Interview with Ken Doctor

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KENNEALLY: As the American economy shrinks under lockdown limitations imposed to halt the coronavirus pandemic, ongoing enterprises are reduced to a handful – grocery markets, pharmacies, home supplies, and hardware stores. These businesses serve our basic needs of shelter and sustenance. What of those that feed our appetite for information? Are they not essential, too?

Welcome to Copyright Clearance Center's podcast series, I'm Christopher Kenneally for Beyond the Book. Factual local reporting is indeed essential in an age of fear and misinformation, asserts Ken Doctor, a leading news industry analyst and political columnist who blogs at Newsonomics and is a regular guest commentator on cable news and public radio.

Yet the COVID-19 crisis that is driving readers and listeners and viewers back to substantive news sources, especially local news sources, could also be the proximate cause of death for much of the same industry, Doctor fears. While subscriptions and eyeballs may have soared to new levels, the prognosis for advertising is more frightful than ever. Ken Doctor joins me now from his office in Santa Cruz, California. Welcome to Beyond the Book.

DOCTOR: Good to be with you, Chris.

KENNEALLY: We appreciate your taking the time to join us, Ken. It was a very fast-moving news scene, very fast moving with the coronavirus crisis. The cases mount, the deaths sadly mount with it. But we are also an accompanying transformation of business of all kinds around the country, indeed, around the world. As you follow the news industry, you are seeing the impact coronavirus in accelerating the timeline for transformation, and that's not a timeline that people were happy to see moving as fast as it already was, and now it's really picked up the clip. Describe what the situation is, as you see it.

DOCTOR: Sure. The transition, as we talked about, has been a long time coming. So we now know that the digital revolution started really mid-90s, so this is 25 years. Daily newspaper companies were fat and happy at the beginning of that, making 25% margins, and had huge newsrooms, stable businesses, some of the best businesses in America. The erosion of readership and then the erosion of advertising has been steady, really, from the mid – say 2005, on, and then deeply accelerated in the Great Recession.

For the last decade, the decade that ended, we heard transition, transition, transition, but in that decade they made – I'm talking about local newspaper companies, as compared to *The New York Times* and the *Wall Street Journal* and *Washington Post*. The local newspaper companies have failed to transition enough. They're still far too dependent on print, they are too dependent on advertising. They haven't made enough progress in digital products or in digital audience, or in digital subscriptions. And they have been losing advertising, they've been losing revenue, they've been cutting staff to maintain profitability. As I've talked to them, and I talk to people all the time in the industry, they would say well, we have a plan, or we think we'll have a plan when this thing goes mainly digital.

As I wrote today, and I write mainly for the Nieman Lab at Harvard, now, this basically has caused an acceleration, the COVID-19 crisis, to 2025. The realities of what people thought they had a few years to get to are now right upon them, and so those are forcing what may be, in some of these cases, life or death decisions for their publications.

KENNEALLY: And they are making decisions, Ken Doctor, right now that, as you say, are going to be permanent ones. It may feel as if we're in a temporary situation. Undoubtedly it is temporary, we don't know how long for, but it is temporary, and yet the decisions those executives are making today for the news business are ones that will last far beyond this crisis.

DOCTOR: That is right. And that's a sign of both how long this is likely to last, well into the second quarter, and how weak the industry was going into it. In life, as we're seeing with human beings, it's the same with companies, how much capacity do you have to withstand a crisis? Either your body or a company's body, essentially. These are companies that were weakened, and weakened for a decade, so they have very little capacity and very little resilience to be able to deal with a big crisis, and especially one that is to the heart of their ad revenue and lasts so long?

KENNEALLY: Well, let's look at the ad revenue because I think the story just comes down to this simple headline: Everything has closed.

DOCTOR: Yeah, you're right. Pretty straightforward.

KENNEALLY: It's pretty straightforward. If there are no more car dealerships, there are no more car ads. If there are no more venues for clubs and theaters and ballet troupes and the rest of it, there are no ads for those operations, as well. Essentially if there is no activity, there is no advertising.

DOCTOR: That is right. So those publishers that are most exposed to advertising have the most problem. And we can see this in the alternative press, these city weeklies that you see in most big cities. They have lost as much as 80% of their advertising when the daily newspapers have lost 30% to 50% going into April.

And why 80%? Well, it's because they are totally oriented to what you described, city life, things, doing stuff in the community, and if that is suspended, their businesses are in worse shape. They, too, were weak, and so at least 10 of those look like they're going out of business, and maybe more.

But that is the essence of it, that advertising reliance and advertising still drives more than half of the revenue of most daily newspaper companies. One point of clarity that helps describe this is if you look at *The New York Times* and the transition it has made, which has been a significant one over the same time period, it now has two-thirds of its revenue coming from readers by subscriptions. So it's taken a hit, too, in advertising for the same reason that you had described eloquently, everything shut down. But because advertising is only a third of its revenue, that is far less hurtful to the *Times* than it is to the other newspapers, the dailies and the alternative weeklies.

KENNEALLY: And the newspaper industry was already on a diminishing diet of advertising. You have pointed out that newspapers have lost more than 70% of their ad dollars since 2006, so this is rather like the Hemingway line about bankruptcy. You go slowly and then all at once. And it does seem that's where we are right now.

DOCTOR: Yeah, yeah, exactly.

KENNEALLY: Ken, there are a number of alternative news sources, particularly on the local scene, that have seen some potential, some green shoots, I think you called it, these nonprofit news organizations, they're going to take a hit, as well. Describe how.

DOCTOR: So if we step back from the business, publishers from maybe Gutenberg's time on, when people started publishing news publications of various kinds, and the same thing is true in digital news publications, there are two ways to get money.

You get money from readers you can call them subscribers, you can call them members, as public radio does. And you get money from businesses – you an call them advertisers, or underwriters in public radio, or sponsors. But those are the two ways of doing that.

So we have seen, as dailies have receded, and dailies have cut about 60% of the journalists working in their newsrooms over the last 20 years. So they've receded, and we've seen more startups, generally these are small – can be two or three or four people, but now we're starting to see some bigger ones. I mentioned *Berkeleyside* and *Charlotte Agenda* and the *Memphian* and *VTDigger* – there's a whole bunch of these, there are dozens across the country. They, too, have two sources of revenue – either subscription or membership, and that is rising for all of them because people see the need for good, accurate local information in this time of need, but also advertising. And given all the closures in their communities, they're hurting on the advertising level, as well.

Now, in a lot of ways they may be a little more resilient. Since they're smaller, they don't carry debt as a lot of these big newspaper companies still do, and they're not dealing with legacy processes of print, which are very costly and difficult at this time, in the time of the virus. So they're having problems, too. For them it's a question, as it is for all of us, I guess, sitting at home, how long does this thing last?

And then what happens afterwards? What kind of recession is there going to be? Clearly there's going to be a recession. And in a recession, are businesses going to spend? Are people who are out of work as likely to buy a subscription or a membership? And then lastly, this question, which is a both short-term and a long-term one: Even if I sell advertising, can I collect on it? Because you have businesses that are – let's call them semi-bankrupt, they're not having any cash flow, and even if they had bought advertising in January or February, they're telling publishers now they either can't or don't want to pay for it because they're run out of cash.

KENNEALLY: Well, you have asked what you call a set of life or death questions that newspapers have to face right now. Some of them are really immediate questions or questions that require immediate answers. Others it's more of a medium term. Certainly the question will we keep seven days of print publishing, that's one you can act on tomorrow if you need to. No more Saturday papers, no more Tuesday, Thursday papers, however you choose to do it.

But some of these other questions are more difficult and more challenging for these industries, particularly since they have been so if not complacent, at least not pushing as hard for answers as you might have wanted them to. For example, how do we find the right people with the right skills to run a digital business? That's not something you can just address overnight.

DOCTOR: No, it isn't, and you're right, this is the accumulation of too-slow decision-making, too-slow reinvestment, and really a different understanding of the future. What's common with news businesses is news businesses are the same as they were 200 years ago. There's a public need for news and information. People want it to be good, they want it to be accurate. That's the same. How it gets delivered is manifestly different. Much of the news usage is, both for, well, nationally and locally, 75%, 80% on our phones now. So even the desktop has receded over the last five years.

So how do you create a product, how do you have good enough content, how do you have people who write for what I call "skim and expand," so we can read briefly, and then read more deeply later, how do you have businesspeople who know how to do business intelligence and audience development? These are all skills that are not new skills anymore in 2020. They were new skills in 2010, but the people who have these skills, who tend to be somewhere in their 20s or their 30s, they both don't want to work for newspaper companies because they would say, why do I want to work on something that's going out of business? And oftentimes newspapers can't compete for them in terms of salary. So without the right people, and it is, Chris, just as an absolutely fundamental point that a lot of people miss, without the right people, you can't really turn this around.

I was surprised last year, I was doing a round of calls and I was saying to people – I talked to a lot of CEOs and publishers, as well as rank and file people, but for the CEOs and publishers, I was saying, what are the biggest problems? You got a lot of problems, but what are your biggest problems? Three of them said to me, talent. I cannot get the talent I need. There's a lot of smart people in this business, I want to be clear about that, they knew they needed the talent, they couldn't get it. That, unfortunately, could be in and of itself the death knell for an old style publisher.

KENNEALLY: Now the talent that the reader thinks of first, Ken Doctor, is of course the journalist. Newspapers, like every business, during this coronavirus crisis, are finding an answer to a question that might have been in the back of their minds for a while, but now is in the front of their minds, which is do we need people in an office? And clearly the answer is, we don't, or not so much, right?

DOCTOR: Right. Yeah, and we knew that, and again that's become clear to all of us who work virtually and all the companies that have put together incredibly robust businesses virtually. Newspapers still have this old manufacturing mindset. It is a big building somewhere downtown, usually expensive real estate, so it's another major cost. The expectation that reporters and to add salespeople, for instance, to externally facing groups of people are going to come to the office every day. In fact, you really don't want those people in the office much. There is some value for both groups of sharing and teamwork, of course, but you want those people in the community. In fact, from a productivity point of view, you can get much more done if people aren't coming back to the mother ship.

Both the publishers in Minneapolis and Seattle, the two very good papers and very good operations which have transitioned a lot, both of them, both underline the point to me that as much as they have transitioned, they were shocked by how easy – relatively easy – it's been to move to almost 100% virtual operation of their newsrooms. They both said, when this is over, we're going to be talking with our staffs and doing some re-evaluation about what's best for everybody.

To me this is a very good sign for those who will recognize it and move on it, and it really is another step of moving away from almost a 19th century, much less a 20th century manufacturing mindset where you say to people, make these widgets eight hours a day on the assembly line while somebody watch you to what's the work to be done, how can we do it most effectively, how can you feel good about it? How can you be compensated fairly. Those are the questions of the day and the economy that we have. The smart newspaper publishers are moving in that direction

KENNEALLY: And Ken Doctor, given the pressure those executives are under right now, it would be no surprise, I suppose, that they'd be looking for a white knight to rescue them. Is the federal bailout that was recently approved in Congress – does that offer any hope of getting out of this jam, at least in the short term?

DOCTOR: It offers some hope. It's still too early. I was just talking to the people at the News Media Alliance yesterday, that's the largest trade group for daily newspapers. So the verdict was, and perhaps it's not surprising the legislation was patched together quickly, signed on Friday. By Monday they're combing through it. The trade groups are combing through it, the big publishers are combing through it.

There's two parts of it. There's essentially an expansion of Small Business Administration loan program for companies with 1,000 or fewer employees, which are a lot of newspapers, and then those with between 1,000 and 10,000, and that's essentially the Treasury fund run by Steven Mnuchin. On both of them, the regulations and the guidelines are still being written. It's going to be 15 days, at least, for the SBA ones, it's unknown for the Treasury, how fast regulations will be there.

For a lot of these publishers, we saw yesterday, already, major announcements of furloughs and layoffs at Gannett, which is by far the largest US newspaper daily publisher. It's unclear how much publishers will wait to try to figure out how much of a lifeline these programs might bring, and how much they're just going to just immediately move to shut down costs. I think the Gannett example is one that's probably going to be followed.

The largest question in there may be how much of this "loan money," which is low interest loans, 4% or less, turns into grant money. The idea of the programs, to a large extent is keep people on the payroll. If you're a company that keeps people on the payroll, you can turn a loan into a grant. Well, if that were clear and clear quickly enough, and people said, OK, I get it, I can keep these journalists working, for instance, which is going to give me a better product, a better value proposition for readers, and then it doesn't cost me any more, that's kind of a no-brainer. But they don't know that yet, so a lot of this is timing for them, and they are under extreme pressure, in terms of cashflow, to make some decisions and cost reductions in the short terms.

KENNEALLY: Ken Doctor, we will link to your blog on Nieman Lab that covers all of these points, and we thank you very much for joining me today on Beyond the Book.

DOCTOR: Great to be on with you, thank you.

KENNEALLY: Beyond the Book is produced by Copyright Clearance Center. Our co-producer and recording engineer is Jeremy Brieske of Burst Marketing. Subscribe to the program wherever you go for podcasts, and follow us on Twitter and Facebook. The complete Beyond the Book podcast archive is available at Beyondthebook.com. I'm Christopher Kenneally. Thanks for listening and join us again soon on CCC's Beyond the Book.

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