

**SELLING INTELLIGENCE:
A NEW BUSINESS MODEL FOR NEWSPAPERS©
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This is an upbeat essay about the future of newspapers. Shocking, maybe. But, with some refocusing on how to make money, newspapers can be profitable, now and into the future. Here is my thesis statement: Newspapers need to be in the business of selling intelligence. Both of those words are operative.

First, newspapers need to sell their content. Newspapers are under-charging for the value they deliver. And, in their new product development, the only thing they seem interested in selling is advertising. They believe they are in the business of audience aggregation in the service of advertisers. Early in my research career, I did some work for the banking industry. After a great deal of money and resource spent trying to lure customers away from other banks, some wise bankers came to the conclusion that their best new source of revenue is from their existing customers.

Newspapers need to learn to think like that. They are about as far away from that thinking as they have ever been. Consider this evidence. I signed up for Easy Pay in something like 1992, give or take a couple of years. According to my Quicken spreadsheet, my monthly subscription has been adjusted exactly once, and that was in the past year and it was an increase of five cents. I used to pay \$15.17 per month. I now pay \$15.22. In the meantime, my cable bill has gradually crept to over \$100 per month. I snarl at the bill every month. But there is nothing that I'm currently paying for that I would give up.

But even beyond asking subscribers to pay more for the daily newspaper to be delivered to the door, few—and I mean very few—newspapers are selling any other products. Yes, they are developing niche products at an awe-inspiring rate. But these are mostly free publications. They are designed as new products for *advertisers* to buy. Newspapers have a powerful business model for advertisers; they simply do not apply it to their subscribers and readers.

Second, newspapers have something of value to sell: Intelligence. News is not the same thing as intelligence. Neither is information. Intelligence is highly-prized, sought-after, and worth paying for. The proliferation of free news has only heightened the need for intelligence. We are a time-stressed culture; few can afford the time to sift through sand to find nuggets of gold. Instead of beefing up well-crafted, thoroughly-reported stories, newspapers have increased the use of so-called “citizen journalists,” an unlikely source of much more than fool’s gold. Interesting stuff, often pretty, sometimes interesting, but rarely of lasting value.

Specializing in intelligence dictates how stories are chosen, reported, written, and edited. Especially in this information-rich age with 24-hour news services that break news instantly on television or the internet, newspapers, published in their hard-copy form once a day, must anticipate what the context for their stories will be at the time they are read, rather than the time they go to press. An example came to light in a recent seminar at the American Press Institute. At the time most newspapers closed their final editions last November, Washington Redskins

legend Sean Taylor was clinging to life; that's what the papers reported. By morning, he was dead. An intelligence-based newspaper would have anticipated the potential for the story to change and would have urged readers to check their website for the latest news and commentary on this story. Instead, most newspapers let the story stand, provided unneeded evidence of how hopelessly out-of-date daily newspapers can appear.

Trading in intelligence also dictates staffing. Those who know the most about a subject, those who have the deepest bench of sources, those who remember similar situations in the past are best able to identify and encapsulate stories to maximize their intelligence value. These are precisely the journalists who are being offered buy-outs and early retirement. This is perhaps the greatest symbol of newspapers' failure to understand and appreciate the commodity they sell.

Newspapers have thrown good money after bad trying to reach audiences they may never, it appears, win over. The popular trend in newspaper research right now is to do "footprint studies." The idea is to measure a newspaper's reach across all its products—the daily paper, the website, and a bevy of (typically) free niche publications. With the results in, the goal is to spot clusters of customers the newspaper does not yet touch and figure out a way to serve them as well—most commonly with a new product. Restated, newspapers are obsessed with building reach on the fringes of its marketplace, choosing as the most worthy of new investment the very people who have shunned them at every turn. Many newspapers have more than a dozen products on the market—targeting moms, young adults, senior, brides, Spanish-speakers, and on and on and on. Anecdotally, the incremental reach of these publications is miniscule. In effect, newspapers keep chasing consumer markets resistant to what they offer in the way they offer it.

None of this would be all that problematic in a time when resources are plentiful. However, resources are indeed limited. New products are most often an added burden to the newsroom on top of existing responsibilities—new staff to create new products are not part of the package. When editors push back on new assignments, which has become more common, publishers turn to marketing and advertising departments to develop "content." That is hardly a model that yields intelligence.

More worrisome than money wasted chasing non-readers is the erosion of content core audiences prize most. When I ask newspaper researchers about any effort to learn about the core audience, most commonly they tell me they might do the occasional focus group with regular readers to find out if proposed changes raise any red flags. It is a purely defensive move.

The problem is that at any given time, with any given change or set of changes, the core audience might not raise any red flags. But year after year, change after change, the content they value has eroded to the point many long-term subscribers start questioning their relationship to the newspaper. It's like the lesson learned from boiling a frog. Drop a frog into a pot of boiling water and it will jump out. But, drop it in a cold pot of water and increase the heat slowly and eventually you have, well, dinner. Newspapers are stripping out intelligence column inch by column inch. But eventually, core readers wake up to the fact they are not getting the value they expect from the daily newspaper.

These core customers would likely pay for products that deliver intelligence. Changes made to newspapers in the past couple of decades reveal a host of opportunities. My first thought along these lines came from noting a substantial drop in coverage of the arts. Many local newspapers used to have “Arts & Entertainment” sections which are now dominated by entertainment, based on research showing young adults most interested in movies, music, television, video games, and so on. Coverage of the symphony, opera, and other classical music was slashed, along with stories about the visual and performing arts.

What about a bi-weekly publication with separate, paid subscription, devoted to the arts, replete with previews, behind-the-scenes coverage, reviews, and gossip? Hire freelancers from the growing pool of laid-off or retired reporters and editors and mail it to all who want it, whether they are current subscribers or not. I worked through the financials on this with a newspaper comptroller. To break even on a subscription price of an additional \$5 per month, a few thousand copies had to be sold. Advertising would supply the profit margin. And, here is the best news. Most arts organizations are non-profits running on thin budgets. They cannot afford to advertise—and certainly not effectively—in mid-market or larger newspapers. They could, however, afford to advertise in a publication that reaches a few thousand of their best prospects. Imagine the impact for a small arts organization if they could get their message in front of a few thousand potential arts patrons? They would likely pay a premium for this opportunity, beyond what a 5,000 circulation product might normally fetch. It is the equivalent of Sunday morning news shows, such as Meet the Press. They have small audiences, but reap big advertising revenues because the audience they have is so attractive.

The same idea could be developed for sports, offering greater depth and breadth for a segment of the newspaper’s audience who are among the most avid and consistent readers. Subscription revenue could pay for travel to more away games, more coverage of teams outside of the hometown, more national columnists, and so on. Again, new revenue comes from advertisers who want to reach sports junkies, but who cannot afford the daily paper.

In a study my firm did for the American Press Institute a few years ago, we found that CEOs of corporations trusted weekly business news publications as much as, if not more than, the business sections of their local daily newspapers. Clearly, this presents an opportunity for a separate business publication that would feed a hunger for intelligence on the local business scene.

This idea extends beyond new print publications. Again, a host of profit possibilities await the newspaper that recasts its business as selling intelligence. For many newspapers, access to archives is restricted and readers wanting to download a story are met with an option to pay several dollars for a single article. In some papers, a website visitor could opt for a monthly pass, typically costing more than the subscription to the newspaper, or a yearly pass of a thousand dollars *or more*. To my knowledge, archives access is not a significant source of revenue. Archives are nothing if not intelligence. Why a newspaper would want would-be users to turn away from using them because of the price-point is befuddling.

Data organizing products and services are another way to think about packaging what the newspaper has to offer. For example, for an additional buck a month, how many would opt to

have a movie clock e-mailed to them every Friday? Oh, and by the way, this e-mail might include reviews not published in the daily newspaper and yes, advertising.

There may be dozens of more sophisticated data management applications, involving television listings, stock tables, weather information, sports scores—the type of data newspapers routinely buy and deliver. The current delivery mechanism, however, may not match readers' sophisticated needs without customization for which many may be willing to pay.

Of all the ideas presented in this article, this is perhaps the most radical. But it illustrates how a newspaper company could evolve by thinking about becoming a purveyor of intelligence.

The logic presented here is not that radical; it is exactly the way advertising departments think. Finding new ways of generating increased revenue from existing advertisers is fundamental to advertising marketers. But the news and marketing departments have a hard time imagining *selling* new products, especially those that target existing customers. The additional benefit on the advertising side is that most ad departments serve the top of the pyramid best—providing a host of products to capture a bigger share of the budget from large advertisers. But there are far more would-be advertisers at the middle and bottom of the pyramid, but they are priced out of many, if not most, newspaper products.

The barriers are not just psychological or cultural, they are also logistical. Circulation databases were designed to track subscriptions to one product, the daily newspaper. While work-arounds could be developed for small groups of a few thousand subscribers for additional products, ideally, an integrated approach to selling, billing, and delivery would be the most efficient. When I've posed the opportunity of selling multiple products, newspaper executives have tended to acknowledge the logic but warned that getting it done would be years in the making because their circulation databases simply did not anticipate this new need. The same will be true in 10 years if thinking does not change.

Not every market offers the same opportunities for new subscription-driven products. What core customers will pay for in South Florida is unlike what core customers might pay for in the Pacific Northwest. That means local papers need to start doing new product development research—with their core customers. A number of new ideas can be tested at a time, showing where the greatest return on investment lies. The first project will work through the kinks in the start-up, laying the groundwork for future efforts to avoid pitfalls and shorten the time it takes for the publication to become profitable.

These products succeed only if they are high quality. Under this business model, circulation revenue pays for quality newsroom staff. These new products must be journalism-driven and they must deliver intelligence. While some publications may compete in these arenas, none has the expertise and status enjoyed by most daily newspapers.

What does it cost newspapers to ignore their core customers? Regular newspaper readers are likely to be well-educated and affluent. They are newspaper advertisers' best customers. Certainly, they are the hardest-to-reach customers for advertisers, in that they spend proportionately little time watching television or listening to commercial radio. Newspaper

executives reading this will no doubt be pondering what it would cost to modify the current paradigm of giving away more and more information yet keeping fewer and fewer paid customers. Or what it would cost to research the opportunity.

An equally good question is what it costs not to. Virtually all data on circulation and readership point to only a pessimistic view of the industry and its prospects in coming years. But, that could change if newspapers change their business model to one that positions the products they provide as indispensable. My cable channels are indispensable. I cannot get along without CNN, MSNBC, HBO, and now a fun channel called American Life where I can watch the original Mission: Impossible series. NBC owns any number of cable outlets so I can feed their coffers (both from cable fees and advertising) while watching Bravo, USA, A&E, the History Channel, or the Sundance channel. With a new game plan, which leverages newspapers' current assets and depth of expertise by selling intelligence, the future looks bright.