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Feb. 9, 2009

Brill's secret plan to save the New York Times and journalism itself

Memo by Steve Brill
SB/11/08 -- Confidential
Turning Around The Times -- And Journalism

Introductory Note: For a while I have been thinking about a way to take some of the contrarian thinking that made me try The American Lawyer and Court TV way-back-when and apply it to a new business model to save the New York Times and journalism itself.

There are two reasons why, beyond my love for the profession:

First, about eight years ago my wife and I endowed The Yale Journalism Initiative. The program is intended to get better people to go into journalism, train them, give them a leg-up credential without establishing a "journalism" major, and then find them careers. It now features seminars, workshops, supported internships, and even a full time career counselor. I also teach one of the seminars. (Plus Floyd Abrams, Adam Liptak and I now also teach at Yale Law.) The implicit and now-traditional part of the deal is that if you do all this and become a Yale Journalism Scholar, I will also get you a job – which I do, placing them with alumni of The American Lawyer, Court TV and Brills Content (plus Yale alumni) all over the country and world.

The problem is that now I fear I am guiding them off a plank. As one parent put it to me last fall, "why are you luring my daughter into something that will never pay her loans when she could go to work for McKinsey?" I have been trying to construct an answer for her.

Second, in the last two years I have gained a different perspective on journalism and the Internet – as the CEO of a company that spends lots on advertising. So I have seen first-hand from the other side that the idea that quality journalism can be financed by its website advertising is a mirage.

Preambles:

- **A Business Model That Now Must be Flipped:**
A business model that is based uniquely on expensive

twist."
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editorial quality but that derives revenue only from advertisers who only indirectly use or pay for that quality is a business model that cannot work. There is simply no example, not one – in print, on line, in television – of quality content offered for free ever resulting in a viable business. **The Times has made great strides in developing beyond a simple print business**, yet it is currently wasting all of that by sticking to that free model.

• The Limits of On-Line Advertising For a Newspaper:
Selling only the quality of the audience to advertisers cannot work for a general newspaper on line; for no matter how eagerly it seeks to deliver specialized content for vertical audiences, its search engine competitors for that advertising can always out-perform them when it comes to targeting and cost-per-acquisition. This is something I have learned as someone who now heavily buys advertising. For example, cost-per-acquisition for CLEAR on the Times' business travel section web pages is 10-20 times the cost-per-acquisition on search sites, on sites like Expedia, and on other relatively obscure non-search sites that are still more targeted. The current decline in online newspaper and magazine advertising is not just about the bad economy. It's also about the emerging reality that online advertising is just too accountable to allow quality general interest websites to depend solely on ad revenue.

• Training Customers The Wrong Way:
Continuing to train the next generation of readers to expect editorial quality to come for free when delivered the way most of them actually prefer it delivered (online) is a long term plan for failure if your core business is editorial quality. My mother-in-law is used to paying for the Times; my three children, who read it as avidly but prefer to read it online, are now used to getting it for free. No actuary would endorse that model.

• The Times Is Not Fungible and Shouldn't Act Like It Is:
Free content ultimately sends the message that the content is fungible; if it is fungible, then the Times has no business paying as much as it does for its content other than to be an eleemosynary institution trying to stave off extinction as long as possible. The Times needs to act on the correct belief that its content is not fungible. ***(Side note: More than half of the students in my Yale journalism seminar volunteered recently that they thought the Times was a non-profit institution!)***

• From Threat to Profit: Flipping The Web's

Lethal Dynamics:
The New York Times is a daily miracle of fresh, smart, crucially important content. And it is worth saving not only because it is so important but because saving it can become a model for saving other quality journalism. Across the country and the world, journalism – the way that democracies and free markets get the information they need through honest surrogates – is quickly dying, because the business model to pay for it is evaporating. There is, in fact, a way to save it by using common sense and the basic laws of business, *and by redirecting* the same electronic commerce dynamics that now threaten it. Indeed, now that the Times has done so much so well to build its online offerings it's time to turn the dynamics around – by getting paid for that content, while using the Internet to eliminate the huge costs of producing and delivering it. The Internet should be a publisher's dream, not nightmare.

Facts:
The New York Times newspaper website currently has 20 million unique visitors a month. It is a great editorial product and has done an amazing job building an audience. ***Now, it's time to go to Step Two and make that work to usher in a bright new age for the world's greatest newspaper.***

• Getting an average of just $1.00 a month (3.3 cents a day) from each visitor would yield $240m in new annual revenue. **This is approximately equal to (it seems, from the Times' financial statements) two thirds to three fourths of all of the company's annual advertising revenue for all of its internet properties combined.** And, of course, this online ad revenue would not disappear or even necessarily diminish if readers paid a small amount for online content.

• At an average of $2.00 a month per unique viewer, the resulting nearly half billion dollars in added revenue would equal 50% of the entire company's circulation revenue and create profits unseen for years at the Times.

• An average of $3.00 a month in five years with 30 million visitors ($1.08 billion in additional revenue for what is currently a $3b **total** revenue company with year-to-year declines) would completely reverse the fortunes and invigorate the margins of the paper.

• Any such online revenue plan would also stem the inevitable tide of declining print circulation revenue (my son and daughters are the Times' future readers, not my mother-in-law). To be sure, circulation

revenue has increased a bit lately, but only because of price increases, not increases in circulation; and the cost of delivering those hard copies has increased even more. No one believes expanding print circulation is a viable mid-term or long-term strategy, especially when the target audience is increasingly people who would rather read the paper on-line, let alone rather read it on-line for free.
• Beyond being a gamble worth taking because of the potentially significant payoff, there is no realistic alternative to charging for quality content that anyone has presented. Online advertising revenue (competing against millions of other online ad outlets, including those that are far more efficient) cannot alone replace the two revenue sources of the old business mode -- one of which (classified advertising) the Times is now losing forever, while the other (circulation revenue) is being abandoned as fast as my children replace my mother-in-law as readers.

The trick is to have the fortitude to get off the free-content treadmill. Here is a plan for doing so:

The Plan:
• To help preserve the Times' search results, the headline and first paragraph of each article will appear online (and on mobile and other electronic devices) for free. (Google, which might be a joint venture participant, might even make this well-ordered, neatly-arranged news index its home news page.)

• All online articles will cost 10 cents each to read in full, with simple, one-step purchases powered by an I-Tunes-like Journalism infrastructure. (Apple, which turned my children from music pirates to music micro-buyers, could become a joint-venture participant, but that is hardly the only way to create a convenient payment engine.)

• A customer will be able to buy a pass to read all articles in one day for 40 cents.

• A customer could read all articles in one month for $7.50.

• A customer could read all articles in one year for $55.00. ***(Ad tag-line: "An Old-fashioned Tradition is Back: Read the Times for 15 Cents a Day.")***

• For the first year, print subscribers would get the online version for free (which might enable an increase in the print price). After the first year they might pay 50% of the online price. (Many print readers also read the online version for convenience or to pass around a story to someone else.)

• There would be a five cent charge to forward an article to someone else. Paying customers would get a license to do that when they sign up to pay and set up an I-Tunes-like account, where those nickel pass-alongs would be charged. As a courtesy to such subscribers the first one or two pass-alongs a day might be free. If the customer sends it to an email address of someone who already has a subscription (for the week, month or year in question) that fee would not be charged. This would either produce revenue from the widespread current "copying" of copyrighted material or encourage people to get their friends to become paying customers. In other words, these pass-alongs would become viral marketing that produces sales.

• **Turning Today's Parasites Into Tomorrow's Sales Force:** To encourage websites (Huffington Post, etc.), which subsist on original reporting from sources like the Times, to link to the Times articles and to give them a stake in the success of the paid model, all websites from which a paying customer originates will receive 5% of any initial customer payment: If the reader buys one article for ten cents, the site gets 5% of that; if the reader buys a daily, monthly or annual pass, the site gets 5% of that. The same referral fee would apply to readers who pass along an article to someone who then decides to buy it or subscribe for a day, a month, or a year. Thus, the Times would turn its current parasites into a sales force (and also strengthen their own ultimately questionable business models).

To encourage a sense of "membership" in a community committed to an informed society and participation in the world's prime journalism organization, all annual subscribers would be given the chance to vote to approve the appointment of the ombudsman (whose role would be made much more independent for the same reason).

• These subscribers might even be issued a share of stock in the first year. (It's time to think differently, and this could be the best $10-$20m non-cash marketing and promotional expenditure imaginable.)

• A new marketing campaign would promote the fact that the Times alone among daily newspapers (until the others follow) is charging for its content because "you get what you pay for."

• All of the Times' extraordinary new online offerings would not be wasted – far from it. These, too, would become part of the paid subscription offering or sold in the same micro-payment scheme. Again, the quality of the Times' content would once again be the driver of its business.

• This is the bullet point meant to caution readers that at first blush all of this may seem unrealistic. For example, many websites will initially not refer to, let alone help make sales to, a paid site on the "principle" that "content deserves to be free." (Maybe, but journalists' children deserve to be fed.) Again, significant efforts and investment to promote the great stuff the Times is publishing every day will be necessary. But that's a big plus – because it means that once again, the Times' editorial product will be its business plan, and vice versa. Making these changes, therefore, will require a thick skin, nerve, and probably two or three quarters of investment. Moreover, these changes cannot be made with the simple flip of a switch on some magical D-Day; they will require transition periods, testing, and patience. But they will also require determination, steeled by the realization that there is no alternative and that what the Times has done thus far to build a great online journalism product was not a mistake but a prelude to this logical next step.

• Advertising will be vigorously sold but feature much more deliberate targeting. Much of it would still be an up-sell from the print edition, only now the sales staff would be selling "paid" circulation for both venues. The Times online would now be competing the way paid circulation publications have always competed against the multitude of free handouts.

• In two or three years, as an experiment, the paper might not be printed on the lowest-profit print day.

• The same model might be initiated for Boston Globe and other Times Company newspapers; indeed, there is a possibility that the more local papers, with less content competition, will be able to make the transition just as effectively. But the place to start (and lead) is at the Times – the newspaper with the best brand for quality content.

• A merger with CNN.com should also be explored as a way of completing the ultimate online paid package. (Cable networks, which depend on payments from cable systems and their customers, will soon need to face the consequences of giving their content away for free, too.)

Posted at 10:35 AM on Feb. 9, 2009

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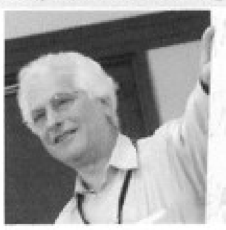

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Micropayments are back
Posted by Greg Golebiewski 3/10/2009 12:19:07 PM

Brill might be late or even unsuccessful in his promotion of paid content, but he is correct. In spite of the many voices trying to discredit micropayments now (just like they tried in the past), the idea of charging cents for premium content regains its value and popularity. I predict, 2009 will be the year of paid content, and I would not rule out if google or yahoo or youtube -- the biggest pushers of the "free" content model -- were soon to adopt some micropayment solutions in their operations. After all: there is no such thing as a free lunch, and we all know it.

No doubt
Posted by Michael Gill 2/10/2009 8:34:55 PM

Brill is describing the problem, which a lot of naysayers do not seem to get. The NYT is one a of few truly unique and reliable sources of insight ("news") on the planet. It's ability to exist in that shape is threatened by both the contraction of established income in print and the poor performance - and therefore price - of web-based advertising. It is not at all hard to imagine that there are sufficient people globally willing to pay a sensible amount (maybe $100/year) for nyt.com such that it would make money. One thing is certain: if it does not find a solution, it will fail. And we'll have another Murdoch or Zell owning the last truly valuable news source left standing.

Everyone or no one
Posted by Barry Spiegel 2/10/2009 5:30:53 PM

As a non-professional -- just someone who pays for and reads newspapers, and who finds the daily demise of an industry a tragedy from which I cannot turn away -- I wonder if the many solutions, Brill and Isaacson just the latest, are missing a basic premise.

Can the Times, or any single paper, keep the news from the many places where their stories appear for free?

Oh, sure the Times stories won't be there under, say, the Brill model without site participation.

But the news itself?

Isn't that like asking if any blog cannot post links to reports without paying that newspaper.

Unless every paper buys into this new model and keeps the news off-limits to the freeloaders, it is hard to believe this, or any similar model, can work.

Is this same problem happening in other countries, especially those much more web-savvy and web-integrated than ours?

For example, do Finns still read their newspapers online? Are those publications also suffering a slow and painful death of income? Or have they figured out a way that works with their own readers?

If it is everyone's problem, everywhere, the solution would seem likely to occur through attrition and execution.

Eventually, there will be fewer newspapers, they will be mostly online and national except for a few regions that can support their own -- DC, NYC, LA.

What we now think of local newspaper content -- once you strip out the AP and Reuters pieces and the syndicated stuff -- will appear elsewhere -- on community websites, blogs, etc.

Those sites will be successful in some places and egregious in others -- just as it is today with local newspapers, some of whom win Pulitzers while others curry favor with embezzlers and robber barons.

I suspect we will be different, but not necessarily poorer for it.

Your Outdated
Posted by patrick mersinger 2/10/2009 12:40:59 PM

I think when you understand that you are part of the problem instead of part of the solution it will allow the community to find a solution to the revenue issue much faster.

You have demonstrated two things in your post:

1. You are like most newspaper thinkers, you take outdated models and try to tweak them to fit new problems. This is what has failed newspaper organizations over and over again with the technology ventures.

2. You clearly do not understand Google.

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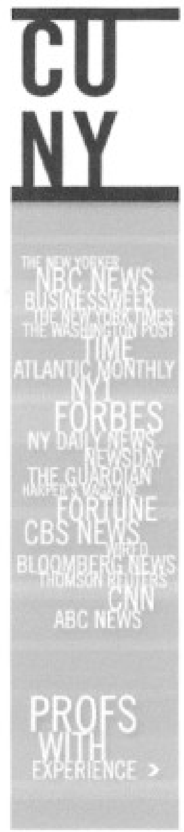

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Based on your point:
To help preserve the Times' search results, the headline and first paragraph of each article will appear online (and on mobile and other electronic devices) for free. (Google, which might be a joint venture participant, might even make this well-ordered, neatly-arranged news index its home news page.)

Do some research on Google and understand there mission as of now. It may help you figure out why your secret plan will not work.

Google may change, people may at some point in time be willing to pay for content, but your solution is not going to help NYT at this time.

Bullet points
Posted by Ken Carpenter 2/9/2009 11:48:10 PM

* $55 a year is too much -- a dime a day has a nicer ring to it ($36.50). And the sub should extend to all NYT properties, not just the mother ship.

* Other big chains should also charge $36.50 for access to all their properties.

* One "super subscription" of maybe 25 cents a day ($91.25) for access to all big-boy sites -- NYT, Gannett, Tribune, Wash Post, McClatchy, etc.

* Allow for free "pass along" -- when a subscriber e-mails a link to the content, the recipient clicks through for free, but is offered a chance to also subscribe

* News organizations need to take back -- or abandon -- The Associated Press. It's a member co-op for those producing content. If Yahoo and Google want to buy content, let them produce some, too.

http://KenCarpenter.com

A Good Idea, But...
Posted by Lincoln Spector 2/9/2009 10:48:18 PM

Readership will go down much more than you think. A lot of Times readers don't seek out the Times. They go to an article because they clicked a link on Reddit or something.

So here's my recommendation: Limit free subscriptions to 5 or 10 articles a month. That's enough to let you pass on articles to friends, and for the occasional surfer to read the occasional article.

But frequent Times readers will buy subscriptions, and some others will start plucking down that dime to read their eleventh article of the month.

Really?
Posted by Barry Rochford 2/9/2009 10:13:00 PM

All due respect, but is Google the model to which we should be aspiring? Journalism as a popularity contest? Click me! Cllick me!

As reporters and editors, we want our stories and products to be engaging, but if budget meetings and assignments are to be governed by the rubric of clicks and links, important stories might go unreported for fear they may not be Digged enough.

Ultimately, we know what the answer is: We must charge for our online content. But we dither, waiting for someone to be brave/crazy enough to be the first (while continuing to conveniently ignore the whole WSJ thing).

But here's the thing. Whether we continue to stall or whether we begin charging for content, the culling of our readership will continue. The latter option, after a period of adjustment, could ultimately grow readership. The former, well, we're getting pretty used to that one already. Anyone like how that's playing out?

Foolish
Posted by Web Journalist 2/9/2009 7:14:43 PM

If you think you can charge people micopayments to read your content you haven't seen the writing on the wall -- it's only been there for about ten years.

Let me read it to you: Journalism isn't dead. The concept of charging readers to access it or the classifieds is what's dead.

And offering a free product does not mean your product is not valued. Ever heard of FireFox, Google or ever use any other free software?

The industry needs to get its head out of the sand and stop having the old guard -- the ones that are still reluctant to trust technology -- be the ones to lead us out of this challenge.

If you read the Time magazine article about micropayments and said that's the answer, you're probably part of the problem.

The challenge here is that we need to find alternative ways to monetize the traffic our content generates. That's how FireFox, Google and the others make their money.

Is your company pairing up the smartest tech folks with their ad/business folks? I'm guessing not. You needs these two to come together to innovate solutions... and these solutions will probably bring in smaller revenue that one Macy's ad. So, you need to create multiple solutions and start generating revenue in smaller amounts.

Sound impossible? That's what funded the Obama campaign. The average donation was around 20 bucks.

Think different. But think fast... we've squandered a lot of time blaming technology and not understanding it.

Tell you what... if you're not up for the challenge, I know lots of young journalists that are... all just have to do is actually list to them.

P.S. I really want to read the story behind the old way we funded journalism. How did the idea of ads selling for old sofas and used cars become the solution to fund the fourth estate?

Impressive Analysis with Caveats
Posted by Barrett Williams 2/9/2009 6:47:27 PM

I personally know how difficult it is to write as well-thought-out an analysis as this one. I have to give Steve Brill credit for thoroughly thinking out the business model, and I applaud him for the idea of an elected ombudsman. I suppose he has been thinking about this issue for quite some time.

The problem with ideas such as these is that they are so easy to dismiss: anyone can make a valid argument as to "why that wouldn't work."

Given the state of journalism today, however, we should already be seeing attempted for-pay online business models. Brill is right in that it will take an industry leader to set forth any momentum on this issue.

Back to the content, though: I think the idea of a "merger" with CNN is a cop-out. Independent journalism requires corporate independence (though I suppose the BBC is a counter-example, with its loose [editorially] and yet tight [financially] governmental associations) and perhaps an integrated "package deal" might be more ideal, assuming there are no anti-trust issues with that plan. (I can't imagine the DOJ attacking any newspaper in this era, although I know it has been done before)

Moreover, any payment system should start out with miniscule fees. Between 1 and 3 cents per article, charged to a credit card at the end of the month, or with a pre-paid, declining balance system. These fees could be ramped up as people became more confident in the system.

Additionally, I believe the democratically elected ombudsman makes room for community-sourced impact we cannot yet foresee. Article and blog comments demonstrate the community's desire for involvement: paying for articles will only enhance this concept. Wikipedia demonstrates the power of the community, as does CNN's iReport. I won't elaborate for fear of sounding too idealistic, but I would watch this space. Especially 10 years down the road. I don't think we'll have any doubts that the internet actually benefited journalism.

HMM, What about blogger, facebook, google news, etc...
Posted by Murray Grevious 2/9/2009 3:26:23 PM

This seems like all it would do is drive a ton of traffic to independent bloggers, twitter searches, Facebook, Google/Yahoo news etc.. Those entities aren't going to participate, why would they? The National and Local TV News will still be reporting, and radio as well. Those sites will still be runnin

Excellent Point, Rutt
Posted by Alex Dering 2/9/2009 1:08:47 PM

P Rutt hits it right on the head.

I think everyone's guilty of this particular imprecision: calling "it" journalism when "it" isn't.

C'mon, aren't you thinking, right now, of one particularly odious example of what I'm talking about? Take your pick. From the article about the "psychic" who is "aiding police" to the ABC News correspondent reporting about John of God the faith healer to the bouncy gushing anchor talking about the newest diet plan to the drunken orgy that was the first OJ Simpson trial's coverage, all of those things may be done by journalists, but they sure ain't journalism.

I suspect that were the question of "how to save journalism" were applied solely to "journalism" and not "it," some greater clarity would be forthcoming.

Seriously?
Posted by P Rutt 2/9/2009 12:13:26 PM

Is the man who gave the world Nancy Grace the person who should save journalism?

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MEDIA

Journalism's Savior?

Why Steven Brill believes his new company can save American media.

By Jessica Ramirez | Newsweek Web Exclusive
Apr 17, 2009

Steven Brill—the man who gave the world American Lawyer magazine, CourtTV and the Clear card—is looking to do a little something for the ailing journalism industry. Brill announced this week that he and partners L. Gordon Crovitz, the former publisher of The Wall Street Journal, and Leo Hindery Jr., the former CEO of AT&T Broadband, have started Journalism Online LCC. The company plans to help publishers charge readers for online access to some stories as well as negotiate licensing fees with news aggregators and search engines that use their content. NEWSWEEK's Jessica Ramirez spoke to Brill (a former NEWSWEEK columnist) about the venture, the future of journalism and how he thinks he can save it. Excerpts:

Ramirez: What made you take on this problem?
Brill: About six or seven years ago my wife and I endowed a program at Yale [that] involves trying to get new people into journalism [through] a series of courses, including internships and a career-services program. At a place like Yale, the career placement office basically used to be a place that makes appointments for people to be interviewed by McKinsey and Goldman Sachs. So, about a year and a half ago, as we were going through the admissions process for the people in the fall, I get a call from a woman who identified herself as the parent of a student who had just been accepted into the program. She began the conversation with, "Why are you doing this to my daughter?" And I said, "What do you mean?" "Well, she could have interned at an investment bank or consulting company and now you're luring her into a dead-end profession. How is she ever going to pay back her student loans?" That question has been nagging me for a year and a half now because I've been watching the economic model for journalism going down the drain. So I started thinking about how that could be reversed. The more I thought about it, the more this idea became logical for me.

Does this woman know she had such an impact on you?
Maybe not now, but she will. I mean, it got to the point that as I went around to major publishers of newspapers in the last few months, I would tell this story. I would say, "I'm trying to answer that lady's question." If the corporate culture is that it's free, that we're just giving it away, among other things, that kills morale in any newsroom. Also, in the history of the world, there has never been a journalism organization that's been able to exist independently and purely on advertising. You know, NEWSWEEK, Time, The New York Times have always had a healthy mix of advertising and circulation revenue.

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VIDEO: 7 THINGS PLAY VIDEO

Can you give me a rundown of what your new company will offer?
The first is one simple-to-use account and password for hundreds of publications. So once you register and have an account, you can buy subscriptions, day passes or single articles with one click. Second, there will be an all-you-can-read subscription—for a monthly fee of $15 to $20—to get everything from all of our participating publishers. Third, we'll negotiate on behalf of all our participating publishers with search engines, and Web sites like The Huffington Post—the people who now make a business out of the fact that journalism is free online. We'd get some kind of appropriate licensing fee if they want to use our stuff. Fourth is providing reports from the front lines. Up-to-the-minute metrics of what kind of stuff is working. I can sit here and tell you that micropayments really don't make sense for newspapers, or that monthly subscriptions do, but no one really knows yet. We'll try various methods and keep track to see what works. It may be that, for example, we learn it's best to keep sports content free and business content paid. It's about finding the right balance for online.

You're obviously not the first to suggest charging for online content. What makes you think your strategy will work for the broader journalism market?
You're asking me what makes me think people will buy good journalism online. The answer to that is what made everybody think 10 years ago that it had to be free. I think if enough publications take the steps to declare that it's worth something, then the public will support that. The challenge is that it has to be simple. I have three kids who used to steal music. They don't anymore because Steve Jobs figured out a way to make it relatively inexpensive, but more importantly to make it simple and kinda cool.

But in this instance, how do you get around a customer base that's not accustomed to paying?
Actually, you also have an audience that's accustomed to paying. Don't forget that you have [subscribers] that do pay. You know, I like to read Jon Alter. When you decided to e-mail me Jon Alter on Sunday instead of letting me buy it on Monday, you're basically saying, "Wait, don't take your wallet out. We'll give it to you for free and sooner than you could get it on newsstands and in a more convenient form." I mean, who came up with

that policy? So, you have to stop it. Just because you've been doing something for 10 years doesn't mean you start year 11 doing the same thing.

How do you get an entire industry to think that way?
You don't need the entire industry. You need a chunk—a high-quality chunk. The other way you get them to agree is by reminding them that we're staring down the barrel of a bleak financial situation. That has really focused their attention. I intended to put out a press release on this a month or two from now, but the initial conversations accelerated s quickly, with publishing companies asking, where's our affiliation agreement, do you want us to invest in it, when are you going to start? So we had to move more quickly tha we thought. There's no question that the debate has shifted from "if" to "how much and when."

So, how much and when?
How much is going to be up to publishers. How much to charge and how much should be free. We're basically going to let publishers experiment as they wish. What we're going to provide is really good metrics on what's working and what's not working. How soon? The fall.

What happens if the industry doesn't learn to shift toward charging for online content or come up with additional forms of online revenue?
What happens is what you're seeing happen. We don't have to guess about that. It's simply an unsustainable model.

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