

## Commentary

### **The Courier-Journal is 'Alive and Well'**

*The following oped column was published May 17 in The Courier-Journal, Louisville, Ky. It is reprinted in the SNPA eBulletin with permission. SNPA invites its members to share their thoughts about the newspaper industry for the eBulletin and in the new SNPA eBlog.*



Arnold Garson

By Arnold Garson  
President and Publisher  
The Courier-Journal, Louisville, Ky.

Over the years, both as a newspaper editor and as a publisher, I've given lots of speeches to service clubs, trade organizations and other groups – always about the journalism side of the newspaper business: Why and how we do certain things, the nature of our mission, our First Amendment responsibilities, why it is unavoidable that we sometimes make some people mad, and various other issues related to news gathering and news content.

If you were, by chance, hoping for that kind of speech today, I'm going to disappoint you. You'll have to invite me back again sometime if you really want to hear it. Today, I am going to do something I never have done before in a forum like this: I'm going to talk about the

business side of the newspaper business.

**SNPA eBLOG**

**Tell us what  
you think!**

**Blog about it!**

Frankly, judging from the conversations I am having in the community, I suspect this is the issue most of you want to hear about anyway. It has become the newspaper industry's proverbial elephant in the room. For it turns out that the news media, including newspapers, are really very good at shaping the public image of an institution. And the image that has been shaped for us recently is that we are a dying business. Oddly, newspaper executives have assisted in the shaping of this image by being loathe to talk openly about their own business. I'm going to break that mold today.

I want to begin by making one particular point as strongly and as clearly as I know how: The Courier-Journal is alive and well. Let me say that again in several other ways:

- The Courier-Journal remains a profitable business.
- The Courier-Journal will get through this recession.
- The Courier-Journal is going to be a part of this community's future.

Oh, I can hear your questions already:

What about the Rocky Mountain News, the Seattle Post-Intelligencer and other newspapers that have closed in recent months?

What about the Detroit Free Press, which has dropped home delivery of its print edition four days a week?

What about the Boston Globe, the Chicago Sun-Times, and the Minneapolis Star Tribune, whose print editions have been said to be endangered?

What about the declining revenues and profits of the newspaper industry in general?

And, what about The Courier-Journal's actions in recent months to reduce news content, cut pages from its weekly TV book, reduce staff, and place employees on furlough?

All right, let's take a closer look at these issues.

A few newspapers have closed or will close this year. The number is virtually certain to be less than 1 percent of the nation's dailies. You can compare that with the 10 percent or more of auto dealers nationally that are estimated to be headed for extinction this year, or with the 15 percent decline in the number of Realtors in the U.S. in the past two years. You also can look at it from this perspective: The high-profile newspaper closings you have heard about this year are newspapers that have been operated under Joint Operating Agreements, a vehicle created by Congress more than 70 years ago to try to save failing newspapers. The result was that in Denver, Seattle and Detroit, among other places, No. 2 newspapers were kept alive – artificially, I would argue – through partnerships with larger newspapers in their markets. Essentially, these partnerships have relied upon one revenue stream to support two expense centers. That's never been a great business plan, and we have come to the place where it won't work any more for newspapers – even with federal legislation as the underpinning. Number 2 newspapers in Joint Operating Agreements are going to disappear. This process, incidentally, is not new. It has been ongoing for many years – Cincinnati in 2007, Nashville in 1998 and El Paso in 1997, to name just a few.

There is another group of Number 2 newspapers that is in trouble, and that is newspapers with small, fractional audience shares in metro markets. The Kansas City Kansan, for example, operating in the shadowed fringes of the dominant Kansas City Star, recently closed its print edition. Newspapers in this situation have been declining for years, hanging on to life because their owners reveled in the idea of owning a newspaper – not because their existence made good business sense.

A second category of newspapers that is under serious pressure is what I'll call the heavy-debt group. These are newspapers owned by companies that took on high levels of debt at what now turns out to be the most inopportune of times. Newspaper owners who went heavily into debt to finance acquisition or ownership change in the early 2000s are under pressure. But I hasten to add that the same is true right now for thousands of other businesses in the United States and beyond. Taking on big debt just ahead of bad times is not a formula for success no matter what business you are in.

Virtually all of the newspapers that have closed this year or are at risk of closing fall into one of the categories I have described. In addition, there have been a few newspapers – most notably the San Francisco Chronicle and the Boston Globe – that have used the threat of closing as a tool to negotiate wage reductions from unionized workforces.

But as for newspapers in general, I would point out that based on research by newspaper analyst John Morton, the average operating profit for publicly traded newspaper companies in the first three quarters of 2008 was almost 11 percent. Since then, we have entered the worst recession in 80 years, and, yes, that has meant declining ad revenue.

But so far as The Courier-Journal and most other newspapers are concerned, a key fact is that our local market share has not declined. Contrary to popular belief, we haven't lost local business to the Internet or any other advertising medium. Rather, we've lost business because the entire business environment is under pressure. We've actually held market share overall through this most difficult time.

To cope with declining ad revenue, however, we've had to do some things that I wish we didn't have to do. We have cut expenses, and because we're such a public and personal business in terms of our product, our expense cuts have been highly visible and widely discussed. I regret having to take this action. But the economic marketplace is littered with the carcasses of businesses that have failed to bring expenses in line with revenue realities. I do not intend to let The Courier-Journal become one of those casualties.

And while I'm on the subject of The Courier-Journal, specifically, you need to know this: The Courier-Journal now reaches 85 percent of the adults in its core market every week with one of its products, and it reaches those people an average of 5.6 times each week. That's the most market penetration we've ever had – up a full five percentage points in the past two years. Now, when you consider such factors as functional illiteracy and that there are some people in our society who just don't care what's going on in the world, it's really not possible to achieve penetration much higher than 85 percent in a metro market. So, at a time when we are said to be a dying industry, The Courier-Journal has both an extraordinarily high market penetration and a growing market penetration.

Here's something else for you to consider before you write an obituary for newspapers: The printed product still provides the most efficient way to deliver a mass of price and product advertising at a moment in time across a

broad spectrum of our society. The Internet can provide access to that information, but only the newspaper can efficiently put it in front of a mass audience on a particular day.

I recognize that there may come a time when this can be done via the Internet. But The Courier-Journal, which operates the dominant local Web site, is well positioned for that turn of events. Of course, retailers would like to use their own Web sites to reach a mass audience, but efforts to make this happen have not gone well. Consider, for example, that Wal-Mart, the undisputed king of retail, reaches less than 3 percent of total Web users in a given month with its own Web site. Courier-Journal.com reaches 31 percent of its entire market every week, and that number is growing fast.

Here are some other unsavory things you may have heard about newspapers:

- Young adults don't read them.
- We don't need newspapers any more; the Internet provides more information than anyone ever could want, and it's free.
- Newspapers have lost paid circulation because readers are turning to the Internet.

OK, here's what you need to know about these issues:

It turns out that young adults aren't particularly discriminating. They have turned their backs to a greater degree than any preceding generation on the news media in general. But within that framework, newspapers have a very respectable reach among young adults. The Courier-Journal's latest research shows that the printed newspaper reaches 74 percent of the 18-34 year-olds in our market every week. Frankly, that's an amazing reach among young adults for any news organization.

But what about the Internet? Hasn't it made the work that newspapers do obsolete? Can't we easily find anything we want to find on the Internet? The plain and simple answer to these questions is: No.

There is, literally, only a relative handful of professional reporters employed full-time by Internet-based news organizations – compared with the tens of thousands of journalists working for newspapers. The Courier-Journal's news staff numbers 180. By comparison, to my knowledge, the number of professional journalists employed by Internet-only news organizations in the Louisville market is – zero. Bloggers, of course, abound, and may provide a certain kind of information. But this is not investigative reporting that tells you who's doing what and who isn't among public officials and government agencies. The kind of watchdog journalism that is a linchpin of our democratic society still emanates first and foremost from newspapers. I acknowledge a role for TV as well in this equation, but I'll also note that The Courier-Journal probably has a larger news staff than all four of the local TV stations combined.

As a side note here – speaking of comparisons to TV – let's look at the audience power of TV versus newspapers. This year's Super Bowl drew 94.5 million television viewers. It was the second-largest audience ever for a Super Bowl and the third-largest audience for any program in the history of television. American Idol, for example, despite all its hype, has drawn about 23 million viewers. The bottom line is that the Super Bowl's TV reach was only 41.5 percent of the adult population. By comparison, The Courier-Journal reaches 62 percent of the adults in its market every Sunday! And by the way, the Super Bowl audience reach includes viewers who watched as little as 6 minutes of the game.

Now, what about that allegation that newspapers are losing readers to the Internet? Well, certainly, Internet use has grown – but that's not the main reason newspaper circulation is declining.

The print circulation decline has been fueled mostly by two factors.

One is a strategic decision newspapers have made to eliminate certain kinds of home delivery, most notably the ongoing low-price deals. In Denver, for many years, you could get seven-day home delivery of the Post or the Rocky for \$1 a month. In many cities, if you were a Sunday-only subscriber, the daily paper may have been offered as an add-on for a very small incremental amount, or even for free. We have concluded that such deals do not fit well with today's economic realities, but ending them has cost us subscribers.

To understand the other major factor that has resulted in circulation decline we need to spin back in time a few years. Remember 2001 and 2002? The Internet was very much alive, but newspapers still were gaining circulation volume. What changed? The answer is, three little words: Do. Not. Call. This federal legislation enacted in 2003 shut down overnight the newspaper industry's No. 1 subscriber acquisition tool, and the only acquisition method that is economically efficient.

Newspapers in 2000 were turning over more than 60 percent of their subscriber base every year, but still managing to grow circulation, thanks to a very inexpensive – although, admittedly intrusive – method of finding new subscribers. Imagine what would happen to your own business if its top source of new customers were shut off.

Today, newspapers have reversed the churn equation – the industry retains 60 percent of its subscribers – and The Courier-Journal actually does much better than that with 75 percent retention. But we never have found an inexpensive replacement for telemarketing, and that has translated to lost circulation volume.

There's also a very important footnote to this discussion about declining circulation volume. It is this: circulation volume is not the most relevant metric. Readership is, and that picture is very different. Newspaper readership actually fares relatively well in today's environment. In the Top 50 markets, which includes Louisville, readership is down about 6 percent over the past 5 years. That compares with a 10 percent decline in the prime-time TV audience and a 6 percent decline in the early evening TV local news audience in 2007 alone.

I can hear your questions, again. Let me try to approximate one of them: OK, Garson, if newspapers really are still a viable business, where is all that stuff about "newspapers are dying" coming from? Surely, there must be some foundation for it?

The answer is that much of it is emanating from people who have something to gain by perpetuating a myth.

Here are a couple of examples, based on research by Randy Siegal, president of Parade Publications:

Time magazine, facing its own very difficult set of economic pressures, recently published a column on its Web site that drew wide attention with a listing of "the 10 most endangered newspapers in America." What didn't get such wide attention is the fact that the column was authored by Douglas McIntyre, an executive at a company called 24/7 Wall St., a company that's in the business of providing tips to day-traders who want to jump in and out of depressed stocks. The more depressed newspaper stocks are, the more Mr. McIntyre stands to benefit.

Jeff Jarvis is another consultant who has been very widely quoted about the pending death of newspapers. He has written such articles as "Hitting the coffin nail on the head for newspapers," and "Why newspapers are . . ." I can't say the word in polite company, but it starts with an F. He also is the author of the book, *What Would Google Do?* a fawning look at a company that has built a business model that is dependent, in part, on content taken from newspapers. But the key thing you need to know about Mr. Jarvis is that he does consulting work for new-media companies that compete directly with newspapers, and, thus has a vested interest in the economic decline of newspapers. The worse we do, the better he does.

None of this is meant to suggest that newspapers are not a business in transition. The digital world is upon us, and I believe that at some point, digital technology will replace newsprint for many readers. It probably will be a product that is portable and quick and approximates the newsprint experience. Perhaps it will center on digital paper, perhaps electronic ink, perhaps something else. The important point, however, is that when the technology does arrive, The Courier-Journal still will have its unique core asset – its power to gather and disseminate information that is relevant to the community.

So today, The Courier-Journal's business realities are: a difficult economy, and an industry in transition. But the former is a cyclical situation because the economy will turn. And the latter is a situation on-top-of-which we intend to stay. In the mean time, here is where The Courier-Journal stands:

We are a media company, not a newspaper company. Our business is providing information to a mass of people and using that as a tool to connect buyers with sellers.

We are using the printed newspaper to do this.

We are using other print publications, such as Velocity weekly and our very successful Her Scene quarterly magazine to do it.

We are using our Web sites.

We are using mobile technology.

We are using e-mail.

The mix of these products is changing and will continue to change, but I guarantee you that we will keep up with the pace.

The Courier-Journal also has positioned itself to prosper when the recession turns. This recession has forced us to look hard at our business model and to find expense niches that can be trimmed or eliminated, combined and consolidated. Some of these expenses, in operational and administrative areas, are never coming back. But we do foresee moving quickly to add back content and sales resources, our two key assets, when the time is right. This, coupled with our evolving business model, will enable us to share in the recovery.

Finally, I'd like to conclude today with a scenario dreamed up by my friend, Ken Paulson, who recently retired as editor of USA Today.

*The scenario centers on an alternative history in which I will ask you to imagine that Johannes Gutenberg invented not movable type but a digital modem, and that for more than five centuries, all of our information has come to us online. Now, suddenly, today, someone has invented . . . a newspaper, and here's the text of the press conference announcing the arrival of this new-fangled product:*

*We're pleased to announce a new product that will revolutionize the way you access information. It will save you time and money and keep you better informed than ever before.*

*Just consider the hours you've spent on the Internet looking for information of interest to you. We've hired specialists who live and work in your hometown to cull information sources and provide a daily report tailored to your community, your friends and your neighbors.*

*We also know that you sometimes wonder whether you can trust the information you see online. We plan to introduce a painstaking new process called fact-checking in which we actually verify the information before we pass it along to you.*

*In addition to saving time online, you'll also save money. You won't need so many expensive ink cartridges or reams of your own paper because information will be printed out for you in full color and physically delivered to your home at the same time each day – all for less than what you would tip the driver from Pizza Hut or Papa Johns.*

*You worry about your kids stumbling across pornography on the Internet, but this product is pre-screened and guaranteed suitable for the whole family.*

*And in a security breakthrough, we guarantee this product to be absolutely virus-free. We also promise the elimination of those annoying pop-up ads.*

*It will be the most portable product in the world, and it doesn't require batteries or electricity. And when the flight attendant tells you to turn off your electronic devices, you can turn this product on, opening page after page without worrying about interfering with the plane's radar.*

*To top it all off, you don't need a long-term warranty or service protection program. If you're not happy with this product on any day, we'll redesign it and bring you a new one the next day.*

Now, Ken's point is two-fold, I think: The Internet, despite all it brings us, has some significant liabilities and shortcomings, while newspapers still provide a unique experience that is of great value in our society. To this I will add three key points of my own:

1. Advertisers still find great value in the large and high-quality audience we provide.
2. Readers still trust us and rely upon us for the kind of reporting that protects the public interest.
3. And, I offer this as a promise, not a threat: The Courier-Journal will publish my obituary and yours, but not its own.

SNPA eBulletin 5-28-09