement. The second phase is a Delphi study (Delbecq, et al., 1975) using a sequence of three questionnaires to obtain expert opinions on those strategies and move all participating experts towards consensus. In the next section, we report here current findings from our still ongoing first phase. So far, we have interviewed three executives in charge of the web operation of three different newspapers and have analyzed ten major newspaper web sites. The Delphi study will use 3-round questionnaires and participants will be solicited from general web strategies and online operation managers of local newspapers. The rest of the research is expected to be completed by the time of this conference.

Local Newspapers' Online Strategies

Our interviews with newspaper organization managers and review of the newspaper industry related publications show that the industry is well aware of the changing competition. Consequently, many have put task forces into developing Internet strategies. While strategies differ widely among different newspapers, several common trends are emerging. Among them the most important three are evolving into community portals, partnering with other newspapers, TV stations and portals, and serving as a "virtual community" to its geographical audience. Next, we provide a detailed discussion of each of those strategies.

Local Newspapers Evolving into Community Portals

Local newspapers have advantage over national portals to serve as a local portal. First, they have been specialized in the business of providing local content for many years. Second, they already have an established local readership. Third, they already have relationships with local businesses.

The strategy of going portal are taking roots with online publishers of various types across the country, according to Jupiter Communications. Many local newspapers believe that one-stop access is what consumers expect and consequently, they intend to adopt some form of the portal strategy if only to ward off the threat from national portals. This means adding features like community publishing, entertainment guides and other typical portal features. One of the interviewees told us,"we want people to think of us for anything related to this region, like finding a long lost high school friend, even if they moved out of the region." Many newspaper organizations have adopted portal strategy. Examples include Knight Ridder, The Washington Post Co. and The New York Times co. With this strategy, the online newspaper can capture revenue sources from added contents, local business advertising and classified adverting (Brandtweiner, 2000; Palmer and Eriksen 1999)

While there is a definite trend toward evolving into community portals, newspapers vary widely in how far they have moved towards it and what they think should be part of the portal contents. Our phase two will determine the level of importance that local newspapers attribute to developing different features.

Local Newspaper Forming Partnerships with National Portals, Other Newspapers, Local TV Stations and Businesses

Both local newspapers and national portals stand to gain from a partnership. For local newspapers, such partnerships will provide their local audiences with access to national and international contents, and attract out-of-region traffic to their sites. National portals, in turn, would receive local contents and a stream of local traffic directed by the local newspapers' web sites. Local newspapers can also derive similar benefits from partnerships with local newspapers in other geographical regions. A partnership with local TV stations increases the multimedia capabilities of the newspapers' Web sites and thus can generate more traffic to the sites. The purpose of building partnerships with businesses is to build a stream of transaction-based revenues for the newspapers. In this partnership, the role of the newspapers is to build an electronic infrastructure for online transaction processing, such as order placement, credit card processing, order tracking and etc. Local businesses can benefit from such partnership because they usually do not have the brand name of larger national enterprises and lack the resources and expertise necessary to promote and build their Web sites independently.

Overall, local newspapers have a lot to offer to their partners. By leveraging their assets—reputation, brand strength, and journalistic experience—newspapers could provide their partners with a high quality local content and a stream of traffic from their local sites. In return, local newspapers gain access to the broader Internet sources and new readers. This strategy enables an online newspapers to tab into e-commerce revenue sources (), which is also recognized in other newspaper-industry specific studies (Brandtweiner, 2000; Palmer and Eriksen 1999).

Many newspapers have taken the steps to form those partnerships. Examples include Hartford Courant, Real Media, and Knight Ridder. Our phase two will study each of the four types of partnerships.

Local Newspapers Serving as Virtual Communities

Newspapers' print editions have a tradition of integrating published content with communication, such as letters to publishers. Now it is time to transfer this tradition to online through bulletin boards and chat rooms, discussion lists, and e-mail. In addition, due to their geographical proximity, readers of local newspapers are likely to have common interests. For example, local township, political or otherwise, generate tremendous interest among local people. By providing their readers with the means to communicate with each other and with the newspaper and to form interest groups, local newspapers serve as virtual communities for local readers (Hagel & Armstrong 1999). This would add a tremendous value to their Web sites. In addition, they would further distinguish themselves from national portals, which lack the advantage of regionally focused customer. This strategy also aims at increasing interactive features of online newspapers, features that have attract more and more research attention (Kenney et al. 2000).

Many believe becoming a virtual community is crucial to the future success of newspapers (Kirsner 1999). Some newspapers, such as Maine's dominant Portland Press—Herald, are already devoting a lot of attention to community self publishing (Densmore 1998). Our phase two will study different features of virtual community that suit newspaper publishing.

Conclusions

Based on our interviews with newspaper industry managers and literature reviews of newspaper industry specific publications, we have outlined three trends that should constitute survival and success strategies for local newspapers' on-line editions. In our next phase, we are going to conduct a DELPHI study that would further identify the importance of different components of each strategy as well as identifying any important on-line tactics/strategies that are not outlined in our "survival" strategy. This second phase will also uncover the current implementation status of each strategy in the newspaper industry as a whole and lessons learned in the process. The final finished project would provide a valuable guide to local newspapers intending to embark on online offerings.

References

Brandtweiner, R. "Pricing for Digitized Information Goods: The Case of Austrian Online Newspapers," *Proceedings of the 2000 Americas Conference on Information Systems*, August 2000, pp740-745

Densmore: "Maine Community Building, Brick by Brick", http://www.digitaledge.org/monthly/1998_09/maine.html, 1998

Delbecq, A. L., Van de Ven, A. H., and Gustafson, D. H. *Group Techniques for Program Planning: A Guide to Nominal Group and Delphi Processes*, Scott-Foresman, Glenview, IL, 1975

Gipson, Melinda, "Saving Main Street An E-commerce Call to Action," http://www.digitaledge.org/monthly/1999_02/whitepaper.html, 1999

Hagel J. and Armstrong, A. *Net Gain: Expending Markets through Virtual Community"* Harvard Business School Press, 1999

Kenney, K., Gorelik, A., and Mwangi, S. "Interactive Features of Online Newspapers," First Monday, Peer-reviewed Journal on the Net (5:1), January 2000, http://www.firstmonday.org/issues/issue5_1/kenney/index.html

Kirsner, Scott, "Do newspapers have a future on the Net?" *Editor and publisher*, Apr. 1999

NAA 1999a: http://www.naa.org/marketscope/databank/tsnpr1299.htm

NAA 1999b: http://www.naa.org/marketscope/databank/tdnpr1299.htm

NAA, 1999c, http://www.naa.org/info/facts99/18.html

NAA, 1999d, http://www.naa.org/marketscope/databank/ADExp9897.htm

NAA, 2000, http://www.naa.org/marketscope/index.html

Palmer, J.W., and Eriksen, L.B. "Digital Newspapers Explore Marketing on the Internet," Communications of the ACM, (42:9), September 1999, pp32-40