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Content

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JMM – The International Journal on Media Management

Editorial

Dear Reader

Welcome to a new issue of JMM – The International Journal on Media Management.

In this issue we have a distinguished group of authors, whose collected articles mainly cluster around the challenges arising from new digital media for the content industry. Through new services, technologies, and devices, innovative business models and products are required and the potentialities imbedded in the change have to be exploited.

Robert G. Picard leads off this issue with an analysis of business models of online content services, especially how they have changed through changes of technology and audience demand and how current business models resulted from these changes. In his article he explores the implications of these business models for multimedia and other content producers and possible prospects for the future.

In their article, Hsiang Iris Chyi and George Sylvie analyze the development of online newspapers and how they take advantage of the possibilities the online medium offers. Based on a survey with 14 online newspaper-practitioners they show that while most newspapers hope to complement print and

online products, these possibilities are not part of every newspaper's strategy. Most of them are testing several models of earning revenues to become an economically viable medium.

David Nicholas and Paul Huntington assess the use of newspaper website logfiles. The goal was to determine the most appropriate method for evaluating the use of these logfiles and to establish what types of analysis could be drawn. For this, the logfiles of The Times/The Sunday Times Web were examined. Based on these findings the study lays a foundation and identifies new classifications on which more detailed cross-classifications and modeling can be based.

Technology-driven innovations in the area of transport media and new devices pose a challenge for both media companies as well as their customers. The main questions for the media industry is how these new technologies can be exploited, e.g. through new content-oriented products or new services based on these technologies. Joachim Rawolle and Thomas Hess concern themselves with an analysis of attributes of digital contents and an assessment of different combinations of target devices and transport media. Based on this, they deliver a discussion of two emerging concepts.

The influence of corporate culture on the achievement of strategic aims in two leading international broadcasting companies – BBC and CNN – is investigated by Lucy Küng. The article aims to explore how cultural beliefs support the organizations strategic goal is assessed and to uncover senior managers' unconscious assumptions concerning organization mission, the competitive environment and acceptable strategic responses. The author concludes that culture can act as a restraint to strategic plans and that culture in general is a valuable strategic asset for media organizations.

This issue again concludes with our calendar of events. We hope you find our collection of articles interesting. We look forward to continuing to deliver strong, peer reviewed content to you and to develop our relationships with the (new) media community. You are always welcome to contribute your research or your feedback to the JMM and to take the opportunity to share your ideas with this community. Since we are a journal focused on the possibilities of new media, you will find all our content online under

www.mediajournal.org.

*Beat F. Schmid
Peter Glotz
Peter Gomez
Dörte Wittig*

Online Newspapers in the U.S.

Perceptions of Markets, Products, Revenue, and Competition

Hsiang Iris Chyi, Chinese University of Hong Kong,
and George Sylvie, University of Texas at Austin, U.S.A.

The diffusion of the Internet during the recent past has created a substantial online newspaper industry. As of April 2000, more than 4,400 newspapers provided online services worldwide, of which 3,161 were based in North America,¹ 634 in Europe, 269 in South America, and 214 in Asia (Editor & Publisher Interactive 2000). The economic potential and theoretical implications make the emergence and continuing growth of the online newspaper industry worthy of media researchers' attention.

Despite the dramatic growth in the number of online newspapers, it is not clear whether this medium will become an economically viable business, and if so, how. Practically, U.S. online newspapers – as are other media in the United States – are economic institutions, engaged in the production and dissemination of content and operated by private parties for the purpose of generating profit (Picard 1989). Despite their behavior being subject to economic principles, online newspaper economics is complex. The convergence of the print newspaper and the Internet creates a new medium that must deal with two sets of market factors simultaneously. Confusion exists as to how online newspapers define a market between the local and the global, how they position themselves in the market, how they define the relationship between online and print products, and how they define competition and develop market strategies.

To answer these questions, we conducted a series of in-depth interviews to gain practical insights from online professionals. While market research tends to focus on user demographics, online publishers' viewpoints are of equal, if not more, importance in understanding online newspaper economics because a market consists of both consumers and suppliers and online practitioners are constantly experimenting with this new medium.

Online Newspaper Economics

Media economics is an integrated system, requiring patient examination of its key parts. Media economists suggest that markets, products, revenue and competition are interrelated in any media industry – each affecting and being affected by the other. The economics of “online newspapers” – news-oriented Web sites affiliated with a print newspaper – is particularly complex because online and print markets are often interrelated: 1) While the Internet's boundary-transcending capacity enables online newspapers to operate globally, news – often provided by their print counterparts – is primarily local; 2) Newspaper publishers often need to consider the potential impact of their online offerings on the print product when developing market strategies. 3) Online competition is hard to define and online and print products may compete for revenue sources. Therefore, no discussion of online newspapers would be complete

without placing these issues – markets, products, revenue and competition – in context.

Multiple Market Definitions

Online newspapers operate in “markets” – with readers and advertisers as consumers and newspapers as suppliers. But “market” is not a simple concept. Despite increased media coverage of online publishing, fundamental issues such as market definitions have received scant attention.

Because Internet access has no pure geographic limits, any information posted on the Web is available to a practically global audience. Technically, online newspapers are able to seek markets on a number of geographic levels – local, regional, national, or global – i.e., serving multiple audiences and competing with multiple media within multiple geographic areas (Chyi and Sylvie 1998). This is very different from print newspaper markets that are almost always confined by geography, as illustrated by Rosse's umbrella model of newspaper markets (Picard 1989, 30). Media economists suggest that dealing with the complexity of media markets requires simultaneous consideration of multiple market definitions (Bates 1993). This study investigates how online newspapers define their markets in practice.

Relationship between Print and Online Products

Defining online markets requires examining the relationship between a newspaper's online and print products because online newspapers do not exist in a vacuum. The print edition often serves as the primary content provider for the online edition and similar or identical information often is published in two formats. So one must consider a newspaper's online and print products as substitute goods (Chyi and Sylvie 1998). Martin and Hansen (1998) also suggested:

The best asset [newspapers' managers] have for recommending their online services is the quality of the newspapers they publish each day. The Wall Street Journal's online news service's success in attracting subscribers may very well be because of the reputation the newspaper has across the country. As more newspapers provide online news services, there may be an assumption by those using the services that the material found online is exactly what would have been found on the same day in that news organization's newspaper (Peterson 1997; 106-107).

In spite of content-sharing, ideally, online newspapers – as a distinct medium – are technically capable of producing interactive, multimedia content such as online forums, searchable news archives, links to related stories, frequent updates, and webcasting. However, many online newspapers are accused of producing shovelware – moving whatever is published in the newspaper onto the Web without significantly repackaging the content for the online medium. Various constraints (e.g. lack of money and staff) seem to limit many online newspapers' capability to develop original content. An Editor & Publisher survey showed more than two-thirds of news Web sites reported that less than 20 percent of their content came from outside sources (Fitzgerald 1997). Another U.S. survey of 131 online newspapers showed about half the sites say that none of the material in their online news sites was written by online staff members. The average percentage of material written by online journalists was 13 percent – suggesting a rather heavy “recycling” of material from the print edition (Tankard and Ban 1998). A more recent survey found 22 percent of newspapers had less than 5 percent original content (Middleberg + Associates 1999), adding to the evidence of shovelware production. We will further examine this phenomenon by focusing on practitioners' perceptions of this issue and their responses to the criticism.

Revenue

Most online newspapers started as experimental projects with the ultimate goal of becoming economically viable. To do so, online newspapers have experimented with various revenue models such as subscriptions, advertising, pay-per-use, sponsorships, Web site development, serving as ISPs (Internet service providers), and e-commerce. We attempted to see how they utilize different models and how national, metro, and community online newspapers differ in their revenue-generating capacity.

Competition

Economic theories suggest that the type of competition depends on the number of firms in a given market. For example, the U.S. daily newspaper industry is largely characterized by monopoly because of the dominance of one-newspaper cities, as are most local cable markets. Further, the industrial organization model suggests that market structure affects market conduct, which, in turn, affects market performance (Albarran 1996, 29). Compared with traditional media, however, online companies may find the market structure difficult to define due to the nature of the medium. Blurring market boundaries and technological change make the nature of competition – intermedia or intramedia – “fuzzy” (Lacy 1993, 55). How online publishers perceive market competition may shed light in this area.

The Study

We chose to conduct in-depth interviews because they lend themselves to open conversation and diverse perspectives. Such qualitative data reveal what online practitioners consider when defining markets for their products.

Since the market is a geography-sensitive concept, we selected 14 U.S. online newspapers operating at different geo-

graphic levels – including online editions of The Wall Street Journal, USA TODAY, The New York Times, The Christian Science Monitor, The Los Angeles Times, The Houston Chronicle, The San Francisco Chronicle (the Web site is operated by the San Francisco Gate), The San Jose Mercury News (the Web edition is called the Mercury Center), The Fort Worth Star-Telegram, The San Antonio Express News, The Austin American-Statesman (the Web site is called Austin360), The Galveston County Daily News (Texas), The Columbia Daily Tribune (Missouri) and The Half Moon Bay Review (California). Among them, four were affiliated with national newspapers, seven with metro dailies (circulation over 150,000), two with small dailies (circulation under 30,000) and one with a weekly. Circulation of their print editions ranged from more than 1.5 million to about 6,000, with a median of 260,256.

In-depth interviews were conducted between Nov. 19, 1998 and Feb. 28, 1999.² Because of the subject matter, the interviewee had to be familiar with the business side of his or her online newspaper operation. So the participants were either general managers or marketing professionals.³ Many were opinion leaders in the industry because of their reputations and influence in the online world.

Market Definitions – Where Is the Market?

Technologically, the Internet enables every newspaper to operate at multiple geographic levels such as local, metro, regional, national, and global. While the medium is global, news almost always is local. To better understand how online newspapers define their markets between these two extremes, the 14 participants were asked how they geographically define the market for their online product – Do they define themselves as a local, metro, regional, national, or global publication?

Their response indicated a geographic market definition has at least four different dimensions: 1) Content-oriented: Some online newspapers define themselves by the nature of their editorial content. So an online newspaper providing local coverage is a local publication while a great amount of national/international news makes a national/international online newspaper. 2) Advertising-oriented: Some define themselves by looking at the type of advertisers they have. So if most advertisers want to reach local/national audiences, the Web site is then a local/national online newspaper. 3) Marketing-oriented: Some online newspapers define their geographic markets according to where they usually promote the product. 4) Audience-oriented: An online newspaper's geographic market also may be defined by looking at the geographic distribution of its online users, i.e., where they reside.

Although perceiving geographic markets differently, all 14 participants realized the Internet is a global medium with a worldwide capacity. Online newspapers of larger sizes tend to define themselves as a global publication. All four national online newspapers have some international audience (USA TODAY's audience is 25 percent international; the others have 5 to 10 percent). Asked about the geographic distribution of these international users, they explicitly mentioned English-speaking countries such as Canada, the UK, and Australia as well as Japan and Germany.

While these national newspapers feature national and international news, none differentiated national and international audiences by providing different content. The Wall Street Journal Interactive Edition has links to the Asian Wall Street Journal and European Wall Street Journal but every visitor has access to the same content.⁴ USA TODAY has not paid particular attention to international users because

"USA TODAY is about USA news" and targets a younger demographic of people interested in USA news, said Allegra Young, Director of Strategy of USATODAY.com. Jason Krebs, Managing Director at The New York Times on the Web, said the goal in the short term still is "national." The Christian Science Monitor also primarily targets readers within the print edition's market and hasn't done things exclusively for international audiences. In terms of advertising, the Wall Street Journal Interactive Edition can target advertising by geography and has many advertisers desperate to reach people in Europe and Asia. In general, these national newspapers have strong brand names that contribute to their visibility in the global market, but pursuing business opportunities overseas does not seem like a primary, short-term goal.

In contrast, the seven larger metro online newspapers have a variety of opinions regarding geographic market definitions. The Los Angeles Times and the San Jose Mercury Center have great ambitions toward national and international markets. The former has 10-15 percent of its audience outside the U.S., while Mercury Center has about 70 percent of its audience outside its print market area and a large percent of that is international, especially Asian. Both identified the key to market expansion as intensive coverage of a specialty in their geographic area (e.g. the entertainment business in Los Angeles, or the hi-tech industry in Silicon Valley) which has great national and international appeal. The Los Angeles Times was beta-testing possibly translating the site into Japanese, French and Spanish versions. Mercury Center considered itself unique among most newspapers because its coverage of the Silicon Valley "puts us in the same category as the New York Times and the Washington Post," said Doug Edwards, Mercury Center's Brand Group Manager. But since the Mercury News also is a local newspaper, it has to serve two

distinct audiences simultaneously: a local audience who wants its daily newspaper online and a national/international audience looking for information about Silicon Valley business and technology. In February 1999, they launched another Web site (siliconvalley.com) providing technology and business news to better serve multiple audiences with multiple products. Mercury Center also is regionally active because its parent company Knight Ridder owns several newspapers in the Bay Area market. Among the 14 online newspapers, only the San Jose Mercury Center had plans for markets at every single geographic level. As to how it prioritized multiple markets, Mercury Center's short-term emphasis still is local because "it pays all the bills."

The "specialty/niche" principle seemed to apply, to a lesser extent, to the online newspapers in Houston and San Francisco (although the representative of the San Francisco Gate, which hosts the online edition of The San Francisco Chronicle, said, "We don't consider ourselves as an online newspaper."). Joycelyn Marek, Vice President of Marketing and Electronic Products at The Houston Chronicle, said its coverage of space (NASA is in Houston) and the oil and gas industry has some regional or even national impact. The San Francisco Gate has 30 percent of its traffic coming from outside California despite the very little marketing attention it gives to national and international audiences because of the lack of national and international promotional channels. Its long-distance audiences include those interested in San Francisco as one of the greatest cities in the world, those who lived there or have relatives there, and sports fans. But overall, the Houston Chronicle and the San Francisco Gate – together with the Fort Worth Star-Telegram, the San Antonio Express-News, and Austin360 – focus on either the metro or the regional level. They find people very in-

terested in local information – their specialty. Ben Smylie, General Manager of Austin360, said, the bigger the market focus, “the less barrier to entry there is for everybody to compete with us. We’d rather spend big dollars to get the big numbers of local eyeballs.”

Smaller online newspapers also noticed they had some audiences from outside the print edition’s market and expressed an interest in pursuing that market, but whether such opportunities exist is not clear. The Galveston County Daily News has one-third of its online users coming from outside Galveston. For business’ sake, the paper wants to attract those readers from outside its immediate coverage area. But, from a journalism perspective, “we will continue to cover roughly the same area as our printed newspaper [because] that’s our franchise,” said Greg Mefford, Online Services Editor of Galveston Daily News. While seeking partnerships with outside companies which provide content with a more national scope, the Columbia Daily Tribune still targeted readers within the print edition’s market because as an independent, family-owned newspaper, “[Our] thinking is very, very local.” Eric Rice at The Half Moon Bay Review said the Web site can help sell Half Moon Bay as a place to visit but could not sell much about the newspaper. For potential online advertisers, “If you can attract the world, that’s great. But you’re not going to do it with Half Moon Bay Review.”

So while larger online newspapers seem to have greater ambition and more confidence in seeking business opportunities at larger geographic levels, most online newspapers operate within the geographic boundaries defined by their print counterparts. Most mention the ability to find an audience-appealing specialty in their own area as key to a broader audience base. While online newspapers define their markets at different geographic levels

from different perspectives with different strategies involved, when dealing with a geographic market definition, they have to consider the market relationship between the online and the print products.

Relationship between Print and Online Products – Competitive or Complementary?

From the newspaper company’s standpoint, offering free content online can be a concern in that it may erode the print edition’s subscription base – “cannibalization.” None of the 14 participants reported significant cannibalization effects preventing them from publishing online, although many said the print newspaper administration worried about it. Participants at the Los Angeles Times, the San Francisco Gate, the Houston Chronicle, Austin360, and the Galveston County Daily News agreed that things can work in both directions: Giving away free content online may erode print subscriptions, yet the Web site also serves as a marketing tool to promote the print edition. For example, the Web site exposes the paper’s content to a new market. The online edition, by utilizing interactive features, can improve the relationship between readers and the paper. Cross-references between print and online make “perfect marriage between the print and the Web site,” said Bonnie Bradshaw, Public Relations/Marketing Manager of the Fort Worth Star-Telegram. By providing print subscribers free access to online news archives, the Houston Chronicle official said, “We’re redefining what it means to subscribe, not to the paper, but to the Chronicle.”

Several participants report an increase in print subscriptions and a few attribute the increase directly to their Web presence. The Wall Street Journal Interactive Edition is a paid service that charges non-subscribers \$49 a year. Reading online is thus less expensive

than subscribing to the print Asian Wall Street Journal in places such as Japan, which had 6,000 print subscribers. But print circulation still has increased. The New York Times, the Christian Science Monitor, the Galveston County Daily News and the Half Moon Bay Review said they have increased print subscriptions because more people come to their sites to sign up for the print edition.

As to why cannibalization is negligible, officials argue that online and print products have different readerships and constitute different reading experiences, and online products may not have everything – for example, display ads that many readers want. But, in terms of different readership, in most cases, online and print readerships have some overlap. About one-third of the Wall Street Journal online users also are print subscribers. USA TODAY has a 7 to 15 percent overlap. The San Jose Mercury Center official said, “a large percentage” of online users also read the print edition. The Austin American-Statesman had 82 percent duplication.

Overall, these online newspapers don’t think they compete with their print counterparts. The Christian Science Monitor representative said, “The purpose is to spread the news – so people can get it whatever the best way is.” Most think, or at least hope, the relationship between print and online products is complementary.

Shovelware Production – Why or Why Not?

Online newspapers perceive “shovelware” in different ways. Some see it as having the print newspaper serve as the primary content provider for the online edition. Therefore, shovelware means most content in the newspaper is published online. Some participants also take the term “shovelware” to imply minimal repackaging of content in

the print edition for the online medium by adding links, multimedia components, etc.

Most of these newspapers publish most of the editorial content in the print edition online. The New York Times, the Christian Science Monitor, the Los Angeles Times and the Fort Worth Star-Telegram have at least 90 percent of the paper's content online. The Houston Chronicle representative said virtually all the articles in print are available online but "I'm not embarrassed by that because the shovelware stuff is what people read; they want the news, the sports, the weather, the horse scores and the classifieds." In contrast, the USA TODAY representative said 90 percent of its online content is unique. Constant updating and the additional space online make the print version just one snapshot in time.

Many of these online newspapers emphasized the importance of repackaging (or "re-purposing") content for the online medium. They add links, visual graphics, video or audio components, or offer more sidebar stories. Ben Smylie at Austin360 said, "We decide what to do based on the new medium rather than the old medium." Many sites offered interactive services such as search engines, auto, job, real estate databases, news archives, and interactive mapping. A few also developed unique content exclusively for the online product.

While many sites tried to discover what constitutes a new online reading experience that would work for their product, the Christian Science Monitor took a unique approach by serving clickable image maps that maintained the exact look of each page in the print newspaper. Users can click on the image to view individual stories in a frame. By doing this, they preserve the editorial judgment instead of having some stories lost "just depending on where someone clicks." At this stage, most online news-

papers still are experimenting to provide better online reading experiences.

Revenue Models – Where Is the Money?

Participants unanimously agreed that advertising – including banners, classifieds, sponsorship of parts of the site, and sponsorship of the email version of the site – would be the primary revenue driver for online newspapers. Some believed classified advertising, which lends itself to database search, was especially suitable for online newspapers. In terms of banner ads, some charged advertisers on a CPM (cost per thousand) basis. Others charged a flat rate. Also, some smaller online newspapers – such as the Columbia Daily Tribune and the Half Moon Bay Review – had no ads online.

Many participants mentioned sponsorships (or "revenue sharing") as a potential revenue driver. Basically, this meant that online newspapers sold ads to be placed on content pages provided by third parties. For example, real estate agencies could provide a mortgage calculator or "how to buy a house" information that could be linked to the newspaper's real estate pages. David Thompson, Director of Online Services/Content Development of The Columbia Daily Tribune mentioned several options for revenue sharing: (1) The newspaper pays a fee to the third-party content provider and keeps all the revenue for ads placed on those pages. (2) The newspaper and the third-party provider rotate their ads on the supplemental pages (every other ad belongs to the newspaper). The newspaper and the third-party provider keep the revenue for their own ads. (3) The third-party provider pays a small fee to the newspaper for a link from the newspaper and owns all the ads spaces on the supplemental pages. Sponsorships also allow the newspaper to publish more content and help the newspaper create a more "progressive" image in readers' minds.

In terms of the subscription model, the Wall Street Journal Interactive Edition provides a well-known, successful example by charging print subscribers and non-subscribers different annual rates for its specialized financial news services. As of January 1999, it had 265,000 subscribers, which accounted for about 50 percent of the total revenue. However, USA TODAY, with about one million unique visitors on a daily basis, did not think the subscription model would work for most online newspapers because "who would pay for it when it is free on Yahoo!?" The Christian Science Monitor was experimenting with a subscription model by their "Monitor Extra" product – a personalized edition which can be delivered via email, with or without graphics, plus free access to the archive.

The New York Times once charged international users a monthly subscription fee. The San Antonio Express-News and the San Jose Mercury Center also started as fee-based sites, but all abandoned the subscription model in 1998 because the small audience base may severely limit advertising chances.

Online newspapers also saw opportunities in partnerships and e-commerce. The Los Angeles Times had several "verticals" under its umbrella brand, such as cars.com for autos. A number of online newspapers had similar operations because such verticals provided business opportunities. Some online newspapers shared with advertisers revenues generated by customers coming from their news sites. The San Jose Mercury Center planned to sell directly from its Web site.

Some online newspapers generated revenue by creating Web sites for customers or serving as an Internet Service Provider (ISP). About 8 to 10 percent of the San Antonio Express-News's online users subscribe to their ISP services. Some online newspapers – such as the Half Moon Bay Review – simply operate

as a public service without identifying themselves as a business. Overall, many online newspapers tried a combination of ways to make money. The San Jose Mercury Center representative said, "We haven't ruled out anything except pornography."

Competition in the Online Market – Competing with Whom?

Asked their primary competitor, many participants found the question difficult for two reasons. In the broadest sense, they compete with every medium (online and traditional) or even every daily activity for people's time. On the other hand, many said they could not think of any direct competitor in the market that produces exactly the same content as they do. Neil Budde, Vice President of www.wsj.com, said, "There are sites that do bits and pieces of what we do, but no one is doing everything we are doing."

While national newspapers tended to take other national online players as their competitors, most metro online newspapers reported themselves as the top-ranking sites within their geographic area. When pressed, participants tended to cite "city guide" sites (such as Sidewalk, Digital Cities, and CitySearch) or major search engines' local versions (such as Yahoo!), or online newspapers covering adjacent areas as their competitors.

Smaller online newspapers, characterized by highly specialized coverage, reported very few competitors within their geographic market. The Columbia Daily Tribune official, e.g., said they primarily compete with local targeted tabloids that have Web sites.

As for their advantages and disadvantages in market competition, most national newspapers consider their strength to be quality news and information while metro and community newspapers listed their specialty in lo-

cal coverage. The New York Times official mentioned the lack of distribution in another channel (other than the newspaper) that some of the competitors such as CNN and NBC have. The Christian Science Monitor representative said it didn't have as much money as other national online newspapers do.

In general, competition in cyberspace is difficult to define. Most online newspapers have no direct competitors thanks to the specialized nature of their products, while every single user has access to whatever is online. Therefore, an online newspaper competes with nobody and everybody at the same time.

Strategic Implications

National, metro, and community online newspapers seem to have fairly different perceptions of markets, products, revenue and competition. Having the most resources, national newspapers tend to view this online venture from an economic standpoint. Their strong brand names easily increase their visibility, not only in the U.S. market but also on a global scale. But how they should pursue business opportunities will be determined by factors such as available resources, awareness and strategies. They didn't really worry about cannibalization. They produced high quality news and information and were confident in facing market competition and finding revenue models that would work.

Metro online newspapers, on the other hand, have different views. "Specialty" was repeated over and over again by this group. The ability to find a niche within their market area determined the likelihood of market expansion for metro online newspapers. They provided many examples demonstrating the importance of a unique specialty. Some are extremely ambitious in pursuing business opportunities in the

national or international market because their product appealed to a larger audience.

"Localism" was another buzzword among metro online newspapers. Many focused on their local market, which has great potential in advertising and e-commerce. No one believed in the subscription model. Only a few expressed concerns about cannibalization. They had mixed opinions about shovelware production. They face competition from city guide sites and search engines. Metro online newspapers seem to have considerable potential in profitability.

In comparison, smaller dailies and weeklies were more restricted in terms of market size and resource availability, which may affect their market-expanding and revenue-making capacity. Sometimes local publishers can't see beyond their neighborhood. But since many small U.S. newspapers are owned by newspaper groups and so are their online editions, their online presence usually served as part of a greater strategy. Because of highly specialized content, competition is minimal. Revenue sources included classified upcharges, creating Web sites for clients, and serving as ISPs in their community. Some provided non-profit services.

Overall, all online newspapers have noticed some part of their online readership is active at the international level, but the global market is not part of everyone's strategy. This is partly because many online operations (especially smaller ones) hire from within and, as a result, their staffers perpetuate and are stuck in the "local" mentality. Also, obviously, global marketing requires time and effort, but the global audience may not be large or consistent enough to warrant the effort (or at least that's how some online managers may think). This may explain why larger newspapers tend to have more interest in pursuing a long-distance

online market than smaller ones. They have more resources, and their audiences also tend to be more cosmopolitan – residing in cities that have a particular global impact. In addition, larger newspapers may attract more innovative, risk-taking employees (by virtue of the fact that they pay them more and have more resources to provide) who have the right mentality for taking on a global venture. For so long, newspapers have positioned themselves (and rightly so) as local products; that mentality is a hard tradition to break, but online publishing may require it.

Because no significant cannibalization effect was found, most participants perceived the market relationship between the print and online products optimistically. However, you can interpret the absence of cannibalization differently – that the print newspaper still may have more stories in it than does the online version, or that the online product is unappealing and thus unable to make an impact on print readership. Online newspapers need to examine product demand carefully.

The online world is characterized by a sense of uncertainty – many participants could not answer questions concerning geographic markets, shovelware, and competition without first defining these terms – in their own ways. And it is interesting to see how their definitions affect how they think and do in the market.

This study carries major management implications. First, a market must be exactly, precisely defined. As suggested (Chyi and Sylvie, 1998), industry executives need to define an online market's particular dimensions – local or long-distance, information or advertising – before they market their product.

Defining a market is not an easy task, of course, and this is made doubly difficult by the Internet's nature. Audi-

ences are difficult to measure in this medium and even when site users volunteer information, it does not necessarily indicate the quality or nature of their Web experience. Online newspaper managers will have to develop innovative audience metrics that more accurately reflect the site's role in customer usage.

Market definition carries with it a responsibility on the part of the manager to make decisions about intent – i.e., whom does the site intend to serve vs. who actually uses the site? Often the two are not the same, meaning that site managers – particularly those with unique content – will have to view markets on a number of geographic levels. This may be more true for metro online newspapers, but smaller publications – even though restricted by size and resources – have to train themselves to look beyond the town limits. In other words, “local” may be the intent, but Internet markets go beyond managerial intentions, regardless of whether the manager wants them to do so. Smart, profitable decision-making requires that managers understand the medium.

A second implication concerns the cannibalization, the perception of which we found to be almost non-existent. In one way, that is good because it means managers believe the two products are different. However, newspapers are a unique brand because of the journalistic credibility they bring to the table. Withholding more, in-depth content from the Web site may seem like protecting the print franchise, but it also comes off to the audience as “commercial” and even mercenary, making the newspaper seem as if it's more concerned with making profits than informing the community. Even if that's the reality, it's not a perception that management wants to encourage. Nothing is more sacred than the integrity of the journalism brand inherent in newspapers because it connotes the

idea of credibility, something that even non-news sites that carry news can ever completely offer a reader.

This carries a third implication, particularly regarding shovelware and original content. While limited resources constrain most online newspapers, our findings indicate that shovelware has practical meanings for managers; the negative connotation doesn't carry in practice. What this will mean for readers is hard to say except that anything that facilitates production – and shovelware does – will be commonly used. This may mean the print product gets put online more easily, but it does not necessarily imply quality content. What kind of content is suitable for the online medium? A fundamental question like this requires more thinking and begs further speculation as to the power of online newspapers to manipulate demand. Nationally, there's dubious evidence that such ability exists: The most visited sites generally are not news sites. As long as online newspapers compete with sites with no natural geographic boundaries and as long as shovelware persists, this is likely to remain the case. At first glance, online newspapers that lack original content do not appear to be engaging in successfully strategic behavior, given the geographic boundaries of the Internet. Instead, it appears that most newspapers are relying on the brand preference established by their print versions, hoping that the print newspaper's credibility and desirability will transfer to the new medium. Some newspapers – especially those with greater resources – have recognized this folly and moved to the portal model, in which their site serves as a gateway to other, more community-based (audience-relevant) material, most of which cannot be defined as “news.” It remains to be seen whether most newspapers – especially smaller ones with fewer resources – will migrate to this model. Much depends on whether top management is

committed to developing a unique site and what influence – if any – there is from competitors.

Finally – and perhaps most importantly – profit implications of our interviews seem to point toward the fact that revenue models will be “locally” driven. “Local” in this case means that each newspaper seems to be finding its own way toward profitability or failure. Indeed, even the word “model” seems to be mis-used, since it implies that a profit mechanism can successfully be used elsewhere. Although we saw different newspapers use different schemes, there seemed to be an experimental mentality in most cases, since few were truly profitable.

However, such “local” thinking – while comfortable for newspaper managers in that it extends their traditional beliefs that newspapers are “local” products – may be financially fatal. For while the medium is global and the market is not, managers should nonetheless exercise caution. The Internet has begun to change the way consumers do business. E-commerce means transactions (and, thus, behavior) occur in cyberspace. Newspapers must adapt accordingly – in terms of how they view electronic revenue.

But as this study indicates, the business models still are in the experimental phase, thanks in large part to the continually changing nature of the Internet. As a result, longer-range studies of strategic behavior by online newspapers must be performed if we’re to get an accurate sense of the predominant model. For example, although this study briefly touched on it, there needs to be an improved understanding of the role of competition in determining content of online newspapers. As alluded to earlier, many participants had difficulty determining their primary competitor because they actually compete with every medium (online and traditional) and because no

direct competitor in the market produced exactly the same content. It seems appropriate then, that future studies reflect on the widest range of views on competition. As Young (2000) suggested, alternative views of competition – such as the Austrian school that views competition as a “continually changing process of entrepreneurial rivalry” (p. 40) – may need to be examined if the highly entrepreneurial online newspaper market is to ever be properly classified. To date, we have no established idea as to the nature of interaction among competing online newspapers, much less how those newspapers compete with other Web sites. Until we do, strategic implications – like competition in cyberspace – will be difficult to ascertain, partly because of ongoing technological innovation and partly because audiences still are deciding the role (and their expectations) of the Internet in their leisure activities.

As it stands now, advertising and sponsorships may work, but audiences may demand more and more interactivity, rendering such mechanisms useless in terms of revenue production. Until they prove more adept at manipulating demand, online newspapers will have to learn to be more sensitive as to how their readers consume the product and must be ready to develop new “micro-models” of revenue production, ultimately based on readers’ online behaviors. These models may revolve around reader purchases of items or services they read about, or they may involve reader-generated activities, such as auctions. In any case, newspaper managers must be sensitive to reader behaviors, because they are likely to change.

The bottom line is that perception – while it may be everything in online newspapers – changes. And managers’ perceptions must change with the behaviors of those they seek to serve.

¹ Includes sites on BBS, Microsoft Network, AOL, Prodigy and Gopher services

² Six were face-to-face interviews; six were over the telephone; two were via email because of the participants’ preferences (multiple correspondences were conducted to clarify unclear responses). Each face-to-face and telephone interview took approximately 30 to 45 minutes to complete. Interviews were audio-taped and transcribed.

³ Participants are: Neil Budde, Vice President & Editor, www.wsj.com; Allegra Young, Director of Strategy, www.usatoday.com; Jason Krebs, Managing Director, www.nytimes.com; Denise Mallett, Product Manager, www.csmonitor.com; Stan Holt, General Manager, www.latimes.com; Joycelyn Marek, Vice President of Marketing and Electronic Products, www.chron.com; Ted Russell, Marketing Director, www.sfgate.com; Doug Edwards, Brand Group Manager, www.mercurycenter.com; Bonnie Bradshaw, Public Relations/Marketing Manager, www.star-telegram.com; Ian Murdock, Manager, www.expressnews.com; Ben Smylie, General Manager, www.austin360.com; Greg Mefford, Online Services Editor, www.galvnews.com; David Thompson, Director of Online Services/Content Development, www.showmenews.com; Eric Rice, Editor, hmbreview.com.

⁴ But Dow Jones owns a stake in a Beijing-based online company (www.sohu.com) which offers a Chinese-language version of the Wall Street Journal news.)

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About the Authors

Hsiang Iris Chyi (chy@alumni.stanford.org) received her Ph.D. degree in Journalism from The University of Texas at Austin in August, 1999. She specializes in media economics and communication technologies. Her research focuses on the economics of the online newspaper industry. She has worked for several Internet companies in the U.S. and Taiwan. She is now an assistant professor in the School of Journalism and Communication at The Chinese University of Hong Kong.

George Sylvie (g.sylvie@mail.utexas.edu) is an associate professor in the Dept. of Journalism at The University of Texas at Austin. A former newspaper reporter and mid-level manager, he studies the impact of technology on newspaper management and is the co-author of *Media Management: A Casebook Approach* (Erlbaum, 1999). He's currently working on a book (to be published by Erlbaum in 2001) examining the role of time and change in American newspapers.

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