

Tossed by a gale

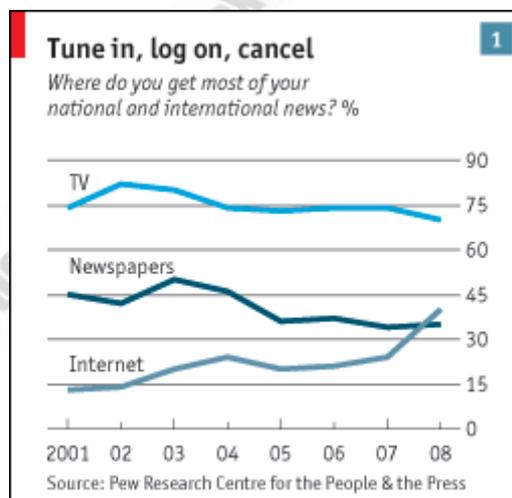
It isn't just newspapers: much of the established news industry is being blown away. Yet news is thriving.

PERHAPS the surest sign that newspapers are doomed is that politicians, so often their targets, are beginning to feel sorry for them. On May 9th Barack Obama ended an otherwise comic speech with an earnest defence of an embattled business. House and Senate committees have held hearings in the past month. John Kerry, the junior senator from Massachusetts, called the newspaper "an endangered species".

Indeed it is. According to the American Society of News Editors, employment in the country's newsrooms has fallen by 15% in the past two years. Paul Zwillenberg of OC&C, a firm of consultants, reckons that almost 70 British local newspapers have shut since the beginning of 2008. The Independent and the London Evening Standard depend on the largesse of foreign investors. The strain is not confined to English-speaking countries: French newspapers have avoided the same fate only by securing an increase in their already hefty government subsidies.

Broadcast television news is struggling too. Audiences have split and eroded: the share of Americans who watch the early evening news on the old "big three" broadcast networks (ABC, CBS and NBC) has fallen from about 30% in the early 1990s to about 16%. Local-news outfits are ailing as car dealers and shops trim their advertising. ITV, Britain's biggest commercial broadcaster, is pleading to be excused from its obligation to produce local news.

All this has provoked much hand-wringing. Yet the plight of the news business does not presage the end of news. As large branches of the industry wither, new shoots are rising. The result is a business that is smaller and less profitable, but also more efficient and innovative.



The clearest picture of how news consumption is changing comes from surveys by the Pew Research Centre. Since 1994 the share of Americans saying they had listened to a radio news broadcast the previous day has fallen from 47% to 35%. The share reading a newspaper has dropped from 58% to 34%. Meanwhile cable and internet audiences have grown. In 2008, for the first time, more people said they got their national and international news from the internet than from newspapers (see chart 1).

Deeper but not broader

It is not only a matter of people switching from one medium to another. Nearly everybody who obtains news from the internet also commonly watches it on television or reads a newspaper.

Only 5% of Americans regularly get their news from the internet alone. Technology has enabled well-informed people to become even better informed but has not broadened the audience for news. The Pew Centre's most alarming finding, for anybody who works in the trade, is that the share of 18- to 24-year-olds who got no news at all the previous day has risen from 25% to 34% in the past ten years.

Those who do seek news obtain it in a different way. Rather than plodding through a morning paper and an evening broadcast, they increasingly seek the kind of information they want, when they want. Few pay. Robert Thomson, editor-in-chief of the Wall Street Journal, says many have come to view online news as "an all-you-can-eat buffet for which you pay a cable company the only charge."

The main victim of this trend is not so much the newspaper (although it is certainly declining) as the conventional news package. Open almost any leading metropolitan newspaper, or look at its website, and you will find the same things. There will be a mixture of local, national, international, business and sports news. There will be weather forecasts. There will be display and classified advertisements. There will be leaders, letters from readers, and probably a crossword.

This package, which was emulated first by broadcasters and then by internet pioneers such as AOL.com and MSN.com, works rather like an old-fashioned department store. It provides a fair selection of useful information of dependable quality in a single place. And the fate of the news package is similar to that of the department store. Some customers have been lured away by discount chains; others have been drawn to boutiques.

The Wal-Marts of the news world are online portals like Yahoo! and Google News, which collect tens of thousands of stories. Some are licensed from wire services like Reuters and the Associated Press. But most consist simply of a headline, a sentence and a link to a newspaper or television website where the full story can be read. The aggregators make money by funnelling readers past advertisements, which may be tailored to their presumed interests. They are cheap to run: Google News does not even employ an editor.

Although they are convenient, these news warehouses can feel impersonal. So another kind of aggregator has emerged, which offers a selection of news and commentary. Some are eclectic, like the Daily Beast and the Drudge Report—the grandfather of the boutique aggregators. Others are more specific, like Perle Taucher, a German cultural website. The most successful of the lot, and the template for many newly unemployed journalists who have tried to launch websites of their own, is the Huffington Post.

HuffPo, as it is broadly known, employs just four reporters among a total staff of about 60. Much of its news is second-hand. But it boasts an unpaid army of some 3,000 mostly left-wing bloggers. The website feels like a cross between a university common room and a Beverly Hills restaurant (your attitude to HuffPo will depend largely on whether you find this prospect appealing). Arianna Huffington, who runs it, calls it a "community around news". It now has 4.2m unique monthly visitors, according to comScore, an internet market-research company—almost twice as many as the New York Post.

Old-fashioned news folk increasingly complain that aggregators are "parasites" that profit from their work. They are, in a sense; but parasites can be useful. As the quality of journalism becomes more erratic, the job of sifting stories is increasingly vital. And aggregators drive readers, hence advertising, to original-news websites. Hitwise, another market-research firm, estimates that in March 22% of referrals to news sites came from search engines like Google, whereas 21% came from other news sites. "Reporters send us their stories all the time," notes Tina Brown, a magazine veteran who runs the Daily Beast.

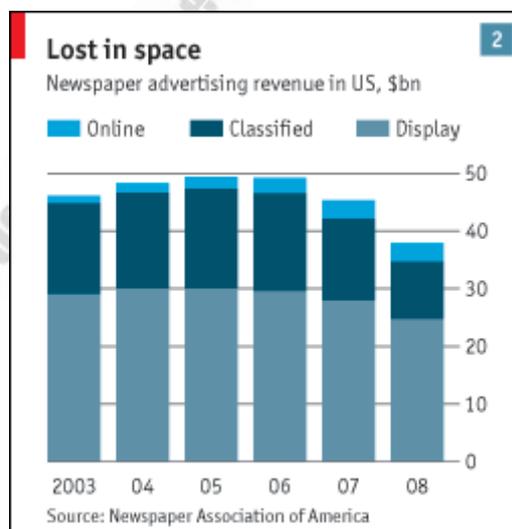
The rise of the aggregators reveals an uncomfortable fact about the news business. The standard system of reporting, in which a journalist files a story that is broadcast or printed once and then put on a single proprietary website, is inefficient. The marginal cost of distributing the story more widely is close to nil, but the marginal benefit can be considerable. Interest in a story about Iraq in, say, the Los Angeles Times extends far beyond that city. Before the aggregators appeared, a reader in Seville or even San Francisco probably would not have known it existed.

The inherent benefit of spreading stories around helps explain why some established news outfits are coming to resemble aggregators. The Associated Press has a popular iPhone application which combines national stories with local ones from 1,100 partner news outlets. News Corporation set up a website, Fox Nation, which mixes news stories with right-wing commentary. It is intended to become a conservative Huffington Post. Indeed, one of the great successes in both British and American news publishing is the Week, in effect an aggregator that is printed on paper.

With their stories roaming widely, English-language news outlets in particular are taking on broader identities. The Guardian's website, visited by twice as many people outside Britain as inside, aims to become the international voice of liberal opinion. The Daily Mail has built a reputation for celebrity news. New contests are being joined. The BBC, which has set up a wire service and sells advertisements on its foreign websites, now competes with the Associated Press, which has moved beyond the business of supplying stories to American newspapers.

Up go the walls

General news is likely to remain free on the internet. The crush of similar stories is too great, the temptation of piracy is too strong and the aggregators are too good at sniffing out decent free reports. Yet it has become clear that online advertising alone cannot support good original journalism.



Until recently many print news executives believed that advertising revenues would follow their readers from print to the web. Between 2004 and 2007 online advertising revenues doubled from \$1.5 billion to \$3.2 billion, according to the Newspaper Association of America. But in the second quarter of 2008 they began to fall, just as the loss of print and classified advertisements accelerated (see chart 2). Worryingly, this cannot be blamed entirely on the recession. Online advertising money has moved to search—ie, Google—and excess supply has depressed prices of display advertisements. As a result, executives are looking hungrily at the few online outfits that dare ask readers for money.

One is the Financial Times (part-owner of The Economist) which demands registration of anybody wishing to view more than three articles per month and payment from anybody wanting to see more than ten. About 1m people are registered, of whom 109,000 pay. By going easy on casual readers, the Financial Times keeps a foot in what John Ridding, the company's chief executive, calls the "giant wave machines" of the internet, such as Google and Yahoo!, which drive traffic to the site. Registered readers are served targeted advertisements, which are more lucrative. It is an attempt to fuse a subscription model with one supported by advertising.

The Wall Street Journal takes a shrewd route to a similar destination. Rather than charging certain types of user, it charges for certain types of news. Earlier this week, it offered for nothing a story about swine flu, a review of the new "Star Trek" film and a report on looming cuts at car dealerships. It charged for pieces on Cigna Corporation's pension plan, Lockheed Martin's quarterly lobbying expenditures and a lawsuit against a bottling company which alleges that a board meeting was held improperly. In short, the fun articles are free. The dry, obscure stuff costs money.

The thinking is that broadly appealing articles draw readers to the website, where they can be tempted by advertisers and by the Journal's more selective wares. Most people do not care about pensions in a Philadelphia health-insurance company. But those who are interested in such information are very interested, so much so that they will probably pay a monthly subscription for it. Just over 1m do—even though the specialised articles can be read for nothing via Google. And those who cross the main pay wall may be persuaded to purchase more premium content. The paper is also exploring a "micro-payments" model for individual articles.

Financial news is not the only kind for which people appear prepared to pay. ESPN, a cable sports channel, has erected several pay walls on its website. They protect information that only the most rabid fan would want to know, adhering to the Wall Street Journal's dictum that people's willingness to pay for a story is inversely correlated with the size of its potential audience. The number of profitable news niches may grow as rivals close bureaus or go out of business altogether.

Newspapers and magazines are more likely to be rescued by a careful combination of free and paid-for content than by new technology. Portable news readers such as the Kindle DX, which some have hailed as potential saviours, will help only to the extent that they lure readers from the web, where news is mostly free. At the moment they seem to be doing something else. Ken Doctor of Outsell, a research firm, reckons that the Kindle appeals to baby-boomers who would otherwise read a paper magazine or newspaper. The young prefer their iPhones and their aggregators. Indeed, the top four magazines on Kindle, according to Amazon's website, are the New Yorker, Newsweek, Time and Reader's Digest. Not much of a youth market there.

King comment

On cable television, a different kind of niche product is cleaning up. The right-wing Fox News Channel has become by far the most popular specialist provider of news. This is not surprising. The channel's newscasts and opinion shows are well-produced, and the crumbling of the Republican Party has left conservatives seeking a voice. Rather more surprising is that the left-wing MSNBC now draws more prime-time viewers aged 25 to 54 than the much more established CNN.

Fox and MSNBC provide a mixture of news, interviews and occasionally furious commentary. Phil Griffin, the chief executive of MSNBC, calls it "news-plus". The aim is to complement and give meaning to the mass of disconnected information that viewers pick up during the day.

Viewers know what they are getting; indeed, they rate cable shows as more reliable than newspapers. Against the common charge of partisanship, Mr Griffin offers what could be the slogan of the cable news industry: "We're not trying to be all things to all people."

Hot talk may be popular at the moment because Americans are politically polarised. The calmer CNN won the battle for cable viewers on election night and may well do so again in 2012. Yet, as in so much of the news business, a return to normal is improbable. The market for news is likely to remain unstable, favouring different providers at different points in political, economic and even sporting cycles.

Take Real Clear Politics, an American political website, which aggregates news, commentary and opinion polls. It became essential reading during last year's presidential race. At its peak, shortly before the election, it attracted 1.4m unique visitors a month, according to comScore. Since then its popularity has plunged by 75%. Rivals like Fivethirtyeight.com and Talking Points Memo have lost many readers too. For newspapers, magazines and television programmes, with their high fixed costs, such fluctuations would be ruinous.

Not so long ago, news was a highly profitable business. Regional newspapers cultivated cosy monopolies and routinely enjoyed annual profit margins of more than 20%. In America local television stations sometimes had margins approaching 50%. Yet news does not always have to be profitable in order to survive.

Even in their diminished state, large newspapers attract rich men who seek political or business clout, or who believe that there is money to be made after all. Tony O'Reilly, who ran Independent News & Media until this year, used to describe the Independent newspaper as a calling card. He tolerated its losses, although the company's shareholders have been less patient. Rupert Murdoch's fondness for printer's ink has sometimes baffled Wall Street analysts. Still, last month David Geffen, a media mogul, reportedly tried to buy a stake in the parent company of the New York Times.

Less glamorous outfits can also attract benefactors. San Diego has a small, scrappy news website that was paid for at first largely by a local businessman. The Voice of San Diego concentrates on nitty-gritty issues such as water, crime and health care—the sort of stories that local newspapers used to cover extensively. Indeed, America long ago proved that radio news can be supplied by non-profit organisations. In the absence of profitable alternatives, it may be that expensive, worthy journalism on subjects like the war in Iraq will increasingly be supported by charity.

The spread of digital cameras has also enabled ordinary people to file pictures and news reports directly. They are encouraged in this by established news outlets like CNN, which have come to view citizen journalists as a source of both content and page views. Citizens have proved excellent reporters of dramatic, obvious news, such as terrorist attacks and sightings of Britney Spears. Leonard Brody, the head of NowPublic, a large Canadian news-gatherer, believes that amateurs will eventually liberate journalists from the tedious business of reporting, leaving them free to concentrate on analysis. He means it kindly.

Just now journalists have less competition from crowds than from governments. In Britain local authorities have created newsletters that carry advertising. The annual budget for the websites of the (state-owned) BBC was recently raised to £145m (\$220m). According to Mr Zwillenberg, the total online spending of the country's national newspapers is only £100m.

America's president has proved an especially prolific citizen journalist. People who let Barack Obama's campaign team have their e-mail address last year still receive the occasional missive. The White House posts videos on YouTube that are often more polished than those

produced by the news networks. In case the intention to bypass the news filter were not clear, during his second press conference on March 24th the president did not take a single question from a leading daily newspaper. Clearly, he knows where the future lies.

The decline of once-great newspapers and news programmes is not without cost. It means the end of a certain kind of civic sensibility that was built on broad agreement about what is important and what is not. But it was once difficult to imagine city centres without the unifying presence of department stores. Many of them went, yet people carried on shopping.

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