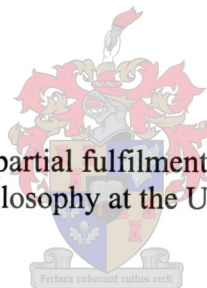


# **The role of newspaper websites in the British regional press with reference to South African realities**

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I, the undersigned, hereby declare that the work contained in this assignment is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

## **Abstract**

The World Wide Web should become more important as technology advances.

Because people use the Web differently to traditional media, media companies should investigate the new medium to fully reap its benefits and to understand its future impact on their revenue streams.

British media companies have co-operated and invested heavily in the Internet for years and continue to do so through content portals, typically websites for their newspaper titles.

They initially did so to protect themselves from entrepreneurs who potentially threatened their classified advertising revenues with Web-only classified advertising directories. Classified advertising works better on the Web.

A newspaper's website seems to have no adverse effect on its circulation. Via their websites, newspapers can reach and market to people who would otherwise not buy them.

British advertisers are spending more on advertising online and on advertising in the regional press.

Rapidly expanding Newsquest is the second-largest British regional publisher. Its management structure is hierarchial and it aggressively controls costs.

Although the digital media department of Newsquest (London) has some flaws (notably when it comes to communication with other departments), its strategy is generally sound.

Newsquest's newsrooms are multi-media and all journalists contribute to and maintain newspaper websites.

Most of Newsquest's Internet revenue comes from charging classified advertisers more for uploading their adverts to the websites. The adverts are listed in *Fish4*, a classified advertising database maintained by most UK regional publishers.

Whereas Newsquest's regional policies are generally sound, national plans and software programmes are often not suitable for such a devolved corporation.

Newsquest's strategy of aggressive cost control by underpaying staff (and hence often not being able to retain top performers) jeopardises its classified advertising revenues, as the competition it faces on the Web is larger than in traditional circulation areas.

Greater automation is necessary to bypass shortcomings and errors made by low-performing staff.

*The Watford Observer's* website is operated similarly to a free newspaper. Newsroom staff are encouraged to take ownership of it and emphasis lies on convincing online readers to buy *The Watford Observer* in print.

The website plays an important role in marketing the newspaper and mainly generates profit by providing added value to advertisers.

The newspaper's circulation has been falling for some time and some senior managers ascribe this to the Internet. By means of a home delivery system that allows people to subscribe to the printed newspaper online, circulation could be boosted through the website. The current subscriptions model is ineffective.

With the exception of Caxton/CTP, some major South African media companies with regional titles follow a pro-active newspaper website strategy.

Although there is a critical mass of wealthy consumers and technological development is sufficient, government telecommunications policy and the telephone operator's monopoly seriously undermine Internet use and media companies' profits from it.

As technology advances (portable, fold-up displays are not far off), newspaper content may in future be displayed exclusively online. This is problematic, as display advertising is ineffective on the Web.

Newspaper publishers could acquire mobile telephone operators and Internet service providers to control these developments.

Newspaper companies must (and many do) accept they need to be multimedia publishers in the future.

South African media companies are forced to maintain low-key Internet operations until government telecommunications policy changes. Newsquest's online business model is an example what could potentially be achieved.

## **Abstrak**

Die web behoort belangriker te word soos tegnologie vooruitgaan. Omdat 'n mens dit anders gebruik as tradisionele media, behoort mediamaatskappye die nuwe medium te ondersoek om volle voordeel daaruit te trek en die volle impak daarvan op hul lopende inkomste te verstaan.

Britse mediamaatskappye het saamgespan en het jare lank in die Internet belê deur die handhawing van inhoudsportale en, meer spesifiek, koerantwebwerwe.

Oorspronklik het hulle dit gedoen om hulself te beskerm teen entrepreneurs wat moontlik hul persoonlike advertensies met web-gebaseerde persoonlike advertensiegidse sou bedreig. Persoonlike advertensies werk beter op die web.

'n Koerant se sirkulasie blyk nie benadeel te word deur sy webwerf nie. Deur hul webwerwe kan koerante mense (ook vir bemarkingsdoeleindes) bereik wat andersins nie die koerant sou koop nie.

Britse adverteerders bestee meer aan aanlynadvertensies en adverteer toenemend in die streekspers.

Newsquest groei vinnig en is die tweede-grootste Britse streeksuitgewer. Die maatskappy het 'n hiërargiese bestuurstruktuur en beperk agressief bedryfskoste.

Al het Newsquest (London) se digitale mediadepartement foute (veral wat kommunikasie met ander departemente betref), is strategie in die algemeen goed.

Newsquest se nuuskantore is multimedia en alle joernaliste dra by tot die inhoud en onderhoud van koerantwebwerwe.

Newsquest verdien sy meeste internet-inkomste deur meer te vra vir aanlyn-persoonlike advertensies op sy werwe. Advertensies word dan in *Fish4*, 'n persoonlike advertensie-databasis, wat deur die meeste Britse streekskoerantuitgewers gebruik en versorg word, aangebied.

Al is Newsquest se beleid op streeksvlak oor die algemeen goed, is nasionale planne en sagteware-programme baie keer nie toepaslik vir so 'n gedentraliseerde maatskappy nie.

Newsquest se strategie om agressief koste te beheer deur werknemers lae salarisse te betaal (en as gevolg daarvan dikwels nie top-presteerders te behou nie), stel sy persoonlike advertensie-inkomste in gevaar omdat die mededinging wat die maatskappy op die Internet in die gesig staar groter is as op tradisionele sirkulasie-areas.

Groter outomatisering is nodig om tekortkomings en foute, wat deur sleg betaalde en onderpresterende werknemers veroorsaak word, te omseil.

*The Watford Observer* se webwerf word soos 'n gratis koerant bestuur. Joernaliste word aangespoor om besit daarvan te neem en 'n klem word daarop geplaas om aanlyn-lesers te oortuig om die koerant te koop.

Die webwerf speel 'n belangrike rol in die bemaking van die koerant en verhoog hoofsaaklik wins deur waarde by te voeg by persoonlike advertensies.

Die koerant se sirkulasie val al vir geruime tyd en sommige senior bestuurders skryf dit toe aan die Internet.

Deur 'n afleweringdiens wat mense die moontlikheid gee om aanlyn in te teken vir die gedrukte koerant, kan sirkulasie egter deur die webwerf verbeter word. Die huidige intekenmodel in ondoeltreffend.

Met die uitsondering van Caxton/CTP volg sommige Suid-Afrikaanse mediamaatskappye met streekstitels 'n pro-aktiewe koerantwebwerf-strategie.

Hoewel daar 'n voldoende aantal welvarende tegnologiese en verbruikersontwikkeling is, ondermyn die regering se telekommunikasiebeleid en die telefoonmaatskappy se monopolie ernstig Internetgebruik en mediamaatskappye se wins daaruit.

Soos tegnologie vooruitgaan (byvoorbeeld draagbare, opvoubare skerms), mag koerantinhoud in die toekoms dalk uitsluitlik aanlyn aangebied word. Dit is problematies, omdat gewone advertensies ondoeltreffend op die web is.

Koerantuitgewers mag dalk selfoonoperateurs en Internet-diensverskaffers aankoop om hierdie ontwikkelings te beheer.

Suid-Afrikaanse mediamaatskappye is gedwing om lae vlak Internet-bedrywighede te handhaaf totdat die regering se telekommunikasiebeleid verander. Newsquest se aanlynmodel is 'n voorbeeld van wat bereik kan word.

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# 1. Research subject

## 1.1 Rationale

The World Wide Web should undoubtedly become more important as technology, at the moment the only obstacle in the way of its greater success, becomes more advanced.

In his book *Designing Web Usability*, Jakob Nielsen writes:

“Users get 50 percent faster Internet bandwidth every year. In five years, high-end users will have the required sub-second response times to navigate the Web freely. In ten years, all users will have good bandwidth. Also in ten years, it will be possible to stream good quality video across the Internet. [...] High-resolution monitors with 300 dpi graphics exist and have the same readability as paper. I [...] predict that high-end users will have good screens in five years (maybe 200 dpi) and that all users will have good screens in ten years” (1999: 373).

Low resolution screens are currently a problem, as people read 25% slower on today’s screens than on print, making it inconvenient to read too much online (Nielsen, 2000: 101).

Should newspapers and magazines one day be published on light, thin, roll or fold up and high quality, portable screens (with a resolution that rivals that of print), accessing web pages over their mobile phones or PDAs. This researcher believes the web may one day replace paper as a carrier medium for newspapers and magazines in developed countries and in the higher – generally most desired by advertisers - income groups in developing countries (Du Bois, 2003: 5).

Up to now computer screens have not replaced paper, but as hardware is ever-improving, this researcher believe this may one day be the case. The newspaper may one day be exclusively displayed electronically, or the Internet may become an interface which combines all the other media. It is possible to read print, watch videos and listen to audio on a website (Du Bois, 2003: 5).

Classified advertising may very well one day be the driving force behind local newspapers’ metamorphosis from print to website. It is classified advertising which generates most revenue in local newspapers and it works far better on the Web than in print because people can use search engines on classified advertising websites to find the exact items they want (Nielsen, 2002).



The problem that online display advertising is not bearing any significant fruits has still not been resolved though, as online banner adverts are still not effective. Its excellent suitability for display advertising may be what will in the end keep newspapers and magazines published on paper (Du Bois, 2003: 5).

The regional newspaper industry should investigate how newspaper websites will transform the regional press so that measures can be taken to ensure future market dominance (Du Bois, 2003: 5).

The World Wide Web is a very young medium and in terms of media management still relatively unexplored. Its full potential is often not exploited, even by major media companies. It is essential to journalism and media management that the new medium (and the possibilities and opportunities it presents), which will certainly become vastly more important as technology progresses, is researched thoroughly in its own right (Du Bois, 2003: 5).

A look at the websites of regional newspapers in the United Kingdom convinced this researcher that Newsquest, especially its London division, has some of the most advanced newspaper websites. The company is the second-largest regional publisher in the United Kingdom. It is thus an excellent subject for a case study (Du Bois, 2003: 6).

## **1.2 Theoretical framework**

At the time of the dot.com boom (in the second half of the 1990s), it became fashionable for newspapers to establish their own websites. At the same time, especially in the case of the local press, it became necessary to establish websites to protect classified advertising revenue:

“The Internet provides a cost-of-entry factor which is far lower than that of newspapers, however small. Thus categories of advertising such as Motors, Property and Recruitment (60 per cent of classified income) are at risk from entrepreneurs who create niche market services” (Beamish, 1999: 152).

Large regional British publishing houses have invested substantial resources in newspaper websites and continue to do so. This study aims to give insight into the reasons for the continued investment of substantial company revenue into the establishment and maintenance of newspaper websites (Du Bois, 2003: 6).

A case study of the synergy strategy between a local newspaper (*The Watford Observer*) and its website shows how a typical regional newspaper newsroom functions in the early 21<sup>st</sup> century.

The dissertation also looks at possible future developments as far as technology is concerned and examines the state of online regional publishing in South Africa.

Finally, this assignment makes recommendations as to how South African media companies should best deal with newspaper websites for their regional titles.

This researcher chose to centre his research around the Newsquest Media Group, the United Kingdom's second-largest regional publisher (s.n., 2003 VIII). As a full-time employee of the company, this researcher had almost unlimited access to company data and personnel for interview purposes.

In addition, this researcher's work as digital news producer taught him much of the necessary insight that allowed him to describe processes and procedures, as well as to make educated statements on some aspects of the company's digital operations he had to do with in the course of his work. He believes that, due to the nature of his work and first-hand experience, he is one of the most knowledgeable sources when it comes to the working relationship between the Newsquest (London) digital media department and a typical Newsquest newspaper as well as editorial policy as far as the newspaper websites are concerned. Hence in some places (notably in chapters five and six) he has written freely as a credible authority on the field to the benefit of this assignment, which should be clear by the lack of referencing.

### **1.3 Literature study**

The earliest research on the online activities this researcher came across was conducted by Richard Beamish (1998). He devoted one chapter in *Making the Local News: Local Journalism in Context* to it. The book unsurprisingly only touches on the most important aspects of the research topic in its early stages.

Despite pessimists' views, British local newspapers continue to thrive in the age of multimedia. In fact, they have embraced the Internet and most newspapers have launched their own websites. The British regional press realised early on that it must embrace the Internet, co-operate and dominate it to protect its regional classified advertising share (Beamish, 1998: 140-143).

The major author on the World Wide Web is certainly Jakob Nielsen, who has written several books, published in the United States, and articles on the subject (1998, 2000, 2002). This researcher believes much of what he has written about Web content and advertising can be applied directly to newspaper websites.

By means of micropayments, internet service providers can charge users a tiny sum they visit a website. This, argues Nielsen, would be good for the web because once people would be paying directly for all content they view, content would become more user-directed (Nielsen, 1998).

Nielsen has set guidelines for how websites should be designed to result in maximum benefit for the user. He also evaluates currently operational websites, as well as makes a prognosis for the future (2000: 4-397).

He believes that apart from classifieds, advertising does not work on the Web because the medium is too user-driven (Nielsen, 2002).

Other British books on the subject, like Mike Ward's *Journalism Online* (2002 I), for example, predominantly deal with the presentation of journalistic content on the World Wide Web but not, however, with any media management dimension of online journalism.

He writes on how the Internet has affected journalism and how journalistic content should be presented on a Web page. It also deals with how journalists can use the Internet to gather information and how stories should be written and constructed online (Ward, 2002 I: 1-208).

Very useful material on online newspapers in general terms stems from the United States. Websites like that of the *Online Journalism Review* (2002) publish articles on the state of online advertising, for example.

Gates writes newspapers must move away from letting themselves be defined by "paper", but instead by "news". In an age of convergence, media companies need to be multimedia companies to continue prospering (2002).

The most recent research on British regional newspaper websites specifically has been carried out by The Newspaper Society (2002, 2003), an organisation established by editors and publishers of regional newspapers to research the new medium, and Pressflex. In their literature, both organisations give background information and shed light on the reasons for media company's online activities (s.n., 2002 IV and s.n., 2002 I).

The Newspaper Society's work, carried out by Netscalibur, summarises the development and current state of regional online publishing in the United Kingdom. It outlines the relationship

between publishers' online operations and their core newspaper brands. It describes how online communities are created and how the brand is extended beyond a newspaper online. It describes how to best cash in on the expat factor, outlines future investment preferences and how to protect the brand value (s.n., 2002 IV and s.n., 2002 I).

Pressflex's research refutes any claims that newspaper websites decrease the circulation of their printed parent titles. Print and online readership is often different. Instead of adversely affecting circulation, newspaper websites actually increase it by boosting brand value and giving readers the opportunity to the printed newspaper subscribe online (s.n. 2002 I).

#### **1.4 Definitions**

It is important to define several terms that are used frequently in this document.

Both the "Internet" and the "Web" are referred to frequently, yet they are not the same thing.

In *Journalism Online*, Mike Ward writes:

"The Internet is not just the World Wide Web. There has been confusion in the past between the Web and the Internet. They are not the same thing. At the risk of oversimplification, the Internet is the infrastructure that allows computers to talk to each other throughout the world. The Web is the interface that allows people to exchange data, text, pictures, graphics, audio and video on the Internet" (2002 I: 10).

The Internet is the "information superhighway" which hosts websites and facilitates e-mail. Newspaper websites are specifically part of the World Wide Web; the Internet is the interface that allows us to interact with them.

The "British regional press" is the part of the British newspaper industry that focuses on a specific geographical area of Great Britain both in content and distribution and hence excludes national newspapers like *The Guardian* or *The Times* that are nationally distributed and focus on events of national and international importance. Both newspapers that deal exclusively with local events, as well as those that deal with regional as well as some national events are included in the category.

Another important term is "bandwidth". According to hyperdictionary, it is:

"a data transmission rate; the maximum amount of information (bits/second) that can be transmitted along a channel" ("Bandwidth", 2003)

## 2. Background

### 2.1. A brief history of the World Wide Web

Sir Tim Berners-Lee created in 1980 what would later grow into the World Wide Web to help him remember connections between various people and projects at the CERN particle physics laboratory in Geneva. A few years on, the project had become so successful that he envisioned a global information space where information stored on computers everywhere was linked and available to anyone anywhere, using the infrastructure of the Internet and the language of Hypertext.

“Hypertext would allow any document in the information space to be linked to any other document. The Internet would allow those documents to be transmitted” (s.n. 2003 VIII).

A few years later, Berners-Lee invented HTML code and the first Web browser which would display the code on a website.

“In 1991, he made his World Wide Web browser and web server software available on the Internet and posted notices to several newsgroups[...]” (s.n., 2003 VIII).

People soon began to realise the advantages.

“As the number of users on the Web grew it became more attractive as a medium. Scientists, who were already used to sharing information on the Internet, began to embrace the Web. It was easier to post information on the Web once than reply repeatedly to multiple requests for the same data. They also no longer had to worry whether or not the other scientists used a different operating system. Government agencies who had responsibilities to make their information public also began turning toward the Web” (s.n. 2003 VIII).

In the United Kingdom, the first newspaper to establish its own website was *The Daily Telegraph* with its *Electronic Telegraph* website (s.n. 2003, II).

In those days, the understanding of the new medium was very limited and nobody envisaged newspaper websites to be more than an electronic replica of the printed product. The approach was very much the same as with early television programmes where the screen was filled by footage of a person reading prepared text from a sheet of paper, the same as it had previously been done in radio. Only once people had gotten to know the new medium did they develop it further and realised how its key advantages could best be used to benefit the audience. Initially, people had used television the same way as they had used radio. Similarly, they initially used the Web the same way as they had used print (Beamish, 1998: 141).

Many if not most newspaper journalists believe making news available free online would jeopardise sales of a paid-for newspaper. Pressflex, a research organisation for newspaper publishers, however, believes differently:

“While conventional wisdom suggests that newspaper Websites cannibalise print circulation, the analysis of circulation at 236 French newspapers with a web site outperformed its siteless peers between 1999 and 2001, a period in which French Internet usage soared” (s.n., 2002 I).

## ***2.2 The UK regional newspaper industry***

The local or regional newspaper industry in the United Kingdom is massive:

“Nine out of ten adults continue to read a local or regional newspaper each week with 1,400 newspaper titles circulating or distributing across the country as part of a £5 billion industry employing 35,000 people” (TGI, 1996 and Newspaper Society 1996a in Beamish, R: 1998).

Regional titles abound. Newsquest, for example, which is the second-largest regional publisher in the United Kingdom, publishes over 300 weekly and 17 daily regional newspapers (s.n., 2003 VIII).

### **3. When and why? The development of online publishing in the UK regional press**

#### **3.1 *The early stages***

It was the *Bucks Free Press* (a regional weekly for the English county of Buckinghamshire) that developed the first, regularly updated regional newspaper website in 1994 (Beamish, 1998: 141).

In its early stages only offering general and sports news, the website now offers everything from local weather, specialist articles and columns to a feature that allows people to book classified advertisements online that will appear in the printed newspaper and on the websites. The newspaper is now owned by Newsquest, is its largest weekly newspaper website in terms of audience and won the Newspaper Society's 2002 Weekly Newspaper Website of the Year award (s.n., 2002 VIII).

When the first newspaper websites were launched,

“no-one seemed to believe that an online paper should be more than a replica of the printed version” (s.n., 2002 IV).

Today, there are far over 1,000 newspaper websites in the United Kingdom (s.n., 2002 IV) with most of them offering significantly different and in many cases more content than their printed parents.

#### **3.2 *An unlikely business model***

When once asked what the business model for his online news operation was, BBC News Online director Bob Eddington told American journalists:

“Well, here's my business model. We spend a lot of money to collect a lot of data. Then we make it available free on the Web, for anybody to consume, and we don't make any money out of it” (Ward, 2002 I: 1).

While this undoubtedly makes sense for a public broadcaster who receives the gross of its revenue from television licence fees, what would encourage corporations that have profit-making as their main goal to pour millions into their digital operation?

### **3.3 Crisis control**

The biggest factor in establishing newspaper websites was basically a recognition by the UK regional press that it could use its advantages to ensure that it dominates the new medium. Richard Beamish writes:

“No one can match the regional press when it comes to its brand (trusted within its circulation area), its ability to gather, sort and reissue information, and its advertising effectiveness as a medium. The way to protect this franchise is to ensure these newspapers stay ahead of the game; if regional publishers with their considerable information-gathering resources can offer electronic services, nobody else will get a look in” (1998: 141).

According to Beamish, the industry realised something had to be done:

“The key year was 1993. A number of chief executives of newspaper groups were expressing concern that the Internet presented itself either as a huge opportunity or a real threat, but no one knew enough to decide which. At the same time the European Commission published a report on new media (Commission of the European Communities, 1993) which argued that ‘reading a newspaper would no longer be regarded as an indicator of intellectual activity by the year 2000’” (1998: 141).

Media managers realised they needed to know more and the industry put together a research fund of over £100,000. A group of chief executives of several regional publishing companies visited the United States to see how regional newspaper publishers with websites dealt with the new phenomenon there. In 1995, regional newspaper publishing industry’s jointly funded consultants published their first report in August 1994. *The Multimedia Revolution* provided an overview of new media development. It included scenaria for the future and recommended several ways publishers could deal with new media (Netscalibur, 2002: 5).

The report argued that Video-On-Demand that allowed the sending of video and audio along regular copper cable was the way forward. With time, however, it became ever clearer that people would not be prepared to pay for the necessary decoders and that the World Wide Web was a better-suited medium to deliver an electronic version of newspapers.

“Initial investment online was characterised as much by a negative strategy to defend revenues from classified ad sales as it was by any greater vision of the Internet as a source of new untapped revenue” (s.n., 2002 IV).

McCaffrey (2003), managing director of Newsquest (North London), believes that, taking everything into account, it would probably have been best for the regional newspaper industry if the Internet had never been developed. In terms of opportunities, a lot of new audience has been won by making the digitised content (all newspaper content is entered in



digital form before it appears in print) available to what is often a different group of people than those who read the newspaper.

### **3.4 Classified advertising**

“The Internet provides a cost-of-entry factor which is far lower than that of newspapers, however small. Thus categories of advertising such as Motors, Property and Recruitment (60% of classified income) are at risk from entrepreneurs who create niche market services” (Beamish, 1998: 151).

Media companies’ investment shows they were well aware of the dangers the new medium held for their businesses:

“UK publishers’ expenditure on Internet operations to date has been massive. Regional publishers in particular made huge investments in their rush to protect annual revenues from classified print advertising alone of £1.9 billion, accounting for nearly 70% of their traditional revenue streams” (s.n., 2002 IV).

In 1997, in an attempt to protect their vested interests, several regional newspaper publishing groups founded AdHunter UK Ltd.

Trinity International Holdings, Newsquest Media Group, Northcliffe Newspapers Group, Johnston Press, United Provincial Newspapers, Bristol United Press and the Guardian Media Group, at the time representing about 60% of the circulation of the UK regional press and about 70% of its advertising volume, all pooled their resources (Beamish, 1998: 150).

Beamish also states:

“The unique feature of ADHunter, however, is not that it covers all of the largest regional newspaper groups, or that it represents such a high proportion of the market. It is that the consortium is an open one, one of the basic principles being that additional members of the regional press are invited to share the benefits of ADHunter as subscribers. [...] The seriousness with which the consortium members viewed the AdHunter opportunity is illustrated by the fact that the initial publicity campaign was worth over £1 million” (1998: 151).

In the meantime, AdHunter has been rebranded as *Fish4*.

Beamish writes:

“The main problem with Internet services is finding ways of achieving a return on the investment. If the action in developing the site is purely defensive (i.e. to keep predators away) then perhaps this is not so important, but more publishers are looking for a return as part of the process of moving from a print-based to one focusing on content” (1998: 145).

Indeed, searchable classified databases on the Internet do create additional revenue by

“increasing income from private and trade advertisers as a result of adding value by placing their advertisements on the Internet; selling pre-prepared templates to car dealers, recruitment and property service providers [and] by developing Internet page design services. [...] Such a database is a good example of the regional press working together in its own interests, recognising that the real opposition is not from rival titles but from alternative media with lower start-up costs who seek to nibble away at their franchises” (Beamish, 1998: 153).

In fact, classified advertising simply works much better on the Web than it does in newsprint. Just type what you’re looking for into a classified advertising website’s search box, and within seconds the search engine will deliver results from a database that could contain millions of listings, much more than could be listed in any one individual newspaper.

Web guru Jakob Nielsen even calls classified advertising

“the only kind of ads that is a perfect match for the web” (2002).

### ***3.5 The myth of cannibalisation***

Newsquest (North London) managing director Frank McCaffrey (2003) vehemently denies any suggestion that the company’s newspaper websites could have had any negative effect on circulation. The decline in circulation in the regional press started long before the Internet existed. In addition, in the last five years - a time in which local newspaper websites have blossomed - the circulation of paid-for weekly newspapers has increased, compared to the years before that.

Digital Media (London) office manager Phil Crowther argues that the economic model of making news available on the Web is perfectly compatible and an extension of the strategy behind publishing free newspapers (Du Bois, 2002: 8).

While this may be obvious for free newspapers, many if not most newspaper journalists believe making news available free online would jeopardise sales of a paid-for newspaper. They believe people are too miserly to spend the 30 to 40 pence (less than the price of a soft drink) a weekly newspaper costs by accessing the content online instead.

In some cases editors have even taken a hostile stance towards their websites and see them as competitors to their printed newspapers that have been forced on them by senior management. They try to keep content from the website to protect the value of the printed newspaper, as they believe (Du Bois, 2002: 8).

Crowther cites three problems he encounters with newspaper editors in the London division of Newsquest (Du Bois, 2002: 8):

“Firstly, they don’t want to give their staff more work, burdening sub-editors with the additional task of doing web uploads. Almost all editors new accept the importance of regular uploads and understand the damage it may do to their paper’s credibility if the website’s content is weak.”

Crowther regards the second problem as follows (Du Bois, 2002: 8):

“The second problem is with editors who hold back a story they believe to be an exclusive which they don’t want a rival newspaper, who will obviously be trawling their website, to pick up. It may, in some cases, be wise to put a 48-hour hold on such a story, but this may have repercussions for the website’s credibility.”

The third problem, according to Crowther, lies with editors’ fear of cannibalism (Du Bois, 2002: 8):

“The third problem mostly occurs with editors of paid-for newspapers. They believe that if you give away all the news in advance, you will sell fewer papers. Crowther disagrees with this, pointing to evidence that suggests that a newspaper with a good website will sell more newspapers” (Du Bois, 2002: 8).

The Netscalibur report agrees:

“Publishers have [...] reported that their online offerings have both supported sales of a core print publication and enabled successful brand extension. International precedents prove that cannibalism of markets for these newspapers’ own websites is a myth. Research from Pressflex (February 2002) shows that from 1999-2001 in France, daily newspapers with websites typically enjoyed circulation performances that were 0,6% better than those without websites” (Du Bois, 2002: 9).

The report also cites a spokesperson of a large regional publishing group:

“Since the Internet, the sales of our weekly titles have either stabilised or risen. People crave information for whatever reason and they will go to wherever that information is. One of the by-products is that you may go and buy the paper as well”. Another quote they attribute to a large regional publishing group reads: ‘By starting them off reading news on the site, it encourages them to buy the newspaper, and so there can be an advantage of catching the non-reader or even the person who reads the paper only occasionally. So there is a clear benefit’” (Du Bois, 2002: 9).

There also seem to be indirect benefits, such as positive implications for the brand value.

“43% of readers visit the website of their newspaper of choice on a regular basis, suggesting that online sites deepen the relationship of newspaper or magazine readers with a core print brand, adding significant value to publishers” (Netscalibur, 2002: 9).

Simon Waldman, head of digital publishing of the Guardian Media Group, is also adamant to drive a nail in the coffin of the idea that websites represent a danger to their print titles:

“If you want to reach the new generation, you have to be online. Of our UK audience, 40% are not regular readers of the print version” (Netscalibur, 2002: 9).

“Giving information away for free” that people would otherwise pay for is already done on a large scale. It cannot be denied that however high the quality of a local newspaper is, a significant amount of people will certainly buy it to look for a car, a home or a job in the classified section.

They are willing to pay for this information – yet the newspaper is giving it away free of charge on the website because it is forced to do so to prevent its competitors from making even more serious inroads into its main revenue source – classified advertising.

This researcher believes *PropertyNet*, a website that provides an enormous searchable classified advertising database, *AutoTrader* (a website that provides a vast pool of used motor car classified adverts a user can trawl) and various online job banks are a major threat to regional newspaper publishers.

### **3.6 Other advantages**

In “Cannibalisation? Au contraire!”, Pressflex argues that instead of reducing the number of copies a newspaper will sell because it makes its content available on its website free of charge, the website may actually increase circulation:

“Web sites provide substantial marketing benefits that overwhelm any print defections” (Pressflex, 2002: 2).

By giving the newspaper a Web presence, it will automatically be indexed by search engines like Google which will then direct people to the newspaper’s website and hence make them acquainted to the brand name. Traffic can easily be directed to the website. Sources include search engines, links from other sites and a widely publicised URL.

Journalistic scoops, published on the newspaper’s website, can easily show up competitors and

“online summaries of breaking news items can boost the brand name of a weekly paper and increase its exposure” (Pressflex, 2002: 2).

Furthermore, “the web taps potential readers untouched by traditional print sales channels” (Pressflex, 2002: 2):

The “typical web reader in Europe is still young, urban and tech savvy – and as such is currently less likely to read the printed edition of the newspaper. This ‘alternative’ audience is not attached to the newspaper, but finds articles via search engines when looking for news on a particular topic” (Pressflex, 2002: 2).

Because news consumption is habit-forming,

“a newspaper site’s contribution to its community’s ‘news culture’ increases the likelihood that people will buy the paper [...] and will encourage a higher level of engagement and loyalty from print readers” (Pressflex, 2002: 3).

Circulation can further be increased by giving people the opportunity to subscribe to the newspaper through the website. In its study, Pressflex found that

“among the visitors who read the print edition, 7 percent began their subscriptions after first visiting the site” (s.n., 2002 I).

Netscalibur argues that we are now entering the “third age of online publishing”. This so-called third age is characterised as

“A move towards creating communities and service delivery mechanisms to capitalise on the trust of established print publication brands, to open up additional revenue streams. Forrester Research estimates that online advertising only accounts for 25% of online marketing spend. There is still a market for selling advertising online, but increasingly, publishers will have to deliver a more sophisticated mix of services and marketing opportunities” (s.n., 2002 IV).

An increasing number of online content providers are now beginning to charge for access to their services. This is not yet done in the regional press, but this researcher believe it would not be inconceivable for an established newspaper website that publishes, for example, expert reports, columns and statistics on the local football club, to charge for access to certain parts of the website. This should be done with caution, though, as it is important that a high level of audience is maintained so that a sufficient amount of people are exposed to subscription offers and other services such as systems that allow people to book classified advertisements in the printed newspaper and on the website.

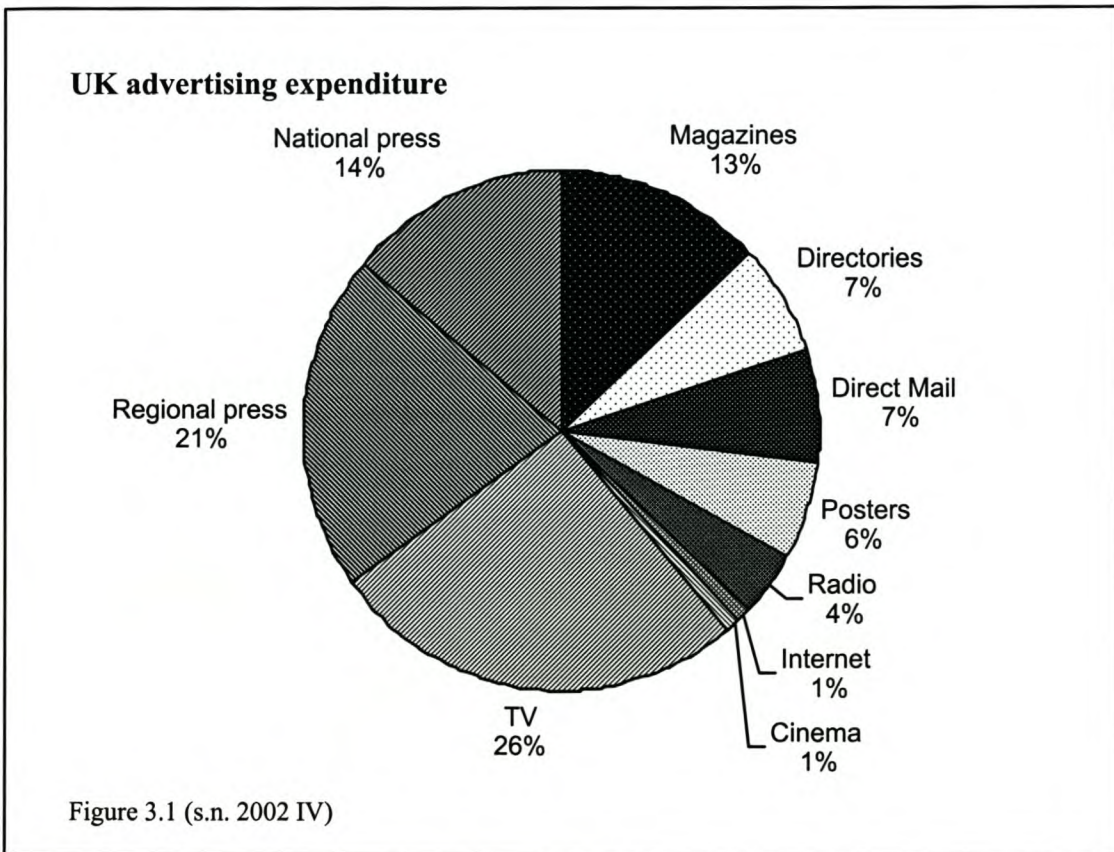
### ***3.7 Online advertising is growing in popularity***

Currently, the Internet only makes up 1% of UK advertisers’ expenditure (Figure 3.1). Things are changing, however.

The United States is taking the lead.

“[Large corporations like McDonald’s are planning] to devote more money to digital marketing, quite possibly at the expense of the millions of dollars it spends on TV commercials. [...] McDonald’s is just the latest major advertiser to step up its rhetoric about the Web. Half the top

20 online advertisers in 2002 were Fortune 500 companies – up from about two in 2000 – including Amazon.com, Estée Lauder, SBC Communications, General Motors and Barnes & Noble, according to market researcher Nielsen Netratings. [...] This is an increasingly expanding trend in the industry, said Rishad Tobaccowala, executive vice president of Chicago-based ad agency Starcom MediaVest Group. Even a minor change in advertising budgets among the world’s biggest companies could shift billions of dollars to online publishers, many of which have struggled to stay afloat after the dot-com implosion. Endorsements of online media are already helping fuel a rebound at major Net publishers and interactive agencies” (Olsen, 2003: 1).



### **3.8 More is spent on advertising in the regional press**

In Britain, more and more advertising is being diverted towards the regional press. Already, the UK regional press is taking up 21% of expenditure on advertising – only television is receiving more (Figure 3.1). Moreover, the amount spent on advertising in the British regional press has been steadily rising over the last decade:

“Regional press is the only above the line [medium] to have increased ad spend for the last decade” (The Newspaper Society, 2003).

It is likely that if there is a trend for businesses to spend more on advertising online and the amount spent on advertising in the regional press is readily growing, regional newspaper websites are destined to become ever more important in the future.

This researcher found that companies that advertise in the UK regional press don't only comprise small local businesses, but also larger corporations (like Loans.co.uk) who make deals with regional publishers to have an advertisement in several titles as to cover a large geographic area.

## **4. Case study: Newsquest**

### **4.1 Company snapshot**

The Newsquest Media Group was formed in 1996 through a management buyout of Reed Regional Newspapers from Reed Elsevier and is now the second largest publisher of regional and local newspapers in the United Kingdom.

Newsquest has since grown rapidly by aggressively acquiring other newspaper groups and was itself bought by Gannett UK Ltd, a subsidiary of the Gannett Company, the largest newspaper publisher in the United States in terms of circulation, writes Paul Thomas, an MBA student who conducted a strategic analysis of Newsquest's digital media operations (2003: 4).

The company employs nearly 9 000 people and publishes over 300 titles, including 15 daily newspapers. Altogether the company prints 10.6 million newspapers per week. In line with being a regional publisher, Newsquest is fairly devolved:

“The organisation is divided up into 13 regions, with over 70 offices and publishing centres, and covers about 50% of England with substantial interests in Scotland and Wales” (Thomas, 2003: 4).

The company's mission statement reads:

“Newsquest's objective is to have market-leading newspapers which reflect the views of the communities they serve. Our newspapers must be the authoritative source of information that readers can trust; being willing to listen but not afraid to question. Newsquest is market-led and technology-driven and with all its products – both print and electronic – the company's aim is always to provide optimum service to customers” (Thomas, 2003: 4).

### **4.2 General business strategy**

As in any company, maximising profits is the aim. Every year, Newsquest's American parent sets profit and growth targets that must be met through a strategy of rapid growth and acquisition.

As it is much harder in the relatively saturated UK regional newspaper market to launch new titles, Newsquest chooses to buy up existing newspapers and media groups.

“The suggestion is that the industry is in a decline phase, and a period of consolidation exists as the largest publishers seek an increased share of a smaller market. Hence the company seeks to



grow revenue by acquisition and increase profits by finding synergies and economies of scale in the merged organisation” (Thomas, 2003: 5).

When Newsquest acquires new titles, it immediately assesses how revenue can be increased and profitability can be improved.

### **4.3 Corporate culture**

Thomas (2003) describes the company’s leadership style as “coercive” or authority compliance management (meaning there is low concern for people and high concern for production).

He writes:

“Most managers seem to be on reasonable terms with their staff, but because of the culture of authority any discussion concerning a business issue can be seen as a managerial weakness, even though it might be the best course of action. The problem with appearing weak is that managers often seem to be determined to gain the upper hand by being seen to be invulnerable, or superior, rather than by co-operating with others. Relationships between managers at the same or different levels or in different departments can sometimes be highly combative (senior managers complain of a “back-stabbing” culture) to the detriment of both sides. The company culture at management level, however, seems to assume this is just part of the cut and thrust of doing business. It is highly unlikely that a manager would be disciplined for shouting at another during a meeting, as happens from time to time. There is no penalty for direct aggression. The consequence of the rigid, hierarchical management structure hints at a culture of (“them and us”) between staff and management. However, neither side is really motivated to change this as managers are generally happy to have a reasonable amount of power and high-performing staff who want to advance their careers more quickly simply leave the company” (Thomas, 2003: 8).

Newsquest has an excellent communication system that ensures that performance data is effectively reported up the line (Thomas, 2003: 8).

As a member of the editorial management team for *The Watford Observer* (which falls under Newsquest’s London division), this researcher observed that group editors, who double as managers of the editorial department, compile monthly reports which they then submit to the publishers. Publishers then in turn create a report for the whole business (from reports supplied to them by the group editor, the advertising manager, the circulation manager as well as the production manager) which they pass on to the managing director. He then supplies the regional managing director with a copy who sends it further up the line, ultimately reaching the chief executive and the chairman, based in London.

I found Newsquest's system to report executive decisions down to grassroots level to be flawed, however, especially when it comes to digital affairs. Most of the time even senior managers (like group editors) are not fully briefed or only given instructions and orders due to the authoritarian culture in the company. This was also one of the findings of MBA student Paul Thomas. He found that

“bad communication prevents the understanding of strategy and objectives at staff level” (2003: 9).

This researcher would describe company culture in general to be highly corporate, with many managers coming from a commercial background. Consequently, the quality of journalism is generally regarded as secondary to commercial performance and the maximisation of profits. It must be said, though, that amongst the highest-ranking managing directors there are several who come from a journalism background.

#### **4.4 Aggressive cost control**

Keeping costs to a minimum is an obvious way of improving profitability, even more so in the currently negative economic climate. The largest single source of income, advertising revenue from recruitment and jobs advertising, has dropped by at least 30% compared to recent years (Thomas, 2003: 5).

Apart from taking advantage of economies of scale created by the acquisition of a large number of titles, the biggest potential for saving lies with staff salaries. Thomas writes:

“The print and distribution businesses are people-intensive, so it follows that in a cost-saving environment where human resources strategy looks to minimise the cost of labour, staff are not highly paid. Newsquest is populated by cheap personnel engaged in fairly repetitive tasks. There is an emphasis on productivity rather than high quality, and short-term results are often of critical importance to line managers. In general the staff tend to be young and perhaps just starting out as journalists or salespeople. It is a common career path to begin in the local press, receive essential training and gain experience for a couple of years, and then move on to a bigger operation such as a national paper, radio or television” (Thomas, 2003: 7).

There is a clear rationale behind this business model:

“In this way, the company can attract talent above that which the product requires in order to be profitable, as staff work to gain experience before moving on. There is also an element of wastage here, as the extra ability of a feature writer, for example, bears very little relation to the readership of a free newspaper. Newsquest will not deliver to a larger area because the quality of writing is better. The primary concern is what will maximise the cost-effectiveness of

advertising, and as long as the editorial is “good enough” the newspaper will be credible”  
(Thomas, 2003: 8)

It should be said, though, that Thomas’ business model does not apply very well to the media group’s paid-for newspapers. They need to provide good content to motivate people to go out and buy the newspaper.

Thomas does, however, outline a critical problem with this:

High staff turnover in some departments is leaving lower-performing staff who cannot easily be dismissed. Whereas this is not necessarily a problem in the editorial operation, as high or low quality copy won’t necessarily affect sales and many of the newspapers operate as monopolies in their geographic areas, this is a problem in the advertising sales department. A bad field sales executive, for example, who is not making enough money for the business, is preventing the employment of a more effective person in his place and is directly costing the company money (Thomas, 2003: 9).

It is essential that good managers be in place to ensure that company policy is effectively applied. Newsquest identifies individuals with high potential within their first two years of their time with the company and earmarks them for management before they leave the company because of low pay (Thomas, 2003: 12). This ensures that

“The company is in an excellent position to cherry-pick the best of the leavers if positions in the management chain are available to be filled” (Thomas, 2003: 12).

Individuals are measured according to abilities such as “communicating and influencing” and “understanding the business”, as well their productivity (Thomas, 2003: 12).

## **5. Newsquest's digital business**

### **5.1 Newsquest's position in the market**

According to McCaffrey, Newsquest is doing very well in its digital business compared to its competitors. Trinity Mirror, the largest regional publisher in the United Kingdom, does not have a strategy as good as Newsquest's, as it bought the Internet bubble completely (meaning it over-invested in the early stages of the Internet) and has now, that the bubble has burst, to a great extent given up on investing online (McCaffrey, 2003).

Another regional publisher (the third largest) with a good strategy, is Northcliffe (McCaffrey, 2003).

Newsquest didn't "go overboard" in investment and has been steady in how much of its resources it has put into the digital arm of its operations (McCaffrey, 2003).

McCaffrey does think, however, that there could have been a more coherent national strategy to content management. The strategy regarding *fish4* is also different, though, as all centres seem to have different classified advertising objectives (2003).

Newsquest's digital arm accounts for no more than 5% of its total revenue (McCaffrey, 2003).

### **5.2 Broad strategy and mission**

During this researcher's time as digital news producer for Newsquest (London), he learnt that Newsquest's digital media operations are technically controlled by a central team situated in Blackburn with content provided by the more than seventy different publishing centres across the country. The servers are hosted by an outside Internet service provider.

Across the company, editorial staff in each individual centre, particularly sub-editors, copy and paste content from their desktop publishing software into the content management system to upload it to the websites.

Staff in digital media (London) have broken with the rest of the company and have developed their own browser-based content management system (which is more effective in audience growth than systems applied elsewhere in the company), creating some friction between the two centres.

I found Newsquest (London) to be pursuing a strategy of keeping page file sizes to a minimum as to maximise audience – a sound procedure based on established mainstream research in Web design (Nielsen, 2000: 46).

I found that the rest of the company does not pursue this strategy with the same vigilance. Some nationally booked, heavily animated advertisements that appear on all Newsquest newspaper websites are often designed without concern for file sizes, sometimes taking up to ten seconds to download and certainly frustrating users and discouraging them from using the website and thus leading to slower audience growth.

Thomas, a senior Newsquest (London) web developer in the department, writes:

“No explicit generic strategy has been communicated by management for the digital media operation. However, given the emphasis on developing the brands of the newspapers online, the logical preferred strategy is surely differentiation. We plan to attract customers to Newsquest websites by offering a unique combination of local news and advertising delivered in a user-friendly and fast fashion” (2003).

Newsquest seems to follow a dual strategy with its newspaper websites. One the one hand,

“it is a stated goal of digital media management to identify and justify the opportunities arising from aggregating audience into single brands – the main one of which is the “This Is” network. It is not clear how this could fit in with a differential strategy emphasising the newspaper brands, but it seems that management decided a national brand was essential for success on the web. There may be some logic attempting to create the biggest local publishing network online, as size is usually required to be competitive on the Internet” (Thomas, 2003: 7).

As was the case with fish4, media managers envisaged an approach that would take aboard all major regional newspaper publishers:

“The initial idea behind the This Is branding was to create a national network of websites under the portal [thisisbritain.co.uk](http://thisisbritain.co.uk) in collaboration with other regional publishers. The joint venture is required because the largest publishers have segmented the market geographically so that each owns papers covering at most 20% or so of the UK. One or two companies alone cannot provide enough content for convincing national coverage” (Thomas, 2003: 7).

The different company would have had responsibility for individual building blocks:

“Each publisher can then subdivide their websites by county, so Newsquest maintains [thisisoxfordshire.co.uk](http://thisisoxfordshire.co.uk) for example. This website is populated with articles from *The Oxford Mail* and its sister papers produced at the office in Oxford” (Thomas, 2003: 7).

But the strategy failed:

“How well has the branding worked? Unfortunately, ThisisBritain is no longer supported as a viable concern and only two of the original publishers, of which Newsquest is one, still provide

This Is sites. In the end, the sites diverged in look and feel so much that a coherent brand identity was impossible" (Thomas, 2003: 7,8).

It is clear that this strategy would allow regional media to make much greater inroads into the turf of other players, such as the national press. ThisisBritain would have been able to rival any other national newspaper in its news covering, presenting in-depth news and classified advertising from hundreds of newsrooms and advertising sales departments from across the country in a much more effective way than television or the national press.

Newsquest (North London) managing director Frank McCaffrey believes that the "This is" strategy is not suitable for the London division of the business. "London is different," he says, due to its greater urbanisation (2003).

The Internet opens Newsquest up to much broader competition than it usually has to deal with in its narrow regional market (Thomas, 2003: 8).

I believe on the content side, websites like the regional arm of the BBC provide competition. In terms of classified advertising, AutoTrader (a motoring magazine that also publishes its listings online), for example can now directly and aggressively target the revenue source of a publishing centre – like car dealerships in Hertfordshire – and provide a more effective service to them, presenting a huge threat to the company.

Thomas writes:

"Almost everybody on the Web is a small competitor, because the web is massive. Google indexes over three billion pages and probably misses at least 50% more. There is a wide diversity and a vast range of approaches to revenue generation which combine to make the web very competitive indeed compared to traditional media" (2003: 8).

All the large regional publishers have basically adopted the same Internet strategy

"which depends on advertising revenue mainly developed from up-selling the paper classifieds and sending them to a nationally-branded network of sites similar to the This Is network of Newsquest. [...] Newsquest is probably performing as well as any of its print competitors online" (Thomas, 2003: 8,9).

Newsquest Digital Media managers have developed the following mission statement for the company's digital arm:

"To profitably retain and extend the franchise of Newsquest's market-leading newspapers by

- Being the number one digital information service in each newspaper region
- Providing a trusted range of solutions for existing and new customers
- Reinforcing and extending the position of our newspaper brands

- Developing digital assets in editorial and advertising across existing and new channels”  
(Thomas, 2003: 6).

Thomas notes that the objectives

“have been agreed by the board but the communication of goals to staff has not been good and the level of ‘buy-in’ from the troops is questionable. Most people will be unaware of these [objectives], having never been told that this is the direction management wishes to take”  
(Thomas, 2003: 6).

The lack of communication down the line is particularly dangerous when it comes to the company’s digital operations and routinely alienates the editorial department (this researcher observed), which is tasked with maintaining website content, from the strategic big thinkers in digital media.

This problem has been recognised at the highest level in Newsquest’s management, and I this researcher found there has been a persistent shift away from the responsibility of digital operations being concentrated in the hands of a small group of experts towards the general editorial and commercial staff in individual centres.

This researcher interprets this as a sign that Newsquest realised what to do in an age of convergence: Spread ownership of the digital operation throughout the company.

### **5.3 Editorial operations**

I found the champion of the Internet in the newsroom to be the digital news producer, who ensures that the editorial part of the websites is up to standard and that the company’s Internet policies are properly implemented. S/he develops the websites in consultation with the group editor and acts as a mediator between the digital media department and the publishing centre when it comes to development that requires new features to be added to the content management system. The group editor is ultimately responsible for the editorial quality of the product.

The relatively mindless work of uploading editorial content to the Web is in most centres left to the sub-editors as a daily routine.

In many cases this is seen as a chore by both the news desk and the sub-editors’ desk. On a bad day the newsdesk will randomly assign a number of stories to the subs’ desk who will then “whack” them onto the web without even checking the copy once it has appeared on the websites. Stories that should have appeared on the web much earlier as breaking news appear

only days later on the websites. Mistakes frequently occur in headlines. Stories are duplicated. Pictures are not uploaded with stories because it is too much effort to format them for the website.

As a consequence, this researcher believes, the prestige and brand of the newspaper suffer.

#### **5.4 Problems with editorial ownership**

In the course of this researcher's work, he found there to still be some problems as far as the spread of ownership of the websites in the editorial departments is concerned – to a great extent created by the otherwise very efficient digital media arm of Newsquest (London).

In this researcher's opinion an example of this is the recent redesign of the Newsquest (London) newspaper websites. The Newsquest (London) digital media department had taken the decision (approved by senior regional management) to introduce a new content management system, Martini 5, which is easier to operate than the older system, Martini 4.3.

A content management system allows the administration of a website's content, may it be uploading stories and pictures, editing stories or designing individual web pages.

At the same time, the digital media department envisaged a redesign of the websites which would make individual web pages much leaner, speeding download times up and encouraging people to visit the site more often and more sections of it, increasing audience. Apart from editorially valuable photographs, almost all graphics (which take more time to download) were removed from the website and replaced with the HTML-code equivalents, which may not look as exciting but are as effective as design elements (in helping readers find around the website and get to what they are primarily interested in: content).

An extremely sound decision based on extensive research by the most prominent experts in web design, such as Jakob Nielsen (2000: 17-260).

On the Web, as in other media, content is king.

Through the redesign, the sites were made more user friendly (people wouldn't have to wait as long for information to display) and the navigation was improved. There is also an indirectly proportional link between download times and audience. As guru Nielsen puts it:

“Speed must be the overriding design criterion. To keep pages small, graphics should be kept to a minimum, and multimedia effects should be used only when they truly add to the user's



understanding of the information. Remove graphic; increase traffic. It's that simple (Nielsen, 2000: 46).”

But the ideas behind the redesign were not, this researcher found, effectively communicated to publishing centres. Only when the new content management system was due to be launched were individual newspapers' editorial departments duly informed of the redesign. This came as a shock to many, as they were the ones responsible for the management and editorial development of their websites and had taken considerable pride in the look and feel of what they considered a digital version of their newspapers.

The result was that the new system – an all round improvement – wasn't welcomed as warmly as it could be. One editor, for example, made the point that nobody redesigns his newspaper without consulting him – so why should someone redesign his websites without consulting him (Wilson-Leary, 2003)?

This researcher believes it can be argued that editors don't have the required technical expertise to make an informed decision as most of them did not require knowledge of web design when they were appointed, but that is no excuse for alienating them. They should have been made aware of an intended redesign and the benefits this would bring (more audience – the holy grail of newspaper websites) from the beginning. The choice to do everything behind closed doors to then release a finished product that did not give editorial staff any input led to a loss of ownership and goodwill.

On a more sinister note, this researcher would suggest there was no consultation process because the digital media department has a vested interest in maintaining its perceived superiority in all things Internet. By taking decisions behind closed doors and then implementing them, they avoid making their knowledge available to the wider company, making themselves an irreplaceable cog in the machinery that could not easily be made redundant because of its exclusive knowledge.

It also makes it very easy to dismiss criticism of policy and web design practices as ramblings by people who are ill informed. The principles along which the websites are designed can be acquired from widely available, easily understandable specialist literature on web design, which could easily be conveyed to everyone in a few lectures. Yet this knowledge is being kept from those who manage the websites to the detriment of the whole operation.

This researcher found the London digital media department to be routinely complaining that newspaper editors and digital news producers are managing the websites in a way that is detrimental to the product (for example by uploading unnecessary images or developing cumbersome navigation systems). Yet, although they have the ability, the digital media department does not undertake sufficient effort to train staff outside their department.

Merely when there are gross violations of Web design standards (which are outlined in a small number of books that should be read by anyone in charge of a website) by newsroom staff that don't know any better, this researcher found them to intervene. Then, due to the unhealthy relationship between the digital media department and editors because of the lack of communication and consultation, these were met with opposition and seen as arrogance.

This researcher suspects the lack of consultation and empowerment of key newsroom staff due to vested interests is seriously threatening the long-term development of a multimedia newsroom culture.

But there is also another side to the story.

There is evidence that Digital Media (London) have a more constructive programme. They have realised that something must be done about the lack of ownership and have taken positive steps.

Thomas, being one of the senior web developers, writes:

“There are frequent minor conflicts regarding ownership of the content and websites between the developers and the editors. In order to secure commitment and enthusiasm from the editorial staff, editors have been allowed to have the overriding say on the look and feel of the sites, although keeping within feasible technical parameters. In many cases, the decisions made are sound for the print medium, but not the best way to present content on the web” (2003: 11).

One way to limit the “damage” editors can do is to technically restrict the choices they can make to display content on the web. Martini 5, the new content development system, has done a lot to achieve this. But Thomas agrees that

“better education all round would undoubtedly lead to more harmonious teamworking” (2003: 11).

## **5.5 Commercial operations**

In a business plan published in September 1999, Newsquest Digital Media (London) lists several areas from which revenue will come:

“Banners, enhanced listings (paid for listings with a logo of the company whose event is listed), website sales (the company sets up websites for clients), transactions (Fish4, e-commerce), upsales, hosting sponsorship and subscriptions” (Du Bois, 2002: 5).

Of all these revenue sources, Fish4 is the most successful, lending legitimacy to the argument that the Web is the medium most suitable to classified advertising (Crowther, 2002).

This researcher believes it should be easy for sales reps to convince customers of the benefit of having their advertisements listed online as well as in the newspaper for a few pounds extra.

On the downside, with given technology it is easy for people to measure how successful a banner advertising campaign has been on the Web. The software can tell exactly how many people clicked on a banner and went from a particular newspaper website to the customer’s website. The ineffectiveness of banner advertising becomes glaringly obvious when advertisers realise how few people who have seen their adverts have actually clicked on them.

To aggravate the problem, many banner adverts are pitched the wrong way due to a lack of understanding of the medium on both the customer and the Internet sales side – in personal experience I found that instead of advertising a specific special offer on a web page on the client’s website dealing with that exact offer that people are then “deep linked” to, people are taken to the customer’s home page, where they are confronted with a “welcome” message and some form of marketing speak that agitates and will probably cause them to leave the site immediately. As Jakob Nielsen puts it:

“Starting a web page with the headline ‘Welcome’ should be a warning signal. Users never want to read such happy, but useless, messages” (Nielsen, 2001: 112).

Internet users are impatient and have only one thing on their mind: How to get the information they want or need and leaving your site as quickly as possible.

“Users are so goal-driven that they often prefer ‘just the facts, thanks’ without having to spend extra time on material that doesn’t help them get in and out as fast as possible, so don’t waste their time” (Nielsen, 2001: 112).

It is as much in the interest of the newspaper as in the interest of the client to maximise the chances of a sale. This researcher found that in Newsquest (London) large-scale commercial decisions concerning the web are mostly made at a regional level. This ensures that people with the proper understanding of the medium and who are up to date with the latest developments in e-commerce take decisions and implement them regionally, resulting in good general policy at the macro level.

At the same time, this researcher found this contributed to e-commerce systems being put in place that must be too inflexible for some publishers. The implementation of a system that allows people to book their advertisements through individual newspaper websites was not implemented at some newspapers for a long time, for example, as publishers were (rightfully) concerned that the systems do not sufficiently suit their and their customers' needs.

This researcher found there to be a lack of expertise of the Internet in the commercial departments of individual publishing centres, which has the result that important opportunities are missed at the micro level. The only people directly involved with the Internet, digital news producers, are tasked with the editorial development of the websites and their expertise is lost to the rest of the company.

Furthermore, frequent errors are made in the production department when it comes to uploading classified listings.

“Data is entered in an error-prone fashion by poorly-motivated staff, the competitive advantage of the technology is much reduced or even eliminated” (Thomas, 2003: 14).

This problem arises because

“Newsquest does not provide [this staff] with any good reason to come into work in the morning – the pay is very poor and the job of putting jobs, cars and homes onto the system is neither interesting nor rewarding” (Thomas, 2003: 14).

McCaffrey realises this. He believes that when it comes to Fish4, there is too much quantity and too little quality (2003).

Thomas points out that this adversely affects the trust relationship Newsquest has with its customers and readers, damaging the credibility of the product (2003: 14).

This researcher believes an online advert-booking system Newsquest is currently rolling out that allows people to directly book their adverts via the websites will only partially remedy this, as people will still be booking their advertisements over the telephone and by other means.

## **5.6 Recommendations for Newsquest's digital operations**

One could argue the company's general vision and business model are sound. It took the right step to embrace the new medium by setting up its own websites in order to protect its classified advertising business and is enjoying advantages such as the marketing of its brands online (during the course of my work this researcher found that a huge number of people reach *The Watford Observer's* website through search engines, after having typed "Watford" or "Watford FC", for example).

Publishers' principal aim was to protect classified advertising revenue, having a profitable online business is profitable and making money for the company means that the strategy has been successful beyond the expectations of media managers.

There are, however, improvements to be made.

In its production and editorial departments, Newsquest is employing inexperienced or low-performing staff because of the low salaries they need to be paid. Employing the best people if they are more expensive is not necessarily a priority. As long as an employee is "good enough" to fill a position, it is satisfactory. It seems employees know they do not have to fear dismissal as a result of low performance or mistakes they make.

This means that the quality suffers. Every time a spelling mistake is made in a headline or a carelessly assigned story about a car boot sale makes it top of the list in the website's news channel, the brand suffers a loss of credibility.

It is likely that every time a customer has to phone the newspaper to complain about a mistake in the copy of his classified advert or sees a mistake in another advert he may consider advertising his car with AutoTrader instead.

The standard of articles and adverts that appear in the printed newspaper were found to be generally higher, as mistakes become glaringly obvious and once the newspaper has been printed they can never be rectified. On the Web, problems can always be fixed at a later stage and only when someone accesses a particular page embedded in the website will they actually see that a mistake has been made. Quality control by line managers becomes far more difficult.

One way to address this problem would be through increased automation, as suggested by Thomas (2003: 14).

Although this makes it impossible to “write for the Web”, due to the fast-paced nature of the business it would in any case be impossible to expect reporters and sub-editors to tailor their copy for the website with hyperlinks, bullets and other means that make it easier to read on the website. Where possible, articles should appear on the website as they appear in the newspaper – they could be shortened though, as people don’t want to read stories that are too long on the website as it is more cumbersome to read online.

If possible, a system should be developed that transfers copy from the database used to store copy directly onto the website. Unfortunately, it would be a waste to the business if such a programme would be written at present or in the near future, as the use of the current layout system will be discontinued, should the company switch to PCs instead of Apple Macintosh computers.

Once a new layout system has been introduced, there is no reason why there could not be a facility that would link the content management software with the layout programme and hence create an almost automatic upload. I believe the same should be achieved for the classified advertisements uploaded to the website.

This way, Newsquest could avoid having to employ better and more expensive staff while improving the quality of its websites and freeing up more resources that could be used elsewhere or redundancies could be made, saving the company money.

McCaffrey believes charging users for content is a definite possibility and may be a good idea in future; more and more content-rich websites are doing it. Especially archive content could be charged for (2003).

## **6. Case study: watfordobserver.co.uk**

### **6.1 History**

*The Watford Observer's* website was launched in October 2000 with little more than general and sport news and a still existing online column by the newspaper's Watford Football Club correspondent.

Content was gradually rolled out and in November 2001 and September 2002 the website was redesigned to make it user-friendlier. In June 2003 the website underwent another massive redesign with the introduction of Martini 5, a new, more user-friendly content management system. The website became more database driven and easier to administer. Individual web page sizes plummeted by as much as 75%, greatly reducing the amount of time it takes for pages to load and thereby increasing website audience, following the principle that the less time it takes for pages to download the more audience will be generated.

### **6.2 Editorial strategy**

This researcher has personally been involved in the development of *The Watford Observer's* digital editorial policy.

His experience was that the website and the printed newspaper exist in a mutually beneficial relationship. Plugs in the newspaper promote new content on the website, and stories on the website routinely refer to the printed newspaper. The idea is to encourage readers of the printed newspaper to visit the website and to get users of the website to buy the printed newspaper.

The editorial manager daily assigns news stories to the sub-editors to upload to the website. When a big story breaks, reporters put together a concise, factual story as soon as possible. The story is then continuously updated as new facts come in, co-ordinated by the newsdesk, the subs desk, the webdesk and the reporter(s).

The sportsdesk autonomously manages the sport sections, ensuring regular updates of sport news channels and league tables and write exclusive online columns. Watford Football Club match reports are uploaded directly after games. The wider community is also involved; contributing some match reports exclusive to the website.

The digital news producer co-ordinates the overall effort and develops the website in consultation with the publisher, the group editor, the editorial manager and other journalists. He compiles and sends out a monthly bulletin about developments on and performance of the website to all newsroom staff to encourage ownership and awareness.

All content that appears in the printed newspaper is uploaded by the sub-editors and the sportsdesk – the digital news producer is responsible for content that is exclusive to the website.

Peter Wilson-Leary, group editor of Newsquest (London) Hertfordshire and Middlesex's newspapers and editor of *The Watford Observer*, sees the newspaper's website as just another of the many titles he is responsible for, like *The Watford Observer*, the *Watford Free Observer*, *Limited Edition* magazine, the *Watford* and other editions of the *Review* series and the *St Albans Observer*. He assigns the same importance to it as to one of the printed products (2003).

He provides weekly feedback on the performance of the newspaper websites to other managers at management meetings. The number of hits to the websites and the number of unique users who visit the website are an indication of how successful it is (2003).

He sees *The Watford Observer's* website as contributing to the newspaper's role as the community's number one source for information (2003).

The website allows wider and deeper audience penetration than just the printed newspapers in the community alone. The *Watford Free Observer*, for example, covers over 90% of the community. Combined with the *Watford Observer* website, coverage is potentially 100% (Wilson-Leary, 2003).

The newsroom can now provide breaking news and operations are in some aspects rather mimicking a daily newspaper than a weekly newspaper setup. The website also serves as a marketing vehicle for the paid-for newspaper (Wilson-Leary, 2003).

In his newsroom strategy, Wilson-Leary tries to weave the newspaper's website as much into the printed newspaper as possible and vice versa. Even greater correlation should be achieved between the two than is currently the case (2003).

A major breakthrough came when it became technologically possible for all newsroom staff to access the website because of faster and better computers. This meant more ownership of the website to journalists, as they could see what they were contributing to. A major shift in newsroom strategy took place than instead of having two digital news producers tasked with



the management of the websites, the responsibility of content provision was spread throughout the newsroom to sub-editors and other staff (Wilson-Leary, 2003).

Wilson-Leary believes it would be naïve to suggest that a newspaper's website doesn't affect its circulation in some form. The more vehicles there are to provide a community with news and information, the less likely are they to buy a paid-for publication (2003).

The challenge lies in making the paid-for title more than merely a deliverer of news and information. It must provide analysis, informed comment and develop stories further. It must entertain, educate, inform, challenge and campaign. In short, it must rise to a higher plane and provide more than just the basic information the website provides. Experience in the United States showed printed newspapers that could not rise to this challenge went out of business (Wilson-Leary, 2003).

There are many factors affecting a paid-for newspaper's circulation, like the weather, availability and other factors. Just the same, their websites are one of those factors (Wilson-Leary, 2003).

Wilson-Leary feels relatively comfortable with commercial developments on the website, as he feels the commercial strategy is integrated in a sensible fashion and he accepts commercial activity on the website in the same way as he accepts it in the printed newspaper. The only demand he has is that the user is not misled and all advertising content is marked as such, the same as in a printed newspaper (2003).

He believes the way to access newspaper websites to be a major factor in their success. Currently they are almost exclusively accessed from stationary computers. Most people don't feel like sitting down at a computer at a desk when they get home from work where they had to do exactly that. If newspaper websites would be predominantly accessible through television, though, things would change quite a lot. The television set is at the heart of many households and if newspaper websites could be accessed via them, their use would soar (Wilson, Leary, 2003).

As digital news producer, this researcher found that although ownership of the website among newsroom staff is at a high level, there is a problem that hampers the digital operation.

At times, the content uploads were neglected when staff perceive other tasks to be more urgent. Bad organisation of the sub-editors' desk in particular often results in the website being neglected.

The chief sub-editor, a web enthusiast, has been tasked with uploading newspaper content to the website other than news and sport news and refuses to delegate this down the line, as there is a perception among the other sub-editors that they are doing far more work than he is. One suspects he does not want to reinforce this perception by passing more tasks on to the, the result being that much content is simply not uploaded when the chief sub-editor decides that he does not have the necessary time. This has resulted in many sections on the website being out of date. He has also not made any provisions for when he is on leave and it then falls to the digital news producer to avert a crisis by doing his work in his absence.

The most popular sections on the website seem to be those covering sport. Especially statistics of team performances, for which there is no space in the newspaper, are very popular on the website. Here the medium is used at its best: Not as a mere duplication of the printed product, but providing valuable additional information to readers and acting as an ever-available database.

The sports team is often slow to update some of the data, which results in complaints by members of the public and damages the credibility of the brand.

### **6.3 Marketing and commercial operations**

As digital news producer this researcher understood search engines to be the main focus of marketing and have significant potential in directing traffic to *The Watford Observer's* website.

Because of its generally good story uploading routine, [watfordobserver.co.uk](http://watfordobserver.co.uk) was recently selected by Google News as one of more than 4 000 global news hub sites, for example. Stories that appear on the website are listed minutes later on the Google News site.

Page impressions (after exclusion of false hits generated by search engine software robots) have increased from 72 561 in May 2002 to 169 750 in January 2003 (+134%) (Web Server Statistics for Watford Observer, 2002, 2003).

The website generated around £24,000 per month in July 2003, mostly from classified advertising (accessible through *fish4cars*, *fish4jobs*, *fish4homes* searchable database), but also through banners (5 advertising banner slots are delivered through the OpenAdstream advertising administration system) and an online business directory (businesses are listed in *fish4it*) (Crowther, 2003).

Recently, in an attempt to make display advertising work on the Web, the publisher devised a scheme whereby advertisers can have a profile of their business displayed in a suitable section of the website in return for a fixed annual payment. For this purpose, three new sections – Homes & Property, Motoring and Recruitment & Careers were launched. Within “Recruitment & Careers”, for example, there is a section called “Estate Agents” which contains profiles on advertisers’ businesses written by the advertisers themselves and marked as “Advertising Features”.

Some of these new sections receive significant traffic (Stats for Newsquest, 2003). This may be because people accessing the website are probably genuinely interested in finding the contact details of local estate agents so that they can find out more about house prices and available houses in the area.

The business profiles might be a good idea, but unfortunately there are some problems on the implementation side.

In general, there is probably little concern by advertising salespeople for the quality of a business profile once they have sold it and invoiced a customer – their part of the deal. The production department, tasked with uploading the profiles to the website, has little or no understanding of proof-reading or sub-editing and, because staff members are badly paid and unmotivated, the quality suffers as it does with classified listings uploaded to the websites by the production department.

To counter this, the editorial department has the final say over whether a profile “goes live” on the website – this ensures some form of quality control.

The publisher is also pursuing strategies to counter the fall in motoring advertising Newsquest (London) Hertfordshire & Middlesex is receiving (Moore, 2003).

According to Thomas Moore, publisher of Newsquest (London) Hertfordshire & Middlesex, company policy suggests that the websites should be treated just the same as the printed titles in terms of their commercial development. Publishers communicate to each other what works well on the Web and what doesn’t so that “best practice” can be established and success can be achieved throughout the company (2003).

15% revenue growth was achieved for Newsquest (London) Hertfordshire and Middlesex’s online titles ([watfordobserver.co.uk](http://watfordobserver.co.uk), [stalbansobserver.co.uk](http://stalbansobserver.co.uk) and [harrowtimes.co.uk](http://harrowtimes.co.uk)) combined from 2002 to 2003. Before that, all digital revenue went into a “digital media” pot, until the company decided to spread the revenue out to centres according to their

performance as to spread ownership and make the entire company embrace the new medium – in line with the Newsquest mission statement (Moore, 2003).

Moore says Newsquest (London) Hertfordshire and Middlesex is making most of its money through “upsales”. Classified advertising, such as recruitment and property is uploaded to the fish4 database for an additional charge (2003).

The greatest opportunity in making money on the Internet lies in “added value” – such as charging customers for links to their websites (as a form of marketing) (Moore, 2003).

Moore wants the publishing centre’s websites to be the community’s “first choice for online information”. He wants it to be a “one-stop shop for information” that puts buyers in touch with sellers (2003).

According to Moore, the volume of people who search for information online is a problem in developing the online part of the business. There are not nearly as many people online in the United Kingdom as in the United States. In addition, national brands, such as AutoTrader and PropertyNet, are established due to their high profile they have (2003).

Newsquest (London) Hertfordshire and Middlesex’s main competitors online are all local publishers, as well as websites that directly threaten the regional press’ main revenue streams (jobs, cars and homes), such as Totaljobs.co.uk, Autotrader.co.uk and Rightmove.co.uk (Moore, 2003).

Moore believes there are still too many players in the UK online classifieds market and expects more consolidation. He believes Newsquest and the UK regional press in general has sufficient volume of classified advertising to remain a dominant player in the market (2003).

Fish4 is the main strategy Newsquest (London) Hertfordshire and Middlesex, like the Newsquest Media Group as a whole and to a great extent the rest of the UK regional press, follows in order to protect its interests. 80% of the publishing centre’s content is uploaded to Fish4. The value of local brands is also significant and the websites add serious credibility. People in the community know and trust the brand (e.g. watfordobserver.co.uk) more than a new national website they don’t know anything about and that does not enjoy the same amount of credibility in their eyes (Moore, 2003).

McCaffrey agrees that competitors like AutoTrader have serious weaknesses, calling them “one trick ponies” (2003).

They have a unique position to start with, but they are too limited. Their presence on the Internet is also likely to undermine their revenue streams due to their narrow focus.

AutoTrader, for example, is now heavily digital. A lot of content no longer appears in print and is exclusively uploaded to the website. Consequently, their business model has changed. Their circulation is falling, adversely affecting their total revenue. They are still printing the magazine, but are not making more money from it. As he puts it: pro rata, they are making more profit, but their total revenue is less. They are in danger of losing their original business model, which is behind the success they enjoyed today in the first place (McCaffrey, 2003).

Moore does not believe that the website is to blame for a fall in circulation, but he does believe the two should work together to mutually benefit each other (2003).

He believes young people want information immediately and are not prepared to wait for it like earlier generations. The older generation is dying off, so there has to be a move towards satisfying the needs of younger people – the readers of tomorrow (Moore, 2003).

Newsquest (London) Hertfordshire and Middlesex's strategy to boost circulation of the printed newspaper through the website is to get people to subscribe to the newspaper through the website. Moore wants a link at the end of every single story taking people to the page providing the online subscription service (2003).

Moore does not believe that newspaper websites will one day replace the printed product – printed newspapers are very portable, and not everybody has access to the infrastructure necessary to display newspaper websites (computers). Display advertising works better in a newspaper than online. He does, however, believe that classified advertising will almost completely migrate to the Internet (2003).

McCaffrey agrees with this. Printed newspapers will not disappear, both for supply as well as demand reasons (2003).

Whereas newspaper websites can take care of classified advertising, they can't provide effective display advertising (McCaffrey, 2003).

On the reader's side, printed newspapers provide a very good service, as people can buy the newspaper without yet knowing what they want to read, trusting they will be informed and entertained. They will skim through the newspaper and find, for example, a feature they want to read (2003). Printed newspapers can satisfy readers' demands without being user-driven in the same way as the Internet.

#### **6.4 Falling circulation of the printed newspaper**

While the website's audience has grown rapidly in the last few years, the printed newspaper's circulation has been steadily declining. It had fallen from 21,656 copies in February 2002 to 19,700 in August 2003 (Farley, 2003).

Newsquest (London) Hertfordshire & Middlesex, publisher of *The Watford Observer*, has invested in a promotions manager to counter the fall in circulation by running promotions in the newspaper. People stand the chance to win anything from tickets to local events to fitted kitchens and cars. Significant promotions are also advertised on the website via banner adverts and an e-newsletter users can subscribe to.

The quality and credibility of the printed newspaper is excellent. The newspaper has covered life in Watford and surrounding areas for the last 140 years. It is an integral part of the community and is widely regarded as one of the best local newspapers in England and is respected at larger newspapers such as the *Evening Standard*, a London city daily. The newspaper won an award in 2003 as the best paid for weekly in Newsquest's entire London division.

Circulation of established newspapers has been steadily declining across the board for quite some time now, whether they have websites or not (McCaffrey, 2003).

In this researcher's opinion it might be too easy to blame the website for a decline in readership of the paid-for newspaper because news is "given away" free on it. Newsquest (London) Hertfordshire & Middlesex publish two free newspapers, the Watford edition of the *Review* and the *Watford Free Observer* in the same circulation area as *The Watford Observer*. Being delivered to people's doors, the news printed in these newspapers is even easier to access than that on the website.

Furthermore, it is part of the group editor's strategy to not publish all news online, as he believes this would cannibalise the paid-for newspaper in the same way as it would endanger it if the same news would be published in the two free newspapers as in the paid for title. He believes the website should go as far as possible in providing content on the website that does not appear in the newspaper and vice versa (Wilson-Leary, 2003).

It is thus clear that the website can hardly be blamed for a fall in circulation. Yet circulation manager Andrew Farley is convinced of his, along with an alleged loss of interest in local newspapers in the under 30s group and an unwillingness of people to read cumbersome broadsheets. He even alleges there is an inversely proportional relationship between website

audience and newspaper sales. As the audience of the website has increased (it had more than doubled in the twelve month period leading up to the interview), he says, the circulation has fallen (Farley, 2003).

This stands in contrast to McCaffrey's opinion, who says that in general, paid-for weekly newspaper circulation has increased in the last five years, whereas it had decreased in the years before that. He says that instead, a change in lifestyle is rather behind a fall in circulation. Whereas before people walked to work, they now drove. Far fewer people smoke these days. Before, they frequently used to visit corner shops to buy cigarettes, and often picked up a copy of the local paper on their way. Free newspapers have affected the circulation of paid-for community newspapers and many corner shops have disappeared because of the success of large supermarkets (2003).

Farley does, however, not only blame the fall in circulation on *The Watford Observer's* website, but on the Internet at large, specifically Watford Football Club's website. A major reason why people buy the newspaper is because they want to read match reports and read news on the football club. Both the Watford FC website and *The Watford Observer's* website publish match reports and news throughout the week before it appears in print. He claims there has been a significant growth in the number of people who have Internet access in the last 18 months (2003).

As the editorial quality of the newspaper is not only sufficient but excellent, and promotions are already run in every issue, it can be concluded that the only arm of the business that could improve circulation would be the circulation department.

Circulation is on the increase again, although website audience has even grown further. Farley ascribes this to improved management at the news agents (WHSmith) who are responsible for the distribution of the newspaper to outlets such as corner shops. Promotions have also added about 500 extra sales per week to circulation (Farley, 2003).

McCaffrey believes marketing and home delivery are two major fields that should be looked at when it comes to improving circulation (2003).

### **6.5 Increasing subscriptions through the website**

Log onto any newspaper website of Newsquest's American parent Gannett and you will immediately be given the opportunity to subscribe to the website online – in fact, you will be given a massive discount on your subscription.

For some reason, Newsquest (London) Hertfordshire and Middlesex has not been able to achieve the same, although there is a distribution network in place for the free newspapers.

People who subscribe to *The Watford Observer* have to pay £1.25 per issue, in excess of three times more than it costs to buy the newspaper in shops, as it is sent to subscribers through the Royal Mail. This also means that it arrives a day after publication.

There is thus no benefit for people living in the newspaper's circulation area to subscribe – and they are the principle target market of a community newspaper.

The sound decision has been taken at a senior managerial level to provide the facility to people to subscribe to the newspaper through the website. Users would link to Shoppers World, Newsquest's own e-commerce website that was developed by the Central Team (Wilson-Leary, 2003).

Several months ago this was implemented, but the editor and publisher soon decided to sever links to Shoppers World because there were problems with the system. Asking people to subscribe to the newspaper through the system was not only impossible because of technical problems, but it was feared that the credibility of the newspaper and people's trust in it would be adversely affected.

I found Shoppers World to be vastly inferior to other e-commerce websites. Navigation is cumbersome, there are serious usability issues and technical problems as a result of sloppy work by software developers.

In recent months, as circulation of Newsquest London's paid-for newspapers has been declining almost across the board, pressure on publishers by senior management has been increasing to make it possible for people to subscribe online (Wilson-Leary, 2003).

At Newsquest (London) Hertfordshire & Middlesex, the digital news producer decided several months ago that an online subscription service should receive greater attention and has for several months been liaising with Newsquest (London) to improve the service, which is operated by the Central Team. The online subscription service is up and running but, in this researcher's opinion, is unlikely to contribute to greater circulation. As long as local subscribers are not offered a better deal they are unlikely to subscribe. I think it is safe to assume that people will simply not pay three times more for the newspaper to be delivered to their homes a day or more late. With the current circulation model, the establishment of an online newspaper subscription service is little more than a token effort to address the problem of falling circulation of paid-for titles.



A better solution would be to start a home delivery system, possibly by using the infrastructure of the *Watford Free Observer*, *The Watford Observer*'s free sister title.

The cost of delivering the *Watford Free Observer* to homes around Watford is 4p a newspaper. The *Watford Observer*'s cover price is 40p. 25% of this goes to distribution outlets and 35% to newsagents who distribute the newspapers to the distribution outlets in and around Watford (Farley, 2003).

By delivering the newspaper directly to subscribers in and around Watford, *The Watford Observer* could save a lot of money. The company would get 36p per newspaper that it sells through its subscriptions service to locals instead of the 17p it currently gets. Instead of taking that money as profit, Newsquest (London) Hertfordshire & Middlesex should give it as a discount to subscribers, though. It could be 50% cheaper to subscribe to *The Watford Observer* than it is to buy it in corner shops and supermarkets. It should be noted that the delivery cost would be significantly higher than the 4p for the *Watford Free Observer*, as volumes would be much smaller.

Farley believes the company should be very cautious with any schemes that could give the impression to news agents that the company is bypassing them (2003).

Moore (2003) agrees that the present subscription model is unrealistic. Consequently, a home delivery system is currently being piloted in St Albans for the *St Albans Observer*, a sister title. People living within a ten-mile radius of the main distribution point will be considered for possible home delivery. He also considers a form of added value, offering readers theatre tickets, for example, should they choose to enter the home delivery service.

## 7. South Africa

### 7.1 *The current state*

A good example of a South African multimedia company is Naspers. With its two subdivisions Media24 and M-Web, as far as the Internet is concerned the company has an approach to:

“build strong subscriber platforms with an emphasis on access ‘anytime, anywhere’. This enables subscribers to interact with their content platforms via television, the Internet or cellular telephone technologies any time of the day or night, anywhere in the world. The group offers a range of Internet services, local content, e-commerce and subscriber management, and is a leading operation in Africa and Thailand” (Naspers, 2003).

The company’s digital operations are conducted through M-Web Holdings (Naspers, 2003), a significant provider of Internet Access:

“M-Web Holdings is the leading Internet access provider in Africa. Its portals act as a showcase of the group’s content and combine such content into a larger portal. M-Web Holdings had approximately 247,800 dial-up subscribers at March 31, 2003, which translates to an approximate 41% market share of the consumer dial-up Internet market in South Africa” (Naspers, 2003).

All its printed titles, including its regional weekly newspapers, have newspaper websites.

Although Naspers’ regional newspapers have websites, this researcher found their sophistication cannot be compared to that of Newsquest in the United Kingdom. At the company’s largest regional weekly, the *District Mail*, for example, the content is only published on the website after it has appeared in the printed newspaper and is only updated once a week. There are, however, important links to Ads24, the company’s classified advertising database. This is valuable in terms of the newspaper website taking people to the company’s classified database.

### 7.2 *Case study: dieburger.com*

One can conclude that the sophistication achieved in a standard Newsquest weekly newspaper website’s editorial department is to some extent achieved at *Die Burger*, the company’s largest circulation daily broadsheet newspaper.

A newsroom staff member is tasked with daily updating the website and maintaining sticky tools (online polls, etc.) and more. Yet there does not seem to be a strategy in place to spread ownership of the website through the newsroom.

Only three people in the newsroom work with the website, says Pierre Steyn, assistant editor at *Die Burger*, responsible for the Internet (2003).

Recently, the company has followed a strategy of introducing a subscription service on its website – a wise move that will certainly pay off, as the website is a good way of communicating with and marketing to people who are interested in the newspaper's content. According to Steyn, one of the most important strategies surrounding the newspaper's website is to win subscribers (2003).

As far as commercial operations are concerned, Steyn says because the newspaper website is currently not profitable, the company does not want to commit by investing serious money in it. A story and picture archive is currently compiled as a service that could be charged for at a later date. Photographs from the online archive are currently sold to individuals and other newspapers (2003).

### **7.3 Other major players**

The foreign-owned Independent Newspaper Group is the largest newspaper publisher in the country (Independent News & Media, 2003). It is close on Naspers' heels in terms of online sophistication and this researcher found that, apart from IOL (its national portal that feeds from all its titles, similar to Naspers' News24), maintains newspaper websites for its daily titles like the *Cape Argus*, *The Star* and others.

In contrast to Naspers, from visiting some of the company's newspaper websites it becomes clear that the Independent Group has chosen to reserve some of its content for subscribers, requiring people to log in if they wish to read certain articles.

This strategy could be problematic in light of the formidable competition provided by Naspers. Through M-Web, Naspers has a 41% share of the consumer dial-up Internet market (Naspers, 2003), meaning almost half of all households receive free access to M-Web's premium content. Why should people pay to read it on the Independent Group's websites at this stage?

Unlike Naspers, the Independent Group does not seem to maintain any newspaper websites for its community newspaper titles. One suspects it would not cost much to set up a low-key operation of the type Naspers has for its community. It would certainly add significant value to the company's regional newspaper brand names.

Caxton/CTP, the “largest publishers and printers of books, magazines, newspapers and commercial print in South Africa” (Caxton, 2003) and a major regional publisher, hardly seems to have any web presence at all.

Even the website of its flagship newspaper, the daily newspaper *The Citizen* (at [www.citizen.co.za](http://www.citizen.co.za)) gives the reader little more than a web page with contact numbers. No websites for the newspaper’s regional titles could be found.

This is quite a dangerous strategy. Caxton/CTP is certainly missing out on the marketing and brand value benefits a web presence would have for its titles. A failed attempt to find its titles online shows it has already been eclipsed online by the other major media companies in the country.

In terms of the sophistication of their online products, Naspers could be classified as highly sophisticated, The Independent Newspaper Group as moderately sophisticated and Caxton/CTP as unsophisticated.

#### **7.4 Challenges**

Apart from media managers having taken an apparent deliberate decision to maintain only a limited level of online sophistication, the public sector is to blame for the relatively low level of involvement South African regional newspaper websites enjoy.

Substantial blame, argues Professor William Melody of the University of the Witwatersrand, lies with Government policy and Telkom, the company that holds the telephone monopoly (Emdon, 2003).

It undermines the development of the country’s ability to establish a more effective online business environment, for which the availability of fast Internet connections and cheap telephone airtime to the general public must be essential. Telkom has massively increased the price of telephone calls in recent years:

“[Telkom] has increased its tariffs by 26% a year for the five years from 1997, with the price of a three-minute call rising from 31c to R1.11 by 2002” (Emdon, 2003).

This increase was allegedly not necessary:

“In fact, it could or should have reduced its tariffs by 10% to 15% in terms of efficiency gains it made by its own account in each of the past two years” (Emdon, 2003).

Government policy is also to blame for this:

“South Africa's small, vigorous and independent VANS (value-added network services) and Internet sector are severely restricted by obsolete government policies, severely limiting development of e-commerce, e-government and other information society services” (Emdon, 2003).

The conspiracy of the Government and Telkom is severely retarding growth and development:

“Telkom's monopoly causes a slowdown in new applications of technology to keep control over the sector and to maintain high profits. This is mercantilism, not development. It's generating monopoly profits for government and Telkom” (Emdon, 2003)

Cost of telecommunication should be a major factor in South Africa and must prevent a significant part of the population from interacting with online media.

As much of a third (15 million) South Africans are desperately poor, completely marginalised and enjoying only 3% of national income. In fact, as much as 66% of South Africans can be described as belonging to a “lower class”. According to one researcher it is a case of *ceteris paribus*, the poor shall only become poorer in the future (Terreblanche, 2003).

But apart from the poor and their growing poverty, there are also other problems: Only 6.7% of people have computers and there are only 5.5 Internet hosts per 1 000 population (just over half the rate of Mexico and not even a third of Poland). In the United Kingdom, in contrast, there are 41.5 Internet hosts per 1 000 population - in Australia even 119,8. Even an economy as insignificant as New Zealand's (with a GDP about one third the size of South Africa), the Internet penetration is 22 times higher (The Economist, 2003: 168, 174, 186, 202, 220).

Nevertheless, with a population of 43.3 million, South Africa could very well provide the critical mass of wealthy people that are required to make e-commerce and web publishing worthwhile. The rich third (15 million) South Africans, the 34% who hold 89% of the wealth (Terreblanche, 2003), may very well provide a big enough market for a successful e-commerce infrastructure. Yet even for them, Internet access must be expensive compared to other goods and services.

“Internet access in Africa is regarded as among the most expensive in the world. Due to bandwidth restrictions, the reality of Internet connectivity in South Africa has long been characterised by low-speed, unreliable connections at an exorbitant and fluctuating price” (MobileGuru, 2003).

An example: South African Internet service provider M-Web offers several access speed choices: 56kbps (for R139 per month), 64kbps (R199 per month), 128kbps (R275 per month) using an ISDN (Integrated Services Digital Network) modem and 512kbps from R299 to

R719 using an Asymmetric Digital Subscriber Line (ASDL) modem, depending on how much data you will download (M-Web, 2003).

It must be added that, apart from the ASDL modem deal (which is billed at a flat rate), users will be charged an average of R1.11 (Emdon, 2003) for every three minutes they spend online – in addition to their monthly subscription.

Steyn says the high cost of bandwidth and Internet use is a major problem and most people use the Internet from their place of work (2003).

In the United Kingdom (where the average income is several times higher than in South Africa), by contrast, a standard 56kbps connection costs around R191.88 per month (at an exchange rate of R12 per GB£), a 512kbps connection costs R335 per month and a 1024kbps (20 times faster than a standard 56kbps connection) costs around R450 per month, regardless of how much data a person downloads. Time spent online is not charged extra (AOL, 2003).

Consequently, a very high number of British households has Internet access:

“48% of households in the UK can access the Internet from home” (Ward, 2002 II).

The number of high speed connections is very high:

“The UK has more than three million homes and businesses with high-speed broadband access [...]. One in five homes that do have net access get it through a [156kbps or faster] broadband connection” (BBC News, 2003)

If it would cost as little to access the Internet in South Africa as it does in the United Kingdom (especially when comparing Internet access costs to average incomes), I believe the same level of connectivity could be achieved, at least by the more affluent third of society.

The prices offered by, for example, M-Web (especially in light of the subscribers-only content users receive), are not unrealistic for high-end consumers and the level of access available to users (normal dial-up access delivers 56kbps in both countries) is satisfactory. However, the high cost of telephone calls makes surfing the web almost prohibitively expensive in South Africa for many home users.

The answer, I believe, lies in deregulating the telecommunications sector and allowing competition, as in many other economies.

## 8. The future

### 8.1 Growing importance

As far as technological development goes, this researcher believe the future may very well see an increasingly paperless society, at least in developed countries, as the knowledge and technology gap between the Global North and Global South increases.

Nielsen writes that:

“[u]sers get 50 percent faster Internet bandwidth every year. In five years, high-end users will have the required sub-second response times to navigate the Web freely. In ten years, all users will have good bandwidth. Also in ten years, it will be possible to stream good quality video across the Internet. [...] High-resolution monitors with 300 dpi graphics exist and have the same readability as paper. I [...] predict that high-end users will have good screens in five years (maybe 200 dpi) and that all users will have good screens in ten years.” (2000: 373)

Low-resolution screens are currently a problem, as people read 25% slower on today’s screens than on print, making it inconvenient to read too much online (Nielsen, 2000: 101).

Early in 2003, the science journal *Nature* reported that Dr Yu Chen and his colleagues of the E Ink Corporation in Cambridge, Massachusetts have developed a flexible display less than 0,3 mm thick that can be viewed at almost any angle and that can be rolled into a cylinder just four millimetres wide. Dr Chen told the British press that the display would be good enough for an electronic version of a broadsheet, which could be updated by wireless signal, within two years. The display can be updated in a quarter of a second. Whereas this is fine for electronic newspapers, it needs to be about ten times faster for video (Highfield, R., 2003).

But exactly that is now possible. Philips has invented a process called electrowetting, which allows “electronic paper” to refresh as often as 80 times per second, more than enough to deliver conventional video, which merely needs a screen to be able to refresh 25 times per second. Dr Robert Hayes, one of the scientists who developed the process, promised a monochrome prototype would be available by the end of 2003.

“Moving from monochrome to colour is no big problem,” he assured at the time. (Noble, 2003)

The question is, though: Will it catch on? Television sets that fit in your pocket, for example, have been around for decades, but are not widely used.

It is fair to assume that the delivery vehicle for such information would be mobile telephones and the already existing cellular network. Regular mobile telephones that can deliver video messages are already commercially available to the mainstream public in the developed world.

Using bluetooth or airport technology (used for setting up wireless computer networks between machines several metres apart) it would probably not even be necessary to use a cable to physically connect the fold-up screen with a mobile phone that could securely remain in your pocket while you are surfing your daily newspaper. As transmitters are paid off and high-tech equipment drops in price, mobile phone calls are becoming ever more affordable. Some mobile phone operators in the United Kingdom, for example, are already offering up to 10 hours free talk time every month for the price of a standard restaurant meal for one person.

This does not mean that newspapers will become extinct, but will simply migrate onto the new medium. Instead of having to turn pages, people will probably make use of it by means of the current navigation system used by websites, as turning pages would no longer be possible on a single, flat screen.

As Dominic Gates writes:

“It just seems inevitable that someday digital delivery of in-depth, personalised information – including text, audio and video – to electronic devices will supplant the trucking of heavy physical loads door-to-door. If newspapers are to survive, change has to happen” (2002).

Arguments that newspapers and magazines are doomed because electronic media will replace them are seriously flawed. People want information, not the material it is printed on. Whether a newspaper is published on paper or on some kind of a screen simply does not matter.

As Arthur Sulzberger, chairperson of the New York Times Company and publisher of the New York Times, puts it:

“Who cares? I do not care when we print our last newsprint edition. We will remain the major source of news and information in this country and perhaps the world. We will do it on the Web. We will do it on television. We will do it in print” (Gates, 2002).

## **8.2 Convergence**

It is self-evident that it is possible to access the Internet through a number of devices other than stationary computers.

“In the broadband future, access to the online world will come not through computers alone, but also through wireless devices and television sets. At the same time, online content will move



beyond text to on-demand audio and video. When that happens, these two media – television and the Internet – will converge” (Gates, 2002).

This is why many traditional newspaper publishers (in print and online) in the United States are now buying into television.

For now, there are a number of issues seriously affecting the newspaper industry.

### **8.3 Implications for revenue streams**

There is one serious problem with newspapers being more and more displayed online. Should people who use the new medium do so with the same attitude they are currently using the Internet, this would have serious repercussions for display advertising, which, represented by banner adverts on the Web, has failed dismally.

People who surf the Web are goal-driven. They are looking for information on a particular topic and it is unlikely that they will be diverted from their search (Nielsen, 2000: 111). Should this be the case, the print medium would lose one of its major revenue sources: display advertising.

It is encouraging that newspaper managers are considering this and putting strategies in place to make display advertising work, as Newsquest (London) Hertfordshire & Middlesex is doing with the business profiles. Newsquest (London) recently closed a deal to have adverts supplied by Google, called “Ads by Google”, delivered to the division’s websites. Adverts are automatically sorted to appear relevant to the content on the web page. Next to a story on sunbeds, for example, adverts for sunbeds or sun-studios will appear. Newsquest then receives money every time somebody clicks on a particular advertising banner.

On a strategic level, media firms would be wise to acquire or enter into alliances with mobile phone operators and Internet service providers (like AOLTimeWarner in the United States). This would allow them to control the new technology and protect their revenue streams or, if this is not possible, compensate for the revenue lost in display advertising through other arms of the business who are increasing their revenue as the Internet grows in popularity.

This would also make it easier for media companies to put in place long talked-about micro payment systems. Every time the user accesses a page s/he pays a fee, typically in the range of 1/10 of a penny.

There is an argument that micro-payments would benefit users in the long term:

“Those who pay for something control it (Nielsen, 1998).”

People will only download pages with worthwhile information, meaning the Internet would become more useful as people would not care to pay per page for pages filled with useless information or advertising.

If independent mobile phone operators would, for example include a new screen as extra value (as they currently include handsets) on some of their packages to encourage their customers to consume more airtime, those producing the print medium would not be able to steer the new development in the direction which is best for them but would have to make a contingency plan. A simple boycott of the new technology would be unthinkable, as this would advance the interests of rogue classified advertising search databases. Media companies should thus acquire mobile phone operators to control the developments and the implications for their business.

For the same reason, it would be unwise for regional newspaper publishers to exclusively give access to their websites to a small number of subscribers only. As many people as possible should have access to the classified listings and other advertisements displayed on the website and the newspaper's brand name and its local news content are the key to this. It is also good advertising for the paper and adds value to the brand.

It could be feasible to grant users certain levels of access and preserve full access only to paying subscribers, as many specialist or high-quality publications now do.

Whichever solution is decided on, the most important lesson that can be learned is that Internet journalism is part of the future and will possibly have a substantial influence on the development of the print medium. Should flexible, portable, high resolution touch screens one day replace newsprint as the carrier medium for the typed word, fusing it with other media, the medium will with great possibility adopt at least some of the navigation systems used by the Internet.

Repercussions for the industry and especially its main revenue streams are enormous.

Many media firms, including Newsquest, have already made the necessary philosophical shift by declaring themselves multimedia companies. This recognises the intertwinedness of the modern media industry and the strategy that is necessary to meet the new challenge.

As Beamish puts it:

"The regional press in the UK has been preparing itself for some time for a possible future whereby print on paper is just one of a number of ways in which it communicates with its target audiences. Focusing on alternative ways of reaching those audiences, developing new products

(some for niche markets) and forming alliances represent some of the more obvious strategies”  
(1998: 152).

McCaffrey believes the online business model is not that different from the traditional one.  
He says:

“We still inform, entertain and put buyers in touch with sellers. The medium doesn’t matter”  
(2003).

He believes people get too excited about digital media. He sees a future in which the providers of premium content will consolidate their efforts and offer people a package of content, similar to a pay-TV package.

Apart from that, the vast majority of websites will be of little consequence to media companies. McCaffrey says:

“The rest [of the Web] will go to the nerds” (2003).

## **9. Conclusion**

### **9.1 Recommendations for South Africa**

The best strategy for a South African newspaper is probably to maintain a low-key presence on the web, enjoying benefits such as marketing and adding greater value to the brand, protection of classified advertising revenue and encouraging subscriptions through the website. At the same time, media companies should carefully monitor how their colleagues in developed countries are operating in the new medium so that they can take the right steps once the cost to consumers has reached the right level and the necessary structural adjustments have been made.

Naspers seems to be broadly operating along these lines. Other media companies who publish regional titles, like Caxton and the Independent Newspaper Group, should seriously consider developing websites for their community titles to add value to their brands and create an effective way of channelling people to their classified advertising database.

It is advisable for media corporations to keep investment in online operations to a minimum for now, implement low-cost strategies that could improve revenue in the short term (such as creating a facility for people to subscribe online) and acquire fixed and mobile telephone line operators as well as television interests so that once the age of convergence strikes they would be prepared for it. Should convergence not happen – and there are many sceptics – these could simply contribute revenue to the company as successful parts of the business in their own right.

Naspers has a clear advantage over its competitors, as it already is a fully-fledged multimedia company with stakes in print, the Internet and television. The Caxton example of not having any web presence for its titles is unwise: it is already costing the company money in marketing of its titles and to its classified advertisers. It is already reflected in its share price.

Whereas it is a problem for the South African economy to be competitive in the information age, its technological problems may prove to be an advantage to media companies. Cheaper Internet access in other countries is not a threat to South African media companies, as anyone who wants to conduct business with South African residents will be faced with the same problems. South African media companies can learn valuable lessons from online publishers in the developed world.

Free-market competition in the fixed-line telecommunications industry is vital, though, and has to result in lower prices of fixed line talk time if the country is supposed to develop sufficiently and the Internet should become available to an ever-increasing number of people.

The Newsquest business model exists in a climate where Internet access is high. It is an example of a company which operates its newspaper websites as an integrated part of its publishing business which is profitable in its own right.

There is no reason why, once a large enough number of people has access to the same level of technological involvement as people in the United Kingdom enjoy at present, the same success and development will not be part of the South African media management scenario.

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