2002 – International Symposium on Online Journalism

Panel 3: The Money

Can online journalism become a profitable business? When and how? Where are the success stories? Where is revenue going? Is paid access a feasible model for online news sites? Does online advertising on news sites work? What is the outlook for ad-driven sites?

Moderator:
Neal M. Burns, Professor, Department of Advertising, UT Austin

Panelists:
Eric A. Christensen, Vice President and General Manager, Belo Interactive

Ken Riddick, Director of Interactive Media, Fresno Bee

Larry K. Sanders, General Manager, statesman.com, former Vice President and General Manager, Usatoday.com

Julie Weber, Digital Media Manager, Hearst Newspapers

NEAL BURNS: …..Larry Sanders and then Julie Weber. In the novel treatment of gender, we have elected to let our female companion first and colleague to last. I've also been advised that sitting up here is not a cool thing to do. And so I'm going to vacate. The floor is yours. ….the article on web loggers. Did anybody read that besides me? What did you think about that article? Can anyone offer a comment about that? By the way, I wasn't here during the morning. Was it discussed? [No.] Let me just give you my short summary as I recall and then someone who's read it can say..

The issue is whether I say anything. The article describes, by the way, and it contrasts the New York Times, the Washington Post, the traditional kind of journalism. It suggests essentially an archaic architecture. And contrasted to what in a sense is the current architecture, that essentially based in large part a P to P model. And it talks about a group of people who have come along who are calling themselves web loggers. It becomes an interesting kind of concept. It points out that last year there was something like 3.5 billion emails. What it essentially says is that we've adopted a different kind of managerial structure. And by the way, as you know we've adopted it in the classroom. Erudite and intelligent people like Rosental and I are evaluated by students. Incredible concept. So there's this general period of peer relationship in businesses - we're not making things that come down the factory and so these kinds of considerations come up. And these web loggers have initiated sites where they find pieces of news and they find other articles to which they direct and then you come on and speak about them as well. And they're getting a tremendous number of hits and it becomes a very formidable economic alternative. Keep in mind, that I don't think anyone understands, and I really enjoyed the speech during lunch. But the issues is to how you find a viable economic model for content, I think is still elusive. It's not going to bannerettes, it's not going to be popup ads. It's not going to be imbedded clues and cues and so forth. But this model, this P to P model, seems to be working very effectively. And that's the substance of the article. Now if someone else has read it and has a comment while we're sitting here, as long as we've got such intellectual capital in one room, I thought we might benefit from talking about it for a minute.

AUDIENCE QUESTION: I saw the headline and it was interesting to me because at a panel where we did have a number of web loggers, what is it, carusian.org. And the interesting conversation was, is it journalism? I think that was the context of it and a question, if it's not journalism with a big J, what is the information that's being disseminated? How does it get vetted? There is a growing number of experts who do have information and have the ability through this kind of technology to begin sharing and distributing information that quite frankly the public never had access for it. One of the things that I found interesting for professional journalists, there are some techniques that can be used. One of them is a reporter named Dan Gilmore, a columnist for the San Jose Mercury News who is a very successful web logger as part of his reportage. Then he then actually translates what he learns in this media collecting information. Emailing back and forth and then that becomes part of his print column too. In fact, he was at a panel I think 3 weeks ago where in the process of speaking and discussing and having his email going, he got 2 answers to things that people were asking for. He vetted it and then he sent it back out there to the network and he essentially was doing living reporting through a web log concept at that time. So I do find it fascinating.

NEAL BURNS: It is. I agree with you to look at these loggers. But now I think we've stretched and the floor again is yours.

ERIC CHRISTENSEN: Interoperability has a long way to go, as you learned. Macintosh and Windows have obviously not worked together. What you're going to hear from me, and from some of the other panelists here this afternoon, is similar to what you've heard over the last two panels. It's interesting how discussions of the genre and the audience can't help but touch on revenue and how to make the business work, is there a business there? Just for some perspective, I'm from Belo Interactive. I'm the General Manger of all of our interactive assets. We have 3 big newspapers, Dallas Morning News being our largest and the largest market, Province Journal up in Rhode Island and the Riverside Press Enterprise in California. We've got around 20 or so broadcast television affiliates scattered across the southwest, northwest and here in Texas in particular, with WFA Dallas, KVUE here in Austin, KEN in San Antonio, KHRU in Houston. We actually run as an independent business reporting up separately through the organization from our print and broadcast organization. So we actually have a different channel to our CEO, which has been great for our organization. A lot of support from the top of the business to really focus on building a strong network foundation for our business and really take an online look of what we can do and thinking outside the box of traditional media. That and I'm about everyone's worst nightmare in an organization. My backgrounds - I'm a finance guy who came from an agency background. So the journalists of finance guys is horrible, the sales guy, but I am just a guy, so I'm everyone's favorite there. But actually we've had some great progress last year. Let me just give you a few kind of thought starters here and move this fairly quickly in terms of what our experience has been. In midsize markets and also in small markets. We go from Dallas all the way down to a Tucson or Spokane or Boise where we operate today.

First of all, online advertising gets some horrible press. And the numbers - these are about year old number that I haven't updated on this chart, but I think it's directionally tells the same story, which is 2001 there was a lot of hand-wringing about online advertising is dead, it's going away. Well, realistically, factoring out the worst advertising recession we've had in many years, a lot of the money that's being spent online was venture capital money going for one web software to another until it got burned up in infrastructure spending. That obviously all went away in 2001. You see here the gray bay which is really money spent by dotcoms. The red bar being money spent by more traditional advertisers. Really, beyond the advertising hit we took in 2001, across all media, the big real impact here was dotcom dollars drying up.

This chart is also about a year old, but I think it's really telling in terms of what we talked about in the last couple panels. We touched on this a moment ago during lunch. Looking across the media types, one of the things he believed over time, advertising are looking for audiences and dollars will fall, eyeballs, or readers or viewers. If the Internet - it's going to get a lot more revenue. I don't want to sit here and just pray the revenue's coming, but the reality is, time and time again over history, dollars follow audience and you can see here in the far right-hand column is a ratio of ad spending to consumer time, or consumer use of this intermedia diet. These are year old numbers. I think it's even grown since then. But as of a year ago, the Internet was about 2.3% of that spending, but about 11 percent of consumer time. So there's an imbalance there. I think over time you're going to see more dollars flow into the Internet as we all get smart about positioning our media and advertising some more about how to use our media.

At Belo Interactive we really look at 5 big categories. This is the same thing you've seen today if you would cut a little bit differently. Advertising and sponsorships which are the traditional banners and tiles and some a little bit more unique things. Online classifieds. Ecommerce where we sell something. Charts for content or content modulization and finally one that I guess is very important going forward which is registration.

The reason why it's important to break down your advertising revenue is you spend a lot of energy out selling banners and tiles and you look at the gross margins or venue minus the selling costs of each of our main revenue streams. Advertising and sponsors are usually about 35 to 45% gross margin. That's really different by the selling cost of an AE going out and knock on a lot of doors to sell what usually ends up being a fairly small dollar buy. So there's a lot of margin pressure there. Online classifieds, on the other hand, are anywhere from 55% to 85% depending on what you're paying the classified service infrastructure provider. So you can see an awful lot of margin there. Then finally, content archives. Reselling the historical content that you have has very high margins. The only real cost there is some marketing cost and more specific, infrastructure costs. So as an operator of both television stations and publishing sites, this is important as far as how I can make money or not and what some of the issues are in the industry right now.

I pulled a sample of publishing sites at a point in time which our revenue mix and this chart here shows a dollar of revenue. So in this case, about 50% of revenue is coming from online classified at this time in these newspapers. 36% being your traditional ads and sponsors and about 14% of revenue coming from content archives. So given the gross margin I showed on the last page, and this one weighted average of revenue streams, every dollar of publishing revenue gets about 69 cents of gross profits and pays for journalists and content and infrastructure.

Fortunately I've got 20 broadcast properties but those businesses don't have a meaningful classified business and have not historically had a meaningful classifieds business. So broadcast sites, they're in a world of hurt, historically, because they've got to live and die on sponsorships and banners which as well all know have been hard to sell the last year.

You guys in business, we've got a little bit of online classifieds. This is a priority for us is getting online classifieds from our broadcast sites. And just like my brother from the New York Times talking about going after broadcast dollars, we as broadcasters are also going to go after print dollars in those markets. So that's something that's coming down the road for us because, again, the high march of revenue stream is out there. So one thing that if you ask a broadcaster manager what they want to sell, "I want a piece of that big huge classified budget across the street in the newspaper." So, the good news is that the market is where we've got both. Where we've got cooperative relationships. We can really own a brand in a classified business at marketplace.

So that tells you kind of where the problems are in broadcasting and not surprising, that you look at a major broadcast operatives, they really rolled up their investments in the Internet significantly relative to the newspaper counterparts.

For me, commerce perspective, as far as selling things or doing, selling services is as I mentioned earlier. Archive print inventory so far is limited. I think that all of us in the industry on the print side, in particular, are going back and digitizing our historical archives, which we all feel is a real goldmine there of high margin revenue streams for us. We have back in 1985, the Dallas Morning crew going back and digitizing. A little hiccup with the (inaudible) world, to make sure that we're all in compliance there. But the big thing on the broadcast side is, is there a revenue play in video archives? Some of the big video streamers today and CNN, ABC news, MSNBC started to talk about it, are walling off current video and presume they're going to be selling archive video too. It will be interesting to see if that's successful or that really does not last very long. So that's a really new development there.

The other question becomes, we have rolls and rolls and rolls of video or video stack in libraries of historical footage. As we digitize that for technology initiatives at the broadcast side, digitizing our technology infrastructure broadcast, can we resell that inventory. That could be a real possibility for us, but yeah, it's going to cost some money.

Secondly, historically small properties have gone to become website developers for their clients. And that's something, we've got out of the business of doing that. That's really a highly variable margin and typically you ran out of resources doing internal things. We've actually stopped being a website developer for our customers except for some basic ad production.

So far I guess we've touched on in the last presentation earlier today, there hasn't been a lot of success selling products from media sites. We haven't had a whole lot of success selling things, but you're selling around content, or adjacency as we call it, that has a lot of promise. Having an article about Tom Landry and then right next to it being a link to go buy the book at Amazon or buy something from us. That's great but as we talked about before, boy, are you start getting close there, it drives journalists crazy.

You've got sales going on in the same place with that article, what are we going to do? That's one that we've got to figure out a smart way to do that and really be explicit about when we're selling things and when we've got content.

Classifieds is a cash cow. Ask any website operator, you can talk about newspaper broadcast here. Employment, automotive & real estate are the big categories. But they are rapidly crossing over newspaper boundaries to other media. Radio is coming after it. Broadcast is coming after it. Not only the online only players, the Monster.coms of the world are coming at us rapidly…

…and it is not only a defensive play for media coverage. It's also a play to break into some new markets and really use the power of the online world. And the other of these two - national brands under classifieds. You just have strong positions. I think there's going to be more consolidation. We've all seen that already with Monster buying various properties along the way. Yahoo buying Hot Jobs. Kerville buying Headhunter. Like that gap between national brands and local brands is going to continue to broaden over time and at this point it's a critical issue for the newspapers in particular to figure out where am I going to play? Am I going to put the national brands? Am I going to create a local stronghold and defend it as long as I can?

Paid content is a wild card. I think the last presentation sums it up great. There are some successful models out there. Wall Street Journal, Consumer Reports. Every one of us that's running web operations is being asked to figure out a way to charge for it. Again, another thing that a publisher hates is "I charge for it. You're giving it away. What's going on there?" The consumers just say, they're not going to buy it. There's very few opportunities to charge for content. You saw it in the last presentation and I would agree with that. At Belo Interactive. Specific things need to happen for there to be a viable opportunity to charge for content cause we've dabbled in it also. Exclusive or premium content or services. Things you can't get anywhere else. Possibly coming to alternative device for convenience or perspectives. You really have to use personal life especially from a financial perspective, and also being entertainment. Your gaming for example is good. If you have crossword puzzles.

Finally, the muck at the bottom here. It's really a 2-tier model is emerging out there. Basically premium subscriptions. Two ways to look at this. One is, many newspapers have looked at subscribers versus nonsubscribers and charging the subscribers or nonsubscribers to access this, but giving free to subscribers. That's probably a more viable model and smaller markets. In a big market you have a very significant out of orbit audience and that's going to be difficult to do. The second thing is, as I mentioned before, a flat but rich experience. If you want to see the video, you've got to pay for that. And that's also merging over time. I think that's going to be a tough row to hoe down the ride. It's going to be difficult to really make that a meaningful revenue stream, at least for awhile.

I think really what we see as being a big opportunity for us looking down the road is registration. Registration is still paying, but it's paying for with information as opposed to money. I think that users are now getting more used to doing that than they have every before. It's becoming more and more typical. For a media business, it's a way of layering on you another particular target or potential buyers for advertisers. Going all the way from a regional approach. We've got a regional cable news channel in Temple Texas to a market you buy broadcasts by zone print by a local telemarket coverage targeting advertiser through the newspaper. You send a solo postcard using our newspaper subscriber data all the way down to targeting an individual who makes over $70,000 as a Cowboys fan and lives in this zip code. This gives us the whole continuum of things you can do for an advertiser, and our cost per thousand, if you will, gets higher and higher as you move farther to the right.

So really what's happening I think over time, is that you're going to see media companies get the direct marketing business in a big way.

One way to think about this is from the inside out if you will. Registration really increases the value of our user base. We can count 3 categories of users - unregistered users, we have registration but they've opted out of accepting email messages. Or registered users that have opted in. You can't look at where the value comes from. The unregistered user is every charge your cost per thousand basis times how many ads you have on a page times your sellout rate. What percent of your ads will be sold for revenue times how many how often they've been looked at. It kind of gives you what your value of your user would be.

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The version of the opt-out in theory is a CPM premium. It may not always happen in reality these days, but I think as time goes by, it's going to become the table steaks in the industry. You have to have some kind of targeting to really deal with an advertiser. And often folks, obviously, that email can be a very, very valuable commodity to sell if not the product. We actually, our internal metrics, the value from right to left, unregistered users to registered users and opted in is about double. So theoretically speaking you basically mix up the options we have, we could take about 35 to 40% paid view hit and still be as well off from a revenue perspective. We have it. So it's just been great. We've not taken a page view yet.

The other thing that's particularly important here is this builds on customer relationship management capabilities that you may have with your offline property. Newspapers kind of already have it. Broadcasters don't. And this is a big step forward for them.

One thing I want to say, and we've been our own worst enemy, we looked at what's happened especially from a sales perspective. We looked at a media company, most media companies have, or media sellers, media use savings paper seller, with a walk-in advertiser, it's a zero sum game in their mind as far as getting budget dollars out of the advertiser. And that's a mindset that also needs to go away. Specifically that seller is looking at how they are measured. If they've got at $25,000 broadcast buy and we're after a thousand online package, they'll get a $25,000 offline buy. They're at a lot more risk at being unsuccessful than if they took it, the $1,000 online. So that is an ongoing cultural thing that needs to be worked out in these big media companies. I think all this happened to, is checking the early days of the Internet, we really divided medium by giving it away. It was a value added giveaway that was typically tacked on to a print or broadcast buy, and that has conditioned advertisers just like we conditioned users that this should be free. And it's now. There's more value, and more value over time. An example of that is the reality of online and offline value in a bundle package. For example, in employment. You sell a $1200 display in employment and you charge them $1 to put it on (inaudible) or Monster.com. Yet the value is really out of whack there in terms of how we're assigning value to that. I think the big piece here from a cost perspective, and we need to come to grips with our content costs. The last presenter talked about doing cheap. You know we look at content costs and news and operations compensation, everybody but the sales force. Purchase content, streaming cost, and site overhead.

We've got kind of a three layer model. It's really important for us as a media company. The first step is something that I think everyone forgets about sometimes, which is, you've got to know what you stand for as a media company. You have to define what your standard user experience is before you can start whacking away at costs. Or quite frankly, before you start spending a lot of money. You need to say, this is the beat up quality of journalism. I'm going to deliver online as well as I deliver offline. That would be a very different decision than what a different media company would make. That is a business decision that as you make I need to translate into how you invest your money. Our job as managers then become minimize the cost of delivering that user experience that we defined and then maximize the distribution by getting out 3 pages as we can. It is that content standard decision you can make in there are things like original versus repurposed content - the whole shovelware conversation we had.

How often do you refresh the site? Is it once a day, twice a day. Is it 24/7. And also functional elements - usability. But that's a critical first step is what do you want to be? To then managing the cost toward that. So, it's become the big question: Can it be profitable? Yes, but it's not easy. And it depends on the size of the market, I think is a key part of it. I think the broadcast properties if you look at different media types, they're going to have the hardest time of all. Banners and tiles alone are definitely not the answer. You've heard that all day today and I'm just going to hammer it home one more time. It's not the only answer. Yes, over time we'll get more money from those things, but it's not the only way to go. But, unfortunately for us, patience and the window of opportunity is closing many companies. And this is an important in online journalism to have success stories that we talk about to point to really be able to show that this is a viable business and important extension of our offline media brands.

NEAL BURNS: Now I guess the process is that we're going to take questions for Eric now. I would suggest that you use the microphones. …. It's a language problem. He speaks two languages and I don't speak any.

KEN RIDDICK: Hi, I'm Ken Riddick. I'm director of Interactive Media for The Fresno Bee in Fresno, California. That's the McClatchy newspaper and much of what I'll be talking about is stuff that you guys have already heard at one level or another. But what's been interesting for me is to hear it and how people are coping with it at different size newspapers. So a lot of what I'll be talking about will have to do with resources and those kinds of things. And among the things that we'll be talking about - I'll be getting to this athletic copy thing in just a minute. Nando is a company that is part of the McClatchy? chain that helps us. We'll talk a little bit about alternative revenues and the silver bullets - just some weird stuff we're doing that's giving us some diversification and some opportunities to make some adequate revenue streams. Something we're sort of calling advertising agent model which I'll explain later and then I'll just leave you with a couple of resources.

But first, I thought I would just give you guys sort of, tow the company line here. Forgive me for this sort of boosterism, but our CEO, Gary Pruitt always talks about McClatchy being an athletic company and I think he's trying to make the metaphor mean that during good times and bad our strategy is really just a continuation of what our strategy has when the advertising dollars flowed freely. And to manage consistently and operate efficiently in both good times and bad gives us more continuity on a lot of levels. I've listed here just among what I believe are some of the real payoffs in that. Of course chief among those is, we haven't had any layoffs. I believe somebody correct me if I'm wrong, but we're the only publicly traded newspaper company this year that did not have layoffs. So that was good news for us and it means a lot for our staff obviously, and it has meant less drastic reduction of resources. Of course it meant that we had less resources than a lot of you guys in the beginning and that was very, very frustrating for me until the bubble burst and then I felt really good about it. And I was feeling very good about it until I got to hear Stephen from the New York Times story and what they continue to do.

We continue to have a merit pool when some companies are cutting back so the long and short of it is moral remains good among the McClatchy sites by and large. And again, we have good continuity. I don't just bring this up so that you guys can think I'm real happy with the company. I really enjoy working for McClatchy, but this mentality is sort of what informs our business decisions going forward and not just in interactive media but in direct mail or in the print business itself.

McClatchy - I'll talk about Nando first. McClatchy operates an Internet subsidiary called Mandel Media. They acquired Nando Media in 1995 when they bought the News Observer in Raleigh, North Carolina. It was one of the really early national news aggregators and they sort of re-defined its mission. And what they do basically is offer us support. Most of the McClatchy sites are housed in North Carolina, including ours, although we're working right now with a publication facility in California to speed up load times and give us better redundancy and that sort of thing. But they do a lot of really good things for us including newsroom editors, developing and managing software and create publishing tools and that sort of thing. And they do tend to research for us as well. And I'll talk about each one of those just real briefly.

The centralization of technology and wire content distribution is really important to me, and you've heard it sort of said a couple times in the room, it allows me to not have to hire those people in my room. And with the limited resources I have, gives me opportunities to better approach my local market with important local needs. It decreases my development costs and it decreases the company's development cost. I'll chime in here another little proud saying. Forgive me. The McClatchy online division, in other words, all 11 newspapers and Nando last year were, in fact, profitable. They weren't huge numbers, but they were profitable and we did $19.9 million in revenue and there was 20% gain year over year in really kind of awful years. So I feel real good about it going forward and these are the kinds of things we think are going to make the difference. I don't know where they get these numbers but corporate seems to think that between 40 and 60% savings corporatewide by centralizing these technologies and efforts at Nando Media.

It further reduces the cost of those products when McClatchy can take these cool products that they build and market them outside. And I'm sure some of you guys have been pitched by Nando publishing tools or the other things - They apparently are opening a new market in Canada. But every time they sell one of these at retail rates, then my costs go down for what I have to pay for my Nando services, so it's a good thing for me. And another important one is it improves our bargaining position with vendors. It gives us more power at the table when we're looking for products and that's a powerful thing because it frees up my time for one thing. But we're not going to Gannett and we're not Ridder so people might not be as anxious to deal with us as they would with some of these others and make those kinds of bargains. And so by Nando doing all this and doing the due diligence on it, it really saves us a lot of time and ultimately a lot of money.

It reduces local staff costs. We talked about this just a minute ago. Simply allows me to concentrate on those things in my market that are important to me. Another important sort of mantra at McClatchy is, you know your market. Treat it like your market. Make your own market decisions. And so they work really hard to give us autonomy even while we're centralizing technology and content and those kinds of things.

The other thing that they've done is they've created this new online publishing system and it's in my view a superior database. It's one of the best things out there on the market. It's XML-based and it really gives us a lot of advantages when we're trying to shuffle news around on the site. It's templated so that my site can look completely different than the Modesto site or Sacramento site and yet a lot of the news that flows in, flows in the from the same sources so it's really handy and it gives us real local autonomy in that sense. But the most important part about it is we're getting to the point now where the parsing is more accurate and done more quickly so we're spending much less time worrying about small mistakes on the site as well.

Finally, the thing that's sort of hard to quantify is that it creates a community of newspaper resources. Our largest newspaper is the Minneapolis Star Tribune and one of our smallest, I don't know if it's the smallest, is the Beauford, South Carolina paper which is pretty tiny. And we meet, all of us meet once, sometimes twice a year to brainstorm and talk about technologies and talk about tools, talk about revenue ideas that will work, and talk about expense savings ideas that are working, and each of us is a phone call away and we really feel good about talking to each other about these things. And so the obvious advantage is for Beauford calling Minneapolis. You can do the math on those. But there are also advantages sometimes for Minneapolis calling Beauford and taking some weird, off-the-wall idea and turning it into something really powerful, cause they do have some resources.

Also, we've gone to some alternative revenue streams. And I'm just going to talk about a couple here. Again it's not - there's no silver bullet here - just some fun ideas that McClatchy is doing. Some that Sacramento is doing, and that we're doing and that the Raleigh News & Observer are doing. And that includes movie club, online ticketing, insider.com and access and I'll speak briefly about each one of those if you'll bear with me.

Movie club is kind of a fun thing and it does more than just provide revenue for us. All of the McClatchy sites minus Minneapolis has created an original entertainment portal in their market. The first idea of which of course is to reach out to the underreaders and build that relationship with those readers and hopefully drive them to the newspaper before it's all over. And one of the things that we like to try to do with that is fun things with the younger readers. And we have these new opportunities with movie listings, we've got new listings on the site, we've got really companies coming to us by the dozens wanting us to do promotions and previews and those kinds of things.

Sacramento has taken this a step further and really sort of stolen a page out of radio and radio has been doing this kind of thing for a long time, but their model as I understand it is more, instead of managing the ticket give-aways, they say, go get your tickets at Joe's Camera's and it's a made rush to Joe's Camera's and then the retailer has a hard time managing that and 90% of those people that get there aren't given tickets and are sort of frustrated. So Movieclub takes that a step further by managing all of that online through a giant database. They've got 20,000 users in the database, 20,000 members in the database. They do 150 screens a year. That might not sound like much but when you think about the fact that we all feel it's imperative that we be at each of those screenings because we're protecting our brand and those things are always oversold. To get around that thing and still get that many screenings a year done, they reached into the database. They did outreach through email and said, anybody out there with an ego, call in and we've got a job for you. They gave them t-shirts and a little bit of training and they created 2 teams of 6 people each. They had a name for them and I'm sorry I've forgotten the name of it, but some goofy little name, and these guys go out there and they represent the Bee at each of these movie screenings.

And they're wrapping about $10,000 a month around this right now. And most of that's the ability to send a message through this email relationship that we've created with the reader. Send an email message from the advertiser. Once you get to disappoint those who didn't win and perhaps send them coupons from the advertisers that say, sorry you didn't win. Try again next time. Here's a bonus for you. Come on in and spend some money with me. And of course we can do that both ways. We can actually hand those tickets over and invite those people to the advertisers' site or we can manage that form as well with a message - send out a little message. It's a pretty fun little software. In Fresno, we're in the process of trying to roll it out right now and I'm not sure how long it's going to take, but we're going to take little pieces of it at a time and do it. But where we think it really has some other potential opportunity is taken from Movie Club to Ticket Club because newspapers wind up with give-away tickets to every event in town. And we think there's some opportunity here, and with the exception of movies, most of those events, they don't ever sell. You're going to get exactly that amount of tickets and you don't have that sort of bad blood to deal with. So we think there's real potential in that. And I'm not sure it'll ever be huge, but we hope it's going to be a really dependable long-term revenue stream. I don't want to diminish the fact that it really drives us into that younger reader market and makes us a friend to the younger reader. Of course, we have that database of users and so we continue to build our relationship with those users.

Online ticketing. Real simple idea. All of us has some kind of ecommerce solution on our sites, so we're working with local companies to sell online tickets. It's very simple when it's general admission. We can do it with the basic tools that we have now. When it's not general admission it obviously becomes a little bit more difficult to manage. And Sacramento, for example, is partnering with a company called Tix.com and they deal with the whole reserve seating thing. There are other advantages. You've heard several people talk about Ticketmaster and Bass' lock on the market. This is an opportunity for us to get our tail in that door and I think that's an important opportunity. Even if it's small. You'll hear me continue to stress some of these things that are not specifically revenue ideas, but I think mean a lot to how we build our brand in the market as well. And those are important too. They made as much $30,000 on one jazz event, so it's not small change, either. And of course, again, it builds your brand in the entertainment category. Again, a younger audience.

Access speed. Another really simple idea. We partnered with a local ISP to create a VISP, a virtual Internet service. And provide that under our brand. And sort of boast as dependable - we're the dependable brand. You've always trusted us since 1922. And it's a real simple wholesale/retail model. There's no sort of front end costs for me to get this thing up and running. I'll just quote one thing. So if it does combine with power of the newspaper's promotional capabilities with an established ISP. It's not without its worries. I want to stress that, because it's our brand. It's all our brand. This ISP really has to live up to the problems or we're in real trouble because people will be angry with us. We started with a different company, moved to a company called Adtech. The first company was problematic and was really worrying us. This company so far, and it's only been a couple of months, but so far they've been really great. The customer service feedback has been really amazing. Having said that, it is your brand and you've got protect it, so we do walk carefully into any kind of these relationships. Its mean in revenue along about $52,000 a month in Sacramento. We've only been up about 3 weeks now and I'm not going to tell you what we're doing, but we're projecting about half of that within 6 moths. Not chump change, but put a few of these together and you do well.

There is another concern and I just wanted to mention this. In any kind of partnering you use it's obvious very important how you choose your partners. And the one lingering concern I at least have with the company we're using is they don't yet provide DSL. Thank goodness I live in Fresno where we just got ATM machines. So, I may have a little more breathing room, for example, than Sacramento does. But if this company fails to offer DSL, we're out of this business. There's going to be no catching up, as you said, broadband is coming. So we probably need to do this by tomorrow.

Having said that, we are the cheapest in our market. Our retail price up there is $12.95. So there are some real advantages to that. A very simple step.

This is one of my favorites, just for silly simple ideas. NCInsider.com was created by Nando. A newsroom editor who used to work there sort of did it as a hobby and a passion of his own. And it grew into a revenue model. It's basically just a clipping service like you guys have here in Austin cause you're at the State Capitol. Somebody provides a clipping service and charges lobbyists and legislators and legislative aides for that kind of stuff. It's very expensive. Well, they are doing the same thing and putting it online. And you can't really see it very well from this slide, but it is really simple. It is basic links and basic pdf files, fundamental information that those lobbyists need in a timely manner. They put one person against it. There's one editor that collects some post-this data every day. It is a daily product and it's a subscription service and it's making for each subscription between $900 and $1200 a month. It was worth about $225,000 last year. The difference between and $900 and $1200 is because some of these old legislators still prefer to get it by FAX. So they'll fax it to them and charge them another $300. And it's no frills, but it's also an important niche at the same time. That's the place newspapers ought to be. Dance with who brought you. This is something that we do well and they're doing very well.

And it takes a step back from the order-taking posture of many advertising salespeople in this day and age, to one of let's help the advertiser the best way we can. And what I'm talking about here is techtonic at our newspaper. I mean, the ground is shaking when you start talking about these kinds of cultural changes. But we have - the goal of course is that each newspaper represented would be well-versed. We would still have people in online and direct marketing who would go along as the expert when necessary. But we hope that the advertiser will see the newspaper for all its promotional needs, and hopefully we can take a little money away from the broadcast media in our market. And what' really big for me is that we think it can really improve staff morale because right now we've got sometimes two and three people knocking on the same advertiser's door. And they have to think, the right hand knows but does the left? That's problematic both for the advertiser and for us and for our morale. We find ourselves competing against one another. We think it can strengthen us against the competition for obvious reasons. The most important thing of all is that it begins to balance our short-term budget goals against our long-term strategies. That's the biggest struggle, at least in my experience with all of this, is that every advertising director has an MBO he's trying to meet every year and the stockholders have an expectation of what the return is going to be. So we have to make our numbers every month and every quarter and every year, and yet we still need to be looking at the horizon and be prepared for these kinds of things. So it's a difficult balance. We hope this is one of the places where we can begin to make everybody's goals have a little more continuity.

I'm just going to leave you here with some resources. Jim Bonfield is the fellow who sort of thought up Movie Club. Some of the content efficiencies came from my friend Rusty Coats, who is now director of MORI research and James Green. And you're free to contact any of those people. I should mention that I also got quite a lot of help late last night from Janine.

So, that's it.

LARRY SANDERS: I will say that at the same time that the New York Times was getting 85,000 subscriptions online, we here at the Austin American-Statesman and statesman.com got 5. That gives you an idea of the scale that we're dealing with… That's 5,000, by the way, not 5.

It's washed out on purpose. I'm Larry Sanders, I'm the general manager of statesman.com here in Austin and for the next couple of minutes, for those of you who are in the Austin area, I'll try to give you a look inside of Statesman.com and the Austin American-Statesman web operation. A lot of the problems, a lot of the challenges that we're facing in the business today, it doesn't matter what size you are. It's a matter of scale. Selling ads online is a challenge, unless you've got a totally independent ad operation, which we don't. So I'll talk a little bit about statesman.com which is a community newspaper website, your community here. Talk a little bit about revenue streams today and hopefully a little bit about tomorrow. And I'll talk a little bit about why I think, and I've been in both, integrated web operations work and really are the only future for newspapers this size. I can't speak for the New York Times of anyone else, but for newspapers this size. Integrated web operations are the only way that we're going to make it.

For those of you who live here, you're familiar with Austin360. In the beginning, with Cox, Austin360.com was, in fact, in the late 90s, was the Statesman newspaper website. And a lot of money was spent branding Austin360.com as the official website of the Austin American-Statesman. And in January of - and, of course at this time, this was the heady times - Cox was going to create portals, spin them all, do an IPO, make a fortune and everybody was going to go home rich. It didn't work, as everyone knows, so they changed their strategy and in January 2000 there was a piece of statesman.com before that, but in January 2001 statesman.com became the official website of the newspaper. So it's reasonably a young organization for this area. The Austin360 portal continues. There is a 355-page contract somewhere that spells out the relationship between Austin360 and statesman.com. I'm sure there are only 2 people in the world and both of those are lawyers who ever read it. But Austin360 is the portal. They do the lists, they do the movies, they do the entertainment. That statesman.com is the newspaper website. It's a content website. It's updated as news once. The newspaper news is put up online and then we update it throughout the day. We do not do movie listings and entertainment listings unless they're paid or unless the print actually writes about them. Then we can run it. But everything else is fair game. The bottom line is that if I can get money for something I can run it. This has really been a good day. Aside from everything that we've had at the conference here, I got a call at lunch today. The stock market report, and for people like the Washington Post and the New York Times, this is going to sound like old stuff, but we just are now able to put together a stock quote lookup and a stock indices. We'll have a custom… Anyway, this whole package has been in the offing for about 3 weeks now and more than that even. And it's launching this weekend and just at noon, I found out that Frost Bank is going to sponsor the whole thing. So we've got a paid sponsorship which, it would have been interesting to see what we did on Sunday when we launched it, if they hadn't come through at noon today.

But that's a worry, no matter if you're the New York Times or the Austin American or the Fresno Bee. Where is that money going to come from? And let me set the scene for you a little bit. Here's just a quick graph on our page views. And our unique readers. We're in an interesting situation here in that we have to report two sets of unique readers because we've got virtually two different operations running - classified on one entire different host than our epaper. At some point we'll get that together. The only thing I can say is I've only been here 3 months so I haven't had a chance. And our average daily uniques, we're running about 25-26,000 uniques. Actually the March number is going to be about 35 because we got picked up by the

Drudge report and it swamped us. So, you know. Like I said, it's different challenges in different levels, but we all play with the same folks.

Channel traffic - just to give you an idea of the size of the operation that we're running…

Sales. I think one of the reasons that I think this operation has been reasonably successful in sales is competition. Monster is going to eat our lunch. I think that Cox and especially the Austin American-Statesman saw early on. There is so much competition for that classified dollar that they got smart enough to get it up fast enough to do some good in holding - not only holding off the competition - but in creating some barriers to entry here that are pretty tough to get around. And there is a concerted effort to retain readership. I think that is important no matter what size operation you're at. We see the Statesman.com as just an extension of the newspaper.

We'll talk a little bit about our current revenue streams. We do quite a few print/web ad/sale combinations. We do upsells. We also do forced sales, which means it's in the rate and they didn't know it was there. We do fewer of those. It's becoming easier to upsell because none of the advertisers has been told they're getting it for free. We won't give it away. We do some online only ad sales to Frost Bank sponsorship, which for us is a big deal. It is an online only sponsorship. We are taking to them about an extended buy in print. And if they're happy with the results online, I suspect those talks will go better. Then there some other revenue streams - archives, which others are using, and subscriptions on line and some of the other. Key profitability - you know, everybody knows that. That's what it's all about. And we had a 40.3% operating ration in 2001. Classified are interesting for us and pretty much for newspapers in general, but especially our size. Classifieds are about 36% of all our print revenues and 44% of all our advertising revenues on the print side 2001. Competition coming in - cars.com - our friends at Beal and Monster.com, homesite.com and others. And with our readership - at Signal we don't claim circulation, we claim readership. Everybody does that now - 611,000 readers. It means everybody reads it twice. 36% of the statesman.com readers do not subscribe to the newspaper. What a great market to get new readers into the print. For an advertiser to extend their reach. It's a perfect area for that. This is our revenues. And that probably is pretty close to the chart for most newspapers out size. They key is the other. We need to protect the franchise, but with 96% of our revenue being classified, and 4% of it being other, it means that we've got a world of opportunity in that 4% if we can find the products to do with that what we did with classified. That's a challenge for newspapers our size. Our operating ration the last 3 years - like I said there was some pieces of it that existed back in 2000 - and looking ahead, in short term we need to add new ad products.

I think one of the most important technology pieces that we're going to ad here for us will be the ability for you to go in and create your own ad online. You can do that now in classified with liners. But we'll set it up so you that you can create your own small display ad online. We'll take your credit card, we'll preview it, and we'll put it up. We'll create service directories if you live here in Austin and you're looking for a plumber, you come to Statesman.com, you hit P and you get plumbers. Almost a yellow pages with graphics concept. The way we're writing the software, and I don't have a lot of developers, but I have one really good one and that's really all you need. The way we're writing the software is so that it will create the ad for print first. Because print needs a much finer graphic ad. And then in the background it will turn it into a web ad with the thought that phase 2 of this will be to sell them into print. Just let them buy both online and print. We're probably 3 months away from the completion of the development of that. Not a radical concept, but for us will be a huge benefit. And in the future we've got to - everyone has said it here - we need to develop diverse revenue streams. Are we looking at wireless and PDA revenue? It's at the very bottom there. Yes we are. Not because we think that we're ever going to make a lot money off of that now. We know that it's way down the road, but we also know that if we don't get in that market in some way without a lot of expense, that somebody is going to get into the market ahead of us and we're going to be faced playing catch-up like we did back in the late 90s.

Content syndication. There's some money there. We talked about charging for access to premium content. I just don't think you can do that now on this size new operation. Content operation. If we could create something so unique and it almost goes against us being a community newspaper cause that's what we are. We're a community newspaper and so you ought to be able to trust your community newspaper to have what you need. Can we go off and create content that is so unique that you'll pay for it? Maybe. But we've got troubles enough getting content created that we ought to be creating this content newspaper. So I don't see that happening in the short term. I do see that small slice of pie there is a great opportunity. We just have to be smart enough to figure out how to take advantage of it. And that's online only ads. It's all of those display ads that are going into print that are not going anywhere after print and that for a $50 or $100 upsell, we'd find some way to get them online. So I think that's where the opportunity is going to be.

Buying integrating operation works. We're totally integrated. I have four people. Four people on staff that report directly to me. I have 17 others who are dotted line reports. We have advertising sales is sold by the advertising department. Contents created by the editorial department. Admittedly online specialists, but fairly integrated into the operation. And why it works, it's pretty self-evident. We've got a management culture that views statesman.com as an integral part. I use statesman.com here but it could be any newspaper this size that really wants to create, run, and protect their operation. It's an integral part of what you're doing. If it's not a part of the business, if it's a separate stand-alone on this size - you can do it on bigger, but not on this size. If it's separate, stand-alone, it's going to fail. Site's critical part of reaching more readers. The 5,000 subscribers that went through the process of putting the credit card in and renewing their subscription - not a lot, but it had some meaning. And a wide sharing of responsibility. This is not a statesman.com's website. This is the Austin American-Statesman website. And everyone feels that. And as long as management feels that and staff feels that, then I think that the resources and the rest of it will come along. But I think those 3 are the key to why a website can work at this level. That's all I've got.

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JULIE WEBER: Good afternoon. I'm Julie Weber, and I'm from Hearst. We have some large websites. We have some large papers in San Francisco and Houston and Seattle and Albany is not bad-sized. But, I'm not going to talk about those papers. We've already talked about big guys with 'Washington Post and New York Times. I'm going to bring you a vastly different picture and that's the picture of the small guy. I actually have responsibility for 7 websites and these websites, the largest one, is a 55,000 circulation newspaper website for the Beaumont Enterprise. Four of these sites and papers are in Texas - Midland Reporter Telegram is another one. The Laredo Morning Times, and the Plainview Daily Herald. That's a 7,000 serve paper. I also have two other 7,000 serve papers. One is in Edwardsville, Illinois. The other one is in Badax, Michigan. And then my last paper is Midland, Michigan. So I have two Midlands. Sometimes it gets a little confusing when talking to people about that. So I have three that are in 7,000 serve range, three that are right around 20,000 circ and one that's right at 55,000. So I go from Beaumont all the way to the Edwardsville, Badax, Plainview sites. They're all very different and I kind of followed in this presentation, some of the questions and applied them to our smaller market. So that's how I'm going proceed with this.

In looking at our smaller markets and trying to see when we're going to see money, I'll say this, that with some of them we already did see money. We saw some really good money at the very beginning because we were ISPs in our market. We couldn't get any kind of access so we developed ISPs. We had an ISP in San Antonio and I originally started at the San Antonio market. And we had ISPs in Plainview, in Midland, and in Badax. We actually still have the one in Badax because you can't even get AOL there. You have to go out long distance. That still is supported quite heavily by their ISP and it does very well for them. But I really don't think that we're going to see much revenue from a pure, online advertising side until we start providing the same value for our shoppers as we do for our readers of our news product. And I firmly believe, coming from a print advertising background, that our online readers also want to know what's out there, what they can do, how they can shop. It's different if I'm in New York, because I'm looking at a lot of national advertisers, I'm looking at, I'm not going to travel halfway across the city because it's a really long way and probably very much out of my way. But if I'm in Plainview, Texas, let me tell you, I can walk there. So advertising something online and trying to get someone to do ecommerce for a product of something that's just down the road is not going to work. Nor is it going to work for a national brand, because they have a lot of national branding. They don't want the small properties. They can in a national buy, but it's just not where they want to be. And we're not going to get a lot of money from the national buys. So we have to get it from our local market. Local is everything to us. It's not what we try to strive for. It is our whole meaning.

So we have to integrate our content and our advertising and make sure that we're giving people value. That we're giving them what they want when they go online and want to see news. They also want to know about their community. And part of that community experience is the shopping. It is finding out what people can do in the community. So we have to establish tools that are interactive that can be used as essential business tools for our business owners. We are the - not just the main media - we are the prominent media overall. So we're going to go out, we're going to as an ad rep, I'm going to take the classified ad, I'm going to take the retail ad, and I'm going to take their subscription for home, the renewal that they have. And I'm going to bring them all back in the office and then I'm also going to into meeting as a manager. Not me, specifically, but that's what we do when we have a classified manager in some of these small markets. They really wear lots of hats. So they know what their client is doing and have a personal relationship. This is probably where we can win better than anybody else. Because we can go and influence them. If we use the power of that influence with them to talk about what we can do. And we show them that we as a newspaper are going to use those interactive tools.

We also have the options of being able to place a subscription, renew a subscription online. We also have the option to place a classified ad on all of our sites. It doesn't sound like much, but in Midland, Texas, about 22,000 circ we get 20 classified ads a week minimum place a classified ad. When you start thinking about how much it costs to actually place a classified ad, have somebody sitting at a desk, taking those phone calls, that's a real savings for them. That really starts adding up. You think about 80 ads a months that you have in real revenue with a credit card, right there ready to pay for it. That starts giving us some revenue.

But until we have our whole team involved and our whole team believing in this one product, we can't move forward. And we can do it with our small markets. It gets a little hard when you start getting up into a larger market. So let's talk about some of the success stories that I've seen. And I'll talk about two that I think are, that I've seen and I've gained as successes with two Hearst markets and then I'll talk about two other markets that I'm familiar with. The first one is Plainview. I was in Plainview about 3 or 4 weeks ago. Went out with the Classified manager, this was my second go-round there, and we went out and saw every car dealer. There are five of them. And he had a personal relationship with every one of them, and before I came to market we developed a platform of what we were going to do. We were going to introduce a brand new print products. A very simple concept called "best of the lots" - basically gallery page bunch of ads on the page - photo price linked to their email on their website. Pretty basic, pretty simple. But it's in full color. It's a full page and it's well-branded.

So we go out and start selling it and we prepared for half the day, sold for one day. We'd sold it out by the end of the first day of selling. We ended up bringing in $50,000 in that one day for annual contracts. That doesn't sound like much when you talk about a big newspaper, but when you talk about a tiny paper, that's a lot of money. We also about four months before that gone in and done the same thing with a real estate product. Black and white product that ran spot color on it. The same gallery concept. We added full color to it, put it online. Both of these products are online. I probably failed to mention that. Both of them are online so they're on their website as well. We were so successful with the real estate product, we decided to come back and do the classified product for autos and were concerned about the slump in auto sales at the moment. But it worked because of the success that we had had with the real estate agents. The real estate agents were so happy about it that we could go out and use in our sales material. Not really as important as the fact that a number of the auto dealers could pick up the phone or walk across the street and talk to that real estate agent and actually say, come on Ken, did it really work? And it did. And that was what made it work out well for us. Because Monday morning those real estate agents knew their phone was going to start to ring. And it was a combination of both their online and their print product. That's integration that works. It sold that staff on it, and they knew that they could see it and got a lot of excitement.

We did the same thing in Midland, Texas. We did the gallery of homes there and that's actually where we started it. We took a gallery of homes that they had already in existence - it was already full color - because it's a larger market, much more sophisticated with Odessa right there. You get about a half a million, almost 3/4 a million market just in that area. So what we did is we went out and started talking to real estate agents and the brokers and said, what do you think about this concept? And they said, hey, we are all for it. We want to do this. We want to be online and we want to be online locally. Midland I have a really unique situation because I actually do have a market that has the TV station, the leading NBC affiliate and the newspaper contributing to one product - mywesttexas.com. So they work very well together. They both contribute news. They brand it separately. They sell it pretty much separately but the newspaper has a team that works together.

So it's a pretty information situation but it works well. We when the real estate agents were very much in favor of this, we upped the cost over 6 percent and we came out with - I'm almost embarrassed to say, that our cost was about $25, less than $25 a week to add all the online elements that we did for them. But we promoted it online. We had the ability to email each of the photos. We had the ability to link to websites, emails, everything. So, we got a very turnkey, very simple product. Not real splashy, not a lot of finesse, but it works because it satisfies the needs of the advertiser.

Many of you have probably seen in Lubbock, Texas, this was a product that has gotten some press recently. Their obit product, when you go in to look at an obituary, you can actually send flowers. And it says: send flowers to this funeral. When you click on that, it actually goes to a co-branded site and they've sold this sponsorship to one of the florists in town and that florist is doing ecommerce from that site. Morris has done this with a number of their properties and has been very successful. Plus they take a cut of all these flowers. But it has worked well for them, and it's a way to actually get in with somebody in your market. You could do that in a small market when you don't have a few florists. And the way they started it, they actually went out and they said, we're going to sell this to somebody. We're going to show every florist in town and tomorrow at noon it's open to be bought. They developed the competition in the marketplace. I thought it was a very good idea. It takes a lot of the integration that we don't have - we don't have all that ability with some of our smaller papers. But they were able to use that and Morris has a tremendous program with being able to take that kind of product and move it across their different units.

Is another fairly small paper and I just say package sales here, only because they went out and spent a week going out and selling - doing a concentrated blitz - things we've heard all over in newspapers and online divisions, and they were able to sell 22 packages. It doesn't sound like a lot, but when you look at their site and you can see advertisers from all over town, it drives additional business the rest of the year. So that's been very successful for them.

I want to talk a little bit about that evolution of revenue. Our ISPs helped us a lot at the beginning. I said that earlier. And they continue to help us. In Plainview we have a relationship. We sold our ISP but we maintained a relationship. Because while it's not useful in some of the larger markets to be the developer of websites, there is nobody else to be a developer of a website in our small markets. We can still get some pretty decent money there. They need a basic website. It's kind of brochure-ware, yeah, but we do add some other elements. We do have the ability to give them email and we can have control over their promotion budget as well. So we combine the whole thing together and we get some money.

We did find that the cost of upgrade was very high for us. We were doing all our own sites in 1999 and by 1997 we all had sites. All of our papers did. In 1999, we decided we wanted to change to be on a platform that had a lot more interactivity, that had a lot more features. By the end of 2000 we were all on Zip2 sites. Well, many people in this room know that Zip2 tanked last year. Big time. It was not a fun Thanksgiving and Christmas, is all I can say, when we switched over 7 websites in 5 weeks. But we did it. We actually ended up with a much better product that didn't have a lot of things that caused us anxiety. Nothing broke every day. That tended to be the problem. And it's best for us to go with a vendor rather than to take resources and put them in each of those papers. We have very independent properties. We're not a network group in such a way that we tell our newspapers exactly what to do. Each of them has the ability to make decisions, but we did decide to all go on a common platform and that's helped tremendously. Now we've been able to see the growth in a lot of different areas. Because we've developed a comfort level. People now have access in all of our newspapers. They know what they're able to do and the comfort level is there now, we're able to start showing results with our products like we have with Plainview. And the best thing we did with our newspapers is we actually kind of pit them against each other. It doesn't sound like a nice thing to do, but it works well. Nobody wants to be the one publisher whose paper didn't work.

Paid access models aren't going to work for small papers. They just are not. They may work if we had really specific content, stocks, our archives - we do have paid archives - certain business news, our oil and gas content is very popular in the Midland area. We get a lot of traffic from out of the area just for that content. It could be a value add to our print subscribers and I see that somewhat, but it's not for our general community news. Because people expect it of their community newspaper, they demand it. They really demand that we give them information. If they're already paying for a subscription, the don't want to have to pay for it online. I just don't see that the money is there for it. We have a very high penetration of newspaper subscribers in our markets.

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The subscription fee experience when I was in San Antonio was when we were an ISP there and as part of my ISP we gave the content to those people who were with the ISP. We came off of that in 1999 and it was the best move we ever made. It really worked well. So except for other markets, I just don't think that specific content especially in the small markets, you just don't have the mass to make it worth the expense to do it.

Let me go back here. OK. Do ads on the new sites work? I think some do and some don't. And I think it has a lot to do with the way we sold them in the past. We've done banner ads and we've left banner ads up there for 3 months and people got tired of them. They went to websites that were dead websites that had no information, no interactivity. If you have very creative ads and the sites are updated and you have realtime interactive information, it can work. How I think it can work in a small market is a little bit different because I think the small markets are ready to have information up to bring people through their doors. We're not going to get people to order online. We're not going to get people to do anything but walk through that door. If we can use our online site as an additional form of advertising for them to capture other people in the market - the younger demographic, we can do well. I know we can, because we've seen it work. It depends on making sure that you bring to the customer what they're looking for. We do that every day in our newspaper. We just haven't been able to take that across well to our advertising to our website.

The online revenue prospects I see - we're looking at quite a few different things right now. Integrated sales packages as many people are doing, but we're going to that with every aspect of our products. Our classifieds are of course a very large portion of what we do in a smaller market. But we're even heavier into it now with doing our display ads online. Display ads I believe should be done in two ways. They should be in content. They should be actually integrated and that's what I mean by ad integration. We actually have, we already have a process where we're putting a thumbnail for our ads on the, in the banner ad spots on the sides of our pages. But we're actually going to put those into the content of our stories. Because we believe that people are reading their websites very similar to the way they're reading their newspapers. They want that information there. We're also looking at enhancing our classified verticals as we've done in Plainview and we've done in Midland, Texas. Being able to enhance those just a little bit works very well and gives a lot of access without a lot of cost for us. The interactive sales products that we're looking at vary quite heavily but some of those things are very similar to what the flowers on the obits process is. Because that actually gives you something that you can do right then and there when somebody is looking at a product. And it's very clearly defined as separate from editorial. Reverse publishing - calendars are very important in our small markets. Collecting the information online and then reverse publishing it into the paper. And selling around that has a lot of opportunity for us.

Looking at some of our content specialties, I've already mentioned what we do with - we have a special section for oil and gas already online and we do collect that from the newspaper and doing other products like that in our other markets. Plainview is a very agricultural area. Dow Chemical is based in Midland, Michigan, and that has a lot of opportunity for us as well. Let me skip down to some of the interesting things we're doing that we're developing right now. Kind of on the popup idea, but what we're doing is deal of the day. The idea around this is that on our homepage we have a section that's labeled deal of the day. Basically you're using a banner ad but you're clicking on it, you're promoting it within the banner ad and the banner ad changes each day for who that deal of the day is. You actually do a small popup browser window of what that deal of the day is. And you get the hot deals from those advertisers. That's one of the things that we're looking at. We have been extremely successful with political advertising. Market - small markets are terribly, terribly aggressive with political advertising. And there's quite a bit of money there. We'd rather have it on our website than have it in posters all along the highway. And it works very well. We've done well. Even in the Texas primaries we did well with that type of a campaign.

Finally, what I'd say is that if you have ever been a fan of Saturday Night Live you probably remember Deep Thoughts by Jack Handy. Jack Handy worked at the Express News a little bit before I got there. He was as he describes it, semi-fired from the Express and then went on to meet Steve Martin and become a writer on Saturday Night Live. Well, my deep thoughts are, basically, that the leader of our organizations at each of our papers has to be competent. It's basically our publisher. To have to be competent, this is what they want to do. We know that that happens because when we see that that publisher who in most cases is walking out on the floor each and every day in his one-room floor, makes a difference when he is saying that online can work. That the revenue is there and he supports it. When you look at the fact that the confidence that we have from our publishers spreads throughout our staff, when we have additional training, we know we can get people out in the field if they are trained properly. And training of course creates the opportunities for them to actually go out and sell. I've sat down the sales reps and I go out on a lot of sales calls - 4-legged sales calls. If those reps don't feel comfortable, they're not going to sell it. But I think that the number one thing that I believe is deep thought from Jack Handy is this: that I hope if dogs ever take over the world and they chew the king, they don't just go by size cause I get there are some Chihuahuas as well as small newspapers that have some really good ideas.

NEAL BURNS: We have time for a few questions and I will try to be brief. Why don't you just direct your questions to the speaker.

I have a question. When we were talking about 2.3 spending, 2.3% spending, who had that number? The general assumption that I have is that the majority of the major advertisers - Proctor & Gamble, big tire companies, they're doing 1% or a little less. That 2.3 percent comes from what, primarily the local stuff?

The point I wanted to make is that without that major stuff ….

ERIC CHRISTENSEN: You're saying that in the last probably last few months you've started to see some real movement on packaged good manufacturing. We've got a Teddy Graham whose tower ad running in the homepage of Dallasnews.com. It's like, okay, that's interesting, but that's just a sign of agencies looking for alternative ways to - you're looking at online as not just a - what's my click-thru rate but also a branding mechanism. So I see some movement in that direction.

AUDIENCE QUESTION: I was curious because there was an earlier statement in one of the other presentations that the audience for the kinds of things that we're trying to do for advertising, whether they are things running across your screen, or the classic popups that there's a greater acceptance of that fact that these things are going to happen because they're coming to recognize that someone's got to pay for this. I'm curious, in your market and in what your viewing, do we risk actually turning off the readers and the users in this aggressive mode to try and find revenue streams by trying too many of those things? There seems to be a debate between the kind of original users, especially in the technology community that says, these people are mucking everything up and the rest of us who are saying, look, this is just the real world.

LARRY SANDERS: I think here in Austin that we run a real risk of alienating readers by playing technology games with them. I'm not a big fan of popups or popunders or popsideways or any other way. And I think that it - and I'm only speaking for a community news audience. I think it tends to alienate them. I think it makes them mad. And probably is self-defeating in the long run. I think there are other ways to get the message across to readers. I think it all comes down to the discussion of, do readers come to the website just to read content? I say they don't. They come to the website to read ads just like you read in the newspaper you read ads.

ERIC CHRISTENSEN: In our business, we've tested different things and then we'll put parts of it on the wire in certain areas and see what the response is. We have a great relationship between our head of sales and our head of news and operations and the sales guy, he's going to push the envelope with the news and operations guy and he does have a veto vote, he is the user experience guy. So that generate things like frequency caps on how many popunders per session or pops we can do say at registration and place where cookie our users, we can actually control how much we just pummel them with intrusive advertising, if you will. The thing that you can now be careful about is sound, is embedded sound and rich media is about graphics.

NEAL BURNS: We have one more question.

AUDIENCE QUESTION: Yeah, I have a question. I don't know if anybody had an opportunity recently at the (inaudible) conference at the place in New York, our CEO Martin (inaudible) came up with a sort of core idea. He called it a core idea. And I think really a question for Eric is, it has to do with both managing broadcast sites as well as publishing sites. And the core idea is this, that the economics are flip-flopped on the web in that text is really following the economics of broadcast offline and video online is following the economics of publishing offline. And I'm curious as to anyone else who's had the opportunity to work with broadcast sites might have some opinions as to how you feel about that. The marginal cost of - and I think newspapers in a way are much more well-suited for the Internet because their primary asset is test-based. Whereas in the broadcast side I think the repurposing can really have an economic impact whereas it could just be a lawsuit.

ERIC CHRISTENSEN: Yeah, I think that's a great point in broadcast. Those of you who have seen broadcast economics know that TV stations can be insanely profitable. I mean, there's a lot or margin in TV but it's pretty volatile also. On the web side, you absolutely, one of the things the newspapers have going for them - they've got a text-ready, web-ready product that gets put out by their publishing system. They've all spent scads of dollars of XML-based published system online to develop our own inhouse way to get on the web. A teleprompter text does not translate very well to a web user experience. And that's really where the content costs at a broadcast site - just what we're doing today is a tough thing for the broadcast sites to make work. That's really where it has been - beyond the fact that they don't have classifieds, they also have a cost issue which is their content historically is not designed for that kind of user. So far today people still read on the web more often than they view on the web. That's going to change over time but for right now, you're right, it's difficult.

JULIE WEBER: We've had the opportunity to actually use the TV station to our advantage and I think they use us to theirs in Midland because it's a small market we're not having people update throughout the day. But with the TV station, we can. What we did is hired smartly and we have a gentleman who works for the TV station but he had a lot of print experience. So he updates every day and keeps the content in an acceptable print quality for us. So we actually get quite a bit from them and they get from us because they have the depth of our content. So that the traffic pattern for Midland is as high, if not higher on most months than my newspaper that's 50,000 circulation which of course is nearly twice its size.

ERIC CHRISTENSEN: I think that' s part of where it's going to work and Dallas is a great example. We have a strong TV station, WFAA plus the Dallas Morning News. We have a consolidated site staff that publishes both wfa.com and dallasnews.com and we actually have in the TV newsroom, which is very integrated web and broadcast, a web manager who runs the overnight assignment desk for the broadcast station. So he actually, because of our news cycle, he's able to update the print site also with those current news that's coming through the broadcast, they're all over breaking news in a big way. He's on top of what's going on. I'd say, to benefit both user groups online - online and print and broadcast, excuse me.

KEN RIDDICK: Which is now not uncommon what's going on in Tampa and Orlando They have a multimedia desk where all the signing goes on….

NEAL BURNS: Well my task, unfortunately at this point is to try to cut this short in the interests of other's time. I think we had a wonderful panel and a great session. Thank you.