

>> Female Speaker: We have a lot of ground to cover today so we'll begin again. Our first presentation will be given by Ken Doctor. Ken is a news industry analyst for outsell and he covers the transition of the news media from print and broadcast to digital through his blog "Content Bridges". His book "Newsanomics: 12 new trends that will shape the news you get" will be published in February 2010. Ken.

>> Ken Doctor: Good afternoon, surprised there were no polo questions. Len and I went through a rigorous check. Then she looked for my name on the list. It wasn't there. She said, just go in. This is a great country. So what I want to do this morning is, in our time, go and take a quick look at the landscape of news transition. We face, as we know, lots of challenge and conundrums. I want to first look at what I call the big bang of media change. Fairly amazing development, even in the last six months, in what I call the new local. We're seeing incredible developments, although at a small scale in local. Then just a couple of slides on the gaps that we face as a society. So we've never seen change like this. I think all of you know it. There are really two big revolutions that have gone on and a lot of us who come out of the news world focus a lot more on the reading revolution. But I think it is really the advertising revolution that has taken the breath out of the news industry. Of course they compound each other, but it is important to look at both of them. So there are a lot of numbers. We all deal with a lot of numbers. I want to talk about a few numbers that I think really matter. People will say -- and they've said, I'm sure, to many people in this room -- can you imagine a city without a daily newspaper? I not only get this question from friends who have nothing to do with the "Mercury News," because they see the paper getting thinner and thinner and thinner. The truth is there are about 90 dailies in the U.S. that are daily newspapers that are no longer daily. So I think we need a new word for them but we don't have it yet. They're not publishing on a Monday or a Tuesday or a Saturday, dropping at least a day of the week. They are publishing a lot less news. So in some sense, this idea of life without a daily newspaper is already here, even though many of us in the room who are long-time newspaper readers wouldn't acknowledge it. We talk to our children and you can see that they do very well in getting news but without a daily newspaper. If you ask people involved in communities though, they'll tell you that they don't see reporters at community meetings, at their groups, at government meetings of all kinds. And this is an evolving problem. If you look at these four numbers here, 10,000, this is a low number. At least 10,000 jobs lost in news rooms. That's more than 20% in the last 2, 2 1/2

years. 20 million, an interesting number. The slide in newspaper sales -- print, daily newspaper sales -- has been going on for a long time. The Internet has exacerbated it, but it's been going on a long time. 20 million copies fewer on a daily basis than were printed 25 years ago. And then two very important numbers about revenue. 85%. So even with all that newspaper companies have done on the digital side of the business, still they'll finish 2009 with about 85% of their revenues coming from the legacy side of their business. Last year, we did this number, rolled it up -- it was 11%. This number crosses the globe of the news industry. It would be fairly characteristic of the United States. This year probably go up 15% digital not because of digital growth -- digital is down as well -- but because of the great slide in print revenue. 10%. This number we often don't focus on. We know there is a big growing ad pie online, mobile, video, that kind of revenue. In the pre-digital world, newspapers got dependably about 20% of the ad pie. Where they got 20 cents on the dollar in the old world they're getting a dime. Here's an interesting number in terms of comparison and clout. You look to the third quarter of 2009, Google's profits were 1.65 billion dollars. The second largest news company in the world now and first in the U.S. reported total revenue of \$1.3 billion. So less revenue than Google's profits, and profits of only \$73 million dollars. This is a very good proxy for the change of power we see in the world and the receding of the news world. This is a number from a research project that a colleague of mine, Chuck Richard, does at Alltel. When I saw it, I called him up and said, I have a hard time understanding this number. This number is \$60 billion, this is in a scientific survey, 3% plus or minus, of major U.S. marketing spent. And the question here is how much money are you spending on your own website? So these are things like site design, redesign, site building, search engine optimization, testing, research, and of course all the staff that goes with it. The latest number was \$66.6 billion. And of course, we all use these sites from best buy sites to Honda or Chevy or a lot smaller sites than that. If you want to directly market to customers, you build, maintain your own website. This of course is further money that's coming out of advertising spending because it is direct to the consumer. I think we've given it short shrift. In addition, some \$24 billion will be spent this year on online advertising, more traditional advertising. But you add this up, this is where a lot of money is coming -- is going to, and moving out of print and broadcast. So what about the readers and where are the readers? In general we'd say -- it is a hard number to get at, but we'd say people are reading the news about as much now as they did ten years ago. Roughly about an hour a day. But of course, that's one thing the Internet hasn't solved -- we only have so much time in our lives.

They're spending more time on the Internet and less time with print, less time with broadcast. So numbers here. 4 out of 5 of the top news sites on the Internet, only one is a newspaper company -- "The New York Times." The rest are search aggregators. About a third of people now start their day, as they tell research -- with digital news. So instead of going down to the bottom of the driveway or turning the TV on when busy people are multi-tasking in the morning, now one-third are going digital, either on their phones or on their desktops or laptops. This changed from 25% two years ago to 33% within -- by 2009, early 2009. A majority now for the first time tell us that they go online for immediate news. They could turn on the radio, they could turn on a TV. We're seeing the struggles of CAIB TV in the last ratings report. But a majority now say they go to either search aggregators, online newspaper sites or niche sites to find out what they want to know at that moment. 1 in 4 say local news is a top priority. So it's interesting, the -- as we know the daily newspaper was that bundle. It was a great bundle of local, everything. The Internet blew apart that bundle and so we want to get at this question of how much do you really use news for local, how much for national? Of course the answer is we use it for both. But if you push people to one answer, 3 out of 4 will tell you national, and only 1 out of 4 will tell you local. That's very telling about the new role and place in society of local news as we go forward. About 50% say that they go to Google and they scan Google headlines and little summaries of the stories without going to a news site. Very interesting number. First time we asked that question. And when we asked -- we asked it a couple different ways -- would they consider paying for news in one form or another. We even asked about iTunes for news. 10%, roughly, said they would consider paying. So ad revenue dropped about \$20 billion. You look at ad dropped, circulation drop over time from the height of about nine years ago of the industry. And when you look at those 10,000 newsroom positions that have been lost and you do some conservative extrapolations of how many of those are actual reporters who wrote stories, and if they didn't push themselves too much, two stories a week, three stories a week, you end up with about 800,000 stories that will not have been written in 2009 that would have been written in 2006. What are those stories? We don't know. And that's the whole problem I think, is we don't know what we don't know. Downsize the word to describe the industry, 40% news print, 20% down in staff, little capital and diminished community clout, something that we often ignore but is very important in journalism. Ask publishers about next year, they'll say slash to 5%. Which basically means we have no idea, visibility. The split we're seeing. There is a group I call the digital dozen. Basically 12 to 15 companies -- BBC, "New York Times,"

"the journal," Reuters, et cetera, up there, these companies have a global reach. They have a big opportunity although they're struggling with costs just like everybody else, but the new local is a free-for-all. There is a dominance of monopolies that we've experienced for decades. We thought it was permanent but the flanks are now open and a lot of people are putting their hands in the new local. 1997 when I left the pioneer press as managing editor in St. Paul, this was kind of how we looked at the world -- nice, uncluttered world. Couple TV stations, one troublesome newspaper in Minneapolis and life was good. I couldn't fit all the brands on the slides for readers and competitors for advertising. Many, many competitors of every kind, social, national, local. So lastly I wanted to look at just what are these companies, who are these companies. And I have categorized these companies. First one, ankle-biters and watchdogs. I had a VP of a major news company say when I asked him about a new start-up, he said they're just ankle-biters, we aren't worried about them. Companies like mint post, voice of San Diego, Pegasus in Dallas. That 6, 12, 18 people taking on news operations don't seem to be a big competitor to the newspapers. The next generation though, I am calling knee-choppers. They're moving up. And in this city we have politico has made the announcement that they are starting an operation talking about hiring dozens of people. We'll find out how many of those are in the newsroom. Same thing in the Bay area. Same thing in Texas. Just incredible flowering as the recession ends. Professional salaries and a lot of local broadcast partnerships. Local broadcasters themselves are getting in on the act. They were slow behind newspapers, but they are now getting into the act. And one number on local broadcasters interesting, is that in the top 50 markets, 14 of those are now led by -- in terms of local news -- broadcasters. Pro-Am aggregators. About.com was the first one out there but now we have demand Media, examiner.com, helium, their model's really interesting. You get a lot of writers. Some of whom used to work for newspapers or magazines. A lot of others who are aspiring. You have an ad revenue focus, figure out what the advertisers want. You mix and match and you produce tens of thousands of news stories. Our question is, is it journalism? So having worked in a newsroom and many of you have out there as well, we don't often think about it but journalism is manufacturing with as much or as little value as you want to add. What I'm hearing from a lot of Pro-Am people is they're adding value but they're adding feature value. Then we have public stations moving up and becoming actual news sites. The search engines moving to get local dollars which is estimated at about \$15 billion next year. Patch is an AOL site. Many attempts by search engines to get locals. National head bangers here, "journal" and "times" going at it head-to-head in

New York across the country and now locally. Newspapers are retooling. Morning news. It is one of the few newspapers adding staff. I call newspapers now a Starbucks buy. It is a buy, it is a convenience buy, it's a habit buy. Lastly, the gaps. The old model of the newspaper is, unfortunately, I believe, unsustainable and noncompetitive and at a disadvantage. We talk about competitive advantages and how you can sustain them over time. The problem now is that the printing presses, the circulation systems, the big buildings, are an anchor around the necks of newspapers. Instead of a battleship which won the old wars, the speedboats are winning. The gaps, coverage gap, 800,000 stories a year, news ad gap, we have a pay gap, Pro-Am journalists are getting \$10 a story and we have a credibility gap. People are trying to figure out what to trust. We're all figuring it out but it's an ongoing process. So lastly, we know that there is a -- there is a market for news. People still want to read, but is the market up to providing us the market system, the commercial system, up to providing us with the local news that we need and, if not, who or what is? I think Mr. Downie has some good solutions to this issue and I thank you for your time.

>> Female speaker: Thank you very much. Now we will hear from Leen Downie, who is known to many of you. You served as executive editor of the "Washington Post" from 1991 to 2008, during which time the "Post" news staff won 25 Pulitzer prizes. He is now a vice president at large at the Washington Post company and professor of journalism at the Walter Cronkite center for journalism at Arizona state university. He will report on a study he did for the Columbia university school of journalism.

>> Leonard Downie: Ken did a great job of running the numbers, as they say in public radio, and also analyzing them well and pointing out the problems and the gaps. Earlier this year at the very beginning of the year a professor of journalism at Columbia University and I were commissioned by Nick Lemon, the dean of the Columbia university school of journalism to do a journalism. One thing we wanted to do was provide facts. Ken gave you the sort of macro facts very, very well. If you read our report which is available at reconstruction American journalism, just Google it, you'll find the report. It is also on the Columbia journalism review website along with a lot of commentary. We wanted to get down to the micro facts. We went all around the country, interviewed lots of experts about journalism, went to endless conferences and visited lots of newsrooms. So I believe that we have a fact base here that I think is useful in a lot of these

discussions. You've already heard, and will hear, during these two days a certain amount of hyperbole about what's going on but we try to provide facts that maybe you can make use of in trying to decide how to proceed in the future. What the report does is detail what Ken just told you, which is this is a transformational moment in American journalism in which the domination of newspaper and television news is rapidly giving way to a new era in which the gathering and distribution of news is much more wildly dispersed. I love that slide of Minneapolis. We concluded after all this time that newspapers and television news are not going to vanish in the foreseeable future despite a lot of predictions that they will but they're going to be very, very different from the way they were in the past. Many news organizations are restructuring their news operations and are restructuring their business models in ways in which they will survive but they will survive in much smaller form. San Jose "Mercury News" is struggling to survive with a newsroom of 125 down from 400 just a few years ago. That's a real difficult problem for them and for the community in that part of California. They will be much smaller but they're being joined in communities around the country by a great variety of new kinds of news organizations. What Ken called the new local in business terms I think is also a good term for the new local in journalism. It is creating a more diversified ecosystem of news than we've seen for a very long time. Really going back to the days when New York had 20 or 30 newspapers. Quite a long time ago in the previous century. They're rapidly increasing numbers of small city, state, local and neighborhood websites. In Seattle, for instance, every single neighborhood has a news website started by a professional journalist enlisting the help of citizen journalists that they train every day in the city. Some are even banding together as groups of news sites. Many of them hope to make a profit. They believe that at their scale there is a way to make a profit. The Seattle "Times" with a grant is now working with these news organizations to link back and forth potentially to join with them in advertising sales and maybe even in news reporting. There is new state level sites, a number of states, the capitals where state newspapers throughout the state cannot cover state government the way they did in the past. New news organizations are springing up to do that. Most of those are non-profits being started either by rich business people as in the case of "the Texas Tribune," or being started at universities or by philanthropists. Then you have community news organizations, the voice of San Diego, St. Louis beacon, variety of them springing up around the country. Almost every week there is a new one. Most of those are non-profits. Some are tried to start as for-profits like in Chicago and realize they just couldn't make it that way so they're increasingly non-profit.

Most are still very small and very fragile and we can provide a lot of examples of these in our report. You can get inside them, see how they operate and analyze their potential. There has also been some growth, although slower than we believe is necessary, in the number of public radio stations that are gradually expanding their local news coverage specifically to fill the gap left by the shrinking newspapers in their communities. There is still a small number and the country. The corporation for public broadcasting is trying to help this one step at a time kind of gradually, but it is starting to happen. Unfortunately, public television stations, by an large, do not engage in local news coverage. You see national news obviously on public television but you're not seeing local news reporting. We think that needs to change. There are also pioneering university journalism schools that are actually engaged in professional journalism coverage in their communities. In many cases a lot of the journalists that have lost their jobs in newspapers have gone to universities. They're on their faculties now and they're practicing journalism there by teaching students how to engage in journalism so that you have something like the Cronkite news service that airs on the state university where I'll be going in the Winter that covers the state of Arizona. It has 30 clients. All the state's newspapers and some radio and television stations regularly buy coverage from the Cronkite news service to augment their reduced coverage of the state. In New York City, Columbia journalism school now has three different neighborhood websites. In boroughs in New York where "The New York Times" no longer covers those boroughs and student journalists being mentored by professionals are covering those boroughs and posting them through new websites. In some cases universities, faculty is working with citizens to train them to be reporters in their communities, particularly communities that are underserved by the major Media. Then finally you have the non-profit investigative reporting projects. Literally new ones start every single semester across the country. What's happening is that increasingly they are working with the newspapers. For instance, the largest one of these which is not at a university now is California watch started by the center for investigative reporting, a rather old project in California, non-profit, foundation supported and philanthropy supported, that is now established a -- we had a large reporting project in California about what's going on in that state at a time of great crisis there. Dozens and dozens of news organizations have taken its first two stories and will make a big difference in California journalism. Many bloggers are becoming reliable sources of news reporting in their expertise, something I'd certainly not paid enough attention to during my were able to document in the report. People are expert in politics, government, business and economics, legal affairs, healthcare policy,

local crime, local housing, parenting, sports, almost every subject you can think of. People that have backgrounds in those things, who are academics in those areas and do their own reporting and in some cases, like Josh Marshall who you'll see here later today, I believe, bloggers have actually hired their own new staffs and have become significant sources of reporting on their own. A former member of our staff at "The Washington Post" started something called Baltimore Brew where she's enlisted the help of many "Baltimore Sun" reporters who so far are working for free or not very much to provide local coverage of Baltimore that is no longer being done by the "Baltimore Sun." Then of course, you have the aggregators of news content from other media. Most of the content is being republished from elsewhere or rewritten from elsewhere, not contributing that much yet to original news reporting which is the focus of our endeavor. There's obviously created new competition which is a good thing. When I was running a newspaper I liked not having much competition. Because we thought we knew how to do this, why did everybody bother us. I've now come to realize in fact, as it had been before, four or five decades of dominant monopoly newspapers, competition's good for news. I welcome Jim Brady's local news reporting project here in Washington. It will do different things than we're doing, it will keep us up on our toes. We'll both be better as a result of having it here. The competition you saw in Minneapolis, as is the case in Seattle or San Francisco, lots of places around the country, San Diego, amongst a number of smaller news organizations, including a smaller local newspaper, is very healthy. At the same time, they're collaborating more than ever before. That's healthy too. I'd never have dreamed as executive editor of the "Post" of taking work away from someone, but now we need that help. We've joined with others and have a number of investigative projects. Then you get to local newspapers around the country whose staffs are so diluted, they're desperate for this kind of help. The eight largest newspapers in Ohio share every single bit of their news reporting on a unified website. Then they take that and put it on their own -- put what they want on their own website and in their own newspapers. As a result even though their staffs have been cut in half or worse in many of these cities, they have more reporting with sources available to them by grouping together than they would have had before. Our reports makes recommendations in ways to keep this ecosystem going outside the commercial area. We are not recommending an antitrust exemption for newspapers to take collection action to charge for news on the Internet. By and large that's unconstitutional. This administration's not interested in doing it and we just think it is a bad idea. Plus the fact that the nature of the Internet makes it impossible to enforce it at any rate. In terms of

payment for news on the Internet which I know will be a large topic of discussion here in going forward, we think there are good experiments going on out there and good ideas going on out there. Some of the experimenters are here in the room today, entrepreneurs who are offering news organizations ways to pay for news either through paywalls for everything for individual content or ways in which to increase targeted advertising on the web.

These experiments will go forward. We think they are a good idea and the marketplace will decide what works. So, the six recommendations we make are focused on public support for local news reporting at a time when, as you've seen from Ken's presentation, the private model is broken. First we think the IRS or Congress should explicitly authorize any independent news organization devoted to reporting and public affairs to be created or converted into a 501C3 non-profit or a low profit limited liability corporation. Most of the start-ups -- little, small startups -- are already 501C3s. But they each have to get individual permission from the IRS to be a 501C3. They never know in advance whether it is going to work or not. And they also don't know as they go along and raise advertising money and do other things that look kind of commercial whether they'll be able to keep their non-profit status. And then, the bigger question is whether you can take a newspaper, like say, the "Baltimore Sun" where local business people would like to buy the paper, turn it into a non-profit 501C3, is that even legally possible at all? The IRS is silent about this. Continental law is silent about this. We think it ought to be clear that you can do that. And some states have started these so-called L3Cs, low-profit limited liability corporations for various kinds of public works, and we think that ought to be available to newspapers in those states as well. Secondly, philanthropists' foundations and community foundations should substantially increase their support for non-profit news organizations and public affairs reporting to the levels of their support for other vital public service, educational and cultural institutions. This has already begun to happen, obviously. That's where a lot of these news organizations come from, but it is difficult for foundations to see their way to constant operating funding of news organizations as opposed to the start-up funds they provided or individual reporting projects. Thirdly, public radio and television should be substantially reoriented to provide significant local news reporting in every community served by public stations and their websites. This requires urgent action by the -- by and reform of the corporation for public broadcasting, which has been operating slowly in this area and is still primarily focused not on news but other functions. Increase congressional funding and support for news coverage by public media and changes in the mission and leadership of many public stations

across the country that have simply abandoned their responsibility to provide local news coverage. Fourth, universities, both public and private, should become ongoing sources of local, state and investigative reporting as part of their educational missions, in the ways I talked about earlier, the examples of Columbia and Arizona State. They should operate their own news organizations utilizing journalism faculty and students and be laboratories for digital innovation and sharing of news information. Five, a national fund for local news should be created with money the FCC already collects from or could impose on telecom users, television or radio broadcast licensees, or Internet service providers, which would be administered in open competition through independent state, local news fund councils. That's the obviously the most controversial recommendation. You've probably seen a lot of debate about that on the Internet. I'd be glad to talk about it separately, later if you want. Six, more should be done by governments, non-profit organizations and journalists to increase the accessibility and usefulness of public information collected by federal, state and local governments and to facilitate the gathering and dissemination of public information by citizens. The Obama administration's open government projects are an encouraging step in this direction. States need to do that and we need to have more of the non-profit news organizations finding ways to serve as conduits between the government provision of information and its use by these organizations. Thanks.

>> Female Speaker: Thank you very much, Len. Both you and Ken have given us plenty to think about. Now, we're going to shift gears somewhat, and let's move to the online advertising issues that are so intertwined with the future of news. Our first speaker on this topic will be Lem Lloyd. In his position for channel sales for North America, Lem is responsible for managing Yahoo's sales relationships with some of the nation's largest publishing partners, including Yahoo's network of advertising resellers. He also manages the Yahoo Newspaper consortium, the company's pioneering partnership with more than 800 local newspapers. Lem.

>> Lem Lloyd: Hi, everyone. Well thanks. Thanks for having us here and glad to talk with you today. Yahoo, for the past 2 1/2 years myself -- oh, we don't want to get rid of Len Downing, but we want to go to me -- for the past 2 1/2 years myself and my team at Yahoo have had the privilege to work with hundreds of newspapers across the United States. I'm going to talk about this, but we've actually visited hundreds of newspapers and worked with thousands of sales and

content executives from all across the nation. It really has given us a unique window on the world of what's happening. I would say in local newspapers, not maybe the national, like "The Washington Post" and "New York Times." And this is what I hope to share with you today. So, first things first, Yahoo. I'm going to show you these stats, because I think they're relevant to what our discussion is about the newspapers today. So, Yahoo, big place, 581 million unique users per month, reaching 3 out of 4 in the U.S. You should know that this is uniform across most DMAs, so whether we're talking about Cleveland, St. Pete, or Buffalo, or San Francisco Bay Area, it's usually 3 out of 4 across the United States. The other interesting thing, look at this stat. The average user spends 4 1/2 hours on Yahoo each month. Now, contrast that with most newspaper website engagement. Now, one thing this will allow us to do, I'll talk about, which is, we know a lot about usage and we're able to extrapolate what folks are doing on the site in terms of what their interests are, and what kind of audiences they are. And obviously, Yahoo, we're trying to make things easier. I don't know if you've seen our new home page, but we're opening up Yahoo not just in a walled garden, but kind of opening it up to lots of different types of apps to find to get to let people find things more quickly. But today what I'd like to talk about is, what I think and what has been called the most ambitious partnership between America's newspapers and an Internet company to date. At its essence, the partnership is about retooling and retraining the sales forces of America's newspapers. Now I would say that, like a muscle, America's newspapers' sales forces have been left to atrophy. I was down at the Pointer Institute with Ken and Rick just a few weeks ago, and when you think about that institute and the institutes that we have in the American press institute where we train journalists in content and reporting, but there are very few such institutions that are working with American sales forces. And I would say that the newspaper consortium that we work with, there are 7,500 local sales reps across the United States for those newspapers. But I think that we believe that if given the proper tools and training, America's newspapers can compete and prosper in the Internet age. Let me walk you through a little bit about the history of the newspaper consortium. It began in November 2006, with these seven companies representing 176 newspapers. One of these newspapers, E.W. Scripps, I see Mark Contreras, who addressed the group earlier today, and their idea was to work with an Internet company in a true partnership, very long-term. It started out on the recruitment side where those newspapers used Hot Jobs. Hot Jobs is the recruitment engine for Yahoo, Similar to Careerbuilder and Monster. And you can see in April, within six months there was a new set of pieces of the deal, which I'll describe to you, and more

newspapers came on-board, including McClatchey, Morris, Media General. And today, we have 45 companies representing 821 newspapers that are part of this consortium. In looking at all these logos, we'd have to say that they're all very different. All these papers and these groups, as you all know, are different by their structures, whether they're centrally coordinated, whether they're more laissez-faire, and they let individual newspapers make decisions, some of them are in much better financial shape than others. So, in total, it's 52% of U.S. Sunday circulation. One would have thought I could have gotten a better metric to show the size of the newspaper consortium. But basically, half of all paid subscribers in the United States are part of this newspaper consortium. It was built on a very simple value proposition, the newspapers. So, from Yahoo's perspective, why did Yahoo want to do this deal? I will tell you that this deal, this partnership, has taken a tremendous amount of resources for Yahoo, a tremendous amount of commitment and has required us to focus on things with the newspapers that we might have wanted to focus on other things, but we think it has been very well worth it. Obviously, newspaper's very high-quality content, great brand, I would point to the last one, the local sales force. I would say that if you're an Internet start-up company, one of the which -- several that have been talked about today -- the toughest thing for you to replicate in this day and age is a local sales force, a paid local sales force in a metro area. Much easier to replicate content, but the local sales force is a different matter. On the Yahoo side, Yahoo said it would bring technology. We serve more display ads than any Internet company today. And our reach in audience, as I showed you, is really unparalleled. And training -- I'll talk about training. So, together these seemed like good assets to mix, complementary assets. And here was the goal -- the goal was to go after a share shift, a dramatic repositioning of ad spend dollars, that is happening right now. So, we're here talking about newspapers, in terms of the ad revenue that they will lose, I will tell you working very closely with directory companies, with broadcast companies, with lots of traditional companies, with direct mail companies, all -- they're also trying to feel the same pain of how to stay relevant in this new day and age. Let me take you through, for those of you who don't know, very quickly, about the components, because I think it shows the scope of it. So, as I said, it started with Hot Jobs. And the newspapers take the Yahoo Recruitment ad platform, it's on their site. Obviously, any print ad or online ad that they sell is upsold onto a national distribution across Yahoo and the network, therefore getting more EOIs -- expressions of interest for your advertiser. There is a search component. All of these sites use Yahoo Search on their search sites as well as we monetize it with text link ads on their pages. There is also content.

If you'll notice the changes in the Yahoo Front page, you'll notice that you no longer have to click on the local button on the Yahoo Homepage to have local headlines from newspapers segregated by zip code, based on your zip code, a user zip code, showing on the site. And each month we send over 50 million referrals from this page alone directly to the newspaper partners. So, this is a headline, and you click on the headline and go to a story on the newspaper side. There is also ad sales, and I'm going to focus on this. This is the idea that the newspaper sales force, those 7,500 folks, can resell Yahoo Inventory in their markets. So, imagine if you had 100 million page views on your website, and you're trying to monetize those, but if you had an extra \$500 million, or a billion to sell by selling Yahoo. And then, Ad Platform. As part of the deal, Yahoo created a next-generation ad platform. We were making it anyway for ourselves. We have been in business 13, 14 years. And, it was time to create a new generation. We worked with the newspapers to go over their preferences to create an ad platform that they would use. So, as a part of this deal, those companies that I showed you, whether they had double-click or OAS, they'd migrate off those servers and go on to the Yahoo Ad platform. To date, there are about 250 papers on that platform. Now, there are a lot of reasons why you would want to do that. I will tell you that those newspaper companies had the foresight to agree on taxonomy, to a taxonomy based On Section page, which allows you to sell ads by section across all those hundreds of newspapers across the United States. So, no longer do those local newspapers have to be out of the game when it comes to national advertising, they can actually create their own networks. I thought it might be good to show you what the chief executives of some newspapers have said about this partnership on recent sales calls. You can see, CEO Gary Pruitt -- I thought, Scripps' Rich Bainey -- let me read this to you. "We continue to be enthusiastic about the consortium. It represents probably for the first time in the industry's history, a meaningful coalition of newspaper operators to get things done at both a cost and revenue side and the long-term." This last one, from Robert Decker from A.H. Belo, he says, "they continue to expand as we work with our advertisers to sell the benefits of behavioral targeting capabilities," and that's what I really want to focus on with you today, is behavioral targeting. First of all, let me just kind of share with you some numbers. Unfortunately, I can't share all the numbers with you, the revenue side numbers, but I will say to you that to date this year the newspapers in this deal have sold 18,000 campaigns on to Yahoo, representing over 6 billion ad impressions. That is being fueled by behavioral targeting. That means instead of selling sections, instead of saying we'll put your ad in the Sports section of the website, or a few dozen page views I

might have on travel or finance, I will actually sell you an audience. So, if your audience is folks looking for cars or SUVs, I will sell you that. And, the rates -- this is the good news -- the rates on behavioral targeting are very good. So quickly, just to kind of walk you through what BT is. We analyze predictive patterns for purchase cycles in many product categories. You'll see that if you're looking for flowers, that might be two days. If you're looking at a car, it is a longer period of time, maybe 30 days. And a house is even longer still. In each category, we build models to describe behavior most likely to convert to an ad response. We store each Yahoo User for his or her fit with the category daily, and then the idea is that you could deliver the right type of ads to the right kind of person at the right kind of time. That's really the goal. And as I shared with you some of the campaigns, that seems to be resonating across the consortium. Let me just quickly show you this. This looks at just some of the interest categories. I think we have 400 or 500. One of the neat things I think, is that, newspapers nowadays, can actually create their own audience segment. So, you can imagine hybrid SUVs, and then you can overlay, if you're a San Francisco Giants fan, so the "San Francisco Chronicle," a Hearst paper, could sell an ad to San Francisco Giants fans who in the last month, were looking for SUV hybrids. Now, all the right tools in the world are not going to kind of change the ball game. One thing we found is that training is a big key. So, I'm showing you a description of some of the sites that we went and trained with the local sales force in the last quarter. I will say that, training probably has been the most neglected across America's newspapers of the sales force. And when we do training, it is great to see it in their eyes. It's great to see a sales force that's kind of embattled, you know, beaten down, and for them to get it. Let me tell you about this story. It is a story of, in a southern newspaper, a woman who had been on the sales staff for 45 years. They went out and they do a two-week sales blitz of Yahoo BT. Selling BT, for the first time she learns it. And within two weeks she sells \$1 million of this. It doesn't have to be Yahoo Products but this woman who had been there for 45 years grasped this concept and went out and used her relationships and effectively sold a new way. So, instead of selling sections, she sold audience. Instead of just giving an order form, she was much more consultative. I was going to show you a video, but I think that timewise, we might be running a little late. The video I was going to show you was of a Dallas car dealer that used behavioral targeting for the first time and within seven days sold six Cadillac CTSs. It was sold by a newspaper, the "Dallas Morning News," who had never gotten any advertising from this car dealer, but selling a new product was to achieve great results for the advertiser. I will say that, in talking with local businesses and advertisers,

they're confused. It's really confusing for them to sort through all the options and Internet advertising to kind of come up with the best buy. And I think that audience-based selling allows them that that ROI they're looking for, and it's something they can understand. The benefits for consumers, when we talk about selling by audience -- I'm not going to go into all of them, but I'll maybe focus on the last one. I think in newspapers and maybe large Internet company, free services, obviously the dialogue about, you know, if advertising can't carry the day, how long will these services remain free? I will tell you Yahoo We took the step a few months ago of taking out what we called certain ads, teeth whitening ads, certain types of other ads that you might see on sites that really, their claims were probably fraudulent. We took a big hit for that, but that's part of an uncluttered ad environment, and I hope other sites do the same. Just briefly on privacy, because I know audience selling and privacy go hand in hand. The deal that we have with the newspapers and partnership has contractual obligations to fulfill regarding privacy. So, we actually work with the newspapers to have them put specific language on their sites and a link to Yahoo to opt out of any ads on the behavioral targeting side. Let me show you what this looks like. Here is an example of the San Francisco Gate, SF Gate. If you scroll down, first, you'll actually see that all the ads we serve would be labeled. These are text link ads. But if you click on "Privacy Policy" or "About our Ads," you go to a page which allows you to click, go to a Yahoo Privacy page and immediately opt out. In fact, it actually tells you if you're opted in or opted out. In this case you're not opted out. So, if you want to not have an ad, an airline sale ad follow you, and say hey, I know you were looking for a vacation in Barbados, here is a great deal, you can also do that. There are also ads that -- there are also sites -- I should say links on the site, that allow you through other advertising networks, in this case, the network advertising initiative, to opt out across a wide breadth of sites across the Internet. So, the idea here I think as newspapers sell more and more behavioral targeting, that you need to make these links very prominent and I think we're doing that. Let me just say that I think that, you know, we are just past 1,000 days in this partnership, and I look to Mark Contreras in the audience here. And I think it's very much a marriage -- we've learned a lot. I think Yahoo has learned a lot working with newspapers. And I think that newspapers have learned a lot, too. I think the trick for us is to continue retooling and retraining the sales force to take it to the next level. I think that they can certainly compete and they can certainly beat a lot of the Internet start-ups out there on the sales side, but without training it will be tough to do. So thanks so much.

>> Susan Athey: Thank you very much, Lem. Now we're going to hear from Josh Cohen, who is Senior Business Product Manager for Google News. He's responsible for global product strategy, marketing and publisher outreach. And prior to joining Google, Cohen was Vice President of Business Development for Reuters Media, the world's largest news agency. Josh?

>> Josh Cohen: I think I'll just talk the whole time with the Yahoo logo behind me.

So, thanks. Thanks so much for inviting me down here. And part of the reason that we're here is, obviously, we feel that high-quality journalism is important to our users but beyond that, we feel it is important to society. And so, I wanted to talk a little bit today about we see Google's place in this larger ecosystem. Some of the things we are trying to do in this space, specifically around building new audiences and finding new readers for publishers, about helping them create more engaging websites for the users keeping people on the websites longer and making more money and the different ways we can do that. So, first I want to sort of go back over some of the information that Ken talked about, because I think it is important when you sort of, talk about -- I think there's a lot of talk about the depth of news. And it's really important to separate the issues over the very real challenge that the newspaper industry is facing as opposed to the real interest in news today, and Ken talked a lot about this. I mean, you can just look at numbers here, this is just from the national association of newspapers, for their membership sites, just in September, 75 million unique users and almost 3.5 billion page views. So there's clearly a tremendous interest in getting that news and information. The Internet has now become one of the top sources for where people get their news online -- or, where people get their news. So, more and more people are going online, getting the news information again. I think Ken covered this in a lot of detail, so I won't spend too much time on this. So, I think the interest in news not only has not gone down, I think it's only grown, but there are significant changes in the consumption, and what this means for how people get that information. So, traditionally, if you get a newspaper, you pick it up, and top stories of the day, you flip through a couple different pages, you see what's on the front page, and that really sort of guided your experience as a user. And today online, maybe 50% of your users on a typical newspaper website are going to come in the front door. They're going to come to the front page, they're going to see what the editors are saying, here are the top stories of the day, here's what you should be reading. But at least half, if not more, for most other websites are coming in through

the side door. So, it's really changed the consumption patterns. So, increasingly every single page on a publisher's website is a front page. And they're coming in, whether it's from a search engine, or from aggregators, from blogs, from social networks, from emails, any number of different sources are driving traffic specifically to individual parts of a published website. Now, the upside to that is that you can get your content in front of more people more ways. And, I think that's part of the reason that the interest in news has grown, because it's so easy to get access to it, and it's so easy for publishers to get their content in front of more and more people. But obviously, there are some challenges to that. So, I think that's a part of the place we come in and is specifically around Google News. So, in this new world we really see it as a partnership. This is Google but this is sort of anybody who is in the space about helping people discover content. I mean, Yahoo's certainly in that. Any number of the different blogs that are there, any number of the different social networks. Publishers are creating that content and they're distributing it on the Internet. The next key step for them is, how do you get that content found by the people you're trying to reach? And so, that's where we see a big part of our role specifically in Google News, is about helping people find information publishers are creating and driving traffic to their web site. And so, in a given month, Google sends billions of visits to publishers around the world. And so, that's -- if you look at this, Google News is now in over 30 languages, in about 50 different domains or editions. We have mobile editions in most of these markets, and we've also been working with publishers for archival content, going back in some cases, 200 years to help digitize that content and bring it online. So, our model is basically one of trying to show as many different perspectives as possible. Again, you've got all this content out there -- how do you make sense of it? How do you organize it? How do you show different perspectives, whether it is a different political perspective, a different geographic perspective, how do you understand that information and get it together from a number of different sources? If you look at -- we are certainly an aggregator, just as a portal is an aggregator. But our business model is a little bit different. So, up at the top, you can see that's sort of the traditional portal model, where typically licenses small subset of content in a given market. For the most part, the experience is out of the portal. It is the portal's look and feel, it is their editorial voice, it is their business model. This is not meant as a value judgment. It is just an important distinction between how we operate versus more of the standard portal. With Google, since we're trying to show as many different perspectives as possible, getting just a small subset of sources and licensing them doesn't really work, because you're only going to have that limited

perspective. So, what we try and do, is we try and index all the different sources that are out there and then amplify that traffic back out to the publishers site. For the publisher, it is their look and feel, it is their editorial voice, and it's their business model. And certainly, I'll talk a little about the ways we work with publishers on the business side of it as well to help sell advertising and monetize that traffic but these are separate processes. So, the way that it works is you've got what's known as the Googlebot, or our web crawler. We will go and we'll take a look specifically within Google News to all the different sites in a given market we are trying to index. And when we go there, we are basically looking for one of two things. I guess, the easiest way to sort of think of it is obviously it ties to the spectrum. On one hand we are looking for what's called a site map. And what that is, is basically just a way that a publisher can make sure we are crawling all the information they want from their site. It can be nothing more than a list of URLs, of each of the individual articles on their site saying make sure you crawl this when you come to check my website, I want to make sure that you index this. And the other thing we'll look for is something called, it's broadly named the Robots Exclusion Protocol. And this is on the opposite end of the spectrum, saying either, full stop, don't crawl, don't index this information on my website or giving specific instructions about that. And so, when we check those two things to see what a publisher wants to make sure that we index and those things that they don't want us to index, then we'll be able to take that individual article. And, there is a lot of talk back and forth the last few days and weeks or so about the issue of controls. I just want to spend a little bit of time going through the details of it. So, when we come to a site it is very, very simple for a publisher to say, "don't index this site at all." And you can specify that specific to Google, you can do it for any of the different major search engines. Robots Exclusion Protocols is sort of a de facto standard on the web that any reputable search engine is going to honor. And so, you go and you can see at a very basic level, something called "robots.txt." You can come in and you can put that on your code, identify for specific crawlers and say, don't index this website. And you can leave it right there. But it is not an all or nothing proposition. You can also do it on a site level. So, you can come and say, I don't want you to index a specific section or specific files or even types of pages, let's say certain Powerpoint or certain spread sheets you might have that you don't want indexed. Again, you can do it on a site wide level, to give those instructions again. You can do them specifically for Google or for a different crawler that's out there, as long as you identify different user agents there. And beyond that, you can even do it on a page level as well. So, there's a number of specific

instructions you can give in the header of that page to say things like, again, don't crawl this, don't index a specific page or index this page, but I don't want you to show any snippets, or I don't want you to show images, or after a certain period of time my content is going into a private archive so expire it from your index. These are all different layers of controls that publishers have today, not just for Google News, not just for Google but really, for any broad crawler that's out there. The reality is though, that the vast majority of publishers want to be discovered. They're creating that content because they recognize the opportunity that the Internet offers for distribution. So, I think you probably have heard some of the challenges facing the industry and I'm sure you probably will over the course of the next day and a half. There is no single factor that's causing the challenges for newspapers. Declining circulation. The aging demographics of those readers. You can talk about migration of classified advertising. You can talk about consolidation of major brand advertisers. Unfortunately, there's any number of different things you can point to that are challenges that are being faced by the newspaper industry. So, I think it's also probably foolish to think for a single solution that just magically fixes it all. It just doesn't exist. I think the way that we see our role is one of the partners that can work with publishers as publishers should be looking to any number of different partners. And Lem was talking a lot about the work they're doing with Yahoo. There are any number of different people here, who, I'm sure, have worked with publishers, and that's a good thing. You should never sort of look to close yourself off or have just a single partner. Probably doesn't make sense for any business but especially on the web where there are so many different forces, and so many different potential partners out there to work with. And so, if we think about what we're trying to do on this basis, how can we work with publishers to get them more readers, to help them build more engaged websites and to make more money from it. And that's really -- the reason why we think about how we work with publishers in those different areas is because we try and sort of think about how a publisher thinks about it. Once a publisher puts content out on the web, there are -- I mean, to simplify things somewhat, there are basically three different levers you have to grow your online business. You can get more readers to your website. You can keep them there longer, have more page views with each visit or make money from them, either through advertisements or subscriptions. It is somewhat of an oversimplification, but that's kind of what publishers are thinking about every single day, is "how do I grow my business by moving one of those three levers?" And it's certainly not mutually exclusive and publishers probably should, and are, thinking about, "how do I boost all of these things up?" When we think about what we're

doing today, we look at it in those different categories. So, on the traffic side of it, that's Google, that's Google News, that's the discovery part of what we're trying to do. We are a search engine. Again, at its core that's what Google News is as well. It is about how people discover content and send the traffic directly off to the publisher site. Google News alone sends about a billion clicks every single month to publishers worldwide. And obviously, if you add in Google, and iGoogle, and all the different types of properties that are out there you get billions more. That's just Google. And there are -- Google represents a certain chunk of traffic that's driven to publishers. There are tons of other platforms out there for distribution on the web that have absolutely nothing to do with Google that I think publishers should, if they aren't already, trying to take advantage of to get their content out and again to get your content in front of more users. On the revenue side of it, that's traditionally been our AdSense program, which is the contextual advertisements, either in response to a user's search or to the content on the page. Last year, we returned over \$5 billion in revenue to our partners through our AdSense program. And obviously, now we're getting into a display space as well with our double-click platform. I'll talk a little bit about some of the things we're doing there, ways to enhance both the efficiency of buying the ad and the target of those ads as well. And the last bucket is around engagement. We don't create content. Obviously, we can't help with publishers create compelling websites with content, but we are a technology company. And we have a host of different tools publishers can take advantage of to -- so they can focus on creating content and leverage technology, things like Google Maps or Youtube. We launched a program recently called "Youtube Direct" that allows publishers to create citizen journalists directly on their own website leveraging the Youtube platform. These are types of things that we think about how to work with publishers to help them leverage our technology. But obviously, there is more to be done and this is sort of some of the areas that we're thinking of. Again, increasing that ad revenue - - what else can we do around user engagement and what are the different models out there beyond advertising that we can do? So, advertising, we think there is a lot of room for growth in online advertising not just in the search part, that Google is well known for, but also in display space. Ads can be smarter and more targeted. I think a number of different people talk about the room for growth there. And also, just needs to be much more efficient. It needs to be easier to buy ads on the web. It is not today. And if you compare time spent online by users with the marketing dollars there, there is a huge disconnect, and we think part of the reason is because ads haven't innovated as much as they need to. On the engagement side of it, I just need to point out one example of

something we launched a couple months ago called "Fast Flip," which we launched in Google Labs in partnership with about 40 or so top publishers in the U.S. ranging from people like "The Washington Post" and "New York Times" down to non-profits like ProPublica, who are in the investigative journalism space. We've gotten a great response not only from publishers, but most importantly, from users who are spending a lot more time on this site with that content than they do just on a standard website. So, how can we find ways to take those types of lessons and whether it's in products like this or taking the technology and giving it to publishers so they can leverage it on their own sites to create a more engaging experience than what the online experience is today? The last part is a little bit more open-ended, but I think, there's oftentimes talk that I can either make my content -- I can put it behind a pay wall or make it free and I have to sort of make the decision between the two. The reality of it is, that we have a number of publishers today who have subscription content and are still discoverable on the web. There are a number of different programs that we have, and there are a number of different approaches publishers can take to put their content if they decide to charge for it and still be discovered. I think if anything, it is more important if you're targeting smaller base to make sure the content is discoverable. We are thinking already about different types of ways to create digital marketplaces for other types of online content. Google Books is probably the best example, most public example right now. We're building these types of platforms. So, there have been some discussions over the past summer and ongoing ones which is, is there a possibility we can leverage this, sort of, powered-by approach to create a platform that publishers can use? Again, in the same way that you can use Google Maps, and not recreate mapping technology if you're a newspaper site, do you want to be recreating an E-commerce system, and is there a way Google technology can help publishers? Again these are just a handful of efforts of things we've got about -- you know, I've gotten the "Stop, Time's Up" card. I think that the point here is that there really isn't one single area or one single solution to it. And there needs to be innovation across all these different buckets from a number of different partners. I think we feel it is important to do that, that's sort of in the DNA of our company about trying to innovate and try things and fail and fail quickly, and then figure out how to iterate and move it forward. That's the way that we've worked with publishers, and we look forward to doing more. Thank you.

>> Female speaker: Thank you very much, Josh. Now, let me ask the next panel to come up. And Gus, could you turn the table?

>> Female speaker: We're going to start this panel a little differently because Steve Brill has to leave. So, we're going to let Steve start off with the presentation. And then think of questions for him, panelists. I have some, but he'll take a couple of questions. Then we'll bid him adieu and get further along with the rest of the discussion.

>> Steve Brill: Thank you. I understand that I don't have to spend as much time as I might have describing what journalism online is up to because Arianna Huffington did that this morning while I was on the train so I want to thank her for that. I come here actually with just a very few basic ideas and principles I'd like to lay out. And the first is, because we're in a building that says it is a government building, is that I don't think the government should really be involved much in this, except, possibly to make sure that all the privacy data that our friend from Yahoo Described a little while ago is actually given over to people voluntarily and knowingly. Just the whole idea of the government getting into this stuff leaves me a little bit uncomfortable, with the exception of the kinds of Internal Revenue Service reforms that Len Downie described. My second notion is that -- oh, and by the way, and speaking of Yahoo, if all that stuff, that behavior targeting is working so well, why are we here anyway? There's just so much ad revenue out there being mined from that. My second proposition is that this wouldn't have been much of a problem but for the fact that the people who ran the nation's great newspapers and magazines decided to go to the public markets to take their companies public or even if they kept them private to sell them way back when 5 or 10 or 15 or 20 years ago at ridiculously high multiples which loaded them up with debt which is the reason that most of the newspapers that we've been talking about are in the trouble that they're in. Now, that doesn't mean that all the numbers that Ken Doctor presented aren't true. The business of journalism as we know it, certainly print journalism, is going down fast. And I think, contrary to what some of my panelists will say, that there is a pretty simple reason for that. That is that 10 or 15 years ago, all of the publishers in the world decided to commit suicide by giving their stuff away for free. That was the beginning of what otherwise -- except for the brains of people in this room -- might be the end. So, how did I get involved in this? Well, a while back my wife and I decided to help establish a journalism program at Yale aimed at luring people into the profession and training them and getting them off into what we consider to be a really important role in any democratic society. And about two years ago I was sitting in my office when a woman called me and, as I picked up the phone, demanded to know what I was doing to her daughter. After I recovered, I

found out that what she meant was that her daughter had just been accepted into this program and she had interned at a consulting firm the summer before, and now why was I luring her into a dead-end profession where she wasn't going to be able to pay off their student loans. Well, I had been thinking about that question. I didn't have a very good answer for her at the time. I've been thinking about that and thinking about that for a while and that's what caused me to start journalism online with Gordon Crovis, who's the brains of the outfit, as many of you know, he was the publisher of the "Wall Street Journal" when the "Wall Street Journal" successfully decided that its content was actually worth something and therefore, people ought to pay for it when they go online. This is stuff that Gordon and I really care about. In fact, like many people in this room, I've made my way in the world as a journalist. In fact, by coincidence, a lot of it happened across the street from this building, dare I say at the teamsters headquarters which was the site of a book I wrote a lot of years ago. I care about this. I don't think I know all the answers. I know that Gordon and I haven't presented a business or a proposal that perfectly meets all the answers but I do think we have made some real progress now with over 1,300 affiliates having signed letters of intent to join us, that we've made some real progress in enabling publishers of magazines, newspapers, online-only sites, blogs, non-profits to derive some value from their content from people who access it online or through E-phones or E-readers but do something other than access it via print. We support all of those models. We also know, by the way, that the search engines are our friends. They're not our enemies. As Mr. Cohen pointed out, when you use a search engine the right way, it brings people to your content, and there you can ask them to pay for it. So we don't start by knowing all the answers, by thinking that micropayments are the answer or annual subscriptions are the answer, or showing people ten articles before you start charging them is the answer, or 15. What we do know is -- what we think we know, is that a minority of engaged readers at any website will pay something for content if that content has distinctive value. And having distinctive value, by the way, is the work of any editor at any publication on the planet. That's what you're supposed to do. If you're paying people to do something that doesn't have distinctive value, you need to rethink that. We've also found in our discussions, local newspapers right now seem to have more of that distinctive content, and equally important, local publishers seem to know they have more of that distinctive content and seem to be more eager, at least at this stage, to be engaging with this. Now, I have a theory about that, and that is that if you are the local proprietor of a small newspaper, you may have more of a sense of what your readers consider to be valuable and you

may be more in touch with your product than someone who's sitting back at the home office at some giant newspaper chain. But that's just a theory. We also think that the alternative business models are not terribly logical. I'll give you one example. This class that I teach at Yale, there are 15 kids in the class. I ask them this every year -- do you read "The New York Times?" All of the hands go up. Do you read "The New York Times" in print? No hands go up. They all read online. "The New York Times" online, as with many newspapers, is a far superior product. It's updated constantly. It's got terrific blogs. It's got video. It's got all the back-up documents. It is a wonderful product of journalism every day. So, the "Times" has one product that is an A triple-plus product, and one product that's an "A" product that the next generation of readers, the demographic that the "Times" wants, doesn't prefer as much as it prefers the AAA product. So, what does the "Times" do? It charges for the inferior product and gives the better product away for free. Now, no matter how you cut that, that is not terribly logical. I think we know that. I also think we know a little bit about history, which is that, in the history of journalism, it is really hard to find any sustainable, large news organization, any large, significant news organization that has ever been able to sustain itself just with advertising revenue. The closest thing might be the broadcast networks way back when, but they were typically non-profit loss leaders for the network and they got to split 95% of the country's eyeballs into three pieces of the pie. The Internet doesn't quite allow you to do that when you're giving stuff away for free. So, our basic proposition is very simple. The journalism needs to be professional, and it needs to be paid for, not that you need to have a pay wall where everything goes down, but you can segment some of your content or allow your most engaged readers to offer to buy it, or if you're a non-profit, you can ask people to contribute to it. But the basic idea, what we're trying to do, is re-establish an old business model, not create a new one, and that old business model is that readers of content that they value paid for some of the cost of delivering that content. Now, I should add that I was on a panel like this a couple weeks ago with some guy from a collective -- I think in San Francisco -- called the Shared Media something or other. I'm sure Jeff Jarvis will know who he is because he probably goes to a panel a week with this guy. He was talking about how great it is to share and that the wisdom of crowds and the wisdom of crowds I think is great if you're a reporter looking for sources. I think sharing is great. But when I think about that woman who called me about her daughter who was going into our journalism program, I don't think that that daughter is going to have a grocery store that wants to share the food. I don't think that daughter's going to have a landlord that wants to

share his space. Professional people doing something that is this important in our democracy have to be given the recognition and wherewithal to do that job. Thank you.

>> Female speaker: Steve, I do want to respond to one of your early points about privacy and the importance of people knowing what kinds of behavioral targeting they may see that may be made available to them or not. The FTC is doing survey, study, again of its privacy, approach to privacy. And, I can invite you all back to a workshop in this very room on Monday, December 7th, which is going to talk about behavioral advertising and privacy will be one of the main topics then. So, we'll be welcoming you then. I also want to ask you though, Ken Doctor mentioned a number -- 10% of people in his survey said that they would be willing to consider paying for news. And interestingly, public broadcasting finds that about 10% of the people who watch their shows are willing to contribute as members. Does that sound to you like a reasonable approximation of what you're expecting the population would be that would pay for news?

>> Well, the other studies have much higher numbers, but I think that Ken Doctor, as in most things, is smarter than those other studies, and I think it is close to 10% -- it's closer to 10%. Some of the initial market research we're now starting to do suggests it might be a little more. But our business, and more important, the businesses of our affiliates, hit a home run with 10%, because the idea is that you have -- this is one of those areas where they say that in print, a print dollar becomes a penny digitally or something like that. That's everybody's favorite formation. Here the profit margins on the dollar goes in exactly the opposite direction because, if I pay you \$5 a month for a subscription to the XYZ newspaper, that is about \$4.95 worth of profit. So 10% contributes significantly to the bottom lines of all of the affiliates we are talking to. It doesn't end all their problems forever. Nothing would. It is going to take a lot of things, especially -- but once you're in that mode of saying it's 10%, then you're hiring reporters and hiring editors and you're telling them, don't just produce all this stuff that runs around the ads. Produce stuff that makes it 12%, that makes it 14%. That's why we all got into journalism in the first place.

>> Female speaker: Let me ask you, there are been a number of estimates that I've read over the past months about when journalism online is actually going to start operation. Are you willing to give an estimate?

>> Steve Brill: Right now we're about a week away from shipping our initial beta software to the affiliates. They'll be kicking the tires over the next month or so. Some time right after the first of the year there should be real people somewhere buying stuff off of what the platform is that we are producing. I'm trying to be vague because I'm thinking this is going to be one of the great headline events of all time so why should I give it away to you here?

>> Female speaker: Because you've got a lot of people here listening and they're paying attention. Is there any one else from the panel who would like to say anything before we release Steve? I know, Jeff. I know.

>> Jeff Jarvis: Oh, no, no, no, no no. Steve and I have said it all.

>> Steve Brill: Jeff's my bud. Thank you for having me.

>> Female speaker: Thank you. Okay, next we're going to hear from Lauren Rich Fine who is going to give us a brief outline of a few of the emerging business models. She's the research director for Content Next Media and also a practitioner in residence at Kent State University's College of Communication and Information.

>> Lauren Rich Fine: Actually, quick correction -- I haven't been with Content Next for about six months.

>> Female speaker: Oh. I'm sorry.

>> Lauren Rich Fine: That's okay. You know, one of the misconceptions is that this is an industry that was always supported by just advertising and circulation, and that's not really the case, although I think an earlier speaker did note that the run-up of classified over the last 20, 30 years did allow the industry to get a little bit sloppy and not focus on those other efforts. But I think it is important to know why advertising model was working and in a sense it is because whether it was newspaper, TV, radio, they were aggregating audiences of scale, whether locally or nationally and providing that access for advertisers was considered really important of value. And on the

circulation side, I think one of the real problems as we start to approach getting consumers to pay today, is that they were never trained in the past to value newspapers. Newspapers never really sold them on the proposition of paying very much. Any time circulation rates were raised there would be a decline in circulation. And I'm glad that the industry, a little bit late, is catching on that they can raise the rates today because, in fact, their loyalists will pay pretty much any price at this point and that's why I do think journalism online has a chance to be successful because there will be those loyalists who will pay online as well. One of the things that I want to get to though, is also on the cost structure side. That's an area where I think the industry has been entirely negligent and I guess the headline there is with the run-up of revenue in the past the industry tried to provide everything to everybody and now some very difficult decisions need to be made. You can no longer provide everything to everyone with your own original content, which is something I think Jeff will talk about. You do have the ability to aggregate what's going on in your community as a local newspaper. You can play editor, which is the role you should be playing. So, I will get to that, but ultimately, as we all know, the real challenge today and why we are talking about this is the loss of classifieds. It was a commodity. Newspapers were very good at housing it. They never stood a shot at trafficking it online because it was destined to be free. It is better online. I don't think newspapers committed suicide. I don't think they ever had a chance with the amount of infinite supply that exists. It is pure economics. With infinite supply it is very hard to charge for things. So ultimately, what's everybody to do? I think the ad model will still work. I think we need to broaden the definition of it. It is no longer simply display ads or search, but it is going to be getting back to the scale model and providing something of value. A lot of newspaper websites don't have a scale even locally to still do that, but if they put a nice bear hug around all the local content in their community, and represent some of those bloggers, they could, in fact, use that and become the dominant local ad network in their community. There is still an opportunity. There are not strong local ad networks as of yet. And so, the other point is also creating scale like a "New York Times," an MSNBC, a Huffington Posts have done, and use direct ad sales force, because they are still able to charge a premium. Newspapers have not done enough with sponsorships. There's still opportunities to take traditional advertisers and allow them to be ongoing sponsorships and help -- basically giving them access to the audience, allowing them that engagement opportunity, the opportunity for sponsors to create some of the content, which I know historically, has been an issue. But if it is well documented as either an advertorial or sponsor content, it has

been highly successful. When people are looking for information online that advertiser knows a lot about their product and that information is valuable. I'm thinking, not because Mark Contreras is sitting right there, but E.W. Scripps years ago tried to get into the yellow pages business. They tried, they failed, they got out of it, but that opportunity does exist online to create really comprehensive local directories. Most small businesses still don't have a website. Most of them don't need it, by the way. But the newspaper has the opportunity to sell to them the opportunity of some type of a brochure, where something to gives them a place holder there that would allow them to participate in new ways that our consumers are finding businesses. They can host these websites, they can create them for them. I recognize, and I feel the need to say this, newspapers have historically had the worst ad sales forces known to mankind. I can say this, I am the daughter of an ad sales person. But, I can tell you that there is an opportunity, Lem was talking about it earlier, with training. You really can improve the sales proposition. You can do these online directories and websites and it will give the opportunity to increase the ad base there as well, by opening it up to the local community. Newspapers historically tried to get into direct marketing. Very few of them have done it online today. "The New York Times" does a great job with their email business. Newsmax, a conservative news organization, has a great business with their email marketing. Again, it gets back to access. They've aggregated an audience that thinks a certain way, they provide that audience using an email product, and I think it's been highly successful. And it's one that can be done much better. On the subscriber fees, I'm not really someone who believes that there's going to be a lot of subscriptions paid for general interest news. I think the American Press Institute just put together a great compendium of what a lot of individual news sites are doing, and looking through that, I tried to do the calculations. My math skills are actually reasonably good, it wasn't 10% of the audience that seems willing to pay for a general news product, though I do believe they'll pay for specialized products, things that Marty is doing in Milwaukee with the Packers site. There are things that people will in fact pay for. I think other specialized sites -- obviously the "Wall Street Journal" will always be able to do well with subscriptions because there is a real return on investment for the user of that content when they do a trade at certain lower basis point, they've saved money, they've paid for that subscription, the same for Bloomberg, Reuters, the FT. But certain media sites could do that that many of us are familiar with. My prior employer, Content Next, with paid content, probably could charge some money for their comprehensive coverage. They do have a lot of competition. This re-arranging from geography to topics is a

difficult one for newspapers to understand but that's what the opportunity probably lies, not getting you to pay for their geographic concentration of news but maybe paying for things that are specialized. We have a group in Cleveland called "Med City News" that's trying to do a syndicated model of news on the medical industry but doing a deep dive locally into communities where it matters, like Cleveland, like Minneapolis, like Boston, and taking that content away from the local paper but syndicating back to them. I'm intrigued by the concept of memberships. Pittsburgh Post Gazette is trying to do this. Newspapers used to do it. They used to give you reward cards, you got discounts at restaurants. The same thing can be done online. It creates that engagement. I think that it fits nicely with Jeff's model in terms of the bear hug in your community. Philadelphia has experimented with discounts on books on their commerce site. I think there are some commerce opportunities as well. The idea of matching advertisers with content like Demand Media and AOL, I think it is actually very smart. It goes back to even what Murdoch was saying of trying to get people the news they want. I think the flaw in the model is, what this whole workshop is getting at, is if you're trying to preserve democracy, giving people what they want probably won't end up with the kind of coverage that most of you in this room really want to provide, and therein lies the real challenge. And that was the beauty of newspapers, which was the spinach was on the front page, Britney was on the back page. And that is going to continue to be a challenge. But again, it comes back to good marketing. On the commerce side, I don't expect local newspapers to set up their own commerce sites, but there are different types of commerce that exist. My prior employer was in the conference business very successfully. Marty mentioned earlier the event business. There are opportunities. The "Wall Street Journal" has done a very good job, as have others in the conference business. Unsuccessfully, my prior employer tried to get into the research business but in fact at some point when the economy's better, specialized sites will be able to do syndicated research. Books. Releveraging content. "The New York Times" has always done that, they releveraged content for TV. Licensing, going back to whether it is with Google or others, or Daily Me and others that are trying to aggregate, there will be a revenue stream there, but it won't be a very big one, and I'm surprised with all the time spent talking about it. I would mention the hybrid model. Print isn't dead. Newspapers still sell a lot of advertising. And, if we can improve the sales force they can do a good job. A lot of the news sites that were created that were meant to be online only are finding that by printing they still make most of their money. A great example is Politico. Most of their money is being made in their print edition today, yet it is a very robust national website. I

can think in my hometown of Cleveland, the "Lakewood Observer" and all the Observer editions they created originally was originally dreamt up as a 24x7 website supported by advertising. They make all their money by printing every two weeks, but they now have a very robust website being supported by the print edition. I mentioned the cost side. A lot of what's going on today that I think is exciting is important. It does get to things like Global Post which is trying to create a consortium of really strong overseas reporters, it gets to ProPublica, citizen journalism, sharing of costs, but it requires the news industry to really sit back and figure out what they have to cover and what their town really needs to be resourced towards. For example, investigative journalism. Take all your reporters and put it toward investigative journalism and find other sources for movie coverage. Crowdsourcing citizen journalism restaurant reviews, Yelp. Others are doing a really great job of this and the newspaper doesn't need to spend their time doing it, but they could reallocate their dwindling resources toward this, but if they improve that ad sales force, they could really have the resources to support their community. I'm going to stop there and -- oh actually, I'm sorry. Two more quick points. Mobile is an area that I think newspapers will be able to charge. You are now providing something that's easy for someone to access, you're giving them the opportunity to access it where they want it with some urgency. I'd be surprised if many of you really would give that away over time if you had the opportunity to charge even a very small amount. I was surprised that I was getting my "Wall Street Journal" for free on my mobile phone and I was very proud of them that they finally started charging me. And of course I will pay for it. And I think the e-readers are going to be important, also. They create that same mobility. It is a formatting opportunity. In a perfect world, newspapers would never print another hard copy, they'd get rid of that cost. They'd force you into the e-editions. It's not happening successfully today, and the ones that exist on Kindle don't include advertising, and so it wouldn't be very economic, but over time I think the competition of the e-readers, the inclusion of advertising, the opportunity to edit again, get people to eat their spinach along with everything else, stands a chance at being successful. So, ultimately I'm optimistic but I still think there is going to be some pain ahead.

>> Susan Athey: Thank you very much, Lauren. Now we are going to add the perspective of one of the world's most successful newspapers, one that has been mentioned many times today, quite favorably, with Robert Thomson, who is the editor in chief of Dow Jones and Company and the managing editor of the "Wall Street Journal."

>> Robert Thomson: Thank you very much, Susan. And thank you, Lauren. I know we focused on declined, but I'm in the embarrassing position of editing a newspaper whose circulation is still rising. I think the apotheosis of the journalist came when Robert Redford was cast as Bob Woodward in "All the Presidents Men." I've met bob Woodward in passing. And while he's certainly better looking than I am, and no doubt, intelligent, he's a rather ponderous, even lugubrious sort, who's really got the manner of a Hollywood villain. He is no Robert Redford. But inevitably, after deification comes decline, and so if an actor or actress were asked to play a contemporary print journalist, who would it be? Some disheveled, disillusioned individual. Perhaps Mickey Rourke, prophetically hanging around newsrooms, having drinks, looking beaten and bedraggled. So here we all are, questioning the fundamentals of e-epistemology. It's certainly fair to say that far too many journalists have failed to respond with flare and creativity to the extraordinary opportunities provided by the digital age. One cause of that failing is the inability to understand how fundamentally the life of the reader has changed. Instead journalists -- thankfully not at Dow Jones, have been seduced by status and become prisoners of prized consciousness. Journalists should not be prize hounds. They must be unruly, and feisty not lap dogs with laptops, or meek members of a political movement or an arm of government. Some journalists even think they deserve to be funded by the government, much like exhibits at the Natural History Museum, stuffed and lifeless, and on permanent display in a newsroom near you. What we would be creating is a new class of content concubines, kept men and women who would depend on handouts for their existence. It is clear in the digital world that there are two types, the creators and the reverberators. The latter group is mostly an editorial echo chamber. The noise is sometimes alluring, but there are neither composers nor musicians. For a period it was hip to accept that all content should be free all the time, but there was a fundamental flaw in that argument. It benefited those who distributed content, but not those who created that content. As a result, the content landscape had to be changed, and editorial-only had to end. Our intent at the start of the year was to prompt and provoke a debate about the value of content and then begin a second phase of debate about the -- about how the value can be best realized. The third phase is to act on the most intelligent ideas for emerging models -- a phase that will continue the exponential evolution of the web. The character of content is again changing, and it will not all be free. What will the aggregators aggregate, and in the end, what will the verb "to Google" actually mean? There will be

much haggling over the coming months, but that's as it should be. News sites which are now free must re-examine the worth of their assets. Their journalists, as Lauren said, their audience, their archive, their role as platforms, and think creatively about what is a premium experience so that there is a real distinction in the mind of the reader. We need to examine endlessly how people use their web or their phone or a reading tablet and tailor the premium content to suit that platform. We need to tier content and price accordingly. Instead of the horizontal web as defined by certain aggregators, there will be more valuable verticals. It is glib but true to say that there will be an ever-increasing role for bloggers and citizen journalists and for the world of wiki, but the Internet age cannot just be the triumph of amateur hour. You don't need a sophisticated algorithm to prove that there is a clear digital deficit between the current cost and the value social and commercial of content. Thankfully the era of content "can't" is almost over. Thank you.

>> Sue Athey: Thank you very much, Robert. [ Applause ] Next we'll hear from Chris Ahearn who has been president of Reuters media at Thomson Reuters since 2002. In that position, he oversees the publishing and distribution of news and information services to media and business professionals. Chris?

>> Chris Ahearn: Thanks. It's always daunting to go after Robert. I only have a couple minutes, so I'll make this quick. First of all, journalism is not synonymous with newspapers. I think we're obsessing a bit too much on newspapers here, for what it's worth. Second, journalism will definitely more than survive the Internet age. It is going to thrive. It will thrive as creators and publishers embrace a collaborative power of the new technologies, when we retool our production and distribution strategies, and frankly stop trying to do everything ourselves all the time. And I agree with Mr. Murdoch and with Robert that the bold will survive, and the timid will fail. And they should. Now that said, the newfangled aggregators or curators and the dominant search engines are certainly not the enemy of journalism, but nor are they the salvation. They do not always refrain from doing evil, though they say they do, in their pursuit of profit and audience, and they do fail to do unto others at times. Some do steal. Outright. And they completely copy what we do. And they take that and then they monetize it with ad networks like AdSense. That happens. But they are also constructive and competitive members of the ecosystem. I welcome them. And I welcome the link economy. I'm sure we'll continue to discuss that around this roundtable. At

Thomson Reuters, I'm lucky enough to oversee both the world's most indispensable news agency as well as our innovative publishing arm, Reuters.com. So I get to speak out of both sides of my mouth. I'm both a supplier to many of you sitting here, and in some ways, with what we do with Reuters.com, you are a competitor. As a result of that, a lot of people here wish they could roll back the clock. I don't. We're leaning forward into the winds of change. We see major opportunities there on the horizon. Like others, we grapple with the issues of content, scarcity versus abundance, as well as the issue of content uniqueness versus utility, but we try to find a way to make money out of each of those different parts of the vertical. To maximize a value, we focus on the power of verticals in issues, a lot like about Robert was saying, and the importance of subscription models. As a firm, we make 90%-plus of our money out of subscriptions. We focus obsessively on the needs of professionals. We don't want to be all things to all people. We want to create journalism that has unique value to our clients, and we partner with others where it's warranted. And probably most importantly, I've heard a lot of talk today about content. We focus on services. We focus on things that add value. 'Cause I think people pay for a service. As the world's most indispensable news agency, we're very focused on long-term health of our clients, those of you sitting here the industry, and particularly the needs of news professionals. To foster cost-efficient growth, however, we see an opportunity for greater collaboration and partnership amongst content creators. We see a world that opens up newsrooms and news gathering processes to allow for the highest quality and valuable content to flow better from content creators to the publishers. We see this as a new network of syndication, and it's predicated on the needs of publishers and their audiences, not just on what we want to produce. It's inherently multi-source, something that doesn't exist today, with rights that are defined and with multiple revenue streams, be it a subscription, a la carte, bulk purchases, link back, ad sharing, et cetera. This is a B2B content network that the world needs now, and something that we are building. We see this platform as an open network, that applies consistent metadata in an open way to create intelligent information that's designed to help publishers and broadcasters better manage their own and third party content. This is not about locking people down. This is not about blocking search engines. This is about allowing creators to make more money from their content and allowing them to choose the model that they want to monetize over. Because we believe in the value of the creator. We believe that the creator must and always and should be paid and it is an open platform that allows publishers to save money by specializing and focusing on what they do uniquely. And to

paraphrase my friend Jeff ,who I don't always agree with, outsource the rest. It will allow publishers to right-size their efforts. Because let's be honest, most news rooms are still not right-sized. And stop wasting on resources on things that are already done by others who frankly do it better. We're optimistic about this. We think that that coupled with responsible behaviors by all participants in a weak economy, and I stress all. We see the evolution after new golden age of journalism and much, much more.

>> Susan Athey: Thank you very much, Chris. We're now going to hear from one of the bold, Josh Marshall, who is editor and publisher of [talkingpointsmemo.com](http://talkingpointsmemo.com), what "Time" magazine calls prototype of what the successful web-based news organization is likely to be in the future. Josh?

>> Josh Marshall: Well, I've been asked to talk briefly about aggregation and the rules that we follow in doing aggregating. The truth is we don't do that much aggregating. It's not the -- it's far from the dominant thing that we do on our website. Our whole organization is based around original reporting. The percentage of our staff that is editorial versus business and publishing, about 80% of our staff of almost 20 now is reporters of one sort or another. What we do do, the stuff that's similar to aggregation -- and I think what we do with sort of our sweet spot and what we do best is what I think of as a hybrid of original reporting and aggregation, that I think in many ways is more natural to the digital news environment. What I mean by that is, for instance, one of the stories that our organization got a lot of attention for was the U.S. attorney firing story back in 2007, and we broke a lot of that story ourselves, but we were not the only -- we were definitely not, even at the beginning, the only organization on that story. What we were focused on doing was both doing our own original reporting, but also narrating the entire story and recognizing that we were not the only ones covering the story. I think that, in many ways, traditional news organizations, certainly newspapers but even the new digital incarnations of these, still in many ways work organizationally in terms of their -- in terms of their presentation with the fiction that they are a sole source of information. The kind of really weird concept is that you have one source of information, and it's them, and there is blinders on to the fact that you obviously have many sources of information. It's even more the case in a digital environment where we're not constrained geographically, like we were -- certainly in the overlapping area when you were pre-Internet, but post one or two-paper cities in most major metropolitan areas. So when it comes to aggregating,

that's what we do. We don't do nearly as much as a lot of other organizations do. That's their business. It's not really our concern. The one thing I would say in terms of rules that we follow -- obviously we follow the rules that our general counsel gives us, which is always a good place to start, I think the basic ones are common sense. If you're ever -- I think it's natural to do brief excerpts in the course of your own original reporting. We report X, Y and Z and also this other organization reported F. I think the key is there's -- there obviously are the still-evolving but relatively straightforward Fair Use Law, but it's much too expansive. As you can see from what a lot of other organizations get away with, and there is much tighter definition that we try to follow, which is a common sense one. Are we excerpting so much that there's really no good reason why the reader would need to read the whole thing? And I think when you use that standard, it's very common sensical. It is far more straightforward than the 39-pronged legal analysis that our lawyers are always trying to get me to understand. So I stick with that. So that's what I would say. We don't do that much aggregating. What we do I think is a hybrid of original reporting and aggregation. And when it comes to the margins, those are the guidelines we follow.

>> Susan Athey: Thank you very much, Josh. Now we'll move to Sri Kasi, who is vice president, general counsel and secretary of the Associated Press. He's responsible for the AP's legal affairs globally, overseeing several strategic initiative is involving media law, intellectual property rights, not surprisingly, and the corporate governance of a digital cooperative of AP members. Sri?

>> Sri Kasi: Thank you for the opportunity to appear before you today. I'm going to skip a number of comments that I had written, given the number of speakers have already previously addressed, and hopefully what I've got left will add some unique imprint. The impact on the web, we believe on the news industry has been especially and uniquely severe for reasons that spring forward from three simple truths. the first is that the business of news, information about our product is our product. If you have described the details of a news story, you have told the news story. You just heard an example of excerpting as a means of destroying the value of a news story. You heard Ken Doctor talk about the fact that over 50% of the audience don't click through to read the full story and are content with reading the excerpt. The second is that most news content has a limited shelf life. Those who invest in gathering news have a brief window to attract audience while the news has immediacy. Third is that the commercial value of individual works of news is only realized

within the context of aggregations of many works of news. So if you've grasped these three truths, you've understood the challenges, the digital challenges, faced by news publishers who invest in gathering and distributing original news. Once a publisher invests to put news content on the web, all or portions of the content is republished or distributed by others, ad infinitum, at virtually no cost. A consumer who browses such republished information derives much of the value of the original news information conveying the economic value of the content to the republisher, the engines who bring the audience to the content, and the advertising networks who facilitate the modernization of that content offsite. While the original news gatherer and publisher of the works are left with the cost of creating those works, but only a fast shrinking opportunity to realize commercial value from their own publication. For the sake of so much that this society holds dear, that cannot be allowed to happen. Preventing it is primarily the obligation of news publishers who must find new ways to connect with their audience and to discourage the unauthorized exploitation of their content. The AP is committed to helping them. And how are we doing that? We were originally formed as a news gathering membership of a cooperative of newspapers to tap into the efficiencies and opportunities promised by the telegraph, the Victorian internet, as some people have labeled it. The AP has adapted through the years to become a source of news for radio, broadcast, television, cable television, wired Internet and mobile web platforms. Along the way, the AP corporate governance is replete with examples of conflicts about how the new distribution platforms might affect old distribution paradigms. Along the way, we have come to appreciate that the -- what economists have characterized as economies of scale and economies of scope, the importance of that, the importance of that to distribution and how distribution is important to fund your news gathering. While no one can say with certainty how serious professional journalism can be made to thrive in the digital economy, it appears to us that the path to survival and success must begin with three steps. First, news publishers need to develop new and more effective ways to monetize their news assets on their sites and elsewhere to have a legitimate chance of earning a return on their news gathering investments, and a small window when the news has value. Second while consumer choice in the search-drive marketplace may be at this aggregated story level, the story and the publisher need to be part of a larger aggregated network of content and audience to have a real chance of attracting and retaining audience and growing digital revenue. Third, the creator and publisher of virtual news networks must be compensated for the exploitation of their works by others in new services that leverage this content for their own profit. Those who want to

benefit of the news content must help with covering the cost. The AP has developed a strategy to pursue these steps for the mutual benefit of those -- of content creators and publishers which should allow third parties of all types to exploit and benefit from the news content from this collective activity while allowing the cooperative and its members to support professional journalism. Thank you again for your interest in these matters. We welcome your perspective and ideas for the digital news business.

>> Susan Athey: Thank you very much, Sri. Now we're going to move to the technologists on the panel. And I'm gonna switch order a little and ask Mark Bide to go next. Mark is the project director of the automated content access protocol project, ACAP, and a director of Rightscom, the specialist London-based media consultancy.

>> Mark Bide: Thank you very much. Our brief here is to talk about business models, but I'm actually going to talk primarily about copyright as the enabler of media business models. Media business models almost without exception are as dependent on copyright today as they always have been. Copyright provides the incentive to create and then to distribute as widely as possible an incredibly diverse world of content. Making a return on investment in content, whether we're talking about news or education or entertainment, depends on having the mechanism to choose, how that content is distributed, used and paid for. That's what copyright was invented for 300 years ago, and that's what copyright remains good for today. No one would seriously deny that the Internet has catalyzed the need for fundamental change in the media. The democratization, the mechanisms for the creation and rather more critically, the distribution of content provide unprecedented opportunities for new entrants. And we've heard quite a lot about that today. But some things including high-quality in-depth news are very expensive to make. The need for printing presses and trucks may be reducing, but people who write and shape the news still expect to be paid. The investment in the technology infrastructure is also far from trivial. An internet without this ever-growing richness and diversity of content that we've come to expect would be a very drab place. But if we want the content, we need to find online business models for the media that provide an adequate return. Yes, we'll still have content created by people who earn their living in another way. Yes, as in the UK we may have news content paid for by the government. We may indeed have news content paid for by wealthy individuals. But in the absence of

functional business models, those who need to make a return on investment will ultimately have no choice but to take their content or more probably their investment somewhere else. The argument is often made that the Internet has made copyright irrelevant and outdated, but I'd argue completely the opposite. Rather it's highlighted the importance of copyright in creating a vibrant and plural media sector. It is certainly true that up until now we haven't made copyright work very well on the internet. Rather, it's tended to be ignored as an inconvenience or sidestepped. The time has come now for this to change. For us to make the effort to make copyright work with the grain of technology rather than against it. We need to harness the huge potential that technology has to make copyright functional online by creating the technical tools to make copyright work at machines and machine level rather than at person to person level. ACAP, the automated content access protocol, which I manage, seeks to provide a modest if essential part of that infrastructure which is the language which machines can speak to one another. Our focus is on creating an infrastructure that's universal, not owned by individual businesses, not combined to specific media, not telling anyone what their business model should be but an open standard available for anyone to use. I will contend that it's through the restoration and respect for and the effective operation of copyright on the network that journalism and countless other forms of creativity and investment will find new ways of working, new audiences, and a new lease of life for the future, and that's what ACAP is about. Thank you.

>> Susan Athey: Thank you very much, Mark. Now we'll hear from Danny Sullivan who is editor in chief of Search Engine Land. He's been helping web masters, marketers and every day web users understand how search engines work for over a decade, and he is widely considered a leading search engine guru.

>> Danny Sullivan: Thank you very much. I wasn't certain what to start off with, so I thought I would kind of give you a personal tale of online emerging journals and models. My journalism career started effectively when I became a stringer for the "Los Angeles Times" in the '90s when you heard that there were 2,000 people out there. A big bulk of us, about 50 of us, worked in the Orange County edition. We weren't paid a lot of money, but that's how they did their local coverage back there. Sorry. I used to be a stringer for the "LA Times." I didn't get paid a lot of money in the '90s. But they sure got a lot of local coverage out of us when they were in the middle

of a newspaper war. The war was good for us, it was, I think, one of the last ones I was fortunate to witness. I moved over to the rival "the orange county register" and became a regular reporter and eventually left because I saw the paper muddling around and not knowing what to do online. They couldn't decide if they wanted to go with AOL Prodigy or CompuServe. I had seen the web, it was 1994, and I knew which way it was going to go. So, I left and I started doing web development and I stumbled into covering search and how search engines work as my beat. I started doing some freelancing for some magazines that decided that search was such an important topic that it was worth covering once per year. And I thought it could be covered more than that, so I started doing it on my own, been doing that for about 14 years now. And I have had paid content on a website since 1997. I have a website now where I employ two full-time editors, four part-time editors. I have a staff of 50 columnists. Not paid but eventually we'll get there with them on that. We produce a good healthy chunk of original content, really solid original journalism on our topic area. We're profitable, we pay for ourselves. We've done this all by growing up on the web. And doing all these things, multiple revenue streams, events, ads, lead generation, membership fees, all that sort of stuff. And I love newspapers and, well I'll actually push back some of the things I hear about what goes on with search engines. It is more for the balance side of things. And so some of the things I'll point out is that I know intimately when someone takes a story that I've actually broken and it goes out into the mainstream publication. But unlike what happens with a lot of bloggers, the mainstream publication probably won't cite where they got all their research from. Or if they do cite it, goodness knows I probably won't get a link from them. And I probably spend two or three days, pure days a month on the telephone with various reporters. And I get some free traffic, I suppose. I primarily do it because I like the industry. I like to help people understand what's going on and I think it is worth the time to invest in that, but I'm not paid as a source. Journalism would be a lot different to do the quality journalism you actually started paying a lot of the experts out there that you get their expertise for free by calling them up on the phone. Because they'll talk to you because you have a big audience which you get delivered in part from some of the same people you're upset about sending you that audience. So free can work in a lot of ways. Another example where free works in a lot of ways is when we hear complaints that, well the aggregators or the search engines are taking content and simply benefiting themselves off of it. The same newspapers, every reporter I ever talked to uses Google to research a story. And those sites that are out there that are not newspaper sites, they still have good information. They would

like to get paid, too. They're struggling along with ads and everything else. They're figuring out a way but newspapers aren't having to be paid for it. So, I guess, and I've got 30 seconds, I would just really say that, I have concerns about fair use as well. I don't like it when someone steals whole scale my entire content. I try to exercise care when I'm going to summarize somebody's other article in the same way, not summarize too much that goes with it. I don't think showing somebody's headline is a violation. I'm open to hear a discussion on it that's reasonable and to see where it goes. But when we also talk about the idea that this headline is somehow theft, I would probably characterize it in another metaphor-- television is largely free. And I don't hear anybody complain about television guys that list television channels and what's on and what's going to be in those shows. Plenty of people will read some of those things and decide I want to watch this show, no, I've got enough, I don't need to watch that show. Nobody complains to TV Guide, you better drop our news-- you know, our television shows out of that listings, out of that guide. So I find it difficult sometimes when I see offline metaphors be applied online and get kind of twisted around. Anyway, I'll leave off by saying I love journalism and I'd actually like to see us get to more productive ways rather than a lot of the rhetoric we tend to get.

>> Susan Athey: Thank you very much. I'm having a very hard time resisting the impulse to dive in to the many issues that have been raised. But Jeff Jarvis is going to give us some examples now of business models that you have been experimenting with. Jeff is an associate professor and director of the interactive journalism program at the city university of New York's new graduate school of journalism. And also he is the author of "What Would Google Do."

>> Jeff Jarvis: If this were Congress I'd want to yield my time to either Danny or Robert, because they're going to do a better job than I do, but it is not Congress so I'll grab it. I just want to mention quickly, I think that it's important to look at the fundamental changes in the business realities of media, and they're not going back, we've talked about that today. And the Gutenberg age which lasts for 570 years, you could sell the stuff in a certain way, God Bless it, it worked. We are in a new reality today. In the link economy versus content economy, all you need is one copy of something and it's the links to it that bring it value. There are two content creations here-- two value creations. The creation of content and the creation of the public for it. And they both bring value and in a sense I could argue that we should be grateful that Google doesn't charge for the

links but it doesn't because it wants to maintain its own credibility in this world. And so we have to rethink the link economy which brings a whole bunch of other imperatives, like staying open, finding efficiency by being specialized in a way that Danny is, and it is up to the recipient of the links to monetize those links. And if you can't, that's not Google's failure, it's yours. That's one point. The other point, the only reason I'm really here is to talk about the new business models for news. That we thought that there was too much moaning, wailing, mourning, and mulling about the business and too little specifics. We wanted to research to come up with specific business models for a metro area and what it looks like. And in our view it was pretty obvious^-- this by the way was funded, we're grateful to say, by the knight foundation in the first phase of this research. It's obvious to us that a dull old newspaper is not going to be replaced by a smart new newspaper. That what's going to come and what its building right now is an ecosystem of many players who operate under many different motives and means and business models. And so we wanted to investigate those, we look at it from four perspectives. Number one, the hyper local blog. Again this is a metro area, and we've found, this is the most important number I'll give you, we found hyper local bloggers covering a town of 50,000 people who are bringing in \$200,000 ad revenue and they're bad businesspeople. They don't know how to sell, they're selling good old time ads, they could be much better. But the point is that is a sustainable building block right there. We see this building all over. I have all kinds of unemployed journalists who are now trying to start these things and we want to try to help them do that so they can have a sustainable model. The second perspective we looked at^-- let me^-- so the problem with the hyper local model we think is first there needs to be a better product mix for what you're selling the advertisers. They like newspapers don't do a great job of it. But second, very importantly, there must be the creation of networks that bring together value that if a paper were going to the market, whole foods is not going to go around and find the bloggers themselves. Someone has to create that value, whether its by a whole metro wide area, whether its by a few towns or whether very importantly, its by an interest level in a market or elsewhere to aggregate these audiences and this content for business we think is important. So hyper locals is number one, number two is we believe there still is anew news organization. It is much, much smaller. It operates very differently. I'm going to foil you because they told me I should go on for just a little longer, but I talk really, really fast. The new news organization. We hope that this is still an organization that does metro wide beat reporting, does investigative reporting which we think still get news organizations attention but it now operates in

new ways. Because of the link economy it can operate collaboratively with this network, this ecosystem of other players. You could do journalism in new ways, you can do journalism together in ways we never could afford to do before, and there are many examples of that that I'll spare you right now. We also looked at-- so that's the second is the new news organization, the third is the framework, the framework that enables these networks to form. Now when we look at all this we did not include in this-- we may mention of publicly supported not for profit journalism. We basically said if the market doesn't take care of all the journalists, and it won't, where should this money go best, but we don't know. Second the value of volunteerism. Wikipedia calculated when we presented our models at the Aspen Institute, they calculated they told us, Sue Gardner, the value of just edits in Wikipedia, the edits alone, they ascribed a low per-hour labor cost to that and it added up to hundreds of millions of dollars of effort and value a year. If we work on our memberships, a true membership is "give me my money and I'll give you a tote bag." The true notion of membership is collaboration, is doing things together. So the value of volunteerism, the value of ethnic media, the value of government transparency, which is vital we've got to fight for this now because that has an impact on the ecosystem. We didn't include that in our modeling. At the end of the day we saw that-- we did the models separately with business analysts that did them, we found that we ended up with 277 full-time equivalent journalists in a market that probably has today about 300. We found that the revenue we projected was about 15% of what a company like New England media, "The Boston Globe," is bringing in today. Which is about what newspaper companies are bringing in online, 10% to 15%. So the point was we saw a sustainable journalistic model that enables a community to have an equivalent amount of journalistic effort that was actually closer to the community, more targeted to the community, more answerable to the community for a lot less money. It is much, much smaller. The mogul who says I'm this big, isn't going to be that big anymore. All right, there are going to be a lot of people that add up to an ecosystem that we think is even bigger in journalism and we're optimistic. So finally, why are we here? I'm not sure, because I am optimistic to a fault about the future of news and journalism. The barrier to entry into the media has never been lower in the history of mankind. We have more voices, more diversity of voices in this country right now than we've had at least in a half a century. But what we do need is a level playing field, a level lawn. And my caution to you, my begging of you, stay off the lawn. There are tender sprouts of grass you are trying to grow. And if you as the FTC talk about nasty aggregators and how we're going to deal with them, or nasty bloggers and try

to bring in government regulation to that I fear that you are going to, as the very name of this days says, journalism surviving, surviving? Hell, no. Journalism is prospering and growing and doing great things. If you are talking about surviving you are talking about the perspective of the old legacy players who have had a decade and a half to get their act together and they didn't. The future of journalism is not institutional, we now know. It is entrepreneurial. So all I would ask is stay off the lawn. By the way, one more thing. That's one thing apparently today, we could have Rupert^Murdoch, Arianna^Huffington and Steve^Brill and me agreeing on. You can't imagine a more diverse group.

>> Susan Athey: No, I really can't. So, what I'd like to do now is turn to Josh^Marshall. We have obviously a whole discussion to go through in terms of the B-to-B model that Chris was talking about and that I suspect Sri is thinking about as well in contrast to business to consumer subscription. But I'd like to start out with someone who actually has been running a successful new business now, and ask you, Josh, how did you^-- when you were going through this process of creating what has become talking points memo in this current iteration, what do you find^-- what did you find were keys to success? What would you advise people not to do?

>> Josh Cohen: Well^-- it's been around for almost ten years now, but its only been a business in a real sense where we have more than one person running it and all the rest goes with the corporation being in business for about five years. A few things come to mind. One is the relationship with our readers is obviously incredibly fundamental. When I say that I always have this feeling that I'm going to say but we really mean it, because I feel like for a lot of organizations its sort of a throwaway line. But its critical for us. Early in the history of the organization we raised money for new projects for directly from our readers. Basically voluntary subscriptions, which were key in allowing us to start new sites. I think the main thing that keeps coming to mind to me hearing this whole conversation is how much a lot of what's happening in media today reminds me of the not the technological transition but the corporate transition between trains and planes. Railroads used to be where all the value is. They were like the oil companies today. Tremendous sitting on tons of money, huge profits. Logically speaking, since air flight was another means of transportation, you would think that the railroads would have been the ones that pioneered air transportation. But it didn't happen, ever. And it wasn't just because of a few people didn't make the right investments or

diversify or something like that. I think what you see is that running on one kind of technology suffuses an organization in ways that are not always immediately clear looking at the surface. And I think that's why, again, what happened with railroads and air flight happened. And when I listen to these discussions of^-- at one level, yes, everybody knows that the Internet is totally different and information is distributed different ways and blah blah blah blah. But, when I really look at the way a lot of legacy news organizations^-- and by that I only mean one that existed pre-Internet and they're now existing in some fashion or another now on Internet^-- when I look at those, I look at the ways that the organizations themselves are structured, how reporters operate, how they interact with their editors, work flow, how they see the clock. In a lot of cases, certainly very different now than it was two or three years ago, I think one of the reasons we've been successful to the extent that we have is because we're web native. We don't have any legacy in a pre-web existence. When I see a lot of the big papers, the big news organizations that are in many ways doing incredible things on the web, I see the organizational imprint of print still defining the organizations. And I think^-- I talk about this a lot with my reporters, that there's a lot that we think of still as journalists^-- put my journalism hat on now rather than my publishers hat^-- this is what journalism is. You write it this way, it's this long, you got your lead and you're not grabbing stuff like that. And a lot of that is still how journalism is when you exist in a printed once a day, and then cannot revise it model. That suffuses most^-- I think still most journalists, in a lot of ways even most journalism schools' idea what have journalism is. I don't mean about verifying information, I don't mean about having quality sources. I think that all of the standards and integrity get taken over wholesale but there's a lot about work process and just how you function that, again, it's very difficult for legacy news organizations to have, and I see it even in some web native organizations when they bring over too much of the conceptual lock, stock and barrel to the web.

>> Susan Athey: Any things for people not to do?

>> Josh Cohen: Things not to do. You don't want to get me started.

>> Susan Athey: Based on grim experiences?

>> Josh Cohen: Well, I think the reason we're lucky is that at a lot of critical junctures we didn't have an old way of doing it that we had to set aside or grow out of. At every critical juncture we had several things. We had a pretty good understanding of the way news operates on the web. At every point until quite recently and still largely the case, very little money to implement with. And we were sort of like, what's the best way to come at this. I know that doesn't address your question exactly. I think the best I would say is for publishers and journalists to have a lot of conversations where you take^-- you know maybe it's the^-- and I mean look, I love the 5,000-word magazine article. That's sort of what I got into journalism doing. It is a great thing. It would be terrible if it went out of existence. But to take the 5,000-word magazine article, the 500-word, 700-word a-1 newspaper piece and break it down, almost like with a flow chart, and say, okay, what parts of this do we have because it came out of print? A lot about a lead. A lot about how self-contained an article has to be comes with the fact that its growing out of newspapers. And I think again we do that because most of^-- a lot of our staff came into journalism not in web journalism. And that's something I do with reporters a lot, kind of breaking it down. We don't really need this because that's an artifact of again, if you can't go back to the reader three hours later with new information, so you have to make it more self-contained. You have to have fewer tiny references. A million things like that. So I think, the one thing I would say is to realize that the Internet doesn't just change the nature of the news cycle, it doesn't just change the nature of how you monetize content, it really goes into the nitty-gritty of journalistic work process and organizational structure. And that's something that, in a lot of cases when I see places that are having a hard time, it's at that hasn't sunk in. And even when it has sunk in, its very hard to change.

>> Susan Athey: Thank you. That's sort after model of forces efficiency. Robert, I would like to ask you for your reactions to all of these conversations today.

>> Robert Thomson: My conversation with Arianna before I came in?

>> Susan Athey: Anything you want to share.

>> Robert Thomson: Anything I want to share? Well I think obviously Google is an interesting issue. I hope^-- Josh's presentation was excellent. But I remember listening to Eric^Schmidt a few

weeks ago when he suggested that many media executives were incompetent. Now I think that's probably a fair description of me, but it's also fair to say that you might say that Eric put the dis into disintermediation. But Google, the word search engine, don't quite capture what Google does, because conceptually, its role as a directory is different to its role as a host of content. And we talk about Google, it's always one thing. And it is a quantitative, rather than a qualitative measure. It has some qualitative elements, but essentially its model is quantitative. So it creates a horizontal playing field, a horizontal line, thank God most lines are horizontal. But the difficulty is for media companies to distinguish themselves vertically in a horizontal world. And that is true of content and it's true of advertising. Because Google has devalued advertising in the way it approaches it horizontally. And you are getting quantitative measurements of qualitative audiences. And until that contradiction is resolved there will be a problem for news organizations. And one way of distinguishing yourself qualitatively is to charge.

>> Susan Athey: Let me ask you about the business-to-business model that Chris was raising and implicitly raised with ACAP, and Danny^Sullivan is here to talk about robot dot text as well. We heard this morning from Mr.^Murdoch doesn't believe that advertising will fully support journalism in the future. Obviously you all believe that charging subscribers is the right way to go and you've been successful with that. Where are you on this business-to-business issue and more specifically dealing with the aggregators? This may get to your conversation with Arianna.

>> Robert Thomson: Jeff will recall when Dow Jones was purchased by news corporation there was a great debate over whether or not the Wall Street Journal should go free. To be honest, I can't be precise, if we had gone free, it would have been 280, 290 fewer journalists now at the Wall Street Journal, I would guess, given their revenue stream that would have been destroyed. Each news organization has to think. I think it is right that the legacy business is something that holds many news organizations back, in no doubt my own, but partly because the legacy business is too profitable. But each news organization has to think in terms of what is the value of content but also the different means of delivering content. And so there isn't a simple B-2-B outcome. But I think that we've been saying is clearly whatever the outcome, if there isn't more value and distinction ascribed to content, whatever you do, there will be great success stories like Danny, but whatever you do its going to be very difficult and that the cost to society of not being able to afford specialist

journalism is going to be profound. It is great to have a cacophony of voices. There's no doubt the crowd has found its voice, but what will the crowd be discussing?

>> Male Speaker: Sorry, just chiming in here for a second. I tend to agree with Robert on most things and this is a case I'm firmly in agreement with him. There is still way too much discussion of it's "or." It's not "or," it's "and." It's always been "and." The notion that for some specialized areas you'll have subscription and advertising I think is plainly evident for all. And I think one of the challenges for publishers is to continue to find those niches for what they offer, be it coverage of Green Bay Packers, or coverage of the financial derivatives market and find ways to monetize that audience with dual revenue streams in the same way that cable has dual revenue streams and why cable is a far better investment right now than broadcast.

>> Susan Athey: Sri? or Danny go ahead.

>> Danny Sullivan: I just wanted to add, I agree with the "or," and one of the confusing things I think lately has been in all of this is the idea that, well, if we go paid, then we can't also have this search traffic coming to us and that's entirely not the case with Google. You can go paid and they will continue to send the people and they show up on your website, you can say, hi, you want to read the article, you got to pay for it. And I just continue to see comments and suggestions that, oh, if we take our content down, that's going to get us out of Google. There are so many options that you have if you want to get that traffic and play around with it more and I just wish more people would actually understand they have these kinds of options. It is not a light switch, on or off.

>> Robert Thomson: Historically Google has an indexed paid content in the same way as its indexed free content.

>> Jeff Jarvis: They've said they will and they will, the problem is you'll get fewer links than clicks, thus you get less Google juice, thus your stuff won't rise. Because what makes the page rank work is us. And if we can't get to it, you'll get less attention.

>> Robert Thomson: Yeah that's the quantitative rather than the^-- not that you aren't a man of quality, but that's the quantitative rather than qualitative.

>> Jeff Jarvis: It's still at the end of day where do you land on search results. A company in Germany did a survey of German companies that if 180 publishers who all signed the Hamburg declaration all dropped out of Google tomorrow what impact would it have. Those publishers appeared on the first page of search results the only really valuable spot only 5% of the time, on the first results 4% of the time. Who appeared three times more? Wikipedia.

>> Robert Thomson: You can be incredibly smart, with it too. You can take your very in-depth article that's got to be paid that you know will get into Google but perhaps won't rank as well because part of what Google's looking at is what people will click on. Then you take your own blog and do to your own content what you're upset that some bloggers may do and you summarize the stuff using your own judgment about what you want to summarize, pull in some people and then continue to then say, hey, there's even more stuff that's out here and bring them in even further if you want to. I mean there's just more experimentation that can be done. I'm anxious to see you try it. I don't mean that mean. I don't have a problem with paid content being out there. Like I said, I've run it before, I think it is a great solution in many ways.

>> Susan Athey: So far what we've heard today I think is that specialized professional news certainly and that's the kind of news that gives you 90% of your revenues, Chris, people will pay for. And as Lauren pointed out, people will pay for the "Wall Street Journal" because it makes a big difference to them to have the information that's in there in terms of their financial status. Now the question is, it seems to me, how can you charge for content that is more general by its nature, and that leads me to ask you three what you're thinking about at the A.P.

>> Sri Kasi: Well we've got a particular problem in that we're not a retailer, we're a wholesaler that has a retail base that is all over the map. So a story that's free on one place has basically eliminated the possibility of paid elsewhere. So I'm actually^-- I agree with Robert and Chris that its an "and" that's a conclusion, I think its one of the lack of^-- we were not imaginative I think in the '90s we thought of content of one homogenous product when in fact there were a variety of things we could

have done to value-add and do different things when putting the content out. The confusion for us is, so that's one difficulty that we have to navigate through. The second is that we talk in terms of link economy, we talked headlines are okay, excerpts are not so okay. What do we mean by these things? If someone rewrote a story in their own words and then linked to the story and the traffic doesn't come, what do you do? Real challenges here. The third problem we're contending is searches described almost as independent^-- I mean independent as in the sense of a neutral, non-biased activity. But I'm with Robert in that when you go investigate systematically run some searches, what you'll find is on pretty much all of the engines their own news aggregation results will be the top results. And so what you have is a difficulty of the power of aggregation trumping your own independent published content. And so how do you deal with that in the once published sphere of activity. So don't pretend to have all the answers. So our view is that these are problems that the cooperative has seen before. We've come up with models to deal with these issues. And so we want to be part of the link economy, Jeff, notwithstanding commentary to the contrary. The question is how do you make that work so that we can support not just our journalistic endeavors but also allow our publishers who pay for our content to get traffic.

>> Susan Athey: And^-- let^-- go ahead Jeff. Two minutes.

>> Male Speaker: With all respect though the associated press does cut those links because its history was to rewrite and commodity news which was what it was a value for a long time. In the link economy the ethical, moral thing to do is to link to journalism at its source and indeed not to rewrite it, not to turn it into commodity. When Ken talked about 800,000 stories not done, how many of those were just rewrites of A.P. stories and press releases to get your byline on them, right? The Internet link economy demands, that indeed whether you're going to charge or whether you're going to see Google's use, you have to create and contribute unique value. And so the A.P. recently did a survey that a memo got out somewhere that showed that a great amount of your content isn't used by your own members, because there's this, as Josh said, there's this old presumption about how we do things that we're carrying over into the new world, which is not about putting 17 inch product stories, its about a process of journalism. It is about using things like Google Wave to re-invent journalism. It's rethinking the ad models. That's the problem. So I

think we're trying to^-- I sympathize with the associated press, believe it or not I do greatly because you are stuck, unable to have a brand and monetize that.

>> Sri Kasi: I just want to correct one notion that idea that we simply rewrite is simply not true. The Associated Press has a governing structure where the members actually contribute content, and that actually goes to start up the news narrative, if you will. We then follow up with our own journalism. So the idea is it is a construct that goes back to essentially saying, "how can you break news faster?" Well if you have a pool to which people subscribe, you can start up the breaking news cycle faster. That said, the memo that you're referring to is about the fact that we may continue to tell stories in second and third hours in some instances when the news cycle is faded. So a lot of our effort is also aimed at understanding, where's the audience, how are we serving that audience? In a way we're trying to actually do all the things we're talking about but I can tell you that it is not about cutting out the links.

>> Male Speaker: Well I wish you'd link to original sources more though.

>> Sri Kasi: Well I can tell you its partly also technology limitation. You'll start to see a lot of that beginning to happen. If you follow our A.P. mobile product, which is off of one of the newer platforms, you'll see a very different product offering than on the web.

>> Male Speaker: Just in fairness to A.P. on this, it is a technical, you've come at me on that one, too, Jeff. It is a technical issue by the history of how wire houses were architected to get everything out quickly in a flat format as opposed to a rich market format. So you will be seeing changes from all players.

>> Male Speaker: Can I add one quick point here? That I think on a lot of these discussions I find myself in some ways more on the side of the traditional content producers. But on this question of A.P. all being original work, that's just not true. That doesn't mean it is not valuable. It's hugely valuable. But believe me, I like every other publisher know lots of examples of stories that we broke and that ended up being A.P. stories frequently without any mention. Maybe because the reporter didn't^-- saw it as sort of the third generation or something like that. But I do think that

there is more of an ethic online of linking to the story, not which is necessarily the aggregate story, though sometimes that's the case, it's a story that got the reporter on the track and then added some original reporting or added some commentary or something like that. And it is certainly the case that stories that exist^-- and this isn't picking on the A.P., it is across the board and everybody does this, so I don't think there's anything wrong with this. There are very few stories that are birthed virgin out of people's head. You find you get leads in other places. So I do think some of the appearance of aggregation is inflated on the web. Not to say there aren't a lot of real problems and even a lot of abusive practices but is inflated because in the more traditional formats you just don't see where it came from. And you think the byline person came up with it on their own which is often not the case, not that it's not very valuable. But very few things are truly to know though.

>> Susan Athey: I want to thank Mark Bide very much. He has to catch a flight so we're going to release him, but thank you very much, Mark, we appreciate you being here. We have a question from the audience that is really more of a sociology question but I'm going to give it to you, Lauren. Here's the analogy. Society teaches or trains American consumers to voluntarily pay waiters and waitresses \$40 billion a year, 15% or 20% tip. So why can't the media or some other force in society teach or train more than 10% of news consumers to feel obligated to voluntarily pay for quality journalism?

>> Lauren Rich Fine: That's easy. They're terrible at marketing. No, seriously I'm a long time, anybody who knows me from my former days, I'm obsessed with news, I get up early, I love news, and willfully pay for it and believe that everybody should. But newspapers have done a really terrible job. And in part it gets down to the divide between the advertising and business side which I think is responsible for most of the demise of the industry today, this huge wall that was created that didn't allow the two to work together to be successful has created most of the problems. A willingness to stoop so low as to actually market their own product is one of the reasons that consumers don't value it, don't pay for it. And it is something that I think Mark and others know that talked to them about for years that I've always been amazed at this. It might be too late at this point I think to really train people because again there is so much information that's available. The average consumer does not fully distinguish between quality journalism and everything else that's out there and that's available. And because it is more of a conversation now and they can

participate, they also don't see the value in paying when they know they've also helped contribute. And I actually have to do the same thing and leave also.

>> Susan Athey: Thank you very much, Lauren.

>> Lauren Rich Fine: Thank you.

>> Male Speaker: Susan just a thought, it strikes me this is asking the wrong question again. It is like 10% of what? Its like there's some general mass offering for everybody that everybody's going to opt into. And I think that's the failure of the imagination. Talking points' memo is pretty specific. What Danny does is pretty specific. What the "Wall Street Journal" does is pretty specific. Of the total universe of people, Robert you guys touch, I assume its more than 10% who become subscribers over time. And I think that's the failure of the imagination to take a big lump and say^-- back to the examples Lauren was giving, the Green^Bay Packers, following the New^York Yankees. Following this, following that. Those are the opportunities. You'll get far more than 10%.

>> Susan Athey: Let me just ask if there are other concluding comments that anyone would like to make?

>> Jeff Jarvis: Of course. I think we've talk too much about revenue lines, trying to replicate old revenue lines in the new world. We've got to talk about the entire P and L. Got to talk a lot about cost. There is incredible waste replication to modification in this business and there's a lot of pain that goes with that, and I don't say this with any joy but I do see journalists who leaving their commoditized jobs and creating specialized jobs and there's opportunity there to serve a community, better more communities. We also need to talk better about the advertising. One reason I think that Google has succeeded in advertising versus newspapers, talk about it earlier, Lauren did, about a lack of innovation, but also Google created a new model in which it shared the risk with the advertisers. We're still selling scarcity, we're still selling the old days of media, just like we created an old medium in the new medium, we create an old advertise in the new medium. We've got to have a lot more experimentation with this and experiment with a lot more models.

>> Susan Athey: Thank you, Jeff. With that we're going to wrap up. I'm sorry Robert, I apologize.

>> Robert Thomson: No doubt Jeff is one of the world's most brilliant bloggers. You'd agree with me on that, Jeff.

>> Jeff Jarvis: No, I wouldn't. You however were one of the most prolific editor.

>> Robert Thomson: How much do you earn each year in advertising on your website?

>> Jeff Jarvis: Advertising I don't even try. \$13,300. Look how transparent I am. I'll spare you my prostate stories, but I'll tell you how much I earned. Last year I think I made \$17,000, but I got a big book contract about certain big company. I get some speaking gigs, I get to come here.

>> Robert Thomson: I know you're very successful, but if it's difficult for you to earn more than \$13,000^--.

>> Jeff Jarvis: I don't even try. I think last year was about \$4,000.

>> Male Speaker: But Jeffery, I mean, you're not trying to maximize this as revenue streams. I'm sure it's a^--.

>> Jeff Jarvis: If I did, I'd write something different. Who would pay for me^-- my media^-- you are here for free, you didn't pay anything. I suspect it is what it is worth but it has worth to me, so I do it.

>> Male Speaker: He's not trying, he could make a lot more. But the problem you do have for the people who are using Google, I think that someone said they had devalued advertising. They actually did the opposite when they brought out Adcents. Before you had Adcents, your option if you were an independent person who couldn't have an ad person or agency behind you, it was to carry Amazon affiliate links, which let me tell you, paid a lot less than Adcents. So Adcents was

like a revolution for a lot of people. But the big problem with Google is you have no idea how much money you're making. They don't tell you. They ought to tell you. Its bullshit.

>> Male Speaker: There's no transparency at all.

>> There's not, and they should be help to the fire. And that's the thing that really ticks me off, when you guys spoke at Google, you poke at them at stupid things, where people could poke back at you and say what are you talking about? They have no defense they're saying, we've a black box and when we put an ad on a website, we're not going to tell you how much the advertisers giving us and how much we keeping back. What kind of ad system is that? Yell at them about that and write a few editorials.

>> Susan Athey: Please join me in thanking our panel. All right, we're going to take a 15-minute break and move to online advertising.