Day 1, Panel 2 - Strategies to survive the digital era: Where do newspaper companies go from here?

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Panelists:
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John Paton, CEO, Journal Register Company

Earl Wilkinson: My name is Earl Wilkinson. I'm the Executive Director of the International Newsmedia Marketing Association. Two years ago, we changed one word in our name—from Newspaper to Newsmedia—which should give you sort of a flavor for the topics that we're going to cover on the next hour to hour-and-a-half. I may look like a steak, but trust me, I'm just the appetizer. [some laughter] I'm going to give you a broad overview of this topic, and then we're going to go into some deep dives with two of the most innovative publishers in the United States today—Jim Moroney of *The Dallas Morning News* and John Paton with the Journal Register Company. They are both literally former Publishers of the Year over the last couple of years. And we're going to go into a deep dive in terms of, where are the opportunities? Where are the threats? What does it mean to be multimedia? What does it mean to be news media, etc? I'm going to give the opening presentation that I hope will set the stage for that.

I'm an optimistic guy by nature. I believe in love at first sight, I believe in Santa Claus, and I believe there's a future for print with newspapers. OK? [laughter] But I'll tell you what, about 15 months ago my faith was shaken. My faith was shaken by headlines that we were literally seeing around the world. You see a few of them on the screen: "The Death of Newspapers" "Who Killed the Newspaper?" "Stop the Presses" "Death! Death! Death!" My faith was shaken. I literally stopped what I was doing. I stopped everything that we as an association were doing. And I just picked up the phone, and I started dialing publishers, not just in the states, but in Europe and in Latin America, in the South Pacific, and in Asia. And I just said, "Am I wrong about this? Am I misreading the clues? Because you've got some very reputable organizations telling me that we are literally going to see the collapse of newspapers in the next 12 months." This is what they told me. They encouraged me to look at it from the following vantage point: All newspaper companies, all media companies are going through a downturn, but we are confusing the worst downturn in eight decades with the death of newspapers. And to make matters worse, with all due respect to those in the audience today, you had a lot of journalists talking about journalism. Bad combination. Bad combination. And they said, "You know, everyone is going through a recession, but not everyone, not every one of the 10,000 daily newspapers that exist in the world today are going through the debt that has been accrued over the last decade."

The problem with that storyline, because we are an industry of storylines if you haven't figured that out, is that that story was concentrated in two countries—the United States and the United Kingdom. And why that matters is that the megaphones of our media and advertising industries are concentrated in London and New York. And so the storylines that start in London and New York eventually spread to other world capitols. INMA has members in about 82 countries worldwide. I could literally… I get off a plane in the Hindi belt of India, where newspapers are proliferating. Print will be around for the next 20-30 years. You're looking at growth in advertising, growth in circulation. The first question from a reporter's lips were, "What can you tell us about the death of newspapers?" So is what's happening in the United States and the United Kingdom the tip of the iceberg? That's what people around the world wanted to know. And my short-term answer, based on a lot of research, a lot of interviews, a lot of conversations, short-term is no. But as you look out over the horizon through 2015 and 2020, you see some serious disruptions to our business models, on the advertising front especially. But if you look at a lot of part of Europe and a lot of parts of Latin America, a lot of parts of Asia and the Pacific, you find that here are other factors. There's demography. There's literacy. There's Internet penetration, business models, and even national cultures.

What is unique to the United States and the United Kingdom is debt among the leading companies. You have a high broadband Internet penetration. Very mature advertising markets. In the United States over the last decade, advertising as a percentage of gross domestic product approached two percent. In most of Latin America, what is it Rosental, two-tenths of one percent? Three-tenths of one percent? It's very, very low. We have high expectations of profitability. We've sort of sold this to Wall Street. We've sold it to Fleet Street. We fully expect 20 to 25% margins. And if we don't achieve that, we're not doing our jobs. That's not the case in Europe; many parts of Europe. That's not the case in the South Pacific. That's not the case in many other parts of the world, where a different storyline is being sold—long-term sustainability, mid-level profitability, etc. And finally, I think that there is a poor public perception both of news on paper and news brands in the United States and the United Kingdom. And you don't see that in Australia. You don't see that in countries whose national newspaper industries have come together to promote themselves continually to readers and to advertisers.

So there are some real peculiarities in the U.S. and the U.K. that just don't translate to much of the rest of the world. But there are some things that do translate: capitol budgets tied up in the wrong things, tied up in printing presses instead of databases, in CRM systems, strange internal cultures, an editorial production culture that looks inward for answers not outward to the market. That has to change. We have vertical organizations. We do have a migration of classifies to the Internet. It's happening everywhere around the world. When the vast majority of national newspaper industries wake up from this recession in 2011—those are the countries in blue—they are going to wake up to business as usual. 100% of their business is going to return. 105%, 110% in some cases. They are just at a different point in their history and their development. But a few countries like France, like China, like Australia and New Zealand, they are going to wake up feeling as if they have caught a bug. Something happened to transform consumer mindsets toward more of a digital mindset, and you've seen a migration toward digital in terms of advertising.

As for North America, Northern Europe, the United Kingdom, and Ireland, we've seen a full blast shift. It was happening, it was building throughout the last decade, but in the last two years, this recession accelerated trends already existing in the consumer market, and it's transformed our business models, and we're never going to go back. As we look out over the next decade, I think this is the clear, long-term trend line worldwide. So today's newspaper isn't universally dying. Certain business models are affected. Certain business circumstances. Certain market environments. And the recession simply exposes vulnerabilities.

What I'd like to do in this appetizer presentation is sort of: A. Let's debunk the myth of the death of newspapers. They are going through transformation, evolution, but they are not going to die. I want to talk about what publishers are telling me about the prisms of strategic planning. I want to talk about this new value proposition as we migrate from a print mentality to a multimedia mentality. All of a sudden as we talk about adding value, not value as in a theoretical bigger and bigger audience, but money. The money that funds great journalism. You've got to find a clever linkage between audience, content, and as we saw in the last panel, platforms. And finally, I'd like to just talk briefly about how we can determine the value of that content. And that's a big debate in our industry today. The prism of planning for newspapers for the most part involves a deep hole in shifting sand. The deep hole—last year we saw advertising in the United States newspapers industry drop to 1985 levels. And we had some damned economist come along and say, "Well, if you inflation adjust it, it actually was at 1968 levels." I didn't need to know that, Mr. Economist. And that's what we have to sort of dig ourselves out of.

But inside those numbers, there's much more interesting data. We're seeing a shift in marketing expenditures away from traditional advertising. Don't just think newspapers. Think television, think radio, think outdoor and toward alternative interactive channels. And let's be very clear, anyone who is saying alternative, you're not on the other side of the fence. OK? This is happening right now. Newspapers are adjusting daily.

I believe the prism for planning ultimately is a Star Trek future today. In the second and third quarters of this year, we are going to see newspapers begin to show revenue for the first time in two years. It will happen. But we have to be prepared not for 60% broadband penetration or 30% in some countries, but 100%. You're seeing countries like Finland and the United States, governments essentially saying, "You know what? I don't know how we're ever going to get from 60% to 100%, so we'll use government intervention to get us there." What's the future of print in that context? We're going to be prepared for market saturation or the kind of talk you saw in the previous panel. Smarter and smarter phones and a doubling and tripling of broadband speed. And that hasn't even been, I believe, factored into a lot of the strategic conversations in our industry.

So where does news on paper fit into that future? Where *does* advertising fit in the digital world? My assumptions are that this decade compared to the last decade compared to the last decade, we're going to see less advertising and smaller companies. These guys are going to tell you how that may not be such a bad thing. I think we're probably going to see less professional journalists and more curators and editors, clever platform managers, who are going to flow that big bucket of original content to more and interesting platforms. We're going to replace print complexity with digital complexity. You know, the newspaper attitude, let's say, ten years ago was, "You know, we're going to get rid of print over time and we're going to replace it with this really cheap digital infrastructure." Nothing cheap about it. We're going to have to invest more sales and more marketing and more research if we're going to generate the advertising revenue or the consumer revenue that's going to pay for great journalism. I can't tell you whether it's going to pay for the level of journalism that our newspaper companies and our media companies around the world are used to, but there are great days ahead. And we better figure out the money formula for this, for we're going through literally a reformation and renaissance of media.

An INMA member in Australia working for Rupert Murdoch told me recently, "We're moving from this age of mass media where we talk to the forest, to an age of niche media which we're just leaving now where we talk to the tree in the forest, to an era of micro-media where we talk to the leaves in the tree in the forest and the damn leaves are talking to each other." [laughter] Somehow we have to build a business model around it. I believe in print! I just don't believe that it is the end-all, be-all for what we do. I'm more interested in the content not the package. The power of print ultimately is its deep engagement, its deep loyalty, its deep passion. It is a canvass of emotion. Through all those presentations I saw in the previous panel, I don't see yet. But I want to respect print for what it is and what it is not. It is not the end-all, be-all, but it is that. We can make money out of that for the foreseeable future. But we can't make all money from it.

Seth Godin said recently, "The average American last year saw one million marketing messages." OK? And boy, we are turning off the spigot. We don't want to hear about this. 60% of Americans have their telephone on a do-not-call list. Spam filters. Consumers registering not to be hit up by mail and by email. We don't have a choice! If we are to fund great journalism, we have to play in a multimedia game. We can't just play a print game anymore. So newspapers have to adapt to this age of micromedia. But how do we evolve from audiences of geography to audiences of passionate niches? We're in the discovery process for that. What's the best medium to reach these advertisers? If print is the best medium, let's flow the content that way. But if it's not, forget it. We have no choice but to become multimedia providers of content and audience solutions. Maybe print for mass-market journalism and passionate niches. Maybe web and mobile for timely news. Maybe mobile for location-based news and advertising, and social networks and citizen journalism for the granular conversations and the granular feedback of everyday life, that frankly even in the best of times newspapers can't afford to produce.

To get to that future requires the equivalent of converting from Catholicism to Buddhism. Oh, yeah, I said that. [laughter] Write that down. We have to disaggregate print's value propositions. And that means unlearning everything we were taught in journalism school, everything we learned from grizzled veterans over the years, and literally retrain an industry. You know, this is the industry I was sort of born and raised on 25 years ago. A nice, comfortable print bundle that protected everything. Made *all* the sense in the world to me that all these classifieds over here were paying for this journalism over here. And news was news. It didn't matter whether it was locally produced or the Associate Press. It was all part of the bundle. That was what you were selling. It was a simple, easy world that pretty much existed for 150 years.

Nicholas Carr, though, wrote a book a couple of years ago that described what happens when the bundle crumbles. That when newspapers move online, the bundle literally falls apart, and each story in each section stands naked in the marketplace, and this invisible system of subsidization that makes all the sense to those veterans in our industry suddenly disappears, and the link between news and advertising becomes severed. And the expense of printing created an environment where, you know, Sears subsidized your Washington Bureau. That's gone now. There is no deep link, in my view, between advertising and reporting. I would say as research goes on, there is a deep link between advertising and environment, advertising and reading behavior, advertising and whether I'm leaning into a print newspaper or leaning back on an iPad. And now every unit of content has to have value. OK? Those property ads can reside in the bundle, but boy, if we disaggregate them, they better pay for themselves.

We're learning that breaking news has different value than traditional news. Investigative journalism has a different value than wire service news and even pack journalism. So this is why determining your content's value is a top priority today. And I hope that it's getting through to journalism schools.

It's getting through to newspapers. It's probably not getting though fast enough. What I love about the conversation of value of content is that ultimately it's a proxy for engagement in the digital age and it focuses you on what and how you market to consumer segments. Don't assume newspapers know the first thing about marketing, folks. According to our internal data in INMA, the average newspaper in Western countries spent 1.5% of revenues on marketing themselves. Understand that when an advertiser walks in the front door, you know, old school would be you need to spend 5% of your revenues just marketing with our newspaper. So we're not serious about marketing. Value of content focuses us on some really interesting things. Whether you charge for content or not, segmenting content, platform, and audiences forces a market approach. It places you in the context of this abundance of information. And it goes straight to your differentiating value proposition.

We don't believe the traditional business model will survive ultimately. In the U.S. and in the U.K., 50 to 75% of print advertising will return. We've scaled our operations to the point where we can make a profit out of that, but we clearly have reached a point where we need alternative funding sources. Honestly, I still believe there's too much abundance in inventory to drive up online cost per thousands advertising rates. I think advertising is going to be a smaller part of the revenue pie. It won't disappear. But the critical thing I want *you* to think about as you pursue your careers, especially, is that we were raised on this idea that we were doing God's work and we were producing content and great journalism for *everyone*, but that really isn't reality today. And we're going to be producing more for audiences that pay us and less for audiences that don't pay us. We've got to get ready for that.

Content's pure value is declining. Why? Not for anything that we're doing. It's basically an issue that the denominator of content is rising. The sheer amount of information produced on the planet Earth is staggering, and it's minimizing the consumer perceived value of what professional newspapers and magazines do. We're learning that not all content is created equally. Not all platform experiences are the same. We've made a determination that the consumer has to pay more, but it's manifesting itself in different ways around the world. In India, 99% of a typical newspaper's revenue comes from advertising. 1% from consumers. And they're going to change that, and they are changing it right now. In Switzerland, the major publishers there have invested in ecommerce capabilities and integrated it onto their website. Their view is quite the opposite. We want as many free eyeballs toward our news websites. Why? Because we're making money off of ecommerce. In the United States, you're seeing a doubling of print subscription prices. Why? Because we're focusing on that core audience. We believe we're under-pricing them and there's value and revenue to be had. Indonesian newspapers, Irish newspapers are charging expatriates for online access. The Australians are talking pay wall. The British are talking membership formulas. There are lots of ways to generate revenue for consumers. And there are different models around the world depending on the platform.

I believe that when we talk about monetization you've got to get back to basics. What is the reader perception of the print bundle? I've yet to see a newspaper actually do research on this. What's the reader perception of disaggregated digital content? I talk to newsrooms literally around the world and I just ask their journalists a simple question, "Of the content, of the original content that you produce today, how much of it is worth at least one penny to the average reader?" [Pause.] That's the reaction I normally get. "I don't know." What's the atomic unit of our content? The music industry decided it's the song. It's not the CD. It's not the package. But it doesn't matter how we perceive ourselves. If I can get one point across, we need to stop looking. You know, we don't need to get in this room, etc., and say, "Well, what do you think? What do you think?" "I don't know. I think this is beautiful." We need market research. We need a better connection to the community, to advertisers, etc. Because people don't pay for content, but they perceive that they are paying for content. You do realize that, right? But they are instead paying for access to content. Now this is nothing new. In the past, what did consumers pay for? They paid for paper. They paid for delivery. They paid for the theaters, the books, the CDs, the album. They didn't pay for the content. That was subsidized by the advertisers.

Now this is highly unscientific. Please bear with me. This is based on the extensive interviews with my 80-year-old father. [laughter] 1975, my family paid about $40 a month in print magazine subscriptions, newspaper subscription, in theatre movies, etc, minor cable television, landline telephone, etc. In 2010 dollars, that's about $161. Take a look at what we're paying for today. How much more we're paying for today. We have no problem paying for media, folks. But if you look inside the numbers, there's been this huge shift toward access to media and not so much of a huge shift in consumed media itself. And if you don't like the way I segmented that, go do your own segmentation. I don't mean that in a funny way. I realize the flaws in this, but it gives you an idea in terms of what's happening. People believe for that Internet subscription or that ATT cable subscription, that I'm paying for *The Dallas Morning News's* content. OK? I believe that as we try to muscle our way into the wallets of consumers, there's some things we can do, and that's sort of the newspaper battle you see on the screen. I think this [is an] access battle. Imagine publishers gathering together to create a storefront for their content and their best content. No individual newspaper can do that. That's going to require leadership, industry collaboration, and that's a tough, tough thing. And just in case you want to freeze into that right-hand column and think, "Whew, man, that's a lot of competition," look what's coming next. And I'm not talking about two years from now. I'm talking about two months from now. So newspapers are literally in a battle for share of wallet for the consumer. Who[ever] controls access is going to control the wallet.

Now there is good news. That because of rising access, time with content is growing exponentially. But what we're focusing on an industry is how to change the dynamic when the subsidies are changing from media to the device and access. Audience plus content plus platform equals value. What I'm going to be interested in, in Jim and John's presentation, [is] what are doing to carve perceived scarcity out of this abundance of information? The more abundance, the lower perceived value. OK? There is no price tag on content unless there's perceived value.

You look at our audience. Are we aiming for an upscale audience? Most newspapers are. You go around the world, though, you have popular tabloids that aim for midlevel and even downscale audiences, and they make a good profit. Are we based on geography? On interest? On mass? On niche? On micro? What about our content? What's the differentiating value proposition? Then, of course, we have talked about platform. I heard it touched on in the previous panel. I'd like to expand on it. Content has a lot of different values. Now what we learned in journalism school is, well, *The Washington Post* article today is better than *The New York Times* which is better than *The Chicago Tribune.* That's old thinking. Old thinking, you know, [is] elite newspapers competing for the same story. What we're trying to really revolutionize in our industry is that content has different values. Yes, it can be quality, but it can also be surprise, and delight, and speed, and stickiness, and utility, and context. And that's why I say that I think the great value proposition moving forward is going to be less journalists, maybe more editors, because this requires a lot of thought moving forward.

How do we respect the platform? Again, different platforms have different values. And then, how do we prioritize engaged audiences?

Let me conclude by pointing to an obvious fact. In revolutions, the old tend to get broken faster than the new can be put in place. And even revolutionaries like Eric Schmidt or like Rupert Murdoch can't predict the future. 31 years ago, there was a beautiful book out called "The Printing Press as an Agent of Change." You probably need to go through Amazon to get it. What the author essentially said was, "Look how the world looks so different before and after the printing press." You had the bible translated into different languages. Erotic novels evolved. Greek classics flourished. Books became smaller and more portable and cheaper, and literacy flourished. We're going through the same era today. The Internet is only 40 years old, and yet we stand before you as if we have all the answers. We don't. Access by the general public is less than half of that. Access is part of your everyday life. It's just a fraction of that. We're in this wonderful, marvelous age of discovery. And we're starting to rewrite the rules, but my guess is you're going to take us the rest of the way.

To sort of summarize, there is no pending death of newspapers. Forget the headlines. But there are clear disruptions over the next decade that require us totally rethinking our business model. The prism of planning is 100% broadband, 100% smartphones, double the broadband speed. Where do the platforms that you operate fit in that future? Newspapers are evolving into news media companies and that requires a really huge rethinking of what we do. And finally, value equals audience as content plus platform.

Now that is the appetizer. What I would like to do is turn the floor over at this time to John Paton. John is the CEO of the Journal Register Company. It is a multimedia company focusing on local journalism, smaller newspapers. He has a fascinating background on two continents, about four countries, revolutionizing companies and really leading the way. [He] is a leading voice for this migration from newspapers to news media. He is a former Publisher of the Year. He is a former CEO of ImpreMedia, and he again is one of the brightest lights in our industry leading the way to a multimedia revolution. With that introduction, I give you John Paton.

[Applause.]

John Paton: If I'm one of the leading legs of the newspaper industry, you're going to have to change that impending death slide. Earl, if this newspaper thing doesn't work out for you, you've got a great career as a televangelist ahead of you. [laughter/applause] And I guess the last thing I'd say about this [is], if you were the appetizer, this has to make Moroney the watercress salad. [laughter] Because you can guess where I might fit in just on the size portion here.

I want to thank Rosental and Earl and Jim for asking me to speak today. Considering those who have pined on our industry tend to be divided—Earl aside here—into the 'blow it up and start over' camp or 'try to fix it' camp 'by adapting,' I was asked to speak today because I think I straddle both of those camps. I'm hoping that this is a talk that in a year from now I don't have to give anymore because it's a boring talk. It's a talk about business models as opposed to a talk about journalism. Because let me be very clear, although I run what is essentially now a newspaper company desperately trying to become a news media company, journalism isn't going to not survive because newspapers are not in the newspaper game as print providers. I believe journalism will survive because of the various platforms. I do believe however that the journalism that newspapers currently do is extremely important. And so like Jim and our colleagues here, I'm busily looking at business models because I want to support that journalism, and right now newspapers are the crucible of that, in my opinion, of quality journalism.

The examples that you're going to see here today include ImpreMedia, which is a company I cofounded back in 2003 and still sit on the board of, and a little bit about Journal Register, a company that I've been the CEO of for 72 days. So I'm going to tell you a little bit of some of the changes there, but it's mostly about where we're going. The Journal Register Company—and I'm happy to tell you we have at least one reporter here, Andrea Carter, here with us today—could be a poster child for what ails the U.S. newspaper industry. The company can stretch its history through predecessor companies and newspapers all the way back to at least one newspaper cofounded by Benjamin Franklin. It counts its properties in the hundreds, 324 of them to be exact, its employees in the thousands, and its revenue in the hundreds and hundreds of millions of dollars. And it's broken all over, in my opinion, unless it changes and changes how it does its journalism, changes how it defines that journalism and how it interacts with the people we used to call the audience and who are more likely to be called citizen journalists these days than audience. Unless it fixes its business model—what I'm here to talk about today—it's not going to make it. So this presentation is a little bit about what myself and others have been engaged in, in two companies, in recent history to see if we can't change that model.

Most of our industry looks like this. These happen to be ImpreMedia's properties. It was a slide I had. I didn't want to make a new one. And they claim to be multimedia. It's a whole bunch of print products. In this case, they stretch all across the country here in the United States, and then they shovelware stuff onto the web. This is old ImpreMedia, not new ImpreMedia. And they call *that* multimedia. No real preference for platform other than print gets done first. And almost everybody is probably tired of looking at this slide. The model is broken. And Clay Shirky in his blog posting "Newspaper and Thinking the Impossible" is well known for this phrase. But the phrase goes a lot longer than "If the old model is broken, what will work in its place?" Because the phrase in its context says, "The answer is nothing." Nothing will work. There is no general model for newspapers to replace the one the Internet just broke. And if you talk to Clay Shirky, and I have via email, about this quote, he said he could easily have put 'broadcast television' in for 'newspapers.' Any legacy media company you could have almost substituted that word or that industry for the newspaper industry.

And so stating the painfully obvious here, our legacy business model is too costly. The newspaper revenue is shrinking over the long term. We will see some cyclical return, as Earl was talking about. But if you drop to 1980 dollars and you have a great year next year because you went to 1983 dollars or '85 dollars or '87 dollars, you're in deep, deep trouble. I started in this business in '76, and the idea of having to figure out my business on revenues that are somewhere in the mid-eighties compared to the cost we have now is a challenging task, to say the least. New multimedia revenues are slow to grow. As much as we're all sitting here with iPhones and iPad discussions and everything else, they are the future. They do point to where we're going. The revenues, while on a growth rate, are very, very fast growing—because anybody here who's done a bit of math, knows that a slightly bigger number over a tiny number is a big percentage—[but] they are slow to grow. Capital structure. Just about every newspaper company I know owes money. And right now if you're a newspaper company and you owe more than a buck, you owe too much money, in my opinion.

In my email conversations with Shirky, one of the things I wanted to dive down into was the idea of, could newspaper companies become news companies? And this was his answer. "Survival of news organizations is a foregone conclusion. There will, of course, be news organizations that our newspaper businesses transform…" It was lengthy email exchange, and he does go on to say, "…if they have the courage to make the necessary tough decisions to make that change." And if you are in Jim's company, which is a public company, or in my case, a private company… It was a public company that had the advantage—and I do mean to use this word with some decision—had the advantage of going bankrupt before I got to it. It didn't have to be a public company anymore, which means you had the ability and a lot more flexibility than public newspaper companies that owe a lot of debt, because their expectations from the shareholders are different.

So how do you change? I've tried everything on different continents in different countries. You know, we're going to have a digital operation over here. We're going to have a newspaper operation over here. One is going to be more innovative, and one is going to feed the other one. And then we were going to integrate them. This is the big thing now. You go into… I advise on a bunch of different newspaper deals from Wall Street. And people talk about how they are going to take their newspaper operation and their digital operation—and Jim's nodding his head here—[and they say], "We're going to put them together, and everybody is going to do all that work together, and we're going to see some efficiencies." And it doesn't work. It doesn't work either, because these are different skill sets. The only thing I know that works is to declare that the digital operation is the supreme operation. That it is where the focus will be for both in driving content and driving sales. But more importantly, as we go through this, because this is about a business model discussion [that] I'm here today about, [it is] about allocating resources to do that. All I do for a living as a CEO, all Jim does for a living as a CEO, is this all day: "Yes. No. Get out of my office." "Yes. No. Sit down over here. We'll talk later." "Yes. No." "Yes. No."

It's all about allocating resources on a timely basis and hopefully on a smart business plan. If you do not make digital first and print last, you won't make it. You just won't. Your news organization won't be set up correctly. You will not allocate resources correctly, and you won't transform your newspaper operation into a news operation, in, as you can tell, my less than humble opinion.

So how do you build value? The only thing we do to build value is real journalism. This argument in my industry about pay walls, arguing about aggregators, to me, is as dumb as a bad of hammers. Arguing about aggregators, in my opinion, is a waste of time. It's working with them, not against them. Because the populous, the people who want to access news and information, are accessing a lot of what they get through aggregators. I need to stick out and add value to that. I need to make people understand that what my products produce are worth spending their time with. Whether you pay for them or not, they are worth spending your time with. Because the way we make most of our money in this business is selling that audience to advertisers. So I need to stick out.

Unfortunately, and all of you in this room know this who are studying journalism, unfortunately, we have a growing population—and I include my two daughters in this, one who is a PhD student and one who is an undergrad—where they don't really make the differentiation between aggregated content found in Google and what they might find on a particular site that specializes in news and information. That's a problem. That's a bigger problem for us, I believe, than the actual business model.

So journalism today, what is it? You know, the great newspaper editor, Harry Evans—so great, he's the only newspaper editor I know who is now Sir Harold Evans—once said, "A newspaper is an argument on its way to a deadline." I used to love that line. I just loved it. I read all of Harry Evans books in the seventies, and he's in his eighties now and still as vital as ever; although, unfortunately, he moved to the United States and became Mr. Tina Brown, so people know him more through his marriage to former *New Yorker* editor and *Vanity Fair* editor. He is a great newspaper man. The problem now with this quote is this: What does deadline mean in a world of smartphones and mobile alerts? What does it mean in a world where people have their favorite site up on their work screen all day or they are plugged into a couple of RSS feeds? What does deadline mean now? And more importantly, and this is for me the most important part, how do you know what the argument is in Dallas anymore? When the argument probably isn't found for most people in the newspaper. We used to be that kind of water cooler place where people met and talked about things that were of importance in the community. We still are, to some extent, for sure, but we are in a moment now where the audience assembles itself. You know this. I'm looking around the room here and most of these people are half my [age]. Most of you are half my age. And you know that when you go to certain sites in the morning, you're probably referred to them by a listserve you signed up for [or] friends telling you what's happening.

[For] most homepages and newspapers in North America, the traffic is going down, but overall traffic is going up. People are going directly into a deep dive into your site to find out something that was pointed out to them of interest. It's hard. If you don't know the argument in your community, it's very difficult to cover that community effectively with quality journalism.

So, to one of Earl's points, you do research and you do a lot of it. And this is an industry that does not do good research. As a matter of fact, the United States is the only Western world country I know—I've been CEO of media organizations in three other countries—that doesn't do standardized gold standard research for the industry. They do in all other countries. If you go to Canada, for example, my home country, there's a thing called NADbank. It does the standard research on readership for all the daily newspapers in the country. Don't like your NADbank numbers, do a better job and see what it looks like next year. That means they've had a much better time at selling their total audience numbers with online and readership, so that they can show the kind of penetration they have in various communities from Toronto to Vancouver. But you need to do more research here.

We need to understand and plug in so that we can know this argument. And we also need to plug in and know this argument by actually working on these platforms. My friend Jay Rosen says, "You really do have to Grockit to rock it." I am not a net native being in my fifties, but I play with it every day. I Twitter. I blog. I live stream our internal meetings, at our editorial meetings. It's embarrassing sometimes. We do not look good. There are times where I look at the thing and I just cringe at the kind of stuff that we put out there as we talk about this transformation that we're going through. But everyday as all 3,106 of us play with all of these tools [that are] new to us and not new to anybody under 25, but new to us, we get better at it. And as we get better at it, we understand how to experiment with it and perhaps how to better serve the communities, because that's what we're supposed to be doing—serving the communities through quality journalism.

So what must we do? We have to create a new business model. It's busted. It's more than busted. I've been involved in almost $3-billion worth of newspaper transactions, media transactions. The models that people use to buy them, sell them, run them, no longer are valid. And it's reflected in the valuation that's put upon newspaper companies today. Sure, you're going to read… I think I just read the other day, Jim, that Lee's numbers had doubled or their shares had doubled or something like that. Doubled from almost nothing to a little better than nothing and about a tenth of where they might have been a bunch of years ago. The new business models have to be put into place very, very quickly, because I believe it's vitally important that as news organizations we survive. I believe, if you'll bear a flag-waving moment for a second here, I think it's difficult to have a democracy without a free press. And when I say press, forgive me if I make that sort of gender neutral, meaning all kinds of platforms. If you've ever been to places or towns even, a small/medium-size town that no longer has a daily, you have no doubt when you look at the infrastructure issues in that town why that is so.

And it's not just more audience—to Earl's points earlier—there's a lot of audience out there. It's assembling itself faster than we can assemble it. It's how we engage with that audience. What is it we do to make that audience engage better with us? And as I was saying before, the only thing this business model has to do is allocate the resources solely on the new news ecology. And I want to talk about that in a second. What customers want, when they want them on the platform of their choice. You need to change the allocation model.

And finally, the outside world has to be brought in. I loved Earl's slide with the fortress. You know, when I went into newspapers in the mid-seventies, it was like joining the priesthood practically. You know, you'd go into this... Not the way you actually behaved, but there's enough movies from the 1940's to depict that. It was a very closed shop. People were always saying, "We're really engaged with our communities." We really wanted to know what the people in our community wanted to do. I urge you to leave this meeting today, if you're interested at all and have the time, [and] go call up your hometown's newspaper from sometime more than 40 years ago, and you might see four letters to the editor in a community of 500,000 people. If we really wanted to know what was going on, we didn't do a very good job about it. It's always been a closed shop. And almost everybody had an editor that said this. Mine was a man by the name of J.D. McFarland, John Douglas McFarland, my first Editor in Chief, who said the apocryphal, "News is what I say it is, kid." OK. What is it today? A lot of that still goes on in newspapers, at least from a mindset perspective.

So the priorities: Be digital first and print last. Jim and Earl and I were having dinner last night. I get a lot of flack in our industry for having said this. What I mean by this is if you do the slowest part of the medium first, how can you do the quick parts? If you're shoveling the newspaper onto the web in mobile alerts, how does that work? The print has to be last. It just has to be. And it has to be a different thing, because it's at the end of a number of steps to get that newspaper out. And the one thing I can tell you having done this at two companies now over a couple of countries is that the newspaper always gets out. The DNA in the newsrooms are to get that newspaper on the street on time. You can make people start to multitask, because that's what the customers want. You need to do training. Some people won't make it. You'll have to swap them out. The industry is waste deep in blood in getting this done. It's not just about cutting cost. It's about getting the right people in place and training the current people. You need to cut the legacy models—legacy—the *old* model by 50%.

2006 on that chart that Earl had up was the peak. We will not see those days again from newspapers as newspapers. Newspaper ad revenue. That number with newspapers is not going to happen again. That tipping point has occurred. That means you need to think about what kind of revenue you're going to have going forward. It will not be what you used to have. It's going to be at least a decade, in my opinion, for revenue to catch up to where you might be today on a multiple platform basis. You want to survive that? You're going to have to cut your costs by about 50%. Nobody wants to hear this. I can talk about this in a little bit about how that can happen. You need to now, if you want to have an effective business plan, become an investable company.

Again, I hope I don't have to keep doing this speech. I'd rather talk about journalism. If you want to become an investable company, then you're going to have to show the investors, the lenders, the marketplace, a company, a journalism company that is stabilizing its print earnings before interest, taxes, depreciation, and amortization. At ImpreMedia as we went through this transformation three years ago, one of the very senior publishers had sent me an email that said, "EBITDA stood for Everybody Is Terrible, Depressed, and Angry." [laughter] I like that. It's just about right. That's just about right. You need to stabilize that, because you're going to live off that. That's the host you're living off of to get to this new Jerusalem. 25% of EBITDA is going to have to come from digital within 24 months whenever you start. You have to show that if you want to raise money on capitol markets. 50% within five years.

This is doable. Look at companies like Shipsted in Norway. They bought a very smart company called Anuntez in Spain. And if I can say anything to a gathering of Americans here in America where I've been for seven years, we need to look to other parts of the world that have been much more innovative than our own industry has here. There are people who are making these changes and they've invested and put time and money into making those changes work.

You've got to get rid of the bricks and the iron. By the time we were done at ImpreMedia, we didn't own a press, we didn't own a truck, we didn't own a building. You outsource printing and mailroom services. There are companies that can do this. You outsource delivery. You outsource all the free press. Outsource all the backend of digital and the ad makeup. You sell the real estate and downsize or lease real estate that you are in. These are really tough things to do. Easy to put on a list and very, very tough to do. There's a reason for doing this. Two-thirds of all newspaper costs are in infrastructure. Only one-third of a newspaper's cost—and this isn't a decently run newspaper company—only one-third of these costs are anything to do with content, marketing and research, and sales. The other two-thirds are all these things that are on this [overhead] and more. You need to knock these costs on the head hard so as not to go after the content cost, not to go after the sales cost, because that is what's growing the business.

And you need to invest, clearly, in anything that is going to facilitate more growth and less cost and a higher rate of quality. You need to train. At Journal Register Company, in the first 60 days, we've trained 1,000 of our 3,106 employees on various things to do with the web and other initiatives. That's going to continue. And that number is going to end up being something like 10,000 by the end of the year. Meaning hopefully everybody has gone through at least three times. You need to invest on content platforms. Content and audience partnerships are vital. You cannot do this alone. It's called an ecology, an ecological system, for a reason. You're only part of it now. You're not *it* in the community. You need to make the kind of partnerships so that you can truly be a place that covers the community. And the pre-press platforms that lower cost in this two-thirds bucket and the advertising and telephony systems, there's a huge amount of cost savings in these areas that do not have to affect the journalism itself. I'm still amazed in communication companies where you get a conference call bill and you're trying to explain to somebody usually my age [that] there's a thing called Skype. [laughter]

So this is the old model: Print to web. Print first. Digital last. It doesn't work. If it did, do you think we'd be standing here today? It does not work. And then when the print is assigned, we're going to add multimedia. The fact that we still say *multimedia* kills me. We're going to add media to that. And then we're going to upload the print to web. And this describes the vast majority of American newspapers today. And if there are editors in the audience who want to argue with me, "But during the day we update that website," I'd love to look at your stats about how much you actually do that. There's a reason for some of this right now. Most newspaper companies, including the one I took over which I'll say is very badly broken, training hasn't happened in a number of years, and the cuts have been at the easy part of the company, meaning content and sales, so that they reduce their staff. Of the 3,106 people at Journal Register Company, there's only 600 in editorial. 600. That means these people already are overworked and doing a ton of work. And so this is why this is easier to do.

The old model is on life support, right? These little stickmen kind of take a look at all the people doing all those things. We want to add a person or a thing for everything that we do, and we have done that. And now, we're up against people in our business with the model below us. They are multitasking. They don't have our infrastructure cost. And they are in our communities. We have a paper called *The Newhaven Register* in Newhaven, Connecticut, home of Yale. And *The Newhaven Register* has a new competitor in the marketplace for news and information, *Newhaven Independent.* As far as I can tell, having talked to the guy who runs it, Paul Bass, it's a non-profit. They do good work. They are not, in my opinion, as good as *The Newhaven Register* is in covering Newhaven and the surrounding area. They can't be. There's only four of them. And they are becoming ever more popular, and so you need to look at that. That's what the competition now looks like. It's not some weekly that comes into the daily market or a neighboring daily that comes into your market. It's that kind of model. And their model looks like the bottom half of that slide.

It's going to be survival of the fattest here. Did I say *fattest*? That's Freudian. Fastest. [laughter] We're well beyond leveraging print.

Man: Thinking about that steak, aren't you?

John Paton: I am. [laughter] I didn't come to Texas for fish, pal. [laughter] So we're beyond leveraging print. People talk about the silos. It is. It's goodbye silos. We're doing print here and we're doing digital here. It's a matrix now. And I'll talk about this in a little bit in a second. We have to bring the world of content in. There's a whole bunch of people doing it. And we need some of that content. And whether you curate it, which is a term I abhor, but whether you curate it or whether you borrow, beg, steal, add to it, you need to partner. You need to match the platform to audience. At ImpreMedia, particularly, most people here know that the Hispanic community in the United States over-skews in mobile telephony and at high end and under-skews in broadband. It's pretty easy to figure out if you think about it for a second. One, it's cost and B.) it's about registration when it comes to getting cable. That means if you want to reach the Latino community in this country and you want to reach the younger community, you need to have a vibrant mobile platform, and ImpreMedia does. The new content protocol has to be, as I've been saying here, fast to slow. Digital first. Print last. And it has to be, of course, multimedia and multi-directional, inbound and outbound. You have to work with that audience. And the assets, of course, have to build value if you're going to be investable.

So it's different platforms and different audiences. These happen to be some JRC properties. Everything from magazines to weeklies to dailies to online. As I say, there's 324 products in that company. So they go from hyperlocal to a global audience by platform velocity. That's how that works. We're making a lot of noise right now in the blogosphere at JRC on purpose, and a lot of input from people around the world on things that we're doing. It's becoming how you run your company and how you collect news and information now is actually part of what you do as opposed to keeping it in a can behind that fortress wall and then releasing it out later as a finished product. You have to be a much more open and transparent company.

You need to supply the tools: better IT, better laptops, better broadband. My first day on the job I bought every reporter in the company a flip camera. We spent about 80,000 bucks doing that. And then because the company is so backwards, I then had to buy a whole bunch of laptops and send them out to the divisions so they could edit the video from the flip cameras. [some laughter] That's OK. It was a way of part stunt and part way of saying to people, "It's a new way of thinking out there. I'm going to start supplying the toys." And it was part promise of the IT fixes that are to come. I'm happy to tell you that I also supplied about a hundred of them to ad sales people, and they've already paid for themselves by the ad sales people selling pre-roll and post-roll video. I can also tell you that in January—my first day on the job was February 1st—in January, the company over all those properties (150 websites) had 117,000 video streams. And if we stay on track the way we are right now, just in April alone, we'll have 2.2 million video streams. We are interacting with people differently than we were 30 and 60 days ago.

And you need a better attitude. You need to let them experiment. By *them*, I mean the employees. And the better attitude has to come from the investors and the CEOs of this company—my company and other companies. The employees are a resource that have been treated in most newspaper companies, through these wholesale downsizings, in a very bad way in my opinion. Not going after the infrastructure cost, but going after content and sales cost. The employees *are* the resources. So the attitude change has to happen at the top to give people their leeway so they can experiment.

Again, to hammer home all the time, you have to allocate resources to the new news ecology, and it has to be a protocol. People like Jim and I got our jobs because we were the kind of guys, from a business perspective, who could master reverse engineering saying, “If my newspaper had to be in Rosental’s driveway at 6:00 a.m., we could master every bit of the production process all the way back to the assigning.” And that’s how you got your job. You were really good at that. You were good at bringing all of the various resources of the paper to bear. You led well in innovation and those types of things. There was always a strict protocol. We need a new protocol here.

So at ImpreMedia, I’m going to talk about that for a second, because it’s a company that is doing this as opposed to Journal Register which is just getting up to speed in this. But Journal Register will get this done. In my opinion, they will be better than ImpreMedia than they are at it, because there’s more resources at JRC, once we get it appropriately allocated. Every story of merit is first a mass alert. So this is a company… I’m out of it now, but it’s a company that when I was first giving this speech in India at the World Association of Newspapers in November, it only had a mobile platform for nine months, and that month it sent over a million alerts out. One million little pages, if you can imagine, with actually a little link to an ad and a little link to wherever the story was. So every story of merit is first an alert. And then no matter how much you have—a paragraph, two sentences—if it’s worthy and it’s breaking, it goes on the web. And then social media is used—Twitter, Facebook accounts, MySpace—to drive people to that story. You don’t Tweet without a link because it’s just like you’re yelling into the abyss. You need to have a tiny URL that takes your followers to the story of merit. Then you’re adding to that story, of course, and you’re adding social media to it. I’m sorry. Rather, you’re adding visual and audio and of course updating stories. Then you’re rinsing and repeating and enhancing that process all day long, so that the final product is print.

And the editors at ImpreMedia, who are led by a fantastic corporate editor, a man by the name of Alberto Vourvoulias-Bush, who came up with this protocol, these steps in this protocol, are then wrestling with, what kind of newspaper do they put out from L.A. to New York to Chicago, San Francisco, etc., Houston? What kind of paper do they put out when they’ve been doing this all day? Will there actually be work in this?

And finally because they become exceptional at multimedia multitasking, they find themselves with lots of video in a week and lots of audio. So now that company is now producing three online television news shows, a Sunday morning show called Impre TV, 23 minutes, where they repurpose and re-edit that video into a television news magazine to which they now just are working out the deal to launch this with Telemundo, the Spanish language television news network owned by NBC. They also every evening—I’m sorry—early in the morning—excuse me—after the edition is put out, they take all of that video and audio pieces, strip out the video, edit the audio, and send/email an audio broadcast to radio stations in the New York area as an experiment right now. For publishers in the room or editors and journalists in the room, you know how frustrating it is to be driving to work in the morning in the old days and have morning radio read your story back to you as their story. So they thought they'd get ahead of that curve. And of course, these all lead to commercial relationships where you provide this. And so in return, you are hoping for an advertising revenue share from those companies.

And so the process starts to look a little like this at ImpreMedia now. As I was saying, it starts with an alert. Now they are doing over a million a month. The web pages come next. Social media comes next. Printed press comes next. And we haven't talked about the television shows, etc.

You have to partner. This is another slide that is repeated a lot everywhere I go these days. And just to out myself, I sit on the Board of Advisors at the Graduate School of Journalism at City University of New York where Jeff Jarvis teaches. He's probably better known as the author of BuzzMachine.com and "What Would Google Do?" But you do have to figure out what you do best and link to the rest, because your audience is now your competitors and there are people out there doing some things way better than you. So you bring the outside world in: extended networks, your online publications, bloggers. You develop all-stars in your community that don't necessarily have to work with you. And I'll give you an example of this in a second.

As I said before, our job, I think, is to add context to a news world driven by algorithms. People have to understand our value, whether you can put a dollar value on it or not, from actually accessing it. And again, on the record, I don't think pay walls are going to work and should not be tried even for companies that do general news such as my company and Jim's company. You put three publishers in a room and you'll get six opinions on this thing.

We're no good at this. We need partners. So General Register just signed and announced this week a deal with SeeClickFix out of Newhaven. I urge you to go to their site. This is a site where people report on their communities, everything from potholes to speed traps to hookers and drug people working on their corners. The kind of little stories that may sometimes get blown up into a full piece in a newspaper. So we work with them now on our sites with this. It's citizen journalism at work. You have to be careful not to let them be mob journalism of course. And we are currently their largest partner with 18 of our dailies working with SeeClickFix as of this week, and it's going to be pushed out to a further 150-plus weeklies across the six states that we are in.

We are now also talking with people like Growth Spur. Growth Spur is a company run by Mark Potts who used to run WashingtonPost.com. A smart guy and a smart idea. [We are talking with them] about how to teach those bloggers in the community that you are now working with on how to do sales and how to get sales and how to work with a newspaper company and their online sites to do this. As any of the business people in this room will tell you, there's no such thing as a good deal unless both parties get out of it what they want. There's always compromise in making that deal. This isn't about accessing citizen journalism for free. Your going to have to help them make money. You need them. They need you. And so right now we have the money to be able to set these things up to help them. If you're trying to access citizen journalism and leave them on their own, I think we will wither on the vine and die.

And because I think newspapers are a lot like Earl's slide with the fortress around it, you have to bring the outside world in, so we established an advisory board. We just had our first meeting. Jeff Jarvis is on that board. Jay Rosen, who runs the—he used to run the journalism program at NYU and teachers there, people have called him the apostle of crowd sourcing. He prefers, I believe, open-source journalism. He's on that board, and Betsy Morgan, who was the first CEO of *The Huffington Post* and the former Vice President of News for CBS and ran CBSNews.com, are on our board. You need people to come into your company, if you're a newspaper company, and push you around, who don't care about the printed word. I don't mean the impact of the printed word, but don't care about the business model, but understand the world where you're going much better than you do. And it can work.

This is a video. Hopefully it launches. This is Skip Harrison. "We launched community media labs in six of our newspapers. We're going to put them in every one of our newspapers. These are people we give space and training to in our newsrooms." This is *The Daily* and *The Trentonian* in New Jersey. Skip's got a beef about the New Jersey education system. I got to tell you, if you know anything about New Jersey, you got a beef about everything *blank* system in New Jersey. But he along with others are now blogging and talking about issues of merit. For sure, some of them probably have political ambitions, but we don't run anything unedited. We work with all of these people. That's our job. Our job is still to be reporters and to be editors in this context, but we're letting the community come into the newsrooms. And if you've ever worked full time in a daily newsroom, ask yourself how many times in the past you let the community sit in and just work there and look at what you do. We don't like that. We're really uncomfortable with that.

So what to expect. Initially, lots of failure if you're going to change the attitude and let them experiment. As Earl was saying, we're living in revolutionary times for legacy media. Much of what we do is breaking down. A lot of what we know, what gets us the high salaries is less and less valuable. We do need the courage to experiment, but the experiments, I believe, will point the way. Nobody knows what a Craig's List is the first day it's launched. You sure as hell know what it is now.

This is an experiment we're doing. I urge you to go online and check it out. It's called the Ben Franklin Project. We're making a lot of hay about our connection to Ben Franklin. Pretty soon I'm going to adopt him as a long lost relative. Some of our papers surround the Philadelphia area, so we have a connection that way and of course we have a connection through some of our papers that were cofounded by Franklin in the 1700s.

In the next 30 days, one daily of ours and one of our weeklies are going to assign, report, edit, produce web and print products using only free web-based tools. Can't use what we have. You have to go use what's out there. We asked for volunteers. I'm delighted to tell you we got some. I thought we'd have to volunteer some people to do this. It's difficult to do. But it's not difficult to assign when you're the CEO and somebody hands you a $25-million bill for the new IT you need. I'm just going to see what we can get out there for free first. Then see what we're going to do. It's also [in] a way, of course, a big publicity stunt, and it's a *lot* about changing the culture, changing the attitude. And so we are going to look at everything from the kind of work these papers cannot do, particularly the weekly, the weekly we chose, Montgomery Media. These are weeklies and dailies, of course, that have had their news — not only their news whole cut but their news staff cut. So if you have two, three, four blighted blogs in your neighborhood… We have newspapers that surround Detroit. You know, with Detroit, [it] has become a euphemism for the word *blight*. Then how do you go about finding out who owns those things? Everything is online. There's a way to crowd source, people to get you the documents that you need, to point you in the right direction, and then for you to do the journalism. So this is an experiment in all of that.

You can find us online at JRCBenFranklin.WordPress.com. And you'll find there people are writing in from all over the world about the tools we can use and giving us ideas, etc., and this will be an open process as we move along. So we're getting there. This is ImpreMedia today. We think of it as a cube, where the products are — that's our legacy products. Those are our legacy products. The company is spread across the country. It produces everything from widgets [to] it's MySpace's official partner, AOL's official partner, AP Mobile's official partner. It produces what you saw just up there—the videos, which is the television, and of course because it's doing all this work, it was able to launch a porthole for all those sites, and it's now the third largest Spanish language porthole for news and information in the U.S.

And so to the point about cost cuts. In 2006, it was nine products on two platforms. This morning, it's 100-plus products on seven platforms and has 42% less employees with a heavy investment in training, a heaving investment in infrastructure. So I will tell you that it can be done. It's not easy. It is not the only solution, but it's one solution. Thank you.

[Applause.]

Earl Wilkinson: Well, as we switch out the AV, I just want to thank John very much. John, if I'm a televangelist, you're a heretic, and I hope that we have a room full of heretics leading our industry into the future. Our next speaker is Jim Moroney, who is the publisher and CEO of *The Dallas Morning News*, Executive Vice President of A.H. Belo, and most importantly a return visitor to the University of Texas and to this symposium. Ladies and gentlemen, Jim Moroney.

[Applause.]

Jim Moroney: I want to thank Rosental for inviting a few of us from the MSM to be here among all of you much more digitally savvy people. At least I put myself in that category; though, one of my colleagues in the back, John Granatino and I helped start Belo Interactive back in 1999, and then I became Publisher of *The Morning News* in 2001. I considered it the first indication of an HR backward integration. And so here I am in kind of the mainstream media. Let me give you some real good news. I know you're hungry, and I have a 1:45 plane to catch, so this is going to be real short. [laughter] I'm probably going to bag the slides. Let me just say a couple of things, because most of it's been covered.

What Steven said this morning for his business is absolutely right. He is creating a sustainable media model. And that's a good thing. That's not what I'm doing. That's not why I've been reliving "Saving Private Ryan" for the last four years as the revenue of this industry plummeted in a way that nobody could imagine. I'm in the business of creating a sustainable democracy. And those are two different things and neither one of them should be valued. You know, what Steven is doing is not a bad thing at all. I think it's a very good thing. I think there's things we can do together.

But when you go around the world today and you find countries where there is true liberties for the citizens of that country, you will always find three things: rule of law, a truly free and open election, and a free press. The free press in this United States that is creating a sustainable democracy is to a great degree—it resides in the newsrooms of newspaper companies around this country. When I was testifying on the future of journalism to a senate subcommittee in Washington, D.C., David Simon of the Wire fame was on my left. And he looked over at Arianna Huffington, who was a couple of seats over, and he said, "Arianna, soon as I see someone from *Huff Post* with their butt in a seat at the Baltimore City Council meeting for five days a week 30 weeks in a row, then I'm confident that *Huffington Post* will be able to do the journalism that newspaper companies around the United States are doing. And until then, you've got your mission and we've got ours."

I'm trying to save the scale of the newsrooms of [the] United States. I don't care really about newspapers. That's a wrapper. It's a platform. It's a very good one, frankly. I think it's very user-friendly, but I'm not interested in saving the newspaper. I'm interested in saving the newsrooms, the scale of the newsrooms of the newspapers in the United States, because as we continue to take that scale down, I believe we continue to put our democracy in greater jeopardy. And frankly, I really enjoy the liberties that we have in this country. And I believe our founding fathers when they put in a 1st Amendment and said that they were not going to let the government abridge the right of the free press, they understood how important it was to sustain the democracy, the actual republic that they had started. And it was a democratic republic, because it, for the first time, gave a vote to all citizens. Of course, they were only male citizens and not female citizens, and you couldn't be black, but it was an improvement over, let's say, the Republic of Rome where you had to be really rich to get to vote. So it was a great experiment, and I think it's still ongoing, and it's really important. So I'm just going to tell you two or three things that get up into all these slides.

Earl talks about research. I've had a motto for my whole media life: "In God we trust. Everything else we research." So we had a belief that in 2008 that this decline in advertising was not going to dissipate in the newspaper business, and I hired a company out of Salt Lake City called the Modelers. The Modelers do price elasticity studies for consumer goods. They can tell you that if Campbell Soup raises its price by five cents, how many less cans of Campbell Soup will they sell. I asked them, "Why can't you tell me if I raise the price of my newspaper by "x" how many less copies of that newspaper I'll sell?" And they said, "It's not a problem. We can do that." So I will just take you to one quick slide here if I can get this… Is this thing working?

Man: Flip it on.

Jim Moroney: Oh, flip it on. Here, I'll just do it here. This is the price elasticity work that we got back from them. And it basically says that if we raise the price by 40% we would lose about 12% of the volume of the newspaper. So as things unfolded in latter 2008 and the economy went bust, we were glad to have this information. On May 1, 2009, we raised the home delivery price of *The Dallas Morning News* by 40% to our home delivery subscribers, and we raised it 100% to the people who were in the state. If you went back to November 1, 2008, we actually had doubled the price of the newspaper in a period of about a year-and-a-half. We lost, as this thing predicted, 12% of our subscribers. I will tell you that wasn't so bad because they were churned subscribers. They weren't the people that were loyal to the company. And we raised revenue in what is a very important bucket of revenue.

Back five years ago, *The Dallas Morning News* was about 80% revenue and 20% from advertising and 20% from subscribers. Now, ad revenue has gone down. That's helped change this equation. But we are now at about 38% of our revenue is coming from people who are paying for the paper either by home delivery or single copy. And my point is, most newspapers in the country have pricing power if they'll only go out and take it. *The Columbus*

Dispatch raised the price to their best customers, the ones they believed could afford to pay for it, by 100% and lost about 8% of their volume over all. I think they did a better job than we did. But this is an opportunity for how do we pay for journalism. I've got to find more sustainable revenue sources. And the consumer, who loves the newspaper, who isn't going to give it up until they are six feet under, they will pay more for the newspaper, because we've subsidized the price over time.

As Earl and John both said, I think that mass media is gone. I love what the CFO of McDonald's says. He says, "We're not a mass media company." I say, "McDonald's not a mass media company?" He says, "No, we just advertise in a whole bunch of niches. And when you add them all up, they become a mass marketing opportunity." So I believe that the newspaper is going to be the great premium niche product in the marketplace. We're going to have a premium audience that we are delivering to.

The second thing that I believe newspapers simply have to do is recognize that—and this has been said—we cannot depend on impression-based advertising to get growth in the future for revenue. The newspaper and ad revenues and impression-based, CPM-based advertising is still a great business. It provides most of our revenue for our company, but I don't believe it's a growth business any longer. And here's why: Number one, you saw a slide. Advertising as a percent of all marketing is declining, not growing. So that means that the pie is smaller. There is a shift going on and it's not ending [and] it's going to continue to go on, of budgets going from traditional media to digital media. So that means that the traditional media's piece of the pie is shrinking. So we've got a smaller pie and a shrinking piece of that pie. And then when you add things like demand media, when Facebook figures out how to monetize all of its impressions, you have an incredible imbalance of supply over demand, and it's only going to drive CPMs down. So we can't get price growth in my opinion. You have to have scale, like Steven does in his company, to make that business.

I put this up here somewhere. I like to say I don't know if it's in here or not. Let's see. No. [Looking for the slide.] Well, what I was going to tell you is, 10-million page views a month, three ad impressions a page, sell the entire page out, and a $10 CPM. Pretty good CPM, right, Steven? $10 CPM, 10-million page views a month, three ads on every page. Sell them all out. Do you know how much money you've made in a year? $3.6-million. So if you get 100-million page views a month, you've made $36-million. I spent $36-million on the news on *The Dallas Morning News* every year. I have 40-million page views at *The Dallas Morning News,* DallasNews.com every month. I can't make a business on impression-based advertising. It's not going to provide growth to our industry. So the last thing I said there is we have to get transactional. I believe we've got to get into where people are paying us for the sale. I've got great relationships in our market and we're going to people now and saying, "I'll tell you what. How many chairs do you want to sell?" "I want to sell 100 chairs." "All right. What percent of that sale will you give me?" "I'll give you 5%." "OK. I'm going to become your media planner. I'm going to become your media buyer." We're going to set up a way to track every sale that comes through these channels. I'm going to spend my print. Incremental cost of a couple of pages to me is not much. I've got gazillions of impressions I'm selling at 50-cent-CPM to remnant networks. I've got niche products where I can also create additional inventory or take inventory that I'm just using for house ads. And I'm going to make sure I sell those hundred chairs. And I will guarantee that when I get done selling those hundred chairs, if I take the true cost of what it is that I spent marketing for that company those chairs, the CPM, quote/unquote, will be much, much higher. It's a much better business for me.

The world is going to ROI. Steven knows that. Everyone here they talk about it—the ultimate, the ultimate ROI is "Let me show you what I can sell." Newspapers still work. That's the incredible thing. You know, all this gloom and doom, death of newspapers. They still sell stuff. You give me a good product at a good price and I put it in my newspaper and it's aimed at a 45-plus audience, I'll sell it. I'll sell whatever you have. I've got to demonstrate that to people and take the risk equation and shift it back at least to a sharing proposition. Because [in] an impression-based advertising paid media, who takes all the risk? The advertiser, right? I'm going to spend my money with you. Back to the Wannamaker thing. I don't know which half is not going to work and which half is working. If I don't sell anything, well, I've still got to pay you the bill because I ran the ad in your paper. I ran the spot on your television station. I ran the banner ad on your website. I'm going to go back and say, "I'm going to put skin in the game. I'm going to put my inventory in the game, and I'm going to sell it for you. And I'll figure out how much it takes to sell it. Don't worry about it."

So I'm trying to figure out how to pay for the scale of the newsrooms of the newspapers in the United States. And I believe newspapers have to begin to ask the consumer to pay more for the printed product. And there is price inelasticity there. Secondly, as we go to e-pads and e-editions and even apps, I think the consumer is going to have that paid edition of the printed product as a baseline. And if we do like newspapers around the country have done and we continue to take down the amount of content in our papers, if we continue to discount the newspaper, you're not only going to not make the kind of money you should make from the consumer, you're also going to have a harder time charging them for what you're trying to distribute to them online, because most consumers say, "No newsprint. No physical distribution. I deserve a lower price. Give me one."

Now curiously, the only exception so far to that that I know of is Consumer Reports. And they apparently are now charging more for the iPad edition than they do for their actual printed or digital magazine itself. Because they are saying there's more things you can get through the iPad. They are making all of their downloaded — all their archived content available to you in a searchable fashion.

So first of all, get paid more by the consumer for the product. This will help newspapers begin to stabilize their revenues. And number two, move yourself away from so much ad-based advertising and get into deals with your customers where they will pay you for results. Both of those things will stabilize the revenue sources and even help them grow in a way that impression-based advertising simply is not going to do over the next five years.

I really do believe that what we do in the newsrooms of newspaper companies is vitally important to this democracy that we are very fortunate to live in with all of its defects. The old Churchill thing—there's just not a better one, right? And that's what we are trying to do at the Belo Corporation and at *The Dallas Morning News.* Thank you. And I am going to head to the airport.

[Applause.]

Earl Wilkinson: Thank you, Jim, and thank you, John, for that matter. I know that we are running late, so what we are going to do is probably not take questions at this time. But I'll tell you what, John and I are available in the next few minutes. If you want to chat on your way to lunch, we're happy to do that. I'll leave you with this point: When I first got into journalism, I didn't really care about what was happening in terms of how we were funded, etc. If you're getting into journalism, I think what you've heard in this panel discussion is revenue matters if it's going to pay for quality journalism. And again, we're happy to talk with you afterwards. Thank you very much.

[Applause.]