



Read All About It

In Seattle's newspaper war, the real question may not be whether the *Times* or *P-I* wins—but whether any readers will be left By Todd Matthews

SUNDAY AFTERNOON AT THE CORNER of First Avenue and Pike Street, newspaper vendor Chad Smith is wedged into a small counter space behind stacks of daily and weekly newspapers. Wearing a green T-shirt, shorts and a dusty apron, Smith quickly tallies purchases and makes change for a steady stream of customers who stop by his Pike Place Market newsstand—a Sunday edition of *The Seattle Times* for one customer; *The New York Times* for another; postcards, a map and a free copy of *Seattle Weekly* for someone else. It's a surprisingly hectic scene for anyone following the newspaper industry these days, where news of declining circulation, free online content and sagging advertising revenue sets the industry tone.

Smith hasn't seen those things impact sales at his newsstand. "A lot of people buying newspapers stop by as part of a routine," he says. "And I think a lot of people, amazingly enough, are not on computers these days."

It's an interesting time to be selling newspapers, and Seattle, one of a dwindling number of big cities with competing daily newspapers, is a unique place to be.

The Seattle Times and *Seattle Post-Intelligencer* continue to be caught up in a dispute over a long-standing Joint Operating Agreement (JOA) that puts advertising, production, marketing and circulation operations under control of the *Times* but separates news and editorial operations at each newspaper. The issue has pitted the two dailies against one another on newsstands and in courtrooms. *Times* executives want out of the JOA because they say it's a money loser for the company and threatens its viability. The Hearst Corporation, owner of the *P-I*, argues that without the JOA, the *P-I* couldn't survive (in May, both decided to resolve the dispute in private through binding arbitration; at press time, a decision had yet to be reached).

The eventual resolution of this dispute doesn't necessarily mean a rosy outcome for either newspaper. Both are facing grim circulation numbers.

According to the Audit Bureau of Circulations' latest data, covering the period between September 2005 and March 2006, weekday circulation at the *P-I* dropped 9 percent from the same period a year before. At the *Times*, weekday circulation fell 5.4 percent. Saturday circulation at the *P-I* fell 8.3 percent and at the *Times* by 5.5 percent. And circulation of the Sunday edition, which is published jointly by both newspapers, dropped 4.7 percent.

Declining newspaper circulation is a nationwide trend—though it may be worse here than elsewhere. According to the Newspaper Association of America (NAA), daily circulation for 770 U.S. newspapers dropped 2.6 percent. Meanwhile, despite Smith's observation, readers do seem to be gravitating to computers. Online news readership is up—the NAA says it rose 8 percent in the first quarter of 2006.

It's that last point that has raised doomsday scenarios from newspaper industry

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experts. If readers get free news online, and if Web sites such as eBay and Craigslist continue to eat into newspaper classified advertising revenue (more than 9 million classified advertisements are posted monthly on Craigslist.org, according to the site; newspaper classified ad sales fell 20.1 percent between 2001 and 2003, according to NAA reports), can traditional newspapers remain a viable business?

In Seattle, representatives from the *Times* and *P-I* on the news side are optimistic about their online presence, and they point to growing online readership. At the *P-I*, 1.7 million readers account for 30 million page views per month. "We want to give readers stories as they happen, not on the old print schedule," says assistant managing editor Michelle Nicolosi, who is in charge of the

"I know the whole national scene is print versus online, but that's the wrong focus. The *Times* is not that hung up on print newspaper—it's hung up on delivering the news."

P-I's Web site and breaking news team. Nicolosi also points out that each format offers unique advantages: A print newspaper is easier to read; online news is more current and interactive. "Which one you want depends on your own reading habits and needs," she says.

At the *Times*, Cynthia Nash, associate managing editor and director of brand and content development, argues, "I know the whole national scene is print versus online, but that's the wrong focus. The *Times* is not that hung up on print newspaper—it's hung up on delivering the news."

The *Times* has been successful in capturing that online audience and has invested significantly in its Web presence. Through its three Web sites—seattletimes.com, NWsource.com and NWclassifieds.com—it reaches more than 2.7 million unique visitors per month, and its servers deliver more than 65 million page views per month.

The company has made changes to increase traffic to its seattletimes.com site. Last year, the newspaper stepped up its photography department presence by offering multiple photographs per story, travel postcards from readers and slide shows with audio narration. In the first quarter after building out its photo sections, the *Times* noticed an increase

in readership interest in photographs (the newspaper logged 9 million photo page views in that first quarter, according to Nash). It has also partnered with KING-5 News for video coverage during breaking news. And blogs by business columnist Brier Dudley and chief political reporter David Postman have been added to the site. "I think we really have done a lot, and it seems to be paying off in terms of traffic," says Nash, who adds that online readership is up 35 percent at seattletimes.com, and the newspaper reaches 71 percent of the market in Snohomish and King counties. "We are the top local Web site."

Nash also says, "A great proportion of our revenue is not circulation sales, it's advertising. As long as we have growing readership in print or online, it doesn't cut into revenue."

We anticipate into the future that our newspapers, both print and online, will be profitable."

But she may be wrong there.

Her colleague, Jill Mackie, the *Times*' vice president of public affairs, acknowledges marketplace challenges.

In January 2005, the newspaper announced \$12 million in losses during 2004 (the fifth consecutive year of red ink). It also announced plans to lay off 110 employees the following month. At the time, a *Times* spokesperson told reporters that the newspaper needed to respond to a "changed marketplace"—namely, a drop in classified advertising revenue.

"We have not recovered from the shift in the marketplace," Mackie says. "The growing competition regarding ad revenue, together with fundamental shifts in newspaper economics nationally as well as [in Seattle], continue to be challenging."

That's because while readers have quickly embraced the Web, advertisers are less accepting.

"The tough question is whether advertisers will pay for the new way of measuring readership," says Brian Steffens, executive director of the NAA. Advertisers generally pay less for online advertising than for

print—and the cost of the ad is measured differently, says Steffens. In print, cost is determined by ad size and publication frequency; an online ad is priced in a variety of ways—the number of page views or the number of "click-throughs" from a newspaper's Web site to an advertiser's site. Online ad revenue typically comprises less than 5 percent of total newspaper revenue, says Steffens.

"Advertisers may pay less per 'eyeball' online than they do for print," adds Steffens, "so growing readership is not an automatic gain in ad dollars if the 'readership' is less profitable online readership."

But online revenue is growing. The NAA reports that Internet advertising in 2005 topped \$2 billion for the first time ever (a 31 percent jump from 2004)—a trend the *Times* has experienced. "We are growing online advertising, and advertisers are increasingly aware of their abilities to reach key audiences through an online presence," says Mackie. "However, both print advertising and online advertising are critical revenue components. Growing online revenue does not replace what we have lost in print."

In some ways, the newspaper industry seems to be in a race against time. Can online ad revenues be increased quickly enough to keep up with the shift of readership from print to online?

A note of optimism is offered by Douglas Underwood, associate professor of communication at the University of Washington, author of *When MBAs Rule the Newsroom: How the Marketers and Managers Are Reshaping Today's Media* and a former investigative reporter at the *Times*. "I can't imagine the need for good information will disappear," says Underwood, "but how that need gets met in the future may take new models."

Like Nash at the *Times*, Underwood thinks some of the apocalyptic forecasts for newspapers are shrill. "The doom and gloom in one form or another has been the prevailing theme since the 1960s," he says. Over the years, as profit margins shrank industrywide (generally from 40 percent to 10–20 percent, according to Underwood), shareholders at publicly traded newspapers grew dissatisfied. "When companies are publicly owned, it's about expectations as much as it's about performance. Part of the problem has been this grinding pressure [for profits]."

Adds Steffens of the NAA, "Newspapers, magazines and books have been around a long while. Radio and TV didn't kill them, nor is it likely the Internet will." 5

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