

Basic

Advanced

Topics

Publications

 My Research
0 marked items

Interface language:

English

Databases selected: Multiple databases...

Document View<< [Back to Results](#)< [Previous](#) Document 20 of 94 [Next](#) >

Print

Email

 Mark Document[Publisher Information](#)**FT.com site : Eli Noam: Bad news for news****Eli Noam. FT.com.** London: [Jul 14, 2005](#). pg. 1>> [Jump to full text](#) >> Translate document from: >> [More Like This](#) - Find similar documents**Other available formats:** [Citation](#)

People: [Noam, Eli](#)
 Author(s): [Eli Noam](#)
 Publication title: [FT.com. London: Jul 14, 2005. pg. 1](#)
 Source type: Periodical
 ProQuest document ID: 867673101
 Text Word Count: 1007
 Document URL: <http://proquest.umi.com/pqdweb?did=867673101&sid=5&Fmt=3&clientId=15403&RQT=309&VName=PQD>

Full Text (1007 words)*(Copyright Financial Times Ltd. 2005. All rights reserved.)*

Newspapers have been the central medium for politics, culture, and business since the 17th century, but this may be changing. Circulations have been drifting downwards. Last year alone, newspaper sales were down five per cent in the US, three per cent in Europe, and two per cent in Japan.

Newspaper publishers face economic problems common to many information industries: the fixed costs of creation are large, and the incremental costs of serving additional users are small. This leads to competition that results in prices so low they do not cover overall costs. Price deflation leads to firms collapsing and consolidating. Market power stabilizes or raises prices. And then, another wave of entry occurs, often through new technology, and a new cycle begins. In the process, the information industry is becoming among the most unstable of business sectors.

In the past these dynamics led to most American cities having only one newspaper, which could therefore charge fairly high prices for advertising and subscriptions to support their editorial costs. But now, another generation of technology undercuts this stability.

It is difficult to get readers to pay for news content that they can pick up for free from other providers. Rupert Murdoch observed that "The trends are against us...And at least four billion dollars a year is going into R&D to accelerate the process." If anything, this number is an understatement.

What then can newspapers do? Like other businesses in trouble, they must focus on their core competency, which usually is local information. Cutting

costs by cutting local newsroom budgets is therefore myopic.

Second, they must actively plan for a paperless future. Today, the electronic presentation of text information is not particularly user-friendly and provide some protection. But such negative ergonomics are likely to pose only a temporary disadvantage. In time, luminous and light panels of multiple pages, comfortable in the hand, with clear text, bright pictures, magnification, sound and video, and connectivity to other users and information sources, will be superior to paper. Such transitions are gradual; but they are also inexorable. Managing the transition will not be easy. Online and print newspapers depend on each other symbiotically. Print needs online for the future. Online needs print for the present, to subsidise it financially and intellectually.

Third, they must customise. The traditional newspaper provides averaged-out content to a multiplicity of readers. What it needs to do is to serve the increasingly differentiated readers' particular mix of interests. Editors would continue to identify the major common stories. But readers would gain access to a wide choice of information and media types. Online editions make this possible.

Empowering users to customise their content in a meaningful way will require huge informational resources. Similarly, electronic publishing will be much more than print content without paper. The differentiation between text, picture, audio, and video will blur, and news sites will become multi-media.

Producing such rich news will be complex and expensive. Realistically, no single news organisation will be able to provide the quality and quantity of information needed through its own economic and editorial resources. To gain such diversity of information then, the news organisation will be forced go far beyond its internally produced content. Publishers will have to rely substantially on other sources: traditional syndicated and wire- service content; specialized magazines, trade journals, newsletters, and books; blogs and other community sources; TV news providers; and many free-lance journalists, investigative reporters, pundits, and editors. In short, they will have to become "virtual."

This will lead to two archetypes of news organisations: first, specialist content providers - some of them operating from offshore - and similarly specialist marketing, production, and advertising operators. And second, semi-virtual integrators who bundle, pick and choose their content and service elements from these specialists, validate its quality, add some of their own, and shape the overall character of the product. This will differentiate them from the more passive portals and search engines such as [Google](#).

The problem for traditional news organisations is that this type of virtual integrator function can also be done by others. Today's bloggers, for example, already do so embryonically through hyperlinking to chosen stories from other sources. In the future, some of them will expand into full-fledged news-sites based on such integration.

This does not mean a proliferation of large integrator-based news sites. There are strong economies of scale and network effects, and this means that, in time, market leaders will emerge and drive traffic, advertising, and hence larger budgets. With market power, these large news sites become economically viable.

It is not clear what the competitive advantage of established newspapers is in such a virtual model. They are too big for the specialist shop model, and too expensive or low-tech for the integrator model. Some have an established brand which will draw users, such as the [New York Times](#), or the Financial Times. Other news organisations can find some niche based on ideology or a brand image with a loyal following.

But unless many of today's conventional newspapers manage the transition to virtual, integrated, and networked information sites, they will have no real function beyond that of greatly diminished specialist providers of local information to bigger media integrators. Or, alternatively, as the local brand for such national integrators, either owned by them or in their orbit.

Are people drifting away from news? Not really. What people are drifting away from is paying for news. And that will be hard to reverse beyond the most powerful or specialised of news brands. It's happened to music, and now it is beginning to happen to newspapers. Yes, the technology will create many new tiny news media. But the overall result will be more media concentration - a lot fewer but more comprehensive mainstream news organisations as the integrator of most information. First, the paper element of their operations is beginning to vanish. And then, the news part, too, will become unsustainable. Today's newspaper becomes tomorrow's news- integrator.

This writer is professor of finance and economics at Columbia University and director of its Columbia Institute for Tele- Information

More Like This - Find similar documents

People: Noam, Eli

Author(s): Eli Noam

Language: English

Publication title: FT.com

 Mark Document[Publisher Information](#)[^ Back to Top](#)[<< Back to Results](#)[< Previous Document 20 of 94](#) [Next >](#)

Copyright © 2007 ProQuest-CSA LLC. All rights reserved.

Columbia University Libraries



