

1999 – International Symposium on Online Journalism

Panel 1: Profitability & Ethics

Is the search for money threatening editorial integrity? Does the new medium need "new ethics"?

Moderator:

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Panelists:

Louis W. Hodges, Knight Chair in Journalism Ethics, Washington and Lee University

Ben Smylie, Austin360 (Cox Interactive) General Manager

Linda Ash, New Media Managing Editor, San Antonio Express-News

Gerry Barker, General Manager, DallasNews.com

WAYNE DANIELSON: It's a pleasure to be here today. I think I probably go back further in this field than anybody in the room. I was a graduate student at Stanford when the first computer was delivered and I decided it was a wonderful thing for a lazy student because it could do numbers and words faster than anything I had seen. But, I've had my whole career with a focus more or less in this field. I'd like to recall a little about it in this opening panel to provide a little bit of perspective.

In the '60s computers became involved in the production of newspapers. At the University of North Carolina we produced one of the very first newspapers that had its content entirely handled in a computer. In 1963 or '64 we began to produce editions of newspaper where the editing and everything was done in the computer and the output came cranking off a high speed printer. A story on this appeared in Editor & Publisher, how we were using computers and an editor from Dubuque wrote in, in a memorable article, and said, "So an assistant professor of journalism at North Carolina thinks that computers may have something to do with the production of newspapers." He said, "I'm building a computer in the basement. I'm using an old toaster and a three-way light switch. It may not be a very good computer, but it will be good enough to replace an assistant professor of journalism who thinks computers will have anything to do the production of the American newspaper."

Well, he was right at the time and I was wrong. But I was right in the long run, which is better. In the 70s, the computer changed production methods along with

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the move to cold type. In one 10-year period a complete revolution took place in how we produced the American newspaper. That happened in 10 years and it happened in many other industries as well as we saw the definition of computers change from number crunchers into information handlers. The production of everything changed.

In the 80s, we have the introduction of PCs and networking. Everyone computes at work. Now we are in the 90s and we are having computers defined as great communicators. They now do numbers, letters, sounds, video and the computer in a sense has become a new way to live as well as a new way to work. And that's what we are here to think about and discuss today.

I would have to say that along the way in this 40 years we never knew what was happening. In any good revolution, you never know what's happening. It's only until later on that you begin to figure out what is happening to you and what has happened to you. So I'm very pleased this morning to have this wonderful group: **Linda Ash**, the New Media Managing Editor for the [San Antonio Express-News](#); **Ben Smylie**, General Manager of [Austin360](#) (Cox Interactive); **Louis Hodges**, the Knight Chair in Journalism Ethics from [Washington and Lee University](#); and **Gerry Barker**, General Manager of [DallasNews.com](#). As we begin our panel on profitability and ethics I'd just like each of our panelists to say a few words to get us started and then we'll move through some questions. Why don't we begin with you Linda and what to do you have to say about your job and the questions of profitability and ethics?

LINDA ASH: I started in the newspaper business after I graduated from Kent State in 1973. I was a reporter, editor, I did everything, darkroom work, I even swept the floors. I mean I've done everything you can think of in a newspaper. I got into the online about three and a half years ago and I've worked for two newspapers in online. I'm managing editor of [ExpressNews.com](#). We have a separate editorial division, at ExpressNews.com we are separate from the newsroom.

I have to tell you, I'm not real comfortable talking about profitability. I'm a journalist, I can't count, I count on my fingers. I, like most journalists, for 19 years in my career I didn't think about business, I didn't think about profitability of a newspaper. I didn't want to think about advertising, anything to do with the business side of the newspaper. Like an ostrich with his head in the sand. That was the other side, they had to worry about that.

Well, my thinking has changed over the last two and a half years. We are like a mini-newspaper within the newspaper. Every department in the newspaper is represented online. I'm really realizing that in order to be successful in journalism we are going to have to be a profitable business. So my thinking has changed. I think that in the news room, the editors and reporters, their thinking is going to have to change too because the world is changing in the journalism field. The Internet is a way of life now. It's going to be much more so in the future.

I have never felt competition like I felt online. When I was a reporter at a newspaper in Ohio near Cleveland, I felt competition as a reporter, from the Cleveland Plain Dealer. We had two daily newspapers in town and I felt competition from those

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papers but never the competition I feel now because on the web everybody is competing with us. We have television stations in town that have web sites. We have radio stations that have Web sites. Our newspaper has a web site, everybody has a web site nowadays. They are our competition and I have to be very aware of that competition.

That's basically what I wanted to tell you. I'm not an ostrich with the head in the sand, you can't do that any more. We can't take our readers for granted any more. We can't take our past success for granted either. We've always thought that newspapers, that everybody took us seriously, that they were reading us. They are not reading us any more. We have a real challenge online for example, how do we get teenagers online? Teenagers are not reading newspapers. I have a 13-year-old and she does not pick up the newspaper. What do we do? Do we have Web sites that we have to basically have a traditional Web site for a newspaper and then have a separate web site for teenagers that doesn't have the name of that newspaper anywhere in that web site just so that we are not connected? That's the kind of things I'm thinking about.

BEN SMYLIE: It's hard to get old enough to have perspective. When I went to the Chicago Sun-Times in 1974 the Daily News and the Sun-Times were being published in hot type still, and there were 126 linotype machines, and 16 Ludlows if anybody remembers what those are. There were a bunch of guys who proofread the paper and I remember all the journalists telling me as we were getting ready to evict all of the proofreaders that the paper would be so much cleaner and better when we got rid of all the linotype operators and proofreaders because it would be in the hands of the journalists. The day we through the switch and the paper converted to cold type, the paper went to hell because somebody else used to do that.

So I've seen a lot of things happen in the business over the years that amazed me. But I had never seen anything amaze me like what's happened with this darn interactive stuff, just even since I've been in it. Now I had a close brush-by in 1980 that lasted for four years. I don't if anybody here is old enough to remember videotext and teletext. I actually ran an operation from Marshall-Field at the Sun-Times called "Field Electronic Publishing." I was the general manager. It was a wonderful job. I had a four-year assignment as a R&D person with a little group of happy journalists and engineers and marketing people and we sort of tested whether Americans would like this wonderful product. It was a cush job, we just sat and wrote reports. Since Field was a privately held company, all we had to do was get up once a month and report on the progress of technology, which was a great thing to do. But when that company got broken up and sold, that was the first thing that they shut down. I had to go earn a living after that.

I knew at the time, and I got bit by the bug, that this was going to happen. There were a couple of things that we needed to do. One was increase bandwidth dramatically to transmit information. The other was increase the computing power on the desktop and the display technology. When we did solve those problems I knew it would be off to the races. That was a conclusion of a report I wrote in 1981. It took a little while longer than I thought to do that, but it happened. And when it did happen, everything took off.

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This is an interesting panel about ethics and journalism because I'd just like to put this in a little bit of perspective. Market capitalization, let's just take a company, [Excite](#) or [Lycos](#) or one of those companies, compared to a traditional media company. Compare those two market capitalizations and what you find out really quickly is that some of these companies that have been in business for 24-36 months and they have market capitalizations much greater than companies that have been in traditional media for 100 years. So if you were a capitalist and you were interested in increasing your capital and one of the ways that you did that was through a company which coincidentally was engaged in journalism, you would think about how things worked a lot. I think that's what's going on.

At Cox, when we look at investments, where we put money, we look at the return on the money. So of course we look at what happens when we plunk down dollars. It takes a lot of dollars to run 50-odd people over here, and 500 people all together in [Cox Interactive Media](#) in our division that manages Internet across Cox. Many similar media companies have the same issues, look at [Knight-Ridder's](#) annual report for this year. It takes a lot of money to get going, and you weigh that much money against other investments in the Internet very carefully and you look at the rewards that you are getting. So, yes there is a big impetus to make money out of this business, anything related to this business because the rewards that are on the table right now are enormous for the people who are playing their cards right. And if you sit around for a long time and think about things rather than acting, you are liable to get left at the train station, that's as polite as I can put it. Train station waiters are not promoted, nor are they rewarded in today's environment.

We have to work like beavers, and try and find compromise that works for all the people involved, all the time. That's not an easy thing to do. We have a very large newspaper in town that's a quality operation headed by quality professional journalists and business management and they have a name at stake so they are naturally reluctant to get embroiled in things that move too fast. It's not the nature of the newspaper business to embrace things that move quickly. They don't like to embrace things that move quickly. They like to think about things because when you think about things, generally, at least over time you come out with a better answer when you don't think about things. I think they naturally shy away from it.

Trying to find a compromise with folks in the news room and trying to please the folks in Atlanta who want rapid progress and a magic equation to increase valuation in new businesses is what we call, "cannonball catching." Which is what I do over there at the general manager. If you are along for the ride in new media today, you best get used to cannon ball catching because that's what it's about. We try and oblige it with the journalists on our staff who work directly for me by having frank, I mean really frank, exchanges of views every time we cross the line. And generally crossing the line involves me trying to sell my journalists on something they shouldn't really do and I shouldn't really ask them to do.

But at the end of the day I'd rather have a sponsor give me \$7,000 to have his name prominently placed on a box, or his content co-mingled with our content, I'd rather have the \$7,000 because I could report to Rome that I sold another \$7,000 sponsor. And it's their job to stop me frankly. In a way, life goes on no differently than it has before, yet in a way it's new every day.

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LOUIS HODGES: I'm the odd one on the panel in that I'm not a journalist really. Actually, my background is in religion. Now I'm concentrating attention on ethics, and ethics and the press, journalism. Not the ethics of mass media, not the ethics of communication technologies and so on, but simply of ethics and society's need to have information and have it delivered on a regular basis in such a way that we can live our lives more effectively.

The questions that were raised for us on this panel were intriguing. One has to do with the question of the relationship between ethics and profitability. It is widely assumed in American civilization that somehow there is a conflict between ethics and profitability. I believe it to be quite the opposite of that, that there is indeed a positive, moral, ethical obligation to be profitable. The profit is the foundation stone that enables us to build a superstructure, enables us to inform. So I fully concur with the \$7,000 check, that's a good idea.

The other thing about ethics and journalism is that the question is whether there is the need for a new ethic to go with the new medium. Journalists, it turns out, like to wring their hands in some desperation over a sense that, "Oh my God, we've got all these new problems." I don't see what those problems are. I haven't been able to find them. My broadcast friends tell me that broadcast is so much more difficult ethically speaking than print journalism. I have yet to find anybody who can tell me what the issues are that are different between broadcast and print. I believe the same thing is going to happen with regard to the Internet. If there are new issues there, I don't know what they are but I'm hoping to find out before this day is over, to see what the issues really are that we ought to be thinking about in connection with the Internet.

The way most journalism ethics is done these days, it's an astonishingly simple enterprise. There is nothing just very complicated about ethics that I've been able to detect, whether you are talking about medical ethics, or legal ethics, or journalism ethics, or what. There are not but four or five issues that we really need to attend to. Let me name them quickly.

One, it has to do with our fundamental attitude of all professional people, be it journalists, or lawyers, or doctors or whatever. The fundamental attitude has to be one of respect for all other human beings. Without that foundation, there's nothing more to be done or said about ethics. Human beings are ends in themselves and that's the foundation of everything.

Another thing is that the purpose of journalism is simply to provide information that people can use to live more effectively in the economic and political and social realms. That's what we are about. Anything that we do that is compatible with serving that end, serving human beings in those ways is morally appropriate, ethically appropriate.

Beyond those two grand foundations, one for humanity itself and one for journalists, there are a few issues that we can identify. One for example, is the utmost importance of truth. The verification of any information you put out is absolutely

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essential because those people who are misled cannot function effectively in the economics and politics or in social order at all. So truth and accuracy is the foundation stone of ethics and journalism.

Conflicts of interest is the second concrete issue. We have to find ways to avoid conflicts of interest. It's not too difficult to do, to find ways to accomplish that purpose. The third concrete area of interest is in confidentiality, our duty to keep promises of confidentiality because it is that kind of a promise that opens up a lot of news sources for journalists whether online, or in newspapers or wherever.

Another issue is privacy, which we must continue to respect. We've pretty well lost that ball game already, I believe. If you use a credit card, there are people out there who know more about you than you know yourself already and that's going to increase as the Net comes more and more into its own. That's probably going to be good. Wayne and I were talking over a cup of coffee a while ago about that. His observation is that with the Net we are now going to be able to get more accurate information about individuals. Of course, that's a net gain for all of us it seems to me. The last thing you really want is incorrect information in other people's hands about you and your tastes.

And then finally, to be sure we find ways of separating news from advertising. I don't know quite how you do it because there are some technical problems there to be worked out obviously and that's where part of this panel can focus on. It's essential that people who use the information that journalists provide, it's essential that even the dumbest among us are able to distinguish between news and advertising. That's a major threat I think and a problem in all of the Internet enterprises.

That's the sum total of what journalism ethics is all about. I feel guilty accepting my salary at Washington and Lee because in 10 minutes I can give the whole picture. I thank you for an invitation to be here and I look forward to learning where the problems really lie that I have yet discovered.

GERRY BARKER: Like some of my colleagues, I have a long career in journalism. That's all I ever wanted to do from very early on. I know I wanted to work at newspapers and that's just what I've done. I was schooled here at the University of Texas and worked for the Statesman, Star-Telegram, now with the Dallas Morning News and probably have the distinction of having more arrows in my back than a lot of new media pioneers. I got enlisted in 1981 to begin our computer newspaper at the Star-Telegram. Like Ben, I've seen a lot of changes and lot of iterations. I remember in 1982 going to a conference not unlike this, where one of the speakers said, "In 1990 videotext will be a \$30 billion business. But we don't know if that's revenue or expenses."

It just seems like the nature of this business is that it is always over the horizon. You know, that in 10 years we'll be history or it's finally going to be a business in 2010. But I think the Internet has accelerated all that and probably, finally, that loop is going to start to close. As we sit in this room having this conference talking about ethics and profitability, there are probably 1,000 people under 25 years old that are rapidly starting up brand new companies that will be our new competitors in a couple

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weeks. The pace of the Internet is just unbelievably relentless, certainly a challenge for us and everybody here.

But if you talk about profitability, or course I think we are all concerned about it. I honestly wish there wasn't so much emphasis on it. I can't go as far as a colleague in Atlanta in February at the newspaper conference there who stood up and told every one of us that revenue is irrelevant and brands mean nothing on the Internet.

Unfortunately, revenue is relevant and we are not seeing a lot of it right now. When you look at the newspaper as an industry and what we've done for hundreds of years in delivering our product, capitalizing on our markets, as an industry I've heard we spend less than one-half of one percent on R&D, which doesn't really I think seem smart if we want to continue to be in the industry. If you look at all the investments we are making on the Internet which are sizable, maybe that's part of the R&D that we should have been doing a long time ago. A lot of us are hoping under our breath that it's not too late, that we didn't start too late.

You may have read Andrew Grove, the chairman of Intel, who was in San Francisco this week addressing the ASNE convention, who bluntly told the editors there that the newspaper business is closing in on the verge of bankruptcy. He felt like we have about three years to get our act together or face what Intel faced back when the Japanese flooded the market with semiconductors. They were on the verge of bankruptcy and they had to totally retool their business and start developing microprocessors. Now they are the sixth most profitable company in the world. Of course it seems like every week there is some one else foretelling the doom of newspapers. But the scary thought is one of them may be right. We certainly hope not.

In terms of our operation and the whole issue of profitability and ethics, I know it certainly puts a lot of pressure on us to enter into realms that are non-traditional for journalists especially journalists like myself where I have to be concerned not only with the revenue and how we are going to pay for it. But you go in every day and worry about circulation. You look at all kind of statistics and numbers, how many readers came to your site today, what did they look at, where are they going. It's like the whole newspaper in a microcosm right there in your Internet operation because you've got to be concerned about every piece of it if you are going to be successful.

I wish there wasn't so much bottom-line thinking, that we weren't a quarter by quarter business and worried about what the stockholders are going to say. But that's reality, that's the world we live in. So we have to be smart. I think about how we spend our money. I think Ben had it, you know during the 80s, there were a lot of companies that experimented, that got burned very badly, that lost lots of money, that poisoned the water, that made newspapers shy away from it. Even at the [Star-Telegram](#) while were developing Star-Text, things were going on over in Dallas. They were one of the first with a service called Bison back in 1981, very few people remember that, Belo Information Systems Online. I think which only operated for about a year. One of my colleagues told me, "We would have been better served digging a hole, dumping the money in and setting fire to it."

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Probably we learned a lot of good lessons from those early days. And I think that we are going to find ultimately is that we are in business to serve readers and if we can't serve the readers with a product that they want they will find it somewhere else. Certainly it's true that we are not enjoying the monopolies we used to enjoy. We are not the monopoly in our town. We are now competing with everybody on the web on a global scale. Monopolies are history in terms of the Internet. I don't think even Bill Gates can carve out a monopoly on the Internet.

So we are in a whole new arena and there's going to be new rules and new ways of doing business and we have to adapt to that. Someone said last week, it may have been the head of a PR firm, that media companies were just right in there with everybody else on the Net because on the Net every one is a media company. Nissan, General Motors, it doesn't matter who it is, they think of themselves now as a media company, not just a motor company. They are distributing information, they are dealing with customers.

In the 80s I served two years on a newspaper association panel on new technology. We met for two years and we produced a very expensive report and the bottom line of it was, bypass. That now the new technologies allowed everyone to be a publisher, we don't have that corner of the market any more. The kid in a garage can put up a server and now he's in business, maybe he can put up classified ads. So we are competing on this grand scale with all kinds of new competitors who we have never had to deal with before.

It's a tremendous challenge, and we have to think outside the box. And I think for us, what we are thinking of, we are not a newspaper any more. We don't think of ourselves at DallasNews.com as a newspaper. It's an aggregation of news services and personalization and e-commerce and hopefully we are going to make that into a product people want. I guess for us it's thinking outside the box.

WAYNE DANIELSON: Well we've had some interesting perspectives here, including a lot of emphasis on the competition and the new sources of competition, and the notion that whatever this is, it's something new, that it's simply not a transformation of what has been there in the past. Let's a look a little bit as we begin about the question of economics, and money and profitability. The newspaper industry has a model that has gone on for a long time, that you have subscriptions that maybe brought in a third of income and the rest from advertising, it is very wide spread, something along those lines in the publishing industry. How about paying for news? Is this subscription notion in this area, is that dead and gone or is that still alive?

LINDA ASH: I can answer that one. We were one of the last papers to fold on subscriptions last year. ExpressNews.com we started up in 1996, we had a subscriber base, we were an ISP, and last March 22 we dropped our fee and since then our site traffic has tripled, maybe more. We now have advertisers coming to our site. I just talked to our advertising manager yesterday to get some figures from her and she gave me a percentage of what our increase was in sales from last year and it was 250 percent. So that's incredible.

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Our advertisers a year ago didn't want to advertise on our site because there were so few places on our site to advertise. Our subscriber base wasn't very large. Why would they want to advertise on a site that very few people would look at? Sure, we had the home page which was a free area for people, and there were a couple other free areas, but it just wasn't enticing. So now we do have pages. Every page has an area for ads.

Actually, when I came to the Express-News two years ago, we had a whole new department, new director, new staff, everything. So a whole new online site and we had turf battles. I went in and said, "This is the advertising area, this is the editorial area, let's not mix that." You can tell where our advertising areas are and where the editorial areas are and I think that is very important for the reader. The reader has to know that this is editorial and we are not going to have that conflict of interest with advertising, we are not going to merge advertising with it.

In a year we have added a lot of new services. We have archives online now, we have an auto search where people can go and search for used cars, home search, our classifieds are online so that's bringing in revenue now. But I don't think that we have anything right now that we could charge for content-wise. We had to fight to get the subscription fee dropped and it's been very, very successful and we're very glad we did that.

WAYNE DANIELSON: Okay, dead and gone. Gerry?

GERRY BARKER: Well, you know I think the \$64 question for us is, Why are we giving away on the Internet what we charge for in print? It's a product that I guess we say we can't charge for on the Internet because nobody will buy it. What does that say about our products in print? About what we have to sell? Certainly, most of the newspapers that have tried subscription models have dropped it, in trying to charge for it, with the notable exception of the [Wall Street Journal](#) which is doing very well with their model and of course they serve a very select kind of a niche audience with a niche product that people are willing to pay for.

I think everyone is looking to the idea of either maybe not charging for your information, but at least trying to some kind of voluntary registration so that you have some sense of who your readers are. Who are these people coming to your web site? Are they local, national, international? We have some sense of it but of course we'd like to know more and our advertisers want to know more. So you look for ways to find out who these people are without being intrusive and collect some information in a voluntary way. I guess the buzz word is "permission marketing." I think there is going to be a lot more of that as we try to understand our audience.

But as far as coming up with a subscription to buy our products on the web, unless we can invent the things that people want, or aggregate our information in ways that make it so useful people find value in it. I know for our own archives, our archive business is a very good business. It's one area of our operation that makes a very nice profit. But I'm hammered almost constantly by readers sending me e-mail saying, "It is totally outrageous that you charge me \$2 for an article when your newspaper costs 50 cents." I have to take the time to write them back and say,

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"Well, the fact that you have 1 million articles at your fingertips that are totally searchable by word, date, and topic, and you can get all this resource for \$2 an article versus going to the library, pouring over microfilm, or any other traditional way you might try to research this story, I think it's worth \$2. And by the way, it's not a free service for us to do it. It costs us a lot of money to aggregate 1 million articles in html and make them searchable." But the perception on the Internet is that information is free. And that's the constant reality that I think we have to deal with.

BEN SMYLIE: At 360, we are free and intend to remain so with the exception of the archives for the Statesman. I would say our experience is very similar. We get, oh I don't know, 50 complaints a week at least from customers who berate us for charging for the archives and we have a form letter or two that send back electronically to customers. But I would say we have perhaps 2,000 standing subscribers to that archive who pay us and use us. It makes money, but in the sort of global scheme of things, as we used to say, "Our trucks did more damage than that" while we were talking about it. Two thousand subscribers is not much.

So, I think that sort of answers the question of is the subscription strategy dead. The prevailing thought is that all the information is free so if all the information is free, and we get a lot of complaints about Internet archives, why would we think that we would turn a 13 1/2 million or 14 million page view a month product into a subscription model when we have a big advertising revenue stream coming in now. We just wouldn't do it. Different business model.

WAYNE DANIELSON: What are the lessons about income, profitability from those successful sites on the Internet such as Yahoo and Amazon and some of the others. What are you learning, what are we learning, from some of those successful sites? My hunch is there is a new kind of consumer at the end of this century, at the beginning of the new century, there are people who don't want to go to stores any more. So the traditional advertising that said "Come to my store and I'll sell you something" is giving way to people who are very busy. They work long hours, they get home late, they want to do their commerce electronically. They want to just click on a shirt and have it mailed to them. What do you think? Is my perception correct and is that the story of some of the electronic commerce that is taking place?

BEN SMYLIE: Can we take the first case first and the second case second. Yahoo was the example you raised first and Rosental (Alves/Knight professor at UT) talked earlier about a model where radio was newspaper read over the air and then it transformed itself as people got their sea legs in a new medium and people figured out what to do with it. I think very much the same is true right now with the advent of the search engines. And you can see search logic, search metaphor and search methodology sort of creeping over into all the sites, all the media sites.

I think that what's happening is our young journalists and practitioners are beginning to develop their own methodology for incorporating search guidance techniques and leading the reader around topics by borrowing from the base metaphor of the search engine. I think that that is an important, new evolution in our product. I think the sort of ham-fisted portalization and that sort of stuff isn't really what it's about. What

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it's about is taking a particular topic and then using some of these techniques to make the topic more enticing, more invigorating, more engaging to the user.

Certainly from a business perspective, I'm interested in what they are doing because the "stickiness" of the page goes from three or four pages to seven or nine or 12 pages and as they do that the number of "ad avails" increases a 1.7 factor, so that's great for me because the longer they are engaged the more ads I can throw at them. So that's super, all hats off for the journalist practitioners for doing that. That's I think what's happening and the influence of the search engines on our product, I invite you to look at our coverage last week of the Capital 10K where we put together a multi-media package, and we had video, and sound, and all sorts of different things that you could do from one place. I think that's a good example just locally that we generated.

Your point about Amazon or any of the other shopping entities is right on. There are a whole bunch of people who use this medium and have discovered that it is a hell of a lot more convenient to do things from this than it is another way, particularly the further you push down to the base brand where I can go out and comparison any place, or there are other media giving me comparisons and I now know what I want. Well, I don't need to go to Target for an experience with a 19-inch RCA color TV. I know in my mind what it is. So all I have to do is go on and find the cheapest place and buy it. I think that utility packed into the site is something that is pervasive and something that should be pervasive because it fits the medium.

WAYNE DANIELSON: Anyone else want to comment? I love that term "stickiness" and I'm going to use that in my class next week.

LINDA ASH: I think people are more confident in giving their credit card numbers over the Internet now. I did it for the first time last week. I'm into genealogy, and genealogy is growing on our site, we have a whole section. I went to one site and I saw a database area that I wanted and I had to pay for it in order to get it or I would have to spend tons and tons of time at the library researching. Okay, I got my credit card out and I was a little reluctant with it, but I said, "Well, what the heck, I'll try it." For three months for 19.95 and I did it, I got right into that database and I said, "Wow, this is great." What's next? Where else am I going to use that credit card? I haven't used it yet, but it's opened up a whole new world for me. Just think of all those other people who are doing it online.

GERRY BARKER: Well, there's no question e-commerce is taking off rapidly and then when you look at services like eBay and how many people are totally addicted to it, a few of them in this room, right? How many of you in the room have used eBay? I hear all the time when I go and give talks people say, "Oh yeah, eBay, I'm on there for hours." Doing the eBay thing. Well, eBay is something newspapers should have done. Why didn't we do eBay three years ago? I mean, all that is is a big garage sale which is an extension of our classified business.

You know we sit and are watching our businesses go away. In high tech recruitment, in other areas where we are getting hurt very badly by MonsterBoard and other places on the net. We don't even need to talk about if a percentage of your classified

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goes away how many news people they are going to have to lay off to compensate for that. But we are seeing these just kind of disappear in front of our eyes instead of being proactive. Whether it's Amazon or Yahoo or EBay, or whoever the next success story is, we better pay attention and I'd like to be there ahead of them if we could.

LOUIS HODGES: I'd like to raise a question here about what all this has to do with journalism and with the news? I'm aware of course that you have to make a profit. But human beings actually in order to live together as a group absolutely have to have certain kinds of information available to us. And we have historically gotten our regular daily information from daily newspapers. We've moved into television more now, but I would like very much to see what you people think about the journalistic focus, the news focus of the new medium, the Internet. We are not dealing here just with commerce. This is far more important than that.

GERRY BARKER: Well, there is no question that news is a huge component of all our businesses and probably the single greatest asset we've got out there is our credibility. I mean, you hear it over, over and over, but it's true. If anything is going to save us it'll be the credibility that we've built up over many, many years with readers. We do need to continue to protect that and maintain that kind of standing that we have. News is a commodity now that people get from lots of different places. I know I have friends who say. "No, I don't go to the newspaper, I go to [MSNBC](#)." Or, "I go to my news on Yahoo." Or, "I go to whoever is going to deliver to me the news I want in the form I want it in" and make it easy to use as possible. News is our business, and it needs to be our business. We just need to be smart about how we package it and present it.

LOUIS HODGES: I guess that's part of what bothers me really, is essentially the economic model. To talk about news as a commodity which in some sense obviously it is, I mean I'm not that stupid. But it's more than that. The focus it seems to me is skewed. Instead of a professional model, of a professional journalist going about doing what professional journalists do well, that is to gather information that is important and package it in such ways that people like me can use it. Instead of that professional model, we seem increasingly to be headed toward a kind of economic model for what it is that we do as news organizations and as journalists. That's what worries me.

WAYNE DANIELSON: Anybody else want to comment on that?

BEN SMYLIE: Yeah, I couldn't sit on my hands much longer. (laughs)

LOUIS HODGES: Straighten me out. (laughs)

BEN SMYLIE: It's only 250 or so years, in all that time it's been an economic model that was driven at least partially by ads. In the words of Mrs. (Katharine) Graham, owner of the Washington Post, "ads are news too," first of all.

I remember, in 1983 at Ohio State University I was addressing a similar group of people, and public affairs reporting was the name of the seminar. The topic was what influence electronic publishing, which was then the current word for this thing that

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we are doing, what effect electronic publishing would have on public affairs reporting. My response was about as brief as our ethicist, and that was that if electronic publishing takes off and steals a lot of classified revenue and it falls over a certain threshold, and anybody who understands that threshold in the newspaper business knows exactly what I'm talking about, there won't be any public affairs reporting because they will fire all the public affairs reporters. That's just as simple as it is.

This is an economic model and it is funded by advertising and that's all there is to it. It's a business. I submit to you that the way to think about it is not so much in terms of journalism, which is a product component, but rather as a product marketing model in which the product that goes to market is the electronic publication and that electronic publication has various components one of which is journalism.

Now, I also submit that the journalist and journalism live within their walls just like the army lives in our society, they have their own constitution, right, we all voted that. They have the uniform code of military justice and they can get shot during war times and all kinds of other things apply to them that do not apply to us. But it's within this little cocoon that travels along with us as a society. And the same thing is true in this product mix. I know I'm stretching that analogy a bit, but the same thing goes on here. Things go on in the journalism meeting that I don't want to know about, okay, I don't care about. But things go on in my meeting that they definitely don't want to know about, strong-arming advertisers and stuff like that.

The key to this is, we have to find a sort of friction-less, or at least as little friction as possible, between us so that we march along in the same direction because I think from an ethical standpoint we do have a responsibility that is to provide truth to people, to provide functionality that helps commerce in society so vendors can make profits and people can get what they want. I think the people who manage to oblige all those conflicting, or semi-conflicting requirements, wind up with the winning product. That's all there is to it.

Comment from **Howard Witt**: (Associate Managing Editor/Interactive News, [Chicago Tribune](#)) Just following up on what Ben's talking about, and if we want to get truthful here and ugly, every newspaper person in this room who is doing online journalism can recount probably countless horror stories where they have been asked to do things that are way over the line by their advertising staffs. And the reality is they are only going to get worse because as Ben said correctly, it has to survive as a business.

Nobody cares about the journalism. We have to earn the right, the economic right, we have to be profitable so we can try to practice some journalism, but that's like, later. Right now, we just have to prove to our bosses that is a business they should continue to invest in. The problem with that is, of course, that advertising becomes increasingly an obsession with what we do. People don't look at ads any more, they certainly don't click on ads any more, advertisers are demanding ever closer associations between advertisements and content and sponsorships and all these things which there is no way to resist it because if you say no, then you are saying you have to forfeit that \$50,000 contract. And then your general manager or your

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publisher says, you know, "Who are you to be saying no to \$50,000?" It's horrible pressure and we're putting our heads in the sand if we don't acknowledge that that is what is driving this business.

Question: This is sort of related to that. I read in the [Wall Street Journal](#) a few weeks back, there was a little blurb and it was quoting Jeff Bezos and he said, "Oh you know we made money in 1995. It was a mistake." When you are competing against these entities that are totally pinned on the hopes and dreams of the stock market and stockholders, how do you deal with that? Which also further contributes to problems that he (Witt) pointed out.

BEN SMYLIE: Could I just respond to that because you are right at the heart of what a big chunk of this issue is. If you have bosses who are looking at your performance from, in my case a thousand miles away, and believe me I love my bosses, I honor my bosses (chuckles from the crowd), they are businessmen and if the method by which they measure your performance is the increase in valuation of your particular business unit, and the method that they are using to measure that is what the industry as a whole is using to measure Internet companies, that is to say, let's just pick a number, 20 times trailing revenues, what are they interested in on a daily basis? Journalistic ethics or are they interested in 20 times trailing revenues? They are interested in 20 times trailing revenues because let's say, just for example, that the revenues of \$20 million across the business unit, well you know, multiply that times 20 and you find out what the little market cap of that little discussion is. That's what they call "big casino." That's what they are interested in playing right now with these incredibly inflated valuations because all of these things all of a sudden become chips in the big game. And these guys are up there playing in the big game for big money.

WAYNE DANIELSON: Well we have on the one hand we have a notion of an impoverished priesthood serving eternal truth (laughs from the crowd), and on the other hand we have the notion of people in the "big game" playing with "big chips." Anybody else like to join in?

Question: In light of this panel's insights, I'm curious about the extent to which online journalism is a public service rather than a "get rich quick scheme." Here at UT, I've heard that the future of journalism is in community journalism, public service, civic journalism and I'm curious to know how the online journalism group is responding to this crucial need in our society.

LINDA ASH: We do have a community area, and we have chat rooms in our site. We are moving toward adding a community model to our site where groups can publish their own news. That's something that I think is very important. We don't have the staff to go and take every little league score and that, but we want to be able to give the public a forum to be able to post those themselves. I think community journalism is a way to go online, to bring it down to that grassroots level is very important.

BEN SMYLIE: At 360 we have an active community program with I think two staffers who do nothing but work on community development. But again, to put

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things in perspective, one of the Bell telcos is devoting 60 people in one market, Atlanta, to the same exercise. Sixty, six-zero FTEs, full-time equivalents. So you have to imagine that everybody thinks there is gold in them thar hills in terms of community.

I personally think that newspapers and journalism have a great future in community development, I really do, because I think that that is where there is a great differentiator in a marketplace. I think that to the extent that we are capable of identifying in a community people of like interests and then developing like a vein that runs in there and then let the people that live within that community expand around that vein, and then putting our journalistic resources towards mining that vein, we've achieved something that nobody can do from another location. And the power of the newspaper locally is that we have the name to go and exploit that in the first place.

WAYNE DANIELSON: I've had a notion in recent years that the field is trending toward everybody's a journalist. I think that because of our familiarity with the notion that it's a professional corps, that somehow sits in the middle of a city, in a room and does something, I think that's changing in a lot of really interesting ways. Journalism is being down out in the community itself and maybe this new technology provides a way for more citizens to in effect be journalists.

GERRY BARKER: Or at least be heard.

WAYNE DANIELSON: At least be heard, right.

GERRY BARKER: I think that's the wonderful part of what we are doing, is that we do have this new information democracy where virtually anyone can have a home page, any one can state an opinion. I know at our newspaper, like a lot of newspapers, we are finding the newshole is either shrinking or static. Of course we get hundreds and hundreds of letters to the editor into the newspaper and recently we've been working with the editorial department and they have committed to putting all the overflow letters on the Internet, which I think is wonderful. You know, it's like, "Hey, my opinion counted, you published their letter but you didn't publish mine." One of the most expensive components at newspapers is their newsprint, and the equivalent for us is disk space which is our cheapest component and the price is going down. We have all this luxury of unlimited newshole and why not use it because to the extent that we can give our readers some ownership in the product, that we make them part of the process and they feel like they are part of it, I think that's how we can be successful.

LOUIS HODGES: Along that line, the main advantage that you have is that people really do need real journalists to help organize the information that's out there. We need real journalists to help test the accuracy and validity of information. The idea that everybody is a journalist is frightening to me.

GERRY BARKER: It scares you to death, doesn't it?

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LOUIS HODGES: Well it does, yeah. Certain people ought to have an opportunity to express their opinion, but this world doesn't run mainly on opinion. This world runs mainly on fact and unless we can get some facts in there, and get somebody like you guys to test them before you give them to me then we are in deep trouble.

GERRY BARKER: Well you know you are absolutely right. I think that is one of the roles that newspapers can play, is to sort through this glut of information. Probably the best definition I've ever heard on the Internet is that it's the world's biggest library and all the books are on the floor. And I think there's a lot of truth in that and to the extent that we can help readers and guide them and shake some of that information for them, we'll be successful.

WAYNE DANIELSON: Let's move a little bit into one of the areas that Louis brought up, and that's the question of the privacy of readers. To what extent are the influences from marketing and advertising moving into areas of privacy of the readers in a way through this medium that they didn't with the print medium? Whenever I get to a real interesting site, somebody says I want to set a "cookie" just for two weeks here and I like to eat cookies but I don't like to give them away. I worry about that. Is this medium in its desire to get more information about readers and what they read and so forth, is it moving toward an invasion of privacy that we really have to look out for?

GERRY BARKER: The temptation is certainly great because we now have the technology that allows us to learn a lot about readers in ways that we couldn't before. I know in my tenure as a newspaper person, I'd seen our newspaper spend hundreds of thousands of dollars doing survey after survey. "What are readers reading? What parts of the paper do they go to? What should we be doing?" And of course on the Internet, there is no guess work, we know exactly where they are going, we know what they are doing in terms of the kind of information they want because there is a 300-page report that spits out every day that says there are 4,000 people that went to National and 6,200 went to Business. And then there are all sorts of capabilities beyond that, using cookies and other means to find out more about our readers. I don't think we value anything about privacy that at least at our web site in terms that's part of protecting our credibility. We are not going to spam you, we're not going to send you things you did not ask for. I think it's an area we have to tread very, very carefully in, very carefully. You only gotta cross those lines a few times and it could become a huge issue.

BEN SMYLLIE: Every page on our site proudly wears the trusty banner for web-sanctity, and we only want to know that about our viewers which helps us to understand their behavior and improve our product.

LINDA ASH: Let me tell you what we know about our readers. Every day I have a report, we have an Access Watch report that tells where readers went, the top 200 pages they looked at. I use this to determine the news of the day. I saw all last week we had stories on the O'Hare family disappearance, murders, and of course that was number one past our home page. I saw, "Hey, we need to put a whole package together with all this O'Hare copy we've been running for the last several months." So there is that sticky issue there. I put a page together where we have several

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stories, we have artwork, we have the suspects, we have the family members who disappeared. So I knew people were very interested in that. It may not have been our lead front page story maybe after the second day, but our readers online said yes, that was the story they wanted to see. We have certain areas on our site where we do ask readers for information, our contest area. We do have a privacy policy. We tell them that this information will not be sold. Right now, that's about all that we are doing. But there is technology out there where you can track people through their browser, what they are looking at, where they've been, where they are going, etc. It is a very frightening issue and I think we are going to have to deal with it more in the future.

LOUIS HODGES: I might get a little more cosmic at this point with regard to this privacy thing. There is something about the human being that resists the prying eye. It's a fundamental part of our character it seems to me. My guess is that the American people, by and large, think we have lost the battle. Government knows more information about each of us as individuals than government ought ever to know, in my judgment. The same thing is true now, and coming to be more and more true, that business enterprises are coming to know as much as government does. It is a fundamental threat and unless we can see to it that the people are in fact protected from the prying eye then we are not going to succeed. People will reject what it is we are attempting to do. So it is a fundamental issue. I'm afraid that a lot of us think we've lost the battle. If you've got a defective gizzard, people all over Austin know about it.

WAYNE DANIELSON: I thought in tracking down this fella who set the **Malissa** virus, and incidentally one of my students sent it to me as a gift, my first thought was, "I'm glad they caught the son of a gun because I hate viruses on the Internet." The second thought I had was, I was just amazed that they were able to find him within 24 or 36 hours and that gave me pause.

Comment from **Doug Feaver:** (Vice President, Washingtonpost.Newsweek Interactive, Editor washingtonpost.com) I really kind of just wanted to follow up on things that Howard said in his way, and Ben said in his way, and Louis raised too. In many ways we have lost the fight. Sitting around a table last night with Rosental there was not a one of us who isn't looking at some way of registering, if we don't already, and some of us do already. "Well, we are just going to do it on e-mail. Well, we are just going to do it on archive. Well, we . . ." Well we all want it and we want that information because it helps our advertisers understand who it is they are reaching. And just how far that gets pushed, I mean advertisers have always wanted to know who they were reaching, but this medium gives them an unusual opportunity to find that out and the technology is there as Linda just said. I think Lou you are right on the point there, I think that's where the line is being crossed quietly, quite apart from whether you are mixing content of advertising and editorial. This is the area where this medium is taking us, whether we want to be taken there or not.

BEN SMYLIE: I would just ask rhetorically, has there been a similar question at a seminar about mailroom equipment? Because in the newspaper business, as you are all aware, the whole push and investment over the last 10 years has been how to target, target, target further, and further, more granular because the advertisers

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want it. And that's why tens of millions, hundreds of millions of dollars worth of mailroom equipment have been purchased around the country and around the world. Okay, so like nothing new in Denmark right.

Question: My question's very related. I read another thing in the Wall Street Journal that said advertisers are more interested in the online portion because of this information, because advertisers are constantly seeking analysis of the effectiveness of their advertising. They don't get that with the print. Do you see somehow online advertising eventually giving in to this privacy and overtaking print as the more effective advertising tool?

BEN SMYLIIE: I wish. I look forward to the day, I'll tell you that. The wildest projections for success of Internet advertising against, let's just take American newspaper classified, the answer is, I will be dead before that happens, lamentably. But we have the capability to do things for advertisers that they want done and advertisers when they waive checks they get results. So it will happen and it will happen slower rather than quicker, but it will happen in big steps at a time. Several of these examples about classified erosion that have been talked about today, or that are obvious from the technology, are interesting examples of how you can erode big chunks of newspaper revenue at once, just boom, gone within 12 months, it's just evaporating. Advertisers will get their way and this medium will expand and it will expand dramatically because it has the capability to provide what they want.

LINDA ASH: There was something interesting that happened this week and I don't know if anyone has seen it. The Los Angeles Times had a notice posted on their site that they do have a privacy policy, and they've always had a privacy policy. Leah Gentry (spelling?), she's the managing editor I believe, sent out a note on a list serve I'm on and as soon as that was posted editors all over the country wanted to know why, what was going on. Why did they post this privacy notice? She responded that it was because IBM said they won't advertise unless it has a privacy policy. So I thought that was very interesting.

WAYNE DANIELSON: So there may be a positive aspect to those sites that do provide some privacy.

Question: My big concern is what's going to happen to those readers that are not connected online? If our newspapers are looking at the readership that they are getting on particular packages and there are whole segments of the population that aren't even connected. Who is looking at what their interests are? And even beyond that, if advertisers are demanding and getting attention and news coverage because they are interested in attracting a certain amount of money, where does that leave the people that aren't making that kind of money. Are we losing our franchise as far as being the medium that is going to look at the concerns and representing our concerns, and I'm not saying we've done a great job at that, but this could signal further erosion of that and that's a really major concern to me.

WAYNE DANIELSON: This is [Maggie Rivas-Rodriguez](#), from our faculty and the question is about the degree of penetration of this new medium vis-a-vis of what we

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have had. Anyone want to comment on where this is going in reaching all parts of our society.

LINDA ASH: They may be out of luck. Of course you can go to the library and get on the Internet. I don't know what the answer is, but the cost of computers are going down. Look at the Internet access, Southwestern Bell is rolling out faster line in the summer but that's \$40 more a month. You've got high speed Internet access that costs you money. You've got to have Internet service providers. That's a very expensive way to get information. It's not free. Newspaper is a lot cheaper. I don't know what the answer is for people who don't have Internet access.

GERRY BARKER: It's a legitimate concern and I think one we have all thought about. We certainly don't want to promote a society of information have-nots. But the truth is that's how economics works and usually things will filter down. One of the encouraging things about the Internet is you see top levels of government saying we are going to wire the schools, the libraries, we are going to make sure more people have this access and availability. Last week they said for the first time Internet use reached parity, that 50 percent women and 50 percent men were on the Internet. It wasn't that long ago that it was pretty much an all-male sport, where computer usage was skewed to 80 percent male. So I think that is encouraging that we are seeing this leveling off, and we are becoming more of a mass market. And within three to five years we are going to clear up all these pipeline and distribution issues and availability will widen and a lot of it will be high speed.

I know that for us a lot of our usage, as you track your usage, is daytime. It's between 8 a.m. and 6 p.m. It's probably the most hits we get on our site. The reason is simple. They go to the office and they get on those T-1 lines and they hit the Internet, and they got to news sites and other places. As cable modems get installed, which in our market they are beginning to get installed, you are going to see that shift so that we are going to have a whole new audience of home users with faster access than offices have now. These distribution issues will get somewhat settled in the years ahead and help that. When that happens people will have information at all levels of society that they have never had before.

BEN SMYLIE: I would echo what he just said. I talked earlier about what I thought was a very promising area, and that's community journalism. I really do believe in that and I believe there are people who are interested in that line of journalistic endeavor. And either through the companies that are active in the Internet today, or through new companies which start up, it will be addressed. One good thing about this business is that you don't need a truck, you don't need a printing plant, you don't need anything else to participate, you just need a computer. I believe markets will be served. I think that's the nature of what's going on right now in the new economic model. I don't despair, although as the last remaining liberal Democrat in Texas I think we need a program for universal access, we need to spend part of this federal budget surplus on it, but that's another thing

WAYNE DANIELSON: Well, I was going to wind up this part of the panel by saying that when telephones came in the government did decide that the minimal telephone service had to be provided. The same with electricity. The ranch furthest from the

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road still had to be provided because they recognized the vital importance. And I think sooner or later we will get government action with respect to this new and important communication medium.

The second thing, my wife is a teacher and she works in an elementary school in Austin with special education kids and technology. What's interesting is their goal, and they are reaching it, by the end of second grade all the students will have tools in word processing, graphics, multi-media, database and spreadsheets. So that we are not in this alone, pushing from this side, there are a lot of people providing penetrations into society.

LINDA ASH: I think we have to guard our journalistic integrity on the web and I think at ExpressNews.com we are doing that very well. I have five editors and they are editors, they are bristly editors. Any time they see an adverting person walk into our editorial section, they sort of, "What do you want?" They try to keep that wall up, and advertising keeps trying to chip it down. We are guarding it. It think that we need to look at new ways of developing our site. We've done a good job of adding sites, autosearch, our home search, and putting our classifieds online. I think we need to look at other ways. I think we need to figure out new ways to draw younger readers in. They are going on the net, second grade, first grade. I have a 13-year-old who is online but she will not go to the newspaper. How do we get those readers into the newspaper? It is vital. We have to do that. That is one of my big challenges, to try to figure out how to get those readers.

BEN SMYLIE: Just to close with this one brief anecdote. When I was at A-Text (spelling), which was a division of Kodak that sold newspaper computer systems, I was there for a while. We arranged for a big customer of ours, the Philadelphia Enquirer, to have study done and we funded Nicholas Negraponte's (spelling?) media lab at MIT to do this study. So we had no control over it and the media lab went off and did this study on how to make the Enquirer much more efficient. They did the study and they all went back to the boardroom at the Enquirer and Max King, the executive editor of the Enquirer, was sitting at the head of the table ready to receive this presentation. This woman gets up from the media lab and says, "Well, we've studied your operation and you have this newsroom place, and all these people are in there creating all this copy. What we recommend is you just get rid of them and you take this wire service, this Associated Press thing, and have the computer just re-format it and then paginate it. What you can do is save a lot of money that way."

And Max King folded his notebook and said, "We have a term for that in newspaper business."

And she said, "Yes."

"We call it 'crap.'"

I'm so hopeful about this new medium because I have observed the trend in this new medium that I really believe is a good one. And that I believe is the people of Republic have the same sense and there are only so many outlets that can push reformatted wire copy. And at the end of the day the communities still own the

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community advantage. To the extent that newspapers seize on that advantage and drive sideways into these veins of community and mine them and build this web they will be successful because in fact it will be impossible to dislodge them. To the extent that they do not they will be pushed out of the way by other people who start up new companies because there are no barriers to entry. So I am very hopeful because at the end of the day Intel did become the fourth or fifth most profitable new industry in the country and it did it by rebuilding itself. And I think the newspaper is slow to anger but once it does it will retaliate very, very quickly. That's my prognosis.

WAYNE DANIELSON: Louis, I think we touched on all five of your major ethical issues this morning. I hope you agree?

LOUIS HODGES: We did indeed. I, too, am very optimistic about this thing. I note that as we approach the millennium, and human beings face great change, you have two things going on. One is great excitement, and the other is great frustration. I sense some of both of those in this conversation this morning. We will indeed see revolutionary times ahead of us, in this whole area of communication exchange. It is tempting, I think, for major changes of this kind we are now facing for us to have an unnecessarily narrow view of what human beings are about. We are far more than mere consuming animals. There are dimensions of the human spirit that transcend a lot of these things. We tend to ignore them at the moment, and that's fine, but we won't be able to ignore them for very long. Karl Marx's philosophy did not survive too well, with regard to his dialectic materialism. It was a non-sensical point of view and we discovered that sooner or later. And we will at this point expand our horizons some more in the context of journalism on the Internet. I am very optimistic.