



Print Discovers Web

And in doing so, it's finding new ways to lose money.

It's hard to believe, but the Internet as it is known today—splashy 24-hour news, entertainment, and information on the World Wide Web—didn't exist six short years ago. Unless you subscribed to a proprietary service like AOL, CompuServe, or Prodigy, there wasn't much general-interest material available. Now there's so much online that it's almost overwhelming: news from around the globe, up-to-the-minute sports scores, travel information, stock tips, and on and on. While delighted with what's on the Net, many wonder how so much information can be available free of charge. How can the companies providing it make money? For most online content providers, the short answer is: They don't. And the oldest content providers out there—newspapers—have been hit especially hard. The newspaper industry is confused about its future, unsure whether broadsheets and tabloids will exist for years to come alongside Internet publishing, or if paper's days are numbered.

Having seen circulations decline for decades, the decision for newspapers to venture online in the mid-1990's must have been easy. Young people seem to like computers, many reasoned, so we'll attract them to our products by putting up Websites. Today, more than 2,000 papers in the U.S. are online. Less than half of these are daily newspapers; the majority are community newspapers that come out less frequently and are targeted at small audiences.

The cost of putting up a site varies depending on how much is posted each day. Small-market papers generally post a

limited number of stories supplemented with automatically updated wire-service reports. With little interactivity and no original breaking news, these sites don't require large staffs or budgets to keep going. Larger papers, however, have made enormous investments in the Internet, and are requiring more from their employees in return. Sites like NYT.com (*New York Times*), LATimes.com (*Los Angeles Times*), and Boston.com (*Boston Globe*) are extensive, interactive powerhouses that offer more features and content than their printed versions. One of the most expensive sites, WashingtonPost.com, holds online contests and offers live chats with its reporters and celebrities. Additional content requires more staff—programmers, news “producers,” ad salespeople, and the like. The *Post*'s site features “PM Extra,” an afternoon online edition, which necessitates reporters writing original articles for the Web on top of covering their usual print beats. Last year, *Post* Managing Editor Steve Coll even said that reporters would soon have to start doing what's called multimedia reporting: collecting video and audio clips to augment stories on the site. The Newspaper Guild put a stop to that idea, at least for now.

Since the Web is always “on,” papers with large enough budgets to support extra reporters and editors can be freed from the confines of evening deadlines. More than 20 percent of newspapers routinely allow their Websites to scoop their print editions, according to a study by the communications firm Middleberg & Associates.

The biggest problem facing newspapers' Internet ventures is that of the bottom line. The sites of major metropolitan dailies have racked up millions in losses. In 1999, the

New York Times Co.'s online unit had a operating loss of nearly \$22 million on revenues of just over \$30 million. For 2000 the company projects losses up to \$6 million. The *Wall Street Journal* reported in February that the Washington Post Co. various Internet ventures lost roughly \$6 million last year. Before proposing to buy the parent company of the *Los Angeles Times* earlier this year, Tribune Co. predicted its online losses for 2000 would be between \$40 million and \$45 million on revenues of \$30 million. With the highly visited (and expensive) LATimes.com added to the mix, the losses will only increase.

The most successful business model for a large-circulation paper appears to be that of the *Wall Street Journal*, which charges site visitors an annual access fee of \$29 or \$59 depending on whether they subscribe to the print edition. Founded in 1996, WSJ.com now has 375,000 paying subscribers, about one-third of whom subscribe in print, according to Richard Tofel of Dow Jones & Co., the parent company of WSJ.com. Even with subscription revenue the site isn't profitable. “It was on course for profitability in 1999, and was actually profitable for the month of September, when we made the decision to ramp up investment in order to grow subscriptions and market share,” Tofel says. Other news sites that have attempted to charge for access—the *San Jose Mercury News* and *New York Times* (for overseas readers) being the most prominent—had to abandon the idea before long as readers bailed out in droves.

Other than WSJ.com, which provides detailed information aimed at a specific market, it is unlikely that the fee-for-access model will be revived anytime soon. Media critic Jon Katz, a former writer for *Wired* magazine and now a frequent contributor to the technology site Slashdot.org, notes that even requiring readers to register per-

onal information—let alone charging a fee—in exchange for access to news drives potential readers away. Newspapers “don’t get” that constantly updated news is all over the Web, Katz says. “I think the long-term prospects for papers are pretty weak because people aren’t going to spend a lot of money for news online when they can get so much stuff for free.”

“No one seems to have really figured out the revenue model here,” admits John Kimball, chief marketing officer for the Newspaper Association of America, which represents more than 2,000 papers. He is quick to note, however, that newspapers are not the only Internet companies showing huge losses. “I don’t think that anybody that I know of has particularly figured out the ultimate answer,” he says. “And like everything else [on the Web], there probably isn’t a single answer.”

Another threat to newspapers’ bottom lines is Internet classified ads. Portals like Yahoo and targeted-subject sites like Monster.com for help-wanted ads have classifieds that can be searched at the touch of a button, so why should people continue to place or read classifieds in papers? “That keeps newspaper publishers up at night,” says Kimball. “Clearly some of the high-tech jobs are now only being advertised online—they’re not even using newspapers.” He notes, however, that thus far print classified and display advertising revenues have not been hurt, partly because dot-com companies are buying ads in old mediums to introduce the public to their new Web addresses.

Online ad revenue is growing, too, but not nearly fast enough to fill the Web development money pit. The latest trend is for newspapers to consider holding IPOs for their Internet properties. Earlier this year, the New York Times Co., which runs NYT.com, Boston.com, and several magazine sites, announced a plan to spin off its Web properties into a tracking stock. Expected to raise up to \$100 million, the deal is awaiting approval from the Securities and Exchange Commission. Tofel of Dow Jones says his company is now “exploring the possibility” of issuing a tracking stock for its Internet ventures, with a decision to be made in “coming months.” And in early March, Knight Ridder, owner of 31 daily papers, consolidated its interactive proper-

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ties under the name KnightRidder.com, a move which industry analysts see as a prelude to an IPO.

Holding an IPO has several benefits: It rids the parent company of a perpetual money-losing division, and can even reward worker-shareholders by transforming them into wealthy (on paper, at least) members of the dot-com elite. Presuming Internet newspaper IPOs follow the trend of recent Net stock launches, huge amounts of capital can be raised to fund expansion plans, even though the businesses have no near-term projections of profitability.

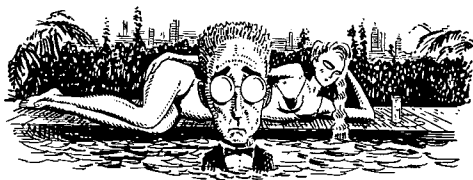
Money spent on Internet development has paid off in one way—interest in online papers is booming. More than 1 million unique users visit LATimes.com monthly, according to Media Metrix, an Internet market research firm. NYTimes.com and WashingtonPost.com are read by around 2 million a month and USAToday.com is closing in on 3 million. All these sites have seen increased traffic over the past year, with NYT.com up 27 percent. The downside? Some enjoy accessing their hometown papers on the Web so much that they’ve canceled their print subscriptions.

Chicago Tribune columnist Bob Greene experienced this phenomenon first-hand earlier this year when he asked readers of his column on Tribune.com to e-mail him. “Why should I pay for a paper every morning when I can read just what I want for free,” one reader wrote. “I have no idea why newspapers are doing this—but I love it!” wrote another. “I can read great papers around the country without leaving my house, and it costs me nothing.” There is more than anecdotal evidence to confirm

this trend. In early 1999, Forrester Research reported that “surveys show...ten percent of online consumers have canceled a print subscription because they can get the information for free online.” The trend will only worsen as newspaper sites add content and improve presentation. More alarming is the evidence suggesting that former print readers who’ve moved to the Web are a key constituency that newspapers can scarcely afford to lose. “It wasn’t that the number [writing about having canceled] was so large—it was that these were people who really love to read newspapers,” Greene says of the e-mail he received. Those “who are canceling their subscriptions are not doing it because they don’t like our papers—they’re doing it because they like newspapers very much, and are taking us up on our offer to read us for free.”

Media critic Katz also recognizes the bind newspapers have gotten themselves into: “The danger that papers face right now is if they in fact put out Websites that are timely, useful, and commercially successful, then they can only do that by committing suicide. If the Websites ultimately work, then the newspaper has to go. If they don’t work, you’ve basically spent a lot of money. So it’s kind of a lose-lose model.”

Forrester Research describes the Internet as merely “the most recent shock” in a long line of challenges to the industry this century. Accepting that the Internet may threaten market share more than radio, television, and cable TV could take time. “I don’t happen to be one who sees 20 years from now that there won’t be any newspapers,” says the NAA’s Kimball. “It seems to me that people are not going to want to simply sit in front of a screen and gather all of their information that way.” Those on the front lines seem to agree. A 1999 Middleberg & Associates survey revealed that just 6 percent of newspaper and magazine editors believe their companies will stop publishing a print edition and go completely online someday. Jay Harris, chairman and publisher of the San Jose Mercury News, is confident also. In late March, he reassured colleagues gathered at an industry function that the Internet is no threat to business as usual: “I believe I will be selling many tens of thousands more newspapers ten years from now than I am today.” Of course, it’s his job to believe that. ❀



by Benjamin J. Stein

Canary Yellow

It's an overcast, miserable afternoon here in gilded Los Angeles. As usual, I have a flu of some kind. I think I've had this flu for twenty years. Despite it, I get quite a lot done, although never enough.

Anyway, I awakened a few nights ago and turned on the TV. There, on beloved Fox News, was a clip of Al Gore speaking at a black church in upstate New York, I think it was. Al Gore was imitating a black street preacher's cadences and rhythm. This St. Albans and Harvard boy was trying to sound like Al Sharpton. And what was he saying? That George Bush was a racist and a divider of men against themselves on the basis of race. Gore asked blacks to help him stem the tide of racism and Confederate flag waving white skin privilege evil that he, Gore-as-Al Sharpton, saw coming from the Bush campaign.

But wait a minute: Who's the divider here? Who's the race baiter? Sure sounds to me as if it's none other than our boy Gore. Bush never tries to stir up whites against blacks. But Gore endlessly tries to con blacks into thinking that Bush is a Klansman. This is really sickening racism. Bush is the least racist man on the national scene. He includes blacks and Hispanics in everything he does. Absolutely everything. Never mind. The Gore camp will do anything to win this race. It's shameful and so, in the middle of the night, I called the Bush camp to volunteer my services.

I reached a man who, after several days, called me and asked me to speak at UCLA at a get-out-the-vote rally. I agreed

to go to speak on behalf of the governor, and with Yaniv, my bodyguard, in tow along with my investment guru, Ken Hensley, off we went.

The event was at a medium sized hall mercifully near a parking garage. There were young people milling around, many of them carrying video cameras or microphones. I guess no one ever uses a pen anymore. A whole raft of people wanted to interview me for this or that network or Website and I mostly obliged. As I was being interviewed by a particularly strange-looking group of students from outer space, who should appear before my eyes but Mary Muff Maguire, my beautiful former nutritionist. I knew she was back at UCLA studying to be a pundit, but I certainly did not expect to see her during a random visit to crowded campus. She was in fatigues and her hair not done, but she still looked well and seemed quite cheerful.

I vamped for a while, feeling really ill, and then went on stage and said I liked Bush because he seemed comfortable in his skin, had a good sense of humor, and wanted less government, not more. I also said he wanted to bring people together, not divide them on the basis of race, and I felt sure that he was a healer.

A young woman stood up and asked me a long question that she read for page after page from a small white pad. The woman had hideous, matted hair and a snarling look on her face. "Farbissina" is the Yiddish word for it, meaning kind of angry and cagey and pretending to be a victim while really being an aggressor, if I understand it right, which I may not.

The "question" was basically this: If I, the young woman, am going to school, why do I have to pay for it? Why can't I just have all my expenses paid by the tax-

payers and study for as many years as I want, any subject I want, at taxpayer expense?

I started to tell her that an education is acquiring a capital asset mainly of use to the acquirer, although also of use to the society at large. Taxpayers and voters had made a decision that they would pay for some of it but because the benefit went mainly to the student-graduate, he or she should also pay for it. As to the loans the student had to pay off, well they were just like loans for buying a drill press or a server—a capital asset that would pay for itself over time.

She was having none of it. While I stood there or sat there wondering why I was there, the woman went on saying that education was a "right" and why shouldn't she be paid for studying so she could buy a house when she was done with ten years of higher education the way a woman in the work force could do?

The audience applauded her and suddenly it dawned on stupid Ben Stein: Of course these kids want the state to subsidize their existence. Tobacco growers want subsidies. Wealthy stockholders want cuts in the capital gains rates. Potential heirs want cuts in the estate tax. People want money from the state and they want someone else to pay for it.

I thought of trying to tell these kids that they were just a special-interest group looking for handouts like any other, but they wouldn't have believed it. They really think they are special and deserve to be treated as if they were little angels sent down from on high. Like all other special pleaders, they come to believe their own propaganda about their moral superiority and just deserts. I started to answer but I was met with a series of questions about why is Bush so mean to drug users,

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