

## INTRODUCTION

# The Battle of New Orleans

The end had finally come for the venerable daily newspaper, executives of Advance Publications decided. The giant newspaper chain had taken on mountains of debt in acquiring even more dailies just before the financial crisis of 2007-09 dropped their advertising revenues sharply. That was on top of steep losses in classified advertising to the Internet, which proved much better at helping people find things like homes, jobs, and cars. Advance had already cut home delivery of several of its newspapers in economically depressed Michigan from daily to three times a week in 2009. It had even cut its *Ann Arbor News* to twice weekly print publication and renamed it *AnnArbor.com* after its newly-emphasized website. As second-place dailies started dying around the U.S. — in Cincinnati, Albuquerque, Denver, and Seattle — nervous industry watchers wondered which would be the first major American city to lose its last daily newspaper. Some predicted it might be San Francisco, Miami, or Minneapolis.<sup>1</sup>

Advance, a privately-owned company based in New Jersey, decided it would be New Orleans. Times had been tough there ever since the city was devastated by Hurricane Katrina in 2005, and its population had dropped almost 30 percent. Journalists at Advance's long-publishing *New Orleans Times-Picayune* had per-

formed heroically during the crisis, staying in the flooded city even after the authorities had fled. Unable to print an edition for three days, they had kept the world updated with stories posted to the newspaper's website. Now the Internet would prove their newspaper's undoing, as Advance decided that publishing online — not in print — was the way of the future. The *Times-Picayune* and three Advance dailies in Alabama would go “digital first” and post news stories first on their websites, the company announced in mid-2012, and would publish print editions only on Wednesdays, Fridays, and Sundays. About 200 *Times-Picayune* workers, including a quarter of its newsroom staff, would be laid off.

The reaction from New Orleans residents was not unlike Hurricane Katrina itself. Howls of protest accompanied the announcement. Protest rallies were held. Websites and blogs were launched to criticize the change. A Facebook group was formed to co-ordinate support for laid-off workers. A coalition called the *Times-Picayune* Citizens Group demanded the newspaper continue to publish daily and held a rally that brought out 300 supporters. “I don’t know if I’d be in business without *The Times-Picayune*,” said John Blancher, owner of the bowling alley where the rally was held. “Back when I opened in 1988, the most games I had on a weekend was 60. In January 1989, the paper did a story — it came out on a Tuesday — and that following weekend, I had 600 games. I keep hearing about all the new New Orleans entrepreneurs coming to town — and there’s no daily newspaper for them?”<sup>2</sup> A website called “Ricky Go Home” was set up to vilify *Times-Picayune* publisher Ricky Mathews, who had recently arrived from Advance’s operations in Alabama to co-ordinate the move to digital first publication. It featured “wanted” posters with Mathews’s face on them. “He has the gall to move to town and dismantle our newspaper,” it said. “Even Hurricane Katrina couldn’t do that.”

Ricky Mathews doesn’t know us. He doesn’t know our city. Yet he is attempting to dismantle a lifeline and a common thread. Ricky, please go home. . . . And give us our newspaper on your way out of town.<sup>3</sup>

The vitriol surprised even some long-time residents, as it betrayed the depth of affection for the city's daily lifeline. "It was as if a bomb went off," noted Micheline Maynard. "Now, a wide swath of high profile New Orleanians, including the city's archbishop, university presidents, actors and community leaders, are teaming up to demand that the paper remain a seven-day-a-week proposition."<sup>4</sup> The *Times-Picayune* was much loved by New Orleans residents, and at 65 percent market penetration it had one of the most avid readerships of any daily newspaper in the country. "For a city that nearly drowned on television in 2005, only to absorb the BP oil spill's economic impact on fishermen, seafood and restaurants, the Advance decision to end the newspaper as a daily hit like a sledgehammer," observed *The Nation* magazine.<sup>5</sup> Local celebrities such as James Carville and Wynton Marsalis demanded that Advance sell the *Times-Picayune* to someone who would publish it daily because reducing it to three days a week would damage the civic and cultural life of the city. "This makes no sense to me," complained comedian Harry Shearer. "The *Times-Picayune* is not Starbucks or Rite-Aid or Winn-Dixie sitting on the sidelines waiting for the recovery. It is the paper people in New Orleans love, or love to hate."<sup>6</sup> Wags derided it as the *Sometimes-Picayune*.

### The Advance of Digital First

Even many advertisers were aghast at the move, and nine of them joined the *Times-Picayune* Citizens' Group in a bid to block the changes. "Anybody who tells you they know how three days is going to work is only kidding themselves," said furniture store owner Mitchell Mintz, who lamented the loss of the Saturday edition.<sup>7</sup> Car dealer Ray Brandt, who estimated he had spent almost \$35 million on *Times-Picayune* ads over the previous three decades, cut back on his advertising by 80–90 percent "to show that we believe it's a mistake."<sup>8</sup> Deep suspicions were harboured by the New Orleans business community about the motives of the secretive Newhouse family, which owned Advance. "The community does not believe that it is that dire," said Greg Rusovich, chair of

the economic development group Greater New Orleans Inc. “The word is, they’ve been doing quite well on both advertising numbers and subscription numbers.”<sup>9</sup> To most, the move to thrice-weekly publication of the *Times-Picayune* made little sense from a business perspective. “There’s a sense of bafflement,” wrote former *Times-Picayune* reporter John McQuaid. “The owners have said the paper is currently profitable.”

Why a radical overhaul that will damage its journalistic foundation, and a push to the web in a city where nearly a third of the population has no Internet connection? New Orleans would seem to be the last place to do this, not one of the first.<sup>10</sup>

The move to digital-first publication was all about the future of news, and the consensus among media theorists was that the future was online. Journalists, who had always been more connected to the real world, weren’t so sure. To newspaper companies like Advance, steep declines first in circulation and then in advertising meant they should get out of the printing business and into the brave new world of digital media. One of the largest U.S. newspaper companies even renamed itself Digital First in a much-ballyhooed bid to focus on online journalism with a Manhattan-based “Thunderdome” news hub that fed digital content to its 800 “multi-platform products” across the country. Advance was the first to dump daily print publication, however, in a quest for online success. From New Orleans, it planned to expand its move away from daily publication to its other major dailies in Cleveland and Portland, Oregon. As print advertising revenues fell by more than half at U.S. newspapers from 2005–2010, the future had begun to look decidedly online, where without the need for printing or distribution production costs could be cut by more than half. The only problem was that, after several years of exponential growth, online advertising revenues stubbornly refused to grow for newspapers after the recession ended in 2009, and came nowhere close to making up for their lost print advertising revenues. Oversupply drove down online advertising rates, and studies showed that web surfers, unlike newspaper readers, considered advertising a nui-

sance. “Advance’s Internet strategy has never been about journalism or news,” noted McQuaid. “It’s about clicks.”

They present news in a rolling blog format, as it is fed to them, without regard to its importance or community interest. In this framework, news is primarily a click-generating engine, featuring movie listings, weather forecasts, or the doings of the Kardashians.<sup>11</sup>

To others, it was all about the money. According to journalism professor John Hartman, the Newhouse family was converting its newspapers to little more than “shoppers,” which had long been derided by journalists for carrying little news. “The reason is simple: to restore generous payouts to family members,” wrote Hartman in the industry magazine *Editor & Publisher*. “The privately held Newhouse empire provides a comfortable living for dozens of family member owners, and tight times in the newspaper industry apparently have cut their payouts and perhaps their lifestyles.” With an estimated worth of \$14 billion, the Newhouse family was one of the wealthiest in the country, but its members had multiplied with each generation, which meant that the wealth was being spread ever more thinly. “The only way to push the stipends back in the direction of comfortable is to dramatically cut expenses while maintaining advertising revenue,” noted Hartman.<sup>12</sup> Rebecca Theim, a former *Times-Picayune* journalist who helped to organize a “Save the Picayune” page on Facebook and started a blog at dashTHIRTYdash.org to assist laid-off workers, blamed Advance executives for both hatching and botching the hare-brained scheme. In her scathing 2013 book about the brouhaha, *Hell or High Water*, she was especially critical of *Times-Picayune* editor Jim Amoss for having “seemingly swallowed a corporate line with little critical consideration of the true underlying dynamics.”<sup>13</sup>

## ‘My Digital O’

Sensing an opportunity to exploit an underserved market and community outrage, the nearby *Baton Rouge Advocate* decided to move into New Orleans with a daily edition in October 2012. Owned by

the local Manship family, the *Advocate* already had a bureau in New Orleans, which it beefed up by hiring some of the award-winning reporters and editors who had been laid off by the *Times-Picayune*. The *New Orleans Advocate* quickly attracted more than 20,000 subscribers, with copies printed in Baton Rouge and trucked seventy miles south overnight. The competition obviously rattled Advance, which announced in June 2013 that it was launching a tabloid called *T-P Street* to publish on the days its *Times-Picayune* didn't. "We see this as recognizing that we didn't have all the answers," said Mathews.<sup>14</sup> All of a sudden, New Orleans had more newspapers than before. "It's been a jaw-dropping blunder to watch," observed David Carr in the *New York Times*. "Advance misjudged the marketplace . . . and failed to execute a modern digital strategy. Now it is in full retreat with new competition."<sup>15</sup> In October 2014, Advance also reinstated Monday delivery of the *Times-Picayune*.

When Advance announced its digital-first strategy in Cleveland that spring, it retained seven-day print publication of its *Plain Dealer*, although it cut back on home delivery to three days a week. After complaints from car dealers, however, it restored Saturday delivery.<sup>16</sup> After it eliminated fifty positions from the *Plain Dealer's* already emaciated newsroom, culling its staff by a third, frustrated journalists paraded in protest.<sup>17</sup> In Portland, more than one hundred *Oregonian* workers were laid off and its remaining reporters were put on an incentive system. "As much as 75 percent of reporters' job performance will be based on measurable web-based metrics, including how often they post to Oregonlive.com," reported the alternative newspaper *Willamette Week*. "Beat reporters will be expected to post at least three times a day, and all reporters are expected to increase their average number of posts by 40 percent over the next year."<sup>18</sup> Some of the changes were ridiculous. "Consistent with Advance's marketing and messaging faux pas, it has also named its daily e-edition, 'My Digital O,' to the guffaws of many," noted media analyst Ken Doctor. "Talk about service journalism."<sup>19</sup>

The irony was that, as with the first Battle of New Orleans, the war had already been won. The combatants just didn't know it yet. When the last battle of the War of 1812 was fought, the war had

already ended with the Treaty of Ghent, which had been signed in Belgium two weeks earlier. As the news from Europe had to come via sailing ship back then, the combatants were blissfully ignorant of the fact the war was over. So too, it seemed, with Advance Publications 200 years later. Even in an age of information overload, and probably more so, the problem remained understanding what information meant and connecting the dots. Advance appeared blind to the fact that the *New York Times* and other dailies had already been able to generate hundreds of million of dollars in new revenue by erecting “paywalls” around their digital content. Advance steadfastly refused to charge online readers, instead attempting to entice as many visitors as possible to its websites in a bid to maximize online advertising rates that just kept falling anyway. This perpetuated the “original sin” that newspapers had committed in the early days of the World Wide Web when they decided to give away their online content in pursuit of the empty calories that pageviews turned out to provide.

The extra income provided by paywalls promised to save dailies, which had almost all been able to reduce their expenses well below the plummeting level of their revenues anyway, mostly by laying off workers. In fact, most were still recording double-digit profit margins that would be envied in other industries. The newspapers that had closed in Cincinnati, Albuquerque, Denver, Seattle, and a few other cities had been second-place dailies, which under the peculiar economics of the newspaper business had long been an endangered species. Newspapers weren't dying. Newspaper competition was. It was a trend that had been seen for decades, and the financial crisis and high-speed Internet simply accelerated the trend. But since the *Rocky Mountain News* and the *Seattle Post-Intelligencer* closed in early 2009, no major North American daily has folded, despite dire predictions of a newspaper extinction. This book explains why. It also shows how changes in journalism at many newspapers, brought by pressure to boost profits, could see marketing and propaganda infiltrate the news to an increasing extent.

## The Natural Monopoly Theory

As this book went to press, significant changes loomed in ownership of newspaper companies in the U.S. and Canada. The giant Digital First chain in the U.S., which had been bought up by hedge funds, was put on the block after they found the pursuit of increased online advertising revenues fruitless. The equally enormous Tribune Company of Chicago, which owned the *Los Angeles Times* and numerous other major dailies, similarly put its newspapers up for sale after exiting Chapter 11 bankruptcy in 2013 following four years of legal wrangling. Prospective buyers for the chains included media mogul Rupert Murdoch, who already owned the world's largest newspaper company, News Corp., including the *Wall Street Journal*. Other chains mulled mergers and acquisitions that would drive up the level of newspaper ownership concentration to unhealthy levels and thus likely require federal approval. Dire economic prospects for newspapers were invariably advanced as justification for the required relaxation of anti-trust laws and increased corporate control of the news media. That is not borne out by this study, which examined newspaper company annual reports going back to 2006 to find they have all continued to publish profitably and should for years to come. After all, there are large newspapers and there are small newspapers. Large newspapers have just been getting a lot smaller lately. Small newspapers, ironically, are often more profitable than large ones.

The effect of high levels of newspaper ownership concentration can be seen in Canada, where the bulk of the country's newspapers came to be controlled by three giant chains. In October 2014, however, two of the chains did a deal that would reduce that number to two and give one of them inordinate dominance in several major markets. The Sun Media chain of mostly tabloids was sold by multimedia giant Quebecor Inc. to the Postmedia chain for \$316 million. That would result in Postmedia owning both dailies in Edmonton, Calgary, and the nation's capital of Ottawa, plus two dailies in the ultra-competitive Toronto market, which had enjoyed four daily newspapers with separate owners. The deal,



which was subject to approval by the federal Competition Bureau, would create three more local newspaper monopolies similar to what Postmedia already enjoyed in Vancouver, where the dailies had published jointly since 1957. That merger between supposed competitors had been ruled illegal by federal anti-trust regulators, which nonetheless allowed it to stand on the basis of “economic necessity,” as I chronicled in my first book, *Pacific Press*. Owners of the *Vancouver Sun* and the *Daily Province* argued that under the prevailing Natural Monopoly Theory of Newspapers one of them would inevitably fold if they weren’t allowed to go into business together. Forget that three daily newspapers were then being published in Vancouver — Pacific Press bought the morning *News-Herald* and quickly folded it.<sup>20</sup>

But newspaper competition didn’t die in Canada, and therein lies a tale. After second-place dailies closed in Winnipeg and Ottawa in 1980, the nation was so horrified that a Royal Commission was called to investigate. It recommended limits on how much of the nation’s press a chain could own, but the proposed measures were never passed into law. In Winnipeg and Ottawa, however, colourful *Sun* tabloids sprang up to fill the void left by deceased dailies, and they proved highly successful by appealing to a younger readership. Modeled after the popular *Toronto Sun*, which had been launched in 1971 from the ashes of the folded *Toronto Telegram*, *Sun* tabloids also prospered in Edmonton and Calgary, effectively repealing the Natural Monopoly Theory of Newspapers. Pacific Press even converted its *Vancouver Province*, where I was a reporter, to a tabloid in 1983, and it also proved highly successful. By 1999, however, five chains owned 93.2 percent of Canada’s dailies.<sup>21</sup> Convergence visited the country’s media the following year and its largest newspapers were quickly married to television networks in a fruitless quest for “synergies” between the two media. That brought the level of media ownership concentration in Canada, and particularly in Vancouver, to among the highest in the free world. Canwest Global Communications, as I chronicled in my 2007 book *Asper Nation*, came to own not just both Vancouver dailies, but also its dominant television station and most of its community news-

papers.<sup>22</sup> Even worse, Canwest's owning Asper family imposed an ideological agenda on its news media outlets before the company mercifully went bankrupt in 2009. Its newspapers were sold to Postmedia separately from its Global Television network, joining a worldwide trend toward de-convergence of media.<sup>23</sup>

The 2014 Postmedia purchase of the Sun Media chain would see it own a third or more of the nation's press, however, and dominate the Edmonton, Calgary, and Ottawa markets as has been seen in Vancouver for decades. The purchase was justified by some journalism educators on the basis that both newspaper chains were hurting financially. "What we're talking about here is one threatened company . . . buying properties whose future was in doubt," said Ivor Shapiro, chair of the school of journalism at Ryerson University in Toronto. "That is way better at the end of the day than seeing both of those news organizations close down."<sup>24</sup> On the contrary, a quick glance at the annual reports of Postmedia and Quebecor would show that both were highly profitable. "Worrying that a smaller and smaller number of companies own a larger number of newspapers is kind of beside the point," added Christopher Dornan of Carleton University in Ottawa, "because the newspapers themselves have been eclipsed in their social, political and economic prominence by the new digital concourses of communication."<sup>25</sup> That is also a media myth, one of several this book hopes to explode.

### **Persistent Media Myths**

The advent of the Internet as a new mass medium caused much discombobulation among journalists and even more among journalism educators. Media owners in the U.S. stepped up their calls for removal of the Federal Communications Commission's prohibition against newspaper owners also owning television stations, claiming that the convergence of all media online was inevitable. In Canada, no such prohibition existed. One had been imposed briefly by a Liberal government in the mid-1980s after a warning by the Royal Commission on Newspapers against allowing

cross-media ownership. It was quickly removed, however, after government passed to the more business-friendly Progressive Conservative party in 1984.<sup>26</sup> This led to the ugly spectacle of Canada's news giants seeking financial assistance from the country's broadcasting regulator after the 2007–09 financial crisis left the convergence model in ruins. The television networks claimed they were in dire financial straits, but they weren't. The country's converged news media weren't the ones to get to the bottom of that story, however. Instead it fell to a few enterprising media scholars to sift through the financial reports that showed they were still making good profits, just not as good as they had been making.<sup>27</sup> The FCC's cross-ownership ban likely saved U.S. news media from similar convergence perils.

Faculty members in many journalism schools similarly assumed that the future of news was online and began revising their programs to better equip students for a multimedia world. Student newspapers became converged with television newscasts, and news writing and reporting classes became multimedia oriented. Brigham Young University's journalism school was one of the first to embrace the convergence model in 1995, combining its student newspaper and television newsrooms and teaching multimedia journalism. After convergence fizzled, however, faculty members voted to reverse course in 2006. "Convergence took away necessary depth in core writing skills," explained Dean Stephen Adams. "Students knew a whole lot about a whole lot of things, but didn't know very much in depth."<sup>28</sup> Other journalism schools, boosted by funding from foundations and media corporations desperate to discover the future of news, offered programs in computer programming and even Integrated Marketing Communications, which combined journalism with advertising and public relations.<sup>29</sup>

The main complaint of multimedia advocates against newspapers is that they had been too slow to react to the Internet. Newspaper executives had been "stubborn and arrogant" in failing to recognize the disruptive potential of the new medium, according to Keith Herndon in his compendious 2012 book *The Decline of*

*the Daily Newspaper*.<sup>30</sup> As a result, the newspaper industry failed to “exploit the digital era.”<sup>31</sup> Exploit it for what? It turned out there wasn’t a lot of money to be made in attracting eyeballs online, especially not in advertising. The websites most successful at attracting advertising proved to be search engines and social media, but it is highly unrealistic to expect newspapers to have pioneered those innovations. The newspaper industry had been experimenting with online delivery of news long before the Internet exploded in the late 1990s and had concluded it was not economically viable. Newspapers that weathered the Internet’s disruption best turned out to be the ones that ignored it best. “The Internet is not your friend,” warned three business professors in their incisive 2009 book *The Curse of the Mogul*, in which they demolish numerous media myths. “Convergence may sound sexy, but . . . it is a classic case of one plus one being substantially less than two.”<sup>32</sup>