# Journalism Online
## Response to NAA RFI

## *Executive Summary*

At this critical moment for the future of news, Journalism Online is pioneering the effort to make the transition to a paid online model successful for publishers and easy for readers.

Experienced media executives Steven Brill, Gordon Crovitz, and Leo Hindery, Jr. came together to form Journalism Online in order to address the urgent need for a comprehensive, immediate plan to address the downward spiral in the business of publishing original, quality journalism.

Grounded by the common-sense principle that those who invest in and create content should not be bystanders while others make a profit from it, they seek to enable news publishers to generate new revenues from readers and distributors for their digital content and—because it does not have to be a choice between one revenue source or the another—to restore the optimal mix of circulation and advertising revenue necessary to finance original reporting and editing. For print publishers such as newspapers, this move toward paid access online will also restore the value proposition of the print medium by eliminating the fully free online alternative.

We are developing an easy to use e-commerce platform for each individual publisher, so that consumers can purchase annual or monthly subscriptions, day passes or single articles from multiple publishers using the same account and password. The e-commerce engine will reside on each publisher's site—we will not create a competing destination site or aggregate and host publishers' content.

The payment system will be integrated into the websites of publishers, with each publisher having sole discretion over which access and content to charge for, how much to charge, and the manner of charge.

It will give publishers the ability to optimize revenues through full marketing options (e.g., sampling; tolling to identify the most engaged users; access by time; free summaries; and sharing via social media). Publishers will use the Journalism Online system to market delivery to the website and also to emerging digital platforms, including electronic readers (e.g., Kindle), mobile devices or their own devices–while retaining full control over their customer relationships in all situations.

Journalism Online is working with leading online payments companies and industry leaders in subscription-based products and entitlements. Along with them we have identified large parts of functionality that already exists, and plan to have the remainder built and ready for launch in the fall of this year.

The executive responsible for preparation of this proposal is co-founder Gordon Crovitz, gordon.crovitz@gmail.com, 25 W 52nd St, 15th Floor, New York NY 10019. Gordon is prepared to discuss any questions that may come up.

## *Company Profile*

As the bios of our founders below demonstrate, we are NOT technology people who see a possible new opportunity in the publishing industry. Rather we are dedicated publishers and journalists with more than 100 combined years of experience who, with technology executive Ken Ficara, who has the most experience of any technologist in designing e-ecommerce solutions for news publishers and in partnership with leading technology companies, have developed a business and technology solution for journalism's most urgent, core challenge. The founders also have deep experience in the technology and business issues required to enable newspaper publishers to generate significant revenues from consumers online.

**Founders**

**Steven Brill**

Steven Brill, a graduate of Yale College ('72) and Yale Law School ('75), conceived of the idea for Journalism Online as his most recent enterprise. He envisioned a new company to offer an innovative system for newspaper, magazine and other online publishers to realize revenue from the digital distribution of the original journalism they produce.

For the last eight years, Brill has also taught a seminar for aspiring journalists at Yale College. In 2006, Brill and his wife Cynthia (also Yale College '72) expanded that seminar by endowing the Yale Journalism Initiative — an array of non-fiction writing activities, career counseling services and supported internships aimed at channeling Yale students into the profession. In 2007, Yale Law School announced that Brill was providing significant support to a grant from the Knight Foundation aimed at establishing a similar journalism program at the Law School, and in 2009 Brill began teaching (with First Amendment attorney Floyd Abrams and New York Times reporter Adam Liptak) a seminar at Yale Law School covering modern media law issues, including how the Internet has affected journalism and the media industry.

Brill worked his way through Yale Law School by writing for New York and Harper's magazines. When he graduated, he became a legal columnist for Esquire and wrote a best-selling book about the Teamsters Union. In 1978, he founded The American Lawyer magazine, which soon expanded into a national chain of daily and weekly legal newspapers. In 1991, he launched Court TV. He sold the legal publications and Court TV in 1997 and returned to journalism full time, with the founding of Brill's Content, a magazine about the media which ceased publication in 2001. Brill then researched and wrote "AFTER," a book focusing on the aftermath of the September 11th attacks, which

was published in 2003, while also serving as a Newsweek columnist and a consultant to NBC on the same subject.

**Gordon Crovitz**

Gordon Crovitz is a media executive and advisor to media and technology companies. He is a former publisher of The Wall Street Journal and former executive vice-president of Dow Jones, where he launched the company's Consumer Media Group. Under his decade-long leadership, the Wall Street Journal Online became the largest paid subscription news site on the web, with more than one million paying subscribers. He founded the online news service Factiva and is a member of the board of directors of the news and information provider ProQuest, both of which provide highly profitable revenues to news publishers.

He is an advisor to several technology-based media companies in California and New York and was named to the "Silicon Alley 100" for 2008. He writes the weekly "Information Age" column in The Wall Street Journal.

While at Dow Jones, he turned around the financial performance of The Wall Street Journal to become strongly profitable after earlier losing money, including strong growth in circulation revenue in print and on the web. He led the acquisition of publicly traded MarketWatch as well as specialist services Private Equity Analyst, VentureOne and VentureWire, London-based news franchise eFinancial News and Frankfurt-based newswire VWD. Earlier in his career at Dow Jones, he served as the corporate vice president for planning and strategy. He was editor and publisher of the Far Eastern Economic Review in Hong Kong and founding editorial page editor of the Wall Street Journal Europe in Brussels.

He is a graduate of the University of Chicago and has law degrees from Oxford University, where he was a Rhodes scholar, and Yale Law School. He and his wife, Minky Worden, live in New York with their two sons.

**Leo Hindery**

Leo Hindery, Jr. is Managing Partner of InterMedia Partners, LP, a New York-based media industry private equity fund manager which he first founded in 1988.

Until October 2004, Mr. Hindery was Chairman (and until May 2004 Chief Executive Officer) of The YES Network, the nation's largest regional sports network which he founded in the summer of 2001 as the television home of the New York Yankees. From December 1999 until January 2001, Mr. Hindery was Chairman and Chief Executive Officer of GlobalCenter Inc., a major Internet services company, which was then merged into Exodus Communications, Inc. Until November 1999, Mr. Hindery was President and Chief Executive Officer of AT&T Broadband, which was formed out of the $48 billion March 1999 merger of Tele-Communications, Inc. (TCI) into AT&T. Mr. Hindery was elected President of TCI and all of its affiliated companies, then the world's largest cable

television system operator and programming entity, in February 1997, when he was Managing Partner of the original InterMedia Partners.

Mr. Hindery is Chairman of the Smart Globalization Initiative at the New America Foundation and a Member of the Council on Foreign Relations. He is a Trustee of New School University; a Director of the Minority Media & Telecommunications Council, the Paley Center for Media, and Teach for America; and a member of the Board of Visitors of the Columbia School of Journalism.

Mr. Hindery has in the past been recognized as International Cable Executive of the Year, Cable Television Operator of the Year, one of Business Week's "Top 25 Executives of the Year," and one of the cable industry's "25 Most Influential Executives Over the Past 25 Years." He is the author of "It Takes a CEO: It's Time to Lead With Integrity" (Free Press, 2005) and "The Biggest Game of All" (Free Press, 2003).

**Senior Staff**

**Merrill Brown**

Merrill Brown, senior strategist, is the founder and principal of MMB Media LLC, which provides clients with management and strategy consulting, corporate, editorial and program development, business analysis and marketing services. Since the founding of MMB Media, clients have ranged from companies in the news, information and wireless businesses to a large foundation. Brown serves as Senior Strategist for Journalism Online, LLC, a company seeking to help publishers charge for the online content they produce.

Brown is also a partner in Propeller LLC, a New York consultancy, and served from 2005 through 2007 as National Editorial Director of News for the 21st Century: Incubators of New Ideas (News 21), part of the Carnegie-Knight Initiative on the Future of Journalism Education. Before establishing MMB Media, Brown served as Senior Vice President, RealNetworks' RealOne Services (2002–2003) and was responsible for all facets of the RealOne programming business including programming, subscription sales, marketing, advertising sales and technology. Prior to that, Brown helped launch MSNBC.com serving as the site's first Editor in Chief, and also served as a Senior Vice President. Before joining MSNBC in 1996, Brown was a media and communications consultant whose work included strategic development work at Time Inc., NBC, US West and a score of other media ventures. Brown was one of the initial strategists responsible for creating the Courtroom Television Network (Court TV) and worked on all facets of the network's operation leading up to its 1991 launch. As senior vice president, corporate and program development, he oversaw program planning, advertising, promotion, marketing, public relations and development of day-to-day management of the cable network through 1994.

From 1985 to 1990, Brown was editor in chief of Channels magazine, which was named as a National Magazine Award finalist for general excellence during Brown's tenure. Early in his career, Brown was associated with the Washington Post, the Washington

Star, the Winston-Salem Sentinel, and St. Louis Post Dispatch, serving in a variety of editorial capacities.

Brown also serves on the boards of Smashing Ideas, Inc., the Center for Citizen Media, New West Publishing, the International Women's Media Foundation, iFocus, the Institute for the Connected Society, Project Agape, and the City University of New York Graduate School of Journalism. Brown is a member of the advisory boards of two advertising firms, Media 6 Degrees and TRA Global, where he recently became Advisory Board Chairman. Brown is an advisor to and has served as Chairman of the Board of NowPublic.com, the leading citizen journalism company in the world. Brown is also an advisor to Evri.com, a content discovery company funded by Vulcan Capital.

**Ken Ficara**

Ken Ficara, lead technologist, has dual backgrounds in journalism and computer science and has been working in online news for two decades. He was part of the team that founded The Wall Street Journal Online, the web's first and largest paid news site, and oversaw the implementation of three generations of its commerce system. He also wrote many of its editing systems, led its first major redesign and rearchitecture, and managed new product developments on the site for a decade. For many years he was the only person with both bylined articles and production software on the Journal's web servers.

Through his consulting firm, Harmonica LLC, he does content management and product development work for media companies including newspapers, radio stations and trade publishers. He specializes in using mashup techniques and web-2.0 APIs to create lightweight and flexible systems, including one the editors of the well-known American Institute of Architects Guide to New York City are using to manage thousands of photos and building descriptions. He also develops musician websites that integrate with existing social networking and other services musicians already use.

In his years at Dow Jones, he worked on dial-up text information services, CD-ROMs, fax products and pre-web Internet projects before joining the WSJ.com team. He moved from there to a role overseeing the company's overall content strategy, and then to Ottaway Newspapers, where he rebuilt and modernized their newspaper websites and launched a series of local search portals. He began his career as as a reporter and copy editor on weekly and daily newspapers and online news services.

Ficara is a graduate of Brooklyn College of the City University of New York, and of Rutgers University. He lives in Brooklyn, NY, where he plays harmonica and guitar in the city's old-time country music community. His photos are frequently seen on albums and web sites by local bands and on his music blog and newsletter.

## *Product Description*

Journalism Online will enable publishers of quality journalism to realize the revenue they deserve—and can command—from readers and distributors for their digital content. We

will enable these news organizations to restore the optimal mix of circulation and advertising revenue necessary to finance original reporting and editing. At the same time we will restore the value proposition of the print medium by eliminating the fully free online alternative.

**Participation In All-You-Can-Read Options:** We will aggressively market all-inclusive annual or monthly subscriptions for consumers who want to pay one fee to access related areas of content across the sites of Journalism Online affiliate members (such as news by topic, country or region).

Publishers will have full discretion over participation in these offers and will share the resulting revenues.

We will use data from consumer behavior to identify potential packages of access, helping to maximize revenues for member publishers.

**Reports From the Front Lines As the Industry Is Rebuilt:** We will provide reports based on consumer data to member publishers on which strategies and tactics are achieving the best results in building circulation revenue while maintaining the traffic necessary to support advertising revenue.

No one knows today which strategies—annual subscriptions, sampling, micropayments, day passes, premium frequency updates—will work best. We will gather and share anonymous, aggregated information about consumer behavior to help each publisher optimize free and paid access.

**Restoring a Balance of Power:** Those who invest in and create original content should not be bystanders as it is monetized. We will negotiate improved terms with distributors such as electronic readers as well as a more mutually beneficial relationship with search engines.

Journalism Online will enable news publishers to negotiate from a position of strength.

## *Product Capabilities*

Our product is planned to support the following capabilities among others:

1. Recognition of accounts and passwords across multiple websites and multiple digital platforms
2. Sampling of selected number of articles per week or month before charging, if publisher desires – and easy "turning of the dials" up or down
3. Free view of headline and of selected number of words before charging, if publisher desires – and easy "turning of the dials" up or down
4. Allow micropayments
5. Monthly subscriptions
6. Annual subscriptions

7. Conversions of micropayments into monthlies, monthlies into annuals
8. Bundling of print and online subscriptions
9. Meshing of print and online subscription databases to allow for discounted bundled offers
10. Premium charging according to the frequency with which the website is updated
11. Option for publishers to set different rules based on whether customer is in- or out-of-market
12. Referral payments for Affiliate websites whose paying customers add access to other news websites
13. "All-you-can-read" packages with originating publisher website receiving a percentage of resulting revenues
14. Option for dissatisfied customers to "return" an article, if publisher desires, with a fraud protection mechanism to guard against abuse
15. Ability to sell related goods via participating retailers (such as books within book reviews)

Product offerings will include the options to:

- Charge based on selected number of articles read through third-party sites such as Google over predetermined time (e.g., after five articles per month).
- Charge based on selected types of articles on the site's home page, such as most differentiated news and features (note that opinion and comment typically remain free).
- Charge differently based on physical location of the user or whether user is also a print reader.
- Charge for selected collections of news by topic and for selected archives.
- Charge based on time of day viewed (such as for all visits to the site after the initial publication of the daily newspaper).
- Charge for "club" features such as a separate area for posting comments, e-mailing paid content to friends and multiple subscription accesses.

## *Planned Enhancements*

Journalism Online will offer a basic set of capabilities in our fall launch, along with the first-ever gathering and analysis of real-world data about how users purchase news and newspaper content, which we will make available to our affiliates. Based on that analysis and reaction from the market, we will adapt and broaden our capabilities, with subsequent software releases in the first quarter of 2010. And we will suggest modifications and variations in business models, week by week, as we gather data on which strategies are working best to optimize advertising and circulation revenue online and in print and share that data with our Affiliates.

## *Research and Data Analysis*

This has been discussed at length with NAA members and because it relates to pricing and other strategies we do not feel it appropriate to share it in this context.

## *Business Model*

There is not one single business model that is appropriate for all publishers. Our service allows them to decide individually:

- What to charge for
- On what basis to charge for it (per article, per day, per month, per year, with upsells for each)
- Whom to charge (based on regularity of use, sampling history, where they are logging on from, etc.)
- How to bundle with print subscriptions
- How to bundle with offering of other JOL Affiliates.

Below is an excerpt from the business models we have presented to five different-sized newspapers in five different markets based on assumption related to the options outlined above.

Print circulation of 1,000,000.
Total home delivery paper subscribers of 800,000.
Monthly online unique visitors of 20 million.
Annual online subscription price of $75.00 and month-to-month price of $7.50.
Micropayments per article of $0.25 with a total of 6 per subscriber per month.
Online advertising revenue of $175 million per year.
Print circulation revenue of $600 million per year.
Print subscriber retention and acquisition cost of $75 million per year.

Bottom Line Benefit:
$33.6 million in Year One; $86.0 million in Year Two

Assumptions:

- Assumes a significant amount of continued free access, but with selected content offered to the most engaged online users on a paid basis. This approach optimizes advertising inventory alongside high-margin subscription revenues.
- 10% of monthly uniques subscribe within two years.
- Subscriber conversion breakdown assumes 47.5% annual, 47.5% month-to-month and 5.0% micro payment.
- Total online subscribers of 2.2 million subscribers in year 2, counting people who buy annual or monthly subscriptions or a single article through micropayment.
- Assumes a 90% subscription renewal rate.
- Overall page views decrease by 12% at the end of year 2.
- A 15% decrease in non-subscriber page views is offset by paying subscribers having 25% more page views per user than non-paying users.
- A 30% higher CPM for pages viewed by subscribers produces overall online advertising decline of 9%.
- Cost of sales for advertising is 20%.

- Journalism Online commission of 20% of subscription revenues net of credit card fees of 3%.
- Adding a paid strategy for selected online access, then bundling online and print subscriptions (offering a "discount" for those who buy both) yields a 3% increase over two years in print subscription circulation revenue.

| In thousands unless otherwise stated | Year 1 | Year 2 |
|---|---|---|
| **Incremental Revenue** | | |
| Print Circulation Revenue Increase | 18,898 | 18,898 |
| Online Net Subscription Revenue (1) | 25,705 | 73,771 |
| Total Increase in Revenue | 44,603 | 92,670 |
| | | |
| Decrease in print subscriber acquisition cost (2) | 7,500 | 7,500 |
| | | |
| Online advertising revenue decrease | (23,146) | (17,754) |
| Cost of Online Sales (3) | 4,629 | 3,551 |
| Net Decrease in Online Sales | (18,517) | (14,203) |
| | | |
| Total Benefit | 33,586 | 85,966 |

(1) Net of Journalism Online commission of 20.0% and credit card commission fees of 3.0%.
(2) Assumes a cost savings of 10.0% on print subscriber acquisition cost by year 2.
(3) Assumes a cost of advertising sales of 20.0%.

## Current Client List

To avoid any appearance of impropriety we do not think in wise to share our client list with a trade association until we make public announcements about publishers who have joined as our affiliates.

## Available Payment Options

**Credit cards:** All major cards.
**PayPal** and other online payment methods, providing secure and widely accepted methods for those not comfortable giving credit cards, already widely accepted.
**Print subscription combination**, with a balance of "optimistic" discounts/free offers for print subscribers. Our integration method would allow for authorization of other products, at publisher discretion (for demographic information, clubs, etc.).
**Offline payments,** such as direct mail response.
**Micropayments** and other forms of prepayment.
Journalism Online will support SMS payments, digital cash and other methods as they become significant in the market.

## *Platform Requirements*

**Security, stability and maturity in payments handling**: Credit card processing, PCI rules, privacy laws, accounting, refunds, reconciliation identity theft – all these are complex issues that change frequently, and none of them can be taken lightly**.**

**Flexible business rules to support experimentation:** A clear demarcation between the payment layer and the product layer allows flexibility in defining and pricing products without risk to customers or the business. The system must support experimentation, and should allow you to learn rather than punishing you for being flexible.

**Robust identity management:** Single-signon is important to success, and the user experience must be seamless and simple, This implies sophisticated identity and session management. If users can be asked for existing credentials, rather than requiring them to sign up for a new account, the process will be simpler and easier.

**An understanding of how newspapers and media work:** Selling content online is nto the same as selling hard goods, and differs even from selling soft goods like music, ring tones or games. Without a clear understanding of the subscription and circulation business, one cannot build software to support it.

## *Business Model*

Our business model is strictly revenue-share. Please see above for detailed model information.

## *Consumer Behavior*

Recent industry research shows that while most consumers do not pay for content now, they would do so if asked. Penn, Schoen & Berland Associates presented a study at the All Things Digital Conference in May, showing that 6% currently pay but that more than 90% would, with the average stated price being $25 month. Our business model assumes fewer customers paying less than that.

## *Capabilities*

- **Accept or retrieve content from participating newspapers/media companies.** Journalism Online will not host content, but we are proposing several methods of integrating with publisher content management systems. We plan to support content on the web, not limited to text, and via feeds and mobile devices as well.
  - Scripting (simplest)
    - Insert script tags, let us do everything else.
    - Fewer knobs.
  - CMS or web server plugin (depends on platform)
    - Allows more flexible decisions.
    - Can intervene in content presentation.
  - Full integration
    - Services API called by CMS.

- ▪ Requires programming by affiliate
- **Manage single sign-on that allows consumers to navigate across participating media company Web sites**
  Journalism Online will manage identity and provide single-signon capabilities.
- **Process content in industry standard formats for news (NITF, NewsML2)**
  Journalism Online will not host or aggregate content. Depending on publisher requirements we may process some metadata in order to categorize content for inclusion in products. This would be done with taxonomy or semantically.
- **Track proper source of original content**
  Journalism Online will track content across affiliate sites to credit the originator and pay royalties if required by business rules.
- **Manage and protect intellectual property rights of content**
  Journalism Online will respect all copyrights. We will not provide any digital-rights management or other software enforcement of copyright.
- **Provide effective and efficient browser based user interface**
  Journalism Online will provide two user interfaces. The consumer interface will be subsidiary to the publisher's brand and we envision most consumers encountering us as a "powered by" logo within publisher's sites and brands. Journalism Online will also provide a B2B affiliate portal for publishers to manage products and their accounts.
- **Provide appropriate database technology for content management**
  Journalism Online will integrate with publishers' content-management systems but will not manage content directly.
- **Manage a variety of transactional capabilities**
  Journalism Online will support a range of payment models including:
    - o Credit cards: All major cards.
    - o Secure method for those not comfortable giving credit cards, already widely accepted. (Print subscription combination)
    - o Balance of "optimistic" discounts/free offers for print subscribers. (Combo integration would allow for authorization of other products, at publisher discretion, such as demographic information, points, clubs, etc.)
    - o Offline payments
    - o Aggregate billing (e.g., purchased accounts by ISPs)
    - o Micropayments and other forms of prepayment
    - o SMS payments, digital cash and other methods as they become significant in the market.

  Journalism Online will support a range of product definition models including:
    - o Content Set (Certain categories or types of content are available only to paid subscribers)
    - o Timeliness (Paid subscribers see more frequently updated content)
    - o Quality/Length  (Paid subscribers see full articles, or see articles with additional content, eg video or audio)
    - o Capabilities (Paid subscribers can search/personalize/comment/blog/etc. )
    - o Platform (Paid subscribers have mobile access. )
    - o Advertising (Paid subscribers see fewer, different or no advertisements)

- o Engagement Level (Those who visit often or read many pages over a specified time period are challenged to pay)
- o Location (Those within an affiliate's circulation area get free access, while those outside must pay, or vice versa)
- o Subscriber to other products (bundling) (Those who already buy one product (e.g., print newspaper) get other products included, or for a lower price)
- o

. **Communicate with banks using standard formats**
Journalism Online's payments partner will support all banking and credit-card requirements as it does for its millions of customers worldwide.

. **Provide PCI compliant customer information protection**
Our payments partner is of course PCI-compliant and has staff dedicated to keeping up with this and all other legal and regulatory matters.

. **Provide an information barter environment**
Journalism Online views information barter as a form of payment, which can be established through our systems the same way other non-traditional payments (eg, print combos) can be.

. **Provide simple customer registration/logon process**
Journalism Online will provide a streamlined signup process.

. **Tie a customer and their information to a particular newspaper**
A customer will always be linked back to the newspaper or affiliate that 'signed them up.'

. **Provide references to relevant content from participating newspapers**
Journalism Online will allow publishers to mix and match content and create cross-site network products. This is up to the individual publishers; for antitrust reasons among others, Journalism Online will not attempt to create these products directly. Journalism Online may use semantic technologies and user behavior analysis to identify likely products and suggest them to publishers.

. **Provide design with advertising positions**
Journalism Online will not host content or build presentations of content, so design and ad placement are up to individual publishers as they are now.

. **Include AdsML based e-commerce**
Journalism Online is strictly focused on supporting circulation revenue products, and will not place or reserve ads nor act as an ad network, so there would be no need for AdsML in our system. We are working closely with semantic advertising company Peer39 to add this tool set for our affiliates. The combination of the premium attached by advertisers to page views read by paying subscribers and the opportunity for semantic advertising to categorize content into the most monetizable buckets will help publishers maximize page yield for advertising revenues.