



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

Teaching Note

Case Summary

By 2009, local newspapers had seen advertising and subscription revenues siphoned off by the Internet for over a decade. Searching for creative ways to serve audiences while saving money had become an ongoing challenge. Across the nation, journalists began to question whether some of their most entrenched but costly practices had grown obsolete. This case follows one local newspaper, the *Charlotte Observer* in North Carolina, as its staff considers a major cut that would have been unthinkable a mere 10 years earlier: eliminating its subscription to the Associated Press (AP) wire service.

The case begins with a brief history of the member-owned AP and its relationship to the *Observer*. For over a century, the AP supplied otherwise unavailable coverage of breaking news, sports, national issues, and foreign affairs, allowing the *Observer* and papers like it to present readers with a comprehensive picture of the world. But with the advent of the Internet, this relationship began to change. As readers flocked to the Web for news, both newspapers and the AP saw revenues decline and began to question not just their business model, but their basic mission.

In 2003, the AP introduced new management and a new strategy to adapt to the Web. Some members (who paid steep annual fees to get AP services) disliked that these changes benefited the AP more than its members at a time when the latter were in dire financial straits themselves. Suddenly, what had felt like a partnership seemed exploitative. In response to a rising chorus of dissatisfaction among its members, the AP in 2008 introduced long-awaited service changes. Members could now opt for either the traditional Complete AP service or a “Limited” package of daily stories with the option to purchase additional coverage *a la carte*.

With the *Observer*’s AP subscription up for renewal at the end of 2009, editors find themselves wondering whether the service has become unaffordable. They have already gone to great lengths to cut costs, such as pooling resources with other local and regional news producers. But pressure remains to save money wherever possible, and the AP is a substantial expense. To their regret, the much-anticipated AP Limited plan proves no easy solution to their dilemma: while it would save some money, the dramatically reduced selection of wire stories could well prove

inadequate, even if editors try to compensate by tapping other news sources. With world news readily available to readers online, editors wonder if perhaps the *Observer's* old mandate to provide a comprehensive view of the world is outdated. Should the paper instead focus its scarce resources on what it does best—original local reporting?

Students follow along as the *Observer* leadership carefully weighs the business and editorial implications of renewing or canceling the paper's subscription, a decision that forces them to reexamine their mission as the local newspaper of record.

Teaching Objectives

This case can spark discussions about the responsibilities of local news outlets to their audiences in an online world; the changing role of wire services; collaborative practices among local and regional news producers; and the ever blurring line between the business and editorial sides of news production.

One of the central questions the case raises is whether the mission of local news outlets has changed with the proliferation of news sources now available on television and online. With advertising and subscription revenues severely depleted, local newspapers find themselves looking for ways to cut costs—and re-examining their missions. Ask students to consider how local papers can best serve readers' needs within these constraints. Should they focus on covering local and regional stories as thoroughly as possible and abandon national and world coverage altogether? Or in an increasingly interconnected world is it more important than ever that they provide comprehensive national and international coverage? If the *Charlotte Observer* and papers like it do decide to eliminate their wire subscriptions, ask students to brainstorm ways papers might compensate for the loss of wire content—and whether or not they should try.

One editor in this case proposes that local papers cover global issues by finding a link to local interests. Such an approach might include stories about the impact of international policy on local businesses or interviews with foreign residents about major events in their home countries. Students should consider whether this is a good use of resources and whether translating foreign news into local concerns is a service to the community, especially if it replaces wire reports of those same events.

Discuss how the role of the wire services might be changing in our current media environment. Is the old Associated Press model now obsolete? With wire and newspaper stories available online, does it make sense for hundreds of local papers to run the same (or lightly rewritten) wire stories every day? Or are the wires more indispensable than ever because newspaper staffs are so depleted—especially when it comes to covering regional, national, and international issues?

The case also explores how regional and local news producers are learning to compensate for scarce resources by working together in new ways, collaborating with former competitors and forging partnerships with alternative sources like hyperlocal and minority-oriented websites. Students should discuss the business and editorial challenges and advantages these new relationships present. Collaboration can reduce costs and redundancies in coverage. It can also make

it possible for reporters to focus on narrow beats. But cutting the number of reporters simultaneously covering the same issues, especially in politics, raises the specter of less watchdog journalism and greater undetected corporate and government malfeasance. Moreover, what happens to competition in this new collaborative environment? Is this a problem?

Finally, the case illustrates the degree to which business and editorial concerns are increasingly intertwined. The decision of whether to continue to subscribe to the AP and if so, at what level, is a powerful example of how business decisions directly affect the editorial product and how editorial implications must be taken into account when considering how to cut costs.

Class Plan

Use this case in a class on local journalism; the business of media; strategic management; or editorial decisionmaking.

Pre-class. Help students prepare for class by assigning the following question:

- 1) Should the *Charlotte Observer* continue to subscribe to the AP? Why or why not?

Instructors may find it useful to engage students ahead of class by asking them to post brief responses (no more than 250 words) to the question in an online forum. Writing short comments challenges students to distill their thoughts and express them succinctly. The instructor can use the students' work both to craft talking points ahead of class and to identify particular students to call upon during the discussion.

In-class questions: The homework assignment is a useful starting point for preliminary discussion, after which the instructor could pose any of the following questions to promote an 80–90 minute discussion. The choice of questions will be determined by what the instructor would like the students to learn from the class discussion. In general, choosing to discuss three or four questions in some depth is preferable to trying to cover them all.

- a) Discuss the pros and cons of continuing to subscribe to the AP. List on board.
- b) If the *Charlotte Observer* decides to renew its subscription to the AP, should it scale back to the Limited tier or take AP Complete? What are the advantages and disadvantages of each?
- c) With much national and international news available to readers online, should local papers like the *Charlotte Observer* still feel obligated to provide national and international coverage?
- d) The AP once provided local newspaper readers a “window to the world.” Can the *Observer* now continue to cover world news without subscribing to wire services? Be creative: might a consortium work not just for local news, but for national and international coverage as well? Do digital technologies make possible new approaches that are not even considered in this case?

- e) Emphasizing that the paper must stick to its strengths, editor Thames says the *Observer's* job is "to interpret the world for people in our region." Do you agree? Is it important for local papers to adapt world news so it seems relevant to local readers' concerns? Or would they do readers a greater service by covering global issues on their own merits?
- f) Consider the role of the AP and other wire services in today's media environment. PreInternet, dozens of papers reprinted the same wire stories, in the original or slightly rewritten. Does that still make sense? Do you believe the AP is an obsolete service? Is its role changing?
- g) The case documents a new spirit of collaboration among regional news producers. There are advantages to this in terms of pooling resources and reducing costs—but what about disadvantages? For example, is reduced competition a problem? Do the pros of teamwork outweigh the cons?
- h) As politics reporter Mark Johnson points out, pooling resources with other papers makes it possible for him to focus on covering a narrow beat thoroughly, rather than spreading himself too thin. But as veteran statehouse reporter Rob Christensen argues, the more reporters on a story of public concern, the better. Which is the better strategy: many reporters covering the same large territory, or lone reporters on narrow, specialized beats?
- i) In addition to more traditional fare, the AP's newer offerings include shared video content and Mobile News, a multimedia application that will allow members to sell local advertising tailored to mobile users. Given the competition among online news producers for audience and the need for additional advertising revenue, can the *Observer* afford to do without such innovative services?
- j) The *Observer* staff relies on AP digests and alerts to keep abreast of breaking news around the world. How much should this factor into the decision about whether to keep the AP?

Suggested Readings

Michael Gluckstadt, "Can Anyone Tap the \$100 Billion Potential of Hyperlocal News?" *Fast Company*, September 1, 2009.

SYNOPSIS: This piece provides food for thought and background for discussions about the *Observer's* partnerships with hyperlocal news producers. Media critic Michael Gluckstadt examines the earning potential of the hyperlocal business model and the question of whether large media companies can take these small sources of local revenue and roll them up into large-scale profits. From an entrepreneurial perspective, he argues that hyperlocal sites have the advantage of delivering targeted advertising to businesses. This has made hyperlocal journalism an attractive model for media conglomerates looking for new revenue streams. In this piece, Gluckstadt focuses on the *New York Times'* efforts to cash in on the hyperlocal model through the launch of the *Local* in

Maplewood, New Jersey. The *Times*, he observes, hopes to professionalize a hyperlocal model that it can in turn license into franchises.

<http://www.fastcompany.com/magazine/138/get-me-rewrite-hyperlocals-lost.html>

Paul Grabowicz, "The Transition to Digital Journalism: Local," Knight Digital Media Center, updated March 8, 2011.

SYNOPSIS: This section of the Knight Digital Media Center's website gives a brief overview of how local news producers are adapting their operations for the Web and how new sources of local information, such as hyperlocal news sites and community blogs, have arisen to fill remaining gaps. But this site is most useful for its extensive list of links to other resources.

<http://multimedia.journalism.berkeley.edu/tutorials/digital-transform/hyperlocal/>

Louis Hau, "Down on the Wire," *Forbes*, February 14, 2008.

SYNOPSIS: This article examines the tension between the Associated Press and its members which prompted the AP to adopt some of the service changes discussed in this case. Hau provides helpful financial information and makes the case that while AP provides a lot of valuable content to local newspapers, it has also contributed to their decline.

http://www.forbes.com/2008/02/13/media-newspapers-ap-biz-media-cx_lh_0214ap.html

Walter Mears, "A Brief History of AP," *Breaking News: How the Associated Press Has Covered War, Peace, and Everything Else*, New York: Princeton Architectural Press, 2007.

SYNOPSIS: At the end of this compilation of essays on AP coverage of major historical events (which students and instructors may find useful), Mears provides a concise history of the wire service.

Clay Shirky, "What will 2011 Bring for Journalism? Clay Shirky predicts widespread disruptions for syndication," Nieman Journalism Lab, December 13, 2010.

SYNOPSIS: In this short piece for Harvard's Nieman Journalism Lab, NYU media professor Clay Shirky argues that traditional syndication is obsolete in an online world. He notes, "Put simply, syndication makes little sense in a world with URLs. When news outlets were segmented by geography, having live human beings sitting around in ten thousand separate markets deciding

which stories to pull off the wire was a service. Now it's just a cost." This piece provides a concise summary of some of the key arguments against newspapers continuing to rely on wire services.

<http://www.niemanlab.org/2010/12/what-will-2011-bring-for-journalism-clay-shirkypredicts-widespread-disruptions-for-syndication/>

Paul Starr, "Goodbye to the Age of Newspapers (Hello to a New Era of Corruption): Why American politics and society are about to be changed for the worse," *The New Republic*, March 4, 2009.

SYNOPSIS: Princeton University media scholar Paul Starr gives an overview of the current state of political reporting and makes a case for why its decline is a major threat to American democracy. Starr sees shrinking coverage of state and local politics, a sub-theme of this case, as especially problematic. This article provides excellent background on why newspapers' old business model did not transfer well to the internet and how that led to declining political coverage, as well as a review of various alternative business models that have sprung up to replace it. Starr concludes that even if replacement models eventually fill the gaps in political coverage, there will likely be a lapse before they do so—a period during which government corruption will almost certainly increase.

<http://www.tnr.com/article/goodbye-the-age-newspapers-hello-new-eracorruption?page=1>