



Buy It or Make It? The *Charlotte Observer* and the Associated Press Epilogue

For six weeks at the end of 2009, *Charlotte Observer* Editor Rick Thames conferred with his executive team and consulted his Raleigh (NC) *News & Observer* colleague, Executive Editor John Drescher, to weigh the plausibility and prudence of altering his news organization's 135-year relationship with the Associated Press news service. His options: keep what he had, scale back the paper's dependence on the wire, or eliminate it entirely.

Going in, Thames had one overriding question: "Why?" Why was the *Observer* positioned to make a change now, and why would his daily be better off as a result? He emerged asking a different question: "Why not?" He decided to take a compromise position—sign up for AP Limited, but supplement that with three *à la carte* services: News Analysis, Sports, and Money & Markets. He signed a two-year contract (the AP's minimum) for the new arrangement. Thames felt this solution had a good chance of success. First and foremost, he could see no sign that *Observer* readers' hunger for local news was abating. He says:

I'd say that the gap between local news and national/world news in terms of expectations of our readers has only grown. We understand that. We also understand that we're challenged [for] resources, and we need to make good decisions about what is it that we're going to do very, very well? And what is it that only we can do?¹

Much would depend, he acknowledged, on the degree of cooperation the *Observer* could get from its media partners. Summarizes Thames:

We discussed this with Raleigh [*News & Observer*] since we work closely together with them. It was important to make sure we were in sync on what wire services we were getting, and the degree of wire services,

¹ Author's telephone interview with Rick Thames on December 6, 2010. All further quotes from Thames, unless otherwise attributed, are from this interview.

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because we share a lot. They were game to do it, too, so we said, “Why don’t we try it?” We also said, “You know what, if it doesn’t work, then so be it. But it’s worth the experiment.” The way AP built this purchase... you could always upgrade. You can buy up, but you can’t buy down. So we said, “Let’s give ourselves six months or a year and see what happens.”

At the same time, Thames acknowledged that the *Observer* was in no position to drop the AP entirely. “There are things we want from the AP,” he says. “We have full AP, for example, on sports because we don’t see any way around that.” Investing in the three supplemental services (sports, analysis, and business) while choosing the Limited subscription tier admittedly curtailed the paper’s total savings, but Thames approximated that the \$100,000 pocketed could salvage two to three newsroom jobs. This would only begin to stanch the employment bleeding—20 jobs were cut in September 2010 and 20 more in January 2011—but Thames deemed it a compromise worth striking.²

The *Observer* and AP—One Year Later

By early 2011, the *Observer* continued to suffer from print advertising declines and overall financial stress but showed no immediate signs of reversing course with the wire service.³ Thames observes that “as we’ve had less AP, we’ve grown our use of the *New York Times*. The effect has been that we have a more even mix of stories from among the wire services, whereas before we might have had more AP, and the other wire services fell in behind it.”

The *Observer* had already redirected its focus and resources to meet the demand for local news. It had also cultivated and implemented new sources of local news, including the Charlotte News Network. In 2010, this network of 12 community websites contributed more than 200 stories and photos to the *Observer*’s print and web editions. The same year, the paper joined the Public Insight Journalism (PIJ) network through American Public Media, deepening local reporting resources by allowing readers to volunteer as sources on areas of interest and expertise.

For national coverage, the *Observer* turned to McClatchy-Tribune Information Services (MCT), which helped to compensate for losses in AP reporting. In addition, the paper subscribed to Bloomberg and the New York Times News Wire. With its sister publication, the *News & Observer*, perched near the steps of the Raleigh capital, Thames was able to maintain robust statehouse coverage.

² “Charlotte Observer to cut 20 jobs,” *Charlotte Business Journal*, January 31, 2011, <http://www.bizjournals.com/charlotte/news/2011/01/31/charlotte-observer-to-cut-20-jobs.html>.

³ Joe Mandese, “Amid Ad Turnaround, Print Media Continues To Lose Ground,” MediaPost.com, March 17 2011, http://www.mediapost.com/publications/?fa=Articles.showArticle&art_aid=146884.

Meanwhile, in 2010 and the first part of 2011, the AP—in distress like its members, often as a direct result of their economic peril—launched a spate of new initiatives to transform its business model. As metro dailies and other local news organizations expressed a declining need for the wire’s national and international breaking news coverage, AP management foresaw a new role as a digital technology partner and provider.

In February 2010, the AP introduced “Gateway”: a set of applications for a variety of portable devices, including the Apple iPad and other tablets.⁴ Gateway built on the Mobile News Network that AP first constructed for smartphones in 2008.⁵ The ultimate goal was to engineer platforms and products that the cooperative and its members could package to end users, either individually or collectively. Revenue from the applications would be split between the two parties.

By the end of 2010, more than 70 member newspapers and broadcasters had gone live with white label smartphone apps developed by AP, with iPad apps on the way. In addition, in late 2010 AP began developing and marketing iCircular, an application that would migrate onto portable digital devices the circular ads and coupon inserts that remained a strong print revenue driver.⁶

⁴ Staci D. Kramer, “AP Opens New Products Gateway; Unit Includes AP Mobile, OVN,” PaidContent.org, February 26, 2010, <https://paidcontent.org/article/419-ap-opens-new-products-gateway-unit-includes-ap-mobile-ovn/>.

⁵ “AP announces formation of the Mobile News Network and further cost reductions for member newspapers,” AP.org, April 14, 2008, http://www.ap.org/pages/about/pressreleases/pr_041408a.html.

⁶ Kunur Patel, “AP Circular App Coming to Help Print Compete with Coupon Pure Plays,” *Advertising Age*, September 27, 2010, <http://adage.com/article/digital/media-ap-app-print-compete-coupon-apps/146086/>.