**Beyond Ads: How Newspapers Survive In Digital**

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Over the past few years, the pendulum has swung from the newspaper industry writing its own obituary to a new -- and what some might say is surprising -- trend: bullishness. When analysts recently expressed concerns about the future of his papers, Rupert Murdoch responded by saying: “The answer is one word: digital. News is the most valuable commodity in the world, even if fewer people are buying printed papers on crushed wood.”

This new optimism has emerged alongside some dire trends. The hope that print ad revenue might rebound (or at the very least, plateau) has passed. Print ad revenues are half of what they were [in 2006](http://stateofthemedia.org/2012/newspapers-building-digital-revenues-proves-painfully-slow/newspapers-by-the-numbers/)) a reflection of the steep decline in freestanding inserts’ revenue and circulation. So, too, has unceremoniously ended the decade-long battle to see if online advertising can make up the shortfall.

The source of the increasing bullishness, as suggested in Murdoch’s comment, is simple: newspapers -- as trusted sources of news and recommendations for local audiences -- have begun to understand how to leverage their unique position at the nexus of digital content and commerce. Rather than simply relying on revenue from an ad unit to send a consumer to another Web site, newspapers have begun to realize that they themselves possess all the necessary resources to *own the entire e-commerce transaction.*

By operating full-scale e-commerce programs and developing digital relationships with retailers (who are increasingly looking to go direct-to-consumer), newspapers come one step closer to a digital equivalent to a freestanding insert, driving consumers to purchase a retailer's product directly on the newspaper's domain. Here, an old model is made new, with the newspaper digitally serving the classic function of a freestanding insert, but also supporting the click-to-purchase component as well. In short, this isn’t just a patchwork model hoping to compensate for the loss of print revenues -- à la online advertising -- this is a *superior, more profitable model.*

Moreover, newspapers are beginning to use e-commerce programs to take a large chunk of the local e-commerce services market, a space rapidly developed by businesses like Groupon and LivingSocial. Local merchants, however, [have become wary](http://www.nytimes.com/2012/08/18/business/merchants-and-shoppers-sour-on-daily-deal-sites-like-groupon.html?_r=1&;pagewanted=all) of working with some of these larger B2C providers and are turning to trusted local papers for more scalable, distributive reach and better brand affiliation. A number of leading newspapers, including *The New York Times*, *The Minneapolis Star-Tribune*, and others, are already seeing real returns through this approach. According to Arthur Sulzberger, Jr. in the New York Times Corporation's [latest earnings report](http://www.nytco.com/pdf/2Q_2012Script.pdf) the Times have made "significant progress over the past year in growing our new consumer revenue stream. We believe there is more opportunity for further growth in this revenue stream and our subscriber count." So, it's not particularly surprising that forward-thinking analysts see real hope for the newsroom.

Adding to the surge of optimism is the fact that the market is growing. Consumers have become more and more comfortable with buying online. Despite its widespread adoption, convenience, and value, [e-commerce still represents approximately 5% of all retail commerce](http://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf), so there's room for opportunity and growth.

Today, that 5% represents a $240 billion market in the U.S. alone. As this e-commerce pie grows, newspapers are uniquely positioned to sustain the future of their businesses with it, potentially supporting a back-to-the-future vision of full, vibrant newsrooms, where journalists are well-compensated.

While newspapers will maintain revenue streams from advertising (both online and offline) and paywalls, it’s not enough. These new monetization opportunities in the digital space will provide a critical mechanism to help these papers not only survive, but thrive.

Warren Buffett, having directed Berkshire Hathaway in the purchase of over 66 local and community newspapers over the past few years, sees a huge opportunity in this space, and has challenged the newspaper industry to begin to explore new revenue opportunities, saying: “We want your best thinking as we work out the blend of digital and print that will attract both the audience and the revenue we need." That thinking has arrived -- and it has come in the form of e-commerce.

http://www.mediapost.com/publications/article/183352/beyond-ads-how-newspapers-survive-in-digital.html