Screen test: All eyes are on web-based video

THE MAJORITY OF NEWSPAPER WEB SITES OFFER ONLINE VIDEO IN SOME FORM.

Although the delivery vehicle exists, no one is certain what content it should carry, where it is headed, or how the journey will ultimately prove to be worthwhile. by robert g. picard

As newspapers increasingly develop their multimedia capabilities, providing video on internet sites and in mobile environments is seductive. Newspaper companies can move beyond text, photos, and graphics to provide audiovisual material that was previously available only from television. Many newspaper executives believe it will appeal to the generation of users who have grown up with television and video, and who tend to be less inclined to read the print newspaper.

Indeed, there is evidence that many users of internet news sites make significant use of video clips. They are particularly attractive to those who don't read the print newspaper, but are still interested in using newspaper web sites for news and information.

Video clips produced by the newspaper's staff or obtained from professional sources present opportunities for newspaper web sites to provide audiovisual reports of news events, and to portray locations and personalities in news and feature stories. Video clips obtained from the public provide moving images on unplanned events and allow audiences to express themselves through self-created clips that provide social commentary and entertainment.

More than 90 percent of newspapers web sites now offer news video and are producing some video themselves. About one-quarter of newspaper sites collaborate with local television stations to obtain additional video, and approximately two-thirds accept consumer-generated video.

The need for news video has created new markets for materials produced by video news agencies.
Associated Press Digital provides several video packages for web sites that feature news, sports, and entertainment clips. Reuters offers similar services through its online syndication service, as do AFP, the Press Association, and many other global news and feature services.

Video clips are far more common than audio clips on newspaper web sites, despite the fact that many journalists routinely carry digital tape recorders to public events and interviews. Editors at most news sites have found that viewers prefer audiovisual material over audio only.

Videos are used in a variety of ways on newspaper web sites, but their selection, style, and presentation are influenced by the nature of the print brand.

**A WIDE VARIETY OF CONTENT.** Most newspapers try to provide video content that reflects the image, reputation, and services of the print edition. One example is the nationally circulated newspaper The Guardian in the United Kingdom (guardian.co.uk), which presents video news and features that mirror its sections and fit the presentation style of the printed newspaper. Some videos are self-produced, while others come from sources such as Reuters and the Press Association.

The Chicago Tribune (www.chicagotribune.com), which primarily circulates in the Chicago metropolitan area, provides video with a heavy local emphasis. It relies on clips from WGN-TV and CLTV (a 24-hour local cable news channel) that are both owned by the Tribune Company, and produces some material on its own. It also makes use of national and international clips from video news services.

Bild (bild.de), the popular national German tabloid, provides some news video from traditional news video sources, but carries a heavy dose of entertainment, sports, and erotic video clips from television programmes and produced by its own staff, as well as samplings of popular consumer-generated video found on the net.

Videos provide additional ways for newspapers to deliver news, provide new types of content, attract and serve the audience, and to compete with television and other video providers. Many newspapers, however, are finding additional uses for video that go beyond providing basic news clips.

20 Minutes, the free circulation newspaper published by Schibsted in several European markets, has offered videos on its web sites for a number of years. However, it has found that news clips that imitate television news packages are not very attractive to internet users. Instead, planned story packages — particularly news features — that include both print and video elements gain significant traffic and hold user attention.

Other newspapers are adding mini-studios into theirnewsrooms so journalists can provide “talking head” updates or explanations of news developments. In some cases these are accompanied by photos or video, but they most typically involve only a camera pointed at the journalist. The U.S. newspaper The Oklahoman now produces about 15 such video clips daily and cooperates with a local station to provide TV news video on its NewsOK website (newsok.com). The Parisian newspaper Le Figaro (lefigaro.fr) has built a studio so it can provide forums for discussions and debates using its journalists and invited guests.

**WHERE IS THE REVENUE?** All these uses of video provide new services to users of the web sites, but are they building new revenue streams and a new business for newspapers?

The challenge facing newspapers and all other media companies that provide video online is not technology or opportunities, but rather how to monetise these services. The popularity of video downloads and streaming video on fixed internet and mobile devices is growing exponentially, and newspapers, television channels, and even radio broadcasters are trying to participate in the phenomenon.

The biggest hurdle is finding a workable business model. A combination of rapidly evolving technology and capricious consumers are altering existing media business models, making success difficult. The traditional business models of news media are

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**guardian**

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Eroding as audiences and advertisers respond to changing media markets. Today, both legacy and new media are struggling to find effective new business models, not only for their existing operations but for new products and services as well.

The process is further complicated by a fundamental shift in financing media. Many companies are finding it difficult to adjust their business perspectives. Traditionally, consumers have been asked to make relatively few direct payments for media, with business models worldwide based primarily on advertising expenditures, license fees, and tax payments. However, with the rise of new social and economic arrangements as well as the proliferation of new types of media and content, business models are shifting toward a consumer-based model. Today, for every dollar spent in the U.S. on media by advertisers, consumers now spend US$7. Worldwide, the ratio is 1 to 3. Thus, media have shifted from a supply-driven market to a demand-driven market.

This means that companies must now spend a good deal of effort ensuring they are creating value for customers, though that in itself is not enough. Ultimately, of course, economic value must be created for the company, or it is not running a business.

Newspaper companies should beware that there are significant business issues with contemporary deals that involve new forms of digital video media on the internet. News video alone is not the killer application that will make online operations profitable.

Across media, for the most part, companies that are investing in video are not buying return on investment. Instead, they are buying market share in hopes that income will follow. This trend is especially evident in social media, where companies are pinning their hopes on internet advertising growth and increased abilities to target advertising more effectively. It is a big gamble, because social media users have been resistant to advertising, and clickthrough rates are less than one-tenth of those on other internet sites.

YouTube was purchased by Google for US$1.65 billion, though it has advertising revenues of about US$250 million. MySpace, which was acquired by News Corp. for US$580 million, receives about US$450 million in advertising revenue. On the face of those numbers, these do not appear to be rational business investments. But what the firms are actually doing is buying large audiences in hopes of positioning themselves as leaders in online advertising.

They are doing so because internet advertising expenditures are heavily concentrated. In the U.S., for example, the top 10 sites account for 70 percent of total online advertising expenditures. The high prices being paid for social media are part of a fight for the top because of that ad revenue concentration. The companies are taking a business risk that may or may not pay off, depending on the willingness of the users of those social media to accept advertising and monitoring of their activities.

Newspaper companies, of course, are not making the same levels of investments when they add video to their online sites. But they face similar challenges in turning their investments into revenue.

WHICH MODEL TO PURSUE? Across digital video media providers, we now see a variety of company strategies. Some firms are pursuing ad-supported free media business models, while other firms are taking the road toward conditional access as part of subscriptions to internet and mobile services. Still others are mixing income streams from both conditional access and advertising. Online and mobile delivery of video are not yet mature enough, and consumer preferences are not yet clear enough,
to determine which will be the most successful revenue model. As a result, firms need to be agile, flexible, and able to rapidly change their approaches to digital video media.

So where does this leave newspaper sites that provide video or those considering adding video clips? Video clearly adds new dimensions and services to the sites, but does it create business advantages?

In terms of economic value creation, news video has limited possibilities because most newspapers use video from established traditional news video services. These also serve television channels and other competing providers of online and mobile news, so there is no exclusivity to the video. In cases where newspapers cooperate with local television news operations to obtain clips, exclusivity is also absent because the material is broadcast as well. Consequently, there is limited added value, making it impossible to believe that news video will make users more willing to pay for online and mobile services.

Original news and feature clips, commentary, and discussion programmes that are being created by newspapers have exclusivity and add value, though the value does not yet appear to be great enough to support a consumer payment model either. That, of course, leads back to the strategy of advertising-funded news sites that provide some or all content for free. Although video clips have never been shown to be the primary reason people come to newspaper sites, they have been shown to increase the average time users spend on newspaper sites. This, of course, is highly germane to online advertisers and may be one reason newspaper online advertising revenues are rising.

Last year, U.S. newspaper web sites received about US$3.2 billion in online advertising revenue. Newspapers now receive about one quarter of all local online expenditures. Few would argue that newspapers would not have received the revenue without video, but it clearly has enhanced the ability of newspapers to sell advertising on the sites. It has also created a new form of advertising, with many newspaper web sites now preceding their news videos with television-style advertisements for consumer products as a means of generating new income.

VALUE BEYOND MONETISATION. Video on newspaper web sites, then, serves many functions. It provides new income, creates new ways to communicate stories and commentary developed by newspaper staff, and provides additional reasons for users to visit and spend more time at newspaper sites. It also takes away some of the advantages of television news broadcasts, television news sites, and news provided by internet portals and mobile service operators.

While none of this will make publishers rich, it enhances the business of newspapers and their digital activities, creates some competitive advantages, and blocks other providers from obtaining an advantage if newspapers’ digital services do not provide news and commentary videos.

The advantages of providing news video for fixed internet and mobile use are compounded if newspapers have other multimedia operations that include television and cable news operations through ownership or alliances.

Executives need to seriously consider the role of video as they move from being newspaper publishers to providing broader news and information. Video creates opportunities to communicate in new ways and broaden the appeal of content, while increasing revenue somewhat. The level of investment required to add video to existing web-based services and to create original video is relatively low. Even creating newsroom studios or mini-studios is not very expensive, especially if one partners with a television or cable news provider.

The advantages video provides in terms of better stories, audience service, and advertising opportunities increasingly make it an attractive direction for newspaper companies.