

Three Things That Online Communities Lack

...That Community Newspapers Provide

A Whitepaper from Matchbin

Powering Local Online Communities



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Introduction

Not since the tech bubble burst of 2001 has newspaper advertising revenue dropped so much year-over-year. Not only is classified advertising down 17% but so is readership. Newsprint is a generational medium - the younger you are the less likely you are to read a newspaper. People are going online to read, socialize and buy/sell and advertisers are following them. To support this contention, advertising on newspaper web sites continues its four-year run of double digit growth; up another 21% last quarter alone.

But as we've learned from dozens of companies and read a thousand times, a successful online presence isn't just about porting the news to a web site. The Internet provides the ability for readers to become active participants and contributors. By participating, interacting and exchanging opinions the online world is much more about a community than an audience or subscriber base.

They're everywhere - a new online community or social network garners the attention of the media and investors. Why? Because they represent new destinations for people to interact and share stories all the while attracting advertising dollars. Like all new media choices it will take time for online communities to develop their position along side television, magazine, radio, and newspaper outlets. In the short term there will be lots of experiments, predictions, and conflicting recommendations. Amid this confusion one fact remains; how and where people interact has changed forever. But ever since the "Boston News-Letter" started publishing in 1704 there has been a strong interest in local, community content. Community papers are in the best position to continue this tradition, but only if you look at the Internet not as a threat or just another publishing platform but as a means for facilitating the ability for people to come together to get and share information, socialize and conduct business. From this point of view the Internet represents a real opportunity for local newspapers to generate additional revenue streams.

This report focuses on the key attributes of a successful transition to an online property and why community newspapers are well positioned to remain significant players in the advertising market. It is by no means a case of maintaining the status quo of 'news' or even

'paper' and riding out the storm, but rather a case of focusing on a business strategy that impacts revenue, readership, and ultimately the continuing support of your community.

The key questions you need to understand:

- What is the most serious threat to newspapers?
- What do newspapers offer communities?
- What do communities need to thrive?
- What functionality does a newspaper-supported community require?

What is the Most Serious Threat to Newspaper Business?

One word: Fragmentation.

Consider the options a person has today in addition to newspapers (from Forrester Research):

- 80+ TV channels per home
- 17,000+ magazine titles
- 13,500+ radio stations
- 25,000+ Internet broadcast stations

There is no longer a single subscriber base and one or two media outlets; there are thousands each competing for audience and advertising dollars. So, it is not a case of developing a single strategy to combat a single threat, but rather developing a new approach that leverages this fact.

Every day you read stories about the growth and expansion of social networks like MySpace, Facebook and LinkedIn where people find entertainment and news. Wikipedia, the collective encyclopedia, typically reports breaking news faster than traditional outlets can. These communities, along with other news-outlets like TV and radio stations, continue to siphon news content, audience and advertising revenue from newspapers. Consider the following trends that result from fragmentation ...

- Last quarter, print advertising revenue declined by just over \$1 billion. But less than 20 cents on the dollar is moving to the newspapers' own online properties. (Newspaper Association of America)
- Classified advertising revenue has been particularly hard hit; accounting for 70% of the lost revenue. (NAA)
- Newspaper readership is down as weekday and Sunday circulation drops another 3+% 1n 2006. (Audit Bureau of Circulation)
- Newspaper readership hasn't penetrated the critical 18-29 year old market; less than 1 in 4 read a newspaper. (State of the News Media)

The numbers don't lie, people are changing their habits in terms of how and where they get information, buy products and services, and interact.

The answer isn't as simple as "we'll just put our content online". Every new medium from Radio to TV to the Internet was supposed to make the previous platform obsolete by replicating what the previous generation did. They didn't. Fifty years after the introduction of the television, the radio is still relevant. Fifty years from now TV and newspapers will still be part of the mix. What is changing is the set of rules and assumptions about what it means to be a newspaper - who is the audience, how do we reach them, and what do they need to be satisfied? More importantly, the basic business model of exchanging advertising dollars and subscriptions for content is under fire from all fronts.

In 2005 the American Press Institute commissioned a yearlong study entitled "Newspaper Next: Blueprint for Transformation" to address the question: What should newspapers be doing? The short answer: Newspapers need to develop a portfolio of products and services to satisfy the needs of different groups of consumers and advertisers. Rather than having a single product servicing the needs of one office; newspapers must offer a variety of products and services in different formats to successfully compete for attention and hence advertising revenue. Examples of the projects undertaken during the project include the following:

- Provide local search engine marketing services to small advertisers. Leverage existing sales force to extend the product offering into a new market.
- Create a destination for busy moms to find activities, information and things to do with their children during the day. Revenue options included sponsorships, newsletters, advertising and lead generation.
- Organize all the information a local community needs, from events to user-submitted pictures and comments to real-time traffic and weather to news making it a complete destination stop for a targeted group.

What do communities need to thrive?

Participation, tools, and a common interest

Going online to participate in a community represents the future - no doubt about that. But the majority of the communities out there today only focus on the social aspect of what it means to be a community. A community is much more than personal pictures and chat -

there is a lively banter of ideas and opinions, the exchange of goods and services, and a sense of membership or ownership. It is also where people go to consume and create content.

Key aspects of a thriving community:

1. **Community members need to express themselves.** From the original soap box to blogs to book, movie and product reviews the Internet has come to mean 'participate' and 'share your opinion.' In order to survive, Newspapers must open the doors to contribution. This is particularly true of local or geographic communities where the primary need is to offer more customized, targeted and relevant content to their readers.
2. **Community members support each other, economically.** The bedrock foundation of any community is the buying and selling of goods and services; be it classifieds or advertising one's business or actual business transactions. Newspapers, once the primary outlet for classifieds and advertising, need to embrace new economic models.
3. **Community members share a common interest.** As a social animal, people use their interest in topic as a glue to hold the community together. Whether it is a how the high-school football team is doing, what's on the PTA agenda this month, or living in a mountain town, focus is key to a community. And in a departure from traditional media, it is the community that defines the boundary of their interest.

While a local community is a niche social network by definition; the reverse is not always true - social networks aren't always a community. Local newspapers should leverage this distinction.

What specifically do newspapers offer communities?

Four things: Professional Content, Trusted Brand, Readers, and Advertisers

Newspapers offer an excellent source of content, particularly professional content. They are just not the only source any more. While user generated content (UGC) is all the rage, not everyone does it. Online, there is the 1% rule. Only 1% of a website's visitors actually contribute content and for mega-sites like YouTube the figure is closer to 0.2%. This means newspapers are still in a key position to provide their audiences with content. But what is changing is a) the breadth of content, b) who decides the importance of that content, and c) the sources of the content.

With the multitude of sources of world and national news available in real time rehashing what others already provide is not a strategy for success. Rather the focus should be on

content not available from other sources and for communities this usually means very, very focused and local. For example, *The Naples (Fla) Daily News* only publishes stories with local angles. Gone are stories from around the world and the national scene. They are replaced with the best information about South Florida and in a departure from using a 'newspaper' as the primary delivery channel they've created Studio 55 - a mini-TV station reporting local news over the Internet.

Case: Rome, Georgia - "Gridiron Central" (www.preppgameface.com) is a site dedicated to high school football sponsored by the local newspaper: Rome News-Tribune. They cover all the different football teams in northwest Georgia and not only the on-field performance, but the bands, the fans, and the cheerleaders.



Newspapers perform a central role in their community. They are respected and often represent the soul or conscious of the community. Newspapers add value by editing and verifying sources. For small towns, this brand would be impossible to build from scratch and very difficult to displace if the community uses it as the central rallying point and platform for interaction.

As an example of how newspapers can add value they should leverage the geographic or location aspect of news and integrate stories with their location on a map. This feature is a key strength of the Internet and something newsprint can't do nearly as well. See www.yourstreet.com for an example of geotagging.

Case: Telluride, Colorado - "Telluride Watch" (www.telluridewatch.com) is an integrated site that balances news, business services and calendar functions. All in support of the local community so that it becomes the destination for people to go to.



The final piece of the puzzle must address advertising - local, national and classified. The good news is that everyone is eyeing local advertising as the next area of growth. Borrell Associates offers proof of this interest by quantifying the amount of money moving toward local advertising.

- In 2007, local online advertising represented a quarter of every dollar spent - \$7.3b out of \$30b.
- In five years, it will represent \$0.37 of every dollar with the local pool nearly doubling to \$14b.

But, and this is a big but, the recipients of the advertising revenue aren't the traditional local outlets. Newspaper and local magazine sites are losing ground to new forms of local advertising, with search sites (Google, Yahoo, MSN) being the predominant beneficiary. Search-based advertising revenue will account for between a third and a half of local advertising.

Search is nothing more than a way to find and access content. Since newspapers can have a predominant role in the provision and organization of content, they should have a role in the advertising space as well. There are several possibilities:

- Integrate online and offline classifieds into a single approach with two publications
- Offer search capabilities for and within the local community
- Participate in a network of communities that is large enough to attract national advertisers.

What does a newspaper supported community look like?

First, it doesn't look and act like a traditional newspaper although the masthead may be the same. Second, it broadens the definition of 'news' to reflect the information community members seek. Third, it is a multi-media outlet that supports the needs of both the readers and advertisers.

Much has been written about citizen journalism and content related topics. Here are the critical success factors for any newspaper.

- Community members must have the ability to make their opinions known. This can be done through reviews, chat, comments, blogs and voting.
- Members need to be able to add content - be it videos of last night's game, links to other articles, or their own contributions.
- Organization of content is best left to individuals. What is important to one person isn't necessary important to another; as a result people need the ability to organize stories and content according to their preferences.
- Rules of engagement and participation. A certain degree of monitoring is required but in general communities will adopt and adhere to a reasonable code of conduct.

As noted throughout this report, a community needs more than user-generated content to be successful. The following list rounds out that information with the basic blocking and tackling that any successful online community needs.

From a commercial perspective, the following functions should be considered:

- **Content.** Ability for people to add content through a variety of means; comments, reviews and voting for capturing opinions and videos, pictures and stories for capturing
- **Search.** The ability to find information of interest within the community is paramount. This functionality spans both the news and sponsored content so includes both organic and paid results.
- **Self-service classified ad placement.** This feature allows individuals to place, manage, and pay for classified ads for both online and physical distribution. The online version should support video.
- **Business Directory.** This feature provides 'yellow page' listings for businesses in your community.
- **Service and storefronts.** This feature allows local businesses to have an online presence within the community. It may be their only presence or another link to existing web sites.
- **Event Calendars.** This feature represents the activities of the community. When coupled with email, RSVP capabilities, and mobile reminders it becomes the central nervous system of the community.
- **Private label and targeted to local communities.** The brand is the newspaper, not the technology platform.

Next Step

Matchbin helps community newspapers integrate online products with existing print offerings. Specifically, Matchbin focuses on generating new service and advertising revenue streams by offering an integrated platform for advertising and community interaction. Having deployed over 75 online communities leveraging the points outlined in this report, Matchbin is in a

unique position to help you understand the evolving landscape. To that end, Matchbin has developed a 30-minute “Online Community Audit for Local Newspapers” which we conduct with you and your key staff. Here’s what we accomplish during the call:

- Business and Revenue Model: We’ll showcase examples of where local newspapers are successfully supporting an online community and how that is changing their business.
- Content: We’ll discuss issues with user-generated content and how best to approach that topic.
- Tools: We’ll outline what we have found to be the most successful tools for transforming the business into your community’s destination.

The call will be conducted by Reed Brown. This is not a sales call and we will provide the best insights possible in the allotted time; please be advised that this call is strictly limited to 30 minutes. To allow you time to schedule your team, the call typically takes place within one or two weeks of your call. To select a time to discuss your needs please call Reed Brown at 801-721-4021 or email Community@matchbin.com.