



Digital First Print Last

Re-Setting The Newspaper Business Model

Presentation June 16, 2010 by Journal Register Co. CEO John Paton
to E&P Interactive Media Conference and Tradeshow, Las Vegas, Nev.

Most Of Our Industry Looks Like This



...And Claims To
Be Multi-Media

Confidential

The Model Is Broken

“If the old model is broken, what will work in its place?...”

The answer is - Nothing. Nothing will work.

There is no general model for newspapers to replace the one the Internet just broke.”

Clay Shirky
New York University

“Newspapers and Thinking the Impossible.”



Stating The Painfully Obvious

- ◆ Our legacy business model is too costly
- ◆ Newspaper revenue is shrinking over the long term
- ◆ New multi-media revenues are slow to grow and expensive to build
- ◆ Capital Structure – Debt must be paid



Re-Set: 2009 US Newspaper Advertising at 1985 Level

Year	ADVERTISING CATEGORIES											
	NATIONAL		RETAIL		CLASSIFIED		NEWSPAPER PRINT TOTAL		NEWSPAPER ONLINE TOTAL		COMBINED NEWSPAPER PRINT AND ONLINE TOTAL	
	\$Millions	%Change	\$Millions	%Change	\$Millions	%Change	\$Millions	%change	\$Millions	%change	\$Millions	%Change
1980	\$1,963	10.9%	\$8,609	9.7%	\$4,222	-0.6%	\$14,794	6.7%				
1981	\$2,258	15.0%	\$9,606	12.5%	\$4,583	8.6%	\$16,527	11.7%				
1982	\$2,452	8.6%	\$10,390	7.3%	\$4,852	5.9%	\$17,694	7.1%				
1983	\$2,734	11.5%	\$11,841	14.0%	\$6,006	23.8%	\$20,581	16.3%				
1984	\$3,081	12.7%	\$12,784	8.0%	\$7,657	27.5%	\$23,522	14.3%				
1985	\$3,352	8.8%	\$13,443	5.2%	\$8,375	9.4%	\$25,170	-3.6%				
1986	\$3,376	0.7%	\$14,311	6.5%	\$9,303	11.1%	\$26,990	7.2%				
1987	\$3,494	3.5%	\$15,227	6.4%	\$10,691	14.9%	\$29,412	9.0%				
1988	\$3,821	2.6%	\$15,790	4.0%	\$11,586	10.1%	\$31,197	6.1%				
1989	\$3,940	3.3%	\$16,504	4.5%	\$11,916	2.9%	\$32,368	3.8%				
1990	\$4,122	4.4%	\$16,652	0.9%	\$11,506	-3.5%	\$32,280	-0.3%				
1991	\$3,924	-4.8%	\$15,839	-4.9%	\$10,587	-8.0%	\$30,349	-6.0%				
1992	\$3,834	-2.3%	\$16,041	1.3%	\$10,764	1.7%	\$30,639	1.0%				
1993	\$3,853	0.5%	\$16,859	5.1%	\$11,157	3.7%	\$31,869	4.0%				
1994	\$4,149	7.7%	\$17,496	3.8%	\$12,464	11.7%	\$34,109	7.0%				
1995	\$4,251	2.5%	\$18,099	3.4%	\$13,742	10.3%	\$36,092	5.8%				
1996	\$4,667	9.8%	\$18,344	1.4%	\$15,065	9.6%	\$38,075	5.5%				
1997	\$5,315	13.9%	\$19,242	4.9%	\$16,773	11.3%	\$41,330	8.5%				
1998	\$5,721	7.7%	\$20,331	5.7%	\$17,873	6.6%	\$43,925	6.3%				
1999	\$6,732	17.7%	\$20,907	2.8%	\$18,650	4.3%	\$46,289	5.4%				
2000	\$7,653	13.7%	\$21,409	2.4%	\$19,600	5.1%	\$48,670	5.1%				
2001	\$7,004	-8.5%	\$20,679	-3.4%	\$16,622	-15.2%	\$44,305	-9.0%				
2002	\$7,210	2.9%	\$20,994	1.5%	\$15,898	-4.3%	\$44,102	-0.5%				
2003	\$7,797	8.1%	\$21,341	1.7%	\$15,801	-0.6%	\$44,939	1.9%	\$1,216		\$46,156	
2004	\$8,083	3.7%	\$22,012	3.1%	\$16,608	5.1%	\$46,703	3.9%	\$1,841	26.7%	\$48,244	4.5%
2005	\$7,910	-2.2%	\$22,187	0.8%	\$17,312	4.2%	\$47,408	1.5%	\$2,027	31.5%	\$49,435	2.5%
2006	\$7,505	-5.1%	\$22,121	-0.3%	\$16,986	-1.9%	\$46,611	-1.7%	\$2,664	31.4%	\$49,275	-0.3%
2007	\$7,005	-6.7%	\$21,018	-5.0%	\$14,186	-16.5%	\$42,209	-9.4%	\$3,166	18.8%	\$45,375	-7.9%
2008	\$5,996	-14.4%	\$18,769	-10.7%	\$9,975	-29.7%	\$34,740	-17.7%	\$3,109	-1.8%	\$37,848	-16.6%
2009	\$4,424	-26.2%	\$14,218	-24.2%	\$6,179	-38.1%	\$24,821	-28.6%	\$2,743	-11.8%	\$27,564	-27.2%

Source: Research Dept., Newspaper Association of America

2009 = 1985

1985-2005 CAGR: 2.7%

Re-Set: Traditional Media Is Losing Share

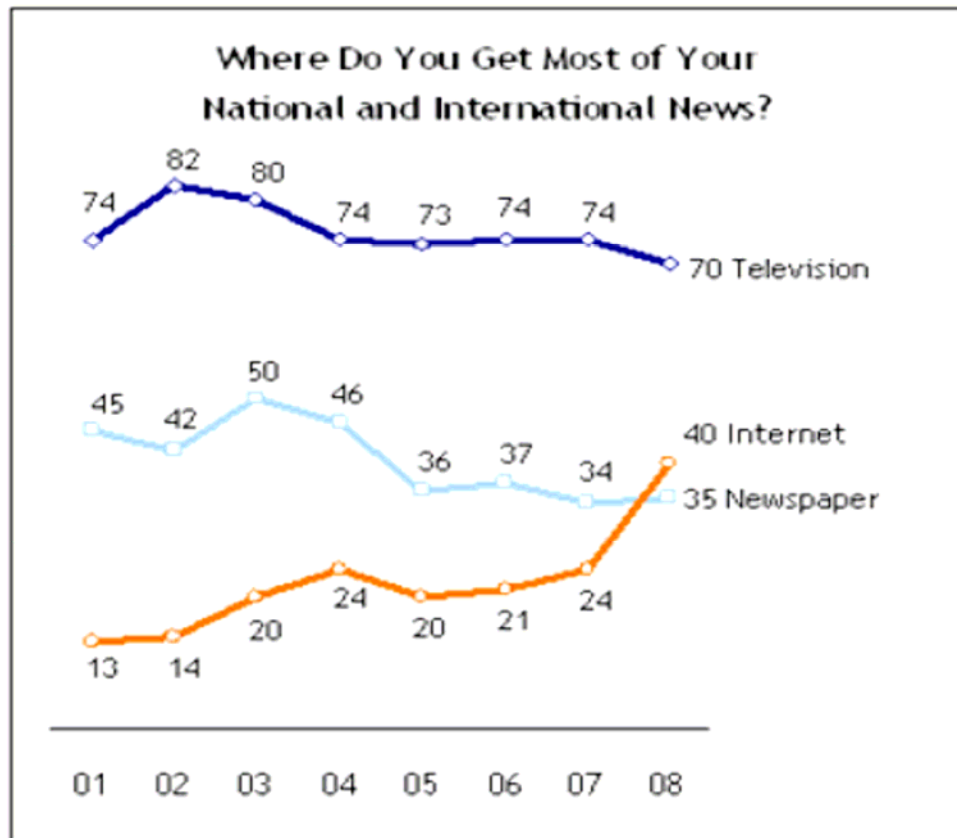
	2006	2007	2008	2009	2010	2011
Traditional Media	75.7%	71.4%	65.6%	57.6%	53.6%	49.5%
Interactive Media	7.0%	7.2%	9.5%	10.6%	11.3%	12.4%
Product Placement	1.8%	2.0%	2.4%	2.9%	3.1%	3.3%
Other Alternative	15.5%	19.4%	22.5%	29.0%	32.0%	34.8%
Total Advertising	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Traditional media is defined as Broadcast TV, Cable TV, Radio, Newspapers, Magazines, Directories, Direct Mail and Outdoor

Interactive Media is Social Media, Search Engine, Email Marketing, Display Online, Mobile Media

Other Alternative Media includes consumer-generated media, videogame advertising, online video advertising, word-of-mouth marketing, advergames & webisodes, event sponsorship, and digital out-of-home media

Re-Set: More People Get Their News From The Internet



Pew Study Dec. 2008



Re-Set: The Business Model Must Change

“The survival of news organizations is a forgone conclusion. There will, of course, be news organizations that are newspaper businesses transformed.”

Clay Shirky
New York University





How Do You Change?

Put The Digital People
In Charge





How to Build Value?

Digital First
&
Print Last





How to Build Value?

Real Journalism

Arguing About Aggregators Is A Waste Of Time
Work With Them Not Against Them



What Is Journalism Today?

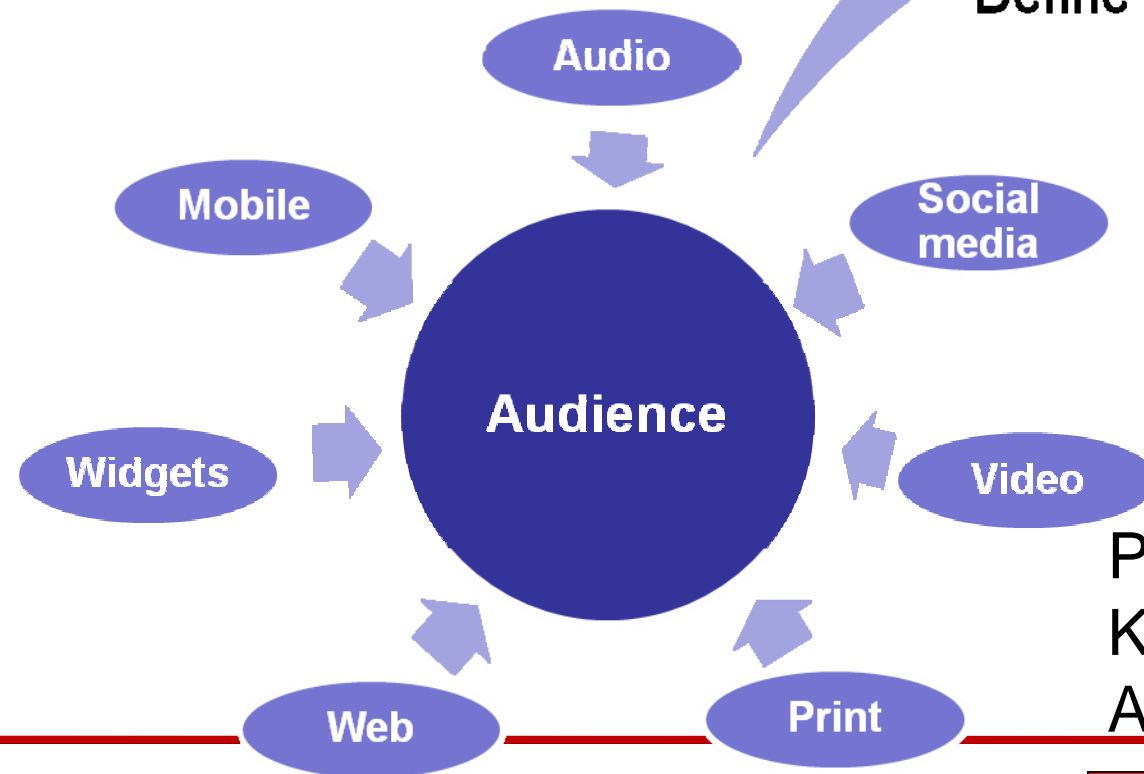
*“A newspaper is an argument on its way to a deadline”
- Harry Evans*

What does Deadline mean in a world of Smart Phones?

How do you know what the Argument is when the Argument no longer happens in the Newspaper?



Research



Plug In
Know the argument
And the desired platforms

What We Must Do

- ◆ Create a new Business Model
- ◆ Not just more Audience but Audience Engagement
- ◆ Allocate resources solely on the new News Ecology
 - ◆ What customers Want and When on the Platform of their Choice
- ◆ The “Outside” has to be brought “In” to the company



Priorities

- ◆ Be Digital First and Print Last
- ◆ Cut the Legacy Model costs
 - ◆ Two-thirds of costs are in infrastructure (the Legacy costs) NOT in content, sales or marketing/research
- ◆ Create an investment worthy business plan that changes valuation metrics:
 - ◆ Stabilizes and grows Print EBITDA
 - ◆ 25% of EBITDA from Digital within 3-4 Years
 - ◆ 50% of EBITDA from Digital within 5 years



Get Rid Of The Bricks And Iron

- Outsource/Consolidate Printing and Mailroom services
- Outsource/Consolidate Delivery
- Outsource /Consolidate all Pre-Press
 - **Ad Make-Up to Page Make-Up**
- Outsource Back-end Digital and I.T. and Finance
- Sell Real Estate
- Downsize Leased Real Estate



Invest

In anything that facilitates doing more with less at a higher rate of quality

- Training
- Content platforms
- Content and Audience partnerships
- Pre-press platforms
- Advertising and telephony systems
- Digital systems
- Editorial, marketing and sales improvements



Old Model: Print to Web

Slow to Fast: Leveraging Print Online



1 – Assign print content



2 –Multimedia
version



3 – Print and
upload to web



Why the Old Model Is On Life Support

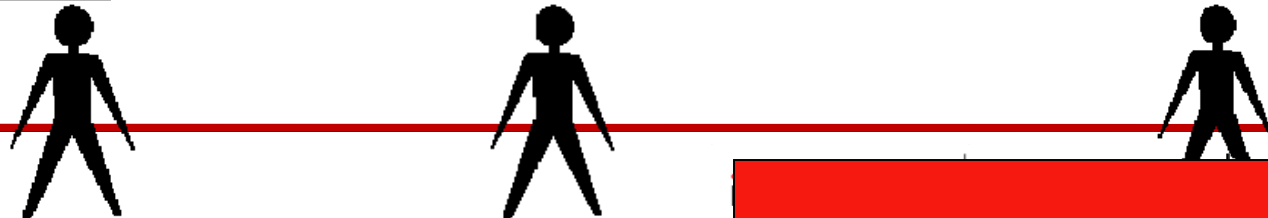
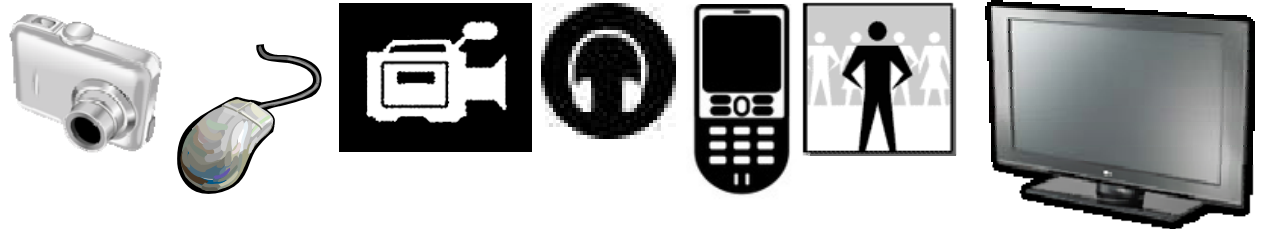
Traditional Media Model

Text text text text text text
text text text Text text text
text text text text text text
Text text text text text text
text text text Text text text
text text text text text text



New Media Model

Text text text text text text
text text text Text text text
text text text text text text
Text text text text text text
text text text Text text text
text text text text text text



Survival of the Fastest

Beyond Leveraging Print

Goodbye Silos, Hello Matrix

Brining the World of Content In

Matching Platform to Audience

New Content Protocol: Fast to Slow

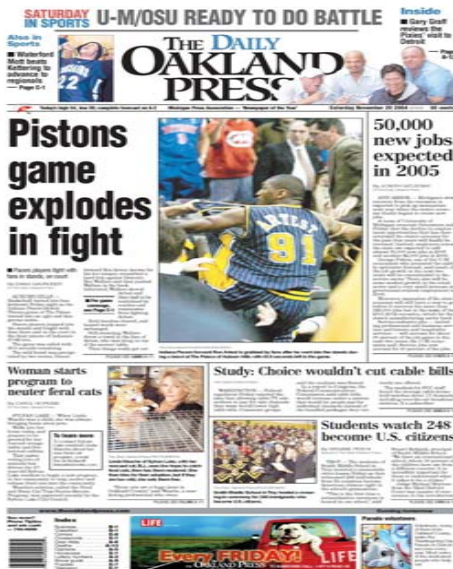
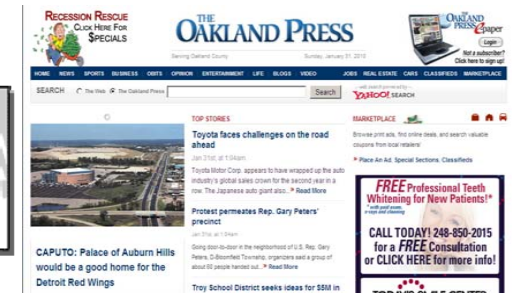
Multi Media and Multi Directional

Assets That Build Value



Different Platforms, Different Audiences

From Hyperlocal to Global Audience by Platform Velocity



Supply The Tools

- Better I.T.
- Better Laptops
- Better Broadband
- Journal Register Company Bought Every Reporter a Flip Cam
- Better Attitude – Let Them Experiment



Allocate Resources To The New News Ecology & Protocol

Fast to Slow – Each platform must take advantage of its strength



1 – SMS Alert – Fast News



2 – On the Web

3 – Soc Media



4 – Update and Add value



5 – In Depth -- Slow News



6 – Recap, enhance, create new products – TV News Magazine

Video: Editorial Process



The New “Link Economy”

***“Do what you do best
and link to the rest.”***

Jeff Jarvis

City University of New York

Graduate School of Journalism

Author: *“What Would Google Do?”*



Bringing The Outside World In

Extended Networks

Content
Traffic
Ad/Services
Platform



Pub/Online

Growth Markets
Template



Hyperlocal

Curate Network
Empower + train
Platform/



All Stars

by category.
Big Name Blogs
Curate Network



Our job: Add context to a news world driven by algorithms

Bringing The Outside In

Newspapers Are No Good At This - We Need Partners

JRC Is Now Working with SeeClickFix

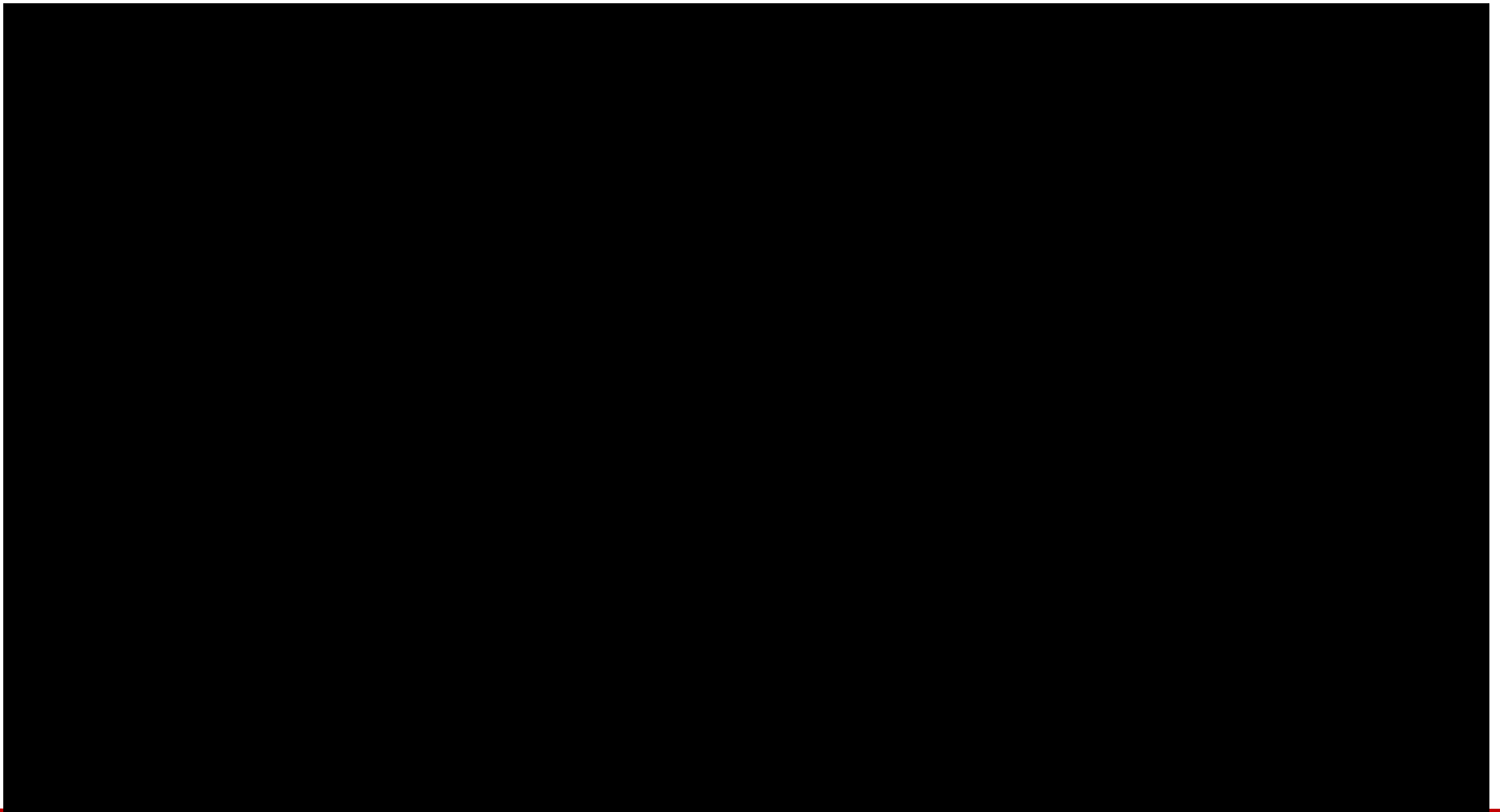
Soon to be working with Growthspur and Others

Established New Advisory Board:

- Jeff Jarvis
- Jay Rosen
- Betsy Morgan



Video: Bringing The Outside In





What To Expect

Initially - Lots of Failure

We Are Living In A Revolutionary Time For Legacy Media

Much Of What We Do Is Breaking Down

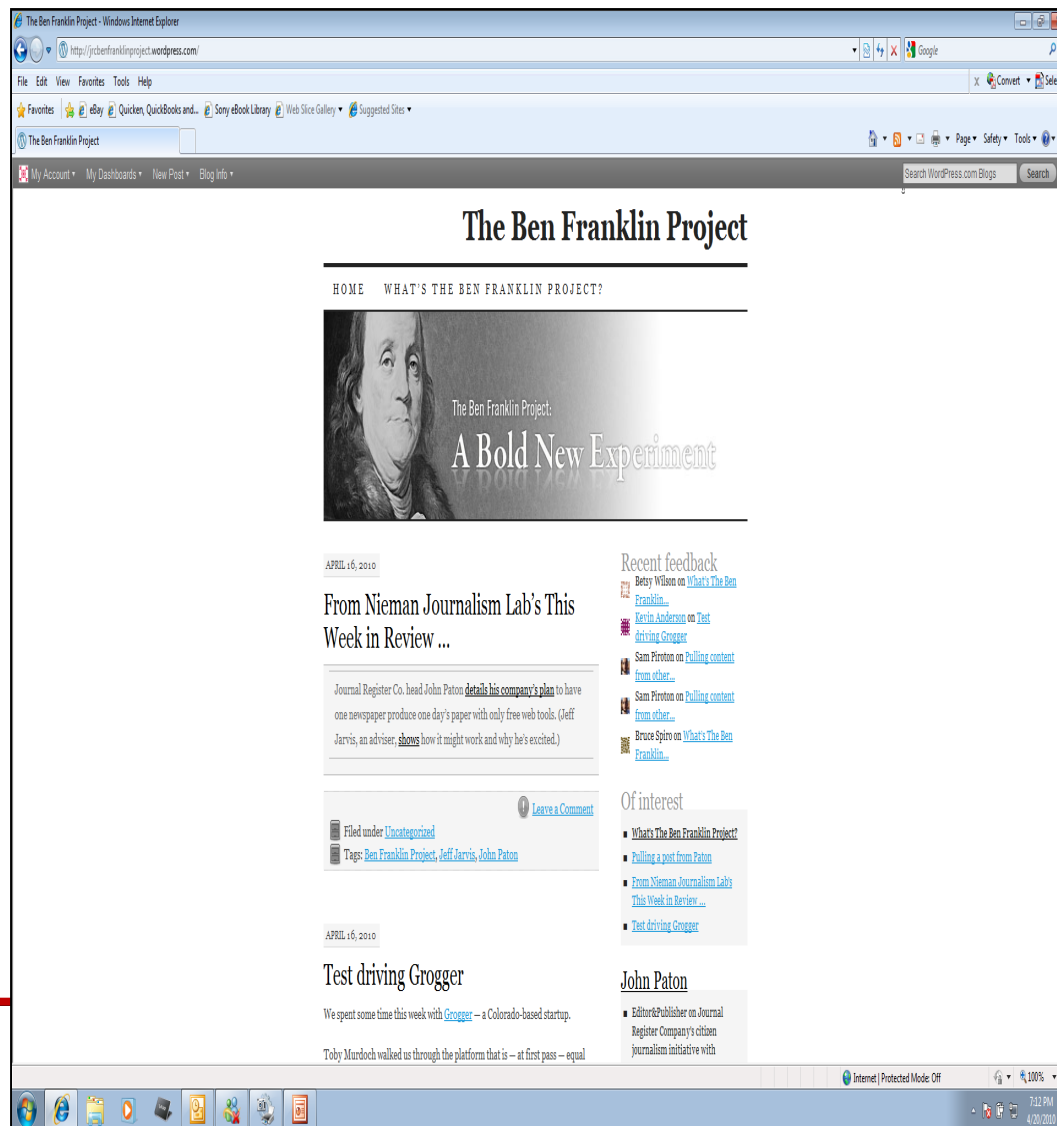
Much Of What We Know Is Less Valuable

We Need The Courage To Experiment

The Experiments Will Point The Way



An Experiment – The Ben Franklin Project



On July 4th We Declare Our Independence

We will, across all of our 18 dailies:

- Assign**
- Report**
- Edit**
- Produce: Web & Print Products**

Using Only Free Web-Based Tools

<http://jrcbenfranklin.wordpress.com>

Video: Some Are Getting There



impreMedia Today – On It's Way

Web

Widgets

Mobile

TV/Video

Audio

Social
Media

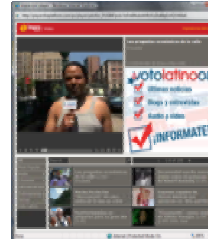
Print



@<http://noticias.aol.com/est>



SMS alerts
In-call newscasts
Downloads



http://player.theplatform.com/ps/player/pds/6zc_PUGl8B?pid=rYdZvAQ_vAK_AQMvX5h9wWe9n3ut43g8g

TV News -
magazines



CLICK
Providing
radio
stations
with
newscasts



Serving clients like MySpace and AOL,
non-traditional newspaper audiences

2006 - 9 products on 2 platforms

2010 - 100-plus products on 7 platforms

40% less costs

Thank You

Journal Register
C O M P A N Y

