

The Influence Model and Newspaper Business

by Philip Meyer

The influence model posits that newspaper content quality increases societal influence and news credibility. Both drive circulation and profitability. The link between credibility and circulation is supported with a sample of newspapers in communities supported by the Knight Foundation.

The glory of the newspaper business in the United States has been its ability to match its success as a business with self-conscious attention to its social service mission. Today, both functions are threatened. Measured by household penetration (average daily circulation divided by households), this mature industry peaked early in the 1920s at 1.3.¹ By 2001, newspaper household penetration was down to 0.54.² But while penetration declined, newspaper influence and profitability remained robust. Now both are in peril.

The decay of newspaper journalism creates problems not just for the business but for democracy. How are citizens going to obtain the information they need to make the system work? "Knowledge will forever govern ignorance," warned James Madison, "and a people who mean to be their own governors must arm themselves with the power which knowledge gives."³ For sake of democracy, if the traditional business model for newspapers no longer works, we must try to understand it enough to aid in either its repair or its replacement.

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The literature of business administration has a theoretical framework that can help. Theodore Levitt popularized the term “disruptive technology” and captured the imagination of a generation of executives when he wrote “Marketing Myopia” for *Harvard Business Review* in 1960.⁴ One of his examples came from the experience of the railroads. Their managers clung stubbornly to the narrow definition of their enterprise: they were in the railroad business. If only they had seen that they were in the transportation business, they might have been prepared when people and cargo began moving through metal tubes in the sky and along asphalt ribbons on the ground.

This model invites some rethinking of what business newspapers are, or should be, in. If you believe the Wall Street analysts most widely quoted in the trade press, newspapers are in the business of delivering eyeballs to advertisers. Everything not directly related to that is unrecovered cost.

Frank Hawkins was the director of corporate relations for Knight Ridder in 1986, a year when that group won seven Pulitzer Prizes. On the day of the announcement, the value of the company’s shares fell. Hawkins called one of the analysts who followed the company and asked him why.

“Because,” he was told, “you win too many Pulitzer Prizes.” The money spent on those projects, the analyst said, should be going to profit.⁵

Knight Ridder at that time had another view. It was articulated for me in 1978 when I was posted from the Washington Bureau to corporate headquarters in Miami to serve as the company’s first director of news research and help create an experimental electronic home information service. Hal Jurgensmeyer (1931-1995), a business-side vice president of the company, briefed me on the assignment. We were, he said, not in the news business, not even in the information business. We were “in the influence business.”

A newspaper, in the Jurgensmeyer model, produces two kinds of influence: societal influence, which is not for sale, and commercial influence, or influence on the consumer’s decision to buy, which is for sale. The beauty of this model is that it provides economic justification for excellence in journalism.

This is true because a news medium’s societal influence enhances its commercial influence. An influential newspaper will have more readers, be more trusted by those readers, and be worth more to advertisers.

Consider the supermarket tabloids. A front page that pretends to depict a presidential candidate chatting with an alien from outer space is going to attract only that limited subset of advertisers that depends on the most naively credulous subset of the population. A glance at the ads in such a newspaper bears out this supposition: ads for psychics and fake medical products, e.g., pills that cause you to lose weight while you sleep.⁶

The disruption from technology in the newspaper case is more complicated than the railroad example and others used by Levitt. In those cases, the problem was one of straightforward product substitution. Cars were faster and more durable than horses, planes were faster than trains, natural gas was more efficient for heating than oil. For media, the disruption comes only partly from

substitution. The other problem is overload on the ability of the audience to receive and consider the messages.

Psychologist Herbert A. Simon saw this coming a generation ago. In one of a series of lectures sponsored by the Johns Hopkins Institute for Advanced Studies in Washington, D.C., in 1969-1970, he described the consequences of an information-rich world:

... the wealth of information means a dearth of something else: a scarcity of whatever it is that information consumes. What information consumes is rather obvious: it consumes the attention of its recipients. Hence a wealth of information creates a poverty of attention and a need to allocate that attention efficiently among the overabundance of information sources that might consume it.”⁷

The national newspaper *USA Today* was one response to the problem. As originally designed, it let users scan the newspaper quickly and evaluate a large number of brief items. In most cases, the brief report is enough. A few might require follow-up from other sources, but the newspaper has performed the service of alerting the reader to them. Harold Lasswell called this “the surveillance function.” It provides a brief and efficiently presented heads-up about the dangers and opportunities that each new day presents.⁸

But few newspapers have copied that aspect of *USA Today*, and it has itself drifted toward a more conventional model of fewer and longer stories. While there have been innovations in graphics and design for better information retrieval, the main response of the newspaper industry to disruptive technology has been to reduce costs. Some of the savings were achieved with better production technology. Others came from making the editorial product cheaper. Newspaper publishers congratulated themselves in the trade press for their ability to reduce services and raise prices at the same time.

The strategy was possible because of newspapers’ historically strong market position. Many newspaper owners – not all, of course – gained monopoly or near-monopoly positions by taking care to maintain the respect of their communities. They managed their businesses for the long term, attending to market share more than profitability. As the economics of publishing weeded out the weaker operations and built the eventual monopolies, market share was no longer an issue. Yet this sense of obligation to community persisted.

In recent years, as ownership has shifted from individuals and families to shareholders guided by professional money managers and market analysts, a shorter-time horizon has come to dominate the industry. At the same time, the most recent of the disruptive technologies, online information services, may offer the most dangerous product substitution yet, especially in classified advertising. There is a textbook solution for a mature industry that is unable to defend against a disruptive technology. Harvard professor Michael E. Porter calls it “harvesting market position.”⁹

A stagnant industry's market position is harvested by raising prices and lowering quality, trusting that customers will continue to be attracted by the brand name rather than the substance for which the brand once stood. But, as the harvest metaphor implies, it is a non-renewable, take-the-money-and-run strategy. Once harvested, the market position is gone.

At the start of the 21st century, newspaper managers appeared torn between harvesting and trying to transfer the brand name to new ways of delivering news and advertising. Those who were most sensitive to the pressures from short-term investment interests were moving, probably unconsciously, toward the harvest strategy.

While today's investors might think it perverse, the notion of service to society as a function of business is neither new nor confined to those protected by the First Amendment. Henry Ford argued that profit was just a byproduct of the service to society that his company performed.

In 1916, Ford was sued by the Dodge brothers, Horace and John, who were counting on dividends from their 10 percent stake in Ford to build their own company. They said he wasn't doing his duty to shareholders, which was to maximize profits. Ford had increased wages and cut prices at the same time.

"Your controlling feature, then," asked counsel for the Dodge brothers at the trial, "is to employ a great army of men at high wages, to reduce the selling price of your car so that a lot of people can buy it at a cheap price and give everybody a car that wants one?"

"If you give all that," said Ford, "the money will fall into your hands. You can't get out of it."¹⁰

The compatibility of profit and social virtue is not novel in capitalist theory. Such an absolutist as Milton Friedman has argued for "justly obtained profit."¹¹ And when newspapers were mostly owned by private individuals and families, they tended to treat profitability as Ford did, as incidental to the main focus of business, which was making life better for customers and employees.

Because a newspaper is so central to the functioning of its community, both for the commercial messages and the societal influence, the social pressure on



a resident owner is immense. And when publishers expanded into other markets, as the Knight brothers did from the base their father established in Akron, they tended to be careful about their standing in their new communities. Like Henry Ford, they had all the money they needed to meet their personal needs and desires. Ford sounded a lot like a newspaper publisher when he said all he wanted was "to have a little fun and do the most good for the most people and the stockholders."¹²

Ford was also assuring himself market share, which in a new technology business, can be far more important than immediate profitability. In the early years, Ford Motor Co. was only one of some 150 car makers. Like the dot-com entrepreneurs of today, he realized that to rise from the pack, he would have to create a product for a mass market.

When newspaper companies began going public in the 1960s, Wall Street was not immediately impressed. It was a mature industry, and the disrupting technologies were already apparent. Television had eaten into newspaper's share of national advertising, and new print technology was making it economically feasible for highly specialized publications to thrive with narrowly directed advertising.¹³

Moreover, the people who analyzed media businesses lived mostly in the large cities where they could see newspapers dying or consolidating steadily since World War II. It took Al Neuharth of the Gannett Co. to show them the potential of monopoly newspapers in small and medium size markets.

These monopolies had not, for the most part, been managed to maximize near-term profitability. Their owners, partly out of a sense of social responsibility and partly with an eye on the long-term health of their companies, were more interested in influence than in maximizing their fortunes.

The Cowles family of Minneapolis and Des Moines is an example. When the family sold *The Des Moines Register* in 1985 to Gannett Co., the paper covered the entire state of Iowa and had a tidy 10 percent operating margin.

Gannett's finance people looked at the operation, saw no economic value in its statewide influence, and cut circulation back to the area served by advertisers in the Des Moines market. That saved money on the main variable costs, newsprint and ink. Two of five state news bureaus were eliminated, and the crack Washington bureau was reduced and merged with Gannett News Service. The operating margin went quickly to 25 percent.

Charles Edwards was publisher during the transition. "All these things, in and of themselves, one individual move wouldn't necessarily be devastating to the quality or the capacity of the newspaper to do good journalism," he said. "But collectively it had a huge impact ... over time we just no longer had the capacity and the resources to do the kind of work we'd done."¹⁴

That ability to do journalism beyond what was necessary to maintain a platform for advertising, journalism with a broader purpose of maximizing a newspaper's influence – call it the influence increment of the business – existed in many markets. By systematically siphoning it out, the owners in these markets

could give Wall Street the illusion that their mature and fading business was a growth industry. Wall Street's myopic preoccupation with quarter-to-quarter changes in earnings helped, of course.

W. Davis Merritt, former editor of *The Wichita Eagle*, tells a similar story. In the mid-1990s, Knight Ridder told him and his publisher to increase the operating margin to 23.5 percent.

We looked and looked, and the only way we could do that was to cut 10,000 circulation, reducing all our commitment anywhere west of Wichita. We had to tell 10,000 people who were buying and reading our paper, 'We're not going to let you buy our paper anymore.'

That was damaging to Wichita, Merritt said, because the city's political influence in the state was a reflection of the newspaper's reach beyond its immediate market.¹⁵

There is a tendency among editorial-side people to blame these developments on the conversion of privately held companies to public trading. But more is going on than that. In 1984, Stanley Wearden and I compared the attitudes of newspaper managers (editors and publishers) with those of investment analysts. We expected managers in public newspaper companies to be more like the analysts than the managers of non-public companies when they assessed the relative importance of financial performance and journalistic quality. We were wrong. At that time, managers in public companies were showing no significant differences from their peers in private companies.

A more important development, noted by Harvard's Rakesh Khurana, has been the gradual dispersion of ownership in corporate America in general – not just among media companies – from family and friends of the founders to institutional investors. In 1950, Khurana reports, fewer than 10 percent of corporate equities in the United States were owned by institutions such as pension funds and mutual funds. By the turn of the century, institutions controlled about 60 percent. Like the Dodge brothers attacking Henry Ford, these institutional investors wanted faster payout from their holdings, and they were getting aggressive about it by the 1980s. They promoted hostile takeovers and pressured directors to be more responsive to short-term interests of shareholders.¹⁶

An even broader view is taken by Jane Cote of Washington State University-Vancouver, who sees investor pressure eroding professionalism in a variety of fields regardless of their business structure.¹⁷ Doctors who sell their practices to corporations lose control of their ability to maintain professional responsibility, whether the corporations are public or private. The corruption of the professional values of accounting firms, made highly visible by Enron and related scandals in 2002, showed that a company didn't have to be a corporation at all to be affected. Accounting firms are partnerships, not corporations. The erosion of professional values might be a useful frame for examining what is happening to newspaper journalism.

But the most interesting frame is the influence model. If the influence model is valid, then newspaper companies that yield to investor pressure to convert the influence increment into cash are making a mistake. The best way to ensure their future would be to conserve their influence and learn how to carry it into new forms of media. Once these other media are conceptualized as competitors, market share becomes an issue again. It is a more complicated market because the good being sought is the audience's finite amount of attention. Like Henry Ford, media entrepreneurs, including newspaper companies, should be more interested in getting their products out into the world than in maximizing short-term profitability.

How can we test the reality of the influence model? A crude first step would be to find a measure of something that relates to newspaper influence to see if it changes over time along with readership. The General Social Survey offers trend data on both readership and confidence in the press.

The data points in the graphs represent years. The sloping line represents the overall trend.¹⁸ However, parallel changes across time do not demonstrate a causal relationship. Both readership and confidence could be the result of

some secular trend that affects everything in society.

To see if there is really a causal link between low confidence and low readership, we need an experimental design that compares newspaper use in communities with different levels of credibility over an extended period of time. No such data set exists. However, historical data is available for newspaper circulation and household penetration. And the Knight Foundation has begun a 26-community time

Figure 1
Confidence in the Press

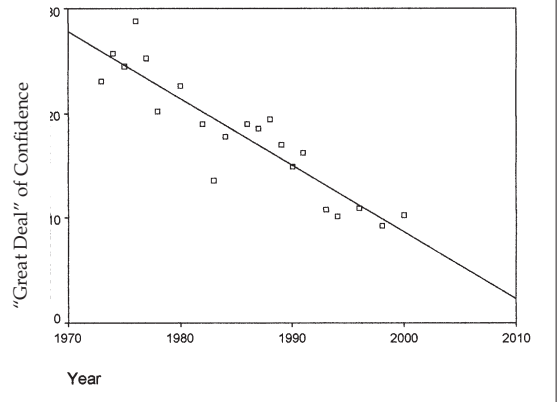
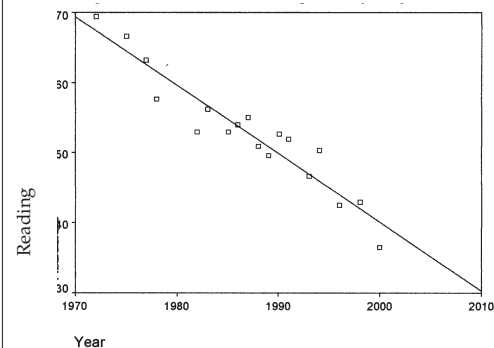


Figure 2
Percent Reading Every Day



series – with measures every three years – that includes a question on newspaper believability. If we can accept credibility, measured by a single survey question on believability, as an indicator of newspaper influence, then we can at least make a start.¹⁹

The Industry's Quest for Credibility

The most alarming report came in 1985 from Kristin McGrath of MORI Research, hired by the American Society of Newspaper Editors to do a national survey. "Three-fourths of all adults have some problem with the credibility of the media," she wrote, "and they question newspapers just as much as they question television."²⁰

A contrasting report was issued early the following year by the Times Mirror newspaper company after it hired The Gallup Organization to cover the same territory.

"If credibility means believability, there is no credibility crisis," said this report, written by Andrew Kohut and Michael Robinson. "The vast majority of the citizenry thinks the major news organizations are believable."²¹

Oddly, the data collected by the two organizations were not very different. Their varying question forms obscured close comparison, but 84 percent in the Times Mirror study gave a positive rating to their local daily newspaper on a scale where "4 means you can believe all or almost all of what they say, and 1 means you can believe almost nothing of what they say."²² The ASNE study used a 5-point scale, and 85 percent gave either a positive or neutral rating on accuracy of the newspaper with which they were the most familiar.

Another contribution to the conversation came in 1998 when Christine Urban, also working for ASNE, produced another report. Hers made no reference to the earlier work, but it did propose six major sources of low trust. Number one on the list: "The public sees too many factual errors and spelling or grammatical mistakes in newspapers."

Two purely descriptive studies were published in 2001. News credibility was one of a very broad array of social indicators asked about in 1999 by the Knight Foundation, which found that 67 percent believe "almost all or most" of what their local daily newspaper tells them.²³ A similar result was published at the same time by the *American Journalism Review*, based on field work in 2000 funded by the Ford Foundation. This study reported that 65 percent believe all or most of what they read in the local paper.²⁴

Designers of none of these studies made any effort to attain compatibility with previous work so that comparisons could be made over time.

Nor were any of the studies informed by any kind of theory that might help us understand how much credibility a newspaper needs, how much it costs to get it, and whether the cost is worth it. As careful and detailed as they were, these reports generated little but description "waiting for a theory or a fire."²⁵

The appeal of the influence model is that it provides a business rationale

for social responsibility. The way to achieve societal influence is to obtain public trust by becoming a reliable and high-quality information provider, which frequently involves investments of resources in news production and editorial output. The resulting higher quality earns more public trust in the newspaper and not only larger readership and circulation but influence with which advertisers will want their names associated.

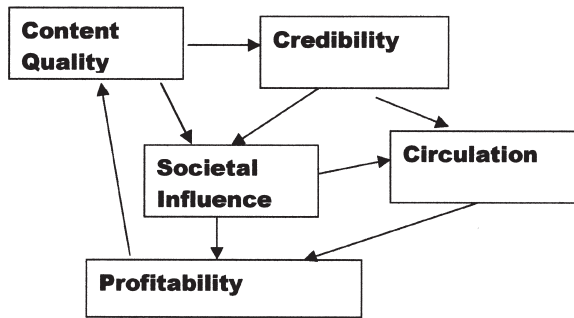
Because trust is a scarce good, it could be a natural monopoly. Once a consumer finds a trusted supplier, there is an incentive to stay with that supplier rather than pay the cost in time and effort of evaluating a substitute. I've been going to the same barbershop for 20 years for that reason.

It follows then that societal influence of a newspaper achieved from practicing quality journalism could be a prerequisite for financial success. Social responsibility in the democratic system supports, rather than impedes, the fulfillment of a newspaper's business objectives, through the channels of obtaining public trust and achieving societal influence, which then feeds back into further fulfillment of the public mission, thereby creating a virtuous cycle (see Figure 3).²⁶

Reversing the argument, cutbacks in content quality will erode public trust, weaken societal influence, and eventually lead to losses in circulation and advertising dollars.

So why would anyone do it? If management's policy is to harvest a company's market position, it makes sense. And pressure from owners and investors might even lead managers to do it without thinking very much about it, because reducing quality

Figure 3
Societal Influence Model for the Newspaper Industry



has a quick effect on revenue that is instantly visible while the costs of lost quality are distant and uncertain. When management's rewards are tied to short-term performance indicators such as quarterly or annual earnings, the harvesting strategy is understandable.

If those distant costs could be made more concrete and predictable, managers and investors might make different decisions. This is a natural agenda for journalism researchers: to reduce the uncertainty about the long-term cost of low credibility, using individual communities and their newspapers as the level of analysis.

Testing the Model

My test of the model is a very basic one: a search for a correlation between credibility and profitability. We need to be able to measure these two variables at the level of individual newspapers. Fortunately, a convenience sample is available.

The Knight Foundation keeps track of the 26 communities where John S. and James L. Knight operated newspapers in their lifetimes. They range from large (Philadelphia and Detroit) to very small (Milledgeville, Ga., and Boca Raton, Fla.). One of the questions in the 1999 and 2002 surveys asks about the communities' general trust in newspapers as a media category: "Please rate how much you think you can believe each of the following news organizations I describe. First, the local daily newspaper you are most familiar with: would you say you believe almost all of what it says, most of what it says, only some, or almost nothing of what it says."

It is a crude measure compared to Gaziano and McGrath's multi-item measure for ASNE in 1985. Its value comes from its consistent use in different markets at two points in time.²⁷

The dependent or outcome variable is based on circulation, which can be interpreted as a measure of consumer acceptance. To adjust for different market sizes, it needs to be divided by the number of households in the market to get household penetration.

Newspapers vary widely in their self-definition of markets. Sometimes, their definitions change, as in the Des Moines case. While maximizing circulation is not always the business goal, I know of no important newspaper that is ambivalent about circulation in its home county. So home county penetration makes a good measure for comparison across markets.

The second step to put matters on an apples-to-apples basis is to make a dynamic measure by charting change over time. Different localities have different problems and circumstances. A level of household penetration that is normal for one county might be quite unexpected in another. To adjust for such idiosyncratic factors, I look at change over time. The audience acceptance of a newspaper should be measured by the ability of the newspaper to hold on to that audience over a sustained period of time.

I call this measure penetration robustness, and the time comparison is taken from the 1995, 2000 and 2003 county penetration reports of the Audit Bureau of Circulations (ABC). Penetration declined almost everywhere. But it makes sense to define penetration as robust when its value at Time 2 is a relatively high proportion of its value at Time 1.²⁸

Use of ABC's county penetration report made it necessary to eliminate two Knight communities where the 1999 survey geography was not defined by counties.²⁹

That leaves a sample of 24 markets. In south Florida, the sample size was great enough to allow separation of Dade and Broward counties so that they

could be treated as separate communities. Now we have 25.

Most of them have dominant newspapers that are now, or have been, owned by Knight Ridder. Palm Beach and Broward counties in Florida are exceptions. In the former, the dominant paper is Cox's *Palm Beach Post*. In the latter, it is Tribune Co.'s South Florida *Sun-Sentinel*. Several counties have more than one strong newspaper. Because we are more interested in the theory than in the fate of individual newspapers, it makes sense to use county-level aggregates for both penetration robustness and newspaper credibility. If the variables prove to be stable and free of perturbing outliers, all we need to do is see if the former predicts the latter.

But this is the real world, and there are outliers and signs of instability. Across the 25 Knight counties, the percent who believe their newspaper all or most of the time averaged 20.4 percent in 1999 and 20.7 percent in 2002. Underlying that surface stability, there was considerable shifting among the counties. The correlation between the 1999 and 2002 measures was significant but low.³⁰ Sedgwick County, Kan., gained 7 points while Grand Forks, N.D., lost 6. Transient local controversies might have had something to do with these shifts.³¹

Accordingly, it seemed prudent not to base the credibility measure on a single measure but to average the 1999 and 2002 survey findings. This yielded a range from 15 percent trusting their "most familiar" newspaper all or most of the time in Boulder County, Colo., to 27 percent in Brown County, S.D. It also yielded a credibility distribution with no outliers.³²

But for the circulation data, there was a problem with outliers in the 1995-2000 period.³³ Examining each of them in turn, I found local factors affecting circulation that would overwhelm any more subtle effects that we might seek:

Dade County, Fla.

The Miami Herald's explosive circulation boom was the result of an artifact, the unbundling of *El Nuevo Herald* from its mother ship. After the separation, ABC counted circulation of the Spanish language edition separately for the first time. There was no way to correct for this for a before-after comparison, and Dade County was dropped from the sample.³⁴

Boulder County, Colo.

In the months before the creation of the joint agency by the owners of *The Denver Post* and the *Rocky Mountain News* in 2000, the two Denver newspapers were engaged in a bitter circulation war that saw the price of a newspaper drop to a penny per copy. This battle extended into neighboring Boulder County. While it cost the local paper circulation, total newspaper circulation in the county soared. Boulder County was dropped.³⁵

Wayne County, Mich.

Detroit, always a strong labor town, underwent a bitter newspaper strike that began in 1995 and led to many union members losing their jobs. In a dis-

play of sympathy and solidarity, enough working people in the home county stopped buying the paper to cause a catastrophic circulation decline. Wayne County was removed from the sample.

That leaves 21 communities without obvious unusual circumstances to mask the effect of credibility on circulation.

Here are the counties with their credibility scores and 1995-2000 penetration robustness. They are listed in ascending order of their credibility. (See Table 1)

The correlation coefficient is strong and quite unlikely to be due to chance. The credibility of the newspapers read in the communities explains 31 per-

cent of the variation in the robustness of those newspapers' combined daily penetration.

It would appear that credibility is related to robustness. The relationship is clearer if we look at the scatter plot (Figure 4). Points are identified where space permits.³⁶

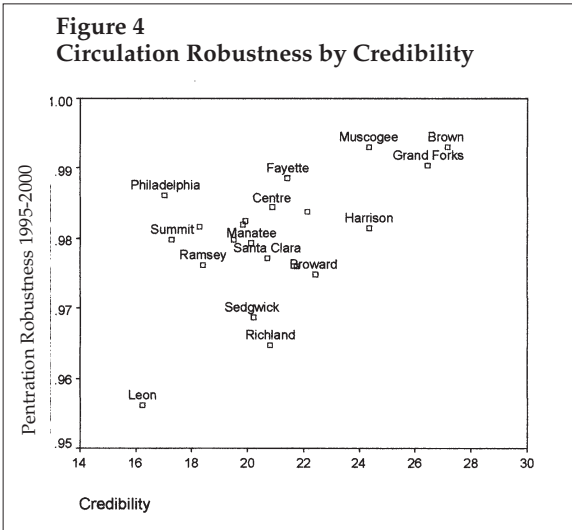
The slope of a straight line defining that relationship is .2, meaning that annual circulation robustness – the ability of a county's newspapers to hold their collective circulation in the face of all of the pressures trying to degrade it – increases on average

<i>County</i>	<i>Credibility</i>	<i>Robustness</i>
Leon FL	16.23	.9561
Philadelphia PA	17.00	.9860
Summit OH	17.26	.9798
Mecklenburg NC	18.27	.9817
Ramsey MN	18.39	.9762
Allen IN	19.47	.9797
Bibb GA	19.82	.9820
Palm Beach FL	19.91	.9824
Manatee FL	20.14	.9793
Sedgwick KS	20.20	.9687
Santa Clara CA	20.69	.9772
Richland* SC	20.78	.9647
Centre PA	20.85	.9844
Fayette KY	21.43	.9885
St. Louis MN	21.76	.9760
Horry SC	22.12	.9838
Broward FL	22.43	.9749
Muscookee GA	24.32	.9930
Harrison MS	24.33	.9814
Grand Forks ND	26.46	.9904
Brown SD	27.15	.9931

**Includes Lexington County in 1999 survey*

by two-tenths of a percentage point for each 1 percent increase in credibility. However, there is a problem. Just by inspection of the list, one can see that credibility tends to be greater in the smaller markets. Keith Stamm prepared us for the possibility that community ties might weaken as cities grow.³⁷ Distrust of local newspapers could be a function of weaker community ties.

The size effect diminishes as counties get larger and is best represented by a logarithmic function. Once beyond 400,000 households, there is no size effect at all. The correlation between the log of households and credibility is negative

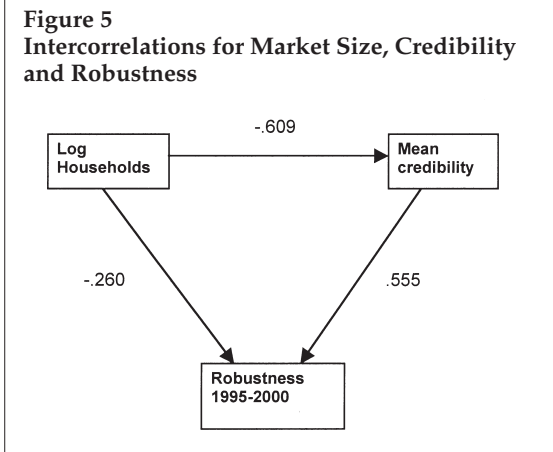


and significant. Indeed, it is greater than that between credibility and penetration robustness, a situation that demands further investigation.³⁸ (See Figure 5)

Following the stronger correlation coefficients indicates that the path of causation probably runs from size to credibility to robustness. For verification we can partial out the correlations leading to robustness, controlling for the third factor in each case. (See Figure 6)

The correlation between credibility and robustness remains positive and significant when market size (log of households) is controlled. But when credibility is controlled, the correlation between market size and robustness disappears. So smallness in size contributes to credibility, which, in turn, aids robustness.

Editors can't do much about the size of their home counties, but they can at least try to imagine ways to manage a larger newspaper that would yield some of the effects of a smaller community. It is, of course, an interesting problem for researchers as well. It was a goal of the civic journalism movement.



Correlation, of course, neither proves causation, nor establishes its direction. While it can be taken as evidence in support of one link in the model in Figure 3, it is weak evidence limited as it is to 21 markets and one five-year time period. When the data are used to predict robustness from 2000 to 2003, nothing happens. Neither size nor credibility are significant predictors of robustness in that brief time period. Per-

haps different historical forces were already in play in the new century.

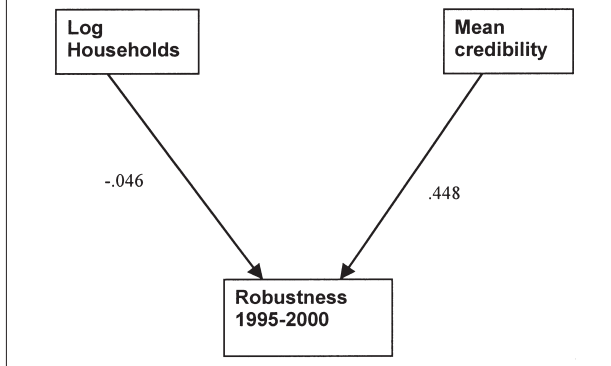
This case illustrates the difficulty of demonstrating, in a way that will be appealing to investors, the relationship between quality journalism and profitability. Hal Jurgensmeyer's influence model deserves further investigation, but several things are needed:

- Bigger samples and longer time periods. Teasing out the direction and degree of causation requires looking at more points in time so that effects can be separated from ongoing secular trends.
- A more stable measure of influence. The 1985 ASNE study provided evidence that a newspaper's perceived ties to its community are a factor in its credibility, and by implication, its influence. That lead should be pursued. The concept is too important to rely on a single survey question.
- Recognition that small and large papers operate in environments so different that they probably need to follow different rules. Other research has shown that circulation volatility is much greater among smaller newspapers.³⁹ If the rules are different, somebody needs to discover and codify them.

• Identification of the "sweet spot" and a means of determining where a given newspaper stands in relation to it.

The last one requires some explanation. The concept of the sweet spot

Figure 6
Path Analysis for Effects of Market Size and Credibility on Robustness



has been used by Jack Fuller to define an optimal compromise between demands of profitability and public service. My definition is a little different. It assumes that quality brings in more dollar return than it costs – up to a point. It is vital for a manager – or an investor – to know whether that point is approached, reached or exceeded. Imagine a bell-shaped curve with profit measured along its horizontal dimension.

Quality is measured on the vertical. As it increases, so does profit – slowly at first, then, as critical mass is reached, with accelerating effect. Then the curve rounds off at the top and begins to descend. This is the law of diminishing returns. Since it's a natural law, there's probably not much we can do about it. But we can try to determine when and how the diminution of return sets in.

This is much harder than it sounds, because the effect of quality takes some time to kick in. At first it is all cost. The monetary return comes later after the

newspaper's influence accumulates. The good news is that there is a similar lag when quality is degraded. Readers and advertisers alike keep using the product out of habit long after the original reasons for doing so are forgotten.

A newspaper is in danger when its owners assume that it has passed the sweet spot and is on the downhill side of the curve. If they have really passed the point of diminishing return, they would be right to cut quality and get back to a level that makes economic sense. But what if they are in fact on the uphill side? In that case, the quality cuts will drag them backward down the slope to eventual destruction.

Since the dawn of the electronic era in the 1920s, newspapers have minimized their decline by adapting to a long string of disruptive technologies: radio, television, cheap high-quality printing for direct-mail advertising and highly specialized print media. Of the six classic strategies enumerated by Michel Porter for dealing with competitive new technology, newspapers have clearly embraced three and are flirting with a fourth.⁴⁰

Enlist Suppliers to Help in Defense

Newsprint suppliers were major funders of the newspaper industry's experiments with market research in the 1960s and 1970s. United Press International, a supplier of news, chipped in even when it was in serious financial trouble itself.⁴¹

Redirect Strategy Toward Segments That are Least Vulnerable to Substitution

When television captured national image advertising, newspapers concentrated more on detailed price and product advertising for local retailers. After direct-mail innovators put advertising messages on slick paper and in color, newspapers responded with preprints and total market coverage (TMC) products.

Enter the Substitute Industry

Before the FCC limited cross ownership, newspaper companies were quick to acquire and apply their brand name to radio and TV stations. Now they are responding to the Internet threat by creating online versions of themselves.

Harvest Market Position

This is the "take-the-money-and-run" plan. Because newspaper customers are such creatures of habit, it could be quite seductive. It means raising prices, reducing quality and taking as much money out of the firm as possible before it collapses.

I know of no newspaper company that is consciously following the fourth strategy. But on some days at some companies, there are very strong indications that they are drifting into such a strategy, egged on by short-sighted investors.

Documentation and detailed specification of the Jurgensmeyer influence model might help the industry avoid this fate.

Or it might not. Even if nothing can save newspapers, the influence model could motivate the creators of whatever replaces them to find a way to keep social responsibility in their business plans. It deserves our highest priority. We should have started sooner.

Notes

1. Donald L. Shaw, "The Rise and Fall of Mass Media," (Roy W. Howard Public Lecture at the School of Journalism, Indiana University, April 4, 1991).

2. This number is derived from circulation reported by the Newspaper Association of America in *Facts About Newspapers 2002* and household projections reported by the U.S. Census. Average daily circulation is counted by the formula $(6 * D + S) / 7$ where D = average weekday circulation and S = average Sunday circulation.

3. James Madison, Letter to W. T. Barry, August 4, 1822, in *The Complete Madison*, ed. Saul K. Padover (Millwood, N.Y.: Kraus Reprint Co., 1953).

4. *Modern Marketing Strategy*, eds. Edward C. Bursk and John F. Chapman, (Cambridge, Mass.: Harvard University Press, 1964). Levitt's retrospective commentary appeared in *Harvard Business Review* Vol. 53 (September-October 1975), <<http://bold.coba.unr.edu/769/Week6/MarketingMyopia.pdf>> (June 29, 2003).

5. Frank Hawkins, Seminar in Media Analysis, University of North Carolina at Chapel Hill, N.C., 22 March 2002.

6. We all lose weight while we sleep, through evaporation, respiration and elimination.

7. Herbert A. Simon, "Designing Organizations for an Information-Rich World," in *Computers, Communications, and the Public Interest*, ed. Martin Greenburger (Baltimore: The Johns Hopkins Press, 1971) 40-41.

8. Harold D. Lasswell, "The Structure and Function of Communication in Society," in ed. L. Bryon, *The Communication of Ideas: A Series of Addresses* (New York: Harper, 1948) 37-51.

9. Michael E. Porter, *Competitive Strategy: Creating and Sustaining Superior Performance*, (New York: Free Press, 1998) 311.

10. Carol Gelderman, *Henry Ford: the Wayward Capitalist*, (New York: Dial Press, 1981) 84.

11. For an excellent development of this idea, see John M. Hood, *The Heroic Enterprise: Business and the Common Good*, (New York: The Free Press, 1996).

12. Gelderman, *Henry Ford*, 85.

13. Richard Maisel, "The Decline of Mass Media," *Public Opinion Quarterly* 37, no. 2 (summer 1973): 159-170.

14. Charles Edwards, panel discussion, "Are the Demands of Wall Street Trumping the Needs of Main Street?" (AEJMC Media Management and Economics Division, Miami Beach, Fla., 8 August 2002).

15. W. Davis Merritt, remarks (Seminar in Media Analysis, School of Journalism and Mass Communication, University of North Carolina at Chapel Hill, Chapel Hill, N.C., 22 April 2002).

16. Rakesh Khurana, *Searching for a Corporate Savior: the Irrational Quest for Charismatic CEOs*, (Princeton, N.J.: Princeton University Press, 2002).

17. Jane Cote remarks (Seminar in Media Analysis, University of North Carolina, Chapel Hill, N.C., 29 Jan. 2002).

18. It is an ordinary least squares regression line. In the case of newspapers, the slope is .98 percentage points per year.

19. The John S. and James L. Knight Foundation promotes excellence in journalism worldwide and invests in the vitality of 26 U.S. communities where the communications company founded

by the Knight brothers published newspapers. The Foundation is wholly separate from and independent of those newspapers.

20. *Newspaper Credibility: Building Reader Trust, a National Study Commissioned by the American Society of Newspaper Editors* (Minneapolis: MORI Research, Inc., April 1985); Cecilie Gaziano and Kristin McGloth, "Measuring the Concept of Credibility," *Journalism Quarterly* 63, No. 3 (1986): 451-462.

21. *The People & the Press: A Times Mirror Investigation of Public Attitudes Toward the News Media Conducted by The Gallup Organization* (Washington, D.C.: Times Mirror, January 1986).

22. *The People & the Press*, 20.

23. *Listening and Learning: Community Indicator Profiles of the Knight Foundation Communities and the Nation* (Miami: Knight Foundation, 2001).

24. Carl Sessions Stepp, "Positive Reviews," *American Journalism Review*, March 2001, <<http://www.ajr.org/Article.asp?id=230>> (29 November 2003).

25. This phenomenon is not confined to media businesses. Ronald Coase, in a critique of early institutional studies in business administration, said, "Without a theory they had nothing to pass on except a mass of descriptive material waiting for a theory or a fire." Quoted by Oliver E. Williamson in *Technology, Organization and Competitiveness: Perspectives on Industrial and Corporate Change*, eds. Giovanni Dosi, Davide J. Teece and Josef Chytril, (New York: Oxford University Press, 1998).

26. This is the model proposed in Philip Meyer and Yuan Zhang, "Anatomy of a Death Spiral: Newspapers and their Credibility," (paper presented at AEJMC, Miami Beach, Fla., 10 August 2002,). <http://www.unc.edu/~pmeyer/Quality_Project/quality_status.html> (19 November 2003).

27. *Listening and Learning*.

28. Such a measure is complicated by the variance in the lag time between an ABC audit and publication of the result in the reports. Each report presents results of the most recent audit, which can be anywhere from a few months to more than a year before the date of the report. To correct for this, I used the number of days elapsed between audits to calculate an annualized robustness. It can be conceptualized as the proportion of home county penetration retained in an average year during the study period. To summarize: Penetration = circulation/households. Robustness = Penetration at Time 2/Penetration at Time 1. Annualized Robustness = $1 - (1 - R) / A$ where R = Robustness for the period and A = elapsed time in years between ABC audits.

29. Long Beach, Calif., and Gary, Ind.

30. $r = .457$, $p = .022$.

31. *The Grand Forks Herald*, for example, had come under intense local criticism for editorially supporting the efforts of native Americans to persuade the University of North Dakota to change its athletic nickname, "The Fighting Sioux." Or its trust might have regressed toward the mean after the paper's extraordinary effort in its Pulitzer Prize-winning coverage of the 1997 flood on the Red River of the North.

32. Using the Tukey boxplot, the outliers were Brown County in 2002 and Leon County, Fla., and Grand Forks, N.D., in 1999.

33. All four met Tukey's definition of outliers and extreme values as cases that are more than 1.5 times the interquartile range from the upper and lower edges of that range. See John F. Tukey, *Exploratory Data Analysis*, (Reading, Mass.: Addison-Wesley, 1977)

34. I appreciate the help of Armando Boniche, research manager of *The Miami Herald*, in sharing this history.

35. Barrie Hartman, former executive editor of the *Boulder Daily Camera*, provided this background.

36. $R = .555$, $p = .009$.

37. Keith Stamm, *Newspaper Use and Community Ties: Toward A Dynamic Theory*, (Norwood, N.J.: Ablex, 1985). He reports contrasting arguments on 178-179.

38. For log households and credibility, $r = -.609$, $p = .003$.

39. Philip Meyer and Minjeong Kim, "Above-Average Staff Size Helps Newspapers Retain

Circulation," *Newspaper Research Journal* 24, no. 3 (summer 2003) 76-82.

40. Six possible strategies are listed by Porter in his chapter on substitution (Chapter 8) in *Competitive Advantage*.

41. These efforts are chronicled by Leo Bogart in *Preserving the Press*, (New York: Columbia University Press, 1991).
