
Part 1: **Quality Journalism under Pressure**

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Journalism and media convergence

An introduction

1 Problem diagnosis from different perspectives

Journalism is under increasing pressure, due in large part to the phenomenon of media convergence. Not only does media convergence redefine the tasks of journalists and newsrooms, it also reshapes the business environments of media companies.

In this book, international media practitioners and researchers describe and analyze the relationships between media convergence and advertising, public relations, social media and other areas of communication posing challenges to journalism. Concurrently, they contribute to and participate in the search for new, innovative ways to sustain good journalism.

This book documents contributions to a workshop at the Research Unit Media Convergence of the University of Mainz. It differed from many other conferences due to its dramaturgy: We tried to bring media practitioners and researchers together, and hoped that expertise from different fields which are closely related to journalism would result in more accurate problem diagnosis, if not problem-solving. Initially, the intention was to begin each panel with an expert-practitioner in the specific field, and to thereafter offer commentary from a researcher and a journalist. However, we had to compromise here. This did not change our intention to gather ideas under a “rescue umbrella” to help maintain one of the most important services democracies require: a free and competent press working to keep watch over the powerful.

As most of us are well aware, the most admirable form of journalism has become an endangered species. Its traditional forms of print, TV and radio are converging on the Internet. If we don’t care, and if we don’t find new business models or new ways to garner support, high quality journalism may vanish into the Bermuda triangle of cyberspace. Journalism could become increasingly irrelevant for three major reasons:

- Search engines and social network sites offer new opportunities for advertisers to reach specific target groups more effectively.
- PR is increasingly instrumentalizing journalism and thereby challenging journalism’s credibility.

- The public is unwilling to pay for online content, which may also result from journalism's increasing reliance on prefabricated PR feedings, and thus, the decreasing credibility of journalism.

In this book, practitioner expertise and research results have been combined with the ultimate goal of achieving a better understanding of how journalism may yet flourish under conditions brought about by media convergence.

Initially, Robert G. Picard, media economist and director of research at the Reuters Institute for the Study of Journalism at the University of Oxford, argues that there will always be a need for news and journalism, although the ways journalistic news has been financed, distributed and consumed are being altered profoundly. Moreover, the pace of change is affecting news media differently, and some countries are affected more rapidly than others. Therefore, the big question is how to finance and organize journalism in the 21st century – an issue which will be addressed in more detail in several contributions to this book (see articles from Browne, Gellenbeck, Meinhold, Nienstedt/Lis). In order to survive, news organizations must innovate and adapt to developments of the converging media world. Change is no longer a choice, claims Picard, “it is a requirement for news organizations!”

Thereafter Gabriele Siegert, a media economics professor and advertising expert from the University of Zurich, summarizes changes in the ad industry from a researcher's perspective, addressing how these changes affect quality journalism. Her contribution relates to two statements from renowned advertising practitioners, Sebastian Turner and Jens Erichsen, who also participated in the conference. Unfortunately, we were not able to document their contributions in full length. However, to provide the necessary context, we have condensed their original contributions here.

2 Significant conflicts and emotional eruptions

Sebastian Turner has not only been one of the leading figures behind the international advertising agency Scholz & Friends, he is also a co-founder of the German *Medium Magazin*, one of the two prominent trade journals for journalists in the country. Presently (as this book goes into print) he is campaigning for the position of mayor in Stuttgart. In his statement in Mainz (Turner 2011) he emphasized, “after centuries of mutually beneficial cohabitation, the relationship between newspapers and ads is nearing its end.” Classified advertising was first to leave the joint household, retailer advertising followed, and according to Turner,

“thereafter little is left.” He anticipates “explosions, landslides and the like” as the divorce of editorial and advertising forges ahead with significant conflicts and emotional eruptions.

Turner foresees the largest ad sector vanishing. The shift toward online media reduces the reach of households (“Haushaltsabdeckung”) of print media to beneath what is considered a critical mass. According to him, this forces the most important advertisers, the retail chains with many outlets, to search for other advertising channels as they require a high penetration of households. From his viewpoint, the new channel may not automatically be digital advertising. Flyers in every mailbox may be an even more compelling option – a service even newspaper printers and distributors can provide – though the editorial staff will no longer be essential for this service.

According to Turner (2011), the most crisis-resistant advertising sector “has already found a new home,” pointing towards search engines and social network sites:

The availability of cheap, highly-targeted advertising lures away the segment of the advertising market closest to sales – the segment most reliable even in a period of economic downturn. The person who is about to buy something (as opposed to someone who is not yet considering a specific purchase) makes himself identifiable by his search words (“convertible,” “piano lessons,” “plumbing in Eberswalde county”) in the very moment he prepares his expenditure. The cost per interest and cost per order is collapsing. (Turner 2011)

This enables the new business models of advertisers to thrive without print media advertising, according to Turner.

Turner (2011) also pointed to the fact that news organizations have not recognized that the revolutionary new changes in business models are rarely spearheaded by traditional market leaders. “Don’t expect the sailboat manufacturers to be first in the motor boat business,” he warned, providing proof in his own field. “None of the new mechanisms in advertising, such as the auctioning of ad space, were invented or even adopted early on by the dominating advertising carriers, i.e. newspapers and magazines.” Turner stated that the new rules were established by players such as Amazon, AOL, Apple, Craigslist, eBay, Facebook, Google, Microsoft and Netscape. “When news organizations entered the stage, they usually wrecked it,” he said, referencing the merger of AOL and Time Warner and Rupert Murdoch’s acquisition of MySpace to illustrate the underlying structure. Market leaders “forget to differentiate between the essential need of their customers and the habits developed due to technological needs that may change as technology changes.”

Under these conditions, according to Turner (2011), publishing houses as “transaction cost owners” are under pressure. News organizations with giant

resources like printing plants, distribution centers, truck fleets and armies of delivery people “are challenged by individuals who own nothing but a computer and a desk in their bedroom.” As soon as “the quality provided by the small independent start-ups is perceived as being a peer to the traditional news companies, the old news companies will be eaten up by fixed costs.”

Turner sees local and regional newspapers not only losing dramatic income from advertisers, but also under attack from two angles journalistically. “National and international reporting of high quality is drawn from national media and specialists, and the local reporting will be challenged by micro local media.”

Turner predicts that all-in-one-media offerings will be replaced by individually arranged news baskets: “The work of new, highly-respected individual authors will claim relevance, being rearranged by the audience into new individually composed general interest media. The general interest news providers of the past, the newspapers, will follow their soul-mates in the magazine business and disappear – such as *Life* in the U.S., *Quick* and *Neue Revue* in Germany.”

Turner (2011) also addressed a development visible in the U.S. for the last years, suggesting journalists who have been laid off “will challenge the local papers with micro-local journalism.” As the traditional local newspapers continue to lose circulation revenue and advertising income, they will have to reduce their editorial staffs. “This will not only reduce the quality of reporting, the unemployed journalists will start micro-local news offerings on the Web, establishing a completely new media category, micro-local media serving small neighborhoods in big cities and small villages in large districts,” said Turner.

3 More complexity and more opportunity

Jens Erichsen, managing director of Carat Deutschland, the German branch of the world’s leading independent media planning and buying specialist Aegis Media, contributed further insight about the development of advertising and the “divorce” of advertising from journalism. According to Erichsen, there is “more complexity and more opportunity” due to digital technology. “Around the globe there is a shift from mass media to masses of media, from mass audiences to masses of audiences, from broadcaster control to consumer control,” he said (Erichsen 2011), emphasizing the new role of consumers. “They are embracing the future. They still love to be entertained and informed but now use media to interact and transact, to socialize and create – happily converging media to suit themselves.”

He and his company identified three major “game changers” in advertising campaigns and brand communications. First, he suggested that “the days of 360-degree integration, with their campaigns of ‘matching luggage’ are behind us.” Instead, “we need to increasingly think of how we can optimize a brand’s continuous activity over 365 days per year. Few advertisers have the luxury of being ‘on-air’ every day of the year, so our task is to create programs of activity that allow the customer to engage at a time of their choosing.” According to Erichsen (2011), this requires continuous listening and continuous iterations and approaches to planning and how content is programmed. “In fact,” he said, “editorial thinking becomes crucial for brands. Successful brands break out of the fancy ad world and become generous, useful and personalized to connect with like-minded people around shared interests and causes.”

Second, according to Erichsen (2011), “*creating time* becomes more important than just buying time.” He believes in “planning for and creating situations that people will actively choose to spend time with us, where ideas can propagate actively and freely over the full extent of bought, owned and earned media. We believe in sustaining ideas that are born to live, not born to die. Hermetically sealed ad campaigns belong to the past, on-going projects generate sustained engagement.” Thus, the creative advertiser even replaces the journalist in part as an entertaining storyteller.

Third, “whilst big ideas made sense in a broadcast world when media was scarce and controlled, in today’s fragmented and increasingly social world only irresistible ideas will do,” said Erichsen (2011). He added that irresistible ideas demand a response, they invite a next step, and hopefully take on a life of their own. “Becoming self-financing and self-perpetuating, they are more likely to get picked up and passed on, and they make it inevitable that fans will choose to get involved. Ideas which are remarkable, that get talked about, that are irresistible – these are the most powerful tools at our disposal to change behavior, culture and business.”

According to Erichsen, *content*, *sociability*, *mobility*, and *commerce* are converging and driving convergence. “To exclude these elements from any communication program would be like leaving out the water when baking bread”:

- *Content* by far offers the most significant opportunities and the most substantial threats for journalistic media. Content is the main driver for any kind of conversation, and conversation is what brands are looking for. Conversation is the most effective way of communication. Research shows that conversation and recommendation are more effective than any other communication channel. So it is no surprise that brands try to seize new media to stimulate conversation. The ultimate way to seize content for a

brand is to become a publisher. And indeed, we observed plenty of best practice cases like the Walkers Crisps sandwich campaign or Gatorade Replay where brands tried to engage consumers with their own content. Most brands engage on the level of entertainment, but services like “severe weather warnings from ERGO insurance” or “digital concert hall of Deutsche Bank” show, that brands increasingly compete directly with traditional media.

- Media usage becomes more and more *social*. Research from the U.S. indicates that 80 percent of mobile users use their mobile device and TV at the same time. In particular, TV highlights of major sports events multiply Twitter and Facebook usage. This harms a major function of journalistic media: the commenting and judging. In fact, the social aspects of media consumption make journalistic services – at least on big events – partly redundant.
- *Mobility* is expected to advance as a key vehicle for enhanced socialization. We are already seeing prescriptive social software apps like Foursquare that utilize the networks and friendships of users to drive mobile behavior. It is impossible to be out of touch or out of reach. Recent research shows that mobile devices are used not only out of home, but to the same extent in-house as well. The personalization of authority becomes an even broader trend throughout the mobile universe. The trend refers to pro-active and self-confident behavior selection on the part of technologically advanced consumers. Consumers can find and share intelligence in real time at any point in the day. This intensifies their power over the brand-owners but opens new business opportunities to journalistic media like location-based news or social news enhancement.
- Convergence enables social *commerce*. Social media and the technique of behavioral targeting make reaching the most valuable consumers far more precise than any journalistic media. Brands involve their consumers in the product development, product marketing and product services. Prominent examples are the crowdsourced development of the “Fiat Mio” in Brazil, the “Adidas MiCoach” in the U.S. or “Tchibo ideas” in Germany. These brand communities supersede the need for mass communication to a certain extent. Not all consumers will ultimately engage with a brand, around one to two percent of consumers engage actively. However, due to word of mouth and recommendations, the coverage of social media becomes increasingly interesting for brands. (Erichsen 2011)

Finally, Erichsen reminded us that “media are brands too.” They can “actually learn how to position themselves in a converging world from brands. Engagement between media and audience is currently rather low and needs to be increased. New devices affect media consumption and offer great opportunities to adapt to new audience habits. Technology offers opportunities as well, for example the direct measures of what users seek and what they read” (Erichsen 2011).

In closing, Erichsen reflected on *Time* magazine founder Henry R. Luce, who believed that the primary duty of a journalist is to serve readers – a view worth

remembering, though it only makes sense if readers have responsibilities to journalists too, and are at least paying for part of their earnings.

4 Herding behavior and social proof

The danger of collapse for ad-financed journalism has led to those four book contributions, which directly discuss the future financing of journalism. Not only has this topic gained increasing attention from media experts and researchers (German media journalist Harald Staun (2012) is concerned about an overabundance of effort to rescue quality journalism), it is also an area where herd behavior of media researchers and media practitioners can be studied at large. Only a few years ago, there was a “unisono credo” on all major media channels distributing conventional wisdom: “Information wants to be free.” As it had been free on the Internet for several years – and as zero cost is a very special price stimulating predictably irrational behavior (Ariely 2008) – there would be never ever again a chance to introduce paywalls.

However, a free, accountable press is an independent press, and independence is largely based on the financial soundness and well-being of the media industry. Looking backwards, it is also remarkable to note how the media and journalists undermined media independence and financial soundness with the way they’ve reported on the crisis.

The very word *paywall* is a dubious creation. Is the baker who charges for the donuts he sells constructing a “paywall” between him and his customers? By circulating the catchword together with the seductive, but nevertheless stupid formula “information wants to be free,” journalists not only contributed to the herd behavior of others, but became victims of it themselves. If everyone believes in God or UFOs, this is unfortunately not yet empirical proof that everyone is right. However, it is evident that the believers become victims of a phenomenon which researchers call “social proof” (Asch 1951; Cialdini 1998) – a phenomenon which describes how easily we tend to believe what others, particularly the media, believe, and which explains why few trendsetters are able to prescribe new diets, new sports, new clothing, or even how a religious sect leader might successfully talk his followers into collective suicide (Dobelli 2011: 17). In a similar way, a few new media gurus were able to convince everyone that paywalls will never work.

Only three years ago, very few publishing houses – among them America’s cheerleader, *The New York Times* – seriously reconsidered this notion that excellent journalism has a value and should therefore not be accessible for everyone

at zero cost. Perhaps fifty years from now, when historians will write about the downturn of the U.S. newspaper industry they'll find that *The New York Times* prevented the industry from collapse by courageously implementing its metered paywall. At least *The New York Times* was already preparing the turn of the turn – to move from the so-called *Times Select* to free access and from there back to its metered paywall. This was accompanied by remarkable communication efforts, including intensive coverage of the newspaper industry's downturn, frequent presence of top editors like Bill Keller and Jonathan Landman in blogs, in chatrooms, and on podiums (for more detailed documentation, see Russ-Mohl 2009: 58 ff.).

5 The future of financing journalism

The four contributions dealing with future financing look at the problem from very different angles.

Heinz-Werner Nienstedt, media management professor at the University of Mainz, and Bettina Lis, assistant professor at the Chair for Media Management at the University of Mainz, argue that the print part of the newspaper business is still quite healthy in Germany when compared to other parts of the world. Editorial resources, which have not been significantly reduced in terms of industry-wide headcounts since the 1990s, can still be financed by the print part of the business. Online publications of newspapers, which are still free for the user with minor exceptions, may break even or have small profits or losses, but their profit and loss statements reflect only marginal online costs. Editorial costs are overwhelmingly allocated to print. Given the transition to digital consumption of media, online will have to bear parts or all the editorial fixed costs in the mid or long term. There are reasonable doubts about whether online advertising can fill this gap. Thus, newspapers have to turn to paid content models. Nienstedt and Lis discuss main obstacles for this undertaking as well as factors which indicate a success for such strategies on a mid-term time horizon.

With regard to keeping in close touch with readers, the German cheerleader among daily newspapers is most probably the leftist-alternative newspaper *tageszeitung (taz)* in Berlin. It is owned by a cooperative of readers and other activists. Konny Gellenbeck, longtime director of this cooperative, shares her experience in the so-far-successful fight for survival by community building and by an admirable communication strategy. Other quality newspapers still might learn a lot from it, though not every step taken by a niche project like the *taz*

may be feasible for much larger quality newspapers like *Frankfurter Allgemeine Zeitung*, *Neue Zürcher Zeitung*, or the *Guardian*.

Karl-Heinz Ruch, who has been working for the *taz* since 1979 and who would in a more “capitalistic” enterprise be called the CEO, has explained that the business model of the *taz* will work only in affluent societies – though it is strongly based on the principle of solidarity (Ruch 2012). We agree: *Moral markets* flourish better if market participants don’t have to fight for physical survival in their daily lives. However, the practical example of the *taz* (and similar efforts of Max Havelaar or the Tea Campaign – not to be confused with the Tea Party Movement – to get fair prices for agricultural products from the Third World) show that higher prices for certain products and services may be accepted as “fair” by a significant share of customers/audiences – if transparency is provided, and if the respective need to protect income is communicated actively. This has also been confirmed in experiments conducted by behavioral economists (Kahneman/Knetsch/Thaler 2000: 323 ff.).

Harry Browne, a lecturer of journalism at the Dublin Institute of Technology, takes an unconventional closer look at foundation-funded journalism, another funding model circulating with idealistic expectations, particularly in the U.S. Though there is no doubt that foundations can and should play an important role in stimulating changes and innovation in the overall society as well as in media and journalism, Browne is concerned about journalistic independence and points out that there are some risks involved in such funding – providing evidence with statistics as well as enlightening examples. The recent one million dollars grant from the Ford Foundation to the *Los Angeles Times* (Rainey 2012) might be added to his list. Even such a generous gift will only slightly alter the survival conditions of one of America’s most prestigious newspapers. It certainly cannot compensate for the loss of staff, institutional memory, and quality caused by the newspaper crisis and – in this particular case – a fraudulent bankruptcy initiated by Sam Zell, the paper’s most dubious investor. Due to specifications accompanying the grant, there will be a latent, invisible external influence on newsroom decisions concerning the issues to be covered in the newspaper.

Joachim Meinhold, CEO of the *Saarbrücker Zeitung Publishing Group*, argues that the “crisis rhetoric” about newspapers is highly questionable. He warns not to give up a successful business model and proposes to better optimize it. The traditional financing model for journalistic content enhanced by new but related businesses still enables a return on sales well into double-digit figures, as is the case in well managed newspaper publishing houses in Germany. The model does indeed require a critical discussion on journalistic and publishing optimization in terms of strategic perspective. In this context Meinhold discusses ten issues which should be considered in attempts to optimize the newspaper business.

The focus is on better exploiting the regional markets with a variety of initiatives which include new print concepts, online services and other offers. There are still hidden reserves in the business model with more professional sales, more efficient industrial organization as well as more economies of scope. Alternative financing models like non-profit organizations and cooperatives, on the other hand, are seen with skepticism. They pose dangers concerning the professional governance of publishing houses and the preservation of editorial independence.

6 The “shades of grey” in public relations

In the next segment, three institutional communication experts discuss recent (and not so recent) developments in PR currently affecting journalism. We'll begin with Klaus Kocks, former board member and corporate communications officer of Volkswagen, now a renowned PR consultant in Germany, followed by Barbara Baerns, professor emerita from the Freie Universität in Berlin, the doyenne of public relations research in Germany, and finally Marcello Foa, CEO of *Timedia* in Lugano, a veteran Italian journalist, foreign correspondent, and author of a remarkable book about spin doctors (Foa 2006).

As a practitioner, Kocks contributes remarkable insights. Trained in dialectics as well as in rhetoric, he describes how highly professionalized PR exercises significant public influence – without effects which could be measured easily with empirical research. Where others are engaging in “PR for PR” and in camouflage, Kocks addresses a provocative and refreshingly “honest” approach to his profession and mentions PR’s “power of non-reporting,” i.e. keeping the discussion about PR’s influence out of the mainstream journalism agenda.

Barbara Baerns, who has focused her work on empirical analysis, emphasizes that the main objective for research in her field has always been “to expose latent relations and influences, and thereby create more transparent media coverage and a more transparent media system” – certainly a complementary perspective to Kocks’. Baerns declares the need to focus on online journalism and online PR to further analyze the changing relationship between the two professions. She wonders how her younger colleague Howard Nothhaft (University of Lipsia) could raise the question of “whether Barbara Baerns’ determination thesis still deserves to be considered at all given the drastic changes in the media landscape” (Nothhaft 2012). Indeed, it is interesting to see what researchers – inspired by the desire to present some provocative thought – are willing to sacrifice during their rush to deflate another researcher’s theory.

Marcello Foa bases his remarks on the distinction between “public institutional communication” which is supposed to be neutral and moderate, and “political communication” which tends to be partisan and biased. It is in itself interesting that such a distinction has survived in the Roman research culture which describes and analyzes, according to Hallin/Mancini (2005), “polarized-pluralist media systems” while the distinction is no longer made in the Anglo-Saxon world dealing with “liberal-market oriented media systems” or in Central and Northern Europe where a “democratic-corporatist media culture” prevails.

Foa’s distinction between PR professionals who “act correctly applying licit techniques” (the good guys ...) and spin doctors who “aim not to inform but to manipulate media and public opinion” (the bad guys ...) is certainly a great starting point to analyze the “shades of grey” which exist between the two ideal types. His main argument is that journalists don’t know enough about spin doctors to protect themselves and their publics from their subtle and sometimes not-so-subtle attacks. This certainly requires further reflection – not only among journalists themselves, but also among journalism educators who prepare future journalists for a media world where PR experts exert more influence than ever, and where journalism and PR converge (Russ-Mohl 2012).

Recent surveys and content analyses have sought to discover how journalists perceive the influence of PR and spin doctors (Weischenberg/Malik/Scholl 2006; Kerl 2007). They show that journalists are trapped by the tendency to underestimate the influence of PR and overestimate their abilities to deal with spin doctoring. Similar thinking has been discovered in Frenchmen: 84 percent of whom consider themselves masterly lovers. However basic laws of statistics dictate that there’s only room for 50 percent to be above average, while by definition the other 50 percent can only end up below average with regard to love-making (Dobelli 2011: 14; concerning overconfidence see also: Vallone et al. 1990; Hoffrage 2004; Kahneman 2011).

In the case of journalists their overconfidence in dealing with PR adequately and to not become victims of spin doctoring is similarly understandable: The positive self-perception protects their egos. However, following Foa’s short description of spin doctors’ frequently used techniques, such overconfidence is naïve and frightening as well.

7 Complementary connections in the digital age

In the final section of the book, experts analyze the various ways search engines and social media affect journalism’s future.

Christoph Neuberger, professor at the Ludwig Maximilians University in Munich, analyzes the relationship between journalism, social network sites, and news search engines. Referring to empirical findings, he states that “it is unlikely that journalism is in competition with social network sites and news search engines.” Much more important are, according to him, the complementary connections between these fields – as social network sites and news search engines direct significant traffic to websites operated by print and broadcast media. Furthermore, newsroom staffs use social network sites and (news) search engines as research tools.

Thereafter Peter Laufer, a veteran American radio talk master and investigative journalist who recently became a journalism professor at the University of Oregon, and Oliver Quiring, a communications professor at and director of the Department of Communication at the University of Mainz, discuss crowdsourcing, swarm intelligence, and so-called “citizen journalism.”

Laufer provides evidence that crowdsourcing has been practiced by his radio station during the San Francisco earthquake long before the advent of the Internet – and he strongly argues that “there is no need for journalists to rethink their reporting.” Defending journalistic professionalism, he argues that “noise is not news.” Random crowdsourcing of potential news stories should not be seen as a threat to traditional news reporting: “It is inane to assume such chatter should or would replace professional journalism.” For Laufer, it remains unthinkable that the audience should dictate the contents of a newspaper or a broadcast. His credo: “It is the job of professional journalists to determine what is news,” and: “Citizen journalism is an oxymoron unless that citizen happens to be a professional journalist.”

Quiring concedes that according to research, few users actively contribute to the content pool on the Internet: “Users comment, share, and tag – but few are producing their own original news material.” Nevertheless, he is convinced that journalists need to rethink their roles and should begin caring about user participation in Web 2.0 – as social media changes the process of news diffusion, as users are already dictating the content of media products, and as the endless flow and the wide diversity of raw news material on the Internet needs to be carefully curated by professional, independent journalists.

The question of whether we’re disabled by experts (Illich et al. 2000) or whether, due to swarm intelligence (Surowiecki 2005) and empowerment by new technologies, experts are incapacitated by laymen may soon be yesterday’s battlefield. Journalists and media companies must prepare for new challenges and the empowerment of the algorithm (Meckel 2011).

Ahmet Emre Acar’s contribution at the conference moved in this direction. He represented the recently founded Humboldt Institute for Internet and Society

in Berlin, funded by Google Inc. To underline how new technologies, in particular algorithms, affect journalistic work, he referenced the following examples:

- Thomson Reuters' *Calais Web Service*, a service that automatically attaches metadata to submitted content and links the submitted document with entities (people, places, organizations, etc.), facts, and events.
- *MemeTracker* which tracks the quotes and phrases that appear most frequently over time in online news and thus maps the daily news cycle so that everyone can see how successfully different stories compete for news and blog coverage day per day.
- *Digg* which pushes the most interesting news circulating in the Internet to the top and makes them "visible" for everybody.
- *Quora*, a question-and-answer-website, which connects people to everything they want to know by sharing content from the Web. *Quora* organizes people and their interests so that they "can find, collect and share the information most valuable" to them.

Acar referred extensively to a paper which Christopher W. Anderson (City University of New York) had prepared a few days earlier for the first Berlin Symposium on Internet and Society. In this paper, Anderson sheds light on how algorithms affect traditional journalistic work and ultimately, "the very definition of journalism itself" (Anderson 2011: 3). According to him, "journalists are only beginning to think about how algorithms might be used to manage their own informational workflows in a manner similar to that by which Google stores, retrieves, and ranks digital information on the entire Web." Anderson (2011: 5) mentions the need "to examine, in detail, the unequal distribution of computational resources in 21st century journalism" and to "critically dissect how this inequality is either impeding or facilitating journalism's professional mission."

As Anderson did not participate at our conference and Acar did not document his own contribution, our overview must stop here. From our point of view, the analysis suggested by Anderson would have to include the empowerment of new high tech monopolists like Apple, Google, and Facebook by unequally distributed computational and intellectual resources and by the data collections they own – which are, at least partially, as inaccessible as many government "secrets." However, straightforward mentions of this variety can probably not be expected from researchers generously sponsored by Google.

Stephan Russ-Mohl, professor of journalism and media management at the Università della Svizzera italiana in Lugano, Switzerland, and currently a Gutenberg Fellow of the Research Unit Media Convergence at the University of Mainz, concludes the book with final remarks – dealing with shortcomings of the media

coverage of such diverse topics like the financial crisis, the Ehec virus, and the massacre in Norway, all of which have at least one fact in common: They demonstrate how poorly journalism is fulfilling its watchdog function.

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Robert G. Picard

Killing journalism?

The economics of media convergence

Abstract: There will always remain a need for news and journalism. What is changing is the business of news: the ways that news have been financed, distributed, and consumed are being altered and the sustainability of existing news organizations has been altered; new technologies to produce and distribute news have appeared; and there is a shift in media use and a shift of power from the media to the consumers. News organizations must innovate and adapt to developments of the converging media world. Newspapers and news providers that cannot adjust to this new situation, that cannot effectively serve their original purposes, that can no longer serve the needs of their audiences, or that remain badly managed deserve to die.

Keywords: news organizations, financing, business models, change, innovation

1 Self-interest without self-reflection

The condition of journalism needs measured consideration, but that necessity is not being met through discussion among journalists today. Much of the dialogue is driven by newspaper journalists whose self-interests and beliefs that only existing newspaper-based organizations can provide quality journalism are clouding our understanding and limiting our consideration of other alternatives (Meyer 2004; Reilly Center 2008; Pickard/Stearns/Aaron 2009; Jones 2009).

News stories focus on declining revenue, layoffs, and bankruptcies in the newspaper industry and contain little of the business analysis traditionally given to other industries. There is little self-reflection and stories primarily illustrate problems appearing in a few locations, particularly the Anglo-American newspaper industries. The view conveyed is compounded by technophiles who are promoting digital media as an immediate substitution and go as far as saying that newspapers will be dead by 2015.

This has led proprietors of newspapers in Europe and North America to use the concern and rhetoric to their own advantage by trying to get beneficial subsidies, tax breaks, and protections of their business models.

There is no doubt that technological changes and the recent global recession have created enormous economic pressures on newspapers and other news

organizations, but the underlying problem is that the traditional monopoly on news and information held by newspapers is gone. This change has been underway for several decades, but its effects have now become abundantly apparent.

2 Diminishing audiences, advertisers, and wealth

Today, radio, television and cable TV, Internet, mobile phones, and taxi, bus, and elevator screens all provide general news and information, business and finance news and analysis, sports news, analysis, and statistics, entertainment and celebrity news and gossip, and lifestyle news and features. The public is now using these platforms in ways that are altering their use of legacy news sources – especially newspapers and television news. The problem today is not that there is insufficient news and information, but that audiences are drowning in it.

All of these choices have led advertisers to alter their expenditure patterns (see Siegert in this book). Newspapers have paid a particularly heavy price – especially in countries such as the U.S. where papers had an unhealthy dependence on advertising income and relied on it for 85 percent of their income. The changes in advertiser choices and the downturn in the economy thus had dramatic consequences for the financing of newspapers. Even in Europe – where ad dependency tends to be 55 to 65 percent of income – the economic crisis produced significant declines in revenue (Currah 2009; Levy/Nielsen 2010).

These changes in the primary income stream of newspapers have been particularly painful because between 1950 and 2000 advertising revenues increased about 300 percent in real terms and made papers extraordinarily wealthy in the 1980s and 1990s, even as audiences were shifting their use to other media (Picard 2002). The last two decades of the twentieth century marked an unusual era for newspaper revenue, but today we think it was the norm for the industry throughout the last century.

As a consequence of the growing wealth, newspaper firms created large organizations with heavy overheads. They increased the size of the markets; they added journalists to their payrolls; they expanded their bureaus; they made great profits for the owners.

News providers of all kinds created expensive organizations and operations. News Corp. – which had revenues of 6.7 billion dollars (10.9 billion dollars today adjusted for inflation) in 1990 – reached revenues of 30.4 billion dollars in 2009. The BBC – which had an income of 220 million pounds (1.7 billion pounds today

adjusted for inflation) in 1975 – had an income of 4.605 billion pounds in 2009 (27 times more money in real terms than in 1975).¹

All the companies expanded and some commercial news firms, particularly in North America, took on heavy debt on the expectation the good times would continue (Picard 2006). They did not, of course, and the structures and costs developed in the wealthier era can no longer be maintained; hence, the cutbacks and downsizing.

A portion of the difficulties many firms are having adjusting to the changes in the contemporary media environment result from organizational success making change and innovation difficult. Growth of company size creates complexity and the need for more managers and greater division of responsibilities. This makes decision making more difficult and company policies and processes often interfere with the pursuit of new initiatives. This occurs because there is a natural tendency for companies to continue to follow paths that made them successful, especially if innovation often offers less short- to mid-term reward than historic activities.

This has been particularly troubling for the newspaper industry, whose identity is integrally wrapped up in printing and traditional print journalism. The problem is that large portions of the public are now fleeing newspapers that once aggregated large audiences in some markets. Those who remain customers are spending less time with them, and young people are not widely adopting the newspaper reading habit.

This shifting media use is central to the challenges facing the news industry. The increasing competition from other types of media – in terms of number of media available and number of providers on those platforms – is wreaking havoc. Part of this trend is the result of changing society and lifestyles created by urbanization, commuting, changing roles of women, and new concepts of community and connectedness. In an era where technology empowers users, the desire and ability for increased control over content use and participation in the content itself are rising – a development that is anathema to many journalists (see Laufer and Quiring in this book). Audience members are no longer content to be spoon-fed news and information and are now exercising individual choices and developing new consumption habits (Picard 2011). Advertisers are following audiences and moving heavily to other forms of marketing – diminishing the role of advertising in their marketing mix.

¹ Revenue figures are from News Corp. and BBC annual reports. Calculations of current dollar values were made by the author using U.S. Department of Commerce price inflator data.

Although these trends have particularly affected Anglo-American newspapers, if one looks behind the basic circulation and advertising expenditures in other nations a similar pattern is emerging and starting to have profound effects.

3 Shifting control, power, and organizational structures

Underlying all this is a power shift in communications. Media space was previously controlled by media; today it is increasingly controlled by consumers. News and information are no longer supply-driven, but demand-driven markets. The financing of all initiatives in cable and satellite TV and radio, audio and video downloading, digital television, and mobile media are based on a consumer payment model. Today, for every euro spent on media by advertisers, consumers now spend three euros. This has led companies to reduce advertising expenditures and they are now only about one-third of total marketing expenditures of major advertisers. Marketing money is moving to personal marketing, direct marketing, sponsorships, and cross promotions.

The shift in power is also facilitating production of consumer-created content with inexpensive and readily available creation software for audio, video, web design, personal sites, and blogging (Küng/Picard/Towse 2008). The technologies are promoting new types of news and information providers, peer-to-peer sharing, social networking, and sharing of information. Fixed place communications has shifted to mobile communications, and interactivity and user choices are shifting significant time to alternative interactive media uses (Bakardjieva 2005).

It may seem profane, but newspapers and news providers that cannot adjust to this new situation, that cannot effectively serve their original purposes, that can no longer serve the needs of their audiences, or that remain badly managed deserve to die. Journalists seem to think that newspapers have a right to exist and can exist forever. It is incredibly naïve to believe that any company or organization will last forever. Few companies last more than two or three generations. There are only about 1,500 firms worldwide that are two hundred years old. A few newspapers are on the list, but most are vineyards, breweries, hotels, and restaurants.

Economic, technical, and social trends are creating huge challenges for legacy news industries. The costs of news gathering and distribution are markedly lower for digital media and these lower costs of entry facilitate risk-taking in developing new means of conveying news and information, and allowing the

introduction of novel news and information products by other firms. The new products are revealing product limitations and flaws in legacy news media, and weaknesses in customer orientation of legacy media, thus attacking economics of scale in legacy media, and making organizational inefficiencies and cost structures even more untenable. Change is no longer a choice; it is a requirement for news organizations!

Some important evidences of changes are: the increasing disputes among owners and board members of legacy media; newspapers selling their large city-centre buildings; reorganizations and break ups of newspaper groups; the closure and divestiture of less profitable or central activities; unsolicited offers to purchase news organization assets; and new owners and funders entering the industry with different motives and operational ideas.

But does this mean that journalism is being killed? Listening to the rhetoric one would certainly think it is.

If one steps back, however, it is clear that there will always remain a need for news and journalism. The need for news is not changing; what is changing is the business of news. The ways that news has been financed, distributed, and consumed are being altered and the sustainability of existing news organizations has been altered. The tempo of change is affecting news media differently. Some countries are being affected more rapidly than others. Broadcast audiences are more affected than print audiences, but the financial situation of newspapers is most affected because they have the highest non-news cost structures. National and large metropolitan newspapers are most affected in some countries, but local newspapers are most affected in other countries (Picard 2010).

The appearance of new means of communication has always induced changes in existing media by altering their functions and roles, their business models, and their use, forcing them to adapt to survive. In the past two centuries, telegraph services changed with the spread of the telephone, radio altered when television appeared, television channels adjusted to development of cable, and newspapers are now changing because of television, cable, and the Internet.

But change does not necessarily lead to wholesale destruction. We still send the short quick messages of the telegraph, albeit by SMS and e-mail. We listen to the radio for entertainment, news, sports, and discussion of public affairs and watch television for the same purposes. We read newspapers for news, analysis, and features. We use the Internet for communication, social interaction, information, and news. One is not completely replacing the other but is changing the amount we use the various media and creating new preferences for serving certain types of content from particular media.

But we should not really be concerned with the fate of particular media; what should concern us is the fate of journalism. We thus need to think carefully about

the future and how we respond to the changing conditions. The big question is: “How do we finance and organize journalism in the twenty-first century?”

Obviously, news organizations will need smaller and more agile operations and take a far more entrepreneurial approach than in the past. New and different types of news and supplemental news providers will emerge to fill gaps. News organizations of all types will have to become more innovative in their products and processes and will have to cooperate through alliances and networking in ways they have been reticent to do in the past. Revenue will have to come from multiple sources and reduce the dependency on any one source. In the end, managers will have to rethink their entire business models for media to ensure that it creates greater value for customers.

4 Journalism is separate from news enterprises

Questions about whether we are witnessing the end of journalism have made many journalists in legacy news operations apprehensive. But much of the concern results from a misunderstanding of the nature of journalism.

Journalism is not a job; it is not a company; it is not an industry; it is not a business model; it is not a form of media; it is not a distribution platform. Journalism is an activity. It is a body of practices by which information and knowledge is gathered, processed, and conveyed. The practices are influenced by the form of media and distribution platform, of course, as well as by financial arrangements that support the journalism. But one should not equate the two.

The pessimistic view of the future of journalism that many hold is based in a conceptualization of journalism as static, with enduring processes, unchanging practices, and permanent firms and distribution mechanisms. But if one considers history, one sees that journalism has constantly evolved to fit the parameters and constraints of audiences, media, companies, and distribution platforms.

In its first centuries, journalism was practiced by printers, part-time writers, political figures, and educated persons who acted as correspondents – not by professional journalists as we know them today. In the nineteenth century, the pyramid form of journalism story construction developed so that stories could be cut to meet telegraph limits, and production personnel could easily cut the length of stories after reporters and editors left their newspaper buildings. Professionalism in the early twentieth century emerged with the regularization of journalistic employment, and professional journalistic best practices developed. The appearance of radio news brought with it new processes and practices, including “rip and read” from the news agencies teletypes and personal commentary. TV

news brought a heavy reliance on short, visual news, and 24-hour cable channels created practices emphasizing flow-of-events news and heavy repetition.

Journalistic processes and practices have thus never remained fixed, but journalism has endured by changing to meet the requirements of the particular forms in which it has been conveyed and by adjusting to resources provided by the business arrangements surrounding them. Journalism may not be what it was a decade ago – or in some earlier supposedly golden age – but that does not mean its demise is near. Companies and media may disappear or be replaced by others, but journalism itself will adapt and continue.

It will adjust not because it is wedded to a particular medium or because it provides employment and profits, but because its functions are significant for individuals and society. The question facing us today is not whether journalism is at its end, but what manifestation it will take next. The challenges facing us are to find mechanisms to finance journalistic activity and to support effective platforms and distribution mechanisms through which information can be conveyed.

5 The need to look forward

The perception that convergence and its economic effects are killing journalism can be attributed to an unfortunate and very human tendency to think in simplistic terms. There is a tendency to think of the glorious past and that the future can never be as good. There is a tendency to think there can be only one winner in a competitive market and that gain for one must come at the expense of another. These ways of thought have obscured understanding of what is happening to journalism and news media and what it means to society.

The changes are most felt in newspapers today because the mass media business model that nurtured them for nearly a century is becoming less viable. Television news is also being devastated. Reliance on advertisers to pay the vast majority of the costs is no longer viable because the mass audience is changing into a niche audience that is less attractive to many advertisers.

I do not wish to minimize the shock, dislocation, and harm that the changes have caused for journalists and other employees at newspaper firms and other news organizations. They are very real and very unpleasant. The kind of decline we have witnessed in the past four years is particularly devastating to firms with high overheads, unreasonable debt loads, and investors clamoring for high dividends – an apt description of many news firms before the downward plunge.

The challenges confronting news organizations are not trivial or to be diminished, but we need to view them knowledgeably to realistically assess their real effects, and to avoid panic. Journalism can survive the storm that is pounding news organizations if we maintain the will for it to survive, if we take decisive action to promote journalism in new forms, and if we do not endanger it by poor choices. The process will not be comfortable, but the storm will subside, and innovative news organizations will appear beside legacy news firms. The journalists who work in them will hopefully emerge wiser and seek to avoid mistakes that increased their vulnerability to this storm.

News organizations will probably never return to the halcyon days that made them so attractive to commercial investors in the last decades of the twentieth century. However, if they are run effectively by reasonable proprietors with sensible overheads and debts, they will be able to carry on and to serve the journalistic needs of society for many years.

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Gabriele Siegert

From “the end of advertising as we know it” to “beyond content”?

Changes in advertising and the impact on journalistic media

Abstract: The advertising industry and the media industry have long been tied together to reach their main objectives. The advertising industry used media as ad vehicles to embed and transport their ad messages and the media needed advertising money to finance and subsidize their activities. Additionally the advertising income of media outlets depends on economic changes – be they cyclical or structural. Journalistic media seem to be more affected by cyclical downturns than other media types, and they seem to be at least as much affected by structural changes than other media. Structural changes in advertising as well as the possibility to combine advertising in new ways, lead to a loss of advertising money for journalistic media. While advertising money is still important in the financing of journalistic media, at the moment the future of this funding source is unclear. Most likely, advertising revenue will not be large enough to finance newsrooms that are designed to make important contributions to democratic societies.

Keywords: interactive advertising, integrated advertising, personalized advertising, conversation and recommendation as ad objectives

1 Introduction

The advertising industry and the media industry were long bound together to reach their main objectives. On the one hand, the traditional revenue model of the media was highly dependent on advertising income. Media outlets needed advertising money to finance and subsidize their journalistic activities. On the other hand, the advertising industry needed the media to serve as a vehicle to embed and transport their advertising messages – in order to achieve the traditional objectives of advertising, such as gaining attention or interest.

¹ The title refers to two studies of the IBM Institute for Business Value (Berman/Battino/Shipnuck/Neus 2007 and Berman/Battino/Feldman 2010).

Of course both industries have always tried to meet their targets by using new and different measures. The advertising industry has tried to be successful by using direct marketing, below-the-line advertising, or program integrated advertising to reach their target groups. The media industry has tried to finance their products partly via fees paid by the audience or via income from other sources. Nevertheless to achieve their main objectives – attention and consumption in order to attract big audiences and big money – the advertising industry and the media industry were tied together. This mutual interdependence was addressed by media economists as *two-sided-markets* (e.g. Rochet/Tirole 2006). Is this mutual interdependence changing due to media convergence?

Starting from the assumption that the explained mutual interdependence is still the basis of media production, I will define the main underlying concepts, “journalistic media” and “media convergence,” in two short paragraphs. Thereafter I will explain the changes in advertising mainly along the dimensions objectives, messages, formats, and vehicles. I also refer to some issues, which Sebastian Turner and Jens Erichsen, both leading professionals in the German advertising agency industry, raised during the conference on which this book is based (see Russ-Mohl/Nienstedt/Wilczek in this book). Finally, I will discuss the impact of these changes on the media industry and try to answer the question “Where is advertising heading – and what is the future for journalistic media as an advertising vehicle, while media convergence progresses?”

2 Journalistic media

When discussing the impact of changes in advertising on the media, it is important to realize that we are not talking about the media or media performance in general. As the book title points out clearly, the problem is about journalistic media. The ongoing public discussion on the future of the media as a result of the financial crisis in 2008 and 2009 is also not dealing with media performance in general but with journalistic media. The funding of journalism is the problem that academia and parts of the public are concerned about. We are worried about journalistic media, more precisely, media outlets who make important contributions to the functioning of democratic societies. These media outlets serve an important role in their ability to convey accurate political information, attract public attention, and to a certain extent – exercise control over political, economic, and business issues and actors. Hence it is the journalistic media that is most important for society, and it is the journalistic media outlets who are most susceptible to changes in the way that advertising funds journalistic content.

The advertising income of the media in general is dependent on economic changes to the market – be it cyclical or structural changes. Past research has clearly shown that the advertising income of media outlets is dependent on cyclical fluctuations (e.g. Grimes/Rae/O’Donovan 2000; Picard 2001; Chang/Chan-Olmsted 2005; Lamey/Deleersnyder/Dekimpe/Steenkamp 2007; van der Wurff/Bakker/Picard 2008). There is also empirical evidence that not all media types react similarly to cyclical downturns. Media outlets that are active in journalism, particularly newspapers, seem to be more affected than others. Their advertising income reacts much stronger to cyclical downturns of the GDP, then for example, electronic media (Picard 2001 for the U.S. and Europe; Shaver/Shaver 2005 for Asia; van der Wurff/Bakker/Picard 2008; Deleersnyder/Dekimpe/Steenkamp/Leeflang 2009). Hence the journalistic media suffer more from recessions than other media.

A recently finished project on the structural change of advertising (Siegert/Kienzler/Lischka/Mellmann 2012) finds evidence that consumer spending on durable consumer goods (DCG) as well as advertising expenditures of DCG providers are more closely related to the business cycle than consumer spending on selected fast moving consumer goods (FMCG) and advertising expenditures of FMCG providers, respectively. In this respect, media companies should have an eye on their advertising customer because private consumption of DCG might serve as a feasible predictor for future advertising income. Additionally there is also evidence that print media is affected more by business cycles than other media (Lischka/Kienzler/Siegert 2012).

Additionally the advertising income of the media is dependent on structural changes in the advertising industry. Our previously mentioned project shows that the structural change of advertising is not a short-term, rapid change caused by economic downturns and recessions. Rather it has to be seen as a long-term, gradual process pushed but not caused by economic downturns and recessions. Again not all media types are affected in the same way – though it is not easy to prove empirically. There are however, arguments to support the thesis that journalistic media is affected at least as much as other media.

3 Media convergence

Media convergence is said to be the overall change agent – for the media as well as for the advertising industry. Key-drivers of that change are interactivity (cues are: user-generated content, “producers,” that is users of online texts, pictures, videos or music turning also into producers and distributors of texts, pictures,

videos or music, networks, transactions, communities, affiliate-marketing, long-tail), integration (cues are: infomercials, advertorials, placements, advertiser founded – not just funded – programming in terms of branded entertainment) and personalization (cues are: one-to-one-marketing, mass customization, behavioral targeting) (Siegart/Brecheis 2005; Berman/Battino/Shipnuck/Neus 2007; IAB-PWC 2009; Siegart 2010).

Although the basis of the media and advertising change is technological, what really makes a difference for the industries is the change in media and ICT usage. Unfortunately precise numbers of ICT users vary due to the applied source (Eurostat, Internet World Stats, comScore), but it is without doubt that the usage of the Internet and mobile services is rising rapidly worldwide. Amongst the 27 EU-member countries, the percentage of Internet users raised from 36 in the year 2004 to 65 in the year 2010.² Following Internet World Stats (March 2011) the penetration rate of the Internet (in percentage of the population) worldwide looks as follows: Africa 11.4 percent, Asia 23.8 percent, Europe 58.3 percent, Middle East 31.7 percent, North America 78.3 percent, Latin America/Caribbean 36.2 percent, Oceania/Australia 60.1 percent.³

In addition, Internet users increasingly use online content for information and orientation purposes. Online offers are therefore a new competitor for journalistic print media in the audience market. “Large percentages of Internet users in most of the WIP (World Internet Project, GS) countries and regions go online to seek local, national, or international news. In all of the reporting countries and regions other than Colombia, more than 25 percent of users go online to look for news at least daily, and more than half go online for news at least weekly” (World Internet Project 2010). Unfortunately this increasing usage is not in line with increasing revenues for content and news producers. This seems to be due to changes in the functioning of advertising, as well as changes to the way advertising is using online and mobile platforms.

² Statistics on the information society by Eurostat: http://epp.eurostat.ec.europa.eu/portal/page/portal/information_society/data/main_tables (retrieved on 26th July 2012).

³ Internet World Stats (March 2011): www.internetworldstats.com. Copyright © 2001–2011 Miniwatts Marketing Group.

4 Changes in advertising

The way advertising works changes due to media convergence and modified media usage. In this regard the different dimensions of advertising change can be structured as follows:

- *Changes in advertising objectives:* Advertising was and still is persuasive communication particularly in its attempts to influence knowledge, attitudes and behavior. However, conversation and recommendations from third parties are new or at least additional advertising objectives in convergent times. Older models of mass media effects, such as the two-step-flow of communication (Lazarsfeld/Berelson/Gaudet 1948; Katz/Lazarsfeld 1955) take conversation and conversation networks into account. In recent years the topic became attractive again for communication science researchers (e.g. Southwell/Yzer 2007 and 2009; Yzer/Southwell 2008). Communication experts see democratization in brand management due to the possibilities of online communication (“producers”). Advertisers hope for conversation about their advertisements without having knowledge on “who talks when where and why positively or negatively about advertising” (Wiencierz 2012). To involve the brand in conversations and to achieve recommendations, advertisers do not necessarily need journalistic services, because conversations and recommendations (word of mouth) are based on interpersonal and network communication. For interpersonal and network communication they need technologies, platforms or ecosystems, not journalistic media in the traditional sense of the meaning.
- *Changes in advertising messages:* Editorial thinking becomes crucial for the communication of brands, because irresistible ideas and content are drivers for any kind of conversation. Producing content, editorial thinking, and storytelling are core competences of traditional media – for both journalistic and entertainment media. In particular, media outlets that specialize in entertainment produce their content in close co-operation with the advertising industry. They develop magazines, stories, shows and series that can easily be combined with advertising messages from the corresponding industry. This type of collaborative communication enables companies to act as centers of competence concerning particular topics, be it media companies or companies from other industries. Therefore the connection between media and brand communication seems to be non-detachable. Unfortunately brands start to create their own content and thanks to new technologies they have ways to distribute it to desired target groups. What started decades ago

with corporate publishing is now a content creation of its own – viral videos are an example as well as magazines such as the *Red Bull Bulletin*.

- *Changes in advertising formats:* Looking at the history of advertising, we find immense creativity in inventing new advertising forms and formats – an ongoing differentiation. This differentiation of advertising can only be roughly outlined with direct marketing, below-the-line advertising (ambient and ambush marketing), or program integrated advertising. PR and advertising are merging, and so are the formerly separate formats: “Just what is integrated marketing communications? ... it appears to be the natural evolution of traditional mass-media advertising, which has been changed, adjusted, and refined as a result of new technology” (Schultz 1999: 337). Additionally, advertising and entertainment are merging and are leading to new hybrid advertising formats such as product placement, advertorials or in game advertising. The new formats again are not necessarily connected to journalistic media – a lot of them can stand alone. Format and measures such as viral marketing, word-of-mouth, mobile advertising, promotion, sponsoring, direct marketing, and customization are used increasingly (Grimes/Rae/O’Donovan 2000; Perez-Latre 2007; Arora et al. 2008).
- *Changes in advertising vehicles:* In general, advertisers try to find the best mix of advertising vehicles to meet their objectives. Due to media convergence and the upcoming possibilities to reach the desired target groups, companies start to change their advertising investment behavior. The Internet experienced a considerable increase in advertising income in the past (e.g. Linnett 2002; Saksena/Hollifield 2002; Siegert 2010), in particular regarding classifieds (Picard 2008). Traditional media as paid advertising vehicles are beginning to be seen as old fashioned. The new forms and formats promise to reach a mass audience or specific target group without the high costs of media buying. The moment retailers begin looking for other advertising channels – which is currently taking place – traditional media will lose a substantial amount of advertising revenue. Even though retailers will continue to use traditional media in order to distribute promotion material directly to households, the practice is not necessarily connected to the production of journalistic content or the quality of that content.

The advertising-supported Internet is becoming the most important competitor of journalistic media, specifically regarding advertising money. This is not only due to the immense amount of advertising money directed towards the Internet already, it is also due to the fact that the Internet offers new possibilities that function without media content and therefore pose serious challenges to journalistic media as advertising vehicles.

The advertising-supported Internet refers broadly to all activity on the Web intended to promote marketplace exchange of products, services, or information. Paid online advertising is one component. In addition, most e-commerce websites perform a substantial information and promotional function, to encourage commerce. Therefore, e-commerce providers can be thought of as Internet advertisers. Many websites that do not conduct e-commerce also perform an informational advertising function. On behalf of both for-profit and not-for-profit enterprises, they take the place of magazine advertising, brochures, and direct marketing, educating the consumer on features and benefits of the organization's offerings. Additionally, e-commerce sites and company websites collect data about customers and prospective customers. They perform an interactive advertising function analogous to sales forces. So, too, do e-mail solicitations, another form of interactive advertising on the Internet. Internet-enabled economic activity is a dynamic system. New advertising methods, such as the development of paid search in 2003, have expanded the amount advertising contributes to funding the Internet. (Hamilton Consultants/Deighton/Quelch 2009: 3 f.)

The communication process of advertising as a whole is modified due to key-drivers of media convergence – interactivity, integration and personalization. One-way communication is out of style. A brand's task is to create programs of activity that allow customers to engage whenever they want – 365 days per year. Two-way communication and interactivity are not core competences of traditional journalistic media. Referring to Maletzke's definition, mass communication is an indirect, one-way communication (Maletzke 1963: 32), which usually does not allow for participation and interaction. Although it is obvious that currently many companies are still unable to cope with the openness and the two-way communication of the Internet or critical online word of mouth, they will adjust to it sooner or later, and they will change their advertising investment behavior at the disadvantage of journalistic media.

Furthermore, rising mobile media usage is addressed by technologies, not by journalistic content. Location based news is predominately not the type of news defined in the beginning of this article. Without having empirical data on this issue it's apparent that the average mobile media user is not particularly interested in journalistic content. For example a customer who is exposed to news about a war, while walking through the city and going shopping. Location based news is focused on a different kind of content – especially, when we think of the combination of advertising, content, commerce, social networks, and mobile communication. An example of the typical combination could be an online diet program with special recipes (content) that are automatically combined with a list of ingredients linked to a range of products (advertising) from a particular retailer, with an option for the customer to buy or order (commerce). The list could be either sent to the computer or to the mobile phone of the recipient (mobile communication). A diet blog and recipe section would serve as the area for recommendation and word of mouth – social networks would additionally allow

for improving the service. This combination of advertising, content, commerce, social networking, and mobility focuses on people's real life and their everyday problems. Usually this kind of content does not match with the traditional issues journalism deals with.

In summary, the changing way advertising works and uses online and mobile technologies is affecting the traditional media altogether – most of all the journalistic media.

5 Impact on the media industry – an outlook

I will try to answer the question about the future for journalistic media as an advertising vehicle by referring to Ian R. Bruce (1999: 473). He points out that advertising decisions are most often founded on the question “Will this sell?”, whereas public relations decisions are often founded on the question “Will this help establish beneficial relationships?”

However the questions advertising decisions are founded on will change in the following way:

- 1) *Advertising is still designed “to sell”*: When the traditional role of media as a vehicle for advertising is addressed, it is due to the distribution capacity of traditional media outlets, and to their reach of a mass audience or particular target groups. Some brands will no longer need journalistic media to reach their desired target groups, but there will still be many products – from low fat yogurt to beer – which need to reach an audience that is not continuously online. Although people increase their online and mobile usage, media consumption as a whole is not changing so dramatically. In many countries, TV is still the advertising vehicle with the highest reach. Therefore it still makes sense to advertise low fat yogurt in the context of “Desperate Housewives” and beer during the “Champions League” final.
- 2) *Advertising is no longer used only “to sell,” but also “to entertain”*: Brand communication needs new ideas, original views of the world, and interesting stories. It wants not only to inform and persuade it also wants to entertain. When it comes to storytelling and entertaining, traditional media still plays an important role. Brands need the media to embed or to integrate their story and their ideas in an advertising-friendly content. In this regard, entertainment media is more important for brand communication than journalistic media. But all traditional media will suffer from the fact that increasingly

brands create their own stories, their own content, and are able to distribute it to desired target groups by using new channels.

- 3) *Advertising is no longer used only “to sell,” but also “to talk about”*: New advertising objectives such as conversation and recommendation make the advertising industry prefer new technologies and platforms beyond journalistic content. However, in many countries traditional media monopolizes the process in order to promote public conversation. Online activity might initiate the process – but without the engagement of journalistic media it will stay online and not reach the general public. If advertisers want a broader target group (including not only the young urban people who are continuously online) or the public as a whole to talk about a brand or an issue, they need traditional media, including journalistic media – at least to pick up the idea.
- 4) *Advertising is no longer used only “to sell,” but also “to interact and participate”*: Traditional media as producers of journalistic content are not meant to be direct and interactive, neither concerning the underlying and preferred technology nor concerning the production process or the producers, the journalists. Especially when it comes to direct connection of content with commerce, online and mobile technologies are the better and more efficient choice. Online and mobile technologies might be combined with content, but what content would that be? There is more than one reason that this would be entertaining content or “news you can use” instead of in-depth “stressful” news about politics or the economy.

What is the future for journalistic media as an advertising vehicle then? In the past, the differentiation of advertising vehicles and advertising possibilities has already reduced advertising income for traditional media. The upcoming changes in advertising due to media convergence will certainly continue this process for all traditional media. In 2007, the IBM Institute of Business Value saw the role of traditional media in the advertising value chain already shrinking. Although they concentrate on broadcasters and the United States, their arguments are convincing:

Arguably, broadcasters that rely on linear television advertising to fund operational and content costs are at risk in a world of increasing consumer control, niche content and fragmented attention. And yet, broadcasters have the opportunity to leverage their current mindshare with customers, while transforming their operations to embrace the plethora of new digital content distribution opportunities. By delivering integrated, crossplatform advertising programs tied to their programming assets, they can migrate into a successful future model. (Berman/Battino/Shipnuck/Neus 2007: 16)

Therefore the IBM Institute of Business Value named their study with reference to the foreseeable structural change “The end of advertising as we know it.” As journalistic media is affected by cyclical downturns more than other media types, recessions could accelerate this structural change. Altogether, the structural change of the media industry is closely connected to the structural change of the advertising industry (see Figure 1).

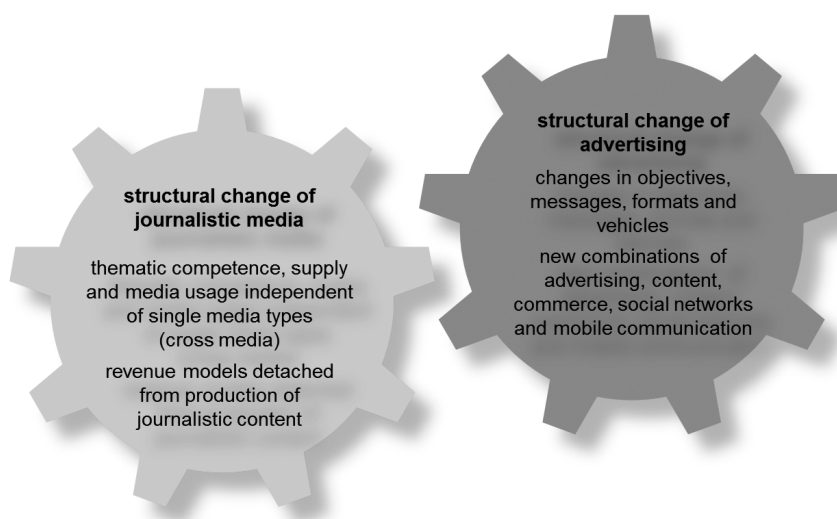


Figure 1: Structural change of advertising and journalistic media. (Source: own Figure).

Meaning that in the future, there will be some advertising investments in journalistic media the question is whether this spending, this piece of advertising money, will be big enough to finance the type of journalistic media that informs, controls as watchdogs, and acts as a forum for political debates. Serious doubts are shown because advertising-supported journalistic media is facing extensive changes due to media convergence. As a result of the mutual interdependence between advertising and the media industry, “the end of advertising as we know it,” means “the end of the revenue model of journalistic media as we know it.”

Hopefully journalistic media will never develop according to the title of the 2010 IBM study “Beyond content” (Berman/Battino/Feldman 2010), because democratic media and information societies depend on the “journalism” as an institution. Democracy cannot get away with the decline of journalistic media – just because advertisers might find better distributors for their messages.

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