

Media Institute
John Sturm
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Thank you, Patrick,

And thanks to the media institute for the opportunity to be here today.

My congratulations and appreciation for all the media institute has done to foster freedom of speech and a competitive media.

Given the times -- and the challenges -- it's great to have you on our side.

While I count many of you as friends....

The organization that I have headed for the past 10 years – the Newspaper Association of America -- is not as ubiquitous as other media trade associations in Washington...

The primary reason is that newspapers are not a regulated industry.

And, you don't read much about us in the trade press because, my goodness, the newspaper industry is not covered by comm daily.

Neither of which is a terrible disappointment to me.

Also, unlike many other media trade associations in Washington....

NAA's mission goes well beyond governmental and legal matters to encompass the marketing and advertising aspects of the newspaper business, as well as technology.

We also operate the newspaper national network located in New York City.

NNN is a sales organization that sells national advertising into newspapers – which will put over \$100 million into the pockets of my members this year. That's not bad.

With your indulgence, I would like to touch on several business issues before we get back to the more familiar territory of Washington "stuff."

Folks, we meet here today in the middle of a full scale reordering of the media universe.

For the past several years, all segments of the media have talking a lot about their place in the emerging media mix.

All are looking for an answer to the question ... "where do we fit in?"

Some have started to wonder "do we fit in at all?"

And we all have good arguments.

Television talks about its sheer power and reach and excitement.

Magazines talk about the personal connection with readers.

And the oldest media – newspapers -- talk about the connection to communities and to the lives of people who live there ... whether they are local communities or national.

And about being the last source of real local news.

There is a sense that we are about to start seeing which arguments are legitimate ... and which ones are woven of hopeful assumptions.

It's against that backdrop that I want to take a closer look at the case for newspapers today.

The comedian robin Williams once said ... "reality ... what a concept!"

When you look at newspapers today ... separating the real from the conceptual can be a little tricky.

Conceptually ... declining circulation might mean that we are a medium that has seen our best days ... and are on the down slope of a long decline.

The reality is that even as circulation declines ... many readers are not leaving the newspaper family ... because the family now embraces everything from on-lineto specialty publications...

And any other way information can travel from provider to user.

Conceptually ... counting the numbers of newspapers sold should give you a rough approximation of penetration and reach ...

The same way it does when you count the number of people who watch a television show ... or click on a web site.

The reality is ... the one-sale/one-reader approach vastly undercounts the penetration of newspapers as they pass from reader to reader.

Conceptually ... the web should drive newspapers out of the community.

The reality is that in almost all local markets ... newspapers websites do exceptionally well.

Conceptually ... at a time when unfiltered truth has never been more important ... all media should have open and fair access to information.

The reality is ... we have to fight for that access ... and the battle is against some forces that are well entrenched.

Conceptually ... in a world where technology has obliterated all barriers to entry ...

Outmoded rules that limit competition should have long ago been taken off the books.

The reality is ... against all logic ... and thanks to narrow, but effective support ...

At least one survives – more on that later.

At this stage of the game, my industry has two big jobs.

One is to continue to adapt product to fit into a media mix being shaped by new technologies, wider consumer choice and changing consumer preferences.

The other is to get full value for existing penetration in that mix ... which goes well beyond the single unit that leaves the newsstand ... or lands on your doorstep.

Papers across the country are realizing that to be a 21st century medium, they have to look like one ... especially in the eyes of consumers.

With color ... easy access ... quick information ... all combined with the depth and perspective that is the heritage of newspapers.

Readers want information more to be more accessible and faster to consume....

And papers throughout the industry are making changes to give readers what they want.

Newspapers are fundamentally a local medium – and they are largely bought by advertisers as such.

But there are emerging advantages in aggregating audiences – something not done much beyond the three large national papers.

On an average Sunday ... newspapers have a total audience greater than that of the super bowl.

But, at the same time,

Newspapers have been losing circulation in the core product.

Blame technology, blame choice, blame consumers who don't have time ... blame anything you want.

But the decline in numbers sends a very clear message.

The definition of our business has to expand from newspaper company to information company ... embracing all the possibilities that can come under that very broad umbrella.

We are seeing a lot more newspapers going after the lucrative niches that are in virtually every market ...

With Hispanic publications ...

With special publications based on interests ranging from cars to homes to music to jobs.

Add to that the new breed of so-called commuter papers ... free tabloids that are distributed at rail and bus stations.

Express here in Washington.

Examiner in San Francisco, Washington and soon Baltimore

Metro in Philadelphia, Boston and New York.

Red eye in Chicago; quick in Dallas.

Some say free tabloids are the biggest thing in newspapers since use today.

Others think they are a pandemic.

Either way, they are another piece of evidence that the term newspaper as we knew it ... is undergoing a real re-definition.

These changes in the product will lead directly to changes in the business model – or, at least, an expansion of it.

This is tangible evidence of the recognition that newspapers may no longer thrive ...

And maybe even not survive in the very long run ...

By putting out only one big print product.

Probably the best example of the ability to embrace the new realities of competition is what is happening on the web.

Contrary to assumptions made in the 90's ...

The web did not bring about the demise of newspapers.

Actually ... just the opposite.

Newspapers have the number one local web site in virtually all major markets.

And NAA data shows those newspaper web sites are one of the largest and most powerful audience collectors on the web.

And those sites are growing.

Nielsen/netratings found that over 47 million people visited a newspaper web site in September.

That is almost a third of all internet users ... and nearly a 16 percent increase for the same period last year.

While the terrible hurricanes in the south had something to do with this increase, I would observe that such usage is far from bad news.

Internet users are also spending more time on newspaper sites ... which are delivering some great demographics.

Users of newspaper web sites are younger, better educated and more ethnically diverse than the average internet user.

So ... increasingly newspapers are a broad-based medium that can also delivers very targeted audiences.

We are reaching people in ways that go well beyond the core ink-on-paper product...

And we would like to do more.

Another of the industry's challenges is to create better ways to measure the value delivered for advertisers. . . .

To find ways to move the market away from the old and outmoded ways of measuring newspaper impact.

That has been the same since a guy named Benjamin Day figured out in 1833 ... that he could tie advertising rates at the New York sun to its circulation.

The one paper-one reader formula worked reasonably well when we put out one product ...

All that is different now.

And competition for audiences in a time of massive attention deficit means that we have to get full credit for all the people we reach.

Again ... paid circulation has gone down over the years as media choice has gone up.

But we can show that when we add all the people who read a paper (that one person paid for) ...

And when you add the impact of web sites ... specialty publications ... and all the ways newspapers reach a community ... the audience for these local information brands is actually growing.

And growing audiences and new revenue streams are not easy to find these days – for any of us.

In advertising circles, the word *de jour* is engagement.

In a world of competition, clutter and consumer change, knowing the number of people who simply cross paths with a medium isn't enough.

The larger question is: how do they *engage* with it?

How people connect and interact with media and the advertising it carries ...

How they feel about the medium ... how they use it ...

How much they trust it ... how much attention they are actually paying when the medium is in front of them.

Study after study shows that people feel under attack by marketing messages.

A recent yankelovich study found that 80 percent feel there is too much advertising that is too loud and coming from too many places.

And as dvrs head toward mass market penetration ...

Some 70 percent of people who have them say they skip the ads on recorded programs.

We are in the process of learning more about how that contrasts with newspapers ...

Where ads are an accepted and even welcomed part of the package ...

Ads that complement the experience rather than interrupt it.

We are studying the effect of print and online advertising on product sales.

We are creating a more accurate picture of a newspaper company's actual "footprint" in a market ... How many people it reaches ... at what times ... and in what ways.

All of this activity on the business front is designed to shed light on where I started...

To bring the perception of newspapers into alignment with reality.

Now, let's get to the nation's capital...

They would take away all my free subscriptions if I did a speech like this without a reference to the first amendment.

Many people think that the first amendment is an absolute guarantee ... a kind of American birthright.

Regrettably, it's not.

It's in the constitution, but it is subject to relentless interpretation and constant challenge.

And post 9-11 ... the challenge has been formidable.

My friend Paul McMaster's of the freedom forum posed a good question in a recent gannet news service article:

“How does a nation that celebrates the idea of openness find itself shackled to a government information system that has a default setting of secrecy?”

I don't care where you fall in your politics ... secrecy and democracy are a bad mix.

So, all media must be very active on a number of fronts.

A number of media organizations – some in this room -- are engaged in what is called the sunshine in government initiative ... which centers on a campaign to strengthen the federal freedom of information act ... which now too often is being circumvented ... or simply frustrated by interminable and often unjustified delays.

Of course, the most recognized issue at the moment is the need to keep the heat on the enactment of a federal shield law.

As recent events make very clear ... the ability to shield the identity of sources ... is critical to the flow of information to the public and to the news gathering process.

And it seems rather clear that the federal government should join 34 states and the District of Columbia in enacting reasonable protections for the free flow of information to the public from confidential sources.

The most intractable issue we face in shaping our environment is finally getting over the hump to cross ownership.

As you probably know ... in local markets ... you cannot own a daily newspaper and a broadcast station, radio or television.

It's based on the idea that no one owner should dominate sources of information in a specific market.

And that is very legitimate.

... if you're living 30 years ago.

... when the rules prohibiting cross-ownership went into effect ...

When communication in any town was the newspaper and, at best, a bare handful of local television and radio stations.

The only broadcast ownership rule that has never been updated since the mid-70's ignores...cable television ... the internet ... satellite television...satellite radio ... pod casting ... blogs...cell phones... and all the other ways people can get information.

It ignores the fact that 40 communities – from very small to Chicago -- enjoy demonstrably superior broadcast service from stations owned by the local newspapers because these markets were “grandfathered” when the rule was adopted.

And the last time we checked ... the residents of those communities were still making up their own minds... Still making informed decisions...

And it appears democracy is safe in every instance.

Yet today ... newspapers are the only media banned by the federal government from owning broadcast stations in the same market.

It has become abundantly clear in study after study ... by any manner of logic ... that cross ownership does not affect competition ... and it does improve local content.

Even the court in Philadelphia found this rule is not needed for diversity reasons.

A law that protects no one from anything is standing in the way of the ability of newspapers to expand into true multi-channel information companies –

Just like everyone else...

Companies that can get more information to readers and audiences in more ways ...and in the ways they want to receive it

There are only about a half-dozen people in the free world who believe newspapers are still the dominant player in every market.

Unfortunately, several of them are at the FCC.

How can it be that a local cable system can own a local television station it carries, but a local newspaper cannot?

How in today’s world does that make sense?

They complain about local television and radio being concentrated in the hands of too few owners...

But support a rule that for 30 years has kept the most natural local owners of local stations out of the market.

Where’s the logic in that?

With this outmoded ban in the dustbin -- where it belongs ...

Local newspapers would be stronger; local television would be stronger and consumers would have more local news and public affairs information.

That's good for everyone.

Fewer television stations would be dropping local news for economic reasons.

Local news is the newspaper's stock in trade.

There would be all-news radio in small and medium-sized markets, not just a few large ones.

That's good too.

And, yes, if just one of those radio stations in Minot, north Dakota had been owned by the Minot Daily News, I can guarantee you that the good citizens of Minot would have had timely information about that now infamous train wreck in their fair city several years ago.

That's what I wrote in a letter to senator Dorgan at the time.

I am still waiting for a reply.

And so it goes.....

Now for those words you have been waiting for...

In closing:

There has been a lot of talk in the last few years about inflection points and tipping points ...

Where there is a shift so pronounced that everything is different than it was before.

I am not a soothsayer...

Just a recovering lawyer and a trade association hack,

And I'm not suggesting that media is at the tipping point.

But things sure are a lot different that just a few years ago.

Bottom line, as I see it, each segment of the media that many of us in this room represent is going to have to make do with a smaller piece of the pie as consumer choice continues to expand.

None of us can operate the way we did in the past.

So we are going to find new and better ways to operate in the future.

Folks, that's exactly what we are trying to do too.

Thank you very much.