

## 13<sup>th</sup> Annual International Symposium on Online Journalism

**Day 1, April 20, 2012: Afternoon Session - 2:00-2:30 p.m.**  
***Becoming The Economist of Metro Newspapers and the Pursuit of the Tablet Audience***

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**Chair:**

**Glenn Frankel**, Director, School of Journalism, UT Austin

**Keynote Speaker:**

**Jim Moroney**, Publisher and CEO, Dallas Morning News, and Chairman of the Board, Newspapers Association of America

**Q & A:** Glenn Frankel & Jim Moroney

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**Glenn Frankel:** Thanks. While he's working on that, let me just say a few quick words about Jim. He basically is the pilot and navigator of a large, corporate, mainstream news organization. Executive Vice President of the A. H. Belo Corporation. He has overall responsibilities for three different newspaper operating companies in Dallas; Providence, Rhode Island; and Riverside, California. And he himself is also Publisher and Chief Executive Officer of the Dallas Morning News, which is the flagship news organization for Belo.

You know, a lot of us think about and pontificate about the future of journalism and all the changes that have hit us. Jim really is in the frontline. He's innovating, he's fighting, he's experimenting, he's shooting off new weapons, and occasionally he's getting shot at. He's overseen some really dramatic changes at the Dallas Morning News. He cut circulation. He instituted some of the industries steepest subscription rates and, in early 2011, a paywall.

But there are two things that I really love most about Jim. One is the fact that he's really refreshingly honest. Jim doesn't pretend to have all the answers to any of this. He knows what he's up against, but he's a great student of the news industry and he's not afraid of change. Equally important though, even while he experiments and innovates, he and Belo have maintained a deep and really expanding commitment to journalism, to quality journalism. Jim knows his product and he knows his audience—the people we're calling users. And he understands also the public service role that his organization must continue to play. So, it's a pleasure to welcome Jim Moroney.

[Applause.]

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**Jim Moroney:** Thank you, Glenn. I appreciate that introduction. And I will tell you, those of you who have connections with the School of Journalism at the University of Texas have to know how wonderful it is to have Glenn there. He is just doing wonderful things; particularly, all around digital. Before Glenn was there and while there was one voice crying in the wilderness for disruption of what digital technology was going to do to disrupt traditional media, it was Rosental Alves. He has really been a visionary starting this symposium over a decade ago and with somewhat humble beginnings. And now I think it's really one of the great gold-plated symposiums on digital journalism, on digital technology, and what it's doing to journalism around the world. So, again, Rosental, thank you very much for inviting me to come talk.

I want to say a couple of things. The title up there may sound like it's not related, but I hope to convince you after we're done that actually those two parts of that title are actually not just related, they're connected. Also, I have become convinced that there is not a formula for the sustainable, profitable business model for metropolitan newspapers in the United States. I think there's going to be lots of models. It's going to be different by different companies and even by different newspaper companies.

And what I'm going to talk about, I believe, does apply to larger metro newspapers. It's not the only way home, but I think it is 'a' way home. I will not tell you that I think it's appropriate necessarily for smaller newspapers and weekly newspapers. And I certainly don't pretend to know whether it's going to work in countries around the world.

But this is the path that we're on. And I want to tell you that I have borrowed liberally, and I hope have sourced as liberally, a presentation by The Economist that I think is just absolutely fabulous, and it speaks to exactly what we've been trying to do at the Dallas Morning News for the last several years.

So, the first slide, I'm going to tell you about what remains the same. And what remains the same is the goal of journalism. And I believe the goal of journalism is summed up like this:

[Shown on the screen...]

"An informed public that can make wise decisions to govern itself."

I believe this is the single highest calling, the most important purpose of journalism. It was true ten years ago, and more when Rosental started this symposium, and I think it'll be true ten years from now. This is our highest calling, and this is why we fight hard, at least in the United States, to try to find a way for metropolitan newspapers to continue to go on.

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However, this is what is not the same. And I apologize. I'm not used to thinking in billions, so I put an 'm' on here. That should be a 'b.' That is \$42.2-billion. That's the amount of print ad revenue that was in the U.S. newspaper industry at the end of 2007. The end of 2000-and... (Whoa. Sorry. If it had just come in here on its own. Oh, there it is.) So, that's the amount of print ad revenue in the industry at the end of 2011. [\$20.6-billion] And even those of you who did not like taking math in high school, I think you can tell that the number on your right is less than half of the number on the left. That's four years for 50% of the print ad revenue of the newspaper industry to evaporate. And most of you know that in the United States, in 2007, most newspapers had 80% of their revenue tied up in print ad revenue, so most of them lost 40% of their total revenue in a four-year period of time. That's why there has been this crisis in the U.S. newspaper industry about finding a business model that will keep newspaper companies sustainably profitable for the next decade.

So, the Dallas Morning News, I don't believe we are any longer publishing to a mass audience. That's not where we are today. That was great [at] one time; particularly, when we had classified advertising. Classified advertising in newspapers, the bigger the market, the more efficient the market. The more buyers and sellers, the more efficient it was. So, newspapers went on a 'get as many copies out as they can' binge and make a whole lot more money by raising rates for classified advertising. We all know that when the Internet came along, starting with the employment category, it disrupted it, because it created a much more efficient market. It brought many more buyers and sellers with much more information at a much lower cost in a much less — with much less friction and created a much more efficient marketplace and disrupted classified advertising.

So, we don't need that mass audience anymore, and I'm picking this term up from The Economist. I believe today and what we are doing at the Dallas Morning News is we are publishing for a mass intelligence audience. Now when I say mass intelligence, that's not the same thing as elite. OK? Read this for a moment and then I'm going to talk about it.

[Shown on the screen is a t-shirt that says...]

"CARRYING THE ECONOMIST IS SORT OF LIKE WEARING A SHIRT THAT SAYS 'I'M SMART AND WORLDLY AND INTERESTED IN KNOWING THINGS ABOUT GHANA.'"

[Some laughter.]

That's what I want people in Dallas to think about the Dallas Morning News. I want the smart people to want to read the Dallas Morning News. I want the people who want to be smart to want to read the Dallas Morning News. And I want even the people who want other people to think they're smart to read the Dallas Morning News. And that's who we are publishing for. I would like

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to see that t-shirt saying, you know, "The Dallas Morning News," and maybe talking about Deep Ellum as opposed to Ghana.

So, here is, again, something I've liberally lifted from our friends at The Economist. You see down here in the right corner "mass media," and as you move up toward the left, you have "mass intelligent," and then you have "elite." The mass intelligent not being nearly as big as the mass audience, but much bigger than elite. So, what's the difference between mass intelligent and elite? Well, again, this slide which I just love, I think, explains this. What this is going to tell you is that people who do any of the two things in the red circle, so let's say they read The Atlantic and go to live theater, any two of those, roughly, then do the following thing, a third of them do the following: they may read US Weekly, they may watch ESPN, and they may watch American Idol. This isn't all about elitist media. This isn't all about, "I only listen to NPR and God knows I'd never be caught dead watching American Idol." There is a group of people who enjoy the intelligent read of a lot of publications, but they want to snack a little, they want to just have a break once in a while. So, this is why that group is distinguished from the elite, who would never be caught dead, I don't think, watching Saturday Night Live or probably reading Sports Illustrated.

So, we don't think at the Dallas Morning News that by dumbing down our content we're going to do anything good for our business. In fact, what we believe is that there is a sufficient audience, a sufficient audience for intelligent reporting, curating, and aggregating of news and information. And here are just some of the ways that I think that happens:

Harry Potter. Popular, but it's well written.

HBO. It's charging for content. Oh, yeah, charging for content, because it's got some really well written and produced shows.

And The Lion King. I think one of the most marvelous animation movies that Disney has ever produced.

And The King's Speech was a wonderful movie.

These aren't so highbrow [that] they're not accessible to everybody, but what they all have in common is that they have well-written content. They have a really well-written narrative or story.

So, this is what we believe in. and I can't take credit for the quote either. "Our writing will remain the core of what we and all other clever publications reaching clever people do." It still comes back to the writing. When people say "content is king," if you believe content is king and not "distribution is king," it's only king because it's got great writing at the foundation of it. It's not the bad writing that makes content king. It's the great writing. And this is

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how we have to differentiate ourselves from what else is out there in the marketplace.

So, I've used this for my whole life. I spent more of my life actually in television news than I have in newspaper news. And I've always believed this, that the value of content is created along two axes. One axis is relevance, and the other axis is differentiation. Let me just play it on the opposite side. If you are.... If there's a piece of content and it is irrelevant to you, it therefore has no value to you. Right? If something isn't differentiated, it is by definition a commodity and therefore commands little value. So, the more you can differentiate your product or your content, the more relevant is your content, the more value you can create. And for us in the local news media business, that's covering local news and information. It is by definition differentiated. What is news in Dallas is not necessarily news in Baltimore or in Palm Springs or in Redding, California. What is differentiated about it will give it value. And we know that the large purveyors of news, whether that's ABC or Reuters or NBC, CNN, they're not going to come and outdo Dallas against the Dallas Morning News. On the other hand, we're never going to out-Afghanistan the New York Times. So, we need to focus our resources on what is most relevant to most of the people who live in Dallas, and that is local news and information, and that's how we can create the greatest value.

So, I believe that today who, what, when, and where are commodities. Everybody's got who, what, when, and where. In fact, individuals have who, what, when, and where. Before, these days, many news organizations can publish who, what, when, and where, a consumer tweets it and it's around the globe. These are commodities.

Breaking news...is table stakes. You gotta have it. You gotta have it, but you can't win at it. You can't win at it, not in the local space. Every television news organization will be right there with you breaking news. Your consumer expects you to have it when they go to your site. When they go to your native app, they expect you to have it. But I don't believe you can win on this particular kind of news. So, what we believe today is that the value is in how, why, and what does it mean for me? How and why and what does it mean for me? That's where the value creation is. That's the differentiation that we have to put into what we publish. And that is how you also increase its relevance.

So, we have a little acronym that we use at the Dallas Morning News called PICA. It stands for Perspective, Interpretation, Context, and Analysis. (Whoop. And they all went away. There.) And Analysis. This is what we have been working on for.... George, you're out there somewhere, our managing editor. How many years have we been at this? [inaudible response] About four years. We have been trying to infuse in our newsroom the idea that we shouldn't just be relying on who, what, when, and where. We have to put perspective. We have to put interpretation when necessary. Certainly context

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and analysis. Not opinion! We can do opinion on the editorial page. But this is what we have to be doing in news.

So, what does that mean? PICA means beat reporters, columnists, subject matter experts. This is what we have to have more of in the newsroom in order to be able to put that perspective, interpretation, context, and analysis. If you don't know your subject deeply enough, you can't infuse it with context. You can't put perspective around it. So, we are trying to put more of this into the reporting and the reporters and the editors we have in our newsroom. It also means we have to focus. We have to focus on certain categories that are relevant to our local market where we can go deep on those subjects and own those subjects and categories, as opposed to the television media in our marketplaces. Things like up here: economy, government, sports, arts. We are in the process right now of deciding what those ten to twelve categories will be and how we're going to really go both broad, but even more especially deep on them. We cannot be all things to all people. We are not in the mass audience business. We're in the mass intelligence business.

But here's the problem, right? We don't believe (the Dallas Morning News) that print advertising revenue will support high-end journalism any longer in the United States. This is the 24<sup>th</sup>.... The first quarter was the 24<sup>th</sup> consecutive quarter of year over year declines in quarterly revenue. Meaning that 2012 was lower than '11, '10, '09, '08, '07. You have to go back to 2006 to find a first quarter that was higher than the quarter before it on the year over year basis. I don't know why anybody thinks that this is anything but permanent and secular decline that is not coming back. And if you're building your strategy on the idea that it's going to come back, then what's different in year seven that has been different — that was not there in years one, two, three, four, five, and six?

Also, personally, I don't believe that digital advertising is also going to support the U.S. major metropolitan newspaper. There were over four trillion impressions, ad impressions served in the United States last year. Over a trillion of those were by Facebook alone. Facebook can put a lot more inventory into the marketplace if they choose to. There's a story that's being published today about the fact that their CPMs are up 40%. That probably means they went up from 25 cents to about 40 cents. You can't make a living on 40 CPMs, not in a local business that does not scale like Facebook or like Google and so forth and so on. We don't scale. We get some people in Australia that want to read about the Dallas Cowboys, but there's not enough of them to produce billions and billions of page views and impressions. So, we think that we're going to get all the print ad revenue we can. We're going to get all the digital advertising revenue we can, but that digital advertising revenue growth is not going to offset dollar for dollar what is happening in print advertising revenue. So, you're going to have to cross-subsidize your journalism beyond advertising. And I can talk more about that in the Q&A session if you want, because I'm not going into the business model here. But

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that is the fundamental problem. That's what we're trying to address. But it starts with differentiating your product, because if you don't do that, you're a commodity and you'll never be able to price it.

The fundamental issue for local media is this: the company formerly known as a newspaper company is now a local news organization. We are trying to establish that we can get people to pay us for our content online. This is the experiment that's going on. If you can't establish that you have something of value and something that's different than what the television news organizations are putting on their local websites, you will never be able to charge for it. Because I have been in the television business longer than newspapers, and they are not going to start charging for their content anytime soon, if ever at all. So, while we're trying to charge and they're not charging, we better have something that's differentiated and relevant and has value, and enough value that somebody would be willing to say, "I'm going to pay for it because it's that important to me."

So, I'm going to switch gears now because all of this relevance and differentiation, and particularly the PICA, which is going to rise to longer form journalism, I believe the tablet is going to be a tremendous opportunity for us in the newspaper journalism business, where we have large newsrooms, three, four, five times larger than a typical television newsroom, and we can imbue our journalism with more and do better long-form journalism.

So in the beginning, we had sort of a lean-back print age. That was really wonderful. I wish I'd been a publisher during that time. That gave away to more of a lean-forward experience that we all talk about with the desktop. And now, interesting, we have this sort of new lean-back experience with the tablet. Those of you that have it, I'm sure you know what I mean. In fact, this quote just to me sums it up, "I've gradually become used to dividing my reading into two zones: the work, laptop, info zone; and the chill, relaxing, leisurely read of the tablet." I don't know about how many of you do that, but I come home and I get to sit back in a chair, and I take that tablet out and I really enjoy sort of leaning back and having a lot of good reads; sometimes magazines, sometimes news sites, and sometimes just a good book.

So, here, this is interesting. A Pew Project for Excellence in Journalism Report that just came out said, "42% of tablet news readers regularly read in-depth news articles. And another 40% sometimes do this." That's good news for those of us who have an expertise and a core competency in longer-form journalism. This is also [interesting]. They are three times—this group of people that are tablet owners—three times as likely to regularly read in-depth articles as to watch news videos. When I come back to talk about competing with local television news sites, this is a very important statistic for me, because if it holds up, that is how we're going to win, because people are going to say, "Yeah, give me.... I really want to do more reading than I

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want to watch videos." We're going to have videos. If there's a story about a tornado, you're going to see a video. We're not going to write about it. But this is good news for us as we start looking to capitalize on the tablet. Just I think yesterday Gartner said that they're predicting from 65-million tablets in the U.S. last year to just under 120-million tablets by the end of 2012. Virtually 100% increase. That's a good number.

It's not a zero-sum game. I think this is important too. They found that people using the tablet, it's not they're just substituting news acquisition that they used to do and now over to the tablet. They're actually expanding, so the pie is growing larger by as much as 30%. That's important because it means there's more opportunity for us to engage readers maybe more during the day.

We're not abandoning the web; however, I think most of you all know this, even though all we hear about today are smartphones and tablets, 92% of the news audience in the United States is still going through the classic web, through your desktop or through your laptop. So, we're not abandoning that, but we're going to focus our resources, our development resources on the tablet, and this is the reason why. If this number... As you can see, this is also from Gartner. They just updated their 2012 number by about another, I think, 14-million tablets, so this is already out of date. But if you go to the end down there [at] 326 million, Dallas/Fort Worth has 2% of the households in the United States, so if you take 2% of that, that's roughly 6.5-million tablets that would be, if they were evenly distributed, in the Dallas/Fort Worth area. I could make a business out of a lot less than 6.5-million consumers. Today, the Dallas Morning News reaches about 300,000 subscribers each week, and that generates over \$85-million of revenue for us. We are the third highest priced newspaper in the United States behind the New York Times and the Boston Globe, and I'm quite proud of that.

So, this is what I'm going to sum up for you. And bear with me, because I'm going to have to read along here with you. Content derives its value from relevance and its differentiation. For local media organizations, this means covering local news. It's the most relevant and differentiating reporting that you can do. There is very little value in who, what, when, and where reporting. It's undifferentiated and a commodity. You can't charge for commodity content. Not gonna work. We're working to put more PICA into our reporting in order to differentiate it and build value for it, so we can charge for it. In order to do this, we're working to build more subject matter expertise in our newsroom and through affiliations, particularly with area universities.

Bob Mong, our editor, has been out talking to every university in the Dallas area and asking, "Who do you have on your staff that is a subject matter expert in certain of these categories?" Because we want to tap into them. We want to help them help us do better reporting, more sophisticated reporting,



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and make sure we differentiate ourselves from the television news reporting in the marketplace.

PICA combined with scale, the scale of our newsroom, says, "You can't get this kind of reporting at any other place." That's what we have to convince the consumer. You can go to WFA.com, and it's a good site, and it's got a lot of good information, but if you want to really know what's going on in your community, if you want all the breadth and depth of the reporting that you need to be a truly mass intelligent citizen, you need to go to DallasNews.com. PICA and intelligent reporting is not a mass audience strategy. We are focused on a smaller audience that will pay for high-end quality journalism. We believe this audience and this kind of journalism will rapidly be building a news reading habit on tablets. And for now, that means the iPad, as you all know. There's one catch: We have to preserve the scale of our newsroom to be successful with this strategy, and to do this, we must develop sources of revenue other than advertising.

This is what I'll be happy to talk about, because this is the key down at the bottom: If we can't do this, we'll have to cut more resources out of our organizations, we'll lose more scale in our newsrooms, and when we do that, we're going to lose to television news. It's our scale that is our competitive advantage, and we have to be able to sustain that competitive advantage in order to be able to win in the marketplace.

Last thing I will tell you is I would love to be here this time next year and tell you [and] show you what a truly incredible product that we are building for the iPad. Carmen Cano is here somewhere. Where is Carmen? It's gonna be great, isn't it, Carmen?

**Carmen Cano:** It's gonna be great!

**Jim Moroney:** It's going to be great. [laughter] We are just not saying this, we are putting a lot of money behind a product right now that we're developing for the tablet, and I think it's going to be very exciting. Thank you for having me. Thank you for giving me your attention.

[Applause.]

### **Q & A Session:**

**Richard Gingras:** My question, and you sort of captured a bit of it in your last slide about "the catch."

**Jim Moroney:** Yeah.

**Richard Gingras:** Because there's a catch.

**Jim Moroney:** Right.

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**Richard Gingras:** To me, to achieve what you're looking to achieve, in terms of creating that higher quality experience that people are willing to pay for, gets to the issue of focus and gets to the issue of, what scale of resources can you support? I think that's the hardest set of decisions, I suspect, you'll have to make. In fact, when I looked at your list and you said, "We've got to figure out where to focus," the one that sort of popped out at me and I said, "Really?" was like sports. I'm a sports fan.

**Jim Moroney:** Mm-hmm.

**Richard Gingras:** But I know one thing that's changed in my behavior is I don't go to my local newspaper site for sports anymore, you know? Yeah, they might have one great, clever columnist, but that's not enough to pull me when I have so many other places to go. I don't want to make this about sports, but....

**Jim Moroney:** Well, let me just say to you that I would send you ten — the easiest thing to do is send you ten of our sports sections, and go around the United States and stack up every other sports section you have, and then tell me whether you still feel that way. Because I have more PICA in my sports section than I have anywhere else. I have more columnists. Probably at least three leading columnists and then at least a beat reporter for every other sport. We're fighting ESPN in Dallas, ESPN local, and we're winning. And we're hooking up with radio stations. We're working with Fox Sports Southwest. So, I think you can win at sports—local sports.

**Richard Gingras:** Yes, and....

**Jim Moroney:** High school sports.

**Richard Gingras:** And that may be the case in market by market.

**Jim Moroney:** Yeah.

**Richard Gingras:** I don't really mean to make the discussion about sports per se.

**Jim Moroney:** OK.

**Richard Gingras:** Except that in a sense, you're raising the bar and saying, "What will people pay for it?"

**Jim Moroney:** Yeah.

**Richard Gingras:** And so it really means putting the focus on categories of content that will trigger the purchase decision.

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**Jim Moroney:** Yeah.

**Richard Gingras:** And that's why I asked the question.

**Jim Moroney:** Sure.

**Richard Gingras:** So, to the extent you can add anymore thoughts on, what does that really mean in terms of narrowing focus? And to that last point, the catch, can you pull that off and maintain the same scale of resources? Because it does seem to me it's a smaller business.

**Jim Moroney:** Yeah. I think you have to decide what it is you're going to be really good at. And we can't be good at everything. So, you're right. And we're in the process right now of determining that. And really, we're asking our customers. We're saying, "What is it that is most important to you?" If they tell us that it's pornography, we probably aren't going to go there. But if it's things like government, and watchdog journalism, and the economy, and the petroleum industry, and the aviation industry in Dallas, those are things then that we want to own and that we're going to focus on. And you're right, it will take some willpower on part of George Rodrigue and Bob Mong to say, "We're going to focus on this." The whole reason to get the business model to a place where revenue is growing again, which it hasn't been, is to preserve the scale of the newsroom. Because if we downsize this newsroom to the point that it's barely differentiated from a television newsroom, then we can't compete successfully, in my opinion, unless we become a single niche organization, [where] we're just going to write about the petroleum business or the aviation business, which is then a completely different business than what has been a general interest newspaper.

No general interest newspaper that I know of yet today has been able to establish that they can bring a significant number of digital-only, non-subscribers onto their digital site. We've had 40% of our newspaper subscribers authenticate their subscription to get access to us on a desktop, on an iPhone, on a smartphone, or on a tablet. But getting those people in who are not subscribers, nobody's proven that. The Economist, the New York Times, the Wall Street Journal, the Financial Times, they've done it, but they're different than a general interest metropolitan newspaper. So, I think the challenge is there. I still believe it can be done, but the focus and the intense application of those resources to those categories and to PICA is either going to win for us or it's not. So, thank you, Richard.

**Glenn Frankel:** Yes, sir.

**Josh Benton:** Hey, Jim, in full disclosure, I used to work for the Dallas Morning News for eight years, but...

**Jim Moroney:** Without my glasses on, you look like my brother, so we'll say hi afterward.

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[Laughter.]

**Josh Benton:** Oh. Josh Benton from....

**Jim Moroney:** Oh, hi, Josh. How are you?

**Josh Benton:** Hello. Fine. How are you?

**Jim Moroney:** Sorry. I just don't have my glasses on. That's why I kept squinting at the screen as big as those letters were.

**Josh Benton:** Quite all right. I just had a question about one element of the strategy. I think on the whole, it's a strategy that makes a lot of sense to me, but do you see tension between the idea that — in defining the mass intelligent audience? The way that that audience is defined is through their connection with non-local goods and non-local media. In other words, if the mass intelligent audience is the kind of person who reads *The Atlantic* and watches HBO —

**Jim Moroney:** Yeah.

**Josh Benton:** — that's not a thing that connects them to Dallas.

**Jim Moroney:** Right.

**Josh Benton:** And the Morning News covers a swathe of territory that is still large enough that you're looking at dozens of communities, dozens of local governments, dozens of school districts, and all these other things. I wonder if you run the risk of not getting the full benefit of localness when you're thinking about targeting an audience that is, I would argue, probably less locally connected in many ways than some other segments of the population.

**Jim Moroney:** Yeah. You know, I could have put up there local examples, but a lot of people in the room wouldn't have known Deep Ellum from Oak Cliff, right? So, I went with things that I thought got the point across. When we took the price of the Dallas Morning News up by 40% in one step across the board on May 1, 2009, I think we put a test to the market to say, "Is this content really worth paying for?" Today, it costs you about \$440 a year to take the Dallas Morning News seven days a week. So in a certain way, Josh, from our pricing, I think we have actually begun to define that group of people who are willing to pay for a more sophisticated read, because they could say, "Well, I'll just snack on WFAA.com," which is a pretty good site by the way, but there's a reason that they want to be reading us. I think that, so, from an analogy basis, maybe the next time—wherever Carmen is—sounds like a new presentation, Carmen—we should go up there and talk about, you know, the local things that the mass intelligent want. There is a

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lot of mass intelligent in Dallas that have no interest in local news. They don't even get engaged in the civic life of the city.

**Josh Benton:** Right.

**Jim Moroney:** And I bemoan that, but I can't do anything about it. There are CEOs of major Fortune 500 companies that have never probably read a story about the Dallas City Council and don't care, and yet there's other ones, like Stephen said at AT&T, that comes in with a global company and gets completely immersed in the local economy [and] the local civic life of the city. So, we're looking for those people who want to — who know that it's important to get engaged in the civic life of the city to make the city better and have a stake in that. There's not nomadic. They're not flying in and flying out for the next job. They're gonna live here and raise a family and probably plan to retire here. And that's who we're talking to. Thanks, Josh.

**Glenn Frankel:** Let me intervene just for a second and take you up on your invitation during the talk to talk about what cross-subsidize really means.

**Jim Moroney:** Yeah.

**Glenn Frankel:** Does that just simply mean charging a lot for the newspaper or charging for that mobile app, for that iPad app, or what is it exactly?

**Jim Moroney:** I think every metropolitan newspaper in the United States needs to take up the price of their newspaper if they haven't, because they kept it artificially low to expand the circulation during the classified boom days. And there's a lot of elasticity therefore in the price of home delivery for a lot of U.S. newspapers. Today, we have 40% of our total revenue coming out of circulation of the print paper, and it was 18% at the end of 2007. Part of that's the decline in ad revenue. I understand that, but we've grown ad print circulation revenue in '08, '09, '10, and '11, and we've grown it over — it's accumulatively more than \$75-million of incremental revenue for the Dallas Morning News over that period of time. But the other thing that we have to do is we need, my opinion is, you need to pick some things that are not advertising based. And I think the best opportunities are in social media services, social media services for small and medium businesses, and then social media services for medium and larger companies who have marketing decision-making in Dallas, not back in New York or in Minneapolis or somewhere.

I think, so, marketing services, number one. I think right behind that is event marketing. And right after that is experiential marketing, which ties into event marketing. It's where we can take the brand and the credibility of the Dallas Morning News and leverage it to create new businesses. You know, today, if you go in Dallas and you want some social media agency help, you're going to find Spotted Dog and Orange & Blue Soda and, you

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know, Stripe Zebra and all these, you know, popup, single-shingle, social media folks that are nice, but they're not — they don't have a lot of credibility in the marketplace. If you come with the full faith and credit of the Dallas Morning News behind you, I think you can win a lot of business in the marketplace. And we're doing that in the small and medium business space right now and doing it very successfully.

The other opportunity in event marketing is to leverage the arbitrage of your media. For me, a page in the Dallas Morning News that goes out costs me about \$1,200 in newsprint. It's worth \$8,000 in the marketplace. So, you're an event marketer and I go to you and I say, "Give me part of your bottom line and I'll take on all your advertising." And he says, "OK." So, he's got \$100,000 budget. And let's call it an \$80,000 budget, so he's got an \$80,000 budget. I give him ten full pages of the Dallas Morning News that have cost me \$12,000, and I've arbitrated that \$12,000 into a value of \$80,000.

Another example, it didn't happen, but Richard I'm sure you could help me with this. I went to some of the venture capital companies and said, "What if I got a bunch of metropolitan newspapers to trade marketing services for equity in your company?" Because one of the biggest cash burn problems once consumer new products get to the marketplace in these VCs is the marketing spin—it burns their cash. We'll take that on and again I'll leverage that arbitrage. And when I'm selling remnant advertising for \$2.00 a 1,000, if I'm lucky, then there's a real arbitrage in trying to get, you know, a higher CPM value for that somewhere else in the marketplace.

So, those are the ways that we are today trying to shift the dependency. We're down now today to about 52% of our revenue is dependent on advertising of one kind or another, and I'd like to get that down to less than 40%.

**Glenn Frankel:** It sounds, though, like the print advertising is still the fundamental base?

**Jim Moroney:** Still is. I mean, when it starts out at 80%, even when it goes in half, you know, it's still a big number. And of course, we've been growing digital advertising. So, you don't want to neglect it. You don't want to, like, hasten its decline, but I just don't think you can build your strategy on an assumption that says it's going to attenuate, you know, quit declining and attenuate, and God knows, you know, start growing again. I think if you build that into your strategy, you're building it on a bad assumption.

**Glenn Frankel:** But does that mean the daily paper—paper, paper—is still safe for the foreseeable future?

**Jim Moroney:** Well, with \$85-million in revenue from people paying to get it, that's a good business right now. So, I've said this, and, you know, I'm sure other than the polite group of people here, they would get a collective

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moan out of this statement: *You're going to get a printed copy of the Dallas Morning News if you want one and you're willing to pay for it ten years from now.* I just.... You're going to. It's going to adapt and it's going to adopt different things, and it's going to be somewhat different, but it's not going to happen. How many people said that radio was going to put newspapers out of business? TV was going to put radio out of business. Cable was going to put over-the-air TV out of business. You know, it just hasn't happened. I don't believe that. But it's going to change. It's absolutely. We're already changing it. And it's going to continue to change.

**Glenn Frankel:** Last question. Quick one. Sure.

**Man:** Just a curious question. You've laid out a lot of priorities and they're fantastic, but I am curious about how you then instill that into the culture in terms of the processes and some of the resources that you then devote to making those changes happen.

**Jim Moroney:** Yeah. I am in the camp that says culture eats strategy. I'm not the other way around. And I think it is the biggest hurdle we still have at the Dallas Morning News. And I wish I could tell you right now [that] I have a formula for how we're going to change that culture sufficiently, and I don't, and I will acknowledge that. I've been sort of bailing water for the last four years while trying to do some innovation, and the thing that honestly has gotten on the side is culture. The thing I can tell you that all of you know is hire in people who think differently than you do, who will question everything that you do, and who do it with a positive attitude. I need more Tigger's and less Eeyore's, [laughter], and we can make a difference. Thanks.

**Glenn Frankel:** Thank you, Jim.

**Jim Moroney:** OK.

[Applause.]