

10TH ANNUAL INTERACTIVE NEWSPAPERS CONFERENCE

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...Publisher Company presents the 10th Annual Interactive Newspaper's Conference. Recorded live, February 17-20, 1998 in Atlanta, Georgia.....

.... . Our first speaker will be Howard Finberg. He's Director of Technology and Information Strategies for Central Newspapers. Now, there's complete bio information in your handout; but just a couple of things you might want to know about Howard is that he's responsible for Central Newspapers' overall new media business development. He was responsible for creating the award winning Phoenix newspaper cite. He's Chair of _____, which many of you know is an alliance of newspaper organizations to explore new media opportunities and past chairman of New Media Federation.....

Howard:

Good afternoon. Thank you. I'm probably the Tim Allen of plumbers when it comes to stuff like that. My wife doesn't let me touch the electricity in our house, because she's afraid I'll electrocute myself. But we have done a lot of reengineering at Central Newspapers, somewhat along the lines of new media areas. And I know this about life in the trenches. In some respects, my trench days a little behind me, so I'm going to give you some case studies, in terms of management, as they apply to working in new media.

These are my perspectives, from a corporate level, on some of the lessons that we've learned; and some of the challenges that we have identified at Central Newspapers as very important to our future as a company, and our future as an industry.

First off, a little background about Central Newspapers, a publically traded company. We like to

refer to ourselves as an integrated information company. And I'll explain why.

Newspapers are at our core. Obviously, that's our love and our roots; that's where the founder created the company, and we have two main properties: The Arizona Republic and the Indianapolis Star and News, as well as several small properties in Indiana and Louisiana. But we also have new medial companies, and I'm going to talk a little bit about them as we go forward. So when we look at new media, we look at it as an Enterprise-wide issue; and some of these situations apply to both print and to these new companies that are evolving, and specifically to the Web operations within our new media, and within our print companies. West Tech is our Career's Fair company information services—it puts on job fairs across the United States, and it also has a virtual job fair web site called BGF.com. It provides services for people looking for high tech careers, regardless of geographic location. Home Fair is a relocation services company. It provides information at Homefair.com for people who are moving—tools and services if you're going to move. There's a moving calculator that can tell you all the steps you need to worry about. There's a salary calculator that allows you to compare your salary, if you're moving from Indianapolis to Phoenix, what the difference is, so that you can make sure that the basic cost of living is factored into any salary increase. And finally, a new company we just purchased late last year, the School Report, the national school reporting service, which is a very deep database of information about secondary schools. We believe all these companies play to the strengths of our core business, as well as extend our business into new markets. So, part of our challenge is to position new media within this and move very quickly. It is our analysis that central time is very limited, that we do not have the luxury of saying, "Yes, this is coming." Rather, we think it's here; and that there will only be a few years, in terms of things like classified, before we start to see significant impact to the bottom line.

I made a presentation to our managers at Phoenix a couple of weeks ago, and I sort of titled it "Armagetin" and whether, when we lose all, some share of classifieds in the next three years, what impact will that have on the bottom line. And if you look at the latest research from Forester, they predict, on industry average, a 7% reduction in bottom line figures if Classified

continues going the way it's going. Look around the room: seven percent of us won't be here next year, unless other things happen.

Another couple of interesting statistics is that in less than a dozen years, in 10 years, everybody under 50 will be computer literate. We're all basically computer literate here; and obviously, the generations coming behind us are all computer literate. And even scarier is that by 2010, everybody under the age of 21 will not have no world without the Internet. To us, some grey hairs in the room, along with myself, is that we can remember, we don't necessarily like to remember hot type and cold type and all that, but we do remember them; and we remember when the Internet first took off.

Very quickly, the target that we know we have to capture, that young reader, is going to be moving on. So, this is some sort of backgrounding for you to understand some of our challenges and some of our issues in trying to deal with new media in our company.

Our evolution is fairly typical. And I think you sort of see that as you see the reintegration and maturity of new media efforts in various companies. Our new media efforts were born at what we call Skunk Works. It was the Executive Editor tapping me on the shoulder, rounding up a couple of displaced aliens in the newsroom, people who were off in corners, and said, "Go and do this." He thought there was a great need to get it done, quickly; and his fear is that a lot of people in the middle management role, we seem to pick on middle management, upper management gets it, lower people understand it, but that middle management block, some of them were thinking, and this is true both in Editorial and advertising, and even in the technology area, that this Internet thing was going to go away. I actually had somebody say that to me, who should remain nameless, because he, "This is a fad." And other departments in our company, because we do have ongoing businesses, were focused on other efforts. And we didn't want to distract them. So, I'm a proponent of when you're trying to do something, as a start-up, that you can run it as a Skunk Works. The problem is, now that you've done it, what do you do with it and how do you integrate it?

There are several positioning models that I think you can use as guidelines, and then I'll tell you where we're sort of headed. There's a separate independent department, which is where we are with on-line in both Indianapolis and Arizona. There's a separate independent company, the example that always comes to mind is Boston and Night Ritters New Media Efforts; and then there's a totally integrative model, which I'm not sure where we're at right now, and I'm not proclaiming to be the expert, I just haven't seen a lot of totally integrated models. Which means, when we talk about independent sales staffs and we talk about independent editors and things like that, I think this third model is where we want to be, long term. But I think two things hold us back: cultural issues, the discussion earlier, the previous panel about my sales staff is not compensated as well selling on-line, they'd rather sell print, where they make ten times as much commission, is a major cultural issues. In addition, technology holds us back. We don't have our content in neutral database form. In other words, our content is very much tied to production systems that we're operating right now. So, until we can get that content out of those systems and stop thinking about systems as anything more than transition device from moving information from Point A to Point B to Point C, the consumer, we won't be able to get totally integrated.

We do need something new; because the current models are really not working; and the problem is, this is a new medium. I think too often we think of this as an extension of existing, an extension of core, it's a new division; but this is really where television was in relationship to radio. It had the audio piece, but it also had the video piece. And I know you've probably heard this analogy many times at other conferences, but the first broadcast of news on television was somebody taking information and just reading it. You know, you could cover your eyes and you would hear radio. That's sort of where we are, organizationally and structurally, when it comes to this medium. We need something totally different. It has new economics. I mean, you cannot sell it the same way as you sell it. You cannot charge for it, despite the willingness or eagerness of some to charge a subscription price, I'm not sure that that is going to work. It has new types of content. Whoever thought we'd ben integrating content the way we're doing, or putting up content that is not traditional newspaper kind of contact. And finally, it has some new rules of operating rules that we have not determined over a long course of institutional history.

Remember, we trained our customers to look at our product and to understand. We made them make their reading habits meet our production needs. In other words, size of the paper, when it's delivered, physical form, things like that. But those are our rules pushed down on the customer. Right now the customer is telling us, this is when I want it, this is how I want it; and if you don't deliver it, I'm going someplace else. And they're very capable of doing that.

So, you're looking at the organizational models of the top 100 websites in the country. Our Jupiter studies show that the stand load model, right now, is the most successful. Here's the way the world divides: a spin-off model, 4%; independent business unit, 30%; extension of traditional business unit, very much the newspaper model, 4%; and no centralized management focus—these are now all sites now—and Internet only. Somebody's focused only on Internet. I know that's sort of a mixed message, but the problem is, we're evolving our own businesses; and we need to look beyond, sort of an extension of print model and think of this as a new business in a totally integrated business unit. Whether that's a separate company for you or not, is obviously fraught with all sorts of internal issues. It's certainly an issue that we are wrestling with at the Central Newspapers.

So, we're trying to develop this model called *Integrated Independence*. Talk about nixing your metaphors. Central services to leverage the economics. Doing more together to cut costs. And I heard a little bit about that at the previous panel. We are doing it on the technical side and on the content side. We're buying centrally and allowing the local sites to use or not use as they determine. We're doing joint services where it makes sense, in terms of the local market. Advertising can sell jointing, or they can sell separately, again, where it makes sense at the local level; and ultimately, we believe that the on-line applications are independent operations in terms of the delivery of the product, unique tool over market. In that sense, the CEO of Central..... has made it very clear that nobody knows the local markets better than the local publishers; and by extension, the local new media people should know what will work in those local markets.

The challenge is, that not everything that we deliver is local. So, for those commonality things,

the commodity of news, some of the things that go across geographic interests, that go to demographic interests, in other words, I'm interested in auto racing, that may be a national type of information site as opposed to strictly a local site in Indianapolis. So, we want to take advantage of the whole. And we have a very good reason. We do not have Internet money to spend. We have real dollars, you know, the stuff you put in the bank. We do not have IPO money which runs up, and you get a \$100M valuation on a company that is now all of a sudden is now \$600M, and so you take some of that out and you give some of that stock to some other asset that you want to buy, and all of a sudden, you really start to buy the company with inflated dollars, with the promise that it will all be okay in the end. For things like staffing and the like, we expect our staffing needs to stay relatively flat. And just to give you an example of the disparity between our two sites, our *Arizona Central* site, which is our biggest site, and our *Munsie*, which is our press site, is one of the smaller, obviously 15:1; but on the other hand, there are some things that we're doing in Arizona that we're going to be able to leverage across all of our properties. So that's what I mean by creative virtual staff, where we provide information services and guidance across all of our properties, and not get hung up on the local economy where it doesn't make sense.

Because we don't have Internet money to spend, we also have to think about changing the dynamics of our internal news operations. And we've been spending a lot of time looking at this as we've been talking about re-engineering and retooling our company over the last five years, with a real acceleration in the last couple. We need to look at how we work together. We want to leverage all the talents across all the staff within all the departments. My belief is that we too long operated as an industry on a semi-line process, where I give you something, you edit it, you give it to somebody else, you've sent it to production; and it's like, everybody has a piece of the bumper that they need to bolt onto the car; and at the end we get a car, but on the other hand, I may have noticed something that you didn't; but I'm not in that department, so I can't talk about it, I'm not allowed to deal with it. We have spent a lot of time, energy, and money to go to team driven process, to tear down those walls. This is across company, and also across the corporation as a whole.

Those assembly line models of organization is a really strong hierarchy. You go and you get permission from somebody to do something. Very little delegation. In other words, you basically know your task and you do it; and you can't give it to anybody else to do, because you're the expert. And little pockets of knowledge throughout the whole organization.

An anecdote of when I went to Arizona, we were launching, this was 12 years ago, pagination. And I started asking questions, because I was made responsible for pagination efforts, who had all the technical knowledge of pagination, and where was the manual? It was all in so and so's head. Wait a minute! What happens if he gets hit by a bus tomorrow? But he knows it all, and he's teaching us. Wait a minute, that's a priesthood! You know? I got the Holy Book, and I know how to read, and you guys don't. So, that model cannot work. And it really goes down to, sort of, know how management. You know, I know, you don't, so hence I'm management and you're not. That looks like this. Everything sort of feeds up to the top.

Our goal, and it's work in progress, and when you talk about a case study, you want to like to freeze a moment in time and say this is complete and done, we can't do that. This is an evolutionary process. And we're not done with this, and it may change; so results will vary, depending on the time of year.

Process approach. In other words, we want to understand what everybody's role is, make sure everybody understands their role in the process, share that information across the entire organization, delegate more out, in other words, you're responsible, as opposed to everything having to move up through the management chain. And finally, make sure people understand people need to be market driven. That means listening to the customers. Internal customers and external customers. And, I hope to achieve, I hope the organization achieves, highly skilled journalists. In other words, you can do a lot of things, and you're highly skilled at a few; but you can work in a lot of different areas because you understand the entire process. You're not singly focused.

Now, I don't want anybody to think that that means I want to send every reporter out with a tape recorder, a camera, and they have to be all things to all people. That's not the case. But there will be times, going forward, where we may want to equip a reporter, what we call a "first on the scene reporter," with more than just a notepad, as in paper notepad. May want to give them a device that has audio and video and still all built into one and say, "We know you're not a photographer, but you're the first on the scene. You need to capture this, so that we're there. Leverage the feet that are on the street already. And then we will follow up with the specialist."

That model looks something like this, where the management is really directing at the bottom and pushing up information so that people doing the job understand why they're doing it, what the market is saying, and they're driven that way, as opposed to having to drag the organization behind us.

So, some of the major challenges that we're addressing, in terms of the media, is finding and hiring them. I mean, paying and promotion. What do we pay them? How do we move them up the ladder to keep them? How do we train them? Because this is a real important issue, because this technology is moving quickly, as well as the content information needs which are changing, weekly, daily. And still address the needs of journalism. Because one of our key assets, beyond local content, and local relationships, is credibility. It's a brand that many people trust. Not enough, but, by and large, if you want reliable news and information, you trust the newspaper. And how to leverage that, and extend it into people who do not come with the same journalistic background as some of us grizzly old veterans do who have migrated into the media.

We are looking for a lot of people in nontraditional places, and we are willing to take risk. And I'll give you an example to illustrate this point, is that when we start up our Arizona Central site, I interviewed a woman who was a writer for a publication that, and had very little journalism skill and had a little computer skill; but she understood communicating travel information and what you needed, because that was the area she was working in for this company. So we hired her for that particular skill and then allowed her to broaden her skills to where now she's a producer on a

web site and is very successful. We're taking risks, and we adjust, and we move people around. Job descriptions are important, but they shouldn't be so narrow that they don't give you the opportunity to move people around.

One of the things that I've read and seen is that you need an opportunity to move and to learn new skills, and that's a key retention issue for employees. We don't have the money to pay what everybody wants, and certainly not to compete against some of the salaries that are out there. But as an industry, I think we do really lousy. Here's a chart that shows starting salaries for reporters: \$25,000 for a 30-50,000 circulation. If you go up to the 500,000+ circulation, starting salaries average about \$34,000. Now, I ask you, what kid in college is going to take that job, and let's say they're lucky enough to get onto a 100,000 circulation newspaper, and settle for \$27,000 when they can probably go and join some web site company and get \$25,000 in cash and some share of the company that will probably turn IPO and make him a millionaire before he's 30. We don't pay people very well, and we don't empower them to share in our successes if we do have any. I think we face a real brain drain in this. Because, I'll show you what the numbers look like outside our industry. A web editor, earning anywhere up to \$60,000; a web artist earning \$50,000; a 1-2 year developer, someone who has skills for 1-2 years, that's not too long, is earning close to \$50,000 as well. Now, I mean, I love journalism, but if I want polish today, is, are newspapers the first place I'd be thinking about, in terms of my career future?

I think one of the issues that we have to address, as an industry, and one of the issues we're addressing at Central Newspapers, is paying people to find them and keep them.

We created this Hot Jobs program, and we've used it in both our technical staff and even in some editorial area, that we adjust the pay scale, we have a pay scale; we have a bonus plan; and we have other incentives for what we identify as Hot Jobs. If you have unique skills and are valued above what we value as the general market rate for your job classification, we have the flexibility and ability to pay over and outside the HR rules to keep you in-company. Now, someone has to say they really want this guy or this woman to stay and make the case; but it has proved to be a

very good way of keeping people. Because this is an economy with new rules. You have to break the rules and find ways to be successful.

We also believe in training as a significant way to keep people at the company, and we've invested heavily on corporate training, both technical and editorial. On average, we're going to spend this year, about \$500.00 per employee. That's a lot.

And while I believe technology is all great and we invest a significant amount of money in technology, I think sometimes, pardon the typo here, is that we get focused on the wrong things. Cultural issues are really more important than technology issues, but we spend a lot more money on technology. And so we end up with things like this, the journalist of the future. This is a graphic out of the *New York Times*. They've got the sensor goggles and the pact to read things; and you've got the GPS link satellite and the battery pack and portable, I mean, that's all fine and good; and maybe that will help in Star Trek time. But right now, I don't want to get too hung up on technology, as much as I really love it. The issue is: How do we maintain our core strengths and ability.

So, integrated independence, taking advantage of the whole, we want to change the dynamics of our technology use away from single purpose and to a phrase that I said yesterday, is: Offer once. Publish many. That means, once you put the thing in, we should be able to use it for variety of different sources.

We want also want to leverage our publishing systems where we spend a significant amount of money in investing in both our print systems and our new web publishing system from FutureTense. We have a print database from CCI Europe. We were early into that, the of database. We stand committed to that, and we're moving that forward, not only in our, what we call our publishing systems, but also our other systems as well. Primarily because it allows us to communicate a lot more information across all sorts of departments.

You asked me to tell you what corporate does at CNI. I think you just saw what I do. What corporate does at CNI is sort of three fold: We provide the guidance and advice; we coordinate our common technologies and some of our common alliances, and our common investments, and developing it as a whole. This is an evolving process. I have been in my corporate job for exactly 13 months, so I'm redefining the job almost every month, as needs arise and as the publishers of the properties want and needs things, as well as the role of technology within the corporation.

We're also forming a number of steering committees. This goes back to our need to get information out and across a variety of different parts of the organization. Each site manages it's own operations; but what we want the Steering Committee to do is leverage the knowledge and experience from all sites. In other words, let's share the information; let's share with corporate; let's see whether we're all in alignment. And understanding that, I think we're more willing to share information and move forward together, albeit with different goals and different dreams. We are now formally sharing traffic and revenue, which is, I think you'd be surprised at the number of sites who report up but don't report across. I wanted to ask that question of McClatchy, of whether they allow Modesto and Fresno and Sacramento to understand what they're doing, or whether it all just sort of rolls up to corporate. This goes back to sharing that information so that you can have some benchmark and do a better job of guiding your own local operation.

And finally, the corporation, our corporation believes that alliances and investments, all kinds of alliances and investments are very important. Do I have enough time to talk about it briefly?

(Very briefly).

Okay. We are still doing some information sharing with ABBOT, and we obviously are using our own web sites to get content and share back and forth. And I want to mention one in Indiana that I think is very interesting, very unique, is that the Indiana site, the *Star News*, has a great basketball start called "Indianasgame.com." And what they're doing is they're partnering with

other newspapers, not of the Central family, some of the Central family, but others who are not, to share links in content to build sort of this little virtual network on basketball for Indiana fans. I think that's a very effective way of looking at the world. We've also invested in Classified ventures, because again, we believe Classified is a threat; and we look at companies, like little start-up companies like Waveship, which is downstairs, to provide us the tools so that we don't have to invent it ourselves.

And you've heard a lot about what I do, but particularly I provide the early warning system to help people understanding where technology is going, and try to identify some of those threats. And I think that role, whether it's a full time, part time role, has to be assumed by somebody in your organization, and some way to share, and I even publish my own technology—a newsletter for the managers of the company. We want to educate them and get them aware of all the things that we're seeing. We want to look inside our industry; and more importantly, this year, we're going to start to look outside our industry. My belief is, occasionally we look too much internally. We need to look at how broadcasting and cable and the other Internet companies are doing, and what they're doing, attend some of their conferences. As much as I love the A&P Conference, and I will plan to be here next year, I also want to go see what Cable is doing at their show. And provide feedback guidance and the overall pest.

I want to thank you for your attention. I'll be glad to answer any questions. You can contact me directly; and if you want these slides, I have a little web site I'll put it up on in a couple days when I get back home, and the URL is up there on the screen.

Questions and Answers:

Speaker: One thought that sort of occurred to me, Howard, that I actually lost, but, one in particular. You talked about, you said that some of the problems are really kind of in the middle of the organization: People at the top may get it, and people at the lower parts of the organization gets it. But we have a kind of problem in the

middle. And that's what raises the issue. Kind of going beyond that. How do you get by? And do you get more than just compliance? How do you get commitment?

Howard: I think education is really one of the real fundamental issues. You have to make them understand why it's important to them. Because everybody is busy doing something else. And you have to, at some point, you have to go and say, "This is what we're going to do." Ultimately, I believe that an army, while you have a lot of people in the army, needs a direction as to "take that hill." The general says, "Take that hill." The general doesn't say how to take the hill, so, what you have to do, you've got to get a lot of people to understand that they're responsible for taking the hill. They have to figure it out; they have to feel empowered to do that. And rewarded for failure. Not rewarded for success, but rewarded for failure.

Speaker: But how do you reward failure? You don't penalize?

Howard: You don't penalize, first, and you let them go and try something else. And reward is in the, ultimately they'll be successful, and that will be the reward.

END OF HOWARD'S PRESENTATION.