



# **iPad Revolution?**

What's Next for the News Industry

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### What's Next for the News Industry

Yesterday's announcement of Apple's new iPad media tablet could prove to be a critical turning point in the fortunes of news media organizations, many of which have been crippled by dwindling subscriber numbers and evaporating ad budgets over the past several years. Even before yesterday's hotly anticipated launch, technology has already revolutionized news – think of Iran's Twitter Revolution, budding camera-phone citizen journalists during recent U.S. elections and crowd-sourced news sites like Digg and Stumbleupon – all underscored by the fact that the number of people reading news online overtook print readership in 2008.

However, recent innovation has focused on news aggregation, prioritization and sharing. Strikingly little has changed in the way news content is financed, presented and delivered to consumers. Until now consumers of traditional media, or printed content, have been required to either purchase a point-in-time hard-copy newspaper or magazine, or scroll mechanically through news Web sites, which are often clunky and rendered on static screens ranging from tiny mobile devices to eye-popping high-definition cinematic computer monitors. These sites fail to deliver a satisfactory news product. They are often uncomfortable to browse and read, impractical for mobile readers, unappealing to advertisers and subscribers and ultimately don't deliver sufficient revenue for their publishers.

And so Apple's tablet computer, along with a range of other new tech hardware options—including Plastic Logic's Que, the Hearst's Skiff, Amazon's Kindle or new Windows 7-based tablets—has the potential to truly upend the news market and fill an as-yet un-served market, much as the iPod has done with the music industry over the past decade. These devices promise to deliver real-time, digital news that is tactile, interactive and comfortable to consume, while enabling content publishers with a way to recoup their costs.

But hardware innovation is just one way news organizations are retooling. In addition to new technology, there are a number of other innovations and experiments that might also help revitalize and sustain the news industry over the coming decade.

### Subscription Models

Evidence suggests consumers are willing to pay for unique content that is timely and offers special insight. A few properties have successfully ascribed a value to their proprietary news and commentary.

*The Wall Street Journal*, which charges a monthly subscription for access, found that paid subscriptions to its Web site were up more than seven percent in a gloomy 2008. It will start charging for access to all content by the end of 2010. And earlier this month, *The New York Times* announced that it will restart charging online

readers for content beginning in 2011. The *FT.com* attracts only 117,000 subscribers, compared to one million paying customers of the *Wall Street Journal* online, but it is lucrative because it charges a premium for its most valuable proprietary content. A subscription to the Web site—with access to all content—costs up to \$300 a year in the United States; adding the print version costs an additional \$100. Because of rate increases by *FT.com*, revenue from Web subscriptions rose 30 percent in 2008.

On the newsweekly front, two publications are doing particularly well—*The Economist* and *The Week*. Both have succeeded in their ability to aggregate a global news agenda in trusted, usable formats. *The Atlantic* examined the success of *The Economist*, describing it as “a general-interest magazine for an ever-increasing audience, the self-styled global elite, at a time when general-interest anything is having a hard time interesting anybody.” Some of the specific reasons cited for *The Economist*’s success include its format (it distills a lot of information into a “reasonably compact survey”) and its brand strength (it is a must-read for the upper-middlebrow, while its peers (*TIME* and *Newsweek*) suffer the ill effects of mass penetration (every doctor’s office has a copy).

As Apple starts adding news, magazines and books to its iTunes (or iBooks) marketplace, other players are already beginning to jockey for a similar role in retailing and distributing media content and subscriptions to consumers. An example is *Journalism Online*, which promotes paid access online and seeks to “restore the value proposition of the print medium by eliminating a fully free alternative.” *Journalism Online*, which was started by a group of media executives, aims to help news providers monetize their journalism by bundling content into subscription packages for consumers. *Journalism Online* states that it has the secured participation of dozens of major newspapers magazines and online-only publishers—from global brands to local media—in its service that will launch soon.

However, Rupert Murdoch has already expressed dissatisfaction with the deal News Corporation reached with Amazon for distribution of the *Journal* on its Kindle. This is surely as harbinger of future revenue battles between hardware vendors (such as Apple, Amazon, Barnes and Noble), online marketplaces (such as iTunes and *Journalism Online*) and content providers (such as News Corp. and The New York Times Company). And even once revenue-sharing deals are sorted out, not all subscription models are going to succeed. The New York area’s local paper *Newsday* began charging for online subscriptions in October 2009. According to *The New York Observer*, by January 2010 only 35 people had been willing to pay the \$5-per-week fee to read its online content.

### **Topical and Local News**

But long-term success is not limited to those organizations that have been able to crack the subscription conundrum. While publications like *The Economist* have established brand strength in offering authoritative global commentary, there has

also been an explosion of hyper-local and issue-specific platforms that cater to niche audiences and interests.

One example is *Politico*, which has grown by satiating a 24/7 demand for single-issue, real-time, granular news reporting of U.S. politics. The Web site and accompanying newspaper were launched by two former reporters from *The Washington Post* to cover the 2008 presidential campaign. Now, with approximately 100 staff, the publication is continuing to prosper. *Politico* caters to a niche audience—a Washington-centric, politics-obsessed reader—that wants a constant news feed. Predictably, *Politico* has been able to tap into a rich market for policy maker-focused ad sales to finance its operations. According to an article in *Vanity Fair*, “At *Politico*’s level of specificity, there may be no room for a general interest reader. The conversation arguably becomes limited to professionals and compulsives.” *Politico* was able to build this niche due to a flattening out of not only information and sources, but also of the newsroom process. The *Vanity Fair* article continues, “*Politico* reporters are as autonomous as you’re likely to get. Everybody eats what he kills. Without the processes of page makeup and composition and feedback from the bull pen, it’s seconds from source to reporter to publication to effect on the world.”

Another phenomenon has been the creation of new local news creators and consolidators, often operating as 501(c) 3s that have some type of foundation funding or user donations. These web-based news operations have arisen in several cities, forcing print newspapers to follow the stories they uncover. According to an article in *The New York Times*, “they offer a brand of serious, original reporting by professional journalists — the province of the traditional media, but at a much lower cost of doing business. Their news coverage and hard-digging investigative reporting stand out in an Internet landscape long dominated by partisan commentary, gossip, vitriol and citizen journalism posted by unpaid amateurs.”

*Crosscut* in Seattle, *MinnPost* in Minnesota, the *St. Louis Beacon*, *The New Haven Independent*, *The Tyee* in Vancouver, B.C. and *Chi-Town Daily News* in Chicago are other examples of local news Web sites that are locally owned, locally sourced, and news-oriented.

### **Foundation and Not-for-Profit Models**

Foundations are also taking a more central role in incubating and supporting both local and investigative journalism. One often cited example of success is the *St. Petersburg Times*, also referred to as the “Poynter Business Model.” Nelson Poynter was the publisher of the *St. Petersburg Times* who entrusted his controlling stake to the Poynter Institute, a foundation dedicated to journalists and journalistic excellence, when he died in 1978. The company is now a “private, for-profit,” with The Poynter Institute owning shares and the enterprise aiming to keep a profit margin above 10 percent, which helps guarantee longer-term sustainability.

ProPublica offers another model. It runs an independent, non-profit newsroom that produces investigative journalism that's in the public interest. It started in January 2008 with millions in fundings and has teamed up on projects with prominent news organizations such as *60 Minutes*, *The New York Times* and *CNN*. Led by Paul Steiger, the former managing editor of *The Wall Street Journal*, the organization has a newsroom of 32 working journalists, all dedicated to investigative reporting on stories that have potential for major impact. Many of its stories are offered to a traditional news organization, free of charge, for publication or broadcast. After an appropriate period of exclusivity, each story is also published on this site. The Sandler Foundation has made a major, multi-year commitment to fund ProPublica.

InvestigateWest is a similar non-profit news organization that conducts investigative and narrative reporting in the Western United States and Canada. Made up of six former *Seattle Post Intelligencer* reporters, the group focuses on stories involving the environment, health and social justice. It also has established a network of freelance correspondents and photojournalists that serve as listening posts as well as producers of innovative, insightful journalism.

Perhaps one of the newest takes on the foundation model of journalism comes from what some would describe as "advocacy organizations." The Kaiser Family Foundation, for example, is incubating a narrowly-focused news organization by hiring journalists from traditional media outlets to work on a specific healthcare beat. According to its Web site, "Kaiser Health News (KHN) is a nonprofit news organization committed to in-depth coverage of healthcare policy and politics. KHN is dedicated to producing and communicating the best possible analysis and information on health issues." While most would argue that Kaiser's data and analysis has been unbiased, with stories getting published in traditional publications like *The Washington Post* and *The Philadelphia Inquirer*, critics are raising questions about what separates journalism from advocacy in these new models.

### **Public Funding**

Even government has been investigating the issue. In May 2009 U.S. Senator John Kerry held hearings on "The Future of Journalism" as part of the Senate Commerce Subcommittee on Communications, Technology, and the Internet. Representatives from Google, the *Washington Post*, The Knight Foundation and *The Huffington Post* testified before the committee.

Several other proposals have been put forth suggesting how public financing could and should play a role in sustaining news media. Also in May 2009, Maryland Senator Benjamin Cardin (D-Md.) introduced "The Newspaper Revitalization Act," a bill that would allow newspapers to operate as non-profits if desired. According to Cardin's website, recipients of public funds would not be allowed to make political endorsements, but would be allowed to freely report on all issues, including political campaigns. Advertising and subscription revenue would be tax exempt and contributions to support coverage or operations could be tax deductible. The

measure is targeted to preserve local newspapers serving communities and not large newspaper conglomerates. Because newspaper profits have been falling in recent years, no substantial loss of federal revenue is expected.

Alan Mutter, an influential professor at UC-Berkeley, has raised the specter of imposing a news tax in the U.S., citing the BBC as a model. One of the most popular ideas for a news tax being discussed by industry leaders, such as Tom Rosenstiel (director of the Center for Excellence in Journalism, which is funded by the Pew Charitable Trust), is to embed a fee in the monthly bill of Internet subscribers to pay content producers. Assuming 75 percent of the 118.3 million U.S. households subscribe to Internet service, a \$10 monthly news tax would raise about \$10.6 billion per year, or enough to issue a subsidy worth \$85 million to mainstream daily newspapers, such as *The Boston Globe*. That would be enough to cover the \$1 million-per-week in operating losses that their owners say each paper is suffering and make it possible to reverse some of the recent draconian staff cuts publications.

### ***New Reporting Techniques***

There are also a number of experiments underway which aim to improve the efficiency and coverage of news reporting. Some have come about due to necessity and are in response to newsroom cuts, while others are designed to create new relationships between publishers and readers.

Several outlets, including ProPublica and the Knight Foundation, are seeding local news and information backed projects, also sometimes termed “crowd-sourcing.” One of the most interesting examples of how crowd-sourcing was used to break a story was *The Guardian’s* coverage of the expenses-scandal in the UK. Michael Andersen of Harvard’s Nieman Lab described how *The Guardian* tapped into more than 20,000 volunteers to help comb through two million pages of government documents. After 80 hours, the “crowd” of eager readers had sifted through the entire archive uncovering sensational details about the scandal. ProPublica has launched a similar crowd-sourcing project, recruiting people across the country to track the allocation and spending of stimulus money.

### ***Brand-Name Reporters***

A final evolution that is noteworthy is the rise of “brand name” reporters and commentators. Thomas Friedman is the ultimate example of a prize-winning reporter that has artfully evolved to being a leading global thought leader and commentator on international affairs and globalization and brand name unto himself. Marc Gunther is another reporter who after leaving *Fortune* maintained his high profile and credibility through authorship of an influential blog on business and sustainability. Mary Jo Foley is also an example of a print journalist who applied her background in general technology journalism to almost exclusively reporting news about Microsoft. Like others, she has done this primarily through her “all about Microsoft” blog, as well as guest columns in various publications and authoring a book about the

company. Foley has successfully become a reliable resource on Microsoft's business and is looked to by industry analysts for her insights.

**What's Next**

It's difficult to predict whether the iPad or other e-readers are the silver bullet that will rescue print media from the brink of extinction or stimulate an industry-wide renaissance. But it is increasingly clear that some combination of innovative news delivery business models, portable reading devices, engaged readers and high-quality content that fits mobile lifestyles will ultimately stem the industry's decline. It also promises a richer experience for news consumers, offers countless opportunities for innovators and poses a host of new challenges for those hoping to communicate their message through news media.

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