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## *The Guardian*: Transition to the Online World

On a brisk December day, Carolyn McCall, CEO of Guardian Media Group (GMG), pondered the future of *The Guardian* newspaper from her office in the company's brand new headquarters building in King's Cross, London. Under her guidance, *The Guardian* had been an early innovator in online newspapers and had become the U.K.'s leading newspaper website. But, she wondered, was that enough? On the one hand, the impending recession was going to make profitability of the printed newspapers more difficult. The GMG's national newspaper division, Guardian News & Media (GNM), had been losing money since 2000, and, in spite of the relative success of the website, online advertising revenue made up just 10% of the business's total revenue. On the other hand, *The Guardian*, with its distinctive liberal editorial point of view, was now reaching a segment of readers throughout the English-speaking world in numbers that were impossible before the Internet (see **Exhibit 1**). What changes would *The Guardian* have to make to sustain its vision of becoming "the world's leading liberal voice"? As her colleague Emily Bell, GNM's director of digital content, said, "There is no such thing, really, as an established online brand. I think you reach a momentum on the web more quickly, but it's harder to keep it."

### U.K. Newspaper Industry

The British newspaper industry was among the most competitive in the world. Leonard Doyle, foreign editor at the *Independent*, said in 2004, "Here in Britain, competition is fierce, resources scarce, and the readership increasingly promiscuous between papers. This Darwinian marketplace encourages innovation and we have seen a revolution in the way newspapers are produced."<sup>1</sup>

Historically, the national newspaper industry in the U.K. had been split between large-size broadsheets and small-size tabloids (see **Exhibit 2**). The quality daily broadsheets, *The Guardian*, *Daily Telegraph*, *Times*, and the *Independent*, were aimed at university-educated professionals and focused on politics, foreign news, arts, and culture. The "red-top" tabloids, such as the *Sun*, *Mirror*, and *Star*, targeted a broader demographic with a more sensationalist approach to news and a greater focus on celebrity, crime, and sport. The pink broadsheet *Financial Times* served a financial niche unto itself.

The *Daily Telegraph*, with a conservative ideology, had long been the leading quality daily in terms of circulation, with sales of slightly more than 800,000 a day (see **Exhibit 3**). The *Times*, traditionally the British paper of record, was taken over by Rupert Murdoch's News International in 1981.<sup>2</sup>

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Professor David Collis, Senior Lecturer Peter Olson, and Research Associate Mary Furey prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Murdoch then transformed the economics of newspaper publishing in the U.K. when he moved his papers, overnight, to a new printing site in Wapping (London) and started publishing with modern technology. After 13 months of often violent confrontation, the power of the print unions was broken, which prepared the ground for the launch of a fourth quality newspaper, the *Independent*, in 1986.<sup>3</sup> The resulting competition among quality newspapers echoed the vigorous fight taking place among the British tabloids. In 1993, the *Times* began a price war among the broadsheet newspapers by cutting its price from 45p (pence) to 30p.<sup>4</sup> Circulation increased by over 30% in the first three weeks after the reduction.<sup>5</sup> The *Telegraph* responded a year later, cutting its price from 48p to 30p.<sup>6</sup> By 1996, the Monday edition of both the *Times* and the *Telegraph* was available for 10p<sup>7</sup> (see **Exhibit 4**). Although it never overtook the *Telegraph*, the *Times*'s circulation reached a high of 850,000 in 1996.<sup>8</sup> In 1999, the U.K. Office of Fair Trading (OFT) ruled that the *Times* had behaved anticompetitively by selling its Monday edition for 10p. The OFT ruled that the *Times* could cut its cover price in the future, for up to a month, if it provided a detailed explanation of why it was doing so and for how long.<sup>9</sup>

After competing on price, the quality newspapers tried to compete on format (see **Exhibit 2**). In 2003, the *Independent* began to sell both broadsheet and compact (tabloid) versions, moving completely to the compact version in 2004, since that was believed to be more readable and user-friendly. That year, the *Times* also switched entirely to the compact format,<sup>10</sup> a move that critics cited as further evidence of “dumbing down” in an attempt to reach a wider audience. To overcome the journalistic constraints of the tabloid format, *The Guardian* switched to an intermediate size—the Berliner—in 2005. This required the construction of an entirely new printing plant to house the new Berliner presses in London and the acquisition of a new press for the Manchester printing site. By the end of 2005, the *Telegraph* was the only remaining “quality” daily newspaper to retain the broadsheet format. By 2006, competition had moved into free gifts, such as CDs or booklet series on topics like WWI or great speeches that boosted daily circulation by taking share from papers that did not have a current offer.

Another competitor for established newspapers resulted from the introduction of free newspapers that contained mostly syndicated news, often from wire stories, and were distributed without charge in places with heavy foot traffic, particularly tube stations. The U.K. free paper *Metro* was launched in London in 1999<sup>11</sup> by Associated Newspapers, which also produced the tabloid *Daily Mail*. In its first five years, *Metro* launched several regional versions (including one in Manchester in a venture with GMG) and gained over 1 million readers in total with what was seen as a “good enough” commuter read. In 2006, the free model was extended into the evening newspaper market in London with the launch of *London Lite* by Associated Newspapers and *thelondonpaper* by News International. Both titles competed for readers and advertisers with London's paid-for evening paper, the *Evening Standard*—also owned by Associated Newspapers. The resulting competition left all three papers unprofitable, and the *Evening Standard* was bought by Russian oligarch, Aleksandr Lebedev, in early 2009.<sup>12</sup>

All U.K. newspapers, but especially the quality dailies, were hit by the impact of the Internet on both circulation and advertising (see **Exhibit 5**). Indeed, three of the four quality dailies had been losing money since 2001 (see **Exhibit 6**) as circulation gradually eroded—total circulation was down 33% over the last 20 years, compared to only 19% in the U.S.<sup>13</sup>—and advertising revenue declined. By one estimate, in 2009, Internet advertising at 30% of total advertising expenditure, compared to 8% in the U.S., would be the largest medium for advertising in the U.K. and the highest in the western world<sup>14</sup> (see **Exhibit 7**). The impending recession in 2009 threatened the viability of all the quality dailies. The *Independent*, owned by the Irish firm, Independent News and Media, was rumored to be particularly vulnerable after cutting 25% of its London-based editorial staff.<sup>15</sup>

## Guardian History

*The Guardian* began as the *Manchester Guardian*, started by John Edward Taylor in 1821 (see **Exhibit 8**). Founded “in the liberal interest,” the paper declared that it would “zealously enforce the principles of civil and religious Liberty” and “warmly advocate the cause of Reform.” In 1936, the paper’s ownership was transferred to the Scott Trust, named after the long-serving editor and later owner, C. P. Scott, to ensure that his principles of journalistic independence and integrity guided the paper’s future. The core purpose of the trust was later formalized as: “to secure the financial and editorial independence of *The Guardian* in perpetuity.” Scott, in an essay to mark the centenary of the title, wrote that newspaper businesses should display the qualities of “honesty, cleanness [now interpreted as integrity], courage, fairness, a sense of duty to the reader and the community.”<sup>16</sup> Those qualities remained the modern-day values of the trust and paper. Commenting on *The Guardian*, the editor Alan Rusbridger said, “Its ownership—a Trust which re-invests profits into the newspapers—has allowed it to develop as a fiercely independent newspaper, noted for its range of individual voices as well as for its tradition of fine writing”<sup>17</sup> (see **Exhibit 9**).

In 1959, the newspaper dropped Manchester from its title to reflect the growth in its national and international coverage. In 1961, a second printing operation opened in London to aid distribution to southern England, and in 1964, the editor and other major departments moved their headquarters from Manchester to London. The *Observer*, the world’s oldest Sunday newspaper, founded in 1791, became part of GMG in 1993, while continuing to operate independently as a Sunday paper. The online version of *The Guardian*, *Guardian Unlimited*, was launched in 1999. These three entities, *The Guardian*, the *Observer*, and the Guardian website—renamed Guardian.co.uk—formed the national newspaper group.

Besides national newspapers, the Scott Trust endorsed the GMG’s strategy of creating a diversified media portfolio that included regional media (the *Manchester Evening News* had in fact been a stable mate of *The Guardian* since 1924), online businesses, radio, magazines, business-to-business, media, and property services (see **Exhibit 10**). Most important in this portfolio had been *Auto Trader*, the U.K.’s leading magazine for car listings, and its parent company Trader Media Group (TMG). GMG first took a stake in what became TMG in 1982 and became the sole owner of TMG in 2003. *Auto Trader* quickly expanded online, becoming one of the U.K.’s biggest success stories in terms of print-to-online transition. Early in the 21<sup>st</sup> century, it was generating close to £100 million in annual operating income (see **Exhibits 11a** and **11b**), and GMG decided to capitalize some of that value in 2007. In a deal with Apax Partners, GMG sold a 49.9% stake in TMG in a deal valuing the company at £1.35 billion. GMG subsequently placed £200 million in an externally managed investment fund and became a joint venture partner with Apax in Emap, a leading business-to-business publishing, events, and data company.

GMG’s role was to deliver the Scott Trust’s objective: the security and growth of *The Guardian*. A conscious part of GMG’s strategy, therefore, was to use the portfolio of profitable businesses to invest in *The Guardian* and the development of a digital capability. According to Stella Beaumont, GNM’s director of strategy and corporate development,

A really important part of our story is this ownership structure for us because it has allowed us to keep going with things which aren’t immediately profitable when other entirely shareholder facing organizations would have pulled back on some of the things that we’ve done. It is managed very much for a long-term view with successful profitable businesses generating the financial security that we need. We wouldn’t have been able to do it without the other Guardian Media Group businesses.

## The Guardian Newspaper in 2008

Since 2000, *The Guardian's* daily paid circulation had declined slightly, registering around 350,000 daily. All of this circulation was single-copy sales since the company offered no subscription service for readers. Following the purchase of the Berliner presses in 2005, *The Guardian* was the only national quality daily paper in the U.K. to be printed in full color. Each weekday edition of *The Guardian* came with the main newspaper, a section called G2 that contained feature articles, columns, television and radio listings, and a separate sports section. Each day, the paper also included a supplement or G3: MediaGuardian on Monday; EducationGuardian on Tuesday; SocietyGuardian, which covered the large U.K. public sector, on Wednesday; TechnologyGuardian on Thursday; Film & Music on Friday; and on Saturday a set of weekend offerings including The Guide (listings magazine), Weekend (color supplement), and Review (literature). In 1992, the weekday supplements had been reformatted into a tabloid format and designed to target verticals, or specific content areas of interest to a defined group of readers. *The Guardian* was known in the U.K. to be particularly strong in the media, education, and government areas. Each day's supplement from Monday through Wednesday featured not only editorial content and news on the particular area, but also classified recruitment advertising for professionals in that vertical.

The *Observer*, with a Sunday circulation of around 436,000,<sup>18</sup> was the second-smallest of the Sunday papers. With a separate editorial staff, the *Observer* was also noted for its liberal voice. The group produced an international weekly paper, the *Guardian Weekly*, which was a compact amalgam of four papers—*The Guardian*, the *Observer*, the U.S.'s *Washington Post*, and France's *Le Monde*. It was distributed through newsstands and subscriptions and had a circulation of 77,470.<sup>19</sup>

Guardian.co.uk was the number-one U.K. newspaper website (see **Exhibit 12**). As of September 2008, according to ABCe, the site had 25 million users worldwide, 62% of whom were from outside the U.K.—about one-half of that from the U.S.<sup>20</sup> Among the more than 25 sites it contained were news, travel, media, books, football, sport, politics, life and style, and a blogger area—"Comment is free." The site did not charge for access, a decision that leadership had made at its launch.

In 2007, following an investigative visit to the U.S. by McCall and Rusbridger, *The Guardian* launched GuardianAmerica.com, a site targeting its burgeoning America-based readership. Rusbridger contended that American readers went to *The Guardian* because the U.S. newspaper market was underserved by liberal journalism.<sup>21</sup> According to Adam Freeman, its commercial director, "Being the No. 1 newspaper online in the U.K. is great, but it's not the key to long-term success. The Internet has opened up international expansion for us." Guardian leadership estimated that 25% of the population in the U.K. and about 20% of the U.S. population was liberal minded. "For us, a lot of the online expansion has been tapping into that global liberal niche, which I think helps clearly differentiate ourselves. So it's limiting in one way, because you have to do a particular type of news with a particular orientation, but it's enormously beneficial in many ways because you are not trying to be everything to all people at all times," said Freeman.

While for *The Guardian*, a 70-30 advertising-to-copy sales revenue split had been the norm 20 years ago, it had inched closer to 50-50. This compared to a 60-40 split for the U.K. industry as a whole.<sup>22</sup> Advertising revenue was approximately 45% from national display advertising, and 40% from recruitment advertising, with the remainder from other sources. As a national newspaper, *The Guardian* had never had substantial classified advertising from items like property and cars.

Unique to *The Guardian* was its position in quality recruitment advertising. Helen Bird, sales director of Guardian Jobs, noted, "Recruitment has always been a key part of our revenue base. I

think there are a lot of newspaper publishers out there who think of recruitment as secondary, whereas I think it was always at the forefront of *The Guardian* offering.” Leveraging its traditional strength in the public sector, it had grown its share of quality recruitment advertising from 6% in 1981 to more than 65% since *The Guardian*’s editorial coverage in media, technology, education, and society gave it the advantage of being almost a trade journal. The paper was even strong enough to drive the national agenda in some areas, like higher education, and so had a loyal readership in such verticals. However, *The Guardian*’s liberal agenda made it hard to capture some recruitment advertising, such as lawyers and investment bankers. In spite of this strength, in the face of the threat posed by the Internet, *The Guardian*’s recruitment advertising revenue, which had been around £80 million in the late 1990s, was down to £50 million in print plus £16 million online, or 35% of total advertising revenue, by 2008.

Online advertising, which made up about £24 million in total for *The Guardian*, was two-thirds recruitment advertising, and one-third display. Of this latter amount, 60% was traditional display advertising, while 30% was sponsored revenue for building microsites, such as Fantasy Football (soccer) for Renault, or from Eurostar for supporting the travel site, and 10% was e-commerce revenue from click-through purchases, like online mortgage applications, or the Soulmates dating service. According to Freeman, less than 10% of advertising revenue came from international sources.

## Building the Online Future

In 1994, Rusbridger, who had joined *The Guardian* in 1979 as a reporter and became editor in 1995, traveled to the U.S. He spent five days meeting with newspaper executives throughout the country learning about the Internet and how it was being used in the U.S. newspaper industry. Admittedly “gobsmacked” by this technology, upon his return to the U.K., he wrote a paper entitled, “The Online Future,” in which he recounted what U.S. newspapers were doing online to supplement their print product. He described the reasons why they were going online, which included “because they perceive that the future lies somewhere along this route,” “because there may be money to be made out of it,” and “because a lot of advertising will go electronic sooner or later.” The memo quoted an interview with Michael Gordon, managing editor of the *Atlanta Journal-Constitution*. Speaking of electronic transmission, Gordon said, “I think the service has limited appeal to anyone 40 plus, quite a lot of appeal to anyone 25–40 and a lot of appeal to anyone under 25. This is the answer to people who don’t like newspapers because they’re too dirty, too big, too boring.” In the document, which proved prescient, Rusbridger outlined a vision of Guardian online, which did not look much different than the site in 2008 (see **Exhibit 13**).

### New Media Lab

At about the same time, McCall, who had joined the firm in 1986 as a planner in the marketing division<sup>23</sup> (before ultimately becoming CEO of GMG in 2006), was introduced to *Wired*, a California magazine about the web. This exposed her to the new online world. She and a core team, including Beaumont, set up a joint venture with the American owners and launched a U.K. version, *Wired UK*, in 1995. While it was not a commercial success—the venture was terminated within 18 months—it was a transformative experience for McCall: “I was completely convinced this was the future, or was going to be a very important part of the future, because you could see that the consumer experience was going to be enhanced as a result of the web.” A little earlier, in 1994, the group had already launched RecruitNet, an online jobs site.

In 1995, the group that had worked on *Wired UK* morphed into the New Media Lab, combining with a product development unit that had launched *The Guardian*’s Saturday listings magazine. The

New Media Lab's first project was a website about the 1996 European soccer championship, called EuroSoccer.com, which it launched in five languages with sponsorship of £250,000. According to Beaumont, "We were getting people to pay for all of this experimentation online but what we didn't have was a proper *Guardian* news site."

The New Media Lab also had a vision of what an interactive web magazine would look like. In 1997, in conjunction with U.K. brewing and restaurant group Whitbread, the group published a weekly online magazine called *ShiftControl*. It was a site where young people could go for information on music, culture, and current events that experimented with online surveys and competitions.

The New Media Lab began with 23 people and was physically separate from the traditional paper. Most of the staff were not traditional journalists, but were attracted to *The Guardian* because of its status as a liberal bastion. Bell noted, "We had a really fantastically good technical development department and we had people who wrote code who were among the best in Britain."

### *Guardian Unlimited*

The first U.K., and European, newspaper to go online was the *Daily Telegraph*, which launched the *Electronic Telegraph*, essentially as just the print version available over the Internet, in 1994. *The Guardian* did not launch its own online paper, the *Guardian Unlimited*, until 1999, experimenting with online content for the website until then. Noted McCall, "Having worked with *Wired*, I completely didn't believe in replicating the newspaper. We wanted to create a lot of original content on the web because the web was a different medium." Jane Glentworth, deputy editor of production and design, added, "*Guardian Unlimited* was *Guardian* plus. We wanted to send out a clear signal that it wasn't just the paper online but that it was lots of other stuff. It was always sort of *The Guardian* plus extra, unlimited, more. More of that amazing quality content with lots of fun stuff."

Beaumont added that, seeing a daily news website as the future, McCall and the New Media Lab "got it" by framing the web as an opportunity, not a threat. For example, they banned the use of language like "cannibalism" and "robbing Peter to pay Paul" because it prevented thinking expansively about what they could do with the opportunity. So did Rusbridger, who as "the editor of *The Guardian*, is probably the single most important executive in the whole organization" according to Beaumont. Added McCall, "Alan and I were both evangelical about [going online] very, very early. We never asked, is this right thing to do? It was all about, what do we do? How fast? Who do we hire?"

In 1997, Ian Katz, a highly respected print journalist and New York correspondent of *The Guardian*, was asked by Rusbridger to serve as editor of *Guardian Unlimited*. According to Beaumont, "That was the first time that you had a senior editorial figure from within *The Guardian*'s own ranks in charge of the website and that sent a big signal as to how important it was and it marked the point at which we started growing up and taking it much more seriously." Rusbridger recalled that at that time, many newspapers thought "this is a new technology; we'll put a technology person in charge. I thought it was going to be so important, I got the smartest journalist I could find."

Simon Waldman, who was the launch editor of *Guardian Unlimited*, recalled that when Katz came from the U.S., the New Media department was restructured and moved from "being a cool offshoot to being *The Guardian* newspaper's online operation." One that, although separate, would, according to McCall, "adhere to *Guardian* principles and make the *Guardian* proud of its website." The importance of the separation was echoed by GNM's managing director, Tim Brooks, who said, "In a business geared to producing a daily paper to tight deadlines, getting anyone to talk about next week

is very hard.” Rusbridger recalled, “We needed a different building, a different culture, different people.”

Waldman recounted two breakthrough projects, both of which occurred in 1997. First was the British election when they got Rebecca Smithers, a *Guardian* journalist, to write an update for the site during the day: “Because at this time it wasn’t accepted that newspapers should write content during the day.” The second occurred the day that Princess Diana died. Waldman recalled that he had to rustle people up to come in and build a website around the Diana tragedy: “People were actually phoning us up, asking ‘when is the news going to be on your website?’ So there was a demand for us to break news during the day.” They put up a talk board and received three posts in the time it took them to write and launch their test post. According to Waldman, this showed that “there was a pent-up demand for us to do things immediately and a pent-up demand for people to interact with us.”

As launched in 1999, *Guardian Unlimited* was designed around what was called a “hub and spoke” model. It had a core *Guardian Unlimited* news site in the hub that carried perhaps 40 or 50 stories. For the first time, this involved a night shift of journalists who crafted a way of operating around big breaking news, such as the verdict in the O. J. Simpson trial, by prewriting the “guilty” and “not guilty” articles so that a piece could be online in minutes. Discrete sites in the paper’s areas of excellence—media, education, and the government sectors—with their own domain names then stemmed out from the hub as spokes. These sites were to be the best in their subject, not just a few articles from the printed paper. About six or eight months into the launch of *Guardian Unlimited*, Katz, Rusbridger, and McCall realized that this model didn’t work. It became clear that these verticals were messy, confusing, and hard to market separately, and in 2000, they decided to integrate the site so that content was housed under one umbrella brand. By 2001, the full paper was available online.

The site received numerous accolades for design and content. In 2000, *Editor & Publisher*, *Media Magazine*, and *Mediaweek* awarded the group the EPPY award for best design of a newspaper online service.<sup>24</sup> The site also recorded several firsts, such as the first to have real-time analysis and online discussion of soccer games.

In 2001, the dot-com bust led to cuts in many newspaper websites. The *Daily Telegraph*, which until then had been the leader in online news sites, and others had a financial imperative to stop investing. *The Guardian*, however, did not retrench. McCall recounted, “We had never spent a huge amount of money. . . . We were quite stealthy in our expenditure and grew quite slowly. We made a very conscious decision despite the dot-com crash not to cut. We didn’t stop investing. And that I think was also a very defining moment because all of our competitors cut. . . . After that there was real light between the number-two player and [us] the number-one player in that very narrow set of newspaper websites.”

Waldman recalled that September 11, 2001, was a defining moment for the paper; it made it through the day technically, and that month it overtook the *Daily Telegraph* in market leadership for the online space. In 2004, online replicas of the papers were made available on the site. In 2007, the entire *Guardian* archive was put online, a move that also drove viewers to the site since it was the first national paper in the U.K. to make its archives available digitally. In 2008, the site was renamed Guardian.co.uk as it was relaunched on a new platform. At that time, cash investment in the website had totaled approximately £30 million over the 10 years, and the staff had grown to about 150, still operating in a separate building from the print version.

## Business Model

An additional catalyst for the launch of *Guardian Unlimited* had been a 1998 Forrester report, "Say Goodbye to Classifieds," which estimated that 40% of revenue from newspaper recruitment advertising was going to disappear by 2003. McCall, then deputy managing director of GNM, was responsible for advertising and duly took note of the threat, although accepting an online business model that reflected the late 1990s thinking that it was all about critical mass rather than profitability. According to McCall, the mantra adopted for the business became "reach before revenue," because the paper accepted that "there was no economic model on the web" and that "this is not about cost. This is actually about growth. And that's a very different position to take." On this basis, and with "an unproven ROI, but a belief in the huge potential and a fit with *The Guardian's* core mission," McCall and Rusbridger were able to convince the chairman of the board to support the investment of £2million in the original *Guardian Unlimited*.

According to Steve Wing, GNM's head of commercial development, initially "we had an incredibly linear approach to advertising sales, as nothing existed. We just researched who advertised on line? What agency did they use? And we found it was very similar to the paper." Historically, the display business was built around top 50 clients, and leading newspaper advertisers, such as British Airways and British Telecom, were the website's lifeblood in the early years.

However, advertising rates online were substantially lower than in the print version. A single recruitment advertisement in the paper, for example, might generate £1,000 in revenue, while the equivalent month's online listing would receive perhaps £300. In display, an advertiser would typically spend 10 times less on an online campaign than it would in print. Despite this, the advertising sales team that was initially dedicated to online recognized that they could not—like King Canute, who tried to halt the tide—stop the online transition, instead adopted phrases like "offense not defense" and "competition not migration" to demonstrate their eager pursuit of online advertising revenue.

In the midst of the efforts to build *Guardian Unlimited* and while the dot-com boom was peaking, GMG launched a separate venture independent of the paper altogether. The venture, called Workthing, was a jobs site that launched in 1999. The group's goal for Workthing was to become "the European Amazon.com of recruitment advertising, to take on Monster." Unfortunately, this entity faced difficulty in managing the relationship with the paper where it was in direct competition with *The Guardian's* own recruitment arm. After incurring substantial losses, Workthing was sold to Hotgroup plc in 2005. The experience nevertheless made *The Guardian* advertising team think about how they could use the web as a central platform for their own plans. The result was a relaunch of Guardian Jobs in 2005, which sought to coordinate print and online recruitment advertising sales, because even quality recruitment advertising was vulnerable to the web's immediate response capability.

In 2003, the team integrated the display advertising arms of the online and print versions of the paper. Until then, the digital team might have had a single representative covering all financial services, while the print version could have had a dedicated salesperson serving each bank. Freeman noted, "A key benefit to the digital business was that they were going from a department of 25 to 70. For the print people, obviously they learned about a new media that was exciting and growing. And for the digital people, they had a heavyweight team around the client and sponsorship that could talk about more than one medium. So everyone won." Clients were offered a volume discount across platforms, although many agencies still had separate print and web buyers. *The Guardian's*



advertising sales managers were given targets for the online-print mix that varied by area and over time, and were tasked with managing the transition from print to online.

However, online advertising was, according to Beaumont, “much more bluntly traded than newspaper advertising.” While *The Guardian* sold nearly all of its online advertising in the U.K. directly to avoid the power of the advertising networks, which sold page views across many and any sites to advertisers, it still struggled to get premium rates. For brand reasons, the paper had chosen not to have any advertising on the home page, where there was some possibility of achieving higher rates. The sales team tried to talk to clients about brand and consumer. Said Wing, “We’d argue we are a premium brand sell—the context and the environment is fantastic. We will target it beautifully for you—we’ll keyword target it, behavior target it. We reach very interesting audiences. And for that you pay us a guaranteed cost per thousand.” Indeed, *The Guardian* had been told that it was more expensive than competitors. Unfortunately, according to Wing, the web offered a “much less sophisticated buying and selling environment than you might want it to be. There was a bit of behavioral targeting where you could follow people interested in finance or travel. But most were buying runs of network advertising where you just guarantee that you will serve up a number of impressions.” The glut of web-page inventory was also producing a continual decline in rates—even *The Guardian* was only selling about 65% of its page views—and U.K. online rates, which were much higher than in the rest of the world, were particularly vulnerable to the recession. International advertising sales were also difficult to generate without any *Guardian* sales presence outside the U.K., except some reseller agreements through advertising networks.

While cost per thousand impressions (CPM) online was much lower than in print, the audience was much larger. However, the net effect was that online advertising only generated, at best, about half the effective revenue of a print display advertisement. While the entire print circulation of 350,000 counted toward the CPM of every advertisement in the print version, in contrast, most of the 25 million monthly unique visitors to the *Guardian* website only opened a single page and saw only a few advertisements. Moreover, as the number of unique visitors increased, the online CPM declined. British Telecom, for example, did not want to reach more visitors in the Gulf States.

Despite these difficulties, by 2005 the online operation, which had its own P&L, nominally made money, since all the revenue it generated was credited to the business, while only the directly incurred costs of its own editorial staff were charged to the business. By 2008, the online paper was making about 12% operating margins on this accounting basis after incurring £12 million to £13 million of dedicated online editorial expense.

### *Format Wars*

In 2003, when the *Independent* went tabloid, “the entire newspaper industry behaved as though the only thing that mattered to the newspaper industry was the shape of its newspapers,” recalled Waldman. For about two years, nobody in the industry was concerned with the Internet.

GNM did not immediately respond or follow suit when the *Independent* and the *Times* took on a tabloid format, even though its rivals’ format changes began to have an impact on *The Guardian*’s circulation. In 2005, McCall and Rusbridger decided to invest £85 million on new presses to convert the newspaper into the Berliner format. The format, used in many countries throughout Europe but never in the U.K., was halfway between a tabloid and traditional broadsheet. McCall did not want *The Guardian* to go tabloid because the small size meant that effectively only one story could be featured on the front page. She said, “We wanted in some way to reflect the complexity of the world.”<sup>25</sup> While larger than the tabloids sold by the group’s competitors, the Berliner format shared the same ease of reading. The new presses were also capable of printing down the gutter, or the

middle of the page, and thus enabled two-page color picture presentations. Indeed, the addition of color gave a boost to print advertising. The switch to the Berliner format was anticipated to take three years; *The Guardian* did it in 18 months. Of the groundbreaking change, McCall said, "My peers in the newspaper industry think I'm absolutely bonkers."<sup>26</sup>

McCall said, "Alan's and my emphasis in 2005 was on getting that project right," and although some executives were fully focused on the web, the rest of the company "hadn't thought about the web sufficiently while we launched the Berliner." Soon after the Berliner launch, at an offsite for the company's top 60 executives, McCall, while thanking everyone for the launch's success, made clear that the focus going forward was to be digital.

### *Editorial Integration*

The editorial team for the web had always been separate from that of the paper. According to Beaumont, there was always a sense that they were two different media and therefore two different jobs. Until 2007, about 50% of the paper's website came from external sources other than *The Guardian*.

In May 2008, *Guardian* leadership made the decision to integrate the print and digital editorial teams, to match the integration of advertising sales. All journalists for the 24-hour, 7-day-a-week operation would write for all platforms, and the integration would happen when employees from all six legacy *Guardian* buildings over 26 floors were combined into their new custom-designed headquarters on three-and-a-half floors in December 2008. The decision was not without critics and involved delicate negotiations with the National Union of Journalists.

Rusbridger explained the new organization. Of a total of 750 journalists, about 100 would remain dedicated to the *Observer*, mostly columnists and editorial writers who would maintain the unique voice of the paper. Similarly, about 100 would remain as *Guardian* print journalists, and 100 would be completely devoted to web. These were more likely to be web designers developing new content and new media forms for the online version than traditional journalists. The remaining 450 journalists were available 24 hours, 7 days a week to service any platform and would be organized around subjects. In practice, a matrix reporting structure would be put in place, so that even if the different outlets shared the same content, the editor of the printed *Guardian* could ask for a particular story to be developed or a particular point of view expressed (see **Exhibit 14**). A "web first" philosophy was adopted whereby news stories would be made available online as soon as possible, even if this was before appearing in the printed paper. By the end of 2008, perhaps 25% of stories actually did appear initially on the web.

## **The Future**

**Opening up** Looking forward, Rusbridger noted,

I think that the journalism we do will make a fairly big move from being predominantly text based to being much less text based. . . . I think there will be new techniques of telling stories that will use a combination of text, audio, stills, picture, graphics and data that we're only in the foothills of understanding. I think the participation and involvement of the readers is something that we're only beginning to get a handle on at the moment but I think will be possibly the biggest development.

Bell noted, "I think we have to cut a lot more of our own video and I think that we have to aggregate a lot more of everyone else's. We're a writers' paper . . . [but] video is completely the price of entry." To that end, *The Guardian* planned on training its journalists to be comfortable reporting to a camera and encouraged journalists to work with a producer and a handheld camera. The paper also planned to outsource some video content through Reuters, with whom it began an annual contract in 2007 for unlimited wire feeds, and to aggregate video from other sources.

Recalling what Bell had said in 2004—"We don't want to be on the web, we want to be of the web"—McCall noted, "And if we're of the web, we have to embrace blogging." In response and in tribute to the famous quote by Scott, "Comment is free, but facts are sacred," in 2006, the team launched an online blog called "Comment is free." It featured key *Guardian* columnists, such as U.S. reporter Mike Tomasky, but also others, with material gathered around topics, such as America and the environment. Unlike the *Huffington Post*, the team moderated the Comment is free site, excluding inappropriate or controversial material.

*The Guardian* was also looking to open up its website to aggregate content from specialist sites that were consonant with *Guardian* values, and by allowing *Guardian* content to be included in other websites. According to Mike Bracken, technology development director, "We're trying to get our content to the end user in whatever way we can, not exclusively through guardian.co.uk but through other devices, partners, and even via other publishers." One way they planned to achieve this was through the use of RSS feeds that enabled *Guardian* content to be incorporated directly into other websites.

In the midst of all these changes, *The Guardian* was going to adhere to a belief expressed by Ian Burrell of the *Independent*, "Newspapers have a tradition and authority that the online world cannot yet match; we cover news in more depth and breadth than the broadcast media; we have a voice, an attitude. In a world where everyone has a blog, there will be a premium on sober analysis, skilled editing, and authoritative comment."<sup>27</sup> Indeed, according to Bell, *The Guardian* chose not to pursue a strategy of being a mass-market, well-optimized, and quick-news aggregator.

**Communities** *Guardian* leadership recognized, as marketing director Marc Sands noted, "the level of brand loyalty and brand commitment is far lower online than it is in print," but believed that the relationship readers had with the *Guardian* brand was critical. If consumers knew that like-minded people were posting hotel and restaurant reviews on the *Guardian* travel site, they were more likely to trust the information and see it as differentiated from the host of other online travel sites. According to Wing, "Brand will be our beacon." Key to that strategy was to develop must-visit sites for vertical markets in which *The Guardian* had a strong presence and building the engagement of those communities with the site. While the traditional verticals of government, media, higher education, and technology were going to continue, the idea was to extend the concept to other areas.

Bell described *The Guardian's* conversion circle for its customers, termed the "circle of love" (see **Exhibit 15**). The "casual user" was the person who ended up on the site as referred traffic, typically from a Google News search. The "connected user," perhaps a quarter of all visitors, was the person who went to the site to read a specific article but stayed longer and became more engaged. The "committed user," about 10% of visitors, was the person who believed himself to be part of the *Guardian* community, leaving frequent comments and maybe using a premium service such as Soulmates, *The Guardian's* online matchmaking service. The "catalyst" was the user who proselytized about *The Guardian* on his or her own site or blog.

**Globalization** In 2008, the GMG board encouraged Rusbridger to formally scope out his international vision for *The Guardian*. He prepared an ambitious plan to increase the number of

regional editors throughout the world and to expand coverage of topics such as the environment. He also identified opportunities in India and China. By late 2008, international growth plans were scaled back, given the recession, and focused on developing a footprint in the U.S., with more editorial staff and a commercial team based in America to sell advertising directly. The paper would also likely increase the number of foreign correspondents from its current 45. McCall commented, “No blogger can substitute entirely for our reporters in Iraq.”

**Business model** Remarked McCall, “I think the biggest challenge for us in the future . . . is the economic model.” Brooks explained that revenues from the traditional newspaper were declining, and digital revenues were increasing. (See **Table A**.) At some point in the future, he expected that digital revenues would be greater than newspaper revenues, but he did not know when this would occur. To convey this uncertainty, Rusbridger had used the concept of the “green bubble.” The team found themselves inside the bubble, “navigating without a map, but trusting they were going the right way and would eventually come out of the bubble and see where to go” (see **Exhibit 16**).

**Table A** Guardian Newspaper Estimated Revenue and Cost 1998 and 2008 (% and £ million)

| Revenues                |              |              |          |
|-------------------------|--------------|--------------|----------|
|                         | 1998         | 2008         |          |
|                         | Print only % | Print %      | Online % |
| Copy and content sales  | 30           | 38           | 3        |
| Display advertising     | 30           | 22           | 2        |
| Recruitment advertising | 40           | 18           | 6        |
| <b>Totals</b>           | <b>£165m</b> | <b>£250m</b> |          |

| Costs                       |              |              |          |
|-----------------------------|--------------|--------------|----------|
|                             | 1998         | 2008         |          |
|                             | Print only % | Print %      | Online % |
| Production and distribution | 45           | 30           | -        |
| Other                       | 55           | 55           | 15       |
| <b>Totals</b>               | <b>£165m</b> | <b>£275m</b> |          |

McCall noted, “We have a (business) model in Guardian Jobs and we’re going to be able to add a lot to the jobs site.” She voiced the need for Guardian Jobs to move from being a top-10 recruitment site with a 5% share of all job advertising, to a top-5 site by adding services, such as first-round interviewing and a searchable base of résumés (that could raise the revenue from a single online advertisement to £600 from its current £350). “So we’re able to go into areas where we can get extra revenue. However, there will come a time where the job revenue plateaus. I don’t think that time is yet. There is a model in the [recruitment] classified area.”

In contrast, she remarked, “On display, we thought we had a model, which is we’re a premium player and can charge premium rates for our audience. But I think the ad networks are really, really making that very difficult. There will always be some premium advertising we can gain because of our audience, because of our sites. But the vast majority of our inventory will be traded and our CPM rate has dropped by two-thirds on a lot of our inventory, which is decimating.” The goal was to reduce the amount of referred traffic—that which came not to their home page, but through Google—an amount that totaled between 70% and 80% of all traffic. Indeed, GNM had a complex relationship with Google, which was a supplier and client but also a threat to online newspaper websites.

## Next Steps

Despite the uncertain climate at the end of 2008, management remained optimistic about achieving *The Guardian's* global vision to become the world's leading liberal voice through a strategy based on delivering "reach, influence, and return" for the paper.

McCall expounded some principles for being successful when facing a high degree of uncertainty: do everything with confidence; recognize you will never get it all right and change your mind when you get it wrong; do not get committed to a positioning you can't get out of but pursue multiple business models; and spend a huge amount of time communicating internally since people are at the crux of change. Beaumont believed in planning ahead no more than one year at a time, because the company needed to be nimble enough to respond to opportunities. Mobile technology might have been the one no-retreat initiative, since it was impossible to serve developing countries without mobile access.

*The Guardian* wanted to be profit seeking but acknowledged that profitability was unlikely in the next five to seven years. Cost efficiencies had to be uncovered, particularly in the print area where physical production costs were £80 million a year. In spite of these pressures, management intended to keep investing in the newspaper, in January 2009, opening a subscription model to lock in loyal readers. McCall said, "No one can predict with any certainty what's going to happen over the next five to 10 years, but there will be newspapers in five years." Further, she said, "You have to publish the best paper you can for as long as you can for as long as there are newspapers."<sup>28</sup> While acknowledging that the print version would still drive most revenue for the next five years, Beaumont pronounced, "The web will be the dominant platform, no question."

**Exhibit 1** Unique Visitors to Select Newspaper Websites in Millions (November 2007)

|                      | Local | International |
|----------------------|-------|---------------|
| BBC sites            | 18.8  | 45.9          |
| NYTimes.com          | 8.3   | 6.4           |
| Guardian Media Group | 3.7   | 8.3           |
| DailyMail.co.uk      | 2.4   | 7.5           |
| Telegraph Group Ltd. | 2.7   | 6.2           |
| Times Online         | 2.4   | 5.4           |
| Washingtonpost.com   | 4.6   | 1.8           |
| Independent.co.uk    | 0.9   | 1.8           |
| FT.com               | 0.3   | 0.9           |

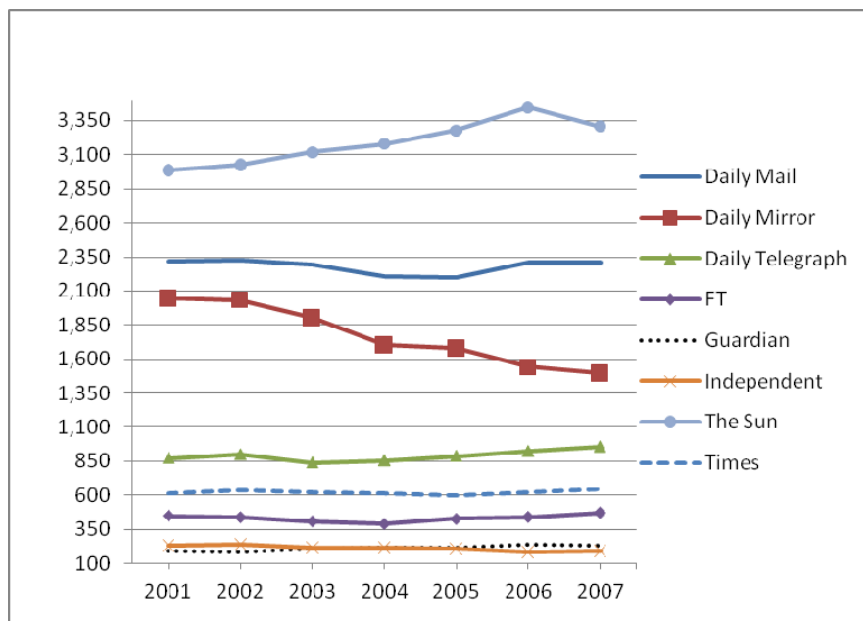
Source: Compiled from ComScore World Metrix, January 22, 2008, press release via EMarketer database, accessed January 2009; ComScore data from company materials.

Note: *New York Times*, *Washington Post*, and *Financial Times* data are from April 2007.

**Exhibit 2** U.K. Newspaper Ownership and Format

| Newspaper              | Founded | Owner                        | Format                |
|------------------------|---------|------------------------------|-----------------------|
| <i>Times</i>           | 1785    | News International           | Quality: Compact      |
| <i>Guardian</i>        | 1821    | Scott Trust                  | Quality: Berliner     |
| <i>Telegraph</i>       | 1855    | Telegraph Group              | Quality: Broadsheet   |
| <i>Financial Times</i> | 1888    | Pearson                      | Financial: Broadsheet |
| <i>Daily Mail</i>      | 1896    | Daily Mail and General Trust | Tabloid               |
| <i>Express</i>         | 1900    | Express Newspapers           | Tabloid               |
| <i>Mirror</i>          | 1903    | Trinity Mirror               | Tabloid               |
| <i>Sun</i>             | 1912    | News International           | Tabloid               |
| <i>Star</i>            | 1978    | United Newspapers            | Tabloid               |
| <i>Independent</i>     | 1986    | Independent Newspapers       | Quality: Compact      |

Source: Newspaper websites; Group websites, accessed December 2008.

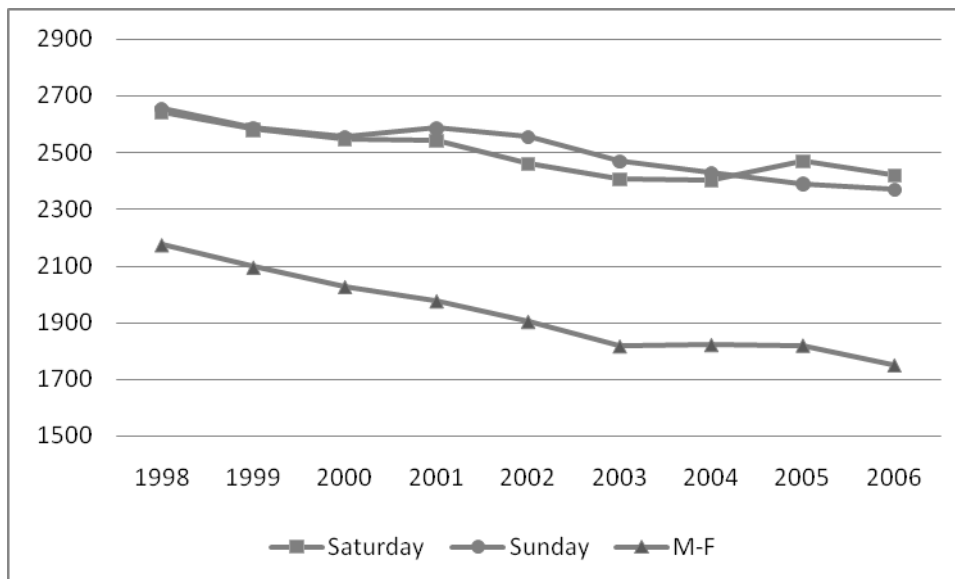
**Exhibit 3** U.K. National Newspaper Circulation

Source: Compiled from Audit Bureau of Circulation data, <http://www.abc.org.uk>, accessed December 2008.

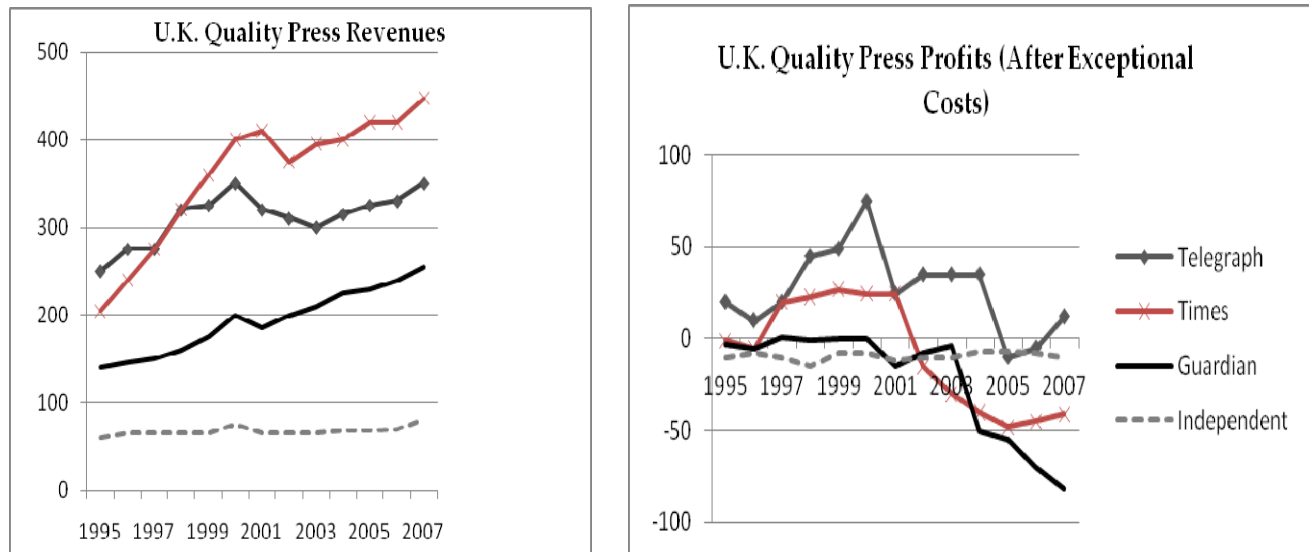
**Exhibit 4** Price Changes in the U.K. Newspaper Market

| Year | <i>Times</i>      | <i>Telegraph</i> | <i>Independent</i> | <i>Guardian</i> |
|------|-------------------|------------------|--------------------|-----------------|
| 1998 | 20p (10p Monday ) | 45p              | 45p                | 45p             |
| 1999 | 30p               | 45p              | 45p                | 45p             |
| 2000 |                   |                  |                    | 45p             |
| 2001 | 40p               | 45p              | 50p                | 50p             |
| 2002 | 45p               | 55p              | 55p                | 55p             |
| 2003 | 50p               |                  | 60p                |                 |
| 2004 |                   | 60p              |                    |                 |
| 2005 | 60p               | 60p              | 65p                | 60p             |
| 2006 | 60p               | 70p              | 70p                | 70p             |
| 2007 | 70p               | 70p              | 70p                | 80p             |
| 2008 | 80p               | 90p              | £1                 | 80p             |

Source: Newspaper Group websites; Raymond Snoddy, "Newspaper Price War Stepped Up by Murdoch," *Financial Times*, September 2, 1993; Raymond Snoddy, "Murdoch Says Cut-Price Times Will Last For Ever," *Financial Times*, December 17, 1996; Alasdair Reid, "All About . . . Newspaper Cover Price Wars," *Campaign*, September 9, 2005; Ivan Fallon, "Media-Peace in Our Time?" *The Independent*, October 1, 2002.

**Exhibit 5** U.K. Quality Paper Sales

Source: Adapted from company materials.

**Exhibit 6** U.K. Quality Newspaper Profits and Revenues (£ million)

Source: Company data and casewriter estimates.

**Exhibit 7** U.K. Advertising Spend by Media (Millions GBP)

|                     | 2005    | 2006    | 2007    | 2008    | 2009    |
|---------------------|---------|---------|---------|---------|---------|
| TV                  | £3,569  | £3,423  | £3,500  | £3,298  | £3,100  |
| Internet*           | £1,149  | £1,946  | £2,646  | £3,231  | £3,350  |
| Regional newspapers | £2,545  | £2,365  | £2,335  | £1,888  | £1,640  |
| National newspapers | £1,626  | £1,626  | £1,639  | £1,504  | £1,330  |
| B2B magazines       | £904    | £864    | £823    | £757    | £651    |
| Outdoor             | £729    | £759    | £797    | £750    | £735    |
| Consumer magazines  | £703    | £690    | £672    | £621    | £568    |
| Radio               | £443    | £408    | £422    | £384    | £353    |
| Cinema              | £160    | £160    | £176    | £181    | £181    |
| Total               | £11,827 | £12,241 | £13,010 | £12,615 | £11,908 |

Source: GroupM, "This Year Next Year," as cited in press release, December 4, 2008, via EMarketer database, accessed January 2009.

\* Includes classified, display, and ad search.



**Exhibit 8** Selected Chronology

**1821** John Edward Taylor publishes the first *Manchester Guardian* on 5 May 1821 as newspaper in the liberal interest. The newspaper is published weekly on a Saturday at a price of 7d.

**1872** Charles Prestwich Scott becomes editor of the *Guardian*, a post he holds for 57 years. CP Scott is a liberal thinker with strong principles: "Comment is free, but facts are sacred. . . . The voice of opponents no less than that of friends has a right to be heard."

**1907** CP Scott buys the *Guardian*. He is both owner and editor.

**1919** *Guardian Weekly* is launched to provide a compact weekly edition of the newspaper.

**1936** Ownership of the *Guardian* is transferred to a trust. The Scott Trust ensures the independence of the newspaper and continues the journalistic principles of CP Scott.

**1959** The newspaper changes its title from the *Manchester Guardian* to the *Guardian*, to reflect the growing importance of national and international affairs in the newspaper.

**1961** To enable swifter delivery of the *Guardian* to southern England, the newspaper begins printing in London as well as Manchester on 11 September 1961.

**1964** The editor's office and major editorial departments relocate from Manchester to London.

**1976** The *Guardian* moves to a London home at 119 Farringdon Road.

**1988** The *Guardian* has a radical redesign, splitting the newspaper into two sections and introducing a new masthead. An international edition is launched in Europe.

**1999** *Guardian Unlimited* network of websites is launched in January.

**2004** Digital editions of the *Guardian* and the *Observer*, online replicas of the newspapers, launched.

**2005** The new *Guardian* launches, with a ground-breaking design in a midsize format. The *Guardian* becomes the U.K.'s first full-colour national newspaper, and the first U.K. national newspaper ever to adopt this size.

**2007** The *Guardian* and *Observer* digital archive is launched, the first example of a national U.K. newspaper making its paper archive available online via its website.

**2008** Guardian News & Media moves to a new building at King's Place.

Source: <http://www.guardian.co.U.K./information/theguardian/story/>, accessed December 2008.

## Exhibit 9 Scott Trust Description

# The Scott Trust

## A unique form of media ownership

The Scott Trust is the sole owner of Guardian Media Group plc (GMG), parent organisation of the Guardian.

It was formed in 1936 to safeguard the values and journalistic freedom of the Guardian – the legacy of its editor of more than 50 years, CP Scott.

The Trust's core purpose is to secure the financial and editorial independence of the Guardian in perpetuity, while its subsidiary aim is to promote liberal journalism and freedom of the press in the UK and abroad. It requires that the Guardian "remains faithful to its liberal tradition" and is run "as a profit-seeking enterprise managed in an efficient and cost-effective manner".

The Trust takes no financial return on its investment: all of GMG's profits are reinvested to support the core purpose. So, unlike other media companies, GMG does not seek profit for the financial benefit of a proprietor or shareholders. Instead, it seeks profit to sustain journalism that is free from commercial or political interference, and to uphold the values laid down by CP Scott. Part of the Trust's present-day role is to ensure that these values are upheld throughout GMG.

Source: "A Hundred Years," booklet on C. P. Scott produced by Guardian Creative.

## Exhibit 10 Guardian Media Group

| Guardian News and Media  | GMG Regional Media  | GMG Radio   | GMG Property Services                                 | Trader Media Group (joint venture)   | Emap (joint venture)   |
|--|---|---|---|--|--|
| <p>Publishes <i>The Guardian</i> and <i>The Observer</i> national newspapers and the <a href="http://guardian.co.uk">guardian.co.uk</a> network of websites. Also operates Guardian Professional, which provides services in the education, media and public sector. Owner of Content Next – publishers of the media industry blog <a href="http://PaidContent.org">PaidContent.org</a>.</p> | <p>Publishes the <i>Manchester Evening News</i> and other newspapers across Greater Manchester, Cheshire, Lancashire, Surrey, Berkshire, and Hampshire. Copublishes <i>Metro</i> (Greater Manchester) with Associated Newspapers. Publishes <a href="http://ManchesterEveningNews.co.uk">ManchesterEveningNews.co.uk</a> and websites relating to the other newspapers. Operates Channel M, a television station for Manchester broadcasting free to air, online, and on digital, cable, and satellite.</p> | <p>Operates regional radio stations under the Real Radio and Smooth Radio brands.</p> | <p>Provides services to the U.K. property sector.</p> | <p>Publishes a range of leading classified advertising titles and websites. The flagship brands are the <i>Auto Trader</i> magazine and <a href="http://autotrader.co.uk">autotrader.co.uk</a> website. Jointly owned with Apax Partners and accounted for as a joint venture.</p> | <p>Operates a broad portfolio of business-to-business media brands: magazines; information and data products; and exhibitions and events. Key brands include WGSN, Spring Fair, Cannes Lions, CAP, MEED, <i>Health Service Journal</i>, <i>Nursing Times</i>, <i>Retail Week</i>, and <i>Broadcast</i>. Jointly owned with Apax Partners and accounted for as a joint venture.</p> |

Source: Company documents.

**Exhibit 11a** Guardian Media Group Divisional Financials

|                                      | 2003 | 2004 | 2005 | 2006 | 2007 | 2008*** |
|--------------------------------------|------|------|------|------|------|---------|
| <b>National Newspapers</b>           |      |      |      |      |      |         |
| Turnover                             | 217  | 227  | 234  | 237  | 246  | 262     |
| Operating Profit (before exceptions) | (8)  | (6)  | (19) | (19) | (16) | (26)    |
| Operating Assets                     | 37   | 37   | 117  | 127  | 116  | 82      |
| <b>Regional Newspapers</b>           |      |      |      |      |      |         |
| Turnover                             | 122  | 127  | 136  | 127  | 122  | 121     |
| Operating Profit                     | 25   | 31   | 34   | 22   | 19   | 14      |
| Operating Assets                     | 37   | 33   | 56   | 60   | 68   | 58      |
| <b>Trader Media*</b>                 |      |      |      |      |      |         |
| Turnover                             | 121  | 204  | 302  | 303  | 313  |         |
| Operating Profit                     | 43   | 74   | 116  | 120  | 105  |         |
| Operating Assets                     | 51   | 47   | 673  | 673  | 733  |         |
| <b>Radio</b>                         |      |      |      |      |      |         |
| Turnover                             | 22   | 33   | 25   | 28   | 36   | 49      |
| Operating Profit                     | (6)  | (2)  | 1    | 3    | 2    | (5)     |
| Operating Assets                     | 13   | 11   | 75   | 71   | 241  | 213     |
| <b>Other Group Activities</b>        |      |      |      |      |      |         |
| Turnover                             | 45   | 43   | 9    | 5    | -    | 63**    |
| Operating Profit                     | (15) | (12) | (6)  | (8)  | (5)  | 16      |
| Operating Assets                     | (3)  | 0.1  | 60   | 82   | 40   | 616     |

Source: Compiled from company annual reports.

\*Includes *Auto Trader*.

\*\*Includes EMap.

\*\*\* Excludes GMG Property Services. Turnover: 7.7; Operating profit: (2.1); Operating assets: 43.2.

**Exhibit 11b** Guardian Media Group Balance Sheet (£ million) and Metrics

|                            | 2001 | 2002 | 2003 | 2004 | 2005 | 2006  | 2007  | 2008  |
|----------------------------|------|------|------|------|------|-------|-------|-------|
| Total Assets               | 632  | 620  | 647  | 959  | 991  | 1,025 | 1,209 | 1,252 |
| Total Shareholders' Equity | 328  | 333  | 357  | 389  | 425  | 467   | 533   | 836   |
| Debt (net of issue costs)  |      |      |      | 462  | 412  | 394   | 152   | 66    |

Guardian Metrics

|                            |     |     |     |     |      |      |       |      |
|----------------------------|-----|-----|-----|-----|------|------|-------|------|
| Circulation (000)          | 400 | 405 | 402 | 385 | 376  | 380  | 353   | 343  |
| Online Page Views (m)      | 30  | 50  | 84  | 97  | 100  | NA   | NA    | 182  |
| Unique Online Visitors (m) | 2.4 | 4.5 | 7.0 | 8.6 | 10.0 | 12.9 | 15.7* | 19.7 |

Source: Compiled from company annual reports.

Notes:

- 2005–2008 accounts were drawn up in accordance with International Annual Reporting standards. 2001–2004 accounts were drawn up in accordance with UK GAAP. Principal differences between the two methods are goodwill amortization and defined benefit pension fund liabilities.

- Operating assets in 2003–2004 were drawn up under a different basis and are therefore not comparable to figures from 2005 onward.

\*This differs from the numbers in Exhibit 1 due to different data sources.

Exhibit 12 Guardian.co.uk



Source: <http://www.guardian.co.uk> home page, accessed March 2009.

## Exhibit 13 The Online Future as Seen in 1995

**Guardian Online?****Percentage of Guardian readers with computers at home: 49%****National average: 31%****Percentage of Guardian readers buying computers in past two years: 23.2%****Some elements Guardian Online might have:**

**1) News:** We can argue about how much news it should have, but the Guardian is a newspaper first and foremost and I think it would be perverse to follow the line of Henry Scott of @Times and ignore that function online. You could, with the help of the library, follow the example of the Chicago Trib and select a number of background articles to take you further down a particular story.

**2) Arts and Entertainments listings:** We have the information electronically already with the Guide and with our TV listings. We should make it available Online. We should consider what other Group resources could be brought into play here: the addition of material from City Life, the MEN and other papers within the group could make a formidable national service. A ticket-buying service should be considered.

**3) Sport:** Space limitations mean that we do not always offer a comprehensive service. An Online service could deliver a much fuller results service much faster than we can in the paper.

**4) Arts and Books archive:** Guardian readers should be able to check up on what Billington had to say about any play currently running. Or what Derek Malcolm had to say about any movie currently running (or about to be released on video, or seen on television). Readers who missed book reviews ought to be able to retrieve them retrospectively. Is there a deal to be done with Waterstones that would let Guardian readers order any book direct, P&P free? The same for CDs and videos.

**5) Interactivity:** Guardian readers are intelligent, articulate, argumentative. They already love bits of the paper that allow them in: Notes&Queries, C20, the letters page. There is infinite scope for letting them talk to each other, pursue hobby horses, argue with journalists and generally sound off. Notes and Queries and C20 should immediately develop an electronic presence, some of which would find its way back into the paper. Ditto Booksearch. Readers will find their own subjects to debate, whether it is films, books, Suzanne Moore's latest column, the leader line on Israel or football. It's a great place for fantasy leagues.

**6) Archives:** Readers ought to be able to access back numbers of the Guardian, and search for names, subjects, words, dates. Could be charged at a premium rate.

**7) Other news sources:** A deal with AP, Reuter, PA or PA-Sport to carry a truncated version of their wire-services? A reciprocal deal with the Washington Post to carry part of their online service in UK in return for them putting the Guardian online in the US?

**8) Other information:** We should look at what other electronic databases we can bolt onto our own in order to make Guardian Online the most comprehensive electronic centre in the UK.

- We should approach Hansard, now stored electronically, to see whether they would be interested in making Hansard available online — at a premium rate.
- We should approach HMSO and other government departments with the same view in mind
- We should approach The British Library to see if they want to put their catalogue on ours.
- We should investigate the Science Museum, the V&A, the Natural History Museum, the BFI and others to see what information they have electronically
- Waterstone's catalogue (with ability to order direct)
- Virgin Records
- An online encyclopedia

**9) E-Mail and Internet access:** To enable Guardian readers to send and receive E-Mail and generally roam the net. Connection with 20-30 million people around the world for the price of a local call.

**10) Classified ads:** All classified ads should be available electronically. There could be a small additional charge to advertisers for this. There could also be a small premium to readers to see certain adverts early. Job advertisers should be encouraged to have e-mail connections so that people can respond electronically. We should look at areas where we are currently not necessarily very strong (property, motoring, travel) to see what advantages an electronic service could give us. What scope is there for coordination with other wings of the Group? Could any part of Auto Trader, for instance, be made available electronically?

**11) Travel:** Flights, cheap flights, flight arrival times. Train timetables, bus timetables, AA motorway updates. Ferry times. Ferry fares

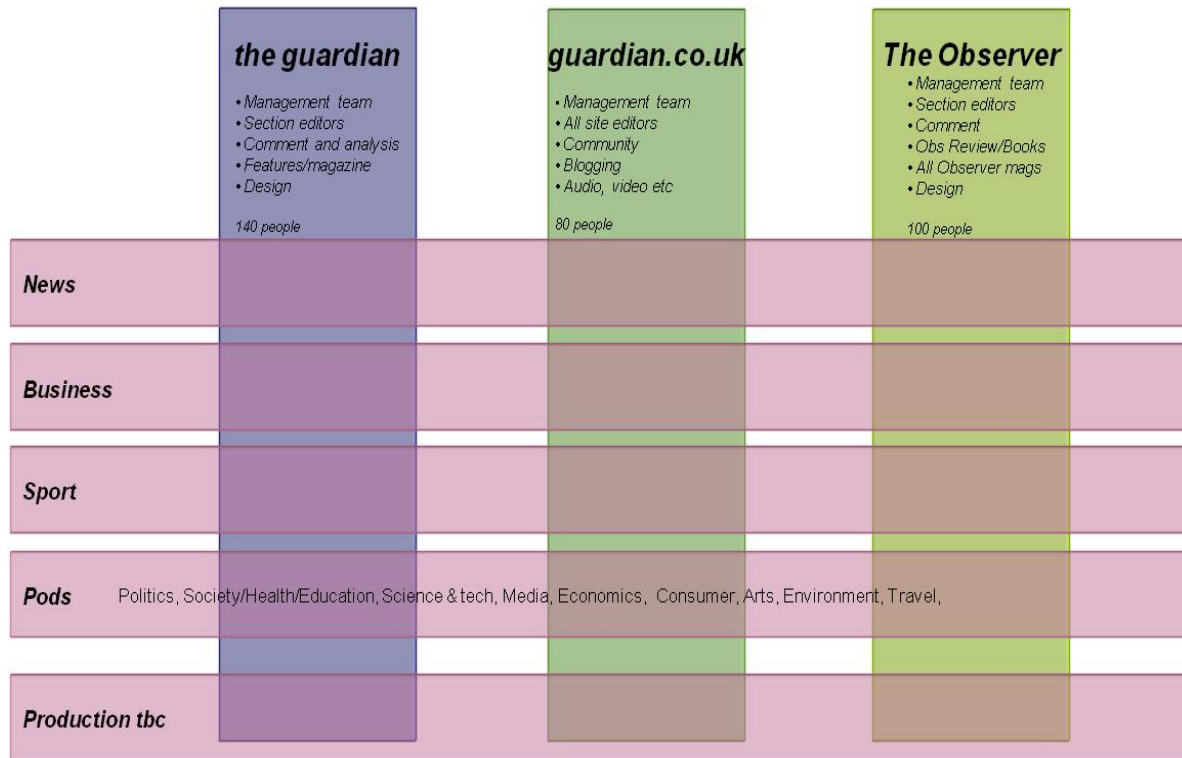
**12) A kids Guardian online:** With kids' listings, homework bulletin boards, chat forums and games. And the best of Eg

**13) OnLine online:** The full text of OnLine each week

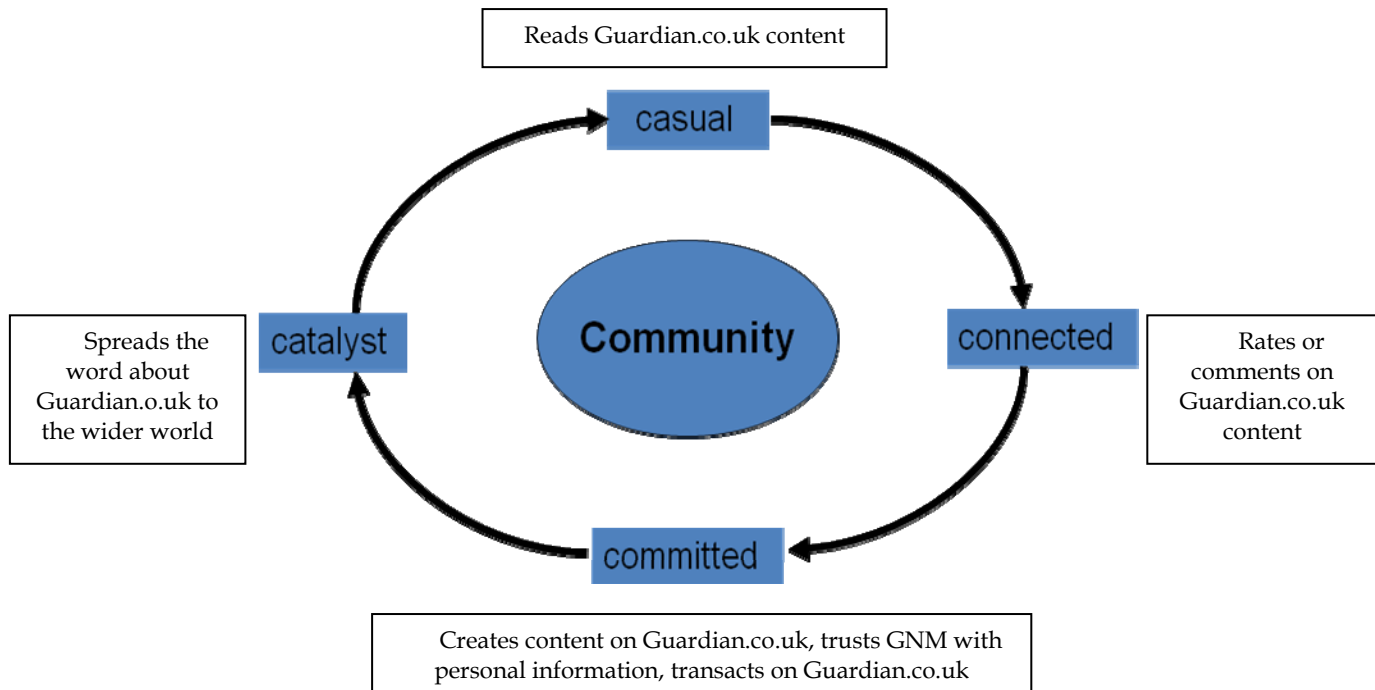
**14) A selection of any parts of the above from the Observer**

**15) The UK Wired magazine**

Source: Company documents.

**Exhibit 14** 2009 Editorial Integration Map

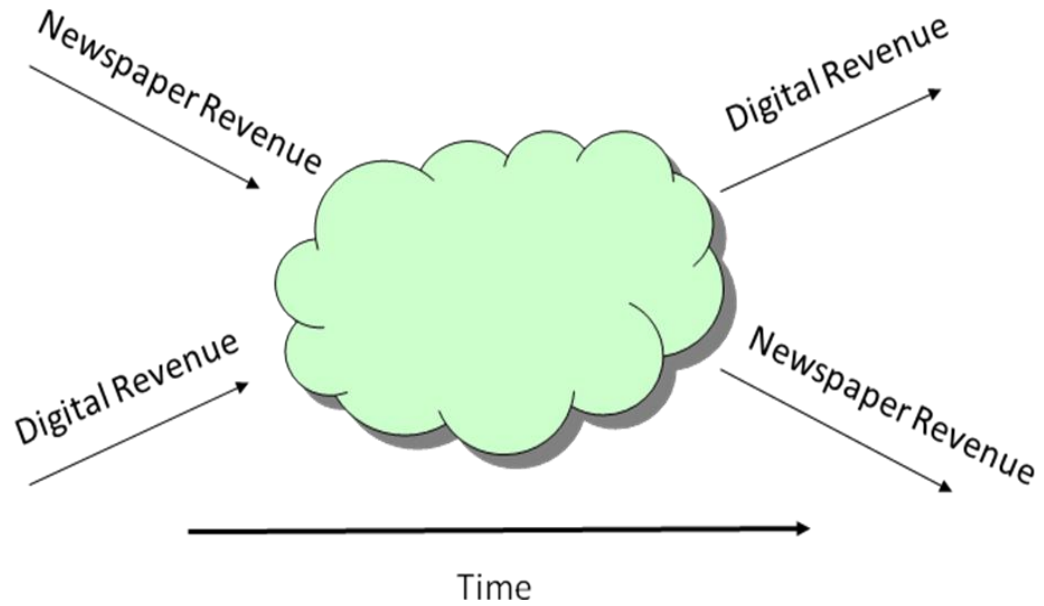
Source: Company materials.

**Exhibit 15** The Circle of Love

Source: Company materials.



**Exhibit 16** The Green Bubble



Source: Created by casewriters from company interviews.

## Endnotes

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<sup>13</sup> Tim Nollen and Karim de Baecque, "UK Newspapers," JP Morgan Europe Equity Research, August 12, 2008, via Thomson Investext, accessed October 2008.

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<sup>16</sup> Tania Branigan, "The Guardian: The Inside Story: The Most Radical Change in 50 Years," *The Guardian*, September 10, 2005, via Factiva, accessed September 2008.

<sup>17</sup> <http://www.adinfo-guardian.co.uk/the-guardian/index.shtml>.

<sup>18</sup> <http://www.adinfo-guardian.co.uk/the-observer/observer-circulation-and-readership.shtml>.

<sup>19</sup> <http://www.adinfo-guardian.co.uk/the-guardian-weekly/gw-circ-and-readership.shtml>.

<sup>20</sup> Company materials obtained during interview with Tim Brooks, November 11, 2008.

<sup>21</sup> Jessica Hodgson, "UK Newspapers Eye Global Online Readers for Ad Rev," Dow Jones Newswires, September 5, 2007, via Factiva, accessed September 2008.

<sup>22</sup> Nollen and de Baecque, "UK Newspapers."

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<sup>26</sup> Branigan, "The Guardian: Inside Story."

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