

MEDILL NEWS LEADERS PROJECT 2019: SUSTAINING THE BUSINESS OF LOCAL JOURNALISM

EXECUTIVE SUMMARY

Today's existential crisis in local news — one fostered by changes in consumer behavior that were accelerated by Internet-enabled technologies for disseminating and sharing news and information — did not sneak up on the journalism industry. But even though many 1990s-era editors, executives and strategic planners at U.S. media companies can document their early recognition that change was coming, few can argue that they foresaw the pace at which their preferred models of making money and serving their communities would become, well, yesterday's news.

Some 25 years later, the challenge for their successors is not to identify how their organizations must change to survive, but instead how to quickly recognize and implement effective strategic changes that will ensure their relevancy (and their market success) so they can survive into the third decade of digital news. The Medill Local News Initiative at Northwestern University's Medill School of Journalism, Media, Integrated Marketing Communications has set out to help with a broad research and development agenda, of which the present Medill News Leaders Project 2019 is just one part.

To the degree that local news generally must matter within a specific local market, the researchers involved in an effort we call "Market-Based Opportunities in Local News Innovation" are seeking markers of success and supporting data in different settings. An important part is to directly ask news leaders: What's working in sustaining local journalism, what's showing promise, what failures should we learn from, and what experiments should we be trying?

For the Medill News Leaders Project 2019, Medill conducted in-depth interviews with more than 50 news executives, leaders of journalism organizations, scholars, media consultants, senior news managers at major technology companies and local news providers. The questions were focused on the crisis in the business model for local news, and what can be done to address it.

These interviews starkly illustrated the changes taking hold in the business model for local news. After spending many years chasing online clicks to boost advertising revenue, local news companies are now aggressively pivoting to a model much more reliant on revenue from their own readers, generally from digital subscriptions or memberships.

This paradigm shift is not only fueling a rethinking of how newsrooms engage with their customers, but it also will mean major organizational changes for local news companies determined to follow this path to success. Significantly, our sources cautioned that for many organizations growth in customer revenue alone will not reverse the fortunes of local news. While diminishing, advertising income remains an important contributor to the bottom line, and local news organizations are capturing new revenue through things like events, sponsorships and marketing services. But the increasing push for a user-pay model is palpable, making the need for robust, original local journalism critical to the willingness of consumers to ante up.

“The pay model strategy is deceptively simple,” A.G. Sulzberger, Publisher of The New York Times, said in his interview with Medill. “It is making something worth paying for. You can call it marketing strategy, you can call it a digital subscription strategy. But at the end of the day, it’s making something worth paying for.”

Here are some of the major themes that emerged from our many hours of interviews:

- There’s a rising sense of urgency about the deepening financial woes at many local news organizations, with the next three to five years being seen as pivotal for the industry. But a number of sources expressed encouragement about experimentation underway to develop new models, many of which are discussed in this report.
- The transition to a user-pay model is seen as a key pathway for a sustainable business model for local news. But these news leaders emphasized the need for revenue diversification, and expressed concern about whether small-market news organizations can achieve enough scale to support themselves through digital subscriptions and memberships.
- At local newspapers, there’s an accelerating trend to reduce print frequency to cut manufacturing and distribution costs, particularly on the days of the week in which retail advertisers long have shown little interest.
- There’s a growing universe of nonprofit local news organizations, some focused on topical niches and others on geographic areas, experimenting with new revenue models that are showing promise. Philanthropic support of these local news outlets also is playing an increasingly important role.
- Local television news is on the cusp of a major disruption in its business model resulting from rapid changes in technology, audience behaviors and viewer demographics.

This report is admittedly a snapshot in time. Not only is the landscape changing swiftly, but several of the leaders we interviewed have taken on new jobs and responsibilities since we first engaged with them. The interviews contained here come at a critical juncture for the journalism industry and, indeed, a democratic society whose citizens need local news and information to make informed decisions. The goal is to share widely in a single report the ideas and perspectives of many of the most knowledgeable news leaders in America. The hope is that this report will inspire new thinking and experimentation to benefit local news and communities.

Oral histories — whether of glorious successes or instructive failures, whether gathered from boldface names or everyday citizens — long have attracted both researchers and their audiences. While they often have a whiff of the archival, such efforts generally seek to employ direct observations and accumulated recollections to construct important points about the present and future.

Like other researchers, journalists prefer asking questions at the source to arriving at inferences from their own observations of events and trends, even — or perhaps especially — when they have been directly involved in them. Each section of this report quotes broadly from the interviews, conducted by Beth Bennett, an associate dean of journalism at Medill, and Aubrey Baron, a Medill adjunct professor and research assistant, each of whom worked in local news before coming to the university. Interviewees' responses and insights were coded and organized around key thematic areas, which can be summarized as follows.

In Part 1, "Revenue Models," a key focus is on the theoretical promise, and the actual difficulty, of embracing a financial model built around direct payments from readers and users. Can thinking of these people as "members" or "subscribers" lead to real, ongoing engagement, or the sort of lifetime habit that formerly characterized profitable mass media in America?

Quoted in this section are Penny Abernathy, Steve Beatty, Melissa Bell, Jim Brady, Bill Church, Becky Clark, Ken Doctor, Rick Edmonds, Carol Fowler, Jim Friedlich, Jeremy Gilbert, Ken Herts, Peter Imes, Mandy Jenkins, Mitra Kalita, Jim Kirk, Timothy Knight, Lance Knobel, Nancy Lane, Ann Marie Lipinski, Randy Lovely, Mike Petrak, Doug Phares, Emily Ramshaw, Vivian Schiller, Goli Sheikholeslami, Randy Siegel, Michael Silberman, A.G. Sulzberger, Steven Waldman and Kinsey Wilson.

In Part 2, "Rise of the Nonprofits," the increasingly familiar models adopted by public radio and the Texas Tribune are juxtaposed with interviewees' increasing interest in philanthropic investment and a focus on specific niches where supply and demand can be carefully calibrated.

Those whose interviews are excerpted in this section are Penny Abernathy, Maria Archangelo, Jim Friedlich, Jeremy Gilbert, Chris Horne, Mandy Jenkins, Nancy Lane, Mike Petrak, Emily Ramshaw, Vivian Schiller, Goli Sheikholeslami, Don Shelton, Michael Silberman, Tom Stites, A.G. Sulzberger, Steven Waldman and Jed Williams.

In Part 3, "Innovation," the interviews reveal a certain tension that has been created by perceived overuse of that word without attention to context. No one denies that new ideas are central to navigating the present and the future, but how about creatively applying concepts that may have been around for more than a few months?

Quoted in this section are Erica Anderson, Karen Andreas, Melissa Bell, Bill Church, Bene Cipolla, Ken Doctor, Rick Edmonds, Carol Fowler, Jeremy Gilbert, Jim Kirk, Timothy Knight, Ann

Kornblut, Ann Marie Lipinski, Doug Phares, Emily Ramshaw, Blake Sabatinelli, Goli Sheikholeslami, Randy Siegel, A.G. Sulzberger and Larry Wert.

In Part 4, “Local TV,” we’re reminded that failing to look past the obvious current struggles of local print organizations is to fail to understand what’s next for the medium from which most Americans still say they get their local news. Sufficient money is still flowing in many local broadcast operations, but the slow pace of digital adoption in some places may augur poorly for the industry as pressure increases on revenue sources like retransmission fees.

Those whose ideas and experiences are shared in this section are Carol Fowler, Jim Friedlich, Teresa Frontado, Jeremy Gilbert, Andrew Heyward, Kelly Landeen, Nancy Lane, Jennifer Lyons, Catherine Nelson, Doug Phares, Christine Portela, Kathy Reynolds, Blake Sabatinelli, Larry Wert and Jed Williams.

In Part 5, “The Future of Local News,” the title conveys a fundamental optimism that there still can be a future — in the right circumstances, with the right set of actions based on local-market discernment and careful attention to broader trends. Looking for simple answers? Don’t look here. Looking for a clear-eyed analysis of what still needs to be done? That crops up throughout.

Quoted here are Penny Abernathy, Karen Andreas, Maria Archangelo, Melissa Bell, Jim Brady, Bill Church, Ken Doctor, Jim Friedlich, Teresa Frontado, Jeremy Gilbert, Andrew Heyward, Ken Herts, Peter Imes, Mandy Jenkins, Timothy Knight, Lance Knobel, Nancy Lane, Ann Marie Lipinski, Randy Lovely, André Natta, Jennifer Parker, Andrew Pergam, Mike Petrak, Doug Phares, Christine Portela, Emily Ramshaw, Vivian Schiller, Randy Siegel, Steven Waldman and Kinsey Wilson.

We invite your comments at localnewsinitiative@northwestern.edu and invite you to review all the work of the Local News Initiative at <https://localnewsinitiative.northwestern.edu/>.

Medill thanks the Robert R. McCormick Foundation for its generous support of this report and the Medill Local News Initiative. Additional funding for the News Leaders effort was provided by Medill’s Knight Chair in Digital Media Strategy, held since 2009 by Owen Youngman.